



WIFIA

PROGRAM

INFORMATION SESSIONS

January 17

Washington, DC



AGENDA



WELCOME & INTRODUCTION

Andrew Sawyers, Director Office of Wastewater Management
Peter Grevatt, Director Office of Groundwater & Drinking Water
Jorianne Jernberg (Moderator)



PROGRAM OVERVIEW

Jordan Dorfman, Lan-Anh Phan, Alejandro Escobar



PROGRAM BENEFITS

Amit Srivastava



APPLICATION PROCESS

Karen Fligger, Kevin McDonald



LETTER OF INTEREST TIPS

Karen Fligger, Danusha Chandy, Kevin McDonald, Jordan Dorfman





INTRODUCTION



MISSION STATEMENT

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.



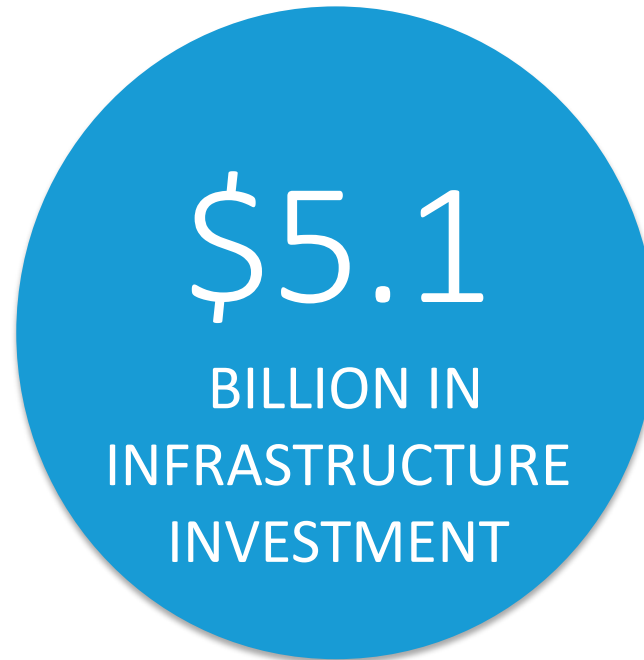
BACKGROUND

- 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
- A small amount of federal funds can support a larger amount of infrastructure investment



SESSION PURPOSE

The purpose of this information session is to:

- Foster a greater understanding of the requirements and potential benefits of the WIFIA program
- Pave the way for successful letters of interest for the WIFIA program
- Interact with prospective borrowers and professionals



WIFIA TEAM

Jorianne Jernberg, Director

(jernberg.jorianne@epa.gov, 202-566-1831)

Engineering

- Danusha Chandy
(chandy.danusha@epa.gov, 202-566-2165)
- Alejandro Escobar
(Escobar.Alejandro@epa.gov, 202-564-9047)

Credit

- Kevin McDonald
(Mcdonald.kevin@epa.gov, 202-566-1486)
- Lan-Anh Phan
(phan.lan-anh@epa.gov, 202-566-0655)
- Amit Srivastava
(Srivastava.amit@epa.gov, 202-564-6231)

Program Management

- Jordan Dorfman
(dorfman.Jordan@epa.gov, 202-564-0614)
- Karen Fligger
(fligger.karen@epa.gov, 202-564-2992)

Legal

- George Kohutiak
(Kohutiak.George@epa.gov, 202-564-0284)

Contracts

- Katie Rechenberg
(rechenberg.kathleen@epa.gov; 513-487-2853)





PROGRAM OVERVIEW



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



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

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

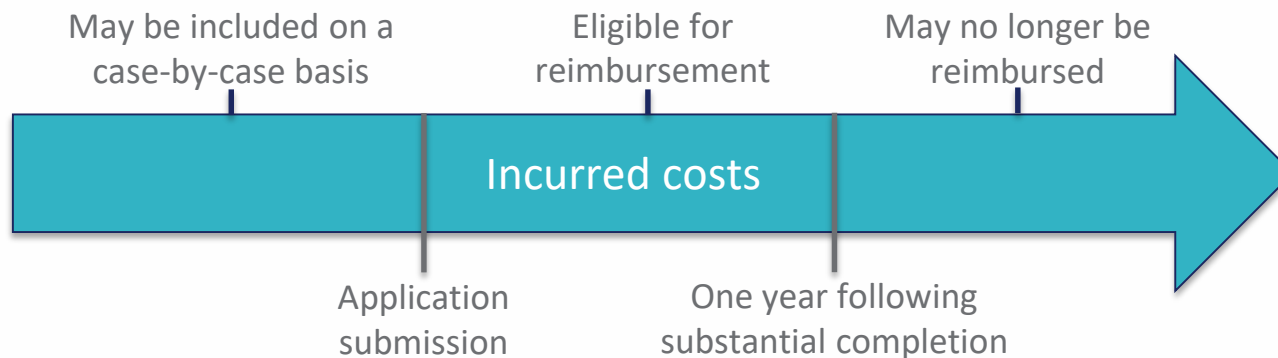
Eligible project costs are costs associated with the following activities, as defined in the statute

- **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 submission of an application 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



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 final maturity date from substantial completion



Maximum portion of eligible project costs that WIFIA can fund



Projects must be creditworthy



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



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

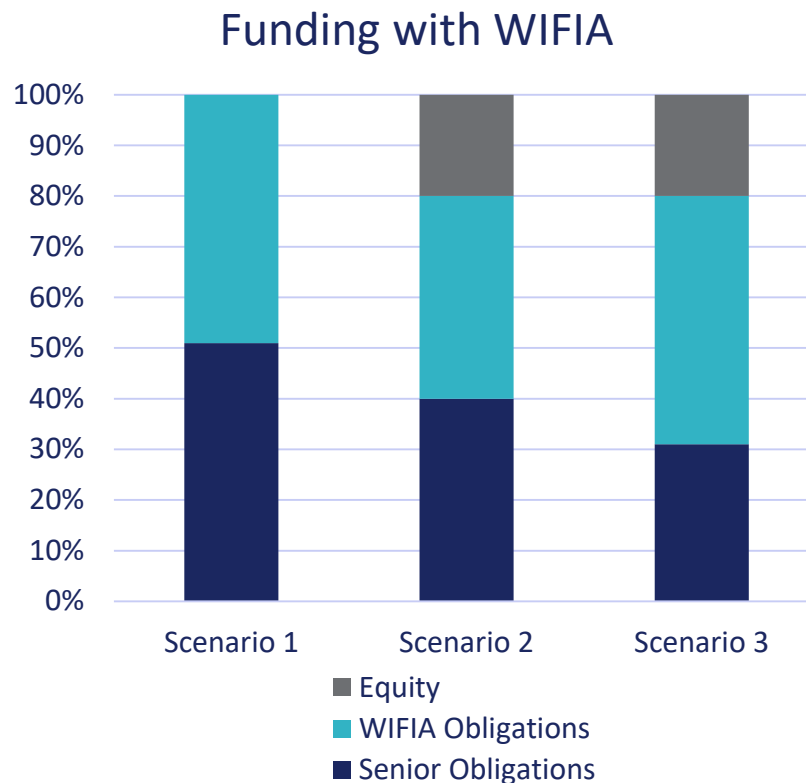
2.93%



MAXIMUM LOAN AMOUNT

Maximum amount of WIFIA loan is 49% of eligible project costs

- The amount of the WIFIA loan may not exceed the amount of the project's senior obligations unless the WIFIA loan obtains an investment-grade rating
- Maximum federal involvement: 80% of total project costs



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

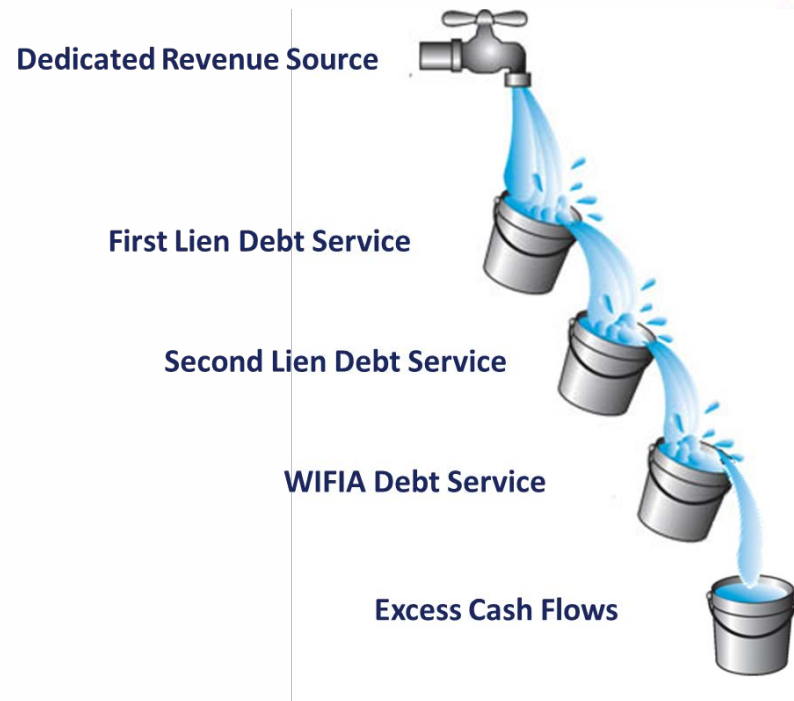
- May prepay in whole or in part at any time without penalty
- May not use federal funds to prepay



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



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

Two final public rating letters must be submitted prior to loan closing

- Public rating letter from two NRSROs that assess the default credit risks
- Senior 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



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
- Archeological and Historic Preservation Act
- Environmental Justice
- American Iron and Steel Requirement
- Davis-Bacon Wage Requirement
- 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>



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
- A Programmatic Environmental Assessment is underway which will address many typical water infrastructure projects
- Prospective borrowers are encouraged to submit any and all documents and findings with their Letter of Interest (LOI)

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



NATIONAL HISTORIC PRESERVATION ACT (NHPA)

Protects historic and archeological resources from adverse impacts

- Includes districts, sites, buildings, structures and objects listed in or eligible for listing in the National Register of Historic Places
- Consultation process with State Historic Preservation Officer, Tribal Historic Preservation Officers and other interested parties
- If historic properties are present, effects must be assessed and mitigated
- Consultation process must be completed prior to obligation and finalizing NEPA decision

General information and National Historic Sites Listings:

<https://www.nps.gov/nhl/find/statelists.htm>

State Historic Preservation Office Contacts: <http://ncshpo.org/directory/>



ENVIRONMENTAL JUSTICE

Ensures that no group of people should bear a disproportionate share of the negative environmental consequences resulting from a WIFIA project

- Evaluation should address the following concerns:
 - Whether there exists a potential for disproportionate risk
 - Whether communities have been sufficiently involved in the decision-making process
 - Whether communities currently suffer, or have historically suffered, from environmental and health risks or hazards
- Factors used in the evaluation can include: demographic, economic, human health and risk, cultural/ethnic differences etc.

EPA Environmental Justice Screening and Mapping Tool: <https://ejscreen.epa.gov/mapper>

Environmental Justice Guidance: <https://www.epa.gov/nepa/environmental-justice-guidance-national-environmental-policy-act-reviews>



ENDANGERED SPECIES ACT (ESA)

Protects endangered and threatened species along with their critical habitats

- Consultation Process with U.S. Fish and Wildlife Service (FWS) and the Department of Commerce's National Marine Fisheries Service (NMFS)
- Prohibits “taking,” e.g., harming (including, in some cases, habitat modification), harassing, or killing, endangered, and most threatened, animal species, without prior authorization
- Consultation process must be completed prior to obligation and finalizing NEPA decision

General Information on Federally designated endangered and threatened species and endangered and threatened species lists by State:

<https://www.fws.gov/endangered/>



ADMINISTRATIVE CROSS-CUTTERS

Davis Bacon

- Prevailing wage and fringe benefits for the geographic location
- 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
- <https://www.epa.gov/cwsrf/state-revolving-fund-american-iron-and-steel-ais-requirement>



BENEFITS

COMPLEMENTS OTHER CAPITAL MARKETS FUNDING

EPA recognizes the importance of capital markets participation in advancing the development of water and wastewater infrastructure throughout the nation

- WIFIA debt complements other project funding rather than supplanting it, ensuring projects are fully funded
- Projects that receive WIFIA financing must be co-financed with other sources of financing, including tax-exempt or taxable bonds
- WIFIA can be subordinate to other existing and project debt, reducing repayment risk for these other funding sources and making it easier for 3rd party lenders to participate



BENEFITS OVERVIEW

WIFIA's benefits can serve various borrower needs

Cheaper than alternatives

- Low, fixed interest rate
- Low fees

Flexible financial terms

- Customized repayment schedule
- Customized disbursements
- No penalty for prepayment
- Flexible co-financing

Can attract other borrowers and allow for more senior debt

- Can take a lower lien priority, freeing up coverage for affordable senior debt
- Improves the position and confidence of other lenders



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*	AVERAGE WIFIA FEE*	CAPITAL MARKET FEES
\$200M	\$250K - \$350K	\$1M - \$2M

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



WIFIA COST SAVINGS

Compared to issuing a \$100-million municipal bond



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

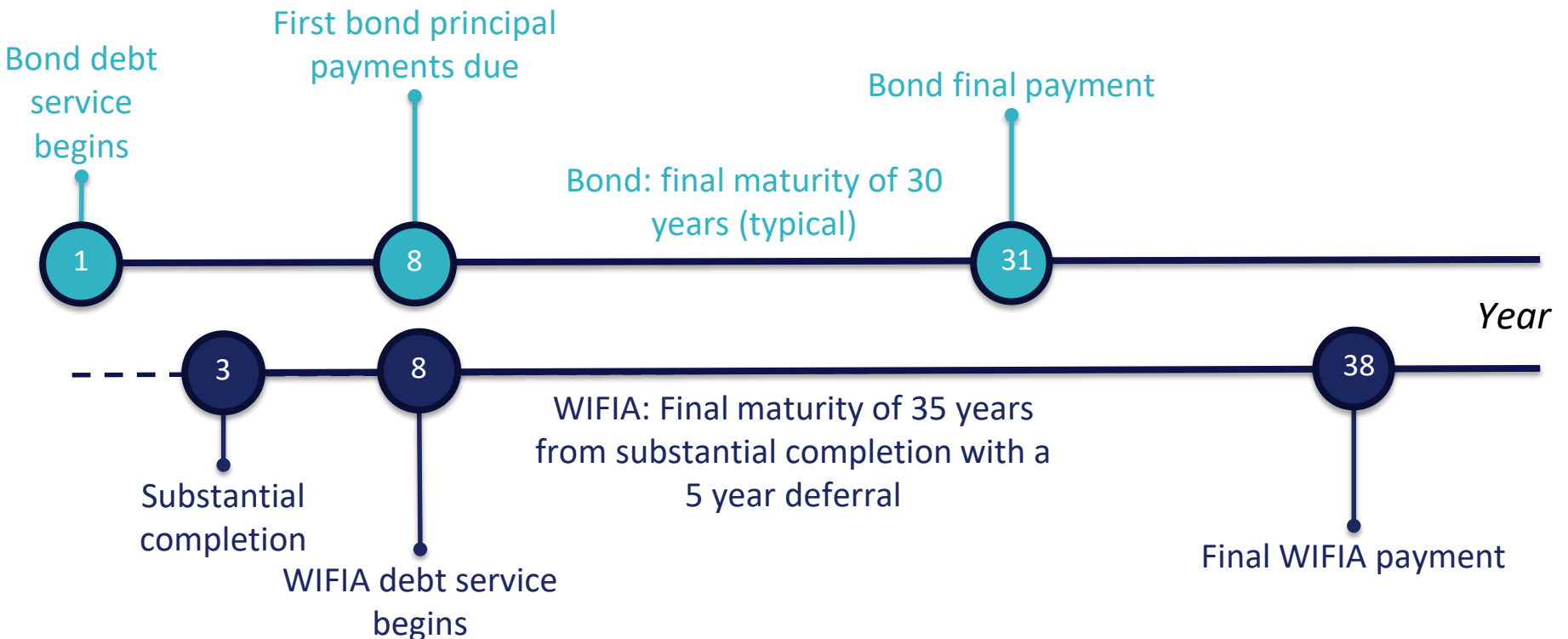
Lien Priority

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



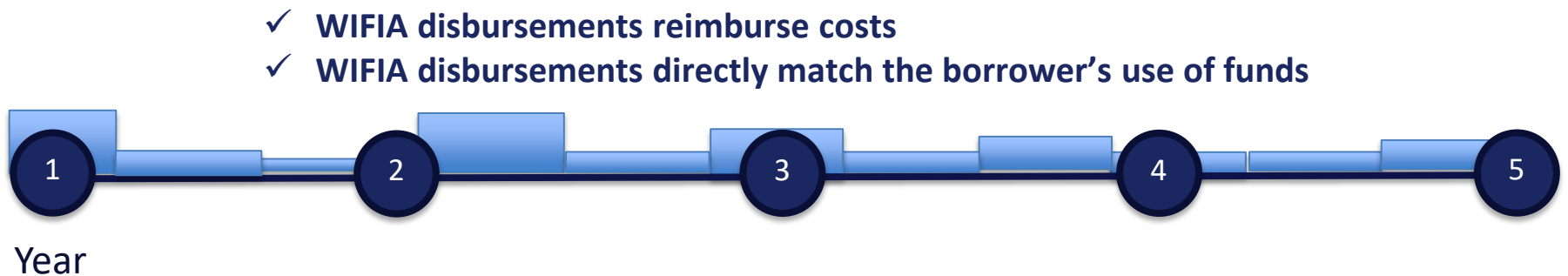
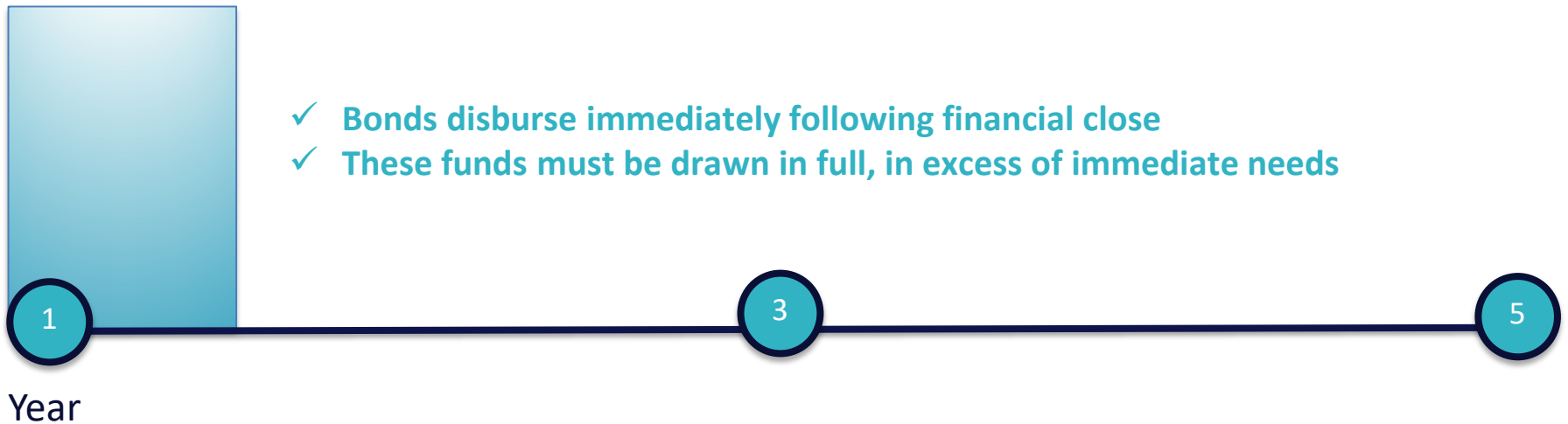
AMORTIZATION: BOND AND WIFIA

WIFIA offers a customized repayment schedule



DISBURSEMENTS CAN BE SHAPED BY FUNDING NEED

Reduces the amount of accrued interest and avoids arbitrage issues



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

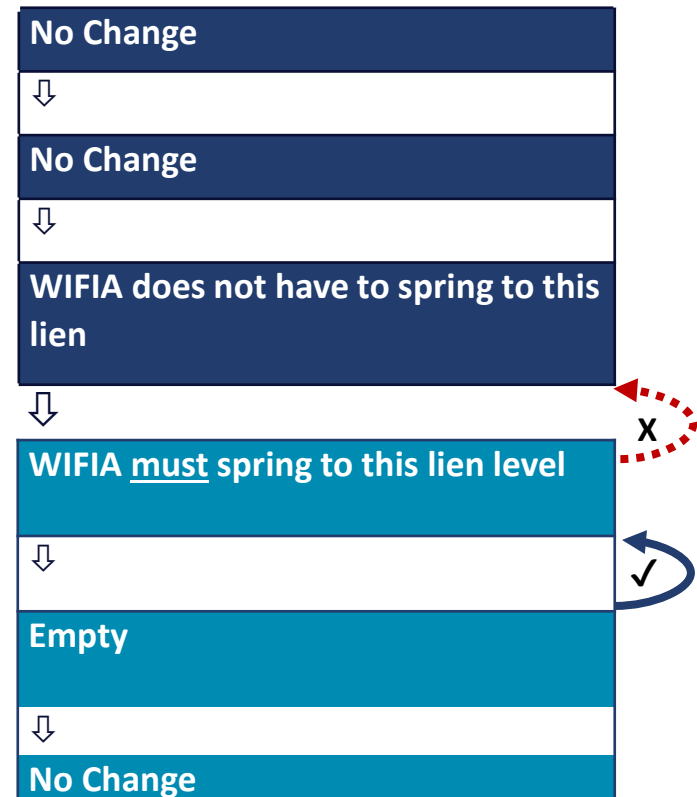


WIFIA IS FLEXIBLE WITH LIEN POSITION

Flow of Funds in a Sample Existing Indenture



Same Flow of Funds 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



FOUR CASE STUDIES

Demonstrate unique benefits of WIFIA financing

- Utility A- flexible repayment schedule smooths out payments to fit into borrower's existing debt structure
- Utility B- flexible repayment schedules and 5-year deferment allows for gradual rate increases
- Utility C- low rates and low fees for large projects reduce the cost of a large project
- Utility D- subordinate lien position allows the borrower to take on more debt



UTILITY A

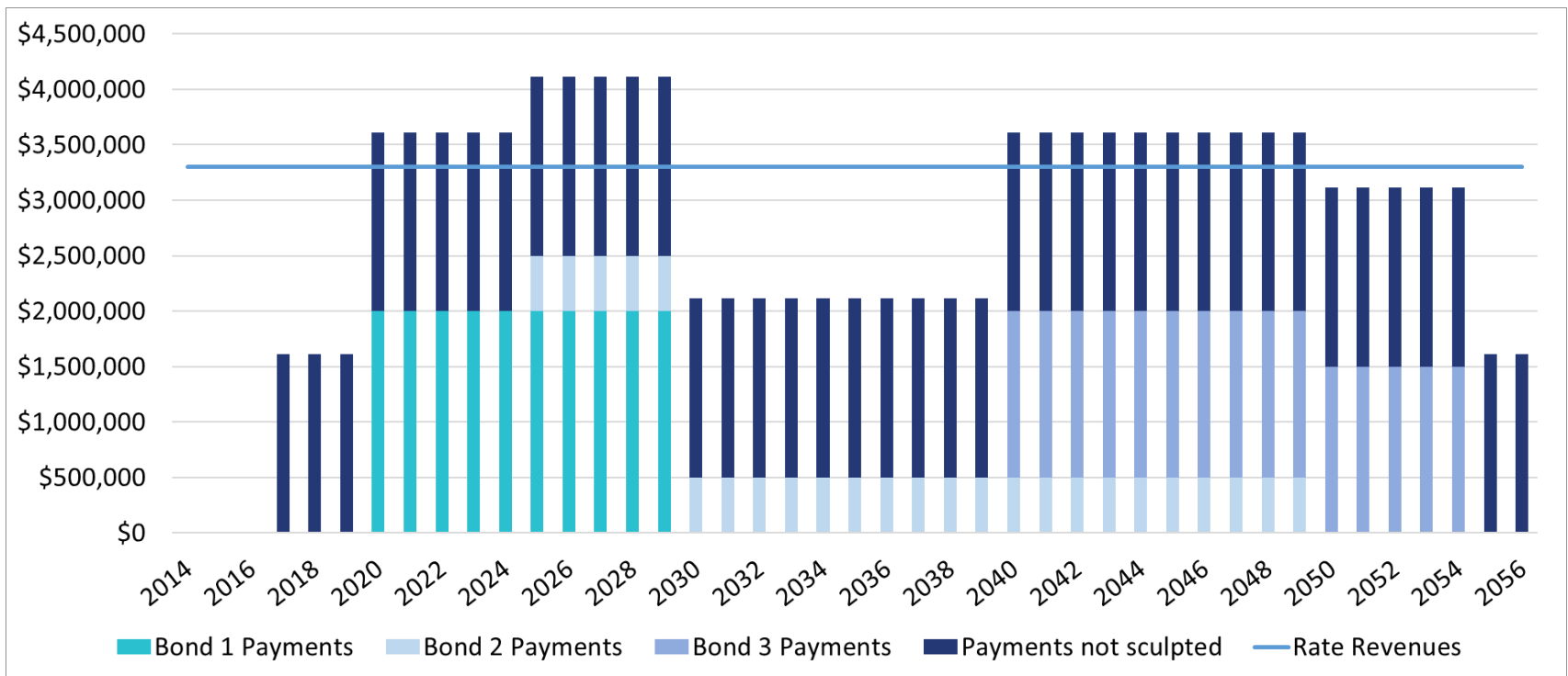
Debt service flexibility

- Utility A has been in the market for a long time, and has issued debt every few years on a long-term basis
- Highly rated with debt capacity
- Their debt payments are irregular (“lumpy”)
- WIFIA flexibility could help smooth debt service payments
- Would like to achieve cost savings through reduced interest rate



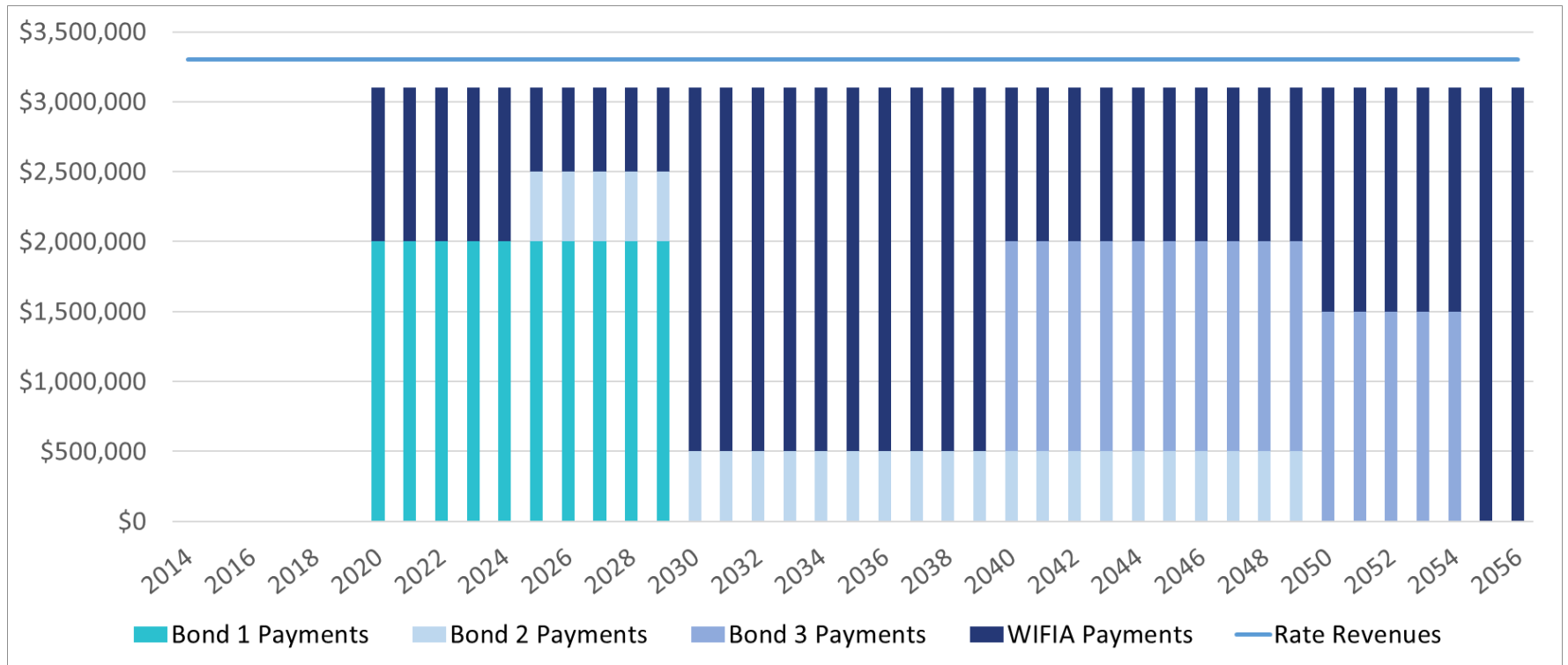
EXISTING PAYMENT SCHEDULE

Without a sculpted repayment schedule, payments could be uneven and hard to manage



UTILITY A CUSTOMIZED WIFIA REPAYMENT SCHEDULE

WIFIA debt service is sculpted to fit with existing bond payments



UTILITY B

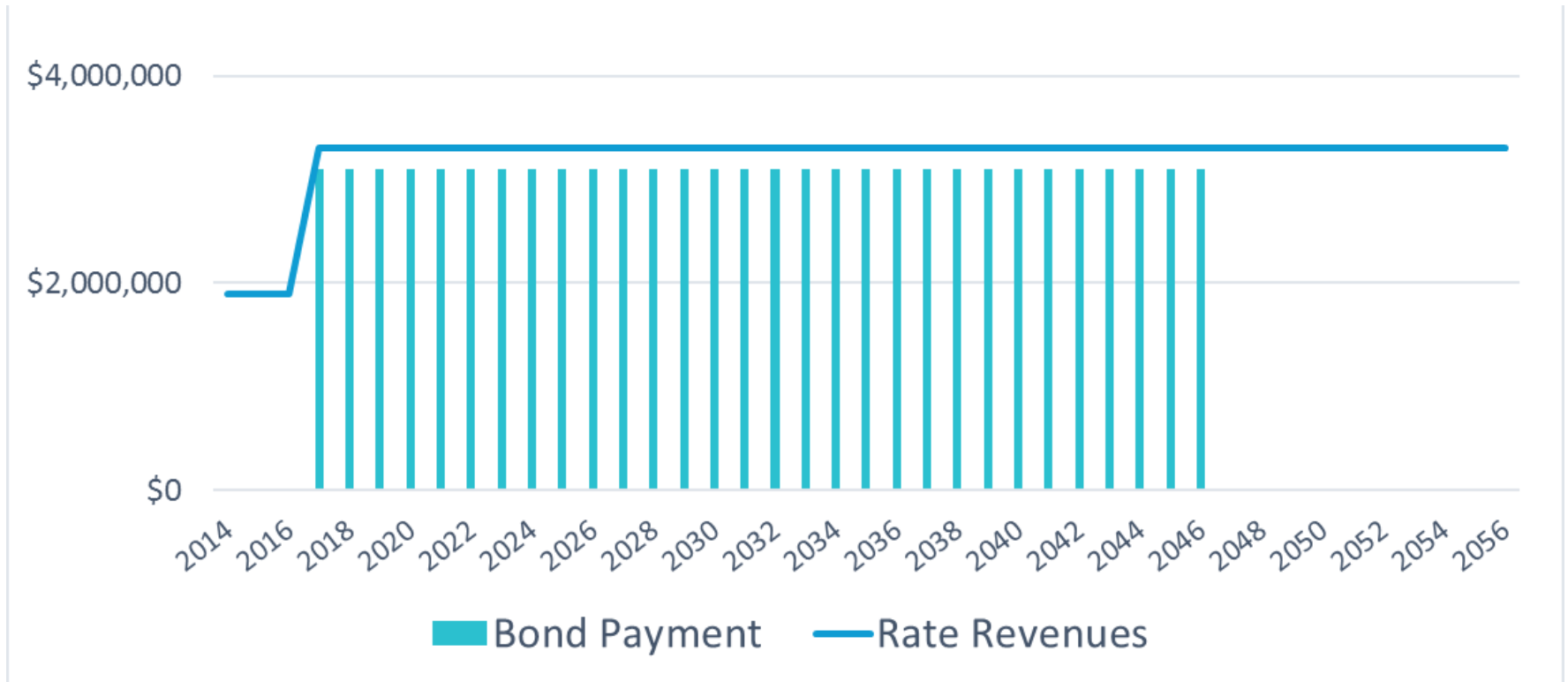
Debt Service Flexibility and 5-year deferral for payments

- Will need to implement additional rate increases to service debt
- WIFIA flexibility could help smooth out rate increases
- Will achieve cost savings through a reduced interest rate
- Rates would need to immediately increase, by 20-30%, without the flexibility offered by WIFIA



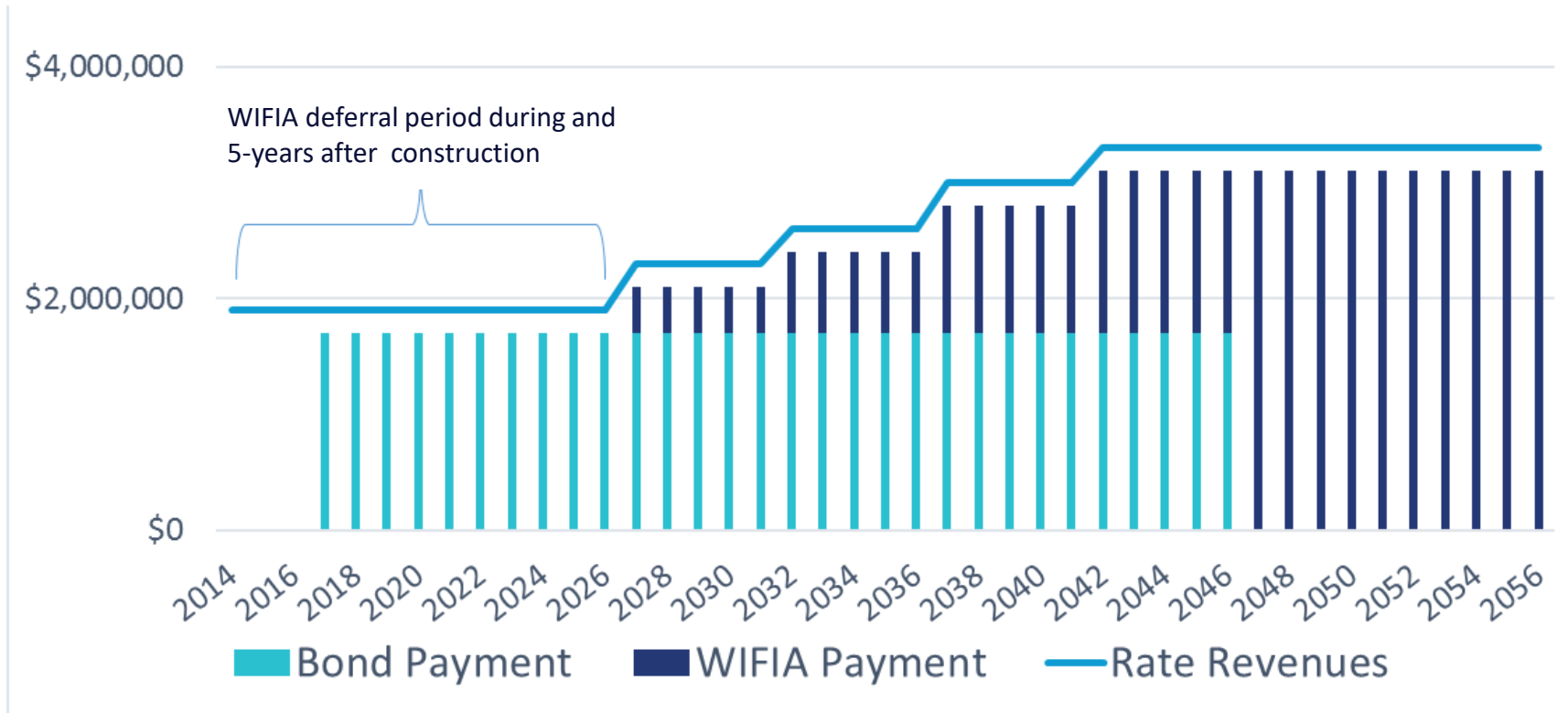
TYPICAL BOND REPAYMENT SCHEDULE

Bond financing requires more immediate rate increases



UTILITY B CUSTOMIZED WIFIA REPAYMENT SCHEDULE

WIFIA's flexible repayment schedule allows for rate increases to be phased in over a longer period of time



UTILITY C

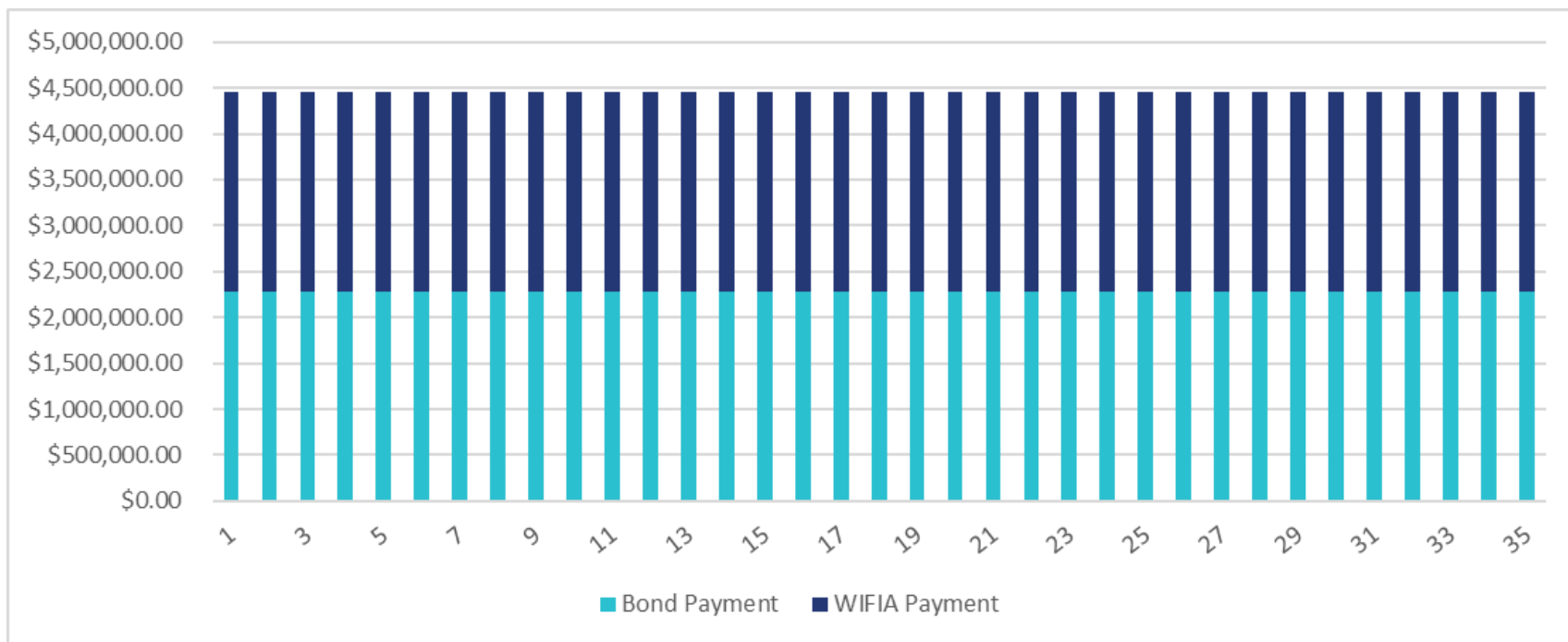
Low interest rates generate cost savings

- Interested in receiving a large loan at a low rate
- Capable of making payments immediately after construction
- Will achieve cost savings through a reduced interest rate and low fees



UTILITY C REPAYMENT SCHEDULE

Utility C has opted for a fixed repayment schedule



UTILITY C REPAYMENT SCHEDULE

Borrowers that make more payments upfront may be able to obtain a more attractive interest rate

- WIFIA borrowers have the option to frontload their repayment schedule, effectively reducing the WAL of their loan

INTEREST RATE COMPARISON

LOAN DATE	WIFIA WEIGHTED AVERAGE LIFE	30-YEAR TREASURY	35-YEAR WIFIA
October 26, 2017	20.68 years	2.93%	2.71%



UTILITY D

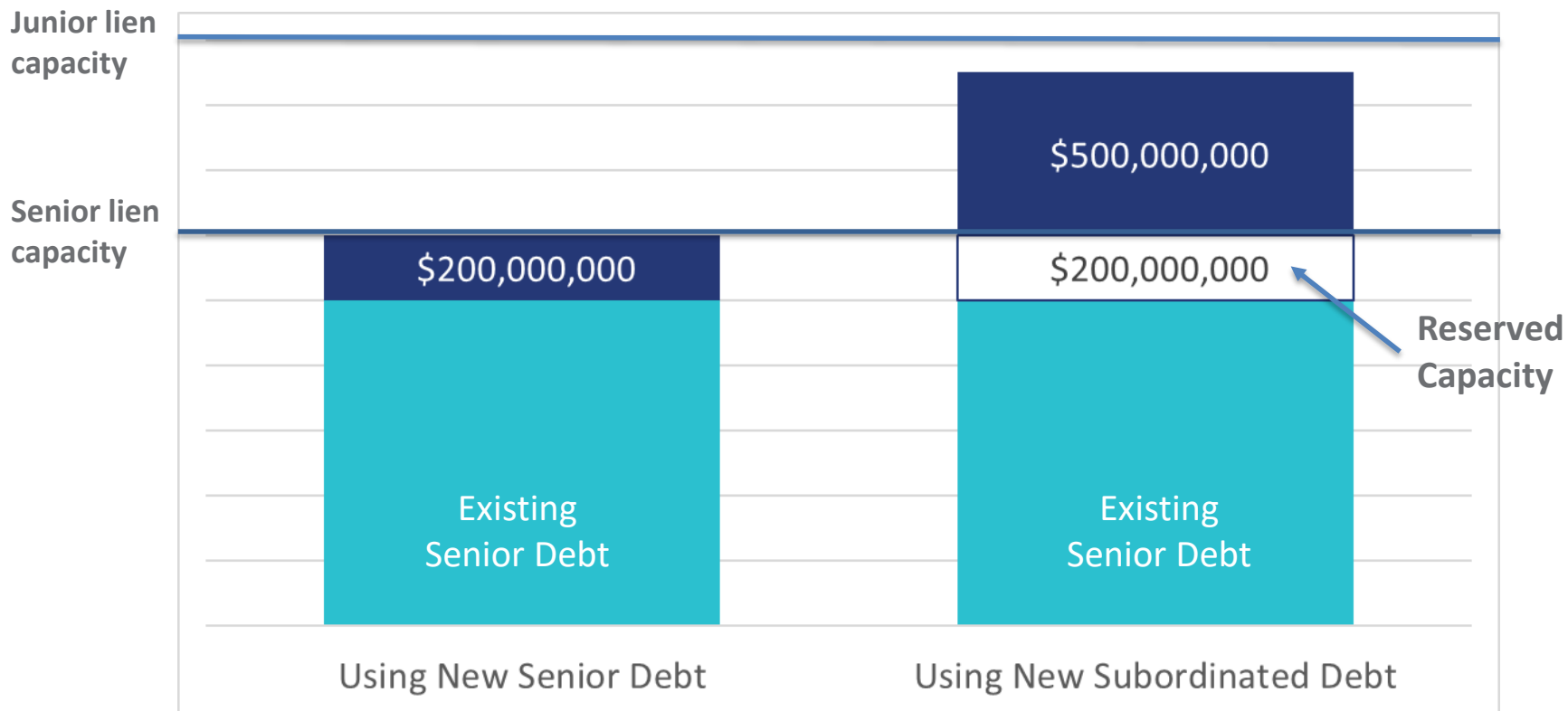
Utility D does not have sufficient capacity on the senior lien to finance its project

- Utility D has the capacity to issue \$200 million on senior lien
- They want to finance a project that costs \$500 million
- Utility D will have more capacity and can borrow to finance the full \$500 million project if they finance with a junior lien



UTILITY D

WIFIA debt with a subordinated lien allows borrower to take on more debt



RECAP OF 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





APPLICATION PROCESS

APPLICATION PROCESS

Project Selection

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

Project Approval

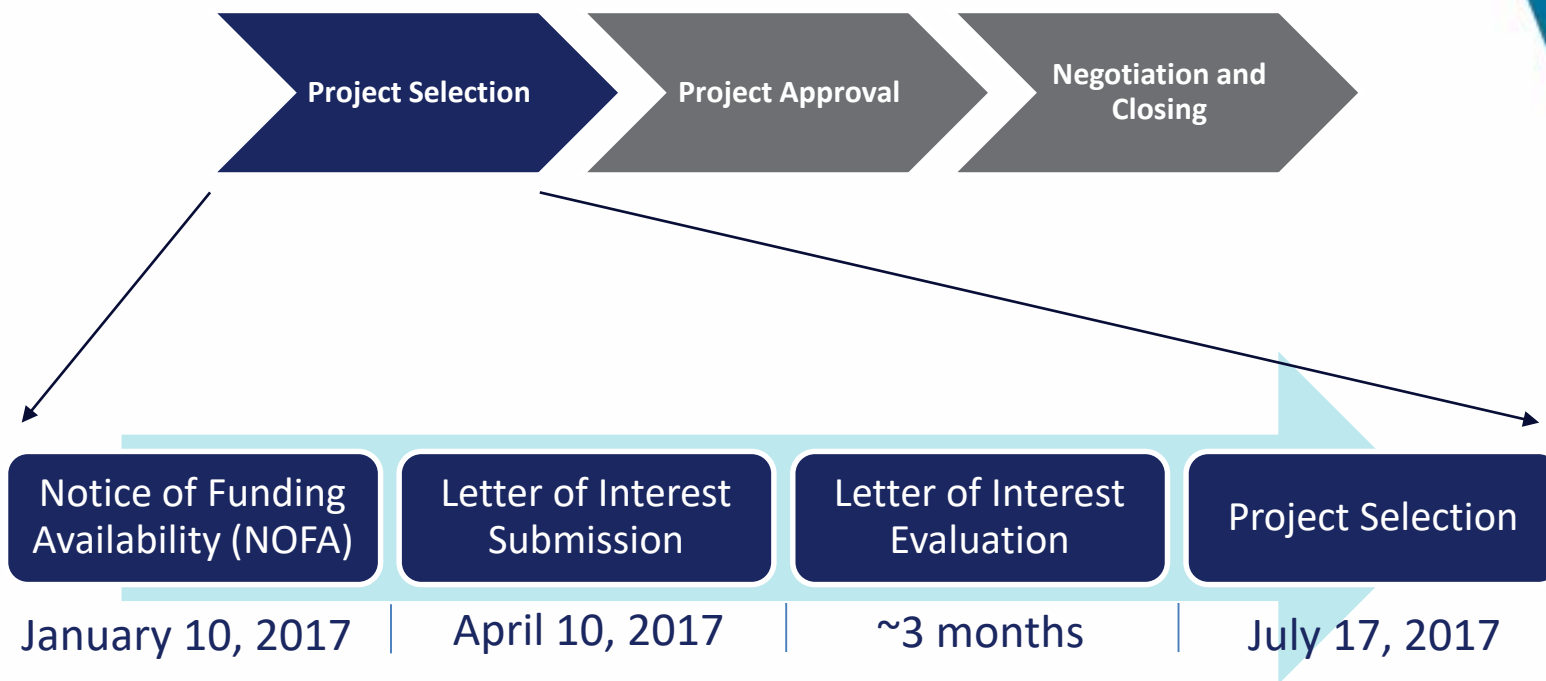
- Application submission
- Application evaluation
- Term sheet
- Application approval

Negotiation and Closing

- Negotiation activities
- Credit agreement execution



SUMMARY



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



PROJECT SELECTION PROCESS

Does

- Allocate budgetary resources, which determines the projects that move ahead
- Identifies projects that EPA believes have a reasonable likelihood of receiving a WIFIA loan

Does Not

- Indicate EPA's acceptance of proposed business terms or credit structure in an LOI
- Confirm sufficiency or fulsomeness of the information provided in an LOI



NOTICE OF FUNDING AVAILABILITY

- Indicates how much money is available
 - FY 2017: \$25 million in appropriations will allow us to loan approximately \$2.3 billion
- Announces the opening of and deadline for the funding round
 - 90 days
- Provides key information on the evaluation process
- Gives instructions for submitting a LOI



LETTER OF INTEREST SUBMITTAL

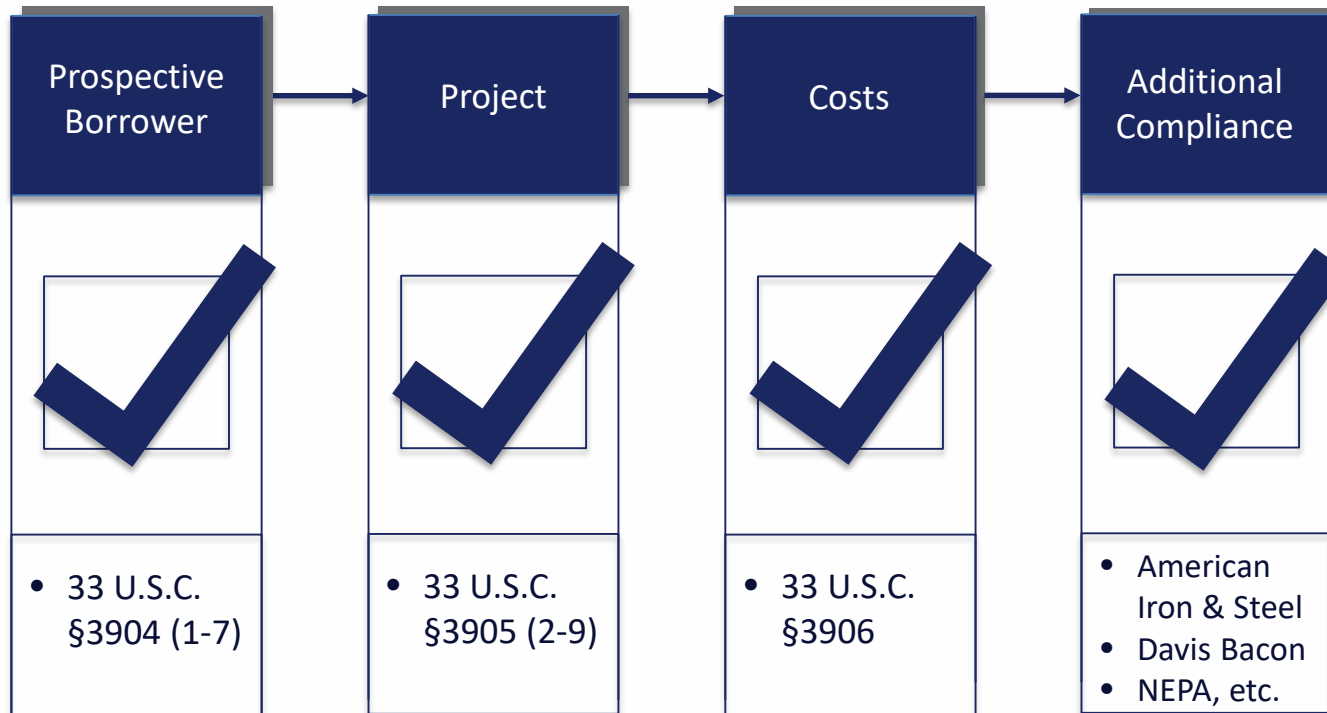
All submittals are electronic

Two ways to submit:

- Email the LOI form and all supporting documents to wifia@epa.gov
- Request access to upload the LOI form and all supporting documents to SharePoint by emailing wifia@epa.gov
 - Requests must be received 2 business days prior to the deadline
- There is **no fee** to submit a LOI



ELIGIBILITY SCREENING



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

PRELIMINARY CREDITWORTHINESS ASSESSMENT

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 under each of the following categories:

- Sufficiency of pledged revenues
- Leverage
- Asset quality and condition
- Revenue risk
- Management and governance



PRELIMINARY ENGINEERING FEASIBILITY ANALYSIS

Purpose:

- To evaluate the feasibility of project plan

Prospective borrowers and projects will be assessed for engineering feasibility in the following categories:

- Appropriate technology and design
- Reasonable schedule, including planning, design, construction and permitting phases
- Reasonable capital and O&M costs
- Current status of project and how long it will take to get to closing
- Impacts (on cost, scope and schedule) of federal requirements
- Reasonable O&M plan for the full length of the proposed loan



SELECTION CRITERIA SCORING

Purpose:

- To evaluate the project considering the statutory selection criteria and EPA's mission

NUMBER	CRITERIA
1	National or regional significance
2	Enables project to proceed earlier
3	New or innovative approaches
4	Protection against extreme weather events
5	Maintain or protect the environment or public health
6	Serves energy exploration or production areas
7	Serves regions with water resource challenges
8	Addresses identified priorities
9	Readiness to proceed
10	Financing plan
11	Reduction of Federal assistance
12	Repair, rehabilitation, or replacement
13	Economically stressed communities



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 criteria evaluation
- Preliminary engineering results
- Preliminary creditworthiness
- Amount of budget authority necessary to provide WIFIA loans (as required by statute)
- Diversity of project types and geography within the portfolio
- Loan volume cap
- Whether entity is a small community



SMALL COMMUNITIES

The WIFIA program must set aside, for small communities, 15% of the amount appropriated

- Population no greater than 25,000
- On June 1 of the year in which the funds were appropriated, these funds become available for all WIFIA projects
- Expiration of set-aside does not preclude funding of small community projects



INVITATION TO APPLY

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

Selected projects

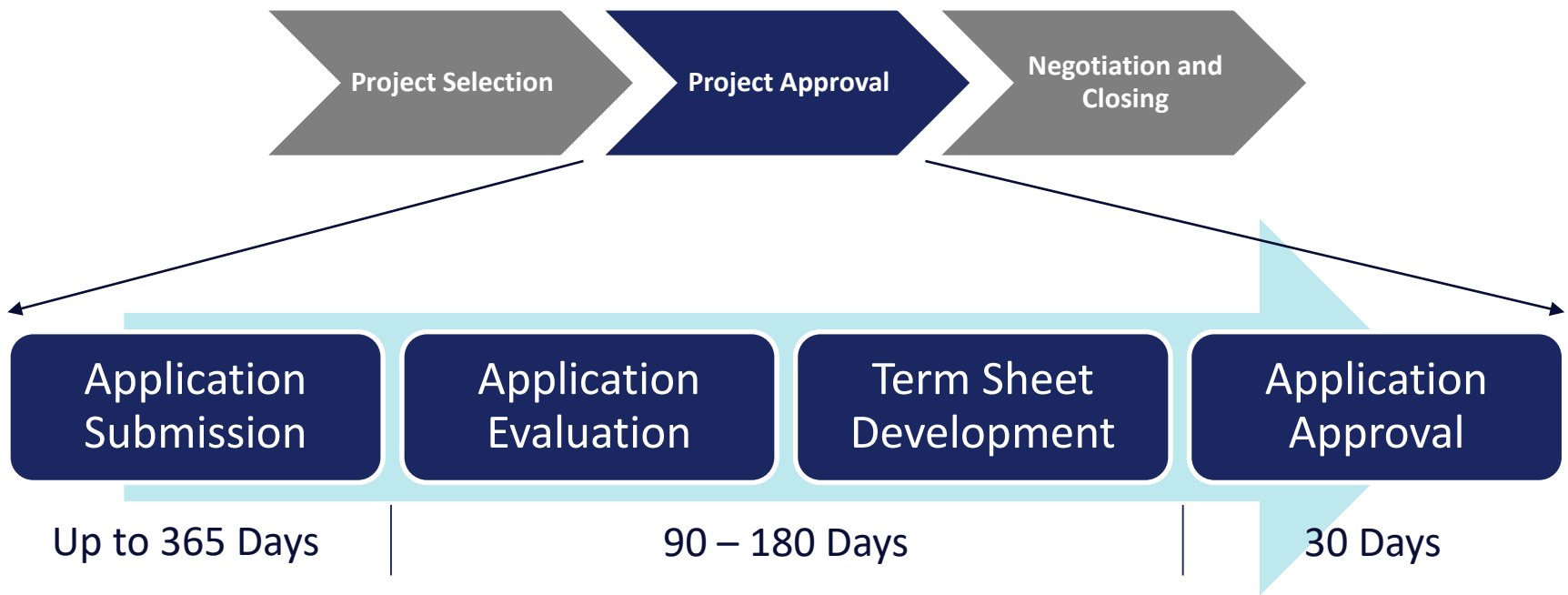
- Notified in writing of selection
- Within 30 days of the invitation, EPA will meet with the entity to discuss the application process
- The application deadline is 365 days from the notification date
- EPA will publicly announce selected projects

Non-selected projects

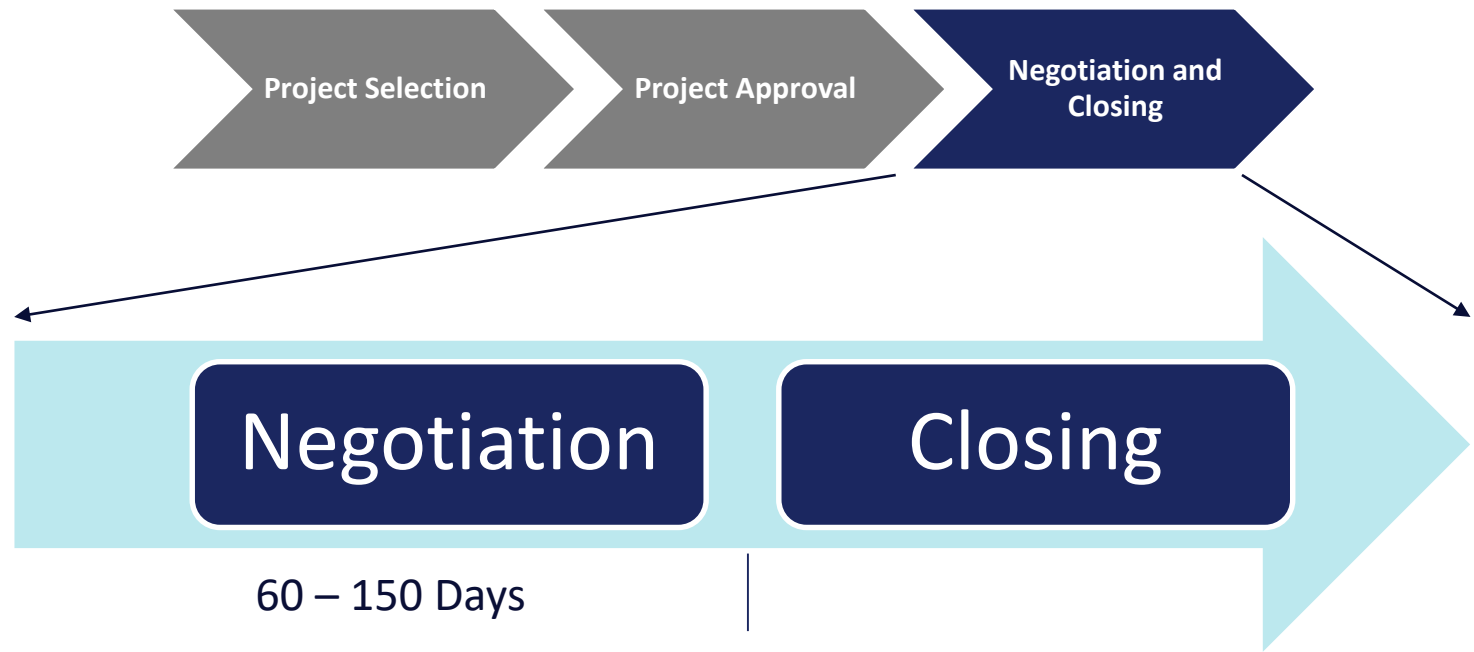
- Notified in writing that they were not selected
- May request a de-brief
- Must re-submit their LOI to be considered in future rounds



PROJECT APPROVAL PROCESS



NEGOTIATION AND CLOSING PROCESS



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



ACCELERATED REVIEW

Prospective borrowers can accelerate the WIFIA review process for projects with straightforward loan terms and financial, legal and technical project characteristics

- Key features required to qualify:
 - A straightforward capital structure
 - A highly rated revenue source not dependent upon construction
 - High-value collateral
 - An active debt issuance program within an existing indenture or trust agreement
 - A willingness to accept WIFIA's standard credit and legal terms outlined in the template term sheet and loan agreement
 - No complicating cross-cutter compliance issues
 - Project concept is conventional and relatively low risk



ADVANTAGES OF ACCELERATED REVIEW

Shorter approval process and lower WIFIA fees

- Streamlined creditworthiness review with limited external financial advisory support reduces underwriting timeline and advisory costs
- Using a template term sheet and loan agreement reduces legal documentation costs
- The WIFIA program may adopt terms and conditions of an existing indenture or trust agreement without significant negotiation
- The WIFIA program will be less likely to seek significant credit enhancements, such as reserve funds or additional lender rights beyond those enjoyed by other parity lenders



APPLICATION FEES

- Application fee
 - \$25,000 for small communities (not more than 25,000 individuals)
 - \$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
 - Estimates \$250,000-\$500,000 for most projects
 - Very risky, complicated projects could have higher fees
- Financing of fees:
 - Borrowers may finance fees
 - 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>





LETTER OF INTEREST TIPS

LETTER OF INTEREST

LOI form and guidance is available at:

<https://www.epa.gov/wifia/wifia-application-materials-and-resources>

Components
A: Prospective Borrower Information
B: Project Plan
C: Project Operations and Maintenance Plan
D: Financing Plan
E: Selection Criteria
F: Contact Information
G: Certifications
H: Notification of State Infrastructure Financing Authority



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
- **Attend one of the webinars** offered following the NOFA release
- **Ask questions**— contact us by phone or at wifia@epa.gov



LETTER OF INTEREST FORM

New format for FY2018!

- All responses should be entered into the editable word document
- The total completed form may not exceed 50 pages
- No additional supporting statement will be accepted
- Supporting documents may be provided as attachments
 - No limit on length or number of attachments, but must be referenced in form
 - May be preliminary or draft documents
- Signature pages must be submitted as a scanned document



LETTER OF INTEREST FORM



US Environmental Protection Agency
WIFIA Program
Letter of Interest

OMB Control No. 2040-0292
Approval expires 12/31/2019

11. Present the overall project schedule in the provided table. Provide the detailed project schedule(s) as an attachment.

	Start Date	End Date
Planning	Click or tap to enter a date.	Click or tap to enter a date.
Design	Click or tap to enter a date.	Click or tap to enter a date.
Permitting	Click or tap to enter a date.	Click or tap to enter a date.
Construction	Click or tap to enter a date.	Click or tap to enter a date.

Provide the estimated financial close date: Click or tap to enter a date.

12. Provide any analysis (i.e. preliminary engineering reports, feasibility studies, preliminary designs, siting studies, project plans, etc.) completed in support of the project(s). List referenced documents below and provide as attachments.
Click or tap here to enter text.
13. Present the findings of any alternatives analysis or business cases conducted, if available. Describe the project alternatives considered and the rationale (i.e., lowest capital cost, greater ease of operation, most reliable, fewest environmental impacts, etc.) for the selected alternative; this description should include the technical, managerial, financial, environmental, operational and local decision making rationale for the selected approach. Provide any referenced documents as attachments.
Click or tap here to enter text.
14. If available, provide a copy of the system master plan or like document and list referenced document below.
Click or tap here to enter text.
15. Briefly discuss any other issues that may affect the development and financing of the project(s), such as community support, pending legislation, permitting, or litigation.
Click or tap here to enter text.



SECTION A: PROSPECTIVE BORROWER INFORMATION

- The updated LOI form requests the NPDES and Public Water System permit numbers
- Private entities must demonstrate public sponsorship
 - Signed agreement with the community
 - Certified letter
 - Local ordinance or resolution



SECTION B: PROJECT PLAN

Project Description

- Indicate whether the project is for new construction and/or rehabilitation/replacement of existing infrastructure
- Indicate the type of project
 - Wastewater, drinking water, stormwater, water recycling, desalination, habitat restoration and protection
- Include the scope, including major technical components and their size, for example:
 - 5,000 feet of ductal iron pipe
 - Upgrade of digesters
 - 50 MGD wastewater pump station with submersible pumps and screening
 - Disconnection of 5,000 down spouts

Note: Projects with limited engineering documents to submit should submit a longer, more detailed project description.



SECTION B: PROJECT PLAN

Project Purpose

Project need examples:

- Meet current or impending federal, state or local regulatory requirements
- Make the system more resilient, reliable and efficient
- Inadequate water supply or quality
- Required to address identified federal, state, or local priorities

Benefits to the community and the environment

- Number of people served by the system or project
- Characteristics of the community served
- Public health impacts
- Environmental resources that will be affected
 - Water quality or quantity impact
 - Other resources that benefit, such as air quality, habitat
- Economic and recreational impacts



SECTION B: PROJECT PLAN

Project Description Example

[Name of entity] will construct a [new XX MGD water treatment plant] and [replace XX linear feet of distribution pipes]. This project will include: [more specifics on major technology at the treatment plants].

Project Purpose Example

This project will provide a secure, resilient source of drinking water for XX,XXX people in the city of XX and an additional X,XXX people in surrounding communities. This project was identified in the Regional Plan as a priority for the area due to the age of the current infrastructure and the potential for more severe weather in the future. In addition, the design incorporates XXX technology to improve the energy efficiency of the plant.



SECTION B: PROJECT PLAN

- **Provide enough information** for us to evaluate engineering feasibility at current project stage
- **Provide a very detailed project description**, if you are not submitting a preliminary engineering report or similar document
- **Submit complete documents as attachments**, but identify in the LOI form or through annotation where relevant information is located
- **Provide system master plans or asset management plans** when available, because they are very helpful



SECTION B: PROJECT PLAN

- **Alternative project delivery method projects** (i.e. design-build): indicate where you are in the procurement process and some qualifications of contractor, if already selected
- **Multiple projects in one LOI:** Provide cost, scope (including locations and major capacity or dimension details) and schedule information for each individual project being proposed
- **New or innovative approaches:** If your project proposes a new or innovative approach, a risk assessment matrix, if available, is really helpful



SECTION B: PROJECT PLAN

Schedules

- Include major planning, permitting, environmental review, design, and construction start and end dates.
- Indicate whether WIFIA funding would speed up the schedule and how
- If possible, anticipate federal cross-cutter requirements could impact schedule



SECTION B: PROJECT PLAN

Environmental Review

- Provide accurate and clear location information
- Describe any state or federal reviews already undertaken (i.e. SERP or Army Corps Section 404)
- Provide draft or final environmental information documents as attachments
- Use NEPAssist tool: <https://www.epa.gov/nepa/nepassist> to identify any major environmental resources that might be impacted
- Provide details of any cross-cutting requirement coordination that has already occurred
- Indicate whether major cross-cutters are impacted (NEPA, NHPA, ESA, and EJ)
- Indicate whether the project could be eligible for a CATEX ([40 CFR § 6.204](#))



SECTION C: O&M PLAN

- **Comprehensive plans are not typical** during planning and early design stages
 - An explanation of major topics to be included in the final plan or a table of contents can be submitted
- **Any lifecycle costs or assessments should be submitted** as attachments
- **Provide a description of experience with similar technology** on another facility, if possible
- **Note the estimated useful life of the major assets** included in the project

SECTION D: FINANCING PLAN

Sources and uses and total requested WIFIA loan

- **Project Sources and uses should be clearly presented** and include a description of each funding source's level of commitment
 - Note previously incurred costs in a separate line
- **Provide breakdown of project costs by category** as requested in LOI (construction, design, planning, etc.)
 - Include detailed construction cost estimates as available (such as unit pricing)
- **Requested WIFIA loan amount should be clear**, including if you intend to seek reimbursement for previously incurred costs
- **Provide a basis for the determination of contingency sizing**



SOURCES & USES

Sources Category	Estimated Cost
1. WIFIA Loan	Click or tap here to enter text.
2. Revenue Bonds	Click or tap here to enter text.
3. SRF Loan	Click or tap here to enter text.
4. Agency Cash	Click or tap here to enter text.
5. Other (please specify) Click or tap here to enter text.	Click or tap here to enter text.
TOTAL SOURCES	Click or tap here to enter text.
Uses Category	Estimated Cost
1. Construction	Click or tap here to enter text.
2. Design	Click or tap here to enter text.
3. Planning	Click or tap here to enter text.
4. Land Acquisition	Click or tap here to enter text.
5. Other Capital Costs	Click or tap here to enter text.
6. Contingency	Click or tap here to enter text.
7. Total Capital Costs	Click or tap here to enter text.
8. Other (please specify) Click or tap here to enter text.	Click or tap here to enter text.
8. Ineligible Costs (if applicable)	Click or tap here to enter text.
TOTAL USES	Click or tap here to enter text.



SECTION D: FINANCING PLAN

Proposed credit structure and revenue pledge information

- **Propose a credit structure** for WIFIA loan noting the following:
 - Whether debt will be issued under existing or new indenture
 - WIFIA's lien position including whether the WIFIA loan will be subordinate to ongoing non-project debt secured with the same pledge
- **WIFIA's revenue pledge should be clear** and describe long-term revenue projections or the financial condition of the issuer of a general obligation
- **Credit enhancement will be accepted to compliment the source of revenue**, for example, a general obligation pledge may backstop water system rate revenue



SECTION D: FINANCING PLAN

Credit structure and borrower assumptions

- **Provide consistent, transparent and realistic assumptions** across the LOI
 - WIFIA will look to the financial model, credit rating letters and other supporting materials to validate
- **A demonstration of creditworthiness** for a borrower's proposed capital structure should include historical and forward looking debt coverage ratios, liquidity and leverage
- **Answer all questions** and provide supporting documents such as rate studies/increase plans and audited financial statements

SAMPLE PRO FORMA

- A financial pro forma provides EPA with insight into the borrower's operating performance and their ability to manage existing and future debt payments
- The pro forma focuses on four key components:
 - Operating performance
 - Cash available for capital expenditures and other obligations
 - Debt service coverage
 - Capital structure

Sample Financial Pro Forma

	Actual 2014	Actual 2015	Actual 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Final Maturity -----> 20XX
Income Statement Items								
Revenues								
Revenue Source 1	\$ 20,812	\$ 21,020	\$ 21,230	\$ 21,443	\$ 21,657	\$ 21,874	\$ 22,092	XXX
Revenue Source 2	-	-	-	-	189	189	189	XXX
Revenue Source 3	-	-	-	-	5,414	10,937	11,046	XXX
Total Revenue	20,812	21,020	21,230	21,443	27,261	33,000	33,328	XXX
Operating Expenses								
Fixed Expenses	1,032	1,057	1,084	1,111	1,423	1,751	1,795	XXX
Variable Costs	2,295	2,352	2,411	2,471	3,166	3,895	3,992	XXX
Pension/OPEB Expenses	388	393	389	403	407	414	421	XXX
Subtotal-Expenses	3,714	3,803	3,884	3,985	4,997	6,059	6,208	XXX
Depreciation Expense	3,315	3,315	3,315	6,866	8,996	8,996	8,996	XXX
Amortization Expense	-	-	-	154	205	205	205	XXX
Total Expenses	6,642	6,725	6,810	10,602	13,791	14,846	14,988	XXX
Operating Income	14,170	14,295	14,420	10,841	13,470	18,153	18,340	XXX
Less Interest Expense	2,200	2,100	2,000	5,942	7,058	6,803	6,542	XXX
Corporate Income Taxes	-	-	-	-	-	-	-	XXX
Net Income	11,970	12,195	12,420	4,899	6,412	11,350	11,798	XXX
Cash Flow Statement Items								
Operating Cash Flow Adjustments								
Change in Net Pension/OPEB Liabilities	169	40	56	42	67	104	170	XXX
Change in Working Capital	(37)	(38)	(38)	(38)	(1,222)	(1,242)	(58)	XXX
Other Non-Cash Adjustments (Dep. and Amort)	3,315	3,315	3,315	7,019	9,201	9,201	9,201	XXX
Funds from Operations (FFO)	15,417	15,513	15,754	11,923	14,458	19,414	21,112	XXX
Capital Expenditures	3,315	3,315	3,315	6,866	8,996	8,996	8,996	XXX
Free Cash Flow (FCF)	12,102	12,198	12,438	5,057	5,462	10,418	12,116	XXX
Calculation of Debt Service Coverage								
Total Revenue	20,812	21,020	21,230	21,443	21,657	21,874	22,092	XXX
Subtotal-Expenses	3,714	3,803	3,884	3,985	4,997	6,059	6,208	XXX
Net System Revenue	17,098	17,217	17,346	17,458	16,660	15,814	15,885	XXX
Debt Service								
Existing Debt Service	4,200	4,100	4,000	3,900	3,800	3,700	3,600	XXX
Senior Debt Service	-	-	-	3,093	4,124	4,124	4,124	XXX
WIFIA Debt Service	-	-	-	4,002	5,336	5,336	5,336	XXX
Total Debt Service	4,200	4,100	4,000	10,995	13,260	13,160	13,060	XXX
Debt Service Coverage Ratios								
Senior DSCR	4.07x	4.20x	4.34x	2.50x	2.10x	2.02x	2.06x	XXX
Total DSCR	4.07x	4.20x	4.34x	1.59x	1.26x	1.20x	1.22x	XXX
Other Ratios								
FFO/Interest	7.01x	7.39x	7.88x	2.01x	2.05x	2.85x	3.23x	XXX
Days Cash on Hand	193	252	310	345	298	279	313	XXX
Debt as % of Total Assessed Property Value ¹	N/A	N/A	N/A	N/A	N/A	N/A	N/A	XXX
Long-Term Liability Burden ²	N/A	N/A	N/A	N/A	N/A	N/A	N/A	XXX
Debt Balances (ending balance)								
Existing Debt	42,000	40,000	38,000	36,000	34,000	32,000	30,000	XXX
Senior Debt	-	-	-	55,636	54,218	52,729	51,165	XXX
WIFIA Debt	-	-	-	86,509	83,726	80,859	77,905	XXX
Total Debt Balance	42,000	40,000	38,000	178,146	171,944	165,587	159,069	XXX
Unfunded Pension/OPEB Liability	46,104	46,144	46,200	46,242	46,309	46,413	46,583	XXX

Notes:

¹ Applicable to GO bonded obligations only.

² Applicable to GO bonded obligations only. Long-Term Liability Burden is defined as: (direct debt + unfunded pension liability + debt-equivalents)/(population * per capita income).



SAMPLE PRO FORMA

Income Statement Section

- Provides an overview of the borrower's current and projected operational performance
- Identifies key revenues and expenses, providing a general understanding of the project's operating and net income

Sample Financial Pro Forma	Actual 2014	Actual 2015	Actual 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	-----> Final Maturity 20XX
Income Statement Items								
Revenues								
Revenue Source 1	\$ 20,812	\$ 21,020	\$ 21,230	\$ 21,443	\$ 21,657	\$ 21,874	\$ 22,092	XXX
Revenue Source 2	-	-	-	-	189	189	189	XXX
Revenue Source 3	-	-	-	-	5,414	10,937	11,046	XXX
Total Revenue	20,812	21,020	21,230	21,443	27,261	33,000	33,328	XXX
Operating Expenses								
Fixed Expenses	1,032	1,057	1,084	1,111	1,423	1,751	1,795	XXX
Variable Costs	2,295	2,352	2,411	2,471	3,166	3,895	3,992	XXX
Pension/OPEB Expenses	388	393	389	403	407	414	421	XXX
Subtotal-Expenses	3,714	3,803	3,884	3,985	4,997	6,059	6,208	XXX
Depreciation Expense	3,315	3,315	3,315	6,866	8,996	8,996	8,996	XXX
Amortization Expense	-	-	-	154	205	205	205	XXX
Total Expenses	6,642	6,725	6,810	10,602	13,791	14,846	14,988	XXX
Operating Income	14,170	14,295	14,420	10,841	13,470	18,153	18,340	XXX
Less Interest Expense	2,200	2,100	2,000	5,942	7,058	6,803	6,542	XXX
Corporate Income Taxes	-	-	-	-	-	-	-	XXX
Net Income	11,970	12,195	12,420	4,899	6,412	11,350	11,798	XXX

SAMPLE PRO FORMA

Cash Flow & Debt Service Coverage Sections

- Using the income statement's Net income, Total revenue, and Subtotal-Expenses, we can then determine the borrower's Net System Revenues and Funds From Operations (FFO)
- FFO demonstrates how much cash would be available for capital expenditures and debt obligations
- Net System Revenues helps inform the WIFIA reviewers of the borrower's ability to service debt obligations with generated net revenues

Net Income	11,970	12,195	12,420	4,899	6,412	11,350	11,798	XXX
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Cash Flow Statement Items

Operating Cash Flow Adjustments								
Change in Net Pension/OPEB Liabilities	169	40	56	42	67	104	170	XXX
Change in Working Capital	(37)	(38)	(38)	(38)	(1,222)	(1,242)	(58)	XXX
Other Non-Cash Adjustments (Dep. and Amort)	<u>3,315</u>	<u>3,315</u>	<u>3,315</u>	<u>7,019</u>	<u>9,201</u>	<u>9,201</u>	<u>9,201</u>	XXX
Funds from Operations (FFO)	15,417	15,513	15,754	11,923	14,458	19,414	21,112	XXX
Capital Expenditures	<u>3,315</u>	<u>3,315</u>	<u>3,315</u>	<u>6,866</u>	<u>8,996</u>	<u>8,996</u>	<u>8,996</u>	XXX
Free Cash Flow (FCF)	12,102	12,198	12,438	5,057	5,462	10,418	12,116	XXX

Calculation of Debt Service Coverage

Total Revenue	20,812	21,020	21,230	21,443	21,657	21,874	22,092	XXX
Subtotal-Expenses	<u>3,714</u>	<u>3,803</u>	<u>3,884</u>	<u>3,985</u>	<u>4,997</u>	<u>6,059</u>	<u>6,208</u>	XXX
Net System Revenue	17,098	17,217	17,346	17,458	16,660	15,814	15,885	XXX
Debt Service								
Existing Debt Service	4,200	4,100	4,000	3,900	3,800	3,700	3,600	XXX
Senior Debt Service	-	-	-	3,093	4,124	4,124	4,124	XXX
WIFIA Debt Service	-	-	-	<u>4,002</u>	<u>5,336</u>	<u>5,336</u>	<u>5,336</u>	XXX
Total Debt Service	4,200	4,100	4,000	10,995	13,260	13,160	13,060	XXX
Debt Service Coverage Ratios								
Senior DSCR	4.07x	4.20x	4.34x	2.50x	2.10x	2.02x	2.06x	XXX
Total DSCR	4.07x	4.20x	4.34x	1.59x	1.26x	1.20x	1.22x	XXX



SAMPLE PRO FORMA

Debt Balances Section

- Borrowers may have existing, amortizing debt on the balance sheet
- Debt balances must be shown through the life of the loan
- Illustrates when new debt issues are planned and when existing obligations will be retired

Debt Balances (ending balance)								
Existing Debt	42,000	40,000	38,000	36,000	34,000	32,000	30,000	XXX
Senior Debt	-	-	-	55,636	54,218	52,729	51,165	XXX
WIFIA Debt	-	-	-	<u>86,509</u>	<u>83,726</u>	<u>80,859</u>	<u>77,905</u>	XXX
Total Debt Balance	42,000	40,000	38,000	178,146	171,944	165,587	159,069	XXX
Unfunded Pension/OPEB Liability	46,104	46,144	46,200	46,242	46,309	46,413	46,583	



SECTION E: SELECTION CRITERIA

- 1-3 paragraphs long per response
- Focuses on how the project requesting WIFIA funding relates to the selection criteria
- **Reference the WIFIA program handbook** which describes how each criterion will be evaluated
 - How EPA will evaluate and score the response
 - What information should be demonstrated in the response
 - Definitions of key terms used in the criteria



SECTION E: SELECTION CRITERIA

Criterion 1: National or regional significance

EPA will evaluate:

- The quality and extent to which the project can improve economic and public health conditions for a region or the nation
- Projects can be differentiated based on their impact on each variable as well as the scope of their impact

Prospective borrowers can demonstrate:

- Improvement to economic conditions by providing estimates of expected economic benefits such as new jobs, tax revenues, keeping or attracting new industries, increased commerce, etc.
- Public health benefits can include improving water quality; increasing reliability of drinking water delivery, quality and access; reducing flood risk; protecting source water; etc.

Definitions:

- A region can consist of a service area within a municipality, portions of a municipality, multiple neighboring municipalities, a state or multiple states



SECTION F: CONTACT INFORMATION

- List at least one staff person as the contact, since we may need someone who we can follow up with quickly



SECTIONS G & H: CERTIFICATIONS & NOTIFICATION OF SRF

- Make sure you read and sign all the signature boxes
- Initialing is an opt-out of sharing your LOI materials with your state SRF program in the Notification to the SRF signature box.



UPCOMING OUTREACH EVENTS

Webinars

- Letter of Interest Submission and Project Selection: TBD, following the release of the FY18 Notice of Funding Availability
- Registration will be available at <https://www.epa.gov/wifa/learn-about-wifa-program#information>



RESOURCES

General information

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

- Program overview
- Links to laws and regulations
- Recordings and presentations from past webinars
- Frequently asked questions

Application Materials and Resources

<https://www.epa.gov/wifia/wifia-application-materials-and-resources>

- Letter of Interest form
- Letter of Interest FAQ
- Application form
- WIFIA Program Handbook
- Sample financial pro forma



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>

