



Funding Your Future

Special districts tap new resources and revenue streams to make necessary improvements



AN AT&T PROGRAM

government technology



Tapping into available funds and generating new revenue streams has never been more important for special district leaders. The future is arriving faster than ever, and changing demands and expectations are rapidly emerging. Special districts need resources to respond.

Yet, how can districts modernize technology and processes to meet these new demands with limited budgets and other constraints? This report explores how districts are tapping into federal relief funds, creating new revenue sources and forging innovative partnerships to prepare their organizations for the future.

TRACKING FEDERAL FUNDS

Starting with the CARES Act in early 2020, the federal government has enacted a series of measures intended to provide fiscal relief to individuals, businesses and government

entities impacted by COVID-19. The newest of these measures, the American Rescue Plan Act (ARPA) passed in March 2021, provides \$350 billion in emergency funding to state, local, territorial and tribal governments to offset economic losses triggered by the pandemic.

These funds can be used for a variety of purposes, including offsetting public sector revenue losses to ensure government service continuity; improving drinking water, wastewater and storm water infrastructure; and expanding broadband internet access. Importantly, ARPA funds also may be used to modernize cybersecurity hardware and software needed to protect critical infrastructure.

Although these funds are available to special districts, they typically are not direct recipients of these dollars. Instead ARPA, like earlier federal relief funding



measures, directs the bulk of its funds to state, city and county governments, which can transfer dollars to special districts and other units of government.

ARPA ultimately will provide \$195 billion to state governments, \$65 billion to counties and \$46 billion to cities. This money is being distributed in several installments.

States with the most severe unemployment rates received their entire allocations in May 2021. States with lower unemployment received half of their allocated amount in

May 2021, and they'll get the second half in May 2022. All local governments received the first half of their funding allocations in May 2021, and they'll get the second half 12 months later.

Many jurisdictions are just now deciding how to spend these dollars. Although some of the money is targeted toward specific uses—like addressing internet connectivity gaps, supporting public health and improving access to clean drinking water—other ARPA funds can be used more broadly. For example, the act makes

money available to public sector entities to replace pandemic-related revenue losses.

“Replacing public sector revenue loss doesn't scream technology, but this a highly discretionary bucket of funds,” says Government Technology funding expert Joe Morris. “It allows governments to replace revenue that was lost during the pandemic and use those funds to meet pressing needs, including technology modernization and cybersecurity improvements.”

These funds already are helping special districts restart

modernization efforts that were put on hold when revenue streams from transit fares, user fees and other sources dried up during the public health emergency. And these dollars can be instrumental in launching new projects to help districts meet requirements for supporting remote work, replacing aging systems, expanding connectivity, strengthening cyber protection and more.

“I don't think there's ever been a better time to modernize,” says Devon Winthrop, a principal architect with AT&T's public sector

DIRECT RECIPIENTS OF ARPA FUNDING

Jurisdiction	Amount (Billions)
States & District of Columbia	\$195.3
Counties	\$65.1
Metropolitan Cities	\$45.6
Tribal Governments	\$20.0
Territories	\$4.5
Non-Entitlement Units of Local Government	\$19.5

organization. “There is funding available—and the importance of moving off of aging technologies is a priority and focus for management and leadership.”

Since most special districts will access ARPA funds via transfers from city, county and state agencies, now is a critical time for districts to strengthen relationships and raise their visibility with these jurisdictions.

“Make sure you’re working hand-in-glove with your local governments,” Morris says. “Many of them are still early in the decision-making process, so I would very much encourage you to be part of the process.”

Luckily, there’s a fair amount of time remaining for governments to spend ARPA dollars. Funds must be committed by Dec. 31, 2024, and ARPA-funded projects must be completed by the end of 2026.

“There’s plenty of runway between today and these deadlines,” Morris says. “But you

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Joe Morris, Deputy Chief Innovation Officer, Government Technology

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COLLABORATING FOR DOLLARS

A number of special districts are engaging with state and local government partners to capture CARES Act and ARPA dollars. For instance, the Bremerton Housing Authority in Washington worked with the state’s Department of Commerce to access CARES Act funds to pay for safety renovations in the authority’s public offices to protect staff and clients during the pandemic. Those funds also helped pay for laptops, headsets and collaboration tools needed to equip employees for remote work.

Carlita Mendez, director of contract management services (CMS) for the authority, says federal funds helped support long-term improvements. The funds paid for a nearly complete renovation of the authority’s public spaces—making them both safer and more functional for the future. And the new collaboration tools support a long-term shift toward remote and hybrid work.

Similarly, the Moulton Niguel Water District in Southern California is working with Orange County to gear up to help families who can’t pay water bills due to COVID-related economic hardship. The district is partnering with the county to

deliver the funds to struggling ratepayers through the federal Emergency Rental Assistance program, as well as state-level rent relief efforts. District officials are bracing for an uptick in demand for rent and utility bill relief as California’s moratoriums on evictions and utility cutoffs come to an end.

“For us, it was important to make sure everything was as seamless as possible once someone applies for relief,” says Johnathan Cruz, director of financial planning and innovation for the district. “I reached out early on to the director at the county who was overseeing the program. From there, we made sure our accounting group was in touch with the United Way and the other groups that were going to be administering the funds.”

Streamlining the process ensures relief funds get to clients before critical services are shut off. It also preserves rate-payer revenue and saves expenses for the district.

“If a customer gets shut off, that means we failed in a way,” says Cruz. “But we have to face the reality that we have to operate on a cost of service. We can’t simply forgive bills. There’s also the cost of rolling a truck out there and everything else. So I want to make sure we don’t reach that point.”

RECEIVING DIRECT FEDERAL SUPPORT

Although the bulk of districts will access ARPA dollars and other pandemic relief funds through intergovernmental transfers, some qualify for direct federal support. Hard-hit public transit agencies, which



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Gloria Salazar, CEO, San Joaquin Regional Transit District

saw ridership plummet during the pandemic, are one example.

The San Joaquin Regional Transit District in Northern California accessed funds from the CARES Act and ARPA, which are being used to backfill a 75 percent drop in farebox revenue since the pandemic began.

These dollars are a lifeline to sustain operations while the district navigates a new transit landscape. The funds enable the district to operate at near-normal levels while launching a series of pilot projects that ultimately will help it design new

routes and service offerings to fit a post-pandemic world, says CEO Gloria Salazar.

“This is a unique moment. Our goal now is to be relevant and to move people, not to collect dollars,” she says. “Because we have the stimulus funding to get us through that, this is an opportunity to experiment on routes to bring riders back and attract people who have not tried transit.”

One of those experiments is a year-long data partnership with nearby San Joaquin Delta College to better understand

ELIGIBLE USES FOR ARPA FUNDS



Support Public Health Response

Fund COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff.



Address Negative Economic Impacts

Respond to economic harms to workers, families, small businesses, impacted industries and the public sector.



Replace Public Sector Revenue Loss

Use funds to replace lost revenue to strengthen support for vital public services and help retain jobs.



Offer Premium Pay for Essential Workers

Offer additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors.



Improve Water and Sewer Infrastructure

Make necessary investments to improve access to clean drinking water and invest in wastewater and stormwater infrastructure.



Enhance Broadband Infrastructure

Make necessary investments to provide unserved or underserved locations with new or expanded broadband access.

how students will use public transit now, given the growth in online classes. The district is subsidizing fares for Delta College students any time they ride a transit bus—even after class or on weekends—and collecting data from those trips.

The information will be used to understand ridership trends for this population. Salazar says the district intends to forge similar data partnerships in other segments, too.

In another effort to understand how transit needs are changing, the district expanded its on-demand micro-transit service. The service, which was previously restricted to four zones, is now available throughout San Joaquin County.

“I eliminated all the restrictions—you can go anywhere in the county—so we can see what ridership will look like,” Salazar says. “Data from these experiments is going to be how we redesign

“Adopting a cloud strategy and a shared—but highly secure—infrastructure can really help with the budget.”

Devon Winthrop, Principal Architect, AT&T Public Sector

the right amount of routes for us to recover. That means launching pilot programs until we hit the nail on the head.”

MODERNIZATION’S MOMENT

A series of factors have aligned to make technology modernization both more urgent and attainable.

First, the COVID-19 pandemic dramatically demonstrated the weaknesses of outdated systems and the advantages of modern technologies. When public health concerns forced organizations to implement remote work for many employees and rapidly launch virtual versions of in-person

services, modern systems evolved and scaled to meet the demand. Old systems struggled under these strains or broke altogether—often at the worst possible time.

Now, lessons learned from the pandemic experience are reaching the board room, resulting in greater executive support for IT modernization and innovation.

“Having to migrate away from brick-and-mortar services and moving to virtual work environments created a greater appreciation for the value of modern technology,” says AT&T’s Winthrop. “There’s much more openness to investing in new

capabilities now. It’s not just the CIO or IT manager saying we need to update systems. Mindsets are changing across organizations.”

“And when organizations see there is federal relief money to help pay for modernization projects,” he adds, “it really creates a perfect moment for making progress.”

The need for more flexible and scalable technologies is driving special districts toward services-based approaches as they modernize. Cloud adoption is growing, as organizations look for solutions that can be deployed quickly, scale up or down as needed and provide remote users with access to resources from anywhere. In addition, flexible software-defined networks are replacing outdated network hardware, enabling special districts to react quickly to changing connectivity requirements.

These modern technologies add important capabilities—and they can offer real opportunities for special districts to save money going forward, says Winthrop.

During the pandemic, for example, special districts upgraded aging legacy networks to support new needs like hybrid work and remote monitoring of infrastructure and equipment. Replacing ATM and Frame Relay technology—some of it decades old—with modern wired and wireless network platforms gave districts flexible and reliable connectivity while reducing expenses.

“As districts adopt these technologies, they improve costs and increase performance across the board,” Winthrop says.



The success of these initial efforts is driving further modernization. Now more districts are consolidating separate networks for voice, data and industrial controls into a single network platform that has modern security and resiliency features.

“When you start looking at building a redundant, highly secure network, why do you need more than one?” says Winthrop. “Adopting a cloud strategy and a shared—but highly secure—infrastructure can really help with the budget.”

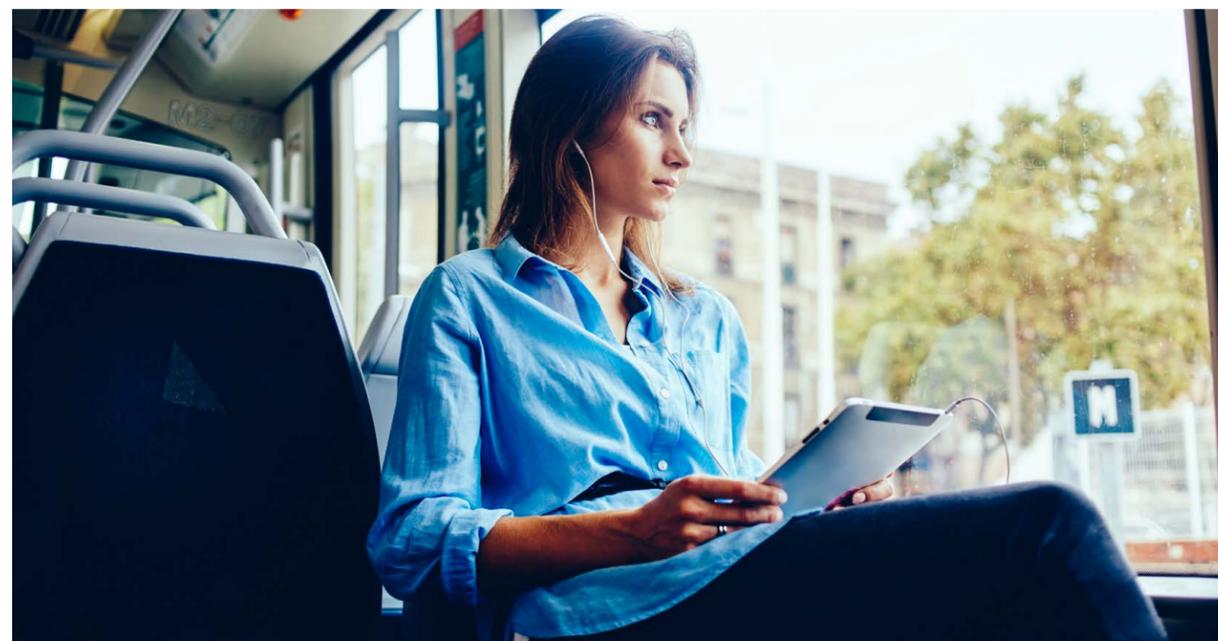
Similar forces are at work around broader cybersecurity improvements, which will be fundamental as special districts work and deliver services in new and innovative ways.

Increasingly disruptive and costly cyberattacks—like the Colonial Pipeline attack in May 2021 that interrupted fuel delivery to much of the East Coast—have

raised cybersecurity awareness among executive leadership. At the same time, federal support for shoring up cyber capabilities in state and local government jurisdictions is on the rise.

ARPA and the CARES Act both include funds that government entities are looking to utilize to perform cybersecurity assessments and implement new security tools and services, says Patrick Robinson, AT&T’s associate director of cybersecurity for public sector.

“The legislative leadership in Congress is hearing what states and localities have been saying for a long time about the need for cybersecurity funds to address security at the state and local level, especially as the federal government enacts new security mandates,” Robinson says. “These new funding programs really put the federal government’s money to great use by helping



to protect the country's most critical infrastructure.”

More security support is on the horizon, too. The Biden Administration's Infrastructure Investment and Jobs Act establishes a cybersecurity risks and threats grant program for states and localities. This \$1 billion appropriation sets up—in conjunction with ARPA and the CARES Act—a multi-year funding stream for cybersecurity improvements that special districts can tap into.

“I would encourage special districts to pay very close attention to these programs,” Robinson says. “The application window for ARPA funding started in September and it runs until the end of 2024, and the last dollars don't need to be spent until 2026. That means special districts can spend some money immediately and plan other improvements in the future with some confidence that funding will be there—especially with the passing of the Infrastructure Investment and Jobs Act.”

GENERATING NEW REVENUE STREAMS

In addition to federal funding, districts are finding innovative ways to create new revenue streams to improve operations and finance modernization efforts.

One example comes from the Bremerton Housing Authority, which now generates the bulk of its revenue by performing contract work for other housing programs—both within Washington State and in other states. The district's Contract Management Services (CMS) division has a contract with Washington's Department of Commerce to distribute grant money and provide regulatory oversight for a federally funded program that provides hous-

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Carlita Mendez, Director of Contract Management Services, Bremerton Housing Authority

ing for developmentally disabled families. In addition, the district contracts with the U.S. Department of Housing and Urban Development (HUD) to provide regulatory oversight for multifamily housing programs in Utah and Nebraska.

“Just to give you an idea of where we are today, the revenues from the CMS division are more than 60 percent of my agency's revenue, says CMS Director Mendez. “So this is a very important part of our sustainability and the services we provide locally.”

These reforms were designed to strengthen oversight of the nation's low-income housing stock. And the money generated has become more important to the housing district over time.

“HUD subsidies and administrative fees that they pay out have been dwindling every year,” says Mendez. “Housing authorities really should be thinking of ways to be financially sustainable.”

DEVELOPING INNOVATION PARTNERSHIPS

Partnerships are another effective modernization tactic. Districts are working with

universities and other units of government to develop innovation and advance new capabilities.

A partnership between the Moulton Niguel Water District and the University of California, Davis, is helping the district reduce energy costs associated with water delivery. The district worked with the university on a tool that uses machine learning to understand where pumping assets are located and to automatically take advantage of differing electricity rates across its network of water infrastructure.

“It's kind of common sense to pump where the energy is cheaper, but this gives us a decision support tool to do that. We have it in front of our operators now,” says Cruz.

The same technology, when combined with data from the district's advanced metering infrastructure, will enable Moulton Niguel to discover water leaks faster and prioritize repairs.

“We're going to reduce water loss and that's a \$2 million a year cost to us.”

The partnership stems from the district's participation in the California Data Collaborative, a network of water professionals



from across the state who collaborate on data tools and applied research. “We're a founding member of the organization and it has been very helpful to us,” Cruz says.

Similarly, the San Joaquin Regional Transit District will work with the local San Joaquin Council of Governments to implement mobile payment technology that will give riders a convenient and touchless way to pay fares.

“We're piggybacking on a project that's already been established by the council of governments called Easy Hub,” says district CEO Salazar. She says the joint platform could become the cornerstone of seamless ticketing and travel across the San Joaquin County region in central California. “Eventually, we hope the entire county can experiment with reciprocity, but that's down the road. First we need compatible technology.”

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Johnathan Cruz, Director of Financial Planning and Innovation, Moulton Niguel Water District

SEIZING OPPORTUNITIES

With ARPA funding available for the next several years and significant new infrastructure funding packages recently passed, federal dollars will continue to flow to public sector entities, including special districts. In addition, special district leaders are finding innovative ways to generate new revenue and form strategic relationships that help them modernize and collaborate for funding.

To make the most of potential opportunities, keep these best practices in mind:

Build relationships now.

Federal relief programs that involve intergovernmental fund transfers often come together quickly to respond to urgent needs. It's important to collaborate before a crisis happens.

For the Moulton Niguel Water District, having regular contact with county officials opened the door to federal dollars for struggling ratepayers through a rapidly developed rent-relief program.

“If you look at it from our county's perspective, they were trying to stand up a \$64 million



EXPERT INSIGHT

Prioritizing Security with Executives

With ransomware and other sophisticated attacks on the rise, special districts must strengthen cybersecurity protections as they modernize. But convincing board members and other senior executives to support investments to address cyber risks can be difficult for special district leaders.

“It’s incumbent on IT and security professionals to educate executives on the need to adopt risk-based approaches to cybersecurity,” says Patrick Robinson, AT&T’s associate director of cybersecurity for public sector. “You have to prioritize security with your executive board—it’s essential for mission success.”

Robinson offers this practical advice for making effective cybersecurity presentations:

Keep it simple. Understand your board’s level of engagement with IT operations and their general cybersecurity awareness and tailor your presentation accordingly. It’s usually best to avoid talk about technology or specific products and focus on organization objectives.

Position cyber with other organization risks. Board members are familiar with managing financial and legal risks. Explain that adopting a risk-based approach to cybersecurity is similar to the controls that are already in place in other areas.

Use real-life examples. It’s best to avoid sensational news accounts, but concrete examples that illustrate the costs and consequences of cyber attacks can be effective. Point to credible data from sources like the FBI and the federal Cybersecurity & Infrastructure Security Agency (CISA) to make your case.

Relate cyber to your mission. Research what your board has approved regarding information technology to support your mission. Explain the impact of having these systems frozen and constituent services impacted by a ransomware attack.

Propose solutions. Performing a cyber risk assessment and creating a risk register that identifies and quantifies the risk associated with various critical assets can help your board make cybersecurity investments based on risk.

Use visuals. Charts and graphics can help board members engage with cybersecurity issues by illustrating processes, roadmaps and other critical information.

relief program in the span of two weeks, so they didn’t have a ton of time to figure out who to talk to,” says Cruz. “Any help you can give them is going to be helpful to yourself.”

Have a plan. For competitive grant applications, try to be ready in advance. With large funding programs in the Infrastructure Investment and Jobs Act, special districts should be preparing now.

“Once the application process opens for these funding programs, there will be a race to apply,” says Samantha Thibault, AT&T’s director of principal architects for public sector. “Organizations that already have a plan—they’ve done the risk profile, they’ve identified the modernization they want to do, they know exactly why they need it—are going to be

“Organizations that already have a plan [for using funding] ... are going to be ahead of the process and ready to hit the ground running.”

Samantha Thibault, Director of Principal Architects, AT&T Public Sector

ahead of the process and ready to hit the ground running.”

Play to your strengths. The Bremerton Housing Authority has long-standing internal expertise around inspecting and regulating low-income housing properties. When the opportunity arose to leverage those skills as a federal contractor, the authority took advantage of it.

“We realized this is an area that we’ve perfected; why can’t we somehow make more money doing it?” says Mendez. “My advice to others is find your core competency and see how you can make it bring in extra dollars.”

Focus on sustainability.

Although funding streams provided through ARPA will last several years, federal programs don’t last forever. Plan and use the funds today with your eye on long-term impacts.

The San Joaquin Regional Transit District is using CARES Act and ARPA funds to keep transit services running at near normal levels while the district redesigns routes and services to meet evolving community needs.

“You need to be strategic because stimulus funds won’t be permanent,” Salazar says. “But they’re helping us figure out what will receive a favorable response from the community and will be supported long term.”

Raise your profile.

Engaging with associations, presenting at conferences and participating in similar activities can lead to beneficial relationships and outcomes.

The Moulton Niguel Water District’s engagement with the





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