



Step 0: How to Prepare to Apply for Funding

ANR Municipal Day

November 2024

What's on Deck?

- Setting the Stage
 - PAYGO
 - Reserves
 - Grants
 - Loans
- Financial Documents
 - Budgeting
 - Financial Review
- Project Implementation
- VT Sources of Capital
- TA Resources

SETTING THE STAGE

Funding v. Financing

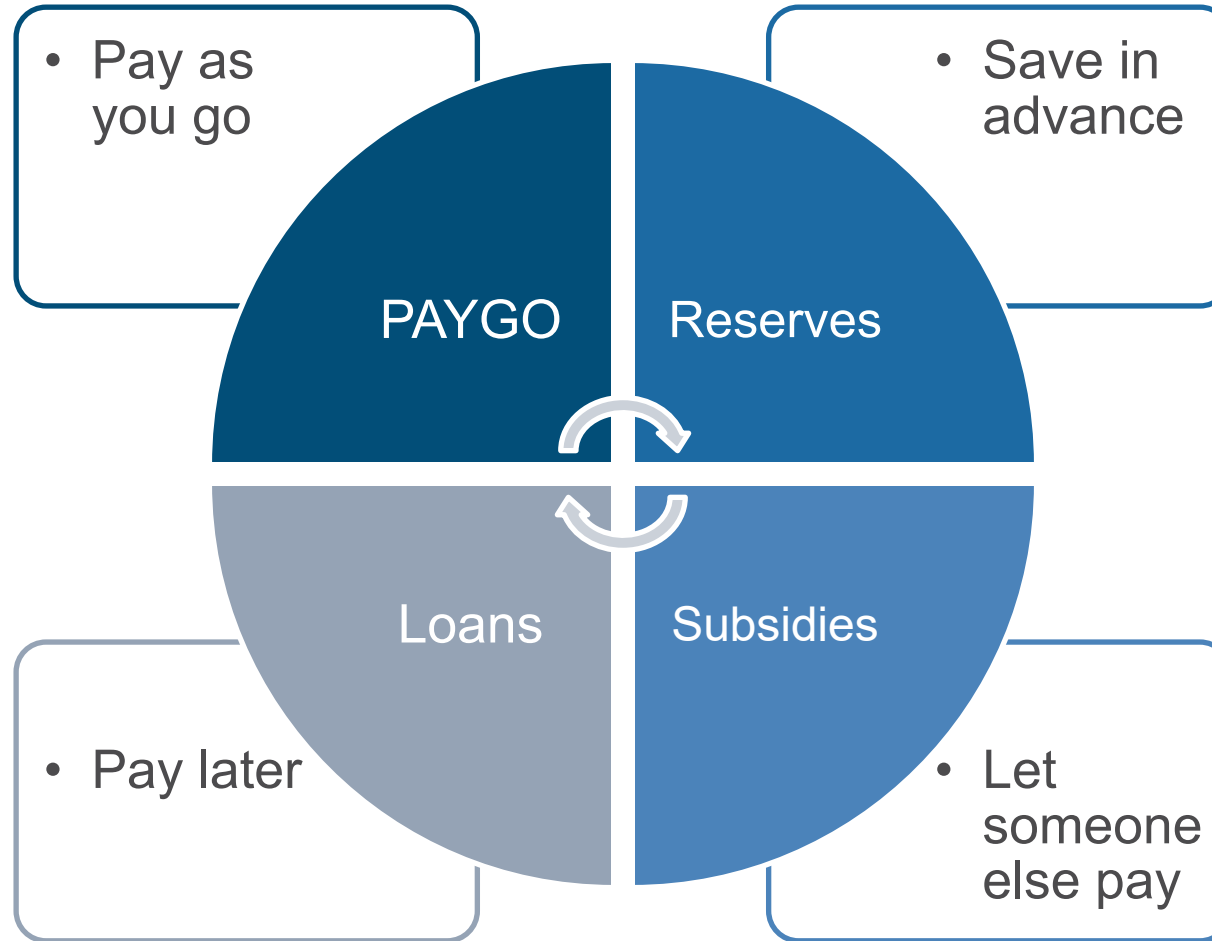
- Funding is money provided, especially by an organization or government, for a particular purpose
 - Grants
 - Subsidized loans
 - Principal forgiveness

- Financing is the act of obtaining or furnishing money or capital for a purchase or enterprise.
 - Loans
 - Lines of credit
 - Local bank and capital market



[Link to article: VBB Funding v Financing](#)

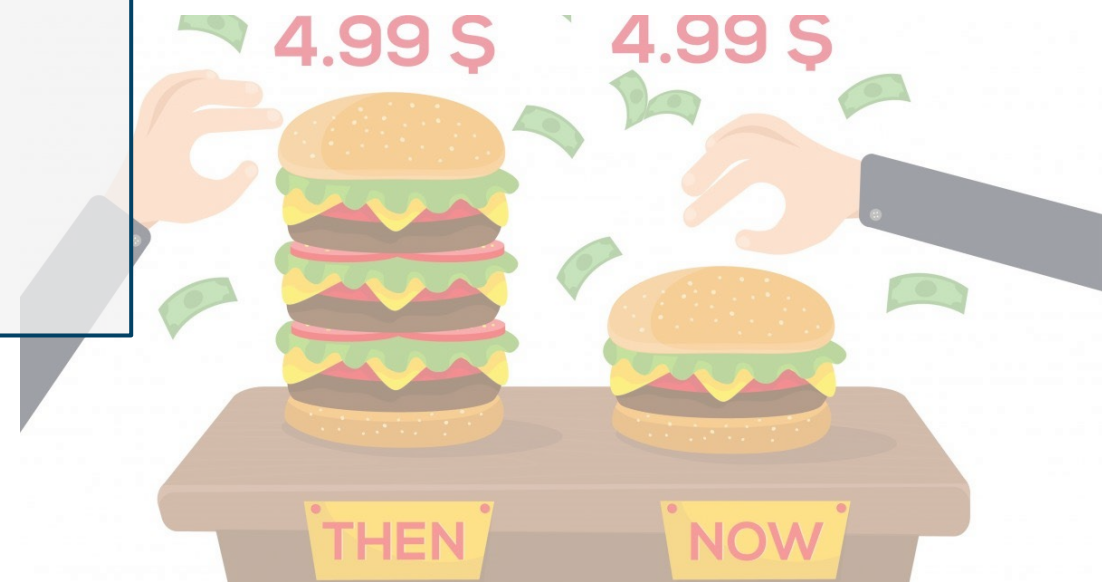
Paying for Infrastructure



- Large capital budget
- Robust capital improvement plan
- Professional staff



- Full Cost Pricing
- Inflation
 - Dollar is worth less tomorrow and today
 - Saving accounts yields are not equal to inflation
- Delaying project to save increases project costs, chances of negative public health or environmental impacts, or enforcement actions



- Free money? No such thing
- What is the cost to pursue so called 'free money'?
 - Staff
 - Project delays
 - Grant compliance
 - Match requirements
- Grants can distort a system's financial reality
 - Hides true cost of service
- Competition and low predictability



■ Benefits

- Level principal
- 100% financing
- Refunding options
- Tax/user fees as security
- Spreads investment out over many years
- Financed by bond holders – who are they?

■ Challenges

- Aversion to debt
- Interest rate unknown until closing
- Cost-of-issuance can add up



Debt Financing

FINANCIAL DOCUMENTS

Budgeting

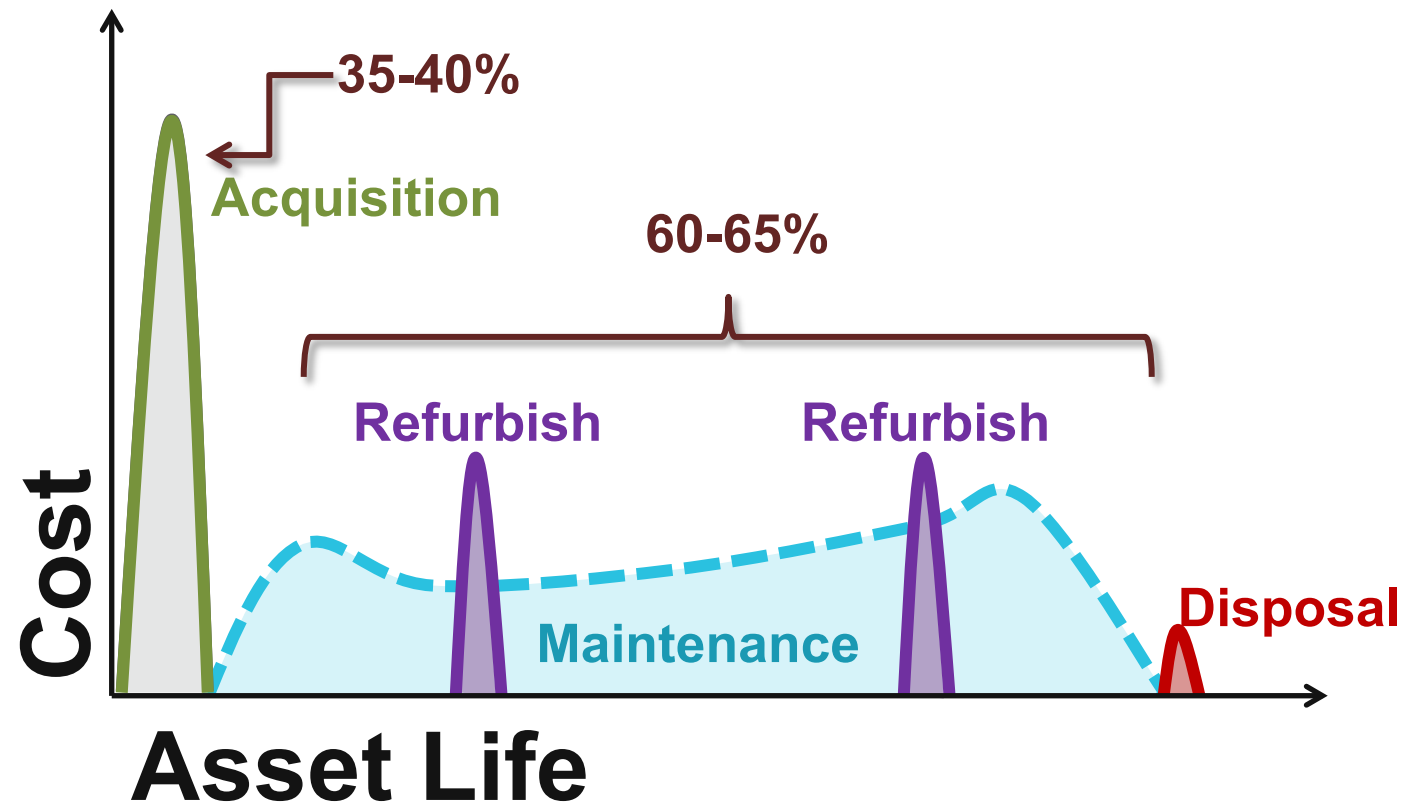
- Do you have a budget?
- When was the last time a review was completed?
- How and when is the next year's budget developed
- Are you on target with expected expenses?
- What are the high dollar value or % exceedance
- Set expense needs, then evaluate revenue



- Expenses
 - Operating
 - Capital
 - Debt
 - Reserves

- Loans/Grants
- Development/impact/allocation fees
 - Where do these fees 'live'?
- Taxes
- **User fees**
- Other revenue
 - Penalties/interest
 - Cell towers
 - Sprinkler/hydrant fees
 - Bulk water

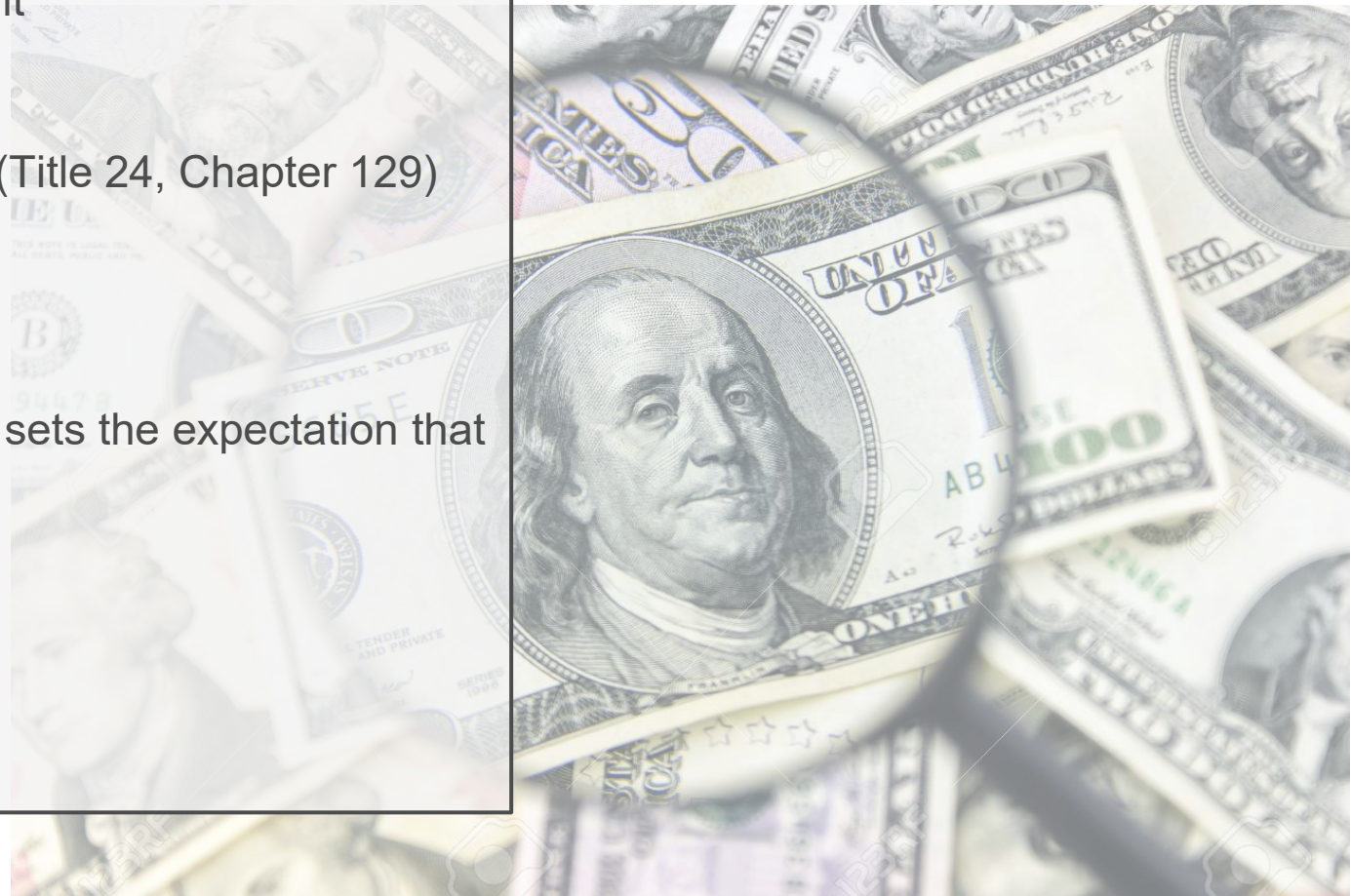
Capital investment is just the tip of the iceberg



Source: Glenn Barnes, UNC EFC and adapted from Steve Allbee, USEPA

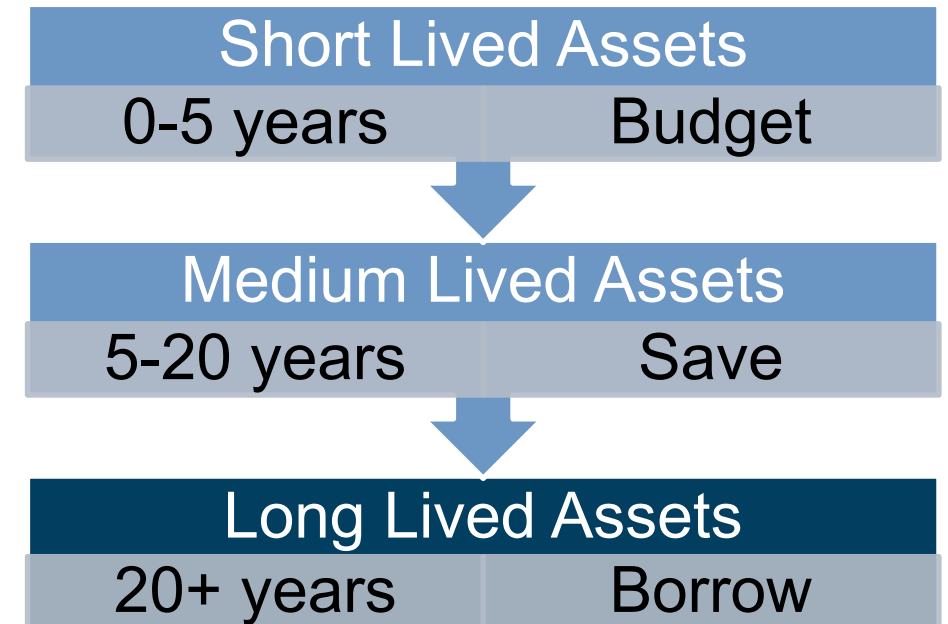
Is there missing revenue?

- Delinquent accounts
 - Not apparent on revenue/expense statement
 - How are they handled?
 - Uniform Water and Sewer Disconnect (Title 24, Chapter 129)
 - Liens
 - Tax sales
 - High delinquency affects the entire system; sets the expectation that payment is optional
- Transfers to the GF
- Outdated or underreporting meters
- 'Free' water users



Reserves: How Much to Save?

- It depends
 - Asset Management
 - Capital Improvement Plan
 - Short Term Asset Reserve Table
- Board tolerance
- Ashley's Budget Philosophy
 - Intergenerational Equity



What about Funding Depreciation?



DEPRECIATION

- What is depreciation?
 - Reduction in value of an asset with the passage of time, due to wear and tear
 - Accounting method of allocating the cost of a tangible or physical asset over its useful life
 - Represents how much of an asset's value has been used up
- How is it calculated?
 - Straight line depreciation
 - $(\text{original cost} - \text{salvage value}) / \text{expected useful life} = \text{annual depreciation}$
 - Equipment, vehicles, buildings. Excludes land and construction
- Funding depreciation
 - Budgeted line item → equal amount remaining at end of budget year

Financial Review

- Profit and Loss
 - Revenues
 - Expenses
- Balance Sheet
 - Assets
 - Liabilities
- Cash Flow Statement
 - Budget to Actual
 - Budget Projections

Financial Statements

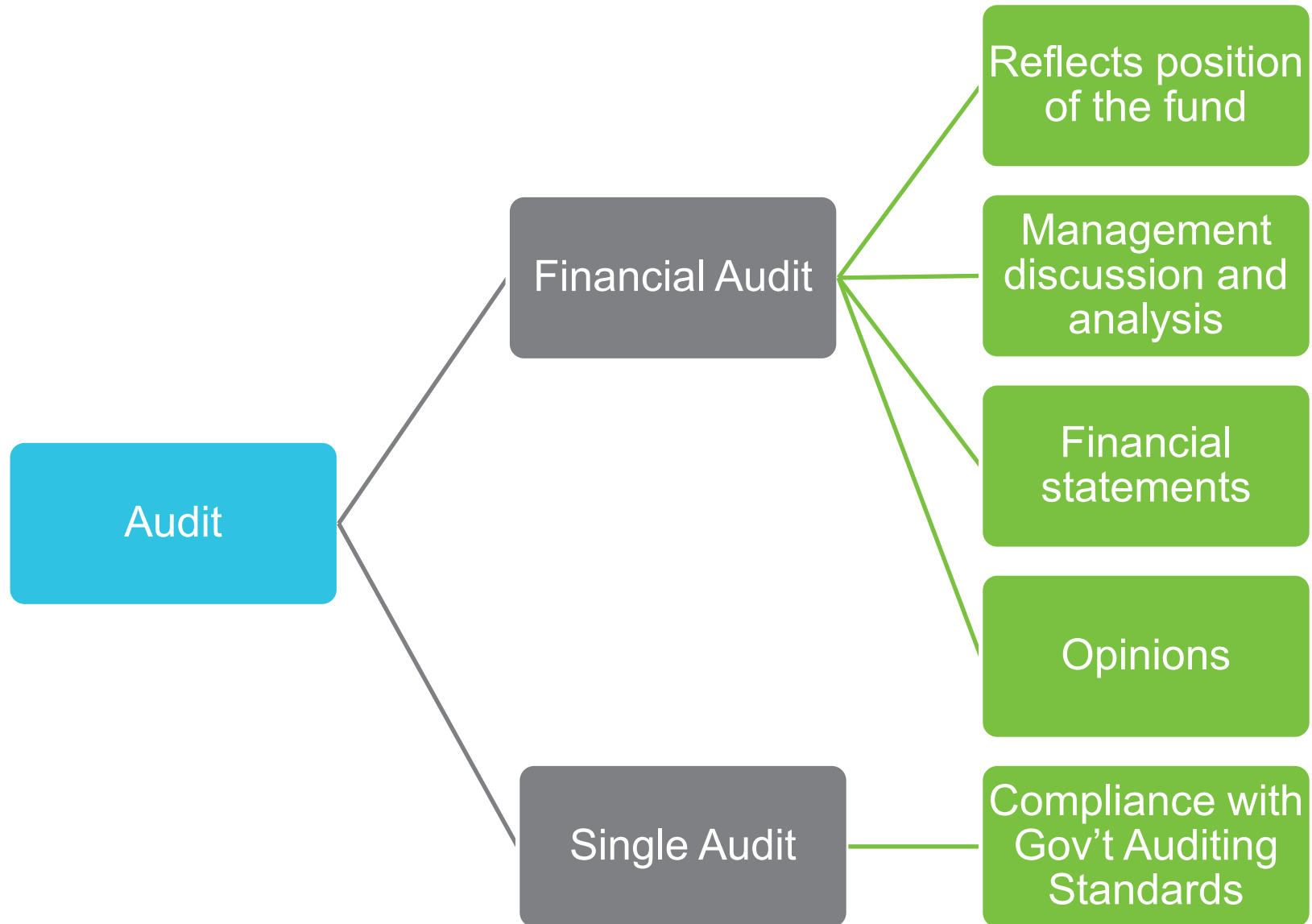
Balance Sheet

Cash Flow Statement

Profit & Loss Statement



Financial Audit v Single Audit



- Budget + Projections
- Capital Improvement Plan
- Rate Policies
- Delinquencies
- Large water/wastewater users or taxpayers
- Development plans



- Debt planning
- Depreciation
- End-of-year surplus
- Delinquencies
- Days of cash on hand
- General Fund transfers
- Non-revenue water
- Contract services
- Debt Service Coverage Ratio

- User Concentration
- Debt Ratio
- Operating Ratio
- Reserves
- Bond Rating
- Social and Economic Demographics
- Private borrowers may have additional criteria
- Financial Projections



How does the Lender decide?

- Applicants will rarely look good or bad on all measures.
- Do the projections show sufficient debt service coverage?
- Does the sensitivity analysis identify weaknesses in the projections and assumptions?
- Additional loan covenants, requirements, and adjustments of terms can be used



PROJECT IMPLEMENTATION

Feasibility Study

1

- Preliminary exploration of a proposed project
- Assessment of practicality
- ID potential issues

Preliminary Engineering

1

- Project specific document that incorporates need, alternatives, impacts, costs, schedules, and final recommendation
- Widely used procedure for infrastructure planning

Final Design

2

- Final project drawings, environmental factors, costs, safety concerns

Construction

3

- Implement designed project

- SRF
 - DW Asset Management
 - DW and CW
- USDA-RD
 - SEARCH grant
 - <https://www.rd.usda.gov/programs-services/water-environmental-programs/search-special-evaluation-assistance-rural-communities-and-households-grant/vt-nh>
- NRWA
 - <https://nrwa.org/members/products-services-portfolio/rural-water-loan-fund/>



Qualifications Based Selection...known by many names

- CWSRF-only requirement
- QBS....Request for Qualifications (RFQ)....and Architectural and Engineering (A/E) Procurement
- Is satisfied via certification form
- Sometimes an applicant can pre-qualify engineering firms based on best fits for certain types of projects and the certification can cover multiple projects/years
 - Ex: One RFQ round can certify a firm for CSO, another for green stormwater, another for WWTF upgrade, etc.
 - This should be coordinated with state to be on safe side!!



- Indicates interest in being funded
- Determines program eligibility
- Establishes project rank
- Informs subsidy eligibility
- Generally due in Winter
- Preconstruction applications accepted any time

Completing a PPL app does NOT mean you are applying for a loan.



Natural Environment

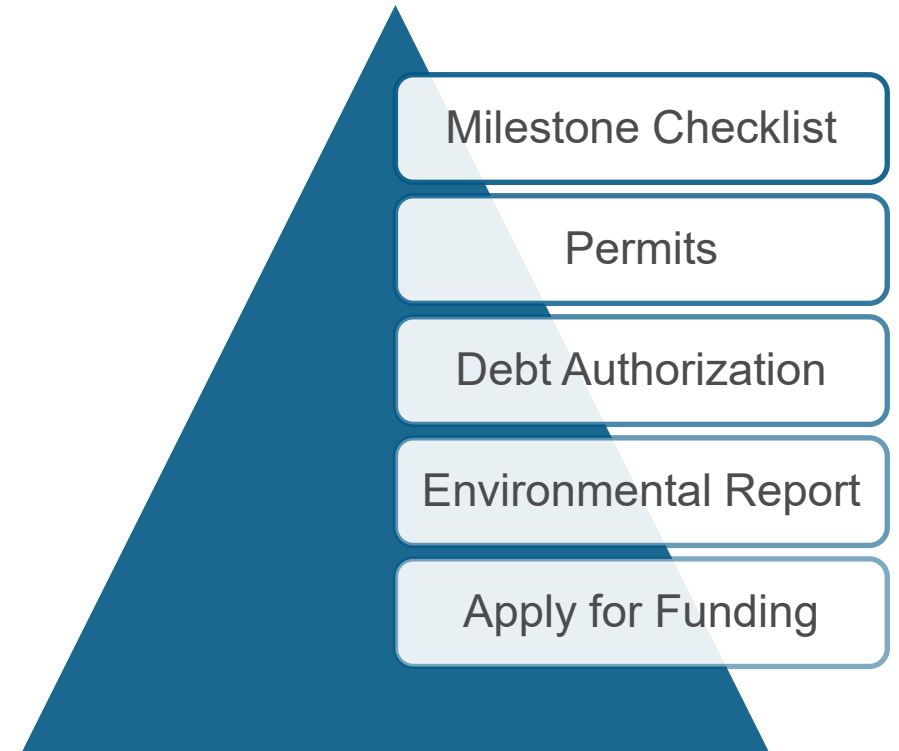
- Endangered Species Act
- Bald & Golden Eagle Protection Act
- Migratory Bird Treaty Act
- Fish & Wildlife Coordination Act
- Marine Mammal Protection Act
- Coastal Barrier Resources Act
- Coastal Zone Management Act
- Magnuson-Stevens Fishery Conservation & Management Act
- Clean Water Act
- Clean Air Act
- Protection of Rivers
- River & Harbors Act
- Wild and Scenic Rivers Act

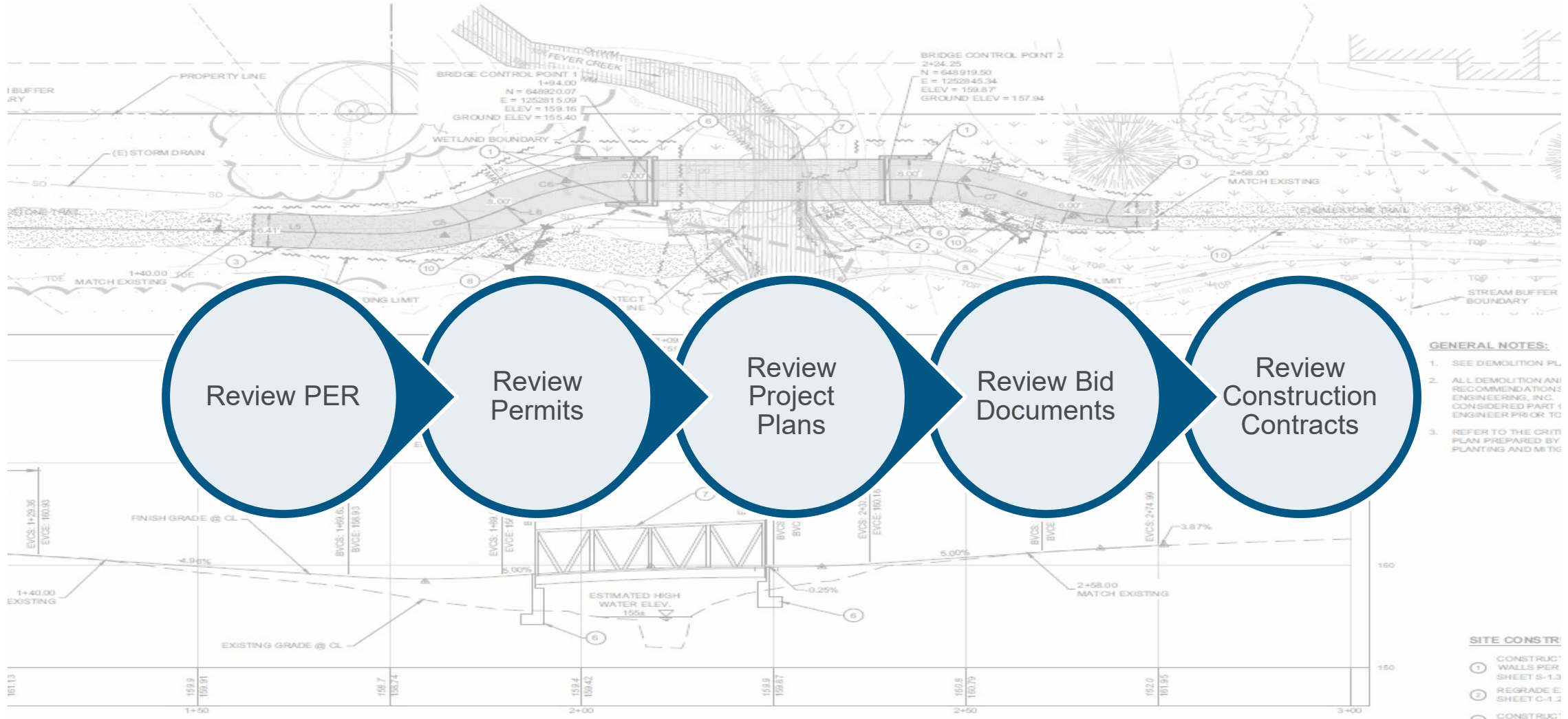


Human Environment

- Archaeological & Historic Preservation Act
- Archaeological Resources Preservation Act
- National Historic Preservation Act
- Consultation & Coordination w/ Indian Tribal Governments
- Native American Graves Protection & Repatriation Act
 - Environmental Justice
- Farmlands Protection Policy
 - Floodplain Management
 - Safe Drinking Water Act

- Minimum requirements to apply:
 - Preliminary Engineering Report (SRF & USDA)
 - Environmental documentation (USDA)
 - Financial Audit & Bond Vote (VBB)





- GENERAL NOTES:**
1. SEE DEMOLITION PL.
 2. ALL DEMOLITION AND RECOMMENDATIONS ENGINEERING, INC. CONSIDERED PART 1 ENGINEER PRIOR TO
 3. REFER TO THE CRIT PLAN PREPARED BY PLANTING AND MITIG

- SITE CONSTR**
- ① CONSTRUCT WALLS PER SHEET S-1.3
 - ② REGRADE E SHEET C-1.3
 - ③ CONSTRUCT AND DETAIL
 - ④ CONSTRUCT BELLINGHAM
 - ⑤ CONSTRUCT BELLINGHAM
 - ⑥ CONSTRUCT PLANS
 - ⑦ INSTALL NE

ALIGNMENT TABLE								
#	START STA.	START COORDINATES	END STA.	END COORDINATES	DELTA	RADIUS	LENGTH	DIRECTION
C4	1+35.16	N:648911.7112 - E:1252758.1456	1+35.64	N: 648911.6874 - E: 1252758.6199	0.009069	30.00	0.47	S87° 08' 00.61"E
L5	1+35.64	N:648911.6874 - E:1252758.6199	1+55.15	N: 648910.5574 - E: 1252778.0991			19.51	S86° 40' 48.25"E
C5	1+55.15	N:648910.5574 - E:1252778.0991	1+74.01	N: 648915.2598 - E: 1252796.0405	0.360130	30.00	18.86	N75° 18' 48.41"E

Revenue Bond

General Obligation Bond

Governing body debt resolution

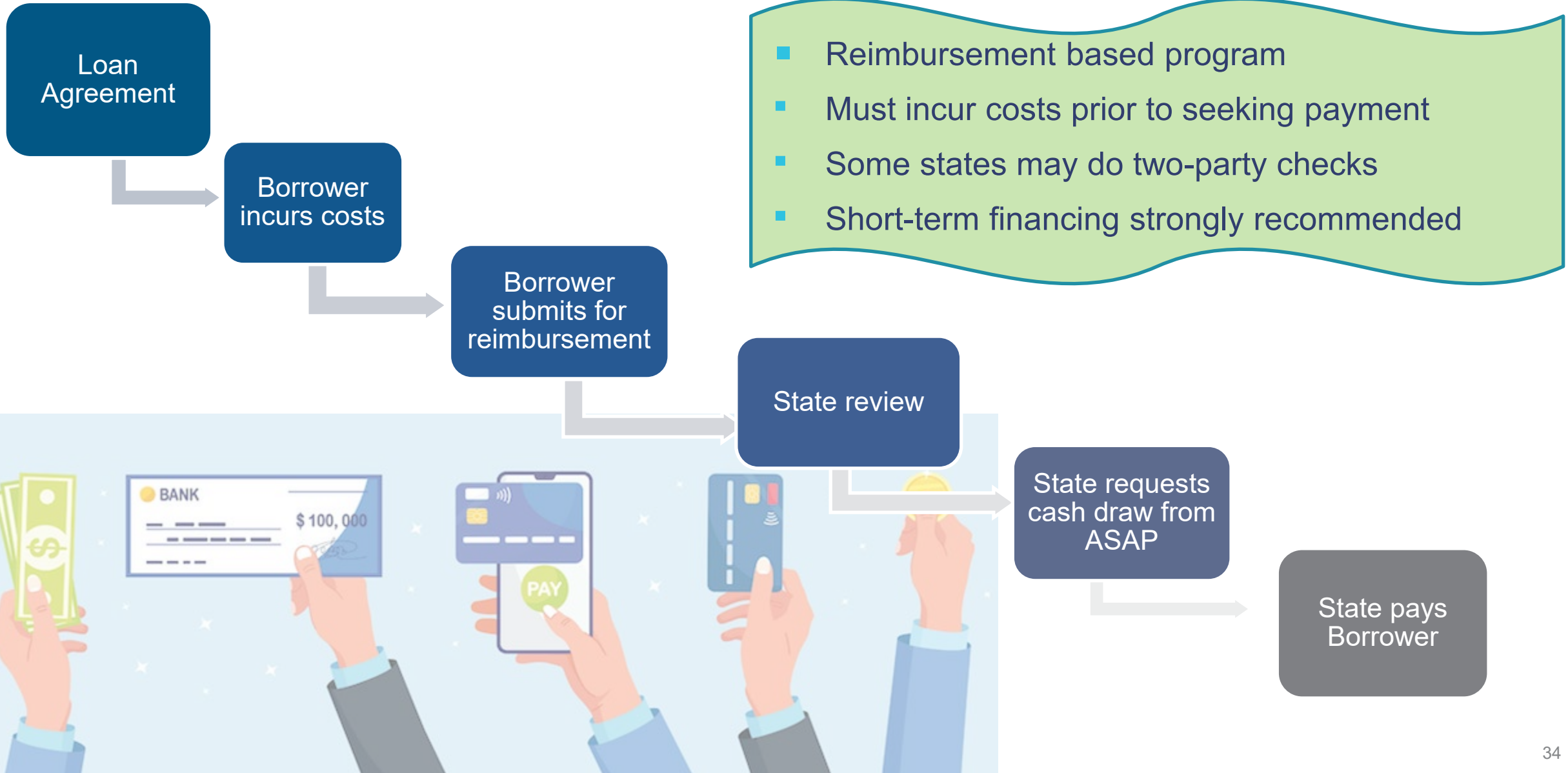
Liens

HOA dues

Other fees



Disbursement



VT's Common Sources of Capital

- Serves communities <10,000
- Terms up to 40 years
- Interest rates change quarterly; are tiered
- Wide ranging eligibilities, including system expansion
- Can lend to private entities and municipalities
- Annual online application; no preapplication; no cost to apply
- Grant/Loan packages available
- <https://www.rd.usda.gov/programs-services/water-environmental-programs>



**United States
Department of
Agriculture**

Rural Development

State Revolving Funds (SRF)

- Wide ranging eligibilities
- 30-year base terms; up to 40 for disadvantaged DW
- Significant subsidization of activities/projects (principal forgiveness)
- Annual project solicitation; funding applications thereafter
- Fixed administrative fees
- Delayed repayment
- Pre-construction Funding
- Special opportunities:
 - Asset Management loans
 - Leak detection studies
 - Hydraulic Analysis
 - So. Many. More.



- Pooled loan program; conduit financier
- Only municipalities or other political jurisdictions, ex Fire Districts
- Applications accepted twice a year
- Interest rate is not known until loan closing
- No application fee; cost-of-issuance incurred by VBB
- No federal crosscutter requirements
- Works closely with SRF programs



Vermont
Bond Bank

OVERWHELMED?





Helping communities access **Bipartisan Infrastructure Law funding** for water infrastructure investment, with a focus on **CW & DWSRFs**

VALUES

Reduce funding barriers faced by **disadvantaged and EJ communities**

Prioritize **new borrowers and pressing water challenges**

HOW WE WORK

Deploy experienced providers from our network of regional partners

Develop **customized technical, financial, and managerial solutions** to water challenges

Work jointly with water systems to **advance projects to funding and implementation**

Bringing communities closer to securing funding for project implementation

Partnerships &
Engagement

Planning &
Assessment

Project
Development

Funding &
Financing

Project
Construction &
Management

<https://neefc.org/water-infrastructure/>

- Water Infrastructure Support Program (WISP)
- Works exclusively with non-profit Manufactured Home Communities (MHCs) throughout New England
- USDA eligible community
 - <10k population; <SMHI
- Assessment; Project Development; Funding; Project Implementation
- <https://cdi.coop/wisp/>



COOPERATIVE
DEVELOPMENT
INSTITUTE
The Northeast Center
for Cooperative Business

Celebrating 30 years of CDI

Creating economic opportunities for our communities

Est. 1994

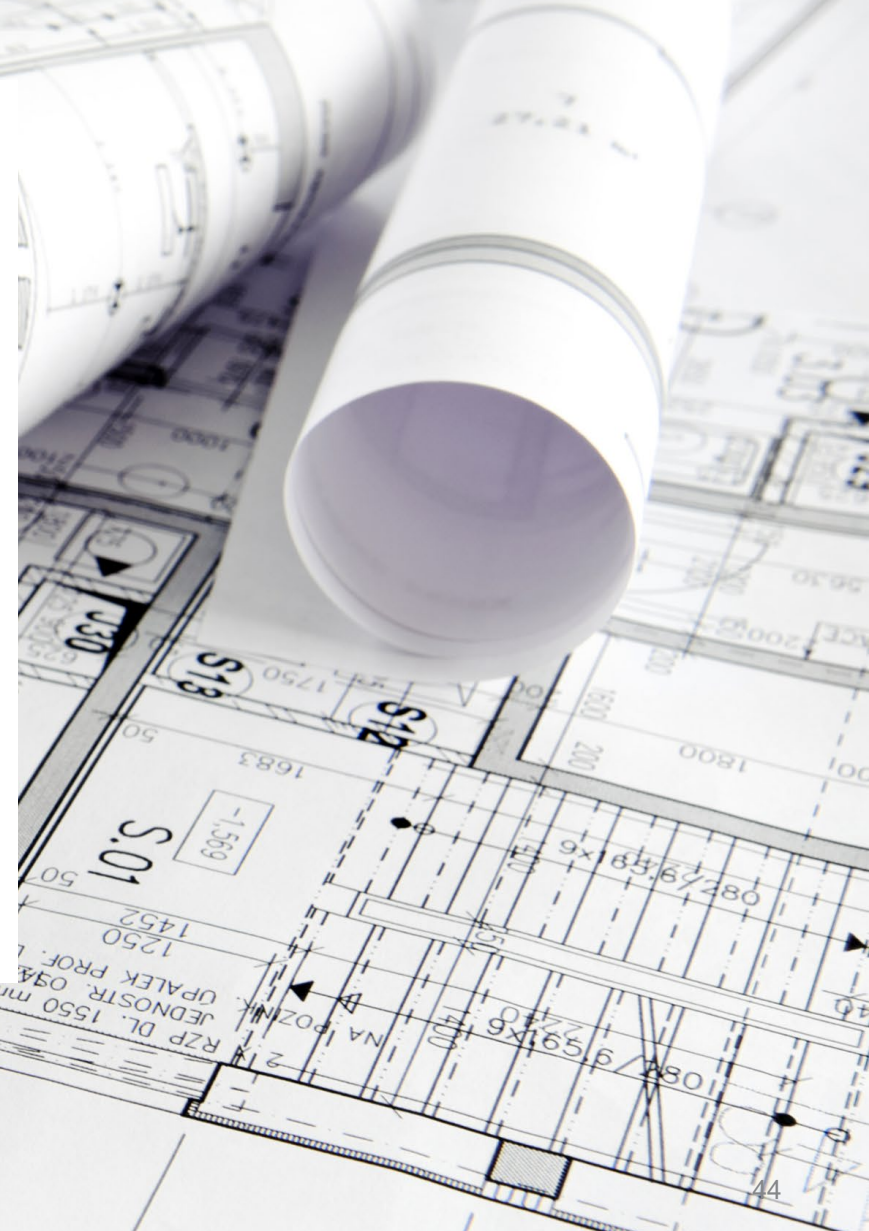
- Target is small, rural public community drinking water systems
- What is a disadvantaged community (DAC) in VT?
 - Manufactured home community (MHC)
 - Median Household Income (MHI) below state
 - Municipally-owned schools
- Assistance to improve Technical, Managerial, Financial Capacity
- Assistance evaluating and applying for funding



Vermont Outreach Assistance Program



- Assistance can include, but not limited to:
 - User rate review
 - Budget review
 - Expense/revenue analysis
 - Developing capital improvement plans
 - Board member education and decision-making support
 - Choosing an engineer
 - Funding application
 - Thought partner



Glossary



CIP	Capital Improvement Plan	The plan for the next 5-10 years of necessary capital projects, including how much it will cost
CWSRF	Clean Water State Revolving Loan Fund	The funding program that supports investment in wastewater, stormwater, and nature-based infrastructure
DEC	Department of Environmental Conservation	Department within the Agency of Natural Resources that is responsible for the regulation and funding of public water systems and wastewater systems
DWSRF	Drinking Water State Revolving Loan Fund	The funding program that supports investment in drinking water infrastructure
GF	General Fund	The general fund is the part of a community's budget that funds most community activities
NRWA	National Rural Water Association	The parent organization of Vermont Rural Water Association
O&M	Operations & Maintenance	Keeping the lights on, water pumping, and staff paid
P&I	Principal & Interest	Debt payment
PAYGO	Pay-as-you-go	The practice of regularly funding capital investments in the O&M budget
PPL	Project Priority List	The application that is necessary to get on the CWSRF or DWSRF funding list
SMHI	State Median Household Income	
SRF	State Revolving Loan Fund	The funding programs implemented by DEC
USDA-RD	US Department of Agriculture- Rural Development	A federal funding program that supports investment in drinking water, wastewater, and stormwater infrastructure

Community Finance Team

<https://www.quantifiedventures.com/community-finance>



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