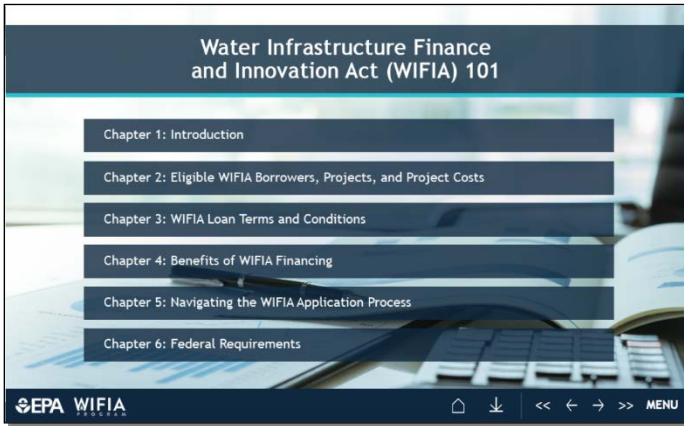




WIFIA 101

This learning module is intended for prospective borrowers interested in learning about Water Infrastructure Finance and Innovation Act (WIFIA) financing.

START



Water Infrastructure Finance and Innovation Act (WIFIA) 101

Chapter 1: Introduction

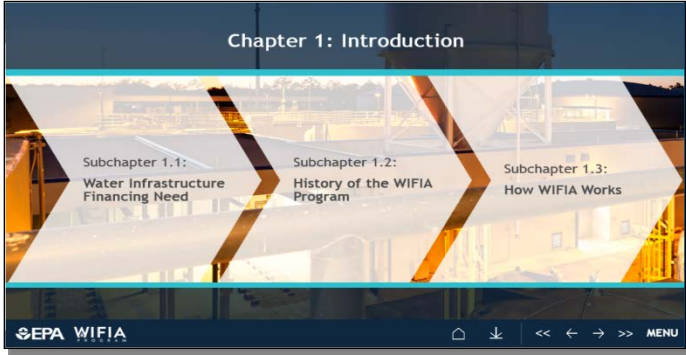
Chapter 2: Eligible WIFIA Borrowers, Projects, and Project Costs

Chapter 3: WIFIA Loan Terms and Conditions

Chapter 4: Benefits of WIFIA Financing

Chapter 5: Navigating the WIFIA Application Process

Chapter 6: Federal Requirements

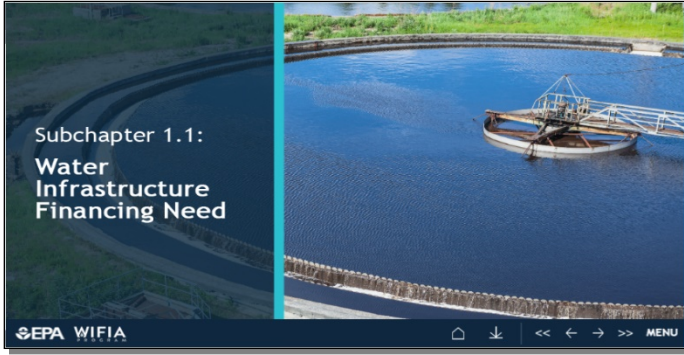


Chapter 1: Introduction

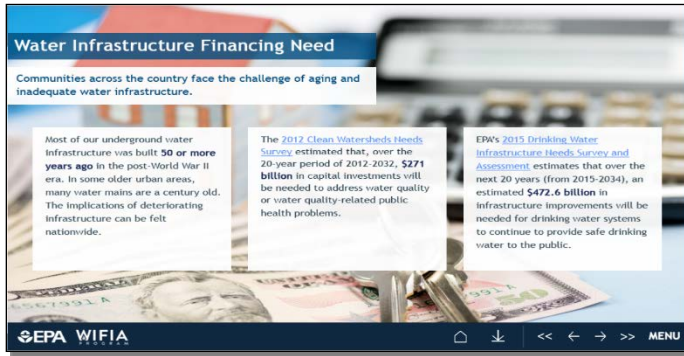
Subchapter 1.1: Water Infrastructure Financing Need

Subchapter 1.2: History of the WIFIA Program

Subchapter 1.3: How WIFIA Works



Subchapter 1.1: Water Infrastructure Financing Need



Water Infrastructure Financing Need

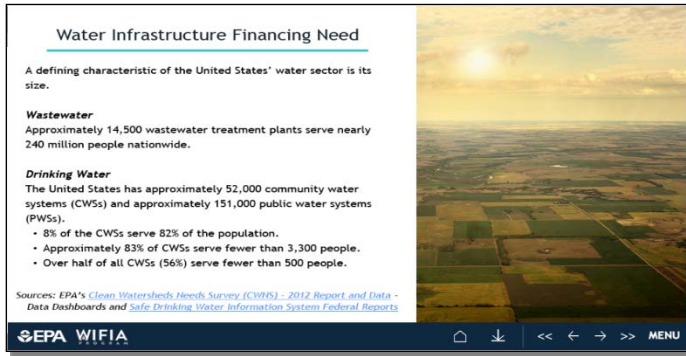
Communities across the country face the challenge of aging and inadequate water infrastructure.

Most of our underground water infrastructure was built 50 or more years ago in the post-World War II era. In some older urban areas, many water mains are a century old. The implications of deteriorating infrastructure can be felt nationwide.

The 2012 Clean Watersheds Needs Survey (https://www.epa.gov/sites/production/files/2015-12/documents/cwns_2012_report_to_congress-508-opt.pdf) estimated that, over the 20-year period of 2012-2032, \$271 billion in capital investments will be needed to address water quality or water quality-related public health problems.

EPA's 2015 Drinking Water Infrastructure Needs Survey and Assessment

(https://www.epa.gov/sites/production/files/2018-03/documents/sixth_drinking_water_infrastructure_needs_survey_and_assessment.pdf) estimates that over the next 20 years (from 2015-2034), an estimated \$472.6 billion in infrastructure improvements will be needed for drinking water systems to continue to provide safe drinking water to the public.



Water Infrastructure Financing Need

A defining characteristic of the United States' water sector is its size.

Wastewater
Approximately 14,500 wastewater treatment plants serve nearly 240 million people nationwide.

Drinking Water
The United States has approximately 52,000 community water systems (CWSs) and approximately 151,000 public water systems (PWSs).

- 8% of the CWSs serve 82% of the population.
- Approximately 83% of CWSs serve fewer than 3,300 people.
- Over half of all CWSs (56%) serve fewer than 500 people.

Sources: EPA's Clean Watersheds Needs Survey (CWNS) - 2012 Report and Data - Data Dashboards and Safe Drinking Water Information System Federal Reports

EPA WIFIA

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(<https://www.epa.gov/cwns/clean-watersheds-needs-survey-cwns-2012-report-and-data>) - Data Dashboards and Safe Drinking Water Information System Federal Reports

([https://ofmpub.epa.gov/apex/sfdw/f?p=108:200:::::\)](https://ofmpub.epa.gov/apex/sfdw/f?p=108:200:::::))



WIFIA - A New Financing Tool

The Water Infrastructure Finance and Innovation Act (WIFIA) program's mission is to accelerate investment in our nation's water and wastewater infrastructure by providing long-term, low-cost, supplemental credit assistance (loans) under customized terms to creditworthy water and wastewater projects of national and regional significance.

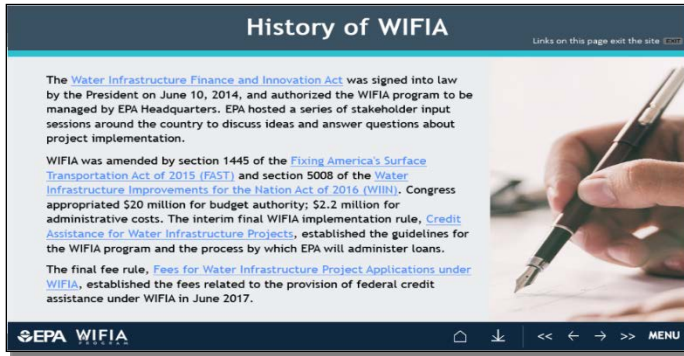
WIFIA is modeled on the Transportation Infrastructure Finance and Innovation Act (TIFIA) of 1998. Learn more (<https://www.transportation.gov/buildamerica/programs-services/tifia>).

Visit EPA's official WIFIA website (<https://www.epa.gov/wifia>).

Links on this page exit the site



Subchapter 1.2: History of the WIFIA Program



History of WIFIA

Links on this page exit the site

The Water Infrastructure Finance and Innovation Act (WIFIA)

(<https://www.gpo.gov/fdsys/pkg/USCODE-2015-title33/pdf/USCODE-2015-title33-chap52.pdf>) was signed into law by the President on June 10, 2014, and authorized the WIFIA program to be managed by EPA Headquarters. EPA hosted a series of stakeholder input sessions around the country to discuss ideas and answer questions about project implementation.

WIFIA was amended by section 1445 of the Fixing America's Surface Transportation Act of 2015 (FAST) (<https://www.gpo.gov/fdsys/pkg/PLAW-114publ94/pdf/PLAW-114publ94.pdf>) and section 5008 of the Water Infrastructure Improvements for the Nation Act of 2016 (WIIN) (<https://www.congress.gov/114/bills/s612/BILLS-114s612enr.pdf>). Congress appropriated \$20 million for budget authority; \$2.2 million for administrative costs. The interim final WIFIA implementation rule, Credit Assistance for Water Infrastructure Projects (<https://www.federalregister.gov/documents/2016/12/19/2016-30194/credit-assistance-for-water-infrastructure-projects>), established the guidelines for the WIFIA program and the process by which EPA will administer loans.

The final fee rule, Fees for Water Infrastructure Project Applications under WIFIA

(<https://www.federalregister.gov/documents/2017/06/28/2017-13438/fees-for-water-infrastructure-project-applications-under-wifia>), established the fees related to the provision of federal credit assistance under WIFIA in June 2017



WIFIA Investment Potential

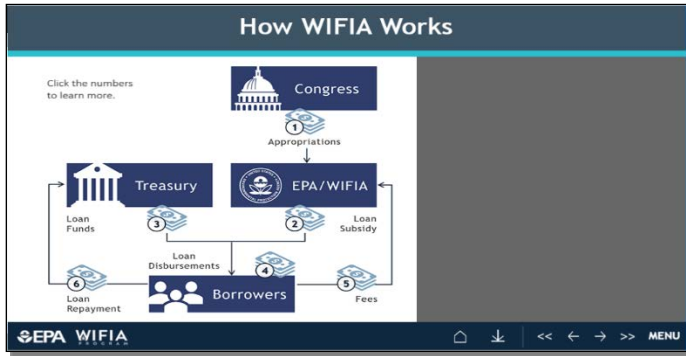
Congress appropriated \$25 million for credit subsidy for FY 2017, which allowed EPA to select its first project to invite to apply for approximately \$2.3 billion in loans.

Congress appropriated \$55 million for credit subsidy for FY 2018, which will allow EPA to lend approximately \$5.5 billion.

View WIFIA Selected Projects (<https://www.epa.gov/wifia/wifia-selected-projects>).



Subchapter 1.3: How WIFIA Works



How WIFIA Works

Click the numbers to learn more.

1) Congress appropriates funding for EPA's WIFIA Program. Congressional appropriations only need to cover the estimated losses (potential loan defaults).

2) EPA, working with OMB, is required to estimate the relative risk of each WIFIA loan and use its appropriation to cover the default risk. This is called the credit subsidy.

3) The U.S. Treasury provides the remainder of the loan amount.

4) Borrowers can begin drawing on loan funds as soon as the loan is closed.

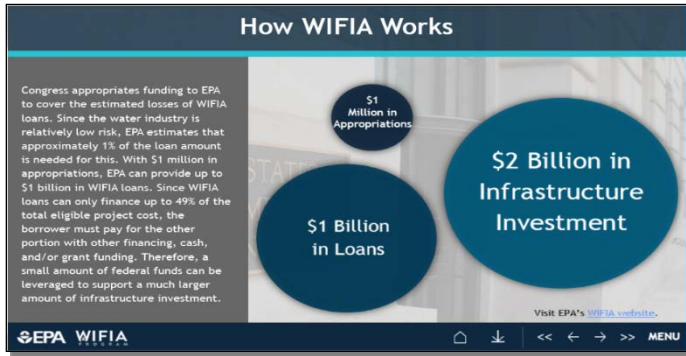
5) The borrower pays WIFIA fees:

Application fee

Closing fee

Services fee

6) The borrower makes all repayments (principal + interest) to the U.S. Treasury (funds are first processed by EPA and then returned to Treasury). WIFIA funds are not revolving.



How WIFIA Works

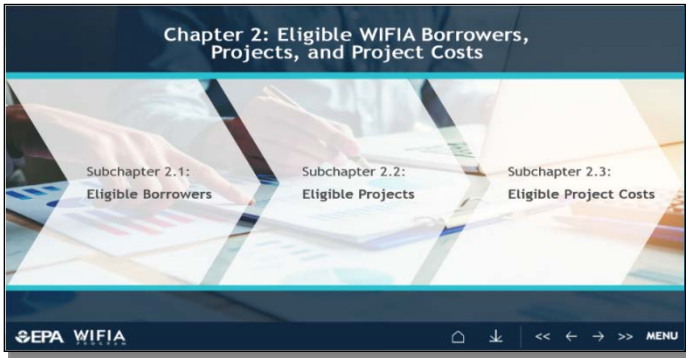
Congress appropriates funding to EPA to cover the estimated losses of WIFIA loans. Since the water industry is relatively low risk, EPA estimates that approximately 1% of the loan amount is needed for this. With \$1 million in appropriations, EPA can provide up to \$1 billion in WIFIA loans. Since WIFIA loans can only finance up to 49% of the total eligible project cost, the borrower must pay for the other portion with other financing, cash, and/or grant funding. Therefore, a small amount of federal funds can be leveraged to support a much larger amount of infrastructure investment.

\$1 Million in Appropriations

\$1 Billion in Loans

\$2 Billion in Infrastructure Investment

Visit EPA's WIFIA website (<https://www.epa.gov/wifia>).

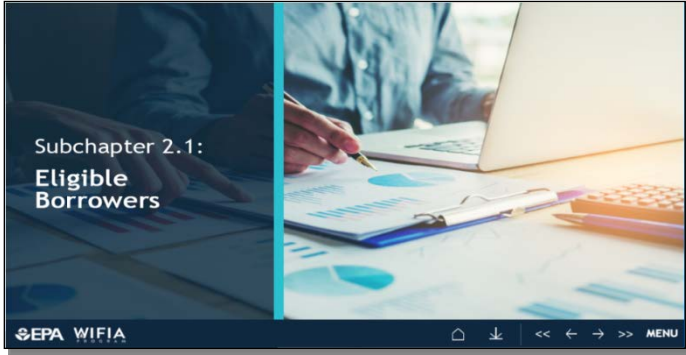


Chapter 2: Eligible WIFIA Borrowers, Projects, and Project Costs

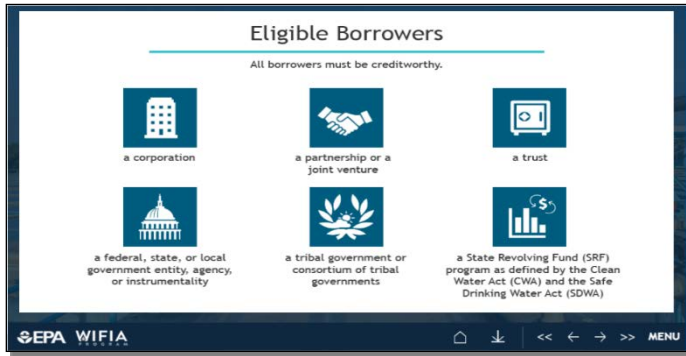
Subchapter 2.1: Eligible Borrowers

Subchapter 2.2: Eligible Projects

Subchapter 2.3: Eligible Project Costs



Subchapter 2.1:
Eligible Borrowers



Eligible Borrowers

All borrowers must be creditworthy.

a corporation

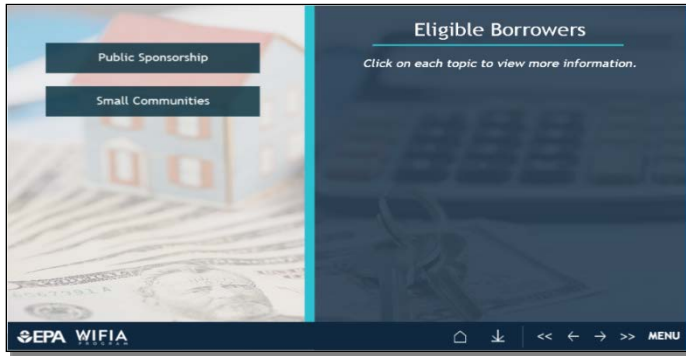
a partnership or a joint venture

a trust

a federal, state, or local government entity, agency, or instrumentality

a tribal government or consortium of tribal governments

a State Revolving Fund (SRF) program as defined by the Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA)



Eligible Borrowers

Click on each topic to view more information.

Public Sponsorship

Private prospective borrowers must have public sponsors.

A private prospective borrower must 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; or

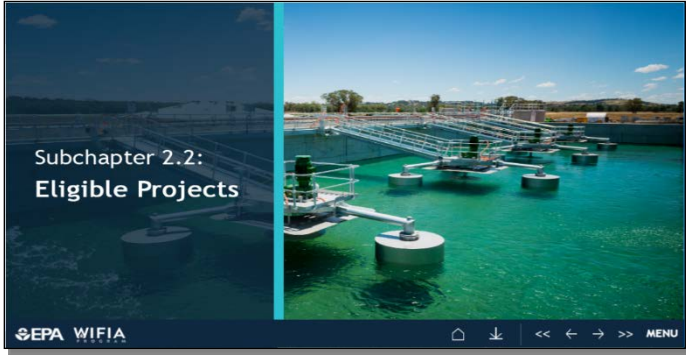
Any other means by which government approval can be evidenced.

Small Communities

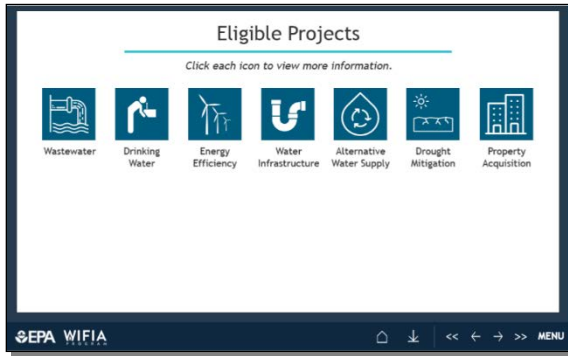
EPA must set aside 15% of the amount appropriated for small communities (population of 25,000 or fewer).

On June 1 of the year in which the funds were appropriated, these funds become available for all WIFIA projects.

Expiration of the set-aside does not preclude funding of small community projects.



Subchapter 2.2:
Eligible Projects



Eligible Projects

Click each icon to view more information

Wastewater

Wastewater projects that are eligible for the Clean Water State Revolving Fund (CWSRF) as described under section 603 of the Federal Water Pollution Control Act, notwithstanding the public ownership requirement under paragraph (1) of that subsection.

Drinking Water

Drinking water projects that are eligible for the Drinking Water SRF as described in section 1452(a)(2) of the Safe Drinking Water Act.

Energy Efficiency

Projects that enhance energy efficiency in the operation of a public water system or a publicly owned treatment works.

Water Infrastructure

Projects for repair, rehabilitation, or replacement of a treatment works, community water system, or aging water distribution or waste collection facility (including a facility that serves a population or community on an Indian reservation).

Alternative Water Supply

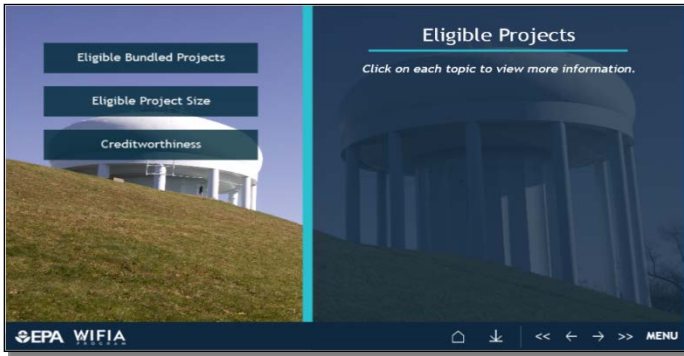
A brackish or sea water desalination project, including chloride control, a managed aquifer recharge project, a water recycling project, or a project to provide alternative water supplies to reduce aquifer depletion.

Drought Mitigation

A project to prevent, reduce, or mitigate the effects of drought, including projects that enhance the resilience of drought-stricken watersheds.

Property Acquisition

The Acquisition of real property or an interest in real property. The acquisition must either be integral to an eligible project that meets other eligibility requirements, or would mitigate the environmental impacts of water resource infrastructure projects otherwise eligible for WIFIA assistance, as determined by the Administrator.



Eligible Projects

Click on each topic to view more information.

Eligible Bundled Projects

A combination of SRF eligible projects, for which an SRF program submits a single application.

A combination of eligible projects, secured by a common security pledge, for which a single eligible entity, or a combination of eligible entities, submits a single application.

Eligible Project Size

Large communities project: \$20 million minimum

Small communities (population of 25,000 or less) project: \$5 million minimum

Project bundled into single application for at least \$20 million: no minimum

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; and

The financial soundness, credit history, and outlook of the prospective borrower.



Subchapter 2.3: Eligible Project Costs



Eligible Project Costs

Click each icon to view more information.

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

Development

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

Construction, reconstruction, rehabilitation, and replacement activities.

Property

The acquisition of real property or an interest in real property (including water rights, land relating to the projects, and improvements to land), environmental mitigation (including acquisitions that would mitigate the environmental impacts of water resources infrastructure projects otherwise eligible for a WIFIA loan), construction contingencies, and acquisition of equipment.


Interest

Capitalized interest necessary to meet market requirements, reasonably required reserved funds, capital issuance expenses, and other carrying costs during construction, as well as WIFIA application and credit processing fees.

Eligible Project Costs

Eligible costs incurred prior to receipt of assistance, including the value of any integral in-kind contributions, may be considered in calculating eligible project costs.

- These costs must be directly related to the development or execution of the project.
- Incurred eligible costs may be reimbursed up to one year following substantial completion of the project.



EPA WIFIA

Eligible Project Costs

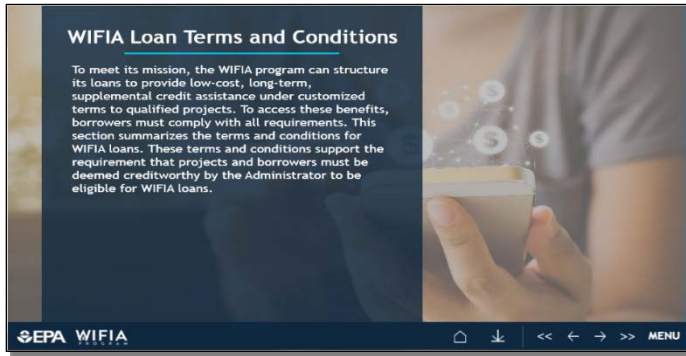
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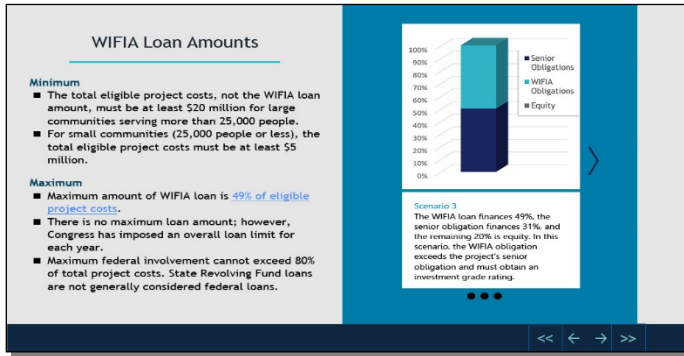


Chapter 3: WIFIA Loan Terms and Conditions



WIFIA Loan Terms and Conditions

To meet its mission, the WIFIA program can structure its loans to provide low-cost, long-term, supplemental credit assistance under customized terms to qualified projects. To access these benefits, borrowers must comply with all requirements. This section summarizes the terms and conditions for WIFIA loans. These terms and conditions support the requirement that projects and borrowers must be deemed creditworthy by the Administrator to be eligible for WIFIA loans.



WIFIA Loan Amounts

Minimum

The total eligible project costs, not the WIFIA loan amount, must be at least \$20 million for large communities serving more than 25,000 people.

For small communities (25,000 people or less), the total eligible project costs must be at least \$5 million.

Maximum

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

There is no maximum loan amount; however, Congress has imposed an overall loan limit for each year.

Maximum federal involvement cannot exceed 80% of total project costs. State Revolving Fund loans are not generally considered federal loans.

Scenario 1

The WIFIA loan finances 49% of project costs and the senior obligation finances 51%.

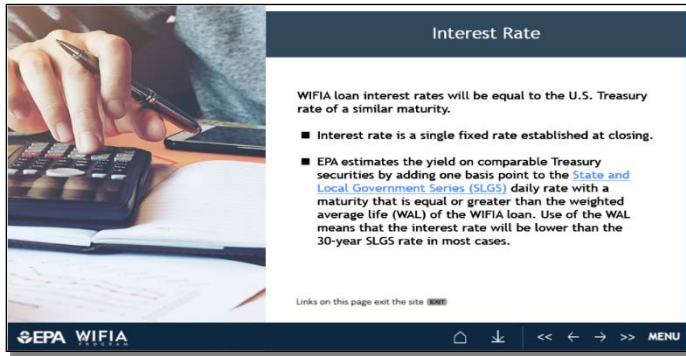
The senior obligation is borrowed money that a company must repay first if it goes out of business.

Scenario 2

The WIFIA loan finances 40%, the senior obligation 40%, and the remaining 20% is equity.

Scenario 3

The WIFIA loan finances 49%, the senior obligation finances 31%, and the remaining 20% is equity. In this scenario, the WIFIA obligation exceeds the project's senior obligation and must obtain an investment grade rating.



Interest Rate

WIFIA loan interest rates will be equal to the U.S. Treasury rate of a similar maturity.

- Interest rate is a single fixed rate established at closing.
- EPA 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.

Links on this page exit the site

EPA WIFIA

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Subordination

WIFIA loans may be subordinate position in payment priority to increase coverage ratios for senior bond holders.

- Subordination is when a loan or security ranks below other loans or securities with regard to claims on assets or earnings. In the case of borrower default, creditors who own subordinated debt won't be paid out until after senior debt holders are paid in full.
- 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.
- In certain circumstances, a WIFIA loan may be subordinate in priority and security to previous or future debt obligations for other purposes unrelated to the WIFIA project. This flexibility will be limited to highly rated public agency borrowers with on-going debt issuance where the WIFIA loan is rated in the A category or higher.
- The WIFIA non-subordination requirement applies to project debt.

EPA WIFIA
⏪ ⏩ MENU

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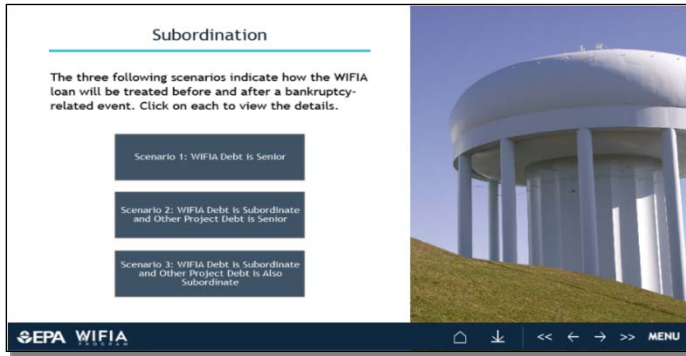
Dedicated revenue source

First lien debt service

Second lien debt service

WIFIA debt service

Excess cash flow



Subordination

The three following scenarios indicate how the WIFIA loan will be treated before and after a bankruptcy-related event. Click on each to view the details.

Scenario 1: WIFIA Debt is Senior

Pre Bankruptcy-Related Event

Senior Lien - Other Senior Debt, WIFIA Senior Debt

Subordinate Lien - Other Subordinated Debt

Post Bankruptcy-Related Event

Senior Lien - Other Senior Debt, WIFIA Senior Debt

Subordinate Lien - Other Subordinate Debt

When WIFIA debt is issued at the senior lien, there is no change following a bankruptcy-related event.

Scenario 2: WIFIA Debt is Subordinate and Other Project Debt is Senior

Pre Bankruptcy-Related Event

Senior Lien - Other Senior Debt, which includes other project debt

Subordinated Lien- Other Subordinate Debt, WIFIA Subordinate Debt with a Spring

Post Bankruptcy-Related Event

Senior Lien - Other Senior Debt, which includes other project debt, WIFIA Debt springs to the Senior Lien

Subordinate Lien - Other Subordinate Debt, WIFIA Subordinate Debt with a Spring

Following a bankruptcy-related event, if all or a portion of other project debt is on the senior lien then the subordinate WIFIA debt will spring to the senior lien.

Scenario 3: WIFIA Debt is Subordinate and Other Project Debt is Also Subordinate

Pre Bankruptcy-Related Event

Senior Lien - Other Senior Debt

Subordinate Lien - Other Subordinate Debt which includes all other project debt , WIFIA Subordinate Debt

Post Bankruptcy-Related Event

Senior Lien - Other Senior Debt

Subordinate Lien - Other Subordinate Debt, which includes all other project debt, WIFIA Subordinate Debt

Following a bankruptcy-related event, when senior project debt is on a subordinate lien the WIFIA debt will not spring to the senior lien.



WIFIA Loan Repayment

Click on each topic to view more information

Repayment Requirements

WIFIA loans must be repaid using a dedicated source of repayment or security pledge.

The 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.

The WIFIA loan shall include a rate covenant, coverage requirement, or similar security feature supporting the project obligations.

Potential Repayment Sources

Rate revenue

Taxes

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

Repayment Timing

Maturity date is either:

35 years after the date of substantial completion of the project.

The useful life of the project if it is earlier. Useful life of the project will consider economic useful life, taking into consideration the plans for ongoing repairs and replacement.

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 Deferrals

May be granted at the sole discretion of the EPA Administrator.

May be contemplated in the loan agreement.

Must be a reasonable assurance of repayment of the WIFIA loan.

May be contemplated upfront provided:

Deferrals are incorporated into the loan agreement.

Such deferrals are warranted by the needs of the project.

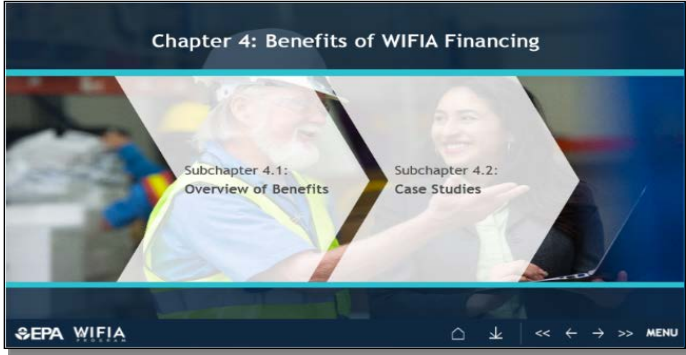
The project remains credit worthy.

Final maturity remains unchanged.

Prepayment Conditions

May prepay in whole or in part at any time without penalty.

May not use federal funds to prepay.



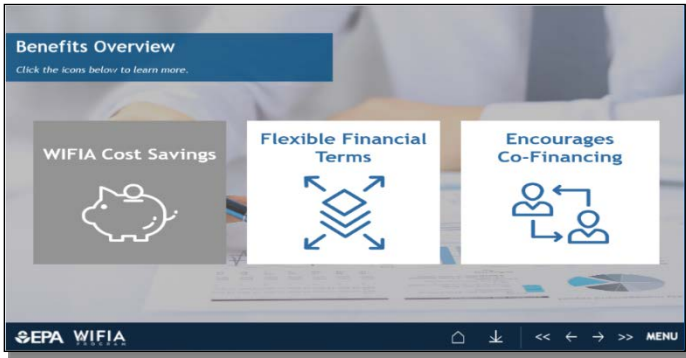
Chapter 4: Benefits of WIFIA Financing

Subchapter 4.1: Overview of Benefits

Subchapter 4.2: Case Studies



Subchapter 4.1: Overview of Benefits



Benefits Overview

Click the icons below to learn more.

WIFIA Cost Savings

Flexible Financial Terms

Encourages Co-Financing



WIFIA Cost Savings

Compared to issuing a \$100 million municipal bond...

Savings from using \$49 million WIFIA loan = \$13,500,000

Savings from \$49 million WIFIA and \$51 million SRF loan = \$25,000,000

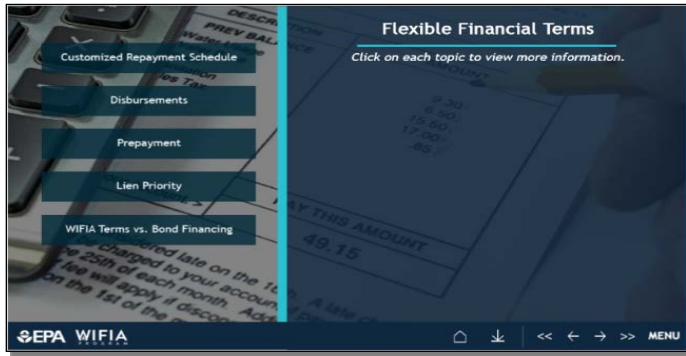
WIFIA costs are low because...

Low, fixed interest rate equal to the U.S. Treasury rate of similar maturity.

Low fees that compare favorably to capital market fees.

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 market fees.



Flexible Financial Terms

Click on each topic to view more information.

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.

Learn more about Lien Position

WIFIA Terms vs. Bond Financing

WIFIA Repayment

WIFIA loans accrue interest only on amounts drawn.

WIFIA loan payments and interest can be deferred up to 5 years after the project's substantial completion.

WIFIA final maturity can be up to 35 years after the project's substantial completion.

Bond Repayment

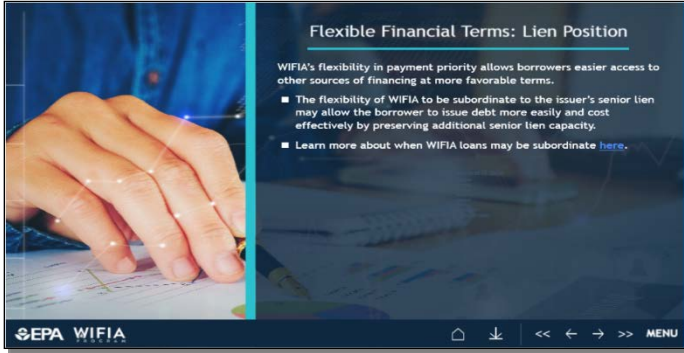
Bond interest begins immediately upon issuance.

Bond payments and interest repayment typically begins at construction completion.

Typical bond term is 30 years.

Explore Repayment Schedule Comparison

Explore Disbursement Comparison

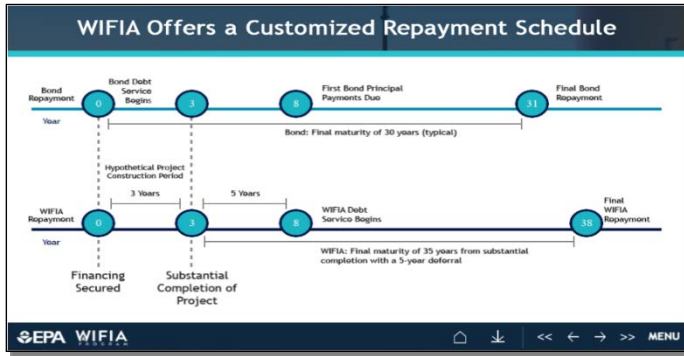


Flexible Financial Terms: Lien Position

WIFIA's flexibility in payment priority allows borrowers easier access to other sources of financing at more favorable terms.

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.

Learn more about when WIFIA loans may be subordinate [here](#).



WIFIA Offers a Customized Repayment Schedule

Bond Repayment

Year 0: Financing secured and bond debt service begins

Year 3: Substantial completion of project

Year 8: First bond principal payments due

Year 31: Final bond repayment

Bond: Final maturity of 30 years (typical)

WIFIA Repayment

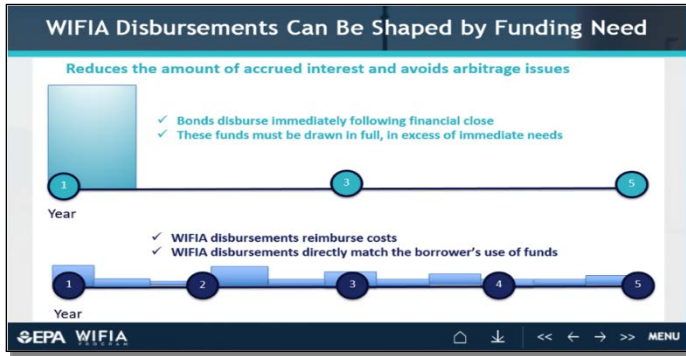
Year 0: Financing secured

Year 3: Substantial completion of project (hypothetical project construction period)

Year 8: WIFIA debt service begins after 5-year deferral

Year 38: Final WIFIA repayment

WIFIA: Final maturity of 35 years from substantial completion with a 5-year deferral



WIFIA Disbursements Can Be Shaped by Funding Need

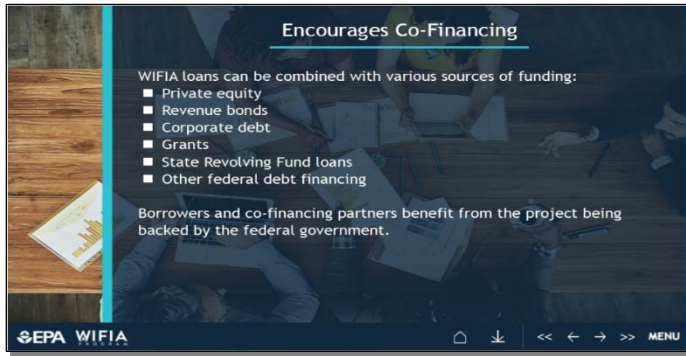
Reduces the amount of accrued interest and avoids arbitrage issues

Bonds disperse immediately following financial close

These funds must be drawn in full, in excess of immediate needs

WIFIA disbursements reimburse costs

WIFIA disbursements directly match the borrower's use of funds



Encourages Co-Financing

WIFIA loans can be combined with various sources of funding:

Private equity

Revenue bonds

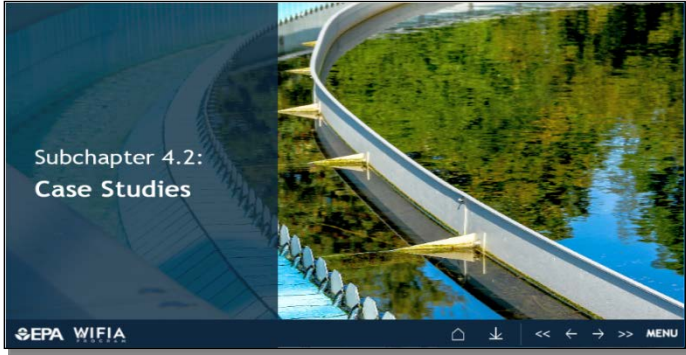
Corporate debt

Grants

State Revolving Fund loans

Other federal debt financing

Borrowers and co-financing partners benefit from the project being backed by the federal government.



Subchapter 4.2: Case Studies



Case Studies

Case Studies Comparison

The following hypothetical case studies demonstrate the 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

Explore Utility A

Explore Utility B

Explore Utility C

Explore Utility D

Case Study A: Debt Service Flexibility
(Click on the images to view larger versions)

Existing payment schedule: without a sculpted repayment schedule, payments could be uneven and hard to manage.

Customized WIFIA repayment schedule: WIFIA debt service is sculpted to fit with existing bond payments.

Description of Utility A

- Has issued debt every few years on a long-term basis
- Is a highly rated credit with additional debt capacity
- Had existing debt and with an irregular payment schedule
- Is interested in utilizing WIFIA financing to help smooth out debt service payments and achieve cost saving due to a lower interest rate

EPA WIFIA

Case Study A: Debt Service Flexibility

(Click on the images to view larger versions)

Existing payment schedule: without a sculpted repayment schedule, payments could be uneven and hard to manage.

Customized WIFIA repayment schedule: WIFIA debt service is sculpted to fit with existing bond payments.

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Is a highly rated credit with additional debt capacity

Had existing debt and with an irregular payment schedule

Is interested in utilizing WIFIA financing to help smooth out debt service payments and achieve cost saving due to a lower interest rate

Case Study B: Debt Service Flexibility and 5-year deferral for payments
 (Click on the images to view larger versions)

Typical bond repayment schedule: bond financing requires more immediate rate increases.

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

Description of Utility B

- Will need to implement additional 20%-30% rate increases to service debt.
- Is interested in utilizing WIFIA financing to help smooth out rate increases and achieve cost saving due to a lower interest rate.

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Case Study B: Debt Service Flexibility and 5-year deferral for payments

(Click on the images to view larger versions)

Typical bond repayment schedule: bond financing requires more immediate rate increases.

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

Description of Utility B

Will need to implement additional 20%-30% rate increases to service debt

Is interested in utilizing WIFIA financing to help smooth out rate increases and achieve cost savings due to a lower interest rate

Case Study C: Low interest rates generate cost savings
(Click on the images to view larger versions)

Repayment Schedule: Utility C has opted for a fixed repayment schedule.

Borrowers that make more payments upfront may be able to obtain a more attractive interest rate. WIFIA borrowers have the option to front load their repayment schedule, effectively reducing the weighted average life of their loan.

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

Description of Utility C

- Is interested in receiving a large loan at a low rate
- Is capable of making payments immediately after construction
- Is interested in utilizing WIFIA financing to achieve cost saving due to lower transactions costs (fees) and a lower interest rate

EPA WIFIA

Case Study C: Low interest rates generate cost savings

(Click on the images to view larger versions)

Repayment Schedule: Utility C has opted for a fixed repayment schedule:

Borrowers that make more payments upfront may be able to obtain a more attractive interest rate. WIFIA borrowers have the option to front-load their repayment schedule, effectively reducing the weighted average life of their loan.

Interest Rate Comparison:

Loan date: October 26, 2017

WIFIA Weighted Average Life: 20.68 years

30-Year Treasury: 2.93%

35-WIFIA: 2.71%

Description of Utility C

Is interested in receiving a large loan at a low rate

Is capable of making payments immediately after construction

Is interested in utilizing WIFIA financing to achieve cost savings due to lower transactions costs (fees) and a lower interest rate

Case Study D: Utility D does not have sufficient capacity on the senior lien to finance its project
 (Click on the image to view a larger version)

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

Description of Utility D

- Has the capacity to issue only \$200 million in debt on the senior lien
- Wants to finance a project that costs \$500 million
- Is interested in utilizing subordinated WIFIA financing to reserve their senior lien capacity and fully finance the project

EPA WIFIA

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

(Click on the image to view a larger version)

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

Description of Utility D

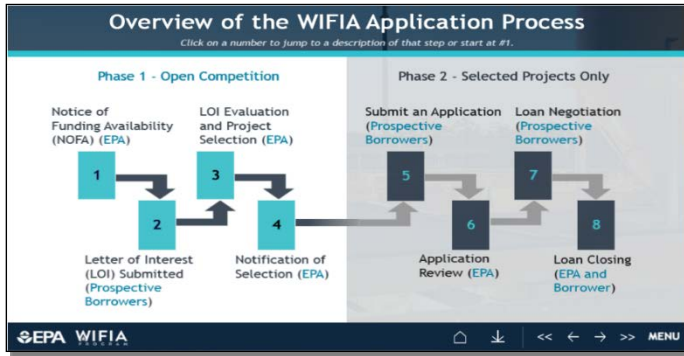
Has the capacity to issue \$200 million in debt on senior lien

Wants to finance a project that costs \$500 million

Is interested in utilizing subordinated WIFIA financing to reserve their senior lien capacity and fully finance the project



Chapter 5: Navigating the WIFIA Application Process



Overview of the WIFIA Application Process

Click on a number to jump to a description of that step or start at #1.

Phase 1 - Open Competition

- 1 Notice of Funding Availability (NOFA) (EPA)
- 2 Letter of Interest (LOI) Submitted (Prospective Borrowers)
- 3 LOI Evaluation and Project Selection (EPA)
- 4 Notification of Selection (EPA)

Phase 2 - Selected Projects Only

- 5 Submit an Application (Prospective Borrowers)
- 6 Application Review (EPA)
- 7 Loan Negotiation (Prospective Borrowers)
- 8 Loan Closing (EPA and Borrower)

Step 1: Notice of Funding Availability (NOFA)

Who: EPA

- 1) Indicates how much money is available
- 2) Announces the opening and deadline for the funding round
- 3) Announces priorities for the funding round
- 4) Provides key information about the evaluation process
- 5) Gives instructions for submitting a letter of interest (LOI)

[2017 NOFA](#)
[2018 NOFA](#)

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EPA WIFIA

Step 1: Notice of Funding Availability (NOFA)

Who: EPA

- 1) Indicates how much money is available
- 2) Announces the opening and deadline for the funding round
- 3) Announces priorities for the funding round
- 4) Provides key information about the evaluation process
- 5) Gives instructions for submitting a LOI

2017 NOFA (<https://www.federalregister.gov/documents/2017/01/10/2016-31828/notice-of-funding-availability-nofa-for-applications-for-credit-assistance-under-the-water>)

2018 NOFA (<https://www.federalregister.gov/documents/2018/04/12/2018-07513/notice-of-funding-availability-nofa-for-applications-for-credit-assistance-under-the-water>)

Links on this page exit the site

Step 2: Letter of Interest (LOI)

Who: Prospective Borrowers

Prospective borrowers must submit a LOI to EPA during a designated selection round announced in the NOFA.

The LOI is designed to assist EPA in determining that WIFIA requirements are met, which includes:

- Meeting eligibility requirements
- Being creditworthy
- Being technically feasible
- Meeting the public policy goals outlined in the WIFIA statute and regulation

See [current LOI form](#).

[Click here for General LOI Tips](#)

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

EPA WIFIA

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Meeting eligibility requirements

Being creditworthy

Being technically feasible

Meeting the public policy goals outlined in the WIFIA statute and regulation

See current LOI form (<https://www.epa.gov/wifia/how-apply-wifia-assistance-0#materials>).

[Click here for General LOI Tips](#)

General LOI Tips

Read the instructions in the NOFA and the program handbook prior to submitting your LOI.

Answer every question, when relevant provide additional supporting materials 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 to avoid technical issues (e.g., large file sizes) at the deadline.

Attend one of the webinars offered following the NOFA release.

Contact EPA with questions at wifia@epa.gov

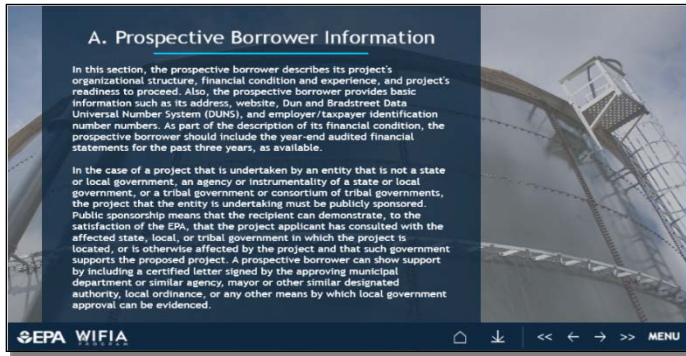
A. Prospective Borrower Information

B. Project Plan

C. Project Operations and Maintenance Plan

D. Financing Plan

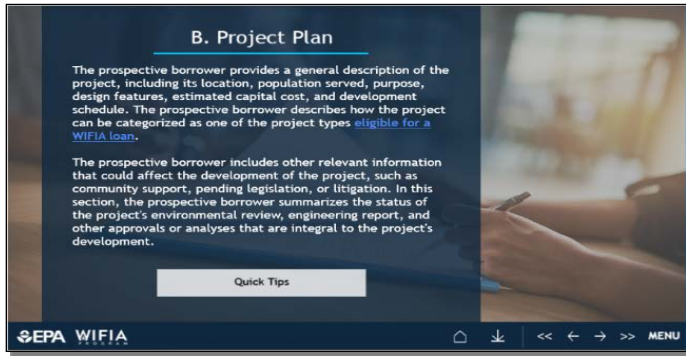
- E. Selection Criteria
- F. Contact Information
- G. Certifications
- H. Notification of State Infrastructure Financing Authority



A. Prospective Borrower Information

In this section, the prospective borrower describes its project's organizational structure, financial condition and experience, and project's readiness to proceed. Also, the prospective borrower provides basic information such as its address, website, Dun and Bradstreet Data Universal Number System (DUNS), and employer/taxpayer identification number numbers. As part of the description of its financial condition, the prospective borrower should include the year-end audited financial statements for the past three years, as available.

In the case of a project that is undertaken by an entity that is not a state or local government or an agency or instrumentality of a state or local government, or a tribal government or consortium of tribal governments, the project that the entity is undertaking must be publicly sponsored. Public sponsorship means that the recipient can demonstrate, to the satisfaction of the EPA, that the project applicant has consulted with the affected state, local, or tribal government in which the project is located, or is otherwise affected by the project and that such government supports the proposed project. A prospective borrower can show support by including a certified letter signed by the approving municipal department or similar agency, mayor or other similar designated authority, local ordinance, or any other means by which local government approval can be evidenced.

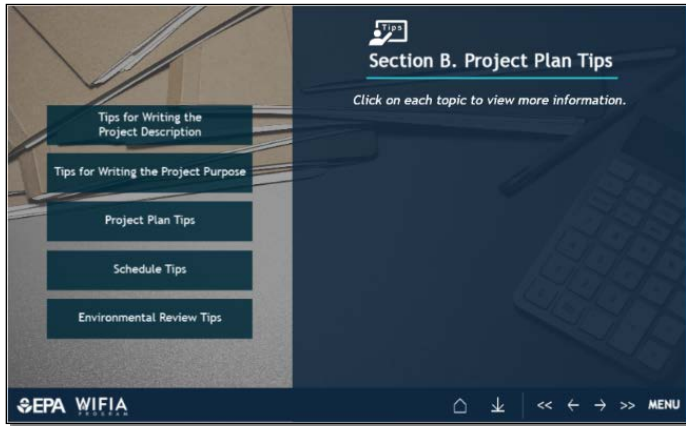


B. Project Plan

The prospective borrower provides a general description of the project, including its location, population served, purpose, design features, estimated capital cost, and development schedule. The prospective borrower describes how the project can be categorized as one of the project types eligible for a WIFIA loan.

The prospective borrower includes other relevant information that could affect the development of the project, such as community support, pending legislation, or litigation. In this section, the prospective borrower summarizes the status of the project's environmental review, engineering report, and other approvals or analyses that are integral to the project's development.

Quick Tips



Section B. Project Plan Tips

Click on each topic to view more information.

Tips for Writing the Project Description

Indicate whether the project is for new construction and/or rehabilitation/replacement of existing infrastructure.

Indicate the type of project such as 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 ductile 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.

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].

Tips for Writing the Project Purpose

Questions to answer to demonstrate the project need:

Does the system meet current or impending federal, state, or local regulatory requirements?

Does the project make the system more resilient, reliable, and efficient?

Does the project address inadequate water supply or quality?

Is the project required to address identified federal, state, or local priorities?

Information to provide to demonstrate the 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, and habitat.

Economic and recreational impacts.

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.

Project Plan Tips

Provide enough information for EPA 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 and identify in the LOI form or through annotation where relevant information is located.

Provide system master plans or asset management plans when available.

For alternative project delivery method projects (i.e., design-build), indicate where you are in the procurement process and some qualifications of the contractor, if already selected.

If you are combining 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.

If your project proposes a new or innovative approach include a risk assessment matrix.

Schedule Tips

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 that could impact schedule.

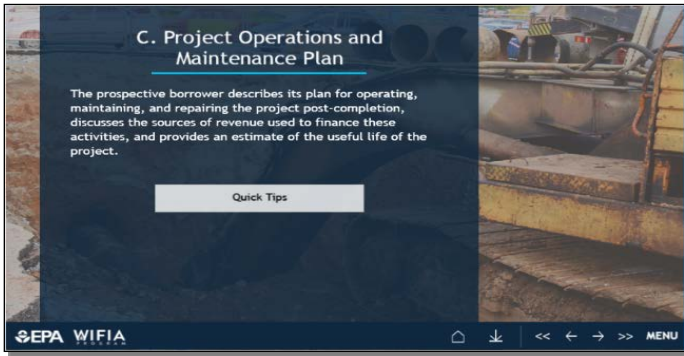
Environmental Review Tips

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, if available.

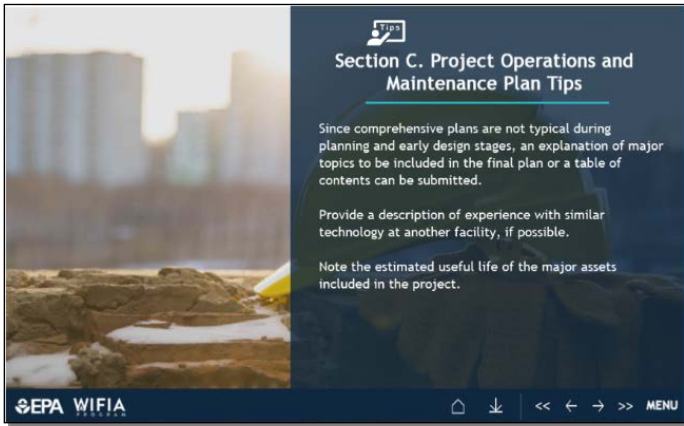
Provide details of any cross-cutter requirement coordination that has already occurred.



C. Project Operations and Maintenance Plan

The prospective borrower describes its plan for operating, maintaining, and repairing the project post-completion, discusses the sources of revenue used to finance these activities, and provides an estimate of the useful life of the project.

Quick Tips

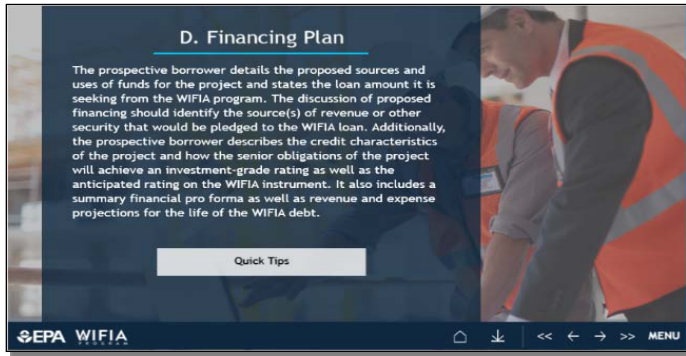


Section C. Project Operations and Maintenance Plan Tips

Since 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.

Provide a description of experience with similar technology at another facility, if possible.

Note the estimated useful life of the major assets included in the project.



D. Financing Plan

The prospective borrower details the proposed sources and uses of funds for the project and states the loan amount it is seeking from the WIFIA program. The discussion of proposed financing should identify the source(s) of revenue or other security that would be pledged to the WIFIA loan. Additionally, the prospective borrower describes the credit characteristics of the project and how the senior obligations of the project will achieve an investment-grade rating as well as the anticipated rating on the WIFIA instrument. It also includes a summary financial pro forma as well as revenue and expense projections for the life of the WIFIA debt.

Quick Tips



Section D. Financing Plan Tips

Click on each topic to view more information.

Sources and Uses and Total Requested WIFIA Loan

Project sources and uses should be clearly presented, including a description of each funding source's level of commitment and a basis for determining the contingency sizing.

Requested WIFIA loan amount should be clear, including the amount you will seek to reimburse for previously incurred costs.

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.

Describe long-term revenue projections or the financial condition of the issuer of a general obligation to make clear WIFIA's revenue pledge

Indicate if a credit enhancement will complement the source of revenue (e.g., a general obligation pledge may backstop water system rate revenue).

Credit Structure and Borrower Assumptions

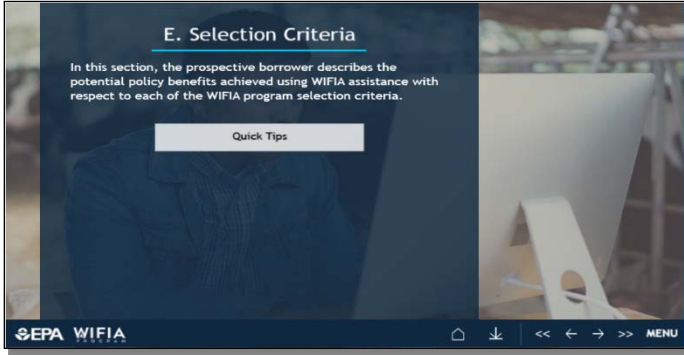
Provide consistent, transparent, and realistic assumptions across the LOI.

WIFIA will look to the financial model, credit rating letters, and other supporting materials to validate.

Include historical and forward-looking debt coverage ratios, liquidity, and leverage in the demonstration of credit worthiness for a borrower's proposed capital structure.

Sample Pro Forma

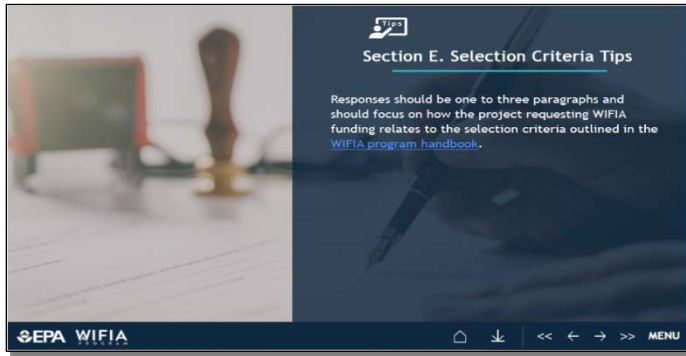
Review the Sample Pro Forma (<https://www.epa.gov/wifia/how-apply-wifia-assistance-0#materials>) to understand what EPA expects in a financial pro forma.



E. Selection Criteria

In this section, the prospective borrower describes the potential policy benefits achieved using WIFIA assistance with respect to each of the WIFIA program selection criteria.

Quick Tips



Section E. Selection Criteria Tips

Responses should be one to three paragraphs and should focus on how the project requesting WIFIA funding relates to the selection criteria outlined in the WIFIA program handbook (<https://www.epa.gov/wifia/how-apply-wifia-assistance-0#materials>).



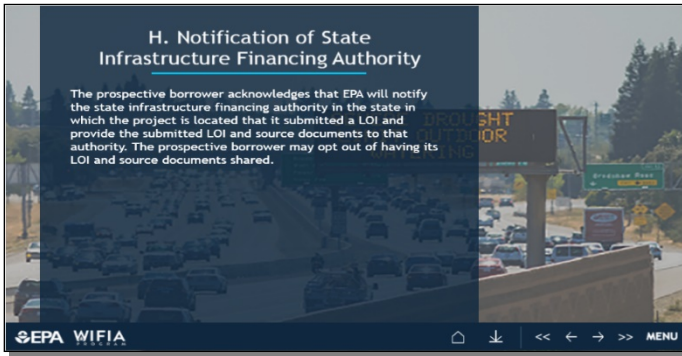
F. Contact Information

The prospective borrower identifies the point of contact with whom the EPA should communicate with regarding the LOI. For the purpose of completing its evaluation, EPA staff may contact a prospective borrower regarding specific information in the LOI.



G. Certifications

The prospective borrower certifies that it will abide by all applicable laws and regulations, including National Environmental Policy Act (NEPA), the Federal Water Pollution Control Act, the American Iron and Steel requirements, and federal labor standards, among others if selected to receive funding. View additional information [here](#).



H. Notification of State Infrastructure Financing Authority

The prospective borrower acknowledges that EPA will notify the state infrastructure financing authority in the state in which the project is located that it submitted a LOI and provide the submitted LOI and source documents to that authority. The prospective borrower may opt out of having its LOI and source documents shared.

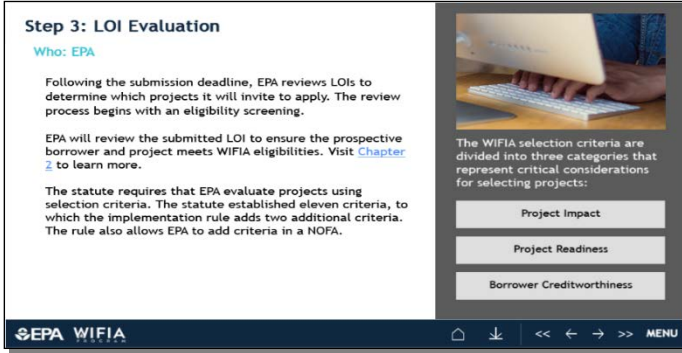
Step 3: LOI Evaluation

Who: EPA

Following the submission deadline, EPA reviews LOIs to determine which projects it will invite to apply. The review process begins with an eligibility screening.

EPA will review the submitted LOI to ensure the prospective borrower and project meets WIFIA eligibilities. Visit [Chapter 2](#) to learn more.

The statute requires that EPA evaluate projects using selection criteria. The statute established eleven criteria, to which the implementation rule adds two additional criteria. The rule also allows EPA to add criteria in a NOFA.



The WIFIA selection criteria are divided into three categories that represent critical considerations for selecting projects:

- Project Impact
- Project Readiness
- Borrower Creditworthiness

EPA WIFIA

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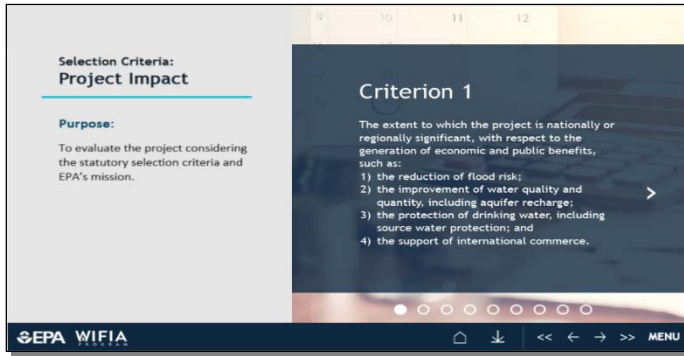
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The WIFIA selection criteria are divided into three categories that represent critical considerations for selecting projects:

Project Impact

Project Readiness

Borrower Creditworthiness



Selection Criteria: Project Impact

Purpose:

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

Criterion 1

The extent to which the project is nationally or regionally significant, with respect to the generation of economic and public benefits, such as:

- 1) the reduction of flood risk;
- 2) the improvement of water quality and quantity, including aquifer recharge;
- 3) the protection of drinking water, including source water protection; and
- 4) the support of international commerce.

Criterion 2

The extent to which the project uses new or innovative approaches.

Criterion 3

The extent to which the project:

- 1) protects against extreme weather events, such as floods or hurricanes; or
- 2) helps maintain or protect the environment.

Criterion 4

The extent to which the project serves regions with significant energy exploration, development, or production areas.

Criterion 5

The extent to which a project serves regions with significant water resource challenges, including the need to address:

- 1) water quality concerns in areas of regional, national, or international significance;
- 2) water quantity concerns related to groundwater, surface water, or other water sources;
- 3) significant flood risk;
- 4) water resource challenges identified in existing regional, state, or multistate agreements; and

5) water resources with exceptional recreational value or ecological importance.

Criterion 6

The extent to which the project addresses identified municipal, state, or regional priorities.

Criterion 7

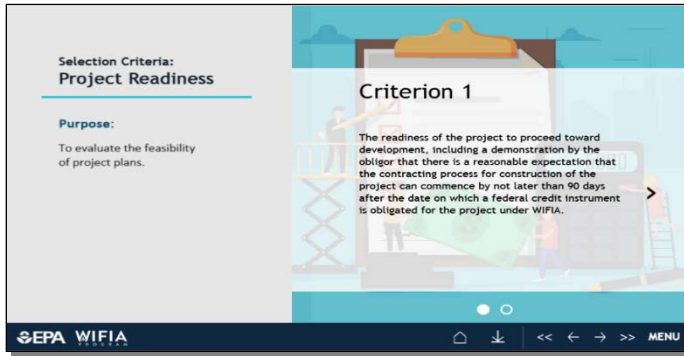
The extent to which the project addresses needs for repair, rehabilitation, or replacement of a treatment works, community water system, or aging water distribution or wastewater collection system.

Criterion 8

The extent to which the project serves economically stressed communities or pockets of economically stressed rate payers within otherwise non-economically stressed communities.

Criterion 9

The extent to which the project reduces exposure to lead in the nation's drinking water systems or ensures continuous compliance with contaminant limits.



Selection Criteria: Project Readiness

Purpose:

To evaluate the feasibility of project plans.

Criterion 1

The readiness of the project to proceed toward development, including a demonstration by the obligor that there is a reasonable expectation that the contracting process for construction of the project can commence by not later than 90 days after the date on which a federal credit instrument is obligated for the project under WIFIA.

Criterion 2

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

Appropriate technology and design.

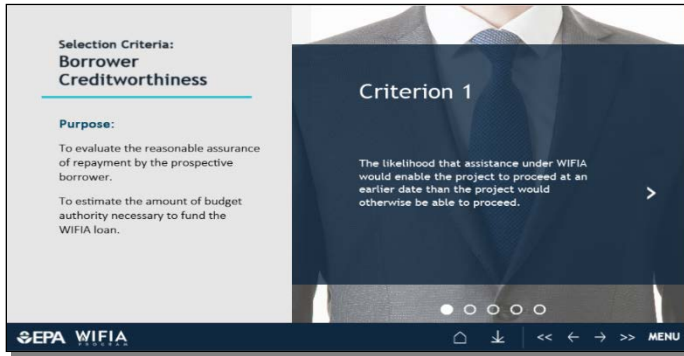
Reasonable schedule, including planning, design, construction, and permitting phases.

Reasonable capital and O&M costs.

Current status of the project and the length of time 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: Borrower Creditworthiness

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.

Criterion 1

The likelihood that assistance under WIFIA would enable the project to proceed at an earlier date than the project would otherwise be able to proceed.

Criterion 2

The extent to which the project financing plan includes public or private financing in addition to assistance under WIFIA.

Criterion 3

The extent to which assistance under WIFIA reduces the contribution of federal assistance to the project.

Criterion 4

The amount of budget authority required to fund the federal credit instrument made available under WIFIA.

Criterion 5

Prospective borrowers and projects will be assessed for creditworthiness under each of the following categories:

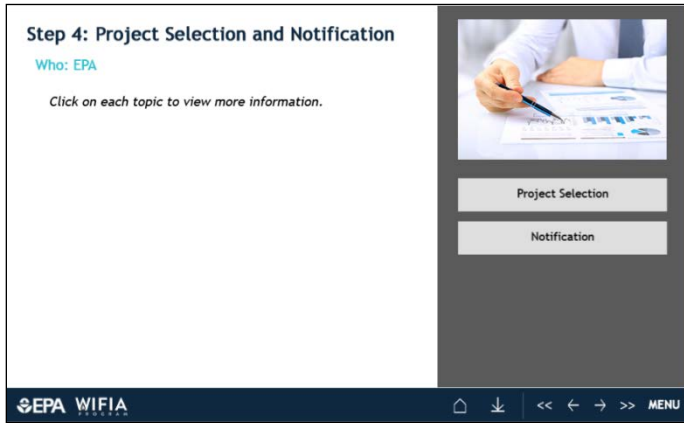
Sufficiency of pledged revenues

Leverage

Asset quality and condition

Revenue risk

Management and governance



Step 4: Project Selection and Notification

Who: EPA

Click on each topic to view more information.

Project Selection

EPA's Selection Committee will select prospective borrowers to invite to apply.

The three-person Selection Committee is composed of a senior manager from the:

EPA Office of Wastewater Management

EPA Office of Ground Water and Drinking Water

EPA Office of Water

The Selection Committee will consider:

Selection criteria evaluation.

Diversity of project types and geography within the portfolio.

Notification

Selected projects are notified in writing of selection. EPA intends to close loans for all the projects it invites to apply.

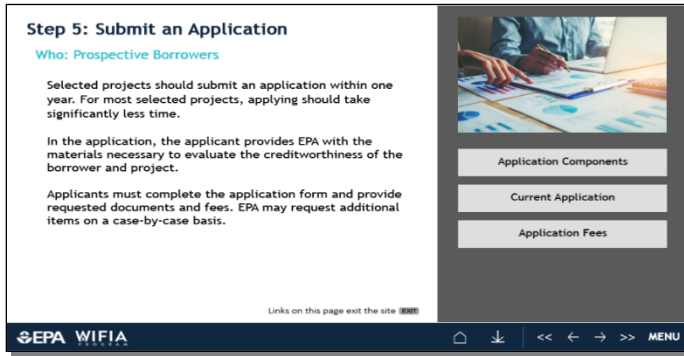
Within 30 days of the invitation, EPA will meet with the entity to discuss the application process.

EPA will publicly announce selected projects.

Non-selected projects are notified in writing that they were not selected.

A debrief may be requested.

They must resubmit their LOI to be considered in future rounds.



Step 5: Submit an Application

Who: Prospective Borrowers

Selected projects should submit an application within one year. For most selected projects, applying should take significantly less time.

In the application, the applicant provides EPA with the materials necessary to evaluate the creditworthiness of the borrower and project.

Applicants must complete the application form and provide requested documents and fees. EPA may request additional items on a case-by-case basis.

Links on this page exit the site

EPA WIFIA

Application Components

Current Application

Application Fees

Home Down Arrow Left Arrow Right Arrow MENU

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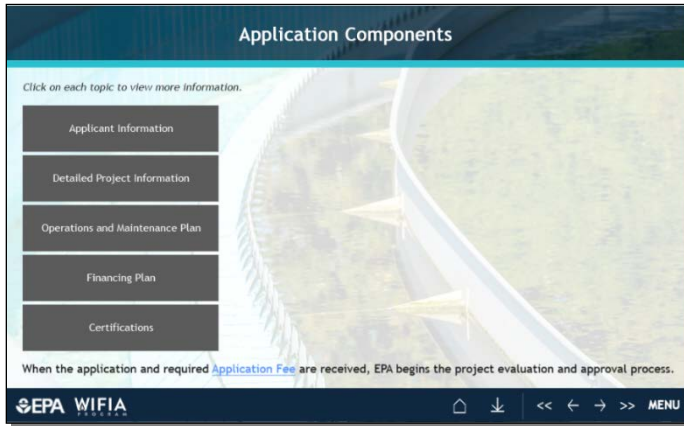
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Application Components

Current Application (<https://www.epa.gov/wifia/how-apply-wifia-assistance-0#materials>)

Application Fees

Links on this page exit the site



Application Components

Click on each topic to view more information.

Applicant Information

Basic information such as its legal name, project name, address, website, Dun and Bradstreet Data Universal Number System (DUNS) number, and employer/taxpayer identification number.

Information identifying and describing its organizational history, ownership, structure, and customer base.

A description of its legal authority to apply for a WIFIA loan and to undertake the project and disclose any current, threatened, or pending litigation.

Detailed Project Information

Plan for project construction (including estimated project costs, plans/specifications or procurement documents, and project schedules).

Project development reports and documents such as the plans and specifications, contractor selection materials, alternatives analysis, system engineer's report, environmental review status, the floodplain management plan, project management and compliance monitoring plan, and risk and mitigation strategies.

Milestone schedules and construction contract terms, including performance security, for applicants requesting credit assistance under a non-recourse project finance structure.

An analysis of the risks that may be encountered during construction and steps that the prospective borrower will take to minimize those risks.

Operations and Maintenance Plan

Plan to operate the project after construction that extends throughout the entire duration of the requested WIFIA loan and includes an estimate of the associated costs and requirements.

Materials describing contractual arrangements for operations and maintenance.

Financing Plan

A comprehensive plan describing how the project will be financed and how financing will be repaid over the tenor of the requested WIFIA loan.

Detailed financial model covering all periods through final maturity of the WIFIA loan, the sources and seniority of other financing, a description of the dedicated sources of repayment, rate covenants, and security for the requested WIFIA loan.

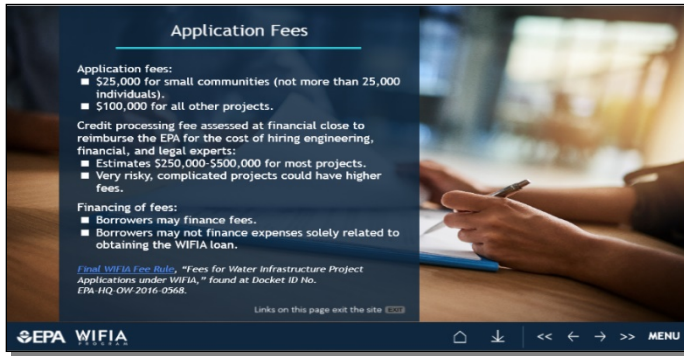
A preliminary rating letter from an Nationally Recognized Statistical Rating Organization (NRSRO) indicating the possibility of the project's senior obligations obtaining an investment-grade rating. This rating on the senior debt should include an analysis of the proposed WIFIA loan and the rating letter should specify the default risk of the WIFIA instrument as well.

Proposed terms and conditions for the WIFIA loan

Certifications

Signed certification that the applicant will abide by all applicable laws and regulations, including NEPA and the Davis-Bacon wage rules.

When the application and required Application Fee are received, EPA begins the project evaluation and approval process.



Application Fees

Application fees:

\$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 (<https://www.regulations.gov/>), "Fees for Water Infrastructure Project Applications under WIFIA," found at Docket ID No. EPA-HQ-OW-2016-0568.

Links on this page exit the site

The screenshot shows a presentation slide with the following content:

- Step 6: Application Review**
- Who: EPA**
- Each application review is tailored to reflect the complexity and risk of the proposed project.
- It is a cooperative process that involves back-and-forth discussion between EPA and the applicant.

On the right side of the slide, there is a photograph of two construction workers in hard hats looking at a blueprint. Below the photo are two buttons: "Creditworthiness" and "Engineering Due Diligence". At the bottom of the slide, there is a navigation bar with the EPA WIFIA logo, a home icon, a down arrow, left and right arrows, and a "MENU" button.

Step 6: Application Review

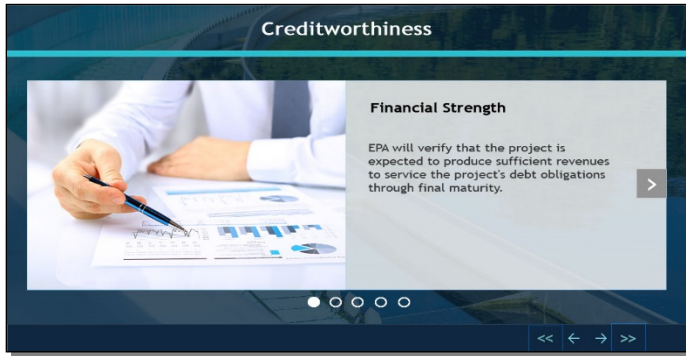
Who: EPA

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It is a cooperative process that involves back-and-forth discussion between EPA and the applicant.

Creditworthiness

Engineering Due Diligence



Creditworthiness

Financial Strength

EPA will verify that the project is expected to produce sufficient revenues to service the project's debt obligations through final maturity.

Business/Economic Considerations

EPA will assess the business characteristics and the local economy, including the structure of the applicant's business model, the predictability of the applicant's revenues, and the service area's resource endowments, long-term economic planning, economic growth, labor force trends, and ability to withstand economic cycles.

Management

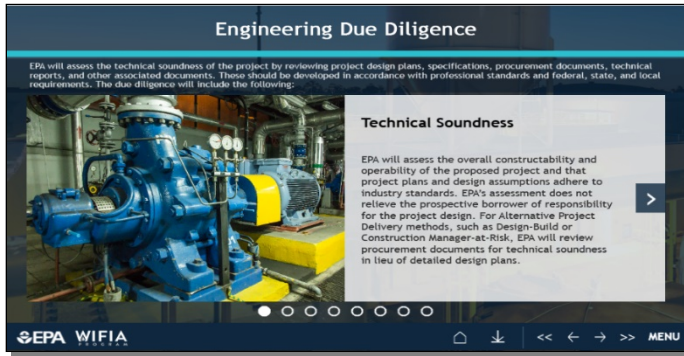
EPA will evaluate the applicant and any key counterparties, such as sponsors, contractual partners, project management, and design and construction teams based on their experience, ability to work as a team, and ability to deliver upon the proposed financing.

Engineering Considerations

EPA will assess every proposed use of funds for any pre-construction risk, construction risk, and technology risk through the engineering due diligence process described later in this section.

Loan Specific Factors

EPA will assess an applicant's other existing and proposed credit instruments based on the terms and conditions and attendant risk to the WIFIA loan.



Engineering Due Diligence

EPA will assess the technical soundness of the project by reviewing project design plans, specifications, procurement documents, technical reports, and other associated documents. These should be developed in accordance with professional standards and federal, state, and local requirements. The due diligence will include the following:

Technical Soundness

EPA will assess the overall constructability and operability of the proposed project and that project plans and design assumptions adhere to industry standards. EPA assessment does not relieve the prospective borrower of responsibility for the project design. For Alternative Project Delivery methods, such as Design-Build or Construction Manager-at-Risk, EPA will review procurement documents for technical soundness in lieu of detailed design plans.

Technical Risk Factors

The project should demonstrate protection from construction completion risk. EPA will assess potential construction and operation risks and associated mitigation strategies. EPA will also document additional technical reviews a project is expected to incur, such as state construction permit reviews, which further mitigates technical risk.

Construction Cost Estimate Assessment

Estimated project costs should be reasonable and eligible. EPA will assess the suitability of the cost estimating methodology and unit costs as compared to the project scope and industry standards. The cost estimate should also include adequate contingencies as compared to the local market and escalations as appropriate.

Construction Schedule Assessment

The project schedule should be reasonable. EPA will assess the adequacy of the duration of the project as compared to the design scope and project plan. In addition, EPA will review the schedule to ensure that adequate time has been allotted for environmental permits and cross-cutter compliance.

Federal Requirement Compliance

The project should comply with applicable federal requirements, including NEPA. EPA will review application materials and work with prospective borrowers to make NEPA determinations, conduct consultations with other agencies, and otherwise ensure compliance.

Operation and Maintenance Plan Review

Per statute, the applicant must have an operation and maintenance plan that reasonably accounts for the expected cost of operating and maintaining the project so that the project is fully functional over a time period greater than or equal to the length of the proposed credit assistance. EPA will assess the prospective borrower's plan and estimated useful life of the project against industry standards for adequacy.

Procurement Documents

Procurement documents should have a complete statement of work to be performed and a clear explanation of the basis and method for awarding the contract. In addition, EPA will review these documents to ensure that federal requirements, such as Davis-Bacon and American Iron & Steel are appropriately incorporated.

System Condition Assessment


When the WIFIA debt represents a material portion of the overall debt load on the system and/or substantially influences the prospective borrower's overall credit profile, EPA will ensure that the prospective borrower has adequately planned for addressing system improvement needs during the repayment period.

Step 7: Loan Negotiation

Who: EPA and Applicant

EPA may propose terms and conditions to the applicant. The applicant and EPA will negotiate these terms and conditions until a mutually agreeable preliminary term sheet has been developed.

EPA can provide customized loan terms and work with applicants to develop innovative credit structures to help get projects off the ground. Each transaction's review will be tailored to reflect the complexity and risk of the project's credit.



Term Sheet

Length of Time for Negotiation

EPA WIFIA

Home Down Arrow Left Arrow Right Arrow Menu

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Term Sheet

Length of Time for Negotiation

The screenshot shows a presentation slide titled "Term Sheet". On the left, a blue box contains the text: "The term sheet is a contractual agreement between EPA and the applicant that sets forth certain business terms and conditions of the WIFIA loan for the project, including statutory requirements." To the right, under the heading "Key terms that are included are:", there are five numbered items: 1) Length and Amount of the Loan, 2) Interest Rate, 3) Key Business Terms such as Loan Conditions and Events of Defaults, 4) Repayment Terms, and 5) Subordination. The slide has a dark blue footer with the EPA WIFIA logo and navigation icons.

Term Sheet

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Key terms that are included are:

- 1) Length and Amount of the Loan
- 2) Interest Rate
- 3) Key Business Terms such as Loan Conditions and Events of Defaults
- 4) Repayment Terms
- 5) Subordination

The screenshot shows a presentation slide with the following content:

- Title:** Length of Time of Negotiation
- Main Text:** If an applicant opts for a straightforward financial, legal, and technical project and generic loan characteristics, it can anticipate a shorter approval, negotiation, and closing process.
- Image:** A photograph of hands holding a pen over a document with a circular diagram.
- Call to Action:** Learn more about key attributes for a shorter process.
- Footer:** EPA WIFIA logo and navigation icons (home, down, left, right, menu).

Length of Time of Negotiation

If an applicant opts for a straightforward financial, legal, and technical project and generic loan characteristics, it can anticipate a shorter approval, negotiation, and closing process.

Learn more about key attributes for a shorter process.

The screenshot shows a presentation slide with a blue header and a white body. The title is 'Length of Time of Negotiation'. On the left, a blue box contains text about longer approval processes. The main content lists seven attributes for shorter review and approval processes, numbered 1 through 7. At the bottom, there is a navigation bar with the EPA WIFIA logo and navigation icons.

Length of Time of Negotiation

Conversely, an applicant can anticipate a longer approval, negotiation, and closing process if their project is more complex financially, legally, and technically and if it requires significant negotiations to craft mutually agreeable terms.

Projects that may experience a shorter review and approval process have a few key attributes:

- 1 A straightforward capital structure.
- 2 A highly rated revenue source not dependent upon construction.
- 3 High-value collateral.
- 4 An active debt issuance program within an existing indenture or trust agreement.
- 5 A willingness to accept WIFIA's standard credit and legal terms.
- 6 No complicating cross-cutter compliance issues.
- 7 Project concept is conventional and relatively low risk.

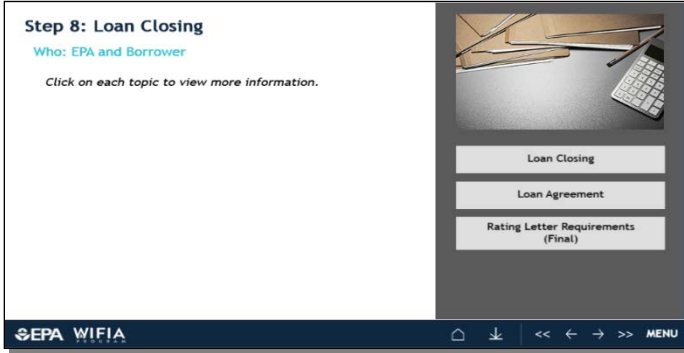
EPA WIFIA

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Step 8: Loan Closing

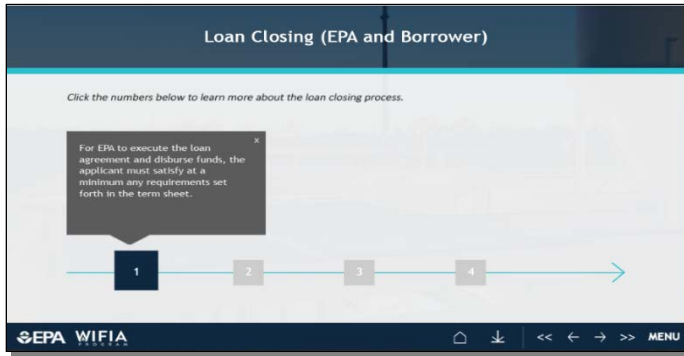
Who: EPA and Borrower

Click on each topic to view more information.

Loan Closing

Loan Agreement

Rating Letter Requirements (Final)



Loan Closing (EPA and Borrower)

Click the numbers below to learn more about the loan closing process.

- 1) For EPA to execute the loan agreement and disburse funds, the applicant must satisfy at a minimum any requirements set forth in the term sheet.
- 2) EPA will schedule the closing once the closing documentation is finalized and all conditions precedent are met.
- 3) At closing, the EPA Administrator or his designer and the applicant will execute the credit agreement, which is the binding legal document that allows the applicant to receive WIFIA funds.
- 4) Upon execution of the loan agreement, the borrower must pay the credit processing fee.




Loan Agreement

The loan agreement is the authoritative agreement between EPA and the borrower. It specifies all terms and conditions of the loan and authorizes the disbursement of the WIFIA loan to the project.

Click the numbers below to learn more about the loan closing process.

- 1) EPA and the applicant will negotiate the specific language of the loan agreement to accurately represent WIFIA requirements.
- 2) EPA will seek to structure the final loan agreement in a way that conforms in all material respects to the terms of the term sheet. To the extent that deviations are required, EPA may need to modify the term sheet. In such circumstances, EPA would re-evaluate the project's creditworthiness, assess the availability of additional budget authority if required, and the project would follow the same approval processes as a new application.
- 3) The time frame for developing the loan agreement is dependent on the complexity of the agreement and progress of the negotiations. The credit agreement will include both standard provisions and transaction-specific provisions.

Rating Letter Requirements



Prior to loan closing, the applicant must provide EPA with final public rating letters 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:

- 1 Terms and conditions of the WIFIA loan
- 2 WIFIA loan features, e.g., loan tenor and amortization profile
- 3 Plan of finance
- 4 Revenue pledge
- 5 Collateral or security
- 6 Potential loan covenants
- 7 Credit risks and mitigants

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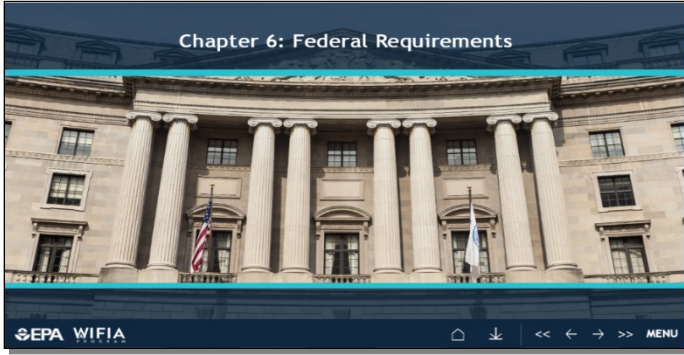
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- 7) Credit risks and mitigants



Chapter 6: Federal Requirements



WIFIA Requirements

Links on this page exit the site

American Iron and Steel (AIS)

AIS Provision

WIFIA loan recipients are required to use iron and steel products that are produced in the United States for projects that include the construction, alteration, maintenance, or repair of public water systems or treatment works (defined in Section 212 in the CWA) initiated on or after January 17, 2014.

Iron and steel products used on WIFIA projects need product certifications noting AIS compliance.

All projects are permanently subject to the AIS provision.

AIS Waivers

In some cases, national waivers may exist, which are instantly available to projects to use as appropriate. If national waivers are not applicable and borrowers have difficulty finding domestically produced iron and steel products, then they can seek a waiver request specific to their project.

Borrowers seeking waivers must submit waiver requests to EPA. All waiver requests are subject to a 15-day informal public comment period before EPA can make a final decision. EPA has the authority to grant waivers, at their discretion, for the following cases or category of cases:

applying these requirements would be inconsistent with the public interest; and

iron and steel products are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25%.

For more information see EPA's AIS webpage (<https://www.epa.gov/cwsrf/state-revolving-fund-american-iron-and-steel-ais-requirement>).

Davis-Bacon Wage Requirements

WIFIA-funded projects must comply with Davis-Bacon (DB) Wage Requirements.

DB requirements state that contracted/subcontracted laborers and mechanics performing these activities are entitled to no less than the prevailing wage and fringe benefits of the geographic location.

Contracts must be valued in excess of \$2,000 for DB requirements to apply.

For more information see EPA's Interim Davis Bacon Act Guidance

(https://www.epa.gov/sites/production/files/2017-06/documents/davis_bacon_guidance.pdf).

National Environmental Policy Act (NEPA)

NEPA assesses potential environmental impacts.

Every WIFIA project must receive an environmental Categorical Exclusion (CATEX), Finding of No Significant Impact (FONSI), or Record of Decision (ROD) prior to obligation.

WIFIA projects may also be eligible for coverage under the WIFIA Programmatic Environmental Assessment (<https://cdxnodengn.epa.gov/cdx-enepa-ii/public/action/nepa/details?nepald=248581>).

EPA can review and adopt existing environmental documents to make a final determination.

Learn More: National Environmental Policy Act (<https://www.epa.gov/nepa/nepassist>).

Additional Federal Cross-Cutters

Cross-cutters are federal laws, executive orders, and government-wide policies that apply by their own terms to projects and activities receiving federal financial assistance, regardless of whether the statute authorizing the assistance makes them applicable. State SRF programs are the lead in implementing cross-cutter reviews.

Environmental Authorities

Archaeological and Historic Preservation Act, Pub. L. 93-291,

<https://www.nps.gov/archeology/tools/laws/ahpa.htm>

Archaeological Resources Protection Act, 16 U.S.C. §§ 470aa-mm,

<https://www.nps.gov/archeology/tools/Laws/arpa.htm>

Bald and Golden Eagle Protection Act, 16 U.S.C. §§ 668-668c,

<https://www.fws.gov/midwest/midwestbird/EaglePermits/bagepa.html>

Clean Air Act, Pub. L. 95-95, as amended, <https://www.epa.gov/clean-air-act-overview>

Clean Water Act, Titles III, IV and V, Pub. L. 92-500, as amended, <https://www.epa.gov/laws-regulations/summary-clean-water-act>

Coastal Barrier Resources Act, Pub. L. 97-348, <https://www.fws.gov/cbra/Act.html>

Coastal Zone Management Act, Pub. L. 92-583, as amended, <https://coast.noaa.gov/czm/about/>

Endangered Species Act, Pub. L. 93-205, <https://www.fws.gov/endangered/>

Farmland Protection Policy Act, Pub. L. 97-98,

https://www.nrcs.usda.gov/wps/portal/nrcs/detail/?cid=nrcs143_008275

Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations

Environmental Justice, Executive Order 12898, 59 Fed. Reg. 7629, February 11, 1994,

https://www.nrcs.usda.gov/wps/portal/nrcs/detail/?cid=nrcs143_008275

Fish and Wildlife Coordination Act, Pub. L. 85-624,

<https://www.fws.gov/laws/lawsdigest/fwcoord.html>

Floodplain Management (<https://www.fema.gov/media-library/assets/documents/110377>), Executive Order 11988, 42 Fed. Reg. 26951, May 24, 1977, as amended by Executive Order 13690 (<https://obamawhitehouse.archives.gov/the-press-office/2015/01/30/executive-order-establishing-federal-flood-risk-management-standard-and->), 80 Fed. Reg. 6425, February 4, 2015

Magnuson-Stevens Fishery Conservation and Management Act, Pub. L. 94-265, <https://www.fisheries.noaa.gov/resource/document/magnuson-stevens-fishery-conservation-and-management-act>

Marine Mammal Protection Act, 16 U.S.C. §§ 1361-1407, <https://www.fisheries.noaa.gov/>

Migratory Bird Treaty Act, 16 U.S.C. §§ 703-712, <https://www.fws.gov/birds/policies-and-regulations/laws-legislations/migratory-bird-treaty-act.php>

National Historic Preservation Act, Pub. L. 89-655, <https://www.nps.gov/archeology/tools/laws/NHPA.htm>

National Environmental Policy Act of 1969, 42 U.S.C. § 4321 et seq., <https://www.epa.gov/nepa>

Native American Graves Protection and Repatriation Act, 25 U.S.C. § 3001 et seq., <https://www.nps.gov/nagpra/>

Protection of Children from Environmental Health Risks and Safety Risks, Executive Order 13045, 62 Fed. Reg. 19885, April 21, 1997, <https://www.gpo.gov/fdsys/pkg/FR-1997-04-23/pdf/97-10695.pdf>

Protection of Wetlands, Executive Order 11990, 42 Fed. Reg. 26961, May 24, 1977, as amended by Executive Order 12608, 52 Fed. Reg. 34617, Sept. 14, 1987, <https://www.epa.gov/cwa-404>

Rivers and Harbors Act, 33 U.S.C. § 403, <https://www.epa.gov/cwa-404>

Safe Drinking Water Act, Pub L. 93-523, as amended, <https://www.epa.gov/ground-water-and-drinking-water>

Wild and Scenic Rivers Act, Pub. L. 90-54, as amended, <https://rivers.gov/>

Wilderness Act, 16 U.S.C. § 1131 et seq., <https://www.wilderness.net/nwps/legisact>

Economic and Misc. Authorities

Debarment and Suspension, Executive Order 12549, 51 Fed. Reg. 6370, Feb. 18, 1986, <https://www.archives.gov/federal-register/codification/executive-order/12549.html>

Demonstration Cities and Metropolitan Development Act, Pub. L. 89-754, as amended, and Executive Order 12372, 47 Fed. Reg. 30959, July 14, 1982, https://www.hud.gov/program_offices/comm_planning

Drug-Free Workplace Act, Pub. L. 100-690, <https://webapps.dol.gov/elaws/asp/drugfree/screen4.htm>

New Restrictions on Lobbying, Section 319 of Pub. L. 101-121, <https://www.epa.gov/grants/lobbying-and-litigation-information-federal-grants-cooperative-agreements-contracts-and-loans>

Prohibitions relating to violations of the Clean Water Act or Clean Air Act with respect to federal contracts, grants, or loans under Section 306 of the Clean Air Act and Section 508 of the Clean Water

Act, and Executive Order 11738, 38 Fed. Reg. 25161, Sept. 10, 1973,
<https://www.archives.gov/federal-register/codification/executive-order/11738.html>

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. § 4601 et seq.), <https://www.archives.gov/federal-register/codification/executive-order/11738.html>

Social Policy Authorities

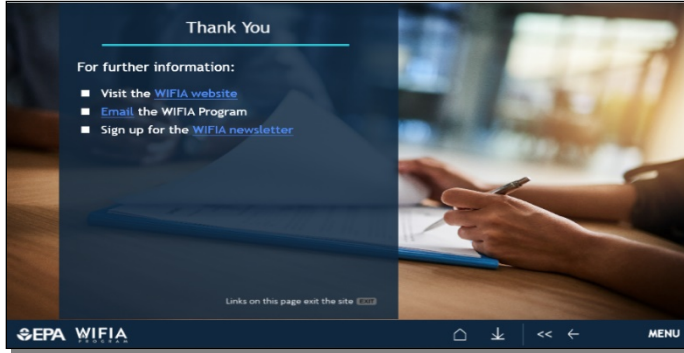
Age Discrimination Act, Pub. L. 94-135, <https://www.eeoc.gov/laws/statutes/adea.cfm>

Equal Employment Opportunity, Executive Order 11246, 30 Fed. Reg. 12319, Sept. 24, 1965,
https://www.dol.gov/ofccp/regs/compliance/ca_11246.htm

Section 13 of the Clean Water Act, Pub. L. 92-500, <https://www.epa.gov/ogc/external-civil-rights-compliance-office-title-vi>

Section 504 of the Rehabilitation Act, Pub. L 93-112 supplemented by, Executive Orders 11914, 41 Fed. Reg. 17871, April 29, 1976 and 11250, 30 Fed. Reg. 13003, October 13, 1965,
<https://www.epa.gov/ogc/external-civil-rights-compliance-office-title-vi>

Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq.),
<https://www.epa.gov/environmentaljustice/title-vi-and-environmental-justice>



Thank You

For further information:

Visit the WIFIA website (<https://www.epa.gov/wifia>)

Email the WIFIA Program (WIFIA@epa.gov)

Sign up for the WIFIA newsletter

(https://visitor.r20.constantcontact.com/manage/optin?v=001_4PMpa8yxMVZepI0bQoy80WaAUQZrxyiS5RXm1mEQY4qWLgnI3eEpa78p-IHCBkHx1i-X1et390rAEIXJqHNB9T0x7tArCbJipNth4HQXGY%3D)

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