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## WAPA Board Approves \$155,000 Monthly Contract With Ernst and Young for Help With Financial Matters

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The V.I. Water and Power Authority Governing Board on Thursday approved a \$155,000 a month contract with Ernst and Young Puerto Rico. According to WAPA Executive Director Andrew Smith, the contract will be to provide "financial and strategic advice services to the Water and Power Authority as we work to stabilize the financial position of the authority, as well as work to get the Water and Power Authority back on a path to financial health."

He said WAPA needs to address a number of complex financial issues that are significantly complicated because of WAPA's "limited liquidity and financial flexibility," along with high fuel costs among other factors.

"The Ernst & Young team brings very specific expertise in addressing the difficult financial situations for municipal utilities. So their services are extremely beneficial to myself and the Water and Power Authority in addressing these issues," Mr. Smith said.

He said Ernst & Young is already engaged with WAPA on the management of federal funds, a relationship that took hold following the storms of 2017. Ernst & Young is also contracted with other local government departments and agencies to help manage the flow of funds approved by FEMA for disaster recovery. The company was [recently awarded a \\$900,000 contract](#) to ensure sound fiscal management and oversight of the American Rescue Plan Act, or ARPA funds made available to the USVI in response to the Covid-19 pandemic, according to Jenifer O'Neal, director of the V.I. Office of Management and Budget.

"We'll look to leverage that experience and that FEMA engagement to expand the Ernst & Young engagement with the Water and Power Authority," Mr. Smith said. He said not only will Ernst & Young be looking at day-to-day task management, but the company will help WAPA get in a position to make data-driven decisions, adding that Ernst & Young is "invaluable from that perspective."

The company will also help WAPA institutionalize a legacy of best practices in financial activity once the work is completed, which Mr. Smith told WAPA board members will not exceed 12 months or \$1.86 million.

Ernst and Young, Mr. Smith added, will also help the soon-to-be announced WAPA chief financial officer transition into the role and provide supplemental analysis. And the company will help WAPA with the calculation of the Levelized Energy Adjustment Clause, or LEAC — which in simple terms is the cost of fuel passed on to consumers — which Mr. Smith said has become "a very complex calculation" that takes a long time to execute. Work Ernst & Young is already performing for WAPA through FEMA agreements will continue, Mr. Smith said.

Asked by board member Hubert Turnbull whether WAPA has the funds to satisfy the \$155,000 monthly contract, Mr. Smith said WAPA's liquidity position is "tight," and "it is something that we will have to manage around affording because of our tight liquidity."

"When I think about it though, I look at the value proposition of what the Ernst & Young team brings," Mr. Smith added as he described other areas the company has benefited WAPA, including data and clarity on how the authority's funds are spent weekly.

"When I think of the cost of \$155,000, the value of the better decisions we make in my mind absolutely eclipses that, so your point is duly noted. We don't have a lot of money to spend in a lot of places, but I think the value proposition in this, to me, makes this a clear decision," Mr. Smith said. Pressed by Mr. Turnbull to give a yes or no answer on whether the authority has the funds to cover the monthly expense of Ernst & Young, he said, "Yes, we can handle the Ernst & Young fee."

Asked by Mr. Turnbull what would happen to people at WAPA in high positions getting paid to perform the work that Ernst & Young will be performing as part of the contract, Mr. Smith responded, "The way I think about that is one of the values that Ernst & Young brings to us is training and development for our workforce... I view the Ernst & Young engagement as a relatively short-term engagement, and one of the things they will leave behind is a new approach and a new mindset, and a different skillset with the leadership of the Water and Power Authority," he said.

Board member Elizabeth Armstrong expressed support for the engagement with Ernst & Young. "I think it's a good decision the path we're taking, and I like how we're also looking to groom our existing team and have them benefit from this high-powered finance group," she said, thanking Mr. Smith for leading WAPA in this direction.

The \$155,000 a month contract, not to exceed twelve months, was unanimously approved by the board, with members Kyle Fleming, who is the board chair and V.I. Energy Office director, Ms. Armstrong, owner of the Buccaneer Hotel, Mr. Turnbull, Juanita Young, and Joel Lee, the V.I. Bureau of Internal Revenue director all voting in favor.

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