



WIFIA
PROGRAM

OVERVIEW OF THE WIFIA PROGRAM & 2019 SELECTION ROUND

April 17, 2019



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

Arielle Gerstein



2019 SELECTION ROUND

Karen Fligger



RESOURCES & QUESTIONS

Arielle Gerstein and Karen Fligger



OPPORTUNITY FOR QUESTIONS

- You may call into this webinar by dialing +1 (631) 992-3221
- and entering access code 130-481-704. 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
- 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

- **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
- **FY2017:** Congress appropriated \$25 million for credit subsidy which allowed EPA to select its first 12 projects to invite to apply for loans
- **FY2018:** Congress appropriated \$55 million for credit subsidy and invited 39 projects to apply for WIFIA financing
- **FY2019:** Congress appropriated \$60 million for credit subsidy which will allow EPA to finance approximately \$6 billion.
- WIFIA program has closed its first 8 loans totaling over \$2 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

\$60
MILLION IN
APPROPRIATIONS

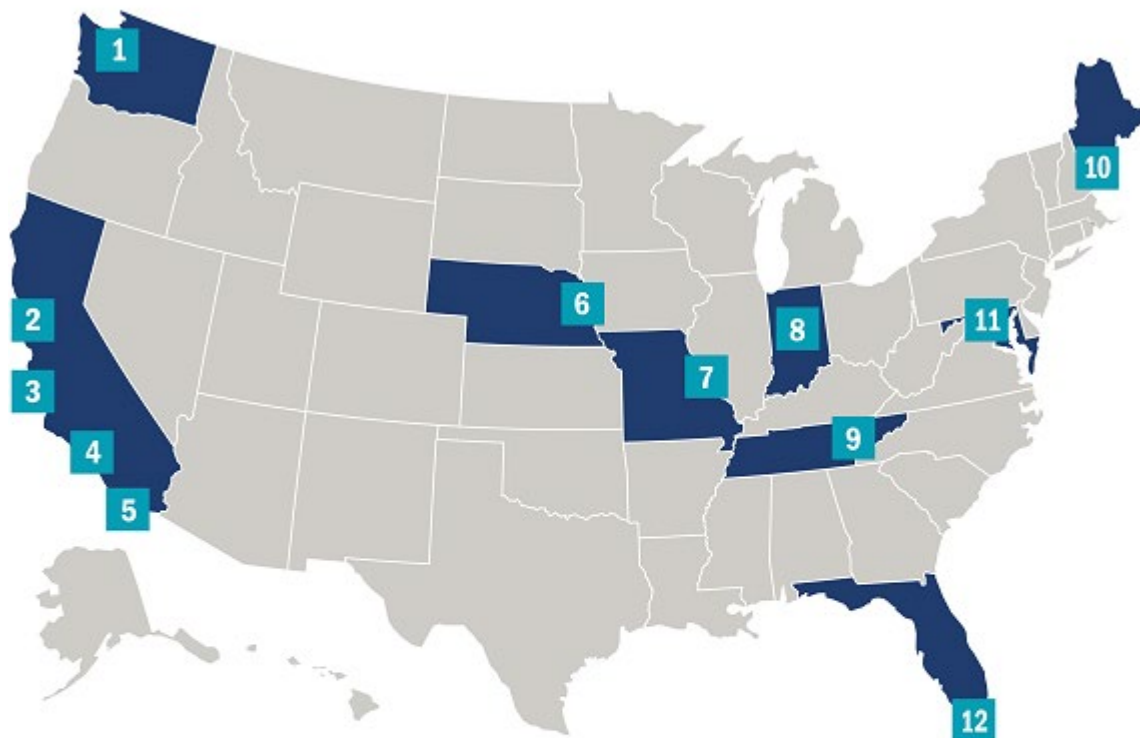


\$6
BILLION IN
LOANS

\$12
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

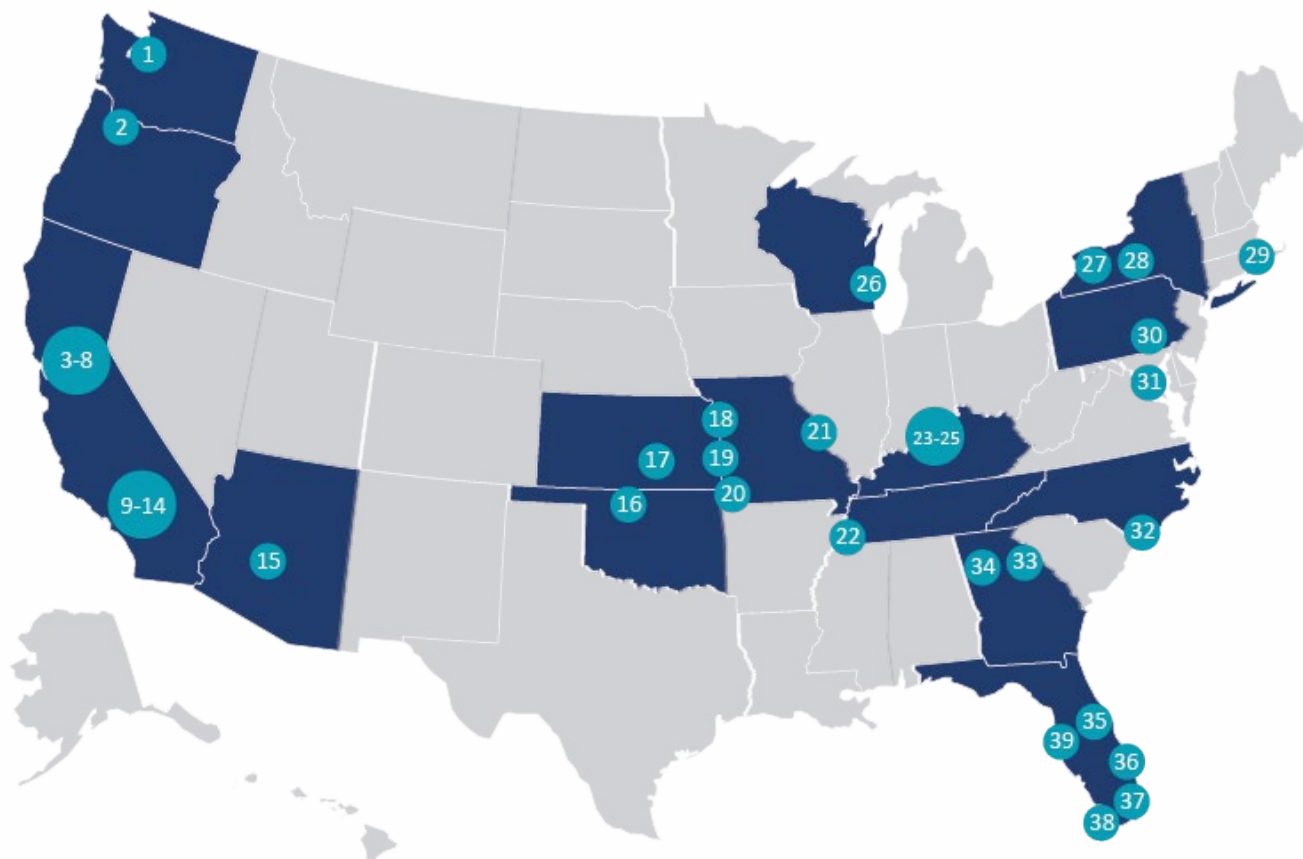
10. Maine Water Co.
Saco River Treatment Plant

11. City of Baltimore
Capital Improvements

12. Miami-Dade County
Ocean Outfall Reduction



FY 2018 SELECTED PROJECTS



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



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



OVER \$2B IN LOANS CLOSED

Saving borrowers over \$700 million and creating over 6,000 jobs

BORROWER	KING COUNTY	CITY OF OMAHA	ORANGE COUNTY WATER DISTRICT	SAN FRANCISCO
LOAN AMOUNT	\$134M	\$69M	\$135M	\$699M
TERM	30 years from project completion	30 years from project completion	35 years from project completion	35 years from project completion
INTEREST RATE	3.06%	2.97%	3.06%	3.09%
CO- FINANCING	Revenue Bonds & SRF Loan	Revenue Bonds OR SRF Loan	Certificates of Participation	Revenue Bonds and SRF Loan
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

OVER \$2B IN LOANS CLOSED

BORROWER	SAN DIEGO	ST. LOUIS SEWER DISTRICT	CITY OF BALTIMORE	MIAMI-DADE COUNTY
LOAN AMOUNT	\$614M	\$47.7M	\$202M	\$99.7M
TERM	35 years from project completion	35 years from project completion	35 years from project completion	35 years from project completion
INTEREST RATE	3.36%	3.06%	2.88%	2.89%
CO-FINANCING	Revenue Bonds and Short-Term Financing	SRF Loan	Revenue Bonds, SRF Loan, Bay Restoration Fund Grants	SRF Loan
TRANSACTION FLEXIBILITIES	1) Subordinated debt 2) Sculpted debt service	1) WIFIA commitment prior to execution of an SRF agreement 2) Backloaded repayment schedule	1) City was able to operate as normal under the Bond Resolution 2) WIFIA allowed City's Continuing Disclosure notices to address many reporting requirements in loan agreement	1) Capitalized interested 2) Subordinated debt without springing lien provision

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, notwithstanding 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)

SMALL COMMUNITIES

The WIFIA program must set aside, for small communities, 15% of the amount appropriated

- Population no greater than 25,000
- On June 1 of the year in which the funds were obligated, these funds become available for all WIFIA projects
- Expiration of set-aside does not preclude funding of small community projects



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 COSTS

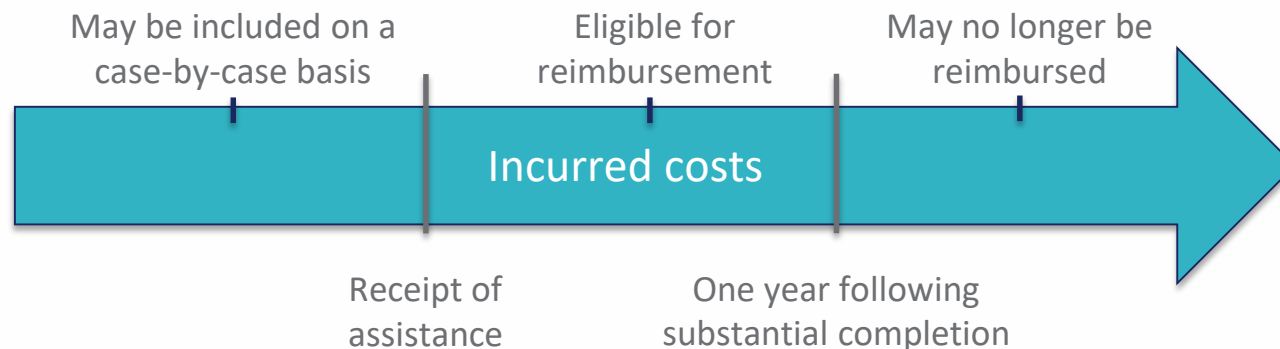
Eligible project costs are costs associated with the following activities, as defined in the statute

- **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

2.88%



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

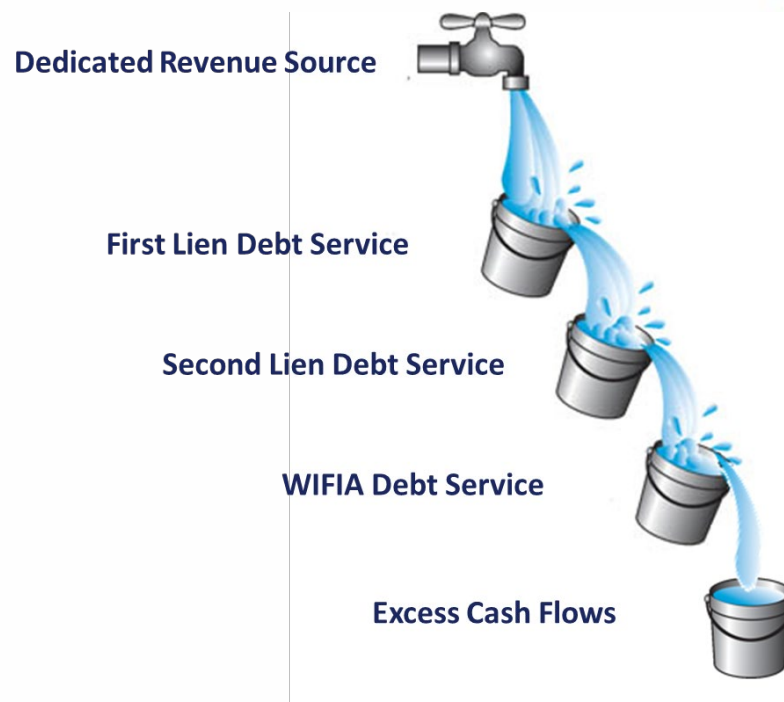
Prepayment conditions

- 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



SUBORDINATION

Orange County

First Lien - Existing Debt + Project Debt
↓
Second Lien - Existing WIFIA Debt



San Francisco

First Lien - Existing Debt + Project Debt + WIFIA Debt
↓
Second Lien – Existing Debt

San Diego*

First Lien - Existing
↓
Second Lien – Project + Existing WIFIA Debt

*Loan agreement does not permit first lien project debt



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>



PEA

Analyzes the potential environmental impacts of water infrastructure projects eligible for WIFIA credit assistance

- Presents nationwide information on existing conditions
- Discusses potential impacts and mitigation measures that might typically occur during construction and operation of broad project types
- Provides mechanisms to evaluate site specific conditions and impacts for individual projects, and to determine if projects impacts fall within the PEA scope
- Does not require an additional public comment period



FLEXIBLE FINANCIAL TERMS

Disbursements

- Multiple disbursements at no additional cost to the borrower
- May be synchronized with funding needs, reducing the amount of accrued interest

Customized repayment schedule

- Repayment period is 35 years from substantial completion
- Payments may be deferred up to 5 years following substantial completion
- WIFIA loans can be amortized to complement other debt repayments

Prepayment

- There is no penalty for prepayment

Lien Priority

- WIFIA loans may be junior (i.e., subordinate) to the senior debt obligations in payment priority in some circumstances





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



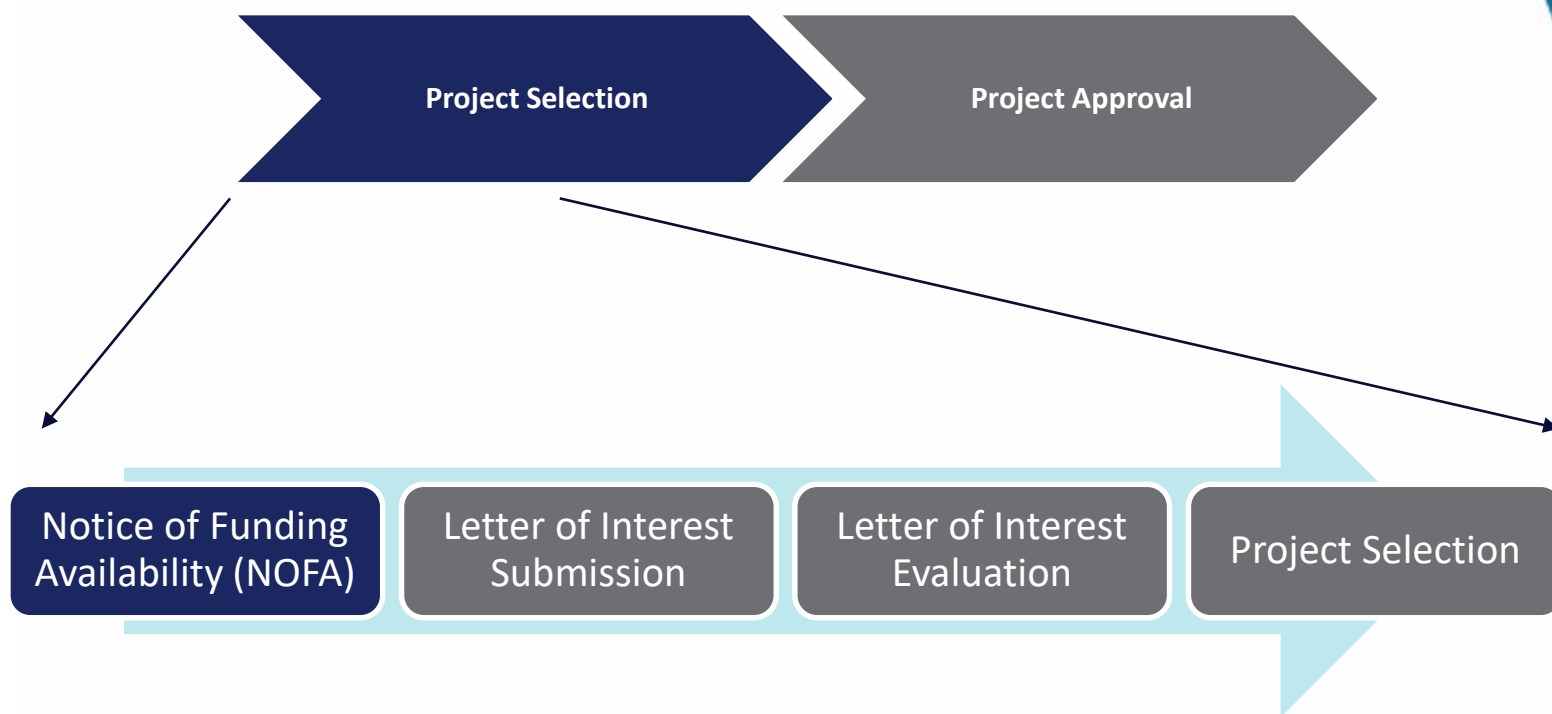
PROJECT SELECTION IS COMPETITIVE

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



FINANCING AVAILABLE IN 2019

EPA will make available \$60 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 \$6 billion in loans**
- WIFIA can finance up to 49% of the anticipated project costs
- Therefore, the \$60 million can support a total of \$12 billion in water infrastructure investment



2019 PRIORITIES

1. Readiness to proceed toward development, including loan closing and commencement of construction
2. Provide for clean and safe drinking water, such as reducing exposure to lead and addressing emergent contaminants, including PFAS
3. Repair, rehabilitate, and replace aging infrastructure and conveyance systems
4. Water reuse and recycling as a new or innovative approach



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

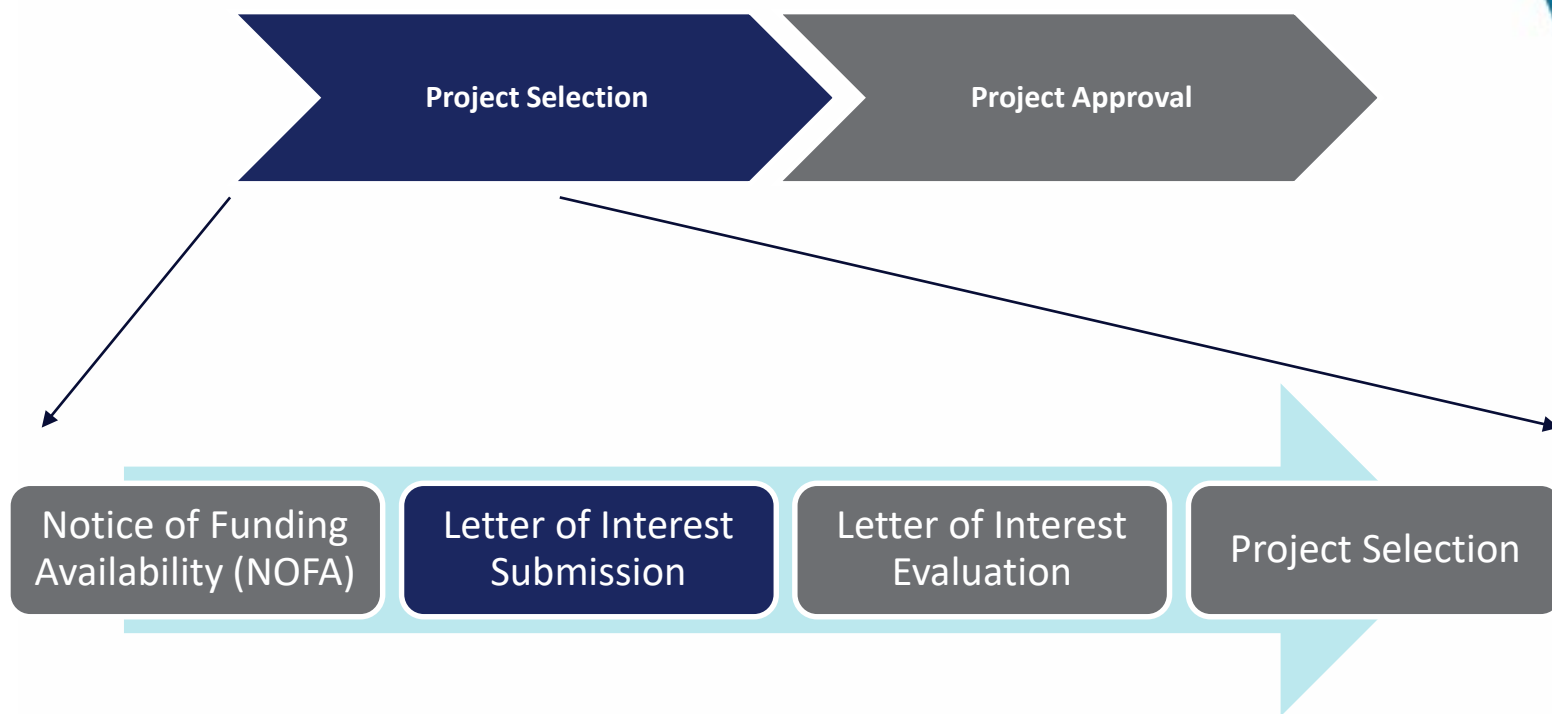
EPA is permitted to provide both direct loans or loan guarantees

- 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: Financing Plan
D: Selection Criteria
E: Contact Information
F: Certifications
G: Notification of State Infrastructure Financing Authority

LETTER OF INTEREST FORM

- 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 5, 2019 at 11:59 pm EDT
- 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 1, 2019 at 5:00 pm EDT
- 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

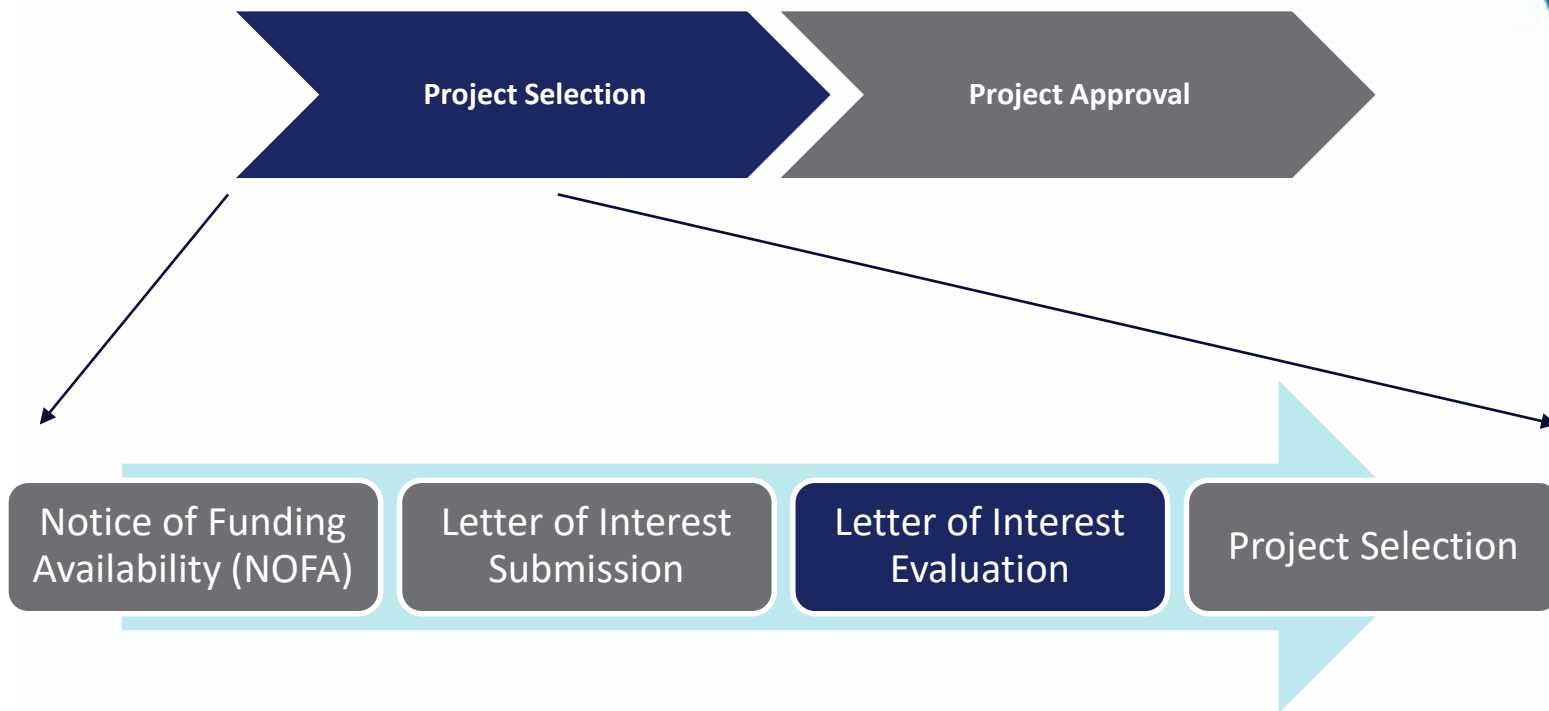


GENERAL TIPS

- **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



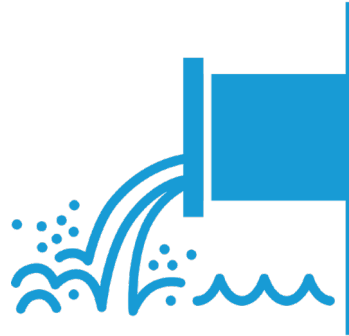
LETTER OF INTEREST EVALUATION



ELIGIBILITY SCREENING



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

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

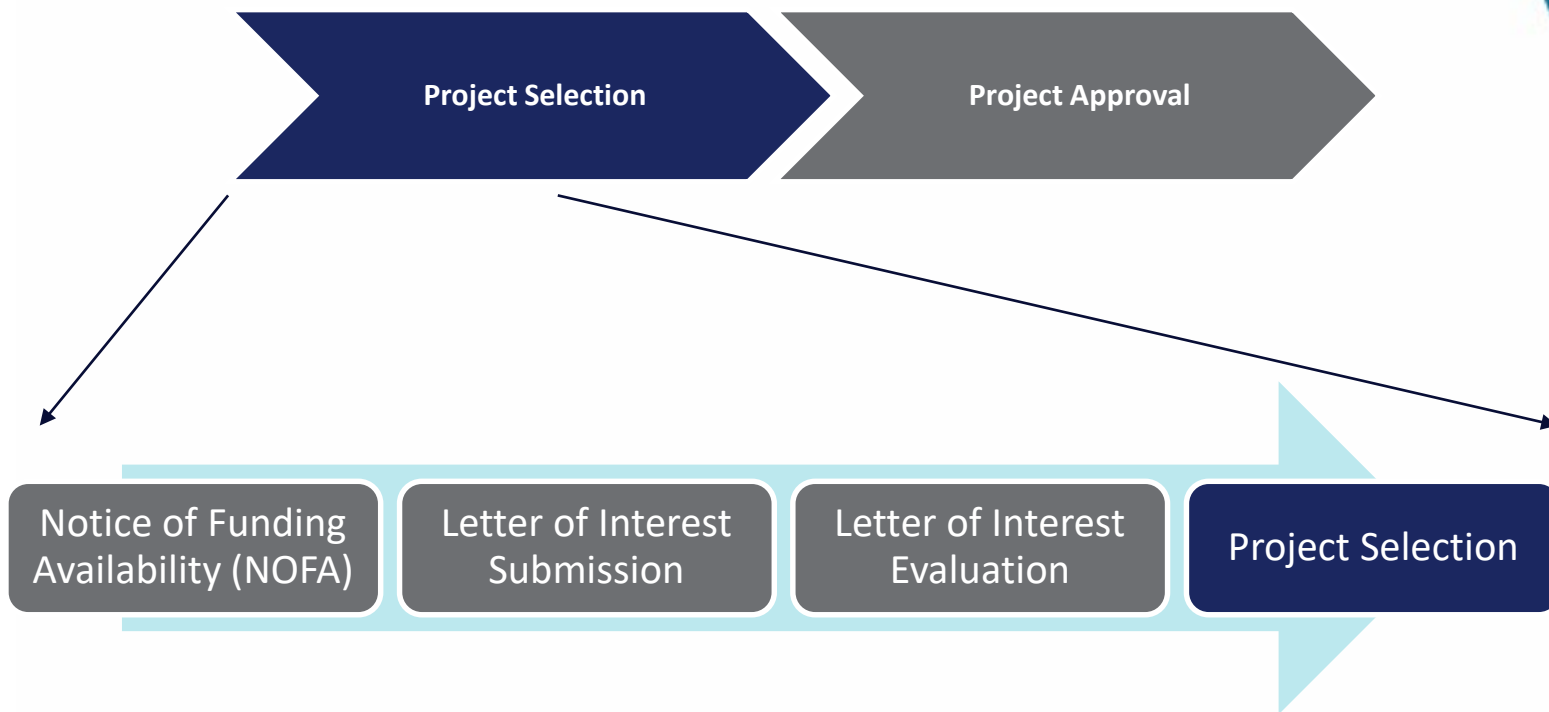
PROJECT IMPACT CRITERIA	POINTS
National or regional significance	15
Protection against extreme weather events	5
Serves energy exploration or production areas	5
Serves regions with water resource challenges	10
Addresses identified priorities	10
Repair, rehabilitation, or replacement	25
Economically stressed communities	10
Reduces exposure to lead & emergent contaminants	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	30
New or innovative approaches	20

TOTAL AVAILABLE POINTS: 300



PROJECT SELECTION



PROJECT SELECTION PROCESS

- Each eligible and creditworthy project will receive a score out of 300 points available
- Projects will be select in order of score
 - To ensure project type and geographic diversity, a ceiling is established for each type and location
 - Once the ceiling is reach for a type or location, the next highest scoring project that adds diversity will be selected
- Projects are selected until all available subsidy is used
- Selection Committee, comprised of senior EPA officials, will approve the selected projects

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
 - Non-selected prospective borrowers may request a de-brief

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 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+



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-\$350,000 for most projects
 - Very risky, complicated projects could have higher fees
 - For first 5 loans, total fees have ranged from \$213,000-\$398,000 (0.04%-0.31% of the loan amount)
- Financing of fees:
 - Borrowers may finance fees but 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



UPCOMING OUTREACH EVENTS

Webinar Series

- April 30, 2019 (2:00-3:30 pm ET): FY 2019 NOFA

In-Person Sessions

- May 8, 2018 – Atlanta, GA
- May 13, 2018 – Washington, DC
- May 23, 2018 – 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
- 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
- Template Term Sheet



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>

