



## Financing the New Water Infrastructure



By **NLC Staff** on **May 29, 2018**

*This is a guest post by Cynthia Koehler, executive director of the WaterNow Alliance.*

When it comes to addressing the nation's water infrastructure crisis, cities and towns are ground zero. They account for 80% or more of spending on drinking water, stormwater and wastewater nationwide, as federal and state support for these vital public services have dwindled over the

last thirty years. The news is filled with concerning estimates that it will take billions, or trillions, to address municipal water resource needs going forward.

But it may be that these gloomy estimates are overblown.

Green and distributed infrastructure options are having their moment, and municipal leaders are taking notice. Permeable pavements capture and filter stormwater; recycling technology is turning buildings into treatment facilities; water-efficient appliances, landscaping and water smart tech tools are stretching water supply far beyond projections.

These decentralized innovations — distributed over many properties — [perform the same functions as conventional built water infrastructure](#), capturing, treating and managing water. But they are often much less expensive than conventional infrastructure, and more compatible with maintaining environmental health. [Seattle](#), [Philadelphia](#), [Los Angeles](#), [Milwaukee](#) and the [Las Vegas area](#) are all experimenting successfully with distributed water strategies in various ways.

The challenge for green and distributed water strategies is scale. The power of these systems to provide truly meaningful benefits, and big savings, to cities and towns is in the aggregate. So how do we move from important but scattered success stories to making these options easily available to municipalities facing a range of water issues?

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That challenge has just gotten a bit easier thanks to a recent decision by the Governmental Accounting Standards Board (GASB). For the last two years, WaterNow Alliance, in partnership with [NLC's Sustainable Cities Institute](#), has been working with a team of bond lawyers and municipal finance experts to make it easier for cities and towns to pay for green and distributed water programs in the same way that they pay for conventional water infrastructure — all through debt-financing.

Adopting distributed systems at large-scale requires that cities and towns have the option to use municipal bond proceeds to pay for consumer rebates, direct installations and other distributed infrastructure initiatives. Otherwise these programs are relegated to annual operating budgets, and for all but the largest utilities this means that they will remain relatively small.

This is where GASB comes in. Rebate programs for turf change outs or permeable pavements or industrial efficiency projects do not have the look and feel of traditional assets. And to debt finance, you need an asset.

About 10 years ago, GASB adopted accounting standards (GASB 62) allowing cities, towns and other public entities to book public spending on “business-type activities” as assets, recognizing that these expenditures, which do not result in traditional fixed assets but are also not annual expenses, can create long-term benefits. Local government spending on distributed infrastructure throughout their communities can be a great fit for this treatment. But until now, it wasn't easy to connect the dots from GASB 62 to water or consumer rebates.

As a result of NLC and WaterNow's efforts, along with other partners, GASB has now issued authoritative guidance specifically providing that utility spending on distributed water programs can be booked as assets. (The critical factor is the existence of a rate setting board, such as a city council. Please see [here](#), [here](#) and [here](#) for a more detailed discussion.)

This opens the way for local governments to access capital markets and invest in consumer rebates and other distributed water programs at an entirely new scale, a scale that has real potential to address the infrastructure challenges of the 21<sup>st</sup> Century.

The community benefits of this – let's face it – highly wonky and technical accounting guidance are significant for any municipal water agency. If even a small amount of their capital can be redeployed to distributed systems, it would relieve strain on operating budgets while ramping up investment in solutions that are faster, greener and often cheaper in solving significant water challenges than conventional alternatives.

We are excited to be working with NLC over the next year or so to help municipal leaders identify new efficiency technologies, stormwater strategies and other innovative water solutions that could make the difference for their cities and towns. For more information, please contact [info@waternow.org](mailto:info@waternow.org).



**Cynthia Koehler** is Executive Director of the [WaterNow Alliance](#) and an environmental attorney and water policy expert with 20 years of experience working on federal and state water issues and legislation. She was previously the Environmental Defense Fund's Legislative Director for California water issues and the Legal Director for Save San Francisco Bay.

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