

Capital Prioritization & Funding Pathways

Presentation

Association of California Water Agencies

May 6, 2026

Agenda

- Capital Scoring
- Affordability
- Funding Sources
- Managing Expectations

Moderator

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Prioritizing Capital Projects

- Overview
- Example Best Practices

Common/Core Criteria

- Health, Safety & Regulations
- Reliable Service
- Asset Condition & Useful Life
- Community Service
- Strategic Alignment
- Alternatives
- Project Readiness

Additional Detail:

Appendix A



Health, Safety
& Regulations



Reliable
Service



Asset Condition
& Useful Life



Community
Service



Project
Readiness



Alternatives



Strategic
Alignment

Panelist Perspectives

Lessons Learned

What part of your methodology has been most effective—and what would you change if you were starting over today?

Advice to Others

What advice would you give agencies to move from informal prioritization to a more structured approach?

Managing Backlog

How do you use your scoring system to manage—not eliminate—your capital backlog?

Board/Council Decisions

Where do you see scoring as advisory versus determinative in capital decisions?

Financial Impacts

- Financial Considerations
- Political and Social Considerations

Common Affordability Considerations

- Household Burden
- Low to Moderate Income Users
- Intergenerational Cost Distribution
- Debt Capacity and Coverage

Impact on Planning

- Affordability impacts project scheduling and phasing.
- Risk Management ~ what is “expensive” today may be lowest-cost option over time.
- Seek grants, subsidized loans, and/or scope adjustments.

Additional Detail:

Water Affordability Needs Assessment: Report to Congress
December 2024, EPA 830-R-24-015



Panelist Perspectives

Overview

How do you justify to your board or public that a more expensive project is the most affordable choice over time?

Project Schedule

When affordability is a constraint, how do you use phasing, scope adjustments, or alternative delivery to manage the tension?

Lessons Learned

What have you learned about considering affordability when scoring projects?

External Funding Sources

Do external funding sources — grants, SRFs, or WIFIA — materially impact affordability?

Multiple Options

- Pro – Many Funding Sources
- Con – Too Many Funding Options:
 - Different Requirements for Eligibility, Funding Amounts, Terms, and Conditions
 - Confusing to Elected Officials, Managers, and Staff – How, When, Where to Start?

Common Considerations

- Eligibility
- Capacity
- Affordability
- Accessibility

Additional Detail:

Appendix B



Panelist Perspectives

External Funding Sources

Does the availability or unavailability of external funding sources affect capital scoring?

Accessibility

How do you manage the mismatch between grant cycles, state/federal program timing, and construction schedules?

Rates vs. Debt

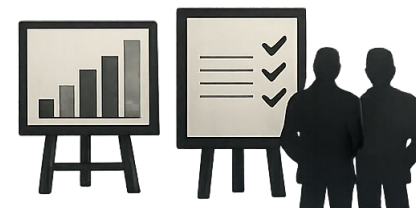
How do you decide when to use pay-as-you-go funding versus issuing debt?

Lessons Learned

If you could change one thing about how your agency approaches capital funding — sources, sequencing, or governance—what would it be?

Managing Process

- NOT about picking winners.
- It is about making trade-offs visible, defensible, and aligned with system capacity.



Communication

- Board/Council
- Public

Visible / Public Process

- Multi-Year CIP
- Present Options Not Just Recommendations
- Mandates vs. Choices
- Constraints, Not Wish Lists
- Estimate User Fees/Rates
- Estimate Costs of Deferred Projects



Additional Detail:

Panelist Perspectives

Plan vs. Reality

Where does your CIP most often diverge from reality—scope, timing, cost, or sequencing?

Escalating Costs

How do rising construction costs or supply-chain issues affect your ability to deliver the CIP as planned?

Transparency and Credibility

How do you maintain credibility with elected officials and the public when projects don't advance as scheduled?

Lessons Learned

What changes have you made to scoring, phasing, or financial forecasting to better align plan with reality?

Appendix A-1 Capital Priorities ~ Core Criteria

■ Health, Safety, Regulatory & Mandates

- Risk to Public Health, Safety, and Environment
- Emergency Response or Failure Avoidance

Higher scores to projects that reduce public risk or meet legal requirements.

■ Reliable Service

- Avoid Service Disruptions
 - Water Operations
 - Business Operations
- # and Type Customers Affected
- Supply and Infrastructure Reliability and Capacity
- Resilience
 - Natural Disaster Mitigation

Score projects that maintain system reliability.

■ Asset Condition & Useful Life

- Asset Condition Rating (poor / fair / good)
- Likelihood & Consequence of Failure
- Remaining Useful Life
- Ability to Defer Higher Future Replacement Costs

Score projects to avoid costly deferred maintenance and emergency repairs.

Appendix A-1 Capital Priorities ~ Core Criteria

■ Community Service

- Cost Benefit Analysis
- Sustainability
- Innovation
- Customer Service

Higher scores to projects that reduce public risk or meet legal requirements.

■ Strategic Alignment

- Conform to Master Plans
- Align with Business Plan
- Align with Asset Management Plan

Align projects with adopted plans and governing-board/council priorities.

■ Alternatives

- Stage work to reduce costs
- Combine with other projects to reduce operational impacts

Align projects with adopted plans and governing-board/council priorities.

Appendix B-1 California Water / Sewer Funding Sources



ACE

Army Corps
of Engineers



BOR

Bureau of
Reclamation



CDS

Congressionally
Directed Spending



CoBank



DWR

CA Department of
Water Resources



EDA

Economic
Development
Administration



EPA

Environmental
Protection Agency



IBank

CA Infrastructure &
Econ Dev Bank



RCAP

Rural Community
Assistance
Partnership



RD

USDA Rural
Development



RWA

Rural Water
Association



SDA

CA Special
Districts Association



SWRCB

CA Water Resources
Control Board



WIFIA

Water Infrastructure
Finance & Innovation
Act

Appendix B-2 California Water / Sewer Funding Sources.... *continued*

Template to Review and Filter Funding Sources

Eligibility <i>applicant & project</i>	Capacity <i>funding Available</i>	Affordability <i>user Impact</i>	Accessibility <i>requirements & timing</i>	Notes
ACE				dams, reservoirs
BOR				water sources
CDS				avg grant = \$1.6 M
CoBank				interim finance
DWR				Water Sources
EDA				economic development
EPA				bi-partisan infrastructure law
IBank				state funded
RCAP				rural systems
RD				population under 10,000
RWA				rural systems
SDA				conduit issuer
SWRCB				SRF
WIFIA				federal reviews

Appendix C-1 Managing Process ~ Additional Detail

■ Multi-Year CIP

- Single-Year capital budget distorts trade-offs.
- Effective communication relies on 5–10 year CIP views.
- What moves now.
- What moves later
- What stays unfunded but visible

■ Offer Options, NOT Just Recommendations

- Instead of only “staff recommendation,” present options & alternatives.
- Give Board/Council real choices with consequences.

■ Mandates vs. Choices

- Capital plans are framed in tiers, not one long list.
- Mandated / Risk-Critical: compliance, imminent failure.
- Asset Management: condition-driven renewal.
- Service Improvements / Growth: discretionary enhancements.

■ Present Constraints, Not Wish Lists

- Constraints: affordability, funding availability, project phasing, staff capacity, etc...
- Discuss constraints, before discussing individual projects.

■ Estimate User Fees/Rates

- Capital planning might be an “abstract” until rate/tax impacts are estimated.

■ Estimate Costs of Deferral

- Make deferred projects visible.
- Typical deferral costs can include:
 - increased failure risk;
 - higher future capital costs;
 - emergency repair exposure; and
 - service reliability impacts