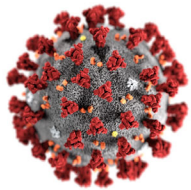


Partnerships to Reduce the Impacts from COVID-19 on the Water Sector

WEBINAR SERIES: PART 1



The National Association of Clean Water Agencies

July 8, 2020 | 2:00 PM - 3:30 PM EST

50 | NACWA 

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Clean Water Champions



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Let's Solve Water

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Clean Water Stewards



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HDR

 WAIDE
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Clean Water Allies



WEBINAR SERIES FEATURED SPEAKERS



Yvonne Forrest
Deputy Director
Houston Water



Douglas Varner
Senior Vice President
CDM Smith



Leisa Thompson
General Manager
Metropolitan Council
Environmental Services



Patrick Decker
Chief Executive Officer
Xylem, Inc.



Kevin Shafer
Executive Director
Milwaukee Metropolitan
Sewerage District



Beverley Stinson
Vice President
AECOM



Thomas Brzezinski
Chief Business
Development Officer
WadeTrim



Cindy Wallis Lage
Executive Director, President
Black & Veatch



George Hawkins
Founder & Executive Director
Moonshot Missions



Nadine Leslie
Chief Executive Officer SUEZ



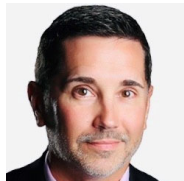
Andrew Burnham
Vice President, Financial Services
Stantec



Eric Rothstein
Principal
Galardi Rothstein Group



Tanya McCoy
Senior Vice President
Arcadis



Theodore Chapman
Municipal and Cooperative
Utility Group
S&P Global Ratings



Debra Coy
Executive in Residence
XPV Water Partners



Mike Matichich
Financial Service Community
of Practice Lead
Jacobs



Paul Vogel
President
Greeley & Hansen, LLC



Steve Straus
President
Glumac

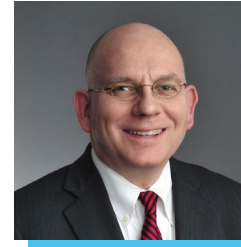
Today's Featured Speakers



Moderator

Kevin Shafer

Executive Director
Milwaukee Metropolitan
Sewerage District
Milwaukee, WI



Paul Vogel

President
Greeley & Hansen, LLC
Chicago, IL



Patrick Decker

Chief Executive Officer
Xylem, Inc.
Rye Brook, NY



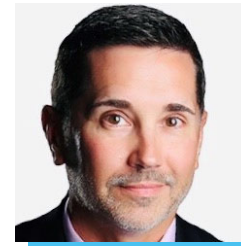
Mike Matichich

Financial Service Community
of Practice Lead
Jacobs
Arlington, VA



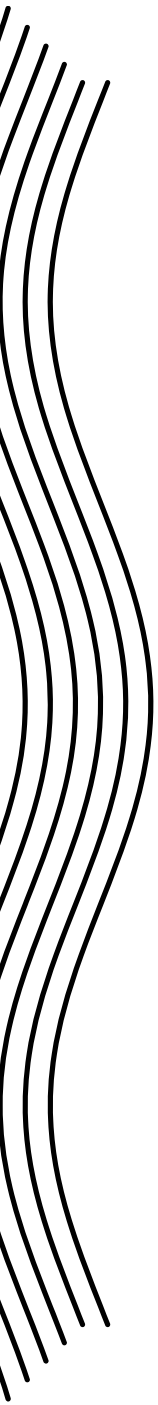
Andrew Burnham

Vice President, Financial Services
Stantec
Tampa, FL



Theodore Chapman

Municipal and Cooperative Utility
Group
S&P Global Ratings
Dallas, TX



Kevin Shafer

Executive Director
Milwaukee Metropolitan
Sewerage District
Milwaukee, WI





COVID-19 Priorities

- Protect Staff
 - Work remotely where possible since March 16th
 - Constant communication
 - Enhanced workspace cleaning
- Protect Treatment Process
 - Worker screening
 - Evaluate supply chain
- Continue Capital Improvement Program
 - Spur economic development
- Advance Science
 - Wastewater Surveillance for COVID-19

Emergency Declaration Update

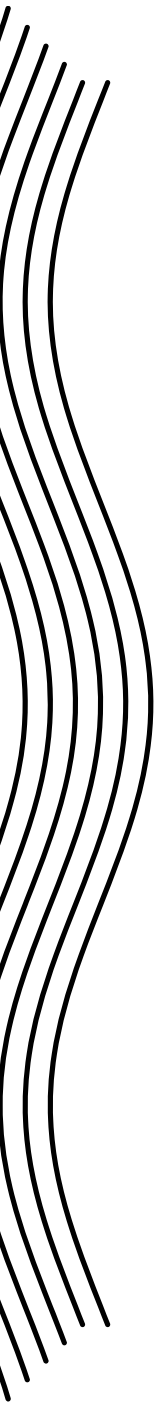
- Polymer used in sludge thickening and dewatering
- Contracted for trailer tankers to be stored onsite with polymer (all at JI by 5/4/20).
- 3 to 4 days of permanent storage increased to 11 to 12 days with trailer tankers



Be Safe!

Be Understanding!

Be Kind!



Patrick Decker

Chief Executive Officer
Xylem, Inc.
Rye Brook, NY



Partnerships to Reduce the Impacts of COVID-19 on the Water Sector, Part I

Patrick Decker, President & CEO, Xylem

July 8, 2020

Deepening Our Commitment to Sustainability Through Our 2025 Signature Goals



SAVE 16.5 billion+ cubic meters of water* through advanced technologies



PREVENT 7 billion+ cubic meters of polluted water *



PROVIDE access to clean water and sanitation for 20 million+ people living in extreme poverty*



Use 100%
RENEWABLE energy and process water recycling at major facilities

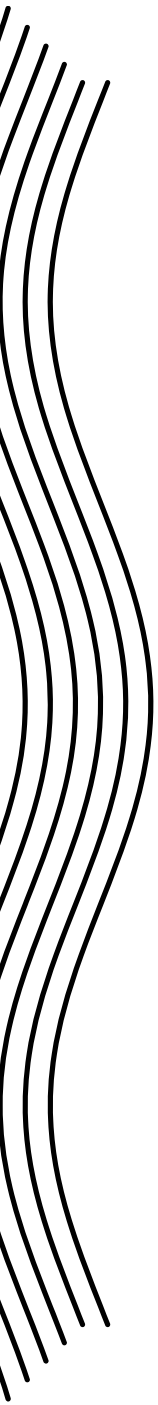


ENSURE 100% of employees have access to clean water and safe sanitation



GIVE 1% of employees' time and company profits to water-related causes

*Cumulative goals



Andrew Burnham

Vice President,
Financial Services
Stantec
Tampa, FL



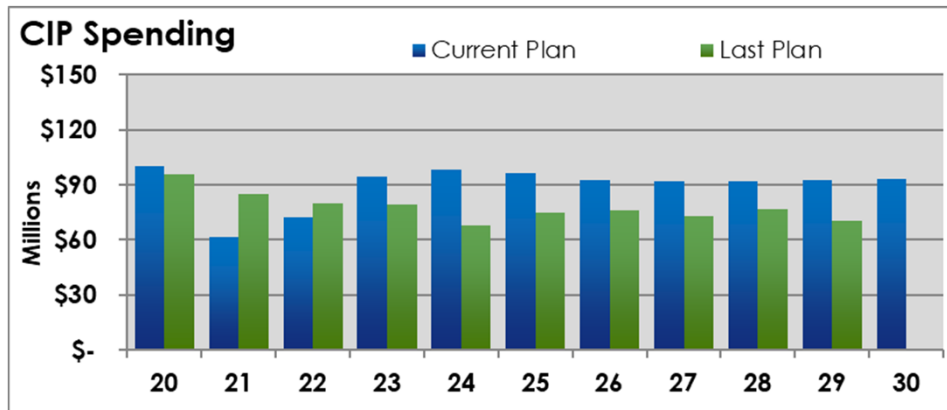


Strategies to Minimize Capital Spending Reductions

Use More Debt to Lower Rate Increases and Keep Cash

Cash/Debt	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 ->
50/50	6.80%	7.00%	6.50%	6.25%	6.25%	3.50%
40/60	5.30%	5.50%	5.75%	5.75%	5.75%	4.00%

Communicate Future Impacts of Near-Term Reductions



Use Contingency Planning Before Making Changes

Q: Would the CIP be scaled back in the event of revenue shortfalls?

A: Contingency plans to delay targeted CIP projects have been made in order to achieve a reduction in CIP expenditures. If we see significant revenue shortfalls, then selected CIP projects will be delayed to match the shortfall.



Use Planning Tools That Can Keep Up

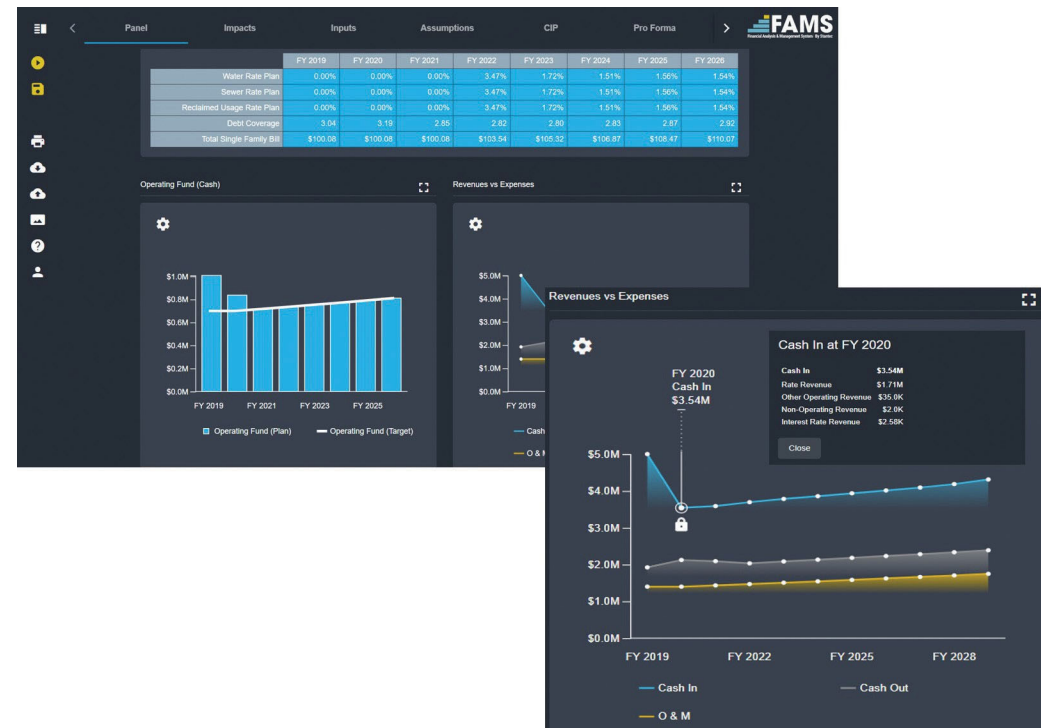


- 24/7 simultaneous access with version control
- Efficient data management and automation
- Quickly evaluate changes & develop scenarios
- Side-by-side scenario comparisons
- Graphical representations of KPI's



“Comparing scenarios created so easily in FAMS saved a significant amount of time and helped us make decisions in a timely manner.”

-City of Olathe, Kansas

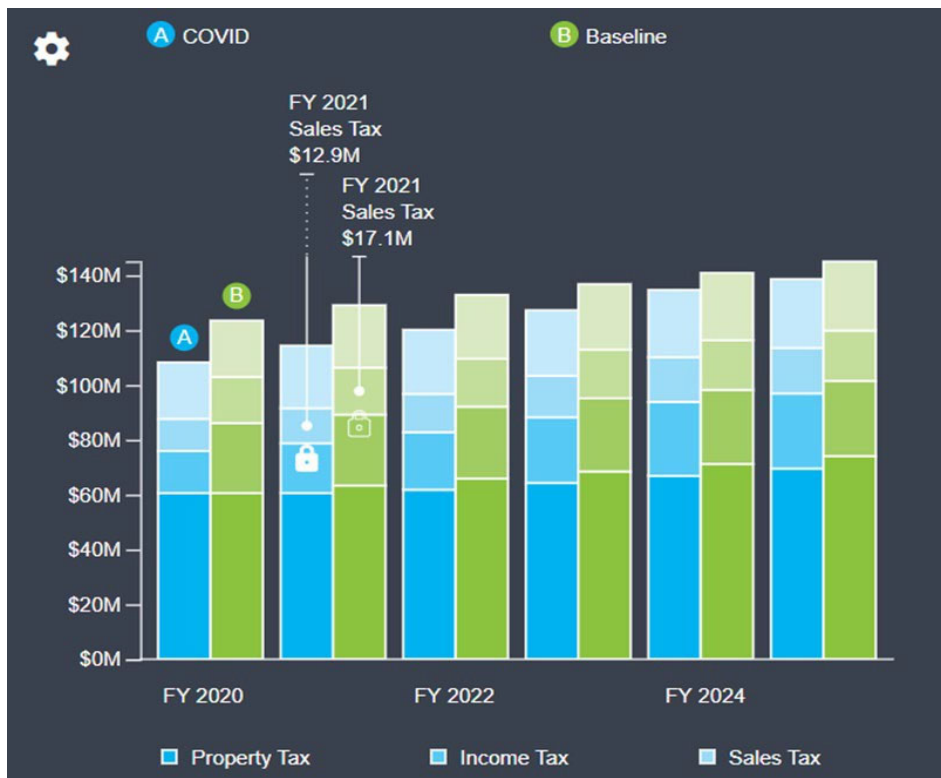


[Stantec.com/FAMS](https://www.stantec.com/FAMS)

Consider “Integrated Planning”

COVID-19

Communities are seeing significant impacts to sales taxes, income tax, use fees, excise taxes, and state shared revenues. Be aware of that and look to adapt utility rate plans around community needs to the extent possible to mitigate resident and business total financial impacts for community services.



FY 21 Revenue Requirement Increases

Where FY 21 Rates Are Right Now

- **Lower Than Projections of 2020 Rate Study**
 - Balance current economic conditions and sustainability
 - Typical Bills: 2-3% less in aggregate, \$2-5 / month less

Water	2.25%
Wastewater	7.25%
Reclaimed Water	0.00%
Stormwater	10.07%
Sanitation	3.00%



Paul Vogel

President
Greeley & Hansen, LLC
Chicago, IL





Mike Matchich

Financial Services
Consulting Lead
Jacobs
Arlington, VA



NACWA Webinar

*Partnerships to Reduce the Impacts from
Covid-19 on the Water Sector*






July 8, 2020

Mike Matichich

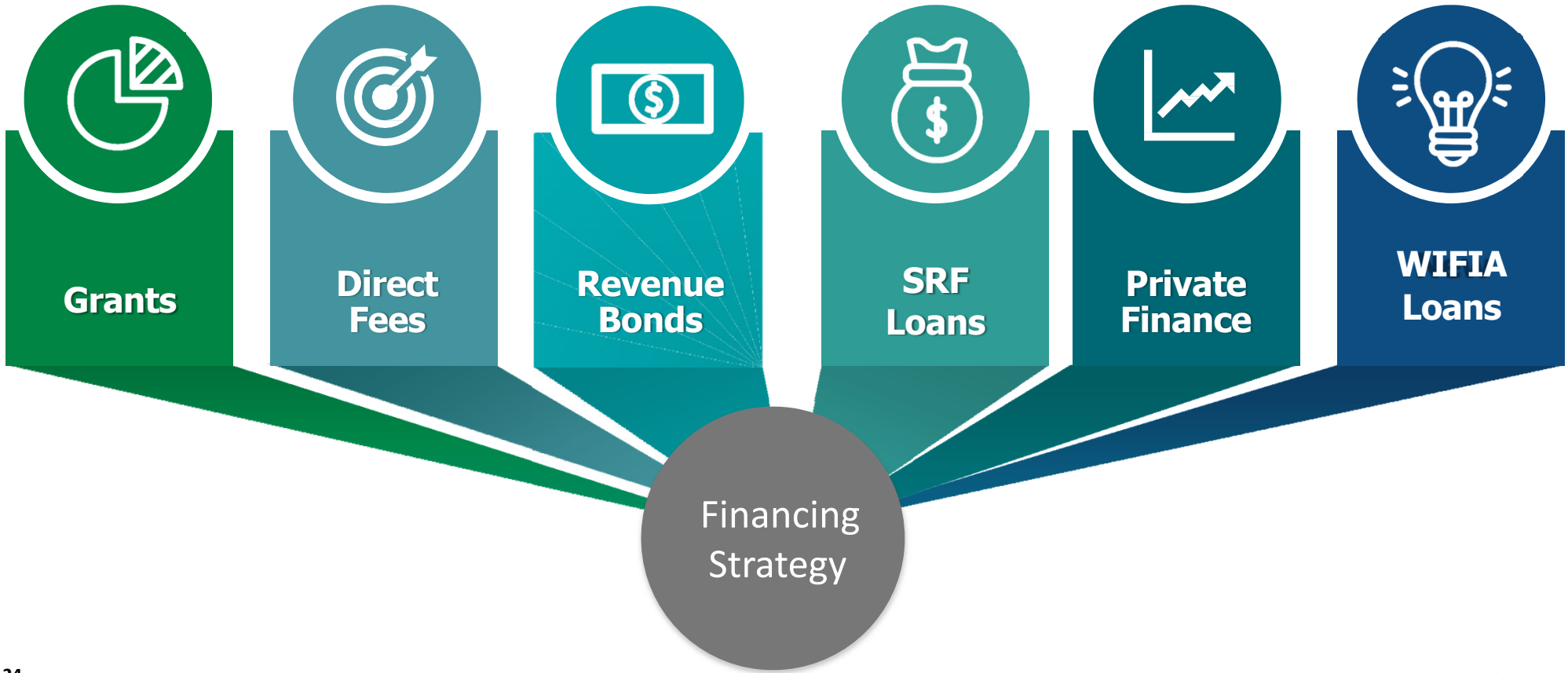
Financial Services Consulting Lead

Scenarios Help Define COVID-19 Responses

SCENARIO

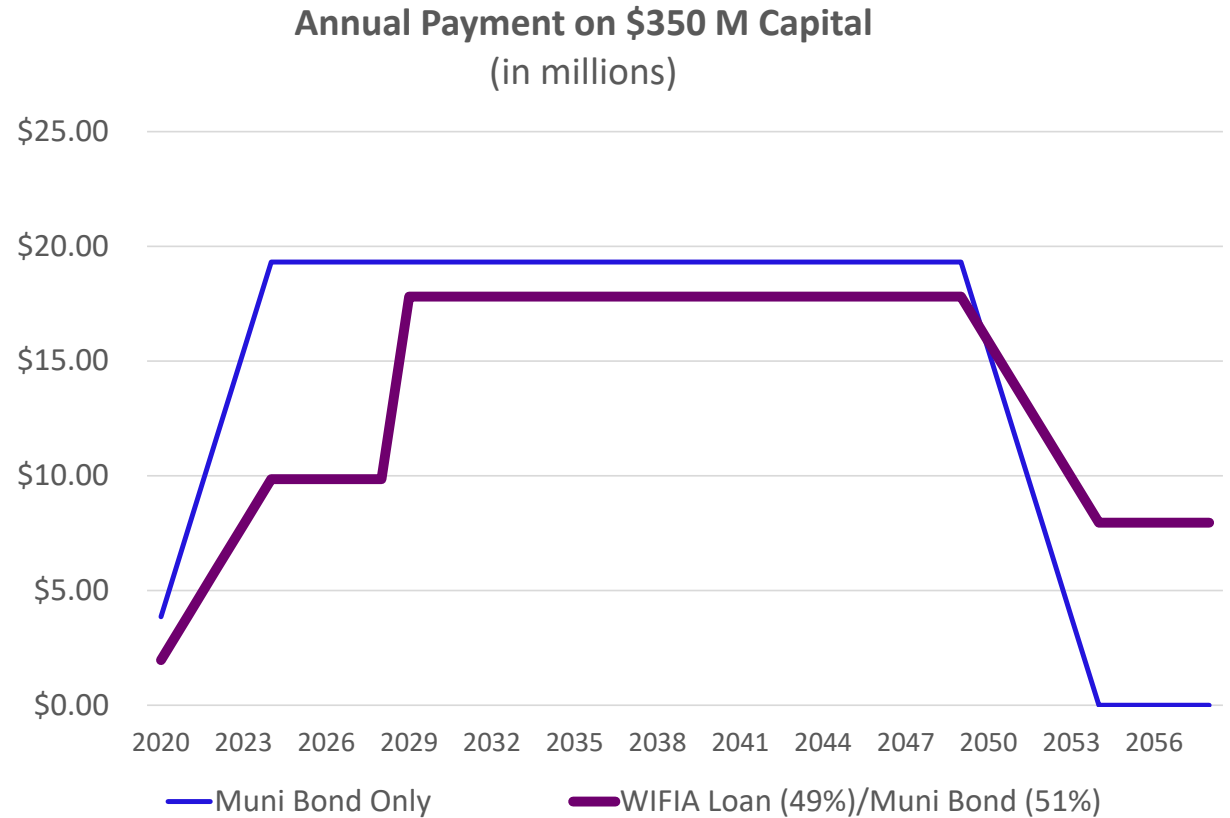
EXTERNAL DRIVERS	FLATTENING THE CURVE	MIDRANGE	LAISSEZ FAIRE
 ACCESS TO CAPITAL AND FINANCE	Market uncertainties result in unclear interest rates and restricted access for many.	Less complete early recovery results and restricted access for some.	More support for companies to generate earlier recovery, so greater access to capital.
 OPERATIONS AND EFFICIENCY	Focus on essential operations; ability to perform operations affected by remote teleworking, furloughs, access to work sites, and supply chain.	Impacts on efficiency from regulatory constraints, significant disease in the population, and revenue challenges, but less pronounced.	Ability to perform operations affected by worker safety issues with widespread, sustained disease in the population.
 CUSTOMER RELATIONS AND SERVICE LEVELS	Significant near-term reduction in demand for service as a result of mandated lockdowns and voluntary company closures.	Mid-range impact on demand for service.	Some reduction in near-term demand for service, but more moderate than in scenarios with widespread mandated lockdowns.
 AFFORDABILITY	Customer issues related to illness and unemployment; and need for emergency bill relief for growing unemployed base.	Combination of illness and financially based needs for emergency bill assistance.	Many customers needing emergency assistance with bills due to rapid growth in significantly ill customers.
 WORKFORCE AND CHANGE MANAGEMENT	Immediate impacts on staffing, production and needed organizational changes from physical distancing; impacts extended over 6 to 8 months.	Mid-range impacts due to necessary workforce changes and new work practices.	Significant staff impacts due to extended illness period, casualties, and disruption; innovation and restructuring for needed change.

A wider range of financing options in response to revenue short-falls



Municipal Bonding Only vs WIFIA/Bonding Hybrid

Loans through the Water Infrastructure Finance & Innovation Act (WIFIA) program offer an opportunity to delay repayment, which may be useful as part of response to the economic downturn caused by the pandemic.



Mike Matichich

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703-346-0050



Challenging today.
Reinventing tomorrow.





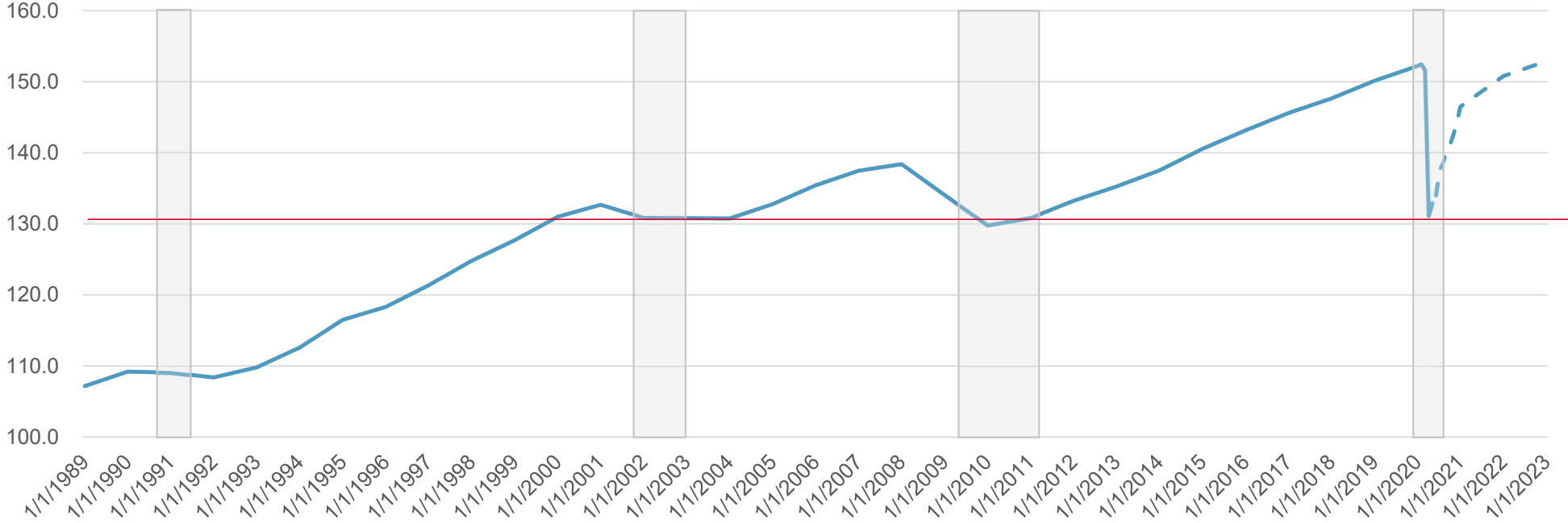
Theodore Chapman

Municipal and Cooperative
Utility Group
S&P Global Ratings
Dallas, TX



Decades of Job Growth Disappeared in Just Two Months

Total nonfarm payroll employees (millions)



Sources: BLS and St. Louis FRED

Remainder of 2020 thru 2023 reflects S&P Global Economics baseline forecast

Indicates a recession

Macroeconomic Conditions

S&P Global Economics U.S. Outlook: June 2020

Key indicator	2019	2020 By Quarter				Annualized Estimates			
		Q1e	Q2e	Q3e	Q4e	2020e	2021e	2022e	2023e
Real GDP (percentage change)	2.3	(5.0)	(33.6)	22.2	8.9	(5.0)	5.2	3.0	2.8
Unemployment rate (%)	3.7	3.8	13.4	10.9	8.9	9.3	7.2	5.3	4.3
State and local government purchases	1.6	0.2	(16.7)	0.5	(0.3)	(2.6)	(0.6)	0.5	0.7
CPI	1.6	2.1	(0.1)	(0.2)	(0.4)	0.3	1.6	2.2	1.9

DOWNSIDE

Key indicator	2020e	2021e	2022e	2023e
Real GDP (percentage change)	(8.7)	3.7	5.2	3.3
Unemployment rate (%)	9.8	8.9	6.2	5.1
State and local government purchases	(2.1)	(0.7)	0.0	0.6
CPI	0.6	0.7	1.7	2.2

UPSIDE

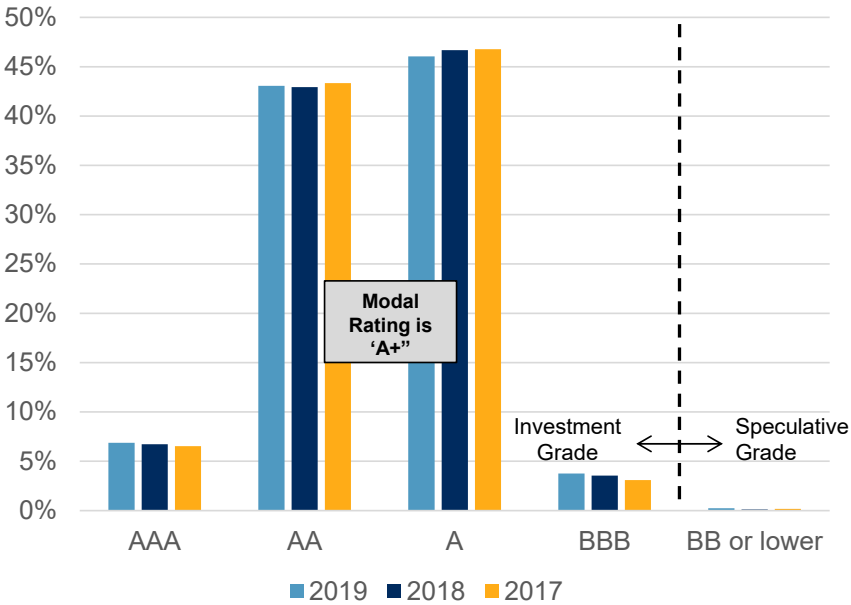
Key indicator	2020e	2021e	2022e	2023e
Real GDP (percentage change)	(3.8)	4.7	2.8	2.7
Unemployment rate (%)	8.7	6.6	4.8	3.6
State and local government purchases	(2.1)	(0.7)	0.4	0.7
CPI	0.4	2.2	2.0	2.0

Key Takeaways:

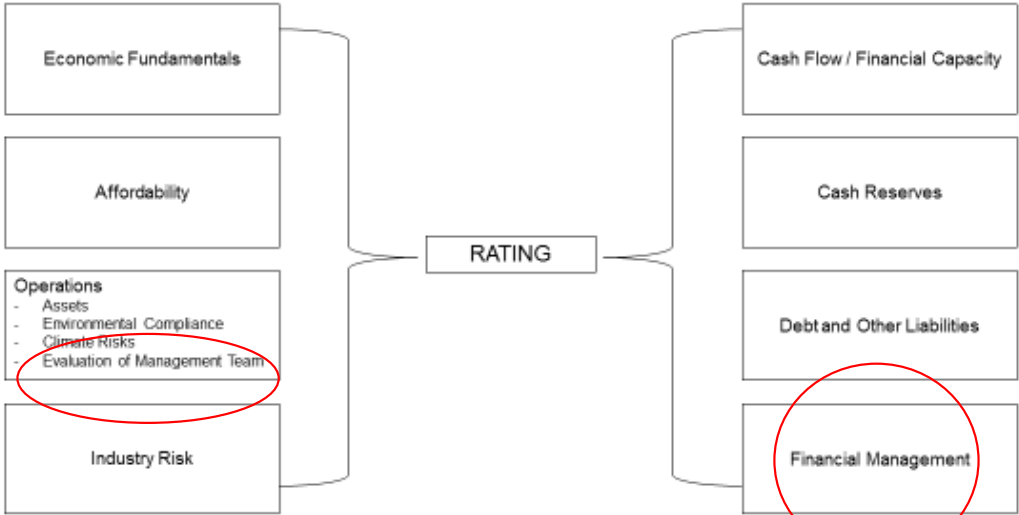
- Economic fundamentals won't return to pre-pandemic levels for at least several years
- High unemployment will persist
- Spending by state and local governments probably won't even keep up with inflation until beyond 2023

Municipal Utilities Generally Highly Rated; Management a Rating Factor

Ratings Distribution by Category



Plain English Simplified Summary of S&P Global Ratings' Utility Revenue Bond Criteria



Summary schematic only. See <https://www.standardandpoors.com/> for detailed criteria

Q & A

UPCOMING 2020

Conferences & Events

**Partnerships to Reduce the Impacts
from COVID-19 on the Water Sector
Webinar: Part 2**

July 16, 2020 | 2:00 PM – 3:30 PM EST

**Partnerships to Reduce the Impacts
from COVID-19 on the Water Sector
Webinar: Part 3**

July 28, 2020 | 2:00 PM – 3:30 PM EST

**Hot Topics in Clean Water Law
Webinar: Part 3**

September 16, 2020 | 2:00 PM – 3:30 PM EST

Learn More and Register at www.nacwa.org/events



NACWA's strength is in our members.

NACWA is the nation's recognized leader in clean water advocacy for public utilities, made possible through the collective voice of our members.

Experience the value in membership through...

- Legislative, regulatory, legal, and communications information and analysis.
- Peer-to-peer resources exchange and support.
- Interactive webinars and events.
- Recognition for your clean water utility's achievements through our national awards programs.

Learn more at nacwa.org/join.