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Association

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AWWA WEBINAR

MAY 15, 2020 | 11:00 A.M. - 12:30 P.M. MDT

Free Webinar:
COVID-19's Financial Impact on Water Utilities

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WEBINAR MODERATOR



David B. LaFrance
CEO
American Water Works
Association

David B. LaFrance is Chief Executive Officer of the American Water Works Association, the world's largest and oldest association of water professionals. LaFrance guides AWWA's extensive scientific, educational, and public policy work to build a better world through better water. Prior to joining AWWA in 2010, he was the Chief Financial Officer for Denver Water where, during his 17-year tenure, he also served as the utility's Manager of Rate Administration.

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PANEL OF EXPERTS



John Mastracchio
Vice President
Raftelis Financial
Consultants, Inc.



Helen Cregger
Vice President and Senior
Credit Officer - Public
Finance
Moody's



Sophia Skoda
Director of Finance
East Bay Municipal
Utility District (EBMUD)

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AGENDA

- I. Overview of the Financial Impact of the COVID-19 Crisis on U.S. Drinking Water Utilities John Mastracchio

- II. Covid-19 Financial Impact on Water Utilities – A Credit Rating Perspective Helen Cregger

- III. COVID-19's Financial Impacts on Water Utilities – A Utility Perspective Sophia Skoda

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ASK THE EXPERTS



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Raftelis Financial
Consultants, Inc.



Helen Cregger
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Sophia Skoda
East Bay Municipal
Utility District (EBMUD)

Enter your **question** into the **question pane** at the lower right-hand side of the screen.

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The Financial Impact of the COVID-19 Crisis on U.S. Drinking Water Utilities

Overview

May 15, 2020



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Objective and Scope

Objective: Assess aggregate financial impacts on drinking water utilities

Scope: Focused on U.S. drinking water utilities, both public and private.
Preliminary Assessment completed April 1 – 14th 2020

Limitations: Did not include assessment of wastewater utility financial impacts



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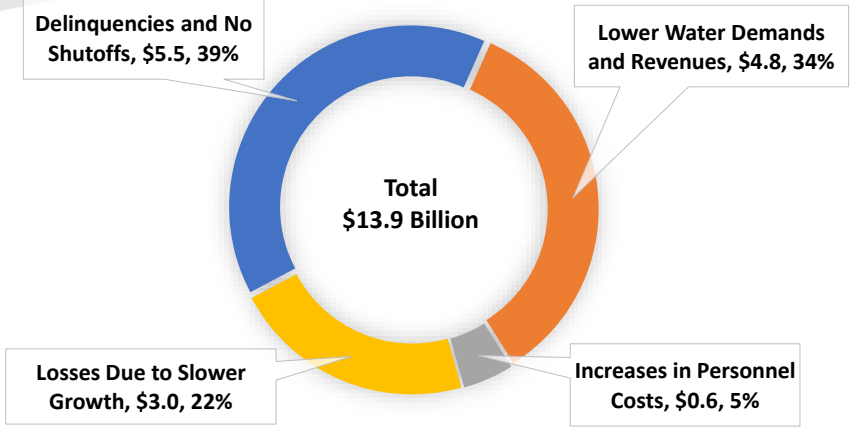
Information Sources

- AWWA COVID-19 March Survey
 - > March 25 – 30, 2020
 - > Sample size 615
- Raftelis COVID-19 Questionnaire
 - > April 6 – 8, 2020
 - > Sample size 102
- US Census Bureau data
 - > Population, employment, industry data, housing, building permits
- Current unemployment statistics
- Congressional Budget Office statistics
 - > Public spending on water infrastructure
- Other relevant publications and surveys from the water sector

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Summary of Direct Financial Impacts on U.S. Drinking Water Utilities



Estimates shown in \$ billions

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Higher Delinquencies and No Shutoffs

Customer Delinquencies:

- Estimated to increase from 0.6% to 6%
- Revenue impact = \$4.9 B

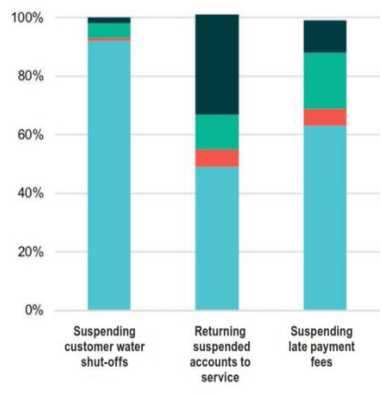
Non-Shut Off Policies:

- Cost \$0.6 B

Net Impact:

- \$5.5 B (6.7% of revenues)

Utility Collections Policy Changes
 AWWA Survey Response



Policy Change	Currently in place	Currently in development	Considering	Currently no plans to develop
Suspending customer water shut-offs	92%	1%	5%	2%
Returning suspended accounts to service	49%	6%	12%	34%
Suspending late payment fees	63%	6%	19%	11%

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Lower Water Demand and Revenue

Non-Residential Impacts

- Reduction in non-residential water demand = 35%
- Revenue Impact = \$7.4 billion

Residential Impacts

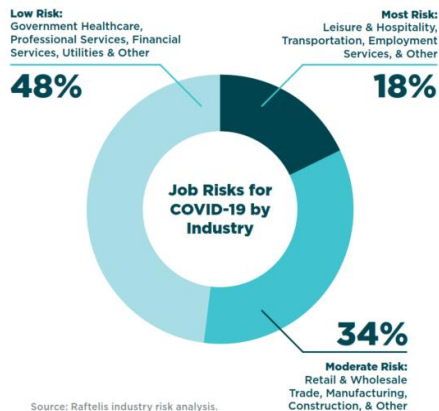
- Revenue increase from residential water demand increases = \$2.6 billion

Net impact: \$4.8 billion
(5.8% of revenues)



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Commercial and Industrial Water Demand Reduction due to "Stay-at-Home" Orders



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Losses Due to Slower Growth

System Development Charges

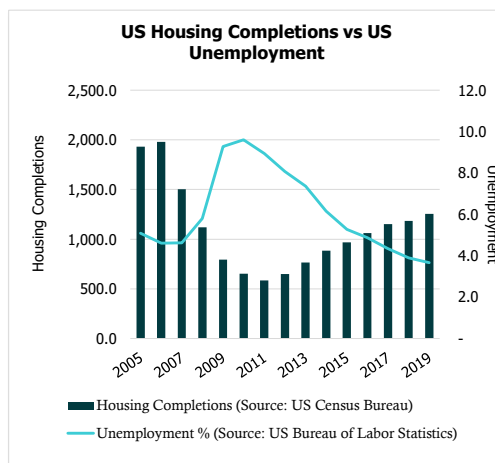
- Impact: \$2.6 B

Lower Customer Growth

- Impact: \$0.4 B



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Impacts to Personnel Expense

Estimated Cost Impact:
\$0.6 B

Types of Impacts to Personnel
Questionnaire Response



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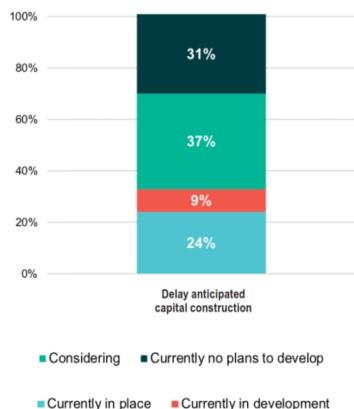
Water Utility Financial Impacts to Reduce Capital Spending

Anticipated \$5B Reduction in Capital Expenditures

Will reduce private sector economic activity

- \$32.7B reduction
- 75,000 – 90,000 jobs

Delay Anticipated in Capital Construction
AWWA Survey Response



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Overall Impacts

Direct Drinking Water Utility Impacts

\$13.9B	Drinking Water current revenues and cost
\$1.6B	Future revenue impacts from deferred rate increases
\$15.5B	Overall Direct Impact

Local Economic Impacts

\$32.7B	Private Sector Economic Impact
70-90,000	Jobs impacted



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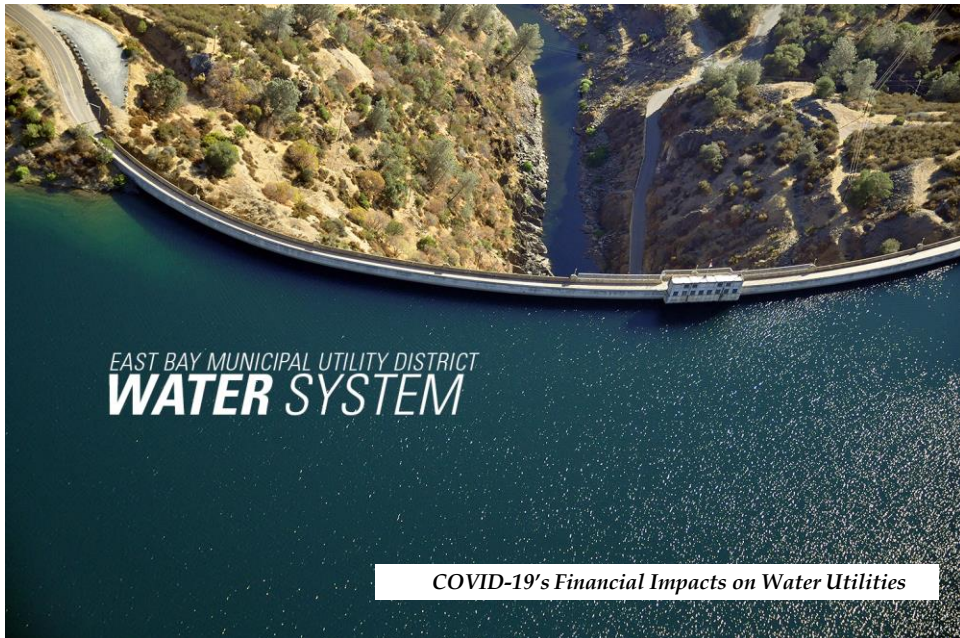
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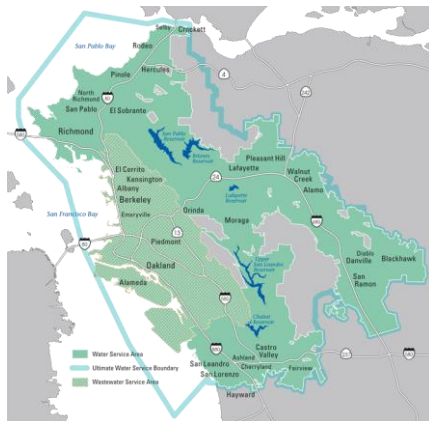
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Who are we?



Water System's service area covers 332 square miles and serves 1.4 million people

- 12th largest retail water utility in the US by population served, second largest retail water utility in CA¹
- Population expected to reach 1.65 million by 2035



Utility	State	Population Served
New York City Water System	NY	8,271,000
Los Angeles Department of Water & Power	CA	3,935,257
City of Chicago Water System	IL	2,695,598
Massachusetts Water Resources Authority	MA	2,360,000
City of Houston Water System	TX	2,233,310
Miami-Dade Water and Sewer Authority	FL	2,100,000
Washington Suburban Sanitary Comm.	MD	1,800,000
San Antonio Water System	TX	1,773,771
City of Philadelphia Water System	PA	1,600,000
City of Baltimore Water System	MD	1,600,000
City of Phoenix Water System	AZ	1,500,000
East Bay Municipal Utility District	CA	1,379,000
Las Vegas Valley Water District	NV	1,347,550
City of San Diego Water System	CA	1,326,200

¹ Environmental Protection Agency Safe Drinking Water Information System, 2016

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Operational impacts



- Telecommuting for all staff able to perform work remotely
 - 2020 BCP
 - Swift roll out of MS Teams
- Field staff rotation
- Communication with Board
- Communication with staff
 - Weekly
 - Town Halls
- Communication with customers
 - Emergency use of Water Smart system
 - Social media

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Thankfully, we came into COVID-19 in good shape



- Large and serve an urban/suburban population with above average wealth
- Secure and diverse portfolio of high-quality water sources supporting a broad service area
- Multi-pronged drought management strategy which proved extremely successful in the most recent severe drought – and pushed us to re-baseline on new lower water sales
- Prudent debt management and manageable ongoing capital program
- The Board is committed to sustained, responsible financial management as demonstrated by having implemented substantial multi-year rate increases and approved conservative budgets
- EBMUD's financial policies and continued strong performance put us in a position to weather challenges



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District's view of fiscal impacts of COVID-19



- Immediate impacts
 - Spike in CP and variable rate debt rates and
 - Shift of 25% staff from capital to operating
- Anticipated fiscal impacts
 - Service area and national economic impacts
 - Decreased development
 - Lower water demand
 - Increased delinquencies
 - Increased requests for customer assistance
- Too early to measure impacts with accuracy
- Impacts will be greater in FY21 than FY20
- Recent years of focus on financial stability has prepared the District to mitigate immediate impact
- The District will remain cautious as it confronts longer-term uncertainties

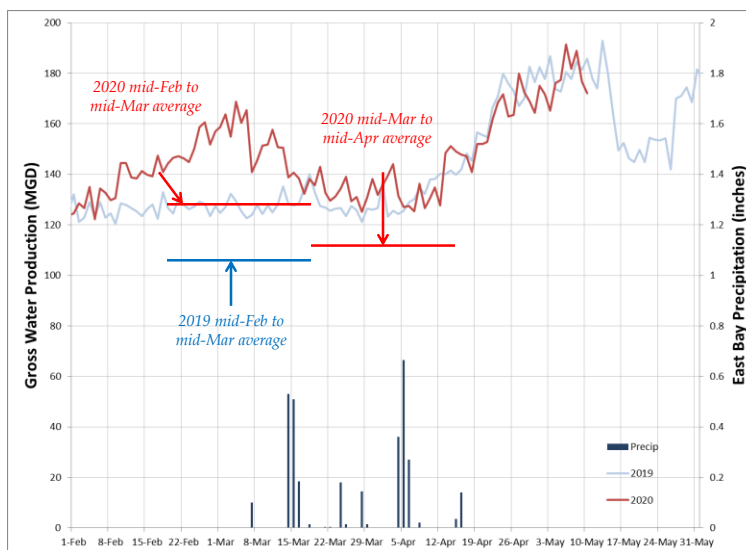
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Recent water demand



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What financial steps are we taking to remain healthy?



- Working with Board to provide information needed to support rate increases
- Continuing support customers in need
 - Payment plans
 - Waiving late fees upon request
 - Generous Customer Assistance Program
 - No shutoffs
- Pursuing FEMA reimbursement for eligible costs
- Actively engaging in legislative avenues to pursue federal funding in the following areas:
 - Payroll Tax Credit – Seeking local government eligibility for H.R. 6201's payroll tax credit for increased leave costs
 - Coronavirus Relief Fund – Seeking increased funding and eligibility for water and wastewater utilities
 - Essential Frontline Workers – Seeking federal funding of any enhanced benefits and the inclusion of water and wastewater workers
 - Rate Payer Assistance – Seeking rate assistance specific to water and wastewater services

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What else?



- Continue to actively monitor fiscal impacts
- Modeling a range of scenarios for FY21 and beyond
 - Revenue impacts
 - Capital program impacts
 - Cost containment strategies

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In summary

SUMMARY

- EBMUD is a proactive and well managed agency which has put us in a good position to manage the uncertainties posed by COVID-19
 - Prudent debt management with a manageable ongoing capital program
 - EBMUD has a high quality, stable water supply portfolio supporting a diverse and relatively wealthy service area
 - EBMUD's financial policies and continued strong results support continued strong system performance going forward
 - EBMUD's Water System is a proven enterprise, well positioned to maintain and increase its credit strength

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ADDITIONAL RESOURCES



- Find more COVID-related resources at [awwa.org/coronavirus](https://www.awwa.org/coronavirus)
- View our [COVID-19 Webinar Series](#)
 - [Free Webinar Recording: COVID-19 Implications to Operations, Compliance & Training](#)
 - [Free Webinar Recording: Legal Aspects of COVID-19 for Water Utilities](#)
 - [Free Webinar Recording: Be a Trusted Source: How to Handle Communication Challenges During COVID-19](#)
 - [Free Webinar Recording: Utility Actions to Sustain Operations During COVID-19](#)
 - [Free Webinar Recording: Facing the New Normal for Credit and Collections During COVID-19](#)

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UPCOMING WEBINARS



May 19 - Regulatory Concerns and Updates for Inorganic Contaminants Webinar

May 21 - FREE Webinar from Sensus, a Xylem brand: Create a Smart Utility Network Leveraging Existing Infrastructure

May 22 - Corrosion Control (Contaminants of Concern: Managing Lead and Manganese)

[Register for a 2020 Webinar Bundle](#)

View the full 2020 schedule at [awwa.org/webinars](https://www.awwa.org/webinars)

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- As part of your registration, you are entitled to an additional 30-day archive access of today's program.
- Until next time, keep the water safe and secure.

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PRESENTER BIOGRAPHY INFORMATION



Mr. Mastracchio is a Vice President with Raftelis with over 24 years of financial consulting experience. John has co-authored a number of industry publications on topics including financial planning, capital financing, and affordability. He is the Chair of the Finance, Accounting, and Management Controls Committee of AWWA, and holds Masters degrees from Cornell University (MBA Finance) and Clarkson University (in Civil & Environmental Engineering).



Helen is a Vice President/Senior Credit Officer with Moody's Investors Service. She covers local government credits within California and serves on rating committees for utility, local government, states, transportation and other credits nationally. She is the head of Moody's municipal utility task force, which helps guide Moody's training and research for the municipal water and sewer sector. Helen is also a member the charter school rating team and a coauthor of Moody's charter school methodology. Helen rejoined Moody's from Piper Jaffray, where she spent nine years as an investment banker in the Denver office, serving state and local issuers in planning and executing debt financings. Her clients included the Cities of Aurora, Littleton, Longmont, Greeley, Westminster and Steamboat, Denver Water, and Arapahoe County Water and Wastewater Authority. She also worked with the State of Colorado for its BEST K12 capital construction program, Denver Public Schools and Pueblo 70 School Districts. Earlier in her career, Helen worked as an analyst with the U.S. General Accountability Office in the International Trade, Finance and Competitiveness Division. Helen earned a BA from Northwestern University and an MPA from Columbia University.



Sophia Skoda is the Director of Finance at the East Bay Municipal Utility District (EBMUD) which provides 1.4 million water and 685,000 wastewater customers with service. Prior to joining EBMUD, Sophia served as a financial advisor to California water and wastewater agencies on rates and charges, long term capital planning, and issuance of municipal bonds. She holds a BS in Civil Engineering from Stanford University and an MS in Civil Engineering from the University of California – Berkeley.

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