The Water Infrastructure Finance and Innovation Act (WIFIA) program accelerates investment in our nation’s water and wastewater infrastructure by providing long-term, low-cost, supplemental credit assistance under customized terms to creditworthy water and wastewater projects of national and regional significance.
BACKGROUND

- **2014**: Congress passed as part of Water Resources Reform and Development Act (WRRDA) of 2014 which established the WIFIA program
- **2014-2016**: EPA developed its first Federal Credit Program for water infrastructure
- **2017**: EPA selected 12 projects to apply for over $2 billion in loans
- **2018**: EPA selected 39 projects to apply for about $5 billion in loans and closed its first 7 loans totaling nearly $2 billion in financing
- **April 2019**: WIFIA program will open its third selection round with $6 billion in loans available
ELIGIBLE BORROWERS

- Local, state, tribal and federal government entities
- Partnerships and joint ventures
- Corporations and trusts with public sponsorship
- Clean Water and Drinking Water State Revolving Fund (SRF) programs
ELIGIBLE PROJECTS

- Projects that are eligible for the Clean Water SRF, not withstanding the public ownership clause
- Projects that are eligible for the Drinking Water SRF
- Enhanced energy efficiency projects at drinking water and wastewater facilities
- Repair, rehabilitation, or replacement of treatment works, community water system, or aging water distribution or waste collection facility
- Brackish or seawater desalination, aquifer recharge, alternative water supply and water recycling projects
- Drought prevention, reduction or mitigation projects
- Acquisition of property if it is integral to the project or will mitigate the environmental impact of a project
- A combination of projects, each of which is eligible under the State water pollution control revolving fund
- A combination of projects secured by a common security pledge, each of which falls under an eligibility described above and the eligible entity submits a single Letter of Interest
HOW TO COMBINE PROJECTS

WIFIA loans can finance a combination of projects through a single loan

• Share a common security pledge
• Serve a common purpose
• Have similar construction time frames
ELIGIBLE PROJECT SIZE

Minimum project size for large communities

$20 M I L

Minimum project size for SRF-eligible small community projects (population of 25,000 or less)

$5 M I L
ELIGIBLE COSTS

Eligible project costs are costs associated with the following activities, as defined in the statute:

- **Development-phase activities**, including planning, feasibility analysis (or any related analysis necessary to carry out an eligible project), revenue forecasting, environmental review, permitting, preliminary engineering and design work and other preconstruction activities.
- **Construction, reconstruction, rehabilitation and replacement activities**.
- **The acquisition of real property or an interest in real property** (including water rights, land relating to the project and improvements to land), **environmental mitigation** (including acquisitions that would mitigate the environmental impacts of water resources infrastructure projects otherwise eligible for WIFIA credit assistance), **construction contingencies** and **acquisition of equipment**.
- **Capitalized interest** necessary to meet market requirements, reasonably required reserve funds, **capital issuance expenses** and other **carrying costs** during construction.
- **WIFIA application and credit processing fees**.
ELIGIBLE COSTS

• Eligible costs incurred prior to receipt of credit assistance may be considered as a part of eligible project costs
  o Must be directly related to the development or execution of the project
  o Such costs will be approved on a case-by-case basis
• Incurred eligible costs may be reimbursed up to one year following substantial completion of the project
CREDITWORTHINESS

For WIFIA credit assistance, a project must meet the following criteria:

• The project and prospective borrower must demonstrate a reasonable assurance of loan repayment
• Project financing shall be repayable from a dedicated revenue source that also secures the senior project obligations of the project
• The prospective borrower must have developed an operations and maintenance plan that identifies adequate revenues to operate, maintain, and repair the project during its useful life
INTEREST RATE

Interest rate will be equal to the U.S. Treasury rate of a similar maturity.

- Single fixed rate established at closing
- The WIFIA program estimates the yield on comparable Treasury securities by adding one basis point to the State and Local Government Series (SLGS) daily rate with a maturity that is equal or greater than the weighted average life (WAL) of the WIFIA loan
- Use of the WAL means that the interest rate will be lower than the 30 year SLGS rate in most cases

3.02%

30-year SLGS rate on March 15, 2019
MAXIMUM LOAN AMOUNT

Maximum amount of WIFIA loan is 49% of reasonably anticipated eligible project costs

• Maximum federal involvement: 80% of total project costs
• SRF funds are not federal funds in most cases
• The WIFIA loan amount is fixed at closing
MATURITY & PAYMENTS

**Maturity date**
- Must be the earlier of 35 years after the date of substantial completion of the project or the useful life of the project

**Debt service payment**
- Interest payments must commence no later than 5 years following substantial completion of the project.
- Deferred interest payments are added to principal balance
- May be sculpted to accommodate the projected cash flow from project revenues and other sources
- Interest only period is no longer than half the term of the loan
REPAYMENT REQUIREMENTS

WIFIA loan must be repaid using a dedicated source of repayment or security pledge

• Multiple revenue sources must be cross-collateralized into a common security pledge
• WIFIA loan shall include a rate covenant, coverage requirement, or similar security feature supporting the project obligations
• There is no penalty for prepayment

POTENTIAL REPAYMENT SOURCES
• Taxes
• Rate revenue
• Debt service income from issued loans
• Transfers pledged from state or local governments
• Dedicated taxes
• General obligation pledge
• Revenues that are pledged for the purpose of retiring debt on the project
• General recourse corporate undertakings
WIFIA IS FLEXIBLE WITH LIEN POSITION

WIFIA’s flexibility in payment priority allows borrowers easier access to other sources of financing at more favorable terms

- A borrower’s existing and future debt unrelated to the WIFIA project may be senior to WIFIA in priority
- The flexibility of WIFIA to be subordinate to the issuer’s senior lien may allow the borrower to issue debt more easily and cost effectively by preserving additional senior lien capacity
- WIFIA also has the ability to take a subordinate position with respect to other sources of debt to fund the WIFIA project
- When WIFIA is subordinate to other project debt, it will spring to parity in a bankruptcy related event
FEDERAL REQUIREMENTS

Projects receiving a WIFIA loan must comply with all relevant federal laws and regulations

- National Environmental Policy Act (NEPA)
- National Historic Preservation Act
- Archeological and Historic Preservation Act
- Environmental Justice
- American Iron and Steel Requirement
- Davis-Bacon Wage Requirement
- Endangered Species Act
- All Civil Rights Acts
- Clean Water Act
- Clean Air Act
- Safe Drinking Water Act
- Coastal Zone Management Act
- Protection of Wetlands
- Farmland Protection Policy Act
- Magnuson-Stevens Fishery Conservation and Management Act
- Wild and Scenic Rivers Act

Non-exhaustive list available at: https://www.federalregister.gov/documents/2016/12/19/2016-30194/credit-assistance-for-water-infrastructure-projects
APPLICATION PROCESS

Project Selection

• Notice of Funding Availability
• Letter of Interest submission
• Letter of Interest evaluation
• Invitation to apply

Project Review, Negotiation, and Closing

• Application submission
• Application evaluation
• Due diligence
• Term sheet negotiation
• Loan agreement negotiation
• Closing
LETTER OF INTEREST EVALUATION

Project selection is a competitive process to identify projects to invite to apply which are:

• Eligible
• Creditworthy
• Technically feasible and ready to proceed
• Meet the public policy goals outlined in the WIFIA statute, regulation, and NOFA

EPA expects to close loans with invited prospective borrowers
1. King County
   Georgetown WWTS
2. San Francisco PUC
   Biosolids Digester Facilities
3. City of Morro Bay
   Water Reclamation
4. Orange Co. Water District
   Groundwater Replenishment System
5. City of San Diego
   Pure Water San Diego
6. City of Omaha
   Saddle Creek RTB
7. Metro St. Louis Sewer District
   Sanitary Tunnel & Relief Projects
8. Indiana Finance Authority
   FY2017 SRF Program
9. City of Oak Ridge
   Water Treatment Plant
10. Maine Water Co.
    Saco River Treatment Plant
11. City of Baltimore
    Capital Improvements
12. Miami-Dade County
    Ocean Outfall Reduction
FY 2018 SELECTED PROJECTS

Information about selected projects is available at: https://www.epa.gov/wifia/wifia-selected-projects
APPLICATION PROCESS

Each application review is tailored to reflect the complexity and risk of the proposed project

Each project is reviewed for:
• Creditworthiness
• Engineering due diligence
• Legal aspects of the proposed project and credit structure
## APPLICATION PROCESS

Example Project Y: $250M low to medium risk capital project

<table>
<thead>
<tr>
<th>PLEDGE</th>
<th>APPLICATION EVALUATION</th>
<th>TERM SHEET &amp; LOAN AGREEMENT DEVELOPMENT</th>
<th>APPROVAL &amp; CLOSING</th>
<th>WIFIA FEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Lien of System Revenues</td>
<td></td>
<td>4 Months</td>
<td></td>
<td>$250,000</td>
</tr>
</tbody>
</table>

Example Project Z: $1,000M innovative high risk capital project

<table>
<thead>
<tr>
<th>PLEDGE</th>
<th>APPLICATION EVALUATION</th>
<th>TERM SHEET &amp; LOAN AGREEMENT DEVELOPMENT</th>
<th>APPROVAL &amp; CLOSING</th>
<th>WIFIA FEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public-Private Partnership with Customized Terms</td>
<td></td>
<td>12 Months</td>
<td></td>
<td>$500,000+</td>
</tr>
</tbody>
</table>
### LOAN TIMEFRAME

Projects selected on July 17, 2017

<table>
<thead>
<tr>
<th>BORROWER</th>
<th>APPLICATION SUBMITTED</th>
<th>NEPA DETERMINATION ISSUED</th>
<th>BORROWER APPROVAL PROCESS BEGINS</th>
<th>LOAN CLOSED</th>
<th>TIMING</th>
</tr>
</thead>
<tbody>
<tr>
<td>KING COUNTY</td>
<td>Nov. 5, 2017</td>
<td>Feb. 5, 2018</td>
<td>April 3, 2018</td>
<td>Apr. 20, 2018</td>
<td>5 months, 15 days</td>
</tr>
<tr>
<td>CITY OF OMAHA</td>
<td>Jan. 29, 2018</td>
<td>Apr. 24, 2018</td>
<td>May 22, 2018</td>
<td>Jun. 20, 2018</td>
<td>4 months, 22 days</td>
</tr>
<tr>
<td>SAN DIEGO</td>
<td>Mar. 16, 2018</td>
<td>Jun. 15, 2018</td>
<td>Sept. 24, 2018</td>
<td>Nov. 14, 2018</td>
<td>7 months, 29 days</td>
</tr>
<tr>
<td>ST. LOUIS</td>
<td>Apr. 13, 2018</td>
<td>May 31, 2018</td>
<td>Nov. 8, 2018</td>
<td>Dec. 19, 2018</td>
<td>8 months, 6 days</td>
</tr>
<tr>
<td>BALTIMORE</td>
<td>Mar. 1, 2018</td>
<td>Jul. 23, 2018</td>
<td>Nov. 26, 2018</td>
<td>Dec. 20, 2018</td>
<td>9 months, 19 days</td>
</tr>
</tbody>
</table>
## $2B IN LOANS SAVING BORROWERS $700 MILLION

<table>
<thead>
<tr>
<th>BORROWER</th>
<th>KING COUNTY</th>
<th>CITY OF OMAHA</th>
<th>ORANGE COUNTY WATER DISTRICT</th>
<th>SAN FRANCISCO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LOAN AMOUNT</strong></td>
<td>$134M</td>
<td>$69M</td>
<td>$135M</td>
<td>$699M</td>
</tr>
<tr>
<td><strong>TERM</strong></td>
<td>30 years from project completion</td>
<td>30 years from project completion</td>
<td>35 years from project completion</td>
<td>35 years from project completion</td>
</tr>
<tr>
<td><strong>INTEREST RATE</strong></td>
<td>3.06%</td>
<td>2.97%</td>
<td>3.06%</td>
<td>3.09%</td>
</tr>
<tr>
<td><strong>CO-FINANCING</strong></td>
<td>Revenue Bonds &amp; SRF Loan</td>
<td>Revenue Bonds OR SRF Loan</td>
<td>Certificates of Participation</td>
<td>Revenue Bonds and SRF Loan</td>
</tr>
<tr>
<td><strong>TRANSACTION FLEXIBILITIES</strong></td>
<td>1) 10+ year interest only period 2) Sculpted debt service</td>
<td>1) WIFIA commitment prior to execution of an SRF agreement 2) Interest capitalization during construction</td>
<td>1) Optional ability to use WIFIA to retire construction financing 2) 5 year capitalized interest after construction 3) Springing Lien</td>
<td>1) Optional ability to use WIFIA to retire construction financing 2) Interest capitalization during construction 3) Sculpted debt service</td>
</tr>
</tbody>
</table>
## $2B IN LOANS SAVING BORROWERS $700 MILLION

<table>
<thead>
<tr>
<th>BORROWER</th>
<th>SAN DIEGO</th>
<th>ST. LOUIS SEWER DISTRICT</th>
<th>CITY OF BALTIMORE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LOAN AMOUNT</strong></td>
<td>$614M</td>
<td>$47.7M</td>
<td>$202M</td>
</tr>
<tr>
<td><strong>TERM</strong></td>
<td>35 years from project completion</td>
<td>35 years from project completion</td>
<td>35 years from project completion</td>
</tr>
<tr>
<td><strong>INTEREST RATE</strong></td>
<td>3.36%</td>
<td>3.06%</td>
<td>2.88%</td>
</tr>
<tr>
<td><strong>CO-FINANCING</strong></td>
<td>Revenue Bonds and Short-Term Financing</td>
<td>SRF Loan</td>
<td>Revenue Bonds, grants from the County and Bay Restoration Fund</td>
</tr>
<tr>
<td><strong>TRANSACTION FLEXIBILITIES</strong></td>
<td>1) Subordinated debt 2) Sculpted debt service</td>
<td>1) WIFIA commitment prior to execution of an SRF agreement 2) Backloaded repayment schedule</td>
<td>1) City was able to operate as normal under the Bond Resolution 2) WIFIA allowed City’s Continuing Disclosure notices to address many reporting requirements in loan agreement</td>
</tr>
</tbody>
</table>
RESOURCES

General information
https://www.epa.gov/wifia/learn-about-wifia-program
• Program overview; links to laws and regulations; frequently asked questions

How to Apply
https://www.epa.gov/wifia/how-apply-wifia-assistance-0
• NOFA, Letter of interest form, FAQ, and checklist; sample financial pro forma; sample letter of interest

Resources
https://www.epa.gov/wifia/wifia-resources
• Program handbook; template term sheet; learning module; information session registration; federal requirements
UPCOMING OUTREACH EVENTS

Webinar Series
• April 17, 2019 (2:00-3:30 pm ET): FY 2019 NOFA
• April 30, 2019 (2:00-3:30 pm ET): FY 2019 NOFA
Registration coming soon!

In-Person Sessions
• May 7, 2018 – Atlanta, GA
• May 13, 2018 – Washington, DC
• May 23, 2018 – Phoenix, AZ
Registration is available at https://www.epa.gov/wifia/wifia-resources#information
Karen Fligger
fligger.karen@epa.gov
202-564-2992

Website: www.epa.gov/wifia
Email: wifia@epa.gov

Sign-up to receive announcements about the WIFIA program at https://tinyurl.com/wifianews