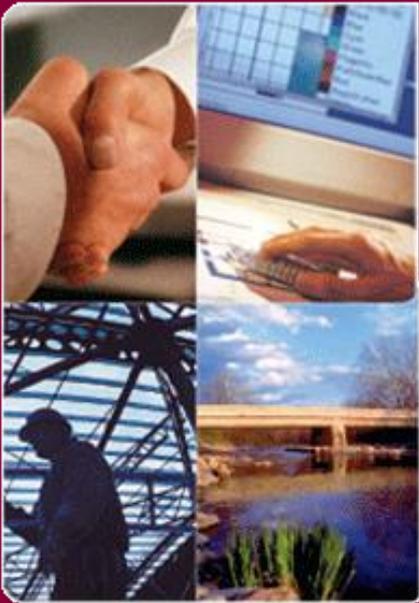


# HRG

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[ BUILDING RELATIONSHIPS.  
DESIGNING SOLUTIONS. ]



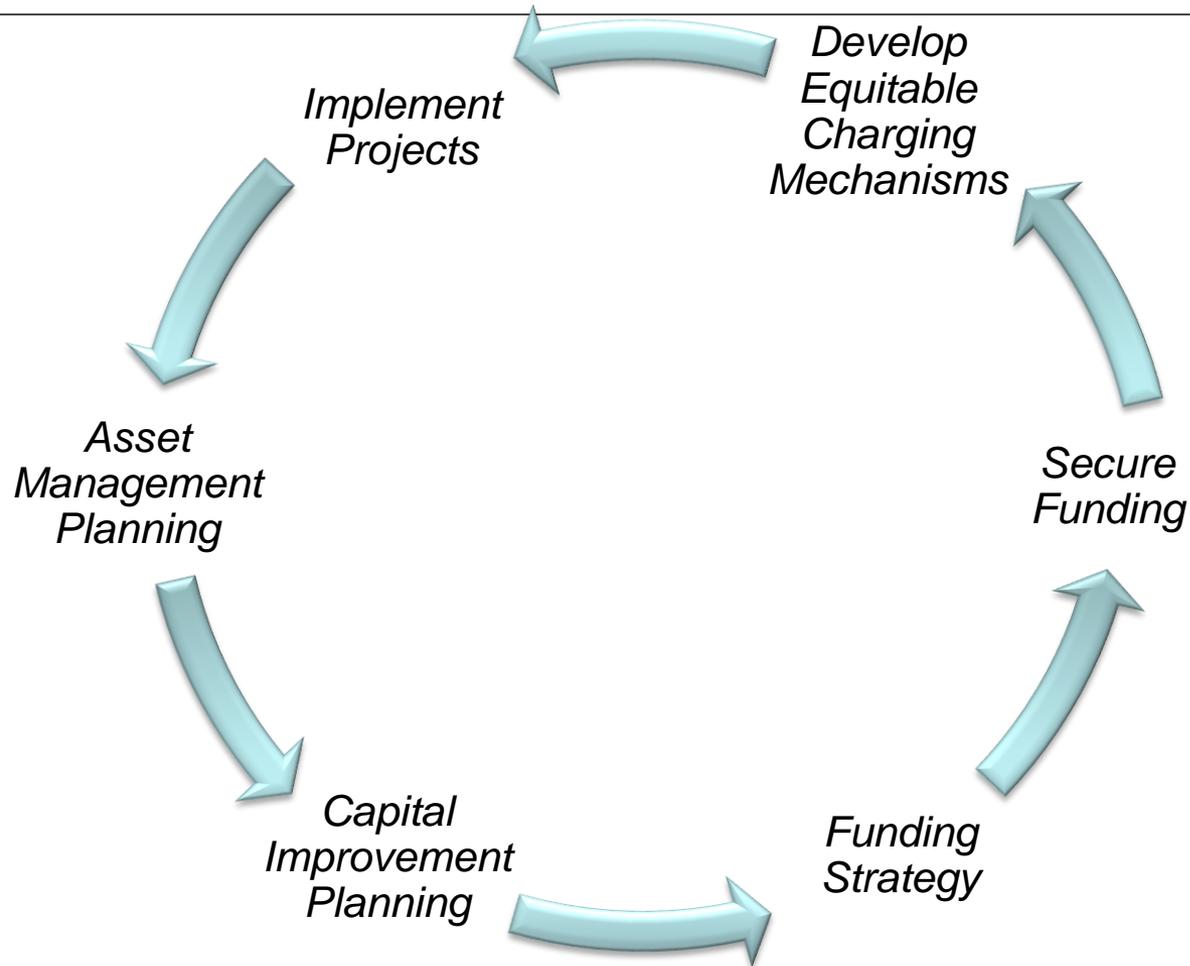
# Making Projects Happen

*with Strategic Financial Planning*

## EPA Water Finance Forum

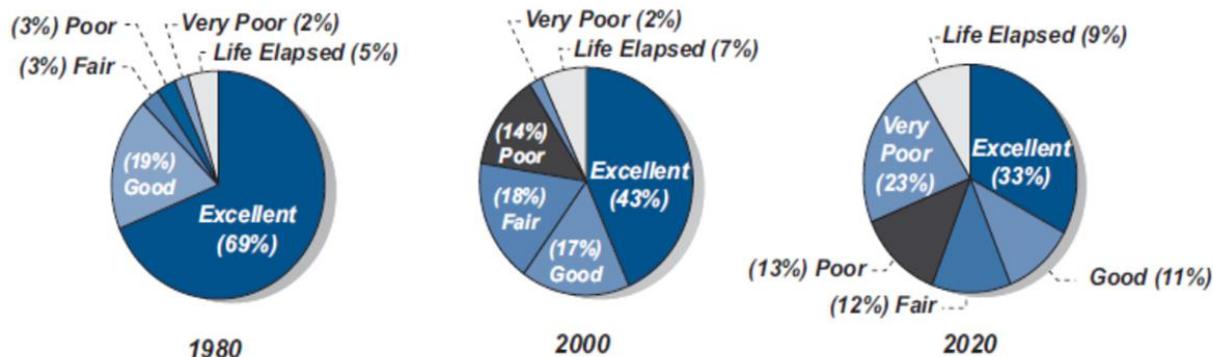
Adrienne M. Vicari, P.E.

# Strategic Financial Planning



# Cost Effectively Maintaining Your Assets

- Proper planning = basis for utilities to cost effectively maintain facilities and ensure user charges remain competitive and stable.
- Tendency to defer needed repairs until grant or subsidized interest funding is available... results in increased emergency repairs and larger scale replacement.
- The condition of underground pipelines continues to deteriorate.
- Movement away from grant financing towards Asset Management.



Percentage of Pipe by Classification

Figure 2-8: Shift in the Likely Condition Associated with the Aging Miles of Pipe in the Network (percentage of pipe by classification)

# Cost Effectively Maintaining Your Assets

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- Information and communication are the keys to a successful Strategic Financial Planning.
- You need to:
  - Assess the current condition of your utility infrastructure.
  - Identify ways to avoid emergency system failures.
  - Develop effective ways of communicating the need for system investments.
  - Calculate the costs to adequately operate your facilities, meet the public's service expectations and comply with local, state, and federal requirements.
  - Develop an effective financing strategy

# Key Steps to AM/CI Planning

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## 1. Evaluate all assets and determine improvement needs

- Condition
- Age
- Life
- Cost
- Risk
- Rehab Strategy



## 2. Compile project listing

## 3. Define preliminary improvement scope and rough cost

## 4. Prioritize and schedule projects

## 5. Consider risk, schedule, timing from AM Planning

## 6. Establishes overall magnitude of need - \$\$

## 7. Develop financing strategy

# Capital Improvement Planning Makes Projects Happen

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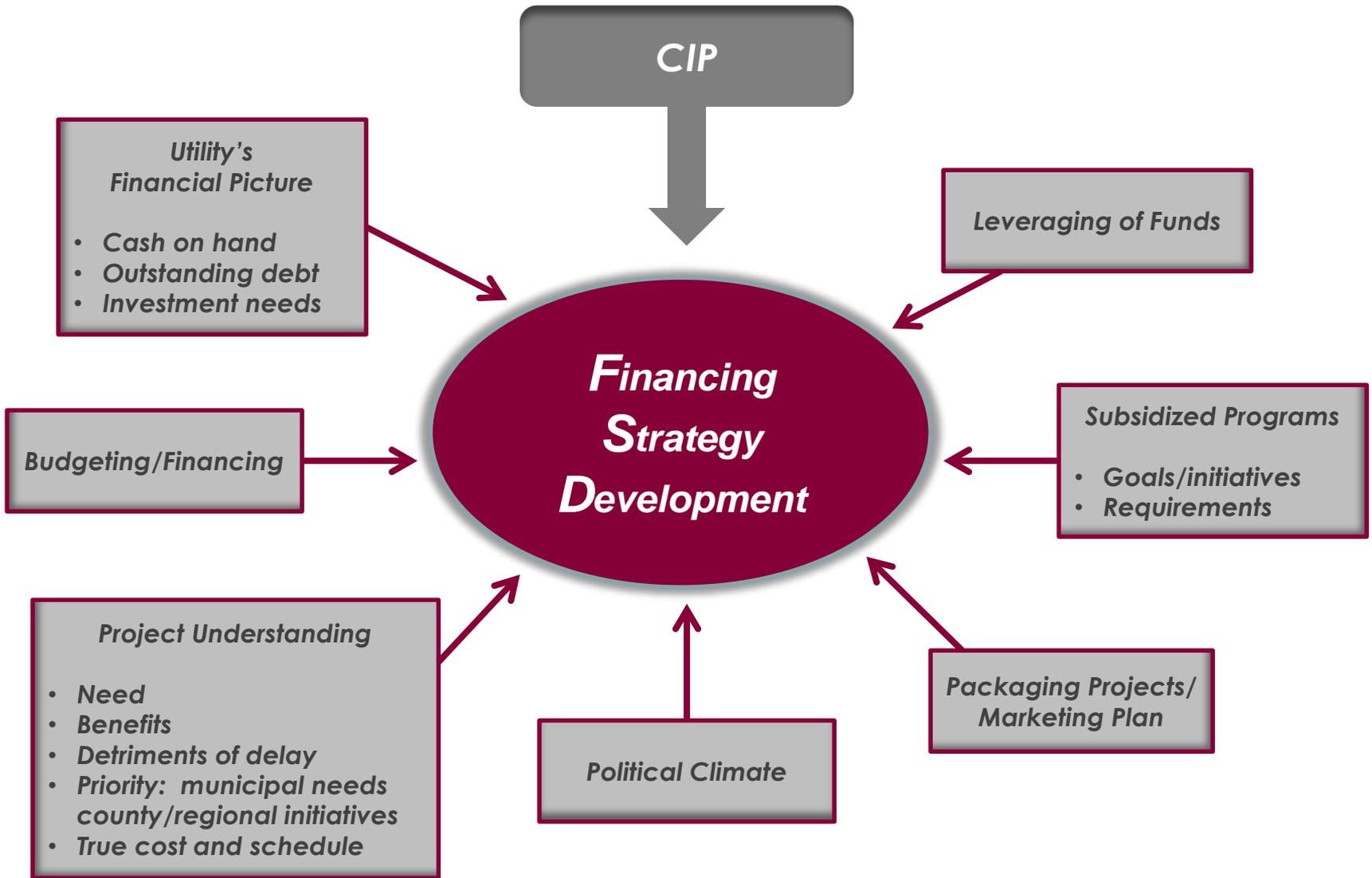
- Known magnitude of improvements puts community leaders at ease.
  - Negates concerns of unknown needs and expenditures
  - Justifies rate increases.
- Budgeting for projects is easier since a plan is already in place.
- Allows for project bundling for construction or financing efficiencies.
- Funding is strategically secured & leveraged
  - Capital Improvement Planning pays for itself

# Funding Options

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- User rates / Annual Revenue
- Bulk/ Large customers
- Reserve Funds/ Capital Charges
- Government Subsidized Financing
- Bank Loans
- Bond Issues
- Leasing facilities
- Public-Private Partnerships





# Financing Strategy Development – Leveraging Resources

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1. Which projects fit the goals & priorities of subsidized financing.
2. Which additional projects fit eligibility requirements but would rank low as stand alone projects.
3. What's the timing to receive subsidized financing and is the wait worth it?
4. Customers benefiting from improvement should contribute to financing via rates or capital contributions
  1. Do Intermunicipal Agreements reflect current services provided by utility and provide mechanisms for the utility to be compensated for the level of service provided?
  2. Do Industrial User Agreements provide appropriate mechanisms for industry to compensate utility for level of service received?

# Financing Strategy Development – Leveraging Resources

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5. Consider if Tapping Fee and other capital charges properly allow for system equity to be repaid
6. Use PayGo when possible, but avoid rate spikes
7. For projects to be financed via debt issuance, consider:
  - a. Best time to secure financing
  - b. Appropriate term of financing
  - c. Upfront costs to secure financing
  - d. Ongoing costs of compliance

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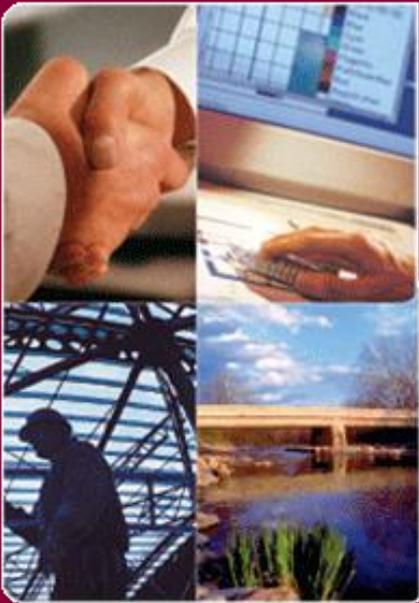
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