



WIFIA

PROGRAM

LOANS FOR STATE INFRASTRUCTURE FINANCE AUTHORITIES

JULY 21, 2020



OPPORTUNITY FOR QUESTIONS

- You may call into this webinar by dialing United States: +1 (631) 992-3221 and entering access code 917-143-471
- 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



AGENDA



INTRODUCTION

Karen Fligger, US EPA



SWIFIA LOAN OVERVIEW

Karen Fligger, US EPA



APPLICATION PROCESS

Cortney Mukushi, US EPA



RESOURCES & QUESTIONS

Cortney Mukushi, US EPA





INTRODUCTION



BACKGROUND

- State Infrastructure Finance Authorities have always been eligible to apply for WIFIA loans
- However, America's Water Infrastructure Act (AWIA) for 2018 made some changes for these borrowers
- AWIA 2018 also created a new loan program solely for State Infrastructure Finance Authority borrowers and the 2020 Appropriations bill provided money for EPA to launch this program



CHANGES FOR SRF BORROWERS IN AWIA 2018

Changes for State Infrastructure Finance Authority borrowers:

- Changes the rating letter requirement from 2 to 1 final rating letter
- Prohibits using their capitalization grant to repay WIFIA loans
- Prohibits EPA from requiring new environmental or engineering review requirements for a project
- Requires either EPA approval within 180 days of submitting a complete application, or guidance on what is still needed to be approved
- Requires the source of WIFIA subsidy must be identified in the loan agreement



AUTHORIZATION OF SWIFIA PROGRAM IN AWIA 2018

Authorization of separate WIFIA program for State Infrastructure Financing Authorities (SWIFIA):

- For 2020 and 2021, provides authorization of \$5 million for SWIFIA if
 - At least \$50 million is available for the WIFIA program subsidy, and
 - Both SRF programs receive at least the same amount of appropriations as in 2018, or 105% of the previous year's appropriations, whichever is greatest.
- Amends the cap on total federal assistance to projects funded by SWIFIA from 80% to 100%.
 - Allows the SRF to finance up to 100% percent of the costs of a SRF project with the SWIFIA loan
 - Does not change the requirement that the SWIFIA loan is capped at 49% of SWIFIA Project costs
- Requires the State Infrastructure Financing Authority to be responsible for the repayment of the SWIFIA loan in the event of default
- Prohibits SWIFIA borrowers from passing the cost of the SWIFIA loan to individual SRF borrowers



APPROPRIATION FOR SWIFIA

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

\$5
MILLION IN
APPROPRIATIONS



\$1
BILLION IN
LOANS

\$2
BILLION IN
INFRASTRUCTURE
INVESTMENT



OPTIONS FOR LEVERAGING WITH WIFIA LOANS

SWIFIA LOANS

- NOFA
- Simplified SRF-specific Letter of Interest
- Pro-rata Project Selection
- Emphasis of readiness to proceed
- SRF-specific application
- All loans are senior, parity
- Streamlined underwriting process
 - Either EPA accepts existing indenture or borrower accepts SWIFA standard terms
- NEPA determination using PEA

BASE PROGRAM LOANS

- NOFA
- More detailed Letter of Interest
- Competitive Project Selection
- Emphasis on priorities announced in NOFA
- Loans can be senior or subordinate
- Bespoke underwriting process
- NEPA determination using PEA





SWIFIA LOAN OVERVIEW



ELIGIBLE BORROWERS

State infrastructure financing authority

- EPA defines State infrastructure financing authority as the State entity established or designated by the Governor of a State to receive a capitalization grant provided by, or otherwise carry out the requirements of, title VI of the Federal Water Pollution Control Act or section 1452 of the Safe Drinking Water Act.



ELIGIBLE PROJECTS

- A combination of projects, each of which is eligible for assistance under section 603(c) of the Federal Water Pollution Control Act or section 1452(a)(2) of the Safe Drinking Water Act for which a State infrastructure financing authority submits to the Administrator a single application.
- The SWIFIA project includes all the SRF loans being included in the request for credit assistance. This includes both the SRF loans that will be financed with the SWIFIA loan (up to 49% of SWIFIA Project costs) and the SRF loans that will be financed by other sources.
- Total SWIFIA project costs must be at least \$20 million



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**



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 first disbursement



Maximum portion of eligible SWIFIA project costs that EPA can fund



Projects must be creditworthy



Maximum time that repayment may be deferred after first disbursement



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 first disbursement
- Payments may be deferred up to 5 years after first disbursement
- WIFIA loans can be amortized to complement other debt repayments

Prepayment

- There is no penalty for prepayment

Low Interest Rate

- Established at closing and may receive multiple disbursements at the same fixed interest rate
- Maturity is calculated using the weighted average life, so rate is lower than the 30 year SLGS rate, which was 1.30% on July 20, 2020



CREDITWORTHINESS

Projects applying for SWIFIA 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 repay the loan
- The financial assumptions upon which the loan is based
- The financial soundness, credit history, and outlook of the prospective borrower



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 and SRF program can qualify for coverage

Resources:

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

WIFIA PEA: <https://www.epa.gov/wifia/wifia-federal-compliance-requirements>



PROGRAMMATIC ENVIRONMENTAL ASSESSMENT

What qualifies under the PEA?

- WIFIA credit assistance projects qualify for coverage under this PEA when:
 - The impacts of their projects are within the scope of those considered in Section 4 of the PEA;
 - Proper supporting documentation is provided, and;
 - A memorandum to the record is developed by EPA using the PEA questionnaire for SRF programs.

<https://www.epa.gov/wifia/wifia-programmatic-environmental-assessment-questionnaires>



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>





SWIFIA APPLICATION PROCESS



APPLICATION PROCESS

Project Selection

- Notice of Funding Availability
- Letter of Interest submission
- Letter of Interest evaluation
- Invitation to apply

Project Review, Documentation, and Closing

- Application submission
- Application evaluation
- Due diligence
- Loan documentation
- Closing



SUMMARY



NOTICE OF FUNDING AVAILABILITY

Indicates how much money is available

- FY 2020: \$5 million in appropriations will allow us to loan approximately \$1 billion

Announces the opening of and deadline for the funding round

- FY 2020: July 17- September 15

Gives instructions for submitting a LOI

Provides key information on the evaluation process



TYPES OF CREDIT ASSISTANCE

EPA is offering senior, parity loans under the SWIFA program.

- The maximum amount of SWIFIA credit assistance to a project is 49 percent of eligible SWIFIA project
- Prospective SWIFIA borrowers may request one the following loan structures:
 - EPA adopts the State infrastructure financing authority's existing indenture; or
 - The State infrastructure financing authority accepts EPA's standard terms.



STANDARD TERMS

- At least 90% of the borrower's existing and future loan P & I repayments must be pledged for the payment of debt service.
- The minimum debt service coverage ratio and additional bonds test is 1.0.
- A debt service reserve is not required unless is it offered to other lenders.
- Debt service payments must be either annual or semi-annual.
- Reporting requirements such as annual audited financial statements; EMMA or EMMA-like event filings; SRF annual report; borrower substitution of SWIFIA funded project; and annual project construction status.
- When SRF loans included in the SWIFIA project are pre-paid and the pre-payment does not adversely impact the overall P&I cash flow for debt service coverage, these excess funds may be used by the SWIFIA borrower for new loans rather than prepayment of SWIFIA loan.

Resources:

SWIFIA standard terms: <https://www.epa.gov/wifia/resources-wifia-borrowers>



READINESS TO PROCEED

EPA considers a SRF project ready to proceed if its construction will commence no later than 18 months after the LOI deadline (March 2022).



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>

COMPONENTS

A: Loan Information

B: Supporting Documents

C: Contact Information

D: Certifications



LETTER OF INTEREST FORM

- All responses should be entered into the editable word document
- 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



GENERAL TIPS

- **Read the instructions** in the NOFA and the program handbook prior to completing your LOI
- **Answer every question**
- **Provide all requested supporting materials**
- **Ask questions**– contact us at 202-566-1868 or at wifia@epa.gov



LETTER OF INTEREST SUBMISSION

- Deadline: September 15, 2020 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 September 11, 2020 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



LETTER OF INTEREST EVALUATION

Project selection ensures that the SWIFIA borrowers that are invited to apply are:

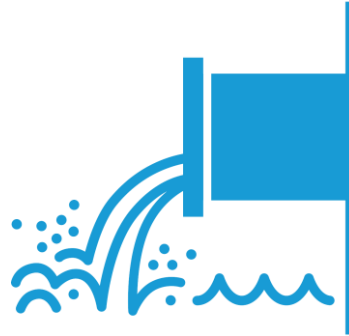
- Eligible
- Creditworthy
- Supporting EPA to meet the public policy goals outlined in the WIFIA statute and NOFA



ELIGIBILITY SCREENING



Prospective borrower is an eligible entity



Proposed project is an eligible project



Total eligible SWIFIA project costs exceed \$20 million



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

OMB SCREENING CRITERIA

- The OMB screening criteria is new for FY 2020
- EPA is required to answer a series of questions about each LOI submitted and submit the responses to OMB
- EPA will reach out to borrowers on an individual basis if additional information is needed beyond what is provided in the LOI
- The goal of the questions is to screen out projects that would be considered a federal asset



STATUTORY SELECTION CRITERIA EVALUATION

1. The extent to which the project financing plan includes public or private financing in addition to assistance.
2. The likelihood that the WIFIA assistance would enable the project to proceed at an earlier date than the project would otherwise be able to proceed.
3. The extent to which the project uses new or innovative approaches.
4. The amount of budget authority required to fund the WIFIA assistance.
5. The extent to which the project serves regions with significant energy exploration, development, or production areas.
6. The extent to which the project (1) protects against extreme weather events, such as floods or hurricanes; or (2) helps maintain or protect the environment.



STATUTORY SELECTION CRITERIA

7. **The extent to which a project serves regions with significant water resource challenges**, including the need to address: (1) water quality concerns in areas of regional, national, or international significance; (2) water quantity concerns related to groundwater, surface water, or other water sources; (3) significant flood risk; (4) water resource challenges identified in existing regional, state, or multistate agreements; or (5) water resources with exceptional recreational value or ecological importance.
8. **The extent to which the project addresses identified municipal, state, or regional priorities.**
9. **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].
10. **The extent to which WIFIA assistance reduces the contribution of Federal assistance to the project.**



BORROWER CREDITWORTHINESS

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 looking at:

- Financial risk factors
- Business risk factors



INDENTURE REVIEW

The review will focus on identifying any elements that would preclude the WIFIA program from accepting the indenture, such as:

- Flow of funds and use of excess cash flow
- Additional bonds test
- Coverage requirement
- Security establishment for senior debt protection
- Defaults and remedies



PROJECT SELECTION PROCESS

All eligible SWIFIA prospective borrowers will be invited to apply for a SWIFIA loan.

If the SWIFIA program is oversubscribed:

- EPA will allocate the available amount of financing among interested prospective SWIFIA borrowers on a **pro-rata basis** based on the financing requests outlined in their letters of interest.



PROJECT SELECTION PROCESS

- EPA has about \$1 billion to lend and receives requests to finance \$2 billion

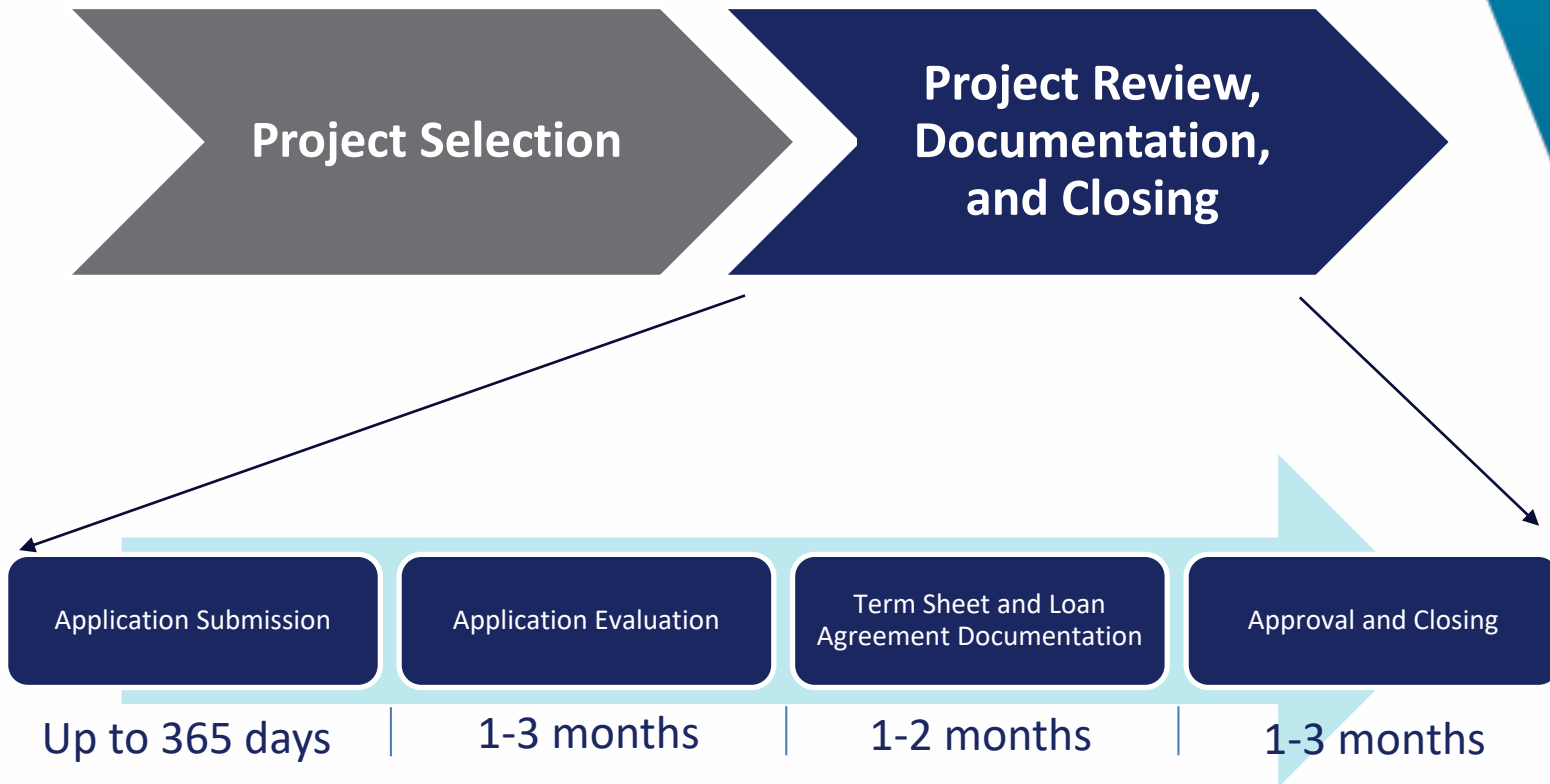
STATE	LOAN REQUEST	PERCENT OF ALL REQUESTS	INVITED AMOUNT
A	\$500 billion	25%	\$250 million
B	\$600 million	30%	\$300 million
C	\$400 million	20%	\$200 million
D	\$500 million	25%	\$250 million
	\$2 billion	100%	\$1 billion

INVITATION TO APPLY

- The WIFIA program will provide written notification indicating the amount that the for which the prospective borrowers can submit an application
 - If a prospective borrower declines EPA's invitation, EPA will either re-allocate to other eligible prospective borrowers or carry the funding forward to a future round.
- It will also publicly announce selected prospective borrowers



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 is \$100,000
- Down payment for the cost of hiring expert advisors

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 expert advisors
 - Approximately \$150,000-250,000
 - Application fee is credited toward this amount
- To date, total fees have ranged from \$131,000- \$398,000 (0.04%-0.68% 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>



PRELIMINARY RATING LETTER

Preliminary credit rating letter must be submitted with the application

- Public rating letter from at least one Nationally Recognized Statistical Rating Organization (NRSRO)
- Suggested contents include:
 - Proposed loan structure
 - Revenue pledge
 - Estimated coverage ratios
 - Key assumptions and limitations
- EPA may consider accepting existing rating letter in place of a new preliminary rating on a case-by-case basis



FINAL RATING LETTER

One final public rating letters are required

- Public rating letter from a NRSRO that assess the default credit risks
- WIFIA debt must achieve a rating of investment grade or above
- The letter rating may include:
 - Terms and conditions of the WIFIA loan
 - WIFIA loan features. ex: loan tenor & amortization profile
 - Plan of finance
 - Revenue pledge
 - Collateral or security
 - Potential loan covenants
 - Credit risks and mitigants





RESOURCES & QUESTIONS



UPCOMING OUTREACH EVENTS

Webinars

- July 28, 2020 @ 2:00 ET: WIFIA NOFA Webinar
- August 11, 2020 @ 2:00 ET– WIFIA NOFA Webinar

Registration is available at

<https://www.epa.gov/wifia/wifia-webinars>



MEET WITH US!

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 via video conference or 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/about-wifia>

- Program overview
- SWIFIA information
- Program benefits
- Links to laws and regulations

Application materials

<https://www.epa.gov/wifia/wifia-applications-materials>

- SWIFIA Letter of Interest form and application

Borrower Resources

<https://www.epa.gov/wifia/resources-wifia-borrowers>

- Program Handbook
- Template Term Sheet (both WIFIA and SWIFIA)
- Federal compliance 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>

