

Asset Management Plans and the Clean Water State Revolving Fund



Asset management is the foundation for understanding near- and long-term operational and capital needs. Asset management plans provide a clear picture of infrastructure-related expenses and future investment needs, which inform financial planning. EPA's Clean Water State Revolving Fund (CWSRF) is a source of financing for wastewater utilities' asset management planning efforts as well as capital expenditures.

Asset management practices center around developing detailed asset inventories, performing operation and maintenance (O&M) tasks, and developing capital improvement plans. While these practices are often done individually, they can inform each other when organized into an asset management plan. The complexity of asset management plans can vary, but plans commonly include:

- Asset lists and/or maps that document the age, location, condition, criticality, and remaining useful life of the assets;
- O&M strategies that include standard operating procedures and emergency operating procedures, as well as the schedule and costs of routine, preventative, and deferred maintenance of the assets;
- Capital improvement planning to determine short-term and long-term asset rehabilitation and replacement projections based on the asset inventory, O&M data, and alternative strategies; and
- Staffing strategies and measurable level of service goals.

How the CWSRFs Work

The CWSRF program is an effective partnership between EPA and the states that offers flexibility to fund a variety of projects that address states' highest priority water quality needs. The programs in each state and Puerto Rico operate like banks. Federal and state contributions are used to capitalize the programs and these funds are used to make low-interest loans for projects that improve water quality and help protect the environment and public health. Funds are then repaid to the CWSRFs over terms as long as 30 years¹. Repayments are made available to finance additional projects.



¹ When appropriate, the CWSRFs can provide extended term financing beyond 30 years by purchasing or refinancing municipal debt obligations.

Getting a Project Funded

EPA encourages states to consider funding a wide variety of eligible water quality and public health projects. Utilities and municipalities may seek out their state's CWSRF program to learn more about funding opportunities and the process for determining project eligibility. The list of state programs can be found at: <https://www.epa.gov/cwsrf>.

The CWSRF and Asset Management

To encourage asset management planning by utilities, the Clean Water Act, as amended by the Water Resources Reform and Development Act of 2014, requires any publicly owned treatment works (POTWs) that receives a CWSRF loan to develop a Fiscal Sustainability Plan (FSP). FSP's include many of the same components of an asset management plan. To assist borrowers with meeting requirements, CWSRF programs distribute guidance documents and provide training and on-site technical assistance on asset management planning and FSP development.

Learning By Example

State CWSRF programs may offer incentives to their borrowers for the development of an asset management plan or FSP, including financing for asset management planning, principal forgiveness on loans, priority and bonus points on applications, and lower interest rates on loans. This can be especially helpful for disadvantaged communities and others with limited capacity. The availability of incentives varies from state to state.

Indiana

In 2018, the Indiana General Assembly passed a law requiring recipients of Indiana CWSRF and Drinking Water State Revolving Fund financial assistance to certify they have documentation, such as an asset management plan, that demonstrates they have the financial, managerial, technical, and legal capability to operate and maintain drinking water or wastewater distribution/collection and treatment system. To help recipients comply with this requirement, the Indiana SRF program provides State grant funding for utilities to establish asset management plans. To date, Indiana has provided \$600,000 in State grant funds to 24 SRF recipients to establish asset management plans. For more information on how Indiana assists their communities with an asset management plan, please visit: <https://www.in.gov/ifa/srf/2376.htm>.

Success Story: The Town of Prince's Lakes

The Town of Prince's Lakes received \$2,341,000 in financial assistance from the Indiana CWSRF for wastewater collection system and treatment plant improvements to meet effluent limits and improve

Financial Benefits of CWSRF Funding

CWSRF assistance options deliver significant benefits to prospective borrowers. Incentives may vary by state. CWSRF loans can provide the following benefits:

- Coverage of up to 100 percent of project costs;
- Discounted loans below the market rate down to zero percent in some states;
- Deferred payments of principal and/or interest;
- Terms of up to 30 years and extended term financing that reduces annual interest payments;
- Dedicated revenues for loan repayments that can come from any source;
- Reliable access to capital through the use of programmatic, portfolio, and cofinancing;
- Access to additional subsidies;
- Credit enhancements that lower the cost of borrowing for less than AAA green debt obligations; and
- Access to affordable assistance for project development, planning, and technical assistance.



Photo Courtesy of the
Indiana Finance Authority

system efficiency. The Town also received a \$25,000 State grant for the development of an asset management plan, which will include the Town's collection system and wastewater treatment plant. Through the asset management planning process, the Town will inventory and regularly assess the condition of its system, enabling them to forecast their future maintenance costs more efficiently.

New Hampshire

The New Hampshire CWSRF encourages borrowers to develop an asset management plan by offering loan forgiveness for this activity. The program can provide 100 percent loan forgiveness for up to \$30,000 per approved phase of work. To date, the New Hampshire CWSRF has committed approximately \$2,600,000 to asset management projects and anticipates providing an additional \$2,000,000 in the near future. Of the 92 communities with sewer systems in New Hampshire, more than half of them incorporate asset management work. The New Hampshire CWSRF offers an asset management workshop each year that brings communities together with service providers and other experts. New Hampshire communities are engaged in the development of asset management plans and often participate in project kick-off meetings, level-of-service meetings, and wrap-up meetings.

Success Story: The Town of Pembroke

The Town of Pembroke received an \$800,000 loan from the New Hampshire CWSRF for the replacement of the Bow Lane Pump Station and the development of an asset management plan for the entire wastewater collection system. By replacing the original pump station and installing a new generator to provide back-up power, the risk of overflow and discharge of untreated wastewater to the surrounding area will be reduced, and the safety and the environmental risk for the operators of the community will be eliminated.

The Town received \$30,000 in principal forgiveness to develop an asset management plan for their entire collection system. Through the development process, the life cycle costs of critical assets were evaluated and a funding strategy for asset maintenance and replacement was developed. The plan is helping staff proactively manage their wastewater asset inventory. It includes a mechanism to review and update the defined level-of-service at a regular interval, which helps provide transparency between the Town of Pembroke staff, sewer commissioners, and sewer users. The final steps of the asset management plan are to develop and implement a communication plan, which seeks to improve communication among the stakeholders and define the responsibilities for continued use of the asset management plan.



Photos Courtesy of New Hampshire Department of Environmental Services

For more information about the CWSRF please contact us at:

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