

Title: Identifying and Mitigating the Financial Impacts of Covid-19 on Local Government Water and Wastewater Utilities

Description: Prior to March, 2020, many local governments in North Carolina were already facing substantial financial viability challenges. According to recent Local Government Commission data, there are as many as 100 local governments in North Carolina that are financially on the brink. Of those 100 governments, two-thirds are in a dire financial position as a result of costs, expenditures, and needs associated with owning and/or operating their water and wastewater utilities. For those local governments, providing stable and satisfactory water and wastewater service, meeting regulatory compliance, and generating revenue in ways that does not have an unintended negative impact on low-income ratepayers was already a challenge. Unfortunately, the Covid-19 Pandemic has now exacerbated those challenges for local governments in several key ways. As a result of the governor's Executive Order 124, there has been a moratorium on utility shut offs since March 31, 2020. Not only does the mandate mean loss of revenue, it also will require utilities to structure repayment plans to try to get back some of the lost revenue from ratepayers who do not pay. Additionally, due to stay at home orders, utilities have had to face staffing shortages, or have intentionally put in place shift work to help minimize contact between employees. Further, many utilities have had to push off much needed rate increases due to concerns about customer's ability to pay, as well as put on hold capital projects or issuing revenue bonds due to an uncertain future stream of revenue.

The Environmental Finance Center (EFC) at the UNC School of Government is well positioned to provide some technical assistance and support at the state and local level to help identify and mitigate the financial and economic impacts of the pandemic on local governments. The EFC has been working with small local governments and utilizing tools related to financial health, affordability, and future financial planning for years. Such tools are critical in this time to help assess utilities as they weather this storm. Additionally, the EFC has jumped into action to develop new tools related to identification of potential revenue loss associated with Covid-19, and how systems can potentially plan for what is to come. As part of this project, the EFC would expand the tools it has developed or is in the process of developing and would provide direct technical assistance to local governments across North Carolina.

The EFC is also well placed to track financial data over the rest of the year to help inform state decision makers and funding agencies about the depth of the financial impact on systems of all sizes and health. Starting with the baseline financial utility data already held by the EFC, the team would track impacts by monitoring several key utilities of various sizes and locations in the state and provide a summary of the impacts, both immediate and those that surface as the pandemic continues. Such data can help provide starting points for state or federal monetary relief that will be needed to help systems come back online.

Dependent on resources, the EFC may be able to provide case studies of community level financial or economic impacts, and can also provide general policy recommendations related to statutory barriers to utilities overcoming some of the new and insurmountable financial challenges associated with the pandemic.

Requested budget:

Category	Total Project Budget
EHRA Salary	\$34,018
SHRA Salary	\$4,635
Grad Student	-
Temps	-
Fringe Pool	\$11,347
Non-Personnel Expenses	-
Total	\$50,000