

# \$urviving COVID-19

**C** OVID-19 is a killer. It kills some people, some jobs, some of the ways we interact with others. It is trying to kill our economy. It might kill your utility. Or there is a slim chance, it might make it stronger.

Your utility or utilities and their finances will not be spared from COVID-19. I leave it to the Association to address utility operations, staffing, work protocols and certainly, protecting public health. I will focus on rates and funding your utility sustainably – keeping your utility alive and eventually, thriving.

COVID-19 has and will put many people out of work or cut their pay. At this writing, a one-time payment has gone to nearly everyone. Enhanced unemployment benefits will go to, as of this writing, 22 million newly out of work people. Wow! But unemployment payments do not exceed paying work.

Before COVID-19, and for decades back, surveys have shown that most households did not have \$400 on hand for an emergency. Surely, that is gone now.

How long will COVID-19 and its financial effects last? Nobody knows. Maybe it has already passed. Will life

go back to what it was before. Do not bank on that.

How will COVID-19 affect revenues for water and sewer service, trash collection, electricity and other utilities? Almost certainly, revenues will go down. What should you do about that? First, let us get some perspective.

If your utility has been maintaining “rainy-day” reserves on the order of about 50 percent of annual operating costs, your utility should survive for many months. Should.

Before COVID-19, almost all of what you billed got paid, eventually. But with high unemployment, and reduced pay for many others, people who have always paid you will not be able to pay now. Table A below shows reserves at a non-payment rate of ten percent.

If, however, the non-payment rate goes to 20 percent, as shown in Table B, the utility would exhaust reserves in 2022. Without a big change or intervention, the utility will not survive that, period.

This survival talk assumes you would NOT need to tap reserves for

**Money can't buy me love.**

– Paul McCartney

**But it can buy you almost everything else.**

– Carl Brown

any of the normal reasons you have those reserves: fixing things to remain operational; covering unexpected costs; next year covering the loss of a grant for a big improvement you need. If any of these things happen, you might run out of money before 2022 even gets here.

## Consider ratepayers

Difficult-to-pay customers need relief. Consider a rate structure that would help them. Or maybe more – a bill assistance program. Visit [to get the free “Rate Setting Issues Guide.”](#) Chapter 4 covers bill assistance programs.

Many people are hurting now, and this may be the new normal for lots of

Table A: Reserves at 10 Percent Non-payment Rate

Year	2019	2020	2021	2022	2023	2024
Starting Reserves		\$100,000	\$80,000	\$60,000	\$40,000	\$20,000
Expected Income		\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Expense		(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)
Non-payment at 10%		(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)
Ending Reserves	\$100,000	\$80,000	\$60,000	\$40,000	\$20,000	\$0

Table B: Reserves at 20 Percent Non-payment Rate

Year	2019	2020	2021	2022	2023	2024
Starting Reserves		\$100,000	\$60,000	\$20,000	(\$20,000)	(\$60,000)
Expected Income		\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Expense		(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)
Non-payment at 10%		(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)
Ending Reserves	\$100,000	\$60,000	\$20,000	(\$20,000)	(\$60,000)	(\$100,000)

folks. Utilities are “for the benefit of the people” businesses. Water and sewer utilities include the public health aspect, too. When a public health pandemic is going on, you do not want to shut off services vital to fighting the pandemic.

You are probably postponing shutoffs. That is a good measure for now, but this is going to get messy. When do you restart collections and eventually, shutoffs? How will you do that? How will you explain it? Will you recover the unpaid bills or write them off? And, what happens to the folks who, after COVID-19 is done, still cannot pay? For now, comply with no-shutoff executive orders and the like and take care of the folks, but start preparing for a hard conversation.

### Consider the utility

Utilities cannot print money, so long-term, cash out cannot exceed cash in. If your rates are too low to weather COVID-19, you need to fix that. If rates are unfairly structured, hurting difficult-to-pay customers, that will worsen. To fit the new reality, fix the too-low rates, unfair rate structure and difficult-to-pay problems at the same time. Your job depends on it. No pressure!

For utilities, there could also be a COVID-19 upside. In 2008, 2009 and 2010, there was a grant bonanza for shovel ready projects. Might that happen again? If your engineer has prepared design and bid documents, or they are close, maybe, just maybe, you can get the project built very cheaply. If you need that improvement and intend to build it “when the time is right,” the time might be now. For sure, having no debt or very little debt for something you really need would reduce the need for rate revenues for decades to come. But you must make that case to the ratepayers during a tough time.

### Consider rate analysis

A cost-of-service rate analysis is not necessarily the fix for these ailments and opportunities. But it can pave the way.

**Difficult-to-pay customers need relief. Consider a rate structure that would help them. Or maybe more – a bill assistance program. Visit to get the free “Rate Setting Issues Guide.” Chapter 4 covers bill assistance programs.**

Often times, cost-of-service rates (at the customer level) are lower for small meter, low-volume customers. Make your rates fairly structured and you will probably reduce non-payment. That increases revenues. That is the best kind of bill assistance program.

Prove up your need for a big recovery grant and you might get that improvement built, at little cost to your ratepayers.

Understandably, you are not looking to increase rates right now. But when this is over, you will need revenue even more. Rate analysis will prove up your case for more revenue, fairer rates, taking the plunge on big improvements, getting big grants and more.

Now is not the time to be shy about rates. Call the Kansas Rural Water Association and ask for rate setting help. If they can do what you need, great. If not, my firm, and of course others, can help you solve the rates problem, so you can keep your utility sustainable.

*Carl Brown is President of GettingGreatRates.com, which specializes in water, sewer and other utility rate analysis. The firm also serves as the RATES Program rate analyst for the Colorado, Kansas, New Mexico, North Dakota, Virginia and Wyoming rural water associations. Contact: (573) 619-3411; carl1@gettinggreatrates.com*



**-LINE STOPPING**  
3/4"- 60"

**-LINE TAPPING**  
2"- 60"

**-VALVE INSERTION**  
4"- 16"

**-VALVE TURNING**

**-PIPE REPAIR** [WWW.MUNICIPALPIPESERVICES.COM](http://WWW.MUNICIPALPIPESERVICES.COM)



**FOR ALL YOUR POTABLE AND WASTE WATER NEEDS**

**MUNICIPAL PIPE SERVICES**

**Billy Laws**  
Sales Manager  
1615 West J. Street  
Hastings, NE 68901

1-800-395-7473  
Cell: 515-238-4693  
Fax: 402-462-4408  
Email: [billylaws78@gmail.com](mailto:billylaws78@gmail.com)  
[BILL@MUNICIPALPIPESERVICES.COM](mailto:BILL@MUNICIPALPIPESERVICES.COM)

