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Implementing Federal Funding for Utilities.

Why It's Important to Think Strategically, Creatively and Holistically When Working with ARPA, IIJA Funds

Utilities are faced with a rare and remarkable opportunity to impact the present-day situation of their users and rate payers while also altering the long-term future of their entire communities.

With the American Rescue Plan (ARP) and the Infrastructure, Investment and Jobs Act (Infrastructure Act) allocating billions of dollars to upgrade aging utility infrastructure and improve utility system resilience (as well as various grant programs that create additional funding opportunities), utilities simply cannot afford to sit this one out.

The ARP was enacted in March 2021 and allocated \$350 billion of non-competitive funding to states, counties, cities, tribes and territories for economic relief in the wake of the COVID-19 pandemic. In early 2022, the U.S. Treasury issued the Final Rule for state and local governments to address their pandemic response needs and promote long-term recovery.

The Final Rule, in essence, set the wheels in motion for utilities to begin planning, preparing and spending, if they haven't already.

The Infrastructure Act which was signed into law in November 2021 created \$1.2 trillion of both reauthorized spending as well as new spending programs specifically to address much needed upgrades to our nation's infrastructure grid. Although more than 65 percent of these funds will go towards addressing public transportation needs, almost \$30 billion will go towards water and wastewater needs, which will be passed down to the states to provide funding at the local level over the next five years.

However, when you consider that we're looking at the largest investment in infrastructure in U.S. history — and that so much contradictory information is available online — it is understandable that some utility leaders find themselves confused, overwhelmed, or even paralyzed by the endless possibilities.

What Should Utilities Be Doing?

Advice regarding how to manage and spend ARP funds combined with Infrastructure Act dollars could lead this conversation down a very nuanced and complicated path, and certainly recommendations would vary from company to company. But in general, we recommend three simple strategies: Think creatively, think regionally and think holistically.

Creatively speaking, if money were no object, how would you spend that money? Where would you want your community to be in the future? And not just in three years, but in 15, 20 or even 50 years? Think in terms of economic growth and aging infrastructure and allow your brain to think creatively, almost as if money was a non-factor. This is a once-in-a-lifetime opportunity — or at least we hope it is! You need to treat this process as if you may never have a better chance to solve utility issues that

have lingered in your community for years.

In terms of thinking regionally, speak with (and perhaps even partner with) governments from neighboring cities and counties. Engage in dialogue around everyone's plans for the region, as the impact of the money in this case could easily spread beyond the walls of your town. The long-term wellness of regional utilities and the economy of the entire region can both be positively impacted by these funds. Seek input from business stakeholders, property owners, taxpayers, utility customers, economic developers and other governmental officials. Having a diverse group of decision-makers and a far-reaching vision for the money will allow you to ensure you spend the funds in a way that has a broad, forward-thinking, regional impact.

Finally, it is important to approach this process holistically. Even though you may be focused on water on a day-to-day basis, look at things from the perspective of your entire community. Awareness of other projects will save time, energy and money. Perhaps the streets department is going to be redoing several roads in a particular neighborhood. To avoid a re-dig, that would be the best time to replace those water, sewer and stormwater lines and perhaps consider installing broadband in an area that is in need of expanded broadband services.

Confusion is Understandable; Hesitation is Not

Although it's been well over a year since the ARP was passed and more than six months since the Final Rule was released, many entities still do not know how to spend their available funds — and there is nothing wrong with that. For starters, many entities waited until the release of the Final Rule to fully explore how to spend their money.

Municipalities generally are aware of the non-competitive funds available from the ARP. However, competitive money is often a different story. Sometimes municipalities don't believe they can qualify for certain available competitive funds or may be intimidated by the task. In other cases, entities simply cannot devote the necessary time or personnel to research the opportunity and prepare a competitive grant application. There are even cases where they don't even know about the available opportunities.

In the larger picture, the spending of ARP funds is a process that requires significant planning, budgeting and collaboration. Additionally, some of the competitive funds available are still being created and rolled out. When you add that all up, it makes sense that an entity would not want to rush into applying for ARP funds.

That said, the time has arrived for action.

Regarding the ARP funding, Infrastructure Investment and Jobs Act funding and additional competitive dollars, there needs to be a "measured urgency." These programs are highly competitive and will not be around forever, so as soon as you're ready, act quickly and purposefully. Ensure in advance you can meet the deadlines and other requirements associated with the grant program.

Additionally, from a timing standpoint, these federal dollars likely will have a real financial impact on rate payers. With water utilities, the more immediately you can access these dollars — the "free money" if you will — the greater and quicker direct impact it could have on what your customers pay in monthly user rates.

Next Steps You Can Take

As a first step, assess your local infrastructure to determine your needs and the extent of the required solutions. One effective way to do this is to create an asset management plan to identify all

the existing infrastructure – both above and below ground – as well as the condition it is in and the estimated cost to replace it. Oftentimes state and federal competitive programs require a preliminary engineering report or asset management plan as part of the application process.

Additionally, consider your economic development strategy — where and how your community is growing, where and how you want it to grow and what kind of infrastructure is needed to attract businesses and industries. You will want to identify and align resources and develop a strategic spending plan. Convene a core group of specialists across all areas. That way when you secure the funding, you are “shovel ready” to act promptly, rather than waiting six months to design the project.

Finally, monitor and evaluate progress. Ongoing compliance should be a continued focus throughout every stage of the process. Communities with limited time, resources or knowledge may find it helpful to connect with a professional services firm that can help them think strategically, regionally and holistically about their ARP funds and assist with grant applications for competitive dollars.

Water Finance & Management

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