



WIFIA

PROGRAM

REGIONAL WATER FINANCE
FORUM
FEDERAL WATER FINANCING
SOLUTIONS: WIFIA

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KEVIN MCDONALD
SENIOR UNDERWRITER



OVERVIEW



PROGRAM OVERVIEW



FINANCIAL BENEFITS



PROJECT SELECTION





PROGRAM OVERVIEW



MISSION STATEMENT

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

- Passed as part of Water Resources Reform and Development Act (WRRDA) of 2014
- WIFIA is modeled on the Transportation Infrastructure Finance and Innovation Act (TIFIA) of 1998
- Congress appropriated \$25 million for credit subsidy for FY 2017 which allowed EPA to select its first 12 projects to invite to apply for loans



FEDERAL CREDIT PROGRAM

- Federal credit programs can leverage its Federal funding since Congress only needs to appropriate money to cover estimated losses and the remainder of the funding is borrowed from and repaid to Treasury
- A small amount of Federal funds can support a larger amount of infrastructure investment

\$25
MIL

\$2.3
BILLION IN LOANS

\$5.1
BILLION IN
INFRASTRUCTURE
INVESTMENT



ELIGIBILITY

Eligible borrowers

- Local, state, tribal, and federal government entities
- Partnerships and joint ventures
- Corporations and trusts
- 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
- 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 secured by a common security pledge or submitted under one application by an SRF program



IMPORTANT PROGRAM FEATURES



Minimum project size for large communities.



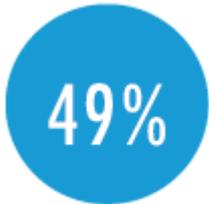
Maximum time that repayment may be deferred after substantial completion of the project.



Minimum project size for small communities (population of 25,000 or less).



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



Maximum portion of eligible project costs that WIFIA can fund.



Projects must be creditworthy.



Maximum final maturity date from substantial completion.



NEPA, Davis-Bacon, American Iron and Steel, and all federal cross-cutter provisions apply.



COMPLIANCE REQUIREMENTS

- Projects receiving a WIFIA loan must comply with all relevant federal laws and regulations, including, but not limited to:
 - Use of American Iron and Steel
 - Davis-Bacon Wage Requirement
 - National Environmental Policy Act
 - Floodplain management
 - National Historic Preservation Act
 - Endangered Species Act
 - All Civil Rights Acts



CREDITWORTHINESS

Projects applying for WIFIA loans must demonstrate a reasonable assurance of repayment of the loan over the term of the loan

EPA will examine:

- The terms, conditions, financial structure and security features of the proposed financing
- The dedicated revenue sources that will secure or fund the project obligation
- The financial assumptions upon which the project is based
- The financial soundness, credit history, and outlook of the prospective borrower





FINANCIAL BENEFITS

WIFIA BENEFITS

- Provides a single, fixed, low interest rate for all disbursements
- In most cases, final maturity of the loan is based on substantial completion of the project and is long-term
- Can be subordinate to other sources of financing
- Up to a five-year deferral period, during which neither principal nor interest are due
- Payments are deferred during the construction period
- Flexible repayment terms
- Supplements other sources of financing such as municipal bonds, SRF loans, and private equity
- Provides an inexpensive source of financing for Public-Private Partnerships



AMORTIZATION

Maturity date

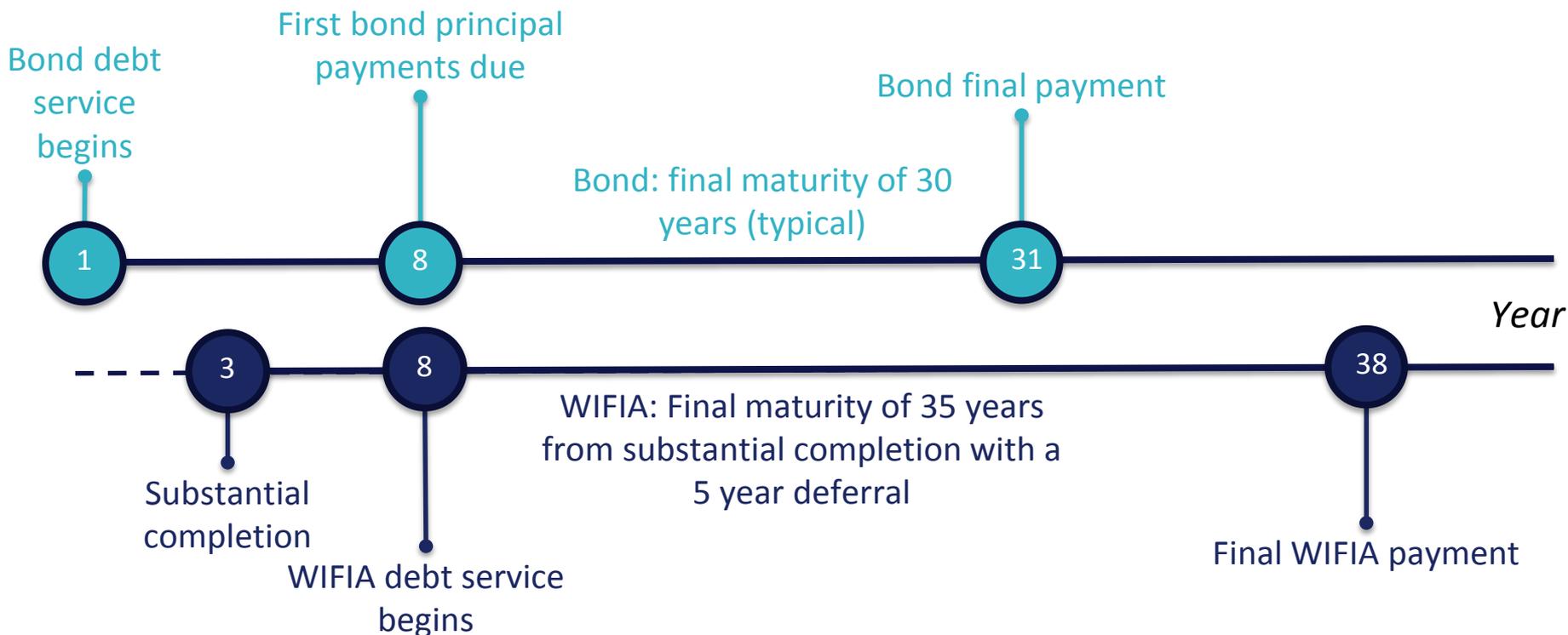
- Must be the earlier of 35 years after the date of substantial completion of the project, or the useful life of the project

Debt service payment

- Payments must commence no later than 5 years following substantial completion of the project
- May be sculpted to accommodate the projected cash flow from project revenues and other sources

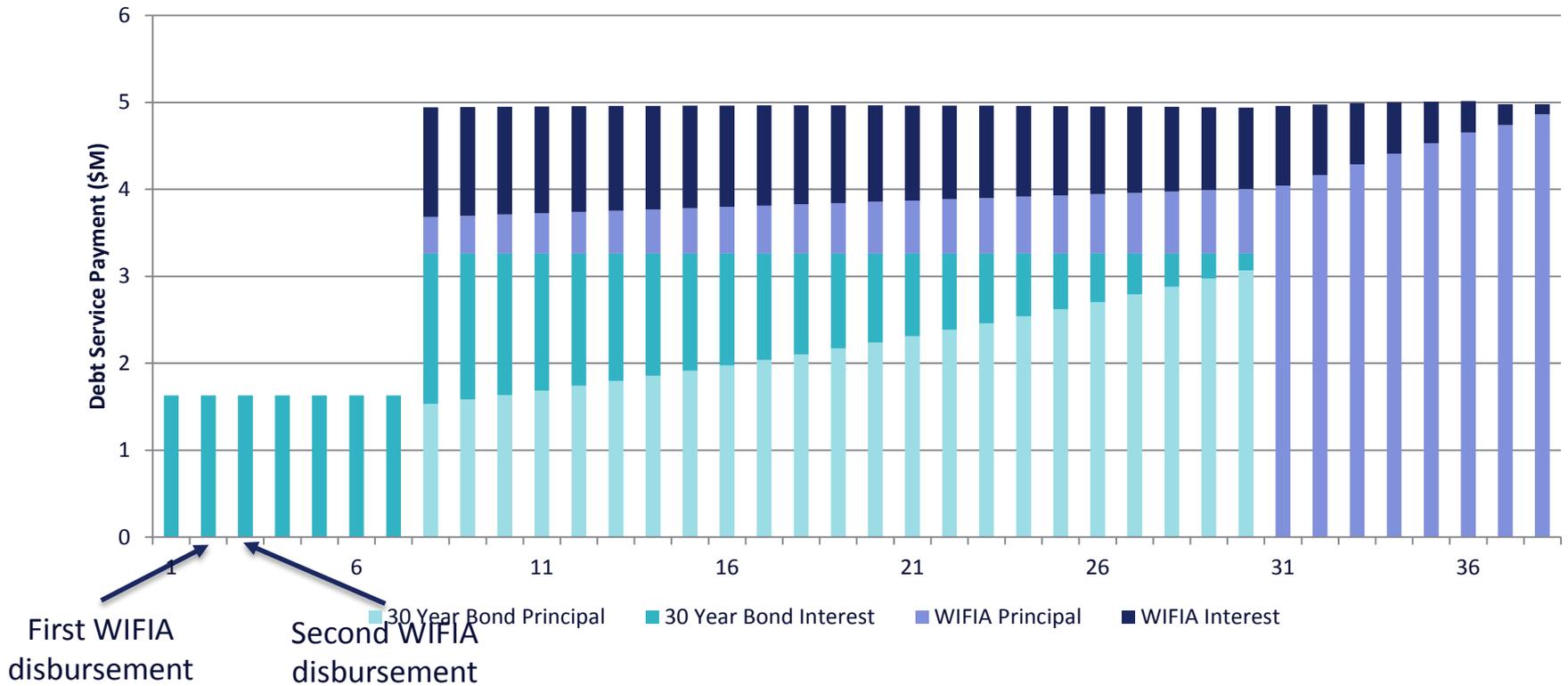


AMORTIZATION: BOND AND WIFIA



WIFIA LOAN SCULPTED AROUND A BOND

Amortization of a \$100M Financing



INTEREST RATE

Interest rate: no less than the yield on U.S. Treasury securities of a similar maturity to that of the WIFIA loan on the date of execution of the credit agreement

- The WIFIA program estimates the yield on comparable Treasury securities by adding one basis point to the SLGS daily rate with a maturity that is equal or greater than the weighted average life (WAL) of the WIFIA loan

The interest rate will be a single fixed rate established at closing

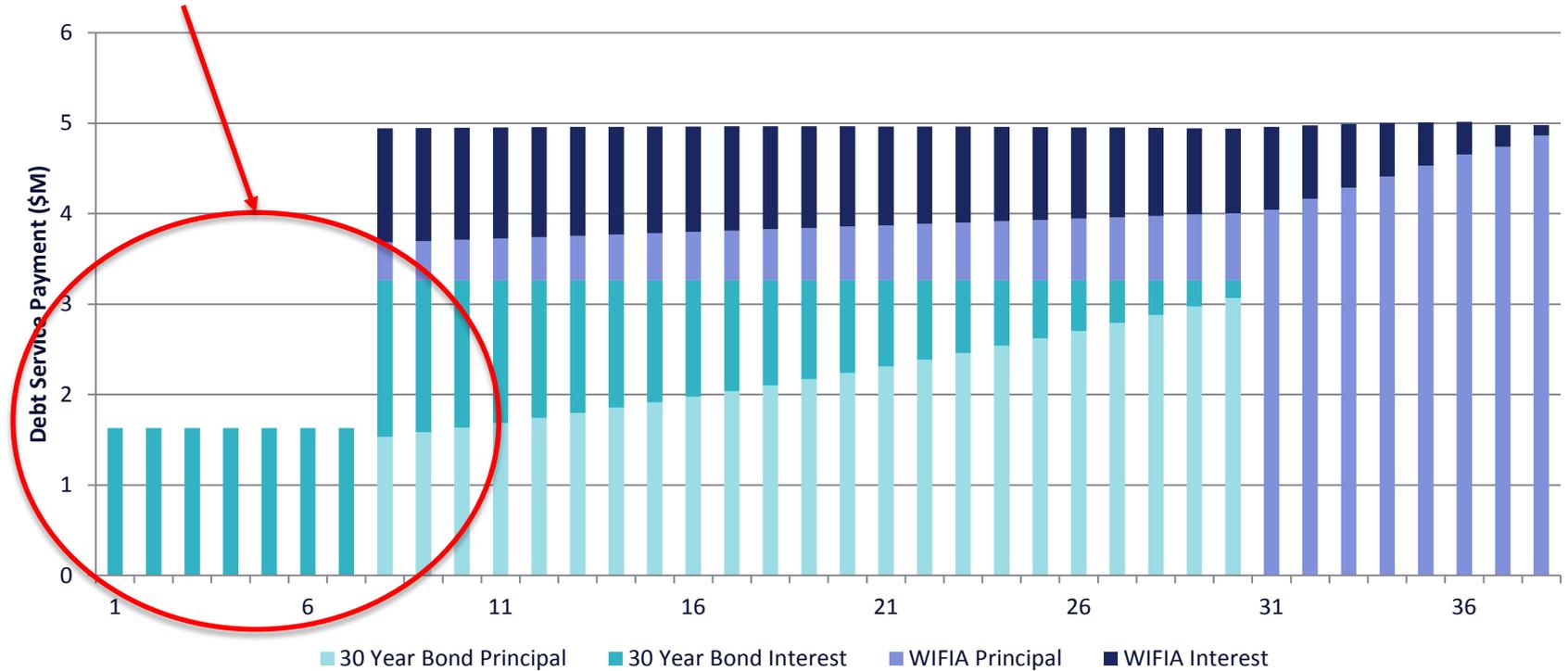
- The prospective borrower may receive multiple disbursements, but the interest rate will be the same for all disbursements
- In many cases, the interest rate will be lower than the 30 year SLGS rate, which was 2.83% as of June 8, 2017



WIFIA LOAN CAPITALIZATION

Interest-only period
for Bond

Amortization of a \$100M Financing



WIFIA VS CAPITAL MARKETS

LOAN FEATURES	WIFIA LOAN	CAPITAL MARKETS BOND
Interest Rate	<ul style="list-style-type: none"> • Low interest rate equal to the U.S. Treasury rate • Not affected by borrower's credit 	<ul style="list-style-type: none"> • Interest rates are higher for borrowers with lower credit ratings
Repayment Flexibility	<ul style="list-style-type: none"> • Offers a customized repayment schedule, allowing borrowers to push larger payments to later years if the project requires it 	<ul style="list-style-type: none"> • Loan repayment are generally on a fixed amortization schedule, regardless of project's performance level
Loan Disbursement Schedule	<ul style="list-style-type: none"> • Multiples disbursements may be made at no additional cost to the borrower • Disbursements may be synchronized with financing needs, reducing the amount of accrued interest 	<ul style="list-style-type: none"> • Multiple disbursements incur a fee for the borrower • In a single disbursement, the unused loan balance accrues interest
Loan Payments During Construction	<ul style="list-style-type: none"> • Payments may be deferred up to 5 years following substantial completion of the project • For SRFs, payments may be deferred 5 years from the first disbursement 	<ul style="list-style-type: none"> • Loan payments normally begin immediately, requiring borrowers to begin making interest and or principal payments prior to project completion
Bond Issuance Fees	<ul style="list-style-type: none"> • Issuance fees for projects are expected to vary between 350k – 700k. This range is based on the complexity of the project. 	<ul style="list-style-type: none"> • Issuance fees and underwriter compensation bring fees, on average can range from 0.5% to 1.0% of the loan amount. Therefore, larger projects can expect to see larger issuance fees.





PROJECT SELECTION



APPLICATION PROCESS

Project Selection

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

Project Approval

- Application submission
- Application evaluation
- Term sheet
- Application approval

Negotiation and Closing

- Negotiation activities
- Credit agreement execution



PROJECT SELECTION IS COMPETITIVE

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

- Eligible
- Creditworthy
- Technically feasible
- Meet the public policy goals outlined in the WIFIA statute and regulation



SELECTION CRITERIA SCORING

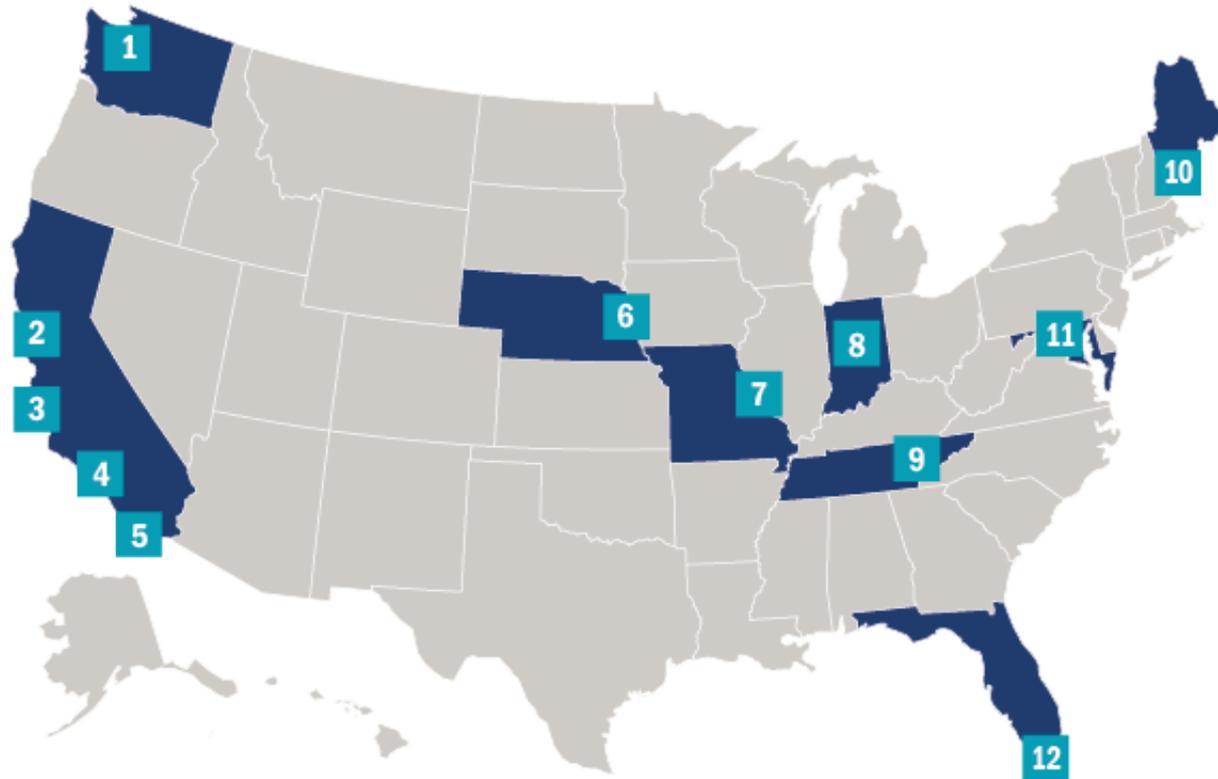
Purpose:

- To evaluate the project considering the statutory selection criteria and EPA's mission

No.	Criteria
1	National or regional significance
2	Enables project to proceed earlier
3	New or innovative approaches
4	Protection against extreme weather events
5	Maintain or protect the environment or public health
6	Serves energy exploration or production areas
7	Serves regions with water resource challenges
8	Addresses identified priorities
9	Readiness to proceed
10	Financing plan
11	Reduction of Federal assistance
12	Repair, rehabilitation, or replacement
13	Economically stressed communities



FY 2017 WIFIA Projects



1. King County - \$129M

Georgetown WWTS

2. San Francisco PUC - \$625M

Biosolids Digester Facilities

3. City of Morro Bay - \$82M

Water Reclamation

4. Orange Co. Water District - \$124M

Groundwater Replenishment System

5. City of San Diego- \$492M

Pure Water San Diego

6. City of Omaha - \$55M

Saddle Creek RTB

7. Metro St. Louis Sewer District - \$43M

Sanitary Tunnel & Relief Projects

8. Indiana Finance Authority- \$436M

FY2017 SRF Program

9. City of Oak Ridge - \$22M

Water Treatment Plant

10. Maine Water Co. - \$25M

Saco River Treatment Plant

11. City of Baltimore - \$200M

Capital Improvements

12. Miami-Dade County - \$79M

Ocean Outfall Reduction

\$2.3B
WIFIA Loans

\$5.1B
Project Costs



EPA's 2017 WIFIA LOANS ARE HELPING TO REBUILD AMERICA'S WATER INFRASTRUCTURE

The Water Infrastructure Finance and Innovation Act (WIFIA) program accelerates investment in our nation's water infrastructure. Here's how WIFIA is transforming America in 2017:

\$2.3 B

IN WIFIA LOANS



\$5.1 B

IN PROJECT COSTS



12

PROJECTS SELECTED



20 M

PEOPLE IMPACTED



Learn more: epa.gov/WIFIA

#WIFIA



RESOURCES

General information

<https://www.epa.gov/wifia/learn-about-wifia-program>

- Program overview
- Links to laws and regulations
- Recordings and presentations from past webinars
- Frequently asked questions

Application Materials and Resources

<https://www.epa.gov/wifia/wifia-application-materials-and-resources>

- Letter of Interest form
- Letter of Interest FAQ
- Application form
- WIFIA Program Handbook
- Sample financial pro forma



CONTACT US

Website: www.epa.gov/wifia

Email: wifia@epa.gov

Register to receive updates on the WIFIA program at <https://public.govdelivery.com/accounts/USAEPAOW/subscriber/new>. Select “Finance and Funding.”

