

Georgetown WIFIA Loan Financing

**MWPAAC Rates and Finance
Subcommittee
February 1, 2018**



King County

Department of
Natural Resources and Parks
**Wastewater Treatment
Division**

Overview: WIFIA 2014

- Water Infrastructure Finance and Innovation Act authorized in June 2014, but with no funding.
- Broad range of eligible projects, not solely focused on wastewater.
- Originally, WIFIA would finance 49% of a project, but prohibited tax-exempt financing for the other 51%.



Overview: WIFIA 2017

- Congress funded the WIFIA program in 2017.
- EPA published interim program rules, proposed fees, and selection criteria in January 2017.
- EPA estimated that fiscal 2017 appropriation would support \$1.3 billion or more in WIFIA loans.
 - Actual appropriation of \$30 million is intended to cover estimated losses on initial loan portfolio.
 - First round of WIFIA loan awards totaled \$2.3 billion.
- Letters of interest for initial selection of projects due April 2017.



To Submit, or Not Submit?

- 2017 Letter of Interest did not require WTD to pay any fees upfront. Fees would be owed only if EPA asked an applicant to submit a loan application.
- WIFIA pricing formula:
 - 0.01% above the Treasury rate for the average maturity of the loan.
 - WIFIA loan rate is locked in at loan closing and is fixed for the term of the construction period.



WIFIA Savings are Significant

Debt Service Comparison of \$128.6 Million Loan at WIFIA and Tax-Exempt Rates

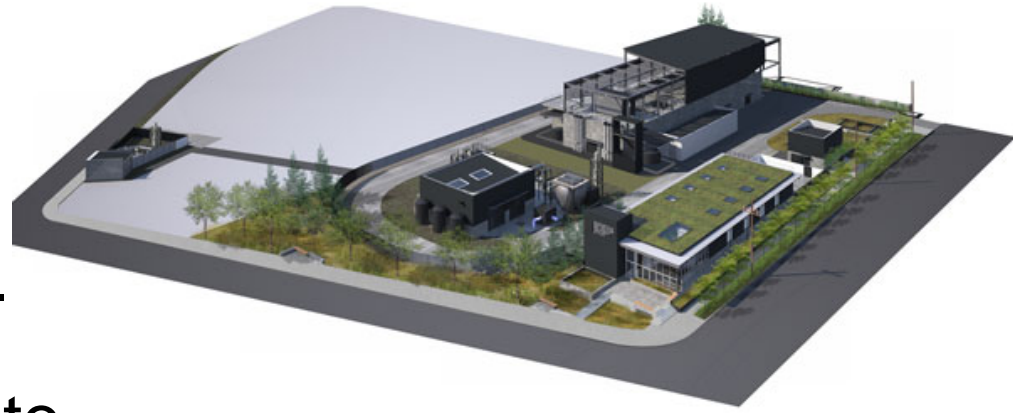
<u>Date</u>	<u>Yield</u>			<u>Present Value Savings</u>		<u>Cash Flow Savings</u>		<u>Rate Impact</u>
	<u>WIFIA</u>	<u>Tax-Exempt</u>	<u>Spread</u>	<u>Amount</u>	<u>Percent</u>	<u>Total</u>	<u>Annual</u>	
Award Date (7/17/2017)	2.60%	3.44%	0.84%	\$ 14,290,237	11.1%	\$ 21,629,846	\$ 697,737	\$ 0.08
Initial Analysis (1/11/2017)	2.65%	3.46%	0.81%	\$ 14,468,279	11.3%	\$ 20,898,374	\$ 674,141	\$ 0.07
2016B (9/12/2016)	2.02%	3.23%	1.21%	\$ 22,719,862	17.7%	\$ 30,204,141	\$ 974,327	\$ 0.11
2014B (7/21/2014)	2.98%	3.56%	0.58%	\$ 10,075,985	7.8%	\$ 15,194,082	\$ 490,132	\$ 0.05



To Submit, or Not Submit?

- Georgetown Wet Weather Treatment Station
 - WTD's largest active project.
 - Fit EPA's selection criteria.
- WTD would still be able to access low-interest SRF loans.
- WTD staff had the experience and systems in place for application process.

Future site of Georgetown Wet Weather Treatment Station



And on July 17, 2017,...

- “We are very pleased to inform you that your project has been selected to submit an application for credit assistance in the amount of \$128,600,000.”
- Assistance request increased to \$134.5 million



Where We Are Now

- Interest rate of 2.80% for 30-year financing.
- Draft loan agreement expected next week.
- Financial plan for the 2019 Sewer Rate will incorporate WIFIA financing.
- WTD will pay about \$400,000 in fees to EPA for its legal, financial and engineering review.



Looking Ahead

- Bipartisan support exists to increase WIFIA funding
 - Reauthorization Act of 2017 would double WIFIA funding to \$90 million through 2024.
- Upcoming WTD CSO projects will be good WIFIA candidates, but will more money mean more restrictions?



Questions?

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