

## SUPPORTING REGIONAL PARTNERSHIPS WITH WIFIA FINANCING



*Photo credit: San Bernardino Valley Municipal Water District*

Some water challenges, such as drought, have broad impacts that affect entire regions of the country. Sometimes, addressing a problem at the regional level can lead to more holistic, long-term solutions compared to each community working on its own. However, it can also be challenging to secure funding for a regional organization while still meeting the needs of individual communities within the area.

### HOW THE WIFIA PROGRAM CAN SUPPORT REGIONAL PROJECTS

The WIFIA program provides funding to support regional solutions by helping a variety of borrowers and projects through one or multiple agreements, while adapting to different legal structures.

The WIFIA program has provided financing to regional entities with a variety of structures. Examples of these regional entity structures are described below.

#### SEPARATE, STANDALONE LOANS

A common regional partnership structure entails each entity securing its own WIFIA loan for its portion of the project. Partners have an underlying agreement on the development and construction of the project, as well as cost-share. In this arrangement, partners have separate WIFIA loans that can fund up to 49% (or up to 80% for small communities with a population less than or equal to 25,000 people) of its portion of eligible project costs. Loan repayment and security are specific to each entity's revenue sources.

For example, the WIFIA program closed loans with the [Tualatin Valley Water District](#) for \$388 million and the City of Hillsboro for \$251 million to support the Willamette Water Supply System Project. Each entity has its own WIFIA loan for its respective portion of the project. The borrowers co-funded the project to implement upgrades to the water system to provide additional reliable supply capacity to the joint service area of around 400,000 people. The WIFIA program funded 49% of each entity's cost-share and provided additional cost savings and financial benefits.

### SINGLE LOAN BY LEAD PARTNER ENTITY

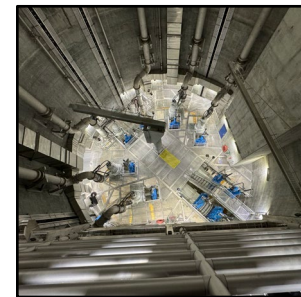
The WIFIA program also provides loans for regional partnership structures where a lead partner entity (typically the partner responsible for developing the project) applies for a WIFIA loan for the entire project. In this structure, the loan would fund up to 49% (or up to 80% for small communities) of the total eligible project costs for the full project. Repayment and security for the WIFIA loan would be based on the applying entity's revenue source. This structure is common among entities that levy fees on, or contributions from, partners and apply the proceeds to operating costs and debt payments.

An example of a WIFIA borrower utilizing this partnership structure is the [Orange County Water District \(OCWD\)](#), which received a \$135 million WIFIA loan to expand its Groundwater Replenishment System. The project is a joint partnership between Orange County Water District and the Orange County Sanitation District. Through the Groundwater Replenishment System, 100% of the reclaimed wastewater within the service area is recycled into a reliable, high-quality drinking water supply. While the project benefits extend to other regional entities that purchase water from the district, Orange County Water District was the sole borrower for the WIFIA loan and responsible for repayment of the loan from its revenues. The district separately levied and collected replenishment assessments from the other regional entities through wholesale arrangements to recover operation costs and debt payments.

### COLLECTIVE LOANS THROUGH A REGIONAL JOINT ENTITY

The WIFIA program can provide loans to a regional entity that is developing and financing a project on behalf of its members. Loan repayment and security would be based upon the joint powers authority's revenue source and its underlying financing agreements with the project partners. This structure assumes that project partners have a joint powers authority agreement and other project and funding agreements as necessary.

Silicon Valley Clean Water is one example of a WIFIA borrower with this structure. Silicon Valley Clean Water has closed three loans with the WIFIA program, the first two for a total of approximately \$286 million from 2019-2021 for its [Regional Environmental Sewer Conveyance Upgrade](#) project and the third for \$74 million in 2021 for its [Wastewater Treatment Plant Reliability Upgrades Project](#). As a regional joint powers authority, Silicon Valley Clean Water's revenues for each WIFIA loan are comprised of proportionate payments from its four members through underlying financing agreements.



*Photo credit: Silicon Valley Clean Water*

## INDIVIDUAL LOANS WITH COORDINATION THROUGH A REGIONAL ENTITY

Similarly, the WIFIA program can provide individual loans to members acting through a regional entity for the development of a regional program of projects. Functionally, the loans can stand alone, each funding up to 49% (or up to 80% for small communities) of its portion of eligible project costs, with repayment and security limited to each member's individual revenue sources. However, there is some level of coordination amongst the members by acting through the regional entity and can include coordination on documentation, such as by the development of a template of general terms and conditions applying to the project that are adopted by each member of its loan.

As an example, [Yucaipa Valley Water District](#) and [San Bernardino Valley Municipal Water District](#), both members of the Upper Santa Ana River Watershed Infrastructure Financing Authority, closed master agreements with the WIFIA program in 2023. The Yucaipa Valley Water District closed an \$81 million loan under its master agreement in February 2023, and this master agreement structure was then utilized by San Bernardino Valley Municipal Water District for its \$70 million loan. This structure can be used for any future loans by members of the Upper Santa Ana River Watershed Infrastructure Financing Authority to expeditiously close loans.



Photo credit: Yucaipa Valley Water District

## LOANS THROUGH A REGIONAL COOPERATIVE ENTITY FOR CERTAIN MEMBER ENTITIES

Using the WIFIA program's ability to work within diverse legal structures, regional partners can apply for a WIFIA loan through a regional cooperative or similar entity. This structure assumes that project partners have joint agreements establishing the regional cooperative entity and setting out the project development and funding agreements, and that the cooperative entity has established independent authority to establish rates and issue debt. Loan repayment and security would be based upon the cooperative's revenue source and its underlying funding agreements with the project partners. This can help reduce excessive costs on a single water provider while creating benefits for the entire region.



Photo credit: Polk Regional Water Cooperative

In 2023, the [Polk Regional Water Cooperative](#) in Florida closed two WIFIA loans under a master agreement, totaling \$305 million, for two projects under its regional Alternative Water Supply Program. Polk Regional Water Cooperative is comprised of 16 local government participants serving a combined 634,000 people in central Florida. The program is intended to be a regional solution to help sustain water supply for communities throughout central Florida and reduce strain on the Upper Floridian Aquifer, the primary water source in the region. While the Polk Regional Water Cooperative is responsible for the overall development of the projects, key financial covenants and repayment of both loans, the underlying revenues for each



The Water Infrastructure Finance and Innovation Act (WIFIA) program accelerates investment in our nation's water infrastructure by providing long-term, low-cost supplemental loans for nationally and regionally significant projects. Borrowers benefit from receiving low, fixed interest rate loans with flexible financial terms.

loan consist of payments from a subset of the participants through underlying project implementation and funding agreements.

### PROJECT FINANCING LOAN THROUGH A PUBLIC-PRIVATE PARTNERSHIP

The WIFIA program can also work with public-private partnerships (i.e., P3s) and provide financing to a private entity responsible for development, construction, and financing of a regional project. Here, repayment and security for the WIFIA loan would be based upon and limited to the revenues of the project. This structure would require the standard suite of project financing documentation for public-private partnerships, including the underlying offtake agreement with the public entity, project development (construction and operation) documents, and other funding and security documents.

[Channelside Water Resources](#) received a \$170 million WIFIA loan to build a new intake facility at the Carlsbad Desalination Plant to support compliance with new state regulations and ensure the plant's continued operation. This public-private partnership between Channelside Water Resources and San Diego County Water Authority utilized flexible WIFIA loan terms, including a customized repayment schedule and deferred principal repayment for multiple years, which will provide savings for the water rate payers of San Diego County.

