



## *Memo*

---

**To:** Jeanene Weiss and Steve Wood  
**From:** Nathan Statham, District Accountant  
**Subject:** Special District COVID-19 Relief Fund – Evaluation for District Application  
**Date:** October 12, 2021

### **Summary**

After careful evaluation of program guideline for the Special District COVID-19 Relief Fund (SD Fund), the District will not qualify to receive funding under the SD Fund Program. As such, it is recommended that the District evaluate other potential funding sources as they become available.

### **Background**

To combat the COVID-19 global pandemic, funding has been made available under three primary actions of the federal government. First, the CARES Act was passed and initially allocated funds to local governments. Second, the federal government made funds available through the Federal Emergency Management Agency (FEMA). Most recently, the American Rescue Plan Act (ARPA) made funding available for COVID 19 relief. Neither act directly allocated funds to special districts and FEMA funds were primarily restricted to direct response efforts such as first responder protections and PPE purchases.

In an effort to benefit special districts, the state has made funding available to water districts under the SD Fund and the California Water and Wastewater Arrearage Payment Programs (Arrearage Program). These state programs are derived from federal ARPA funds and subject to federal program restrictions.

This memo was prepared to determine the District's eligibility for funding under the SD Fund Guidelines and determine whether it is beneficial for the District to submit an application under the SD Fund. This evaluation is based on an examination of program guidelines, other presentation materials from the CA Department of Finance and federal guidelines for CARES and ARPA funds.

### **Relevant Program Details**

Program Eligibility Requirements:

1. Must be an independent special district
2. Cannot have received CARES or ARPA funds.
3. Funds eligible under FEMA are not allowed (any allocation to the District would be reduced by FEMA eligible costs whether or not reimbursed).

The Program will reimburse special districts for revenue losses and unanticipated costs on an allocated basis:

1. Revenue losses – To receive funds under this category, the District would need to show a revenue loss. Revenue losses are defined as reductions in fiscal 2021 revenues relative to 2019 revenues. This is based on revenue from all fund sources.
2. Unanticipated costs – If the District incurred unanticipated costs from COVID 19, those costs would be reimbursed under the SD Fund. Direct costs are defined as costs allowed under CARES or ARPA.

### **Determination**

Eligibility – The District is eligible to apply for SD Funds. The District received no funds under CARES or ARPA. District costs eligible for FEMA reimbursement are negligible.

Revenue Loss – The District did not have a revenue loss. In 2019 revenue from all fund sources was \$3.2 million (base year revenue). In 2021 District revenue from all fund sources was \$3.8 million. This represents a \$600K increase largely due to increases in water sales from resulting from rate increases. While no revenue loss was incurred, unpaid receivables from customer accounts in arrears was evaluated. Delinquent customer accounts related to COVID 19 was determined to be less than \$100K. If revenue was interpreted (not specified by SD Fund guidelines) to account for unpaid balances, the District still shows a significant gain and would not be eligible for funding under this section.

Unanticipated Costs – This category refers to allowed costs under CARES or ARPA. CARES funds were specifically restricted to direct response and economic assistance efforts. No CARES allowed costs were directly applicable to the District. ARPA funds are more broadly available for COVID 19 recovery efforts including allowed infrastructure costs for water, sewer and broad band improvements. All projects are required to have a negative COVID 19 impact nexus; however, negative COVID 19 impacts can be broadly defined. To determine the District's unanticipated costs as applicable to this section, capital improvement projects the District has undertaken during the eligibility period (March 4, 2020 – June 15, 2021) were analyzed. To be eligible, the project would need to provide or increase services for a segment of the District's customers who can be defined as disproportionately affected by COVID 19. While the District has undertaken qualifying project in the past, no qualifying project was undertaken during the eligibility period. As a result, the District would not receive funding under this section.

### **Recommended Approach**

It is recommended that the District does not pursue SD Funds further. Although the application process is simple, the District will clearly not qualify for funding so the utilization of any staff time in this regard would not be warranted.

The State Water Boards have established the California Water and Wastewater Arrearage Payment Program. The Arrearage program is designed to pay utility customer accounts that are in arrears due to COVID 19 during the eligibility period (March 4, 2020 – June 15, 2021). The Arrearage program was preceded by a survey process. The deadline to participate in the survey has passed and is in the evaluation stage by the State Water Boards. The District did not participate in the survey, but based on the results of the survey it may be beneficial for the District to apply under this program. No specific data is available for specific evaluation currently and priority will go to districts that participated in the survey.

The District should continue to monitor upcoming funding availability going forward.