

THE FINANCING FIX TO SCALE WATER INNOVATION

GASB POLICY GUIDANCE OPENS UP NEW CHANNELS TO TRANSFORM OUR WATER INFRASTRUCTURE

Our country is facing a water crisis. The infrastructure that treats our wastewater is aging, the systems that control our stormwater are in overdrive, and the pipes that route our drinking water are decaying. Status quo infrastructure would require \$4.8 trillion over the next 20 years. Luckily there's another way to fix our water future.

WHAT's the fix?

Localized strategies installed across homes, businesses, and public spaces — like green roofs, water-efficient appliances, and smart landscaping — offer affordable and effective alternatives to high-cost conventional water infrastructure. At scale, they perform the same functions as traditional approaches, including safeguarding water supply and quality, protecting ecosystems, and managing urban runoff.

In May 2018, the Governmental Accounting Standards Board (GASB) issued a new policy that opens up an entirely new channel for financing on-site, decentralized water innovation. By adding guidance to its existing Standard 62 (“GASB 62”), the policy enables public utilities to use capital, rather than operating cash, to finance consumer rebates to grow localized infrastructure programs within their communities. This seemingly small government detail is monumental for our communities.

HOW can my utility or town use capital instead of cash for localized infrastructure?

GASB Statement 62, which has been on the books for years, allows local governments to book the cost of “business-type activities” as assets rather than annual expenses. These are called “regulatory assets” and can be capitalized with debt financing.

GASB's 2018 guidance connects the dots and says that public water utility spending on consumer rebates (and direct installations) for decentralized technologies and systems qualifies for GASB 62 accounting. As a result, budgets for these more sustainable programs can be bond financed to recover the costs over 20 or 30 years or more rather than collecting all funds in a single year relying on operating cash. That means more projects at an affordable cost. You can dive into the details with WaterNow's three-part blog on the [GASB guidance here](#).

WHO does this ruling affect?

GASB rules apply to all **public** entities. GASB's Statement 62 specifically has three requirements that apply to virtually all public water utilities interested in financing consumer-side-of-the-meter infrastructure projects:

- ✓ Does your agency have a governing Board empowered to set rates for your agency?
- ✓ Can your Board set rates to pay for the cost of the specific programs you want to finance (as you would for ordinary capital spending)?
- ✓ Can your Board commit to setting rates in the future to pay for the cost of these programs today (as you would for ordinary capital spending)?

If you answer YES to all three, you qualify for this new approach to financing localized systems!

WHY does this policy matter?

Today's utilities are forced to do more with less. In the face of pressure from unprecedented water scarcity, frequent and more extreme weather events, and dwindling federal and state financial support, reliance on localized, on-site strategies is going to grow. And scale is the issue. Communities must be able to access capital in order to finance localized strategies at scale. The new GASB policy guidance is the key to this unlock, opening the way for a new pool of financial resources to help utilities build resilient, futureproof water management systems just in the nick of time.

WHEN is this funding mechanism available?

Now!

WHERE do I start?

Right here. Join the Tap into Resilience movement for ongoing resources and access to water leaders who are using localized solutions to transform their communities. Contact us for specialized project guidance.

Just getting your feet wet? Start planning with the WaterNow Toolkit and other resources here:

- ✓ Identify and prioritize sustainable strategies that could benefit your community. Learn more about available localized infrastructure solutions.
- ✓ Check out the Tap into Resilience Toolkit to review key legal issues. Or talk with one of WaterNow's team of experts.
- ✓ You can also use the Toolkit to start reviewing any financing questions that you, your CFO, your financial advisor, or your auditor might have.
- ✓ Want to see who else has gone down this path already? Take a look at WaterNow's case studies.
- ✓ Browse through our curated library of resources for reports, fact sheets, and other information to get going.

Contact an expert at tapin@waternow.org
or explore resources at tapin.waternow.org.