



## BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

**AB 6020**  
**March 1, 2022**  
**Regular Business**

### AGENDA BILL INFORMATION

<b>TITLE:</b>	AB 6020: COVID-19 Utility Relief Grant Program Overview	<input checked="" type="checkbox"/> Discussion Only
<b>RECOMMENDED ACTION:</b>	Receive presentation and provide feedback on proposed grant program.	<input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

<b>DEPARTMENT:</b>	Finance
<b>STAFF:</b>	Matt Mornick, Finance Director Lajuan Tuttle, Deputy Finance Director Merrill Thomas-Schadt, Sr. Management Analyst
<b>COUNCIL LIAISON:</b>	n/a
<b>EXHIBITS:</b>	1. Draft Utility Relief Grant Program Overview 2. Draft Utility Relief Grant Program Application
<b>CITY COUNCIL PRIORITY:</b>	2. Articulate, confirm, and communicate a vision for effective and efficient city services. Stabilize the organization, optimize resources, and develop a long-term plan for fiscal sustainability.

**AMOUNT OF EXPENDITURE** \$ n/a

**AMOUNT BUDGETED** \$ n/a

**APPROPRIATION REQUIRED** \$ n/a

### SUMMARY

The purpose of this agenda bill is to provide an overview of a potential use of American Rescue Plan Act (ARPA) funds to assist Mercer Island utility customers who have fallen behind on payments to their water/sewer accounts as a result of economic hardships due to the ongoing COVID-19 pandemic.

- The impacts of the pandemic have resulted in a significant number of unpaid and overdue account balances for City of Mercer Island utility customers.
- Currently there are a total of 148 water/sewer accounts with a combined past due balance of approximately \$276,000.
- The City implemented a flexible payment plan for utility customers in September 2021 to coincide with the end of the Washington State utility shutoff moratorium. Customers with past due accounts are notified monthly of the availability of this program, only four customers have signed up.
- Under the American Rescue Plan Act (ARPA), *assistance to households or populations facing negative economic impacts* is recognized as a qualified use of local fiscal recovery funds.
- On this basis, staff developed the framework for a COVID-19 Utility Relief Grant program, which is similar to other city programs.

- Staff are recommending implementation of the grant program ahead of resuming utility shutoffs and late fees on May 1 to assist customers in need. Although this is not a YFS program, the YFS and Utility Team will coordinate on emergency assistance programs to the extent that confidentiality policies allow.
- The staff team is seeking consensus feedback and direction from the City Council on this proposed grant program. Staff will incorporate the feedback and return with a final grant program recommendation at a future meeting for final review and approval by the City Council.

## AMERICAN RESCUE PLAN ACT

The American Rescue Plan Act (ARPA) is a Federal economic stimulus package signed into law on March 11, 2021 in response to the economic and public safety impacts of the COVID-19 pandemic. The \$1.9 trillion legislation includes \$19.53 billion to cities and towns with less than 50,000 residents to aid in their response and recovery from the pandemic. A separate pool of \$45.6 billion was set aside for metropolitan cities with populations over 50,000.

On June 8, Washington's Office of Financial Management (OFM) announced ARPA allocation amounts for Non-entitlement Unit Cities (communities with under 50,000 residents), along with specific instructions to acknowledge the desire for and facilitate the transfer of ARPA funds. The OFM confirmed the City of Mercer Island will receive \$7.23 million in Coronavirus State and Local Fiscal Recovery Funds (SLFRF). The first tranche of \$3,616,084 arrived in late June of 2021. The second half of the City's allocation is scheduled to be provided June of 2022.

## ARPA Allocation To-Date

Of the \$3.6 M received to date, the City Council has committed \$2,972,000 to the following:

Description (\$ in thousands)	Agenda Bill	Budget Year	Expenditure Adjustment
Parks Deferred Maintenance Plan	<a href="#">AB 5914</a>	2021	\$200
PPE supplies for pandemic response	<a href="#">AB 5954</a>	2022	25
City Hall safety upgrades - Phase 1	<a href="#">AB 5954</a>	2022	250
Legal services specific to pandemic response	<a href="#">AB 5961</a>	2021	40
		2022	40
Senior Management Analyst - Administration of ARPA Grant program	<a href="#">AB 5961</a>	2021	34
		2022	68
Staffing to restart recreation programs	<a href="#">AB 5954</a>	2022	416
Transfer to YFS Fund - pandemic response to address social, emotional, and mental health needs.	<a href="#">AB 5961</a>	2021	118
		2022	872
GIS Utility Network Data Upgrade	<a href="#">AB 6012</a>	2022	110
Accelerate Utility infrastructure projects	<a href="#">AB 6014</a>	2022	799
<b>Total</b>			<b>\$2,972</b>

## Program Overview

Staff developed the framework for a potential grant program modeled after those offered by neighboring communities and based on the anticipated need on Mercer Island (see Exhibit 1). Details include:

- Grant funds will be a one-time award, applied directly to Mercer Island utility residential customer accounts. Residents who pay for utility service to a landlord or a third-party billing agency (in the case

of some large apartment buildings) will not be eligible for the program. Only customers who have a past-due utility account directly with the City, as either an owner or tenant, and meet other program criteria may be eligible.

- Only amounts accrued from March 1, 2020, through September 30, 2021 (the period of the state-wide utility moratorium) are eligible for the grant program.
- A household may be eligible if it meets all the following criteria:
  - Holds a water/sewer utility account with the City of Mercer Island.
  - Has a household income between 0-100% of the King County area medium income (see Exhibit 2).
  - Has experienced an economic hardship or loss of income due to the COVID-19 pandemic resulting in past due utility bills. Examples of eligible hardships can be found in Exhibit 2.
- Applicants will provide income information on the program application and supporting documentation such as paystubs, bank statements, letter from employers or an unemployment benefit statement.
- Applicants will self-attest to their hardship relating to COVID-19 on the program application.
- The City of Mercer Island may authorize up to \$2,000 per eligible household to assist residential water/sewer utility customers, depending on the past-due balance on the account during the eligibility period. The City will continue to offer flexible payment plans in addition to the grant assistance program.

Although this grant program is separate from the YFS emergency assistance program, the staff teams will continue to coordinate to the extent allowed by confidentiality policies.

#### Estimated Financial Need

It is challenging to determine the exact number of accounts eligible for relief and the total outstanding balance which may be covered by ARPA funds. Currently, there are a total of 148 accounts with a past due balance of approximately \$276,000 that may be eligible for relief under the program's guidelines.

Ongoing outreach to establish flexible payment plans began in September 2021, coinciding with the end of the Washington State utility shutoff moratorium. Information regarding the availability of payment plans is mailed monthly to those customers with accounts more than 180 days past due. To date, four flexible payment plans have been established.

The City has not issued late fees or initiated water service shut-offs for past-due accounts since March 2020. Staff is intending to resume water shut-offs and late fees on May 1, 2022 and anticipates there will be added urgency for both payment plans and outside assistance for payment of past-due amounts. The ARPA Grant Relief program will create another option for those customers impacted by the pandemic.

#### **ARPA Guidelines**

According to the Department of Treasury's Interim Final Rule on ARPA, expenditure category 2.20 allows for "assistance to households or populations facing negative economic impacts due to COVID-19. This includes food assistance, rent, mortgage, or utility assistance," among others. The guidance stated, "In assessing whether a household or population experienced economic harm as a result of the pandemic, a recipient may presume that a household or population that experienced unemployment or increased food or housing insecurity or is low-or-moderate income experienced economic impacts from the pandemic."

On January 6, 2022, the Department of Treasury issued their Final Rule, to take effect on April 1, 2022, clarifying many components of the guidance in response to feedback to the Interim Rule. The Final Rule

states: “To simplify the administration of determining which households and populations recipients may presume to have been impacted, the final rule adopts a definition of low- and moderate- income based on thresholds established and used in other federal programs.”

*Low income* is defined as:

- Income at or below 185% of the Federal Poverty Guidelines for the size of its household based on the most recently published poverty guidelines by the Department of Health and Human Services (DHHS), or
- Income at or below 40% of the Area Median Income for its county and size of household based on the most recently published data by the Department of Housing and Urban Development (HUD).

*Moderate income* is defined as:

- Income at or below 300% of the Federal Poverty Guidelines for the size of its household based on the most recently published poverty guidelines by DHHS, or
- Income at or below 65% of the Area Median Income for its county and size of household based on the most recently published data by HUD.

By defining low- and moderate-income levels, the Final Rule sought to reduce administrative burden of recipients by providing clarity on which specific households could be presumed to be impacted by the pandemic. The Final Rule goes on to state that “recipients can also identify and serve other classes of households that experienced negative economic impacts or disproportionate impacts from the pandemic; recipients can identify these classes based on their income levels, including above the levels defined as low and moderate income in the final rule.” As such, staff believes that the King County Median income levels as published by HUD are a qualified measure of income that meet the intent of the Final Rule.

Staff are aware that Washington State may include additional resources for utility assistance. The proposed 2022 Supplemental Budget provides for a \$100 million grant program administered by the Department of Commerce to address utility arrearages. The Legislature will pass the budget in March 2022; staff will continue to track developments of this program.

## **NEXT STEPS**

Staff are seeking consensus feedback and direction from the City Council on this proposed grant program. Staff will incorporate the feedback and return with a final grant program recommendation at a future meeting for final review and approval by the City Council.

If an ARPA Grant Program is approved, Utility Billing staff will work on a communications and outreach plan to reach potentially eligible households. The program will be administered by the City’s designated ARPA coordinator, in collaboration with the Finance and Utility Billing teams and YFS.

## **RECOMMENDED ACTION**

Receive presentation and provide feedback.