



SANTA CLARITA VALLEY WATER AGENCY

Finance Committee Meeting

October 18, 2021

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GOVERNMENT SPONSORED DEBT

CALIFORNIA'S STATE REVOLVING FUND (CWSRF) AND (DWSRF)

- The Clean Water State Revolving Fund (CWSRF) program is a federal-state partnership that provides communities low-cost financing for a wide range of water quality infrastructure projects that address their highest priority water quality needs.
- The Drinking Water State Revolving Fund est. in 1996 By Safe Drinking Water Act (SDWA) Amendment. Low interest loans and limited principal forgiveness to public water systems for drinking water system improvements.
- Applicants for Stet construction loan financing will receive a 0.25% reduction to the standard interest rate in exchange for selecting a 20-year or less financing term rather than a 30-year financing term, so long as the revised interest rate is not below 0%.
- Since 1989 The Water Boards Division of Financial Assistance administers the programs.
- The state helps communities prevent pollution of precious water resources to main their beneficial uses.
- The standard term for a planning loan is five or ten years, at the applicant's option.
- The standard term for a construction loan is the lesser of 30 years or the useful life of the financed facilities.

Why use SRF Loan programs?

Funding Terms

- **Financing Limit:** No maximum funding limit but depends on available funding and applicant's ability to repay.
- **Interest Rate:** 1/2 most recent State General Obligation (GO) Bond Rate at time of funding approval.
- **Financing Term:** Up to 30 years or useful life of the project and typically require level debt service. In some cases, partial loan forgiveness is offered.
- **Repayment:** Begins one year after completion of construction.
- Loan can be prepaid at par at the discretion of state and loan proceeds are drawn for reimbursement purposes.
- Principal forgiveness may also be available for some projects.



ELIGIBLE PROJECTS TYPES

Clean Water

Publicly-owned treatment works

Non-point source projects

National estuary program projects

Decentralized wastewater treatment systems

Storm water projects

Water conservation

Watershed projects

Energy conservation

Water reuse projects

Security measures at publicly-owned treatment works

Technical assistance

Drinking Water

Well rehabilitation or replacement

Distribution systems and interconnections

Emergency interties, extension of service, or consolidation projects

Pipeline extensions, Water Sources and Water meters

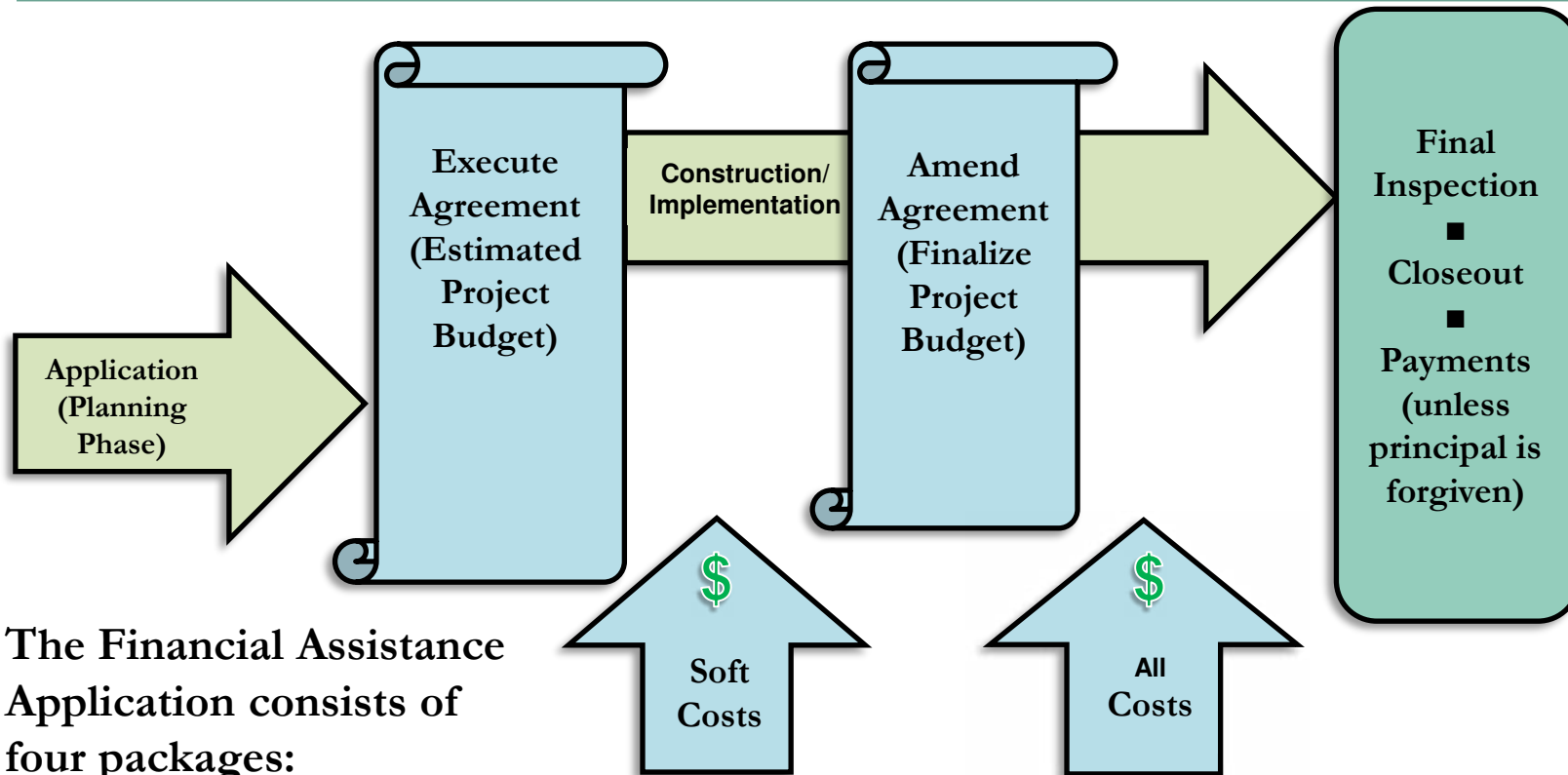
Treatment systems

Rented, borrowed or purchased equipment

Design, installation and initial startup costs



APPLICATION PROCESS

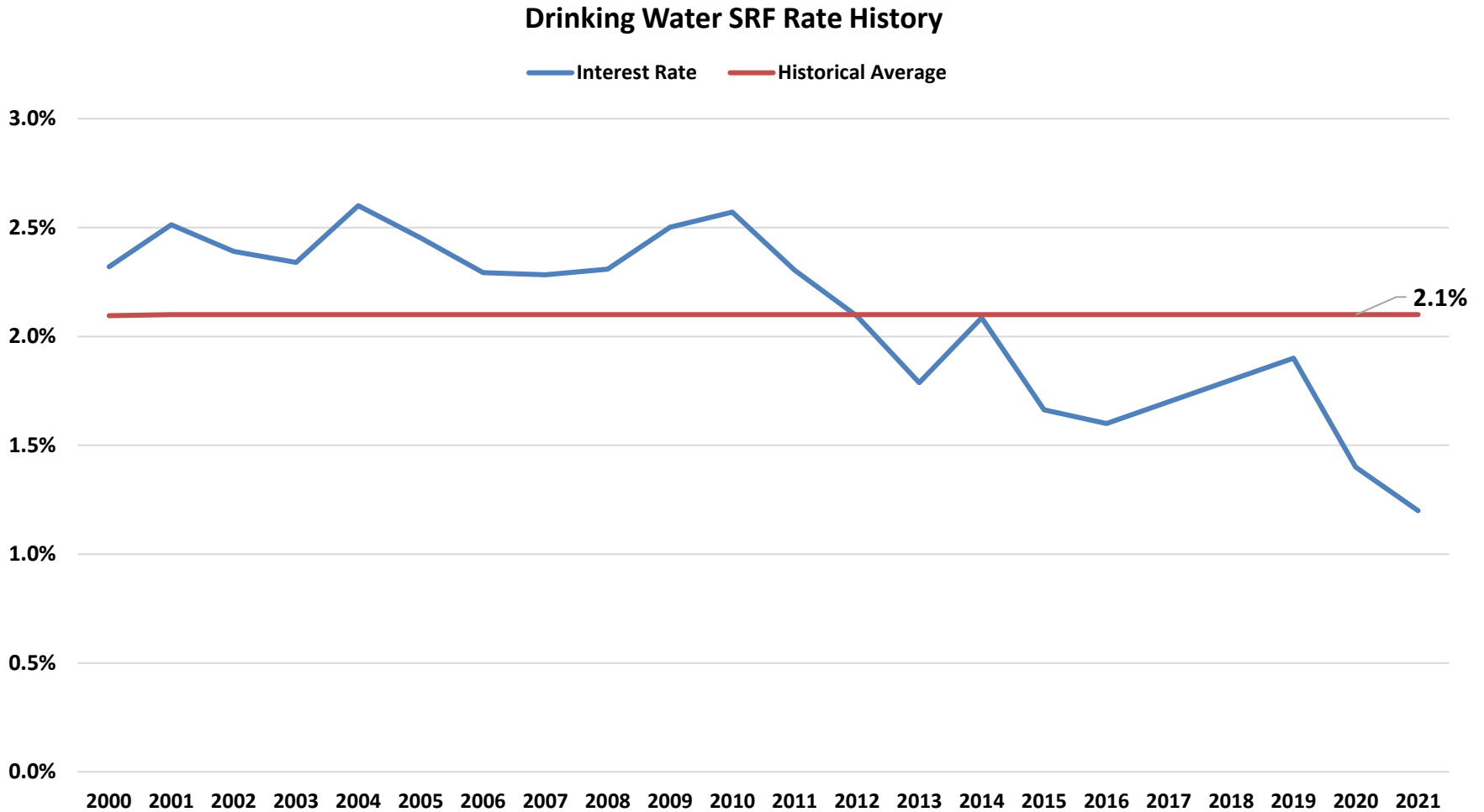


The Financial Assistance Application consists of four packages:

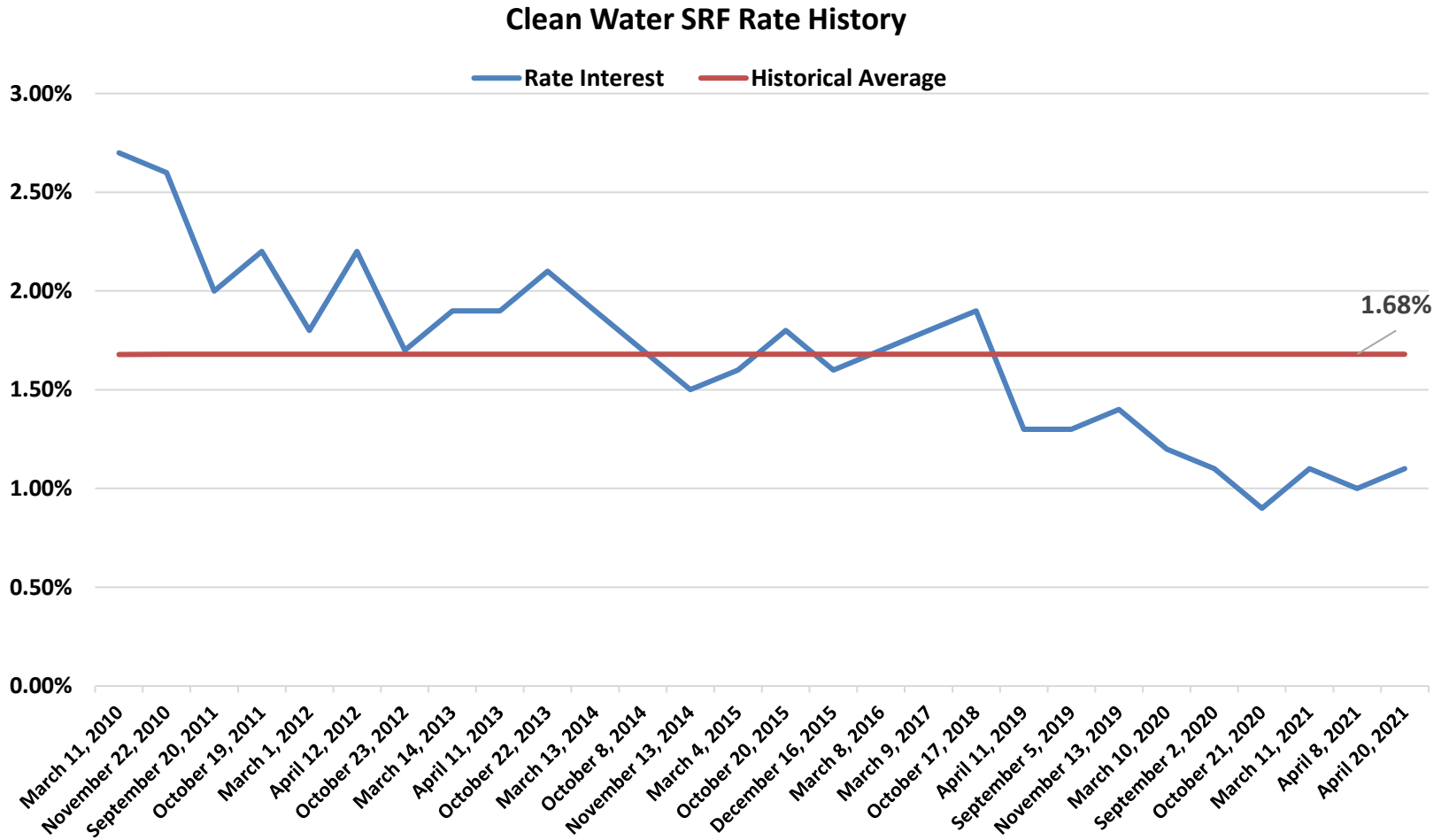
- General Information Package
- Technical Package
- Environment Package
- Financial Security Package



DRINKING WATER SRF RATE HISTORY

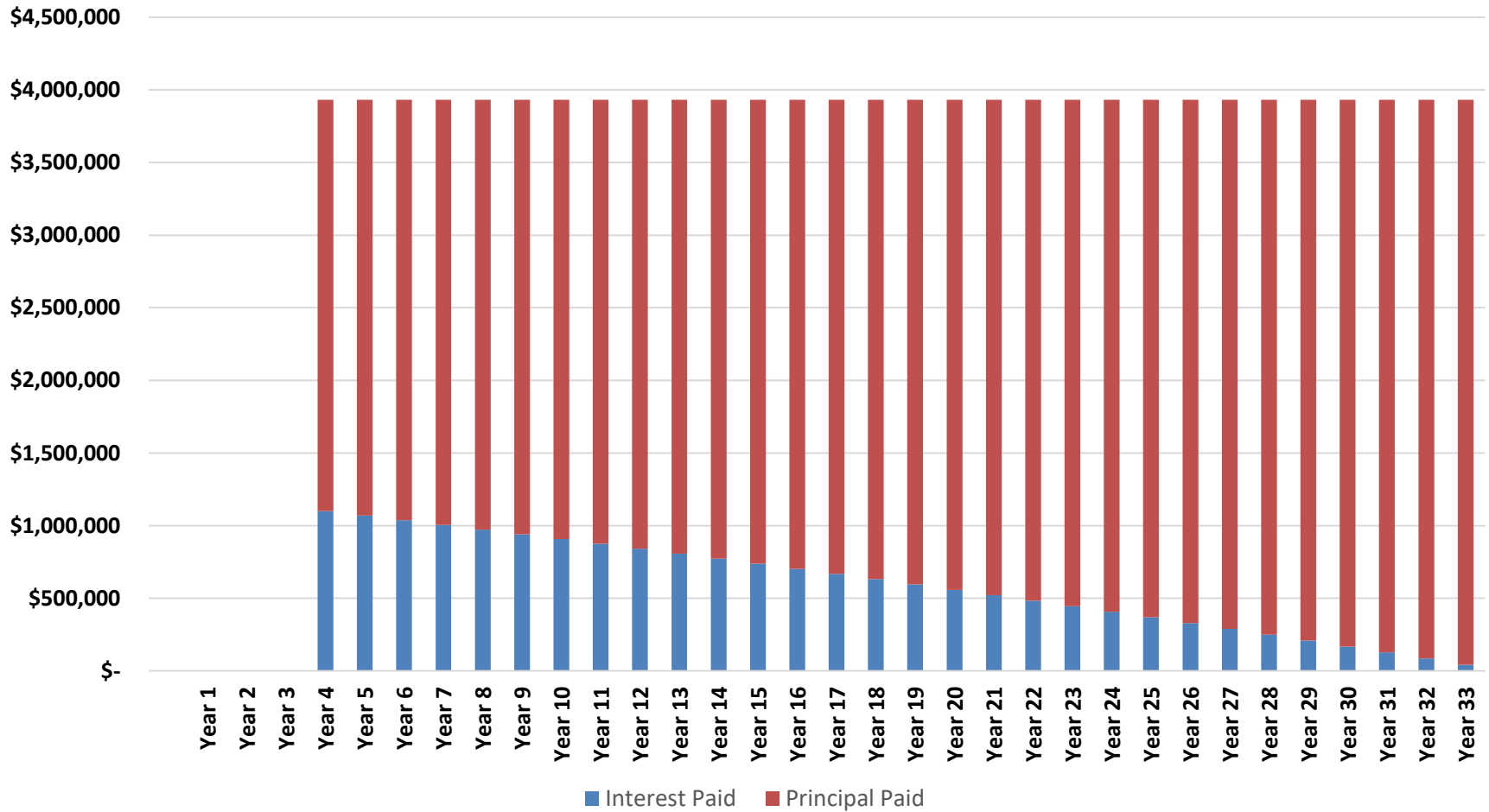


CLEAN WATER SRF RATE HISTORY



EXAMPLE SWRCB DEBT SERVICE

Estimated SWRCB Loan \$100mm Project Needs



WATER INFRASTRUCTURE & FINANCE INNOVATION ACT (WIFIA)

➤ **What is WIFIA?**

The Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) established the WIFIA program, a federal credit program administered by the US Environmental Protection Agency (EPA) for eligible water and wastewater infrastructure projects.

➤ **What projects are eligible under WIFIA financing?**

- Projects that are eligible for the Clean Water SRF and the Drinking Water SRF
 - Enhanced energy efficiency projects at drinking water and wastewater facilities
 - Brackish or seawater desalination, aquifer recharge, alternative water supply, and water recycling projects
 - Drought prevention, reduction, or mitigation projects
 - Acquisition of property if (i) is integral to the project or (ii) mitigates environmental impact of a project
- A combination of projects secured by a common security pledge or submitted under one application by an SRF program
- 49% of eligible project costs can be funded by WIFIA
- Secure 51% funding from cash, SRF Loan, or selling debt



WIFIA PROGRAM

- **WIFIA loans offer a low, fixed interest rate**
 - A single fixed rate is established at closing. Based on US Treasury rate on the date of closing calculated using the weighted average life of the loan.
 - Rate is not impacted by borrower's credit or loan structure.
 - Investment grade ratings required.
- **WIFIA loans provide flexible financial terms**
 - Customized repayment schedules.
 - Maturity date: Must be the earlier of 35 years after the date of substantial completion of the project, or the useful life of the project.
 - Deferred payments may be deferred up to 5 years after the project's substantial completion.
 - Prepayable at any time (\$1 million minimum).
 - Subordination under certain circumstances, WIFIA may take a subordinate position in payment priority, increasing coverage ratios for senior bond holders.
 - Maximum federal involvement: 80% of total project costs.

PROJECT SELECTION IS COMPETITIVE

- **Project selection is a competitive process to identify projects to invite to apply which are:**
 - Eligible
 - Creditworthy
 - Technically feasible
 - Meet the public goals outline in the WIFIA statute and regulation.

INVITATION TO APPLY

- **EPA intends to loan to the projects that it invites to apply**
- Borrowers have 60-90 days to submit a letter of interest
- Evaluation and selecting projects takes another 90 days after which invitations to apply are sent to the selected projects.

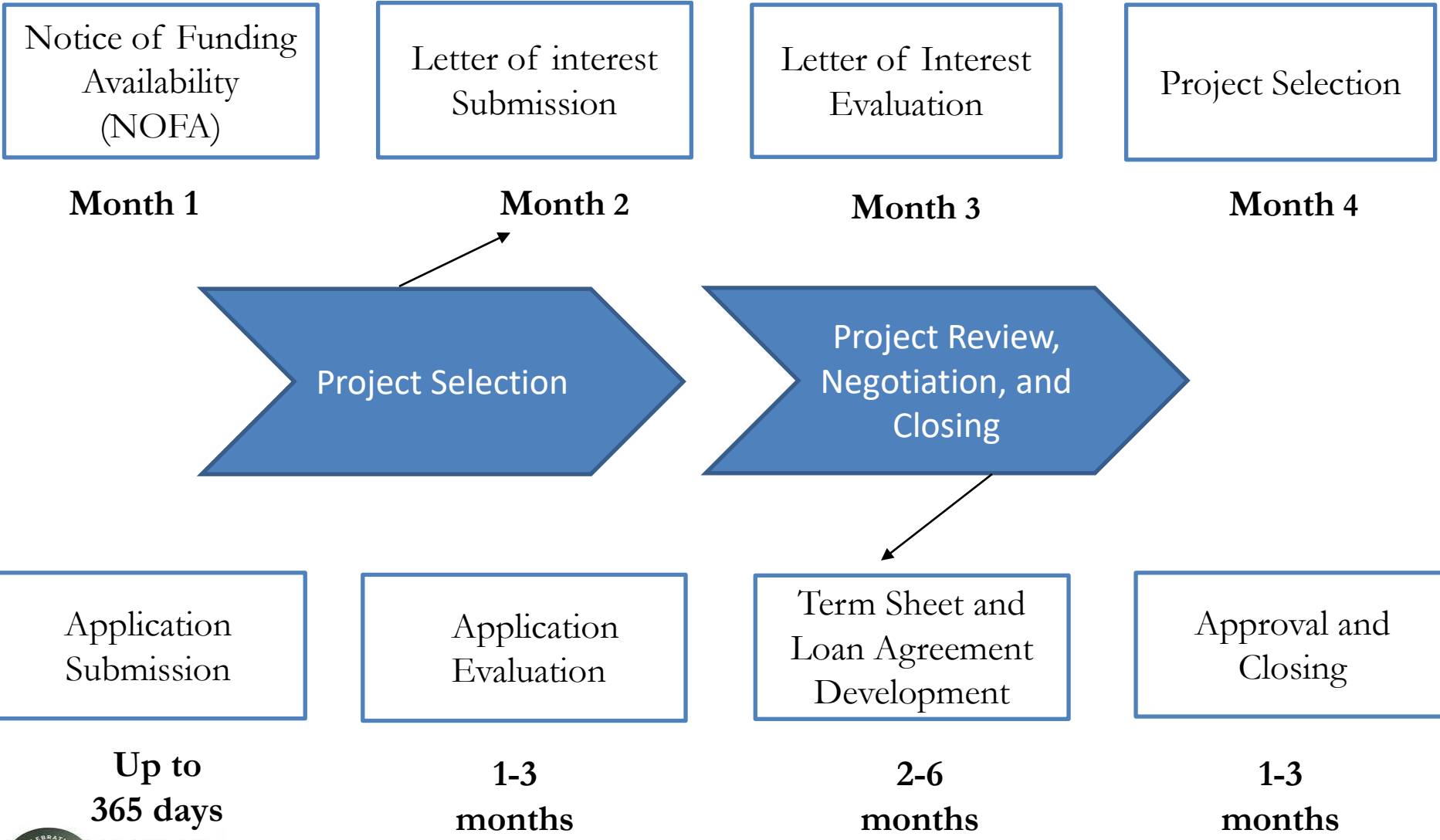
Selected projects

- Notified in writing of selection
- Within 30 days of the invitation, EPA will meet with the entity to discuss the application process
- The EPA will publicly announce selected projects
- From publishing the Notice of Funding Availability (NOFA) through inviting borrowers to submit an application, it takes 6 months.

Non-selected projects

- Notified in writing that they were not selected
- May request a de-brief
- Must re-submit their LOI to be considered in the future rounds

WIFIA PROGRAM APPLICATION PROCESS



APPLICATION APPROVAL

Administrator

- Approves application for WIFIA loans
- Executes term sheet

**White House office of
Management and
Budget**

- Approves credit subsidy estimations and reviews credit subsidy inputs

Credit Council

- Recommends projects for approval to Administrator

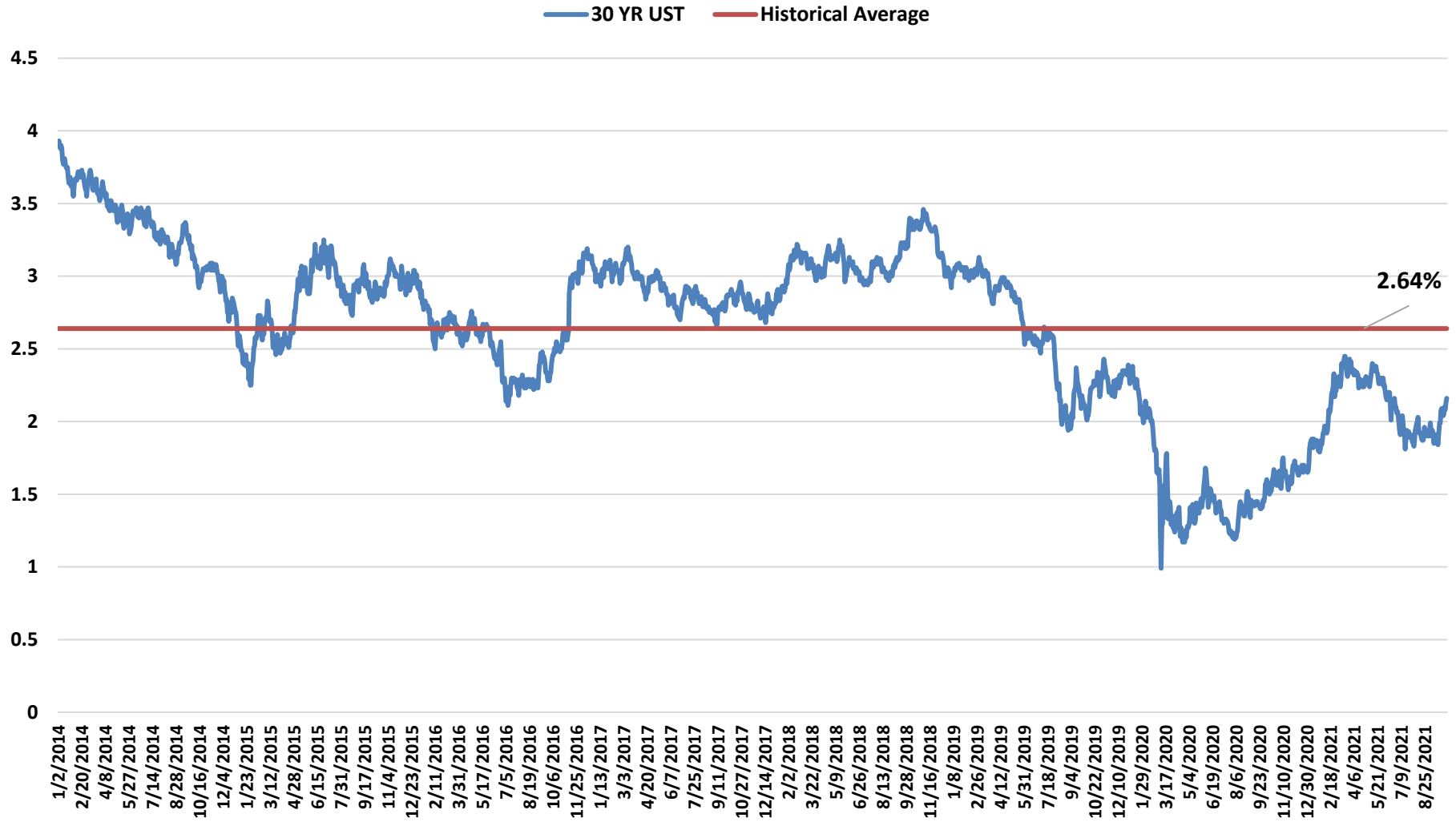
**Credit Review
Board**

- Reviews creditworthiness determination of projects

**WIFIA
Program**

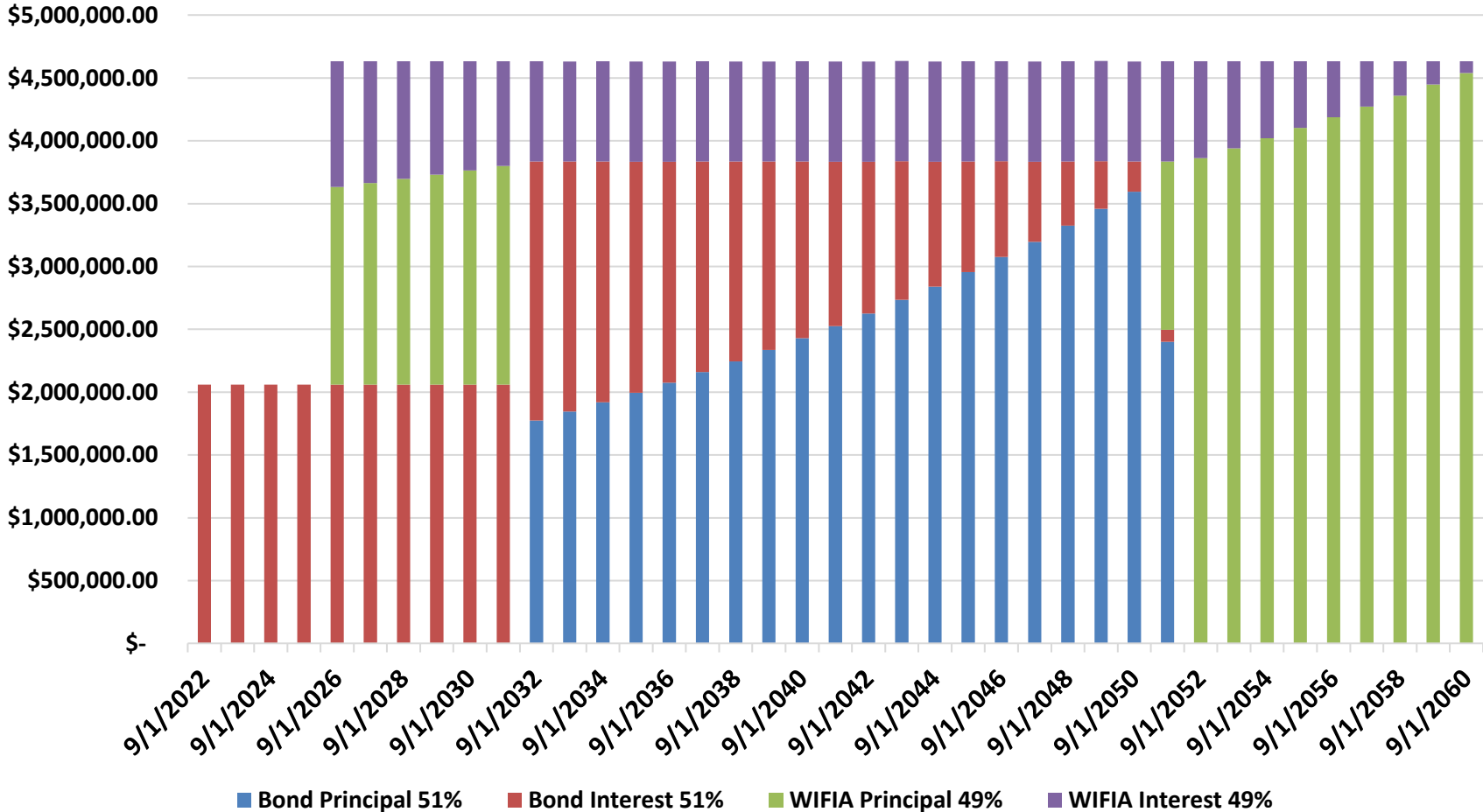
- Evaluates letters of interest and applications
- Negotiates credit agreements

30YR UST HISTORY



DEBT SERVICE COMPARISON CHART

Example Debt Service (51% Bonds & 49% WIFIA)



WIFIA vs. SRF

STRUCTURE	WIFIA	STATE LOAN
Loan Amount	49% of Eligible Project Costs	100% of Construction Costs
Eligible Costs	Design, engineering, construction etc. Has consented to allowing construction costs prior to execution of Loan	Construction only
Eligible Costs	Includes interest and costs of completing interim funding	Not available
Debt Service Reserve	Highly unlikely	One year of debt service must be set aside from existing reserves
Refunding	Permits a rate re-set after one year after Loan execution; depends on market	Not available
Prepayment	Any date \$1MM minimum	At discretion of State
Debt service	Sculpted to fit borrower's needs	Level
Rate Covenants	Annual Debt Service	Typically Maximum Annual Debt Service
Lien	Can be subordinate	Must be on senior lien
Payment deferrals	Up to 5 years after substantial completion of project	One year after substantial completion
ADMINISTRATIVE	WIFIA	STATE LOAN
Reimbursements	15 days	3-6 months
Annual Fees	Yes	Yes



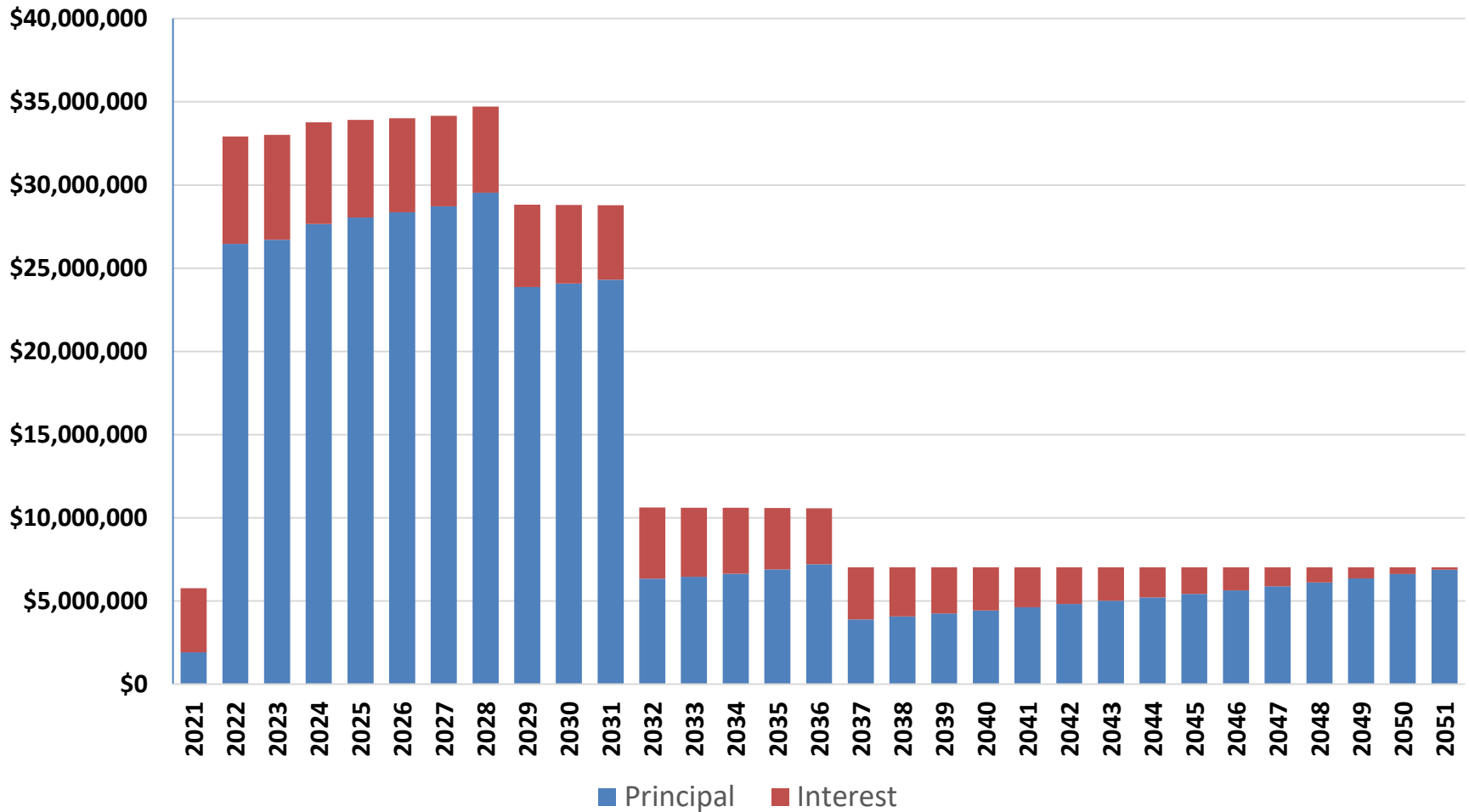
SCV WATER-SUMMARY FORECAST

SCVWA Long-Term Forecast



DEBT SERVICE- PRINCIPAL & INTEREST

SCVWA AGGREGATE DEBT SERVICE PROFILE



CREDIT RATING CRITERIA



QUESTIONS AND FURTHER DISCUSSION

