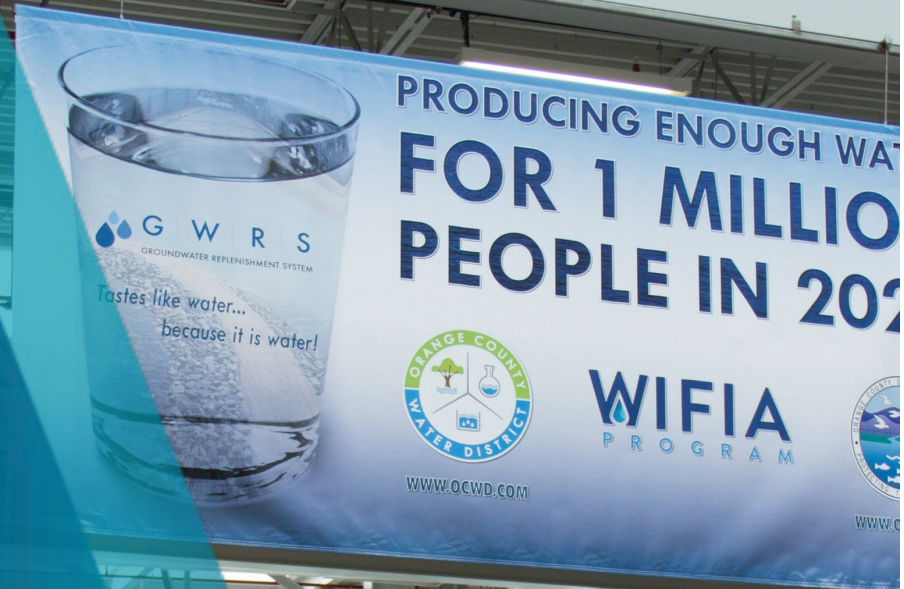




WIFIA PROGRAM

APPLICATION PROCESS

December 18, 2018



OPPORTUNITY FOR QUESTIONS

- You may call into this webinar by dialing +1 (415) 655-0060 and entering access code 503-842-880
- 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



PURPOSE OF THE SESSION

The purpose of this webinar is to:

- Foster a greater understanding of the requirements of the WIFIA program
- Pave the way for successful letters of interest to the WIFIA program



AGENDA



INTRODUCTION



OVERVIEW



APPLICATION PROCESS



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

- **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:** 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
- **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 5 loans totaling over \$1.5 billion in financing



FEDERAL CREDIT PROGRAM

A small amount of federal funds supports a much larger amount of infrastructure investment

- Congress only appropriates money to cover the estimated losses for projects
- The remaining loan amount is borrowed from and repaid to Treasury
- Since WIFIA loans finance up to 49%, they stimulate additional investment in the project

\$55
MILLION IN
APPROPRIATIONS



\$5.5

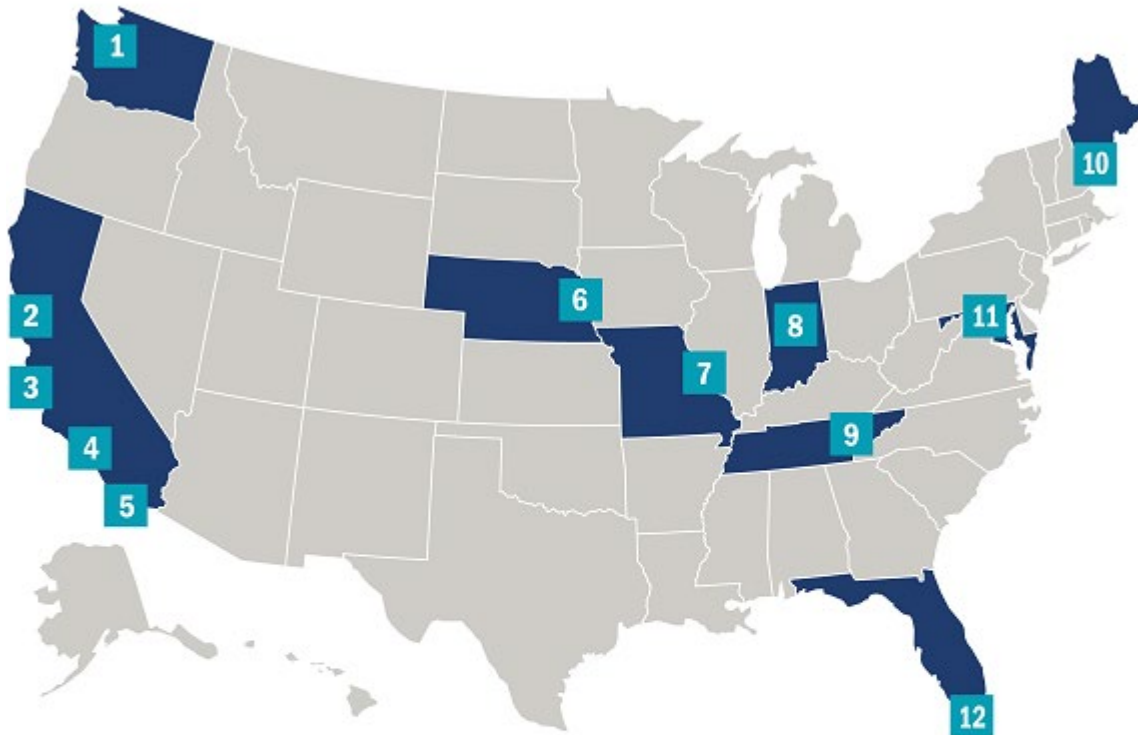
BILLION IN
LOANS

\$11

BILLION IN
INFRASTRUCTURE
INVESTMENT



FY 2017 SELECTED PROJECTS



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



OVER \$1.5B IN LOANS CLOSED

Saving borrowers up to \$650 million and creating over 6,000 jobs

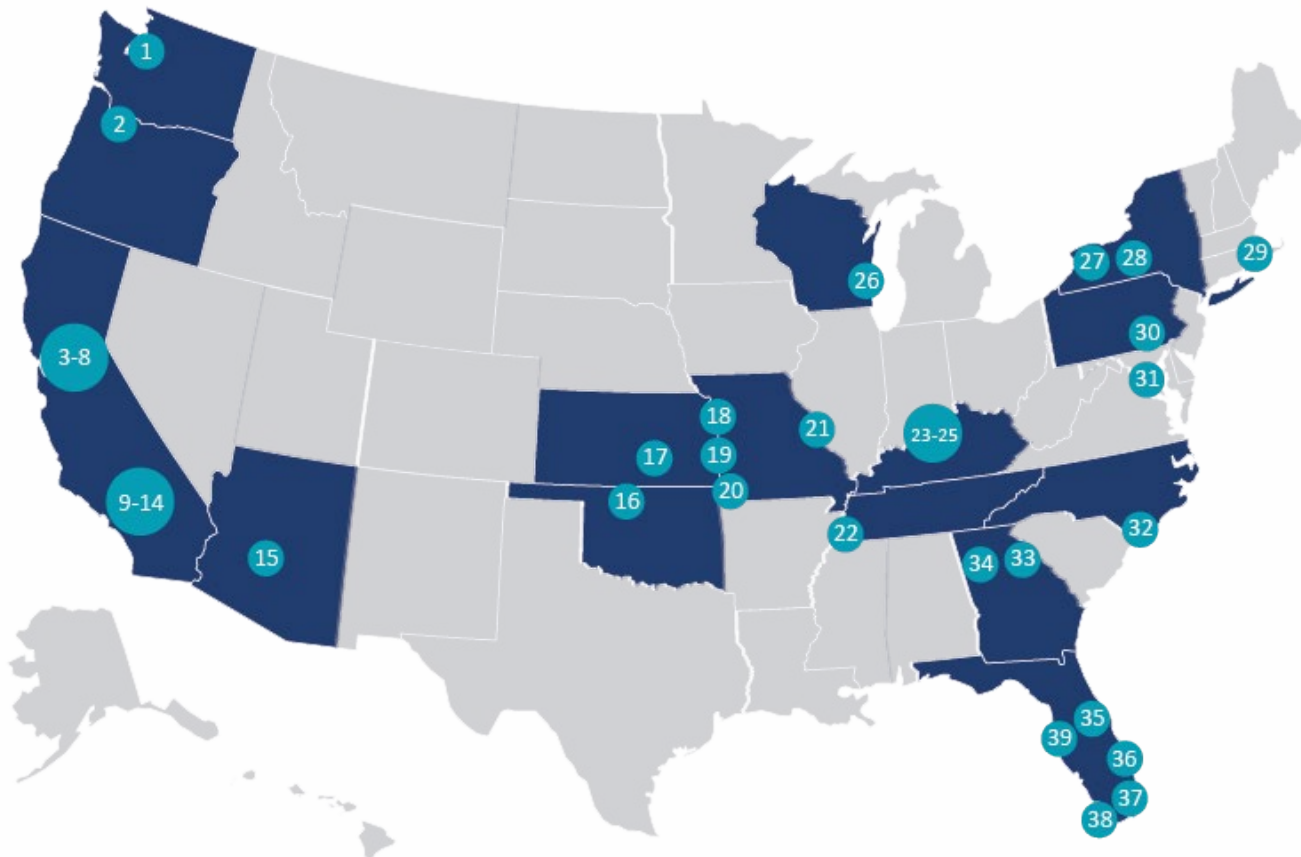
| BORROWER | KING COUNTY | CITY OF OMAHA | ORANGE COUNTY WATER DISTRICT | SAN FRANCISCO | SAN DIEGO |
|---------------------------|---|---|---|---|--|
| LOAN AMOUNT | \$134M | \$69M | \$135M | \$699M | \$614M |
| TERM | 30 years from project completion | 30 years from project completion | 35 years from project completion | 35 years from project completion | 35 years from project completion |
| INTEREST RATE | 3.06% | 2.97% | 3.06% | 3.09% | 3.36% |
| CO-FINANCING | Revenue Bonds & SRF Loan | Revenue Bonds OR SRF Loan | Certificates of Participation | Revenue Bonds and SRF Loan | Revenue Bonds and Short-Term Financing |
| TRANSACTION FLEXIBILITIES | 1) 10+ year interest only period 2)Sculpted Debt Service | 1)WIFIA commitment prior to execution of an SRF agreement 2) Interest capitalization during construction | 1) Optional ability to use WIFIA to retire construction financing 2) 5 year capitalized interest after construction 3) Springing Lien | 1) Optional ability to use WIFIA to retire construction financing 2) Interest capitalization during construction 3) Sculpted Debt Service | 1) Subordinated debt 2) Sculpted repayment schedule |

FY 2018 SELECTED PROJECTS

- Number of projects selected: 39
- Total invited loan amount: Approximately \$5 billion
- Total infrastructure investment: Over \$10 billion
- Number of projects reducing lead or other contaminants: 12
- Number of projects addressing repair, rehabilitation, or replacement: 37
- Population served by the projects: 22 million people in 16 states and Washington, D.C.
- Types of borrowers: private corporations, public entities, and public-private partnerships
- Types of projects: wastewater collection and treatment, drinking water distribution and treatment, stormwater management, desalination, and water recycling projects



FY 2018 SELECTED PROJECTS



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





OVERVIEW



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



ELIGIBLE PROJECT SIZE



Minimum project size for large communities



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

ELIGIBLE COSTS

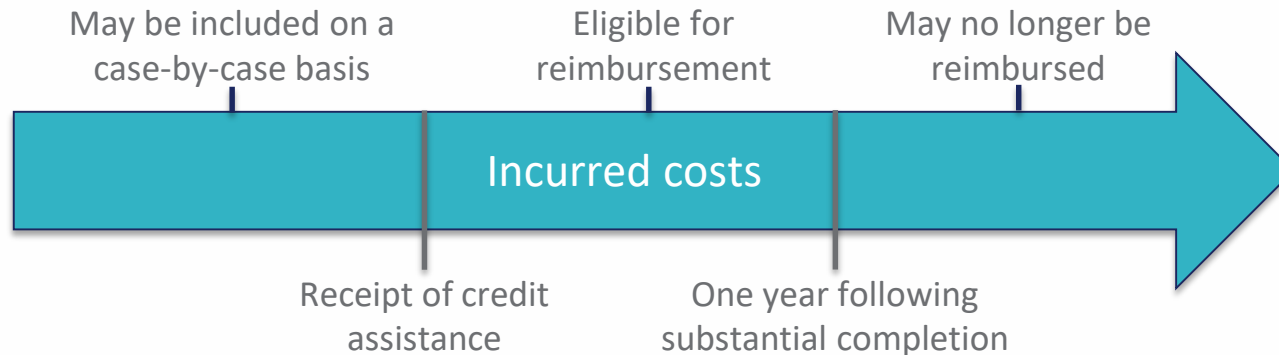
Eligible project costs are costs associated with the following activities, as defined in the statute

- **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
 - Must be directly related to the development or execution of the project
 - 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



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

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



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



SUMMARY



PROJECT SELECTION PROCESS

EPA Does

- Identify projects that it believes have a reasonable likelihood of receiving a WIFIA loan
- Allocate budgetary resources, for each selected project

EPA Does Not

- Accept of all proposed business terms or credit structure in a LOI
- Confirm sufficiency or fulsomeness of the information provided in a LOI



NOTICE OF FUNDING AVAILABILITY

- Indicates how much money is available
 - FY 2018: \$55 million in appropriations will allow us to loan approximately \$5 billion
- Announces the opening of and deadline for the funding round
 - Approximately 90 days
- Provides key information on the evaluation process
 - Priorities
 - Selection criteria weights
- Gives instructions for submitting a LOI



LETTER OF INTEREST FORM

Letters of Interest should be submitted using the letter of interest form available at: <https://www.epa.gov/wifia/how-apply-wifia-assistance-0#materials>

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 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
- **Attend one of the webinars** offered following the NOFA release
- **Ask questions**— contact us by phone at 202-564-2991 or at wifia@epa.gov



LETTER OF INTEREST SUBMISSION

- All submittals are electronic by either:
 - Emailing the LOI form and all supporting documents to wifia@epa.gov
 - Requesting access to upload the LOI form and all supporting documents to SharePoint by emailing wifia@epa.gov
- There is no fee to submit a LOI
- To be considered, submission must arrive before announced deadline



LETTER OF INTEREST EVALUATION

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

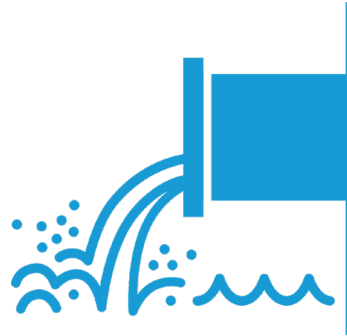
- Eligible
- Creditworthy
- Technically feasible and ready to proceed
- Meet the public policy goals outlined in the WIFIA statute, regulation, and NOFA



ELIGIBILITY SCREENING



Prospective borrower is an eligible entity



Proposed project is an eligible project



Total project costs exceed the required thresholds



Requested loan amount is 49% or less of anticipated eligible project costs

PRELIMINARY CREDITWORTHINESS ASSESSMENT

Purpose:

- To evaluate the reasonable assurance of repayment by the prospective borrower
- To estimate the amount of budget authority necessary to fund the WIFIA loan

Prospective borrowers and projects will be assessed for creditworthiness under each of the following categories:

- Sufficiency of pledged revenues
- Leverage
- Asset quality and condition
- Revenue risk
- Management and governance



PRELIMINARY CREDITWORTHINESS ASSESSMENT

In addition, the following criteria from the WIFIA statute are considered as part of the review:

1. The likelihood that assistance under WIFIA would enable the project to proceed at an earlier date than the project would otherwise be able to proceed.
2. The extent to which the project financing plan includes public or private financing in addition to assistance under WIFIA.
3. The extent to which assistance under WIFIA reduces the contribution of federal assistance to the project.
4. The amount of budget authority required to fund the federal credit instrument made available under WIFIA.



PRELIMINARY ENGINEERING FEASIBILITY ANALYSIS

Purpose:

- To evaluate the feasibility of project plan

Prospective borrowers and projects will be assessed for engineering feasibility in the following categories:

- Appropriate technology and design
- Reasonable schedule, including planning, design, construction and permitting phases
- Reasonable capital and O&M costs
- Impacts (on cost, scope and schedule) of federal requirements
- Reasonable O&M plan for the full length of the proposed loan



READINESS TO PROCEED

From the WIFIA statute:

- **The readiness of the project to proceed toward development**, including a demonstration by the obligor that there is a reasonable expectation that the contracting process for construction of the project can commence by not later than 90 days after the date on which a Federal credit instrument is obligated for the project under WIFIA.

Prospective borrowers and projects will be assessed for readiness to proceed considering the following:

- Current status of project and how long it will take to submit an application, close the loan, and contract for construction
- Issues that may affect the development and financing of the project, such as community support, pending legislation, permitting, environmental review, litigation, credit history, timing of other sources of funding



PROJECT IMPACT

Purpose:

- To evaluate the extent to which the project meets the public policy goals outlined in the WIFIA statute and WIFIA regulation and the priorities announced in the NOFA



PROJECT IMPACT CRITERIA

From the WIFIA statute:

- 1. The extent to which the project is nationally or regionally significant,** with respect to the generation of economic and public benefits such as the reduction of flood risk; the improvement of water quality and quantity, including aquifer recharge; the protection of drinking water, including source water protection; and the support of international commerce.
- 2. The extent to which the project uses new or innovative approaches** such as the use of renewable or alternate sources of energy; the use of energy efficient parts or systems, or; green infrastructure; the development of alternate sources of drinking water through aquifer recharge, water recycling, or desalination; the development of distribution systems for recycled water; the development of biosolids or other renewable sources; addressing emerging yet unregulated contaminants or other water quality issues; the use of new or enhanced technologies that improve drinking water treatment; and a novel application of an existing method or technology.
- 3. The extent to which the project protects against extreme weather events,** such as floods or hurricanes, or helps maintain or protect the environment.



PROJECT IMPACT CRITERIA

From the WIFIA statute:

4. The extent to which a project serves regions with significant energy exploration, development, or production areas.
5. The extent to which a project serves regions with significant water resource challenges, including the need to address water quality concerns in areas of regional, national, or international significance; water quantity concerns related to groundwater, surface water, or other water sources; significant flood risk; water resource challenges identified in existing regional, state, or multistate agreements; and water resources with exceptional recreational value or ecological importance.
6. The extent to which the project addresses identified municipal, state, or regional priorities.



PROJECT IMPACT CRITERIA

From the WIFIA Regulation:

- 7. The extent to which the project addresses needs for repair, rehabilitation or replacement of a treatment works, community water system, or aging water distribution or wastewater collection system.**
- 8. The extent to which the project serves economically stressed communities, or pockets of economically stressed rate payers within otherwise non-economically stressed communities.**

From the WIFIA FY 2018 NOFA:

- 9. The extent to which the project reduces exposure to lead in the nation's drinking water systems or ensures continuous compliance with contaminant limits.**



FY 2018 SELECTION SCORE WEIGHTS

| PROJECT IMPACT CRITERIA | POINTS |
|--|--------|
| 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 and ensures continuous compliance | 20 |

| BORROWER CREDITWORTHINESS CRITERIA | POINTS |
|---|--------|
| Enables project to proceed earlier | 10 |
| Financing plan | 10 |
| Reduction of Federal assistance | 10 |
| Required budget authority | 10 |
| Preliminary creditworthiness assessment | 60 |

| PROJECT READINESS CRITERIA | POINTS |
|--|--------|
| Readiness to proceed | 50 |
| Preliminary engineering feasibility analysis | 50 |

TOTAL SCORE: 300



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 first consider:

- Selection criteria score
- Amount of subsidy available and loan volume cap

They will also consider:

- Diversity of project types and geography within the portfolio
- Whether entity is a small community

INVITATION TO APPLY

EPA intends to loan to the projects that it invites to apply

Selected projects

- EPA sends written notification of selection
- Within ~30 days of the invitation, EPA will meet with the entity to discuss the application process
- Selected borrowers should submit an application within 365 days from the notification date
- EPA will publicly announce selected projects

Non-selected projects

- EPA sends written notification that they were not selected
- May request a de-brief
- Must re-submit their LOI to be considered in future rounds



SUMMARY



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 FEE

- Required to be paid at the time of application
- Application fee
 - \$25,000 for small communities
 - \$100,000 for all other projects
- Down payment for the cost of hiring engineering, financial, and legal experts

Final WIFIA Fee Rule, “Fees for Water Infrastructure Project Applications under WIFIA,” is available at <https://www.federalregister.gov/documents/2017/06/28/2017-13438/fees-for-water-infrastructure-project-applications-under-wifia>



CREDIT PROCESSING FEE

- Assessed at financial close
- Reimburses EPA for the cost of hiring engineering, financial, and legal experts
 - \$250,000-\$350,000 for most projects
 - Very risky, complicated projects could have higher fees
 - Application fee is credited toward this amount
- For first 5 loans, total fees have ranged from \$213,000-\$398,000 (0.04%-0.31% of the loan amount)
- Borrowers may use WIFIA proceeds to pay loan fees

Final WIFIA Fee Rule, "Fees for Water Infrastructure Project Applications under WIFIA," is available at <https://www.federalregister.gov/documents/2017/06/28/2017-13438/fees-for-water-infrastructure-project-applications-under-wifia>



APPLICATION PROCESS

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

| PLEDGE | APPLICATION EVALUATION | TERM SHEET & LOAN AGREEMENT DEVELOPMENT | APPROVAL & CLOSING | WIFIA FEES |
|----------------------------------|------------------------|---|--------------------|------------|
| Existing Lien of System Revenues | 4 Months | | | \$250,000 |

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

| PLEDGE | APPLICATION EVALUATION | TERM SHEET & LOAN AGREEMENT DEVELOPMENT | APPROVAL & CLOSING | WIFIA FEES |
|--|------------------------|---|--------------------|------------|
| Public-Private Partnership with Customized Terms | 12 Months | | | \$500,000+ |



LOAN TIMEFRAMES

Projects selected on July 17, 2017

| BORROWER | APPLICATION SUBMITTED | NEPA DETERMINATION ISSUED | BORROWER APPROVAL PROCESS BEGINS | LOAN CLOSED | TIMING |
|------------------------------|-----------------------|---------------------------|----------------------------------|---------------|-------------------|
| KING COUNTY | Nov. 5, 2017 | Feb. 5, 2018 | April 3, 2018 | Apr. 20, 2018 | 5 months, 15 days |
| CITY OF OMAHA | Jan. 29, 2018 | Apr. 24, 2018 | May 22, 2018 | Jun. 20, 2018 | 4 months, 22 days |
| ORANGE COUNTY WATER DISTRICT | Mar. 14, 2018 | Jun. 14, 2018 | Jul. 12, 2018 | Jul. 26, 2018 | 4 months, 12 days |
| SAN FRANCISCO | Dec. 22, 2017 | Jun. 20, 2018 | Jul. 24, 2018 | Jul. 27, 2018 | 7 months, 5 days |
| SAN DIEGO | Mar. 16, 2018 | Jun. 15, 2018 | Sept. 24, 2018 | Nov. 14, 2018 | 7 months, 29 days |



UPCOMING OUTREACH EVENTS

In-Person Sessions

- January 15, 2019 – Atlanta, GA
- February 4, 2019– Phoenix, AZ
- Registration is available at <https://www.epa.gov/wifia/wifia-resources#information>



MEETING WITH WIFIA PROGRAM STAFF

EPA will meet with all prospective borrowers interested in discussing the program prior to submission of a letter of interest

- Send requests to wifia@epa.gov
- Meetings may be in-person or via phone
- Meetings will be no more than 1-hour
- EPA can answer clarifying questions but cannot provide technical assistance



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>



WIFIA TEAM

Jorianne Jernberg, Director

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

Engineering

- Danusha Chandy
(chandy.danusha@epa.gov, 202-566-2165)
- Dan-Tam Nguyen
(nguyen.dam-tam@epa.gov, 202-564-2784)
- Kavita Mak
(mak.kavita@epa.gov, 202-566-2999)

Environmental

- Alaina McCurdy
(mccurdy.alaina@epa.gov, 215-814-2741)

Legal

- Hana Kong
(kong.hana@epa.gov, 202-564-1418)
- Jordan Dorfman
(dorfman.Jordan@epa.gov, 202-564-0614)

Portfolio Management

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

Program Management

- Karen Fligger
(fligger.karen@epa.gov, 202-564-2992)
- Arielle Gerstein
(gerstein.arielle@epa.gov, 202-566-1868)

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)
- Alex Mourant
(mourant.alex@epa.gov, 202-564-3180)
- Marnin Lebovits
(lebovits.marnin@epa.gov, 202-566-2851)

Contracts

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





QUESTION & ANSWER SESSION

