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# **Privately Financed Wastewater Public-Private Partnerships**

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**Presentation before the North Carolina Legislative Study Commission  
on Public-Private Partnerships**

**Sherry L. McDonald  
Natural Resources and Environment  
U.S. Government Accountability Office**

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# Introduction

- Policymakers and wastewater groups have proposed a variety of approaches to help bridge the potential gap between current levels of federal, state, and local spending and future wastewater infrastructure needs.
- These approaches include:
  - Increasing funding to traditional wastewater funding programs, such as the Clean Water State Revolving Fund
  - Establishing a Clean Water Trust Fund
  - Establishing a National Infrastructure Bank
  - Using privately financed public-private partnerships to plan, finance, design, construct, or operate and maintain wastewater infrastructure facilities



# Introduction

- Over the past several years, GAO has issued reports on some of the approaches proposed:
  - In May 2009, GAO issued a report (GAO-09-657) discussing issues that would need to be considered when designing a Clean Water Trust Fund.
  - In June 2010, GAO issued a report (GAO-10-728) discussing
    - stakeholders views on a National Infrastructure Bank and
    - the extent to which private financing has been used in wastewater public-private partnerships (PPP) and its reported advantages and challenges.



# GAO's Report on a National Infrastructure Bank and Wastewater Public-Private Partnerships

GAO

United States Government Accountability Office

Report to the Ranking Member,  
Committee on Transportation and  
Infrastructure, House of  
Representatives

June 2010

## WASTEWATER INFRASTRUCTURE FINANCING

Stakeholder Views on  
a National  
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- For purposes of our report, a privately financed PPP is a contractual agreement in which the private partner invests funds in the wastewater infrastructure, but does not include full privatization, in which the municipality sells its wastewater infrastructure to a private partner.
- Our examination of privately financed PPPs did not include an evaluation of the effect of the agreements on communities sewer rates and cost or level of service.



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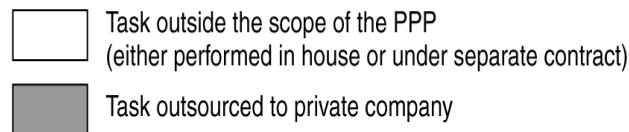
GAO-10-728

- To determine the extent to which wastewater PPPs have been privately financed, we conducted a literature search to identify potential privately financed PPPs initiated since 1992, when President Bush signed an Executive Order encouraging these partnerships.
- To determine the potential advantages and challenges of privately financed wastewater PPPs, we
  - interviewed officials at six of the largest private companies involved in water and wastewater PPPs and officials in municipalities that have used privately financed PPPs.
  - conducted case studies in 4 states where we spoke to numerous municipalities about their wastewater financing choices to get additional context about why few municipalities have entered into privately financed PPPs.

# Privately Financed Wastewater PPPs

- The privately financed wastewater PPPs that we identified generally fell into two categories

Types of privately financed wastewater PPPs	Project tasks
Design-build-finance-operate	<pre> graph LR     A[Preplanning and acquisition] --&gt; B[Finance Outsourced]     B --&gt; C[Design Outsourced]     C --&gt; D[Construction Outsourced]     D --&gt; E[Operations and maintenance Outsourced]           </pre>
Long-term lease for existing wastewater assets	<pre> graph LR     A[Preplanning and acquisition] --&gt; B[Finance Outsourced]     B --&gt; C[Design]     C --&gt; D[Construction]     D --&gt; E[Operations and maintenance Outsourced]           </pre>



Source: GAO.



# Privately Financed Wastewater PPPs

- Privately Financed Wastewater PPPs are uncommon. We identified seven privately financed wastewater PPPs developed since a 1992 Executive Order encouraged the use of privately financed public-private partnerships.
- Although all seven entered into privately financed wastewater PPPs, their reasons for doing so differed as did the contract terms.

# Privately Financed Wastewater PPPs Identified by GAO

Municipality	Company	Year Initiated	Type	Initial term (years)	Assets Included	Up Front Payment (Y/N)
Arvin, CA	US Filter (now Veolia Water)	1999	Lease & Design-Build-Finance-Operate	35	Lease – existing treatment plant DBFO – upgraded treatment plant components	Y
Cranston, RI	Triton Ocean State L.L.C. (now Veolia Water)	1997	Lease	25	Treatment plant, collection system, pumping stations, industrial pretreatment	Y
Fairbanks, AK	Golden Heart Utilities	1997	Lease & Asset Sale	30	Lease: Treatment plant Asset Sale: Collection System	Y
Franklin, OH	Wheelabrator EOS (now Veolia Water)	1996	Lease & Asset Sale	20	Asset Sale: Treatment plant Lease: One process within the treatment plant	Y
North Brunswick, NJ	U.S. Water (now United Water)	1995	Lease	20	Collection system & pumping stations	Y
Santa Paula, CA	Santa Paula Water, LLC	2009	Design-Build-Finance-Operate	30	New water recycling facility	N
Woonsocket, RI	U.S. Filter (now Veolia Water) with third party financing through LaSalle Bank and ABN AMRO	1999	Design-Build-Finance-Operate	20	Upgrade of existing treatment plant	Y





## Reported Advantages of Privately Financed Wastewater PPPs

- Faster delivery of new facilities or facility upgrades as compared to traditional public procurement
- Access to alternative sources of wastewater infrastructure financing
- Cost and operations efficiencies
- Greater access to expertise and technology solutions
- Upfront payments to municipalities
- Increased focus on other municipal functions



# Reported Challenges to Considering and Developing Privately Financed Wastewater PPPs

- Public and Private Opposition
- Financing Challenges
  - Private financing generally costs more than public financing
  - Combining private financing with public financing can be difficult
- Concern about loss of municipal control
- Lack of experience with privately financed PPPs
- Costly and difficult contracting
- Difficulty entering into privately financed PPPs due to state and federal laws
  - State laws, in some cases, outlaw the use of the same contractor to design and build a wastewater treatment facility
  - Municipalities must repay any remaining federal investments prior to accepting private financing



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