



Ask Me Anything: I'm Confused, where do I start?

January 8, 2025



About Us

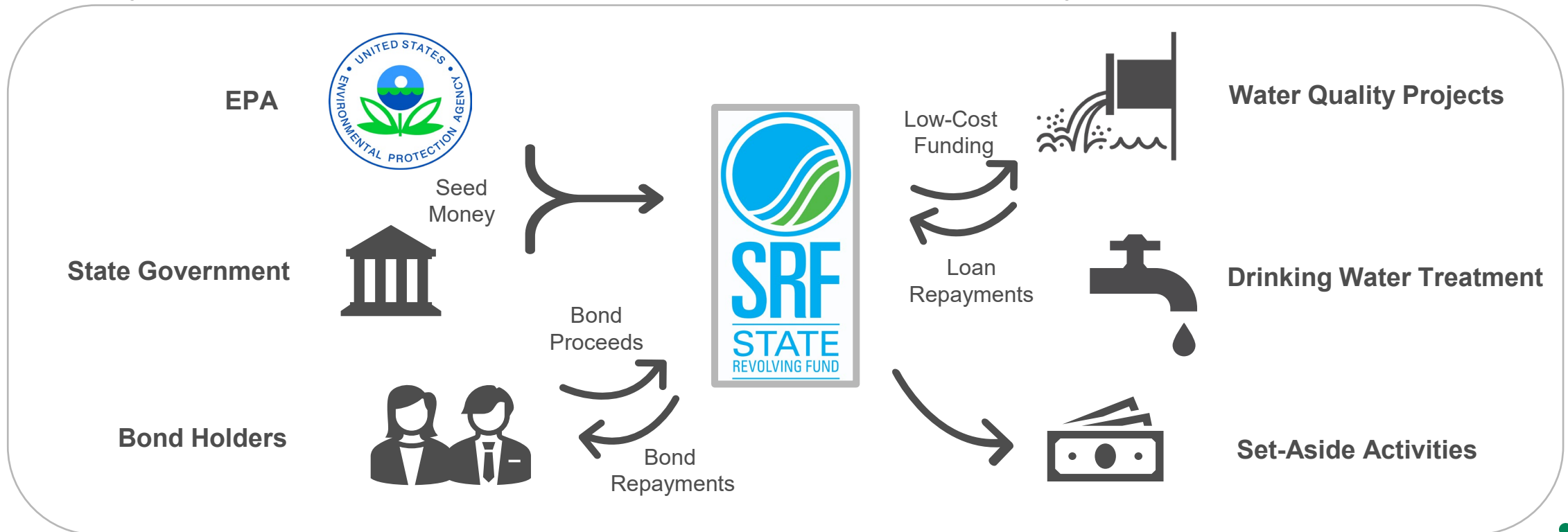
The **Environmental Finance Center Network (EFCN)** is a university- and non-profit-based organization creating innovative solutions to the difficult how-to-pay issues of environmental protection and water infrastructure.

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



SRF Process from 30,000'

Pre-Application

Priority Ranking
& IUP

Environmental
Review

Financial
Review

Technical
Review

Construction

Contracting

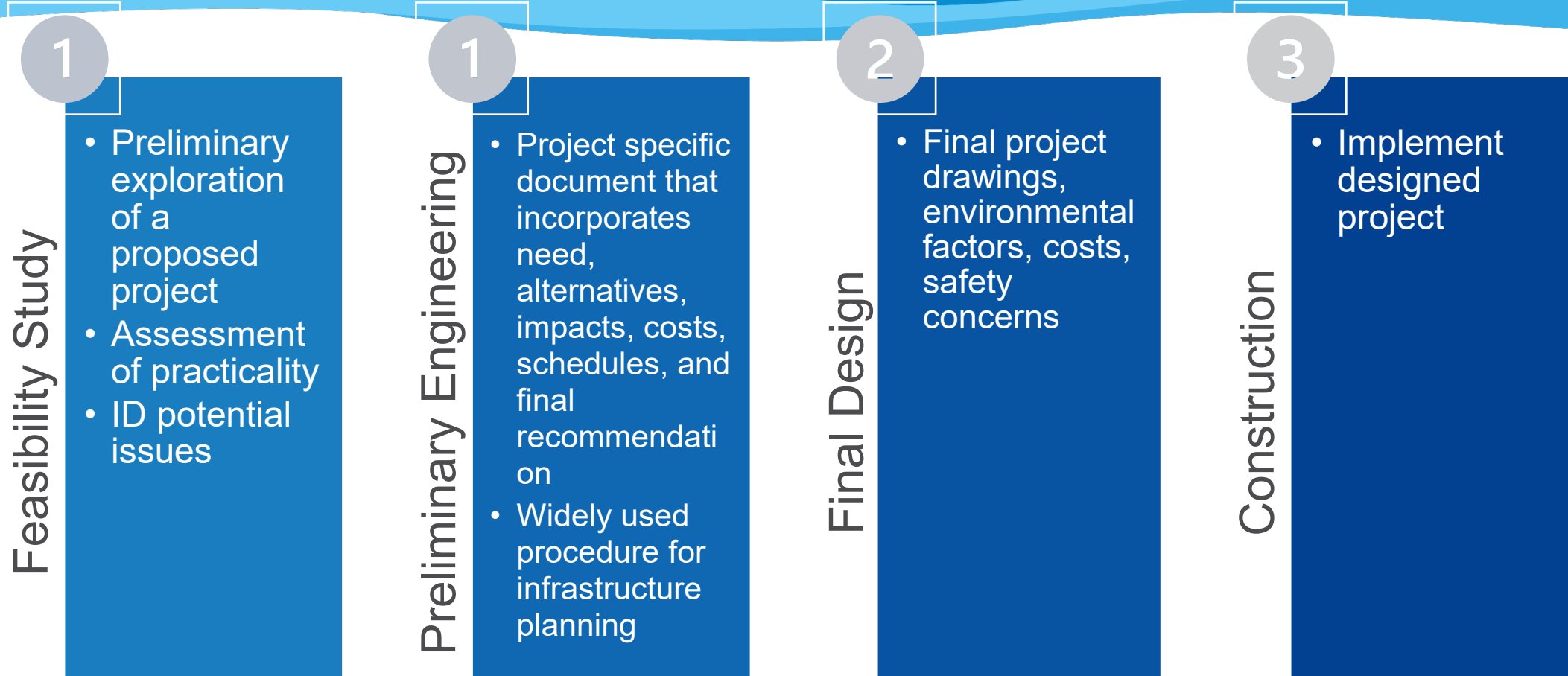
Disbursement

Construction

Disbursement

Repayment

Project Planning Steps



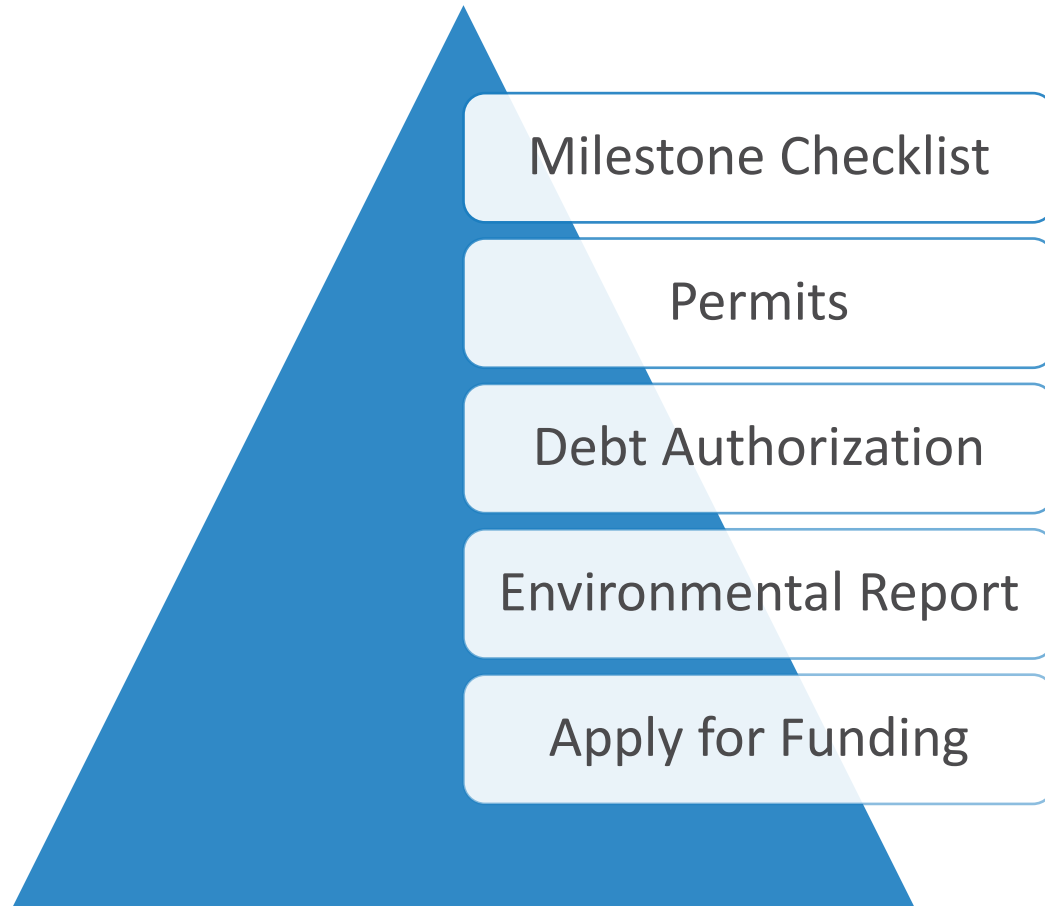
Pre-Application

- Indicates interest in being funded
- Builds the pipeline
- Determines program eligibility
- Establishes project rank
- Informs subsidy eligibility
- Known by many names
 - Priority List Application
 - Intent To Apply
 - Nomination form
- Not all states use them

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



Project Readiness



Funding v. Financing

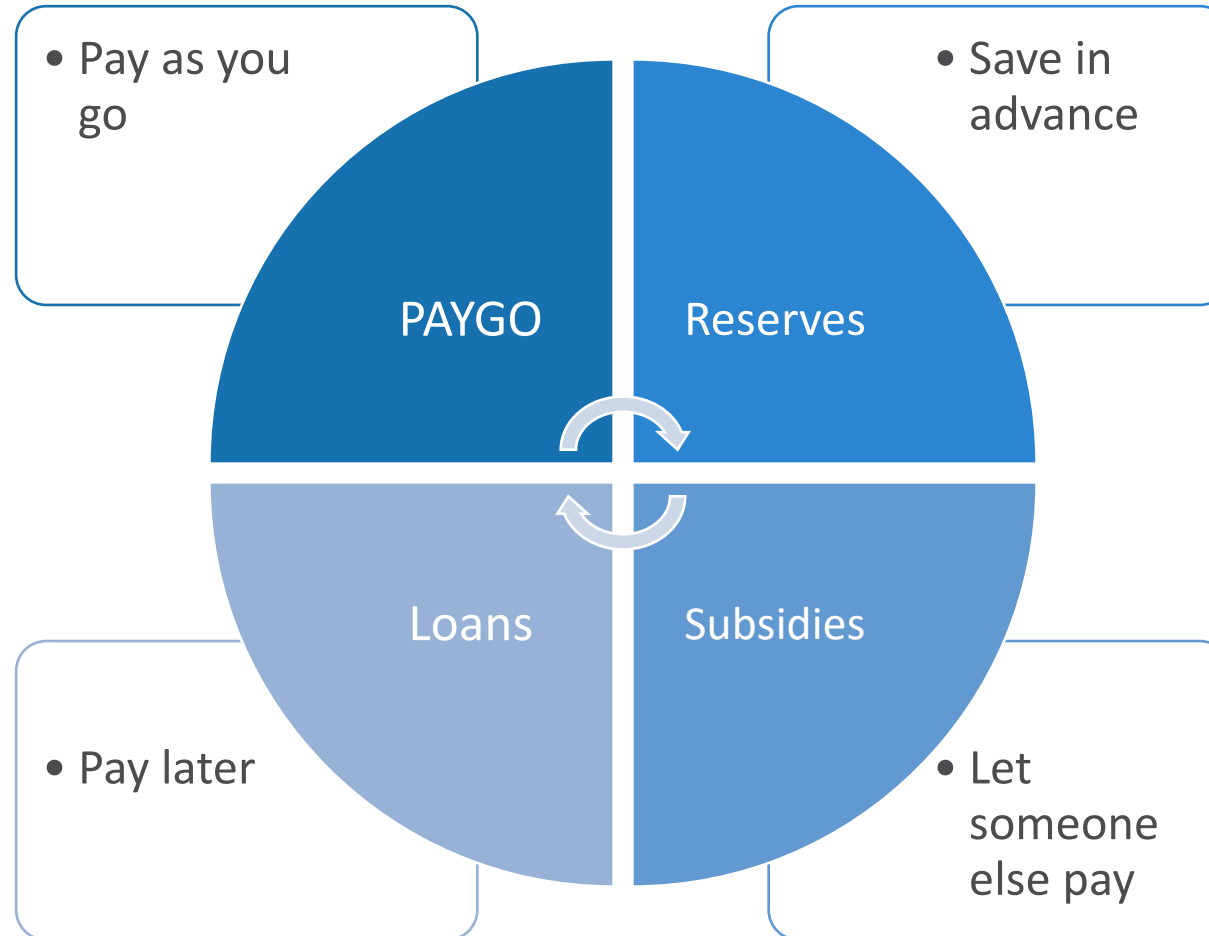
- Funding is money provided, especially by an organization or government, for a particular purpose
 - Grants
 - Subsidized loans
 - Principal forgiveness

- 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



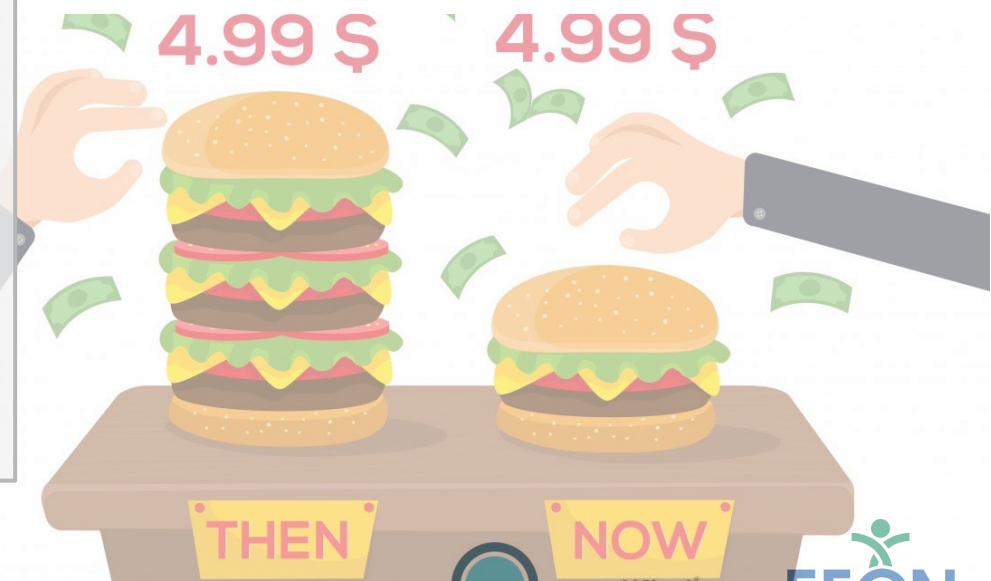
PAYGO

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



Reserves

- Full Cost Pricing
- Inflation
 - Dollar is worth less tomorrow and today
 - Saving for infrastructure replacement via depreciation does not account for inflation or construction price increases
 - 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



Subsidies/Grants

- 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



Debt

• 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

Ashley's Budget Philosophy

Short Lived Assets
0-5 years Budget



Medium Lived Assets
5-20 years Save



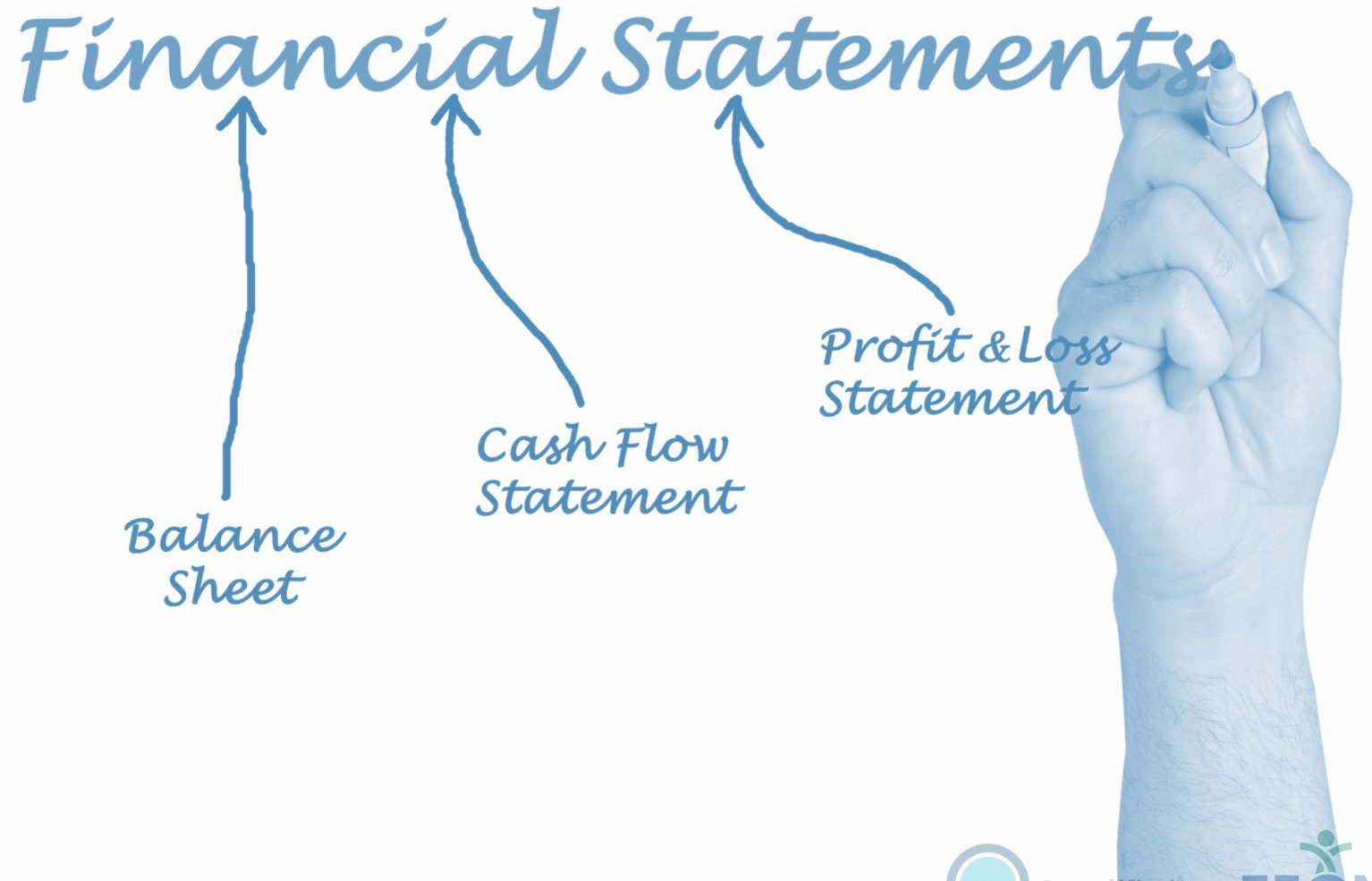
Long Lived Assets
20+ years Borrow

Intergenerational Equity

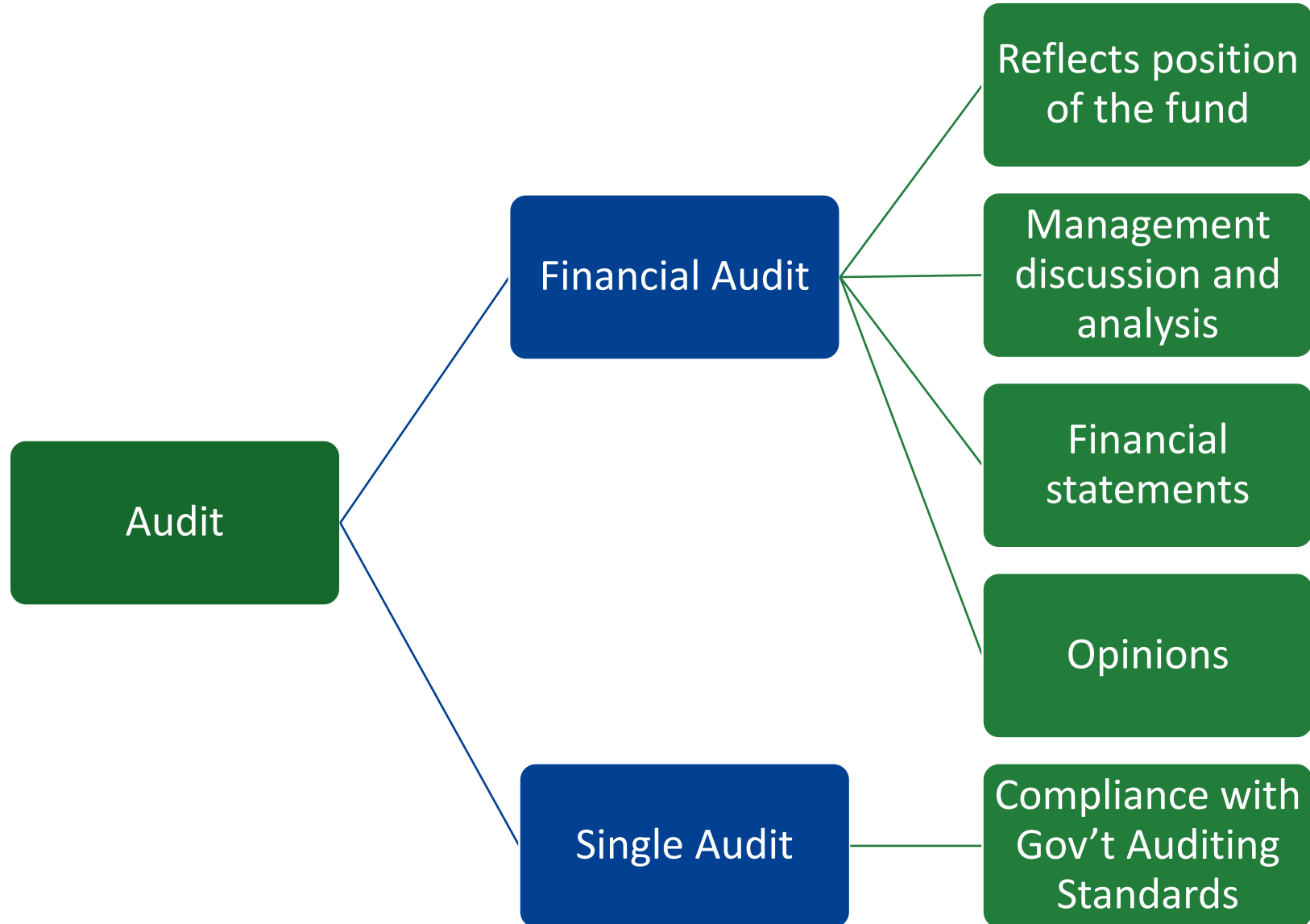


Financial Statements

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



Financial Audit v. Single Audit



CIP and User Rates

- Capital Improvement Plan

- Financing, location and timing of projects over several years
- Asset upgrades/replacement
- Major rehabilitation
- Staff/Department buy-in
- Budget + Program
- <https://opengov.com/article/capital-improvement-plans-101/>

- User Rates

- When was the last increase?
- Equitable, sustainable, defensible?
- Rate review policy

Overwhelmed?



What is the correct answer to
any SRF question?

Every state is different.
It depends.

Community Finance Team

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



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