

COMMUNITY RESOURCES

Finance Capabilities

Water Finance Exchange's (WFX) mission is to help communities access funding, financing, and expertise to implement resilient, sustainable, and equitable water infrastructure solutions. WFX provides support and expertise to small, rural, and underserved communities to address their water infrastructure challenges. Financial expertise and support are central to fulfilling this mission, as many communities lack the capacity to advance sustainable water infrastructure solutions.

Base Document Preparation

WFX works with communities to gather data on general financial, operational, compliance, and geographical characteristics as part of a screening process. Base documentation preparation is a critical component of municipal management as this documentation can often facilitate or stall the opportunity to realize low-cost funding and resulting affordability. WFX can help find support to prepare any documents that are needed, such as audits, operations data, or preliminary engineering.

Capital Planning

WFX works with communities to develop a capital improvement plan, which is one of the initial steps to understanding and financially model current and future needs. The community is asked to describe their pressing critical needs and vision for the future. This can include economic development opportunities, water resources management, conservation, or green infrastructure ideas. Often, the project list is varied and can be expensive; so WFX asks the community to prioritize projects in importance and urgency, particularly considering the impact to rates and charges, as this task gives the community perspective on project timelines and prioritization.

Proprietary Rate Impact Model

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Blending Funding Resources

Blended funding (funding from many sources) can provide cost effective means to address rate impact and affordability. Blended financing can also provide solutions to the longer application cycles. Measuring blended funding in terms of rate impact, grants versus loans, forgivable loan requirements, asset to liability matching, and the cost or benefit of a term or condition are crucial information points for decision making and thus important factors to detail throughout the funding process. The WFX Rate Impact Model provides a transparent way to discuss the timeline and financial commitment required by a community in addressing water infrastructure. WFX follows a methodology that informs and steps communities into a finance strategy through the lens of regional needs and larger watershed factors.

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WFX Pre-Development Funding

WFX's flexible pre-development fund offers forgivable loans or reimbursable funds to communities to address financing roadblocks or serve as bridge loans. The WFX pre-development revolving loan fund is leveraged to fund catalytic tasks that help identify project needs such as master plans, capital plans, environmental plans, and economic development strategies. WFX offers these loans at below market rates with flexible repayment or in some cases no repayment at all should funding not materialize.

Credit Analysis and Support

Small and disadvantaged communities often lack access to capital markets and traditional banking arrangements due to their non-rated or low investment grade ratings. Investors make investment decisions based upon criteria such as ratings and financial health. WFX works hand in hand with communities to provide financial, governance, and credit improvement, which increases a community's financial sustainability. WFX's financial models include metrics that identify financial health and serve to ensure agency within a community.

Financial benchmarks and metrics can provide a community with measurements to monitor and maintain financial sustainability. Other financial factors that can bolster credit quality include:

- Establishment of Renewal and Replacement Fund
- Asset Management Review and Plan
- Training and Capacity of Administration
- Formally Adopt Policies Regarding Governance and Financial Thresholds

Credit Enhancement Program for Small Communities

Joint interventions from state, federal, banking and philanthropy can decrease the community's cost of borrowing, offset perceived risk, and ultimately enhance community credit ratings. Many of these communities could access the public bond market and traditional banking arrangements with additional support, along with potential funding backstops such as philanthropic funds being used as loan guarantees or first loss reserves. This process could be applied as credit enhancement and/or bond insurance to bank loans or

municipal bonds, respectively, which would be targeted at disadvantaged communities that face challenges of racial equity and income inequality. This credit enhancement process would allow these communities to negotiate funding at lower interest rates while offering potential investors a more secure investment.

Combining Projects for Scale

The investment needed to address water and wastewater infrastructure needs may require a variety of funding sources. To attract investors, communities can combine projects to create a larger pool of more diverse investable assets. This blending of funding need creates larger transactions and can mitigate risk.

About Water Finance Exchange

Water Finance Exchange (WFX) is a 501(c)(3) non-profit comprised of experienced water and finance professionals who work closely with communities to address head-on their water infrastructure funding needs and opportunities. WFX assesses a community partners' positioning in their region and, where applicable, actively promotes and supports regional strategies to advance watershed solutions. Our mission is to help communities build sustainable and resilient utilities that are the foundation of economic growth and prosperity. WFX will work with you to explore the various regional solutions and identify the best approach for your community. WFX can also serve as an intermediary, an expert resource, an advocate, and a partner with communities that are seeking collaborative approaches.