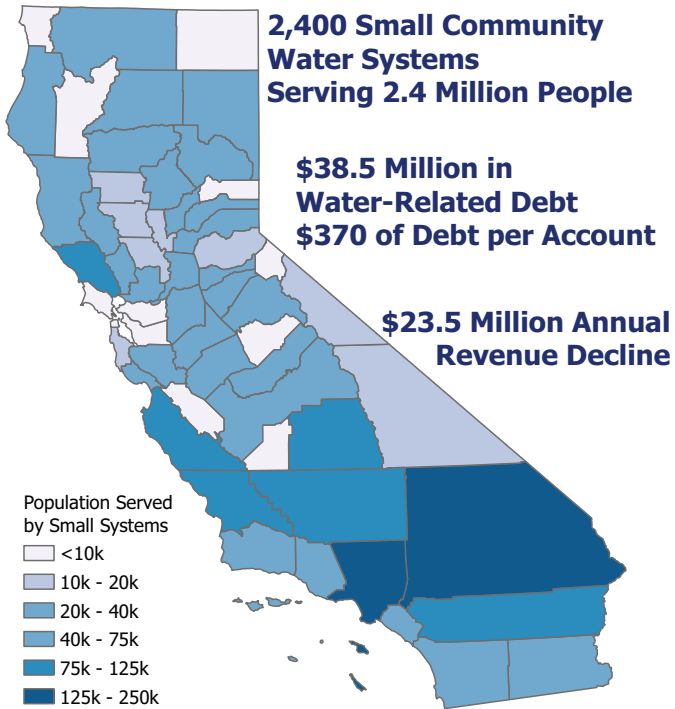


Financial Impacts of COVID-19 on Small Water Systems

SUMMARY OF IMPACTS IN CALIFORNIA

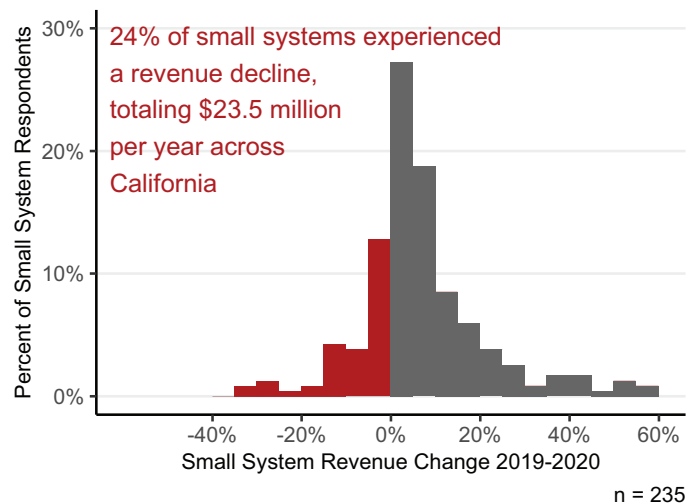


Many small community water systems in California (defined as those serving fewer than 10,000 people) face precarious circumstances, exacerbated by the COVID-19 pandemic. These small systems have experienced \$23.5 million in annual revenue decline since the pandemic began. Customers of small systems have accumulated \$38.5 million of water-related debt and require assistance. The latest California survey and an earlier national survey show a disproportionate burden of the COVID-19 pandemic on communities of color and communities with high rates of poverty. These struggling systems may need to cut expenses or delay capital projects, which could threaten their ability to provide safe water to their customers.

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\$23.5 Million Revenue Decline

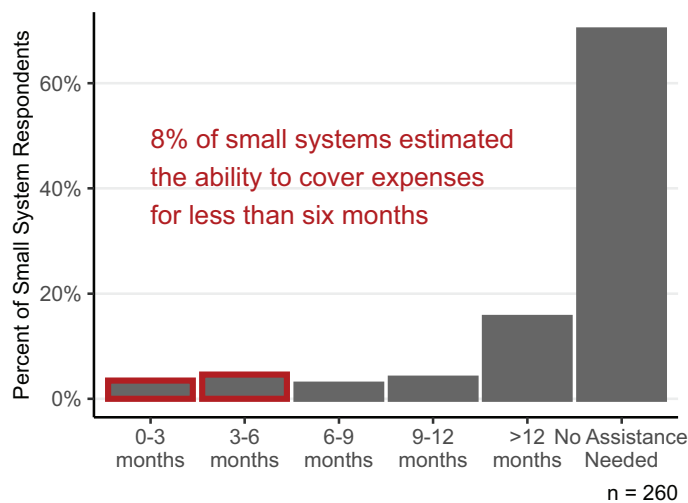
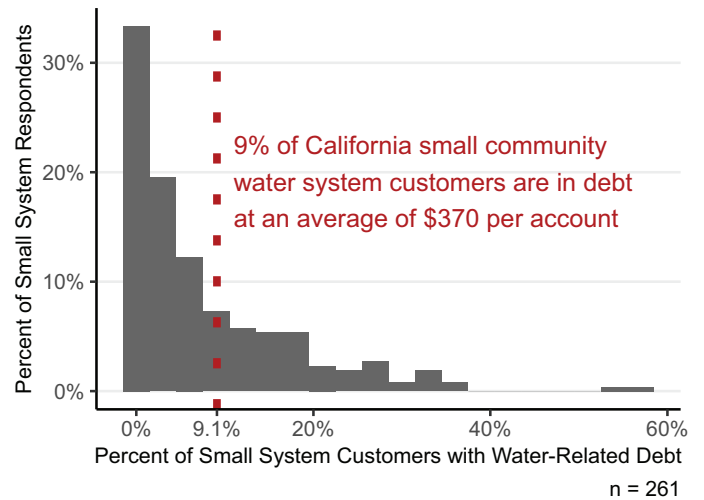
In November, California State Water Resources Control Board (SWRCB) staff surveyed 276 small community water systems. They used direct outreach to under-resourced systems to ensure a statistically representative sample of all systems in the state.¹ Survey responses indicated roughly one quarter of small community water systems experienced revenue declines from April to October 2020 compared to the same period in 2019. These revenue declines totaled \$23.5 million annually across California. Previous surveys indicate revenue declines are due mostly to non-payment of bills and to a lesser extent decreased water use.



¹ "Drinking Water COVID-19 Financial Impacts Survey," California State Water Resources Control Board, accessed February 22, 2021, https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/covid-19watersystemssurvey.html.

\$38.5 Million Household Water-Related Debt

Nine percent of small community water system customers, or 73,000 accounts, are in debt to their water provider. The average debt is \$370 per account. Small water system customers in California had accumulated \$27 million in debt by the end of October 2020, but we estimate that household debt may have grown to as much as \$38 million by the end of January 2021. Some of the household debt existed before the pandemic. Some utilities combine charges for energy, rent, and wastewater, so the \$38 million estimate reflects more than unpaid drinking water bills. The California Water Boards estimate that 60-70% of the total is drinking water specific debt.



Systems Requiring Assistance

In late October, **8% of small community water systems predicted they could meet system expenses for less than six months without financial assistance; three of those months have already passed.** These small systems requesting assistance serve 200,000 people in California. Systems have already mentioned delaying maintenance, capital projects, or rate increases due to the pandemic. Others are operating at a deficit to deal with decreased revenue and increased expenses. Capital projects and water rate increase delays could compromise the ability of water systems to supply safe water in the short- and long-term or result in expensive water main breaks. Some systems may also use cash reserves to address

revenue declines, but financially struggling systems are less likely to have such reserves, compounding the negative impact of COVID-19.

Comparison to Previous Surveys

The most recent SWRCB survey is unique among the financial impacts surveys in its commitment to survey a statistically representative sample of California community water systems of all sizes.

The monthly view of expenses and revenues from April to October shows erratic changes and no discernable trend compared to 2019 data. This erratic nature underscores the importance of cumulative data like that collected in the November SWRCB survey and may minimize the ability to make meaningful conclusions from snapshot data provided by many other surveys.

There is already a deficit in spending on capital projects to ensure the country's water infrastructure is well maintained. Aiding small water systems to address impacts of the COVID-19 pandemic will enable these small community systems to continue to deliver drinking water to 2.4 million Californians. Financial assistance will also enable them to move beyond the current crisis to start to address much-needed capital improvement projects.

March 2021