

This presentation premiered at WaterSmart Innovations

watersmartinnovations.com





Utilizing Debt Funding for Water Conservation Programs

Cynthia Koehler, Executive Director, WaterNow Alliance

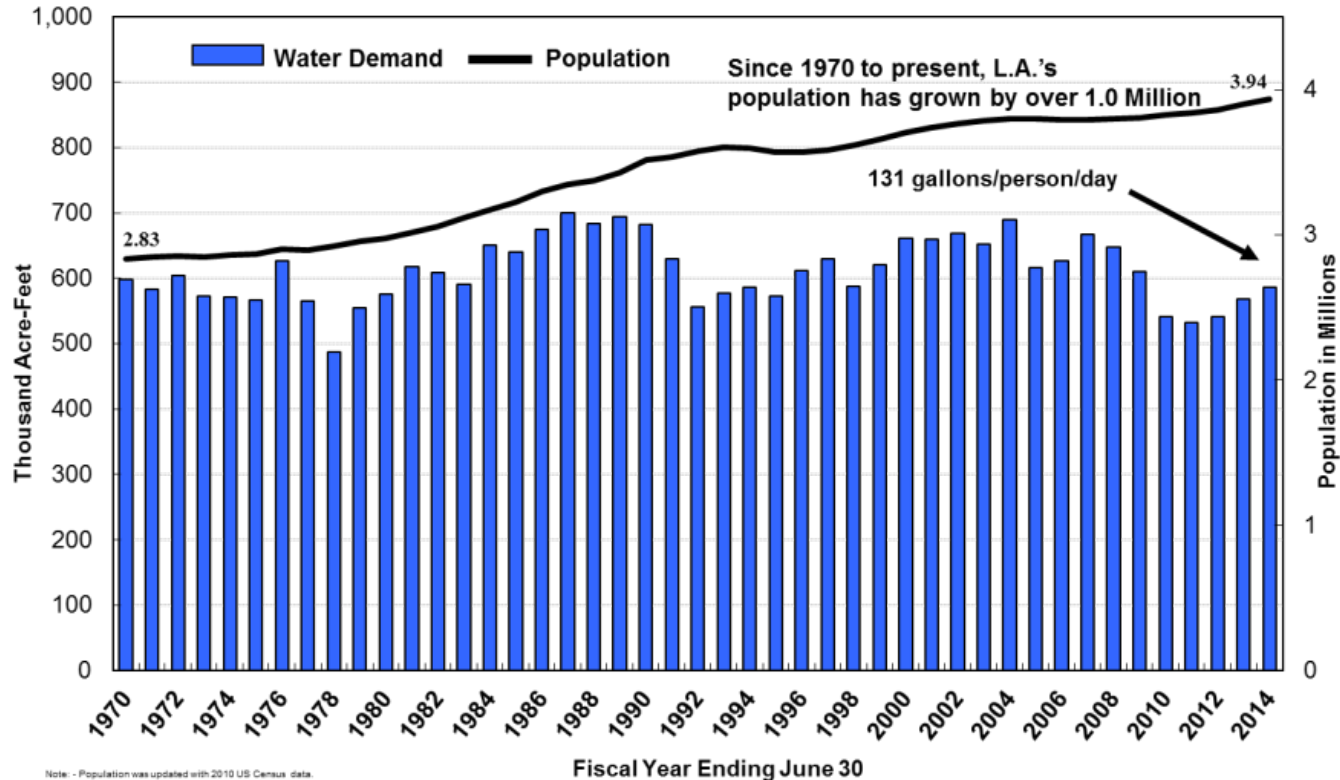
Ed Harrington, former President, Government Finance Officers Association

Mary Kimura, Attorney, Norton Rose Fulbright

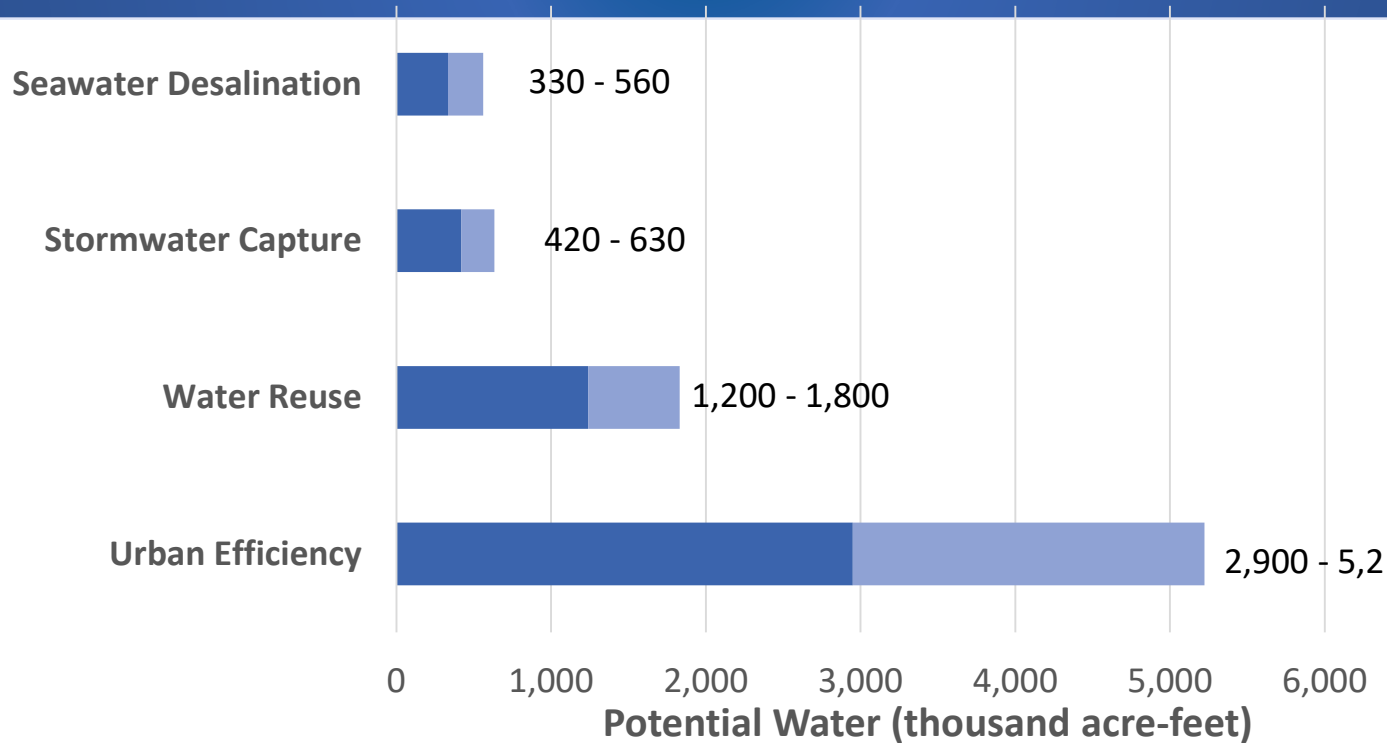
Julie Desimone, Partner, Utility National Practice Leader, Moss Adams

EFFICIENCY AND WATER SUPPLY

CITY OF LOS ANGELES WATER USE AND POPULATION



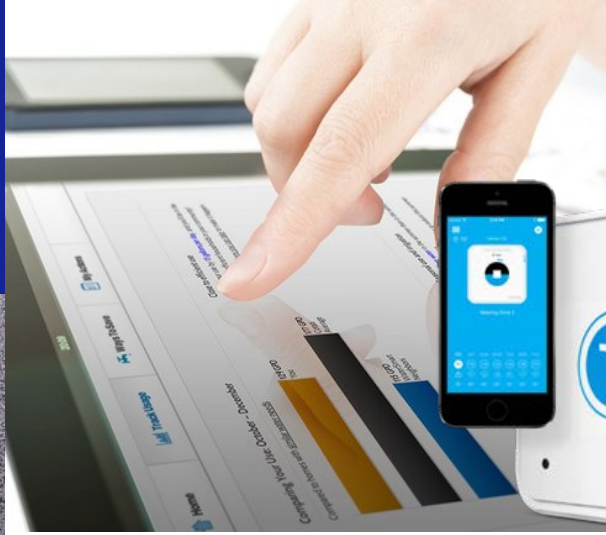
THE NEW INFRASTRUCTURE: CENTRALIZED AND DECENTRALIZED



Source: Pacific Institute

“DISTRIBUTED INFRASTRUCTURE”

HIGH-EFFICIENCY
TOILET TODAY



CAPITAL vs. OPERATING



- Pipes
- Treatment plants
- Reservoirs



- Staff salaries & benefits
- Chemicals
- Annual regular maintenance

ACCESSING CAPITAL MARKETS FOR EFFICIENCY



BOND FINANCING DISTRIBUTED WATER SYSTEMS:

How to Make Better Use
of Our Most Liquid Market
for Financing Water
Infrastructure

September 2014

Authored by

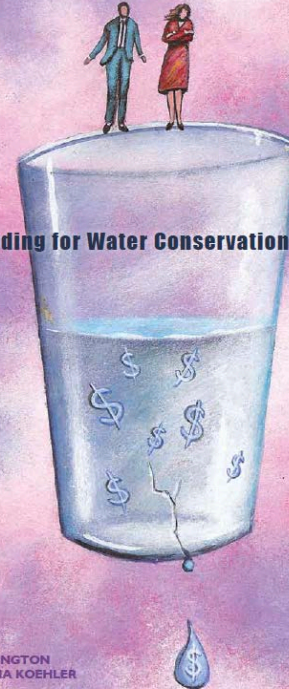
Sharlene Leurig
Ceres

Jeremy Brown
The University of Texas School of Law



Debt Funding for Water Conservation Programs

BY ED HARRINGTON
AND CYNTHIA KOEHLER



as·set

/ˈ ɑːsɛt/ 

noun

a resource with economic value that an entity owns or controls with the expectation that it will provide future benefit.





Mission: to establish and improve financial accounting and reporting standards to provide useful information to investors and other users of financial reports and educate stakeholders on how to most effectively understand and implement those standards.

SOUTHERN NEVADA WATER AUTHORITY

Water Smart Landscapes Program:

- \$202 million in rebates
- 108.52 billion gallons saved since 2000
- 177 million



The background of the slide is a close-up photograph of water with ripples, creating a textured blue surface. A semi-transparent white horizontal band is positioned across the middle of the image, serving as a backdrop for the title and speaker information.

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Ed Harrington, former President, Government Finance Officers Association

WHAT DO YOU WANT TO DO?

- **Expanded water conservation programs**
 - Subsidized Toilet installation
 - Washing machine rebates
 - Free shut off valves/nozzles
- **Turf buyback**
- **Partner with a Waste/Stormwater agency** on a facility they will own and operate, but will put water back into your aquifer
- **Green Roofs/permeable pavement** on private property



WHAT'S THE PROBLEM?

- Your finance folks tell you that you can only pay for these things out of rate revenue
- Annual rate revenue is not sufficient to cover large programs.
- There are alternative financing choices available that accountants are unfamiliar or uncomfortable with.



ASSET CONTROL

	Easement	Real Property Lease	Personal Property Lease	Lien	Title	Contract
Water Efficient Indoor Appliances						
Cash-for-grass, Xeriscape, Permeable pavement, green rooftops, bioswales, rain gardens						
Grey Water System, drip irrigation,						

	= Likely
	= Potentially
	= N/A



INTRODUCING: GASB #62

**What are
“regulated operations”?**

REGULATED OPERATIONS

HOW DOES THAT WORK? PART I

- Are you eligible:
 - ☒ Do you have a governing board that can set rates?
 - ☒ Can they set rates designed to recover the specific costs of the program you want to fund?
 - ☒ Can they set rates at levels sufficient to recover those costs from your customers?



REGULATED OPERATIONS

HOW DOES THAT WORK? PART II

GASB# 62 says:

- A regulated business-type activity should capitalize all or part of incurred costs that otherwise would be charged to expense if the following criteria are met:
 - It is probable that future rate revenues will be at least equal to the costs incurred.
 - Future revenue will pay for these incurred costs—not for future costs.



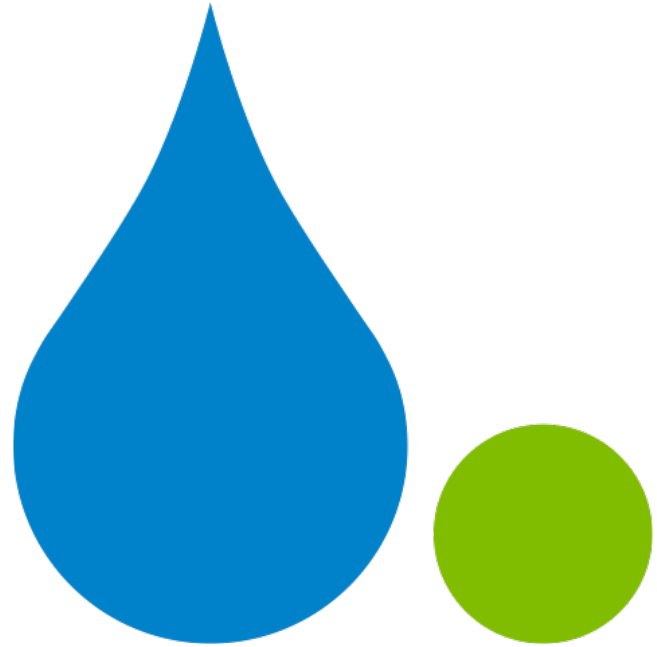
WHY IS THIS IMPORTANT?

- If you are allowed to view these programs as part of the long-term capital program, they become much more scalable and provide real opportunities for large water savings.
- You open up a wider choice for funding the projects—issuing debt.



WHO DO YOU NEED TO WORK WITH?

- Accountants/Auditors
- Bond Lawyers
- Bond Financial Advisors





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WE'RE ALL CONNECTED THROUGH WATER

