



WIFIA
P R O G R A M

PROGRAM OVERVIEW

November 28, 2018



OPPORTUNITY FOR QUESTIONS

- You may call into this webinar by dialing +1 (415) 930-5321 and entering access code 647-573-459
- 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



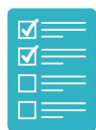
INTRODUCTION



ELIGIBILITY



CREDIT TERMS



FEDERAL REQUIREMENTS



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

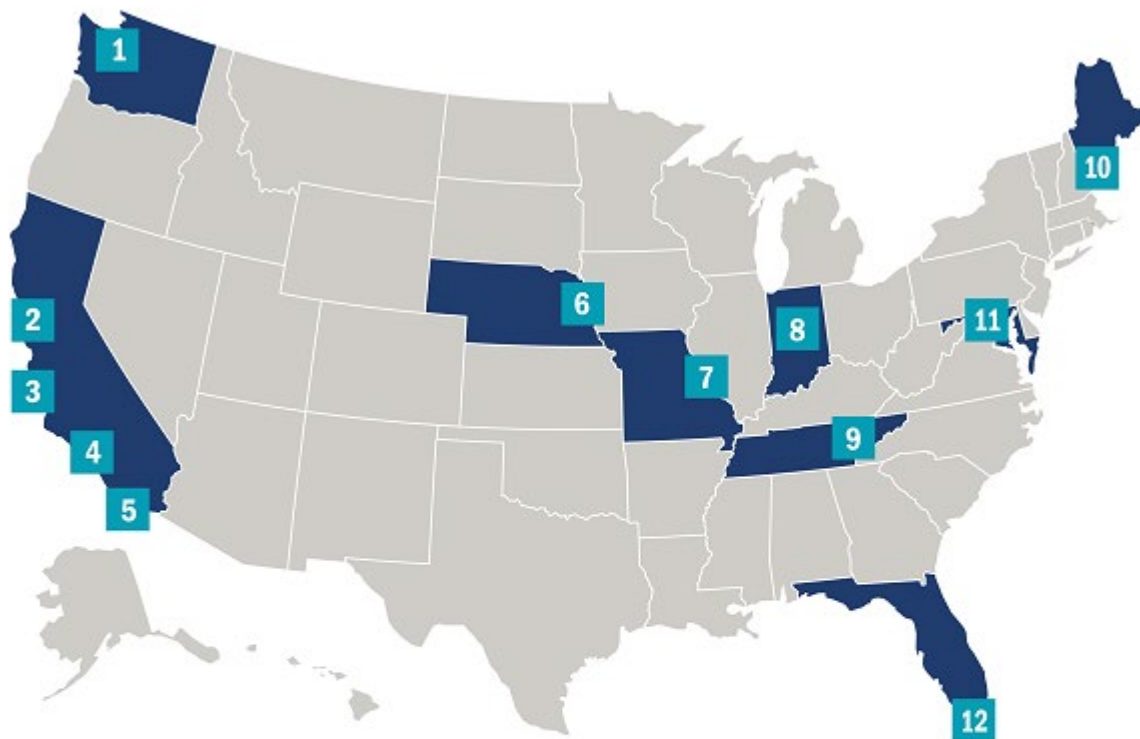


\$5.5
BILLION IN
LOANS

\$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

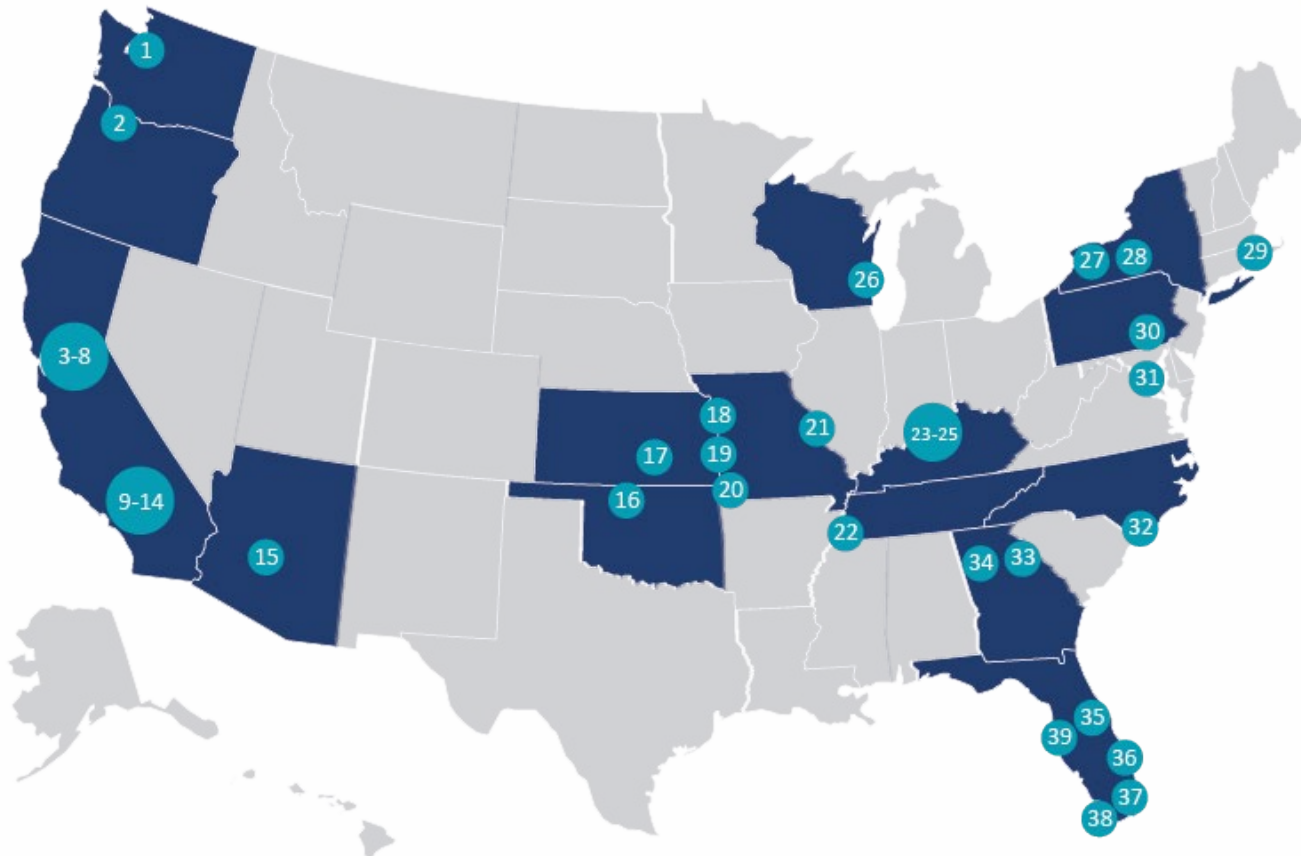
| BORROWER | KING COUNTY | CITY OF OMAHA | ORANGE COUNTY WATER DISTRICT | SAN FRANCISCO | SAN DIEGO |
|------------------------------|---|---|--|---|---|
| LOAN AMOUNT | \$134M | \$69M | \$135M | \$699M | \$614M |
| TERM | 30 years from project completion | 30 years from project completion | 35 years 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>





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



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 support can be evidenced

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)

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



ELIGIBLE COSTS

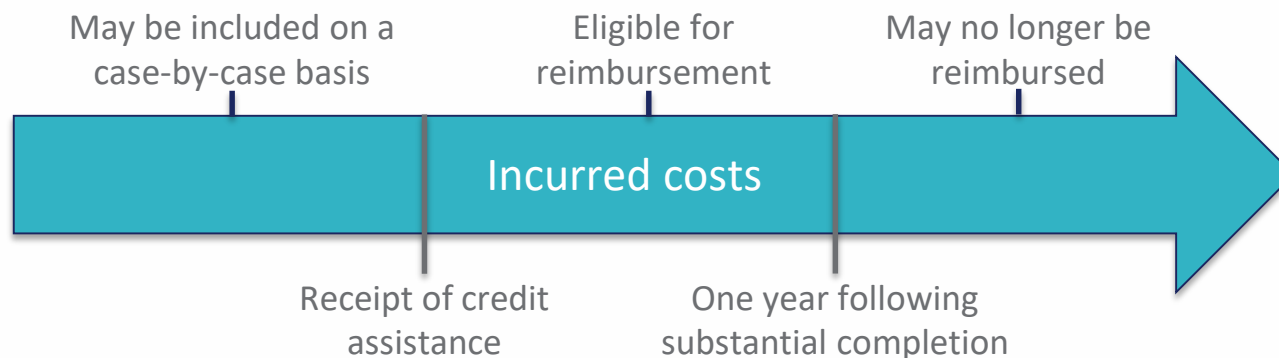
Eligible project costs are costs associated with the following activities, as defined in the statute

- **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

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

3.33%



MAXIMUM LOAN AMOUNT

Maximum amount of WIFIA loan is 49% of reasonably anticipated eligible project costs

- Maximum federal involvement: 80% of total project costs
- SRF funds are not federal funds in most cases
- The WIFIA loan amount is fixed at closing



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

- Interest payments must commence no later than 5 years following substantial completion of the project.
- Deferred interest payments are added to principal balance
- May be sculpted to accommodate the projected cash flow from project revenues and other sources
- Interest only period is no longer than half the term of the loan

REPAYMENT REQUIREMENTS

WIFIA loan must be repaid using a dedicated source of repayment or security pledge

- 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

DEFERRALS & PREPAYMENT

Deferrals of interest or principal payments

- May be granted at the discretion of the program
- Are contemplated in the credit agreement
- Must be a reasonable assurance of repayment of the WIFIA credit instrument

Prepayment conditions

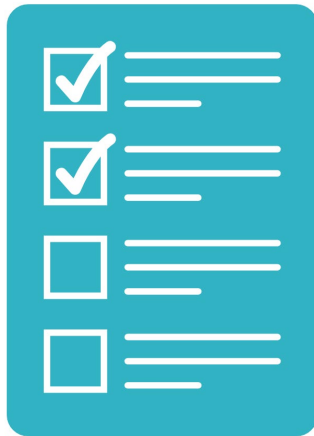
- May prepay in whole or in part at any time without penalty
- May not use federal funds to prepay

WIFIA IS FLEXIBLE WITH LIEN POSITION

WIFIA's flexibility in payment priority allows borrowers easier access to other sources of financing at more favorable terms

- A borrower's existing and future debt unrelated to the WIFIA project may be senior to WIFIA in priority
- The flexibility of WIFIA to be subordinate to the issuer's senior lien may allow the borrower to issue debt more easily and cost effectively by preserving additional senior lien capacity
- WIFIA also has the ability to take a subordinate position with respect to other sources of debt to fund the WIFIA project
- When WIFIA is subordinate to other project debt, it will spring to parity in a bankruptcy related event





FEDERAL REQUIREMENTS

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>



NEPA

Assesses potential environmental impacts

- Every project must receive an environmental Categorical Exclusion (CATEX), Finding of No Significant Impact (FONSI), or Record of Decision (ROD) prior to obligation
- EPA can use existing environmental documents and analysis for decision making
- The Programmatic Environmental Assessment (PEA) addresses many typical water infrastructure projects
- Prospective borrowers are encouraged to submit any and all documents and findings with their Letter of Interest (LOI)

Resources:

NEPAssist: <https://www.epa.gov/nepa/nepassist>

WIFIA PEA: <https://cdxnodengn.epa.gov/cdx-enepa-II/public/action/nepa/details?nepald=248581>



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



NATIONAL HISTORIC PRESERVATION ACT

Protects historic and archeological resources from adverse impacts

- Includes districts, sites, buildings, structures and objects listed in or eligible for listing in the National Register of Historic Places
- Consultation process with State Historic Preservation Officer, Tribal Historic Preservation Officers and other interested parties
- If historic properties are present, effects must be assessed and mitigated
- Consultation process must be completed prior to obligation and finalizing NEPA decision

Resources:

General information and National Historic Sites Listings: <https://www.nps.gov/nhl/find/statelists.htm>

State Historic Preservation Office Contacts: <http://ncshpo.org/directory/>



ENVIRONMENTAL JUSTICE

Ensures that no group of people bear a disproportionate share of any negative environmental consequences

- Evaluation should address the following concerns:
 - Whether there exists a potential for disproportionate risk
 - Whether communities have been sufficiently involved in the decision-making process
 - Whether communities currently suffer, or have historically suffered, from environmental and health risks or hazards
- Factors used in the evaluation can include: demographic, economic, human health and risk, cultural/ethnic differences

Resources:

EPA Environmental Justice Screening and Mapping Tool: <https://ejscreen.epa.gov/mapper>

Environmental Justice Guidance: <https://www.epa.gov/nepa/environmental-justice-guidance-national-environmental-policy-act-reviews>



ENDANGERED SPECIES ACT

Protects endangered and threatened species along with their critical habitats

- Consultation Process with U.S. Fish and Wildlife Service and the Department of Commerce's National Marine Fisheries Service
- Prohibits “taking,” e.g., harming (including, in some cases, habitat modification), harassing, or killing, endangered, and most threatened, animal species, without prior authorization
- Consultation process must be completed prior to obligation and finalizing NEPA decision

Resources:

General Information on Federally designated endangered and threatened species and endangered and threatened species lists by State: <https://www.fws.gov/endangered/>



ADMINISTRATIVE CROSS-CUTTERS

Davis-Bacon

- Must pay construction works locally prevailing wage and fringe benefits
- Need to maintain records during construction and three years after
- Payroll submittals for monitoring

America Iron & Steel

- Must use iron and steel products produced in U.S.
- May request a waiver
- De minimis waiver is applicable
- Monitored during site visits

Resources:

AIS requirements: <https://www.epa.gov/cwsrf/state-revolving-fund-american-iron-and-steel-ais-requirement>

Department of Labor's Davis-Bacon Overview: <https://www.dol.gov/whd/govcontracts/dbra.htm>





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

PROJECT SELECTION SUMMARY



FY 2018 Dates



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



NOTICE OF FUNDING AVAILABILITY

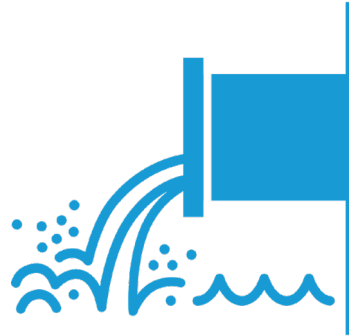
- Indicates how much money is available
 - FY 2018: \$55 million in appropriations will allow us to loan approximately \$5 billion
- Announces the opening of and deadline for the funding round
 - Approximately 90 days
- Provides key information on the evaluation process
 - Priorities
 - Selection criteria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



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

Projects applying for WIFIA loans must be creditworthy and demonstrate a reasonable assurance of repayment 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



PRELIMINARY ENGINEERING FEASIBILITY ANALYSIS

Purpose:

- To evaluate the feasibility of project plan

Prospective borrowers and projects will be assessed for:

- 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 submit an application, close the loan, and contract for construction

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



APPLICATION 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 |
|---|---------------------------|---|-----------------------|------------|
| Non-Recourse Indenture 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 | Aug. 1, 2018 | 4 months, 18 days |
| SAN FRANCISCO | Dec. 22, 2017 | Jun. 20, 2018 | Jul. 24, 2018 | Jul. 31, 2018 | 7 months, 9 days |
| SAN DIEGO | Mar. 16, 2018 | Jun. 15, 2018 | Sept. 25, 2018 | Nov. 27, 2018 | 8 months, 11 days |



UPCOMING OUTREACH EVENTS

In-Person Sessions

- December 11, 2018 – Boston, MA
- January 15, 2019 – Atlanta, GA
- February 4, 2019– Phoenix, AZ

Webinar

- December 5, 2019, 2:00 – 3:30pm EST – Application Process
- December 12, 2018, 2:00 - 3:30pm EST – Financial Benefits
- 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

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



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QUESTION & ANSWER SESSION

