

Water Infrastructure Finance Authority *of Arizona*



2013 Annual Report

July 1, 2012 - June 30, 2013

OUR VISION

To guide our resources to communities with the greatest need to maintain and enhance Arizona's quality of life.

OUR MISSION

To maintain and improve water quality in Arizona by providing financial and technical assistance for basic water infrastructure.

OUR COMMITMENT

To ensure that we can continue to carry out our mission, WIFA manages each of the State Revolving Funds in a manner that fosters continued long-term growth of program assets and promotes platform stability. This strategy provides long-term viability to meet Arizona's water financing needs.

WIFA Board

(12 members)

Executive Director

Administrative Services

Financial Services/Operations

Fiscal/Loan Servicing

Creation and Purpose

The Arizona Legislature established the Water Infrastructure Finance Authority of Arizona (WIFA) in 1992. WIFA, an independent agency of the state of Arizona, works to maintain and improve water quality in the state by financing the construction, rehabilitation and improvement of drinking water and wastewater facilities.

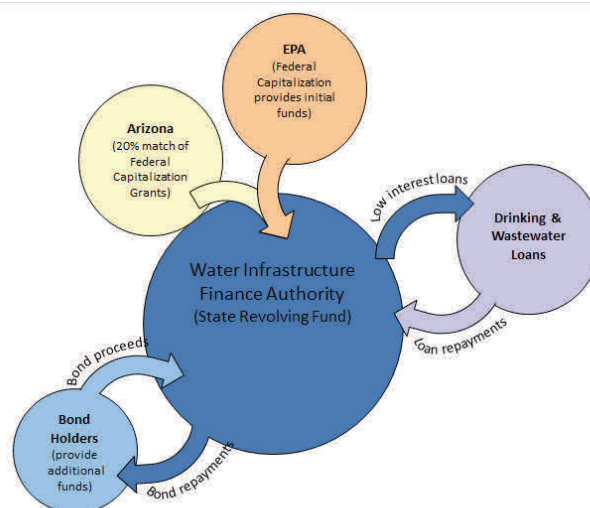
Maintaining water quality in Arizona requires communities to make large investments in drinking water and wastewater infrastructure. State revolving funds are the primary resources for helping communities meet their continuing and significant water infrastructure needs. WIFA maintains Arizona's revolving loan fund programs, capitalized by the Environmental Protection Agency (EPA), to provide low cost financing for water quality infrastructure projects.

Cash Flow

WIFA operates as a "bond bank" and is able to issue water quality bonds on behalf of communities for water and wastewater infrastructure. Through an active portfolio and sound financial management, WIFA provides significant savings to borrowers by offering loans with below market interest rates.

WIFA's principal means for providing low interest financial assistance include the Clean Water Revolving Fund (for publicly-held wastewater treatment facilities) and the Drinking Water Revolving Fund (for both publicly and privately-held drinking water systems). Both funds were established by the EPA and are funded by federal capitalization grants, state matching funds, loan repayments and WIFA bond proceeds.

In addition to loans, WIFA also offers a Technical Assistance (TA) program. The TA program provides planning and design grants to eligible wastewater and drinking water systems. The purpose of the TA program is to help prepare water and wastewater facilities for future infrastructure project construction.



Sustainable Infrastructure

The effective management of water infrastructure is one of the main challenges faced by water systems across the nation and in Arizona. Sustainable infrastructure and systems are essential to ensuring the environmental and economic sustainability of communities.

The goal can be achieved through strong infrastructure planning and management practices. To help communities in Arizona, WIFA provides low-interest loans and grants for drinking water and wastewater projects designed to ensure safe, reliable drinking water and proper wastewater treatment. Most of WIFA's funding is directed toward its loan program which can assist with design, improvement, construction and acquisition. WIFA's grant program is available for the planning and design phase. A wide variety of drinking water and wastewater projects can be funded through WIFA (see **Example projects**, upper right).



Example projects include storage tanks, meters, wells and booster pumps, arsenic treatment systems, water and sewer distribution line replacement, solar, wastewater plant upgrades, and upgrades for reclaimed water. WIFA can also fund stormwater management and green infrastructure projects.

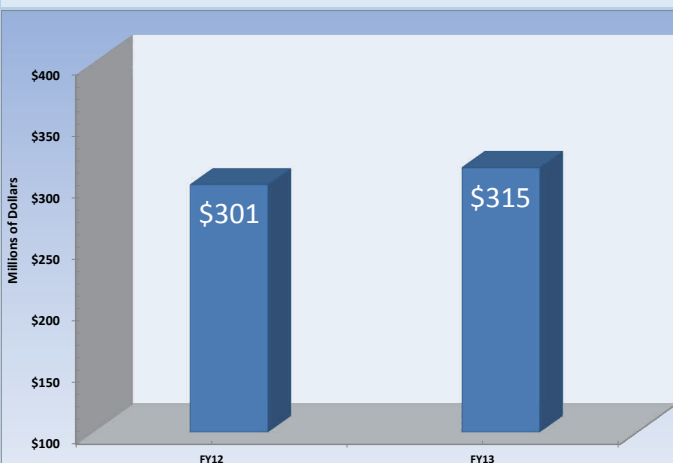


Figure 1: Funds Invested Dollars invested are primarily used to provide security for WIFA's bond portfolio and can be used to originate loans to WIFA borrowers. Interest generated from the invested funds helps subsidize WIFA borrower rates.

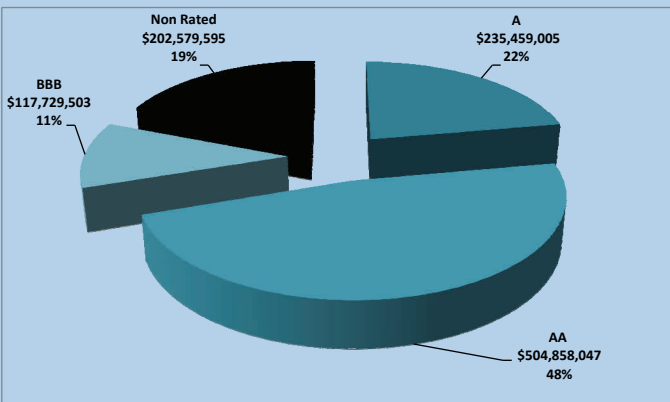


Figure 2: Pledged Loan Portfolio by Rating Category

Total Active Pledged Loans = 170

Total Principal Outstanding = \$1,060,626,50

(Non-pledged loans principal outstanding = \$54,686,232)

Strength of WIFA's Loan Portfolio

WIFA maintained "AAA" credit ratings (the highest level of ratings) from Moody's, Standard and Poor's, and Fitch. The ratings are based on:

- Program structure that provides significant over-collateralization to the bonds
- Strong credit quality of the local borrowers
- Loan portfolio and investments (**Figure 1**) with the ability to withstand substantial losses to revenue
- Large size and diversity of loan portfolio
- Strong management practices and policies

These ratings reduce WIFA's cost of borrowing from investors when WIFA issues bonds. In turn, this allows WIFA to pass on the benefit to its borrowers and the citizens of Arizona in the form of low interest loans.

WIFA is able to maintain a diverse portfolio of borrowers by balancing the needs of low-credit borrowers with high-credit borrowers (**Figure 2**). The presence of strongly rated borrowers within the portfolio benefits all program participants.

Another indicator of WIFA's responsible fiscal fund management is the annual audit performed by EideBailly. WIFA's 2013 Audited Financial Statements are attached and available on WIFA's website - www.azwifa.gov/publications.

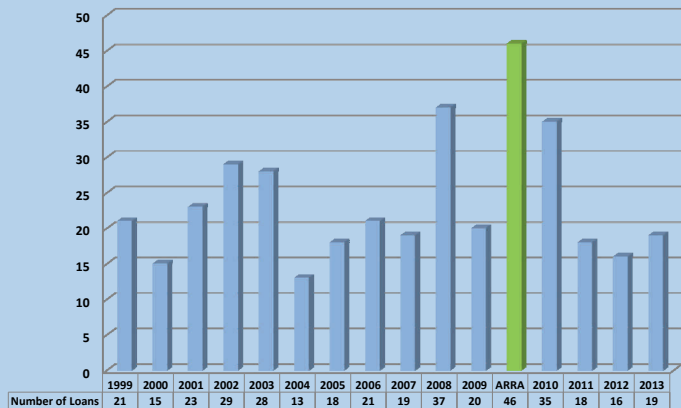


Figure 3: Number of Loan Originations by FY

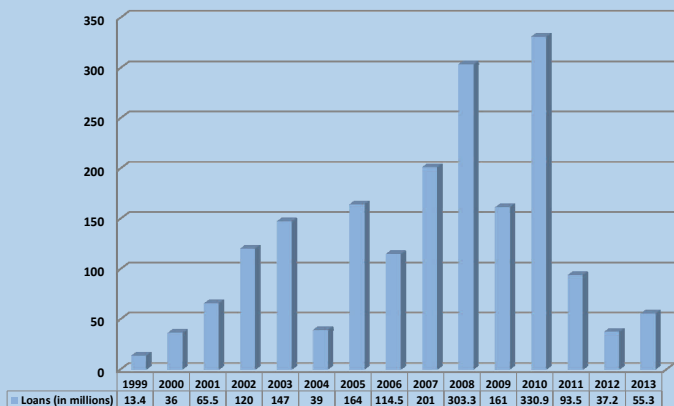


Figure 4: Amount of Loan Originations by FY

Financing Water & Wastewater Projects

Highlights:

- WIFA provides grants and below-market interest rate loans for water and wastewater infrastructure improvements to ensure safe, reliable drinking water and proper wastewater treatment.
- WIFA is making a difference in Arizona. Over \$2 billion has been invested in the state since WIFA's inception in 1992.
- WIFA has funded more than 400 projects across the state, which has resulted in the creation of thousands of jobs.

In 2013...

- Approved **19** new loans and provided more than **\$55 million** in financial assistance to cities, towns, districts and private water companies (**Figures 3 & 4**)
- Maintained "AAA" credit ratings (the highest level of ratings) due to demonstrated commitment to responsible fiscal fund management
- Funded **three sustainable ("green") construction projects** focused on energy and water efficiency (**over \$8 million**)
- Co-financed **nine projects** with contributions from other agencies and local entities
- Processed loans, on average, in **less than one week** - from Board action (loan resolution approval) to distribution of loan documents
- Processed **\$83.6 million** in disbursements (**Figure 5**) and administered disbursement requests, on average, in **five business days**
- Provided **\$46.3 million** in funding to maintain or achieve compliance, including a loan to achieve compliance with arsenic water quality standards
- Assisted **disadvantaged communities** by providing **\$2 million in forgivable principal** for four projects totaling \$8 million
- Provided outreach and assistance to small rural communities - **60% (\$7.9 million)** of clean water loans for wastewater projects (**Figure 6**) and **57% (\$6.2 million)** of drinking water loans (**Figure 7**) were provided to communities serving fewer than 10,000 people

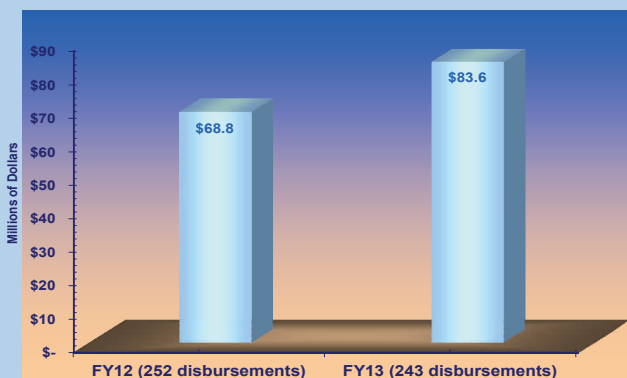


Figure 5: Dollar Amount and Number of Disbursements Approved for FY 2012 & 2013

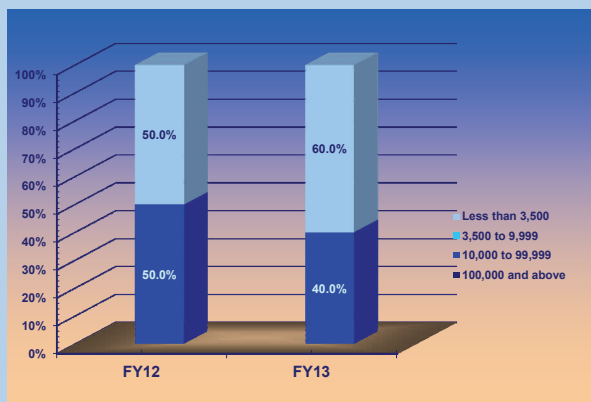


Figure 6: Clean Water Assistance by Population
All clean water loans were provided to communities serving less than 100,000.

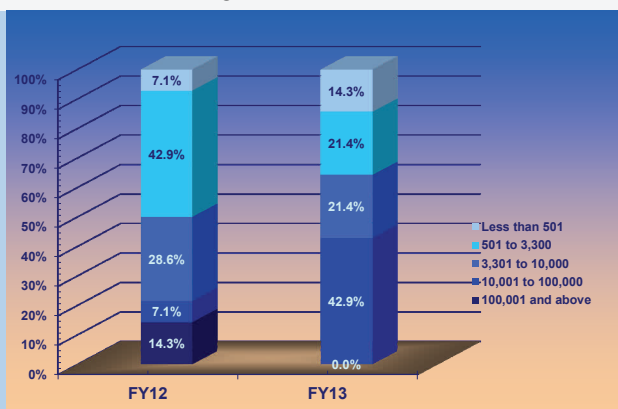


Figure 7: Drinking Water Assistance by Population

Loans Executed in FY 2013





Borrower	Project Title	Loan Amount Executed in FY 13
Buckskin Sanitary District	Buckskin Sanitary District Area 4-6 Improvements	\$1,650,000
City of El Mirage	Water Reclamation Facility Efficiencies	\$500,000
Big Park Domestic Wastewater Improvement District	New Wastewater Treatment Plant	\$5,505,900
Town of Buckeye	Reclaimed Water System Improvements 	\$4,870,000
Town of Springerville	Sewer System Rehabilitation - Line Replacement and East Lift Station and Monitor System	\$696,000
City of Show Low	Private Water Companies Acquisition	\$2,000,000
City of El Mirage	Automated Meter Reading & Line Replacement 	\$4,550,000
Eagletail Water Company, LLC	Pump Replacement	\$65,000
Livco Water Company	Refurbish Exterior of Water Tank #1	\$30,000
Town of Payson	Payson Cragin Project Phase II	\$6,250,000
Southland Utilities Company, Inc.	Well Improvements and Meters	\$1,045,941
Town of Clarkdale	Twin 5s Water Main Replacement	\$1,600,000
Sunland Water Company	New Well and Blending Plan for Arsenic Compliance	\$122,050
City of Prescott	Zone 12, 19 and 27 Water Infrastructure Improvements	\$15,921,582
Metro Domestic Water Improvement District	Equip Riverside Well 	\$400,000
Town of Buckeye	Downtown to Sundance 16" Waterline Interconnect	\$5,065,000
Town of Buckeye	Airport Well	\$3,617,450
Town of Springerville	Water System Improvements	\$1,107,218
East Slope Water Company	System Improvements (Storage, Booster Pumps, Well Improvements, Main Replacement)	\$282,748
Total Clean Water		\$13,221,900
Total Drinking Water		\$42,056,989
Total DW & CW		\$55,278,889

Table 1: Executed Clean Water and Drinking Water Financial Assistance Agreements (loans) in FY 2013

 Green projects

Green Project Reserve

WIFA reserves a portion of the EPA capitalization grant for sustainable construction efforts such as water efficiency, energy efficiency, green stormwater infrastructure or other environmentally innovative activities. WIFA offers a financial incentive for projects, or a portion of a project, that qualify as green according to EPA guidelines.



Solar at Drinking Water Facility
City of Somerton

Grants Awarded in FY 2013





Grantee	Project	Grant Award
Town of Superior	Wastewater Treatment Plant Repairs, Rehabilitation, Upgrades	\$34,800
Lake Havasu City	Effluent Disposal Planning Study 	\$35,000
City of San Luis	Lift Station and Force Main Design	\$30,150
Livco Sewer Company	Create Water Improvement District	\$15,050
City of Peoria	Butler Drive WRF Reclaimed Water System Expansion-Phase II	\$35,000
Town of Wellton	Water Loss Study 	\$34,500
Holiday Water Company	Water Distribution, Storage, Solar Energy Improvements, and DWID Formation	\$34,850
Monte Vista Water Company	Arsenic Removal System Design, Permitting	\$30,865
Maricopa Mountain DWID	Groundwater Well Siting Study and Technical Specifications	\$26,900
Town of Star Valley	Water System Mapping and Master Plan	\$22,885
Harrisburg Utility Company, Inc.	Planning and Design for Replacement of Failing Water Storage Tank	\$12,000
Vail Water Company	Energy Audit and Pump Efficiency Study 	\$35,000
Brooke Water, LLC	Water Loss Investigation: Moovalya Keys and Lakeside Water Systems 	\$34,200
NTUA Fort Defiance-Window Rock-St. Michaels	Water Treatment Plant Improvements (TTHM compliance)	\$34,200
Tonto Village Water Company, Inc.	PER for System Improvements (water lines and storage tanks)	\$10,500
Queen Valley DWID	New Source Engineering and Design	\$4,650
City of Benson	SCADA Design	\$35,000
Total Clean Water		\$150,000
Total Drinking Water		\$315,850
Total CW & DW		\$465,850

Table 2: Planning and Design Assistance Grants Awarded in FY 2013

 Green projects



Led by WIFA, the **Rural Water Infrastructure Committee (RWIC)** is an informal partnership of various federal and state agencies who provide loans, grants and technical assistance to Arizona's rural communities. RWIC serves as a "One-Stop Shop" for rural communities with a population of less than 10,000.

In FY 2013, WIFA developed a new website, resource matrix, information sheet and project information form, which provides a process for communities to request assistance from partners. RWIC is also holding regular quarterly meetings utilizing a new meeting format where small systems present about their project needs and Executive Committee members discuss and follow-up with how they can provide assistance.

RWIC core members include: WIFA, Arizona Department of Environmental Quality, USDA Rural Development (USDA-RD), North American Development Bank (NADBank), Border Environment Cooperation Commission (BECC), Rural Community Assistance Corporation (RCAC), Governor's Office of Energy Policy and U.S. Department of Housing & Urban Development (HUD).

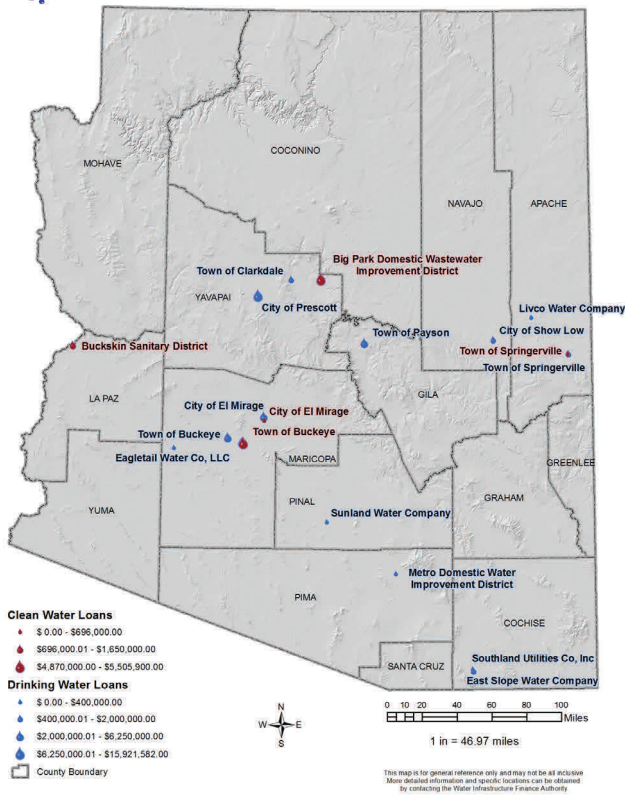
One-Stop Shopping in Arizona

- A resource for applicants to locate federal, state and local financial assistance programs.
- Affordable funding solutions and technical assistance to small, rural communities throughout Arizona.



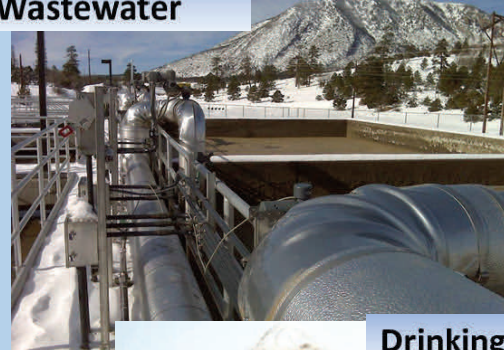


WIFA Loans Awarded in FY 2013



WIFA provides funds for both rural and urban communities, and has financed projects all over the state. In FY 2013, WIFA executed **five** clean water loans (wastewater projects) for a total of **\$13,221,900** and **14** drinking water loans for a total of **\$42,056,989**.

Wastewater



Drinking Water



Projects of the Year

Mt. Lemmon Domestic Water Improvement District

Middle Sabino 6

Mt. Lemmon's **\$1.2 million loan** provided financing to replace a 1-inch water main with a 6-inch water main line to resolve water pressure problems. The community suffered major fire damage in the 2003 Aspen fire and subsequent flood events and lost 75% of its rate base. After putting FEMA funds to use in recovering from these catastrophes, the District persisted in making improvements to the system. This project was selected for award based on the excellent system and project management demonstrated by the Domestic Water Improvement District staff.

City of Casa Grande

Water Reclamation Facility Expansion

With funding provided by a **\$62.5 million loan**, the City of Casa Grande was able to expand the capacity of the Water Reclamation Facility from six to 12 million gallons per day. The project included significant improvements to all stages of the treatment process, upgrading the treatment level to A+ quality water suitable for open-access irrigation uses. Completion of the facility expansion is part of the City's long term planning goal to maximize use of its reclaimed water. Casa Grande was selected based on the ability to reuse more water, project cost-effectiveness and excellent project management.



Awards are presented in recognition of exemplary project management and commitment to the protection of public health through improvements in drinking water and wastewater infrastructure.

WIFA Staff

Sandy Sutton	Executive Director
Trish Incognito	Chief Financial Officer
Mike Clark	Controller
Susan Craig	Communications Director
Julie Flores	Accounting Supervisor
Melanie Ford	Technical Program Supervisor
Rebecca Gomez	Accountant
Brenda Guerra	Administrative Assistant
Rodney Held	Senior Loan Officer
Ruby Hernandez	Loan Processing Coordinator
Sara Konrad	Env Program Supervisor
James Manalac	Database Administrator
Yolanda Mendoza	Business Manager
Dean Moulis	Infrastructure Engineer
Stuart Peckham	Env Program Specialist
Angelica Romero	Accountant
Chris Unnewehr	Network Administrator
Angie Valenzuela	Senior Loan Officer

WIFA's friendly and helpful staff has broad state and local government experience as well as private sector business and finance experience. WIFA's staff is committed to providing exceptional service to Arizona's communities.

WIFA Board Members

Henry Darwin, Chairman
 Paul Gardner, Vice Chairman
 Ron Doba
 Kevin Donnellan
 Tiffany Frechette
 William Garfield
 Stanley Gibson
 Mark Heberer
 Michael Lacey
 Steve Olea

**There are two current vacancies.*

WIFA's 12-member Board of Directors* provides leadership in setting WIFA's administrative policies and approving loans and other assistance for borrowers. WIFA's Board of Directors offer expertise on environment, finance, business, and government policies.

