



# Information Regarding the WIFIA Program

**Presented by:**  
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## WIFIA – Background

- Modeled after the long-standing Transportation Infrastructure Finance & Innovation Act (TIFIA) of 1998, the Water Infrastructure Financing and Innovation Act of 2014 (WIFIA) created a federal credit program which provides long-term, low-interest loans for large water infrastructure projects
- WIFIA was established as a five year pilot program for water infrastructure projects along the lines of the current TIFIA program
- The WIFIA program will provide Federal credit assistance in the form of direct loans or letters of credit to aid in the financing of water and sewer projects
- The WIFIA program was created to provide water infrastructure projects with a flexible, “patient” investor willing to take on investor concerns regarding the investment horizon, liquidity, predictability and risk of projects
- WIFIA program received \$20 million in appropriations from Congress in December 2016
  - The \$20 million of appropriations can support approximately \$1 billion in loans for \$2 billion in projects
  - In 2017, for WIFIA’s inaugural round, EPA invited 12 projects in 9 states to apply
- Funding for additional projects was secured by the Consolidated Appropriations Act of 2018 that allows EPA to provide up to \$5.5 billion of additional credit support for projects



## WIFIA – Borrower Qualification

WIFIA is available to a much broader group than SRF loans, but eligible projects carried out by private entities must be publicly sponsored

### Eligible borrowers

- Corporation
- Partnership
- Joint venture
- Trust
- Federal, state or local government entity, agency, or instrumentality
- Tribal government or consortium of tribal government
- State water infrastructure financing authority, as defined by the Clean Water Act and the Safe Drinking Water Act



# WIFIA – Project Qualification

## Eligible projects

- Wastewater conveyance and treatment projects that are eligible for the Clean Water SRF
- Drinking water treatment and distribution 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 costs

- 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



## WIFIA - Key Business Terms

Term	Description
Loan Amount	Up to 49% of the project's total cost
Total Federal Assistance	Total federal assistance may not exceed 80% of a project's eligible costs
Minimum Project Size	\$20 million for large communities or \$5 million for small communities (population of 25,000 or less)
Interest Rate	Equivalent maximum maturity U.S. Treasury plus 0.01%; fixed on the date the WIFIA credit agreement is executed
Security	Senior or Subordinate obligations; WIFIA loan will spring to be on parity to senior lenders in the event of bankruptcy, insolvency or liquidation of the obligor
Capitalized Interest / Repayment	Interest may be capitalized for up to 5 years following substantial completion
Amortization	Maximum final maturity is 35 years after the date of substantial completion of the project
Ratings	Preliminary rating opinion letter needed at time of application and two final rating opinion letters needed prior to financial close
Sale / Assignment	WIFIA retains right to sell or assign rights and obligations



## WIFIA – Project Selection Criteria

The WIFIA program is required by statute to evaluate projects using selection criteria. The statute establishes eleven criteria, to which EPA, via regulation, adds two additional criteria. The WIFIA program selection criteria and respective weights are as follows:

1. Project of national or regional significance – **10%**
2. Likelihood that credit assistance enables project to proceed earlier – **5%**
3. New or innovative approaches used – **10%**
4. Protection against extreme weather events – **10%**
5. Extent to which project maintains or protects the environment or public health – **10%**
6. Serves energy exploration or production areas – **5%**
7. Serves regions with water resource challenges – **10%**
8. Extent to which the project addresses identified municipal, state, or regional priorities – **5%**
9. Readiness to proceed – **5%**
10. Extent to which the project financing plan includes public or private financing in addition to WIFIA credit assistance – **5%**
11. Reduction in federal assistance – **5%**
12. Degree to which project addresses need for repair, rehabilitation, or replacement of infrastructure – **10%**
13. Serves economically stressed communities – **10%**



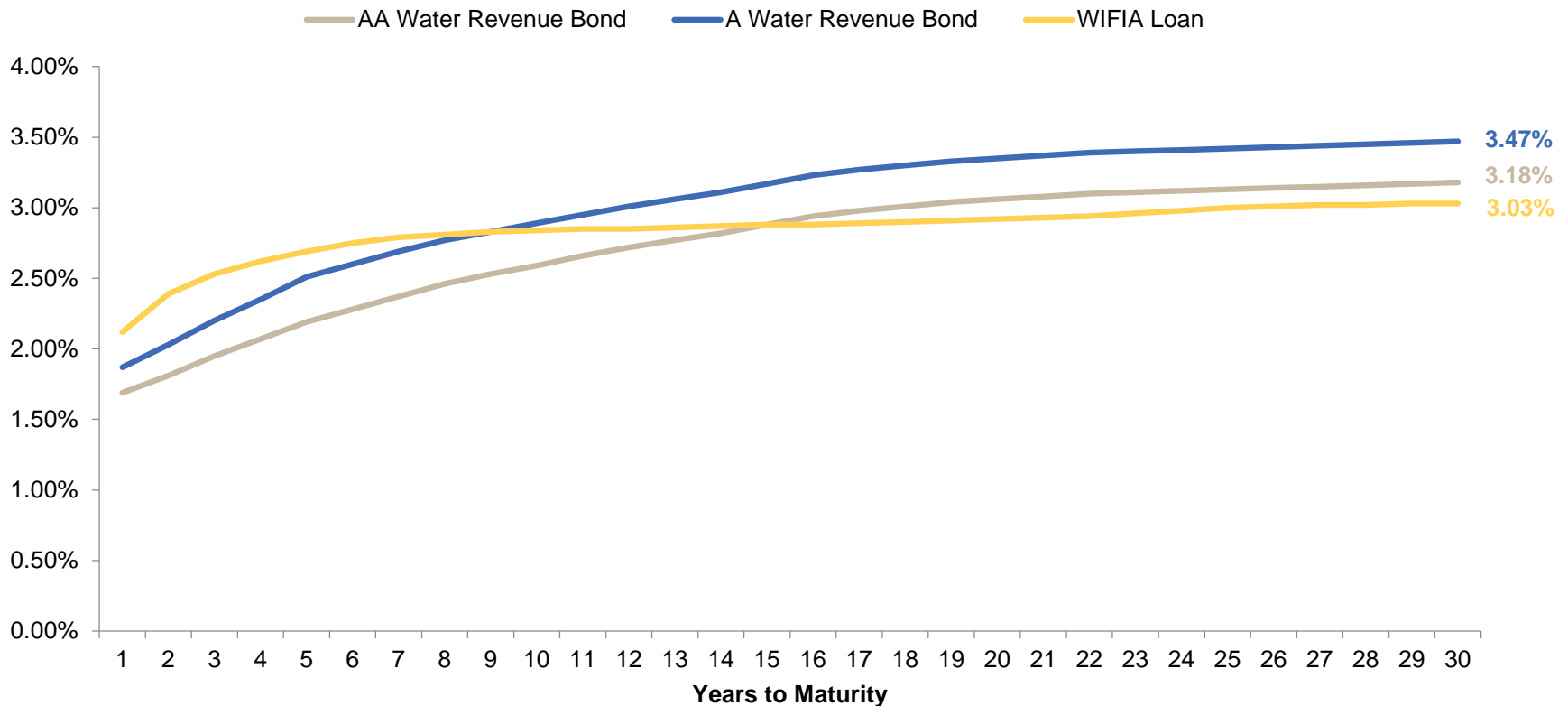
## WIFIA – Potential Economic Benefits

- Ability to lock in rate at financial close, reducing interest rate risk (a no cost rate lock)
  - Retain ability to issue bonds instead if rates decline significantly
- Additional structuring and timing flexibility, including backloaded debt structures
- Greater project leverage with WIFIA's low coverage requirements
- Up to 35 year amortization beginning at substantial completion
- Ability to draw funds and therefore accrue interest based on actual, rather than projected, spending
- Flexible prepayment provisions: a borrower may prepay WIFIA credit assistance in whole or in part without penalty at any time (provided that WIFIA credit assistance may not be prepaid using federal funds)



## WIFIA – Yield Comparison vs. Tax-Exempt Fixed-Rate Debt

- WIFIA loan rate is based on **weighted average life of debt**
- WIFIA loan is sold at par – Tax-exempt bonds assume a 5% coupon



Rates as of April 17, 2018. Source: TM3 and US Department of the Treasury.





## WIFIA – Timetable and Process for 2018

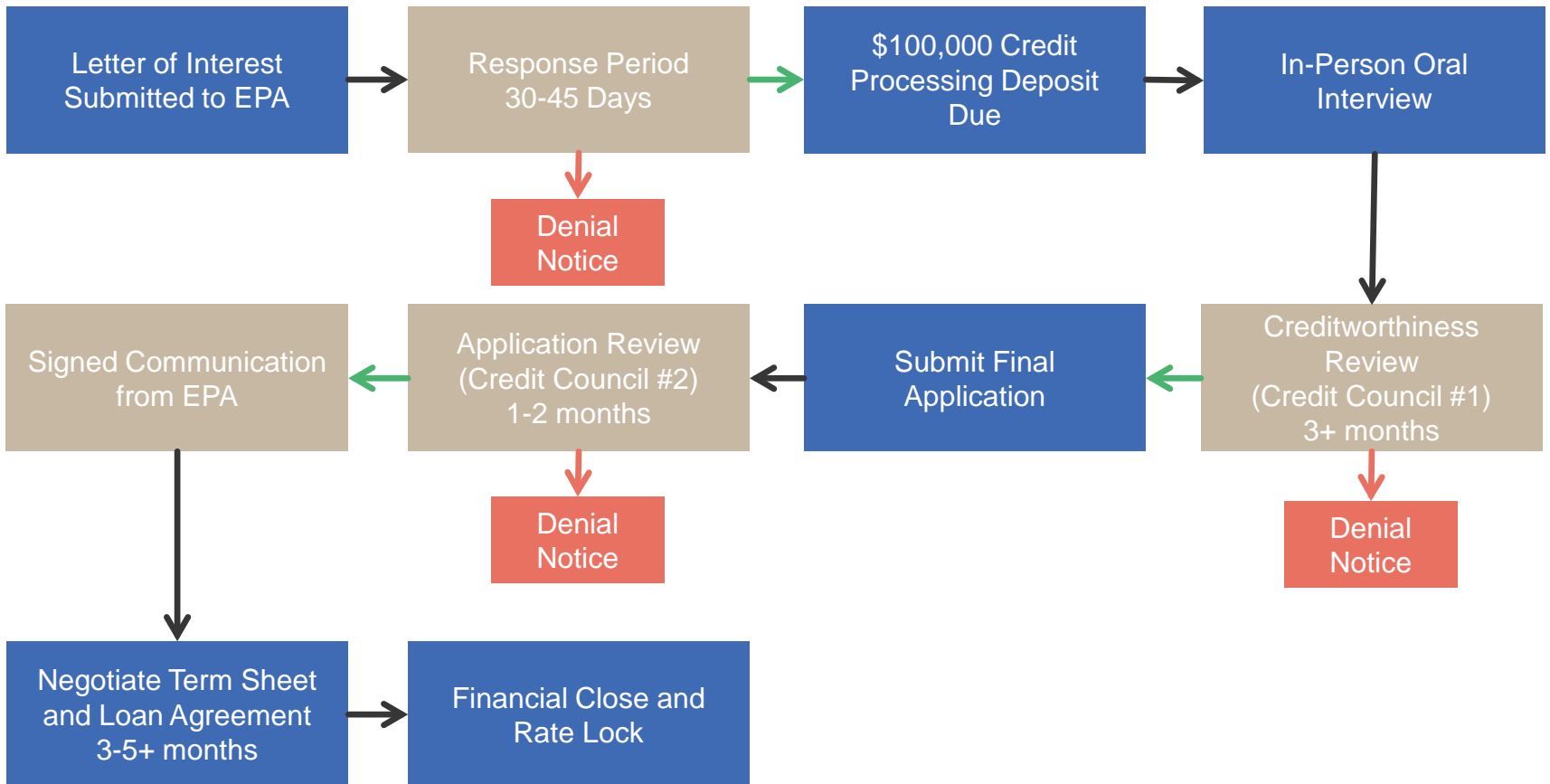
The timetable for WIFIA funding in 2018 requires a letter of interest to be submitted by July 2018

### Process for FY2018 WIFIA Funding:

- ◆ Letter of Interest submitted by July 6, 2018 at 12:00 pm EDT
  - Prospective borrower provides information to demonstrate its projects eligibility, financial creditworthiness, engineering feasibility, and alignment with EPA's policy priorities
  - Letter of interest requires substantial work, including the use of consultants to fill out the sizeable data requests and analysis asked for by EPA
- ◆ Once all letters of interest for a selection round have been evaluated, the Selection Committee will select which prospective borrowers to invite to apply (likely a several month process)
  - It is expected that EPA will only invite projects to apply if it anticipates that those projects are able to obtain WIFIA credit assistance.
- ◆ Funding announcement for FY2018 identifies two major priorities for this round of funding:
  - Providing clean and safe drinking water and reducing lead exposure
  - Repairing, rehabilitating and replacing aging infrastructure and conveyance systems



## WIFIA – Typical Process Flow Chart





## WIFIA - Major Considerations

- ◆ **Federal project requirements** WIFIA financing subjects project to federal requirements, including Davis-Bacon, NEPA, and American Iron and Steel requirement
- ◆ **Lien priority** WIFIA credit assistance may be subordinate to the project's other debt obligations in the priority of its lien on the project's cash flow but in the event of bankruptcy, insolvency, or liquidation, the WIFIA credit instrument will have a parity lien with respect to the project's senior creditors
- ◆ **Continuing disclosure and monitoring** WIFIA program requires that borrowers submit quarterly financial condition reports, comply with site visits, provide material event notices, and regular legislative compliance certifications
- ◆ **Administrative burden** Substantial ongoing administrative burden related to ensuring that WIFIA funds are not spent on ineligible project costs
- ◆ **Additional debt** WIFIA may require consent rights for the issuance of additional indebtedness
- ◆ **Variable rate debt** WIFIA will not agree to exposure to material amounts of variable rate debt in the borrower's financing structure
- ◆ **Required prepayment** WIFIA may require borrowers to prepay WIFIA credit instruments on an accelerated basis with excess revenues, refinancing proceeds, or trapped cash flow, as appropriate