USING TAX EXEMPT BONDS FOR DISTRIBUTED INFRASTRUCTURE

[Yes, you can do it]

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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 STOPPING YOU?

- Your engineers tell you they can’t count on performance/outcomes.

- Your finance people tell you that you would cause rate shock if you try to pay for these programs right now.

- Your finance people tell you that can’t borrow money to do them either because they don’t result in a plant, pipeline, etc.

YES YOU CAN!

- Issue: You need to spend tax-exempt bond money on an “asset”.
- You can create assets by establishing control—contracts, easements, liens. (Las Vegas Water)
- You can create an asset by raising rates to pay for the program. (Regulated Operations - LADWP, Kings County Water Quality, Seattle Water)

ASSET CONTROL

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

	= Likely
	= Potentially
	= N/A

REGULATED OPERATIONS
HOW DOES THAT WORK? PART I

- Governmental Accounting Standards Board GASB #62-Regulated Operations

- Are you eligible:
  - Are you a governing board that can set rates?
  - Can you set rates designed to recover the specific costs of the program you want to fund?
  - Can you 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.

WHAT DOES THAT ACTUALLY MEAN?

Example: A major conservation program will cost $30 million.

- If you raise rates 5% per year for 15 years you could pay for the program.
- Borrow the money.
- Set rates sufficient to pay it back.
- Do program
- Collect rates and pay back debt

WHAT ELSE?

- Talk to your bond counsel
- Talk to your auditors
- Talk to WaterNow Alliance