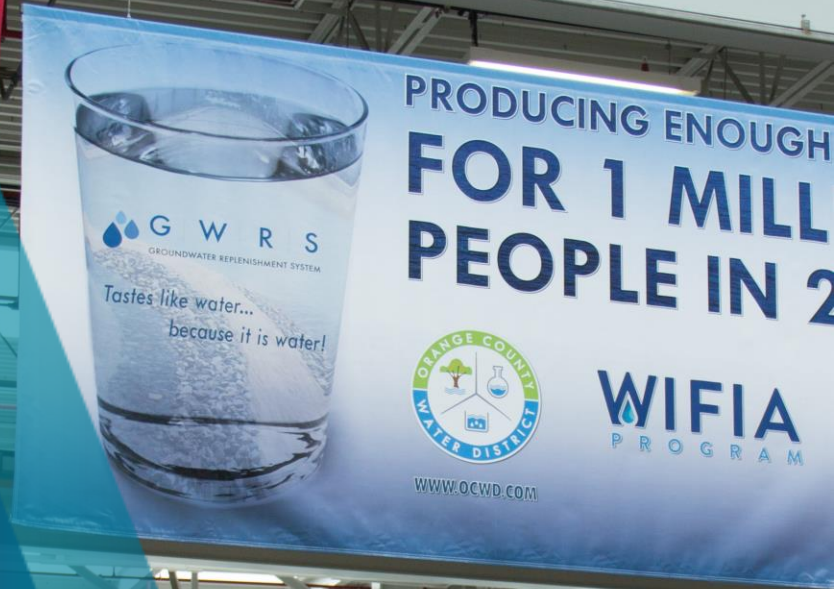




WIFIA PROGRAM

WIFIA 2.0

MAY 20, 2020



OPPORTUNITY FOR QUESTIONS

- **NO AUDIO?** → Call +1 (631) 992-3221 and enter access code 293-124-835
- **QUESTIONS?** → Type your question into the webinar dashboard. Participants are muted during the webinar and may only communicate by typing.
- Unanswered questions will be answered in a follow-up e-mail or through the FAQ



AGENDA



INTRODUCTION

Arielle Gerstein (Moderator)



WIFIA HIGHLIGHTS

Arielle Gerstein



PROGRAM FEATURES AND FLEXIBILITIES

Arielle Gerstein



FINANCIAL BENEFITS

Marnin Lebovits



PROJECTS AT A GLANCE

Marnin Lebovits



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.





WIFIA HIGHLIGHTS



CURRENT STATUS - LOANS

- The WIFIA program has invited 89 borrowers to submit applications from three selection rounds
- WIFIA has closed loans with all FY 2017 borrowers
- WIFIA has received applications from all FY 2018 borrowers who chose to submit and is working to close the remaining loans
- WIFIA is still receiving applications from FY 2019 borrowers



CURRENT STATUS - FUNDING

- WIFIA will have approximately \$5.5 billion in loans available to finance approximately \$11 billion in water infrastructure investment with its 2020 appropriation.
- WIFIA estimates that it will publish a Notice of Funding Availability (NOFA) for both the base program and SWIFIA program in Summer 2020.
- This timing is necessary due to the additional requirements mandated by the Appropriations Act, which must be completed prior to issuing the 2020 NOFA.



FY 2020 SUBSIDY

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



LOANS BY STATUS

Invited
34

Applied
20

Closed
20



LOANS BY PROJECT TYPE

Project Type	Number
Combined	6
Drinking Water	21
Wastewater	36
Water Reuse	10
Water Supply	1



LOANS BY AMOUNT

Average loan size: \$153 million

Loan Amount	Number
Over \$500 M (Very Large)	6
\$100 M to \$499 M (Large)	34
\$50 M to \$99 M (Medium)	14
Less than \$50 M (Small)	20



LOANS BY POPULATION

Population Served	Number
Over 1 M	20
500,000 to 1 M	11
100,000 to 500,000	32
25,000 to 100,000	9
25,000 or Less (Small Community)	2

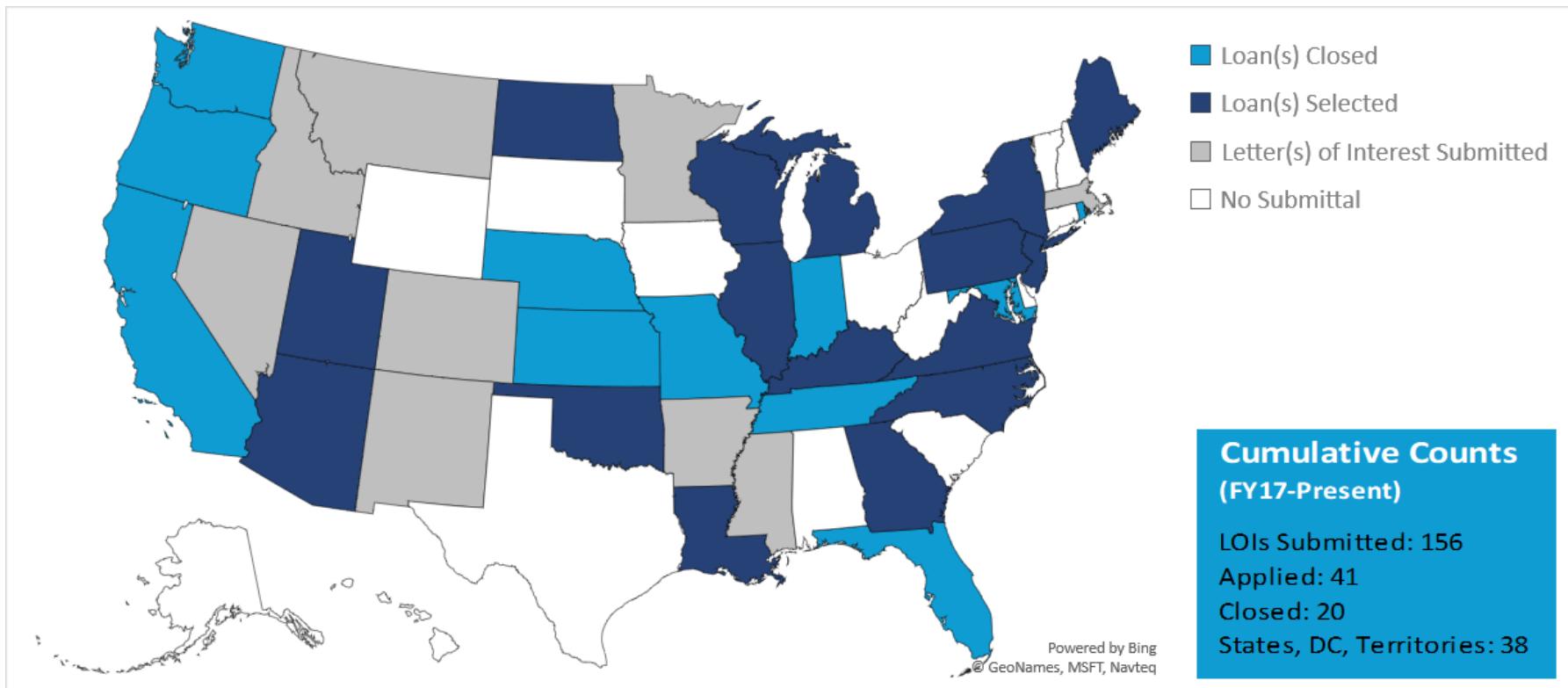


LOANS BY REGION

Region	Number
West	36
South	23
Midwest	10
Northeast	5



LOAN MAP





20
LOANS
CLOSED

\$4.2 BILLION
TOTAL FINANCING

19,000
JOBS CREATED

21 MILLION+
POPULATION SERVED





PROGRAM FEATURES & FLEXIBILTIES

PROGRAM FEATURES

\$5
MIL

Minimum project size for small communities (population of 25,000 or less). WIFIA has closed two loans from small community borrowers.

49%

Maximum portion of eligible project costs that WIFIA can fund. WIFIA has provided 49% funding to 70% of closed loans.

35
YEARS

Maximum final maturity date from substantial completion. To date, 17 WIFIA borrowers have taken advantage of the 35 year repayment period.

5
YEARS

Maximum time that repayment may be deferred after substantial completion of the project. Many borrowers have chosen to defer repayment for five years or less.



WIFIA BENEFITS & FLEXIBILITIES

- **Very low interest rate**
 - To date, WIFIA borrowers have received interest rates between 0.83% and 3.36%; average interest rate is 2.26%
- **Capitalized interest**
 - Miami and Morro Bay used this flexibility
- **Highly flexible repayment schedule**
 - Indiana Finance Authority has a customized repayment schedule
- **Ability to preserve a borrower's senior debt capacity**
 - The City of San Diego, Miami, and Toho Water Authority all have subordinate liens



WIFIA BENEFITS & FLEXIBILITIES

- **Ability to backload repayments**
 - Metropolitan St. Louis Sewer District has a backloaded repayment schedule
- **Modify disbursement schedule after loan closing**
 - WIFIA allowed Narragansett Bay Commission to change their disbursement schedule after loan close because it was in the same fiscal year
- **Simple pro-forma requirement for annual reporting**
 - WIFIA does not require a detailed finance model for annual reporting, the borrower can choose a simplified version



STATE REVOLVING FUNDS AND WIFIA

Shared Goals & Features

- The SRFs and WIFIA provide sources of low-cost infrastructure financing for much needed water infrastructure improvements
- The programs work in tandem to provide needed funding across a wide breadth of project types and sizes

Program Differences

- WIFIA can close a loan with a borrower before or after SRF funding is finalized
- The SRFs, by design, provide benefits to smaller projects, typically under \$100 million, in communities that often have limited access to funding
- WIFIA is designed to provide benefits to much larger projects, typically over \$100 million
- At the time of loan close, 11 WIFIA borrowers were working or had secured SRF project financing



LENDING MONEY TO SRFs

- WIFIA can also loan money directly to SRF programs
- WIFIA has closed a loan with the Indiana Finance Authority and has invited the New Jersey Infrastructure Bank to submit an application
- Thanks to new legislation, SRF programs can receive financing through WIFIA's base program or SWIFIA
- SWIFIA can provide financing to those SRF programs in cases where EPA accepts an existing indenture or the SRF program accepts SWIFA standard terms
- If the SRF program wants customized loan terms, the SRF program can submit an application through the WIFIA program



LOAN 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



LOAN PROCESS



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 public policy goals outlined in the WIFIA statute and regulation



GENERAL TIPS

- Use the letter of interest form available at <https://www.epa.gov/wifia/wifia-application-materials>
- Read the instructions in the NOFA and the program handbook prior to completing your letter of interest
- 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 WIFIA program staff at wifia@epa.gov



INVITATION TO APPLY

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

Selected projects

- Notified in writing of selection
- Within 30 days of the invitation, EPA will meet with the entity to discuss the application process
- The application deadline is 365 days from the notification date
- EPA will publicly announce selected projects

Non-selected projects

- Notified in writing that they were not selected
- May request a de-brief
- Must re-submit their LOI 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

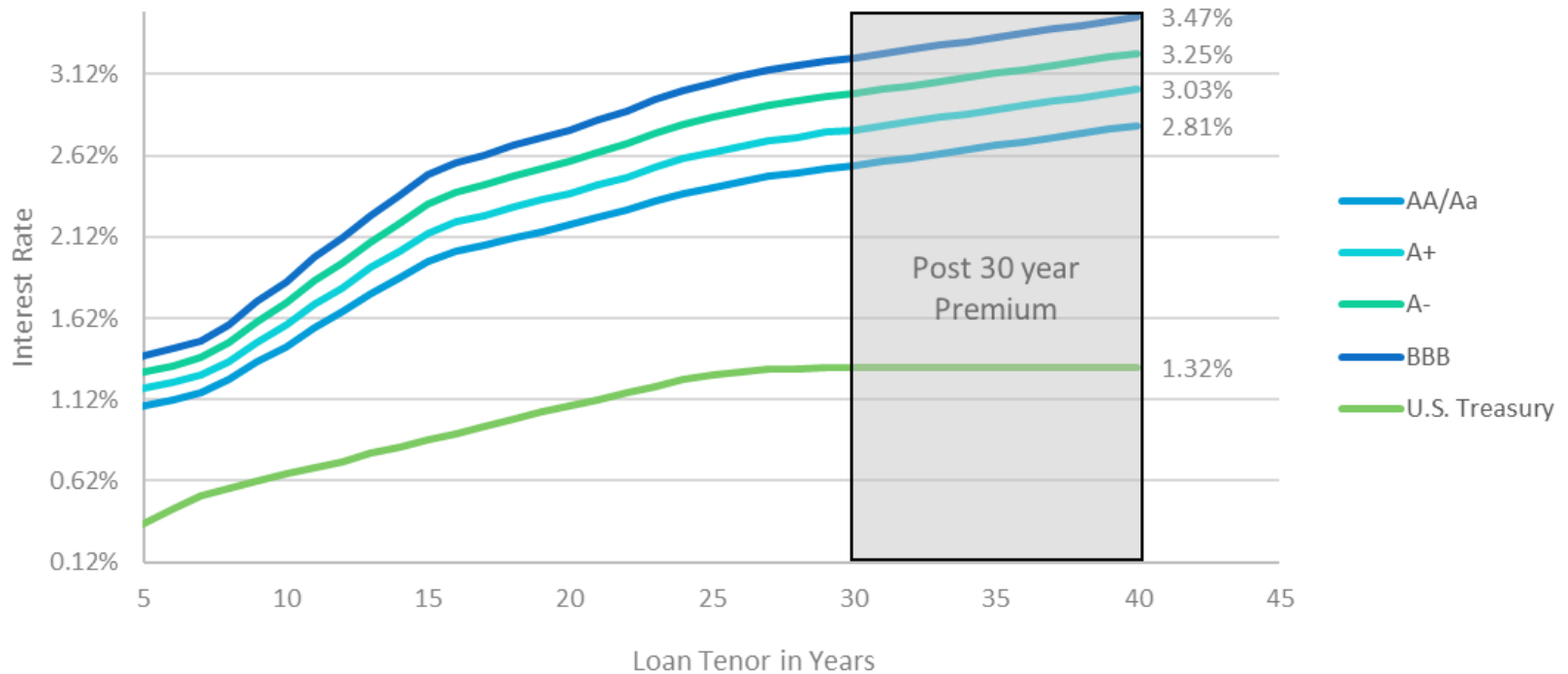




FINANCIAL BENEFITS

INTEREST RATE SAVINGS

U.S. Treasury Bond Rates vs. Muni Rates



NO CARRYING COSTS

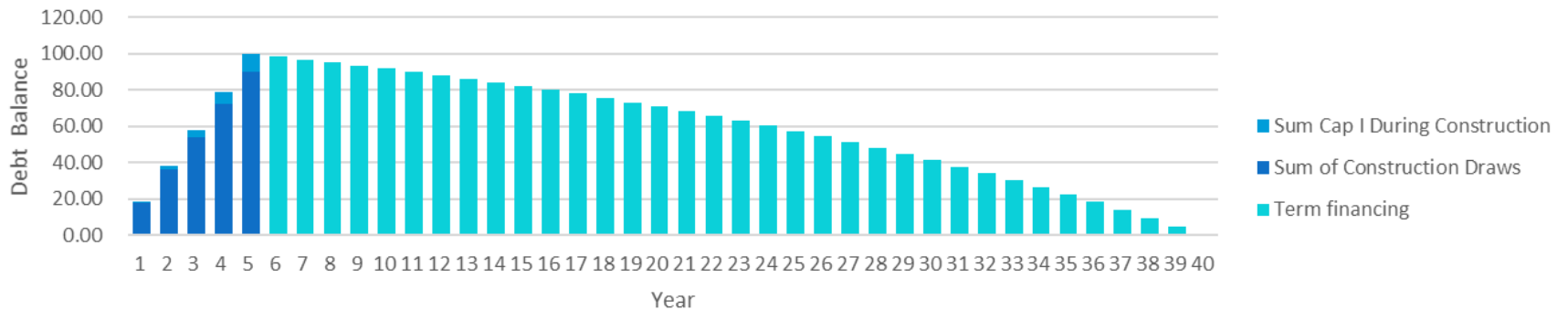
Disbursements

- WIFIA loans allow multiple disbursements, synchronized with funding needs at no additional cost
- Undisbursed WIFIA amounts do not accrue interest
- WIFIA allows prepayment at no cost

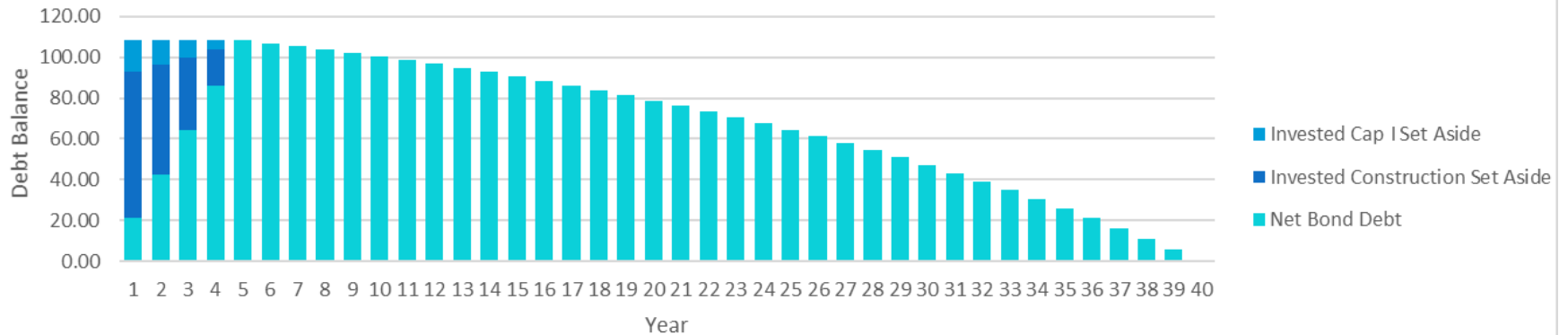


CARRYING COST SAVINGS

Outstanding Debt Balance of WIFIA Loan Used for \$90 Million Construction Financing



Outstanding Debt Balance of Bond Used for \$90 Million Construction Financing

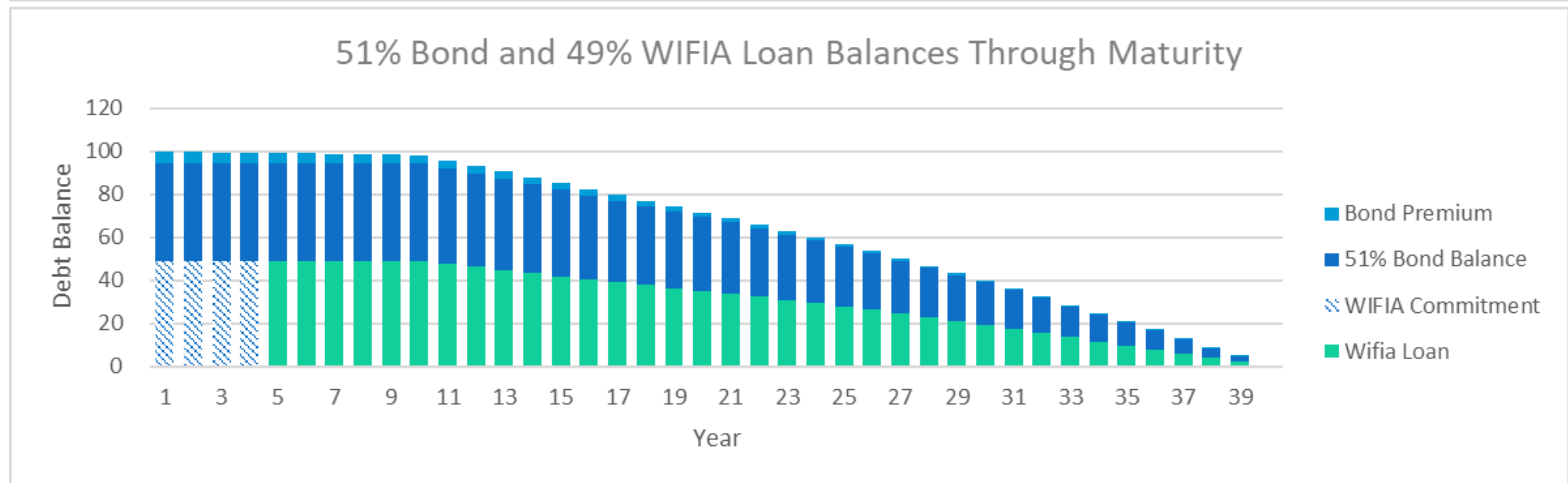
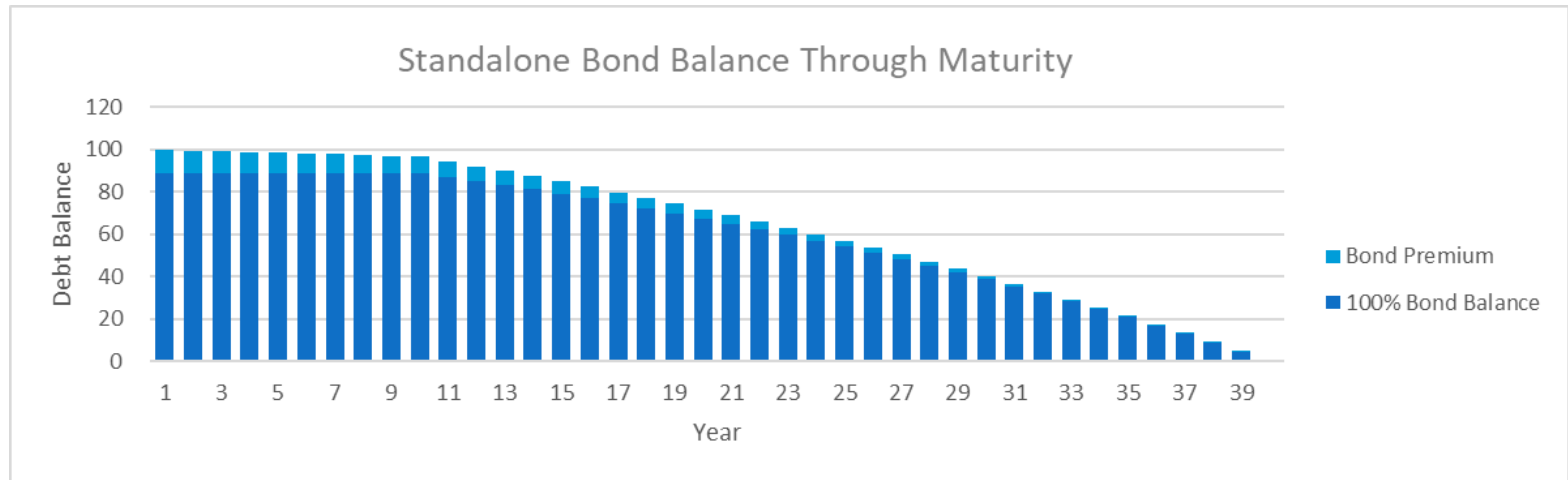


COMBINING FEATURES CREATES MORE SAVINGS

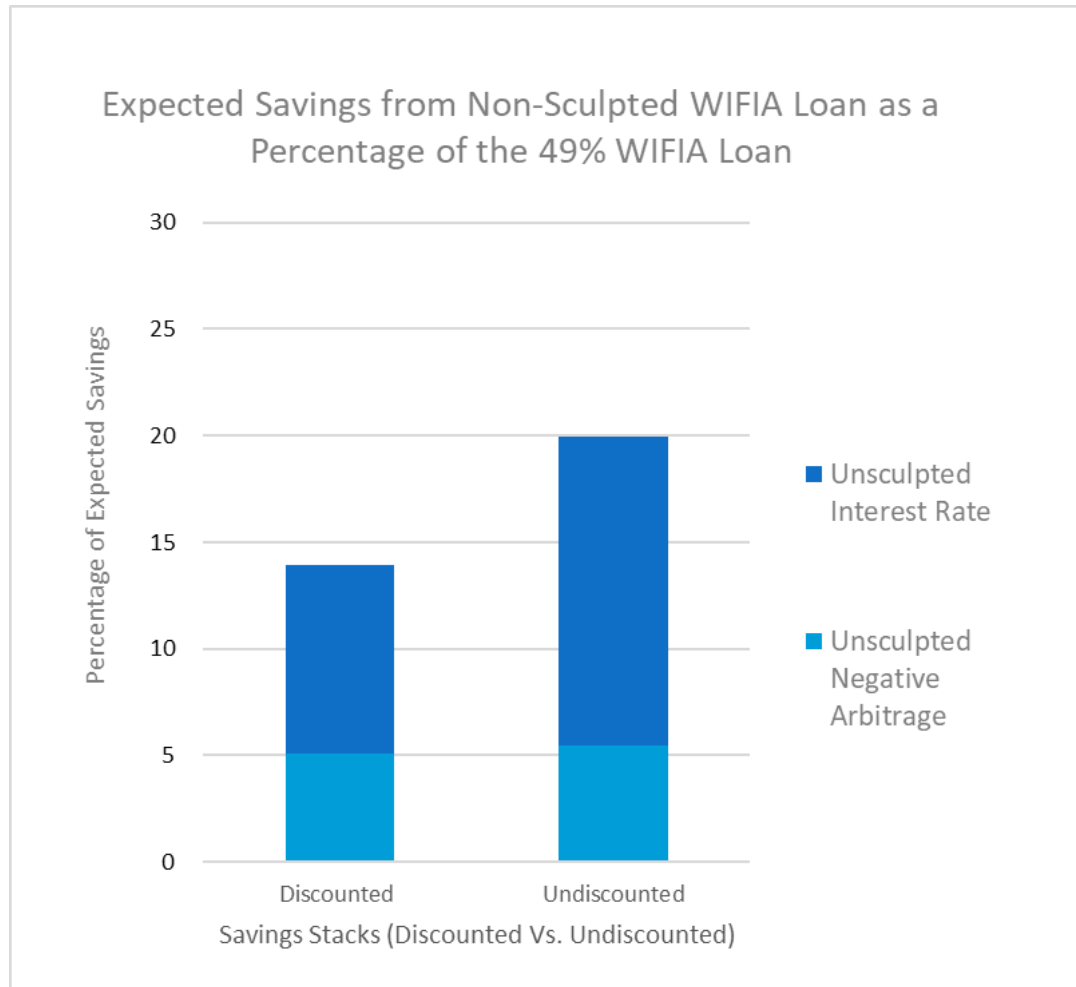
- WIFIA's low interest rate and the avoidance of negative arbitrage provides significant savings
- For \$100 million in total financing, financing with a non-sculpted 49% WIFIA loan can result in approximate savings equal to 20% of the total financing amount (~\$20 million)



COMBINING FEATURES CREATES MORE SAVINGS



COMBINING FEATURES CREATES MORE SAVINGS



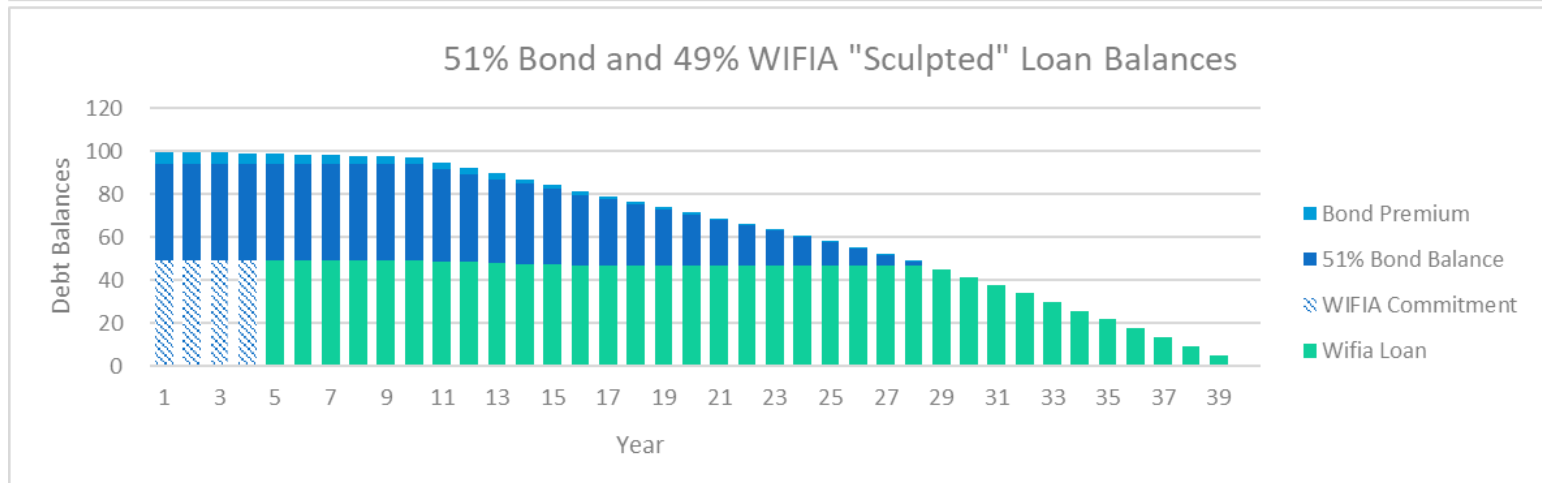
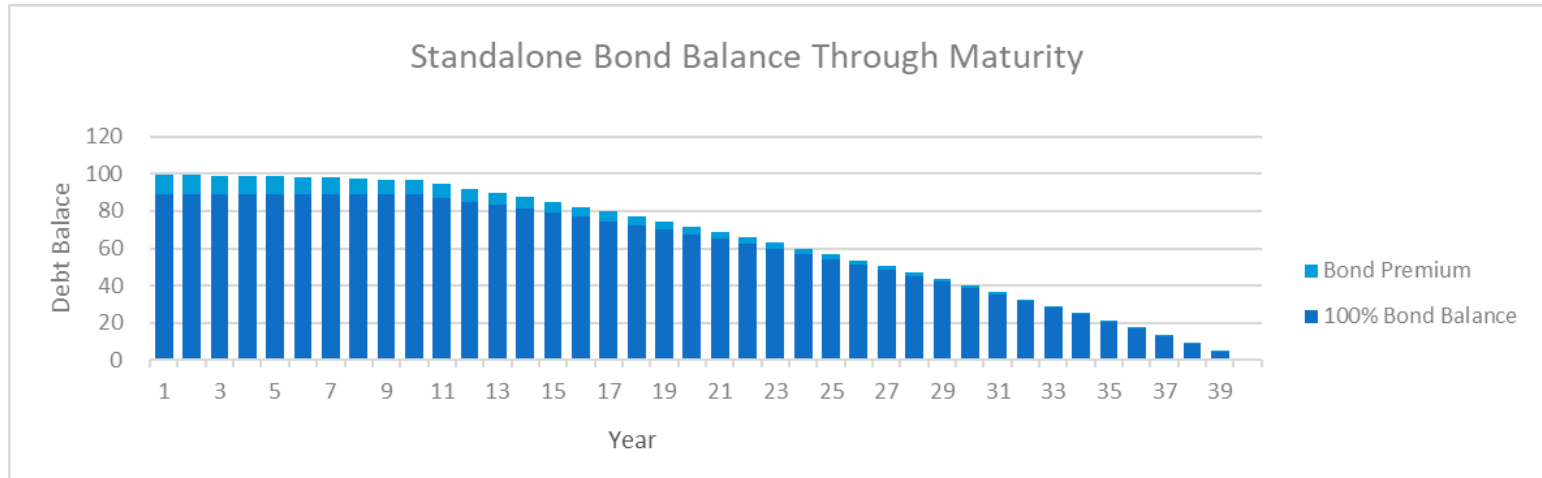
FLEXIBLE FINANCIAL TERMS

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
- Customizing the WIFIA debt repayment schedule can increase overall savings by reducing the interest expense associated with bond financing. For instance, backloading WIFIA repayment allows for higher bond debt service, and therefore, lower bond interest expense
- For a total \$100 million debt financing, financing with a sculpted 49% WIFIA loan can result in approximate savings equal to 26.8% of the financing amount (~\$26.8 million)



VALUE COMES FROM THE SUM OF THESE SAVINGS FEATURES



VALUE COMES FROM THE SUM OF THESE SAVINGS FEATURES





PROJECTS AT A GLANCE



\$4.2B IN LOANS CLOSED

Saving borrowers over \$1.3 billion and creating over 19,000 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	<ul style="list-style-type: none"> 1) 10+ year interest only period 2) Sculpted debt service 	<ul style="list-style-type: none"> 1) WIFIA commitment prior to execution of an SRF agreement 2) Interest capitalization during construction 	<ul style="list-style-type: none"> 1) Optional ability to use WIFIA to retire construction financing 2) 5 year capitalized interest after construction 3) Springing Lien 	<ul style="list-style-type: none"> 1) Optional ability to use WIFIA to retire construction financing 2) Interest capitalization during construction 3) Sculpted debt service

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	30 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	<ul style="list-style-type: none"> 1) Subordinated debt 2) Sculpted debt service 	<ul style="list-style-type: none"> 1) WIFIA commitment prior to execution of an SRF agreement 2) Backloaded repayment schedule 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 1) Capitalized interested 2) Subordinated debt without springing lien provision

BORROWER	SILICON VALLEY CLEAN WATER	TUALATIN VALLEY WATER DISTRICT	CITY OF HILLSBORO	NARRAGANSETT BAY COMMISSION
LOAN AMOUNT	\$218M	\$387.7M	\$250.5M	\$268.7M
TERM	35 years from project completion	35 years from project completion	35 years from project completion	35 years from project completion
INTEREST RATE	2.4%	2.39%	1.98%	1.89%
CO-FINANCING	Revenue Bonds and SRF Loan	Revenue Bonds and Cash	Revenue Bonds and Cash	Revenue Bonds, SRF Loan, and Paygo Cash
TRANSACTION FLEXIBILITIES	1) Accommodated various borrowers through a single loan agreement with a Joint Powers Authority 2) WIFIA retired lower cost short-term construction notes	1) Two borrowers, one projects 2) Ability to use BANs instead of draw bond	1) Two borrowers, one projects 2) Ability to use BANs instead of draw bond	1) Sculpted repayment profile to level debt service obligation 2) Capitalized Interest period during construction

BORROWER	INDIANA FINANCE AUTHORITY	CITY OF OAK RIDGE	COACHELLA VALLEY WATER DISTRICT	TOHO WATER AUTHORITY
LOAN AMOUNT	\$436M	\$20.7M	\$59.1M	\$99.7M
TERM	25 years from project completion	35 years from project completion	35 years from project completion	35 years from project completion
INTEREST RATE	1.99%	2.08%	1.96%	2.01%
CO-FINANCING	SRF Bond Proceeds and SRF Equity	SRF Loan	Revenue Bonds, SRF Loan, Revenue Bonds	Cash
TRANSACTION FLEXIBILITIES	1) Customized repayment schedule to match the repayments of underlying loans 2) WIFIA-only security	1) In-house financial analysis to reduce borrower costs 2) Reduced City's annual reporting requirement to reduce burden	1) City was able to continue using EMMA to satisfy many WIFIA reporting requirements 2) WIFIA helped fund the District's required debt service reserve	1) Sculpted repayment schedule 2) Subordinated debt without springing lien provision



BORROWER	CITY OF MORRO BAY	CITY OF WICHITA	SEATTLE PUBLIC UTILITIES	CITY OF CORTLAND
LOAN AMOUNT	\$61.7M	\$280.9 M	\$192.2	\$16.1 M
TERM	25 years from project completion	35 years from project completion	35 years from project completion	35 years from project completion
INTEREST RATE	.83%	1.17%	1.01%	1.08%
CO-FINANCING	Clean Water SRF	Drinking Water SRF, Water Utility Funds, Revenue Bonds	Clean Water SRF, Cash, King County	Clean Water SRF, New York Drinking Water SRF, Federal Community Development Block Grant Program
TRANSACTION FLEXIBILITIES	<p>1) Two security streams (a loan supported by water revenues, and a separate loan supported by sewer revenues) for one project.</p> <p>2) Capitalized Interest Period during construction.</p>	<p>1) Closed WIFIA loan well in advance of other financing</p> <p>2) Capitalized interest period during construction</p>	<p>1) WIFIA floated with Bond Indenture</p> <p>2) Annual updated financial model covers the 6-Year Capital Improvement Plan vs. 30 years after project completion</p>	<p>1) GO pledge of city tax base.</p> <p>2) Dates of WIFIA loan closing and delivery of bonds are separate to accommodate state finance law requirements.</p>

UPCOMING OUTREACH EVENTS

NOFA Webinar

- June 23rd from 2 to 3:30 PM EST
- [Register Now](#)

Water Finance Conference

- August 19-20
- Washington, DC
- WIFIA staff will be attending



CONTACT US

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

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