

Water Infrastructure Finance and Innovation Act (WIFIA) Loan Update

Finance/Administration Committee

August 24, 2021

WIFIA Overview and History



- Federal loan program that provides financing to water and wastewater projects
- October 2020: Submitted Letter of Interest
- January 2021: EPA invited District to apply
- May 2021: Board approved \$100,000 application fee, pending final review
- June 2021: Completed final review

Results of Final Review



- Included a comprehensive review of interest rates
- WIFIA rates are based on a taxable interest rate
- District's borrowing rate is typically tax-exempt
- Over the last 25 years, District's borrowing rate was typically lower than the WIFIA rate
- WIFIA is not guaranteed to provide savings based on interest rate alone and could have higher interest cost

Results of Final Review



- Disadvantages of a WIFIA loan, including:
 - Increased construction costs because of American Iron and Steel (AIS) requirements
 - Increased tracking and reporting requirements
 - Lengthy waiver process if materials cannot be supplied by American suppliers
 - Added expenditures to EPA for the life of the loan
- In addition, WIFIA loan terms may not be as beneficial to the District as revenue bond terms

Results of Final Review



- Other advantages of a WIFIA loan would not likely be beneficial to the District due to:
 - **District's high credit ratings**, which lowers the cost of borrowing compared to lower-rated utilities
 - **Solid existing debt service coverage and level debt service schedule in future years**, which provides room for the District to issue future debt for these projects and maintain strong finances
 - **Manageable capital plans**, which reduces the need for alternatives to revenue bonds
 - **Reimbursement basis for capital expenses**, which reduces the value of the “interest rate lock” because the District can time debt issuance to market conditions

Conclusion of Review



- Decision was needed by July 2021 because of project bid schedules
 - Including WIFIA requirements would have increased costs
- Additionally, the District was required to submit the non-refundable \$100,000 application fee to the EPA before proceeding with further negotiation
- Based on the outcome of the comprehensive analysis, staff decided it was in the District's best financial interests to decline to proceed
- Informed the EPA and WIFIA program administrators encouraged the District to stay in contact and consider future opportunities, a positive sign

Next Steps



- Continue to monitor state and federal loan programs to ensure the District is maximizing its participation in programs when those programs provide clear financial benefits to the District