

Refinancing and Refunding Requests

WIFA Policy #: III.16

Purpose:

Detail pre-conditions, conditions, and criteria for the Board to consider requests from governmental applicants to refinance or refund prior debt. Detail terms and conditions to be included within financial assistance agreements if the Board agrees to refinance or refund prior debt.*

Policy:

Section 1: Applicant and Project Pre-Conditions

Unless the Board waives the pre-conditions set forth below, the Board may consider a request to refinance or refund prior debt only if all of the following pre-conditions are met:

- Request is on the CWRF or DWRF Project Priority List pursuant to A.A.C. R18-15-203 or R18-15-303.
- Request is within the CWRF or DWRF fundable range pursuant to A.A.C. R18-15-205 or R18-15-305.
- Request is related to water or wastewater infrastructure constructed with the proceeds of the prior debt.
- Refinancing or refund request will accompany a request for funding a new project on the current project priority list.

Section 2: Benefit Conditions

In addition to Section 1 and unless the Board waives the conditions set forth below, the Board may consider a request to refinance or refund prior debt only if all of the following conditions are met:

- Current debt service payments exceed 5% of current cash flows.
- Refinancing or refunding will produce net present value savings of at least 2% compared to current debt service payments.
- Refinancing or refunding will enhance security for WIFA construction-related financial assistance.
- Refinancing or refunding will improve applicant cash flows for operations, maintenance, debt service reserves, replacement reserves, or other purpose as determined by WIFA.

Section 3: Fiscal Capacity Criteria

In addition to Sections 1 and 2 and unless the Board waives the criteria set forth below, the Board may consider a request to refinance or refund prior debt based on the following fiscal capacity criteria:

- Applicant is designated as a Disadvantaged Community in accordance with Policy III.6, or
- Board determined that the current user rates/charges and current debt per capita are high relative to area median household income and compared to similar communities.

Section 4: Financial Assistance Terms and Conditions

Subject to Sections 1, 2 and 3, if the Board agrees to refinance or refund debt, the applicant must agree to the following requirements within a financial assistance agreement:

- The amortization of the refinancing or refunding will match the remaining term of the current loan to be refinanced or refunded. In any case, the refinancing or refunding will not exceed useful life of asset.
- WIFA may set the combined interest and fee rate between WIFA's cost of borrowing and the standard combined interest and fee rate as determined by WIFA Procedure III.3.1.

*** Non-governmental applicants are not eligible for refinancing or refunding.**

Responsibility: Chief Financial Officer

Statutory Reference: A.R.S. §§ 49-1223(A)(2) and 49-1243(A)(3)

Rule Reference: A.C.C. R18-15-104, R18-15-203, R18-15-205, R18-15-303, and R18-15-305

Original Issue Date: June 18, 2003

Previous Amendment Date(s): February 15, 2006, March 5, 2008

Most Recent Amendment Date: October 20, 2010 (*Replaces All Previous Versions*)

Approval:



Interim Executive Director



Date