

# Drought Could Lead To Financial Hardship for Water Agencies

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Conserving water could cost some California water agencies. Katie Orr reports from Sacramento on a notice issued today from Moody's Investors Service.

Moody's says state-wide water restrictions approved this week could eventually lead to lower credit ratings for California water agencies. That's because less water use means lower water sales, which in turn means less revenue.

Moody's Eric Hoffmann says that could be a problem for agencies that rely on revenues to make bond payments. And he says Moody's knows it would be politically unpopular to raise rates on people who are using less water...



*Hoffman: "But ultimately local water users and water agencies have pledged their good credit toward making bond payments. And one of the expectations is that, in the event that revenues are less than what might have been expected, rates will be raised."*

Hoffmann says many agencies are actually contractually obligated to raise rates if revenues fall below certain thresholds.