



Beyond Rates: Other Finance Strategies

Columbia, South Carolina Thursday, May 12, 2016

This program is made possible under a cooperative agreement with EPA.













Session Objectives

- Learn about other common sources of water system revenue and controlling costs
- Understand the debt market
- Discuss available loan and grant programs









Options for controlling O&M costs

- 1. Perform a water audit (EPA style)
- 2. Find and reduce leaks
- 3. Efficiency and accuracy of your meter reading, billing and collections
- 4. Replace water meters (meters become less accurate after 10-15 years)
- 5. Ensure that power rates are most



appropriate for your water system





Options for controlling O&M costs

- 6. Install energy efficient equipment or modify operations to lower energy use
- 7. Track expenses over time and look for different vendors or labs if costs grow too quickly
- 8. Share resources between departments
- 9. Partner with another water system
- 10. Another option: transfer the assets of the water system







Types of Revenue

- Rates
- Period charges
- Assessments
- One-time fees
- Innovative funding sources (services)
- Debt (commercial and subsidized)









Periodic Charges

- Deposits on new accounts
- Penalties for late payment
- Cutoff/reconnection fees



Meter re-reading fees





Assessments

- A recurrent charge to a sub-group of the population
- The sub-group receives benefits from an environmental service or improvement not enjoyed by others in the area
- Close cost/benefit relationship \rightarrow equity







Tap & System Development Fees

- One-time charges to new users
- Typically assessed when building permits are issued
- Close cost/benefit relationship \rightarrow equity

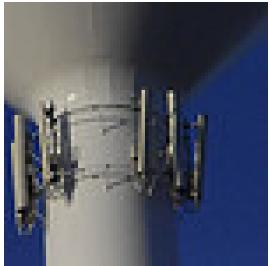






Innovative Funding Sources

• For example, rent out your water tower for cellphone receivers or put ads on the tower itself









Grants

They exist! But they are extremely competitive and limited. The era of large grants is likely not returning before your water assets age out.







Grants Aren't Completely Free Money

- Application for the grant can be expensive staff time and money
- Applications can take months to process
- Often lots of strings attached
- Often require a percentage match
- Lots of competition
- Difficult to sustain







The Debt Market

- Why Borrow?
- Water infrastructure has a long useful life. You may wish to amortize the loan over the life of the equipment so that the people who benefit from the system pay for it









When You Need Cash Now: The Debt Market

• Lenders will look at your creditworthiness, your ability to repay the debt, in determining whether to loan to you and your interest rate







The Debt Market

- Two types—Loans and Bonds
 - Loans are universally available
 - Bonds are typically only available to large systems with significant revenues and managerial capacity







Loans

- Typically from a bank
- Can be from a government-sponsored program such as the Drinking Water State Revolving Fund







Bonds

- A written promise to repay borrowed money (on a definite schedule and usually at a fixed rate of interest for the life of the bond)
- Different types exist:
 - General Obligation (GO)
 - Revenue









Common Debt Options

_	Advantage	Disadvantage
G.O. Bonds:	Low Relative Interest Cost; Lower Issuance Cost	Referendum Required (Politically Sensitive); Lower Structuring Flexibility
Revenue Bonds:	Greater Flexibility (Term, Amortization); No Referendum; Advantageous for Self Supporting Systems	Higher Issuance Cost Higher Relative Interest Cost; Feasibility Study
Installment Purchase/Certi ficate of	No Referendum; Lower Cost of Issuance for Private Placements	Secured by asset, Placement, limits future options







Subsidized Loan & Grant Programs

- RIA
- DHEC
- USDA
- EDA
- SC Department of Commerce

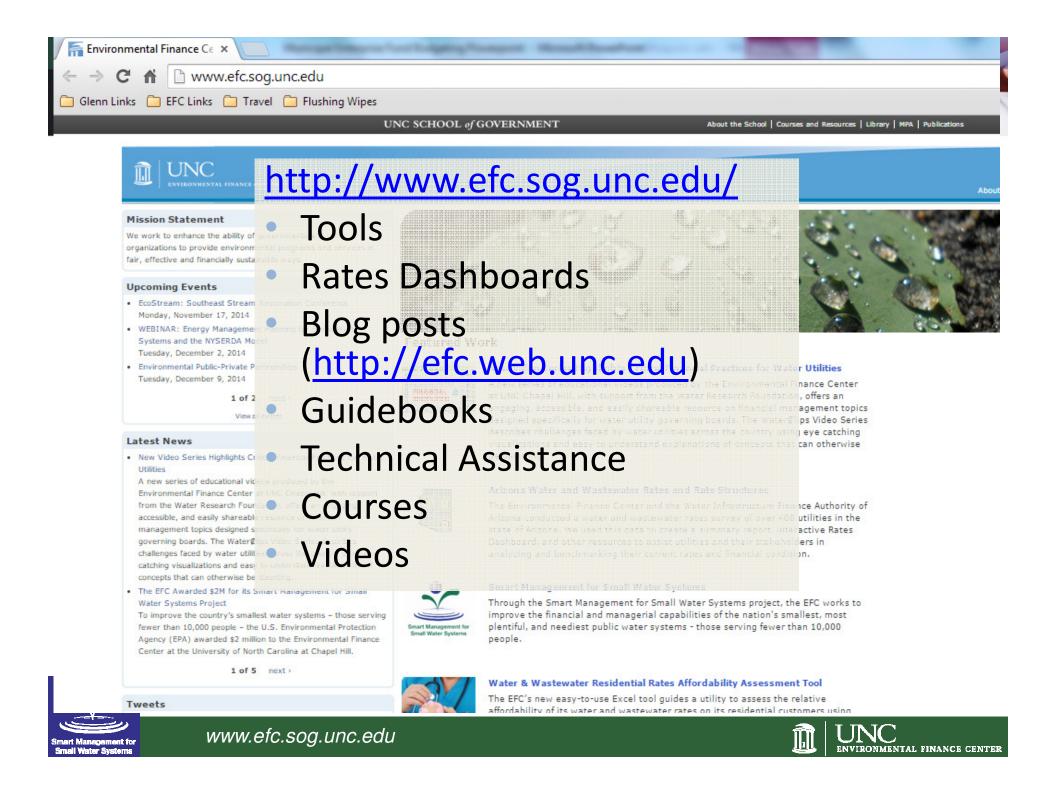
See matrix with contacts and information at

http://efcnetwork.org/resources/funding-

<u>sources-by-state/</u>









Smart Management for Small Water Systems

under a Cooperative Agreement with the US EPA

http://efcnetwork.org The EFCN (including the EFC at the UNC School of Government) will

- The EFCN (including the EFC at the UNC School of Government) will provide free trainings, webinars, tools and direct assistance to small water systems serving fewer than 10,000 people on:
 - Asset Management
 - Water Loss Reduction
 - Water System Collaboration
 - Fiscal Planning and Rate Setting
 - Energy Management
 - Funding Coordination, and
 - Managerial and Financial Leadership
- Free in-depth (multi-day or multi-hour) assistance available. Sign up at http://efcnetwork.org/assistance/request-assistance/









Acknowledgement





This workshop was provided for free to small water systems under a cooperative agreement with the U.S. EPA, and assisted by the AWWA (South Carolina Section). We would also like to thank our guest speakers, and RIA and DHEC for assisting in organizing and promoting this workshop.









Get Your Credits!

All

Complete and return evaluation form

Seeking C.E.U.s?

- Sign out (time)
- Expect your certificate to arrive by email within 30 days. AWWA headquarters will email certificates from <u>educationservices@awwa.org</u>. Add it to your email safe list, or check your inbox and Junk mail frequently.







Thank You!

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