

# Money Matters

Industry expert shares insight on financial risks & tips for municipalities

## Continued Rise of P3s

The recent passage of the Water Resources and Reform Development Act of 2014 created a Water Infrastructure Public-Private Partnership Program, a 15-project pilot program that, if successful, could lead to increased funding for water infrastructure projects. The Army Corps of Engineers will work with state and local governments and private organizations to finance these projects, which include coastal harbor improvement, channel improvement, inland navigation, flood damage reduction, aquatic ecosystem restoration, and hurricane and storm damage reduction.

Wilson believes the acceptance of public-private partnerships in municipalities is growing as well, and will continue to grow over the next five to 10 years.

"Public-private partnerships provide alternative financing opportunities for municipalities to maintain and improve their existing infrastructure," Wilson said. "Municipalities can retain ownership and oversight of their facilities while still bringing into play the private sector's capabilities and potential economies of scale."

Interview compiled by Amy McIntosh



Robert K. Wilson, CPA, MBA, CGMA, is a partner at WeiserMazars LLP. Wilson has more than 30 years of experience providing senior leadership, financial reporting and organizational transformation as both an industry insider and consultant to the water and utilities, real estate, finance, manufacturing and information technology sectors. Wilson previously was a partner with Grant Thornton. He also was CFO for a national water/wastewater management company, and has consulted with municipalities to evaluate their current water/wastewater operations and administration environment. Wilson can be reached at [robert.wilson@weisermazars.com](mailto:robert.wilson@weisermazars.com).

**F**unding and financing are the backbone of any municipal water operation. Having the means to build, maintain and rehabilitate infrastructure to continue to provide water to customers is vital. *W&WD* Associate Editor Amy McIntosh spoke with Robert K. Wilson, a partner at WeiserMazars LLP, about the financial concerns facing municipalities and how to mitigate risks.

**Amy McIntosh: What is the biggest financial concern municipalities face today?**

**Robert Wilson:** We do an annual water survey of industry participants, and from the information that we received during our 2014 survey, the most pressing issue out there right now is aging infrastructure in the water and wastewater industry. I think that issue has probably been out there for a while, but it continues to be the leading challenge from a financial standpoint for most municipalities.

**McIntosh: What are some financial risks municipalities face in terms of the cost of water?**

**Wilson:** Most of the municipalities and providers we interact with feel that the existing cost of water is very low in comparison with the cost of the service and the value provided to the customers and also compared with other developed countries around the world. That creates risks from their perspective: They have to maintain that low cost but still meet other funding requirements they have, such as pension and retirement funding and regulatory compliance, [while dealing with] cost increases, such as rising energy costs. It puts pressure on them to continue to maintain that low cost of water.

**McIntosh: What are some steps municipalities can take to maintain the low cost of water?**

**Wilson:** The biggest thing that a municipality can do is increase public awareness of the value of the water that is being provided. The general public

does not have a good understanding of the value of the commodity that they are receiving and just how precious it is to continue to have their way of life. It is important that a municipality or utility communicates more to advance that understanding within the public it serves.

In addition, I think working with the local politicians can help. One of the other areas indicated in the survey results we have received is increasing political support for maintaining the infrastructure necessary to continue to provide quality water at a reasonable price. Working with public officials to help understand the impact that a municipality or utility has on the community and gaining their support for adequate infrastructure is very important.

**McIntosh: Do you have any other tips for municipalities to improve their operations from a financial standpoint?**

**Wilson:** I think the key with any municipality is to first understand what its existing situation is. With many of the companies we have worked with over the years, one of the key things that we find is that the actual issue is not clearly defined. We tend to take a holistic view of what is going on within the utility to get a broader understanding of the challenges that it faces and then help it identify particular issues in order to address those challenges.

From my perspective, one of the best things a municipality can do is develop a strategic plan. We do not see a lot of municipalities that actually have a well-defined strategic plan that clearly identifies the challenges, risks and opportunities that it has going forward. Developing that and working through a process to address those issues could help manage the facility better and hopefully continue to provide high-quality water. **w&wd**

Amy McIntosh is associate editor for *W&WD*.

McIntosh can be reached at [amcintosh@sgcmail.com](mailto:amcintosh@sgcmail.com) or 847.954.7966.

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