WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA

Opportunities for Funding Reuse Projects with the State Revolving Fund

Sara Konrad and Garrett Corral

Arizona Water Reuse 2019 Symposium
ABOUT US

The Water Infrastructure Finance Authority (WIFA) is Arizona’s State Revolving Funds administrator, funding water and wastewater infrastructure throughout Arizona.

WIFA is dedicated to maintaining and improving water quality for all Arizonans, by providing financial and technical assistance for basic water infrastructure.
WIFA BY THE NUMBERS

$2,303,819,797 IN LOANS SINCE 1989

276 ACTIVE LOANS

$79,877,708 IN FORGIVABLE PRINCIPAL
WIFA BY LOCATION

1989-2018
ELIGIBLE BORROWERS

• Cities, towns, tribal entities and special districts:
  • Own a community public water system
  • Own a wastewater facility
  • Manage stormwater

• ACC-regulated private water companies
  • For profit and non-profit

• County, state and federal entities are NOT eligible (*Pima County exception*)

• No population limit
• What types of infrastructure projects are eligible?
  • Drinking water
  • Wastewater – including reuse
  • Stormwater
  • Watershed/stream restoration

• What phases are eligible?
  • Planning, design
  • Construction, improvement
  • Acquisition
2014 CWA AMENDMENTS

- Stormwater management including green infrastructure, Low Impact Development and flood control
- Watershed management of wet weather discharge
- Integrated water resources planning
- Weather/climate-related resilience planning
- Forest restoration
- Riparian improvements
The CWSRF may provide financial assistance for reusing or recycling wastewater, stormwater, or subsurface drainage water;

- Projects involving the reuse or recycling of wastewater, stormwater, or subsurface drainage water are eligible. This includes, as part of a reuse project, the purchase and installation of treatment equipment sufficient to meet reuse standards. Other eligible projects include, but are not limited to, distribution systems to support effluent reuse, including piping the effluent on the property of a private consumer, recharge transmission lines, injection wells, and equipment to reuse effluent (e.g., gray water, condensate, and wastewater effluent reuse systems).
WIFA REUSE PROJECTS

- To date: 27 projects that include reuse
  - $65 million in recycled water costs
- Can be portion of loan
  - $363 million total loan amounts for these 27 projects

2000 - Town of Kearny Wastewater Reclamation Facility

- Reclaimed water to wetland area, golf course, and Kearny’s ball fields
REUSE PROJECTS AND INCENTIVES

Types of Reuse Projects

• New water reclamation facilities
• Facility upgrades and expansions
• Reclaimed water transmission and distribution
• Injection wells
• Dust control truck stations

Incentives

• Forgivable principal
• Interest rate reduction
WATER RECLAMATION FACILITY
Town of Cave Creek

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>$22,917,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forgivable Principal</td>
<td>$2,000,000</td>
</tr>
</tbody>
</table>

- New 0.75 MGD Water Reclamation Facility
- Admin building, 4 miles of sewage collection system, 4 miles of effluent return line
- Effluent conveyed to storage ponds and used for irrigation
AIRPORT WWTP UPGRADES
City of Prescott

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>$45,800,000</th>
</tr>
</thead>
</table>

- Expanded from 1.2 to 3.75 MGD capacity
- Upgraded from B+ to A+ effluent
- Aeration system, blower building, tertiary filtration, disinfection, and effluent pump station
- Irrigation of sports fields, golf courses, and commercial landscapes, restoration of riparian habitats and recharge groundwater aquifers
RECLAIMED WATER
BOOSTER STATION

City of Surprise

| Loan Amount | $1,500,000 |

- Modified the Reclaimed Booster Station
- Pressurized reclaimed water to the City Stadium, ball fields, green belts and landscaping
- Approximately 2,000 acre feet/year of groundwater not pumped
## RECLAIMED WATER SYSTEM UPGRADES

**City of Buckeye**

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>$6,518,785</th>
</tr>
</thead>
</table>

- 6.25 miles of reclaimed water line
- Electrical, instrumentation and operational modifications
- Irrigation of Sundance Park - ball fields and dog parks
- School and subdivision landscaping
## WWTP UPGRADES
### Town of Camp Verde

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>$3,487,210</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forgivable Principal</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

### Truck Pumping Station ($50,000)
- Effluent storage tank, truck fill kiosk, controls and pumping system
- Future Town Ordinance planned to require all construction water to be reclaimed

### Solar Installation ($300,988)
- $110,000 a year in power consumption for the entire wastewater system
- Conservative minimum expected annual electrical generation of the solar array is 207,847 kWh (annual cost savings of $19,000)
MULBERRY
EFFLUENT BASIN
EXPANSION
Lake Havasu City

Loan Amount | $1,209,432

- Enhance facility operation and delivery of reclaimed water
- Optimize and renovate contact basin, reuse pump station piping, commingling basin, south intake pumping system
- Increase capacity at the commingling pond
- Replace Liner
- Reduce the need for potable water for irrigation at city parks and other facilities
- Reduce demand on Colorado River water
WHY CHOOSE WIFA?

- Incentives for “green” projects
- Below market interest rates
- Financing available year-round
- No application deadlines
- No competition
- No minimum or maximum loan amount
- No application fees or closing costs
## Loan Incentives

<table>
<thead>
<tr>
<th>Disadvantaged Community Designation (low income, high rates, “colonia”)</th>
<th>Green Projects (water and energy efficient)</th>
<th>Stormwater Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subsidized Rates</strong></td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td><strong>Forgivable Principal</strong></td>
<td>Up to <strong>50%</strong> of project costs</td>
<td>Up to <strong>20%</strong> of project costs</td>
</tr>
<tr>
<td><strong>Lower Rates (CIFR)</strong></td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>
FORGIVABLE PRINCIPAL

WIFA will consider forgivable principal for any eligible project, including:

- Disadvantaged community (up to 50% of project cost)
- Green projects (up to 20% of eligible project costs)
  - Water and energy efficiency projects
    - Includes reclaimed and reuse projects
- Projects that mitigate stormwater (up to 20% of eligible project costs)
**SAVINGS AT A GLANCE**

<table>
<thead>
<tr>
<th>Average Rate FY2019</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental (20-year loan term)</td>
<td>2.096%</td>
</tr>
<tr>
<td>Governmental (30-year loan term)</td>
<td>2.672%</td>
</tr>
</tbody>
</table>

*Rates are set two days before each loan closing.*
## Fiscal Impact of WIFA funding

<table>
<thead>
<tr>
<th>Hypothetical Fiscal Impact of WIFA Financial Assistance</th>
<th>WIFA</th>
<th>Bond Deal</th>
</tr>
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<tbody>
<tr>
<td>Total Project Cost</td>
<td>$10,000,000.00</td>
<td>$10,000,000.00</td>
</tr>
<tr>
<td>Cost of Issuance*</td>
<td>$0.00</td>
<td>$105,449.13</td>
</tr>
<tr>
<td><strong>Funded Amount (Amount to be Repaid)</strong></td>
<td><strong>$10,000,000.00</strong></td>
<td><strong>$10,105,449.13</strong></td>
</tr>
<tr>
<td>Term</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Interest Rate Index**; WIFA AAA / Bond - Actual for AA</td>
<td>2.00%</td>
<td>2.61%</td>
</tr>
<tr>
<td>Subsidy Rate</td>
<td>85.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td><strong>Combined Interest &amp; Fee Rate</strong></td>
<td><strong>1.700%</strong></td>
<td><strong>2.610%</strong></td>
</tr>
<tr>
<td>WIFA Annual &amp; Average Bond Debt Service</td>
<td>$594,005.22</td>
<td>$650,373.61</td>
</tr>
<tr>
<td>Effective Annual Rate</td>
<td>1.71%</td>
<td>2.72%</td>
</tr>
</tbody>
</table>

| Total Savings to Term                                  | $1,145,018.01               |
| NPV of Total Savings (discount rate of Bond Deal)      | $918,324.04                 |

*WIFA does not charge any closing costs. A legal opinion by City or Bond Counsel is required. WIFA can incorporate any Financial Advisor and Counsel fees into the loan.

**Rates are as of 07/19/2016 when bonds priced**
# Fiscal Impact of WIFA Funding

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<td>$0.00</td>
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<tr>
<td>Funded Amount (Amount to be Repaid)</td>
<td>$8,000,000.00</td>
<td>$10,105,449.13</td>
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<td>2.610%</td>
</tr>
<tr>
<td>WIFA Annual &amp; Average Bond Debt Service</td>
<td>$475,204.18</td>
<td>$650,373.61</td>
</tr>
<tr>
<td>Effective Annual Rate</td>
<td>-0.50%</td>
<td>2.72%</td>
</tr>
<tr>
<td>Total Savings to Term</td>
<td>$3,517,508.83</td>
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<tr>
<td>NPV of Total Savings (discount rate of Bond Deal)</td>
<td>$2,756,065.09</td>
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</tbody>
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APPLICATION PROCESS

Preliminary Application
WIFA’s online application
Applicant.azwifa.gov
• Preliminary review for eligibility

Obtain Debt Authorization
Cities and Towns:
• <150,000 population: resolution from governing body
• >150,000 population: voter authorization

Districts, Tribal Entities:
• resolution from governing body

Private Systems:
• ACC authorization

Project Finance Application
WIFA staff reviews capabilities:
• Technical
• Managerial
• Legal
• Financial
Following Board approval:
Funding can be available as soon as 3 weeks!
## NO MINIMUM OR MAXIMUM LOAN AMOUNT

<table>
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<tr>
<th>Location</th>
<th>Amount</th>
</tr>
</thead>
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<tr>
<td>City of Peoria</td>
<td>$49,013,733</td>
</tr>
<tr>
<td>City of Prescott</td>
<td>$21,600,000</td>
</tr>
<tr>
<td>Town of Marana (PFOS treatment)</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Town of Payson</td>
<td>$11,000,000</td>
</tr>
<tr>
<td>Pine Strawberry Water Improvement District</td>
<td>$8,000,000</td>
</tr>
<tr>
<td>Town of Camp Verde</td>
<td>$3,487,210</td>
</tr>
<tr>
<td>Town of Marana (Adonis subdivision)</td>
<td>$1,481,990</td>
</tr>
<tr>
<td>Payson Water Company</td>
<td>$875,000</td>
</tr>
<tr>
<td>Q Mountain Water Company</td>
<td>$576,776</td>
</tr>
<tr>
<td>Cordes Lakes Water Co.</td>
<td>$402,423</td>
</tr>
<tr>
<td>Pine Creek Canyon DWID</td>
<td>$250,000</td>
</tr>
<tr>
<td>Monte Vista Water Company</td>
<td>$159,991</td>
</tr>
<tr>
<td>Rancheros Bonitos Water Company</td>
<td>$100,000</td>
</tr>
<tr>
<td>Walden Meadows Community Co-Op</td>
<td>$40,000</td>
</tr>
</tbody>
</table>
3 YEAR 1% INTEREST DESIGN LOANS

- Loan for project design phase
- Amortized with interest-only payments for a period of up to 3 years with the principal due at maturity
- Design loans can be rolled into longer term construction loans
- 1% flat rate

City of Williams Dogtown Transmission Lines

The City borrowed **$2.5 million from WIFA**. Williams will use the design loan to fund an environmental assessment of the 8-mile pipeline and design the new transmission line.
FLEXIBLE LOAN TERMS

- Up to 30 years
- Cannot exceed the useful life of the infrastructure financed

Example: City of Prescott - Wastewater System Centralization Project Phase 1 - 30-year loan

$21,600,000 - The City will centralize wastewater treatment at the recently expanded Airport Water Reclamation Facility (WRF) and make improvements to wastewater trunk main.
CAPITAL IMPROVEMENT PLAN (CIP) FINANCING

One Application
Provides flexibility to include any (or all) of eligible projects in the CIP in a single loan.

If a project is delayed, this model of financing makes it easy to direct the funding toward any other eligible project.

Loan amount is determined by the utility and may not cover the entire cost of the CIP.

Project completion period is typically up to three years, and the utility can undertake as many projects as possible.
WHY CHOOSE WIFA?

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- Below market interest rates
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- No application deadlines

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THANK YOU

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Garrett Corral, gcorral@azwifa.gov, 602-364-1236

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