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PFA Selects Ernst & Young as WAPA Turnaround Management Company

Ernst & Young awarded \$450,000 contract to conduct an in-depth assessment and propose strategic improvements for WAPA, amidst ongoing operational and financial challenges

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ERNST & YOUNG HQ IN TORONTO, FLORIDA By. GETTY IMAGES

The Public Finance Authority has approved a proposal from Ernst & Young to provide turnaround management services for the Water and Power Authority.

The decision came out of an [emergency PFA meeting](#) held on Wednesday. After immediately going into executive session to discuss four proposals that were under consideration, the PFA board emerged with a unanimous consensus.

Lorelei Farrington, PFA staff counsel, explained that the evaluation committee, consisting of representatives from the PFA and WAPA, met several times earlier in the year to review the proposals received in response to an RFP that had previously been issued. The proposals varied wildly in costs, with the most expensive one ultimately being discarded by the committee as being significantly higher than the rest of the group.?

Among the four that remained, committee members evaluated the proposals by their understanding of the project, the appropriateness of the approach, the effectiveness of the project plan, and the likelihood that each proposal would produce the best value when compared against the others.?

“Based on the results of that evaluation, the committee recommends that a contract for the turnaround management services be awarded to Ernst & Young,” Ms. Farrington reported. “They have extensive experience in identifying the cause of financial and operational distress, and developing and implementing plans to mitigate problems,” she continued. “They have a restructuring and turnaround practice that has capabilities across a broad suite of services to address client needs as they navigate complex distressed situations,” Ms. Farrington concluded.?

Because the firm already has a working relationship with WAPA, “they are in a unique position to offer further insight into how best to approach providing turnaround management services for the authority.”

At a total estimated cost of \$450,000, E&Y’s proposal was also the lowest. The proposals ranged from \$450,000 to \$9 million.

Phase one of the project calls for an initial assessment of WAPA, producing a report within 120 days for submission to the legislature and the governor on the financial status of the authority. It also seeks data on the status of all WAPA programs and projects, as well as an accounting of the energy plans considered by the utility, including their anticipated impact on the base rate. The first phase will also include an assessment of all debt consolidation and management plans, water quality and water distribution plans—including compliance with water quality standards—along with an assessment of plans to improve service standards and implement certain policy rules and regulations.

In phase two, a report must be submitted within 60 days detailing short-term measures for initiatives to reduce the LEAC, recommendations for reducing the base rate over 24 months, and strategies for incorporating renewable energy initiatives and reducing dependency on fossil fuels over a five-year period. The plan also calls for an organizational restructuring that includes all divisions within WAPA, a debt consolidation and management plan, and an energy plan that ensures the appropriate base rate, LEAC, and a water distribution plan adhering to reliable water quality standards.

Phase 3 would include assisting the management of WAPA with implementation of all the recommendations in phase two.

After receiving the committee’s recommendation, board member Dorothy Isaacs expressed reluctance at spending any additional funds on WAPA “without guarantees that things are going to improve.” However, she vowed to support the onboarding of E&Y as the turnaround management company “in a final last ditch effort to ameliorate this horrible situation.” The board then voted to approve a motion for a contract be extended to E&Y in an amount not to exceed \$500,000.

?PFA board chair Governor Albert Bryan Jr. noted that WAPA had been mandated by the legislature to seek the services of such a company. Having initially vetoed the legislation, [which was then overridden](#), he expressed his new belief that this would be a positive move. “In retrospect, I think it will be a valuable tool,” he remarked. “We have seen over the months and a half that we have been intimately involved with WAPA...that there are a lot of things that we don’t know...it would be good to know everything and have someone put together a concise report detailing those challenges, and then an approach to resolving a lot of the challenges.”

Despite coming as an unfunded directive from the 35th Legislature, the governor nevertheless thanked lawmakers “for actually getting this to us.”

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