

# **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 (CWRF) [formerly the State Revolving Fund] for wastewater projects and the new Drinking Water Revolving Fund (DWRF) 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 principal 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:

- 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;
- Facilitate access to and efficiently deliver financial and technical assistance to Arizona’s clean water facilities;
- 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.

- 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.

## IV. CWRP SOURCES & USES

**Table 1: Arizona CWRP Sources & Uses for 2008 Funding Cycle**

	Federal Contributions	State Contributions*	WIFA Revenues	WIFA Loan Accounts	Total
<b>Funding Sources</b>					
Financial Assistance Funds**	\$ -	\$ -	\$ 400,000	\$ 48,571,947	\$ 48,971,947
2008 Funds	\$ 7,202,000	\$ 1,440,400		\$ -	\$ 8,642,400
<b>Total Funding Sources</b>	<b>\$ 7,202,000</b>	<b>\$ 1,440,400</b>	<b>\$ 400,000</b>	<b>\$ 48,571,947</b>	<b>\$ 57,614,347</b>
<b>Funding Uses</b>					
Financial Assistance Loans	\$ 6,913,920	\$ 1,440,400		\$ 48,571,947	\$ 56,926,267
Technical Assistance Grants			\$ 400,000		\$ 400,000
Administration	\$ 288,080	\$ -		\$ -	\$ 288,080
<b>Total Funding Uses</b>	<b>\$ 7,202,000</b>	<b>\$ 1,440,400</b>	<b>\$ 400,000</b>	<b>\$ 48,571,947</b>	<b>\$ 57,614,347</b>

\* State match can be either WIFA bonds or state general fund monies.  
 \*\* During the funding cycle, WIFA may sell water quality revenue bonds of which the proceeds will be used to increase WIFA's lending capacity

### A. Financial Assistance for Loans: \$56,926,267

Eligible projects include construction and/or replacement of wastewater facilities, system expansions, design of sewer collection systems, reclamation and recharge systems.

### B Assistance to Small Systems: \$400,000

WIFA uses \$400,000 of revenue from fees for Technical Assistance grants to small systems. WIFA's outreach program is also directed towards small systems. WIFA directs funding to small systems by convening meetings of the \*Rural Water Infrastructure Committee (RWIC) in rural areas of Arizona. WIFA has developed and maintains a RWIC web site that enables the small system to submit a summary of their needs and the RWIC committee members respond to the system if they have a program that will address their need. There are many times when WIFA along with a RWIC funding partner are both able to help the system with financial and/or technical assistance.

\*Arizona's RWIC (Rural Water Infrastructure Committee) is composed of representatives from various federal and state agencies with loan, grant and technical assistance programs

### C. Program Administration: \$288,080

Four percent of the grant will be used to pay salaries and associated expenses of programs personnel devoting time to the administration of the funds.

**D. Expeditious and Timely Expenditures** – In accordance with 40 CFR 35-3135 (d), WIFA will expend CWRP funds in a timely and expeditious manner.

**E. First Use of Funds** – In accordance with 40 CFR 35-3135 WIFA will continue to conduct environmental reviews pursuant to applicable federal and state statutes and rules.

**F. Environmental Review Requirements** – In accordance with 40 CFR 35-3135, WIFA will continue to conduct environmental reviews pursuant to applicable federal and state statutes and rules.

## V. LENDING CAPACITY

During the 2008 funding cycle, the lending capacity of Arizona's CWSRF will depend on the:

1. Amount of state contributions to Arizona's CWSRF;
2. Amount of federal contributions to Arizona's CWSRF;
3. Financing structure needs of communities;
4. Interest rate on the CWSRF financial assistance;
5. WIFA's ability to partner with other funding sources to jointly-finance projects;
6. Leveraging capability of fund.

## VI. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

**A. Priority List (PL) Exhibit A** – On an annual basis, following a statewide solicitation for projects, WIFA develops a statewide priority list of water projects. For funding cycle 2008 WIFA received 13 project priority list applications totaling \$240,306,662.

**Fundable Range for Design, Exhibit B** – Includes the highest ranking applicants ready to receive design assistance during the funding cycle.

**Fundable Range for Construction, Exhibit C** – Includes the highest ranking applicants ready to receive construction assistance.

**B. Priority List Updates** The WIFA Board of Directors may update the CWSRF-PL by adding or deleting projects or adjusting the fundable ranges for design or construction projects. The decision to update the CWSRF-PL may be based on a projects' readiness to proceed, refined project cost estimates, availability of other funding sources or other new information affecting the expansion or contraction of the PL and fundable ranges. The WIFA Board of Directors will adopt the updated CWSRF PL at public meetings and the updates will be posted on the WIFA web site.

**C. Project Readiness to Proceed: WIFA considers a project "ready to proceed" when the following criteria are met:**

1. Approved debt authorization has been received by WIFA
2. Plans and specifications are received by WIFA
3. All local and state permits are issued
4. Construction bid/bids awarded

**D. WIFA Loan & Subsidy Rates** – The WIFA Board of Directors has established a target interest rate ranging between 70% and 95% of tax-exempt AAA Bond Rate. The subsidy rate is based on the local fiscal capacity which is measured by the area's median household income, user rates and charges, the community's outstanding and proposed debt and cost effectiveness of project. Interest rates/subsidies on individual loans will be set pursuant to the criteria below:

- ✓ Priority of the project;
- ✓ Local fiscal capacity of the area served by the system requesting assistance; and,
- ✓ Lending capacity of Arizona's CWSRF.

**E. Emergency Funding**

WIFA can provide up to \$250,000 for emergency funding under the criteria set forth in Policy 1.019 below:

**Eligible Applicants**

- Cities
- Towns
- Tribes
- Counties
- Municipal Improvement Districts

**Required Conditions**

- The term of the loan does not exceed one year.
- The dollar amount of the loan does not exceed two hundred fifty thousand dollars (\$250,000) per borrower, per emergency event.
- The purpose of the loan is to provide assistance for designing, redesigning, engineering, reengineering, constructing or reconstructing water or wastewater systems that have failed as the result of a disaster, a natural disaster or a catastrophic event.
- The disaster, natural disaster or catastrophic event is memorialized in a declaration of emergency by the governor or the federal emergency management agency.

**F. Binding Commitments** – If the WIFA Board of Directors approves an applicant’s financial assistance request, WIFA staff will prepare and circulate financial assistance (loan) documents to evidence the binding commitment in accordance with applicable federal and state requirements.

**VII. ASSISTANCE TO PUBLIC WATER SYSTEMS SERVING DISADVANTAGED COMMUNITIES**

**A. Disadvantaged Community WIFA Policy 1.012:**

The WIFA Board may designate an entity a “Disadvantaged Community” if the entity fails to meet the 1.2 debt service coverage, and

- The applicant’s project is above the 50 percentile on the DWRF or the CWRP Project Priority List, and
- WIFA awarded the applicant 50 or more Local Fiscal Capacity points on the DWRF or the CWRP Project Priority List, or
- The Community is a designated “Colonia” Community through the federal government.
- WIFA may reduce the combined interest and fee rate (CIFR) and/or extend the loan term up to 30 years for a “Disadvantaged Community.”

### **VIII. Public Review and Comment**

Public review and written comment period will be conducted from November 30, 2007 thru December 13, 2007.

WIFA will solicit public review and comment on the draft 2008 CWSRF IUP and PL according to the following schedule:

November 30, 2007	Distribution and Web posting of the draft CWSRF IUP and PL to all interested parties.
December 13, 2007	Public Hearing – 1110 West Washington, Room 130, Phoenix, Arizona 85007 from 1:00 P.M. to 2:00 P.M.
December 13, 2007	Deadline for public comments on the draft CWSRF IUP and PL.
December 19, 2007	The WIFA Board of Directors adopts the final CWSRF IUP and PL.
January 2, 2008	Final CWSRF IUP and PL become effective. Distribution and Web posting of final CWSRF IUP and PL.

**Attachment A:**

**2008 Funding Cycle Priority List**

**Arizona's Clean Water Revolving Fund**

**Arizona's Clean Water Revolving Fund**  
**2008 Funding Cycle - Priority List for Clean Water Revolving Fund**  
**Prepared Date: 11/28/2007**

<b>Rank</b>	<b>Applicant</b>	<b>Population</b>	<b>Project Title</b>	<b>Project #</b>	<b>Amount Requested</b>	<b>Subsidy Rate Index</b>
1	Lake Havasu City	22,500	Wastewater System Expansion	005 2008	\$73,831,525.00	75%
2	Kingman, City of	2,750	Downtown WWTP upgrade	011 2008	\$12,000,000.00	75%
3	Yavapai-Apache Nation	2,000	Tunlii and Clarkdale Infrastructure	010 2008	\$8,521,940.00	70%
4	Buckskin Sanitary District	1,616	Phase 2 and 3 Area Sewer Expansion	003 2008	\$250,000.00	70%
5	Sahuarita, Town of	8,537	Wastewater Facility Expansion: Phase II	007 2008	\$25,000,000.00	80%
6	Mogollon Domestic Wastewater Improvement District	120	Design Sewer Collection System	001 2008	\$52,500.00	75%
7	Kingman, City of	14,000	Hilltop WWTP Expansion and Upgrades	013 2008	\$35,000,000.00	80%
8	Yuma County Improvement District #07-09	5,000	Avenue B&C Colonia Sewer Project	009 2008	\$700,000.00	70%
9	Fawnbrook Domestic Wastewater Improvement District	350	District Sewer Collection System	002 2008	\$2,500,000.00	80%
10	Ash Fork Sanitary District	650	Ash Fork Sanitary District	004 2008	\$2,533,697.00	80%
11	Town of Cave Creek	5,000	Cave Creek Water Ranch Water Reclamation Facility	012 2008	\$22,917,000.00	90%
12	Eagar, Town of	4,435	Sewer Expansion Project	008 2008	\$2,000,000.00	80%
13	Casa Grande, City of	38,445	Water Reclamation Facility Expansion	006 2008	\$55,000,000.00	90%

**Total:**

**\$240,306,662.00**

**Attachment B:**

**2008 Funding Cycle Priority List**

**Arizona's Clean Water Revolving Fund**

**Arizona's Clean Water Revolving Fund**  
**2008 Funding Cycle - Fundable Range for Design Financial Assistance**  
**Prepared Date: 11/28/2007**

<b>Fundable Range Rank</b>	<b>Applicant</b>	<b>Population</b>	<b>Project Title</b>	<b>Project #</b>	<b>Amount Requested</b>	<b>Subsidy Rate Index</b>
1	Buckskin Sanitary District	1,616	Phase 2 and 3 Area Sewer Expansion	003 2008	\$250,000.00	70%
2	Mogollon Domestic Wastewater Improvement District	120	Design Sewer Collection System	001 2008	\$52,500.00	75%
3	Yuma County Improvement District #07-09	5,000	Avenue B&C Colonia Sewer Project	009 2008	\$700,000.00	70%

**Total:**

**\$1,002,500.00**

**Attachment C:**

**2008 Funding Cycle Priority List**

**Arizona's Clean Water Revolving Fund**

**Arizona's Clean Water Revolving Fund**  
**2008 Funding Cycle - Fundable Range for Construction Financial Assistance**  
**Prepared Date: 11/28/2007**

<b>Fundable Range Rank</b>	<b>Applicant</b>	<b>Population</b>	<b>Project Title</b>	<b>Project #</b>	<b>Amount Requested</b>	<b>Subsidy Rate Index</b>
1	Yavapai-Apache Nation	2,000	Tunlii and Clarkdale Infrastructure	010 2008	\$8,521,940.00	70%
2	Lake Havasu City	22,500	Wastewater System Expansion	005 2008	\$73,831,525.00	75%
3	Sahuarita, Town of	8,537	Wastewater Facility Expansion: Phase II	007 2008	\$25,000,000.00	80%
4	Kingman, City of	14,000	Hilltop WWTP Expansion and Upgrades	013 2008	\$35,000,000.00	80%
5	Town of Cave Creek	5,000	Cave Creek Water Ranch Water Reclamation Facility	012 2008	\$22,917,000.00	90%
6	Eagar, Town of	4,435	Sewer Expansion Project	008 2008	\$2,000,000.00	80%

**Total:**

**\$167,270,465.00**