



## Accomplishments by MWDOC: WIFIA

### MWDOC's WIFIA Loan Program Efforts:

- \* Loan program to ultimately provide funding for \$5.7 Billion in loan authority;
- \* MWDOC worked to improve the language to cover the recapture of funds spent prior to agreements with the Corps, so that all monies spent toward a project can be packaged in a WIFIA Loan—we were successful and this effort was accomplished.
- \* MWDOC lobbied both the House and the Senate for the inclusion of Desalination as a project purpose—again, we were successful.
- \* The Senate Bill has a funding cap that WIFIA Funding cannot exceed 49% of the cost of the project. The Conference Report added a new provision that allows 25% of WIFIA Appropriations to be used on WIFIA projects over and above the 49%; but there is a maximum amount of federal involvement set at 80% of the cost of the project.
- \* Our efforts to increase the cap were partially accomplished.

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## MWDOC Accomplishments: WIFIA (Continued)

- \* MWDOC (along with many groups) fought hard to have the Tax Free Municipal Bond Funding mechanism prohibition removed from the Conference Report.
- \* That was not accomplished—but there will be ongoing efforts moving forward to cure this problem.
- \* Allowing the Tax Free Municipal Bond Provision to finance these water projects would cause a scoring cost to the Treasury and that's why it wasn't done—at least at this time.
- \* The 25% funding language noted above is seen as somewhat of a compromise.

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## MWDOC Accomplishments: WRDA, Sec. 5039

### **\$40 Million Authorization of Section 5039:**

- \* The Senate Bill had language that could have been very harmful to our interests and could have likely extinguished our Authorization.
- \* Director Barbre and Staff worked hard with Sen. Boxer's Office and the Senate EPW Committee to ensure they understood the significance of the Senate Language. After a series of discussions, they committed to correct this provision.
- \* In the Final Conference Report, the legislation contains language which grandfathers (or protects) any authorization in the 2007 WRDA Bill, and that would include our authorization. Authorizations for the Army Corps prior to 2007 which are "inactive" may now face deauthorization in the future.
- \* Our provision of interest is protected. Goal accomplished.

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## MWDOC Accomplishments: FY 2014 Appropriations

- \* MWDOC activity was significant in breaking the log jam on funding the Army Corps Environmental Infrastructure Projects, (e.g. The 5039 type account).
- \* In FY 2014, \$44 million was appropriated nationally.
- \* However, there was some language which prevented California (and many other states) from receiving access to any of these funds.
- \* This year, we continue to work to make California eligible to apply for and benefit from these funds.

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## Political & Economic Landscape and Legislative Update

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## Congress Returns from August Recess

- \* Congress is planning to be in session only during the month of September before the general election.
- \* Both parties want to allow time for their incumbents to campaign in advance of the November election.
- \* In the House, the GOP controls the majority, 234 to 201. Most analysts believe there will be a slight increase in the number of GOP held seats.
- \* In the Senate, Democrats control the majority, 55 to 45. Most observers here in Washington believe there is a 50-50 chance that the GOP takes control of the US Senate. A switch of six seats is needed.

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## Key Issues in September

- \* Congress will need to pass an appropriations bill to fund the government beyond October 1.
- \* President Obama and the Congress will begin charting a course on how to deal with the Islamic State in Iraq and Syria (ISIS).
- \* There is frustration mounting in Congress over the inability of President Obama to adequately deal with the immigration crisis that is occurring on our border states.
- \* For California, there will be an attempt to reconcile the House and Senate Drought bills.

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## Economic Context

- \* *“September and October 2008 was the worst financial crisis in global history, including the Great Depression”... and of the 13 “most important financial institutions in the United States, 12 were at risk of failure within a period of a week or two.” (said Ben Bernanke, former Chairman of the Federal Reserve, August 22, 2014, as part of an official US Claims Court proceeding.)*
- \* *“The shadow (of the great recession) lasted longer than we had thought it would... but we are now at the point (where the) the underlying financial conditions have improved.” (Congressional Budget Office, August 27, 2015, in its federal deficit Report to Congress.)*
- \* The US is currently running a 2.9% deficit rate compared to approximately 9% during 2009.

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## California Drought Bills

- \* S. 2198, The Senate Bill, has cleared the Senate Floor and is being conferenced with the House Bill, HR 3964.
- \* Key differences: The Senate bill provides the authority for federal agencies to offer greater flexibility in the management of federal resources if there is an emergency drought declaration.
- \* The House bill increases the pumping out of the Delta and declares that the requirements of the Endangered Species Act (ESA) have been met with respect to fish. The legislation encourages and authorizes the expansion or construction of five storage facilities.
- \* Negotiations are still underway in Washington to resolve the differences between the two bills. The Congressional Offices are waiting on “water data from federal agencies”.

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## On the Water Appropriations Front

- \* The US House of Representatives has passed an Energy and Water Appropriations Bill while the Senate has only passed the same bill through the subcommittee level.
- \* There were funds mentioned for the Army Corps of Engineers for environmental infrastructure projects in the Senate bill—but that language has still not passed the full committee level. This issue may be resolved in an ultimate Omnibus appropriations package.
- \* The Water Resources Reform Development Act (WRRDA) was not signed into law until June 10, 2014. As a result, the Appropriations Committees have not yet appropriated funds for the implementation of the Water Infrastructure Finance and Innovation Act (WIFIA) at the present time.
- \* However, the House bill does provide language for the federal agencies it has jurisdiction over to obligate funds and to begin to implement the WIFIA financing program.
- \* Split of jurisdiction over the EPA and Army Corps.

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## Water Infrastructure Finance and Innovation Act (WIFIA)

- \* WIFIA stands for: Water Infrastructure Finance and Innovation Act
- \* WIFIA is patterned after TIFIA, a transportation loan program.
- \* The EPA will be responsible for the WIFIA programs involving water, wastewater and desalination programs.
- \* The Army Corps will be responsible for water projects that involve flood control and navigation.
- \* During the first year, \$20M is slated to be appropriated for EPA and \$20M is slated to be appropriated for the Army Corps.
- \* The CBO has estimated that the EPA can leverage the \$20M, or whatever annual amount they receive, by an amount of 33 times (\$660M in loans in the first year).
- \* In the final year of the current five year "pilot" authorization, EPA is expected to receive \$50M and as a result could support approximately \$1.65B in loans in that year.

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## WIFIA (continued)

- \* What is there such a high leverage rate for WIFIA Loans?
- \* There are historically low rates of default for water rate payers (by contrast, the transportation industry and TIFIA have a different payment system).

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## Amount of Federal Involvement in WIFIA

- \* General rule: WIFIA financing is available for 49% of a water project.
- \* There is an exception that was reached during Conference that allows for 25% of the appropriated funds to be used for projects over and above the 49%. There will be many projects financed above 49%.
- \* The major limitation with WIFIA is that tax exempt municipal bonds cannot be used to finance the balance between the WIFIA amount and total project cost amount.
- \* There is another rule that a project cannot receive more than 80% federal funding.

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## Other Characteristics of the WIFIA Program

- \* Interest rates are based on US Treasury rates.
- \* Up to 35 year repayment period.
- \* Virtually all project costs can be packaged into the loan.
- \* Desalinization is a specifically approved eligible project.
- \* MWDOC, or its member agencies, would qualify as an eligible entity.
- \* There is a selection criteria that will be used by the EPA.
- \* Generally, a project must have at least a total cost of \$20M to be eligible. There is other fine print regarding various loan procedures. There is a rule for communities that have less than 25,000 residents to qualify for funding for projects of \$5M or less.

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## WIFIA Characteristics (continued)

- \* WIFIA loan must be repaid through a dedicated repayment source—such as a rate payer base.

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## WIFIA Financing Example

### Annual Debt Service on \$100 Million Loan

30 Year Municipal Bond at 5.4%	\$6,906,800
30 Year WIFIA Loan @ 4.04%	\$5,811,129
Annual Difference	\$1,095,671
30 Year Savings	\$32,870,130
Debt Service Saving per this example	15.9%

Source: American Water Works Association.

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## WIFIA Application Process

- \* EPA is in the process of determining how their implementation of WIFIA “will work”.
- \* MWDOC will want to participate in providing EPA guidance on these matters.
- \* EPA is starting their listening sessions now.
- \* EPA will establish a specific application timeframe with due dates and the process is likely to be competitive. The EPA has been ordered to work closely with the Congressional Committees of jurisdiction regarding these matters.

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## Feinstein, Boxer Introduce: *Water in the 21<sup>st</sup> Century Act*

This legislation introduced on July 31, 2014, just prior to the beginning of the August Recess, includes a number of important provisions that would help communities in California and across the country:

### **Efficiency and conservation**

- \* Strengthens EPA’s WaterSense program, which promotes water conservation in products, buildings, and landscapes through information and rebates. The bill authorizes \$50 million to administer the program and \$700 million for rebates, through FY2019, and then funds them at FY2019 levels adjusted for inflation thereafter.
- \* Creates a new grant program within the Environmental Protection Agency for local water systems to conserve water, increase water efficiency or reuse water; modify or relocate existing water system infrastructure made or projected to be made inoperable by climate change impacts; preserve or improve water quality, and other projects.

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## Water in the 21<sup>st</sup> Century Act : Water Recycling, Storage & Integrated Water Management

- \* Leverages federal financing – through loan guarantees and matching grants – to help support projects on a regional scale, including water recycling, ground water management, water storage and water conveyance infrastructure.
- \* \$250 million over five years for secured loans.
- \* \$150 million for integrated regional water management, reclamation, and recycling projects grants.

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## Water in the 21<sup>st</sup> Century Act: Drought Preparedness

- \* Establishes Drought Resilience Guidelines for state and local agencies through EPA in coordination with USDA, Commerce and Interior.
- \* Directs U.S. Fish and Wildlife Service, in consultation with state and federal agencies, to prepare a salmon drought plan to address the impacts of drought on the salmon population.
- \* The legislation is supported by the Western Recycled Water Coalition, WaterNow, the Clean Water Construction Coalition, the Northern California Water Association, the North Bay Water Reuse Authority and the WaterReuse Association, Senators Boxer and Feinstein.

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## Federal Funding Pots

- \* Section 5039 WRRDA—Army Corps of Engineers ;
- \* WIFIA Loans—EPA;
- \* WaterSmart Grants or other program funding—Bureau of Reclamation;
- \* *Water in the 21<sup>st</sup> Century Act* funding opportunities;
- \* Other EPA funding mechanisms that may become available;
- \* Depending upon the project, there may be other federal pots of money.
- \* State Funding.

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