



WIFIA

PROGRAM

OVERVIEW OF THE WIFIA PROGRAM & 2018 SELECTION ROUND

June 4, 2018



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



PROGRAM OVERVIEW

Jordan Dorfman



2018 SELECTION ROUND

Karen Fligger



RESOURCES & QUESTIONS

Karen Fligger and Jordan Dorfman



OPPORTUNITY FOR QUESTIONS

- You may call into this webinar by dialing +1 (914) 614-3221 and entering access code 929-516-903. 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





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 \$55 million for credit subsidy for FY 2018 which allowed EPA to open its second selection round on April 12th.
- For this round, we have two priorities:
 - Providing for clean and safe drinking water, including reducing exposure to lead
 - Repairing, rehabilitating, and replacing aging infrastructure and conveyance systems



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
- The subsidy cost is about 1 percent, so a small amount of federal funds can support a larger amount of infrastructure investment

\$1
IN
APPROPRIATIONS

\$100
IN LOANS

\$200
BILLION IN
INFRASTRUCTURE
INVESTMENT



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

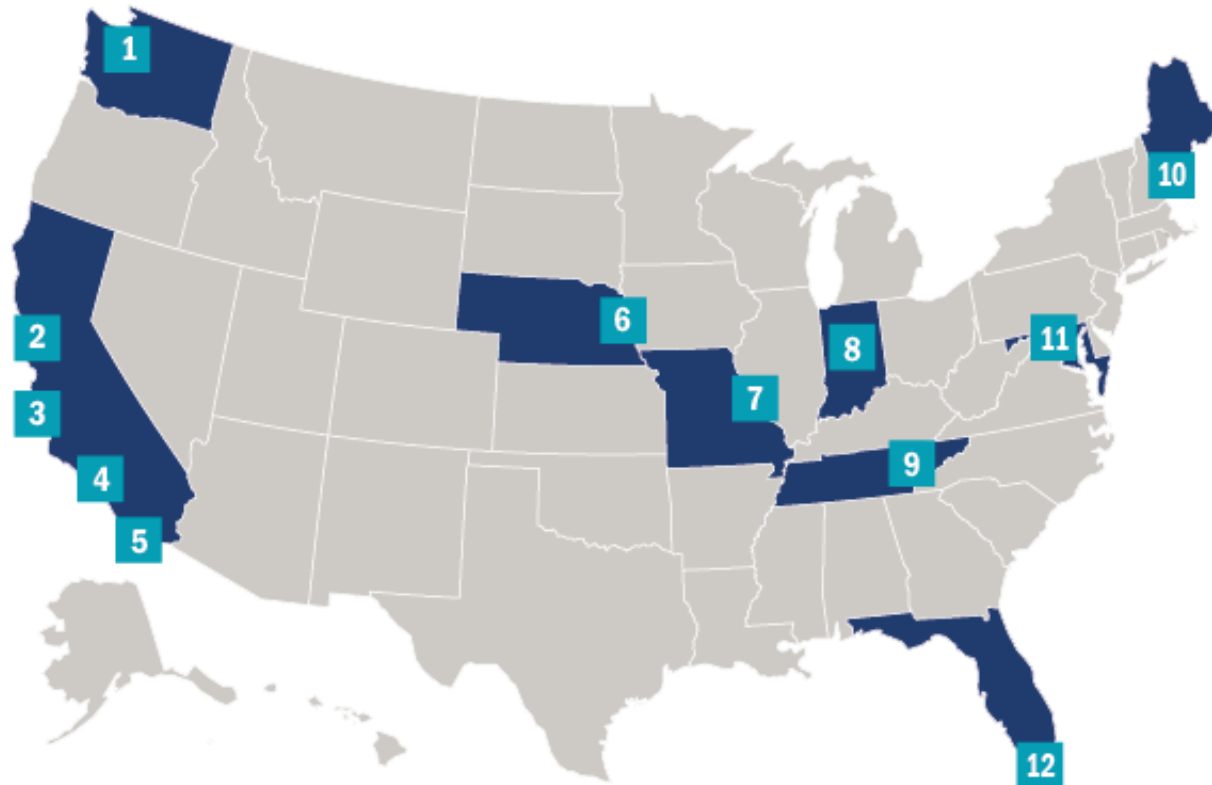


Learn more: epa.gov/WIFIA

#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



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

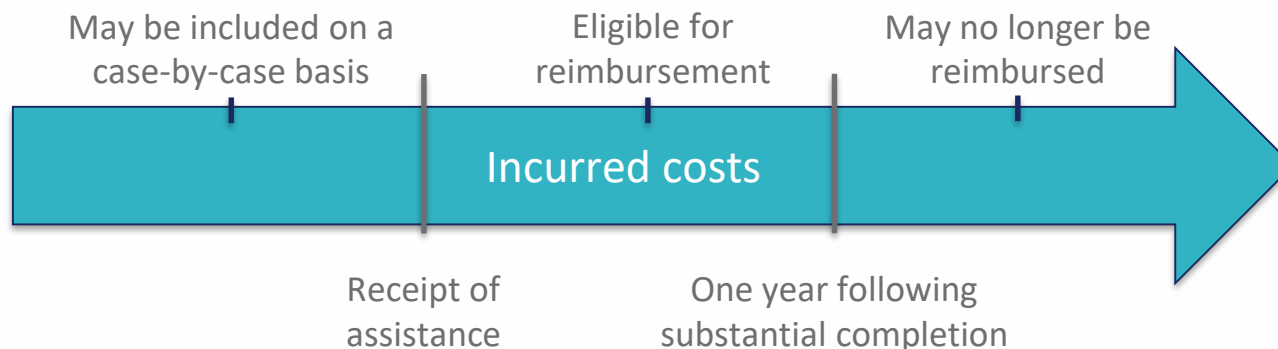
Eligible project costs are costs associated with the following activities, as defined in the statute

- **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 receipt of assistance, including in-kind contributions, 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

3.14%



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

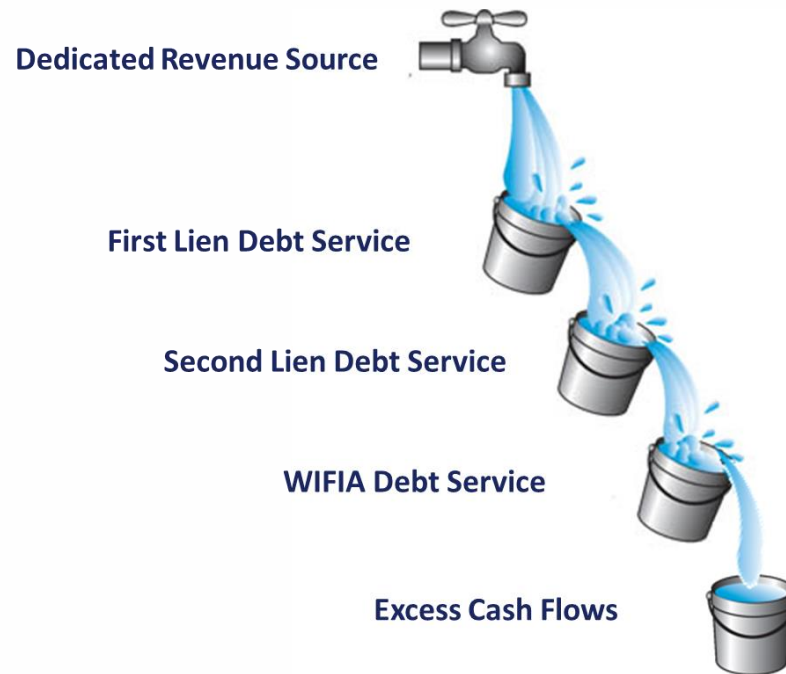
- May prepay in whole or in part at any time without penalty
- May not use federal funds to prepay



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



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
- American Iron and Steel Requirement
- Davis-Bacon Wage Requirement
- Archeological and Historic Preservation Act
- Environmental Justice
- 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>



WIFIA BENEFITS

- **Very low interest rate** equivalent to the U.S. Treasury rate of the same maturity based on the weighted average life (WAL)
- **Highly flexible repayment schedule** during construction, allowing payment deferral during periods of high capital expenditure
- **Ability to preserve a borrower's senior debt capacity**, allowing borrowers issue future non-WIFIA project related debt at lower interest rates and with more favorable terms
- **Flexibility to sculpt the WIFIA repayment schedule** in order to reduce burden on rate payers. WIFIA repayments can be ramped up over time, allowing for small and steady rate increases to satisfy capital expenditures and debt service payments
- **Ability to back load repayments** offers significant saving compared to level repayment schedules, because cash outlays that are made sooner cost more than outlays in future years due to lost earning capacity on that cash
- Presence of low-cost, flexible WIFIA debt **improves the position and confidence of other lenders**. This may help borrowers obtain other sources of funding at more favorable terms





APPLICATION PROCESS

APPLICATION PROCESS

Project Selection

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

Project Approval

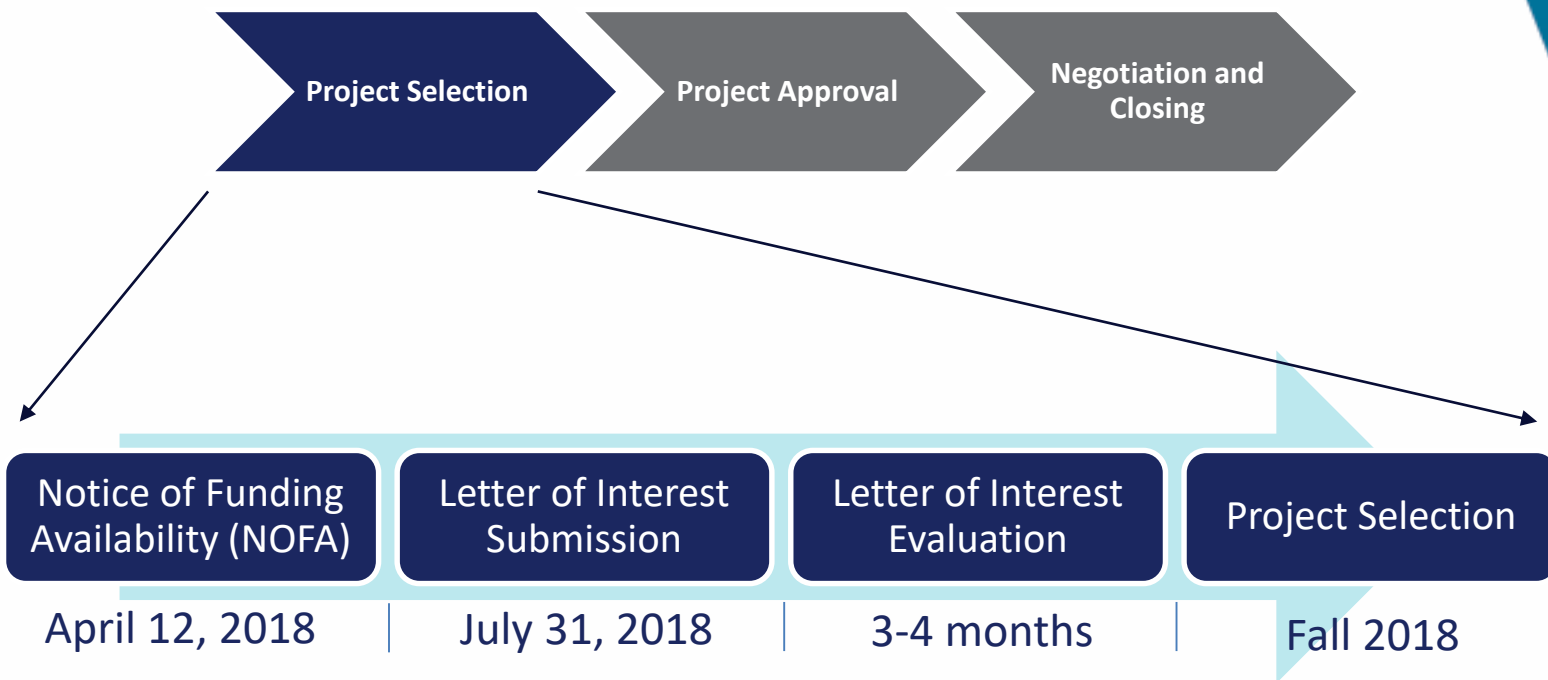
- Application submission
- Application evaluation
- Term sheet
- Application approval

Negotiation and Closing

- Negotiation activities
- Credit agreement execution



2018 PROJECT SELECTION TIMELINE



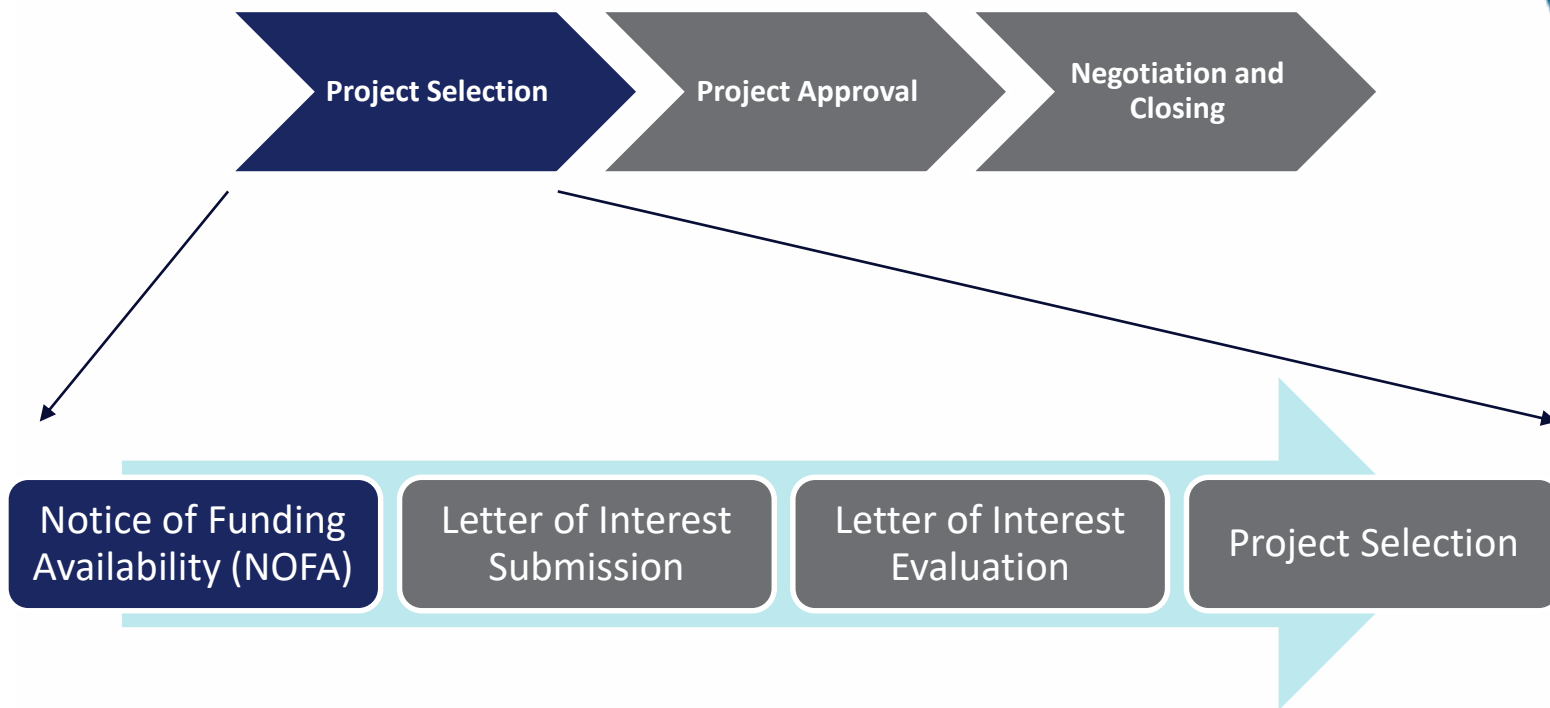
PROJECT SELECTION IS COMPETITIVE

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

- Eligible
- Creditworthy
- Technically feasible
- Meet the strategic objectives outlined in the WIFIA statute and regulation



LETTER OF INTEREST SUBMISSION



NOTICE OF FUNDING AVAILABILITY

EPA will make available \$55 million in budget authority to cover the subsidy cost of providing WIFIA credit assistance

- This funding covers the federal government's anticipated cost of providing approximately \$5.5 billion in credit assistance
- WIFIA can finance up to 49% of the anticipated project costs
- Therefore, the \$55 million can support a total of \$11 billion in water infrastructure investment

2018 Priorities

- Provide for clean and safe drinking water
- Repair, rehabilitate, and replace aging infrastructure and conveyance systems



THRESHOLD REQUIREMENTS

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

- The project and prospective borrower must be creditworthy and demonstrate a reasonable assurance of loan repayment
- The project must be reasonably anticipated to cost no less than \$20 million; \$5 million for SRF-eligible projects small community projects (serves a community of no more than 25,000)
- Project financing shall be repayable from a dedicated revenue source that also secures the senior project obligations of the project
- Private projects shall be publicly sponsored
- 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



TYPES OF CREDIT ASSISTANCE

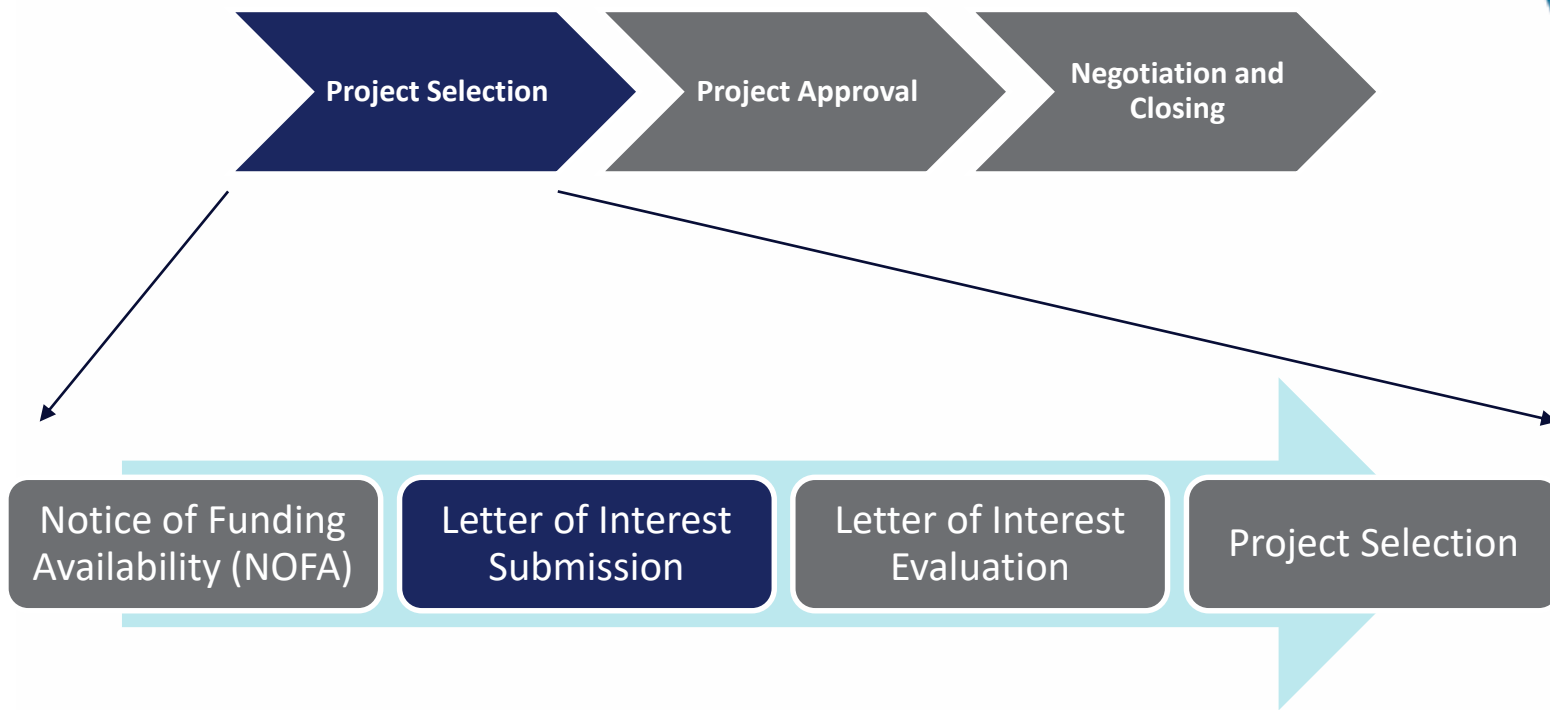
EPA is permitted to provide both direct loans or loan guarantees

- A direct loan is disbursed by and repaid to the federal government
- A loan guarantee is a pledge by the Administrator to pay all or part of the principal and accrued interest on a loan or other debt obligation issued by a borrower and funded by a lender

The maximum amount of WIFIA credit assistance to a project is 49 percent of eligible project costs



LETTER OF INTEREST SUBMISSION



LETTER OF INTEREST FORM

Letters of Interest should be submitted using the letter of interest form available at: <https://www.epa.gov/wifia/wifia-application-materials-and-resources>

Components
A: Prospective Borrower Information
B: Project Plan
C: Project Operations and Maintenance Plan
D: Financing Plan
E: Selection Criteria
F: Contact Information
G: Certifications
H: Notification of State Infrastructure Financing Authority



LETTER OF INTEREST FORM

New format for FY2018!

- All responses should be entered into the editable word document
- The total completed form should not exceed 50 pages
- Supporting documents may be provided as attachments
 - No limit on length or number of attachments, but should be referenced in form
 - May be preliminary or draft documents
- Signature pages must be submitted as a scanned document



LETTER OF INTEREST SUBMISSION

- Deadline: July 31, 2018 at noon ET
- Prospective borrowers should submit all LOIs electronically via email at: wifia@epa.gov or via EPA's SharePoint site
 - To be granted access to the SharePoint site, prospective borrowers should contact wifia@epa.gov and request a link to the SharePoint site, where they can securely upload their LOIs by July 27, 2018 at noon ET
- There is no fee to submit a letter of interest
- EPA will notify prospective borrowers that their letter of interest has been received via a confirmation email

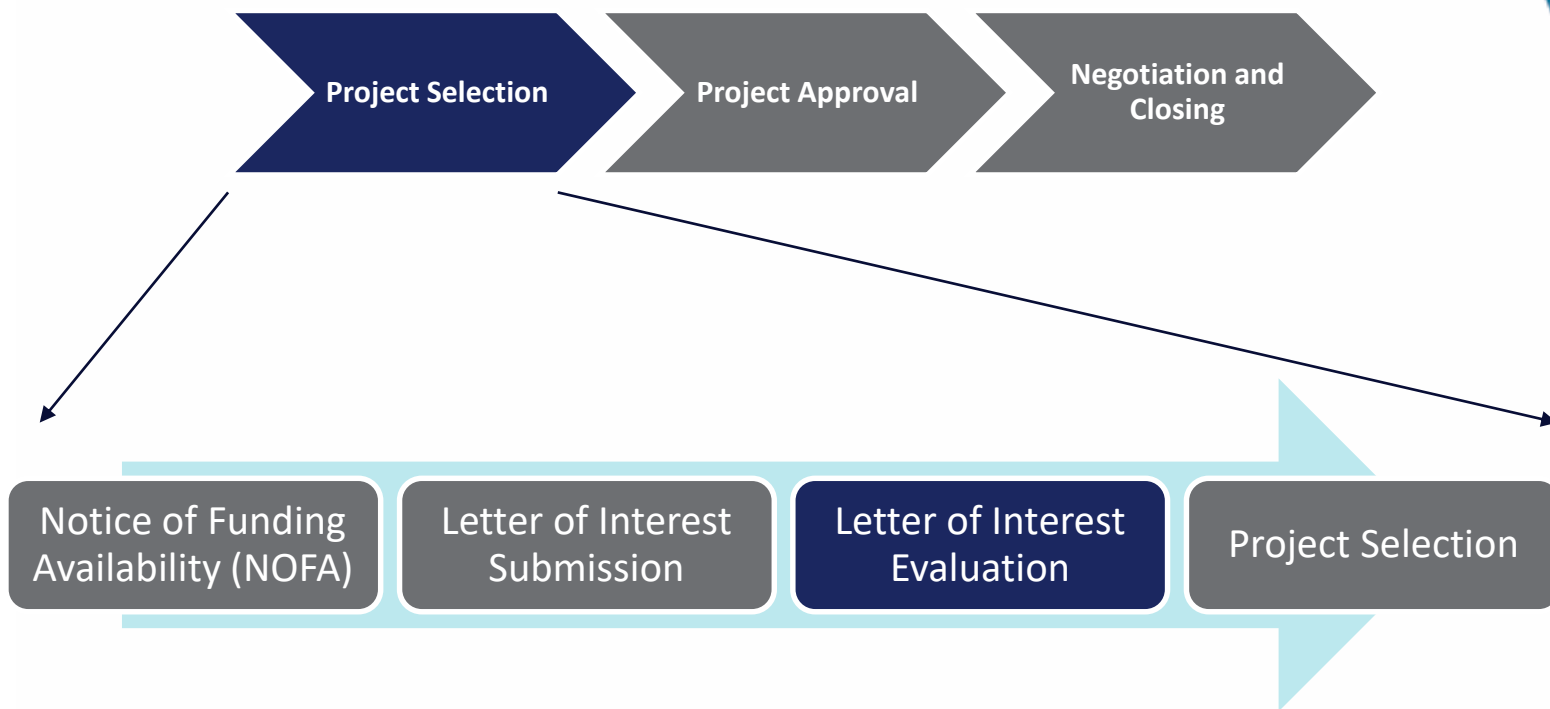


GENERAL TIPS

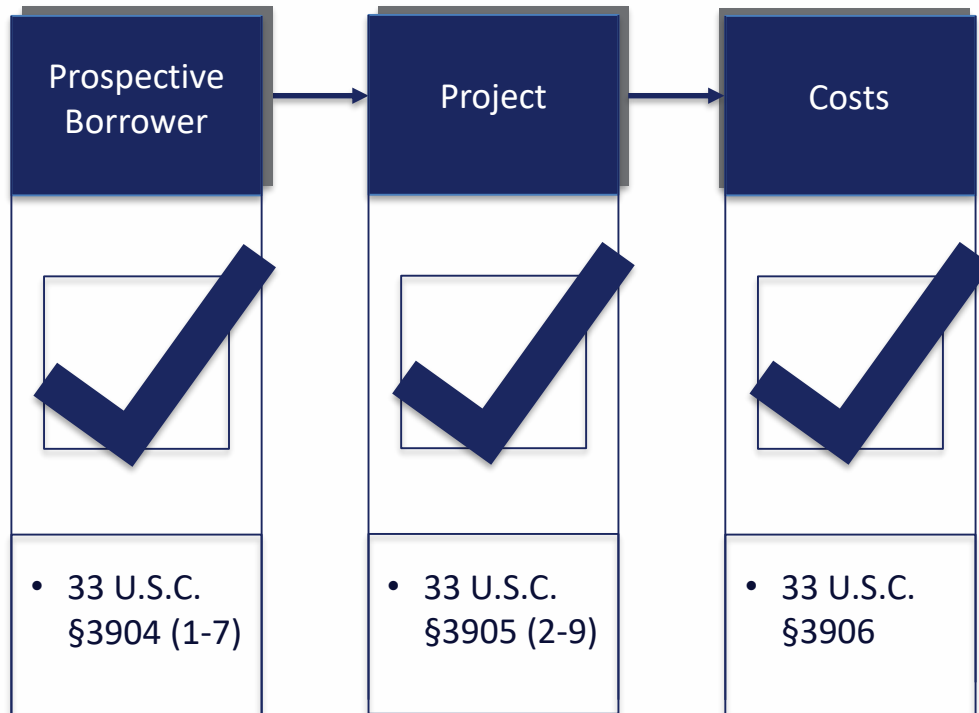
- **Read the instructions** in the NOFA and the program handbook prior to completing your LOI
- **Answer every question**, when relevant provide additional supporting material to support your answer
- **Provide specific references** when pointing to supporting documents
- **Remember your audience** is learning about your system for the first time and needs contextual information to understand your project
- **Submit early** in order to avoid issues with large file sizes at the deadline
- **Ask questions**— contact us at 202-564-2992 or at wifia@epa.gov



LETTER OF INTEREST EVALUATION



ELIGIBILITY SCREENING



*U.S.C. links reference sections of the WIFIA statute

FY2018 PRIORITIES

Repair, rehabilitate, and replace aging infrastructure and conveyance systems

Provide for clean and safe drinking water

- Reducing exposure to lead in the nation's drinking water systems
- Ensuring continuous compliance with contaminant limits
- Responding quickly to emerging concerns
- Improving the nation's aging and insufficient drinking water infrastructure



SELECTION CRITERIA

- The WIFIA selection criteria are divided into three categories:
 - Project Impact
 - Project Readiness
 - Borrower Creditworthiness
- Each criterion within a category can provide a range of points with the maximum number of points indicated.
- Each category can provide up to 100 points out of a total of 300 available points



SELECTION WEIGHTS

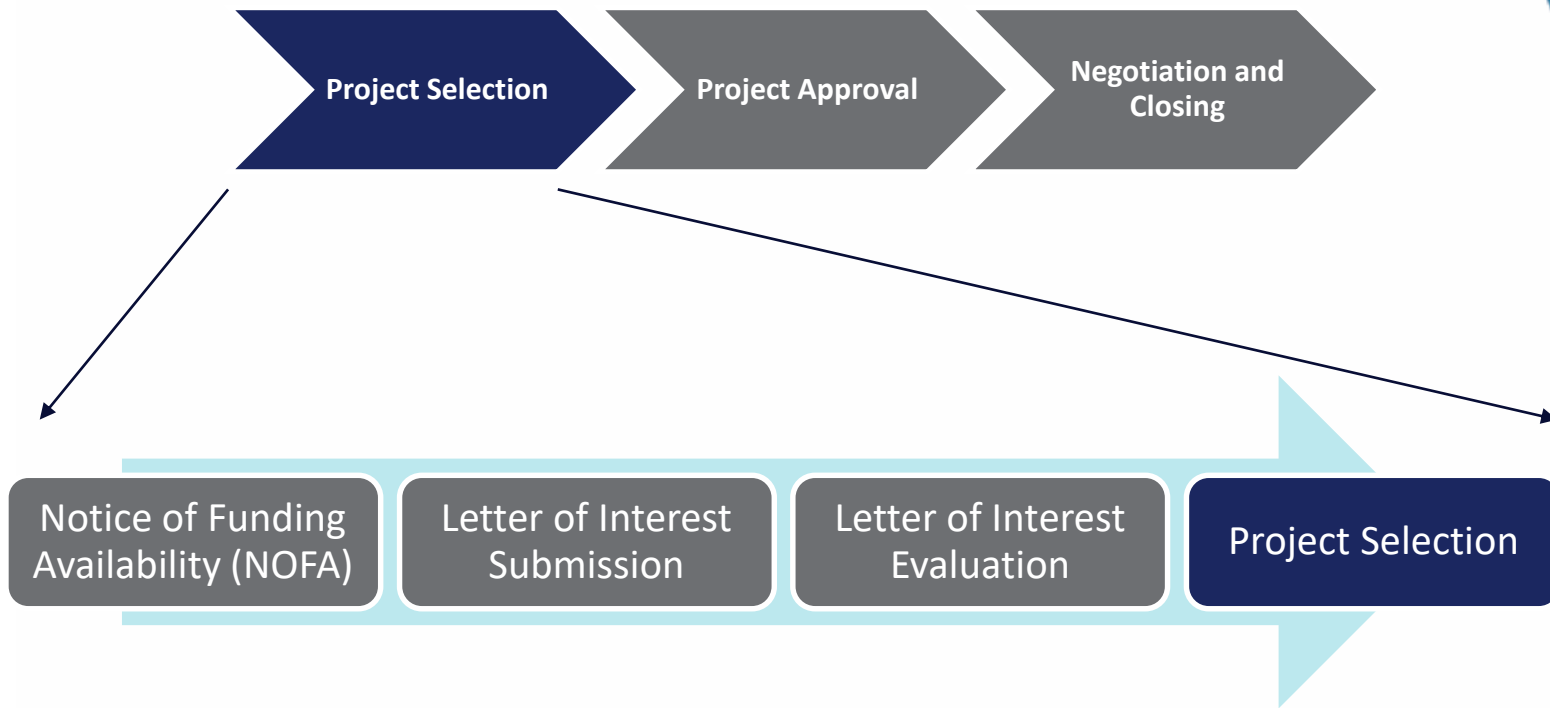
Criteria	Points
Project Impact	
National or regional significance	15
New or innovative approaches	5
Protection against extreme weather events	5
Serves energy exploration or production areas	5
Serves regions with water resource challenges	10
Addresses identified priorities	10
Repair, rehabilitation, or replacement	20
Economically stressed communities	10
Reduces exposure to lead	20
Project Readiness	
Readiness to proceed	50
Preliminary engineering feasibility analysis	50

Criteria	Points
Borrower Creditworthiness	
Enables project to proceed earlier	10
Financing plan	10
Reduction of Federal assistance	10
Required budget authority	10
Preliminary creditworthiness assessment	60

Total Score: 300



PROJECT SELECTION



PROJECT SELECTION PROCESS

The Selection Committee will select prospective borrowers to invite to apply

- Three-person committee comprised of a senior manager from
 - Office of Wastewater Management
 - Office of Groundwater and Drinking Water
 - Office of Water

The Selection Committee will consider:

- Selection score

They will also consider:

- Diversity of project types and geography within the portfolio



INVITATION TO APPLY

- The WIFIA program will provide written notification inviting prospective borrowers to submit an application and publicly announce selected prospective borrowers
- Prospective borrowers who are not invited to apply must re-submit their letter of interest to be considered in future rounds



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: \$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



FACTORS IMPACTING LENGTH OF REVIEW

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

- Complexity of the capital structure
- Rating of the revenue source
- Whether or not the borrower has active debt issuance program within an existing indenture or trust agreement
- Willingness to accept WIFIA's standard credit and legal terms outlined in the template term sheet and loan agreement
- Complexity of environmental review and cross-cutter compliance
- Riskiness of the project



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



RESOURCES

General information

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

- Program overview
- Program benefits
- Links to laws and regulations
- Frequently asked questions

Application materials

<https://www.epa.gov/wifia/how-apply-wifia-assistance-0#materials>

- Letter of Interest form
- Letter of Interest FAQ
- Letter of Interest checklist
- Sample financial pro forma
- Sample Letter of Interest

Resources

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

- Program Handbook
- Recordings and presentations from past webinars



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>

