

Western Water Issues Driven by COVID

Prepared by the National Water Resources Association and the Colorado Water Congress

National Water Resources Association Member Survey Responses

What are your sectors top three risks? For the water supply sector the top three risks are:

Protecting staff:

Both municipal and agricultural water providers have staff that need to perform critical daily operational and maintenance functions. Many of these functions cannot be done remotely. A shortage of workers due to a localized outbreak could have major impacts. Licensed water treatment operators are scarce. If we lose them to COVID-19 and our other regional partners are impacted as well, we would find ourselves at great risk.

Supply Chain:

Supply chain, for both PPE (masks and cleaning solutions) as well as for chemical supplies for treating water. PPE are needed not just to protect staff from the virus, but also their daily work that requires specific PPE. (i.e., employees who work with chemicals, oils, fluids, etc.) We have water districts that are constructing their own masks and making their own sanitizer. Another supply chain risk that does not have a workaround is supply chain disruptions for water treatment chemicals. If the chemical companies were not able to make and deliver chemicals to water managers major problems would occur.

Revenue:

Water managers are sensitive to financial hardship caused by COVID-19. Many have voluntarily suspended water shutoffs and some states have issued orders prohibiting shutoffs for nonpayment. However there is a growing concern about long term loss of revenue and how this will affect water operations. Water providers are using any and all reserves to keep everything running when costs to respond and protect and pay for inactive staff is mounting. This is going to have a major fiscal impact to all water purveyors.

What would help mitigate risks?

Protecting Staff: Assure Mutual Aid is ready and in-place between water agencies, particularly in the water treatment and laboratory staff. If we lose too many of them, we are at potential risk. We need to conduct emergency training between sister agencies of water treatment operators in case they need to be mobilized quickly due to infection.

Revenue: Provide stimulus funding for key lifelines like water agencies as future federal funding becomes available. We need to make sure we're ready for the future as well. Provision of bridge funding, possibly in form of no interest loans, to drinking water systems and wastewater systems with reduced revenue due to the temporary suspensions of shutoffs for nonpayment. This would help systems cover costs until customers make their payments.

Help inform the public:

Keep the messaging going to the public that our water supply and quality is good. Also emphasize the problems created by flushing sanitary wipes.

Comments from Around the West

Colorado

Denver Water

Capital Projects/Budget - To date, we have not experienced revenue declines from water sales, primarily due to the hot summer and increased residential water use. We have seen a decline in System Development Charges, which began in February before the COVID hit. We are on track with all capital projects and are actually planning to exceed capital budget for 2020 with some retiming of projects. We are teleworking and working virtually, but design, bidding and construction are all on track, even with COVID protocols in place in the field.

As far as capital markets, we did a \$500M bond issue/refinance in March, and received AAA ratings from all three rating agencies and historically low interest rates.

Recreation - Denver Water properties and facilities have seen heavy recreation pressure. We've closed Waterton Canyon, and recently reopened it only on weekdays.

Forest Restoration/Watershed Health - We are looking for cuts to our operating budget to create room in the event revenues decline as COVID continues on. Part of those cuts include certain watershed projects. We are planning on continuing our partnership with USFS on Forests to Faucets.

Shut offs - We terminated shutoffs due to inability to pay in March, and that policy continues. We have not seen a large spike in delinquencies or aging accounts and to date have not seen a decline in revenues. However, we are watching closely as federal assistance and the moratorium on enforcement for rent and mortgage payments ends, and if Congress cannot come to agreement on the next stimulus/relief package. We may see a sudden spike in delinquencies if no relief package is forthcoming.

Colorado Water Conservation Board

Budget considerations for the Colorado Water Conservation Board are in the companion document.

As to CWCB loan program:

"Borrowers" are about 30% Muni and 70% Private.

The "dollars" are about the opposite. (70% Muni and 30% Private)

Now of the Private, most of them are Mutual Dich Cos that have shares that are Muni.

We have not had any indication of trouble with repayment due to COVID Economy or continuing with a project "under construction" that we are financing.

We did have a Muni borrower indicate a "pay in full" due to better interest rates with a new Private Bond take out.

Aging infrastructure is a big issue for the agricultural community. This is compounded by the stress of urban growth and extreme climate variations. Dams and diversions and ditches are 120 years old and have long been in need of financial assistance. I assume as in previous downturns in the economy, the uncertainty will have an impact on ag folks willingness to replace failing infrastructure but instead use temporary repairs.

Colorado Water Resources and Power Development Authority

We are starting to see some requests (3 or 4 currently) for loan restructures. This is rare for us. With that said, we have not had any entities not make or fall behind in payments.

Entities more dependent on sales tax (resort communities for example) are showing more distress, as anticipated. We have talked to several (5 to 10) municipalities that are pushing off all non-critical projects due to budget issues/concerns.

Colorado Department of Parks and Wildlife

CPW reports their latest Aquatic Nuisance Species boat inspection numbers 2020 to date as compared to this time of year in 2019 are as follows:

299,667 Boat Inspections as of July 6, 2020 (192,113 in 2019)

8,962 Boat Decontaminations as of July 6, 2020 (5,243 in 2019)

Idaho

For Idaho, the first issue regarding infrastructure is a big one. With commodity prices tanking and other impacts to economies, the local share of infrastructure needs are going to be more difficult. At the same time, our experience is that the cost of construction/repairs continues to rise. Entities are struggling to see how they will be able to cover the immediate cost of infrastructure repairs. It is anticipated that many of these economic impacts will extend into future years.

Currently, Reclamation is developing a feasibility study and NEPA analysis for a proposed raise to Anderson Ranch Dam, in southern Idaho. We expect the draft feasibility and NEPA analysis by the end of this month, with final documents out early 2021. Given falling revenues, I am concerned about the ability of the State and other local entities to cover the non-federal share of the costs. The state did set aside \$20 million for the project, but I anticipate the non-federal share to be much higher than that. Idaho is forecasting at least 3-years of economic impacts to revenues from COVID-19.

New Mexico

I see drought as the new and rapidly growing Weatherdemic plaguing the southwest and the Western States, in general. Certainly, trying to deliver 14 inches out of normal 3 ac/ft allotment to farmers in southern NM is a challenge or running out of water completely in the middle Rio Grande valley is becoming the new normal. I see the 2021 snow season approaching with not much hope for any relief in New Mexico.

New Infrastructure is needed to address more efficient ways to move water and conserve this precious resource with new innovative techniques and methods before the drilldown of this drought becomes catastrophic. Now is the time to push Congress to release the funding to improve the means in which we provide our water to our farmers.

With some relief coming from lessening of NEPA constraints; the time is now to try to get the necessary funding released that has been bottled up. Farmers need to rely on the life blood of surface and ground water to circulate through the old blocked and clogged arteries referred to as aging irrigation infrastructure to grow our agricultural commodities.

We need the efforts of our President and Congress to help sustain the resilient nature of farmers to continue to provide food and fiber during these uncertain times and find the means to improve this aging water infrastructure across the western States.

Nevada

My comments pattern those made for Idaho. We expect a Record of Decision relating to extraordinary maintenance (XM) on the Truckee Canal in Western Nevada sometime soon. The preferred alternative in the Environmental Impact Statement is a concrete lining and replacement of check structures at a total cost of as much as \$138M –an amount as much as twenty times our annual budget! COVID has served only to amplify our distress when considering the scope of any such a project amidst the economic uncertainties now plaguing us all! And beyond our concerns relating to the economy generally, we are also beginning to think 2021 will be dry!

Washington

Infrastructure funding for Greater Wenatchee Irrigation District has fallen behind due to covid. Between staff working outside the office and financial institutions not working or working outside it has made it almost impossible to keep moving forward with a bond process. We are about 6 months behind on our bond and we already applied for and received a grant for part of our project.