WRRDA 2014 -
Expanding the Non-Federal Role

NAFSMA Annual Meeting
Boston, October 15, 2014

Steve Fitzgerald, Chief Engineer
Harris County Flood Control District

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WRRDA 2014 Overview

- Consistency for all water resources projects
- More options for local sponsors to move projects forward
- Allows local sponsors to fund more of the study, construction, or repair costs
- Local sponsor inclusiveness in decision making in many sections

Focus on 3 local sponsor lead sections
Local Sponsor Lead Sections

Section 1014
“Study and Construction of Water Resources Development Projects by Non-Federal Interests”

Section 1043
“Non-Federal Implementation Pilot Program”

Section 5014
“Water Infrastructure Public-Private Partnership Pilot Program”
WRDA 1996, Section 211

- Allows local sponsor to take the lead in planning, design, and construction
- Corps rules, regulations, and process apply
- Corps monitors and approves work
- Cost sharing the same
- All applicable environmental regulations apply – NEPA & Section 404 permitting
- Local sponsor pays all costs up front
- Local sponsor reimbursed the federal share at project completion
Section 211(f) Demonstration Projects

WRDA 1996 – 8:
- 3 in Harris County, Texas
- 4 in California
- Las Vegas, NV

WRDA 2007 – 6:
- 2 in Harris County, Texas
- Perris, CA
- Cook County, IL
- Larose, LA
- Milwaukee, WS
For Section 211(f) Projects Only

• Local sponsor can be reimbursed federal share for studies, planning, design & construction if ASA(CW) approval of the project comes after the work is completed.

• Policy Guidance Letter 53 established “discrete segments” to allow for incremental, periodic federal reimbursements to local sponsor.
For Section 211(f) Projects Only

- Local sponsor can be reimbursed federal share for studies, planning, design & construction if ASA(CW) approval on the project comes after the work is completed.

- Policy Guidance Letter 53 established “discrete segments” to allow for incremental, periodic federal reimbursements to local sponsor.
Sections 1014, 1043, 5014

• Corps rules, regulations, and process apply
  – long learning curve, always changing

• Corps monitors, approves & audits ✓

• Cost sharing the same ✓

• All applicable environmental regulations apply
  (NEPA & Section 404 permitting)
  – major challenge, resource agencies

• Success dependent on sufficient and timely Federal appropriations
  – unlikely for most projects
Sections 1014 Only

• Local sponsor pays all costs up front — *local decision how much to invest*

  *Strong bias against appropriating reimbursements to local sponsors for federal cost share*

• Local sponsor reimbursed the federal share at project completion ☠
Purpose of Local-Lead Pilot Programs

• To identify cost-saving project delivery alternatives to the existing feasibility study process and that reduce the backlog of authorized Corps projects

• To evaluate the technical, financial, and organizational efficiencies of allowing a Non-Federal interest to carry out and manage a feasibility study; or design, execute, and construct a project

• To evaluate alternatives for the decentralization of project planning, management, and operational decision making process of the Corps
Local-Lead Benefits

- Learn Corps regulations, processes, guidance
- You become a better local sponsor and if you have more than one Corps project, productivity and efficiency increases
- Time savings possible with improved work efficiency, multi-tasking, contracting, timely decisions, etc.
- Construction cost savings
- Despite reimbursement bias, helps Corps meet annual spending goals especially when appropriation bills are late in the FY
Observations

• Design and construction a lot easier than feasibility studies

• If local sponsor funds federal share, can control pace of construction

• Takes a lot of patience and perseverance

• Get projects in place sooner!
Collaboration - Teamwork

US Army Corps of Engineers

Local Sponsors

[Logos for US Army Corps of Engineers, NAISMA, and other sponsors]
Questions?

Steve Fitzgerald, Chief Engineer
Harris County Flood Control District
Water Infrastructure Finance and Innovation Program (WIFIA) Summary

Steve Graham, Assistant General Manager
San Antonio River Authority
Legislative Options to provide for Water Infrastructure Financing

- Increase funding for the Clean Water and Drinking Water SRF programs
- Create a Water Infrastructure Trust Fund
- Create a Water Infrastructure Finance and Innovation Act program ("WIFIA")
- Create a National Infrastructure Bank
- Lift private activity bond restrictions on water infrastructure projects

Congressional Research Office, March 2012.

EPA-estimated 20-year water infrastructure financing gap between capital needs and available funds from all sources - $224B
Water Infrastructure Finance and Innovation Program (WIFIA)

- WRRDA 2014 (P.L. 113-121), adopts WIFIA provisions from Senate-passed S. 601 with some additions and modifications.

- WRRDA 2014; Title V, Water Infrastructure Financing; Subtitle C, Innovative Financing Pilot Projects; Sections 5021-5035

- Objective is to create a mechanism to provide low-cost capital for water infrastructure investments

- WIFIA would access U.S. Treasury funds at low interest rates
Water Infrastructure Finance and Innovation Program (WIFIA)

- The WIFIA program is a 5-year pilot program to be administered by both the Secretary of the Army and the Administrator of the EPA.

- The WIFIA program is modeled after successful Transportation Infrastructure Finance and Innovation Act (TIFIA)
Water Infrastructure Finance and Innovation Program (WIFIA)

The following entities are eligible to participate in the pilot program:

• Corporation, partnership, joint venture or trust
• Federal, State or local government entity, agency or instrumentality
• Tribal government or consortium of tribal governments
Water Infrastructure Finance and Innovation Program (WIFIA)

The following are the types of projects eligible for assistance:

- Flood control
- Clean water and drinking water
- Enhancing energy efficiency in operations of public water systems/public treatment works
- Repair, rehabilitation or replacement of various water, treatment and waste water collection facilities
- Brackish or desalination
- Environmental restoration and navigation
Water Infrastructure Finance and Innovation Program (WIFIA)

The following are eligible costs under the WIFIA program:

- Development phase activities
- Construction, reconstruction, rehabilitation and replacement
- Real property acquisition or real property interest; environmental mitigation
- Certain capitalized interest (insurance, contingencies, etc.)
Water Infrastructure Finance and Innovation Program (WIFIA)

The following criteria will be used to evaluate proposed projects:

• Creditworthiness
• National or regional significance with respect to economic and public benefits
• Extent of other public and private financing
• Ability of assistance under WIFIA to accelerate a project
• Use of new or innovative approaches
Water Infrastructure Finance and Innovation Program (WIFIA)

The following criteria will be used to evaluate proposed projects:

- Extent to which the project will address extreme weather events or maintain or protect the environment
- Whether a project serves regions with energy exploration or development activities
- The readiness of the project to proceed
- Extent to which the project addresses regions with significant water challenges
- Extent that the WIFIA assistance reduces overall Federal assistance for the project
Water Infrastructure Finance and Innovation Program (WIFIA)

• **Project Costs:**
  – Eligible project costs must be “reasonably anticipated” to exceed $20,000,000; except
  – In communities of less than 25,000 people, the “reasonably anticipated” project costs are to exceed $5,000,000

• **Loan Amounts:**
  – As long as the loan amount does not exceed 49% of the project’s total cost; OR
  – If the secured loan does not receive an investment grade rating, the secured loan may not exceed the senior project obligations of the project – whichever is the lesser of the two
Water Infrastructure Finance and Innovation Program (WIFIA)

• **Secured loan conditions:**
  - Payment of the loan must come from **State funds, dedicated user fees or local taxes**
  - Must include a security feature supporting the loan obligation
  - Interest rates not less than the yield on US Treasury securities upon loan execution – **current 2.0-2.8%**;
  - Maturity date shall be the earlier of: **35 years** after substantial completion; OR the useful life of the project, if that is less than 35 years
  - Loan may not be subordinate to other holders of project obligations
Water Infrastructure Finance and Innovation Program (WIFIA)

• Funding:
  – FY 2015 - $20 million
  – FY 2016 - $25 million
  – FY 2017 - $35 million
  – FY 2018 - $45 million
  – FY 2019 - $50 million

• Listening Sessions:
  – Los Angeles, Oct 16th
  – Atlanta, Oct 29th
  – Dallas, Oct 30th
  – San Francisco, Nov 17th
  – Washington D.C., TBD

For Further Information: WIFIA@EPA.GOV
Questions

Steve Graham, Assistant General Manager
San Antonio River Authority