2011 Binational Border Sanitation and Water Quality Summit

Successful Financing Mechanisms

Craig Pedersen, VP
Water/Wastewater – Texas and Oklahoma
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

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Type</th>
<th>Uses</th>
<th>Availability</th>
<th>Applicants</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Bureau of Reclamation-Reclamation Program</td>
<td>Grant, Loan</td>
<td>Planning, acquisition, and construction of water supply, storage, and transmission facilities</td>
<td>Interim and permanent, with transition assistance in needed cases.</td>
<td>System operators, water supply corporations</td>
<td>An annual priority rating system is used to allocate funds, with priority given to high-priority projects.</td>
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<td>Bureau of Reclamation-Drought Mitigation Program</td>
<td>Loan</td>
<td>Construction, storage, and transmission facilities</td>
<td>Fixed interest</td>
<td>System operators, water supply corporations</td>
<td>Loan dollars not restricted, but no subsidies available.</td>
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<td>Bureau of Reclamation-Border Water-Related Facilities Program</td>
<td>Grant</td>
<td>Restoration of in-stream flows in riparian and wetland areas</td>
<td>Interim and permanent, with transition assistance in needed cases.</td>
<td>System operators, water supply corporations</td>
<td>The program provides financial assistance for projects that improve water supply and protect the environment.</td>
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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

5/3/2011
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?