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Drought Is Quietly Pushing American Cities Toward A Fiscal Cliff.

Drought isn't the only climate-driven disaster hitting cities. But it may be the most insidious of the natural threats straining local budgets.

The city of Clyde sits about two hours west of Fort Worth on the plains of north Texas. It gets its water from a lake by the same name a few miles away. Starting in 2022, scorching weather caused its levels to drop further and further. Within a year, officials had declared a water conservation emergency and, on August 1 of last year, they raised the warning level again. That meant residents rationing their spigot use even more tightly, especially lawn irrigation. The restrictions weren't, however, the worst news that day: The city also missed two debt payments.

Municipal bond defaults of any kind are extraordinarily rare, let alone those linked to a changing climate. But, with about 4,000 residents and an annual budget of under $10 million, Clyde has never had room to absorb surprises. So when poor financial planning collided with the prolonged dry spell, the city found itself stretched beyond its limits.

The drought meant that Clyde sold millions of gallons less water, even as it imported more of it from neighboring Abilene, at about $1,200 per day. Worse, as the ground dried, it cracked, destroying a sewer main and bursting another, quarter-million dollar, hole in the town budget. Within days of Clyde missing its payments, rating agency Standard & Poor's slashed the city's bond ratings, which limited its ability to borrow more money. Within weeks, officials had hiked taxes and water rates to help staunch the financial bleeding.

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