

Water Infrastructure and Resiliency Finance Center



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The Water Finance Center helps local leaders make informed **drinking water**, **wastewater**, and **stormwater** infrastructure decisions.



Research

Advise

Innovate

Network

<https://www.epa.gov/waterfinancecenter>

Water Infrastructure Programs



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graph TD; A[Water Infrastructure Programs] --> B[WIFIA Direct Loan Program]; A --> C[CWSRF State Cap. Grants]; A --> D[DWSRF State Cap. Grants]; A --> E["DW/CW Tribes, Mexican Border, & Alaskan Villages Grant Program"]; A --> F[Water Finance Center];
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The diagram is an organizational chart for 'Water Infrastructure Programs'. At the top is a blue rectangular box with the title 'Water Infrastructure Programs' in white text. A vertical line descends from this box and connects to a horizontal line. From this horizontal line, five vertical lines descend to five separate boxes below. The first four boxes are dark blue, and the fifth is green. Each of the first four boxes has a blue circular icon with a white dollar sign and a rectangular border above it. The fifth box has a green circular icon with a white lightbulb and a dollar sign inside above it.

WIFIA
Direct Loan Program

CWSRF
State Cap. Grants

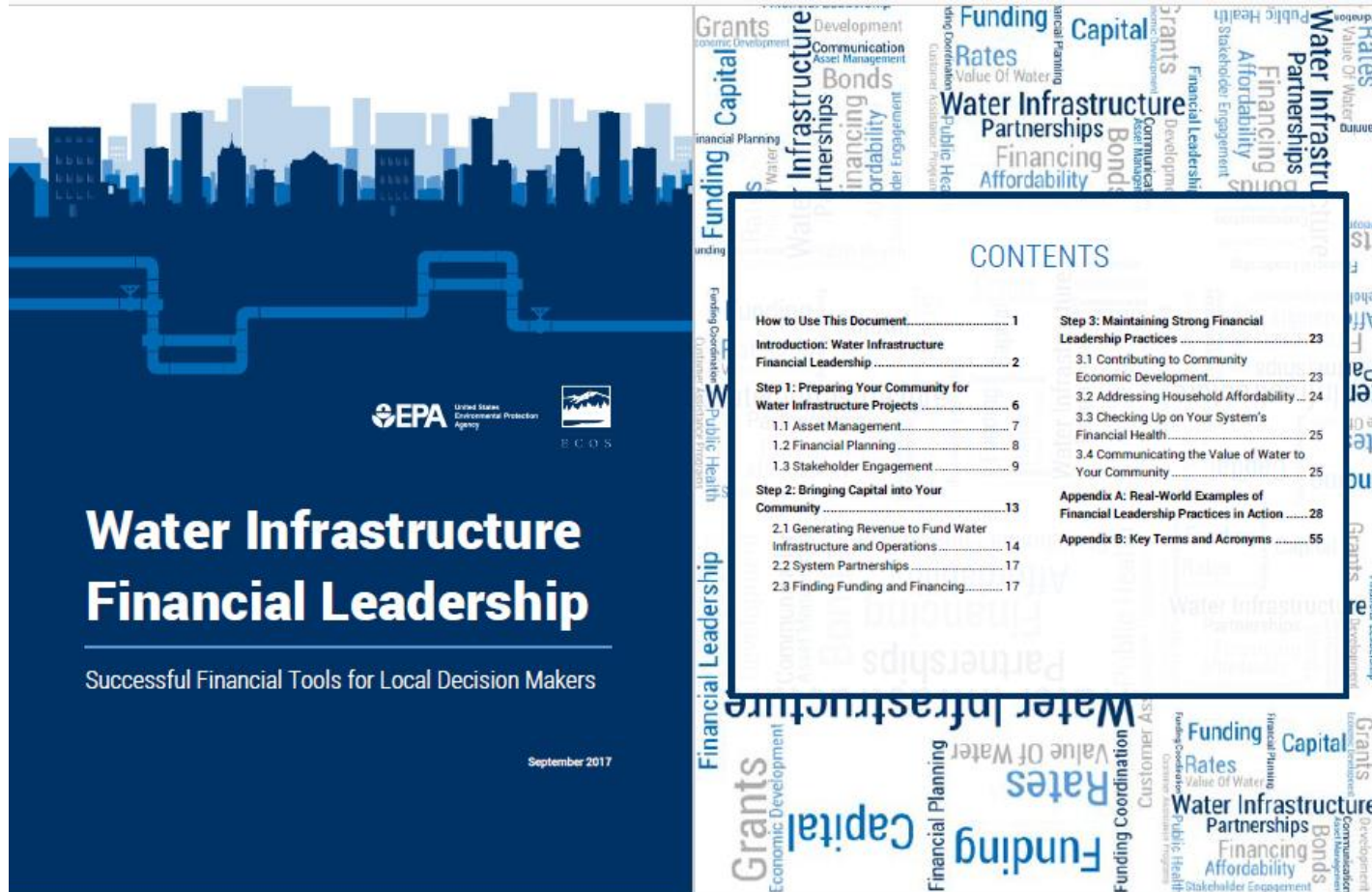
DWSRF
State Cap. Grants

DW/CW Tribes,
Mexican Border, &
Alaskan Villages
Grant Program

**Water Finance
Center**

Water Infrastructure Financial Leadership

Successful Financial Tools for Local Decision Makers



- Worked with ECOS to develop – released September 2017
- Document is designed for local decision makers to navigate the process of investing in water infrastructure
- Helps identify:
 - what is needed for financial planning,
 - determine how to fund and finance a project, and
 - how to consider strategic approaches to protect investments based on specific local needs.

Introduction: Water Infrastructure Financial Leadership



Who is this document for?

- Designed for *local decision makers* to navigate the complex process of investing in water infrastructure.
- Practices can apply to *any community* seeking to plan or fund an infrastructure project.

Steps toward financial leadership include:

- Step 1: Preparing Your Community for Water Infrastructure Projects
- Step 2: Bringing Capital into Your Community
- Step 3: Maintaining Strong Financial Leadership Practices

Case Example Topic Areas

- Financial Planning/Project Planning
- Project Capital
- Revenue Generation
- Revenue Management
- Economic Development
- Customer/Community Assistance

Step 1: Preparing Your Community for Water Infrastructure Projects

“Does my community know what its water infrastructure needs are? Are we ready to fund or finance those water infrastructure needs?”

Asset Management



Asset Inventory



Operation & Maintenance



Capital Improvement Plan

Financial Planning



Rate Study with
Affordability Considerations



Alternatives Analysis



Budgets



Reserve Accounts

Stakeholder Engagement



Communication to
Governing Bodies/Decision
Makers



Communication to
Customers and Community
Groups

Step 2: Bringing Capital into Your Community

“How can my community fund water infrastructure through our rates or other sources of revenue? Do we need financing through a loan or bond?”

Funding vs Financing

Funding: Providing “one-way” financial resources to support a need, program, or project. This term is used when:

- Rate revenues, cash reserves, and connection fees is referred to as “pay as you go” or “Pay Go” funding, and
- Grants that do not require repayment and do not carry an interest expense.

Financing: The “two-way” acquisition of money for a program or project. The term financing is used when :

- Loans, municipal bonds, and other sources of monetary resources that require repayment of principal and interest.

Key Elements to Success When Combining Multiple Funding and Financing Sources

Meet Early and Often: Strive to set the pace for a successful project from the start—the earlier you can meet with key parties (project design team, funding/financing organizations, stakeholders), the better.

Regularly Update Funders and the Public: Keep your funders and the public in the loop—and help them develop a sense of ownership in the project. Public involvement is necessary for the successful implementation of any project.

Involve Regulators: Make regulators your advocates—there is nothing to lose but valuable time and money with compliance challenges.

Coordinate Funding Requirements: Minimize duplication by targeting funding where it best fits the project, relative to implementation phases and eligibility requirements.

Manage Implementation Schedules: Manage project implementation cycles around funding cycles.

Be Ready to Move: Projects will move to construction quickly and efficiently when the pieces are already in place and ready to go as soon as the funding/financing becomes available.

Source: Pennvest (Pennsylvania Infrastructure Investment Authority)

How Can My Community Learn More About Combining Funding and Financing Sources?

If combining sources to fund a project is something that your community is interested in pursuing, your local technical assistance providers and state finance authorities can help your community to come up with a package that works for you. You can also use the [Water Finance Clearinghouse](#) to find a range of funding and financing sources that can be combined for your project.



Several examples of how communities of different sizes and a range of economic contexts have successfully combined funding and financing sources are included in **Appendix A**. Each example of combined project funding includes a summary table of the total project cost, and all funding/financing sources utilized by the community. *Click the icon to learn more.*

Step 3: Maintaining Strong Financial Leadership Practices

“How can my drinking water and wastewater utility continue to contribute to the long-term financial health of my community?”

- **Contributing to Community Economic Development**
 - How utilities can attract businesses into the community
- **Addressing Household Affordability**
 - How utilities are developing Customer Assistance Programs to assist customers having difficulty paying water/sewer bills
- **Checking Up on Your System’s Financial Health**
 - Reviewing rates
 - Managing the utility’s credit rating
- **Communicating the Value of Water to Your Community**
 - Conveying the importance of drinking water and wastewater delivery services to influence customer acceptance of infrastructure investments

SIX KEYS TO IMPROVING YOUR UTILITY’S CREDIT RATING

When seeking financing, credit rating is critical to being an “attractive borrower.” Having a high credit rating will help improve your community’s chances of being approved for the financing that you seek, and will also help to keep your interest rates low. Below are the University of North Carolina Environmental Finance Center’s [Six Keys to Improving Your Utility’s Credit Rating](#).

1

Existence of a Rate Stabilization Fund: This is money that is set aside for a rainy (or not so rainy) day. In general, the existence of these funds boosts a utility’s rating. However, anything more than planned, occasional use of the funds can send the wrong signal. Recurring reliance on the rate stabilization fund indicates that rate increases are not happening as they should.

2

Low Dependence on Connection Fees: These one-time fees as new customers hook up to the system can hurt the utility’s financial performance if development slows down and it is too reliant on these fees. From a credit-worthiness perspective, these fees can overstate revenues available to the utility for debt service.

3

Significant Portion of Revenues from Fairly Reliable Customers: Examples of this include wholesale customers, a large university, or a military base. Large customers serve to stabilize the local economy. This can be a slippery slope, though, because too much concentration on one large customer can have devastating financial impacts on the utility if that customer leaves the community.

4

Insignificant Additional Upcoming Debt: A utility that has small projected needs for debt is a less risky borrower than a utility facing large additional debt. To improve the chances of finding a funder and to reduce the interest on large debts, having a preapproved multiyear rate increase can help the utility’s credit rating.

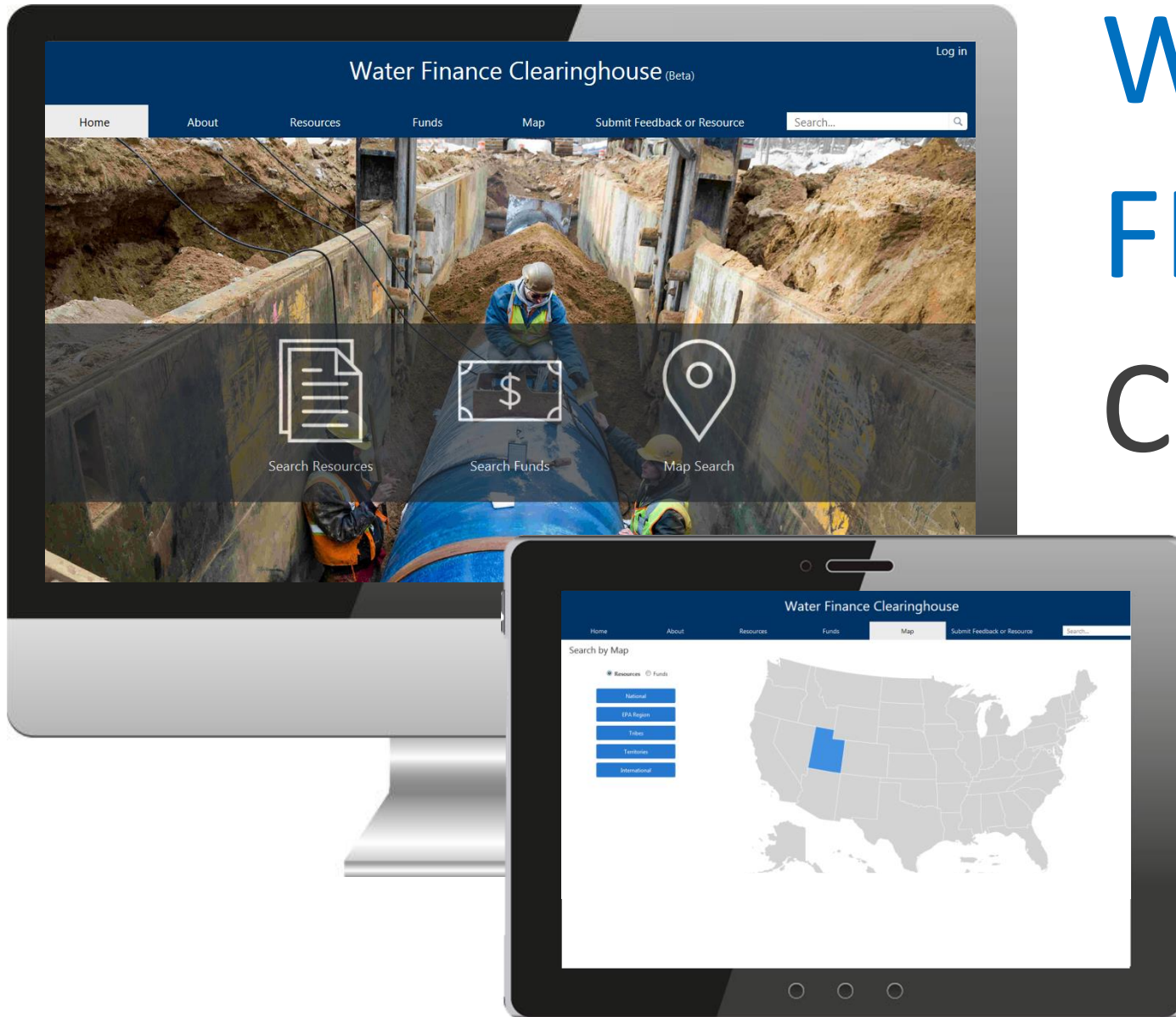
5

Fully-Funded Pension and Post-Employment Benefits: The Governmental Accounting Standards Board and credit rating agencies have recently emphasized these types of long-term liabilities in financial statements. A utility’s pension plan must be part of the parent government’s umbrella plan to have its credit rating based on the assumption that the utility’s funded ratio is proportional to that of the parent government.

6

Strong Management Team: The management team’s ability to quickly implement measures to respond to challenges is instrumental in a higher credit rating because it helps the rating agency to look beyond the utility’s current financial results to evaluate the direction in which its financial indicators may be heading.

WATER FINANCE CLEARINGHOUSE



Meeting the Needs of Key Stakeholders

The Water Finance Clearinghouse is an **easily navigable web-based portal** that helps communities locate **information** and **resources** that will assist them in making **informed decisions** for their drinking water, wastewater, and stormwater infrastructure needs.

www.epa.gov/wfc

CONTENT



WATER FINANCE RESOURCES

Reports, websites, trainings,
and other types of
information about water
infrastructure financing.



WATER FUNDING SOURCES

Current federal, state, local,
private, or other sources of
funding for water
infrastructure projects.

CONTENT

Essential Resources and Information in the Clearinghouse

RESOURCES

- Reports
- Webinars
- Case Studies
- Videos
- Websites
- Trainings
- Guides
- Outreach
- Presentations
- Events
- Feasibility Studies
- Resource Lists
- Tools
- Other

FUNDING SOURCES

- **Federal funding** – grants and loan programs that support water infrastructure project development and construction
- **Regional funding** opportunities
- **State funding** – grant and loan programs
- **Foundation** opportunities
- **NGO**

Demo Clearinghouse: www.epa.gov/wfc

CURRENT CLEARINGHOUSE STATS

SITE VISITS

The Water Finance Center tracks daily unique site visits and a diverse set of use data to better understand user needs and trends.

51,400

GENERAL USERS

Anyone who visits the site can create a General User account – this allows visitors to favorite or bookmark resources/funding sources and subscribe to Clearinghouse Updates.

177

CONTRIBUTORS

Contributors are Federal agencies, State organizations, foundations, NGOs, and other groups that suggest edits / deletions / additions to the Clearinghouse.

114

APPROVED SUGGESTIONS

Suggestions for Clearinghouse Content made by Contributors, General Users are reviewed by and approved by EPA staff. EPA also adds new content.

537

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