Welcome, Program Introduction

Jake San Antonio

Program Moderator

Managing Director – Environmental Resources

VHB

Environmental Business Council of New England

Energy Environment Economy
An Overview of the WIFIA Program

Arielle Gerstein

Program Manager, WIFIA Program
U.S. EPA, Office of Wastewater Management
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

• Passed as part of Water Resources Reform and Development Act (WRRDA) of 2014
• WIFIA is modeled on the Transportation Infrastructure Finance and Innovation Act (TIFIA) of 1998
• Congress appropriated $25 million for credit subsidy for FY 2017 which allowed EPA to select its first 12 projects to invite to apply for loans
FEDERAL CREDIT PROGRAM

• Leverage federal funding since Congress only needs to appropriate money to cover estimated losses and the remainder of the funding is borrowed from and repaid to Treasury
• The subsidy cost is about 1 percent, so a small amount of federal funds can support a larger amount of infrastructure investment

$1 IN APPROPRIATIONS

$100 IN LOANS

$200 BILLION IN INFRASTRUCTURE INVESTMENT
EPA’s 2017 WIFIA LOANS ARE HELPING TO REBUILD AMERICA’S WATER INFRASTRUCTURE

The Water Infrastructure Finance and Innovation Act (WIFIA) program accelerates investment in our nation’s water infrastructure. Here’s how WIFIA is transforming America in 2017:

$2.3 B IN WIFIA LOANS
$5.1 B IN PROJECT COSTS
12 PROJECTS SELECTED
20 M PEOPLE IMPACTED

Learn more: epa.gov/WIFIA
#WIFIA
1. King County - $129M
Georgetown WWTS

2. San Francisco PUC - $625M
Biosolids Digester Facilities

3. City of Morro Bay - $82M
Water Reclamation

4. Orange Co. Water District - $124M
Groundwater Replenishment System

5. City of San Diego - $492M
Pure Water San Diego

6. City of Omaha - $55M
Saddle Creek RTB

7. Metro St. Louis Sewer District - $43M
Sanitary Tunnel & Relief Projects

8. Indiana Finance Authority - $436M
FY2017 SRF Program

9. City of Oak Ridge - $22M
Water Treatment Plant

10. Maine Water Co. - $25M
Saco River Treatment Plant

11. City of Baltimore - $200M
Capital Improvements

12. Miami-Dade County - $79M
Ocean Outfall Reduction

$2.3B WIFIA Loans

$5.1B Project Costs
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, not withstanding 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

$20 MIL

Minimum project size for small communities (population of 25,000 or less)

$5 MIL
LOAN SCOPE

• A project consists of all construction necessary to complete the building or work regardless of the number of contracts or assistance agreements involved
  ○ All contracts and assistance agreements awarded must be closely related in purpose, time and place
• Generally, must involve new construction or work
• WIFIA 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
• Not applicable to loans to the SRF program
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

- Receipt of assistance
- Eligible for reimbursement
- May be included on a case-by-case basis
- Incurred costs
- May no longer be reimbursed
- One year following substantial completion
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 portion of eligible project costs that WIFIA can fund
- Maximum time that repayment may be deferred after substantial completion of the project
- Maximum final maturity date from substantial completion
- Projects must be creditworthy
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

3.01%

As of May 31, 2018
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
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
WIFIA BENEFITS

• **Very low interest rate** equivalent to the U.S. Treasury rate of the same maturity based on the weighted average life (WAL)

• **Highly flexible repayment schedule** during construction, allowing payment deferral during periods of high capital expenditure

• **Ability to preserve a borrower’s senior debt capacity**, allowing borrowers issue future non-WIFIA project related debt at lower interest rates and with more favorable terms

• **Flexibility to sculpt the WIFIA repayment schedule** in order to reduce burden on rate payers. WIFIA repayments can be ramped up over time, allowing for small and steady rate increases to satisfy capital expenditures and debt service payments

• **Ability to back load repayments** offers significant saving compared to level repayment schedules, because cash outlays that are made sooner cost more than outlays in future years due to lost earning capacity on that cash

• Presence of low-cost, flexible WIFIA debt **improves the position and confidence of other lenders**. This may help borrowers obtain other sources of funding at more favorable terms
How to Apply for a WIFIA Loan

Karen Fligger

Senior Project Manager, WIFIA Program
U.S. EPA, Office of Wastewater Management
HOW TO APPLY FOR A WIFIA LOAN

Karen Fligger
APPLICATION PROCESS

**Project Selection**
- Notice of Funding Availability
- Letter of Interest (LOI) submission
- LOI evaluation
- Invitation to apply

**Project Approval**
- Application submission
- Application evaluation
- Term sheet
- Application approval

**Negotiation and Closing**
- Negotiation activities
- Credit agreement execution
2018 PROJECT SELECTION TIMELINE

- Notice of Funding Availability (NOFA): April 12, 2018
- Letter of Interest Submission: July 31, 2018
- Letter of Interest Evaluation: 3-4 months
- Project Selection: Fall 2018
- Project Approval
- Negotiation and Closing
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

Notice of Funding Availability (NOFA) → Letter of Interest Submission → Letter of Interest Evaluation → Project Selection → Project Approval → Negotiation and Closing
NOTICE OF FUNDING AVAILABILITY

EPA will make available $55 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 $5.5 billion in credit assistance
• WIFIA can finance up to 49% of the anticipated project costs
• Therefore, the $55 million can support a total of $11 billion in water infrastructure investment

2018 Priorities

• Provide for clean and safe drinking water
• Repair, rehabilitate, and replace aging infrastructure and conveyance systems
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

- Project Selection
- Project Approval
- Negotiation and Closing

Notice of Funding Availability (NOFA)
Letter of Interest Submission
Letter of Interest Evaluation
Project Selection
**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

<table>
<thead>
<tr>
<th>Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>A: Prospective Borrower Information</td>
</tr>
<tr>
<td>B: Project Plan</td>
</tr>
<tr>
<td>C: Project Operations and Maintenance Plan</td>
</tr>
<tr>
<td>D: Financing Plan</td>
</tr>
<tr>
<td>E: Selection Criteria</td>
</tr>
<tr>
<td>F: Contact Information</td>
</tr>
<tr>
<td>G: Certifications</td>
</tr>
<tr>
<td>H: Notification of State Infrastructure Financing Authority</td>
</tr>
</tbody>
</table>
LETTER OF INTEREST FORM

New format for FY2018!

• 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
  o No limit on length or number of attachments, but should be referenced in form
  o May be preliminary or draft documents
• Signature pages must be submitted as a scanned document
LETTER OF INTEREST SUBMISSION

• Deadline: July 31, 2018 at noon ET
• Prospective borrowers should submit all LOIs electronically via email at: wifia@epa.gov or via EPA's SharePoint site
  o 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 27, 2018 at noon ET
• 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

Project Selection → Project Approval → Negotiation and Closing

Notice of Funding Availability (NOFA) → Letter of Interest Submission → Letter of Interest Evaluation → Project Selection
ELIGIBILITY SCREENING

Prospective Borrower
- 33 U.S.C. §3904 (1-7)

Project
- 33 U.S.C. §3905 (2-9)

Costs
- 33 U.S.C. §3906

*U.S.C. links reference sections of the WIFIA statute
FY2018 PRIORITIES

Repair, rehabilitate, and replace aging infrastructure and conveyance systems

Provide for clean and safe drinking water

• Reducing exposure to lead in the nation's drinking water systems
• Ensuring continuous compliance with contaminant limits
• Responding quickly to emerging concerns
• Improving the nation's aging and insufficient drinking water infrastructure
SELECTION CRITERIA

• The WIFIA selection criteria are divided into three categories:
  o Project Impact
  o Project Readiness
  o 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

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Impact</strong></td>
<td></td>
</tr>
<tr>
<td>National or regional significance</td>
<td>15</td>
</tr>
<tr>
<td>New or innovative approaches</td>
<td>5</td>
</tr>
<tr>
<td>Protection against extreme weather events</td>
<td>5</td>
</tr>
<tr>
<td>Serves energy exploration or production areas</td>
<td>5</td>
</tr>
<tr>
<td>Serves regions with water resource challenges</td>
<td>10</td>
</tr>
<tr>
<td>Addresses identified priorities</td>
<td>10</td>
</tr>
<tr>
<td>Repair, rehabilitation, or replacement</td>
<td>20</td>
</tr>
<tr>
<td>Economically stressed communities</td>
<td>10</td>
</tr>
<tr>
<td>Reduces exposure to lead</td>
<td>20</td>
</tr>
<tr>
<td><strong>Project Readiness</strong></td>
<td></td>
</tr>
<tr>
<td>Readiness to proceed</td>
<td>50</td>
</tr>
<tr>
<td>Preliminary engineering feasibility analysis</td>
<td>50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Borrower Creditworthiness</strong></td>
<td></td>
</tr>
<tr>
<td>Enables project to proceed earlier</td>
<td>10</td>
</tr>
<tr>
<td>Financing plan</td>
<td>10</td>
</tr>
<tr>
<td>Reduction of Federal assistance</td>
<td>10</td>
</tr>
<tr>
<td>Required budget authority</td>
<td>10</td>
</tr>
<tr>
<td>Preliminary creditworthiness assessment</td>
<td>60</td>
</tr>
</tbody>
</table>

**Total Score: 300**
PROJECT SELECTION PROCESS

The Selection Committee will select prospective borrowers to invite to apply

- Three-person committee comprised of a senior manager from
  - Office of Wastewater Management
  - Office of Groundwater and Drinking Water
  - Office of Water

The Selection Committee will consider:
- Selection score

They will also consider:
- Diversity of project types and geography within the portfolio
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.
# APPLICATION PROCESS

Example Project Y: $200M low to medium risk capital project

<table>
<thead>
<tr>
<th>PLEDGE</th>
<th>CREDIT DUE DILIGENCE</th>
<th>TECHNICAL REVIEW</th>
<th>NEGOTIATE TERMS</th>
<th>DOCUMENTATION</th>
<th>WIFIA FEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Lien of System Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$200,000</td>
</tr>
</tbody>
</table>

Example Project Z: $1,000M innovative high risk capital project

<table>
<thead>
<tr>
<th>PLEDGE</th>
<th>CREDIT DUE DILIGENCE</th>
<th>TECHNICAL REVIEW</th>
<th>NEGOTIATE TERMS</th>
<th>DOCUMENTATION</th>
<th>WIFIA FEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Recourse Indenture with Customized Terms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$500,000</td>
</tr>
</tbody>
</table>
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
  o $25,000 for small communities (not more than 25,000 individuals)
  o $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
  o Estimates $250,000-$500,000 for most projects
  o Very risky, complicated projects could have higher fees

• Financing of fees:
  o Borrowers may finance fees
  o Borrowers 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](http://www.regulations.gov)
RESOURCES & QUESTIONS
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
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
Moderated Discussion

Moderator: Jake San Antonio, VHB

Panelists:
- Karen Fligger, US EPA
- Arielle Gerstein, US EPA

Environmental Business Council of New England
Energy Environment Economy