Your Presenters

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Water Infrastructure Finance Authority

• **Vision**
  – To guide our resources to communities with the greatest need to maintain and enhance Arizona’s quality of life.

• **Mission**
  – To maintain and improve water quality in Arizona by providing financial and technical assistance for basic water infrastructure.

• **Purpose**
  – Protect public health
  – Ensure safe drinking water
  – Proper wastewater treatment
  – Improve water quality

• **Funding to improve water infrastructure**
  – Low-interest loans
  – Planning and design Technical Assistance Funding

25-year history - invested over $2 billion in Arizona’s communities
Revolving Funds

Federal Grants

State Match

Water Infrastructure Finance Authority Revolving Fund

Drinking Water Loans

Clean Water Loans

Municipal Bond Capital
Arizona’s Revolving Funds

- Receive capitalization grants from EPA
- Borrow money (issue bonds) at the best rates available (AAA rated)
- Lend money at below-market interest rates (subsidize)
- Receive loan repayments
- *The cycle continues (revolves)*...
### WIFA’s FY 2017 Loans

- So far in FY 2017 we have originated **$61 million**
  - With another **$6.0 million** closing soon
  - Governmental Rates Between **2.01% - 2.87%**

<table>
<thead>
<tr>
<th>Borrower</th>
<th>Loan Amount</th>
<th>Interest Rate</th>
<th>Loan Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Town of Wickenburg</td>
<td>$1,000,000.00</td>
<td>0.71%</td>
<td>5 Years</td>
</tr>
<tr>
<td>Town of Payson</td>
<td>$11,000,000.00</td>
<td>2.44%</td>
<td>20 Years</td>
</tr>
<tr>
<td>City of Peoria</td>
<td>$49,013,733.00</td>
<td>2.65%</td>
<td>20 Years</td>
</tr>
<tr>
<td>Town of Chino Valley</td>
<td>$640,000.00</td>
<td>2.42%</td>
<td>20 Years</td>
</tr>
<tr>
<td>City of Douglas</td>
<td>$3,000,000.00</td>
<td>TBD</td>
<td>20 Years</td>
</tr>
<tr>
<td>City of Globe</td>
<td>$3,000,000.00</td>
<td>TBD</td>
<td>20 Years</td>
</tr>
</tbody>
</table>
Current Resources

• **$170 million** available for new projects
  – *If we run out we can go the bond market and borrow at the AAA Municipal Rate*

• **$3.7 million** Forgivable Principal Available
  – Drinking Water **$2,786,150**
  – Clean Water **$990,500**
Eligible Borrowers

• Cities, towns, tribal entities and special districts:
  – Own a public water system
  – Own a wastewater facility
  – Manage stormwater (permitted MS4s and unpermitted)
  – Private ACC-regulated drinking water systems
Eligible Projects and Types of Assistance

• What types of projects are eligible?
  – Drinking water
  – Wastewater
  – Stormwater

• Financial Assistance Options
  – Loans
    • Planning /design => 1% interest rate
    • Construction => Subsidized Rate
    • Acquisition Loan => Subsidized Rate
  – Technical Assistance Awards
    • 35,000 Max for planning and design
    • Competitive Process
WIFA Govt Loan Rates vs Market Rates

![Graph showing government loan rates vs market rates over time.](image)
Additional Subsidization

- **Disadvantaged Community Designation**
  - Forgivable Principal -
    - typically not more than 50% of eligible costs
  - Lower interest rate loans
  - Extended loan term

- **Incentives for Green Projects**
  - Forgivable principal -
    - Up to 20% of eligible project costs
  - Reduced interest Rate
# Average Savings Scenario

## Fiscal Impact of WIFA Financial Assistance

<table>
<thead>
<tr>
<th></th>
<th>WIFA Loan</th>
<th>Bond Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Requested</strong></td>
<td>$50,000,000.00</td>
<td>$50,000,000.00</td>
</tr>
<tr>
<td><strong>Cost of Issuance</strong>*</td>
<td>$0.00</td>
<td>$500,000.00</td>
</tr>
<tr>
<td><strong>Forgivable Principal</strong></td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>Funded Amount (Amount to be Repaid)</strong></td>
<td>$50,000,000.00</td>
<td>$50,500,000.00</td>
</tr>
<tr>
<td><strong>Term</strong></td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td><strong>Interest Rate Index; WIFA AAA / Bond AA</strong></td>
<td>2.89%</td>
<td>3.12%</td>
</tr>
<tr>
<td><strong>Subsidy Rate</strong></td>
<td>80.00%</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Combined Interest &amp; Fee Rate</strong></td>
<td>2.312%</td>
<td>3.120%</td>
</tr>
<tr>
<td><strong>Annual Level Debt Service Payments</strong></td>
<td>$3,150,674.69</td>
<td>$3,432,164.18</td>
</tr>
<tr>
<td><strong>Year Principal Repayments Begin</strong></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Debt Service Reserve Requirement</strong></td>
<td>$3,150,674.69</td>
<td>$3,432,164.18</td>
</tr>
<tr>
<td><strong>Coverage Requirement</strong></td>
<td>20.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td><strong># of Years Debt Service Reserve Funded</strong></td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>Annual Debt Service Reserve Deposit</strong></td>
<td>$630,134.94</td>
<td>$686,432.84</td>
</tr>
</tbody>
</table>

## Annual Fiscal Impact

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Effective Annual Rate</strong></td>
<td>2.31%</td>
</tr>
<tr>
<td><strong>Total Savings to Term</strong></td>
<td>$5,629,789.90</td>
</tr>
<tr>
<td><strong>NPV of Total Savings (Discount rate of Bond)</strong></td>
<td>$4,246,446.04</td>
</tr>
</tbody>
</table>

*WIFA has no closing costs. A legal opinion by City or Bond Counsel is required and WIFA can incorporate any Financial Advisor and Counsel fees into the loan.*
## Disadvantaged Community Savings Scenario

<table>
<thead>
<tr>
<th>Fiscal Impact of WIFA Financial Assistance</th>
<th>WIFA Loan</th>
<th>Bond Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Requested</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>$100,000.00</td>
</tr>
<tr>
<td>Forgivable Principal</td>
<td>$2,000,000.00</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>Funded Amount (Amount to be Repaid)</strong></td>
<td>$8,000,000.00</td>
<td>$10,100,000.00</td>
</tr>
<tr>
<td>Term</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Interest Rate Index; WIFA AAA / Bond BBB</td>
<td>2.89%</td>
<td>3.77%</td>
</tr>
<tr>
<td>Subsidy Rate</td>
<td>70.00%</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Combined Interest &amp; Fee Rate</strong></td>
<td>2.023%</td>
<td>3.770%</td>
</tr>
<tr>
<td><strong>Annual Level Debt Service Payments</strong></td>
<td>$490,340.35</td>
<td>$728,118.96</td>
</tr>
<tr>
<td>Year Principal Repayments Begin</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Debt Service Reserve Requirement</td>
<td>$490,340.35</td>
<td>$728,118.96</td>
</tr>
<tr>
<td>Coverage Requirement</td>
<td>20.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td># of Years Debt Service Reserve Funded</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Annual Debt Service Reserve Deposit</td>
<td>$98,068.07</td>
<td>$145,623.79</td>
</tr>
</tbody>
</table>

### Annual Fiscal Impact

| Effective Annual Rate                      | -0.19% | 3.88% |
| **Total Savings to Term**                  | $4,755,572.34 |
| NPV of Total Savings (Discount rate of Bond) | $3,397,965.02 |

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Payson Project

- WIFA Funded over $47,000,000 in improvements
- $7,000,000 of forgivable Principal

<table>
<thead>
<tr>
<th>Closing Date</th>
<th>Maturity Date</th>
<th>Combined Fee and Interest Rate</th>
<th>Obligated Amount</th>
<th>Remaining Commitment</th>
<th>Forgivable Principal</th>
<th>Repayment Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>8/14/2009</td>
<td>7/1/2029</td>
<td>2.89%</td>
<td>$8,177,808</td>
<td></td>
<td>$4,000,000</td>
<td>Revenues</td>
</tr>
<tr>
<td>9/14/2012</td>
<td>7/1/2032</td>
<td>2.80%</td>
<td>$6,250,000</td>
<td></td>
<td></td>
<td>Revenues</td>
</tr>
<tr>
<td>3/27/2015</td>
<td>7/1/2044</td>
<td>2.20%</td>
<td>$11,000,000</td>
<td>$414,433</td>
<td>$1,000,000</td>
<td>Revenues</td>
</tr>
<tr>
<td>3/11/2016</td>
<td>7/1/2045</td>
<td>2.28%</td>
<td>$11,000,000</td>
<td>$10,313,859</td>
<td>$1,000,000</td>
<td>Revenues</td>
</tr>
<tr>
<td>1/19/2017</td>
<td>7/1/2046</td>
<td>2.44%</td>
<td>$11,000,000</td>
<td>$11,000,000</td>
<td>$1,000,000</td>
<td>Revenues</td>
</tr>
</tbody>
</table>
WIFA’s Loan Process

**Step 1**: Applicant submits an online application (Project Priority List application)

**Step 2**: Applicant obtains debt authorization

**Step 3**: Applicant completes a project finance application

**Step 4**: Board approval process

**Step 5**: WIFA issues loan

Go from completing an online application to closing a loan in just a few months!
Benefits of Choosing WIFA

• **Low interest rates** *(WIFA is rated AAA)*
  – *Average interest rate in FY 2017 for public entities 2.5%

• Financing available year-round

• No application deadlines

• No competition

• No application fees or closing costs

• No minimum or maximum loan amount

• Funds are continuously reinvested in Arizona
WIFIA - Water Infrastructure Finance and Innovation Act
The What and Why of WIFIA

What is WIFIA?

• Originally authorized under the Water Resources Reform and Development Act (WRRDA) of 2014
• WIFIA was established as a five year pilot program modeled on the current Transportation Infrastructure Finance and Innovation Act (TIFIA) program
• Credit assistance in the form of loans or guarantees
• Funds are to provide a reserve subsidy for credit assistance, not for direct outlays to projects (TIFIA averages 10:1)

Why was it established?

• Attempts to fill in a perceived gap left open by the SRF programs by providing subsidized financing for large projects
Who is Eligible to Borrow Through WIFIA

Eligible borrowers are:

• Local, state, tribal, and federal government entities
• Partnerships and joint ventures
  – Public / Private or any other combination
• Corporations and trusts
• Arizona WIFA Bundled Projects
WIFIA Eligible Projects

Development and implementation Projects:
• Wastewater projects that are eligible for the Clean Water SRF
• Drinking water projects that are eligible for the Drinking Water SRF
• Related energy efficiency projects
• Desalination, aquifer recharge, alternative supply, and water recycling
• Drought prevention, reduction, or mitigation
• Acquisition of property integral to an eligible project
• Groups of projects submitted by an SRF program

Eligible development and implementation activities:
• Development activities; planning, preliminary engineering, design, environmental review, revenue forecasting, and other pre-construction activities
• Construction, reconstruction, rehabilitation, and replacement activities
• Acquisition of real property
<table>
<thead>
<tr>
<th>Fee Type</th>
<th>Amount</th>
<th>Specified in Which Document</th>
<th>Applies to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application Fee</td>
<td>$100,000 or $25,000 (for projects serving small communities)</td>
<td>Application Form</td>
<td>Prospective borrowers</td>
</tr>
<tr>
<td>Credit Processing Fee</td>
<td>Costs incurred to the EPA minus application fee</td>
<td>Invoice at Closing</td>
<td>Prospective borrowers</td>
</tr>
<tr>
<td>Optional Supplemental Fee</td>
<td>As applicable by agreement between WIFIA program and prospective borrower</td>
<td>Credit Agreement</td>
<td>Prospective borrower</td>
</tr>
<tr>
<td>Loan Servicing Fee</td>
<td>As applicable</td>
<td>Credit Agreement</td>
<td>Borrowers</td>
</tr>
<tr>
<td>Extraordinary Expenses Fee</td>
<td>As applicable</td>
<td>Credit Agreement</td>
<td>Distressed borrowers</td>
</tr>
</tbody>
</table>
WIFIA Program Features

• $20 million: Minimum project size for large communities.
• $5 million: Minimum project size for small communities.
• 49%: Maximum portion of eligible project costs.
• Total federal assistance may not exceed 80% of a project’s eligible costs.
• 35 years: Maximum final maturity date from substantial completion.
• 5 years: Maximum time that repayment may be deferred after substantial completion of the project.
• Interest rate will be equal to or greater than the U.S. Treasury rate.
• Projects must be creditworthy and have a dedicated source of revenue.
• NEPA, Davis-Bacon, American Iron and Steel, and all other federal cross-cutter provisions apply.
Water Infrastructure Finance Authority of Arizona

Affordable and efficient financing available year-round. Invest today the WIFA way.

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