

**The Liquid Assets Project:  
Impact-Focused Financing for  
Sustainable Municipal Water Infrastructure Solutions  
across the American West**

Throughout the West, cities and towns currently depend either on access to groundwater to meet their needs, or on aging infrastructure to capture, store, and divert highly variable river flows. Both groundwater and surface water supplies are increasingly over-tapped and unreliable in the face of population growth, drought, and climate uncertainty. Increasing the reliability of these water supplies is critical to the economic sustainability of western communities, and will require near-term, multi-billion dollar investments to modernize and expand municipal water infrastructure. With federal, state and local public infrastructure funding becoming both more limited and more difficult to access, private investment can help fill the funding gap.

At the same time, there is a growing recognition that municipal water users and environmental values do not necessarily need to be in competition with each other for limited water resources. In fact, when properly designed, municipal water infrastructure can benefit both people and the environment, where ecosystem values function to increase the resiliency of municipal water supplies, and where municipal water infrastructure functions as part of an ecosystem. Innovative green infrastructure can help to reconnect natural and human-made water systems to benefit water quality, water supply, and the environment. These innovative solutions include:

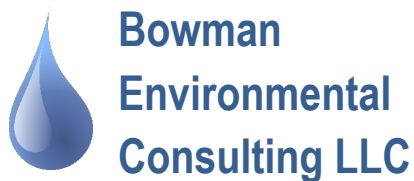
- **Nature-based stormwater capture and recharge projects** that reduce flooding, improve water quality and recharge groundwater supplies;
- **Municipal wastewater treatment and recharge projects** that increase groundwater supplies, improve river health, and/or enable communities to stretch their water supplies before taking more water from rivers or groundwater; and
- **Constructed wetlands** that serve as tertiary treatment of wastewater to deliver improved water quality and provide wildlife habitat.

Because municipal finance is traditionally risk-averse, there is a real opportunity for impact-focused private capital to support the development of these innovative environmentally sustainable infrastructure solutions. To meet this opportunity, the **Liquid Assets Project** is originating and financing municipal infrastructure investment deals that have the potential to advance water sustainability across the American West. Two types of financing tools will be used to spur investment in these innovative infrastructure approaches:

- **“Green bond” financing** to upgrade water infrastructure, with the funding tied to implementation of more environmentally-sustainable approaches. Particularly for small- to mid-size communities, some of which have limited access to credit, this financing structure would allow the municipality to receive financing for green projects which it would otherwise be unable to fund through state revolving funds or other traditional funding mechanisms. Green bond financing could also supplement state revolving funds to upgrade from a default “gray” infrastructure solution to a more environmentally sustainable “green” solution.

- An **environmental impact bond/pay for performance** approach that could reduce the risk to municipalities as they implement more innovative environmental approaches to water management. This financing could be used to encourage the adoption of environmentally-preferable green infrastructure as an alternative to (or to complement) gray infrastructure, generating additional economic and community benefits. Under this approach, private investors would finance the green infrastructure solution, and would receive a range of repayment rates based on the relative performance of the infrastructure tied to agreed-upon performance metrics. This approach was recently tested in Washington DC, facilitating the financing of a nature-based stormwater capture system to help address D.C.'s combined sewer overflow challenge, and is now being considered by other municipalities across the country.

The Liquid Assets Project's partnership between investment and local water experts is a unique and new approach to ensuring deep impact. The team consists of some of the most well-known experts on Western water, partnered with leading impact investment authorities and technical specialists. Partners include Encourage Capital, The Nature Conservancy, Culp & Kelly, and Bowman Environmental Consulting. The Project is partnering with the Water Funder Initiative to generate philanthropic support for the development of these impact-focused deals, and is supported by the following foundations: The Agua Fund, the S.D. Bechtel, Jr. Foundation, the Gates Family Foundation, the Campbell Foundation, and the Walton Family Foundation.



***For more information:***  
*Margaret Bowman*  
*Liquid Assets Project*  
*Margaret.bowman@live.com*  
*202-258-7644*