Show Me the Money: Innovative Funding Mechanisms for Water Projects
WATER LEADERS.
RESILIENT SOLUTIONS.
Local Leaders are Key to our Water Future

U.S. Water Infrastructure Spending

Local water leaders control 85% of water spending – drinking, wastewater, storm water – nationwide
Where is WNA?

350+ members
Spanning 31 states
WHAT DO WE MEAN BY SUSTAINABLE?

Methods of providing clean, affordable, and accessible water services to people without using up or destroying water resources, now and into the future.
Sustainable Water Solutions

- Reuse & Recycling
- Source Water & Watershed Protection
- Groundwater Management
- Water Conservation & Water Use Efficiency
- Water Trading: Market Mechanisms
- Green and Distributed Infrastructure
What is "Localized" Water Infrastructure?

- Decentralized water management strategies and technologies distributed over many properties
- Not necessarily owned and operated by utility
- Often paid for, or incentivized, by the utility
- Operate in concert with built infrastructure

Also known as rebates...
High Efficiency Appliances and Fixtures
Leak Detection Devices
Smart Irrigation Controllers
Commercial, Industrial and Institutional Retrofits/Upgrades
Watershed Restoration
CA Urban Water Use Efficiency Potential

- **Seawater Desalination**: 330 - 560 thousand acre-feet
- **Stormwater Capture**: 420 - 630 thousand acre-feet
- **Water Reuse**: 1,200 - 1,800 thousand acre-feet
- **Urban Efficiency**: 2,900 - 5,200 thousand acre-feet
How can public utilities scale up localized, consumer-side-of-the-meter infrastructure?
Cost of Operating Utilities is Growing

Federal, state and local government spending on water and wastewater utilities, 1956 - 2014

Reported in billions of 2014 dollars

Graphed by the Environmental Finance Center at the University of North Carolina, Chapel Hill.
Source: Congressional Budget Office supplemental data for the Public Spending on Transportation and Water Infrastructure, 1956 to 2014 report (March 2015). Displays public spending on supply systems for distributing potable water as well as wastewater and sewage treatment systems and plants. Real spending is shown after adjusting nominal spending to their 2014 dollar equivalent using infrastructure-specific price indexes.
Under basic accounting rules, a public agency must control an “asset” in order to finance it with debt.

Water utilities generally limit their use of capital to fixed assets (pipes, tanks, etc.) that they own and control.

By contrast, utilities generally pay for rebates and other investments in onsite and distributed systems with operating funds (or grants or philanthropy).
What’s the Solution?

In May 2018, GASB issued guidance clarifying that water utilities are authorized to capitalize localized, onsite infrastructure.

**In other words:** you can now use debt – e.g., muni bond proceeds – to finance _water efficiency rebates for business, institutional, residential and other consumers._
3 Criteria for GASB 62 Regulated Assets

- The utility is governed by a board empowered to establish rates for its customers.
- The rates are designed to recover the costs of the particular activity, e.g., consumer rebates.
- The rates are reasonably likely to cover the costs of the program.
**How Would This Actually Work?**

**Example:** Your utility has a $70 million budget. You’d like to invest in a major turf replacement program that will cost $10 million.

<table>
<thead>
<tr>
<th>Using Annual Operating Cash</th>
<th>Using Debt</th>
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<tbody>
<tr>
<td>• Raise rates in Year 1 by ~ 14%</td>
<td>• Raise rates in Year 1 by ~1%</td>
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<tr>
<td>• Implement program in Year 1</td>
<td>• Pay back over 20 years</td>
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<td>• Benefits over 20 years</td>
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Meeting Future Needs with Consumer-Hosted Solutions
Southern Nevada Water Authority:
Regional Collaboration, Regional Success
SNWA Water Resources Plan

- GPCD in 1990 was 350
- Set an initial goal of 116 GPCD by 2035
- A huge percentage of these savings have come from turf replacement programs
WATER SMART LANDSCAPES

PROGRAM FACTS

187 MILLION
Square feet of grass has been removed since the WSL program began in 1999

snwa.com

119 BILLION
Gallons of water has been saved through grass removed to date.

That's enough water to fill the Luxor Hotel Pyramid
330 TIMES

snwa.com

Southern Nevada Water Authority
Financing the Future of Water Infrastructure

- Water infrastructure is increasingly onsite and localized
- Putting capital to work for localized strategies has enormous potential
- GASB 62 opens the door to a whole new world of investments
THANK YOU

Contact us:
www.waternow.org
info@waternow.org