

## Provisions of Federal CARES Act Impacting Municipal Utilities

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act includes a provision for a forgivable loan program that may assist certain businesses in paying eligible expenses – including utilities – incurred during part of public health emergency period.

**Utilities that have a commercial or industrial customer experiencing difficulty paying its utility bill are encouraged to make the customer aware of this program. It may be beneficial for the customer to pay their utility bill now (with funds obtained through a forgivable loan) rather than to defer payment of their bills until a later date.**

Title I of the CARES Act creates the Paycheck Protection Program and provides for a new loan within the Small Business Administration's 7(a) loan program for eligible small businesses; the loan may eventually be forgiven under certain conditions.

*For purposes of the Paycheck Protection Program, the small business must employ fewer than 500 employees. This 500-employee threshold applies to the overall business; however, businesses in the accommodations and food services industries with more than one physical location may be eligible for relief per location, if the location employs fewer than 500 employees.*

The loans will be 100% guaranteed by the Small Business Administration and have an interest rate no higher than 4%.

- Eligible small businesses can use the loan to cover:
  - Payroll costs
  - Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
  - Employee salaries, commissions, or similar compensations
  - Payments of interest on any mortgage obligation
  - Rent
  - Utilities
  - Interest on any other debt obligations that were incurred before February 15, 2020
- The maximum loan amount will be the lesser of \$10 million or 2.5 times the average monthly payroll based on the prior year's payroll.
- Eligible small businesses applying for a loan under the program must make a good faith certification that the uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations of the small business requesting assistance, among other things.

A small business that maintains payroll continuity from February 15, 2020, through June 30, 2020, may request loan forgiveness on the Paycheck Protection loan.

- The amount of loan forgiveness is limited to an amount equal to the sum of the following costs spent by a borrower during an 8-week period after the origination date of the loan:
  - Payroll costs for workers making less than \$100K
  - Any payment of interest on any covered mortgage obligation
  - Any payment on any covered rent obligation
  - Any covered utility payment
- The small business must affirmatively request loan forgiveness from the lender and work with the lender to provide documentation establishing that the small business maintained its payroll during the relevant period.