

2011 Binational Border Sanitation and Water Quality Summit

Successful Financing Mechanisms

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URS

Successful Financing Mechanisms

- Overview/Perspective
- Defining Success
- Financing Tools – Historic
- The Evolution of Financing Tools
- Case Studies
 - CWSRF
 - EDAP
- Keys to Success



Successful Financing Mechanisms

My Perspective

- US/Texas
- National and Binational Programs From a State Perspective
- **WHAT CAN WE LEARN FROM THESE EXPERIENCES?**



Successful Financing Mechanisms

- Defining Terms – Lots of Ways to Measure Success
 - Volume of use
 - Impact on those served – how much it helped
 - Ease of use
 - Cost of use

Successful Financing Mechanisms

Historical Perspective – Pre-1980s

- State GO Bonds
- Storage Acquisition Program
- Local GO and Revenue Bonds
- Construction Grants
- Rural/On Farm Water Conservation

Successful Financing Mechanisms

Need for Improvements and Additional Options:

- Planning for Regional Systems
- Grant Mechanisms (EDAP, WIF, etc.)
- CDBG
- State Participation to Optimize Size
- Rural/On Farm Water Quality Control
- Construction Grants  State Revolving Funds (SRFs)

Successful Financing Mechanisms

Need for Improvements and Additional Options (Continued):

- USIBWC/CILA – Appropriations
- BEEC
- NADBank

Successful Financing Mechanisms

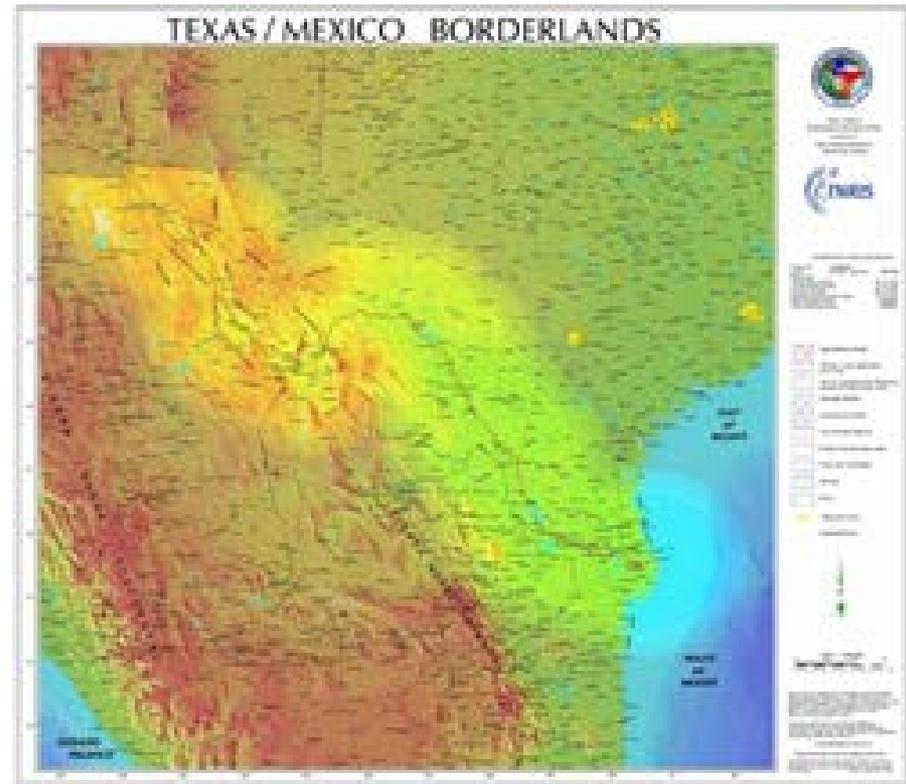
Potential Sources of Funding for Border Water-Related Projects						
	Funding Source	Type	Uses	Availability	Applicants	Description
Texas State Funding	Clean Water State Revolving Fund Loan Program	Loan	Planning, acquisition and construction, wastewater treatment, storm water and non-point source pollution control projects	An annual priority rating process applies to project	Political subdivisions. Individuals are eligible to apply for non-point source pollution control.	The CWSRF provides financial assistance for wastewater collection and treatment infrastructure. A water quality-based priority rating process provides control over the amount of loans made each year, while not requiring applicants to expend funds and efforts preparing applications for which funds may not be available.
	Drinking Water State Revolving Fund Loan Program	Loans and additional subsidies, including "loan forgiveness" in limited cases.	Planning, acquisition and construction of water-related infrastructure, including water supply and source water protection	An annual priority rating process applies to project	Community water system owners and non-profit non-community water system owners	The DWSRF was created to make low interest loans to water system projects. The interest rate is dependent on the financial status, and population of the community. A disadvantaged community may receive forgiveness, while a larger entity will only receive a low fixed rate.
	Rural Water Assistance Fund Program	Loan	Planning, acquisition and construction of water supply related infrastructure, including water treatment, water distribution pipelines, reservoir construction and storage acquisition.	Loan dollars not restricted, but no subsidies available without additional appropriations.	Political subdivisions and non-profit water supply cooperations	The RWAF programs designed to assist rural water utilities to obtain low-cost financing for water or water-related projects. The TWDB offers attractive interest rate loans with short- and long-term finance options at near tax-exempt rates.
	State Participation in Regional Water and Wastewater Facilities Program	Deferred interest Contract with Repayment Required	Construction of regional water or waste water construction project when the local sponsors are unable to assume debt for the optimally sized facility	Limited Funds	Political subdivisions and non-profit water supply cooperations	This program is designed to acquire, among other legal purposes, a state interest in the desalination project. The State Participation Program enables the Texas Water Development Board to assume a temporary ownership interest in a regional project when the local sponsors are unable to assume debt for optimally sized facility. The funds are repaid on a deferrable timetable.
	Water and Wastewater Loan Program	Loan	Planning, acquisition, and construction of water related infrastructure, including water supply, waste water treatment, storm water and non-point source pollution control, flood control, reservoir construction, storage acquisition, agricultural water conservation and municipal solid waste facilities.	Not Restricted	Political subdivisions and non-profit water supply cooperations	The goal of this program is to bring adequate water and sewer services to communities that cannot fund a system themselves. The program includes measures to prevent future subdivision development. The criteria used to determine status of community are determined by TWDB.
	Water Assistance Fund, Water Loan Assistance Program	Loan or Grant	Planning, acquisition and construction of a range of eligible project types including water supply related infrastructure, water treatment, water distribution pipelines, reservoir construction and storage acquisition. Desalination projects specifically named in statute as eligible "as provided by legislative appropriation" (section 15.102(a)).	Restricted by Fund Availability and/or Appropriation. Grant, Loans and Storage Acquisition Allowed	Political subdivisions and non-profit water supply cooperations	Grants for desalination projects statutorily applied in section 15.102(b)(2)(C). Funds provided by "direct legislative appropriation by the board as its discretion" 15.10(a).
	Economically Distressed Area Program for Water and Sewer Service	Grant, Loan or combination of both	To bring water and wastewater services to economically distressed areas (Designated by TWDB)	Limited Funds	Political subdivisions and non-profit water supply cooperations	The Economically Distressed Areas Program was established to provide financial assistance to bring water and wastewater services to economically distressed areas where present water facilities are inadequate to meet the minimal needs of residents. The program includes measures intended to prevent future subdivision development.
	Federal	The Coastal Impact Assistance Program (CIAP)	Grant	Mitigation of the impact of Outer Continental Shelf activities through funding of onshore infrastructure projects and public service needs.	An annual priority rating process applies to project.	State agencies, Federal agencies, coastal counties, local governments, and non-profit organizations.
Bureau of Reclamation		Grant	Research and development of demonstration projects	1,000,000 per project	Political subdivisions and non-profit water supply cooperations	These funds help the desalination plant in two ways. Funds can be used as research dollars and for demonstration projects. Typically, funds are a 2% share match but can be increased to 50% if conditions apply. Any further increase in funds can only be made by congressional appropriation authority.
Homeland Security		State Homeland Security Grant Program	Supports the implementation of the State Homeland Security Strategy to address the identified planning, equipment, training, and exercise needs for acts of terrorism.	Limited Funds	State security focus	Multiple programs are available through DHS, but only this program would appear to apply to BPUB Desal Project.
US Army Corp of Engineers Financing Opportunities		Grant (typically matching grant)	Flood control and environmental restoration if overall project meets multiple goals.	NA	Political subdivisions and non-profit water supply cooperations	The Corp (USACE) does not typically fund water supply projects. However, if the desalination project meets multiple goals in line with USACE's overall mission, funding could be available. This would require a direct congressional authorization to receive implementation funding.
Direct Congressional Appropriation		Grant	Uses and amount of funds are determined by stipulations included within appropriation	NA	Political subdivisions and non-profit water supply cooperations	A direct congressional appropriation tied directly to this desalination project. This appropriation could be made through an existing program or could stand alone.
HR 3834		Subsidy	Provide an energy subsidy to Desalination Projects	Unknown	Political subdivisions and non-profit water supply cooperations	HR 3834 is currently under consideration in Congress. This bill would provide energy subsidy of 0.62¢ per 100 gallons to desalination projects. This would help offset the high energy cost required to run a desalination plant.
HR 2828	Grants	Investigate and identify opportunities for studying and designing water resource activities and construct demonstration and permanent facilities	Unknown	Political subdivisions and non-profit water supply cooperations	HR 2828 is currently under consideration in congress. This bill would provide grants to investigate, plan, design and construct demonstrative water supply projects.	
Bi-national	Border Investment Cooperation Commission	General Funding	Proven and non-polluting technology with low operation and maintenance costs.	Very Limited	Political subdivisions and non-profit water supply cooperations	The BICC's financial assistance is related to technical assistance, and not relevant to construction financing, but may be considered under special circumstances.
	North American Development Bank (Loan and Guarantee Program)	Loan	Water supply projects	Limited by interest rates, and a maximum loan of 4 million.	Political subdivisions and non-profit water supply cooperations	The NADB loan program provides direct financing for infrastructure projects with a demonstrable and reasonable assurance of repayment when private sector financing is not available.
	North American Development Bank (Border Environment Infrastructure Fund)	Grant	Construction costs that are not covered by other sources, as well as transition assistance.	Limited	Political subdivisions and non-profit water supply cooperations	The NADB established the BEIF in an effort to make projects affordable, especially for the smallest and poorest communities. The BEIF can be combined with loans and guarantees to facilitate project funding.
	International Boundary and Water Commission (IBWC)	Grant	Water supply projects	Unknown	Political subdivisions and non-profit water supply cooperations	The project would have to benefit both Mexico and the US for funding to be justified. Would likely require additional federal appropriation, as well.

Successful Financing Mechanisms –Key Themes

- Programs Need to be Considered in Context
- Programs Should Follow Needs
- Needs a Responsible, Capable “Owner”
- Support Holistic Solutions
 - Capital Cost
 - Operational Cost
 - Administrative Burden
 - “Ability to Pay”
 - Comprehensive Problem Solving

Successful Financing Mechanisms –Border Context

- High Growth
- Low Per Capita Income
- Limited Water Supply
- Water Quality Issues
- Transitioning Water Uses – On-Farm to Municipal and Industrial
- Large Open Areas/Rural Issues and Needs



Successful Financing Mechanisms – Case Studies -- EDAP

- Evolved Over Time – Problem in Search of Solution
- New Funding Mechanism Needed
- Tx Legislature Passed “Colonias” Legislation in 1989
 - \$100M in Dedicated State GO Bonds
 - Links Funding to Regulation/Plating
 - Considers “Ability to Pay”
 - Administratively Complex – Many Steps in the application process



Successful Financing Mechanisms – Case Studies -- EDAP

- Program and Statutes have Adapted to Needs “On the Ground”
- Allow for Cost Effective Infrastructure Partnerships
- Incorporated “Self Help”
- Funding Partnerships:
 - Local \$
 - NADBank/BEEC Funding
 - Direct Grant Appropriation Through EPA
 - CDBG Program
- Administratively Challenging



Successful Financing Mechanisms –Case Studies – CWSRF

- Established as Alternative to Construction Grants
- TWDB in National Lead
- Water Quality Focus
- Low Interest Loans; Some Grants
- Low Headache Loans -- Concept
- Individualized at State Level – Programs Adapted to Needs



Successful Financing Mechanisms –Case Studies – CWSRF

- Primarily Wastewater System Improvements
- Successful Financing Mechanisms
- Has Grown in Complexity -- Additional Requirements
- Enhanced Subsidy to Offset Cost of Administration
- Additional Uses
 - Disadvantaged Communities
 - Green Reserve
 - Water and Energy Efficiency



Successful Financing Mechanisms – How Do Programs Stack Up?

- Need to be Considered in Context
- Programs Should Follow Needs
- Change as Needs Change
- Responsible, Capable “Owner”
- Support Holistic Solutions
 - Capital Cost
 - Operational Cost
 - Administrative Burden
 - “Ability to Pay”
 - Comprehensive Problem Solving



Successful Financing Mechanisms -- Lessons

- Success? YES!
- Opportunity Cost?
 - Timing
 - Administrative Cost
 - Multiple Providers of Similar Services – Often on the Same Project
- Understand Problem(s) -- Address Root Cause Issues
- Provide Holistic Solutions
- Trade Control for Effectiveness

Successful Financing Mechanisms

Questions?