


# **WIFIA Status Update**


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# Background

- Enacted June 2014 (amended December 2015 to allow tax-exempt funds into WIFIA projects)
  - Creates a bank at EPA
  - EPA responsible for direct loans or loan guarantees for large infrastructure projects
  - Modeled on the Transportation Infrastructure Finance and Innovation Act (TIFIA) program
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# Purpose

- Intended to help address significant water infrastructure needs
  - Supplemental credit assistance for major projects of regional or national significance
  - Accelerate projects that would otherwise take much longer to come to fruition
  - WIFIA credit instrument can be structured to match the cash flow profile of the project, providing needed flexibility to water and wastewater systems that are balancing multiple competing funding priorities
  - Designed to complement other available sources of capital, avoiding “crowding out” other available sources of capital
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# Purpose

- WIFIA may support projects as the “patient investor,” complimenting other sources of capital that are less flexible
  - WIFIA credit instrument can provide enhanced funding certainty for large projects with long construction periods
  - WIFIA funding will be applied to creditworthy projects
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# Priorities

- Adaptation to extreme weather and climate change including enhanced infrastructure resiliency, water recycling and reuse, managed aquifer recovery
  - Enhanced energy efficiency of treatment works, public water systems, and conveyance systems, including innovative, energy efficient nutrient treatment
  - Green infrastructure
  - Repair, rehabilitation, and replacement of infrastructure and conveyance systems.
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# Development

- WIFIA under development for launch in FY17 depending on appropriations
    - Credit reserve model
    - Risk rating tool
    - Application
    - Project selection system under development
    - Credit policies under development
    - Proposed rule being drafted to be published by end of FY16
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# Development

- Included in President's Budget
  - \$15 million for projects
    - Provides credit reserve authority
    - Approximately \$1 billion in loans (1.53% subsidy rate)
    - Cap of \$1.83 billion based on most conservative selection of projects (strong credit munis with .82% subsidy rate)
  - \$5 million for admin
    - Increase from \$2.2 million
    - Needed for staff and contractors
    - May be used to pay for services normally charged to borrower

# Behind the Numbers

- Credit reserve model is a tool to produce credit reserve estimates for budget formulation
- Reserve rate in President's Budget is based on sample transactions
- The reserve rate is a reflection of the assumed risks of projects
  - Water projects are very low risk
  - Lower risk than transportation projects
- Three types of credits: System, Project, Corporate
  - System credits have a reserve rate of .82% and represent 60% of assumed projects
  - Project credits have a reserve rate of 3.16% and represent 30% of assumed projects
  - Corporate credits have a reserve rate of .89% and represent 10% of assumed projects




# Behind the Numbers

- Credit reserve model is also a tool for determining reserve rate for projects
- Each project receiving a loan will be individually scored
  - May be higher or lower than 1.53%
  - Reserve rate in Budget has no impact on actual subsidy rate for a project
  - Reserve rate is mostly a reflection of the risk rating (AAA, AA, BBB, etc.)
- Reserve rates for projects are calculated by EPA but reviewed and approved by OMB
- Elements of the model:
  - **Risk rating tool**
  - Recovery assumption tool
  - Cash flow model

# Behind the Numbers

- Risk rating tool (most critical):
  - Calibrated to risk ratings of similar credits rated by independent rating agencies
  - Scored on a scale corresponding to risk ratings produced by S&P
  - Aligns with the methodology currently employed by Nationally Recognized Statistical Rating Organizations (NRSROs)
  - Quantitatively established anchor rating which incorporates financial and other business data then notched using additional quantitative factors

**\*\*\* Important point: The numbers in the budget reflect assumptions made by EPA and do not control future subsidy rates or loan availability**



# Next Steps

- Building internal infrastructure
  - Finalizing public documents
  - Marketing
  - Rulemaking
  - Public meetings this summer
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