



# WIFIA

PROGRAM

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## UPDATE: WHAT TO WATCH FOR IN THE NEXT FUNDING ROUND

AMWA WATER POLICY CONFERENCE  
MARCH 20, 2018





# INTRODUCTION

JORIANNE JERNBERG, DIRECTOR



[WWW.EPA.GOV/WIFIA](http://WWW.EPA.GOV/WIFIA) | 2

# WIFIA PROGRAM

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.



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# IMPORTANT PROGRAM FEATURES

\$20  
MIL

Minimum project size for large communities.

5

YEARS

Maximum time that repayment may be deferred after substantial completion of the project.

\$5  
MIL

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



Interest rate will be equal to or greater than the U.S. Treasury rate of a similar maturity.

49%

Maximum portion of eligible project costs that WIFIA can fund.



Projects must be creditworthy.

35

YEARS

Maximum final maturity date from substantial completion.



NEPA, Davis-Bacon, American Iron and Steel, and all federal cross-cutter provisions apply.



# 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  
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

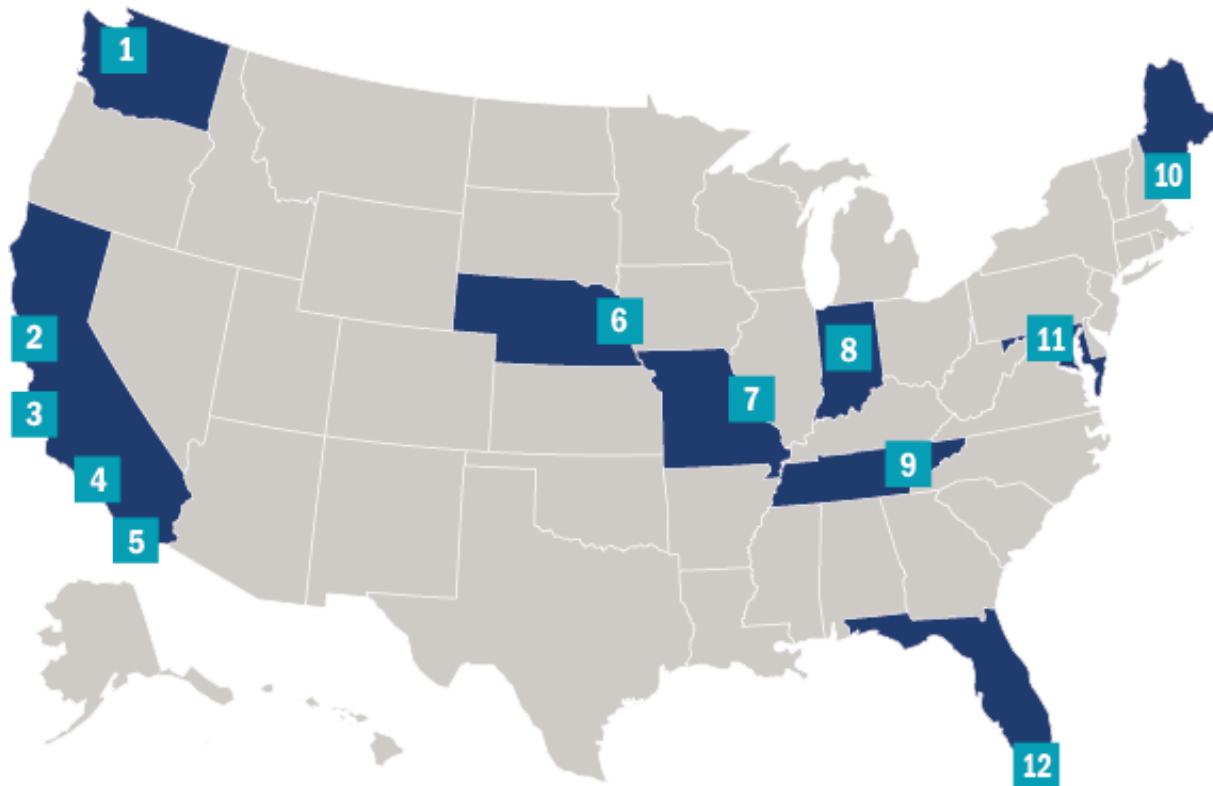


Learn more: [epa.gov/WIFIA](http://epa.gov/WIFIA)

#WIFIA



# FY 2017 WIFIA Projects



**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



# CURRENT STATUS

FY 2018 Appropriation

FY 2018 Notice of Funding Availability (NOFA)





# BENEFITS

KEVIN MCDONALD



# LOW, FIXED INTEREST RATE

The interest rate will be a single fixed rate established at closing

- May receive multiple disbursements at the same fixed interest rate

Low interest rate equal to the U.S. Treasury rate of similar maturity

- Not affected by borrower's credit
- Maturity is calculated using the weighted average life
- Rate is lower than the 30 year SLGS rate, which was 2.93% on October 26



# LOW FEES

## WIFIA's fees compare favorably to capital market fees

- Capital market fees are determined by a percentage of the total loan value
- WIFIA fees are based on the costs associated with providing credit assistance
- Application fees are eligible for financing as part of the WIFIA loan
- For the 2017 Cohort of projects, WIFIA fees are significantly lower than estimated capital markets fees

**AVERAGE SIZE OF LOAN\***

\$200M

**AVERAGE WIFIA FEE\***

\$250K - \$350K

**CAPITAL MARKET FEES**

\$1M - \$2M

\*Average size of loan and WIFIA fees are estimates based on FY2017 Projects



# FLEXIBLE FINANCIAL TERMS

## Customized repayment schedule

- Repayment period is 35 years from substantial completion
- Payments may be deferred up to 5 years following substantial completion
- WIFIA loans can be amortized to complement other debt repayments

## Disbursements

- Multiple disbursements at no additional cost to the borrower
- May be synchronized with funding needs, reducing the amount of accrued interest

## Prepayment

- There is no penalty for prepayment

## Lien Priority

- WIFIA loans may be junior (i.e., subordinate) to the senior debt obligations in payment priority in some circumstances



# 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



# ENCOURAGES CO-FINANCING

**WIFIA loans can be combined with various sources of funding**

**Borrowers and co-financing partners benefit from the project being backed by the Federal government**

- Private equity
- Revenue bonds
- Corporate debt
- Grants
- State Revolving Fund loans
- Other federal debt financing





# APPLICATION PROCESS

KAREN FLIGGER



# APPLICATION PROCESS

## Project Selection

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

## Project Approval

- Application submission
- Application evaluation
- Term sheet
- Application approval

## Negotiation and Closing

- Negotiation activities
- Credit agreement execution



# 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 public policy goals outlined in the WIFIA statute and regulation

**EPA intends to loan to the projects that it invites to apply**



# GENERAL TIPS

- Use the letter of interest form available at <https://www.epa.gov/wifia/how-apply-wifia-assistance-0#materials>
- Read the instructions in the NOFA and the program handbook prior to completing your letter of interest
- 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 and its benefits
- Submit early in order to avoid issues with large file sizes at the deadline
- Attend one of the webinars offered following the NOFA release
- Ask questions– contact WIFIA program staff at [wifia@epa.gov](mailto:wifia@epa.gov)



# 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 PROCESS

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

PLEDGE	CREDIT DUE DILIGENCE	TECHNICAL REVIEW	NEGOTIATE TERMS	DOCUMENTATION	WIFIA FEES
Existing Lien of System Revenues			4 Months		\$200,000



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

PLEDGE	CREDIT DUE DILIGENCE	TECHNICAL REVIEW	NEGOTIATE TERMS	DOCUMENTATION	WIFIA FEES
Non-Recourse Indenture with Customized Terms			12 Months		\$500,000



# CONTACT US

**WEBSITE:** [www.epa.gov/wifia](http://www.epa.gov/wifia)

**EMAIL:** [wifia@epa.gov](mailto:wifia@epa.gov)

**SIGN-UP TO RECEIVE ANNOUNCEMENTS:** <https://tinyurl.com/wifianews>

## TODAY'S PRESENTERS:

- Jorianne Jernberg ([jernberg.jorianne@epa.gov](mailto:jernberg.jorianne@epa.gov))
- Kevin McDonald ([mcdonald.kevin@epa.gov](mailto:mcdonald.kevin@epa.gov))
- Karen Fligger ([fligger.karen@epa.gov](mailto:fligger.karen@epa.gov))

