

Show Me the Money: Accessing Funding through Federal Programs

In the Know Webinar
February 17, 2022



Agenda

- Introduction
- Overview of Federal Funding Opportunities
- Benefits of WIFIA Financing – San Mateo Case Example
- Benefits of State Revolving Fund (SRF) Financing



Speakers

Moderator:

- **Mike Matichich**, Lead for Jacobs Financial Consulting Team

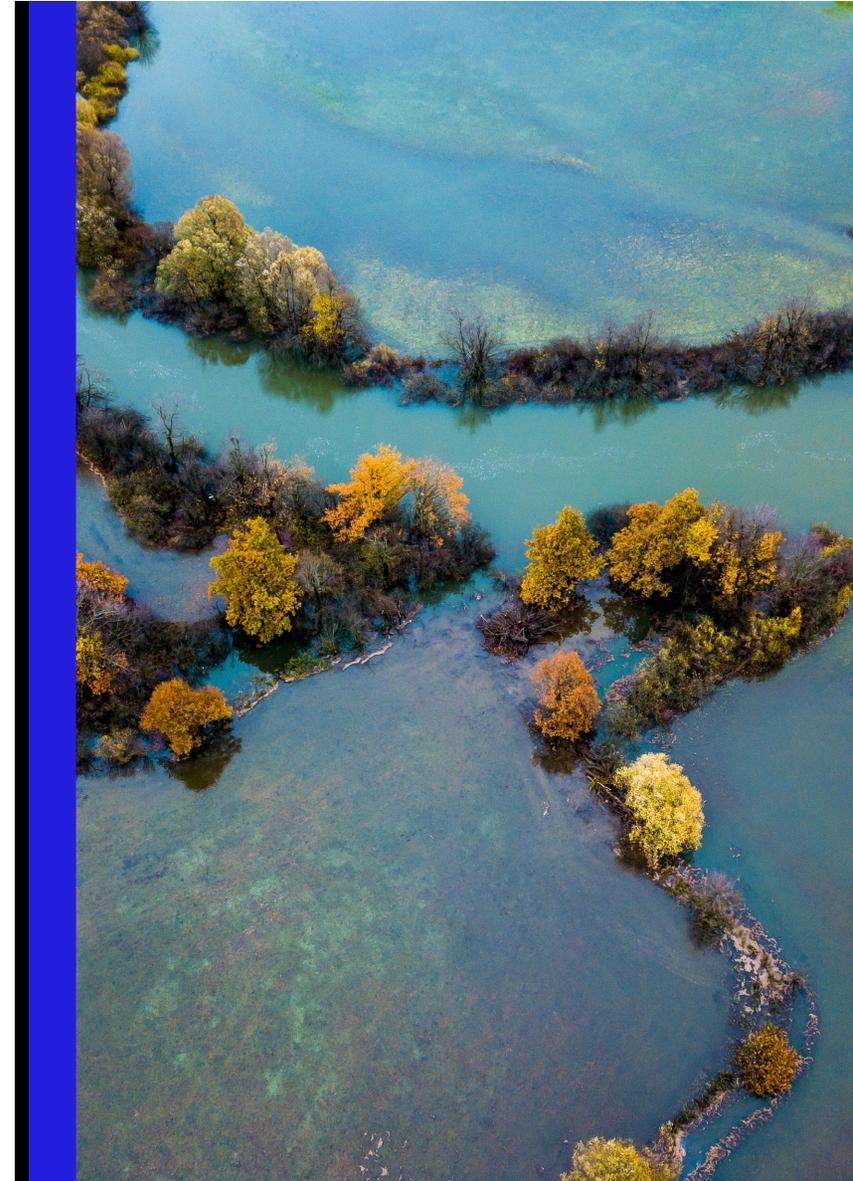
Panelists:

- **Anna James**, Jacobs Senior Project Manager
- **Marnin Lebovits**, USEPA Senior Underwriter for WIFIA Program
- **Jason Bodwell**, Jacobs Client Account Manager (Georgia)
- **Dave Green**, Jacobs Senior Economist
- **Russell Koff**, Jacobs Infrastructure Funding & Grants Lead



The pandemic economy of the last couple of years has increased the backlog of urgent capital projects for most water and wastewater utilities to address

- Compliance requirements
- Renewal and replacement of aging assets
- Climate adaptation and readiness needs
- Customer service needs
- System growth and development needs



Fortunately, there are new financing options and new twists on old favorites to help fund your needed capital program needs

Overall Funding Program

Federal
& State
Loan Programs

Federal
Grant
Programs

Other
Grant
Programs

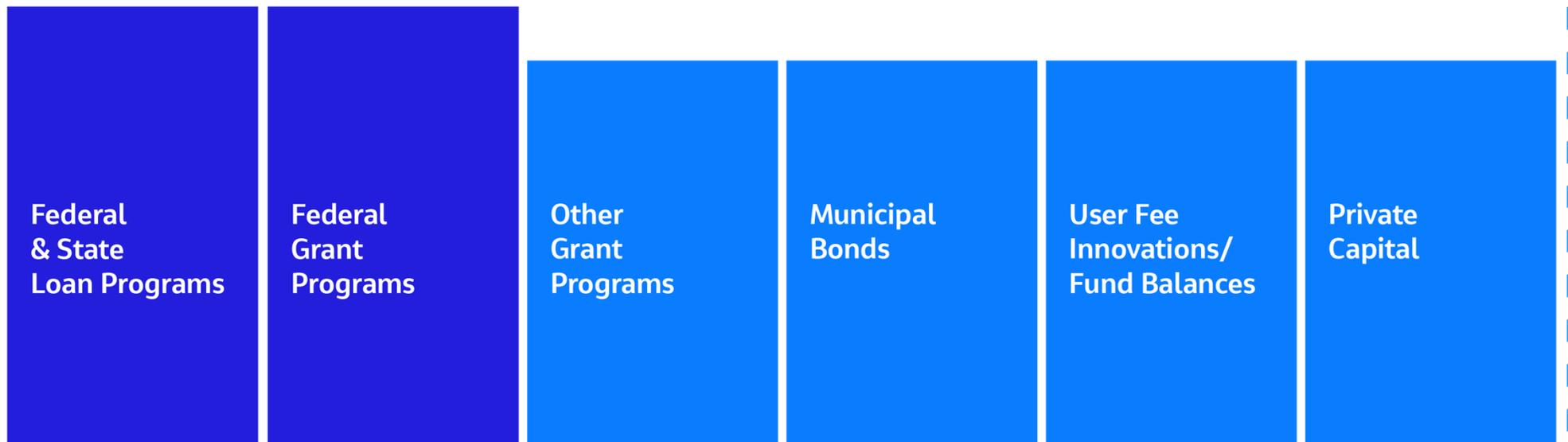
Municipal
Bonds

User Fee
Innovations/
Fund Balances

Private
Capital

In today's session, we are focusing on the new water funding programs and expanded contributions made to existing programs through the recent Federal stimulus legislation.

Overall Funding Program



We've assembled a program of experts to define the new water funding landscape, including case studies that show successful use of the Federal and state financing programs.



Overview of Federal Funding Programs for Water Infrastructure Projects

Mike Matichich

Unprecedented Opportunities for Water, Wastewater, and Stormwater Project Funding & Financing

- Grant & Loan Programs created by the Infrastructure Investment & Jobs Act
 - Safe Drinking Water
 - Clean Water
 - Resilience
 - Western Water
- American Rescue Plan State & Local Funding
- State Revolving Funds
- EPA WIFIA Financing



Infrastructure Investment & Jobs Act Water Funding Programs

Lead Pipe Replacement - \$15B

Lead service line replacement projects, including identification, planning, design, and replacement of lead lines

Emerging Contaminants (Including PFAS) Projects - \$10B

Projects can include improving drinking water treatment, fixing leaky pipes, and replacing or constructing finished storage tanks

Assistance for Small and Disadvantaged Communities - \$510M

Safe drinking water infrastructure, including point-of-entry or point-of-use filters and filtration systems for small and disadvantaged communities



Infrastructure Investment & Jobs Act Water Funding Programs

Sewer Overflow and Stormwater Reuse Municipal Grants - \$1.4B

Planning, construction and design of treatment works for municipal combined sewer overflows, sanitary sewer overflows, or stormwater, and any measures to manage, reduce, or recapture stormwater or subsurface drainage

Wastewater Efficiency Grant Pilot Program - \$100M

New pilot grant program for publicly owned treatment works to create or improve waste-to-energy systems



Infrastructure Investment & Jobs Act Water Funding Programs

Clean Water Infrastructure Resilience & Sustainability Grant Program - \$125M

New program for planning, design, or construction of resilience projects including stormwater or wastewater management with green infrastructure or adapting systems that face risks from natural hazards

Drinking Water System Infrastructure Resilience and Sustainability Grant Program - \$375M

Two new programs, one for small and disadvantaged systems, and one for midsize and large systems. Both support public water systems to implement resilience projects, including water conservation, desalination, watershed management, as well as projects that address cybersecurity vulnerabilities.



Infrastructure Investment & Jobs Act Water Funding Programs

FEMA Building Resilient Infrastructure for Communities - \$5B

Resilient infrastructure projects to address repetitive losses and protect community lifelines.

FEMA STORM Act Loans - \$500M

Revolving Loan Funds to provide hazard mitigation assistance to local governments that have received a disaster declaration in the past.

HUD Community Development Block Grants (CDBG), Mitigation

Grants to areas that have suffered recent disasters to mitigate risks and reduce the impact of future disasters. Supports activities that increase resilience to disasters and reduce or eliminate the risk of loss of life, injury, and property damage.



Infrastructure Investment & Jobs Act Water Funding Programs

Bureau of Reclamation Programs for Eligible Western States

Water Storage, Groundwater Storage & Conveyance Projects - \$1.15B

Grants to plan and construct small surface water and groundwater storage projects

Aging Infrastructure – \$3.2B

Funding to address rehabilitation and replacement of aging water infrastructure across the West

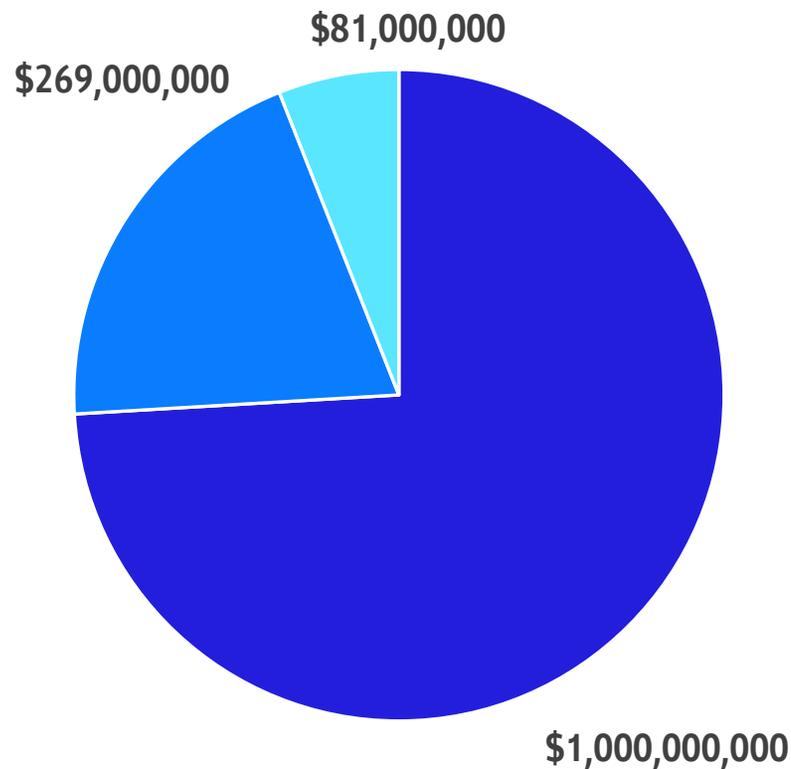
WaterSMART Water and Energy Efficiency Grants – \$400M

Grants for water conservation, and projects that increase the use of renewable energy and improve energy efficiency



American Rescue Plan Funding

- Flexible funding for water, wastewater and stormwater infrastructure
- Available to local jurisdictions as well as via state apportionments



- Non-Competitive Grants
- State Strategic Projects
- Administration (State) (Up to 6%)

Poll Question:
Which of these grant programs are you likely to apply to in the next 12 months if they are opened for competition? (check all that apply)

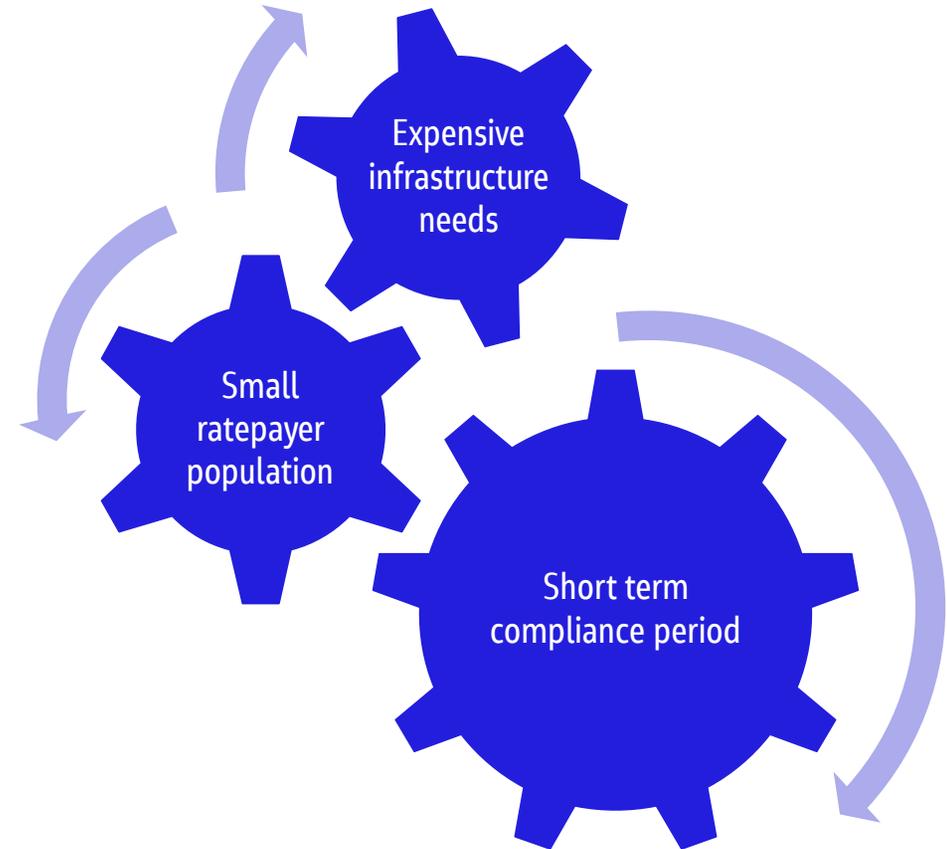
- Lead Pipe Replacement Program
- Emerging Contaminants (including PFAs)
- Sewer Overflow and Stormwater Reuse Municipal Grants
- FEMA Resilience Grants
- Bureau of Reclamation Western Water Grants

Benefits of WIFIA Financing – San Mateo Case Example

Anna James (Jacobs)
and Marnin Lebovits (US EPA WIFIA Program)

San Mateo Clean Water Program – Key Drivers

- Approximately \$1b in Capital Improvement investment over 10 years in City of San Mateo and Foster City
- Short-term compliance period dictated by regulatory drivers
- Large projects implemented in 5-10 yrs
- Small ratepayer population
- Sewer system serves ~170k



Programmatic Approach

Key Program Focus Areas

1. Innovative approach (tech and programmatic delivery)
2. Strong financial security and funding approaches
3. Support from residents and elected officials

Jacobs has provided Program Management Services since 2014 and has helped with various funding strategy development and loan applications



WIFIA Loans for the CWP's Two Largest Projects

Loans 1 & 2 – the WWTP Upgrade and Expansion
(jointly funded with Foster City)



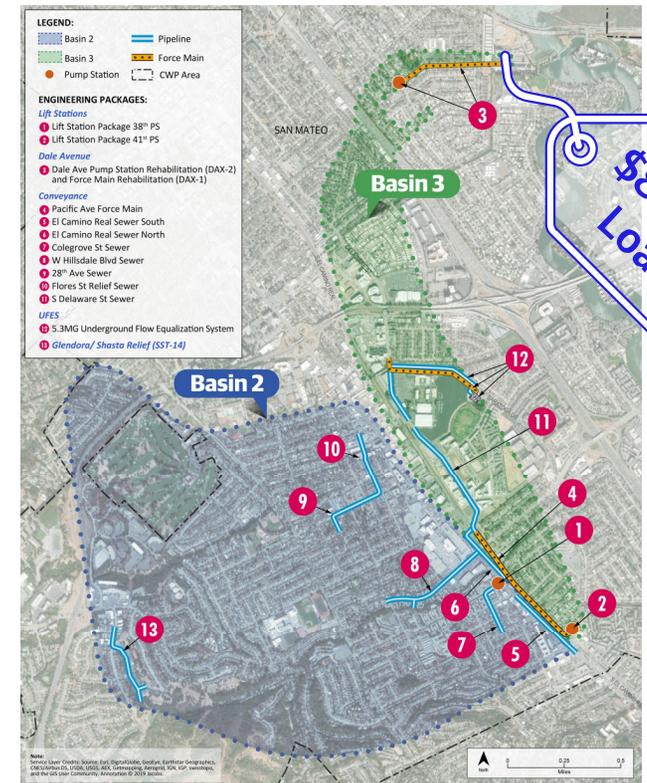
Wastewater Treatment Plant
Upgrade and Expansion Project

- 1 Headworks • 78 mgd
- 2 Primary Clarifiers • 42 mgd
- 3 BioActiflo • 39 mgd
- 4 Biological Nutrient Removal • 42 mgd (BNR)
- 5 Membrane Bioreactor • 42 mgd (MBR)
- 6 Administration and • 15,170 sf Control Building
- 7 Flow Equalization Basins • 5 Mgal
- 8 Maintenance Warehouse • 4,000 sf
- 9 Odor Control • --
- 10 Chemicals Storage and Feed • --
- 11 Existing Disinfection Improvements • --

FACILITY • PEAK CAPACITY



Loan 3 – Basin 2 & 3 Collection System Improvements



- LEGEND:**
- Basin 2
 - Basin 3
 - Pipeline
 - Force Main
 - Pump Station
 - CWP Area
- ENGINEERING PACKAGES:**
- Lift Stations**
- 1 Lift Station Package 38" PS
 - 2 Lift Station Package 41" PS
- Dale Avenue**
- 3 Dale Ave Pump Station Rehabilitation (DAX-2) and Force Main Rehabilitation (DAX-1)
- Conveyance**
- 4 Pacific Ave Force Main
 - 5 El Camino Real Sewer South
 - 6 El Camino Real Sewer North
 - 7 Colegrove St Sewer
 - 8 W Hillsdale Blvd Sewer
 - 9 28th Ave Sewer
 - 10 Flores St Relief Sewer
 - 11 Delaware St Sewer
- LIFES:**
- 12 5.3MG Underflow Flow Equalization System
 - 13 Glendora/ Shasta Relief (SST-14)

\$85.2M Loan

*Combined loan amount, \$210.4M to SM, \$66.9M to FC

WIFIA Loan Program Features

- Loan amounts up to 49% of Eligible Costs
- A single fixed interest rate is established at closing
- Interest rate is not impacted by the borrower's credit or loan structure
- Flexible draw schedules
- Reimbursement Model – Costs just must be incurred
- Customized repayment schedules – up to 35 years post substantial completion
- Deferred payment: Cap-I, 5 years deferral post substantial completion
- Subordination
- NEPA, Davis-Bacon, American Iron and Steel, and all federal cross-cutter provisions apply

WIFIA Loan Program History

- 72 Loans Closed
- \$13.3 Billion Total Financing
- Loan Size Ranging from \$13.8 million to \$726.6 million
- 81,000 Jobs Created
- 37 Million People Served



San Mateo Foster City – WIFIA Loan Details

	Loan 1 - SM	Loan 2 - FC	Loan 3 - SM
Loan Amount	\$210.4 Million	\$66.9 Million	\$85.2 Million
Purpose	WWTP Upgrade	WWTP Upgrade	Collection System Improvements
Borrower	PFA and SM	PFA and FC	PFA and SM
Rate	1.32%	1.14%	1.31%
Repayment Model	Heavily Sculpted	Level Debt Service	Level Debt Service
WAL	20 years 8 months	16 years 4 months	16 years 6 months
Loan Closed	Nov 2020	Nov 2020	Dec 2020
First Draw	2025	2025	2025
Final Maturity	2055	2055	2055

San Mateo Foster City – WIFIA Loans: Sources and Uses

SM Loan 1 and FC Loan 2

Sources and Uses (Nominal \$ millions)	SM	FC	Total	Share
Wastewater Revenue Notes (to be repaid with WIFIA Loan)	210	67	277	49%
SRF Loan	104	33	137	24%
2019 Revenue Bonds	75	30	105	18%
Cash	<u>40</u>	<u>7</u>	<u>47</u>	<u>9%</u>
Total Sources	429	137	566	100%
WWTP Project Cost	429	137	566	100%
Total Uses	429	137	566	100%
Budget Share	76%	24%	100%	-

SM Loan 3

Sources	Amount (\$mil)	Share of Project
WIFIA Loan	85.14	49%
Revenue Bonds (2019)	77.89	45%
Cash	<u>10.72</u>	<u>6%</u>
Total Sources	173.75	100%
Planning and Development	1.50	1%
Design	9.20	5%
Construction Costs	101.00	58%
Land Acquisition	7.70	4%
Other Capital Costs	16.80	10%
Construction Contingency	<u>37.55</u>	<u>22%</u>
Total Uses	173.75	100%

WIFIA New Products

- Master Credit Agreement
- Multiple Projects Under One Loan
- Interest Rate Resets
- SWIFIA Loan Program



Contact Information



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Senior Underwriter

WIFIA Program

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U.S. Environmental Protection Agency

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State Revolving Fund – What is SRF?

Jason Bodwell

State Revolving Fund (SRF) Program

- Each state operates an SRF program
- Clean Water SRF
 - Funding for wastewater and stormwater infrastructure projects
- Drinking Water SRF
 - Funding for water infrastructure projects
- Funds from EPA  State SRF Programs  Public utilities
- Some larger state programs issue bonds to increase lending capacity - "leveraged"
- Know your state SRF Program
 - www.epa.gov/cwsrf/state-cwsrf-program-contacts
 - www.epa.gov/dwsrf/state-dwsrf-website-and-contacts

State Revolving Fund (SRF) Program

■ Consistent in every state:

- Mission – Infrastructure funding to create a revolving fund into perpetuity
- American Iron and Steel requirement
- Davis-Bacon requirement
- Funding is provided on a reimbursement basis
- Programs have a mix of loans and principal forgiveness to provide
- Programs follow guidance provided by EPA

■ Different in every state:

- Funding cycle
- Financial Coverage requirements
- Loan terms
- Repayment terms
- Interest rates
- Allocation process of free money
- Disadvantaged Community definition
- Borrowing limits
- Management Agency
 - Infrastructure banks
 - Regulatory agency
 - Multiple agencies

Overview of the State Revolving Fund Loan and Grant Program

Dave Green

SRF Program Administered by Florida DEP

- Program offers reduced interest rate loans and grants for Water, Wastewater and Stormwater Projects
 - Grants only for small disadvantaged communities
- Offers Planning, Design, and Construction loans
 - States may allow funds use for refinancing debt or insurance/guarantees for local debt
- Program funded by Federal Government (EPA), State and from loan repayments
- "Two Primary Divisions: 1) Drinking Water SRF and 2) Clean Water SRF (Wastewater and Stormwater)
 - Requirements, loan provisions, and funding differ for each division

Disadvantaged
Communities:
Grants/Principal
Forgivenessx available for
communities <10,000
people, with income less
than Florida median
family income (\$55,660)

Eligible Facilities

Drinking Water Facilities

Public and Privately Owned Community Water System & Non Profit Non-Community Water Systems

- Drinking water supply
- Storage
- Transmission
- Treatment
- Disinfection
- Distribution
- Residuals management
- Appurtenances
- Consolidation

Clean Water Facilities

Wastewater and Stormwater Systems

- Detention/Retention
- Transmission
- Storage
- Treatment
- Disposal
- Reuse
- Sludge
- Non point pollution control
- Eligible land
- Certain energy facilities
- Green infrastructure

Loan Priorities

■ Drinking Water

- Acute public health risk
- Potential acute public health risk
- Chronic public health risk
- Potential chronic public health risk
- Compliance

■ Clean Water

- Eliminate acute or chronic public health hazards
- Implement Basin Management Action Plan or Reasonable Assurance Plan
- Protect surface or groundwater
- Address compliance problem documented in enforcement action

- Innovative/Alternative: correct excessive 1/1, scheduled rehabilitation, replacement, repair in asset management plan
- Planning and design loans and rehabilitation, replacement or repair not included in approved management plan
- Reclaimed water or residuals reuse
- Ensure compliance with enforceable standards or requirements
- Other projects that meet requirements of Act

Loan Requirements

- Davis-Bacon wage rate requirements
- American Iron and Steel
- Large Projects (\$10 Million plus)
 - Uniform Relocation and Real Property Acquisition Policies Act
 - WBE/MBE Goals



What is SRF Loan/Grant Process



Construction Loan Planning Document Requirements

- Facilities plan
- Plans and specifications
- Site control
- Evidence of permissibility
- Financially self-sufficient system
- Dedicated source of revenue
- Annual audits



SRF Loan Terms

- Reimbursement program, funds not provided in advance of use for project
- 20 Year Loans (30 years for WW pipeline projects or for drinking water low income disadvantaged communities)
- Semiannual repayments beginning 6 months after completion of construction
- Level debt service
- Interest at 60% of market – additional discounts may apply
- 115% debt service coverage requirement
- 3% loan repayment reserve



Example SRF Project

- Fort Lauderdale WaterWorks Program
 - Water, Sewer and Stormwater Improvements for approximately 1/3 of the City
 - 11-year program
 - Received over \$110 millions in SRF loans (\$10 million/year)
 - City also issued approximately \$456 million in revenue bonds
 - Administration of loan includes making payments to contractors, tracking of costs and submission of reimbursement requests to State



Questions & Answers



Thank you

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