



# Financing Through WIFIA

**Council of Infrastructure Financing Authorities**

**November 6, 2018**



## Working with WIFIA

### ◆ State Revolving Funds

- Create new, separate indenture
- Work with local communities/utilities to borrow through WIFIA

### ◆ Local Communities/Utilities

- Ensure WIFIA loan agreement conforms to existing indenture
- WIFIA reporting can be different/more extensive than SRF reporting requirements
- Notify SRF if they are the other source of funding



## SRF Process vs. WIFIA Process for Local Governments

### ◆ SRF

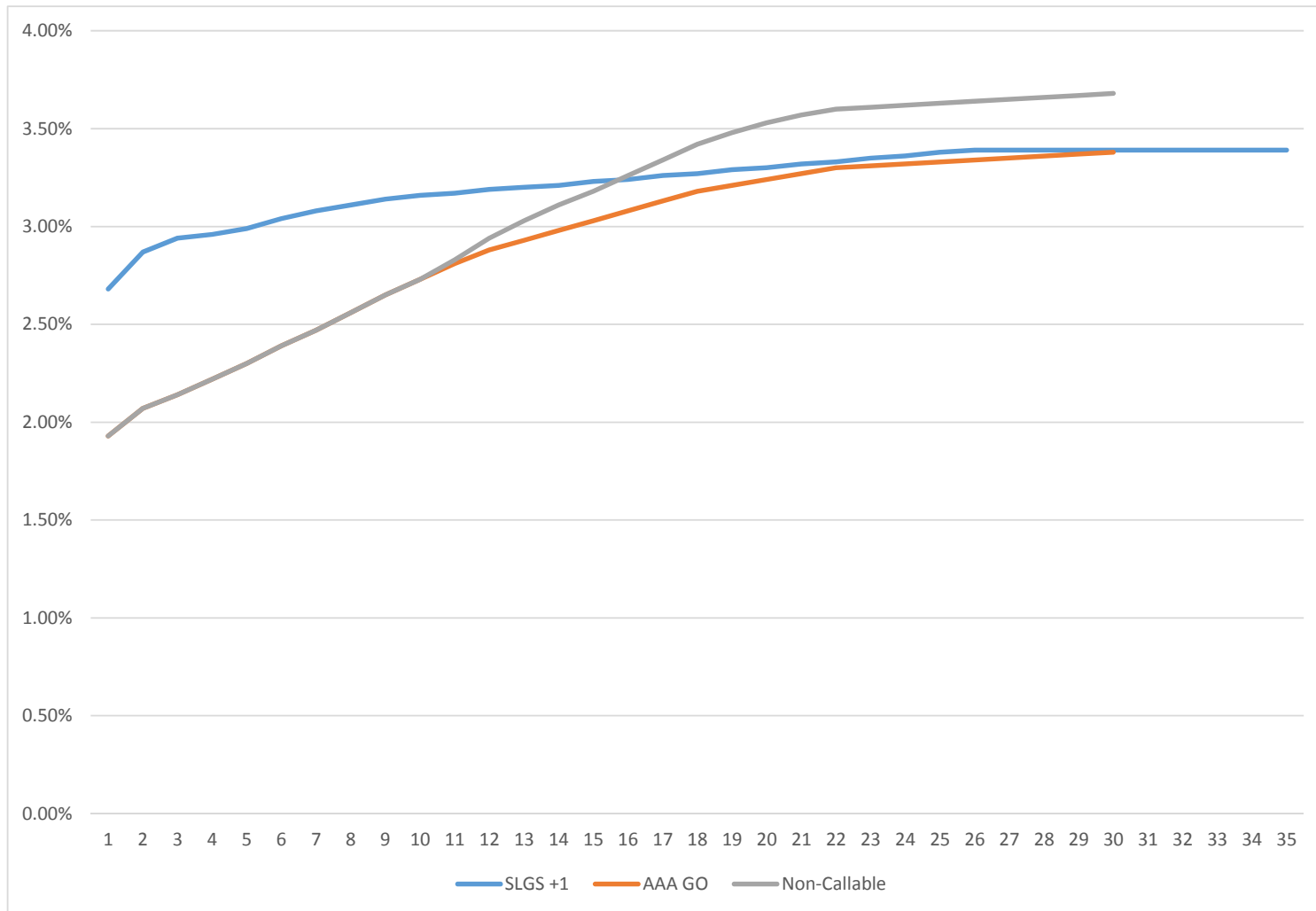
- Apply to be included in Intended Use Plan
- Due diligence questionnaire
- Internal review by SRF
- SRF and borrower work together on amortization of loan – rate is traditionally fixed or formulaic
- Sign closing docs – fairly standard
- Costs - Typically upfront fee or ongoing administrative fee 0.50% - 1.00%

### ◆ WIFIA

- Submit Letter of Interest
- Receive invitation to apply
- Submit application
- Review loan documents
- Credit ratings
- Costs and rates not set until closing



## Yield Curve Comparison





## Why WIFIA?

### • Cost of Borrowing

- Relative benefit of rates depends upon the yield curve, credit spreads and value of tax-exemption
- Application costs for WIFIA may be substantive, but depending upon project size those costs may be offset by decreased costs of issuance/no underwriter's discount

### • Diversify Liability Portfolio

- Some SRFs utilize non-fixed rate bonds as part of their debt portfolio
- WIFIA would be an additional tool in the toolbox

### • Opportunity to Provide Greater Subsidy

- Direct correlation for SRF loan rate tied to actual cost of SRF debt which would allow SRF borrowers to reap the benefits of WIFIA without needing to separately apply



## Why WIFIA?

### • Flexibility

- Time of draw
- Structure of debt
- Time of repayment
- Ability to prepay

### • No Arbitrage

- No positive - taxable transaction
- No negative - interest accrues as draws are made rather than incurred at closing

### • No TIPRA

- Many SRFs are blind pools subject to the "Strengthened Reasonable Expectation Requirement" under TIPRA
- WIFIA loan would not be subject to this