UTAH DEPARTMENT *of*
ENVIRONMENTAL QUALITY
DRINKING
WATER

Programmatic Financing

Programmatic Financing

Drinking Water Board
Work Meeting
Board Member Training

February 28, 2019

DWSRF Program

- Standard Operating Procedure
  - Applicants submit requests for financial assistance for individual projects
    - Time and cost to prepare and submit applications
  - Each project requires a separate bond
    - Additional costs incurred for each project due to the bonding requirements
      - Bonding costs can be $15,000 – $25,000 per bond
    - Project timelines increased significantly
      - Bonding process takes up to 90 days per bond

Public Bond Market

- Standard Operating Procedure
  - Applicants bond for capital improvement projects listed in the master plan
  - Only one bond necessary
    - No additional bonding costs
    - No significant project timeline increases (at least not due to bonding requirements)

The Hybrid Solution…

- SRF Programmatic Financing
  - The DWSRF bond acts more like a public municipal bond
    - Applicants bond for capital improvement projects listed in the master plan
    - Able to carry projects over from year to year
    - Applicant can secure a new SRF bond every year/funding cycle to finish incomplete projects

Programmatic Financing

- The Process
  - SRF Program staff evaluates available funds and cash flow
  - Applicant evaluates capital improvement needs for the coming year(s)
  - Applicant and SRF Program staff determine level of financial assistance

Programmatic Financing

- The Process (cont'd)
  - Applicant submits a single application for financial assistance
  - Application lists all SRF-eligible projects for which the applicant is requesting financial assistance
    - Many projects spanning many eligible project activities
      - Planning
      - Design
      - Construction

Programmatic Financing

- The Process (cont'd)
  - Application follows established SRF approval process
    - Staff evaluation
    - Presentation to FAC
    - Presentation to DWB
    - Board Authorization
    - Bond Closing
    - Construction
    - Project Closeout

Programmatic Financing

- The Process (cont'd)
  - Upon Board acceptance and approval the Applicant issues a single authorizing resolution and the SRF Program prepares a single bond agreement
  - Applicant submits separate planning documents or engineering design and specification packages for each project or project activity
  - Applicant begins project activity

Programmatic Financing

- The Process (cont'd)
  - If one project stalls, for whatever reason, there are other projects available to receive SRF funding
  - Applicant submits regular reimbursement requests throughout the year
  - Incomplete projects are rolled over to the next year's or the next funding cycle's loan/bond agreement

Programmatic Financing

- Advantages to the Recipient
  - A streamlined application process
  - Simplifying/streamlining federal SRF program requirements
  - A stable, predictable funding source
- Advantages to the SRF Program
  - A guaranteed source of disbursements
  - Reliable cash flow
  - Potentially limits the level of unliquidated obligations

Programmatic Financing

- Difficulties for the Recipient
  - None identified to date

- Difficulties for the SRF Program
  - Requires a paradigm shift for certain historical program methodologies
    - Documents required prior to loan closing
      - Engineering Plans and Specifications
      - Environmental Documents
      - Bids and Bid Tabs

Programmatic Financing

- Disadvantages to the SRF Program (cont'd)
  - The paradigm shift continues...
    - Loan/Bond Agreements
      - Established templates for project-by-project funding
    - Determining loan repayment schedules
      - Loan repayments begin within one year of substantial project completion
  - Project tracking responsibilities
    - Pay Requests
    - Project Inspections
    - Project Files

??Questions??