**CIFA FEDERAL POLICY CONFERENCE**

**May 18-19, 2015**

*More than 100 Federal and state water and wastewater funding officials and other interested parties came together for the annual CIFA Federal Policy Conference in Washington, DC May 18-19. The following were some of the highlights.*

**Andrew Sawyers, Office of Wastewater Management, EPA:**

**New opportunities in wastewater infrastructure programs** are provided by the recently enacted Water Resources Reform and Development Act (WRRDA), including expanded eligibilities for stormwater; water reuse and recycling projects; greater flexibilities in innovation; new opportunities for participation by privately-owned stormwater facilities; enhanced public/private and public/nonprofit partnership options; increased subsidization when annual appropriations exceed $1 billion; and a new 30 year loan repayment period.

**Strategic Partnerships** with WIFIA and the new Water Infrastructure and Resiliency Finance Center can include the following:

* The SRFs can borrow from WIFIA to cover bundled multiple project applications.
* The SRFs could be used to guarantee taxable debt for the non-Federal 51% of a WIFIA loan.
* State SRF programs could direct/oversee WIFIA projects.
* The Finance Center could feed projects into both WIFIA and SRF pipelines.
* The Finance Center could support establishment of new stormwater facilities,
* The Finance Center could work with other interested parties to explore financing options.
* The Finance Center could use existing Environmental Finance Centers (EFCs) as a resource for technical assistance and development of best practices.

**Effective Utility Management Partnerships:** EPA is working with utility organizations such as AWWA and NACWA to “freshen” the EUM approach. The Agency is also partnering with utility organizations to develop a “Utilities of the Future” blueprint to address technical innovations.

**Peter Grevatt, Office of Ground Water & Drinking Water, EPA:**

**Some DWSRF Statistics:** Of every dollar spent in FY 14 through the DWSRF, 8.5 cents went toward replacement or upgrade of distribution systems. Of the $975 million in projects and $275 million in set-asides that still represent drinking water ULOs, states are very much on track to spend all legacy ULOs by 2016.

**Drinking Water and Drought:** Water reuse options may help states such as CA, TX, CO, UT, NV, and AZ. EPA is participating on the National Water Reuse Research Foundation’s advisory committee on direct potable reuse. EPA has several case studies on reuse including those in Texas (one for non-potable reuse for irrigation and another as an alternate supply), New Mexico (reservoir rehab as a public health emergency), and Oregon (aquifer storage and recovery).

**DWSRF role in addressing the Toledo algal bloom emergency:** Through the DWSRF, Ohio was able to provide $50 million to address impacts from the contamination incident; provide $1 million for detection equipment; and offer 0% loans to affected small and medium water utilities. Algal blooms result in both source water and infrastructure problems. Nutrient management requires a holistic approach.

**Resiliency for Water Utilities:** As a result of Superstorm Sandy, states such as Alaska, Oregon, and Rhode Island now use the DWSRF local assistance set-asides to help fund emergency response and recovery. In reaction to the Charleston contamination incident, West Virginia now requires source water protection plans to be updated every three years.

**Looking Ahead:**

* An EPA-SRF workgroup is working to put the finishing touches on a DWSRF eligibility handbook.
* The White House’s Council on Environmental Quality (CEQ) has recently posted a useful “Principles of Infrastructure Investment” document.
* The next Drinking Water Needs Survey is getting underway. This will be a longitudinal survey and data collection is expected to run into 2016.
* Sustainability metrics are being considered to find better ways to support public health through help for utilities to have reasonable, sustainable infrastructure reserves.

**Exploring SRF Eligibilities Panel**

**Jason Bodwell** (Georgia Environmental Finance Authority), spoke about his agency’s efforts to invest in Georgia energy, land, and water resources. He explained a new option for collaboration between solar and water projects. The Chatsworth Waterworks project received $2.5 million in SRF funding by combining solar and water improvement purposes. Because a solar project is not part of the definition for a “waterworks,” they were not required to meet American Iron & Steel and Davis Bacon requirements.

**Jag Khuman** (Maryland Water Quality Financing Administration) spoke to the issue of stormwater fees as part of the state’s Municipal Separate Storm Sewer permits for wastewater utilities.

**Stacey Barna** (Texas Water Development Board), explained how reuse projects, via WRRDA, are being managed in Texas. To date, 28 projects have been approved. While TCEQ has not yet approved use of the DWSRF for direct potable reuse projects, there are two currently under consideration.

**Municipal Market Developments**

**Lynette Kelly** (Municipal Securities Rule-Making Board), **Michael Decker** (Securities Industry & Financial Martkets Association (SIFMA)), and **Mary Simkins** (Security & Exchange Commission)each providedtheir perspectives on recent developments affecting the municipal bond market. Several of the recently promulgated regulatory requirements enhance and strengthen the transparency requirements for municipal bonds. Tax-exempt municipal bonds have been a keystone for water project finance, being used by at least 70% of U.S. utilities to some degree. Because the interest on these bonds is exempt from federal taxation, the bonds carry lower interest rates than taxable bonds – thus lowering costs for the utility and for all who pay a water bill in that community.

**Implementing CWSRF Guidance**

**Seth Robertson** (North Carolina Division of Water Quality), **Paul Marchetti** (PENNVEST), **Jo Dawn Bomar** (Texas Water Development Board) and **Shawn Clark** (South Carolina Department of Health and Environmental Control) each addressed about how they’re approaching the new CWSRF requirements imposed by the WRRDA (e.g., asset management, fiscal sustainability plans, affordability criteria for hardship communities). In general, the state representatives indicated that their programs already incorporate many of these elements and considerations, but some indicated that augmentation of and adjustments to their programs will be needed to conform to the new requirements.

**New Directions in Water Infrastructure Financing**

**Lisa Daniel** (Public Financial Management) focused on public-private partnerships (P3s) and noted that there are a wide array of P3 permutations and possibilities. She suggested that the audience should think creatively and holistically in approaching these opportunities. A CIFA workgroup will be considering this topic in more detail in the near future.

**Rafael Stein** (Office of Wastewater Management, EPA) provided an overview of the Agency’s views on the recently announced plans to create a Water Infrastructure and Resiliency Financing Center. The Center will focus on leveraging and partnerships (especially, P3s), with a particular focus on energy conservation, stormwater management, green infrastructure, and assistance to small and medium communities. The Nation’s Environmental Finance Centers are expected to play a key role.

**Jordan Dorfman** (Office of Wastewater Management, EPA) explained that the Agency is processing all of the feedback from the WIFIA listening sessions conducted throughout the Summer and Fall of 2014 and is developing program guidance and plans. He noted, as did Dr. Sawyers above, that there are a number of ways in which the SRFs can work in tandem with and complement WIFIA.

**The Baltimore Experience**

**Rudolph Chow** (Baltimore City Director of Department Public Works) described the array of challenges facing the city’s water and wastewater utility which has a $483 million operating budget and a $649 capital budget. In particular, he highlighted the city’s efforts to establish a forward-looking integrated planning process that considers legal mandates and requirements as well as other city priorities -- and the associated capital, operation, and maintenance costs.

**Structuring the SRF for Improved Financial Management**

**Lori Beary** (Iowa Finance Authority)**, Lance Reese** (California State Water Resources Control Board), and **Terry Deputy** (Delaware Department of Natural Resources) each described a variety of program enhancements, innovations, retooling, and streamlining changes that have been undertaken over the past few years in their respective state SRF programs. An important element of these changes is outreach/marketing – to ensure that potential borrowers are aware of the revised programs and the various opportunities they present.