

SFY 2019

# Drinking 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 Drinking Water State Revolving Fund (DWSRF) Intended Use Plan (IUP) for the State Fiscal Year (SFY) 2019 funding cycle. The DWSRF IUP describes the Water Infrastructure Finance Authority's (WIFA) plan to utilize various sources of funds to finance drinking water infrastructure and support related program 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 preliminary information received from EPA indicating that the Federal Capitalization Grant for FFY 2018 is anticipated to be close to \$20,428,000. If the final amount of the Capitalization Grant is more or less than this 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 DWSRF program in Arizona.

The Arizona DWSRF Loan Program funds publicly and privately-owned community water systems and non-profit non-community water systems. Eligible projects include treatment, transmission and distribution, source, storage, consolidation and creation of new systems. Projects to acquire land or to refinance debt obligations of publicly-owned systems may also be eligible. The program also places an emphasis on small and disadvantaged communities and on programs that address compliance and health advisories, as well as prevention and sustainability as tools for ensuring safe drinking water.

### **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. The following are the short-term goals of the loan program:

- WIFA will make drinking water infrastructure loans more accessible and affordable to small communities by subsidizing all loans;
- If available, WIFA will provide additional assistance to communities who are identified as disadvantaged as described in Section 7;
- WIFA will provide any required percentage/amount of the Capitalization Grant amount as additional subsidization in the form of forgivable principal;
- WIFA will continue to encourage borrowers to address water and energy efficiency improvements and other environmentally innovative activities.

### **Section 2: Long-Term Goals**

For the purposes of this IUP, a long-term goal 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 for 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:

- Lower interest rates for private drinking water systems and non-profits
- 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 PBR and NIMS**

WIFA agrees to enter data into PBR 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 DWSRF 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 DWSRF 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 DWSRF IUP and PPL (5:00 pm).
June 20, 2018	Advisory Board recommendation of adoption of the final draft DWSRF IUP and PPL.
June 27, 2018	Arizona Finance Authority Board of Directors’ adoption of the final draft DWSRF IUP and PPL. IUP will then be sent to EPA for final approval.
July 1, 2018	Begin implementation of the Approved DWSRF 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.

### **Section 7: Disadvantaged Community Program**

WIFA is committed to providing assistance to public water 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 DWSRF PPL.

WIFA intends on providing 20% of the capitalization grant in additional subsidy as forgivable principal to communities who cannot otherwise afford projects (including Disadvantaged Communities). WIFA’s Disadvantaged Policy allows for extended term, reduced interest 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, following a statewide solicitation for projects, WIFA develops a statewide priority list of projects. Projects are scored and ranked on the list based upon public health risk, SDWA compliance, and financial need. Projects to address health advisories are a priority for DWSRF funding, as well as projects to address MCL exceedances. Currently, WIFA’s DW PPL has ten applications totaling \$35,836,089. Staff are in discussions with communities with several potential DW 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 DW PPL by adding or deleting projects or adjusting the fundable range for design or construction projects. The decision to update the DW 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 DW PPL at a public meeting and the updates are posted on WIFA’s website. All projects must meet the applicable requirements under the Safe Drinking Water Act, 42 U.S.C. § 300f to 300j-26.

### **Section 9: Bypass Procedures and Emergency Funding 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. R18-15-204.

WIFA may approve emergency funding for eligible applicants if a declaration of emergency is made by the Governor of Arizona or the Federal Emergency Management Agency (FEMA). The term of the loan will not exceed one year and be no more than \$250,000 per emergency event.

**Section 10: Sources and Uses Table**

<b>Arizona DWSRF Sources &amp; Uses for SFY 2019 (FFY 2018 Cap Grant)</b>				
		<b>Federal</b>	<b>WIFA</b>	
		<b>Contributions</b>	<b>Revenues</b>	<b>Total</b>
<b>Funding Sources</b>				
	New funds expected in SFY 2019	\$ 20,428,000	\$ 6,580,710	\$ 27,008,710
<b>Total Funding Sources</b>		<b>\$ 20,428,000</b>	<b>\$ 6,580,710</b>	<b>\$ 27,008,710</b>
<b>Funding Uses</b>				
	Financial Assistance Loans	\$ 15,108,720	\$ 5,704,292	\$ 20,813,012
	15% Set-Aside Source Wtr Protection (ADEQ)	\$ 1,866,680		\$ 1,866,680
	15% Set-Aside Technical Assistance (WIFA)	\$ 850,000		\$ 850,000
	10% Set-Aside PWSS (ADEQ)	\$ 1,487,900		\$ 1,487,900
	4% Set-Aside Administration (WIFA)	\$ 817,120	\$ 876,418	\$ 1,693,538
	2% Set-Aside Capacity Development (ADEQ)	\$ 297,580		\$ 297,580
	Forgivable Principal \$4,085,600 (20%)			
	Green Project Reserve (voluntary)			
	Banked FFY 2014 funds** (10% to ADEQ)			
<b>Total Funding Uses</b>		<b>\$ 20,428,000</b>	<b>\$ 6,580,710</b>	<b>\$ 27,008,710</b>
<i>**ADEQ banked \$1,000,000 from the FFY 14 and \$691,300 from the FFY 13 Capitalization Grants' 10% set-aside</i>				
<i>There are no banked funds in the FFY 17 Capitalization Grant.</i>				

The Safe Drinking Water Act §1452(g) and §1452(k) allows States to set aside up to 31% of the Capitalization Grant for specific activities. These are referred to as the 2%, 4%, 10%, and 15% set-asides and are further described below. Funds not expended in these categories by the end of SFY 2019 will revert to the DW Loan Fund Account.

**15% Set-aside**

State and Federal Statutes allow setting aside up to 15% of the Federal Capitalization Grant funds to provide local assistance to water systems in Arizona. ADEQ has requested \$1,866,680 for Source Water Protection activities to protect underground sources of drinking water. WIFA will utilize \$450,000 of this set-aside as described in Section 11 below. Of this amount, \$300,000 will be provided as technical assistance, \$20,000 will support the biennial rate study and \$130,000 will support the 2019 Drinking Water Needs Survey effort.

**10% Set-aside**

State and Federal Statutes allow setting aside up to 10% of the Federal funds for the Public Water System Supervision activities. This set-aside requires an additional 1:1 match which will be provided by ADEQ Fees. ADEQ will use this funding for the PWSS Program, which encompasses all of the various activities involved in implementing the Safe Drinking Water Act requirements in Arizona. These activities include operator certification, source water assessment and protection,

development of regulatory guidance and assistance documents, assisting systems in obtaining the technical, financial, and managerial capability to comply with drinking water regulations, and technical consultations on water system and treatment system design. ADEQ is requesting \$1,487,900.

#### **4% Set-aside**

State and Federal Statutes allow setting aside up to 4% of the Federal funds for the administration of the DWSRF program. WIFA will utilize this set-aside to pay salaries and associated expenses of program's personnel devoting time to the administration of the funds as well as the necessary ancillary services performed by other agencies. These funds will also be used to procure equipment and training necessary for the adequate performance of staff. Expenses for DWSRF-related public meetings, workshops and conferences will also be paid for out of this set-aside. Funds not used immediately will be reserved for use in future years. As evidenced in the Sources and Uses Table, WIFA will provide additional program administration support through use of WIFA Fees.

#### **2% Set-aside**

State and Federal Statutes allow setting aside 2% of the Federal funds to provide local assistance to water systems in Arizona. The 2% set-aside in the amount of \$297,580 will be used by ADEQ's Capacity Development Program. ADEQ's Capacity Development Unit assists small drinking water systems, serving 10,000 or fewer people, to improve their day-to-day operation.

#### **ADEQ Drinking Water Program**

The Drinking Water program is federally mandated to ensure safe drinking water supplies for the public. Staff reviews water system construction plans, conducts compliance inspections on drinking water systems, reviews water quality monitoring data, initiates enforcement actions in response to continued or significant noncompliance, and conducts outreach to educate stakeholders on regulatory requirements. The program also evaluates source waters to ascertain their susceptibility to contamination, promotes voluntary community programs aimed at protecting aquifers for drinking water use, and administers the monitoring assistance program to assist public water systems in complying with monitoring requirements under the federal Safe Drinking Water Act.

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

WIFA provides low interest loans for projects eligible under the Safe Drinking Water Act. Eligible projects include treatment, transmission and distribution, source, storage, consolidation and creation of new systems. Projects to acquire land or to refinance debt obligations of publicly-owned systems may also be eligible.

- Subject to the limitation that loan terms are not to exceed the useful life of the project, all loans for the financing of projects will be for a term not to exceed 20 years from loan closing date; except that under certain conditions (including loans to Disadvantaged Communities) project financing may be made for a period of up to 30 years. WIFA may provide additional subsidization to projects for communities who cannot otherwise afford the projects. WIFA intends on providing 20% 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).

WIFA also provides the following types of Technical Assistance:

**Professional Technical Assistance** – Professional Technical Assistance includes studies, surveys and other types of reports that provide benefit to a range of drinking water systems statewide. Additional funds may also be used to provide technical, managerial and financial capacity development assistance.

- WIFA will provide \$20,000 for the drinking water 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.
- WIFA has budgeted \$130,000 to complete the 2019 Drinking Water Needs Survey. This survey effort includes travel, training, one-on-one consultation with the approximately 40 systems selected to participate, data review and consultation with EPA’s contractor, and participation in EPA’s preparation of the Report to Congress.
- WIFA intends to provide up to \$400,000 of Drinking Water Fees or Set-Asides to fund a Water Loss Control Program. This Program will build on the successful Water Loss Control Pilot Project WIFA initiated in SFY 2018. With these funds, WIFA anticipates it will be able to provide technical assistance and hands-on training to approximately 25 utilities selected from around the state to implement the AWWA’s M36 Water Loss Methodology.

**Staff Technical Assistance** - WIFA will use up to \$300,000 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. Funds will be available for projects to be funded with a WIFA construction loan.

**Financial Terms of Loans**

1. 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.
2. Loan disbursements are to be made on a cost reimbursement basis.
3. 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.
4. 20% 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).
5. All contracts for DWSRF construction financial assistance will require the borrower to comply with the Davis-Bacon Act regardless of the source of funding.
6. All contracts for DWSRF construction financial assistance will require the borrower to comply with the Use of American Iron and Steel as described in WIFA’s Capitalization Grant regardless of the source of funding, if required as part of the FFY 2018 Capitalization Grant.
7. 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)**

<b>Financial Structure</b>	<b>CIFR</b>
Governmental and Non-Profit (501(c)(3))	Municipal Market Data Index (MMD) multiplied by the Subsidy
Non-Governmental	Taxable-equivalent to 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**

Through April 2018, WIFA has overmatched the federal grants when viewed in a cumulative perspective by \$4,933,480 (through June 30, 2017 the overmatch was \$3,860,723).

**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 and non-profits, and the taxable-equivalent to MMD for non-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 DWSRF.

**Section 19: Fees Charged if Applicable and Uses of Fees**

Section 11 describes how fees are charged. The Sources and Uses table demonstrates how fees will be used for SFY 2019, providing match to the federal grant and administration of the SRF.

WIFA also intends to provide up to \$400,000 of Drinking Water Fees or Set-Asides to fund a Water Loss Control Program as described in Section 11.

**Section 20: Overview of Program Financial Status and Management**

Based on preliminary information received from EPA, the Federal Capitalization Grant for FFY 2018 is anticipated to be close to \$20,428,000.

The Arizona DWSRF program supports the EPA Strategic Plan Goal 2 (Clean and Safe Water), Objective 1 (Protect Human Health), Sub-objective 1 (Water Safe to Drink) listed below. Specifically, Arizona

established and is managing the revolving loan fund to make low cost loans and other types of assistance to water systems to finance the cost of infrastructure projects to achieve or maintain compliance with Safe Drinking Water Act requirements. Arizona DWSRF activities support USEPA Program Reporting Measure SDW-04 Fund Utilization and SDW-05 DWSRF projects that have initiated operations.

All planned and prior year loans have assisted public water systems in meeting the federal and state drinking water compliance requirements. Details of Arizona’s DWSRF activities supporting EPA’s Strategic Plan will be included in the DWSRF Annual Report as well as in the Drinking Water National Information Management System (DW NIMS), Drinking Water Project Benefit Reporting System (PBR); and the Federal Funding Accountability and Transparency Act (FFATA) Reporting System.

Measure	Measure Text	National Planning Target	Arizona Target
SDW-04	Fund utilization rate [cumulative dollar amount of loan agreements divided by cumulative funds available for projects] for the DWSRF	89%*	90%
SDW-05	Number of DWSRF projects that have initiated operations (cumulative)	9,200	260

\* Data from Office of Water: FY 2018-2019 National Water Program Guidance, at the following link: <https://www.epa.gov/planandbudget/final-fy-2018-2019-national-water-program-guidance>

**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 of Directors 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 DW PPL, WIFA expects to enter into binding commitments at 175% (dollars on PPL vs. the federal cap grant). WIFA is currently in discussions with numerous borrowers on potential projects that will be added to the SFY 2019 PPL as the year progresses. See also Exhibit 1 for WIFA’s Marketing Strategy. WIFA’s process is to accept PPL applications throughout the fiscal year instead of locking the PPL at the beginning of the year.

**Section 23: Grant Payment Schedule**

WIFA will receive all payments in the first quarter available.

**Sections 24-33: (These Sections are for CWSRF)**

These Sections are for CWSRF, not applicable to DWSRF.

**Section 34-43: Fundable List**

Arizona combines the Fundable and Comprehensive lists into one list. WIFA applies all crosscutters to all DWSRF projects with the exception of FFATA. FFATA is treated on an equivalency basis. At this time, which projects WIFA will report for FFATA is unknown. It is unknown at this time which projects will be awarded forgivable principal.

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

PPL Rank	Applicant	Population	County	PWS Number	Project Name	Description	Project Number	Amount Requested	Subsidy
1	Adaman Mutual Water Company Inc	750	Maricopa	AZ0407001	Reservoir	Low reservoir capacity. New larger storage capacity.	DW-001-2019	\$1,000,000.00	85%
2	Sun Valley Farms Unit VI Water Company Inc.	400	Pinal	AZ0411111	Nitrate compliance treatment plan	System is out of compliance with ADEQ and EPA with high nitrates in drinking water. Increasing the pumping capacity, pumping efficiency and the well output and storage will bring nitrate levels down to meet state and Federal guidelines.	DW-002-2019	\$100,000.00	85%
3	<sup>1</sup> Marana Domestic Water Improvement District	2,023	Pima	AZ0410139	Water System Improvement Project	The District will install replacement piping, system valves and hydrants to improve its failing distribution system. The project will also include meter replacement, inspection and rehab of system wells, well site upgrades, an interconnection between its two systems, and construction of a utility operations building.	DW-003-2019	\$8,773,000.00	80%
4	Lyn-Lee Water Company	90	Pima	AZ0410007	Water Storage	The system is in need of water storage and electrical updates to comply with ADEQ.	DW-004-2019	\$40,000.00	85%

PPL Rank	Applicant	Population	County	PWS Number	Project Name	Description	Project Number	Amount Requested	Subsidy
5	<sup>1</sup> Williams, City of	3,256	Coconino	AZ0403026	Dogtown Transmission Lines & Storage	Replace eight miles of 70 year old pipeline with a dual line to separate the raw lake water supply from the well water supply. The new pipeline configuration would save the City on raw water losses of the aging pipes, and enable the City to by-pass the water treatment plant and the main pump station for the well water supply.	DW-010-2019	\$15,000,000.00	80%
6	<sup>1</sup> Tonto Village Water Company, Inc.	185	Gila	AZ0404023	System Improvements	Project will replace old service lines and meters.	DW-005-2019	\$605,300.00	80%
7	<sup>1</sup> Lazy C Water Service	400	Pima	AZ0410065	Lazy C Water Well Transmission and Water Storage Upgrade	The project will install a direct connection from the primary well to the primary storage facility, constructing a direct connection from the supplemental City of Tucson connection to the primary storage facility, upgrading old pipes/valves, replacing a failing storage tank and replacing meters.	DW-006-2019	\$229,712.00	80%
8	Florence, Town of	19,500	Pinal	AZ0411017	Florence High Priority Water Projects	Florence has aging water infrastructure contributing to water losses of 10% and increasing. They will replace many water lines in high priority areas in downtown Florence, around Florence High School, and other locations. Florence will also install water meters to automate use monitoring and billing.	DW-007-2019	\$5,000,000	85%

PPL Rank	Applicant	Population	County	PWS Number	Project Name	Description	Project Number	Amount Requested	Subsidy
9	Appaloosa Water	500	Yavapai	AZ0413208	Water Supply and Pressure	Two 10HP booster pumps and panels will be replaced with two 20HP booster pumps and panels with variable drives. The 4 inch suction line will be replaced with a new 6 inch suction line. The 100HP fire pump panel will be replaced with a 100HP VFD panel and transducer. These equipment changes will provide needed drinking water at appropriate pressures.	DW-008-2019	\$75,000.00	85%
10	<sup>1</sup> Safford, City of	18,900	Graham	AZ0405005	Water Infrastructure Improvements	The City is requesting loan funding for Capital Improvement Projects planned for Fiscal Year 2018 to design and construction of water renewal and upgrade projects. The proposed projects include realignment/relocation of existing mains, upgrades, and well building rehabilitations.	DW-009-2019	\$5,000,000.00	85%

**Total:** **\$35,836,089.00**

<sup>1</sup> Eligible for disadvantaged community designation

**Section 44: IUP Includes Set-Asides Taken and Authority to be Banked if Applicable**

See Sources and Uses Table for Set-Aside budgeted for FFY 2018.

**Section 45: IUP Includes Uses of the Set-Aside Funds and Expected Timeline of Expenditure**

Section 10 describes the uses of the set-aside funds. ADEQ provides a timeline in a separate work plan for their portion.

**Section 46: IUP Includes Expected Outcomes of the Set-Aside Funds**

Provided by ADEQ under separate cover.

## **Exhibit 1 – WIFA’s Marketing Strategy**

### **New Programs/Initiatives to market:**

- Lower interest rates for private drinking water systems and non-profits
- Redesigned Technical Assistance program
- CIP Financing
- 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 25 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

## **DESCRIPTION OF KEY INITIATIVES**

### **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 water 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 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.