

Governmental Security Levels and Loan Structures

WIFA Policy #: III.11

Purpose:

To determine and establish appropriate loan security structures for governmental applicants.

Policy:

Section 1: Capability Review and Applicant Security Levels

In accordance with WIFA Policies III.7 and III.8, WIFA shall review an applicant's financial, legal, managerial, and technical capabilities in order to determine an applicant's security level. The Executive Director will select the appropriate loan structure based on the security level identified during the due diligence review. WIFA's Executive Director may rely on other variables to determine the appropriate security level including, but not limited to: loan amount, demographic analysis, and past WIFA interaction with the applicant.

WIFA's Board of Directors may direct staff to utilize a loan structure that is not specified within this policy.

Section 2: Repayment Sources, Security Levels, and Loan Structures

Governmental applicants may dedicate a variety of revenue sources to the repayment of financial assistance. Additionally, a single governmental applicant may dedicate a variety of revenue sources toward repayment of financial assistance. In light of these facts, WIFA's Executive Director will select the appropriate security level based on the dedicated source of repayment as outlined in the following tables:

- Table 1: General Obligation (G.O.)
- Table 2: System Revenues – Municipalities and Counties
- Table 3: System Revenues – Districts
- Table 4: Excise taxes
- Table 5: Special Assessments

Table 1: General Obligation Loan Security Levels

Level	Loan Structure (LS) and Capability Criteria (CC)	
1	LS	Lien Position: n/a Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: None Replacement Reserve: None Additional Repayment Pledge: None Additional Credit Enhancement: None
	CC	a. G.O. Debt rated A or higher b. Satisfactory general fund revenue and expense performance c. Significant regulatory agency compliance d. No applicant capability deficiencies
2	LS	Lien Position: n/a Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: Locally Held, unless Reserve Requirement waived by the WIFA Board Replacement Reserve: None Additional Repayment Pledge: None Additional Credit Enhancement: None
	CC	a. Performance below one of the Level 1 Capability Criteria b, c, or d
3	LS	Lien Position: n/a Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: Locally Held, Separate Account Replacement Reserve: Locally Held, Separate Account Additional Repayment Pledge: None Additional Credit Enhancement: None
	CC	a. Performance below two of the Level 1 Capability Criteria b, c, or d

Should a due diligence review reveal noncompliance and/or capability deficiencies outside of the scenarios listed in the above table, the Executive Directive will select the appropriate loan security structure.

Table 2: System Revenues – Municipalities and Counties

Level	Loan Structure (LS) and Capability Criteria (CC)	
1	LS	Lien Position: Parity or Subordinated if approved by the WIFA Board Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: None Replacement Reserve: None Additional Repayment Pledge: None Additional Credit Enhancement: None
	CC	a. Revenue Debt Rated A or Higher and/or Minimum 1.5x Historical and Projected Coverage b. Significant regulatory agency compliance c. No applicant capability deficiencies
2	LS	Lien Position: Parity Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: Locally Held Replacement Reserve: Locally Held, unless gross revenues are \$5 million or higher, then None Additional Repayment Pledge: None Additional Credit Enhancement: None
	CC	a. Minimum 1.2x Historical and Projected Coverage b. Significant regulatory agency compliance c. No applicant capability deficiencies
3	LS	Lien Position: Parity Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: Locally Held, Separate Account Replacement Reserve: Locally Held Additional Repayment Pledge: None Additional Credit Enhancement: None
	CC	a. Historical Coverage Below 1.2x for one or more years b. Minimum 1.2x Projected Coverage c. Significant regulatory agency compliance d. No additional applicant capability deficiencies
4	LS	Lien Position: Parity Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: Locally Held, Separate Account Replacement Reserve: None Additional Repayment Pledge: Excise Taxes or G.O. Additional Credit Enhancement: Intercept of state shared revenues, or None
	CC	a. Historical Coverage below 1.2x for one or more years b. Projected Coverage below 1.2x for one or more years c. Significant regulatory agency compliance d. No additional applicant capability deficiencies

Should a due diligence review reveal noncompliance and/or capability deficiencies outside of the scenarios listed in the above table, the Executive Directive will select the appropriate loan security structure.

Table 3: System Revenues – Districts

Level	Loan Structure (LS) and Capability Criteria (CC)	
1	LS	Lien Position: Parity Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: None Replacement Reserve: None Additional Repayment Pledge: None Additional Credit Enhancement: None
	CC	a. Revenue Debt Rated A or Higher and/or Minimum 1.5x Historical and Projected Coverage b. Significant regulatory agency compliance c. No applicant capability deficiencies
2	LS	Lien Position: Parity Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: Locally Held Replacement Reserve: Locally Held, unless gross revenues are \$5 million or higher, then None Additional Repayment Pledge: None Additional Credit Enhancement: None
	CC	a. Minimum 1.2x Historical and Projected Coverage b. Significant regulatory agency compliance c. No applicant capability deficiencies
3	LS	Lien Position: Parity Payment Frequency: Fixed Monthly Payments Debt Service Reserve: WIFA Held Replacement Reserve: Locally Held, Separate Account Additional Repayment Pledge: None Additional Credit Enhancement: None
	CC	a. Historical Coverage Below 1.2x for one or more years b. Minimum 1.2x Projected Coverage c. Significant regulatory agency compliance d. No additional applicant capability deficiencies
4	LS	Lien Position: Senior Payment Frequency: Fixed Monthly Payments Debt Service Reserve: WIFA Held, Funded at Closing Replacement Reserve: Locally Held, Separate Account Additional Repayment Pledge: G.O. Additional Credit Enhancement: None
	CC	a. Historical Coverage below 1.2x for one or more years b. Projected Coverage below 1.2x for one or more years c. Performance below Level 2 Capability Criteria b or c

Should a due diligence review reveal noncompliance and/or capability deficiencies outside of the scenarios listed in the above table, the Executive Directive will select the appropriate loan security structure.

Table 4: Excise Taxes

Level	Loan Structure (LS) and Capability Criteria (CC)	
1	LS	Lien Position: Parity on at least locally collected Excise Taxes Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: None Replacement Reserve: None Additional Repayment Pledge: None Additional Credit Enhancement: None
	CC	a. Minimum 2.5x Historical and Projected Coverage (Gross Revenues) b. Significant regulatory agency compliance c. No applicant capability deficiencies
2	LS	Lien Position: Parity on both locally collected and state shared Excise Taxes Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: Locally Held Replacement Reserve: Locally Held Additional Repayment Pledge: None Additional Credit Enhancement: None
	CC	a. Minimum 2.0x Historical and Projected Coverage (Gross Revenues) b. Significant regulatory agency compliance c. No applicant capability deficiencies
3	LS	Lien Position: Parity on both locally collected and state shared Excise Taxes Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: Locally Held, Separate Account Replacement Reserve: Locally Held, Separate Account Additional Repayment Pledge: None Additional Credit Enhancement: None
	CC	a. Historical Coverage Below 2.0x for one or more years b. Minimum 2.0x Projected Coverage c. Significant regulatory agency compliance d. No additional applicant capability deficiencies
4	LS	Lien Position: Senior on both locally collected and state shared Excise Taxes Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: WIFA Held, Funded at Closing Replacement Reserve: Locally Held, Separate Account Additional Repayment Pledge: G.O. Additional Credit Enhancement: Intercept of state shared revenues
	CC	a. Historical Coverage below 2.0x for one or more years b. Projected Coverage below 2.0x for one or more years c. Performance below Level 2 Capability Criteria b or c

Should a due diligence review reveal noncompliance and/or capability deficiencies outside of the scenarios listed in the above table, the Executive Directive will select the appropriate loan security structure.

Table 5: Special Assessments

Level	Loan Structure (LS) and Capability Criteria (CC)	
1	LS	Lien Position: n/a Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: None Replacement Reserve: None Additional Repayment Pledge: None Additional Credit Enhancement: None
	CC	a. Full cash value of benefiting properties = 10x Assessments b. Significant regulatory agency compliance c. No applicant capability deficiencies
2	LS	Lien Position: n/a Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: WIFA Held Replacement Reserve: None Additional Repayment Pledge: None Additional Credit Enhancement: None
	CC	a. Full cash value of benefiting properties is between 10x Assessments and 5x Assessments b. Significant regulatory agency compliance c. No applicant capability deficiencies
3	LS	Lien Position: n/a Payment Frequency: Semi-Annual CIFR; Annual Principal Debt Service Reserve: WIFA Held, Funded at Closing (statutes permitting) Replacement Reserve: Locally Held, Separate Account Additional Repayment Pledge: G.O. Additional Credit Enhancement: None
	CC	a. Full cash value of benefiting properties is less than 5x Assessments b. Significant regulatory agency compliance c. No applicant capability deficiencies

Should a due diligence review reveal noncompliance and/or capability deficiencies outside of the scenarios listed in the above table, the Executive Directive will select the appropriate loan security structure.

Responsibility: Executive Director

Statutory Reference: A.R.S. § 49-1224, § 49-1225 and § 49-1244, § 49-1245


Rule Reference: A.A.C. R18-15-104, R18-15-105, and R18-15-701

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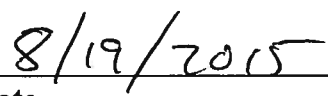
Previous Amendment Date(s): March 5, 2008; October 20, 2010

Most Recent Amendment Date: August 19, 2015 (*Replaces All Previous Versions*)

Approval:



Executive Director



Date