

# **Water Infrastructure Finance Authority**

## **2008 Intended Use Plan**



**Arizona Clean Water State Revolving Fund**

## CWSRF Table of Contents

<b>I. INTRODUCTION .....</b>	<b>1</b>
<b>A. History and Legislation .....</b>	<b>1</b>
<b>B. Financial Status of the Arizona CWSRF .....</b>	<b>1</b>
<b>C. Arizona Request .....</b>	<b>1</b>
<b>II. TYPES OF PROJECTS TO BE FUNDED FROM THE VARIOUS DWSRF ACCOUNTS .....</b>	<b>2</b>
<b>A. The types of projects for which loan funds from the account for the         revolving fund are intended include: .....</b>	<b>2</b>
<b>III. CWSRF LOAN PROGRAM DESCRIPTION AND GOALS .....</b>	<b>2</b>
<b>A. CWSRF Loan Program General Information .....</b>	<b>2</b>
<b>B. Long-Term Goals .....</b>	<b>3</b>
<b>C. Short-Term Goal .....</b>	<b>3</b>
<b>IV. CWSRF SOURCES &amp; USES .....</b>	<b>4</b>
<b>A. Financial Assistance for Loans .....</b>	<b>4</b>
<b>B. Assistance to Small Systems .....</b>	<b>4</b>
<b>C. Program Administration .....</b>	<b>4</b>
<b>D. Expeditious and Timely Expenditures .....</b>	<b>4</b>
<b>E. First Use of Funds .....</b>	<b>4</b>
<b>F. Environmental Review Requirements .....</b>	<b>4</b>
<b>V. LENDING CAPACITY .....</b>	<b>4</b>
<b>VI. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS .....</b>	<b>4</b>
<b>A. Priority List (PL) .....</b>	<b>4</b>
<b>B. Priority List Updates .....</b>	<b>5</b>
<b>C. Project Readiness to Proceed .....</b>	<b>5</b>
<b>D. WIFA Loan &amp; Subsidy Rates .....</b>	<b>5</b>
<b>E. Emergency Funding .....</b>	<b>6</b>
<b>F. Binding Commitments .....</b>	<b>6</b>
<b>VII. ASSISTANCE TO PUBLIC WATER SYSTEMS SERVING DISADVANTAGED COMMUNITIES .....</b>	<b>6</b>
<b>VIII. PUBLIC REVIEW AND COMMENT .....</b>	<b>7</b>

### Table of Attachments

<b>Attachment A</b>	<b>2008 Priority List</b>
<b>Attachment B</b>	<b>Fundable Range for Design</b>
<b>Attachment C</b>	<b>Fundable Range for Construction</b>

## **I. INTRODUCTION**

### **A. History and Legislation**

Before 1987 the federal government funded wastewater infrastructure needs through a construction grants program. By 1987 it became obvious that the need for facilities was growing faster than the grants could be funded. The Water Quality Act of 1987 (Clean Water Act) attempted to address this construction facility issue by authorizing clean water revolving funds (then called state revolving funds) to be established in each state. EPA oversight under the construction grants program was replaced by state management

In 1989, the Arizona Legislator created the Wastewater Management Authority (WMA) to administer wastewater facilities dollars provided by the Clean Water Act Amendments through the State Revolving Fund (SRF). The program was established in Title 49, Chapter 2, Article 11, *Wastewater Facilities Financing*.

Passage of H.B. 2304 by the Arizona Legislature April 22, 1997, transformed the Wastewater Management Authority into the Water Infrastructure Finance Authority of Arizona (WIFA). The WIFA was charged with administering the Clean Water Revolving Fund (CWRP) [formerly the State Revolving Fund] for wastewater projects and the new Drinking Water Revolving Fund (DWRP) for drinking water infrastructure needs. The Board of Directors was expanded from seven to twelve members, including representatives from the Arizona Corporation Commission, Arizona Department of Water Resources and Tribes.

### **B. Financial Status of the Arizona CWSRF**

Since program inception, Arizona has received eighteen (18) CWSRF Capitalization Grants from EPA for a total of \$171,732,176.

The Water Infrastructure Finance Authority of Arizona (WIFA) Board of Directors is pleased to release Arizona's Clean Water State Revolving Fund (CWSRF) Intended Use Plan (IUP) for the 2008 funding cycle. The CWSRF IUP describes WIFA's plan to utilize various sources of funds to finance clean water infrastructure and support related activities during the 2008 funding cycle from January 1, 2008 through December 31, 2008.

### **C. Arizona Request**

This Intended Use Plan (IUP) is a required element of the grant application documentation to obtain the FFY 2008 grant award. Arizona herewith submits its IUP for the FFY 2008 funds available to Arizona for the purposes of continuing the development, implementation and administration of the CWSRF program in Arizona. The total available to Arizona from EPA's FFY 2008 allotment is \$7,202,000. This allotment will be matched by the 20% state match requirement of \$1,440,400. Arizona intends to use \$288,080 for program administration, leaving \$6,913,920 in federal funds for the revolving loan fund.

## **II. TYPES OF PROJECTS TO BE FUNDED FROM THE CWSRF**

### **A. The types of projects for which loan funds from the Clean Water State Revolving Fund are intended:**

1. Expansions of wastewater systems;
2. Construction of wastewater treatment plants;
3. Design of a sewer collection system;
4. Water reclamation facility expansion;
5. Construct district sewer collection systems.

## **III. CWSRF LOAN PROGRAM DESCRIPTION AND GOAL**

### **A. CWSRF Loan Program General Information:**

The Arizona CWSRF Loan Program funds publicly owned community wastewater systems. Eligible projects include expansions of wastewater systems, construction of wastewater treatment plants, design of sewer collection systems and water reclamation facilities and expansions. Loans made under the program currently have interest rates of less than 4 percent. Loan repayments to the State will provide a continuing source of infrastructure financing into the future. The program also places an emphasis on small and disadvantaged communities and on projects that emphasize prevention and sustainability.

#### **Financial Terms of Loans for Public Water System Projects:**

1. Subject to the limitation in paragraph 2 of this section, all loans for the financing of projects, will be for a term not to exceed 20 years from loan closing date, except that under some conditions, loans to disadvantaged communities for financing projects may be made for a period of up to 30 years from loan closing date;
2. Loan terms are not to exceed the useful life of the project;
3. Terms of financial assistance to public water systems serving disadvantaged communities are addressed in Section VII.
4. 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 initial principal advance, whichever is earlier;
5. Loans are to be made on a cost reimbursement basis;
6. Leveraging: The decision to leverage will be based on demand on the loan fund for projects to address health concerns, market conditions and long term impact to the fund;
7. WIFA has not implemented forgivable principle because WIFA is a leveraged program;
8. The Controller will allocate income from the Standard Combined Interest and Fee rate (CIFR) as either fee income or interest income in accordance with the table below.

**Combined Interest and Fee Rate (CIFR)**

<b>Financial Structure</b>	<b>CIFA</b>	<b>Portion of CIFR Allocated as Fees</b>	<b>Portion of CIFR Allocated as Interest</b>
Governmental Loan	*Set in accordance with Section 1 of this Procedure	1.5%	Remainder of CIFR
Linked Deposit Guarantees		Determined on a case by case basis	Determined on a case by case basis

\*Government Loan – Tax Exempt AAA Bond Rate (times) Subsidy Rate

**CW Fee Income and Uses**

<b>Fee Income</b>	<b>Interest Income</b>	<b>Technical Assistance Grants</b>	<b>ADEQ</b>	<b>Contractors</b>
\$5,928,615	\$860,924	\$400,000	\$75,000	\$75,000

**B. Long-Term Goals**

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

- Ø Award WIFA’s resources in accordance with the needs of Arizona’s citizens;
- Ø Maintain the fiscal integrity of WIFA’s funds and assure continuous enhancement for future generations;
- Ø Facilitate access to and efficiently deliver financial and technical assistance to Arizona’s drinking water facilities;
- Ø Coordinate with other funding agencies through the Rural Water Infrastructure Committee (RWIC).

**C. Short-Term Goal**

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.

- Ø Make wastewater infrastructure loans more accessible and affordable to small communities by making \$56,926,267 in funding available for below market rate interest loans.









**Attachment A:**

**2008 Funding Cycle Priority List**

**Arizona's Clean Water Revolving Fund**