



WIFIA

PROGRAM

WEBINAR SERIES

Overview of the WIFIA Program

December 6, 2017



WEBINAR PURPOSE

The purpose of this webinar is to:

- Provide a general overview of the its program and the loans it can provide
- Interact with prospective borrowers and professionals
- Pave the way for successful letters of interest to the WIFIA program



AGENDA



INTRODUCTION

Moderator: Karen Fligger



PROGRAM OVERVIEW

Jordan Dorfman

Amit Srivastava

Alejandro Escobar



APPLICATION PROCESS

Jordan Dorfman



RESOURCES & QUESTIONS

Moderator: Karen Fligger



OPPORTUNITY FOR QUESTIONS

- You may call into this webinar by dialing +1 (213) 929-4212 and entering access code 861-486-577
- The WIFIA program welcomes clarifying questions on information provided in the presentation
- Questions may be posed at any time by typing into the gotowebinar dashboard; participants are muted on the webinar and can only communicate by typing
- The WIFIA program will include these questions in an FAQ, available on the WIFIA website
- Unanswered questions may be answered in a follow-up e-mail or through the FAQ





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.



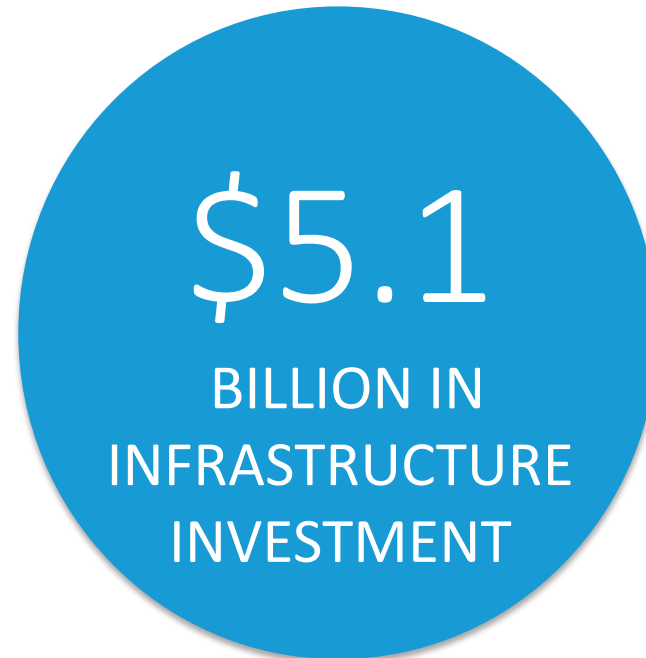
BACKGROUND

- 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

- Leverage 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



CURRENT STATUS

- Appropriations and FY 2018 Selection Round
- Legislation
- Projects selected in FY 2017



2017 SELECTION PROCESS

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

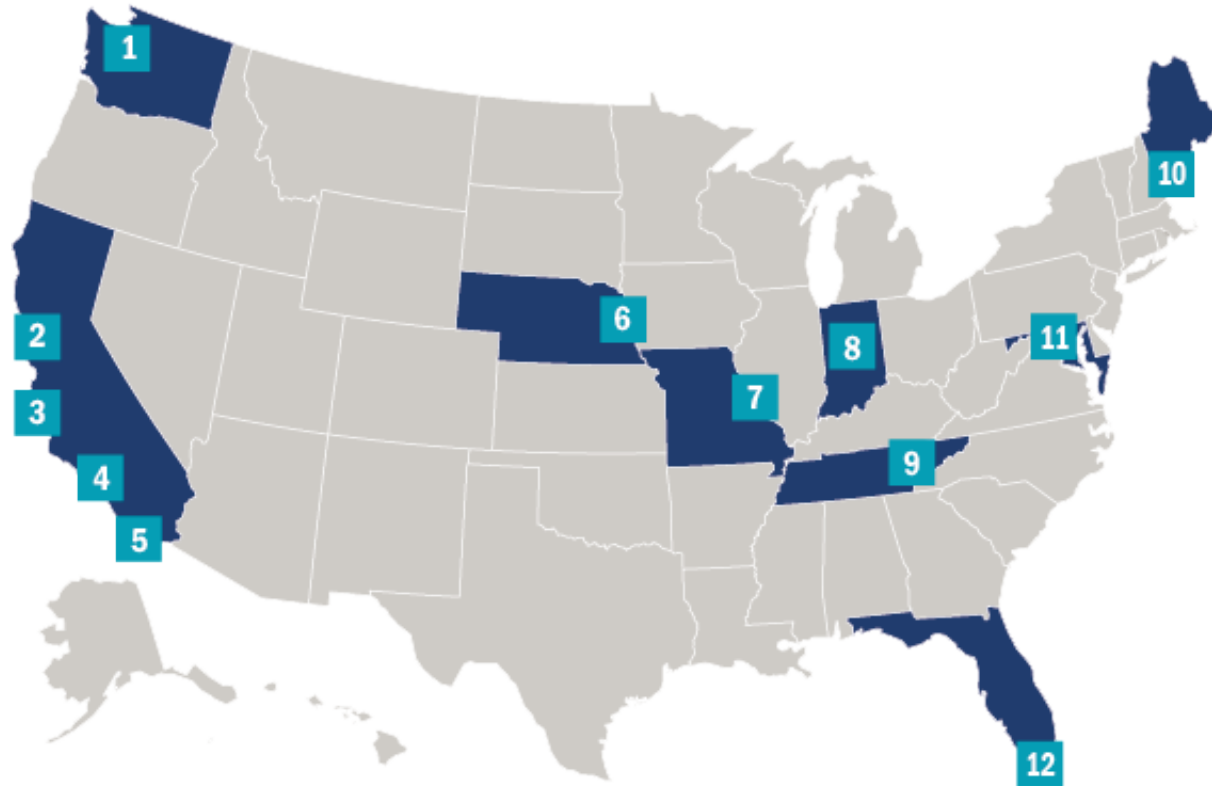


Learn more: epa.gov/WIFIA

#WIFIA



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





PROGRAM OVERVIEW



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



ELIGIBLE PROJECT SIZE



Minimum project size for large communities



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

LOAN SCOPE

- A project consists of all construction necessary to complete the building or work regardless of the number of contracts or assistance agreements involved
 - All contracts and assistance agreements awarded must be closely related in purpose, time and place
- Generally, must involve new construction or work
- WIFIA 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
- Not applicable to loans to the SRF program



ELIGIBLE COSTS

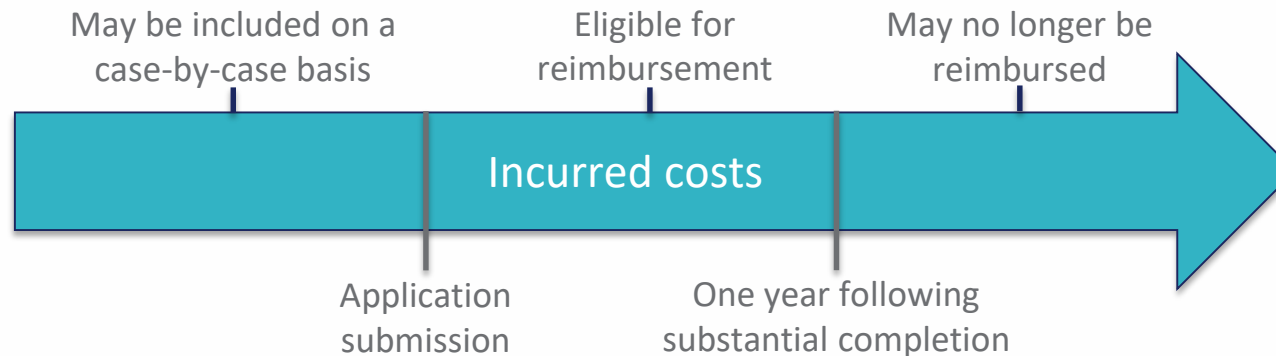
Eligible project costs are costs associated with the following activities, as defined in the statute

- **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 submission of an application may be included as a part of eligible project costs
 - 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



PUBLIC SPONSORSHIP

Private prospective borrowers must have public sponsors

Demonstrate that it has consulted with and gained the support of the affected state, local or tribal government in which the project is located, by:

- Certified letter signed by the approving municipal department or similar agency, mayor or other similar designated authority
- Local ordinance
- Any other means by which government approval can be evidenced



CREDITWORTHINESS

Projects applying for WIFIA loans must be creditworthy and 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 source 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



CREDIT TERMS



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



Maximum final maturity date from substantial completion



Maximum portion of eligible project costs that WIFIA can fund



Projects must be creditworthy



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



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

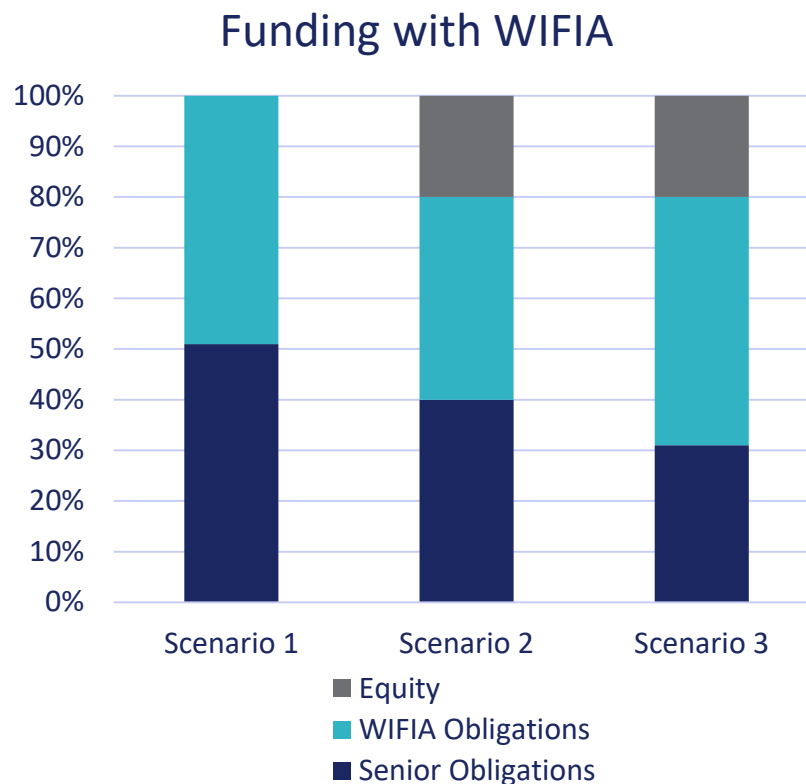
2.93%



MAXIMUM LOAN AMOUNT

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

- The amount of the WIFIA loan may not exceed the amount of the project's senior obligations unless the WIFIA loan obtains an investment-grade rating
- Maximum federal involvement: 80% of total project costs



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

- 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



REPAYMENT REQUIREMENTS

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

- Pledge must be the same in all material respects as the security pledge for the project's senior obligations
- 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

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



CREDIT TERMS

Deferrals

- May be granted at the sole discretion of the Administrator
- May be contemplated in the credit agreement
- Must be a reasonable assurance of repayment of the WIFIA credit instrument

Prepayment conditions

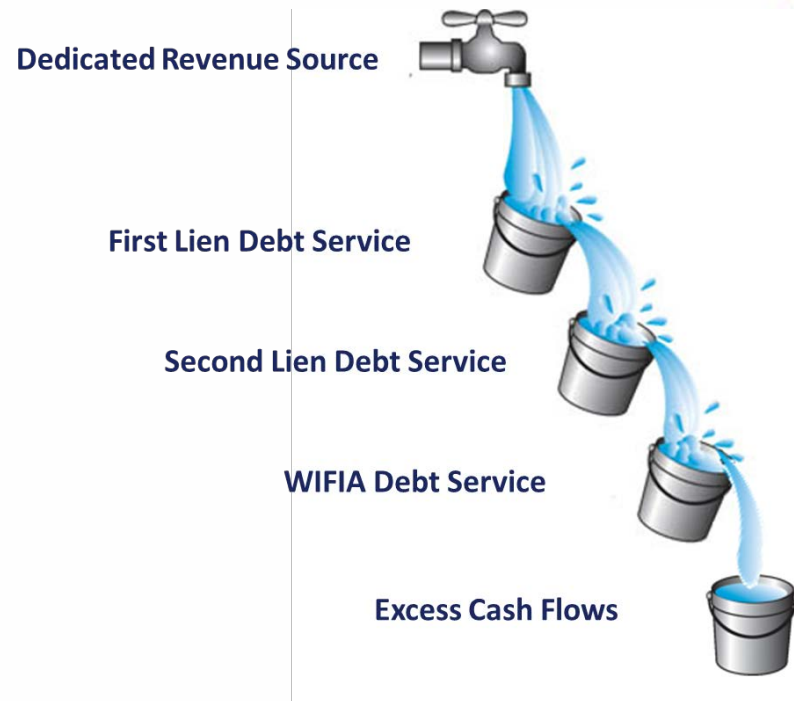
- May prepay in whole or in part at any time without penalty
- May not use federal funds to prepay



SUBORDINATION

WIFIA Loans may be subordinate to the project's senior debt obligations

- Under certain circumstances, WIFIA may take a subordinate position in payment priority of project obligations, increasing coverage ratios for senior bond holders
- In the event of bankruptcy, insolvency, or liquidation, the WIFIA credit instrument will have a parity lien with respect to the project's senior obligations



PRELIMINARY RATING LETTER

Preliminary credit rating letter must be submitted with the application

- Public rating letter from at least one Nationally Recognized Statistical Rating Organization (NRSRO)
- Suggested contents include:
 - Proposed loan structure
 - Revenue pledge
 - Estimated coverage ratios
 - Key assumptions and limitations
- EPA may consider accepting existing rating letter in place of a new preliminary rating on a case-by-case basis



FINAL RATING LETTER

Two final public rating letters must be submitted prior to loan closing

- Public rating letter from two NRSROs that assess the default credit risks
- Senior debt must achieve a rating of investment grade or above
- The letter rating may include:
 - Terms and conditions of the WIFIA loan
 - WIFIA loan features. ex: loan tenor & amortization profile
 - Plan of finance
 - Revenue pledge
 - Collateral or security
 - Potential loan covenants
 - Credit risks and mitigants



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>



NEPA

Assesses potential environmental impacts

- Every project must receive an environmental Categorical Exclusion (CATEX), Finding of No Significant Impact (FONSI), or Record of Decision (ROD) prior to obligation
- EPA can use existing environmental documents and analysis for decision making
- A Programmatic Environmental Assessment is underway which will address many typical water infrastructure projects
- Prospective borrowers are encouraged to submit any and all documents and findings with their Letter of Interest (LOI)

Resource: <https://www.epa.gov/nepa/nepassist>



NATIONAL HISTORIC PRESERVATION ACT (NHPA)

Protects historic and archeological resources from adverse impacts

- Includes districts, sites, buildings, structures and objects listed in or eligible for listing in the National Register of Historic Places
- Consultation process with State Historic Preservation Officer, Tribal Historic Preservation Officers and other interested parties
- If historic properties are present, effects must be assessed and mitigated
- Consultation process must be completed prior to obligation and finalizing NEPA decision

General information and National Historic Sites Listings:

<https://www.nps.gov/nhl/find/statelists.htm>

State Historic Preservation Office Contacts: <http://ncshpo.org/directory/>



ENVIRONMENTAL JUSTICE

Ensures that no group of people should bear a disproportionate share of the negative environmental consequences resulting from a WIFIA project

- Evaluation should address the following concerns:
 - Whether there exists a potential for disproportionate risk
 - Whether communities have been sufficiently involved in the decision-making process
 - Whether communities currently suffer, or have historically suffered, from environmental and health risks or hazards
- Factors used in the evaluation can include: demographic, economic, human health and risk, cultural/ethnic differences etc.

EPA Environmental Justice Screening and Mapping Tool: <https://ejscreen.epa.gov/mapper>

Environmental Justice Guidance: <https://www.epa.gov/nepa/environmental-justice-guidance-national-environmental-policy-act-reviews>



ENDANGERED SPECIES ACT (ESA)

Protects endangered and threatened species along with their critical habitats

- Consultation Process with U.S. Fish and Wildlife Service (FWS) and the Department of Commerce's National Marine Fisheries Service (NMFS)
- Prohibits “taking,” e.g., harming (including, in some cases, habitat modification), harassing, or killing, endangered, and most threatened, animal species, without prior authorization
- Consultation process must be completed prior to obligation and finalizing NEPA decision

General Information on Federally designated endangered and threatened species and endangered and threatened species lists by State:

<https://www.fws.gov/endangered/>



ADMINISTRATIVE CROSS-CUTTERS

Davis Bacon

- Prevailing wage and fringe benefits for the geographic location
- Need to maintain records during construction and three years after
- Payroll submittals for monitoring

America Iron & Steel

- Must use iron and steel products produced in U.S.
- May request a waiver
- De minimis waiver is applicable
- Monitored during site visits
- <https://www.epa.gov/cwsrf/state-revolving-fund-american-iron-and-steel-ais-requirement>



APPLICATION PROCESS

APPLICATION PROCESS

Project Selection

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

Project Approval

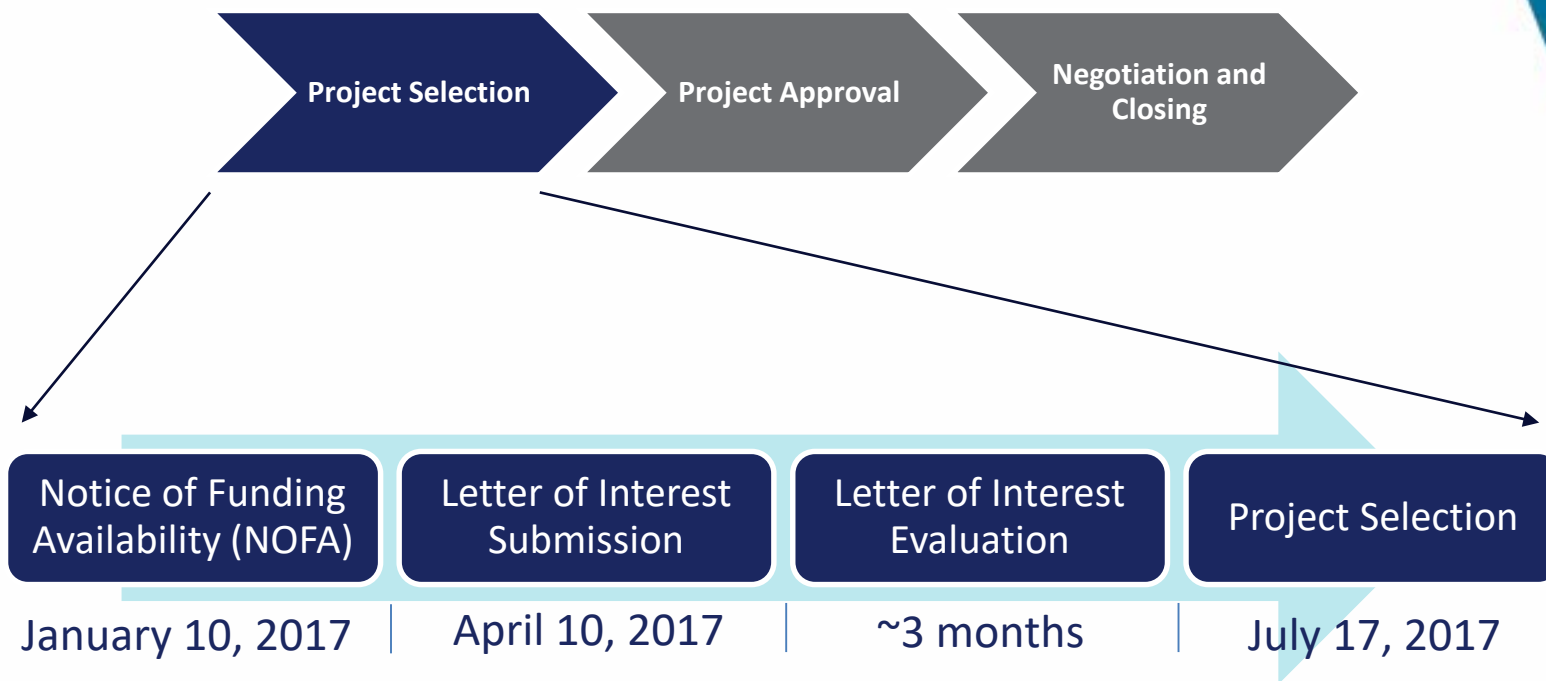
- Application submission
- Application evaluation
- Term sheet
- Application approval

Negotiation and Closing

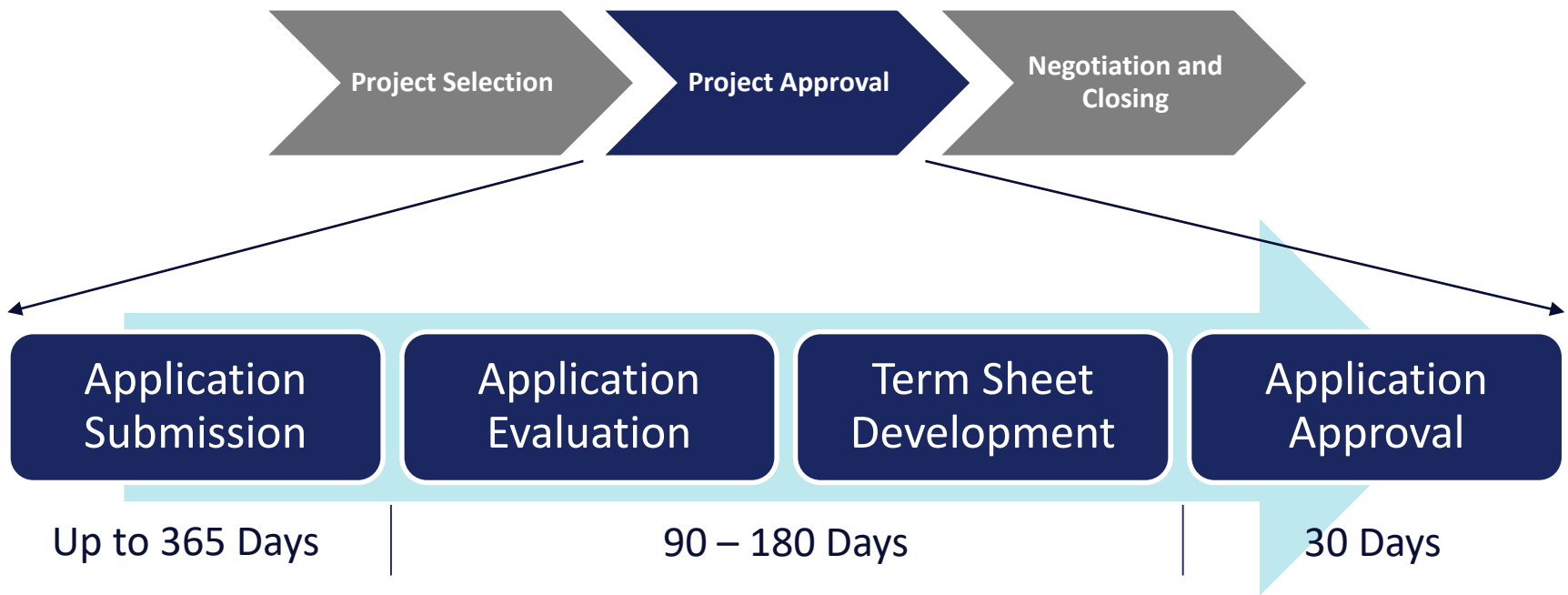
- Negotiation activities
- Credit agreement execution



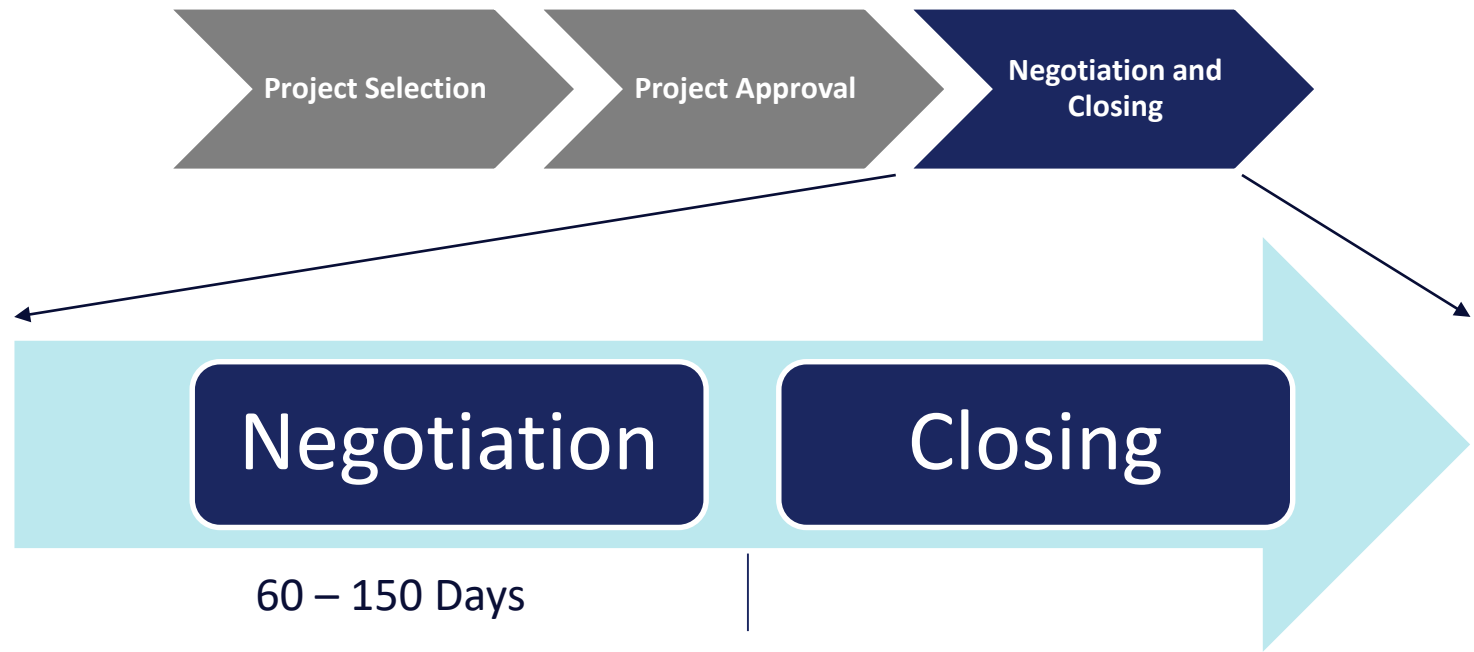
SUMMARY



PROJECT APPROVAL PROCESS



NEGOTIATION AND CLOSING PROCESS



APPLICATION PROCESS

Example Project Y: \$200M low to medium risk capital project

PLEDGE	CREDIT DUE DILIGENCE	TECHNICAL REVIEW	NEGOTIATE TERMS	DOCUMENTATION	WIFIA FEES
Existing Lien of System Revenues	4 Months				\$200,000

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

PLEDGE	CREDIT DUE DILIGENCE	TECHNICAL REVIEW	NEGOTIATE TERMS	DOCUMENTATION	WIFIA FEES
Non-Recourse Indenture with Customized Terms	12 Months				\$500,000



ACCELERATED REVIEW

Prospective borrowers can accelerate the WIFIA review process for projects with straightforward loan terms and financial, legal and technical project characteristics

- Key features required to qualify:
 - A straightforward capital structure
 - A highly rated revenue source not dependent upon construction
 - High-value collateral
 - An active debt issuance program within an existing indenture or trust agreement
 - A willingness to accept WIFIA's standard credit and legal terms outlined in the template term sheet and loan agreement
 - No complicating cross-cutter compliance issues
 - Project concept is conventional and relatively low risk



APPLICATION FEES

- Application fee
 - \$25,000 for small communities (not more than 25,000 individuals)
 - \$100,000 for all other projects
- Credit processing fee assessed at financial close to reimburse the EPA for the cost of hiring engineering, financial, and legal experts
 - Estimates \$250,000-\$500,000 for most projects
 - Very risky, complicated projects could have higher fees
- Financing of fees:
 - Borrowers may finance fees
 - Borrowers may not finance expenses solely related to obtaining the WIFIA loan

Final WIFIA Fee Rule, "Fees for Water Infrastructure Project Applications under WIFIA," found at Docket ID No. EPA-HQ-OW-2016-0568 at <http://www.regulations.gov>





RESOURCES & QUESTIONS



OUTREACH EVENTS

Upcoming in-person sessions

- **Washington, DC:** January 17

Webinars

- **Benefits of Financing with WIFIA Loans:** December 13, 2:00 p.m. - 3:30 p.m. (ET)
- **WIFIA Application Process: Tips for Submitting a Letter of Interest:** December 20, 2:00 p.m. - 3:30 p.m. (ET)
- **Letter of Interest Submission and Project Selection:** TBD, following the release of the FY18 Notice of Funding Availability

Register at:

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



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



WIFIA TEAM

Jorianne Jernberg, Director

(jernberg.jorianne@epa.gov, 202-566-1831)

Engineering

- Danusha Chandy

(chandy.danusha@epa.gov, 202-566-2165)

- Alejandro Escobar

(Escobar.Alejandro@epa.gov, 202-564-9047)

Credit

- Kevin McDonald

(Mcdonald.kevin@epa.gov, 202-566-1486)

- Lan-Anh Phan

(phan.lan-anh@epa.gov, 202-566-0655)

- Amit Srivastava

(Srivastava.amit@epa.gov, 202-564-6231)

Program Management

- Jordan Dorfman

(dorfman.Jordan@epa.gov, 202-564-0614)

- Karen Fligger

(fligger.karen@epa.gov, 202-564-2992)

Legal

- George Kohutiak

(Kohutiak.George@epa.gov, 202-564-0284)

Contracts

- Katie Rechenberg

(rechenberg.kathleen@epa.gov; 513-487-2853)



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>

