



NEWS The United States Conference of Mayors

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NEW REPORT DETAILS IMPACTS OF LOCAL ECONOMIC TRENDS ON PUBLIC WATER INVESTMENT: U.S. Conference of Mayors Release Findings During 83rd Annual Meeting in San Francisco, CA

San Francisco – During its 83rd Annual Meeting in San Francisco, The U.S. Conference of Mayors (USCM) today released a new report that examines trends in public water investment and local economic factors that impede or limit the level of investment.

The data suggests that the robust historic average of 7 percent-a-year increase in public water investments has decelerated to 5 percent in 2012 -- enough to sustain current services, but not nearly enough to renew the vast and aging public water infrastructure that exists in many cities across the country.

This deceleration in investment comes at a time when public water systems are in need of significant physical upgrades to make them resilient to drought and floods, in addition to new federal regulations that will greatly affect how much local governments are required to spend on public water services, and this places pressure on local governments to raise utility rates to cover the increased cost.

Adding to the pressure is the Census estimates calling for significant population growth in this country over the next couple of decades (400 million by 2051). Eighty percent or more Americans will rely on public water systems for their water supply and sewer services, and utility rates advance while median income and wages are stuck.

The report identifies two factors, in particular, that impact the ability of residential water utility consumers (i.e. local tax payers) to afford rising public water service rates:

- 1) The first factor involves local government 'own-source-revenues,' which comprise approximately 55 percent of total annual local revenues. These include revenues generated from property, sales and income taxes, and service fees. This type of revenue is arguably the most reliable local revenue stream compared to other local revenues that come in the form of federal/state aid. Public water investments from 2000-2012 were \$1.16 trillion and grew 78 percent, but own source revenues lagged, growing only 70 percent. Spending on public water may appear strong, but if the growth in spending is declining from previous years, it signals a trend toward deferred maintenance and capital investment. Stagnant incomes and, in many areas, depressed property values, are hindering the growth of own-source-revenues to sufficiently meet the multiple demands for increased investment in local water infrastructure.
- 2) The second factor is the explosive growth in local long-term borrowing, from \$0.88 trillion in 2000 to \$1.78 trillion in 2012, representing a 101% increase. The ratio of total long-term debt (including but not limited to public water investment) to own-source-revenues is, on average, 1.95 in 2012, which is up from 1.64 in 2000. A debt to revenue ratio of 1.95 suggests there are some local governments experiencing greater debt management burdens, perhaps with ratios exceeding 2.0. High ratios suggest greater reliance on borrowing perhaps because own source revenue is lagging and other local revenues are dedicated to other uses. As the ratio increases, so does the vulnerability to economic disruptions, such as the 2007-2009 recession.

"With a public water infrastructure that serves a majority of Americans, mayors and local governments have a responsibility to ensure that public utility rates are reasonable. There is a growing schism, however, between the rates required to provide uninterrupted services and comply with current federal mandates, and what is considered affordable to a growing portion of households who may be priced out of water supply and sanitary sewer services in America. The simple fact is increasing portions of residents in many cities are struggling financially and can no longer afford multi-year double-digit rate increases", said Tom Cochran, CEO and Executive Director of The United States Conference of Mayors.

The report suggests that, own-source-revenue is not growing at a rate that will satisfy the future demands for local services that will have to address a growing population and rate increases driven by unfunded federal water mandates.

The entire report can be found here: <http://usmayors.org/urbanwater/publicwaterinvestmentreport2015.pdf>

The Mayors' meeting, where the report was released, is slated to span four days with confirmed speakers as follows:

FRIDAY, JUNE 19 – Opening Press Conference at 10:45am; Site Visit to New Door Ventures; Water Council Mtg re Implementing CA Water Restrictions; Mayors and Police Chiefs Task Force Mtg; Climate Protection Awards for Winning Cities Announced; Walmart VP Gerard Dehrmann to launch Cycle 2 of Manufacturing Innovation Fund; Discussion on Music and Politics feat. MC Hammer and Carlos Santana; Workshop on WAZE (traffic app); Kaiser Permanente CEO Bernard Tyson; Salesforce Exec. VP Vivek Kundra; House Democratic Leader Nancy Pelosi; Committee Mtgs: Criminal and Social Justice; Energy; Jobs, Education and Workforce w/ U.S. Labor Sec Perez; Metropolitan Economics; Women Mayors

SATURDAY, JUNE 20 – USCM President Sacramento Mayor Kevin Johnson's Farewell Address; City Livability Awards for Winning Cities Announced; U.S. Ambassador Andrew Young; MLB Commissioner Robert Manfred, Jr. re Play Ball Anncmnt.; Workshops: Increasing Diversity in Tech Industry; Building Out Broadband; Balancing Regulations and Economic Growth; Task Force Mtgs: Food Policy; Education Excellence; My Brother's Keeper; Committee Mtgs: Housing & Community Development; Health & Human Services; Environment; Transportation & Communications

SUNDAY, JUNE 21 – Chicago Mayor Rahm Emanuel; Los Angeles Mayor Eric Garcetti; CA Lt Gov Gavin Newsom; USCM/USA Funds Education Pathways with a Purpose Grant Awards & Forum; Small Business Clusters Forum; Special Plenary Session on Education Reform feat. Michelle Rhee, Antonio Villaraigosa; USCM/Wells Fargo CommunityWINS Grant Awards for Neighborhood Stabilization

MONDAY, JUNE 22 –Mayors' Amtrak Advisory Council; Ports and Exports Task Force Mtg; National Park Service Dir Jonathan Jarvis; Business Session to Debate/Vote on Policy Resolutions by Conference General Body; New USCM President Baltimore Mayor Stephanie Rawlings Blake's Inaugural Address

The U.S. Conference of Mayors is the official nonpartisan organization of cities with populations of 30,000 or more. There are nearly 1400 such cities in the country today, and each city is represented in the Conference by its chief elected official, the mayor. Like us on Facebook at facebook.com/usmayors, or follow us on Twitter at twitter.com/usmayors.