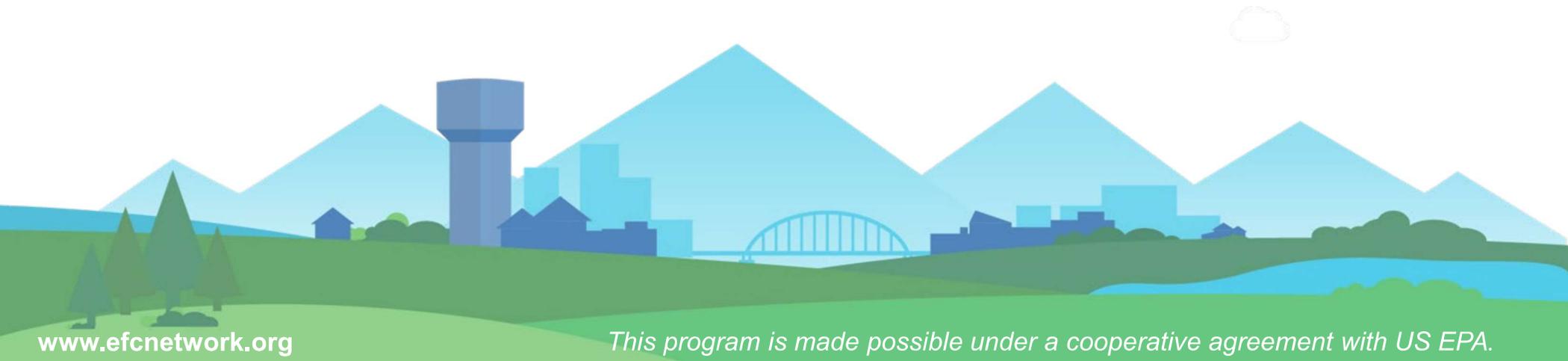




# Ask Me Anything: Capacity Development

February 9, 2026



[www.efcnetwork.org](http://www.efcnetwork.org)

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

# About Us

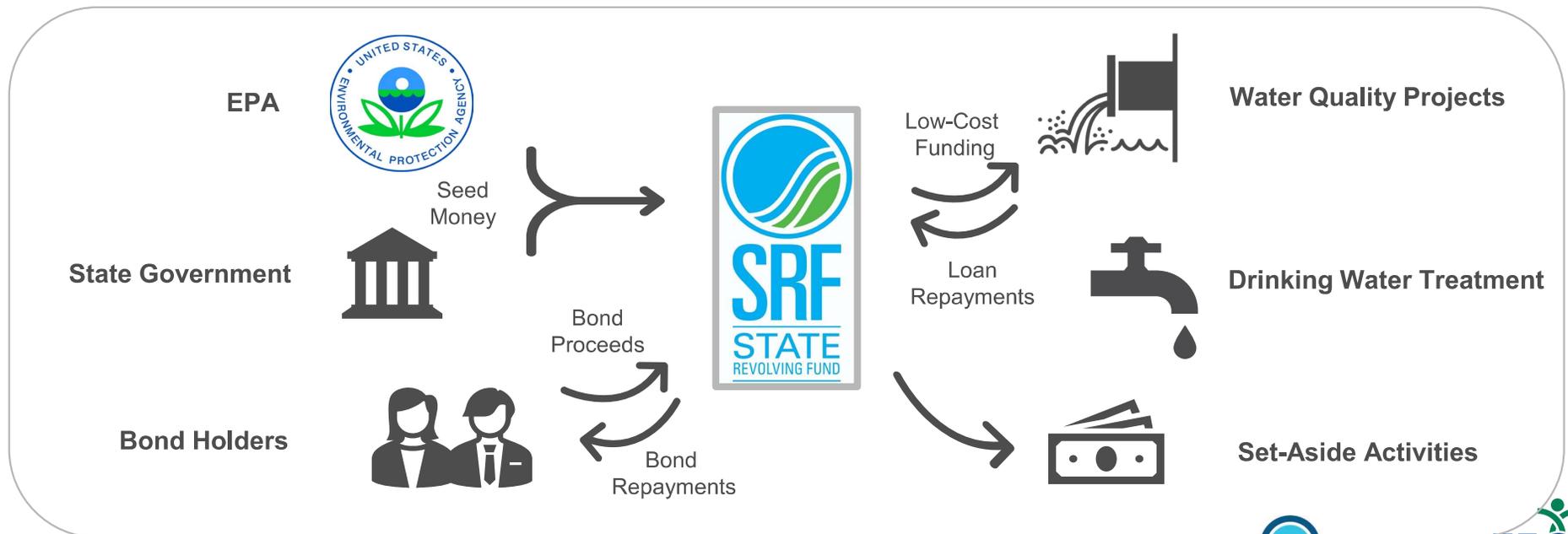
The **Environmental Finance Center Network (EFCN)** is a university- and non-profit-based organization creating innovative solutions to the difficult how-to-pay issues of environmental protection and water infrastructure.

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 State Logo source: Iowa's State Revolving Fund



# TMF Capacity

Water system capacity is the ability to plan for, achieve, and maintain compliance with applicable drinking water standards.

Capacity development is the process of water systems acquiring and maintaining adequate technical, managerial, and financial capabilities to enable them to consistently provide safe drinking water.

Technical	Managerial	Financial
<ul style="list-style-type: none"><li>• Source water adequacy</li></ul>	<ul style="list-style-type: none"><li>• Ownership accountability</li></ul>	<ul style="list-style-type: none"><li>• Revenue sufficiency</li></ul>
<ul style="list-style-type: none"><li>• Infrastructure adequacy</li></ul>	<ul style="list-style-type: none"><li>• Staffing &amp; organization</li></ul>	<ul style="list-style-type: none"><li>• Credit worthiness</li></ul>
<ul style="list-style-type: none"><li>• Technical knowledge &amp; implementation</li></ul>	<ul style="list-style-type: none"><li>• Effective external linkages</li></ul>	<ul style="list-style-type: none"><li>• Fiscal management &amp; controls</li></ul>

- Each state develops its own way of determining TMF called the Capacity Development Strategy
- If a borrower lacks TMF they cannot receive a loan unless the project will result in achieving capacity
- Set-asides are crucial in helping borrowers achieve capacity
- States must ensure each loan recipient has TMF or 20% of CAP grant may be withheld



# Capacity Development Strategy

- Assistance provided by state staff, contracted organizations, or 3<sup>rd</sup> party entities
- Goal: pool of PWSs that are more sustainable and self-sufficient



- Free engineering services
- Develop online OpCert classes
- Training for sanitary surveys
- Asset management tools, plans and training
- Technical assistance for private wells
- PWS mentor program
- Partnerships with academic institutions
- Completing funding applications
- Rate studies

- Financial management consulting
- Well location and capping
- Interstate water organization participation
- Planning grants
- Consolidation planning and design grants
- O&M manuals
- Vulnerability assesment and ERPs
- GIS mapping
- Energy and water audits/leak detection

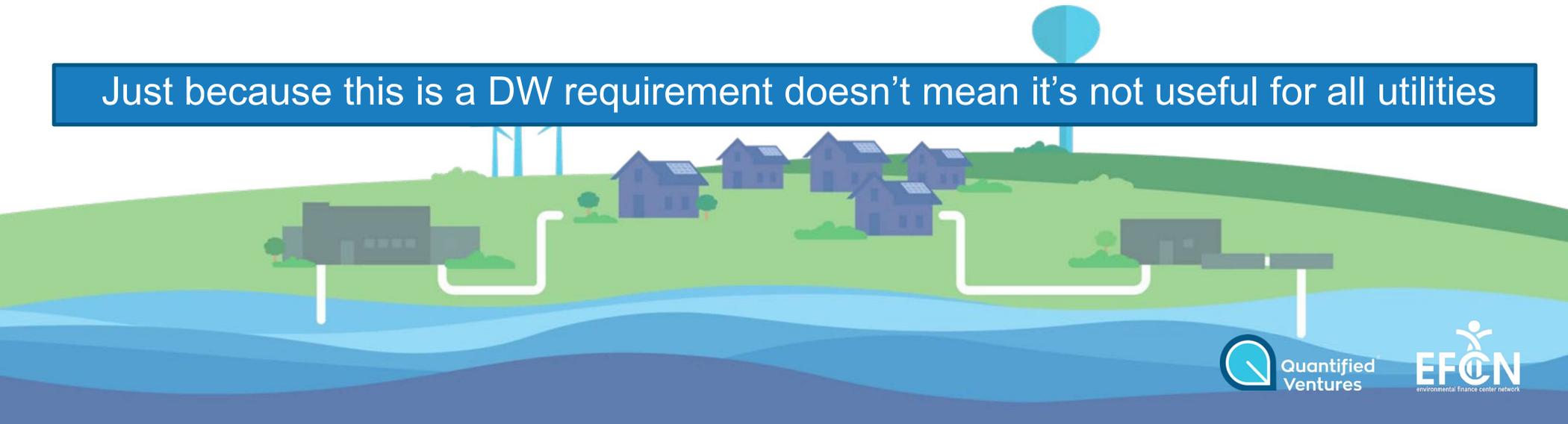
- Cross-connection campaign
- Operator internship program
- Source water mapping and assessment
- Drug return program
- Cyanotoxin monitoring equipment
- SCADA system
- Backup power generators
- Addressing failing septic and cesspool
- Income Surveys



# CapDev Strategy & Resources

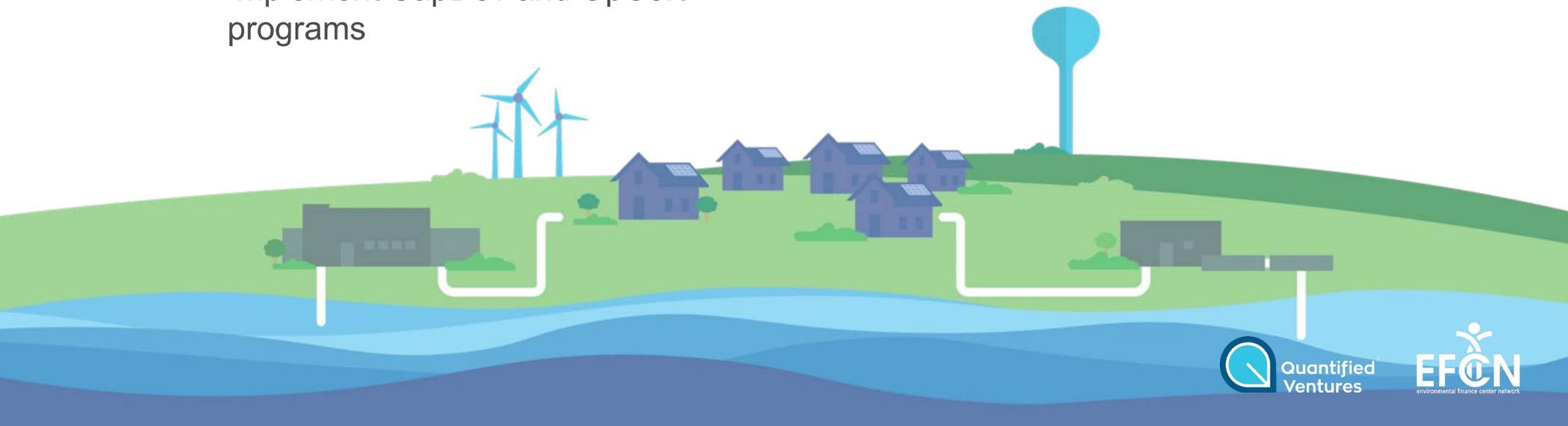
- Can you find your state's Strategy?
- When was it last updated?
- Does the Strategy reflect current practice?
- Biennial Report to the Governor
- ASDWA: <https://www.asdwa.org/small-systems/capacity-development/>
- EPA: <https://www.epa.gov/dwcapacity>

Just because this is a DW requirement doesn't mean it's not useful for all utilities



# DWSRF Program Management Set-Aside

- Up to 10% of grant; can be banked for future use
- Uses
  - State staff
  - Implement CapDev and OpCert programs
- Provide TA through SWP programs
- Partner agencies
  - Loan servicers
  - Application review



# DWSRF Technical Assistance Set-Aside

- Up to 2% of grant; can be banked for future years
- Only water system populations <10,000
- Uses
  - Technical assistance contracts
  - Operator certification training/contracts
  - DWSRF staff that provide TA
  - Environmental report assistance
  - Engineering contracts
- States must have Operator Certification and Training program, or 20% CAP grant withheld



# DWSRF Local Assistance Set-Asides

- Up to 15% of grant; no more than 10% can go to any one activity
  - Capacity Development
  - Wellhead/Source water protection
- Cannot bank unused amount
- Options abound!
  - Source water protection **loans** (rate/terms outlined in SDWA)
    - Land acquisition
    - Conservation easements
  - Preconstruction/planning and design loans
- Leak detection
- Asset management plans
- Capacity development
- State staff
- Engineering assessments
- Oh, my!

Fun Fact!  
LA is Ashley's  
Favorite Set-Aside



# CapDev Questions



# Elements of Technical Capacity

## Technical

- Source water adequacy
- Infrastructure adequacy
- Technical knowledge & implementation
- Operator Certification
- Succession planning
- Water Loss mitigation
- Pollution prevention
- Security
- Routine Maintenance
- Communication
- Engineering
- Asset Management



# Technical Capacity Questions- Operations

Potential Question	Reasoning
Does the system have unaddressed significant deficiencies?	Demonstrates an inability or unwillingness to address issues
Has the system had any permit violations since the last survey?	Demonstrates failing infrastructure or staff. What is being done to address the violations?
Are treatment processes functioning properly?	Demonstrates failing infrastructure or staff. What is being done to address the violations?
Certified operator(s)? Contract operator(s)?	Ensuring the system has properly certified operators is imperative. Use of contract operators may be a viable solution in some situations.
Does water system routinely calculate water loss and are records available	Understanding water loss has implications across the utility. Billing, electricity/chemical use, overusing source, running equipment unnecessarily.
Is the system overloaded with respect to source, storage, pressure, allocation, etc.?	Demonstrates a lack of record keeping. Is important in understanding systems limitations. May indicate inadequate infrastructure.
Does the system have an effective cross-connection program?	Cross connections pose a threat to the utility, especially water systems.
If water is purchased from another system, is there an agreement in place that provides enough for current water needs? Future growth? Cost sharing agreements?	Integral for long-range planning, system operations, financial planning.

# Technical Capacity Questions- Redundancy

Potential Question	Reasoning
Does the system have a back-up operator?	In the event of sickness, vacation, injury. Important for succession planning.
Does the system have stand-by power?	Ensures service can continue in an emergency. May be a state requirement.
Is there a back-up water source?	In the event of quality or quantity changes.
Does the system have written policies and procedures for operation?	Standardizes work practices and expectations. Important for succession planning.

# Technical Capacity Questions- Asset Management

Potential Question	Reasoning
Does the organization tend to conduct maintenance activities in a reactive or proactive manner?	Properly managed assets will cost less to maintain and last longer
Are there procedures in place for routine repair and replacement of assets?	Properly managed assets will cost less to maintain and last longer
Has the system conducted a vulnerability assessment? Does it have an Emergency Response Plan?	ERP is required for certain communities as part of AWIA
If the system is metered, is there a process to audit and recalibrate, as necessary, water meters? 20-year replacement schedule?	Understanding water loss has implications across the utility. Billing, electricity/chemical use, overusing source, running equipment unnecessarily
Are records available showing that all water storage tanks have been inspected and cleaned/painted w/in last 5 years (or whichever frequency required by state law)	Properly managed assets will cost less to maintain and last longer

AM consideration was included in AWIA



# Other Technical Capacity Question?



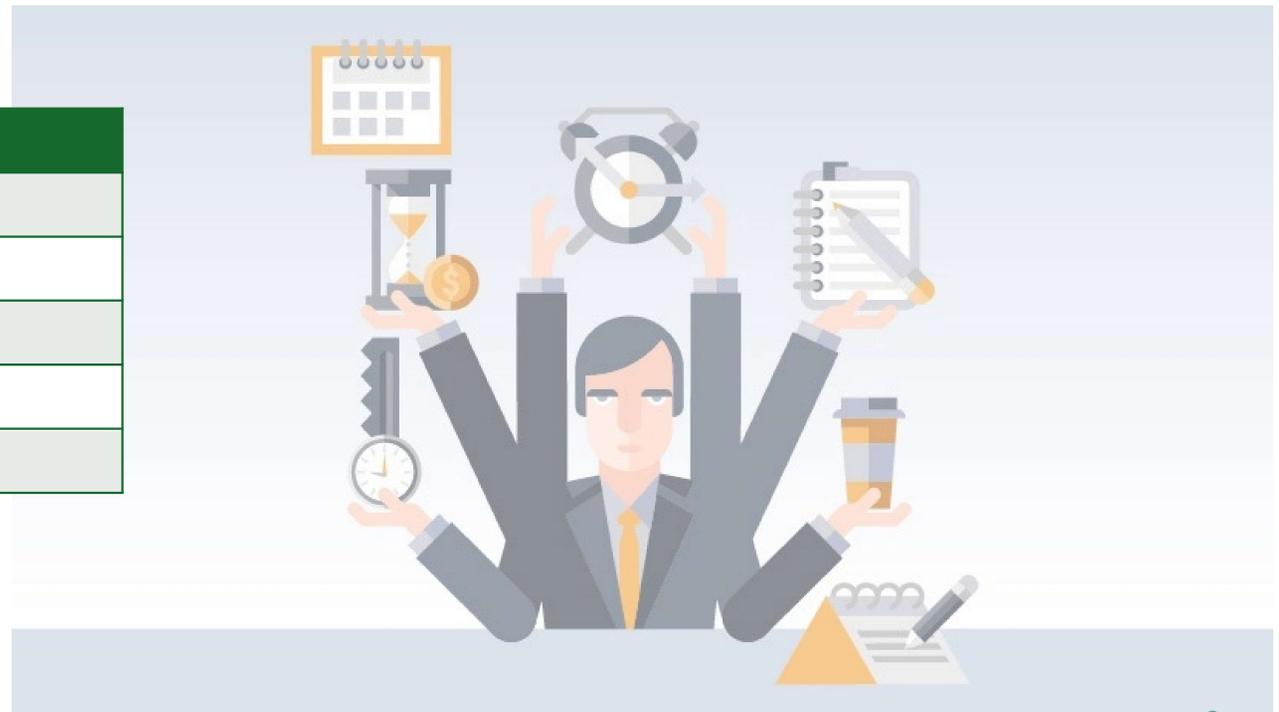
Are there other questions that can be asked of a utility to demonstrate adequate **Technical** capacity?



# Elements of Managerial Capacity

## Managerial

- Ownership accountability
- Staffing & organization
- Record keeping
- Planning
- Advocacy



# Managerial Capacity Questions

Potential Question	Reasoning
Are records maintained in a logical and orderly manner and available for review?	Good record keeping leads to well managed systems and successful succession planning.
Does the system have by-laws, ordinances? When were they last reviewed?	Review of governing documents is important to keep up with changes within the utility. By-law updates likely do not need to be updated as often, but a review every 10 years or so is warranted. Review of ordinances should happen more frequently
Have Board Members completed Board Member Training (where applicable)?	Board members are often volunteers with diverse backgrounds. Basic trainings are useful in ensuring everyone has a baseline understanding of expectations
How frequently does the governing body meet? Are meeting minutes available for review?	Regular meetings and communicating with the public, even if they don't attend, is an important aspect of effectively managing a utility

# Managerial Capacity Questions

Potential Question	Reasoning
How much time does the governing body spend discussing utility issues? Does the operator/PW director attend?	Openly discussing utility issues during a public meeting can raise awareness. Opportunity to highlight efforts by staff to improve operations. Discuss cost of running system i.e., cost to repair line breaks and how that relates to the budget
Has the system developed a Long-Range Plan, Asset Management Plan, Capital Improvement Plan? Is it integrated with other departments?	Creating plans in a vacuum can lead to wasted resources
Does the system have procedures in place to receive, document and respond to customer complaints/questions in a timely fashion?	Customer complaints can provide valuable information on how the utility is performing. Tracking those complaints is another tool in the box for managing the utility
Is there an opportunity for physical or managerial consolidation?	Exploring consolidation or resource sharing may relieve burdens on small utilities

# Other Managerial Capacity Question?



Are there other questions that can be asked of a utility to demonstrate adequate **Managerial** capacity?



# Elements of Financial Capacity

## Financial

- Revenue sufficiency
- Credit worthiness
- Fiscal management & controls
- Long-range planning



# Financial Capacity Questions

Potential Question	Reasoning
Does the system adopt an annual budget?	Understanding where revenues are expected to be used is the foundation of adequate financial capacity
Does the system project its budget out for at least 5 years?	This will provide a good estimate expected revenue and expense needs and whether adjustments need to be made to either. Ensure it includes estimated future debt payments.
Is there a financial accounting system where revenues and expenses can be tracked?	It does not matter the level of sophistication here, just that there is some way to track and report
Are financial reports reviewed at board meetings?	Year-to-date financial summaries should be supplied at every board meeting, with a recommendation they are discussed openly
Is the system on track with expected revenues and expenses?	Does a mid-year rate adjustment need to occur? Can capital projects funded with reserves be delayed without sacrificing operations
Does the system require revenues from the general fund to meet budget obligations? Does the general fund require revenues from the utility to meet budget obligations?	Transfers to or from funds to support regular operations is a sign of low rates or high expenses. Additionally, transfers from enterprise to general funds are considered loans and must be tracked accordingly

# Financial Capacity Questions

Potential Question	Reasoning
Does the system receive an external financial audit? Are water and wastewater utility accounts managed separately from other accounts?	Some states require an external audit. And comingling of utility funds (often referred to as Business-type activity or Enterprise fund) is not good financial practice
Does the system have an official policy requiring that rates be routinely reviewed and adjusted if necessary?	Policy supports the necessity that rate reviews are an integral part of utility operation and not a political tool
Has the system raised rates in the last 5 years?	Not raising rates on a regular basis could mean the system is not planning and executing infrastructure upgrades in a timely manner. There is also a concern that revenues are not keeping up with inflation
Does the system have at least 180 days of cash on hand?	This can be adjusted depending on billing frequency, but 180 days is the industry standard.
Does the system actively contribute to reserves (operating, emergency, equipment)?	Depending on state law, actively contributing to reserve funds should be part of the operating budget.
Is the system following an official service disconnection policy?	This would be outlined in the water ordinance, or in state law. Either way, ensuring it is enforced is a sign of property management
Are delinquent accounts less than 5% of the system's annual operating budget?	Delinquencies can cause significant revenue challenges, and it sends the message to other users that not paying the bill is accepted practice.

# Other Financial Capacity Question?



Are there other questions that can be asked of a utility to demonstrate adequate **Financial** capacity?



What is the correct answer to  
any SRF question?

Every state is different.  
It depends.

# Upcoming Trainings

## CWSRF Eligibilities

March 4, 2026 / 11:00-1:00 pm ET

## What is an IUP, Arkansas?

March 12, 2026 / 12:00-2:30 pm ET

## What are the Important SRF Documents?

March 16, 2026 / 2:00-4:00 pm ET

## How do I Prepare for a Financial Review?

April 1, 2026 / 11:00-1:00 pm ET

This is **NOT** an Ask Me Anything session. To register, go to:  
<https://efcnetwork.org/event/ask-me-anything-online-training-what-is-an-iup-how-intended-use-plans-can-serve-as-secret-decoders-for-the-state-revolving-loan-funds-srfs/>

Updated  
link!!!

For more information and to register visit:

<https://efcnetwork.org/event/virtual-office-hours-ask-me-anything-srf-technical-assistance-open-discussion-2/>



Quantified Ventures  
<https://www.quantifiedventures.com/our-team>



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