



WIFIA, SRFs and Sustainable Water Strategies

Fostering Resilience: Leading on Sustainable Water Solutions

WaterNow Alliance

Orange County, CA

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Focus of Discussion

Federal Funding and Financing Options

Innovative Delivery Models

National Drought Resilience Partnership

Federal Funding and Financing Options



Water Infrastructure Finance and Innovation Act (“WIFIA”)

- Makes EPA responsible for federally funded direct loans and guarantees for water infrastructure
- WIFIA will support traditional and alternative infrastructure delivery methods. WIFIA terms can accommodate innovative capital structures.
- Water Resources Development Act of 2016 (S.B. 2848) provides WIFIA funding authorization. House has signaled action on H.B. 5303 post-election



WIFIA: Key Provisions

- Loan terms up to 35 years with no repayment obligation for up to five years.
- Loan interest rates match weighted average of current U.S. Treasury rates.
- A range of eligible recipients: corporations, partnerships, municipal entities, State Revolving Funds.
- Projects must be deemed creditworthy.
- Projects must cost at least \$20 million (\$5 million for projects serving small communities).
- WIFIA funding limited to 49% of a project's eligible costs (up to 25% of the appropriated budget authority may be used for up to 80% of a project's costs).



State Revolving Funds: Where We Are

- State Revolving Funds (SRF) are the largest source of federal lending assistance for water infrastructure.
- SRFs are capitalized by federal appropriations; states provide at least 20% matching funds.
- Flexible terms set by states; low or zero interest-rate loans up to 30 year tenors - loans repayments return to the fund.
- Additional subsidy can be provided as grants or loan principal forgiveness (amounts established by Congress)
- Both programs are well established.

Clean Water SRF

Established in 1987

Wastewater treatment, pollution control & watershed/estuary management projects

More than \$111.2 billion in support to more than 30,000 projects



Drinking Water SRF

Established in 1996

Safe drinking water projects

More than \$30 billion in support to more than 6,000 projects



State Revolving Funds: Expanding the Mission

- State Revolving Funds (SRF) are the largest source of federal lending assistance for water infrastructure. But there is untapped value piling up in the guarantee and investment lanes
- SRFs can expand its reach by using its guarantee and investment authority to support infrastructure development
- Collectively, SRFs have \$billions in guarantee capacity. Lightly used. Can support projects that are not priority for SRF loans
 - Beta tested in NYS where an SRF guarantee secured a triple-A bond rating to fund unsecured loans for privately owned Section 319 non-point source projects
 - Ideal product for assuring capital market access for sustainable infrastructure solutions for projects in private ownership and for service contract work (e.g., green infrastructure, source water protection, water pipe remediation, irrigation efficiency)
- SRFs can support innovative market solutions by making water related investments (PA is a leader)



Clean Water
State Revolving Fund



Innovative Delivery Models

- Public-Private Partnerships
- Pay for Success



Public-Private Partnership/ Pay for Success Models

- Are procurement methods that:
 - offer alternative to traditional infrastructure procurement and management;
 - are performance based
- All involve a contractual relationship between public and private entities for the delivery of specific services (i.e., for designing, building, financing, operations, maintenance or some combination)
- Risk transfer is a key objective
- Sold as methods for delivering cost-effective sustainable infrastructure
- They can be offered for large or small /grey or natural infrastructure
- SRFs and WIFIA can play in the P3 Sandbox

P3 Services Provided



Research

- Public education of precedent transactions
- Decision maker training and education



Advise

- Technical assistance for project sponsors
- Funding and financing alternatives analysis



Innovate

- Develop and publicize market innovations, delivery models, and growth opportunities

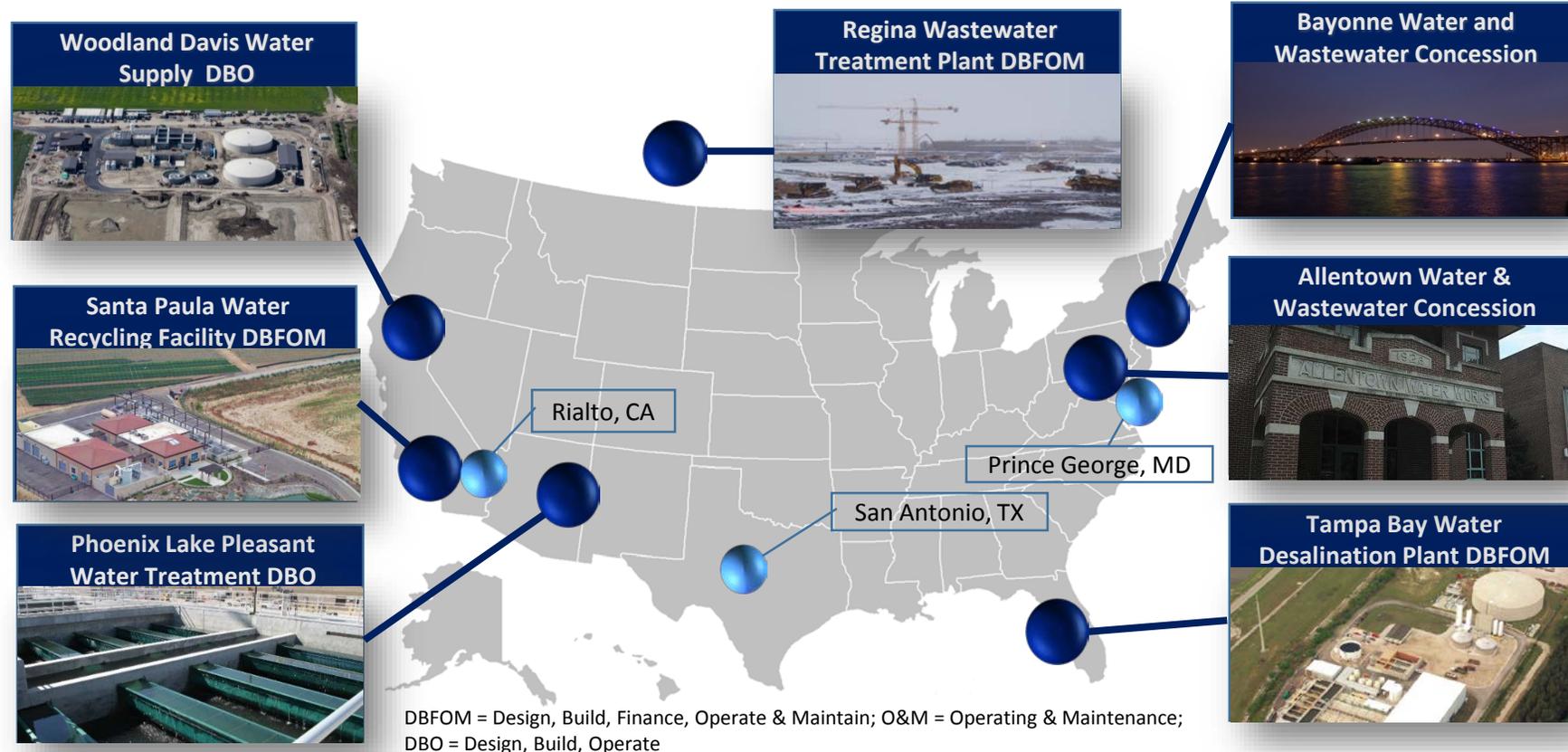


Network

- Peer-to-Peer engagements
- Interagency solution development

Public Private Partnership (P3) Study

Under EPA's Cooperative Agreement, the University of North Carolina's Environmental Finance Center examined seven transactions in-depth (●) and three other notable transactions (●).



The research examined the proposed versus realized benefits, the processes involved in closing transactions, and the performance of the agreements over the useful life of the assets.





National Drought Resilience Partnership

- On March 21, 2016, President Obama signed a Presidential Memorandum directing 13 federal agencies to build national capabilities for long-term drought resilience. The President tasked the National Drought Resilience Partnership to work collaboratively and deliver on a Federal Action Plan including six goals and 27 associated actions to promote drought resilience nationwide.
- EPA, DOI and USDA are responsible for Goal 5: Market Based Approaches for Infrastructure and Efficiency. The objective is to support the advancement of innovative investment models and market-based approaches to increase resilience, flexibility, and efficiency of water use and water-supply systems.

website <https://www.drought.gov/drought/what-nidis/national-drought-resilience-partnership>



Break Out Session Will Look At

- WIFIA Model
- Using the SRF Guarantee to Underwrite Cost-Effective Sustainable Infrastructure Financing
- A Recent Pay for Success Financing that served Green Infrastructure Investment for a Major Water Utility

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