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**From:** Lynn, Tricia [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=D8747BA49CDE485EA4AC58DBF09C3DCD-TRICIA SLUSSER]  
**Sent:** 8/14/2017 6:53:10 PM  
**To:** Ex. 6  
**CC:** Press [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=b293283291dc44e0b5d1c36be9281d8a-Press]  
**Subject:** Re: Wifia questions and Miami-Dade project questions

Hi Roy—

Please see below for EPA's response to your inquiry. If attributing, please attribute to "an EPA spokesperson."

Best,

Tricia

- 1. What is the next step for the County's utilities department to apply for \$79 million for the deep injection wells? A formal proposal with the technical details of the wells, and related information, perhaps?**

Each invitee submits an application for WIFIA credit assistance. The application requires detailed technical and financial information. Using this information, the WIFIA program conducts a detailed financial and engineering review of the project. Based on that review, the WIFIA program proposes terms and conditions for the project and negotiates them with the prospective borrower until they develop a mutually agreeable term sheet.

- 2. Will Miami-Dade, and other applicants have to indicate they have loans or other financing lined up for the 51% of project costs that WIFIA will not cover?**

Yes. The application requires that the applicant provide the source of the funding for the other 51% percent of the project costs.

- 3. When will the final awards (selection) be announced?**

The amount of time needed for the loans to close will vary depending on the complexity of the projects. EPA anticipates the first loan will close in early 2018. Construction is expected to begin approximately three months following loan closing.

EPA intends to loan the requested amount to all 12 projects for a total of \$2.3 billion. However, the selected letters of interest are not guaranteed loans. Selected projects must still submit an application for a WIFIA loan, pass a creditworthiness assessment, negotiate a mutually agreeable term sheet, and execute a credit agreement to receive WIFIA funding.

**Additional General Questions:**

- 1. Has WIFIA supported any projects prior to this year? (I think this is the first year of project solicitation) But if WIFIA did support projects before, how much did the program spend, and did it use a selection process similar to the one in motion since February or March of this year?**

No. The WIFIA program received its first appropriation to support loans in FY 2017 and this was its inaugural selection round.

- 2. In the first announcement inviting letters of interest, there were statements about leveraging private investment. The most recent announcement of the 12 selected applicants includes the sentence “this year’s projects will also leverage more than \$1 billion in private capital, in addition to other funding sources including EPA state revolving fund loans to help finance a total of \$5.1 billion in water infrastructure investments.” The Trump proposed budget for the EPA said that it would involve \$2 billion in private capital.**

In its announcement, EPA is referring to the anticipated sources of the remaining 51% of the project costs. The \$1 billion private investment includes municipal bonds, bank loans, and private equity, but not State Revolving Fund loans and pay-as-you go cash funding.

- 3. If WIFIA has been appropriated \$75 million, how could WIFIA provide loans of up to even \$1 billion?**

Congress appropriated \$25 million dollars for WIFIA credit subsidy and \$5 million for administration in FY 2017. Through WIFIA, EPA is lending money that will be repaid. Therefore, the cost to the government is very small and represents the default risk of a loan. This is similar to how a bank reserves for capital adequacy. For each project, EPA calculates a credit subsidy ratio to determine how much of the appropriation is needed for the project’s loan.

For example, a prospective borrower requests a \$100 million WIFIA loan. EPA reviews the borrower and project to determine its credit quality and risk of default. It uses this information to calculate the credit subsidy ratio. If the credit subsidy ratio is 1%, then EPA provides \$1 million from its appropriation for this project. The remainder of the money comes from the Department of Treasury.

The application process for CWSRF loans is separate from the WIFIA program’s application process. CWSRF loans can be used to fund all or part of the other 51% of the project costs.

- 4. WIFIA cannot provide more than 49 percent of a project funding, under the legislation passed in 2014. SRF can provide substantially all the funding, although it typically does not, at least in Florida, provide much more than half of projects involving several million dollars, such as this one does. So I’m wondering where the total can come from for this and 11 other projects.**

The selected entity can fund the remaining project costs from any other source. This includes pay-as-you-go cash funding, municipal bonds, private equity, bank loans, State Revolving Fund loans, and grants. The only limitation is that only 80 percent of the total project cost can be Federal funds. This includes the WIFIA loan but does not include State Revolving Fund loans.

- 5. What does the talk in EPA PR about “leverage more than 1 billion in private capital,” refer to? Ditto for the 5.1 billion in water infrastructure investments. Does “private capital” refer to purchase of municipal loans by individuals or financial institutions?**

In its announcement, EPA is referring to the anticipated sources of the remaining 51% of the project costs and the estimated total eligible project costs. The \$1 billion private investment includes municipal bonds, bank loans, and private equity, but not State Revolving Fund loans and pay-as-you go cash funding. The \$5.1 billion in water infrastructure investments is the total of the project costs for the 12 projects based on their preliminary plans of finance. These are real estimates for real projects and not hypothetical calculations. WIFIA can fund up to 49% of the project costs. In some cases, the prospective borrower requested less than 49% which is why the total WIFIA contribution to the \$5.1 billion in water infrastructure investments is less than 49%.

- 6. Given those kinds of intuitively not obvious explanations of how WIFIA works, if Miami-Dade receives the \$79 million it's asking for, will that include state revolving fund monies, or will it be in addition to it? And does the WIFIA money they're talking about explicitly indicate involvement of privately sourced loans?**

The \$79 million WIFIA loan is in addition to any state revolving fund loans for the project. Miami-Dade is seeking SRF loan money through a separate process. In addition, Miami-Dade proposes to fund a portion of the remaining 51% of the project costs by selling a revenue bond.

- 7. There's one other possible explanation of this fuzzy math: the drilling program for multiple wells will be completed between now and 2025. If WIFIA agreed to provide about \$79 million funding, the EPA would not necessarily have to immediately provide all of that money. It could put out about \$10 million a year over eight years, and provide the full requested amount by the end of the project, and supply it in a timely fashion. Is that possibly an explanation for how a funding award might work in this case?**

No. Following closing, Miami-Dade will be able to request disbursement of its entire loan.

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**From:** Roy laugh [<mailto:ntbm@outlook.com>]  
**Sent:** Monday, August 7, 2017 3:09 PM  
**To:** Harris-Young, Dawn <[Harris-Young.Dawn@epa.gov](mailto:Harris-Young.Dawn@epa.gov)>  
**Subject:** Re: Wifia questions and Miami-Dade project questions

They follow here. I sent an email about 10 min ago, so you may get two emails from me with these questions  
Thanks  
Roy Laughlin  
Florida Specifier  
321 690 0886

The questions:

Hi, Dawn,  
I'm writing an article on Miami-Dade's County selection to advance to the next step in WIFIA's loan award process. The recent EPA announcement formally gives them approval to apply for WIFIA funding. Following are some specific questions about Miami-Dade's preliminary proposal:

1. What is the next step for the County's utilities department to apply for \$79 million for the deep injection wells? A formal proposal with the technical details of the wells, and related information, perhaps?
2. Will Miami-Dade, and other applicants have to indicate they have loans or other financing lined up for the 51% of project costs that WIFIA will not cover?
3. When will the final awards (selection) be announced?

Dawn, I have a few general questions about the WIFIA program that I hope you can help me out with, because the explanation coming from the EPA is not clear at all.

Congress approved the program in 2014, and last year, appropriated 25 million to it. The Trump administration requested \$20 million for it in their proposed budget released in May, and in late July, the House Appropriations Committee approves \$25 million for it.

1. Has WIFIA supported any projects prior to this year? (I think this is the first year of project solicitation) But if WIFIA did support projects before, how much did the program spend, and did it use a selection process similar to the one in motion since February or March of this year?

2. In the first announcement inviting letters of interest, there were statements about leveraging private investment. The most recent announcement of the 12 selected applicants includes the sentence “this year’s projects will also leverage more than \$1 billion in private capital, in addition to other funding sources including EPA state revolving fund loans to help finance a total of \$5.1 billion in water infrastructure investments.” The Trump proposed budget for the EPA said that it would involve \$2 billion in private capital.

This is totally confusing. If WIFIA has been appropriated \$75 million, how could WIFIA provide loans of up to even \$1 billion? The House Appropriation Committee recommended (approved) about about \$1.8 billion in drinking water State revolving funds, and apparently at least that in Clean Water State Revolving Funds. Will the WIFIA selection process as envisioned for Miami-Dade include CWSRF money along with that appropriated for WIFIA? Miami’s project alone costs more than it appears that WIFIA has been appropriated to date. It’s not clear how there is a link between WIFIA and SRF except by assumption.

WIFIA cannot provide more than 49 percent of a project funding, under the legislation passed in 2014. SRF can provide substantially all the funding, although it typically does not, at least in Florida, provide much more than half of projects involving several million dollars, such as this one does. So I’m wondering where the total can come from for this and 11 other projects.

Finally, what does the talk in EPA PR about “leverage more than 1 billion in private capital,” refer to? Ditto for the 5.1 billion in water infrastructure investments. Does “private capita” refer to purchase of municipal loans by individuals or financial institutions?

I might suppose that the \$5.1 billion in water infrastructure investments could include the total value of 12 projects the EPA selected and announced in its recent press release. The numbers are a little fuzzy, but if WIFIA can fund up to 49 percent, and it would leverage 1 billion in private capital, the combination would provide about \$2 billion in infrastructure. The remaining \$3.1 billion in infrastructure: where did that come from? It sounds like people are doing a whole lot of back of the envelope calculation that’s essentially pretty meaningless. If I’ve missed the point here, I’m hoping you’ll fill me in.

Given those kinds of intuitively not obvious explanations of how WIFIA works, if Miami-Dade receives the \$79 million it’s asking for, will that include state revolving fund monies, or will it be in addition to it? And does the WIFIA money they’re talking about explicitly indicate involvement of privately sourced loans?

There’s one other possible explanation of this fuzzy math: the drilling program for multiple wells will be completed between now and 2025. If WIFIA agreed to provide about \$79 million funding, the EPA would not necessarily have to immediately provide all of that money. It could put out about \$10 million a year over eight years, and provide the full requested amount by the end of the project, and supply it in a timely fashion. Is that possibly an explanation for how a funding award might work in this case?

Thanks, Dawn

Roy Laughlin  
Florida Specifier

**Ex. 6**

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**From:** Harris-Young, Dawn <[Harris-Young.Dawn@epa.gov](mailto:Harris-Young.Dawn@epa.gov)>  
**Sent:** Monday, August 7, 2017 3:07:07 PM  
**To:** Roy laugh  
**Subject:** RE: Wifia questions and Miami-Dade project questions

Hi Roy,

What are your questions concerning WIFIA and the Miami-Dade project?

Thanks,  
Dawn

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**From:** Roy laugh [<mailto:>] **Ex. 6**  
**Sent:** Monday, August 7, 2017 2:37 PM  
**To:** Harris-Young, Dawn <[Harris-Young.Dawn@epa.gov](mailto:Harris-Young.Dawn@epa.gov)>  
**Subject:** Wifia questions and Miami-Dade project questions

Hi, Dawn,  
Just left a phone message for you about this award. Following are the questions I have to help me understand better how to explain the project and the funding program.

Thanks  
Roy Laughlin  
Florida Specifier

**Ex. 6**