Meeting: **Reservoir Committee & Authority Board Agenda Item 3.3** **August 21, 2026**

Subject: **Update on WIFIA and USDA Loans**

## Requested Action:

Receive an update on the status of the Water Infrastructure Finance and Innovation Act (WIFIA) loan and the U.S. Department of Agriculture (USDA) loan. Provide Board concurrence on staff's planned approach with USDA regarding potential revisions to the USDA Letter of Conditions.

## Detailed Description/Background:

The WIFIA and USDA loans are anticipated federal loan components of the Authority's long-term financing plan for Participants electing to participate in Authority-provided financing. The Authority's objective is to i) preserve access to favorable federal financing, and ii) ensure that the terms, timing, and administrative requirements of federal loans remain competitive with similar municipal instruments and are workable for the Project and participating agencies. Whatever the sum of these two loans does not cover would be provided for by municipal revenue bonds.

### WIFIA Loan Status

There has been no material change in the status of the WIFIA loan since the Authority's last update to board in November 2025. Staff plans to continue working with the U.S. Environmental Protection Agency (USEPA) to further discuss and resolve the few remaining outstanding business and agreement issues.

A WIFIA loan has been a component of the Project financing plan since 2023. The Authority submitted its Letter of Interest and has worked with USEPA on the terms and conditions of a WIFIA Master Agreement and initial loan. The WIFIA Ad Hoc Committee has provided input regarding the business terms, and the Authority and USEPA have made substantial progress on the agreement structure.

The Authority previously communicated the updated Project cost estimate to USEPA and received verbal confirmation that a total WIFIA loan amount equal to 49 percent of the June 2025 cost estimate is acceptable to USEPA. Since July 2025, USEPA has not engaged in further discussions on the WIFIA Master Agreement while waiting until specified Project and Participant milestones were completed, including execution of the Benefits and Obligations Contracts by Participants and delivery of key federal, state, and water-right documentation.

**Items requiring further discussion with USEPA include:**

- The current draft could allow a bankruptcy-related event involving a Participant representing at least five percent of WIFIA borrowing to trigger an event of default under the Master Agreement. This could cross-default the Authority's other debt, prevent additional WIFIA draws, and restrict additional non-WIFIA debt; the Authority's position is that this provision is inappropriate given the contractual structure between the Authority and Participants.

- The parties have conceptually agreed that most sales, transfers, or assignments of Capacity Interests or Defaulted Interests to parties other than non-defaulting Participants would require notice rather than USEPA consent. However, USEPA proposes a 90/60-day consent process if the sale or transfer is larger than 5% of all Base Facilities Capacity Interests and would result in the downgrade of the WIFIA loan's credit rating. The Authority has requested that USEPA's failure to respond within that period be deemed consent.

Staff will continue working with USEPA to discuss and resolve the few remaining issues and finalize the WIFIA Master Agreement when the required Project documents and Participant commitments are in place. Finalizing the Master Agreement and an initial loan would establish financing availability but would not, by itself, require the Authority to draw loan proceeds.

**USDA Loan Status and Proposed Alignment**

Staff is reviewing USDA's Letter of Conditions and plan to seek revisions necessary to ensure that the USDA loan remains consistent with the Project's financing structure and viable for the Project and participating agencies.

As part of this effort, staff recommends we propose to USDA that the USDA loan terms be aligned, to the extent feasible and acceptable to USDA, with the WIFIA loan structure. Potential alignment is intended to reduce conflicting requirements, support coordinated administration of the federal loans, and provide a financing structure that can operate effectively with the Benefits and Obligations Contracts and the Authority's overall plan of finance. Should USDA not be in a position to accept WIFIA like terms, it would be more advantageous for the Project to forego the USDA loan and rely on municipal revenue bonds instead.

Upon receiving Board concurrence, Staff will proceed to propose terms aligning the federal loans and return to the Board with additional information and any recommended actions before the Authority makes a binding commitment or takes other action requiring Board approval.

**Next Steps**

- Continue discussions with USEPA regarding the remaining WIFIA conditions and agreement provisions.

- Engage USDA regarding potential revisions to the Letter of Conditions to align the USDA loan with the WIFIA loan

- Provide a Board Update on the status of the loan terms during investor commitment.

**Prior Action:**

**March 2025** – Receive an update on the status of the Water Infrastructure and Finance Act (WIFIA) loan application and a report on aspects of the anticipated financing structure.

**January 2023** – Receive an update on the USDA's Rural Development Loan.

**Fiscal Impact/Funding Source:**

The costs of developing and negotiating the Authority's financing arrangements, including the WIFIA and USDA loans, are included in the Authority's adopted budget. No loan proceeds will be drawn and no binding financing commitment will be made solely as a result of receiving this status update.

**Staff Contact:**

Shayleen O'Connell/Brian Thomas/JP Robinette

**Primary Service Provider:**

Stradling/Montague DeRose and Associates

**Attachments:**

None