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Water Infrastructure Finance Innovation Act funds replacing revolving loans for some utilities February 28, 2018

Water Infrastructure Finance and Innovation Act (WIFIA) funding is decreasing pressure on state revolving loan funds (SRF) for water, according to interviews with 10 public utilities looking to use the federal program.

WIFIA, which was [created](#) in 2014 and inspired by the Transportation Infrastructure Finance and Innovation Act, allowed agencies to apply for loans for the first time in 2017. The 12 agencies in this story were the first 12 [asked](#) to fill out a more extensive application for USD 2bn in loans after more than 40 utilities completed an initial round of letters of interest. Of the 12, one is an investor-owned utility and a second did not comment for this article. WIFIA funds 49% of approved projects, and all 10 public utilities interviewed planned to apply for SRF funds for the remaining 51%, rather than more of the entire project as they would have in the past.

Interest rates for WIFIA loans are slightly higher than **California's** SRF, said Randy Fick, chief financial officer of the **Orange County Water District**, which is applying for USD 124m of WIFIA funds for a groundwater replenishment system. The utility wanted to ensure it had sufficient funding for the project, rather than competing for the SRF monies.

"The SRF here in California is half the California general obligation rate, so it's really attractive," Fick said. "As a result, the SRF has been a little taxed."

The years of secured funding is also attractive to **King County, Washington**, which applied for USD 129m of funding for a wastewater treatment center through the program in November 2017, said Financial Services Administrator Dan Kaplan.

King County has received USD 15m in SRF on this project, and is limited on the amount it can get from that fund for any one project, Kaplan said. Also, the utility has to re-apply for SRF funds annually.

The regulatory requirements for WIFIA and SRF funding are similar in costs, Kaplan said. The financial advantages of WIFIA make it worth doing even with the marginal increase in costs.

"Getting 49% funding on a project with a three-to-four-year construction period really provides stability to our financial planning that we wouldn't otherwise have," Kaplan said. "We are negotiating now the loan agreement with the EPA [Environmental Protection Agency]. We hope that we'll be closing over the next month or so, end of March, early April."

Each project must submit an application, then pass a creditworthiness assessment, negotiate a mutually agreeable term sheet, and execute a credit agreement to receive WIFIA funding, said a spokesperson for WIFIA. The timeline for each project varies depending on the borrower.

Project costs for smaller projects

Because WIFIA only covers 49% of project costs, and has a long list of program requirements, it was not a cost-effective financing option for Maine Water, which was invited to apply for USD 25m for its Saco River Water Treatment Facility project, said President Richard Knowlton.

"There's a substantial list of expenses associated with securing a WIFIA loan," Knowlton said.

Maine Water was the only private party and the second smallest project invited to apply and it is not planning on using the program at this time, Knowlton said. It's not clear which of those factors, the size or that Maine Water is an investor-owned utility, made it uneconomical to continue the application.

The **City of Oakridge, Tennessee**, which was invited to apply for a USD 22m loan, the smallest of the loans, for its water treatment plant design and construction, is planning on applying, said a public affairs officer for the utility.

Morro Bay, a California city which will apply for a USD 82m loan, has seen state-specific hurdles, said Deputy Program Manager John Reichenbach. There are regulatory steps as well as public meetings determining the impact of the proposed water reclamation project on rates.

“What we’ve heard from EPA is ‘great, glad you’re doing all this stuff,’” Reichenbach said. “The tricky things for us is that in the application process there may be things that aren’t ready to go for the application for July.”

Applicants were invited to apply in July 2017, with a one-year deadline to submit documents to the EPA. The EPA has expressed a willingness to work with Morro Bay if there are still loose ends in July, Reichenbach said.

More loans in progress

Baltimore plans to finish its USD 200m application by the end of this week, said Jeff Raymond, chief of communications and community affairs. The utility may be returning to WIFIA in order to finance more of its infrastructure repair program.

“We had included in our (initial) application projects in wastewater, drinking water and stormwater,” Raymond said. “Drinking water and stormwater were left out in this round.”

Metropolitan St. Louis Sewer District plans to complete their USD 43m Deer Creek sanitary tunnel and sanitary relief project application in the next few weeks, said Secretary-Treasurer Tim Snoke.

St. Louis’ project is as a result of a consent decree that they have with the EPA, and the total project is expected will be USD 4.7bn over 23 years, so any interest rate savings can be substantial, Snoke said. St. Louis may submit letters of interest to future rounds of WIFIA funding for the project.

WIFIA will do its next round of financing when it is appropriated further funds from Congress, said a spokesperson for the agency.

Miami-Dade County also plans to submit its WIFIA application for USD 79m for its ocean outfall discharge reduction and resiliency enhancement project within the next week, said Jennifer Messemer-Skold, public relations officer for the county’s water and sewer department.

The **Indiana Finance Authority** has submitted its USD 436m application to expand the reach of the state’s SRF but is still in the process of negotiating loan terms with WIFIA and the EPA, said Stephanie McFarland, a spokesperson for the authority.

The **City of San Diego** anticipates applying for a USD 492m loan for their Pure San Diego project in the first half of the year, said Senior Public Information Officer Racquel Vasquez. The city anticipates the loan closing in late 2018 or early 2019 with the funds being distributed through construction, ending in 2022.

The **San Francisco Public Utilities Commission** will apply for USD 625m of WIFIA funding for a biosolids plant, said Tyler Gamble, deputy communications director for the utility. The USD 1.2bn Southern Treatment Plant Biosolids Digester Facility Project is 41.3% of the utility’s USD 2.9bn phase one sewer system improvement program.

The **City of Omaha** was also invited to apply for a USD 55m loan related to the Saddle Creek combined sewer overflow retention treatment basin, but did not respond to requests for comment.

by Maryellen Tighe