

System Finance

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Session Objectives

- Understand how to pay for the costs of running your water system
- Learn about the debt market
- Identify government programs that can help



Ways To Pay

- Pay as you go (current receipts)
- Save in advance and pay
- Pay later (someone loans you money)
- Grants (let someone else pay)



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 Main Source: Your Revenue

- Pay as you go (current receipts)
- Save in advance and pay
- Pay later (someone loans you money)
- ~~Grants (let someone else pay)~~



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



Source: bettermondays.com



A Quick Aside On Debt...

- The only way “the bonds” pay for anything is if one of these people lives in your community...



Source: commons.wikimedia.org/wiki/File:20060825_Barr...

Source: picasaweb.google.com/.../fLQy4iWz7ZNRMaDwZG13iA



Benchmark: Debt Service Coverage Ratio

- The ability to pay for debt service and day-to-day expenditures using operating revenues
- $\text{Revenues-expenses (excluding depreciation) / Principal + Interest on Long-Term Debt}$
 - Should be at least 1 unless paying off debt with reserves



Loan & Grant Programs



Drinking Water & Clean Water State Revolving Fund

- Provides infrastructure improvement loans and grants to eligible water systems.
- All community water systems, both publicly and privately owned, and non-profit non-community water systems are eligible. The entity applying for the loan must own the system if the water system is currently in operation.



Community Water Quality Improvement Grants

- Implementing projects or programs within Delaware's developed landscape to improve water quality
- Applicants may be any Delaware state or municipal government, agency or program, non-profit organization, educational institution, community organization, and/or homeowner's association within the State of Delaware



USDA Rural Development Water & Sewer Loans & Grants

- To construct, enlarge, extend or otherwise improve water or waste disposal facilities including water supply, storage and distribution
- Public bodies consisting of municipalities, counties, districts, authorities or other political subdivisions of the state



USDA Rural Development Community Facilities Program

- To construct, enlarge, extend or otherwise improve essential community facilities providing essential service primarily to rural residents
- Eligible applicants include non-profit organizations or associations, Indian tribes, towns, counties, districts, authorities or other political subdivisions of the state. (e.g. day care centers, educational facilities etc.)



Funding Sources We Missed?



Anything Else To Talk About?



Thank you, and Go Tar Heels!

