



American Water Works
Association

WIFIA: A New Model for Water Project Finance

Multi State Salinity Coalition

Tom Curtis, AWWA

AWWA Takes the Initiative!

A decorative graphic consisting of three horizontal bars: a thick dark blue bar at the top, a medium blue bar in the middle, and a thin dark blue bar at the bottom.

The Water Infrastructure Finance and Innovation Act (WIFIA)

An idea “born” at AWWA

Not the only answer, but an important tool.

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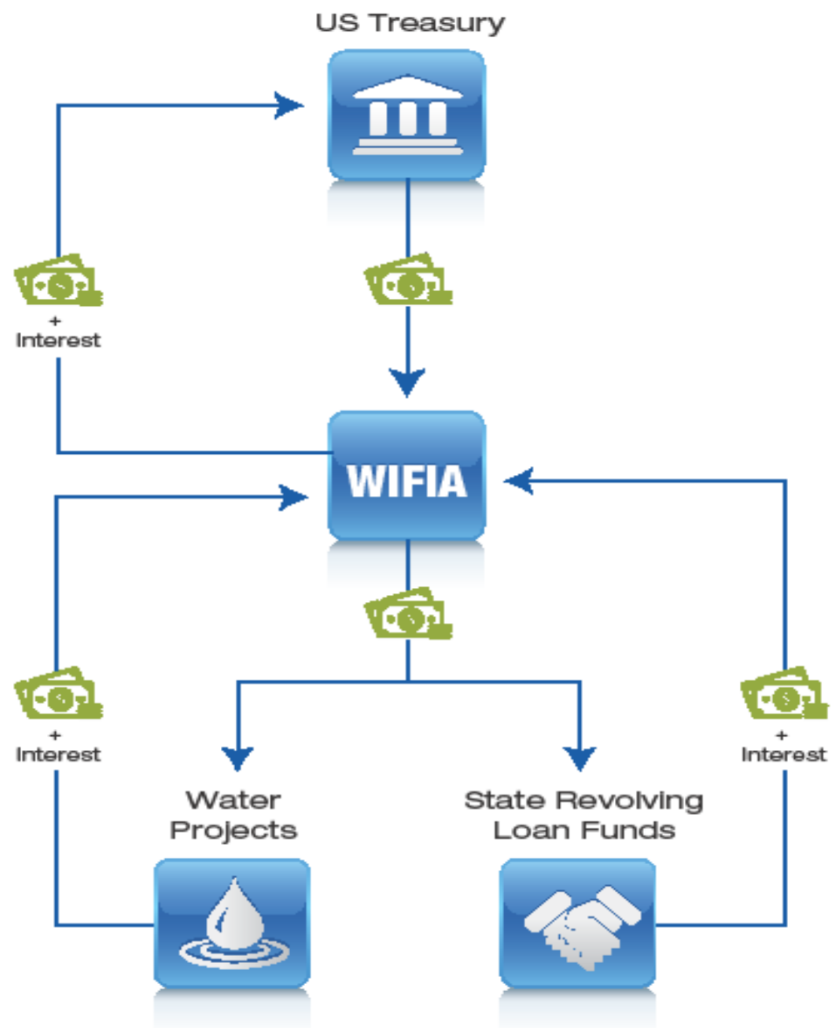
WIFIA

Two pronged approach:

- **For large projects: low interest direct loans or guarantees**
- **For small projects: low interest loans through State Revolving Funds**

How WIFIA Works

Water Infrastructure Finance and Innovation Authority



Budget Politics



Very important in today's political climate...

WIFIA has little or no long-term impact on the US Treasury

How can that be?



Federal Credit Reform Act

For a loan program, federal budget law provides that Congress only appropriates the subsidy cost to the federal government.



Federal Credit Reform Act

The subsidy cost:

Net present value of the loans

Minus

Net present value likely to be repaid.

Federal Credit Reform Act

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“Amount likely to be repaid” determined by:

- **Interest subsidy**
- **Defaults.**

WIFIA



Loans will be made at Treasury interest rates – that is, no interest subsidy.

The default rate for water projects bonds is less than 0.04%.



So...

WIFIA

The subsidy – which must be appropriated – is extremely low.

A small appropriation will support a large loan pool.

The program is highly leveraged



Desirable Features

The slide features a dark blue header bar with the title 'Desirable Features' in white. Below the header are three horizontal bars: a thick blue bar, a thin white bar, and another thick blue bar. The background of the slide is white with a large, faint, light blue graphic of a water drop falling into a pool of water, creating ripples. The text is centered and presented in a bold, black, sans-serif font.

The lowest possible interest rates

5 years until first payment

Then 30 years to repay

**Loans, subordinate loans, or loan
guarantees**

Desirable Features



No springing liens

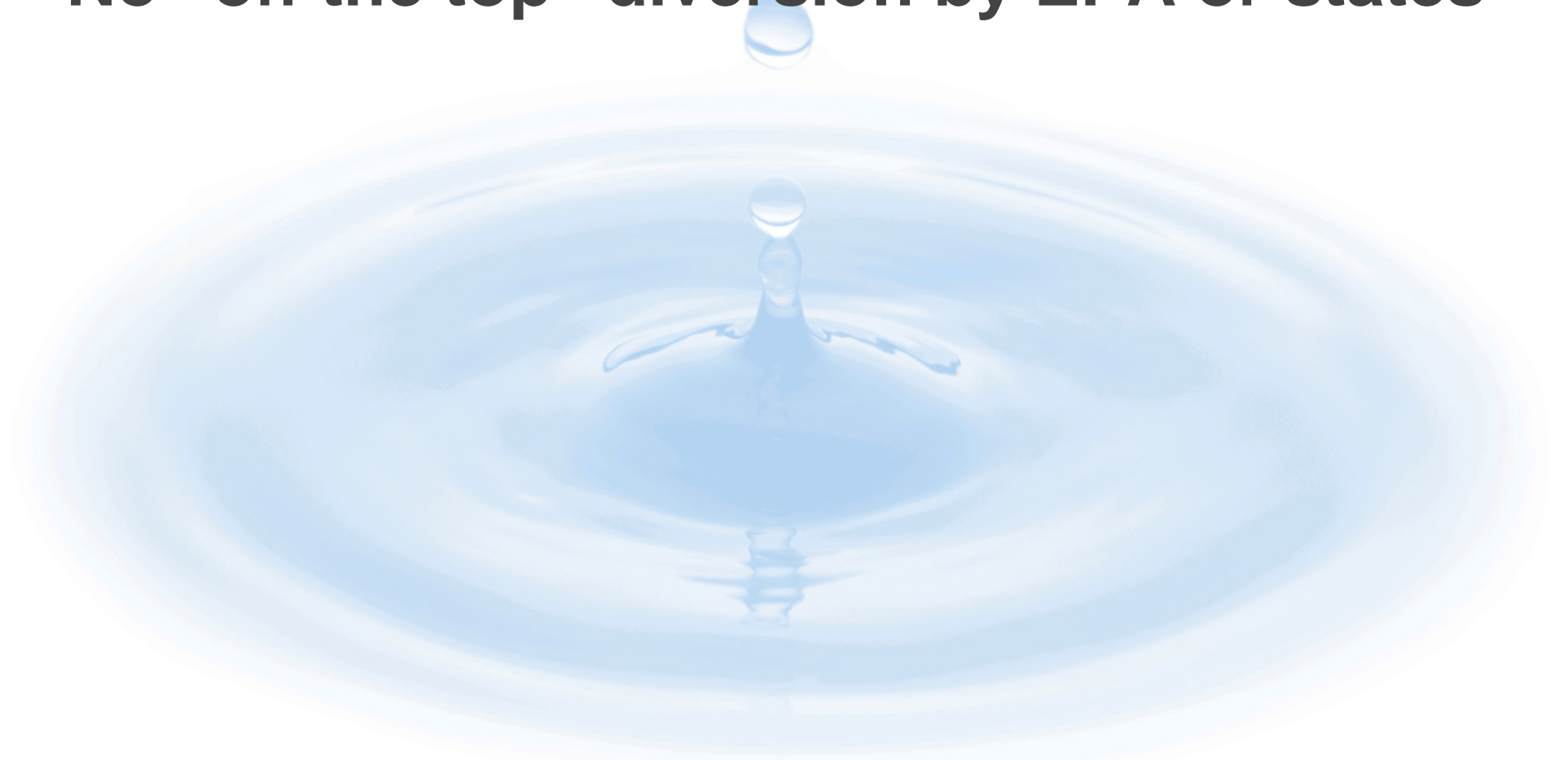
Can be used to leverage Private Public Partnerships...

Though a private party could borrow only if sponsored by a utility or similar entity



Desirable Features

No “off the top” diversion by EPA or states



Needs Work



Senator Boxer's Bill:

Needs a larger authorization: more money / more projects

Should allow 100% financing



IN Summary



Would WIFIA be valuable to utilities?

Yes!

2.5% lower interest over 30 years reduces project cost by 26%

Like getting a 26% grant



In Summary

Can small systems benefit from WIFIA?

Yes!

Takes larger projects out of SRF pool

States can aggregate smaller projects into one package for WIFIA financing

In Summary

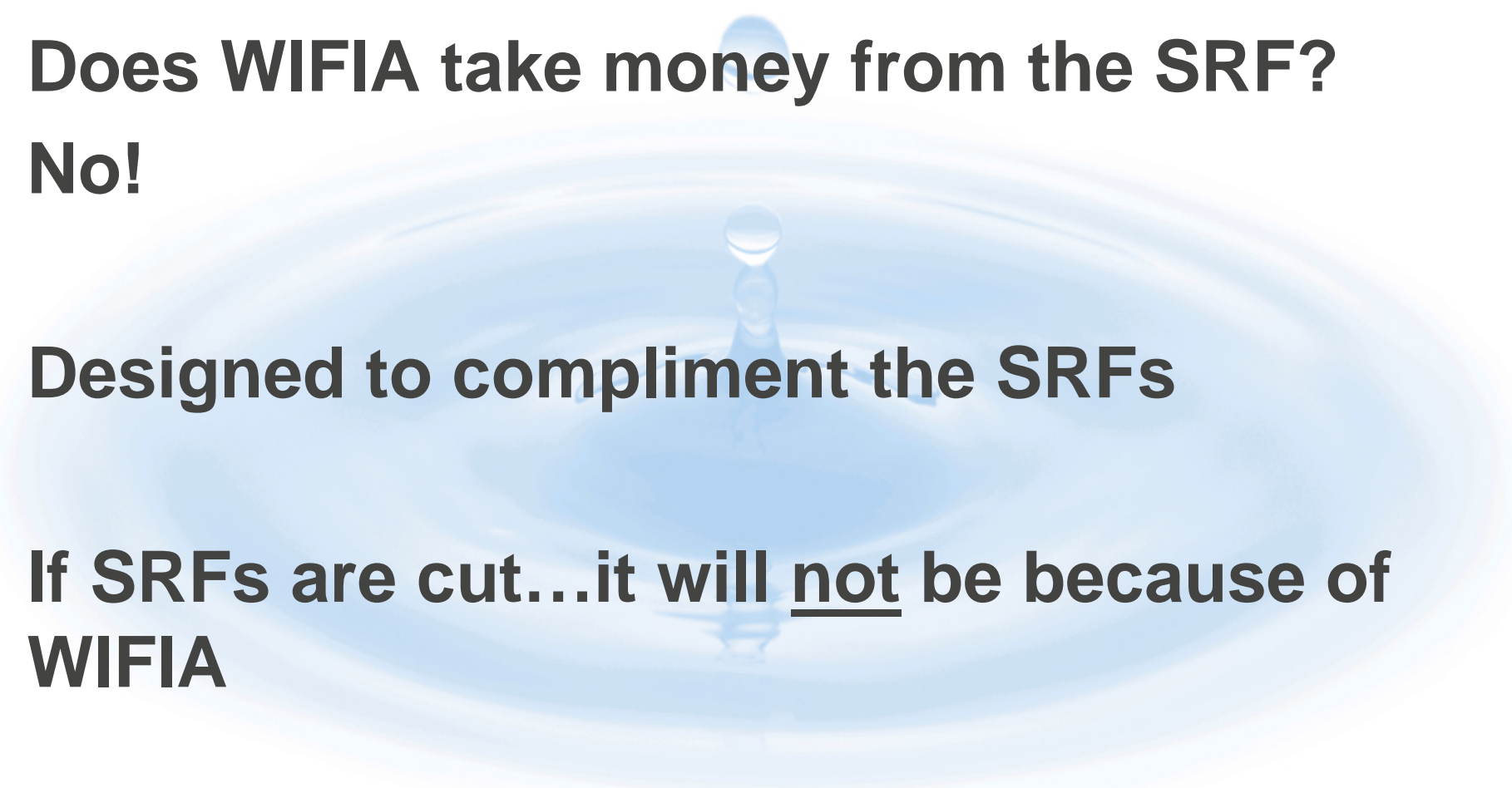


Does WIFIA take money from the SRF?

No!

Designed to compliment the SRFs

If SRFs are cut...it will not be because of WIFIA



In Summary

Should WIFIA be run through the states?

No!

- **Limited funds shouldn't be cut 50 ways.**
- **States would take admin costs off the top**
 - ✓ **Less money for projects**
 - ✓ **Bigger budget “footprint” and harder to appropriate**
 - ✓ **Less leverage**

WIFIA on Capitol Hill

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Bill introduced in the Senate

Bill drafted in the House

AWWA is urging action on WIFIA this year

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We Need You!

To support WIFIA...

Watch for AWWA alerts

**Ask your member of
Congress to support
WIFIA**





Questions?

