



Financial Services Audit Committee Communication

Date: April 20, 2018

To: Great Lakes Water Authority Audit Committee

From: Jon Wheatley, Public Finance Manager

Re: Water Infrastructure Finance and Innovation Act (WIFIA) program

Background: On April 4, 2018, the U.S. Environmental Protection Agency (EPA) announced the availability of funding that could provide as much as \$5.5 billion in loans through the Water Infrastructure Finance and Innovation Act (WIFIA) program. Prospective borrowers seeking WIFIA credit assistance must submit a letter of interest (LOI) by July 6, 2018. The basic program details are below.¹

Eligible borrowers are:

- Local, state, tribal, and federal government entities
- Partnerships and joint ventures
- Corporations and trusts

The WIFIA program can fund development and implementation activities for eligible projects:

- Projects that are eligible for the Clean Water State Revolving Fund (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
- 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

¹ Source: <https://www.epa.gov/wifia/learn-about-wifia-program>

Eligible development and implementation activities are:

- Development phase activities, including planning, preliminary engineering, design, environmental review, revenue forecasting, and other pre-construction activities
- Construction, reconstruction, rehabilitation, and replacement activities
- Acquisition of real property or an interest in real property, environmental mitigation, 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

Important Program Features

- \$20 million: Minimum project size for large communities.
- \$5 million: Minimum project size for small communities (population of 25,000 or less).
- 49%: Maximum portion of eligible project costs that WIFIA can fund.
- Total federal assistance may not exceed 80% of a project's eligible costs.
- 35 years: Maximum final maturity date from substantial completion.
- 5 years: Maximum time that repayment may be deferred after substantial completion of the project.
- Interest rate will be equal to or greater than the U.S. Treasury rate of a similar maturity at the date of closing.
- Projects must be creditworthy and have a dedicated source of revenue.
- National Environmental Policy Act (NEPA), Davis-Bacon, American Iron and Steel, and all other federal cross-cutter provisions apply.

Analysis: GLWA's financial advisor, Dan Hartman from PFM LLC, will be in attendance to discuss the WIFIA program and application process. See attached presentation materials.

Budget Impact: To the extent that GLWA can take advantage of the WIFIA program, it will reduce the need for the issuance of traditional open market revenue bonds.

Proposed Action: Receive and file report.