Funding Your Future

Special districts tap new resources and revenue streams to make necessary improvements.
Replacing public sector revenue loss doesn’t scream technology, but this is 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 technology 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

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Amount (Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>States &amp; District of Columbia</td>
<td>$195.3</td>
</tr>
<tr>
<td>Counties</td>
<td>$65.1</td>
</tr>
<tr>
<td>Metropolitan Cities</td>
<td>$45.6</td>
</tr>
<tr>
<td>Tribal Governments</td>
<td>$20.0</td>
</tr>
<tr>
<td>Territories</td>
<td>$4.5</td>
</tr>
<tr>
<td>Non-Entitlement Units of Local Government</td>
<td>$19.5</td>
</tr>
</tbody>
</table>

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 is 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
“You can’t just sit around and wait for these funds to come your way.”
Joe Morris, Deputy Chief Innovation Officer, Government Technology

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.

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.

ELIGIBLE USES FOR ARPA FUNDS

- Replace Public Sector Revenue Loss: Use funds to replace lost revenue to strengthen support for vital public services and help retain jobs.
- Improve Water and Sewer Infrastructure: Make necessary investments to improve access to clean drinking water and invest in wastewater and stormwater infrastructure.
- Address Negative Economic Impacts: Respond to economic harms to workers, families, small businesses, impacted industries and the public sector.
- 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.
- Enhance Broadband Infrastructure: Make necessary investments to provide unserved or underserved locations with new or expanded broadband access.

- “This is a unique moment. Our goal now is to be relevant and to move people, not to collect dollars.”
Gloria Salazar, CEO, San Joaquin Regional Transit District

“You can’t just sit around and wait for these funds to come your way.”
Joe Morris, Deputy Chief Innovation Officer, Government Technology

FEDERAL SUPPORT

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

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 use the data to inform future decisions about service.

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 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...
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 districts’ 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 housing 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 authorizes 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 works 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 country can experiment with reciprocity, but that’s down the road. First we need compatible technology.”

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 funded program that provides housing 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 authorizes 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 works 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 country can experiment with reciprocity, but that’s down the road. First we need compatible technology.”

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...
“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

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 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. “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 California Data Collaborative led to relationships that produced sophisticated data tools at little cost to the district. “You’d be surprised how many people are willing to do work for free, but they need to know you’re out there. If you’re out there telling your story, good things tend to happen.”

MOVING TOWARD THE FUTURE

“With districts facing heightened expectations now and growing demands in the future, they need to evolve processes and technologies to meet these needs. The COVID-19 pandemic accelerated trends around digital delivery of government services, automation of manual processes, remote work and more. It also increased demand for social safety net programs and upended long-standing patterns for commuting, traveling and consuming utilities. The unrelenting pace of technological change creates additional challenges. Driverless vehicles and smart highways are just around the corner. And IoT networks, data analytics and other advanced technologies promise greater efficiency and reliability. All this means special districts must become more agile and responsive organizations, capable of taking on new responsibilities, evolving their services and reacting to unexpected events. Fortunately, as these examples show, there are multiple opportunities and effective tactics for districts to improve revenue, support modernization and move their organizations toward the future.”

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.
Our first name has always been American, but today you know us as AT&T. We’re investing billions into the economy, providing quality jobs to over 200,000 people in the U.S. alone. We’re supporting the veterans who make our country stronger and providing disaster relief support to those who need it the most. By bringing together solutions that help protect, serve and connect—committed AT&T professionals are working with the public sector to transform the business of government.

For more information about the Special Districts Program, visit: govtech.com/districts

government technology

Government Technology is about solving problems in state and local government through the smart use of technology. Government Technology is a division of e.Republic, the nation’s only media and research company focused exclusively on state and local government and education.

govtech.com