November 26, 2024

To: The Oregon State Legislature
From: Jason Green and Mike Collier, The Oregon Association of Water Utilities
Michelle Neiss, PhD and Kara Krnacik, DHM Research
Re: House Bill 2010 (2023 Regular Session) General Fund Grant

Executive Summary

DHM Research was contracted by the Oregon Association of Water Utilities (OAWU) to conduct a survey of small and very small community water systems in the state of Oregon to assess their needs and vulnerabilities. This study, conducted from August 1 to August 29, 2024, focused on critical areas identified by the state legislature: water supply reliability, source and treated water quality, utility board and operations management, infrastructure, droughts, floods, and earthquakes, funding, financial stability, and water rates, regulations and safe drinking water standards, and opportunities for emergency interties, system consolidation, and regionalization. Analysis across these areas shows that the primary need for Oregon's small and very small water systems is funding for foundational infrastructure improvements.

Urgent Improvement Areas: The most urgent needs for the utilities surveyed are infrastructure upgrades and additional funding, as aging infrastructure and replacement costs pose major challenges. The following areas were identified in the order of most urgent and lowest quality based on the utilities' ranking of priority and quality levels:

1. **Distribution Infrastructure:** Identified as the most urgent need for improvement. Currently, 22% of funding needs are for distribution infrastructure, with 69% of these projects lacking 75-100% of the required funding.
2. **Water Supply Infrastructure**: Utilities' second highest priority is updating supply systems to meet growing demand and resilience needs.
3. **Water Treatment Infrastructure:** Treatment plants and equipment accounted for 10% of the projects that need funding.
4. **Financial Stability:** Financial constraints prevent utilities from upgrading infrastructure and emergency measures, leaving many small and large budget projects unfunded. Over half of the top funding needs have budgets under $500,000 per project, and a third are under $100,000. This suggests utilities of this size struggle to manage both large and small projects effectively and could benefit from both additional funding and enhanced financial management support.

Secondary Improvement Areas: These areas, while recognized as important, were identified as lower priorities for immediate improvement due to either sufficient existing quality or lower perceived risk:

1. **Drought, Flood, and Earthquake Preparedness:** Utilities currently rate these preparedness areas as low quality but are lower priorities, possibly due to limited resources or infrequent occurrences.

2. **Workforce Capacity:** Utilities expressed concerns about attracting skilled staff but indicated this as a lower priority. However, utilities did not indicate a significant need for additional full-time employees. Over half need 1-2 additional employees, and 2 in 5 utilities need none.

Key Strengths: A standout area of strength, water supply reliability was identified as both high in quality and a critical priority:

1. **Water Supply Reliability:** Despite infrastructure challenges, most utilities report experiencing minimal service interruptions, indicating strong performance in maintaining reliable water supply.

Secondary Strengths: Utilities identified several areas where they perform well and have established robust systems to maintain quality. Utilities see these areas as less critical:

1. **Source & Treated Water Quality:** Most utilities report high-quality source and treated water. However, outdated water systems have a large impact on water quality among utilities, with workforce capacity and water aesthetics also having marginal impacts.
2. **Regulation Compliance:** Utilities self-assess as strongly compliant with current regulations. They identify the need to update infrastructure and unfunded mandates as the most significant regulatory compliance issues.
3. **Overall Management:** Emergency and disaster training and the boards' or councils' responsibilities are the areas utilities identified needing the most training for boards or councils overseeing utilities.

Conclusions

This survey revealed that infrastructure and financial stability are the most urgent, interconnected challenges facing small and very small water utilities. Distribution, supply, and treatment infrastructure investments are critical to meet future demand, comply with regulations, and enhance emergency preparedness. While utilities generally self-assess as performing well in water quality, reliability, and regulatory compliance, infrastructure failures impact performance in these areas as well. Addressing these challenges will require targeted legislative funding to help utilities sustain their current strengths while improving critical areas.

Statement from the Oregon Association of Water Utilities

The Oregon Association of Water Utilities is grateful for the opportunity to complete this survey on behalf of the Oregon Water Caucus. We recognize various degrees of utility reporting occurs, with systems having little to no professional evaluations to those with expert staff replying to this survey. Additionally, though not revealed as a weakness, OAWU wishes to note that consistent priority placed on training of boards and councils and especially managers and operational personnel yields great benefits in management, finance, attention to meeting regulations, and especially public health.

Additionally, OAWU wishes to thank DHM Research for their professionalism and tireless work in this needs assessment study.

Please contact Jason Green, Executive Director of the Oregon Association of Water Utilities (jgreen@oawu.net), for a copy of the full report.