



Ask Me Anything: How to Prepare for a Financial Review

June 4, 2025



About Us

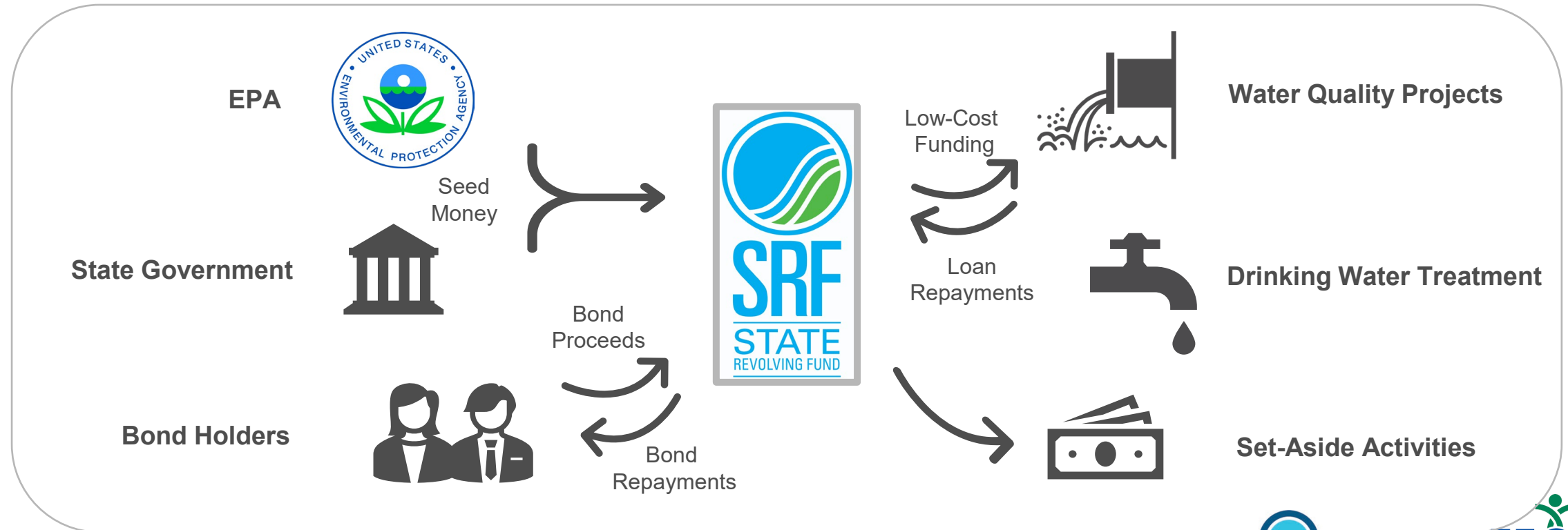
The **Environmental Finance Center Network (EFCN)** is a university- and non-profit-based organization creating innovative solutions to the difficult how-to-pay issues of environmental protection and water infrastructure.

The EFCN works collectively and as individual centers to address these issues across the entire U.S, including the 5 territories and the Navajo Nation. The EFCN aims to assist public and private sectors through training, direct professional assistance, production of durable resources, and innovative policy ideas.



What are the SRFs?

- Low interest revolving loan program with subsidies for targeted projects and communities
- Money comes from EPA/Federal Government, state match, loan repayments, interest, bond proceeds

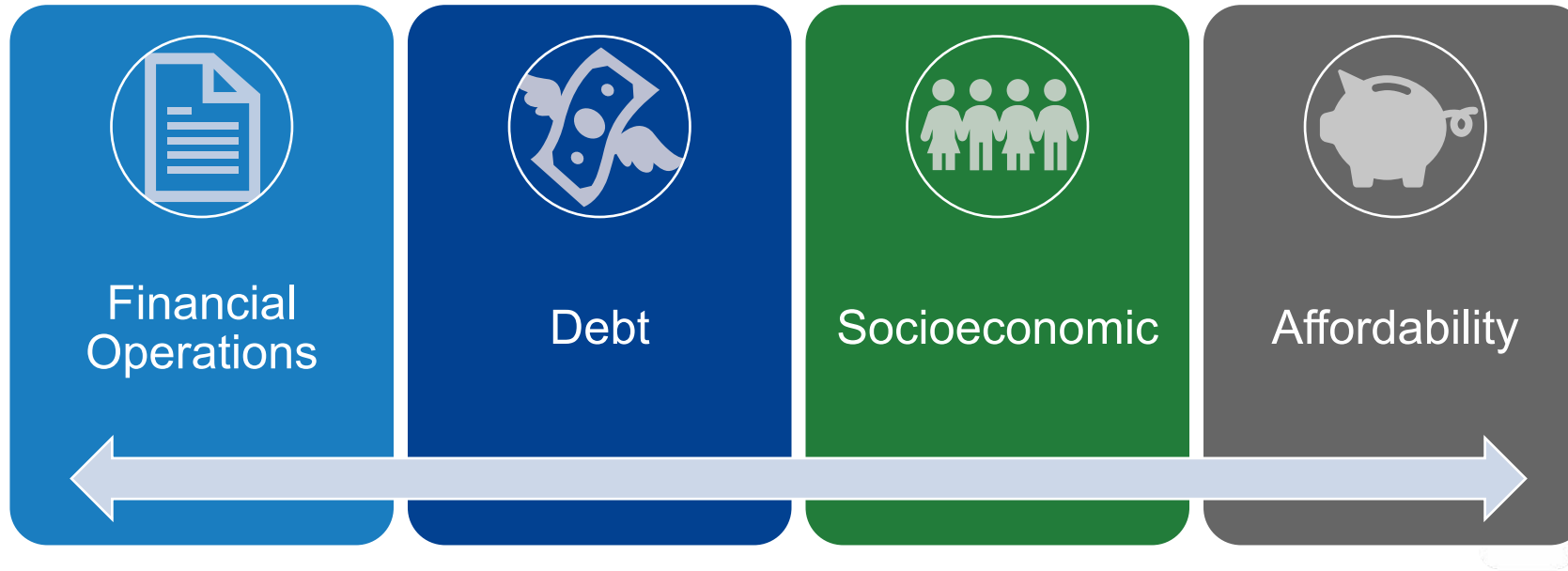


Funding Application

- Available after project is ranked
- Applies for funding
- Includes more project and utility information
- Program may require multiple project application: funding and project
- Some states skip directly to this step

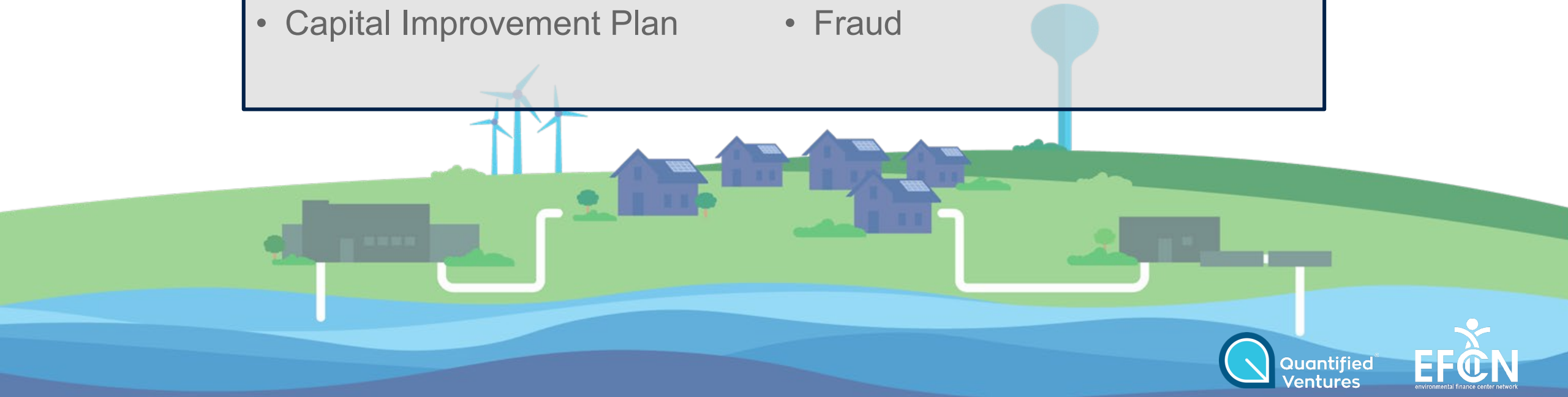


Financial Review Components



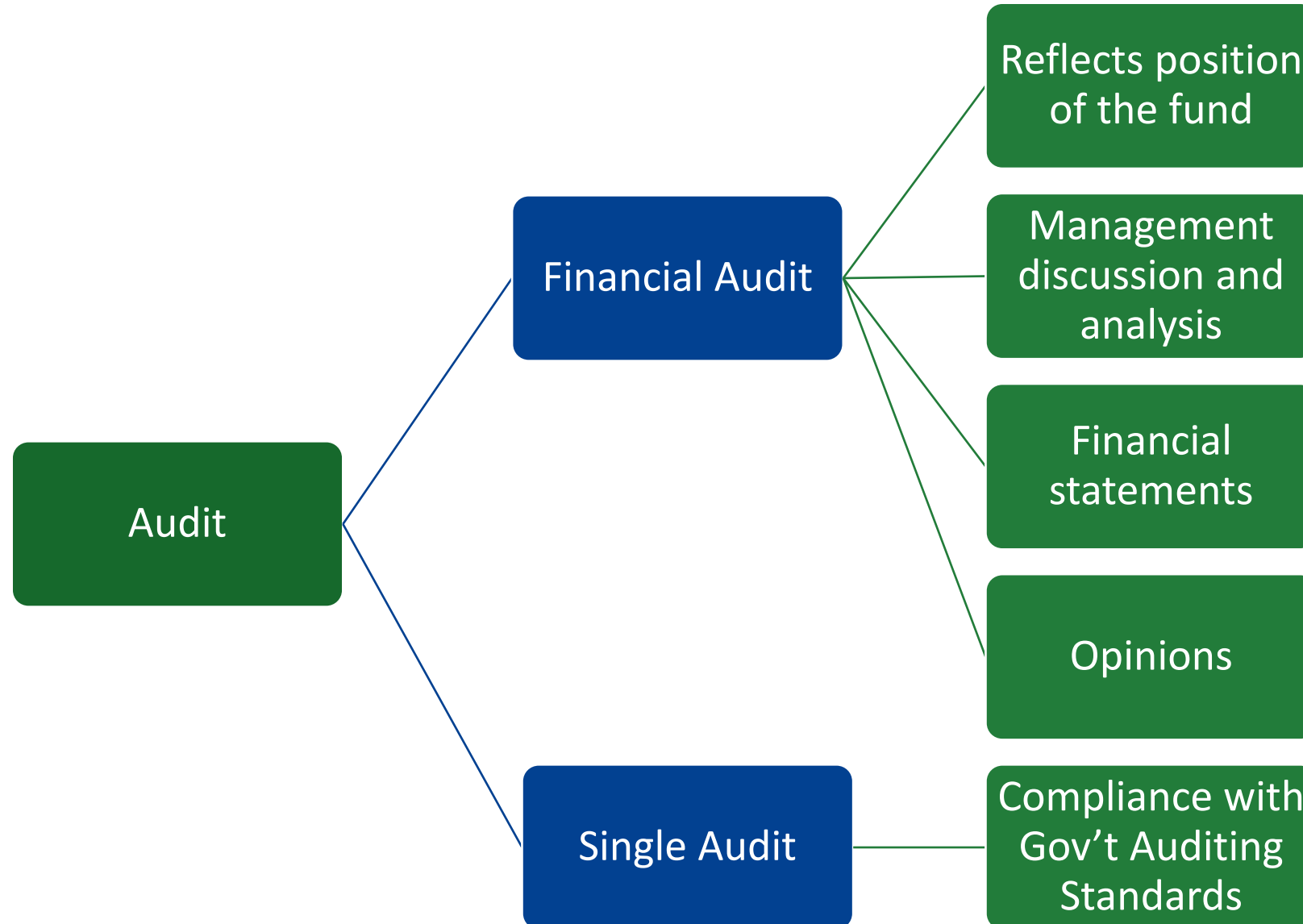
Financial Review Sources

- Audited Financial Statements
- Existing and Planned Debt
- Financial Projections (3-5 years)
- User fee revenue
- Capital Improvement Plan
- Asset Management Plan
- Demographic data
- Customer base analysis
- Employer/tax base data
- Fraud



Audited Financial Statements

Financial Audit v. Single Audit



Policies & Procedures

Fees

Connection and
Disconnection

Application for
Service/Allocation

Design and
Construction
Standards

Cross Connection
/ Backflow
Prevention

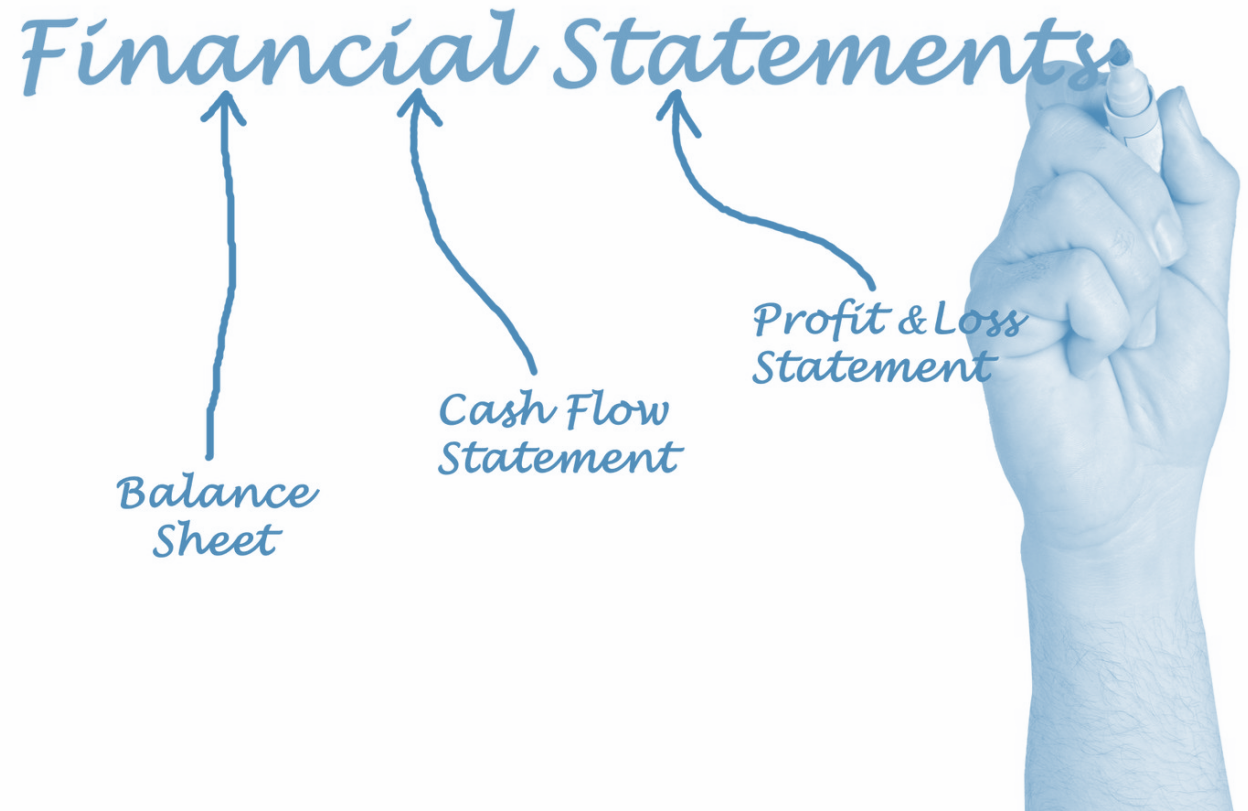
Conservation and
Emergency Plan

By-laws/
Ordinances

Water Service
Line Ownership /
Control

Financial Statements

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



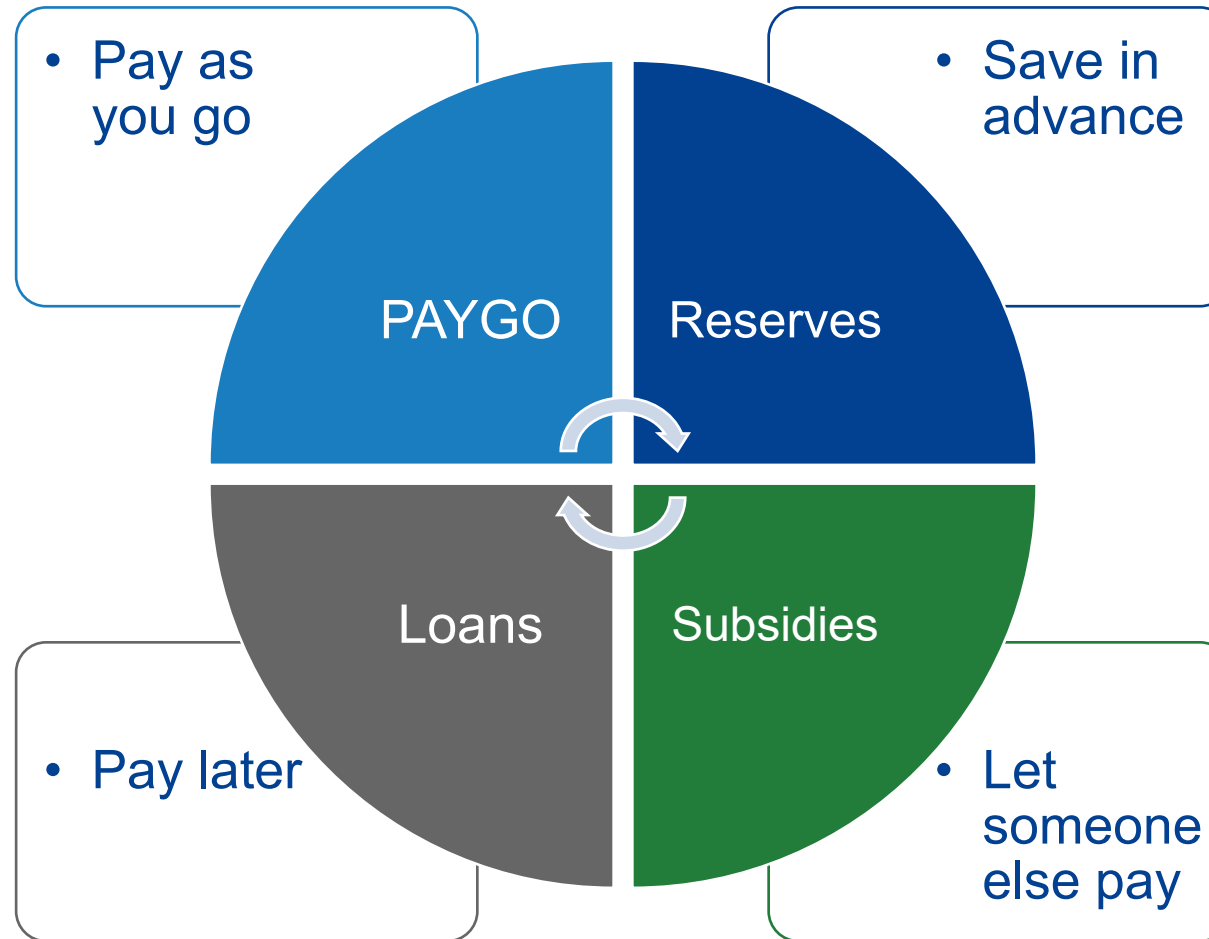
Financial Projections

Budget Considerations

- 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 line items?
- Set expense needs, then evaluate revenue



Paying for Infrastructure



Revenues and Expenses

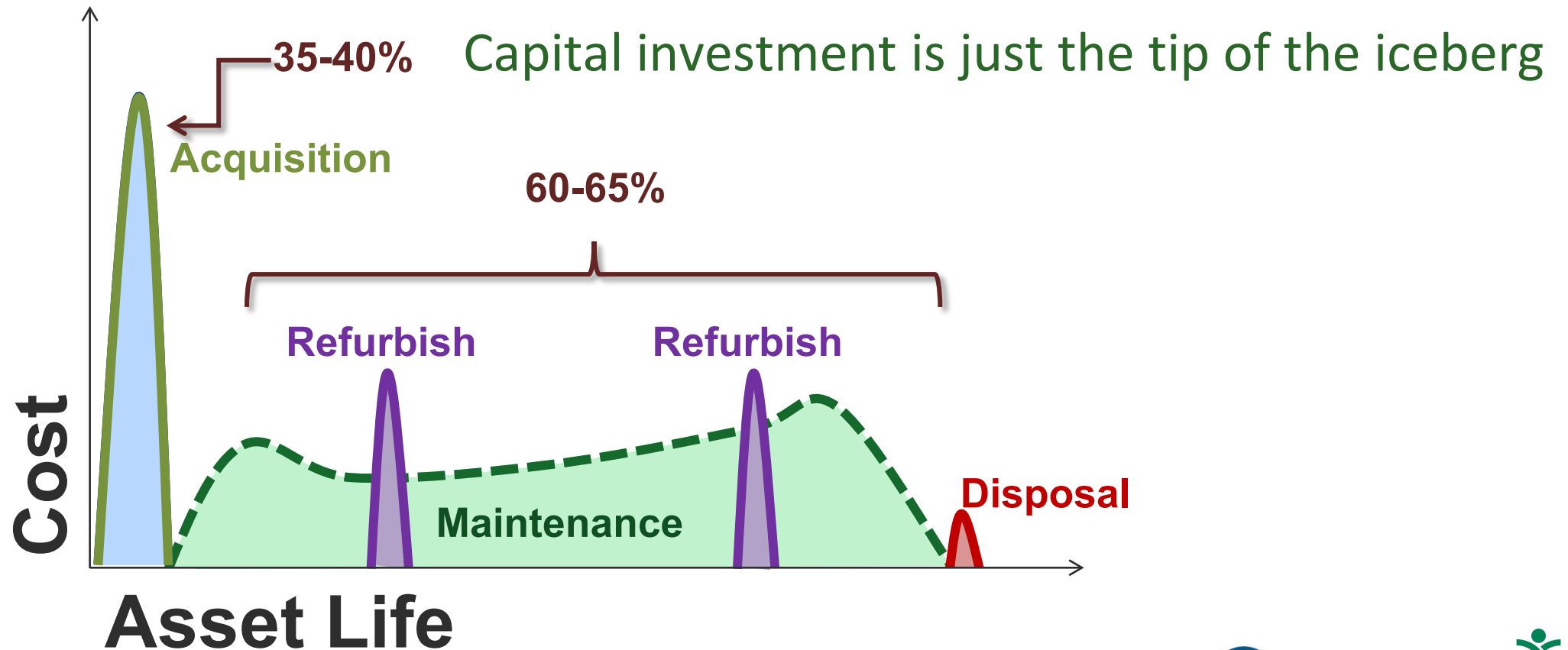
Revenues

User Fees	Taxes	Loans/ Grants	Development /Allocation Fees	Other
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Expenses

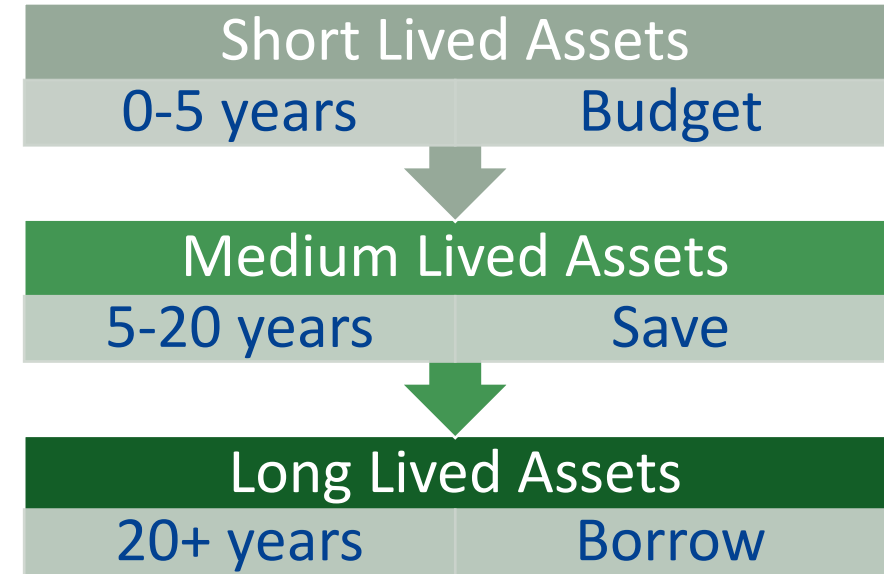
O&M	Capital	Debt
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Lifecycle Costing



What is the Right Amount to Save?

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



- Surcharge Fund
- Capital Improvement Fund
- Sinking Fund
- Cash accrual
- Budget line items for maintenance and capital investment

Ask Yourself

- Calculating reserves
- 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



What am I Missing?

- Delinquent accounts
 - Not apparent on revenue/expense statement
 - How are they handled?
 - Disconnection policies?
 - 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



Rate Setting Questions

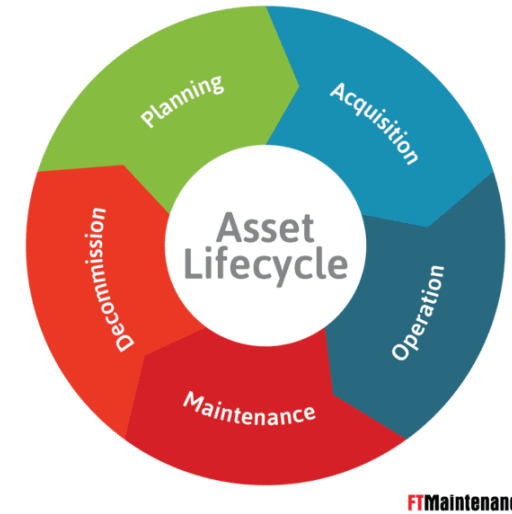
- What are your system's rate setting goals?
- Does your rate structure support your objectives?
- What is your current rate structure?
- How much money do you need to meet future O&M and Capital expenses?



AM + CIP

Asset Management

- Inventory, including condition assessment
- Level of Service goals
- Criticality assessment
 - Probability of failure
 - Consequence of failure
- Prioritization
- Funding strategy



- An AMP typically includes:
 - Inventory and analysis of critical assets
 - Evaluation of asset maintenance costs
 - Long-term funding strategies

Capital Improvement Plan

- A CIP covers 5-7 years and typically includes:
 - Estimated costs for each project
 - Estimated timelines for each project
 - Funding sources
 - A financing plan

<https://opengov.com/article/capital-improvement-plans-101/>

CIP Example

(IN THOUSANDS OF DOLLARS)

PROJECT CATEGORY	PROJECT NO.	PROJECT NAME						
			FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29
Colonel Ward Treatment and Pumping Plant	1	Filter Plant Clearwell Optimization	500	500	5,000	5,000		
	2	Filter Plant Backwash Pump Station rehab.					300	2,000
	3	Flood Control	3,000					
	4	Filter Plant PAC	300	300	5,000			
	5	Flocculation motors / baffles			500	3,000		
	6	Thickener Rehab including Tube Settlers	300		1,000	1,000		
	7	Sodium Hypochlorite System	9,500					
	8	Filter Plant Miscellaneous Improvements*				500	2,000	2,000
	9	Colonel Ward Valve House Rehabilitation				300	1,000	1,000
	10	Colonel Ward Pumping Improvements					500	5,000
	11	Colonel Ward Complex Building Improvements	500	15,000	3,000	2,000		
	12	Colonel Ward Miscellaneous Improvements*			1,000	1,000	1,000	1,000
System Pumping and Storage	13	Massachusetts Ave. P.S. Power Upgrades	7,700	25,000				
	14	Massachusetts Ave. Tunnel Rehab.				500	2,000	
	15	Massachusetts Ave. P.S. Miscellaneous Improvements*					1,000	500
	16	Manhattan Tank & P.S. Rehabilitation					500	5,000
	17	Manhattan Tank & P.S. Misc. Improvements*				300	300	300
	18	Kensington Tank stabilization	800					
	19	Grover Cleveland Tank & P.S. Rehabilitation / Replacement				500	10,000	
	20	Hancock Tank Replacement			500	10,000		
	21	Ferry Tank Replacement	500	500	10,000			
Transmission & Distribution	22	Annual Watermain / Valve Replacement / Rehabilitation	9,000	25,000	20,000	20,000	20,000	20,000
	23	Service Line Lead Abatement Program		5,000	5,000	5,000	5,000	5,000
Buildings & Other	24	Metering Program	1,000	750	750	750	750	750
	25	System Security			250	250	250	250
	26	Intake Rehabilitation					300	2,000
	27	Additional Building Improvements**				1,000	2,000	2,000
Estimated Total Annual Capital Project Costs:			\$33,100	\$72,050	\$52,000	\$51,100	\$46,900	\$46,800

CIP v. AMP

What's the difference between a CIP and an AMP?

- **Scope:** An AMP covers an organization's entire asset infrastructure, while a CIP focuses on capital improvement projects and equipment purchases.
- **Duration:** An AMP is a long-term plan that helps manage assets throughout their lifecycle, while a CIP is a short-range plan that typically covers a period of four to ten years.
- **Purpose:** An AMP helps organizations make cost-effective, proactive decisions about their assets, while a CIP helps organizations coordinate community planning and fiscal management to determine the location, timing, and financing of capital improvements.

Potpourri

Credit Review Metrics

Debt Service
Coverage Ratio
(DSCR)

User
Concentration

Debt ratio

Operating Ratio

Days of Cash on
Hand

Reserves/
O&M

Current and
projected
budget

Bond Rating

Social &
Economic
demographics

Private
borrowers may
have additional
review criteria

Loan Securities

Revenue Bond

General Obligation

Governing body debt
resolution

Liens

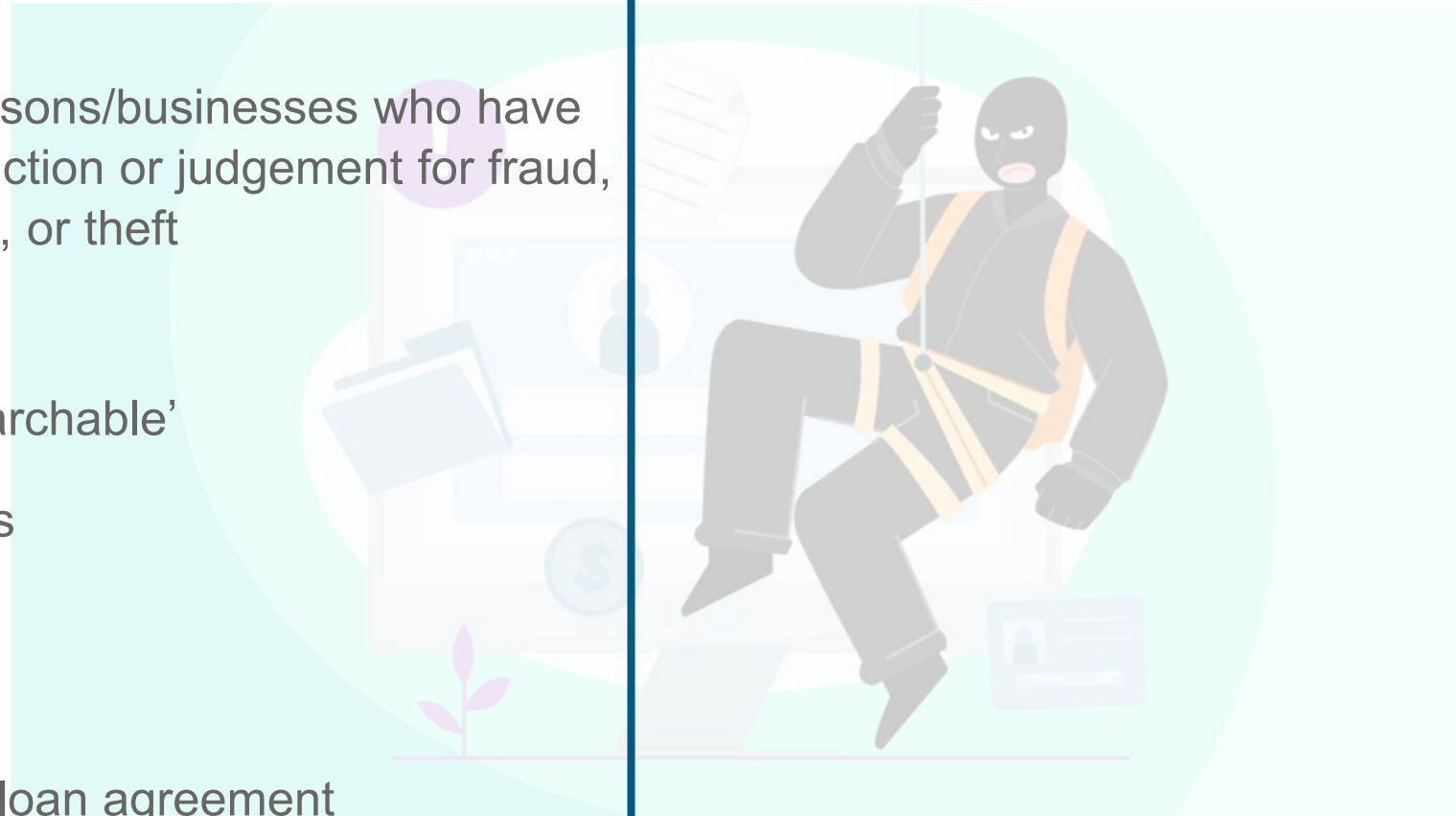
Other Fees

HOA dues



Fraud Checks

- Debarment & Suspension
 - EO 12549
 - Prohibits federal assistance to persons/businesses who have been debarred as a result of conviction or judgement for fraud, antitrust violations, embezzlement, or theft
- Unique Entity ID (UEI) via [SAM.gov](https://sam.gov)
 - Make sure your registration is 'searchable'
- State specific registration requirements
- DUNS number
 - No longer SAM.gov requirement
 - May be requirement of program's loan agreement



What is the correct answer to
any SRF question?

Every state is different.
It depends.

Upcoming Trainings

What is the best way to calculate rates?

June 16, 2025 / 2:00-4:00 pm EST

Federal Award Compliance

July 2, 2025 / 11:00-1:00 pm EST

Asset Management and Capital Improvement Plans

July 21, 2025 / 2:00-4:00 pm EST

Why Project Expenses?

August 6, 2025 / 11:00-1:00 pm EST

For more information and to register visit:

<https://efcnetwork.org/event/virtual-office-hours-ask-me-anything-srf-technical-assistance-open-discussion/>

Community Finance Team

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



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- Former DWSRF Project Manager for the State of Vermont

- Contact me:



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