

THE BOND BUYER

Green bonds: Saving money, widening disclosure, helping the environment

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The Indiana Finance Authority is restating its current bond trust indenture and its wastewater and drinking water state revolving fund trust indentures ahead of pricing \$200 million of bonds from the program on Thursday.

The change comes as the IFA finalizes a drawdown loan of up to \$436 million provided under the Water Infrastructure Finance and Innovation Act of 2014.

The restated bond trust indenture will provide for WIFIA alternative indentures and WIFIA alternative bonds. The IFA has not disclosed when it plans to price the WIFIA bonds.



IFA is pricing \$200M of green bonds on Thursday.

Moody's Investors Service, Fitch Ratings and S&P Global Ratings affirmed their Aaa and AAA rating, respectively on the SRF green bonds ahead of the sale.

Morgan Stanley is senior manager on the green bond sale. Wells Fargo Securities, Ramirez & Co. and Stifel are co-managers. Ice Miller is bond counsel, PFM Financial Advisors LLC is advising the IFA.

The IFA has identified the bonds with a "green" designation to assist investors in identifying bonds, the proceeds of which will finance green infrastructure. The benefit to local governments is the interest cost savings, compared to other open-market costs. The IFA has roughly \$1.5 billion in outstanding green bonds.

Fitch assigned a first-time AA rating to the WIFIA bonds and S&P is rating the bonds AAA.

"We do not believe that the existence of the new alternative WIFIA indenture introduces any additional credit risks to other bonds issued under IFA's wastewater and drinking water bond indentures. Supporting our rating on the WIFIA loan is access to the larger SRF program's equity fund to which we believe the alternative WIFIA indenture gives access if needed," S&P stated in a report.

The IFA said that excess cash flows not required for repayment of the WIFIA alternative bonds are expected to be transferred once a year as permitted transfers. " Permitted transfers occur following the required Jan. 15 debt service payment in WIFIA alternative bonds but prior to the Feb. 1 payment required on the primary bonds, providing sufficient time if needed for payment of the primary bond debt service," IFA said.

WIFIA, a federal loan and guarantee program created in 2014 under the Obama administration, provides low-cost loans and loan guarantees to eligible borrowers for water and wastewater projects. It is designed to work in conjunction with bonds and other funding sources and can provide up to 45% of funding for a project.

"WIFIA participant loans have been and expected to be funded from some combination of proceeds of the WIFIA alternative bond and primary bond and SRF equity," the IFA said in an investor presentation.

The bonds are separately secured by loans and assets that are not pledged to the existing SRF bonds.

IFA will use the proceeds of the \$436 million WIFIA loan to partially fund or reimburse for eligible costs on \$910 million of loans to 20 borrowers.