

SRF Funding Lessons

CIFA Presentation



Heather Himmelberger



SOUTHWEST
ENVIRONMENTAL
FINANCE CENTER

The Southwest EFC

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A wide-angle landscape photograph showing a winding river through a valley. The foreground is dominated by a large, textured rock formation on the right. The middle ground shows a river curving through a valley with green and brown vegetation. The background features rolling hills and mountains under a dramatic, cloudy sky with a low sun, creating a golden glow.

We promote self-reliance through innovative training
and assistance focused on actionable results.

Road Map

Introduction

Findings

Document Collection &
Review

Loan Ranking Criteria

Case Studies

Tools

Q&A

Contact



Our Project

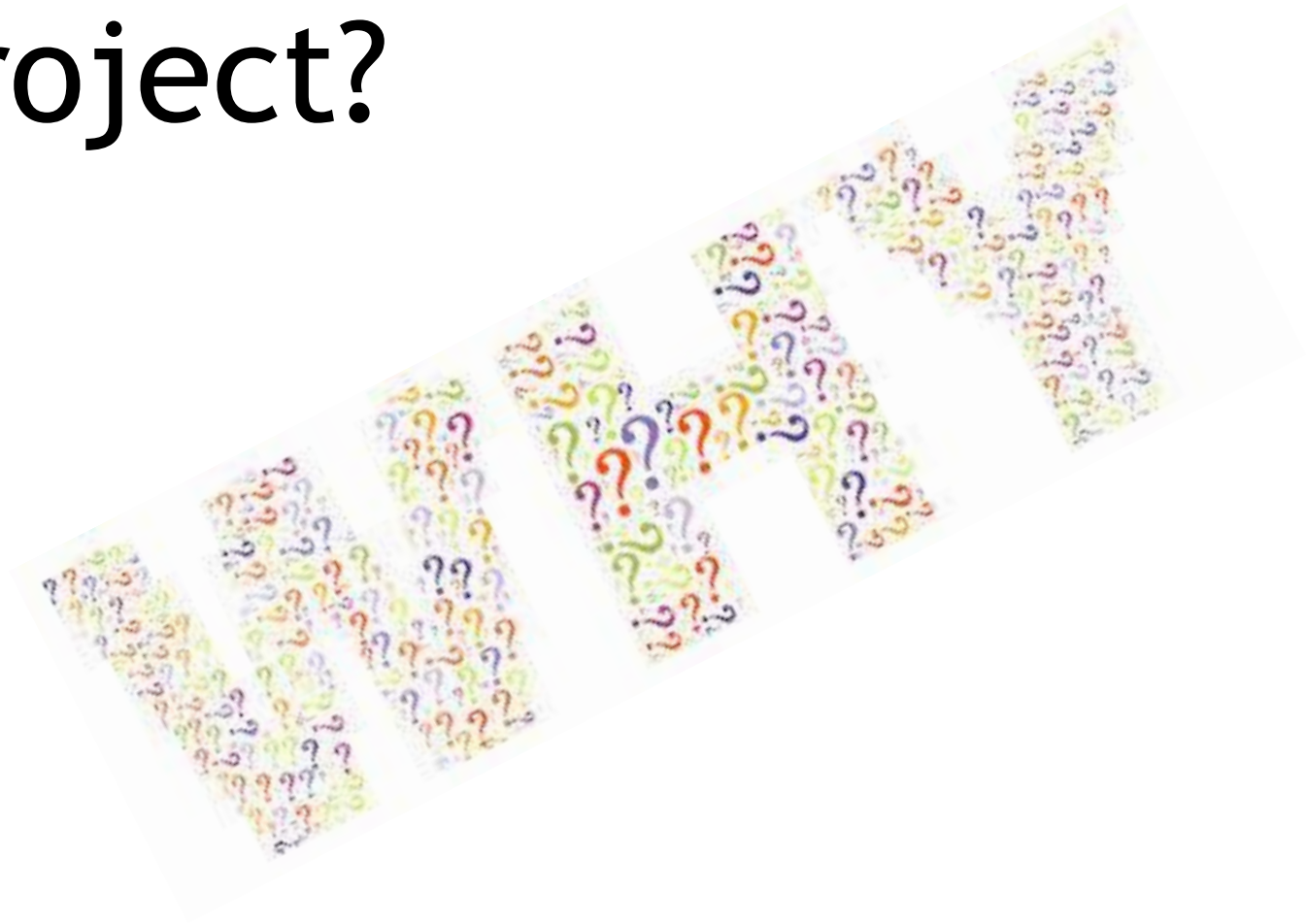
Thanks to
Spring Point
Partners for
Funding

REVITALIZING THE NATION'S WATER SYSTEMS



Delta advances solutions to some of the most pressing water challenges in the United States through support of innovative thinking, informed leadership, and creative, pragmatic problem solving. We work in partnership with thought leaders and industry experts to:

Why did we want to undertake this project?



Initial Project Research

Understand legal requirements

Gather all 102 SRF program documents

- Legislative Language
- Annual Report
- Intended Use Plan
- Project Priority List
- Project Priority Ranking Criteria



Initial Project Research

Examine legislation

Review priority ranking criteria

Review other documents

Interview SRF representatives

Examine individual projects



FINDINGS

General Findings

Documents can be extremely difficult to find.

Websites can be hard to navigate. Given the intended audience of the SRFs this may be an impediment

Legislative Findings

DWSRF Legislation states:

The original legislation (40 C.F.R. Part 35 Subpart L) which creates the Drinking Water State Revolving Fund prohibits “operation and maintenance” expenses, but EPA defines “capital projects” as *“expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alternations to capital assets that materially increase their value or useful life.”* Specific projects listed as eligible by EPA include *“upgrades, rehabilitation or replacement of facilities or portions of facilities”* and *“installation, replacement or rehabilitation of infrastructure.”*

Legislative Findings

DWSRF Eligibility Handbook states:

- *“in general, unless a project is expressly prohibited by statute or regulation, it is likely eligible for DWSRF assistance as long as it addresses present or prevents future violations of health-based drinking water standards.”*

Legislative Findings

CWSRF Legislation states:

40 C.F.R. Part 35 Subpart K, which authorizes the Clean Water State Revolving Fund, states that the funds are to be used *“for the construction of publicly owned wastewater treatment works”* and defines construction as *“erection, building, acquisition, alteration, remodeling, improvement, or extension of treatment works.”* It also intends to *“preserve for States a high degree of flexibility for operating their revolving funds in accordance with each State’s unique needs and circumstances.”* Among the kinds of projects eligible for CWSRF funding, EPA includes *“...the construction, repair, or replacement of decentralized wastewater treatment systems that treat municipal wastewater or domestic sewage.”*

Legislative Findings

Flexibilities allow for funding a much wider array of activities than seem to be happening in most cases.

Consideration should be given to more cost-effective solutions that include condition assessment, interventional maintenance, repair, and rehabilitation

Institutional Barriers Findings

Institutional factors :

- complexity of the funding process,
- requirement for the states to spend the money within two years,
- numerous federal cross-cutting requirements,
- flexibility of the program (both positive and negative)
- difficulty in accessing SRF information

Cost-Effective Funding

EPA moving towards favoring more cost-efficient projects

- Growing Toward More Efficient Water Use: Linking Development, Infrastructure, and Drinking Water Policies, *“state policy could favor repairing and upgrading existing systems over new construction. This “fix-it-first” philosophy is most often used for transportation investments...but could easily be applied to water infrastructure.”*
- EPA has also said that *“(b)uilding new systems while deferring maintenance on older ones worsens water losses and raises costs”* and that *“roughly 29 percent of utilities defer maintenance because of insufficient funds”* and *“roughly 60 percent of water utilities state that the rate of preventative work is less than desired.”*

Asset Management

Some states require utilities to have Asset Management Plans, but expectations are unclear

Is it the Plan that is important or behavior change?

DWSRF Loan Ranking Findings

Loan Ranking Criteria reviewed	41
Not transparent enough to evaluate	10
Programs with <i>Asset Management Points</i> allowed	17
AM points over 10% of total allowed	1
Programs with <i>Green Infrastructure Points</i> allowed	11
GI over 10% of total allowed	1
Programs with <i>Sustainability Points</i> allowed	14
Sustainability points over 10% of total allowed	4
Programs with <i>Rehab/repair</i> specifically allowed in criteria	2
Rehab/repair seen in PPL	6

CWSRF Loan Ranking Findings

Loan Ranking Criteria reviewed	36
Not transparent enough to evaluate	8
Programs with <i>Asset Management Points</i> allowed	5
AM points over 10% of total allowed	1
Programs with <i>Green Infrastructure Points</i> allowed	12
GI over 10% of total allowed	0
Programs with <i>Sustainability Points</i> allowed	12
Sustainability points over 10% of total allowed	5
Programs with <i>Rehab/repair</i> specifically allowed in criteria	1
Rehab/repair seen in PPL	5

Observations

“sustainability” lacks consistent definition

in some cases:

- energy or water efficiency
- climate change in general
- rising seas in particular
- fiscal sustainability (measure undefined)

other times:

- asset management,
- green infrastructure

Observations

So far, no programs require a business case justification for projects

A Few Notable Examples:

Connecticut DWSRF

Delaware CWSRF

Florida CWSRF

Case Studies

in alphabetical order: Arizona, Georgia, Missouri, Vermont

Arizona

Has Technical Assistance Program

Example Projects:

Town of Clifton

Walnut Creek

City of Somerton

Town of Springville

Project Example:

City of Flagstaff

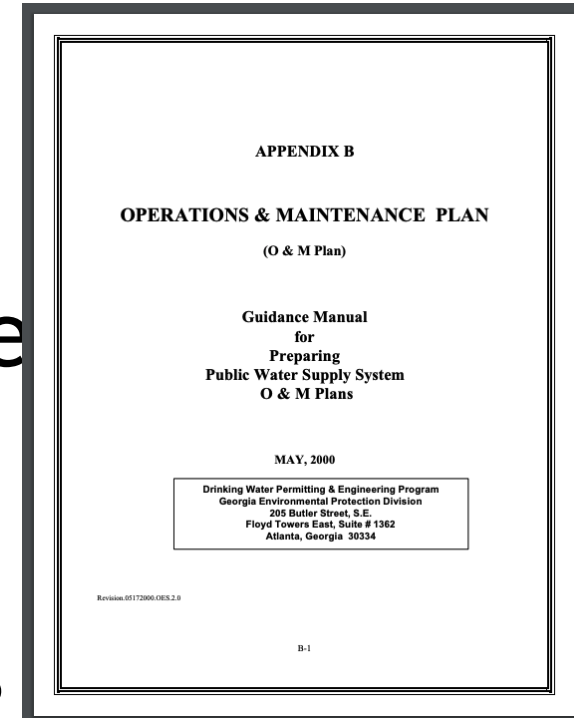


Georgia

Environmental Protection Division (EPD)
requires an O&M Plan

O&M Plan requires a planned maintenance
program

Guidance Manual for Preparing O&M Plans
modeled after Pennsylvania's program



Missouri



Leak Detection - water systems learn:

- technical aspects of locating and repairing leaks,
- managerial importance of documentation and budget keeping
- financial benefit of reducing nonrevenue water



Repairing leaks estimated to save nearly 54 MG/month and \$25,000 in electrical & chemical costs

Vermont

Leak Detection: \$50,000/year for leak detection surveys by outside contractor

Example: Village of Jeffersonville

Valve Exercising: New in 2019, 7 PWSs

- cleaning valve boxes and painting valve box lids
- operating/exercising the valve
- documenting valve location, number of turns, size, turn direction, and depth
- identifying valves that were inoperable, broken, leaking
- furnishing a database with collected information

Example: Town of Brighton



Initial Recommendations

Initial SW EFC Recommendations

Use of a business case process to show costs and benefits of new construction vs condition assessment/repair/replacement, rehabilitation, upgrading, or increased maintenance

Require utilities to show use of AM Plan to make maintenance and funding decisions

Ensure projects are in the AM Plan prior to asking for funding

Greater alignment of Asset Management principles with funding programs.

Stay Tuned... More to come



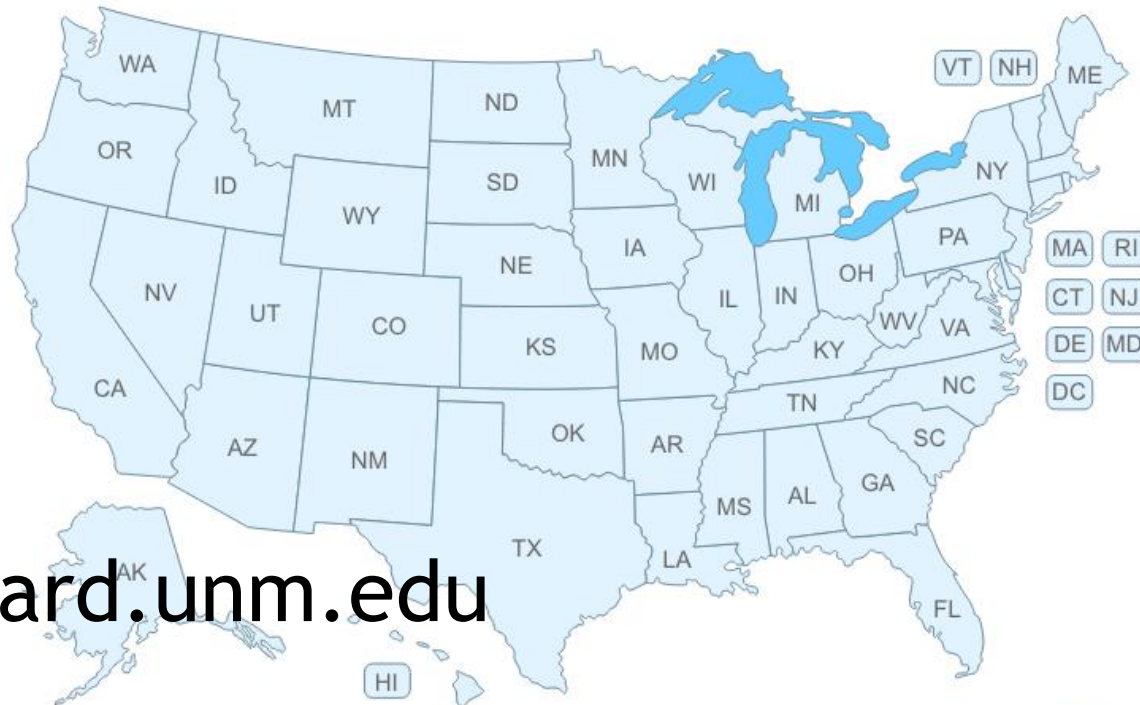
SOME SW EFC TOOLS

SRF Switchboard

STATE REVOLVING FUND SWITCHBOARD

The [Southwest Environmental Finance Center](#) has partnered with [Spring Point Partners](#) to create a repository of documentation and tools related to State Revolving Funds.

(Click on a state to navigate to its resources)



SRF Switchboard:

swefcsrfsitchboard.unm.edu

Drinking Water >

Clean Water >

Legislation

Intended Use Plan

Project Priority List

Annual Report

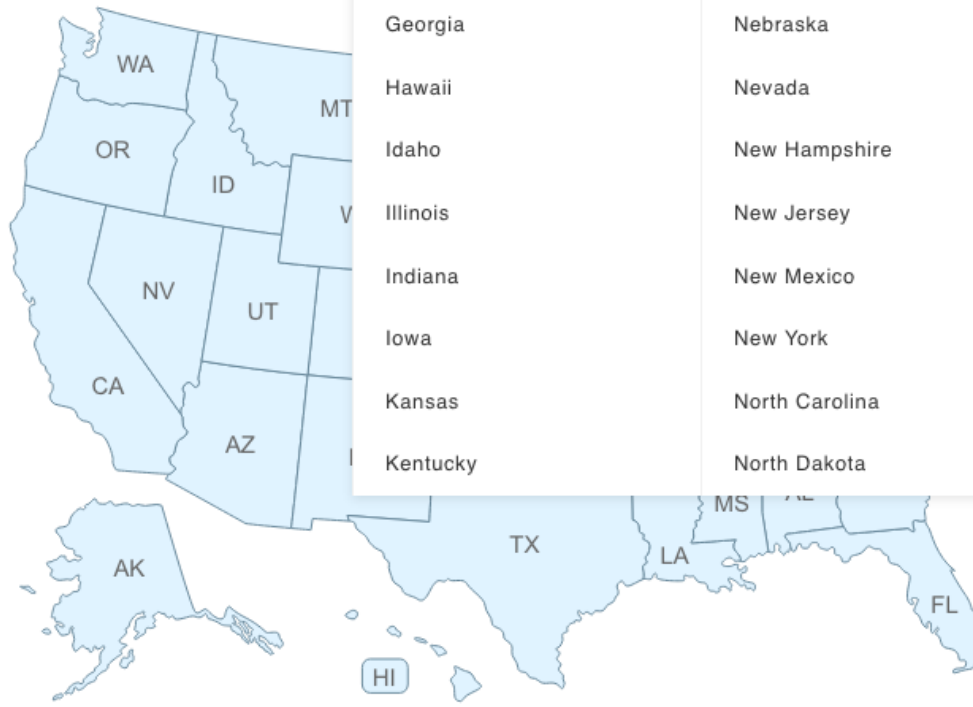
Loan Ranking Criteria

STATE REVOLVING FUND SWITCHBOARD

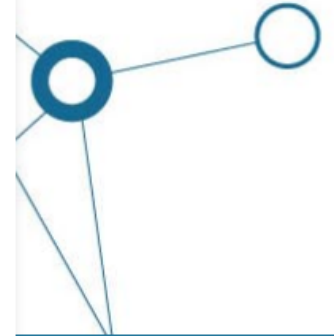
[Environmental Finance Center](#) has partnered with [Spring Point Partners](#) to create and tools related to State Revolving Funds.

(Click on a state to navigate to its resources)





- | | | |
|-------------|----------------|----------------|
| Alabama | Louisiana | Ohio |
| Alaska | Maine | Oklahoma |
| Arizona | Maryland | Oregon |
| Arkansas | Massachusetts | Pennsylvania |
| California | Michigan | Puerto Rico |
| Colorado | Minnesota | Rhode Island |
| Connecticut | Mississippi | South Carolina |
| Delaware | Missouri | South Dakota |
| Florida | Montana | Tennessee |
| Georgia | Nebraska | Texas |
| Hawaii | Nevada | Utah |
| Idaho | New Hampshire | Vermont |
| Illinois | New Jersey | Virginia |
| Indiana | New Mexico | Washington |
| Iowa | New York | West Virginia |
| Kansas | North Carolina | Wisconsin |
| Kentucky | North Dakota | Wyoming |



PR













New Mexico Environment Department

NMED is responsible for overseeing water infrastructure systems and water quality issues throughout the state. Public water systems (PWS) can apply for funding to help them with new public water system construction or improvements to an existing public water system. The New Mexico Environment Department's Drinking Water Bureau co-administers the [Drinking Water State Revolving Loan Fund \(DWSRLF\)](#) with the New Mexico Finance Authority. The New Mexico Environment Department manages the [Clean Water State Revolving Loan Fund Program \(CWSRF\)](#). The CWSRF program provides a source of low-cost financing for a wide range of wastewater and stormwater projects that protect surface and groundwater. Funds may also be used for projects that control non-point source water pollution, such as a solid waste and septic tank installations.



New Mexico State Revolving Fund Resources

DESCRIPTION	TYPE	DATE	DOWNLOAD
Drinking Water State Revolving Fund - Legislation		2005	
Drinking Water State Revolving Fund - Project Priority List		2020	
Drinking Water State Revolving Fund - Intended Use Plan		2020	
Drinking Water State Revolving Fund - Annual Report		2018	
Drinking Water State Revolving Fund - Funding Circular		2010	
















Drinking Water SRF Legislation by State

STATE	TYPE	DATE	DOWNLOAD
Alabama		2012	
Alaska		2019	
Arizona		2020	
Arkansas		2019	
California		1997	
Colorado		1995	
Connecticut		Unknown	



Clean Water SRF Intended Use Plan by State

STATE	TYPE	DATE	DOWNLOAD
Alabama		2018	
Alaska		2020	
Arizona		2020	
Arkansas		2020	
California		2018	
Colorado		2019	
Connecticut		2018	

Financial Tool for the State of Idaho



Smart Management for Small Water Systems

PWS#:

Password:

Admin Username:

Admin Password:

Login using Administrative Privileges?

Need assistance? [Click here for IDEQ Contact List.](#)

Demo site:

<https://www2.deq.idaho.gov/water/SMSWSDemo/Pages/Login.aspx>



Smart Management for Small Water Systems

FINANCIAL YEAR

Review or modify previous fiscal year(s)

2017



Proceed

Create New Financial Year

Proceed

UTILITY INFORMATION

PWS# swefc

PWS Name United Water Idaho

Contact Person

Name IDEQ

Title Administrator

Telephone (208) 988-3883

Email Address jdoe@deq.idaho.gov

Address

Address Line 1 8248 W Victory Rd

City Boise

Address Line 2 None

State ID

Zip Code 83709

Previous

Next

OPERATING REVENUES ?

User Charges or Fees (Water Sales)

 Surcharges

 Other Regular Fees

Ongoing Miscellaneous Revenue

Other Operating Revenue

NON-OPERATING REVENUES ?

 Hook-Up Fees

Disconnect/Reconnect Fees

 Stand-By Fees

 Late Fees

One-Time Miscellaneous Revenue

Interest Earned on Deposits

Other Non-Operating Revenue

TOTALS

Total Operating Revenue

Total Non-Operating Revenue

Total Revenue

OPERATING EXPENSES ?

Salaries and Wages (Operators)	\$60,000.00
Salaries and Wages (Admin: Office, Billing, etc.)	\$20,000.00
Payroll Taxes	\$12,500.00
Contract Services	\$15,775.00
Other Personnel Expenses	\$200.00
Insurance - Plant & Equipment	\$4,800.00
Insurance - General	\$1,500.00
Chemicals for Treatment	\$6,300.00
Purchased Water	\$5,000.00
Utilities (Power)	\$2,200.00
Utilities (Other)	\$1,100.00
Supplies (Related to Treatment)	\$5,000.00
Supplies (Office)	\$7,500.00
Lab Fees	\$884.00
Vehicle Expenses	\$6,695.00
Travel Expenses	\$1,000.00

Professional Services (Accounting, Legal, etc.)	\$1,000.00
Repairs and Maintenance	\$15,250.00
Training and Conferences	\$500.00
Leases	\$1,500.00
Permits/Fees	\$500.00
Depreciation Expense ?	\$40,750.00
Dues	\$200.00
Other 1 (Amount)	\$100.00

Other 1 (Amount) Comment...

Other 2 (Amount) \$100.00

Other 2 (Amount) Comment...

NON-OPERATING EXPENSES ?

Professional Services (Planning/Design/Construction etc.)	\$100.00
Loan Payments	\$50,000.00
Depreciation Expense ?	\$4,500.00

Taxes	\$100.00
Interest On Loans	\$0.00
Other Non-Operating Expenses (E.g., Other Interest, Fees, etc.)	\$50.00

TOTALS

Total Operating Expenses	\$210,354.00
Total Non-Operating Expenses	\$54,750.00
Total Expenses	\$265,104.00

Net Operating Income (Loss) ?	\$70,146.00
Total Net Income (Loss) ?	\$33,256.00

ASSETS ?

Current Assets ?

Cash	\$100,000.00
Current Accounts Receivable ?	\$15,000.00
Current Investments (maturity < 1 year) ?	\$260,000.00
Inventory ?	\$16,500.00
Prepaid Expenses ?	\$5,000.00
Other Current Assets	\$5,000.00

Long-Term Assets ?

Long-Term Accounts Receivable ?	\$3,000.00
Land ?	\$750,000.00
Property, Plant and Equipment (net of accumulated depreciation) ?	\$500,000.00
Vehicles (net of accumulated depreciation)	\$100,000.00
Long-Term Investments (maturity > 1 year) ?	\$45,000.00
Other Long-Term Assets	\$500.00

LIABILITIES ?

Current Liabilities ?

Accounts Payable ?	\$10,000.00
Accrued Interest ?	\$6,000.00
Current Portion of Long-Term Debt ?	\$50,000.00
Taxes Payable	\$3,500.00
Other Current Liabilities	\$2,000.00

Non-Current Liabilities ?

Loans payable ?	\$225,000.00
Meter Deposits ?	\$3,000.00
Other Non-current Liabilities	\$500.00

TOTALS

Total Current Assets	\$401,500.00
Total Long-Term Assets	\$1,398,500.00
Total Assets	\$1,800,000.00

Total Current Liabilities	\$71,500.00
Total Non-Current Liabilities	\$228,500.00
Total Liabilities	\$300,000.00

DEBT

Loan Number 1

Select or Create Loan:

1

Select

Lending Institution:

Nusenda Loan 1

Total Amount of Debt

\$1.00

Interest Percentage

123%

Annual Payment

\$22.00

Beginning Date of Loan

06/14/2017

Ending Date of Loan

06/30/2017

Save Record for Loan Number 1

Previous

Next

RESTRICTED RESERVES

Balance at Beginning of Year

\$32.00

Deposits to Reserves This Year

\$2.00

Withdrawals from Reserves This Year

\$3.00

Use or Purpose of Restriction...

UNRESTRICTED RESERVES

Balance at Beginning of Year

\$0.00

Deposits to Reserves This Year

\$0.00

Withdrawals from Reserves This Year

\$0.00

TOTALS

Restricted Balance at End of Year

\$31.00

Unrestricted Balance at End of Year

\$0.00

Calculate and Save

- Have the utility's financial statements been audited by an independent auditor? Yes No
- Does the utility have a written financial control policy? (If yes, please upload below) Yes No
- Does the utility have a written annual operation budget? Yes No
- Does the utility have a written 5-year budget? Yes No
- Does the utility have a capital improvement plan? Yes No
- Has the utility done an energy audit? Yes No
- Has the utility completed a water audit? Yes No
- If yes, was the AWWA M-36 water audit tool used? Yes No

File Upload

(Allowed file types include: .pdf, .doc, .docx, .xlsx, .xls, .jpg)

Utility Budget

No files selected.

Uploaded Utility Budget Documents:

C_0017.pdf

Acoma Sky City 9 SWA 2008 updates.pdf

Financial Control Policy

No files selected.

Uploaded Control Policy Documents:

C_0021.pdf

Other

No files selected.

Uploaded Other Documents:

FINANCIAL HEALTH



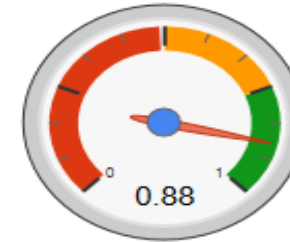
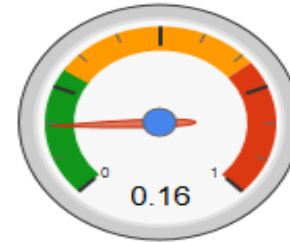
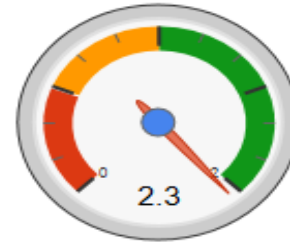
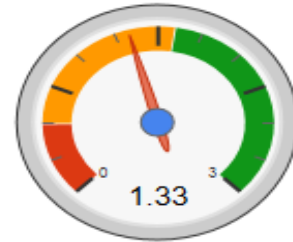
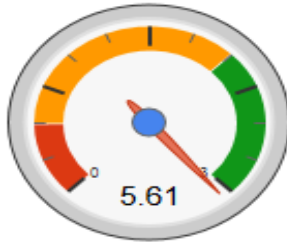
Poor Health



Fair Health



Excellent Health



Current Ratio [?]	Operating Ratio [?]	Debt-Service Coverage Ratio [?]	Debt Ratio [?]	Sales Ratio [?]
5.61	1.33	2.3	0.16	0.88
Healthy ≥ 2 Caution < 2 Red Flag < 0.5	Healthy ≥ 1.6 Caution < 1.6 Red Flag < 0.5	Healthy ≥ 1 Caution < 1 Red Flag < 0.5	Healthy ≤ 0.3 Caution > 0.3 Red Flag > 0.7	Healthy ≥ 0.75 Caution < 0.75 Red Flag < 0.5

Values used in calculating the above ratios				
Total Current Assets \$401,500.00	Total Operating Revenue \$280,500.00	Net Operating Income (Loss) \$70,146.00	Total Liabilities \$300,000.00	User Charges or Fees (Water Sales) \$263,000.00
Total Current Liabilities \$71,500.00	Total Operating Expenses \$210,354.00	Depreciation Expense (Operating) \$40,750.00	Total Assets \$1,800,000.00	Total Revenue \$298,360.00
		Depreciation Expense (Non-Operating) \$4,500.00		
		Loan Payments \$50,000.00		
		Interest on Loans Interest on Loans Not Available		

WUFA - Water Utility Financial Analysis



Clear Entries



START



REVENUES



EXPENSES



ASSETS & LIABILITIES



FINANCIAL HEALTH



WUFA - Water Utility Financial Analysis

This tool is meant to help you in analyzing and understanding the current financial health of your organization. On each of the pages, you can enter information about your organization's revenues, expenses, assets, and liabilities. Each page includes definitions to help you understand the fields available. The page entitled "Financial Health" will calculate several common financial indicators and provide a graphical representation of your financial health relative to these indicators. You can also use this tool to project future revenue, expenses, and liabilities to assess their impact on the financial health indicators.

Your information will be securely saved in your browser via cookies. It will be available only in your browser. You can access it again by returning to the tool in the same browser you are now using. If you do not want your information to be saved in cookies, just hit the "Clear Entries" button at the top of any page. Your entries will be removed. However, you may return to this tool in the future and re-enter values. You may do this as many times as you wish.

***Please Note: The Southwest Environmental Finance Center does not have access to your information.*

WUFA: <https://swefcapps.unm.edu/wufa/>

Continue

User Charges or Fees (Water Sales)	<input type="text" value="\$263,000.00"/>	Ongoing Miscellaneous Revenue	<input type="text" value="\$10,000.00"/>
Surcharges	<input type="text" value="\$5,000.00"/>	Other Operating Revenue	<input type="text" value="\$1,500.00"/>
Other Regular Fees	<input type="text" value="\$1,000.00"/>		
		Total Operating Revenue	<input type="text" value="\$280,500.00"/>

NON-OPERATING REVENUES ?

Hook-Up Fees	<input type="text" value="\$5,000.00"/>	One-Time Miscellaneous Revenue	<input type="text" value="\$4,825.00"/>
Disconnect/Reconnect Fees	<input type="text" value="\$500.00"/>	Interest Earned on Deposits	<input type="text" value="\$5,785.00"/>
Stand-By Fees	<input type="text" value="\$1,000.00"/>	Other Non-Operating Revenue	<input type="text" value="\$250.00"/>
Late Fees	<input type="text" value="\$500.00"/>		
		Total Non-Operating Revenue	<input type="text" value="\$17,860.00"/>

TOTALS

Other Personnel Expenses	\$200.00	Repairs and Maintenance	\$15,250.00
Insurance - Plant & Equipment	\$4,800.00	Training and Conferences	\$500.00
Insurance – General	\$1,500.00	Leases	\$1,500.00
Chemicals for Treatment	\$6,300.00	Permits/Fees	\$500.00
Purchased Water	\$5,000.00	Depreciation Expense ?	\$40,750.00
Utilities (Power)	\$2,200.00	Dues	\$200.00
Utilities (Other)	\$1,100.00	Other 1 (Amount)	\$100.00
Supplies (Related to Treatment)	\$5,000.00	Other 2 (Amount)	\$100.00
Supplies (Office)	\$7,500.00		
		Total Operating Expenses	\$210,354.00

NON-OPERATING EXPENSES [?](#)

Professional Services (Planning/Design/Construction etc.)	\$100.00	Taxes	\$100.00
Loan Payments	\$50,000.00	Interest On Loans	\$0.00
Depreciation Expense ?	\$4,500.00	Other Non-Operating Expenses (E.g., Other Interest, Fees, etc.)	\$50.00

Current Investments [?] (maturity < 1 year)	\$260,000.00	Property, Plant and Equipment [?] (net of accumulated depreciation)	\$500,000.00
Inventory [?]	\$16,500.00	Vehicles (net of accumulated depreciation)	\$100,000.00
Prepaid Expenses [?]	\$500.00	Long-Term Investments [?] (maturity > 1 year)	\$45,000.00
Other Current Assets	\$500.00	Other Long-Term Assets	\$500.00
Total Current Assets	\$392,500.00	Total Long-Term Assets	\$1,398,500.00

LIABILITIES [?]

CURRENT LIABILITIES [?]

Accounts Payable [?]	\$10,000.00
Accrued Interest [?]	\$6,000.00
Current Portion [?] of Long-Term Debt	\$50,000.00
Taxes Payable	\$3,500.00
Other Current Liabilities	\$2,000.00
Total Current Liabilities	\$71,500.00

NON-CURRENT LIABILITIES [?]

Loans payable [?]	\$225,000.00
Meter Deposits [?]	\$3,000.00
Other Non-current Liabilities	\$500.00
Total Non-Current Liabilities	\$228,500.00

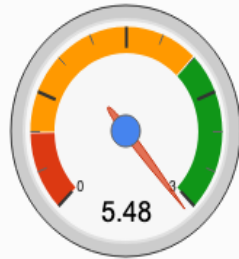
FINANCIAL HEALTH

 Poor Health

 Fair Health

 Excellent Health

CURRENT RATIO [?](#)



Ratio: 5.48

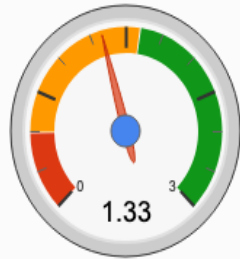
Healthy	More than 2
Caution	Less than 2
Red Flag	Less than 0.5

Values used in calculation

Total Current Assets
\$392,500.00

Total Current Liabilities
\$71,500.00

OPERATING RATIO [?](#)



Ratio: 1.33

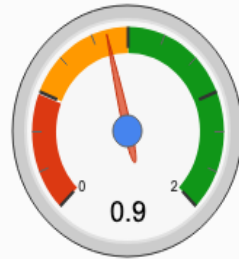
Healthy	More than 1.6
Caution	Less than 1.6
Red Flag	Less than 0.5

Values used in calculation

Total Operating Revenue
\$280,500.00

Total Operating Expenses
\$210,354.00

DEBT-SERVICE COVERAGE RATIO [?](#)



Ratio: 0.9

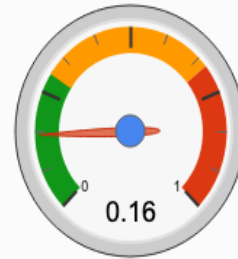
Healthy	More than 1
Caution	Less than 1
Red Flag	Less than 0.5

Values used in calculation

Net Operating Income
\$70,146.00

Annual Debt Service
Label

DEBT RATIO [?](#)



Ratio: 0.16

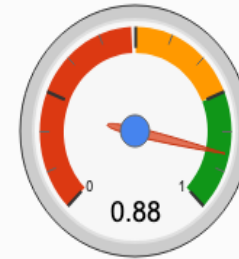
Healthy	Less than 0.3
Caution	More than 0.3
Red Flag	More than 0.7

Values used in calculation

Total Liabilities
\$300,000.00

Total Assets
\$1,791,000.00

SALES RATIO [?](#)



Ratio: 0.88

Healthy	More than 0.75
Caution	Less than 0.75
Red Flag	Less than 0.5

Values used in calculation

User Charges or Fees
\$263,000.00

Total Revenue
\$298,360.00

Contact

Heather Himmelberger

heatherh@unm.edu

