

Water Infrastructure Finance Authority of Arizona



2012 Annual Report

July 1, 2011 – June 30, 2012

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.

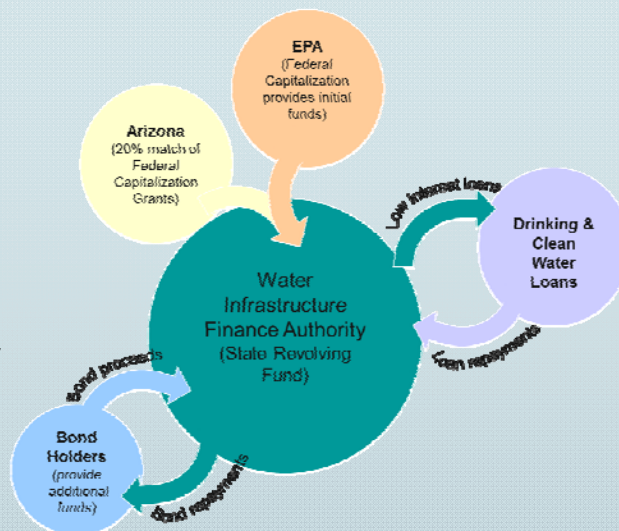
Maintaining water quality in Arizona requires communities to make large investments in drinking water and wastewater infrastructure. State revolving funds are the primary tools for helping communities meet their continuing and significant water infrastructure needs. WIFA maintains Arizona's revolving 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, 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 finances design, improvement, construction and acquisition for wastewater and drinking water projects. A grant program is available for planning and design. WIFA's loan program, where most funding is directed, can assist with both the design and construction phases. A wide variety of drinking water and wastewater projects can be financed through WIFA (see **Example projects**, upper right).



Example projects include storage tanks, meters, wells and booster pumps, arsenic treatment systems, distribution line rehab, well drilling, solar, sewer rehabilitation, wastewater plant upgrades, and upgrades for reclaimed water, sewer rehab and replacement.

Strength of WIFA's Loan Portfolio

WIFA maintained "AAA" credit ratings (the highest level of ratings) from Moody's Investors Service, 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 Henry & Horne, LLP (see WIFA's 2012 Audited Financial Statements, provided under separate cover and also available on WIFA's website - www.azwifa.gov).

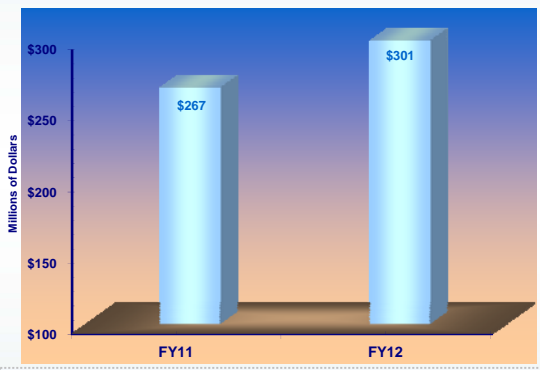


Figure 1: Funds Invested. Dollars invested are primarily used to originate loans to WIFA borrowers and provide security to WIFA's bond portfolio. Interest generated from the invested funds helps subsidize WIFA borrower rates.

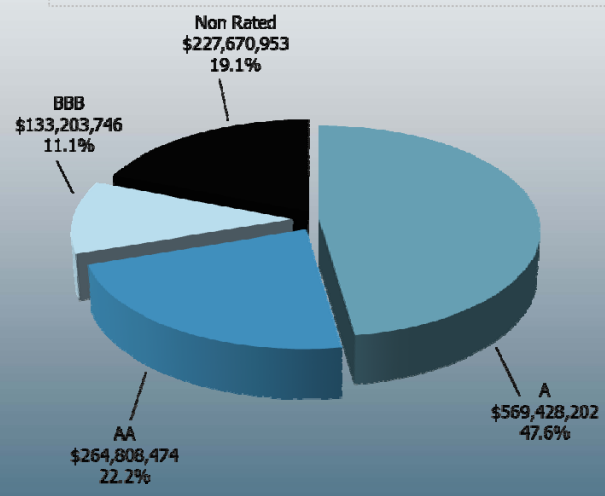


Figure 2: Pledged Loan Portfolio by Rating Category.
 Total Active Pledged Loans = 177
 Total Principal Outstanding = \$1,195,111,375

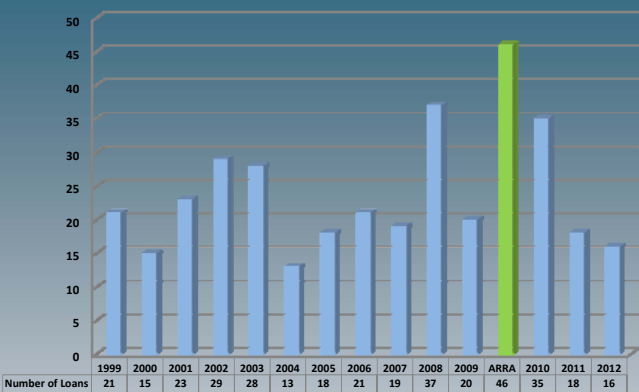


Figure 3: Number of Loan Originations by FY.

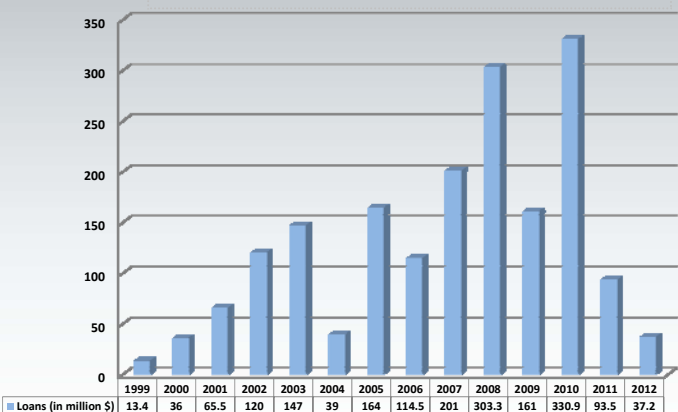


Figure 4: Amount of Loan Originations by FY.

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 \$1.8 billion has been invested in the state since WIFA's inception in 1992.
- WIFA has funded more than 350 projects across the state, which has resulted in the creation of thousands of jobs.

In 2012...

- Approved **16** new loans and provided more than **\$37 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
- Financed three projects for disadvantaged communities who received **\$2,550,000 in forgivable principal**
- Funded five sustainable ("green") construction projects focused on energy efficiency (**nearly \$4 million**)
- Co-financed **eight projects** with contributions from other agencies and local entities
- Processed loans, on average, in **1.45 weeks** - from Board action (loan resolution approval) to distribution of loan documents
- Processed nearly **\$70 million** in disbursements (**Figure 5**) and administered disbursement requests, on average, in **six business days**
- Provided **\$12 million** in funding to maintain or achieve compliance, including a loan to achieve compliance with arsenic water quality standards
- Reached out and assisted small communities
 - 100% of clean water loans for wastewater projects (**\$6.7 million**) were provided to communities serving fewer than 50,000 people (**Figure 6**).
 - **79%** or 11 of the 14 drinking water loans (\$8.5 million of the \$30.5 million total) were provided to systems serving less than 10,000 people (**Figure 7**).

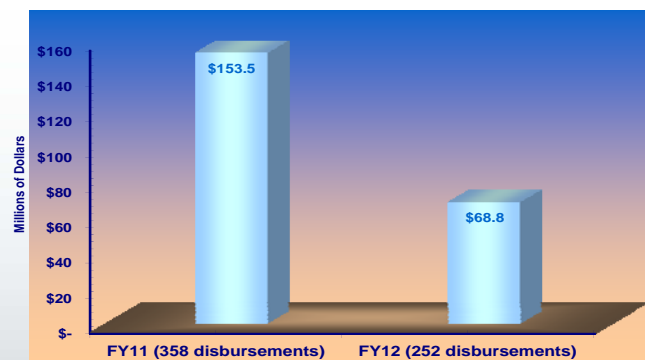


Figure 5: Dollar Amount and Number of Disbursements Approved for FY 2011 & 2012. Note that in FY2011 WIFA completed disbursement of all American Recovery and Reinvestment Act funds and is now in the process of closing the grants.

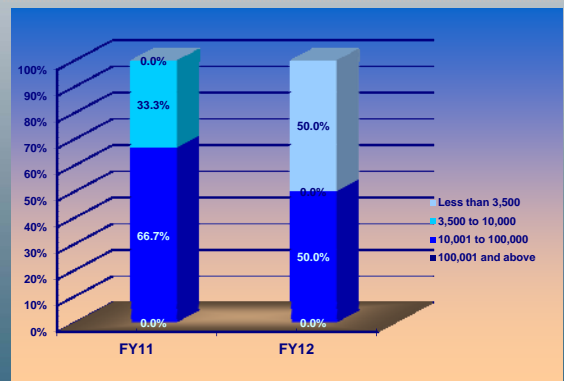


Figure 6: Clean Water Assistance by Population.

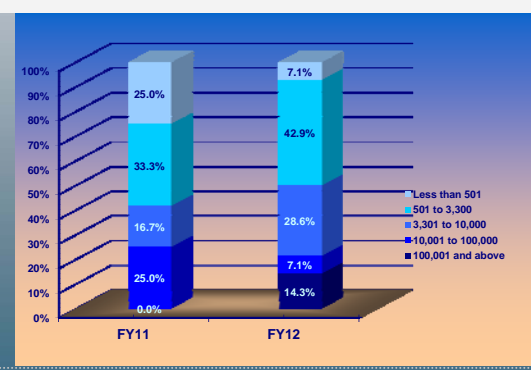


Figure 7: Drinking Water Assistance by Population.

Loans Executed in FY 2012






Borrower	Project Title	Loan Amount Executed in FY 12
Clarkdale, Town of	Broadway Water Reclamation Facility	\$5,500,000
Somerton, City of	208 kW Solar - Wastewater Treatment Facility 	\$1,187,080
Maricopa Mountain Domestic Water Improvement District	Well #1 Treatment Facility	\$724,110
Tucson, City of	SAVSARP Reservoir, Booster, and Interconnect Pipeline	\$16,000,000
Oak Creek Water Co., No. 1	Oak Creek Water Infrastructure	\$440,000
Eloy, City of	Houser/Toltec Waterline Improvements	\$2,000,000
Pinetop Water Community Facilities District	System Automation 	\$100,000
Highland Pines Domestic Water Improvement District	Water Main Replacement Project – Continued	\$600,000
Winslow, City of	Replacement Well # 7	\$1,583,750
Eagar, Town of	Kennedy Well Purchase	\$350,000
Parker Springs Water Company	Replacement Well, Storage and Water Line Renovation 	\$271,000
Tucson, City of	SAVSARP Collector Pipelines	\$4,000,000
Somerton, City of	272 kW Solar - Water Treatment Facility 	\$2,046,854
Gila Bend, Town of	Solar and R/O Facility Improvements 	\$2,050,000
Cerbat Water Company	Well Purchase, Repairs to Well Pump, Backup Well	\$332,698
Orange Grove Water Company	Emergency Generator for Backup Well	\$30,000
Total Clean Water		\$6,687,080
Total Drinking Water		\$30,528,412
Total DW & CW		\$37,215,492

Table 1: Executed Clean Water and Drinking Water Financial Assistance Agreements (loans) in FY 2012.

 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 qualifies as green according to EPA guidelines.



Solar at Beardsley Water Reclamation Facility Operations Building
City of Peoria

Grants Awarded in FY 2012







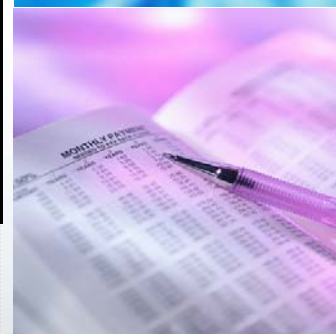
Grantee	Project	Grant Award
Bisbee, City of	Sewer Lateral Mapping and Evaluation Project	\$35,000
Wickenburg, Town of	Wastewater Treatment Plant Solar Project 	\$35,000
Yuma County	Gila Acres District Formation and Septic to Sewer PER	\$20,300
El Mirage, City of	Dewatering Efficiency Improvements 	\$21,870
Pinal Sanitary Water District	Special Assessment Process for Septic to Sewer Planning	\$34,980
Country Home MHP	Interconnect to Buckeye for Nitrate Compliance	\$21,000
Whetstone DWID	PER for Infrastructure Improvements	\$21,600
Show Low, City of	Lake Surface Water Treatment Plant Planning Project	\$30,000
Douglas, City of	Water System Mapping	\$17,250
Safford, City of	Morris Wells Solar Energy Project 	\$35,000
Sunrise Water Company	Arsenic Remediation Well #2	\$22,409
Park Water Company	Infrastructure Improvements Planning and Design	\$27,741
Flagstaff, City of	Energy Audit of Water System 	\$35,000
Jeddito Community Water System	Goldwater Loop Area Engineering	\$34,800
Snowflake, Town of	Infrastructure and Energy Management Master Plan	\$34,999
Kachina Village DWID	Energy Audit of Drinking Water System 	\$35,000
Valley Pioneers Water Company	2012 Water Master Plan Update	\$35,000
Total Clean Water		\$147,150
Total Drinking Water		\$350,000
Total CW & DW		\$497,150

Table 2: Planning and Design Assistance Grants Awarded in FY 2012. WIFA awarded five clean water grants for a total of \$147,150 and 12 drinking water grants for a total of \$349,799.

 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 Funding Source" for rural communities with a population of less than 10,000. RWIC is working towards developing new ways to coordinate in assisting Arizona's small rural communities.

RWIC core members include:

- WIFA
- USDA Rural Development (USDA-RD)
- North American Development Bank (NADBank)
- Border Environment Cooperation Commission (BECC)
- Rural Water Association of Arizona (RWAA)
- Rural Community Assistance Corporation (RCAC)

RWIC held the following meetings and training opportunities in FY 2012:

- Rural Water Association of Arizona Conference, September 2011
- RWIC Funding Forum, November 2012
- Rural Water Association of Arizona Conference, March 2012

One-Stop Shopping in Arizona

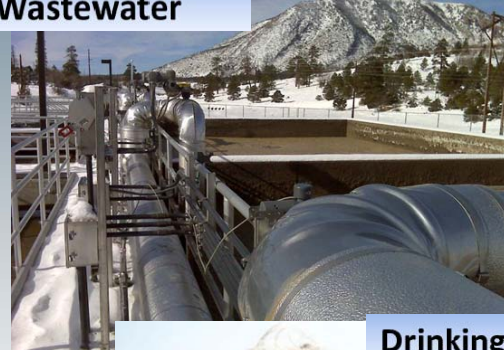
- A resource for applicants to locate federal, state and local financial assistance programs.

- Affordable funding solutions and technical assistance to small, rural communities throughout Arizona.



WIFA provides funds for both rural and urban communities, and has financed projects all over the state. In FY 2012, WIFA executed **two** clean water loans (wastewater projects) for a total of **\$6,687,080** and **14** drinking water loans for a total of **\$30,528,412**.

Wastewater



Drinking Water



Projects of the Year

Metropolitan Domestic Water Improvement District

A \$4.25 million loan provided financing for the purchase of three water systems, along with several capital improvement projects, including well equipping, an arsenic treatment system, a fixed network system and automated meter reading conversion. Metro DWID provides water utility service to approximately 70,000 customers in the Tucson area. The project achieved better protection of public health, improved energy efficiency through the automated meter reading project, and consolidated management of several small systems struggling to maintain compliance.

Yuma County Improvement District

Yuma County Improvement District's \$1.4 million loan provided financing to abandon hundreds of aging septic systems and to connect the residents of the Avenue B & C Colonia to the City's sanitary sewer system. WIFA partnered with USDA Rural Development, Border Environment Cooperation Commission, NADBank and the EPA to come up with the additional funds needed to complete the project. Those partnerships funded another \$19 million in grants and \$2.5 million in loans. This important project helps to protect the environment and improve the quality of life for residents of the Colonia.

Big Park Water Company

With funding provided by a \$415,000 loan, Big Park Water Company, a first-time borrower from WIFA, was able to complete its final two treatment facilities and bring all of its wells into compliance with arsenic standards. Big Park provides water utility service to approximately 3,000 customers in the Village of Oak Creek. The company was able to reduce costs by designing and constructing much of the project in-house. The successful completion of this project helped maintain a safe water supply for customers.



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

WIFA Staff



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.



From top to bottom, right to left

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

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.