



Board Agenda Item 31

DATE: August 9, 2022

TO: Board of Supervisors

SUBMITTED BY: Paul Nerland, County Administrative Officer

SUBJECT: Subrecipient Agreements - State and Local Fiscal Recovery Funds
Malaga County Water District
Tranquillity Public Utility District

RECOMMENDED ACTION(S):

- 1) Approve and authorize the Chairman to execute Subrecipient Agreement for American Rescue Plan Act State Local Fiscal Recovery Funds with Tranquillity Public Utility District in the amount of \$661,500 to fund a sewer system rehabilitation project in the Community of Tranquillity; and**
- 2) Approve and authorize the Chairman to execute Subrecipient Agreement for American Rescue Plan Act State Local Fiscal Recovery Funds with Malaga County Water District in the amount of \$2,567,225 to fund the design and construction of a water storage tank in the Community of Malaga.**

Approval of the recommended actions will allocate \$661,500 of State and Local Fiscal Recovery Funds (SLFRF) to Tranquillity Public Utility District (Tranquillity PUD) to fund a sewer system rehabilitation project in the unincorporated disadvantaged Community of Tranquillity, and \$2,567,225 to Malaga County Water District (Malaga CWD) to fund the design and construct a new water storage tank in the unincorporated disadvantaged Community of Malaga. The Final Rule designates necessary investment in water and sewer infrastructure that meets the Environmental Protection Agency (EPA) Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF) requirements as eligible use of SLFRF. The programs are designed to support strong and equitable recovery from the COVID-19 pandemic and economic downturn by making necessary investment in public sewer or water infrastructure systems that support disadvantaged unincorporated communities. This item pertains to Districts 1 and 4.

ALTERNATIVE ACTION(S):

If your Board were not to approve the recommended actions, SLFRF would not become available to Tranquillity PUD to implement the sewer rehabilitation project that would repair and replace aging and failing sewer lift stations in the disadvantaged Community of Tranquillity, which are necessary to comply with State mandates for the operation of public wastewater treatment systems. Additionally, SLFRF would not become available to Malaga CWD to fund the design, engineering, and construction of a new drinking water storage tank that would increase potable water storage capacity to meet the maximum day demand in the disadvantaged Community of Malaga.

FISCAL IMPACT:

There is no increase in Net County Cost associated with recommended actions. Costs for recommended

actions will be funded through Auditor-Controller/Treasurer-Tax Collector Org. 1033 - Disaster Claiming, Fund 0026, Subclass 91021.

DISCUSSION:

The American Rescue Plan Act of 2021 (ARPA) established the SLFRF Program, which delivers \$350 billion to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency.

The Department of the Treasury's 31 CFR Part 35 Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule ("Interim Final Rule") (for expenditures before April 1, 2022) and Final Rule ("Final Rule") establish a framework for determining the types of programs and services that are eligible under the ARPA. SLFRF may be used for eligible activities under four general categories:

- A. Respond to the COVID-19 public health emergency or its negative economic impacts;
- B. Provide premium pay for essential workers;
- C. Replace public sector revenue loss, subject to certain limitations; and
- D. Make necessary investments in infrastructure investments in water, sewer, and broadband.

The Final Rule permits SLFRF to be used to cover costs for eligible activities within those four general categories for the period that begins March 3, 2021 and ends on December 31, 2024. Recipients, including the County, and its subrecipients, must return any funds to the U.S. Department of the Treasury which are not obligated by December 31, 2024, and any funds not expended to cover such obligations by December 31, 2026.

On February 1, 2022, your Board approved the Ad-Hoc Committee's expenditure plan which earmarked funds for proposals that may be funded either in whole or in part by the County's \$194,063,657 allocation of SLFRF. The approved expenditure plan included \$14,105,219 in SLFRF to be made available to qualifying subrecipients through a 30-day application solicitation period and selection review process. On June 21, 2022, your Board approved the earmarking \$13,954,929, that would provide funding to 22 subrecipient proposals including the Tranquillity PUD sewer rehabilitation project (\$661,500), and the Malaga CWD water storage tank project (\$2,567,225).

Under Section 602(c)(3) of the ARPA, the County may transfer SLFRF to a special-purpose district for eligible uses for the purpose of meeting ARPA's goals. Tranquillity PUD and Malaga CWD are special purpose districts under the ARPA.

In the Final Rule, the U.S. Department of the Treasury (Treasury) interprets "necessary" investment in infrastructure in the Final Rule to mean: 1) responsive to an identified need to achieve or maintain an adequate minimum level of service, which for some eligible project categories may include a reasonable projection of increased need, whether due to population growth or otherwise; and, 2) a cost-effective means for meeting that need, taking into account available alternatives. The Final Rule designates necessary investment in sewer or water infrastructure that meets the EPA's CWSRF or DWSRF requirements as eligible use of SLFRF.

Tranquillity PUD represents that its two sewer lift stations (Lincoln Avenue and Silveria Street Lift Stations) are near the end of their useful operational life, in need of repair, and/or complete replacement to ensure that Tranquillity PUD continues to provide adequate sewer conveyance and treatment levels to meet the Community of Tranquillity's service demand. Tranquillity PUD represents that in early 2022, its Silveria Street Lift Station began experiencing operational issues, and on June 29, 2022, the Silveria Street Lift Station pump became inoperable. After assessing the lift station's pump condition, Tranquillity PUD determined that the pump was not repairable and deemed it a complete loss.

Tranquillity PUD provides sewer conveyance and treatment in the Community of Tranquillity, a

disadvantaged unincorporated community of approximately 1,000 residents, located in a census tract (060190082002) with a reported median household income of \$35,368. The recommended agreement provides \$661,500 in SLFRF to Tranquillity PUD to fund the design, surveying and engineering, environmental review, and purchase of two new lift station pumps, and wet well coating to rehabilitate the Lincoln Avenue Lift Station and repair the Silveria Street Lift Station, which are critical components of Tranquillity PUD's wastewater treatment system. Tranquillity PUD represents that the sewer rehabilitation project is an eligible use under CWSRF eligible category of centralized wastewater treatment, sewer system projects and is necessary to maintain adequate service levels, which under the Final Rule is therefore also an eligible use of SLFRF. SLFRF provided under the recommended agreement is designed to support a strong and equitable recovery from the COVID-19 pandemic and economic downturn by making necessary investment in sewer infrastructure that supports an impacted community, which will protect public health and safety, and improve the operation of an existing public wastewater treatment system that serves the disadvantaged Community of Tranquillity.

Malaga CWD represents that it operates three underground wells to supply potable drinking water to the disadvantaged Community of Malaga. Malaga CWD represents that the existing wells are not sufficient to meet the Community of Malaga's maximum day demand if one well were to go out of service. Malaga CWD represents that it owns five inactive well sites, one of which (Well 5) will be replaced through the construction of a new groundwater well, which construction is scheduled to begin in 2023. The County approved the provision to Malaga CWD of \$1,850,000 in SLFRF on May 3, 2022, for the final engineering design, environmental review, Department of Drinking Water permitting, construction and administration, construction review, operation and maintenance manual, and project management for the construction of the new Well 5A.

Malaga CWD seeks from the County \$2,567,225, to fund the final engineering design, environmental review, Department of Drinking Water permitting, construction and administration, construction review, operation and maintenance manual, and project management for the construction of the new water storage tank for Malaga CWD's Well 5A. The new water storage tank for Well 5A will have a capacity of 0.75 MG to 1 million gallons that will store potable water supply. The project is responsive to an identified need of an impacted community, as it will increase drinking water resiliency, maintain adequate and stable service levels, comply with storage requirements as prescribed in California Waterworks Standards section 64554 capacity storage requirements for water systems, improve drought resiliency, and increase drinking water capacity for the disadvantaged Community of Malaga. Malaga CWD represents that the project qualifies under the DWSRF eligible project category of water storage. Under the Final Rule, this is therefore also an eligible use of SLFRF. The Community of Malaga is designated as a disadvantaged unincorporated community, with an average median household income of \$41,321 (census tract 06019001500).

REFERENCE MATERIAL:

BAI #7, June 21, 2022
BAI #3, February 1, 2022
BAI #7, August 24, 2021
BAI #7, July 13, 2021
BAI #36.1, May 25, 2021

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Agreement with Tranquillity Public Utility District
On file with Clerk - Agreement with Malaga County Water District

CAO ANALYST:

George Uc