



BORROWING STRUCTURES

NOVEMBER 12, 2019



OPPORTUNITY FOR QUESTIONS

- You may call into this webinar by dialing United States: +1 (631) 992-3221 and entering access code 293-124-835
- The WIFIA program welcomes clarifying questions on information provided in the presentation
- Questions may be posed at any time by typing into the webinar dashboard; participants are muted during the webinar and may only communicate by typing
- Unanswered questions will be answered in a follow-up e-mail or through the FAQ



AGENDA



INTRODUCTION

Kevin McDonald



WIFIA BENEFITS

Amit Srivastava



CASE STUDIES

- MIAMI-DADE COUNTY (*Kevin McDonald*)
- TUALATIN VALLEY WATER DISTRICT AND CITY OF HILLSBORO (*Kevin McDonald*)
- SILICON VALLEY CLEAN WATER (*Amit Srivastava*)



CONCLUSION

Amit Srivastava



QUESTION & ANSWER SESSION





INTRODUCTION



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

- **FY 2014:** Congress passed as part of Water Resources Reform and Development Act (WRRDA) of 2014 which established the WIFIA program
- **FY 2014-2016:** EPA developed its first Federal Credit Program for water infrastructure
- **FY 2017:** Congress appropriated \$25 million for credit subsidy which allowed EPA to select its first 12 projects to invite to apply for over \$2 billion in loans
- **FY 2018:**
 - Congress appropriated \$55 million for credit subsidy and EPA invited 39 projects to apply for about \$5 billion in WIFIA financing
 - WIFIA program closed its first 4 loans totaling over \$1.0 billion in financing



BACKGROUND

- **FY 2019:**
 - Congress appropriated \$60 million for credit subsidy and EPA invited 38 projects to apply for about \$6 billion in WIFIA financing
 - WIFIA program closed 9 loans totaling over \$2.5 billion in financing
- **FY 2020:**
 - To date, WIFIA program closed 1 loan for almost \$21 million
 - We are waiting for this year's appropriation and are operating under the current continuing resolution until 11/21

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, notwithstanding 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

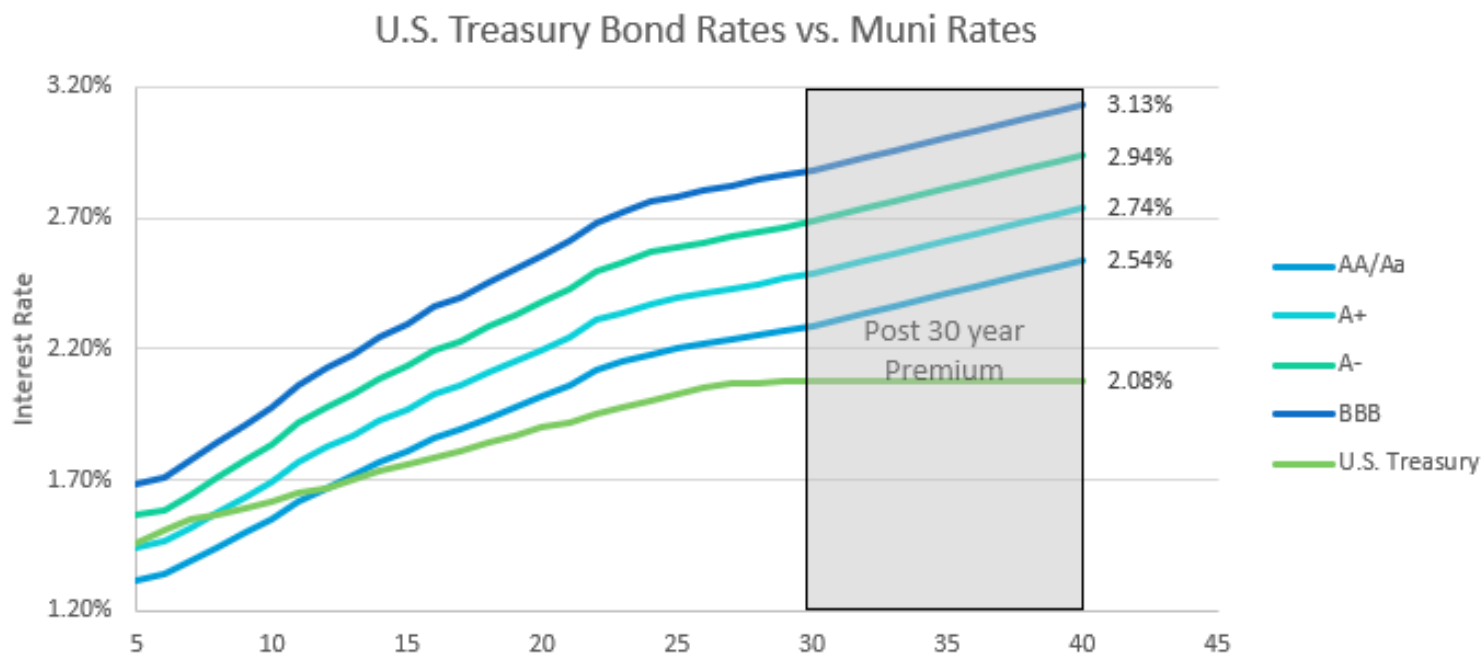
- WIFIA loans can fund a combination of projects through each loan, given the projects:
 - Share a common security pledge
 - Serve a common purpose
 - Have similar construction time frames





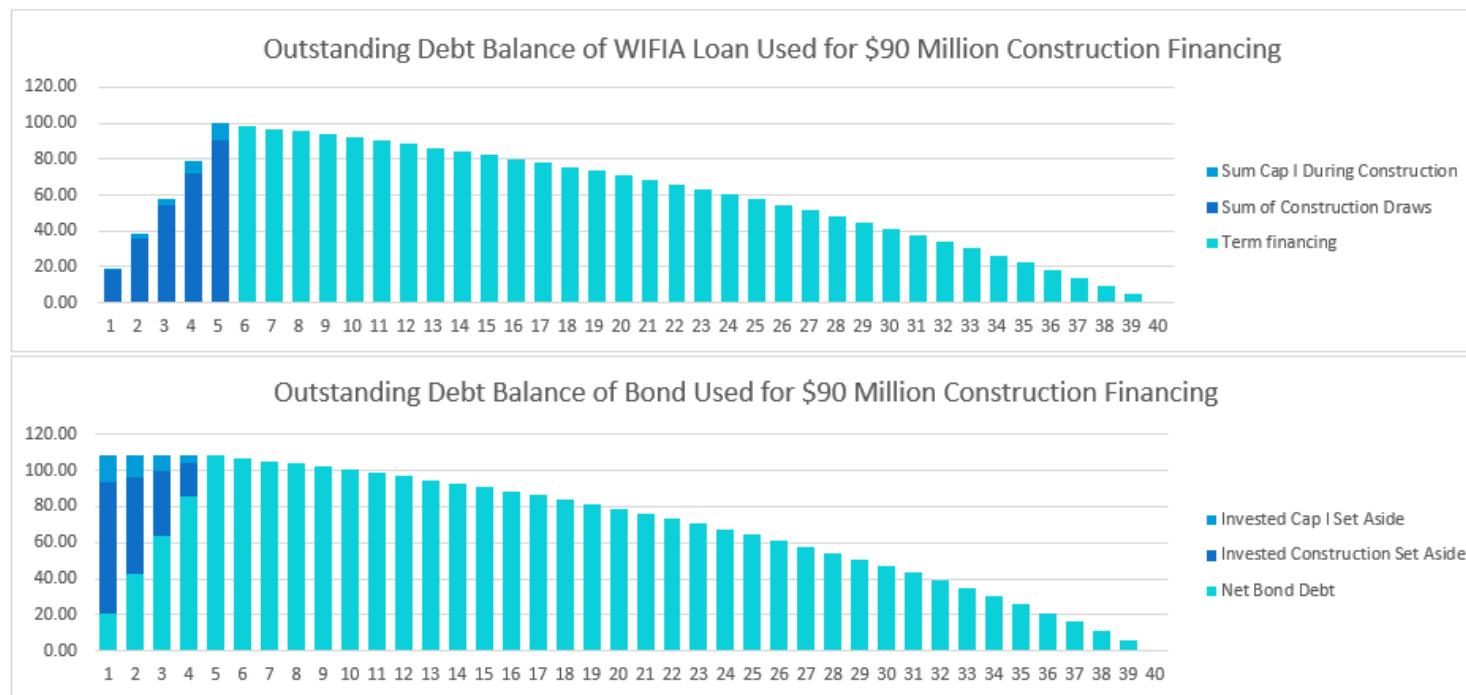
WIFIA BENEFITS

PROVIDE INTEREST RATE SAVINGS



- The WIFIA loan interest rate is based on the SLGS rate which is typically offer a lower interest rate than municipal bonds.
- WIFIA's interest rate is independent of credit rating. Interest rate benefit is greater for borrower's with lower credit ratings.
- Muni bonds become less liquid in outyears while U.S. treasuries demonstrate flat forward behavior.

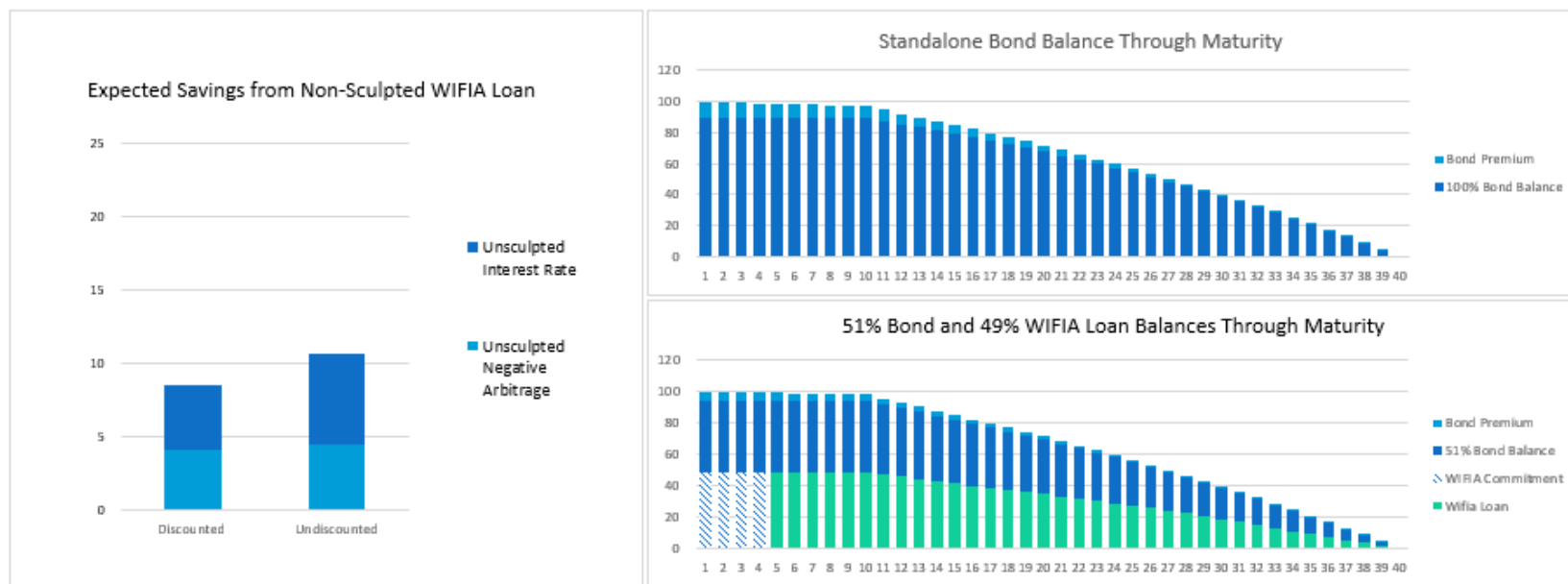
ALLOW BORROWERS TO AVOID CARRYING COSTS



- Borrower issues full bond on day one to lock-in interest rate through maturity.
- Undisbursed WIFIA amounts do not accrue interest while the bond financing is subject to negative arbitrage.
- WIFIA allows prepayment at no cost. If borrower chooses to unwind bond repayment deferral, it would likely be at a cost.

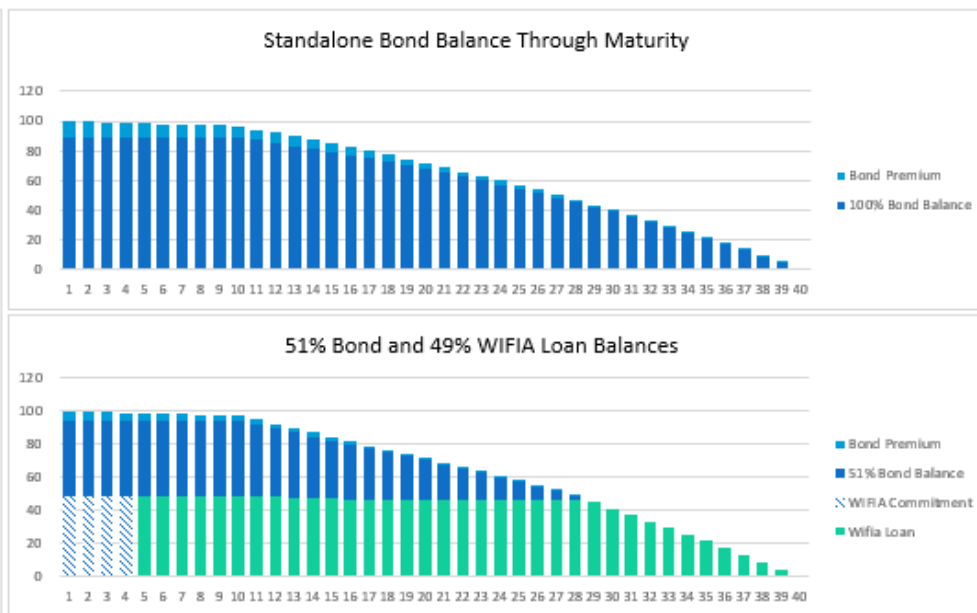
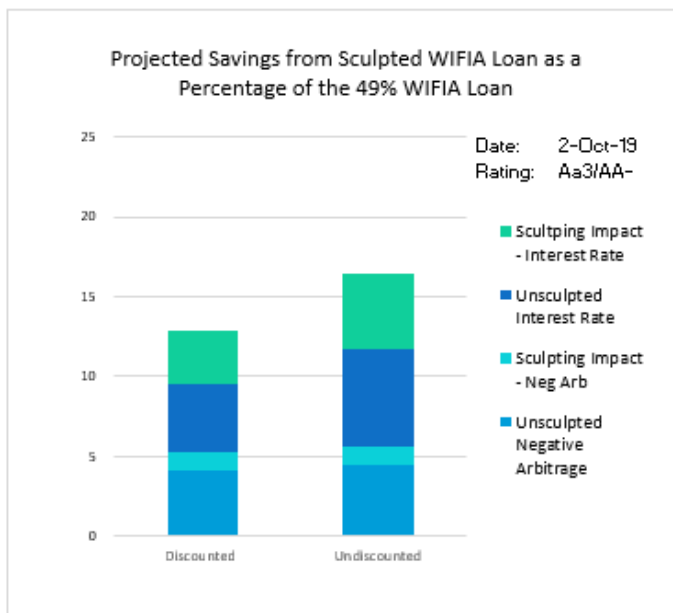
VALUE COMES FROM THE SUM OF THESE SAVINGS FEATURES

- WIFIA's low interest rate and the avoidance of negative arbitrage provides significant savings.
- Utilization of non-sculpted 49% WIFIA debt can result in approximate savings equal to 10.6% of the WIFIA loan (~\$5.2 million in example).



VALUE COMES FROM THE SUM OF THESE SAVINGS FEATURES

- Sculpting WIFIA debt intensifies savings by reducing the interest rate associated with bond financing.
- Savings from the utilization of sculpted 49% WIFIA debt can result in approximate savings equal to 16.5% of the WIFIA loan (~\$8.1 million in example).





CASE STUDIES

MIAMI-DADE COUNTY



Deep Injection well #7.

OCEAN OUTFALL REDUCTION & RESILIENCY ENHANCEMENT PROJECT

WIFIA LOAN AMOUNT: \$99.7 million

TOTAL WIFIA PROJECT COSTS: \$203.5 million

POPULATION SERVED BY SYSTEM: 2.3 million

The project will:

- Construct fourteen new injection wells at three wastewater treatment plants.
- Eliminate routine ocean discharges and be in compliance with the State of Florida's Ocean Outfall Legislation Program
- Improve system resiliency.



BORROWER INFORMATION

Single Borrower for the WIFIA Loan, with an existing Indenture and other parity debt

- Borrower: Miami-Dade County
- Miami-Dade issues Water and Sewer System Obligations under their existing Master Bond Ordinance
- The WIFIA loan is a subordinate obligation secured by a pledge of net operating revenues after senior obligations



WIFIA LOAN FEATURES

Financial flexibilities utilized by Miami-Dade:

- 1) Straight subordination, with no springing lien. This is made possible because all the other project debt is on the same lien as the WIFIA loan.
- 2) Interest and principal payment deferral
- 3) Interest-rate savings

TUALATIN VALLEY WATER DISTRICT (TVWD) AND CITY OF HILLSBORO (COH)



Willamette Water Supply System Pipeline Construction

WILLAMETTE WATER SUPPLY SYSTEM

TVWD WIFIA LOAN AMOUNT: \$387.7 million

COH WIFIA LOAN AMOUNT: \$250.5 million

TOTAL WIFIA PROJECT COSTS: \$1.3 billion

POPULATION SERVED BY SYSTEM: 400,000

The Willamette Water Supply System will:

- Provide both areas additional resilient water supply capacity.
- Construct intake facilities, over 30 miles of pipes, a water treatment plant, and two storage reservoirs.
- Construct a system built to the highest seismic safety standard to recover quickly after a major earthquake.



BORROWER INFORMATION

Inter-governmental agreement between COH and TVWD defines the scope, ownership rights, and financial obligations of each entity to the project

- To fund 49% of their respective shares of the project's costs, COH and TVWD submitted a joint application to EPA for credit assistance
- Successfully negotiated two distinct financing agreements with separate security structures under their respective water system revenue bond declarations.

WIFIA LOAN FEATURES

Financial flexibilities utilized by both borrowers:

- 1) Ability to toggle between interim short-term notes that can be retired with a large single draw post-construction and a draw-bond facility depending on the interest rate environment
- 2) Ability to sequence subsequent revenue bond issuances to fund the balance of project costs at will
- 3) Innovative additional bonds test that bundles expected draws for each year and treat those expected draws as a “bond” to limit the need for unnecessary rate increases
- 4) Flexible capitalized interest period that may be adjusted at each borrower’s discretion based on realized cash flows.

SYNERGIES

Benefits from a joint letter of interest & application

- 1) Only one section of the LOI and application was unique to each Borrower (Financing-Section D), saving time and staff resources.
- 2) Joint legal review process of the two proposed bond purchase agreements by each entity's respective general counsels to facilitate each other's successful closings
- 3) Innovative cost allocation system for the project, facilitating independent WIFIA bond draws to be done according to each borrower's respective cash flow and financing needs

SILICON VALLEY WATER DISTRICT (SVWD)



REGIONAL ENVIRONMENTAL SEWER CONVEYANCE UPGRADE (RESCU) PROGRAM

WIFIA LOAN AMOUNT: \$218 million

TOTAL WIFIA PROJECT COSTS: \$517 million

POPULATION SERVED BY SYSTEM: 225,000

The RESCU Program will:

- Rehabilitate aging wastewater infrastructure and construct new facilities to improve the system's safety and reliability and to protect the San Francisco Bay.
- Construct a 3.3-mile gravity pipeline, replace four pump stations, and build a new preliminary treatment facility.
- Add capacity to handle future wastewater wet weather flows of up to 108 million gallons per day (MGD).



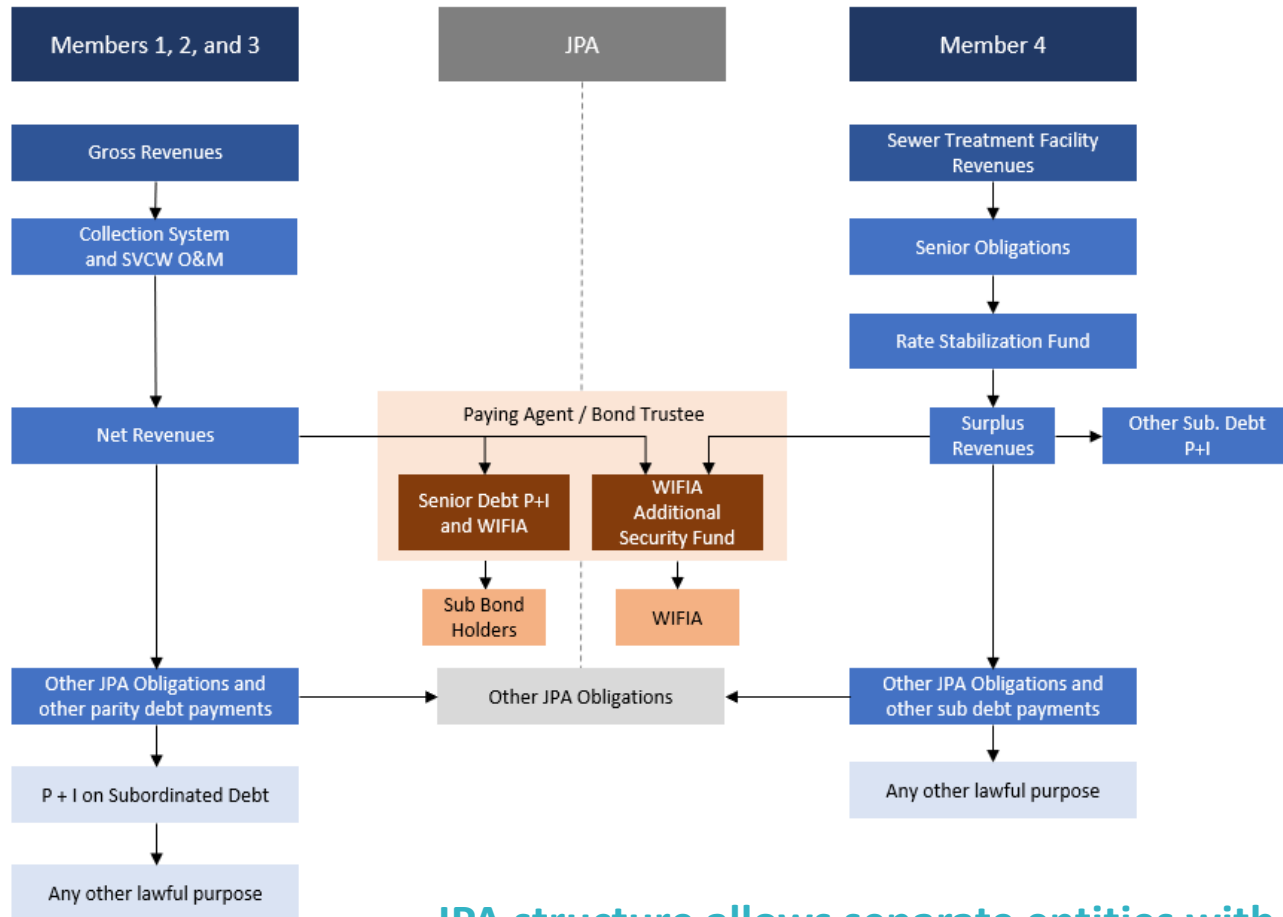
BORROWER INFORMATION

SVCW is a Joint Powers Authority (JPA) made up of four neighboring public entities.

- Established in 1969 between the City of Belmont, Redwood City, City of San Carlos, and the West Bay Sanitary District.
- SVCW's commission includes four members with one member appointed by each member city. Commission members receive vote based proportional share.
- SVCW is charged with providing wastewater transmission, treatment, and effluent disposal services to its four members.
- Each member is contractually obligated to pay their allocable share of SVCW's operating and capital costs.
- Member obligations are memorialized in financing agreements with the JPA. WIFIA is listed as a third-party beneficiary in the financing agreements.



BORROWER STRUCTURE



JPA structure allows separate entities with unique needs and resources to participate in a WIFIA loan

WIFIA LOAN FEATURES

Financial flexibilities utilized by SVCW:

- 1) Allowed for a new legal structure that allowed multiple members with different payment priorities and obligations to participate in the WIFIA loan.
- 2) Members were allowed to be severally but not jointly liable, ensuring that paying members were not responsible for shortfalls in payments due by other members.
- 3) All JPA members were able to benefit from WIFIA's low interest rate and flexibilities, and issuance costs were greatly reduced because only one loan agreement was negotiated.



CONCLUSION

OUTREACH OPPORTUNITIES

Webinar: Federal Requirements under WIFIA

January 9, 2020 at 2:00-3:30 pm

Registration is available at <https://www.epa.gov/wifia/wifia-resources#informationanchor>

EPA will meet with all prospective borrowers interested in discussing the program

Send requests to wifia@epa.gov



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



CONTACT US

Website: www.epa.gov/wifia

Email: wifia@epa.gov

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





QUESTION & ANSWER SESSION