

SFY 2019

Clean Water Intended Use Plan



Water Infrastructure
Finance Authority of
Arizona



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INTRODUCTION

The Arizona Finance Authority Board of Directors is pleased to release Arizona's Clean Water State Revolving Fund (CWSRF) Intended Use Plan (IUP) for the State Fiscal Year (SFY) 2019 funding cycle. The CWSRF IUP describes the Water Infrastructure Finance Authority's (WIFA) plan to utilize various sources of funds to finance clean water infrastructure and support related activities during the SFY 2019 funding cycle from July 1, 2018 through June 30, 2019. This IUP is a required element of the grant application documentation to obtain the Federal Fiscal Year (FFY) 2018 grant award.

Because the final funding level for the FFY 2018 Federal Capitalization Grant has not been established at this time, this IUP is based upon Arizona's FFY 2017 funding level (\$8,945,000). If the final amount of the Capitalization Grant is less than the FFY 2017 amount, WIFA will distribute the reduction equally through the budget and sources table. If the final amount of the Capitalization Grant is greater than the FFY 2017 amount, budget items will be revised as necessary.

Arizona herewith submits its IUP for the FFY 2018 funds available to Arizona for the purposes of continuing the development, implementation and administration of the CWSRF program in Arizona.

The Arizona CWSRF Loan Program provides funds for publicly-owned municipal wastewater systems and nonpoint source projects. Eligible projects include planning, design and construction of new wastewater treatment plants, improvements and upgrades to existing wastewater treatment plants, sewer collection systems, water reclamation and reuse facilities, stormwater infrastructure and nonpoint source projects. The program places an emphasis on small and disadvantaged communities and on projects that promote sustainability through water efficiency, energy efficiency, green stormwater infrastructure or other environmentally innovative activities. Loan repayments to the State will provide a continuing source of infrastructure financing into the future.

Section 1: Short-Term Goals

For the purposes of this IUP, a short-term goal is an activity intended to be initiated and, in some cases, completed within a year.

- WIFA will make wastewater infrastructure loans more accessible and affordable to small communities by subsidizing all loans (providing below market interest rates).
- If available, WIFA will provide up to 30% of the Capitalization Grant amount as additional subsidy in the form of forgivable principal to communities who are identified as disadvantaged.
- WIFA will provide any required percentage/amount of the Capitalization Grant amount for sustainable construction efforts such as water efficiency, energy efficiency, green stormwater infrastructure or other environmentally innovative activities.
- WIFA will continue its efforts to allocate uncommitted funds to new projects and when appropriate, to pay off or defease bond debt prior to maturity dates.

As of April 2018, WIFA's undispersed funds are as follows:

Federal grant awards	\$ 13,731,926
Other available funds	<u>\$175,732,536</u>
Total	\$189,464,462

Of this amount, \$38.5 million is committed to active loans.

In January 2018, WIFA defeased \$46 million in CW outstanding bond principal. WIFA is also in the process of defeasing an additional \$65 million in CW outstanding bond principal.

In addition, WIFA continues its marketing efforts (see Exhibit 1) and anticipates that remaining uncommitted funds will be used for future identified (PPL) and unidentified projects (eligible applicants can apply throughout the funding cycle) and to pay off or defease outstanding bond debt.

Section 2: Long-Term Goals

For purposes of this IUP, long-term is defined as the life of the program. The following are the long-term goals of the loan program:

- Award WIFA’s resources in accordance with the needs of Arizona’s citizens;
- Maintain the fiscal integrity of WIFA’s funds and assure continuous enhancement for future generations;
- Effectively and efficiently deliver financial and technical assistance;
- Market agency programs and advocate the importance of safe, reliable water through presentations, networking and outreach. See Exhibit 1 – WIFA’s Marketing Strategy.

Section 3: Important Program Changes

WIFA may adjust the interest vs. fee ratio of the Combined Interest and Fee Rate (CIFR) during SFY 2019.

WIFA has re-assessed its marketing strategy and has identified several new programs and initiatives to implement and market during SFY 2019 to increase demand. These are described in Exhibit 1 – WIFA’s Marketing Strategy and include:

- Longer loan terms for CW projects
- CIP financing
- Expedited (Streamlined) projects/loans

WIFA is proposing significant changes to its Technical Assistance Program as described in Section 11.

Section 4: Agreement to Enter Data into CBR and NIMS

WIFA agrees to enter data into CBR and NIMS.

Section 5: Description of Public Notice Process and Actions Taken to Address Public Comments

Public review and written comment period of this IUP was conducted from April 30, 2018 through May 14, 2018.

WIFA solicited public review and comment on the draft SFY 2019 CWSRF IUP and Project Priority List (PPL) according to the following schedule. No comments were received.

April 30, 2018	Distribution and Web posting of the draft CWSRF IUP and PPL to all interested parties.
May 14, 2018	Public Hearing – 100 N. 15th Ave, Suite 103, Phoenix, Arizona 85007 at 1:00 p.m.
May 14, 2018	Deadline for public comments on the draft CWSRF IUP and PPL (5:00 pm).
June 20, 2018	Advisory Board recommendation of adoption of the final draft CWSRF IUP and PPL.
June 27, 2018	Arizona Finance Authority Board of Directors’ adoption of the final draft CWSRF IUP and PPL. IUP then sent to EPA for final approval.
July 1, 2018	Begin implementation of the Approved CWSRF IUP and PPL.

Section 6: Assurances and Specific Proposals

WIFA intends to comply with the following:

- WIFA will comply with its environmental review policy as approved by EPA;
- WIFA will notify its borrowers of the requirement to comply with the Davis-Bacon requirements outlined in the Capitalization Grant Terms and Conditions;
- WIFA will notify its borrowers of the requirement to comply with the American Iron and Steel requirements outlined in the Capitalization Grant Terms and Conditions; and
- WIFA will make every effort to comply with EPA's guidance for timely and expeditious use of funds.

WIFA agrees to the remaining required assurances and proposals in the grant application and the IUP.

WIFA has made, and continues to make, a good faith effort to solicit projects to meet the green project reserve (GPR) requirement. Four green projects are currently on the Clean Water Project Priority List. Together they total \$9.5 million, which will fulfill the GPR requirements for FFY16, FFY17 and FFY18. WIFA's GPR Marketing Plan is described in Exhibit 2 and includes the additional efforts WIFA will take in SFY 2019 to solicit green projects in an amount that fulfills grant requirements.

Section 7: Disadvantaged Community Program

WIFA is committed to providing assistance to wastewater systems serving Disadvantaged Communities. The Board may designate an applicant as a Disadvantaged Community if the applicant satisfies one of the following:

1. The community is a designated "colonia" community through the federal government, or
2. The community received 60 or more Local Fiscal Capacity points on the CWSRF PPL.

WIFA intends on providing up to 30% of the Capitalization Grant in additional subsidy as forgivable principal (unless the grant requirement is higher, in which case this percentage will be adjusted accordingly) to communities who cannot otherwise afford projects (including disadvantaged communities). WIFA's Disadvantaged Policy allows for forgivable principal, a reduced interest rate or a combination.

Section 8: Criteria and Methods for Distribution of Funds (Priority Setting Criteria)

- **Project Priority List and Fundable Range**
 - **Project Priority List (PPL):** On an annual basis, WIFA develops a statewide priority list of projects. Currently, WIFA's CW PPL has seven applications totaling \$25,910,390. Staff are in discussions with several communities with potential CW projects that may be added to the PPL during the year.
 - **Fundable Range:** The Fundable Range includes the applicants ready to receive design or construction financial assistance.
- **Project Priority List Updates**

The Board may update the CW PPL by adding or deleting projects or adjusting the fundable range for design or construction projects. The decision to update the CW PPL may be based on a project's readiness to proceed, availability of other funding sources or other new information affecting the expansion or contraction of the PPL and Fundable Range. The Board adopts the updated CW PPL at a public meeting and the updates are posted on WIFA's website.

Section 9: Bypass Procedures

The Fundable Range process is used to bypass projects that are not ready to proceed. In determining which projects may be included on the Fundable Range, WIFA evaluates each project for evidence of debt authorization according to A.A.C. R18-15-104. WIFA may not present an application to the Board for consideration until the applicant has provided such evidence. If sufficient funds are not available to fund all projects that are ready to proceed, WIFA will use tie breaking procedures established in A.A.C. R18-15-304.

Section 10: Sources and Uses Table

Arizona CWRF Sources & Uses for SFY 2019 (FFY 2018)			
	Federal Contributions	WIFA Revenues	Total
Funding Sources			
Fund Balance		\$ 2,774,820	\$ 2,774,820
New funds expected in SFY 2019	\$ 8,945,000	\$ 9,825,083	\$ 18,770,083
Total Funding Sources	\$ 8,945,000	\$12,599,903	\$ 21,544,903
Funding Uses			
Financial Assistance Loans	\$ 8,587,200	\$ 12,223,190	\$ 20,810,390
Technical Assistance		\$ 170,000	\$ 170,000
4% Administration	\$ 357,800	\$ 206,713	\$ 564,513
Forgivable Principal (up to \$2,683,500)			
Green Infrastructure (\$894,500)			
Total Funding Uses	\$ 8,945,000	\$ 12,599,903	\$ 21,544,903

To date in SFY 2018, WIFA has closed \$27,887,210 in CW loans and an additional \$2,500,000 in a CW loan amendment. One project received a binding commitment for \$125,000 from the Board in SFY 2018 but has not yet closed. The SFY 2019 CW PPL includes \$25,910,390 in applications. WIFA is continuing its efforts to market the programs to prospective borrowers (See Exhibit 1 – WIFA’s Marketing Strategy). Staff are in discussions regarding other CW projects that should be added to the PPL list during the year. WIFA will continue to evaluate loan demand and determine if there are appropriate bond refunding, prepayment or defeasance opportunities.

Financial Assistance Funds for Loans

Eligible projects include planning, design and construction or replacement of wastewater facilities, sewer collection systems, reclamation, recharge, nonpoint source and stormwater infrastructure. The required percentage/amount of the federal grant will be used to finance sustainable projects that emphasize water efficiency, energy efficiency, green stormwater infrastructure or other environmentally innovative activities. See the Arizona CWSRF Sources & Uses for SFY 2019 (FFY 2018) Funding Cycle Table for detail.

Section 11: Identify Types of Assistance Provided and Terms (Principal Forgiveness, Extended Terms)

Technical Assistance

Technical Assistance available from WIFA includes staff assistance and professional assistance.

Staff Technical Assistance

WIFA will use up to \$150,000 to provide staff technical assistance to borrowers. The purpose of WIFA’s Staff Technical Assistance Program is to help prepare systems for construction of capital improvement projects. Awards will be made to small or disadvantaged systems that need assistance in completing the design phase of an infrastructure project, or any system that needs assistance to comply with WIFA’s environmental review process, or to prepare a Cost and Effectiveness Analysis or Fiscal Sustainability Plan. Funds will be available for projects to be funded with a WIFA construction loan.

Professional Technical Assistance

Professional Technical Assistance includes studies, surveys and other types of reports that provide benefit to a range of wastewater systems statewide.

- WIFA will provide \$20,000 for the wastewater portion of the biennial Water and Wastewater Residential Rate Survey. This effort includes a survey of approximately 500 utilities, updates to the Rates Dashboard by the University of North Carolina's Environmental Finance Center, survey analysis and final report.
- EPA has not launched the 2016 Clean Watershed Needs Survey, therefore, WIFA has not allocated funds for the Survey. In the case that the 2016 Clean Watershed Needs Survey launches in FFY 2018, WIFA would use existing fee money to fund the Survey.

Throughout the Funding Cycle and as circumstances require, WIFA may fund additional Professional Technical Assistance projects. The Board will act to add Professional Technical Assistance projects at a public meeting of the Board.

Program Administration (4% Set-Aside plus WIFA Fees)

Section 603(d)(7) of the revised Federal Water Pollution Control Act allows the greatest of a maximum of 4% of all grant awards to such fund under this tile, \$400,000 per year, or 1/5 percent per year of the current valuation of the fund based on the most recent audited financial statements to cover the reasonable costs of administering the fund.

WIFA will use \$357,800 or 4% of the final grant amount for administrative costs. These funds will be used to pay salaries and associated expenses of program personnel devoting time to the administration of the funds.

Forgivable Principal

WIFA may provide additional subsidization in the form of forgivable principal for up to 90% of the loan amount, based on financial need and/or projects eligible under the green project reserve.

WIFA may provide a total of up to 30% of the Capitalization Grant in subsidy as principal forgiveness to projects (unless the grant requirement is higher, in which case this percentage will be adjusted accordingly).

Financial Terms of Loans

1. All loans for the financing of projects will be for a term not to exceed 30 years from loan closing date. Loan terms are not to exceed the useful life of the project.
2. Terms of financial assistance to publicly-owned wastewater systems serving disadvantaged communities are addressed in Section 7.
3. Repayment of loan principal must begin within 12 months of project completion based on the construction schedule available at the loan closing date or actual completion date or three years from the date of the loan closing, whichever is earlier.
4. Loan disbursements are to be made on a cost reimbursement basis.
5. The decision to leverage will be based on demand on the loan fund for projects to address public health concerns, market conditions and long-term impact to the fund.
6. A maximum of 30% of the FFY 2018 Capitalization Grant funds will be provided as forgivable principal (unless the grant requirement is higher, in which case this percentage will be adjusted accordingly). A minimum of 10% will be provided for green projects (water efficiency, energy efficiency, green stormwater infrastructure or other environmentally innovative activities) (unless the grant requirement is lower or higher, in which case this percentage will be adjusted accordingly).

7. Contracts for financial assistance for all CWSRF treatment works projects will require the borrower to comply with Davis-Bacon wage rates.
8. All contracts for construction financial assistance, with the exception of nonpoint source projects, will require the borrower to comply with the Use of American Iron and Steel requirements.
9. WIFA will assess income from the Standard Combined Interest and Fee Rate (CIFR) as either fee income or interest income in accordance with the following table.

Combined Interest and Fee Rate (CIFR)

Financial Structure	CIFR
Governmental	Municipal Market Data Index (MMD) multiplied by the Subsidy

Section 12: State Match Sources

As demonstrated in the Sources and Uses Table, WIFA revenues will provide match for the FFY 2018 Capitalization Grant.

Section 13: Identification of Overmatch

As of June 30, 2017, WIFA has overmatched by \$26,921,773. As of April 2018, WIFA has overmatched by \$27,597,979.

Section 14: Anticipated Cash Draw Ratio (proportionality) or Statement of Match Drawdown then Federal

With the overmatch, WIFA will draw 100% federal funds until the overmatch is depleted. Once the overmatch is depleted, WIFA will draw the state match equivalency prior to drawing federal funds.

Section 15: Estimated Disbursement Schedule

First Quarter	Second Quarter	Third Quarter	Fourth Quarter
20%	35%	35%	10%

Section 16: Identification of any Intended Transfers between Funds

WIFA currently has no planned transfers between the CWSRF and the DWSRF.

Section 17: Identification and Explanation of any Cross Collateralization

The Authority maintains the CWSRF and DWSRF as separate and distinct programs. Revenues generated by either program will remain within that program. Any transfers between funds will be temporary in nature and done only to alleviate short term cash shortages.

Section 18: Combined Interest and Fee Rate (CIFR)

WIFA Procedure has established a target CIFR ranging between 70% and 95% of the tax-exempt AAA MMD Rate for governmental entities. CIFR/subsidies on each loan will be set pursuant to the criteria below:

- Total Points;
- Local fiscal capacity of the area served by the system requesting assistance; and,
- Lending capacity of Arizona’s CWSRF.

Section 19: Fees Charged if Applicable and Uses of Fees

The Sources and Uses table demonstrates how fees will be used for SFY 2019, providing match to the federal grant through loan disbursements, administration of the SRF and technical assistance. WIFA is collecting program fees and using those for the administration of the program. WIFA is currently tracking its program income and will be reporting the revenue received and spent on its Federal Financial reports.

Section 20: Overview of Program Financial Status and Management

Based on FFY 2017's amount, the Federal Capitalization Grant for FFY 2018 is anticipated to be at least \$8,945,000.

With the FFY 2018 Federal Capitalization Grant, WIFA will have received 29 Capitalization Grants (including ARRA) totaling \$295,361,273. In addition, WIFA has received and passed through three SAAP grants totaling \$9,621,347 for a total federal investment of 32 grants totaling \$304,982,620.

The Arizona CWSRF program supports the National USEPA Strategic Plan Goal 2 (Clean and Safe Water), Objective 2.2 (Protect Water Quality), Sub-objective 2.2.1 (Improve Water Quality on a Watershed Basis). Specifically, Arizona established and is managing the revolving loan fund to finance the cost of infrastructure improvements which will achieve or maintain compliance with the Clean Water Act requirements.

All planned and prior year loans have assisted public wastewater systems and nonpoint source projects in meeting the federal and state clean water compliance requirements. Details of Arizona's CWSRF activities supporting the National USEPA Strategic Plan will be included in the CWSRF Annual Report as well as in the Clean Water Benefit Reporting system (CBR) and the Clean Water National Information Management System (CW NIMS).

Section 21: Leveraging Plan

As a matter of practice, WIFA pays close attention to its cash position and lending capacity. This practice includes reports to the WIFA Advisory Board at each Advisory Board meeting defining WIFA's current cash position and lending capacity. At this time, WIFA does not expect a Bond Issue during this fiscal year.

Section 22: Binding Commitment Schedule

When the Board approves an applicant's financial assistance request, WIFA staff prepares and circulates financial assistance (loan) documents to evidence the binding commitment in accordance with applicable federal and state requirements. Based on the PPL, WIFA expects to enter into binding commitments at 290% of the federal cap grant amount (dollars on PPL vs the federal cap grant).

Section 23: Grant Payment Schedule

WIFA will receive all payments in the first quarter available.

Sections 34-43:

These Sections are for DWSRF, not applicable to CWSRF.

Sections 24-33: Fundable List

Arizona combines the Fundable and Comprehensive lists into one list. WIFA applies all crosscutters to all CWSRF projects, with the exception of FFATA and the requirement of federal procurement processes for A/E contracts. Both are treated on an equivalency basis. The project(s) in yellow is identified as potential equivalency project(s). It is unknown at this time which projects will be awarded forgivable principal.

Arizona’s Clean Water Revolving Fund Project Priority List – SFY 2019 Funding Cycle

PPL Rank	Applicant	Population	County	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Subsidy
1	^{1,2} Marana, Town of	10,057	Pima	Adonis Sewer connection to Town of Marana Wastewater System	The Adonis neighborhood has a lagoon system which is over capacity, causing potential overflow issues. The Town of Marana will acquire funding for the maintenance and repair of the collection system within the Adonis neighborhood. The Town will also construct a new lift station for the neighborhood and transfer the flows away from the lagoons to be treated by the Marana wastewater system.	CW-001-2019	\$1,481,990 / \$1,481,990	85%
2	¹ Tri-city Regional Sanitary District	5,700	Gila	Tri-City Regional Sanitary District	Wastewater is currently being disposed into septic systems and cesspools that has caused the introduction of raw wastewater into the environment. Proposed project would benefit the area and residents by disposing and treating wastewater in a central facility.	CW-002-2019	\$6,928,400	70%
3	¹ Quartzsite, Town of	2,475	La Paz	Quartzsite Collection System Expansion	The sewer expansion will provide service to almost 200 existing residential and commercial customers within the Northwest Quadrant area and along Emilia Avenue and will eliminate the use of the existing on-site septic tank treatment systems.	CW-003-2019	\$3,400,000	80%
4	² Coolidge, City of	12,528	Pinal	Coolidge WWTP Solar Upgrades	The City is continuing the modernization efforts at their WWTP to eliminate energy inefficiencies and to provide a renewable energy source. The City will evaluate the WWTP for possible infrastructure upgrades to pumps and blowers, determine if operational changes are necessary and provide a large scale solar array.	CW-004-2019	\$1,500,000 / \$1,500,000	85%

PPL Rank	Applicant	Population	County	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Subsidy
5	^{1,2} Safford, City of	9,566	Graham	Reclaimed Water Pipeline Project - Graham County Fairgrounds	The project proposes to capture 130.5 million gallons of Class A Plus reclaimed water that is created each year but is currently not being utilized. The reclaimed water will immediately replace potable water used at city properties and recreational facilities for outdoor water use.	CW-005-2019	\$6,000,000 / \$6,000,000	85%
6	^{1,2} Winslow, City of	9,655	Navajo	Winslow Waste Water Treatment Upgrades FY19	The main sewer line needs to be realigned to remove it from underneath several residential structures in the city. The UV disinfection system and other systems and equipment are now past their useful life. Replacement of the equipment that is beyond its useful life will improve performance, efficiency and dependability, while reducing maintenance costs associated with old equipment.	CW-007-2019	\$5,100,000 / \$575,000	80%
7	Inscription Canyon Ranch Sanitary District	1,500	Yavapai	ICR Sanitary District Treatment Plant Improvements and Expansion	The plant is at 80% capacity and needs to be expanded. Project includes upgrades to portions of the existing plant, and an expansion of the plant capacity from approximately 65,000 gallons per day to 125,000 gallons per day.	CW-006-2018	\$1,500,000	85%
Total:							\$25,910,390	

¹ Eligible for disadvantaged community designation

² Eligible for Green Project Reserve

Exhibit 1 – WIFA’s Marketing Strategy

New Programs/Initiatives to market:

- Longer loan terms for CW projects
- Redesigned Technical Assistance program
- CIP Financing
- Increased amount of forgivable principal as an incentive to borrowers, to increase demand
- Expedited (Streamlined) projects/loans
- Explore the requirement for cities/towns with populations greater than 50,000 to be able to borrow from WIFA without an approval from the qualified electors versus the governing body (Council).

Approach:

- 1:1 meetings with potential borrowers
- Webinars
- Workshops
- Survey, to potentially be followed by focus groups
- Collaboration with ADEQ
- Integrate with current marketing strategies: Press releases, e-mails to distribution list, Website, factsheets or flyers, communications with RWIC partners, AWWA, ADWR, ADEQ, ACC, AZ Water, social media, presentations (consultants, conferences, etc.), and occasional booths

Immediate Action:

- Schedule 1:1 meetings
- Develop “New in 2018” e-mail
- Implement next phase of water loss control project (provide technical assistance to approximately 30 systems)
- Create flyer for Technical Assistance Program
- Develop tools/resources for American Iron and Steel and Davis-Bacon
- Create factsheet on forgivable principal
- Write press release for new rates
- Obtain additional media contacts from ADEQ and ADWR

Longer term:

- Rebrand/new logo
- Savings calculator
- Strategy for reclaimed projects (potable reuse)
- Integrate social media to website

DESCRIPTION OF KEY INITIATIVES

Longer loan terms

At its December 2017 Board meeting, the AFA Board approved a revision to Policy III.7 which establishes the standard loan term for Clean Water projects to be 30 years (not to exceed the useful life of the facilities financed). This revision makes WIFA loans more attractive and affordable to wastewater utilities.

Redesigned Technical Assistance Program

WIFA has redesigned its Planning and Design Technical Assistance Program. Previously, the program offered funds to eligible applicants for planning or design of an infrastructure project. Successful applicants received the funds and employed the services of an engineer or other consultant to complete these activities. Funds were released on a reimbursement basis as work was completed, capped at \$35,000 with a 40% local matched (waived for green projects).

The redesigned Staff Technical Assistance Program will help water and wastewater facilities develop, fund and implement capital improvement projects. Awards will be made to small or disadvantaged systems that need assistance in completing the design phase of an infrastructure project, or any system that needs assistance to comply with WIFA's environmental review process. Funds will be available for projects to be funded with a WIFA construction loan. WIFA will contract directly with the engineer or other consultant to negotiate a scope of work, time frame and cost. This is intended to ensure projects funded through the Technical Assistance Program move forward to infrastructure construction.

CIP financing initiative

WIFA is marketing its ability to fund a utility's entire CIP, through "CIP Financing" loans. This type of financing provides a stable, predictable funding source for the municipality, as well as a simplified application process. For WIFA, these CIP Financing loans provides a guaranteed source of regular disbursements that allow for reliable cash flow planning and reduces the risk of unliquidated obligations.

With CIP Financing, a borrower would submit a loan application for its entire CIP (plan for wastewater infrastructure projects). WIFA would conduct its due diligence analysis (eligibility, environmental review, TMF and legal capability and other requirements) on all the projects listed in the CIP and the loan funds would be available for any of those projects. The loan amount would be determined by what the borrower wishes to borrow and can afford and may not cover the entire cost of the CIP. The borrower has the **flexibility** to fund any (or all) of the projects in the CIP without coming back to WIFA for a new loan, or a scope change.

In the event that a particular project in the CIP is delayed or falls through, this model of financing would make it easy for the borrower to direct the funding toward any other eligible project included in the CIP. The loan period would be limited to three years, but the borrower could complete as much as it can within those three years, and then return (if needed) for another loan for the next three years of projects in the CIP.

Expedited (Streamlined) projects/loans

"Streamlined" projects are exempt from American Iron and Steel requirements and are categorically excluded from WIFA's environmental review process (assuming all work is within the original footprint). Types of projects which are considered "streamlined" include: meters, generators, pumps and drinking water treatment systems (for example, arsenic).

Survey and Focus Group

In conjunction with EPA Headquarters CW's contractor, WIFA conducted an online survey of current SRF borrowers, consultants, and communities that had never borrowed from WIFA. The survey was open from March 6 to 22, 2018. The major take-aways from the survey responses are as follows:

- The cost of funding is the primary factor considered when selecting a funding source.
- The most effective marketing messages highlight the low cost and availability of funding.

- The majority of respondents represent communities under 50,000.
- Davis-Bacon and American Iron and Steel (AIS) are the primary challenge areas.
- WIFA has a good reputation among respondents.
- The greatest needs remain in traditional projects, particularly drinking water infrastructure projects.
- The WIFA website, direct staff contacts, and workshops/conferences are the most effective ways to stay in touch with all constituencies.

WIFA will use the results from this survey to re-evaluate its offerings, adapt its marketing plan to emphasize the most effective marketing messages, and reach out to respondents.

Exhibit 2 – WIFA Green Project Reserve Marketing Plan

WIFA has made, and continues to make, a good faith effort to solicit projects to meet the green project reserve (GPR) requirement. The good faith solicitation is open to all GPR eligible projects in each of the four GPR categories.

WIFA's good faith efforts to solicit GPR projects are various and rigorous and include:

1. WIFA accepts Project Priority List applications throughout the year. This allows an applicant to submit a project application at any time for consideration by the Board of Directors; there is no deadline for loan applications.
2. WIFA incentivizes GPR projects by offering forgivable principal (up to 20% of project costs) or a reduced interest rate (up to 30 basis points) for these projects. These incentives are documented in Procedure III.20.1 - Additional Subsidy Procedure and Procedure III.7.1 – Green Project Reserve Incentive.
3. The standard presentation on WIFA's programs includes information on the GPR and incentives associated with it. Presentations are routinely made at conferences, to organizations and to potential borrowers.
4. Staff regularly meets with consultants and potential borrowers one-on-one to market the CWSRF and GPR and discuss specific projects which may qualify for the GPR.
5. WIFA's website has a page dedicated to the Green Project Reserve (<http://www.azwifa.gov/green-project-reserve/>). It includes information on eligibility as well as past business cases.
6. WIFA's social media presence (Facebook, Twitter, LinkedIn, etc.) regularly highlights the incentives available for green projects and includes press releases on loan closings.
7. All wastewater projects are required to prepare a cost and effectiveness analysis and select, to the maximum extent practicable, a project that maximizes the potential for efficient water use, reuse, recapture, and conservation, and energy conservation. This analysis of clean water projects identifies project components eligible for the GPR.

Additional efforts WIFA intends to take in SFY 2019 to solicit green projects

1. Four green projects are currently on the Clean Water Project Priority List. Together they total \$9.5 million, which will fulfill the GPR requirements for FFY16, FFY17 and FFY18.
 - a. The Town of Marana is currently on the Project Priority List requesting \$1,481,990 in WIFA funding for a green project (water efficiency). WIFA anticipates that the Town will receive a binding commitment from WIFA's Board of Directors in late June 2018 and the loan will close in SFY 2019.
 - b. The City of Coolidge is currently on the Project Priority List requesting \$1,500,000 in WIFA funding for a green project (energy efficiency). The City anticipates receiving WIFA funds in September of 2018.
 - c. The City of Safford is currently on the Project Priority List requesting \$6,000,000 in WIFA funding for a green project (water efficiency). WIFA anticipates that the City will receive a binding commitment from WIFA's Board of Directors in June 2019 and the loan will close in SFY 2020.
2. WIFA is implementing a thorough marketing strategy for SFY 2019. Many elements discussed in the Marketing Strategy (Exhibit 1) are expected to increase the demand for green projects, such as a longer loan term for Clean Water Projects and the ability to fund Capital Improvement Plans.

3. In SFY 2018 WIFA initiated a Water Loss Control Pilot Project and intends to fund Phase 2 in SFY 2019. While the project is focused on drinking water, outreach related to the pilot project drew the interest of several potential Clean Water borrowers. One green project is on the CW PPL as a result of this outreach, and WIFA is in discussions with two other communities with water/energy efficiency projects for their wastewater systems, as a result of this outreach.
4. When appropriate, WIFA will fund drinking water meter projects through the CWSRF.
5. On January 1, 2018, ADEQ's Reclaimed Water rulemaking became effective allowing for treatment of reclaimed water for potable use. Two more phases of rulemaking are underway, to revise the reclaimed water quality standards and to review the infrastructure and technology needs related to direct potable reuse. WIFA has been, and will continue to be, a stakeholder in this rulemaking process and anticipates future infrastructure projects related to direct potable reuse.
6. As described in Section 11 and in the marketing strategy, WIFA has redesigned its Technical Assistance Program. This additional assistance will act as an incentive by providing funds to assist with federal requirements associated with WIFA loans (Cost and Effectiveness Analyses and Fiscal Sustainability Plans, and Environmental Review Documents).

Green Project Reserve Marketing Efforts in SFY 2018

1. Conferences and organizations in SFY 2018 where WIFA presented about green projects include:
 - Rural Policy Forum
 - Arizona Municipal Water Users Association Workshop - Finance Group
 - Arizona Public Works Association
 - League of Cities and Towns
 - ADEQ Water Value Stream Team
 - American Council of Engineering Companies
 - Arizona Water Association Conference
2. Recent discussions with consultants and potential borrowers regarding potential GPR projects of note include:
 - Meeting with four large municipalities regarding the eligibility and incentives for funding stormwater projects
 - Meeting with a medium-sized city regarding a stormwater project impacting a landfill
 - Meeting with a medium-sized city regarding a stormwater project and related flood control through historic downtown
 - Meeting with the State Energy Program to coordinate co-funding energy audits at wastewater facilities
 - Meeting with a consulting firm regarding funding energy performance contracts for energy efficiency projects through the SRF
 - Meeting with a consulting firm regarding potential public-private water reuse opportunities
 - Meeting with an automated meter reading/automated meter infrastructure vendor to discuss meters (and ability to fund through CW)
 - Meeting with ADEQ to determine best approach to target impaired waters using CWSRF funds
3. Currently on the PPL is an application from Tri-City Improvement District to build a new wastewater treatment facility. The total amount requested is nearly \$7 million. This facility has not yet been designed, so no green components have been identified. It is expected that some project components that meet the GPR requirements will be identified as the project progresses.

4. In its FY 2018 Planning and Design Technical Assistance program, WIFA funded two green projects related to low impact development. Both projects are in the planning and design phase. WIFA is hopeful the two cities will use WIFA's resources to fund any construction related to these projects.