

Planning for Recovery: Maximizing the Value of Federal Stimulus Funding

 In the kNOW Webinar Series
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Agenda

- **Russell Ford**, Drinking Water & Reuse Global Solutions
- **Matt Chiller**, Jacobs Vice President for Government Relations
- **Tommy Holmes**, Legislative Director, American Water Works Association
- **Mike Matichich**, Lead for Jacobs Financial Services Consulting Team
- **Lisa Tarufelli**, Finance Administrator, Salt Lake City Public Utilities



The Infrastructure Stimulus: An Overview

Matt Chiller
Jacobs

Water, Resilience & Remediation

Climate Highlights

- \$50b on Resilience
 - BRIC (FEMA), CDBG (HUD) and new programs at USDOT
- \$16b to plug oil and gas wells

Remediation

- \$10b on PFAS
 - House Dem bill has \$1b in PFAS water grants
- \$5b on Superfund & Brownfield programs

Federal Funding for Drinking Water & Wastewater

| | Current Baseline (annual billions) | Biden Plan | Senate GOP | House Dems | Senate bipart |
|----------------|------------------------------------|------------|------------|------------|--|
| Drinking Water | 1.13 | 3.5 | 3.5 | 5.0 | 2.4 in 2022 2.75 in 2023 3.0 in 2024 3.25 in 2025 3.25 in 2026 |
| Wastewater | 1.64 | 3.5 | 3.5 | 8.0 | 2.4 in 2022 2.75 in 2023 3.0 in 2024 3.25 in 2025 3.25 in 2026 |
| Lead Pipes | 0.06 | 5.6 | - | 4.5 | 0.04 for schools |

NOTE: We do not have annual allocations for the Biden or Senate GOP plans but we expect a major jump in FY22 & slight increases over the following 4 years.



Surface Transportation – Broadband – Electrical Grid

FAST Act Reauthorization Highlights

- \$175b on Electric Vehicles + charging stations
 - Grants & tax incentive programs
 - Electrify the federal fleet (DoD, USPS)
- \$20b on Racial Inequalities
 - Reconnecting neighborhoods and EJ
- \$25b on “Transformative Investments”
 - Mega projects (Gateway)

Broadband

- \$100b on Broadband deployment
 - (\$64B in Senate GOP plan)

Electrical Grid Resilience

- \$100b includes clean energy block grants for local governments
 - HR 2 - \$700m each 5 years through 25

| | Current Baseline (in billions) | Senate GOP | Biden Plan |
|-------------------|--------------------------------|------------|---------------|
| Roads and Bridges | 260.5 | 299.0 | 383.5 (+47%) |
| Mass Transit | 68.8 | 61.0 | 178.8 (+160%) |
| Amtrak | 15.3 | 20.0 | 95.3 (+523%) |
| Ports | 12.6 | - | 29.6 (+135%) |
| Airports | 19.7 | 44.0 | 39.7 (+102%) |

NOTE: For these accounts, the % increase is based on a 5-year average of the higher funding level. **We expect a sharp increase in FY22 followed by slight increases over the following 4 years.**

Advanced Facilities – Education – Federal Buildings

Advanced Facilities

- \$50b on National Science Foundation tech directorate
 - Semiconductors, energy, biotech, computing tech
- \$30b on Advanced Tech R&D
- \$40b on Lab Infrastructure
- \$35b on ARPA-C to study climate resilience
- \$20b on Climate R&D
 - Energy storage, carbon capture/storage, hydrogen, advanced nuclear, rare earth element separations, offshore wind, biofuel/bioproducts, quantum computing, & EVs
- \$30b over 4 years on Biopreparedness and Biosecurity
- \$52b on Domestic Manufacturing and Supply Chain

Education

- \$100b on new school construction / renovation
 - \$50b in grants, \$50b leveraged through bonds
- \$12b on community college facilities and tech

Federal Buildings

- \$18b on VA hospitals and clinics
- \$10b on Federal Building modernization, resilience
 - Includes a Federal Capital Revolving Fund



What are the Fundamental Themes?

- Reducing Impacts of Climate Change
- Environmental Justice
- Electrification of Transportation Sector
- State DOT certainty & better funding
- Transit & Amtrak
- Clean Water & Drinking Water SRF Programs



Water Sector Interactions with Capitol Hill during the Pandemic

Tommy Holmes
American Water Works Association

Working with Congress on Pandemic Relief

- Heard from utility members about revenue declines
 - Varied with customer base of given utility
- AWWA, AMWA commissioned study by Raftelis
 - Revenues forecast to fall by \$14 billion
 - Cost US \$32.7 billion in economic activity
- AWWA, others issued alerts to members to contact Congress
 - Use Raftelis report for big picture
 - Describe effects on your utility
- Associations sent joint letters to Hill
- Direct contact with congressional staff



Working with Congress on Pandemic Relief

Results:

- Omnibus budget bill Dec. 2020
 - \$638 million to help low-income water customers
 - Administered by HHS
- American Rescue Plan
 - Another \$500 million for low-income customers
 - \$130 billion for Coronavirus Local Fiscal Recovery Fund
 - Administered by Treasury
 - Includes water, sewer infrastructure
 - Approx. \$31 billion in rental, homeowner assistance, including utility bills.
 - New programs in departments not accustomed to dealing with water sector
- AWWA, others reaching out to HHS, Treasury
- Associations communicating news to members



Working with Congress on Infrastructure Bills

- Been preaching need to invest in water infrastructure for decade-plus
- With pandemic, job creation aspect getting more attention
- Regular conference calls with staff of Senate Environment & Public Works
 - Result was S. 914; passed Senate 89-2
- More of a challenge in House
 - Drinking water under Energy & Commerce
 - Wastewater under Transportation & Infrastructure
 - Three bills so far
- Where does the Biden American Jobs Plan fit?



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What Utilities Can do to Maximize Benefits from the Federal Stimulus Funding

Mike Matichich
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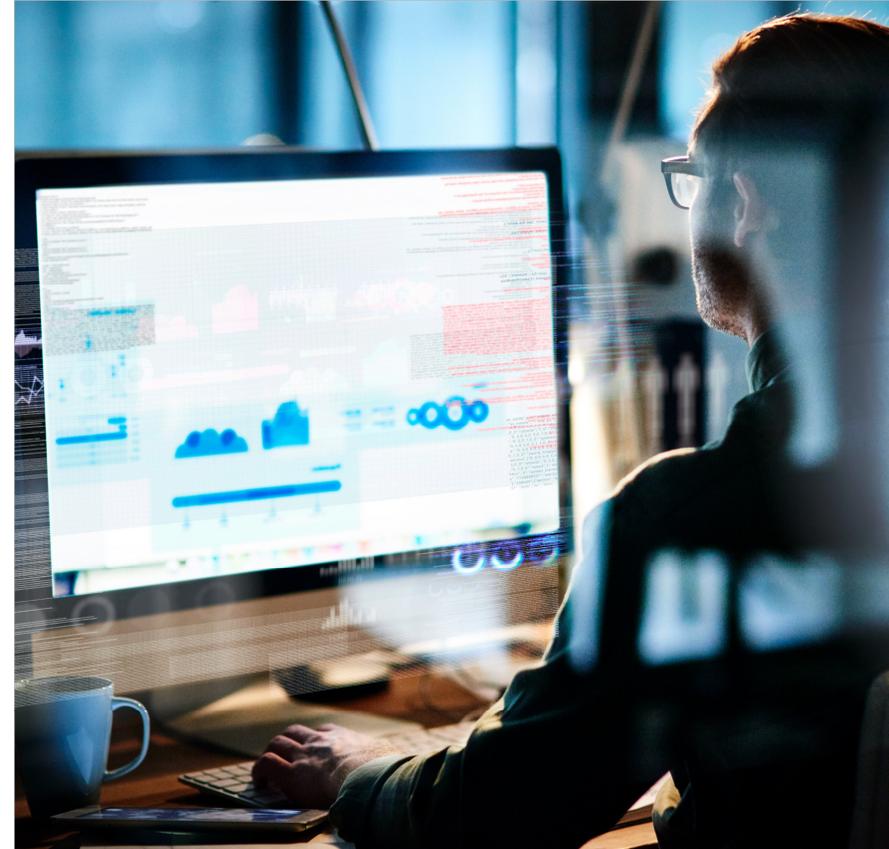
Taking best advantage of the federal stimulus funding will involve engaging proactively with both internal and external stakeholders. This segment addresses:

- Activities utilities can undertake immediately
- Activities that should be undertaken after the American Jobs Plan Act is signed into law



Activities that can start immediately

- Explore opportunities to secure funding from your local governments from the American Rescue Plan Act
- Continue help to low-income customers in qualifying for financial assistance
- Revisit your capital project prioritization
- Develop SRF program applications for high-priority projects
- Conduct scenario analyses to identify key triggers for changes in policy and programs
- Update your financial forecasting and planning models
- Use your participation in organizations like AWWA, WEF, NACWA, & AMWA plus your own lobbyists, if applicable, to help shape the American Jobs Plan Act



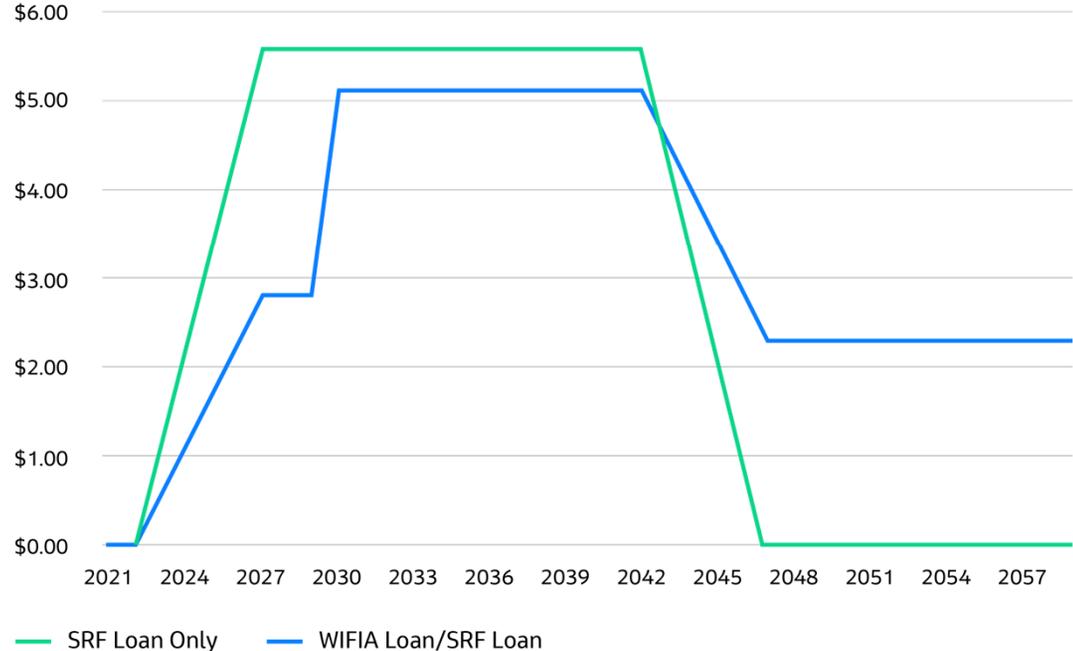
Working through a scenario analysis can help to identify your agency's capacity to move forward with your backlog of capital projects and operating initiatives

| External Drivers | Slow Transition | Mid-range Recovery | Rapid Recovery |
|---|---|---|---|
| Access to Federal Stimulus Funding | Access to federal dollars is slower and at lower level than initially anticipated. Deficits continue and few capital projects can be started. | Access to reasonable levels of federal dollars occurs, but at somewhat slower pace than initially anticipated. | Early access to significant federal dollars wipes out of deficits and enables significant capital projects to be started. |
| Overall Economy | Overall economic recovery is slowed by inflation and transaction time to implement recovery efforts. Customer demand for service remains muted. | Moderate pace of economic recovery results in demand for service that is better than experienced during 2020 but still below pre-pandemic levels. | Strong and rapid economic recovery results in return to pre-pandemic levels of demand for service by residential, commercial and industrial customer. |
| Customer and Employee Health | Deployment of vaccines provides significant benefit, but effectiveness levels and variant strains temper the overall cost and efficiency savings realized. | Mid-range impact on customer and employee health. | Rapid deployment of successful vaccines provides significant boost to customer and employee health, providing significant efficiencies and cost savings compared with 2020. |
| Affordability of Utility Service | Federal payments to families and utilities are insufficient to address most COVID-related financial deficits, so agencies continue to struggle to achieve financial solvency. | Mid-level results related to affordability of services, with improvements from 2020 but some significant continuing issues that need to be addressed. | Federal payments to families and utilities enable most COVID-related financial deficits to be addresses and most customers to be able to pay their service bills. |

After the American Jobs Plan Act is Signed

- Review the final executed legislation for unexpected pockets of applicable funding
- Apply for any specific new grant and loan programs that are created for which your projects are strong candidates
- Look for opportunities to leverage new federal stimulus dollars with other existing programs such as the WIFIA loan program
- Identify opportunities to advance environmental justice and social equity objectives as capital programs are implemented
- Revisit project and program tracking capabilities

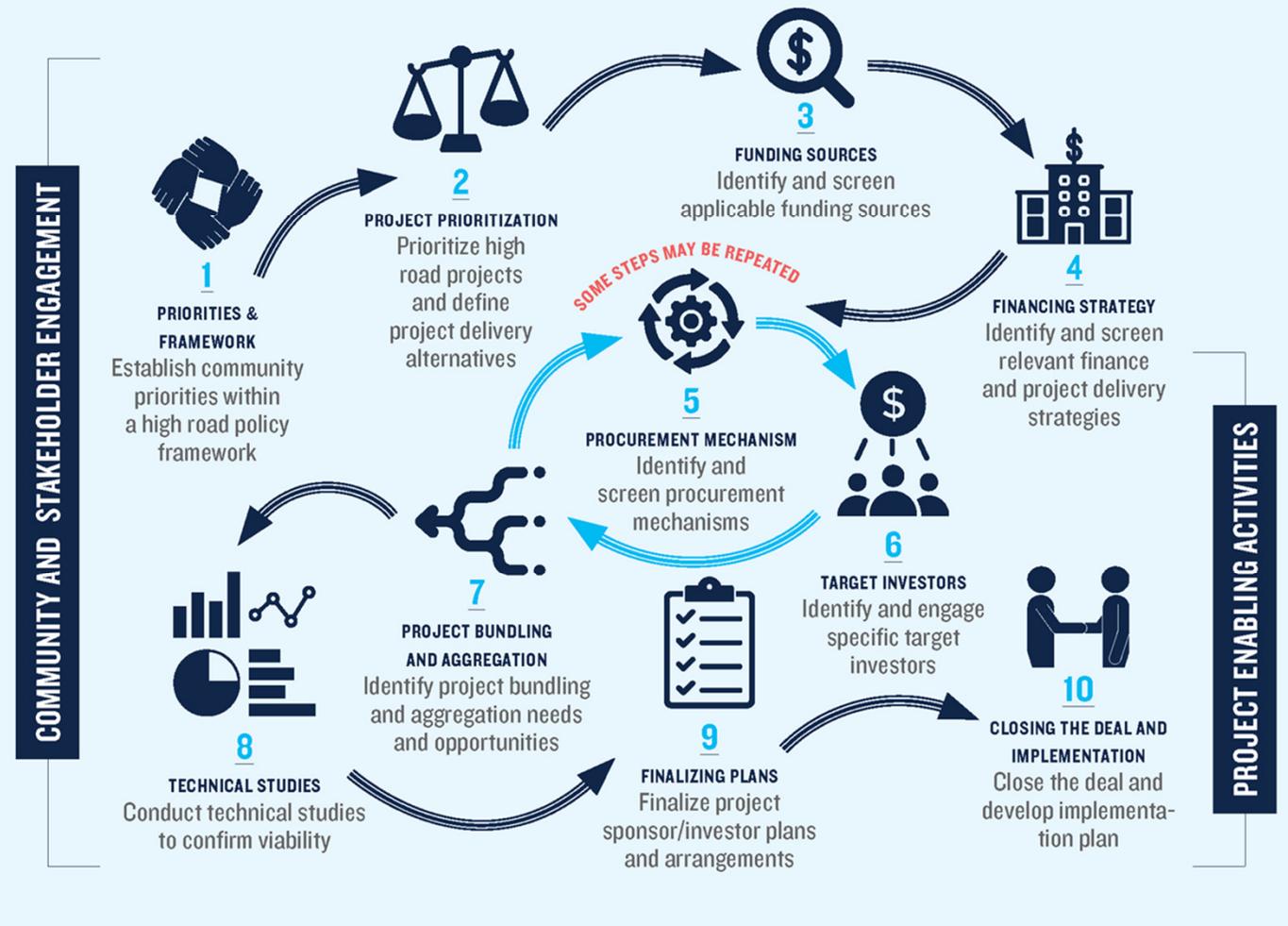
**\$90 M Capital Cost:
SRF Loan Only vs. WIFIA/SRF Hybrid
(Annual Payment in Millions of \$)**



HIGH ROAD PREDEVELOPMENT MAP



Look for opportunities to embed environmental justice and other High Road values into capital programs enabled by federal stimulus funding



Upgrades in program management capabilities may be needed to enable moving forward more rapidly with your capital program.



In sum, the federal stimulus legislation presents a great opportunity to support water agencies in advancing key projects and programs, but it will take focused attention to maximize the benefits.

- There are some steps utilities can take immediately
- There are some additional steps that will follow when the Jobs Plan Act is signed into law
- Much of this effort will require close coordination with stakeholders

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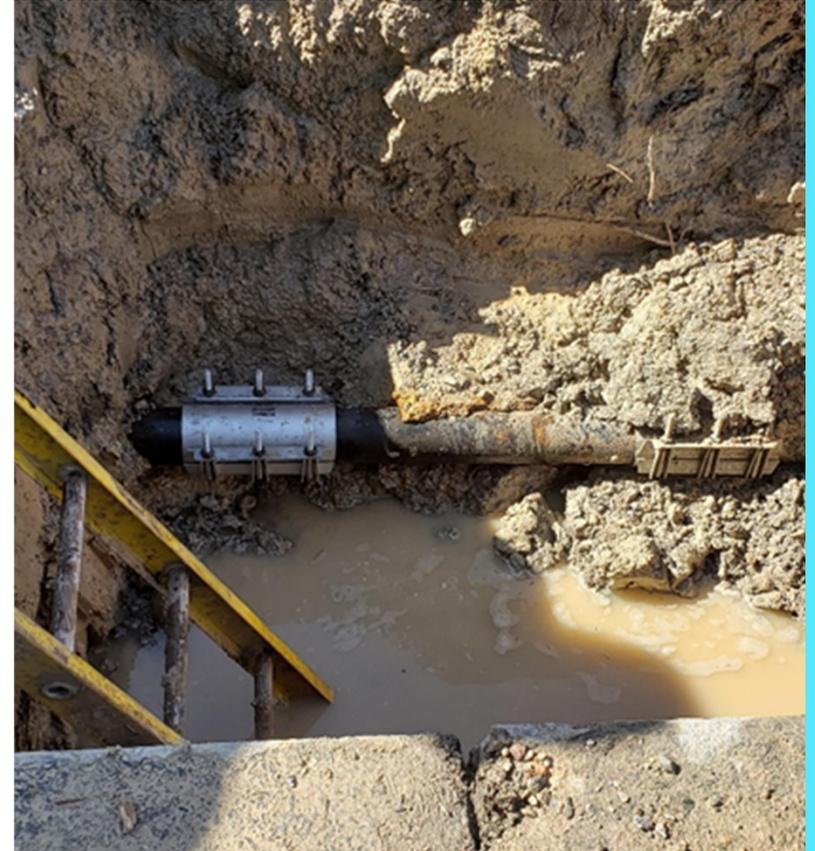
Federal Funding and Planning for Capital Programs and Operating Initiatives

Lisa Tarufelli

Salt Lake City Public Utilities

Salt Lake City Department of Public Utilities

- Responsible for water, sewer, stormwater and streetlighting
- Historically capital improvements funded by revenue bonds and pay as you go
- Utilizing Water Infrastructure Finance and Innovation Act (WIFIA) loan to partially fund reconstruction of water reclamation facility to meet regulatory requirements
- Aging infrastructure
- Identified infrastructure needs exceed financial resources



Salt Lake City Public Utilities Capital Planning

- Asset management program to assess infrastructure – condition and criticality
- Budget priority is rehabilitation and replacement of aging infrastructure
- Systems are expanding in response to growth
- FY22 identified needs exceed available funds
- Water and sewer – FY22 \$265.7 million; FY23 through FY26 \$736.1 million; delayed FY27 and beyond \$1.48 billion
- Planned revenue bonding of \$503 million and continued rate increases

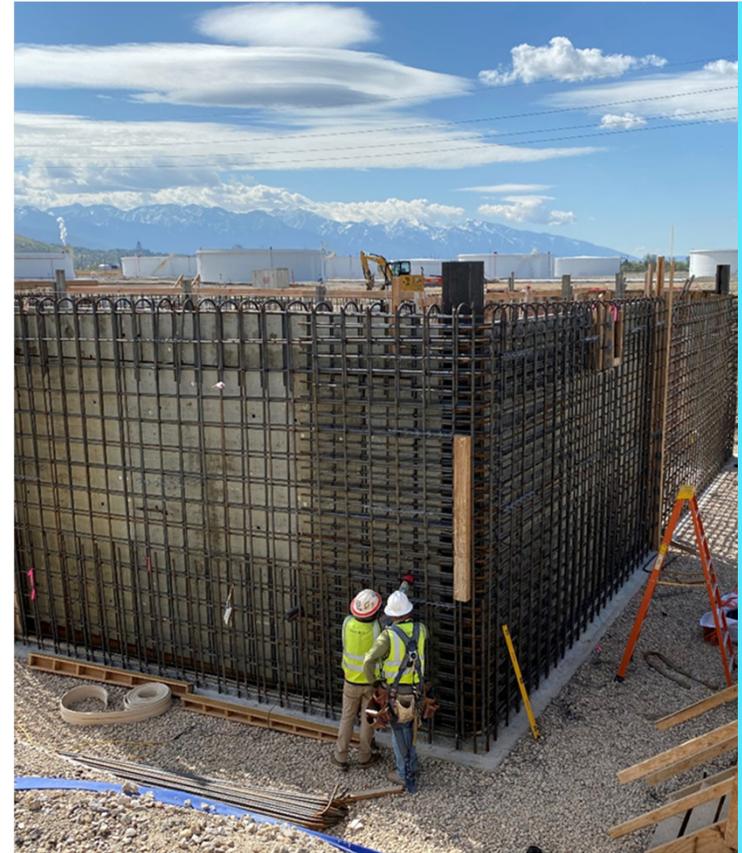


Salt Lake City Public Utilities Federal Funding Opportunities

- Identify key projects that meet preliminary guidelines and timing of various funding sources
- Strategy is required to leverage projects that could be potentially matched by other funding sources

Challenges:

- Competing with other City departments
- Working with other organizations to identify projects that meet specific needs
- Federal agency charged with governance of funding may not be familiar with utilities
- Current lack of defined qualifications and guidelines
- Educating local leaders



Question / Answer



Thank You

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