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Financing Water Infrastructure Projects



BNY MELLON

Financing Water Infrastructure Projects



Zeyu Zhang

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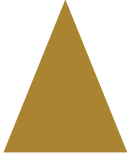
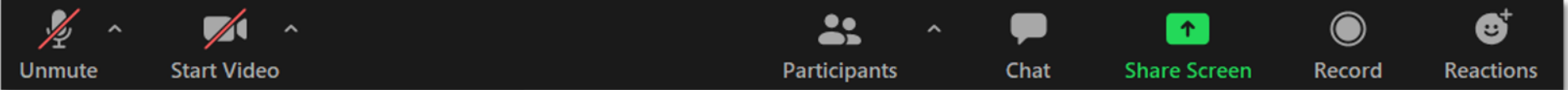
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Denise Olson

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Water Infrastructure and Finance Authority of Arizona



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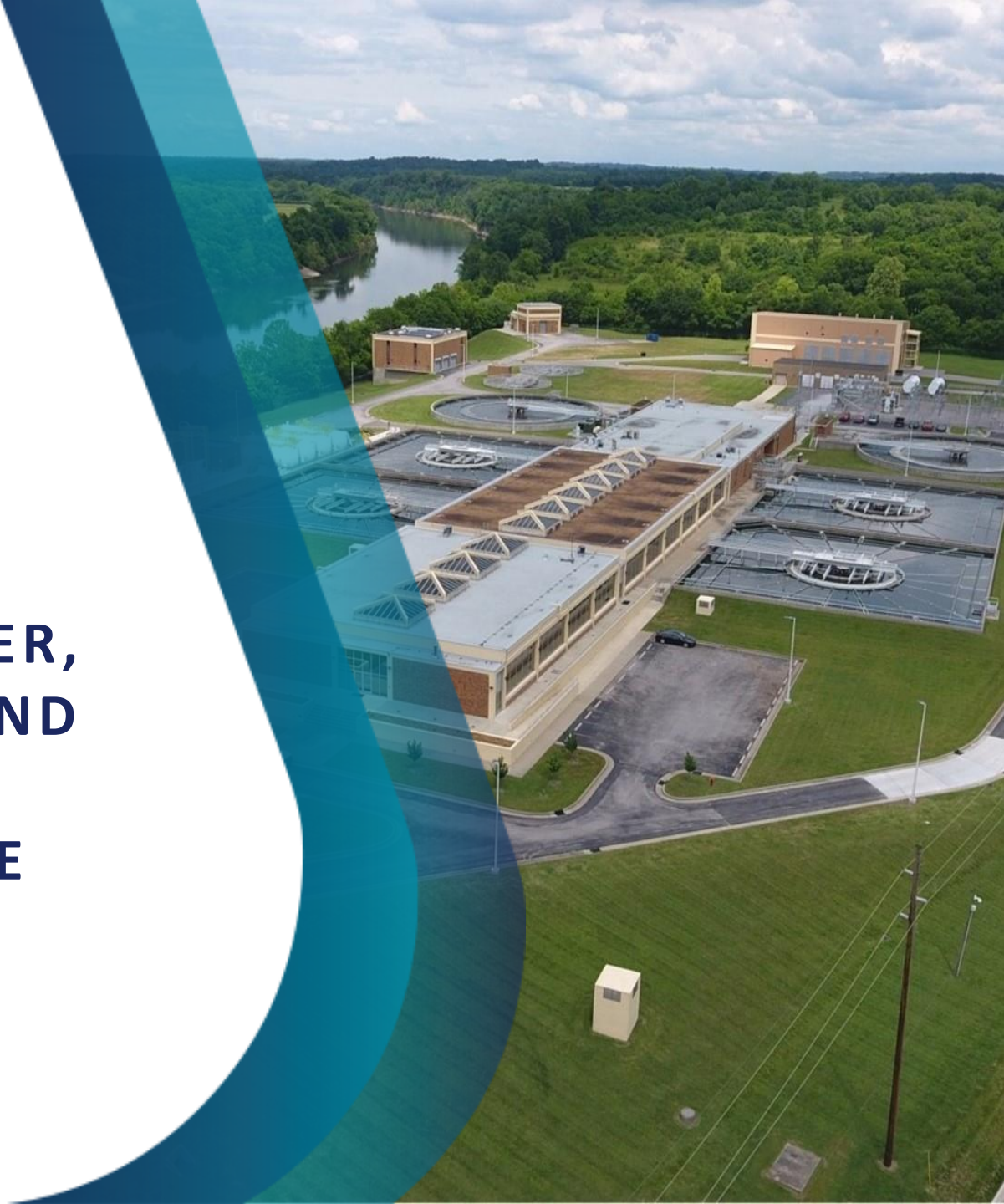


Mary Fasano

Underwriter – WIFIA Program
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Washington, D.C.



FINANCING WATER, WASTEWATER, AND STORMWATER INFRASTRUCTURE



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.



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



Broad eligibility allows for wide variety of borrowers and projects, plus special program for SRF borrowers (SWIFIA)

35
YEARS

Maximum final maturity date from substantial completion



NEPA, Davis-Bacon, American Iron and Steel, Build America, Buy America, and all federal cross-cutter provisions apply

ELIGIBILITY

- WIFIA offers broad eligibility and can provide financing to a variety of credit-worthy borrowers, including local and tribal governments, state infrastructure financing authorities, and public-private partnerships, among others
- WIFIA can fund water infrastructure projects that support clean and safe water access and help communities address a variety of challenges, including regulatory compliance, water quality issues, drought or flooding, and aging infrastructure needs
- Eligible activities include project planning, design, development, and construction, land or equipment acquisition, a variety of carrying costs during construction, and financing-related costs



FINANCING AVAILABLE

Each year, Congress appropriates funds to WIFIA

- This allows the WIFIA program to have money available on an ongoing basis
- WIFIA can finance up to 49% of the anticipated project costs **and is offering up to 80% of anticipated project costs for small communities**



LOAN FEATURES AND BENEFITS

FAVORABLE RATES	<ul style="list-style-type: none">• Fixed interest rate locked in at closing• Interest does not accrue until loan is drawn• Borrower credit does not impact interest rate
GENEROUS TERMS	<ul style="list-style-type: none">• No penalty for prepayment• Sculpted repayment schedule to grow payments over time• WIFIA can take a subordinate lien position
FLEXIBLE FINANCING	<ul style="list-style-type: none">• Loan closing in as little as 4 months, or faster for repeat borrowers• Bespoke loan agreements that can fit into each borrower's existing indenture structure or be stand-alone issuances• Pairs well with other forms of funding and financing
BUNDLING FEATURES	<ul style="list-style-type: none">• Financing available for a combination of projects under one loan• Upfront commitment available for multiple projects taking place over time via a Master Agreement
LOAN MANAGEMENT	<ul style="list-style-type: none">• Ability to request monthly disbursements• Disbursements processed within 15 days of request• Dedicated loan management team responsive to borrower needs



LOAN PROCESS



LOAN PROCESS – PROJECT SELECTION



- Prospective borrower submits LOI
- EPA completes LOI evaluation
- EPA invites prospective borrower to apply
- EPA provides pre-application support and technical assistance, as needed

PROJECT SELECTION

WIFIA and SWIFIA Letters of Interest (LOI) may be submitted at any time!

- Rolling selection provides:
 - ✓ Year-round access to WIFIA funding
 - ✓ Accelerated selection decisions allows for real-time financial decision-making by prospective borrowers
 - ✓ WIFIA LOI submission can be timed with cycles of other funding sources
 - ✓ WIFIA can provide technical assistance to prospective borrowers that need feedback on LOI package

Submission of an LOI is easy via EPA's SharePoint site!

- To request access, simply contact WIFIA@EPA.GOV



FY2023 SELECTION PRIORITIES

WIFIA selection will continue to emphasize EPA top priorities for water infrastructure investment

- Supporting economically stressed communities
- Protecting water infrastructure against the impacts of climate change
- Reducing exposure to lead and addressing emerging contaminants
- Mitigating impacts of drought
- Implementing new or innovative approaches including cybersecurity and green infrastructure

These priorities, along with other material in the FY2023 NOFAs will be in effect starting October 25, 2023



LETTER OF INTEREST FORM

Letters of Interest should be submitted using the letter of interest form available at: <https://www.epa.gov/wifia/wifia-application-materials>

Components
A: Key Loan Information
B: Engineering & Credit
C: Selection Criteria
D: Contact Information
E: Certifications
F: Notification of State Infrastructure Financing Authority

LETTER OF INTEREST EVALUATION

- The WIFIA selection criteria are divided into three categories:
 - Project Impact
 - Projects will be scored based on how they meet WIFIA's strategic objectives and Administration priorities as described on slide X
 - Project Readiness
 - Projects will be deemed satisfactory based on a comprehensive review of the project as a whole, focusing on its technical feasibility and readiness to proceed
 - Borrower Creditworthiness
 - Projects will be deemed satisfactory based on a comprehensive review of any existing rating, or on a review of their financials to evaluate if the borrower is likely able to achieve a creditworthy rating in the future



PROJECT IMPACT

Evaluates the extent to which the project meets the public policy goals outlined in the WIFIA statute and WIFIA regulation and the priorities announced in the NOFA

PROJECT IMPACT CRITERIA	POINTS
National or regional significance	10
Protection against extreme weather events	15
Serves energy exploration or production areas	5
Serves regions with water resource challenges	10
Addresses identified priorities	5
Repair, rehabilitation, or replacement	10
Economically stressed communities	15
Reduces exposure to lead & emergent contaminants	15
New or innovative approaches	15



PROJECT READINESS

The readiness of the project to proceed toward development

Prospective borrowers and projects will be assessed based on the following:

- Current status of project and how long it will take to submit an application, close the loan, and contract for construction
- Issues that may affect the development and financing of the project
- The technical and environmental feasibility of project plan



BORROWER CREDITWORTHINESS

To evaluate the reasonable assurance of repayment by the prospective borrower. 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

In addition, WIFIA will consider statutory criteria related to the impacts of WIFIA funding



PROJECT SELECTION PROCESS

- Each eligible and creditworthy project will be evaluated as to whether it satisfies each criteria category
- EPA can reach out with questions or clarifications
- Projects will be selected as the LOI review is completed
- Selection Committee, comprised of senior EPA officials, will approve the selected projects on an ongoing basis



INVITATION TO APPLY

- The WIFIA program will provide written notification inviting prospective borrowers to submit an application and publicly announce selected prospective borrowers
- Prospective borrowers who are not invited to apply must re-submit their letter of interest to be considered in the future
- Borrowers who do not satisfy the requirements of one or more categories will be contacted by the WIFIA program for further conversation
- After selection and prior to application submission, the WIFIA program will provide origination support to borrowers in preparing their applications



LOAN PROCESS – PROJECT APPROVAL



- Applicant submits complete application
- EPA conducts credit, legal, and technical review of loan application
- EPA conducts environmental review, makes NEPA determination, and documents environmental cross-cutting authority compliance
- EPA and applicant negotiate mutually agreeable loan terms and loan agreement
- EPA and applicant seek necessary approvals and conduct loan closing

TIMEFRAME FACTORS

Loan closing timeframes are predictable and within a borrower's control

Faster Loan Closing	Longer Loan Closing
Projects for WIFIA loan are established and at 30-90% design	Projects not yet well defined
Borrower is highly rated and familiar with issuing debt	Revenue stream is riskier and requires substantial evaluation
Environmental studies and consultations complete or currently underway	Environmental impact of construction has not yet been determined and requires further studies
Responsive borrower	Borrower requires significant third-party approvals/agreements outside of the loan process
Borrower has dedicated person(s) to spearhead the WIFIA process and make decisions	Legal terms are extensively negotiated



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



WIFIA FEES

There is no fee to submit a LOI

An application fee is due with the application

- This is a down payment on credit processing costs
- This expense can be financed as part of the WIFIA loan
- The amount is \$100,000 for large communities and \$25,000 for small communities

The credit processing fee reimburses EPA for partial expense of underwriting the loan

- It is limited to external advisory or proportional internal costs if advisors are not retained
- This expense can be financed as part of the WIFIA loan
- Charges are based on actual work on the application and vary based on complexity of transaction and amount of legal negotiation
- This fee typically ranges from \$150,000-\$250,000 but depends on borrower, loan complexity

De minimus post closing fees for construction monitoring and loan servicing are due post closing



RATING LETTER

One final public rating letter is required at loan closing

- Public rating letter from one rating agency that assesses the default credit risks
- Senior debt and WIFIA debt must achieve a rating of investment grade or above



LOAN PROCESS – PROJECT MONITORING



- Borrower responsible for periodic reporting to EPA
- EPA performs construction monitoring site visits
- EPA processes disbursements to borrowers
- EPA conducts compliance management/monitoring and credit risk monitoring
- EPA/borrower negotiate loan re-execution, as appropriate



CONTACT INFORMATION AND RESOURCES

MEETING WITH WIFIA PROGRAM STAFF

EPA is happy to meet with all prospective borrowers interested in discussing the program prior to submission of a letter of interest

- Send requests to wifia@epa.gov
- Meetings may be virtual or in-person
- Mary Fasano, Underwrite,r Fasano.mary@epa.gov



RESOURCES

General Information

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

- What is WIFIA?
- What is SWIFIA?
- WIFIA Benefits
- WIFIA Loan Process
- Laws and Regulations

Application Materials

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

- Letter of Interest form
- Letter of Interest checklist
- Sample Letter of Interest
- Sample financial pro forma

Program Resources

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

- Template Term Sheet
- Federal Compliance Requirements
- Program Handbook
- FAQs

Learn More

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

- Annual Report
- Videos
- Presentations and Factsheets



CONTACT US

Website: www.epa.gov/wifia

Sign-up to receive announcements
about the WIFIA program at
<https://tinyurl.com/wifianews>

Have questions? Want to meet with
WIFIA staff?

Contact us at wifia@epa.gov





Financing Water Infrastructure Projects



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WATER INFRASTRUCTURE
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Financing Water Infrastructure Projects

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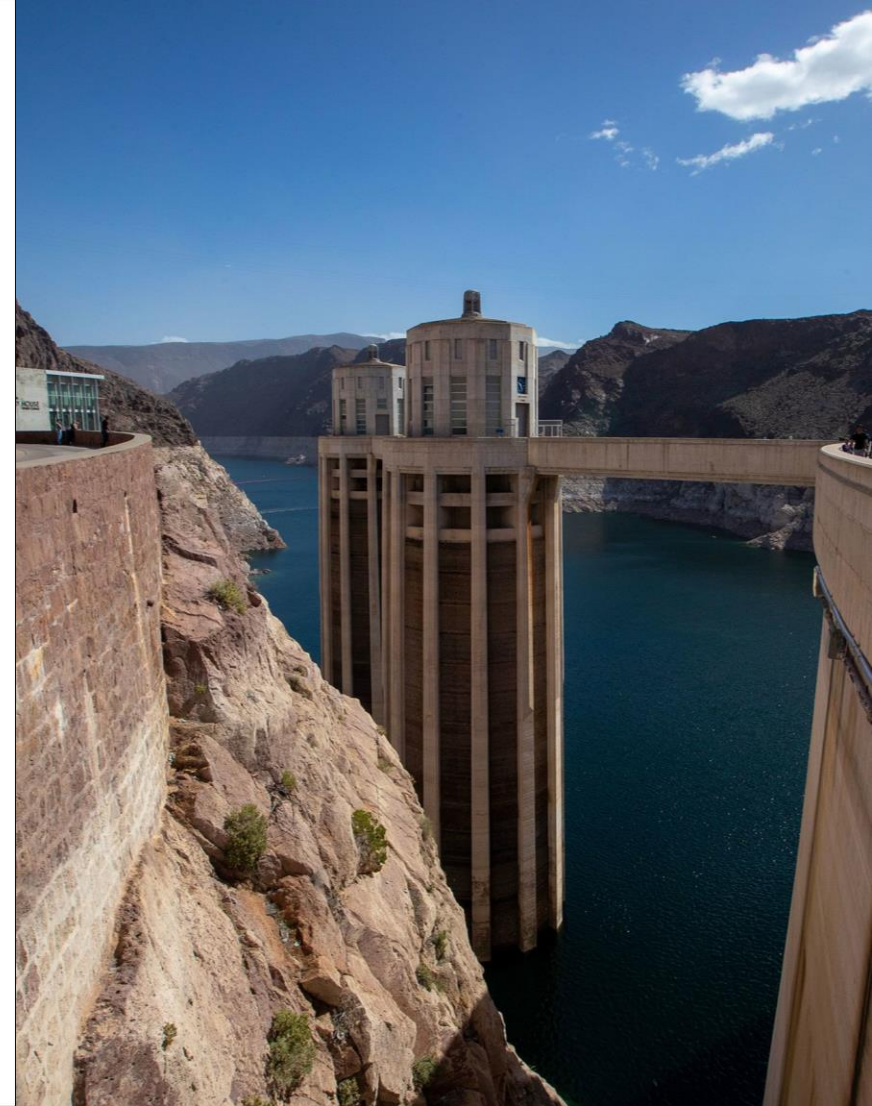
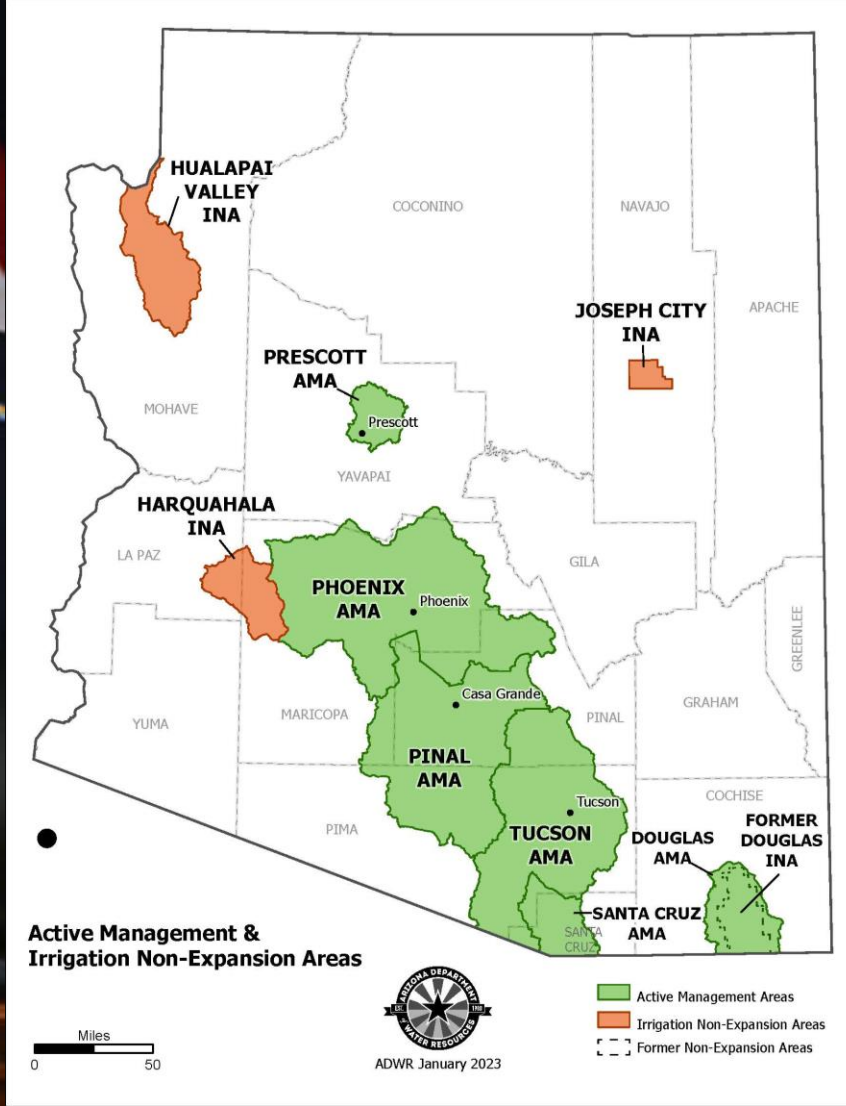
WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA



Who is WIFA?

WIFA's Mission:

To ensure the sustainability of Arizona's present and future water supply through financial investments in effective augmentation, conservation, reuse, and water quality actions



Where are we now?

WIFA's Funding Opportunities



Clean Water SRF

- Loans and technical assistance to political subdivisions for wastewater and stormwater projects



Drinking Water SRF

- Loans and technical assistance to public water systems for installation and improvements of drinking water infrastructure



Water Conservation Grant Fund

- Grants to governmental and non-governmental organizations for projects that promote conservation and decrease water use



Water Supply Development Revolving Fund

- Loans and technical assistance to water providers outside of urban centers



Long-Term Water Augmentation Fund

- For projects that import water into Arizona



State Revolving Funds



Clean Water SRF

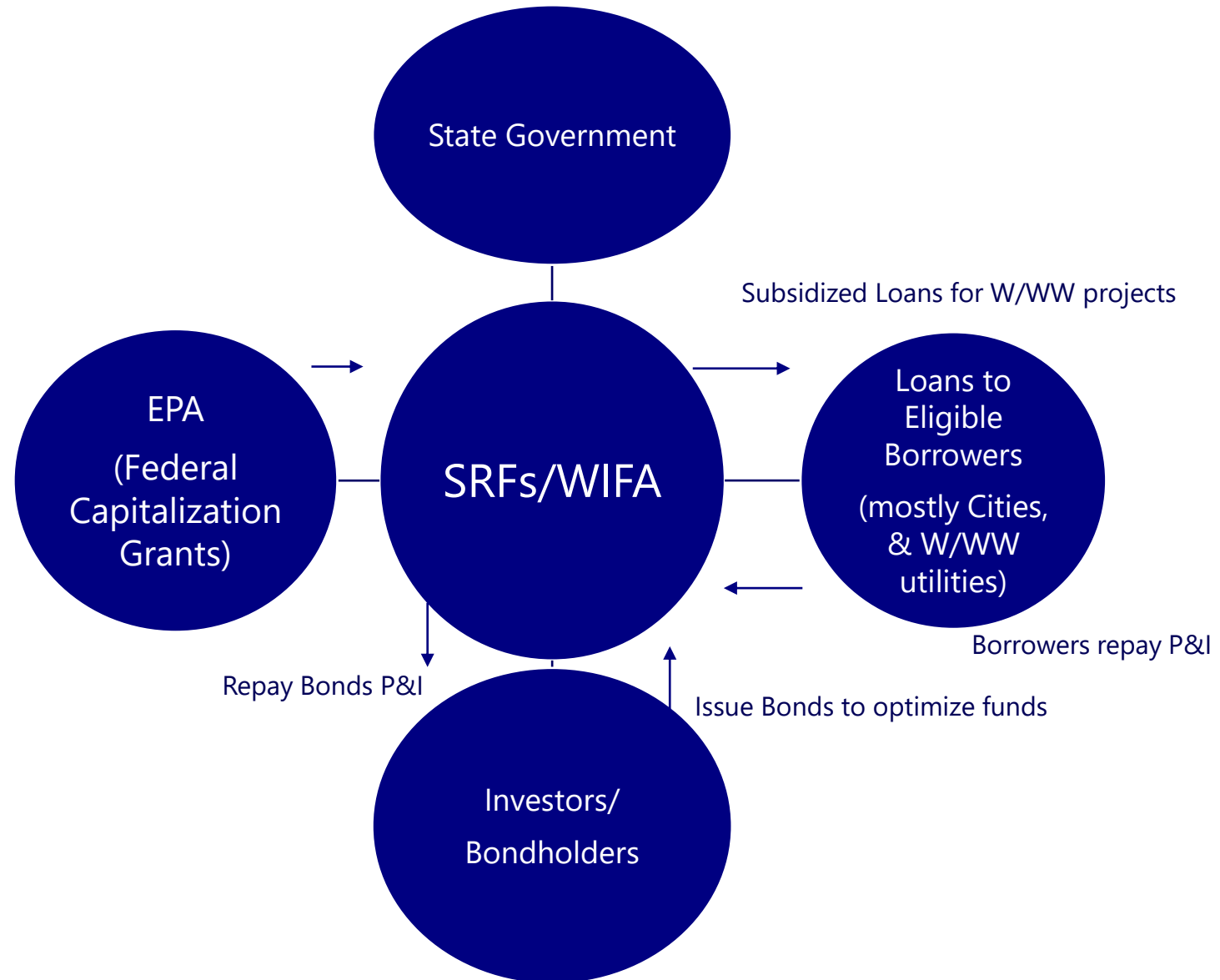
- Loans and technical assistance to political subdivisions for wastewater and stormwater projects

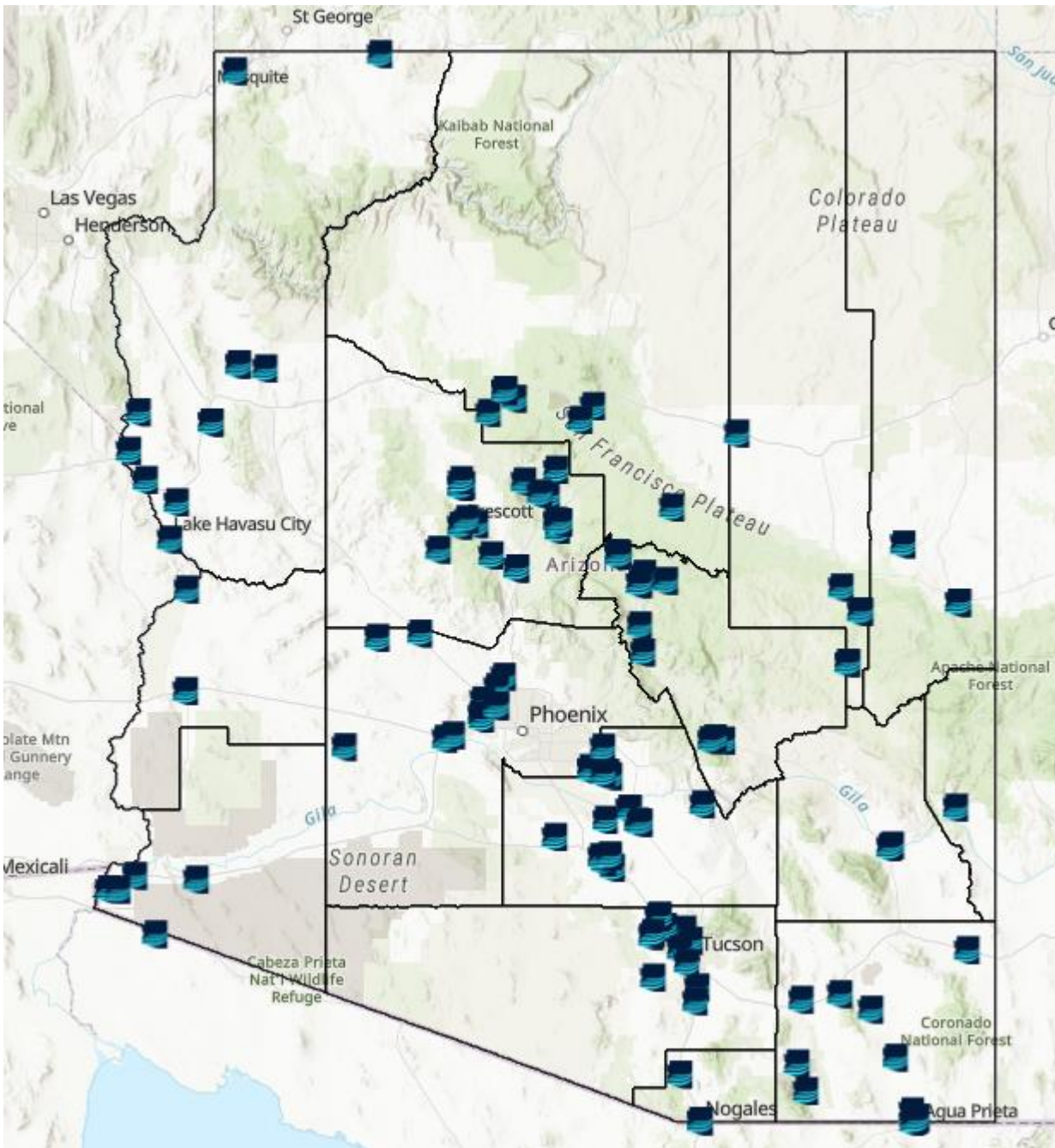


Drinking Water SRF

- Loans and technical assistance to public water systems for installation and improvements of drinking water infrastructure

How the SRFs Work:





SRF Numbers

- **Nearly \$3 Billion**
In loans since 1989
- **\$102 Million +**
In forgivable principal since 2009
- **211 Borrowers**
Throughout all of Arizona's Counties
- **290 +**
Active loans across the state of Arizona
- **AAA Credit Rating**

Moody's , Fitch & S&P

Three New Funds



Water Supply Development Revolving Fund



Water Conservation Grant Fund



Long-Term Water Augmentation



Water Supply Development Revolving Fund

Goals of Fund

- Allowing communities without ready access to a variety of water supplies to acquire water or water rights to augment their water supply
- Plan, design, build, and develop facilities for conveyance, storage, reuse, groundwater replenishment, and conservation

Funding Availability

- **\$190M** available for grants (up to \$2M) and loans (up to \$3M)
- Eligible Entities:
 - Water Providers (§ ARS 49-1201)
 - Located outside of the Phoenix, Pinal, or Tucson AMAs



Water Conservation Grant Fund

Goals of Fund

- Programs and projects resulting in long-term, sustainable reductions in water use

Funding Availability

- **\$200M available** of American Rescue Plan Act (ARPA) funds
- Up to \$3 million per program with a 25% match requirement

Eligible Entities

- “Water Providers:” Cities, towns, municipalities, public and private water companies, tribal entities
- NGOs partnering with a water provider

Long-Term Water Augmentation Fund

Investing in projects designed to import new water into Arizona for the benefit of current and future users, the economy, and the environment:

- **Request for Information (RFI):** open now, responses due November 15
- **“Bottom-Up” Needs Assessment:** in progress



Five-Year Strategic Framework

AUGMENTATION

TBD

acre-feet in new
supplies

\$1 Billion
or more invested



CONSERVATION

5 million

acre-feet of water
saved

\$400 million
invested in conservation



RELIABILITY

75

additional communities
served

\$TBD million
new loans and grants



Thank you!

Denise Olson

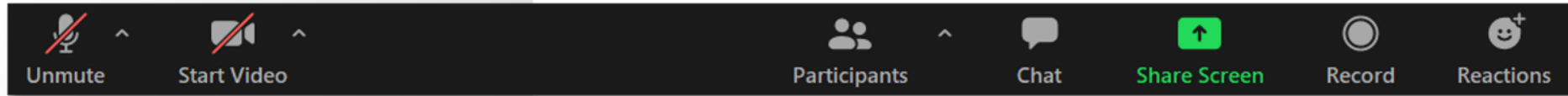
Assistant Director – Finance

Water Infrastructure Finance Authority

For more information, visit
www.azwifa.gov

- Long Term Water Augmentation Fund
 - RFI
 - Industry Forum Recording
- Financial Information
- Programs

Audience Questions



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NATIONAL DEVELOPMENT FINANCE SUMMIT

NOVEMBER 8-10, 2023





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Philadelphia, PA // November 8 // 9:00 AM – 4:00 PM Eastern

In-person at CDFA National Summit!

CDFA // BNY Mellon Development Finance Webcast Series: The Latest in Cannabis Financing

November 21 // 2:00 – 3:00 PM Eastern

Intro Federal Finance Course

December 12-13 // Daily: 12:00 – 5:00 PM Eastern

Contact Us



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