

Using the Cash Lens

To Strengthen Liquidity and to Improve Water Utility
Asset Protection, Service Reliability, and
Creditworthiness

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The Reality of LMIC Water Utilities

Most LMIC water utilities operate under permanent liquidity constraint **with too little cash, in an environment with few financial buffers, leaving them with limited ability to absorb shocks.**

This is not temporary distress, it is their operating environment

The Core Problem - Using Financial Statement Lens

The financial statement lens and related performance metrics hide the utility's cash reality

It ignores what is not done, not paid, or not sustained:

- Preventative maintenance not performed
- Spare-parts not purchased
- Planned repairs, overhauls, renewals not done
- Assets quietly allowed to deteriorate

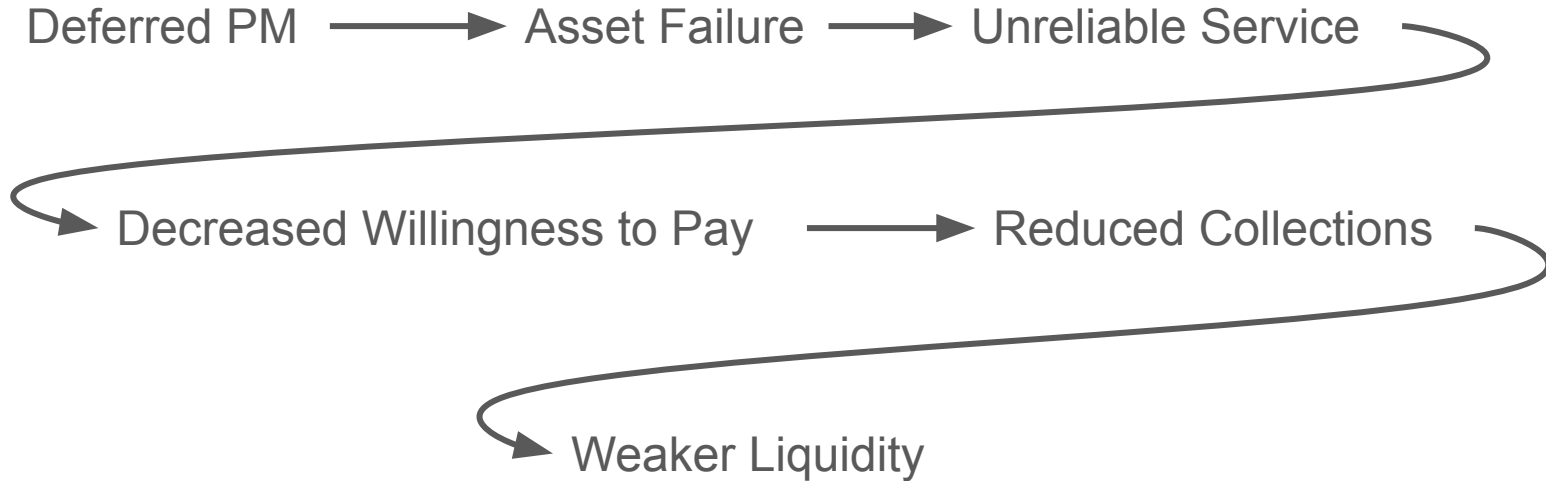
Utilities need to shift to a cash lens - like business do when liquidity is the binding constraint

Liquidity Defined for LMIC Water Utilities

Usable cash available to fund near-term operating, maintenance, repair, and renewal obligations required to sustain service.

The Result: The Downward Spiral

Weakened liquidity triggers a predictable downward spiral:



The Cash Lens Focuses Management's Attention

On:

- Usable cash and liquidity
- Timing of cash inflows and outflows
- Protection of essential operations
- Preservation of critical assets
- Service continuity and reliability, and the
- Real financial consequences of operational decisions

Using The Cash Lens

Management Asks:

- Will this decision strengthen or weaken usable cash?
- Will this action improve the utility's ability to sustain service?
- Will it protect critical assets from deterioration?
- How quickly will the cash effect occur?
- What cash obligations must be protected first?

The Cash Lens is Complementary

The Cash Lens does not replace accrual accounting, financial statements, or engineering - It complements them.

It connects operational decisions, engineering priorities and financial reality to the cash required to sustain service

Cash Allocation Using The Cash Lens

The Cash Lens requires an explicit hierarchy governing the allocation of available cash. Example priority order:

1. Essential operating inputs (e.g. electricity for pumping)
2. Minimum preventative maintenance (the PM cash floor)
3. Essential workforce and core operations
4. Critical arrears and statutory obligations
5. Targeted-liquidity strengthening improvements
6. Everything else

NRW Through the Cash Lens

NRW only matters financially when it reduces avoidable costs or increases collectible cash within a relevant timeframe.

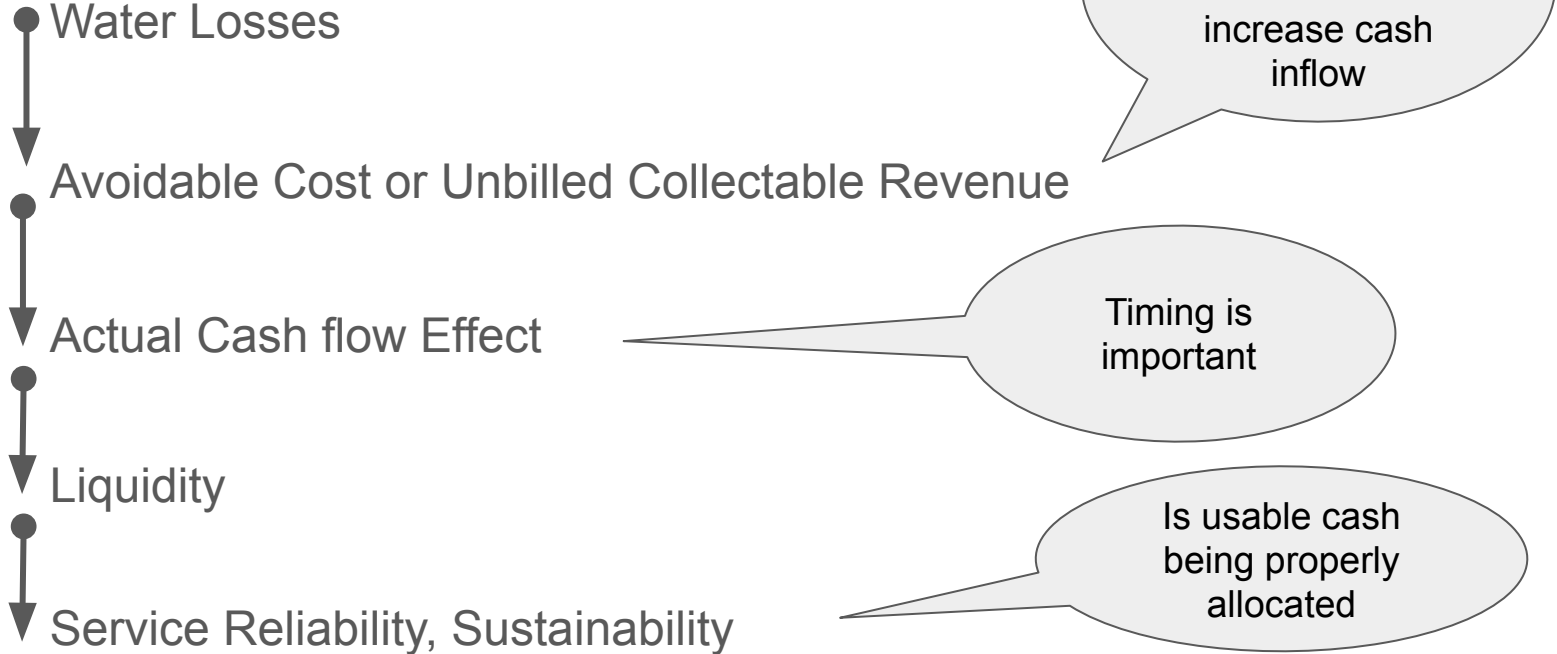
The question is not:

“How high is NRW?”

It is:

“How does NRW affect liquidity and the utility’s ability to sustain service?”

The Cash Lens NRW Chain



NRW Reductions Often Fail

A utility can reduce NRW significantly and still remain cash constrained if the intervention:

- Does not reduce operating cash outflows
- Does not produce collectable revenue
- Produces benefits too slowly
- Requires cash to implement or sustain that the utility cannot use without destabilizing operations

Asset Management Through the Cash Lens

Preventative maintenance is an investment that protects service continuity and reliability

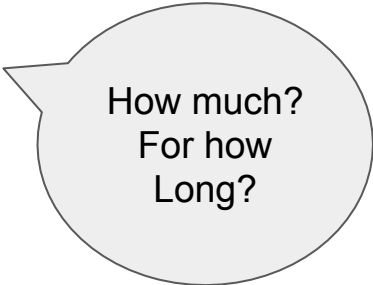
PM Cash Floor is the minimum recurring cash required to keep critical assets functioning and avoid catastrophic deterioration

Asset criticality assessment incorporates cash impact

Cash Lens Asset Criticality Assessment

Example questions:

- Would failure increase avoidable costs?
- Would emergency repairs require cash the utility does not have?
- Would production costs rise?
- Would revenue collection fall?
- Would tanker costs or emergency purchases occur?
- Would electricity or chemical use spike?



How much?
For how
Long?

Creditworthiness Using the Cash Lens

The cash lens makes financial reality visible and auditable:

- **Cash generation** (collections, NRW-to-cash conversion)
- **Cash retention** (funding maintenance, chemicals, critical inputs)
- **Cash prioritization** (adherence to payment order, protection of essential service)
- **Consistency over time** (repeatable cash performance, not one-time results)
- **Decisions documented before action** (e.g., NRW analysis)
- **Outcomes compared to expectations** (e.g., NRW interventions)

With the Cash Lens

Creditworthiness is no longer inferred from financial statements, it is demonstrated through consistent, auditable cash performance and transparent decision-making