



**SFY2022
ANNUAL REPORT**



WATER INFRASTRUCTURE
FINANCE AUTHORITY OF ARIZONA

December 23, 2022

The Honorable Douglas A. Ducey, Governor of Arizona
The Honorable Karen Fann, Senate President
The Honorable Russell Bowers, Speaker of the House of Representatives
And the Citizens of the State of Arizona

I am pleased to present the Water Infrastructure Finance Authority (WIFA) of Arizona's 2022 Annual Report as required under A.R.S. §49-1204.

Investments in infrastructure are essential for maintaining a vibrant and sustainable economy. Since its inception in 1989, WIFA has invested over \$2.8 billion in Arizona water projects through its Financial and Technical Assistance programs. In State Fiscal Year 2022 (SFY2022), WIFA executed 22 new loans totaling over \$151 million.

The Authority credits much of its success to extraordinary partnerships with Arizona's communities and management's willingness to take a more open and innovative posture. WIFA continues to receive national recognition for its pursuit of leading-edge projects and expanded eligibilities within the Clean Water and Drinking Water programs.

Financially, WIFA's net position continues to grow, and the Authority's bonds maintain a AAA credit rating with national ratings agencies. WIFA's financial strength allows the Authority to sell revenue bonds at the lowest rates possible and pass those savings on to Arizona communities.

It is an honor to serve the state of Arizona, and if you have any questions or need additional information, please contact me at (602) 364-1314 or ddialessi@azwifa.gov.

Sincerely,



Daniel A. Dialessi, CFA
Executive Director
Water Infrastructure Finance Authority of Arizona

Enclosures: WIFA's SFY 2022 Annual Report
WIFA's SFY 2022 Audited Financial Statements

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ORGANIZATION OVERVIEW

Background

The Arizona Legislature established the Water Infrastructure Finance Authority of Arizona (WIFA) in 1989. In 2016, WIFA joined the Arizona Finance Authority (AFA), a one-stop-shop for financing that supports businesses' expansion and relocation, communities' infrastructure needs, and first-time homebuyers.

WIFA works to maintain and improve water quality and supply in the state by financing the construction, rehabilitation, and improvement of drinking water, wastewater, water supply development, and nonpoint source pollution projects. WIFA maintains Arizona's revolving loan fund programs, capitalized by the Environmental Protection Agency (EPA) and state appropriations, to provide low-cost financing for water infrastructure projects. Maintaining Arizona's water quality and supply requires communities to make large investments in drinking water and wastewater infrastructure. State Revolving Funds (SRFs) are significant in helping organizations meet their continuing and considerable water infrastructure needs.

Arizona Finance Authority Board

The Arizona Finance Authority is governed by a five-member, Governor appointed board.

Arizona Finance Authority Board



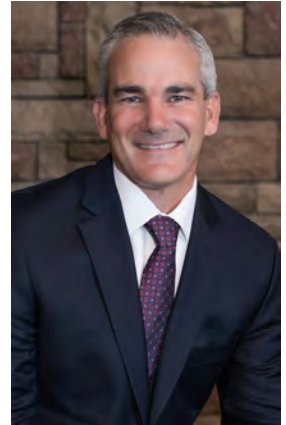
Gary Naquin



Jim Keely



**Lea Márquez
Peterson**



Mike Godbehre

WIFA Advisory Board

WIFA's Advisory Board provides expertise and leadership on WIFA's policies, loan approvals, and various other actions. The Advisory Board provides recommendations to the AFA Board of Directors. The AFA Board of Directors meets one week after the WIFA Advisory Board to act on its recommendations.

WIFA Advisory Board



Misael Cabrera, Chairman
Arizona Department of Environmental Quality



**Keith Watkins,
Vice-Chairman**
Arizona Commerce
Authority



Paul Gardner Water
systems which serve
500 or more
customers



Alan Baker
Municipalities of
50,000 or more
residents



Kevin Rogers
Water systems which
serve less than 500
customers



Lynne Smith
Arizona Department of
Water Resources

Vacant
Sanitary Districts from
counties with a
population less than
500,000

Britton Baxter
Arizona Corporation
Commission



Fernando Shipley
Municipalities with a
population less than
50,000



Ray Montoya
Counties with a
population more than
500,000

Vacant
Sanitary District from
counties with a
population of 500,000
or more

WIFA Administration



WIFA's leadership is composed of Executive Director, Daniel Dialessi; Controller, Jane Thompson; Financial Services Director, Scott Connelly; and Senior Program Administrator, Lindsey Jones. The Authority's 15 full-time staff have broad business and finance experience in the public and private sectors. WIFA's team is committed to providing exceptional service and value to Arizona's communities through our programs.

Daniel A. Dialessi, CFA
Executive Director

Administration and Outreach

The division of Administration and Operations performs WIFA's human resources management, payroll services, strategic planning, board and agency administration, secretarial and reception services, scheduling, records management, and information technology functions.

Yolanda Mendoza
Business Manager

Garrett Corral
Communications Director

Edgar Tovar
Network Administrator

Financial Services and Operations

The division of Financial Services directs WIFA's financial goals, objectives and policies. This includes overseeing WIFA's debt and loan program. Financial Services also directs WIFA's Financial Assistance and Technical Assistance programs.

Scott Connelly
Financial Services Director

Evan Marsh
Senior Loan Officer

Anthony Ngeera
Senior Loan Officer

Lindsey Jones
Senior Program Administrator

Lindsay Mills
Environmental Program Specialist

Morgan Burgess
Environmental Program Specialist

Samantha Lemke
Environmental Program Specialist

Michael Vidaure
Environmental Program Specialist

Fiscal and Loan Servicing

The division of Fiscal Services transacts daily financial operations including WIFA loan disbursements, repayments, budgeting and procurement. Fiscal Services also manages WIFA debt service, investments, federal grants and state match appropriation.

Jane Thompson
Controller

Dianna Paap
Fiscal Services Manager

Julie Flores
Administrative Service Officer III

Vacant
Administrative Service Officer III

Rebecca Gomez
Administrative Service Officer II

State Fiscal Year 2022 Operating Highlights

Executed **22 loans**, providing over **\$150 million** in funding to Arizona's cities, towns, special districts, tribal entities and private water companies



Maintained "AAA" credit ratings
due to demonstrated commitment to responsible fiscal fund management

Average rates for 20-year loans: 2.23% for governmental entities

The average discount from the base interest rate 19%.



11 WIFA-funded projects were completed in FY 22 (9 DW, 2 CW)
25 WIFA-funded projects initiated construction in FY22 (19 DW, 6 CW)

\$36.8 million in assistance for disadvantaged communities
\$6.3 million in Forgivable Principal awarded in SFY22
\$30.5 million in DWSRF funding for small communities



Approximately
\$779,000 in 100%
forgivable principal
loans provided to date

Continued dedication to customer service by processing loan documents in **less than a week** from board approval and processed all disbursement requests in an average of **three business days**.



Awarded \$360,000 in technical assistance for design, engineering, environmental review, federal requirements, COGS.



Over \$140M Forgivable Principal awarded to date

PROGRAMS SUMMARY

WIFA’s flexible lending options give its borrowers peace of mind of knowing that their communities are receiving the best financing package available. Borrowers may be eligible for various incentives based on the community’s population, disadvantaged designation, green project components, or project type. Funding options include a low-interest construction loan program, 1% interest rate design loans, technical assistance, and CIP financing.

Low-Interest Loan Program

WIFA's means for providing low-interest financial assistance are the Clean Water Revolving Fund (for publicly-owned wastewater treatment facilities) and the Drinking Water Revolving Fund (for publicly and privately-owned drinking water systems), established by the US Environmental Protection Agency (EPA) and maintained through federal capitalization grants, state matching funds, loan repayments, and bond proceeds. Eligible entities include cities, towns, special districts, tribal communities, and Arizona Corporation Commission-regulated private water companies.

WIFA is making a difference in Arizona. Since its inception in 1989, WIFA has invested over **\$2.8 billion** in the state, with over 270 active loans. Each project results in the creation of construction and engineering jobs. Additionally, the Bipartisan Infrastructure Bill (also called the Infrastructure and Investments Job Act) increased the funding available through State Revolving Fund programs (see table below). These funds will help to address emerging contaminants such as PFAS, assist communities with lead service line inventory and replacements, and greatly increases the funding available to disadvantaged communities as loan forgiveness.

Fund	Purpose	Allocation	Forgivable Percentage	Forgivable	Forgivable Principal Eligibility
Drinking Water SRF	Base	\$12,859,600	30%	\$3,857,880	14% for any eligible recipient/12-35% additional subsidy for disadvantaged communities
	Supplemental	\$32,359,000	49%	\$15,855,910	Disadvantaged Communities
	Emerging Contaminants	\$13,587,000	100%	\$13,587,000	25% for Disadvantaged Communities or Public Water Systems Serving Fewer Than 25,000 Persons
	Lead Service Lines	\$50,986,000	49%	\$24,983,140	Disadvantaged Communities
Clean Water SRF	Base	\$7,913,200	40%	\$3,165,280	10% for any eligible recipient/10-30% mandated additional subsidy for communities that meet affordability criteria
	Supplemental	\$12,021,000	49%	\$5,890,290	Assistance recipients that meet the state’s affordability criteria or project types as described in section 603(i) of the CWA.
	Emerging Contaminants	\$632,000	100%	\$632,000	No restriction

Technical Assistance Program (TAP)

The program's purpose is to help prepare water and wastewater facilities for the construction of a Capital Improvement Project (CIP). The Authority prioritizes TAP awards to borrowers with limited resources to complete an infrastructure project's planning or design, or to assist with compliance requirements. TAP Funding provides up to **\$50,000 per project to employ engineers or other consulting services** to complete planning or design activities, or to meet federal requirements and up to \$20,000 per project to contract with the Council of Governments to provide procurement and Davis Bacon monitoring assistance.

In SFY20, WIFA expanded its Technical Assistance Program scope, unlocking more resources for Arizona's smaller communities and disadvantaged borrowers. The new offering is a collaborative approach with Arizona's Councils of Governments (COGs). It lessens the borrower's administrative burden by providing direct assistance with procurement and Davis-Bacon prevailing wage monitoring requirements. During its first year, the new offering was utilized by 5 projects across the CW and DW programs. In its second year of SFY21, the number of projects has increased to 15.

Water Supply Development Fund (WSDF)

The Water Supply Development Fund (WSDF) was established in 2007 with HB 2692 and aimed to help areas of Arizona lacking access to sufficient water supplies and in need of financial assistance to construct projects necessary to obtain additional water supplies. In 2021, through SB1823, the Arizona Legislature allocated \$46 million to the WSDF, opening more financial opportunities for Arizona's rural water providers to improve their water supply infrastructure. Further, in 2022 SB1740 Since passage of the funding, Leadership and Staff have worked diligently with internal and external stakeholders to develop the program and WIFA is pleased to report that applications for these critical projects will be accepted in SFY 2023.

LEGISLATIVE CHANGES

Senate Bill 1740 transferred from the AFA Board of Directors to the WIFA Board of Directors, governance of WIFA and expanded the current powers and duties of WIFA. Senate Bill 1740 adds two new programs to WIFA, the Long-Term Water Augmentation Fund (LTWAF) and the Water Conservation Grant Fund. Additionally, the WIFA Advisory Board was renamed the Federal Programs Committee. Further updates on these new programs will be included in the fiscal year 2023 report.

On December 20, 2022 WIFA announced the selection of Chuck Podolak as the new Director of WIFA. Chuck brings a wealth of experience and expertise to this role, having worked in Arizona water policy for nearly a decade in the U.S. Senate, Arizona State Governor's office, and at the Salt River Project. In addition, he has a strong track record of success negotiating legal, policy, and operational water challenges from Colorado River supply challenges, tribal water rights settlements, and water quality issues with municipal water users, farmers, ranchers, tribes, and others. In this role, Chuck will oversee the financing of All WIFA programs and projects throughout Arizona, including the development and implementation of long-term funding water augmentation initiatives. He will also work closely with stakeholders, including local governments, utilities, and community organizations, to ensure the needs of communities across Arizona are met.

WIFA's Board and Committee Members

WIFA Board - Voting Members:

- Peter Kim
- David Beckham
- Buchanan Davis
- Ted Cooke
- Tim Thomure
- Jonathan Lines
- Andy Tobin
- Susan Montgomery
- Richard Lunt

WIFA Board - Non-voting Members:

- Karen Fann
- Russell Bowers
- Rebecca Rios
- Reginald Bolding
- Lisa Atkins
- Thomas Buschatzke
- Misael Cabrera
- Sandra Watson
- Ray DiCiccio

LTWAF Committee Voting Members:

- David Beckham
- Peter Kim
- Buchanan Davis
- Ted Cooke
- Tim Thomure
- Andy Tobin
- Richard Lunt

WSDF Committee Voting Members:

- Peter Kim
- Buchanan Davis
- Ted Cooke
- Jonathan Lines
- Andy Tobin

- Susan Montgomery
- Richard Lunt

Federal Programs Committee Voting Members:

- Thomas Buschatzke (designee- Lynne Smith)
- Misael Cabrera
- Sandra Watson (designee – Keith Watkins)
- Alan Baker
- Fernando Shipley
- Paul Gardner
- Kevin Rogers
- Ray Montoya
- Two open seats (One for a DWID or Sanitary District in a county with more than 500,000 persons and one for a DWID or Sanitary District in a county with less than 500,000 persons)

Water Conservation Grant Committee is open for applications and no selections have been made yet, applications and more information are available on WIFA's website (<https://www.azwifa.gov/>).

WIFA'S FINANCIAL SUMMARY

Credit Profile

The Authority's diligent commitment to responsible fiscal fund management continued its AAA bond ratings by Moody's Investors Service, Standard and Poor's, and Fitch in SFY 2022. A Continuation of its AAA ratings reduces WIFA's borrowing cost when WIFA issues bonds, keeping loan rates as low as possible, thereby passing on the savings to its borrowers. 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 with the ability to withstand substantial losses to revenue
- Large size and diversity of loan portfolio
- Strong management practices and policies

During SFY 2022, WIFA continued to maintain a diverse portfolio of borrowers by balancing the needs of low-credit borrowers who have high-priority projects with high-credit borrowers who have lower-priority projects. The presence of strong borrowers within the portfolio benefits all program participants.

WIFA's net position increased by approximately \$17 million in SFY 2022 to a total of \$789,563,076. The EPA restricted amount of this total is \$749,377,569. The Clean Water portion is \$347,432,858 and the DW portion is \$401,944,711. WIFA's 2022 Audited Financial Statements are attached and available on WIFA's website – www.azwifa.gov/resources/reports.

Investments

At the close of the fiscal year, WIFA had approximately \$309 million invested, primarily used to originate loans to WIFA borrowers and provide financial security to WIFA's bond portfolio. Additionally, the invested funds' interest helps to subsidize WIFA borrowers' interest rates and grow the fund.

Active Loan Portfolio*

	Not Pledged		Qualified Pledged		Total	
	Number of Loans	Principal Outstanding	Number of Loans	Principal Outstanding	Number of Loans	Principal Outstanding
Clean Water	47	\$41,187,586	51	\$193,116,586	98	\$234,304,173
Drinking Water	142	\$238,198,334	66	\$205,436,129	208	\$443,634,463
Total	189	\$279,385,921	117	\$398,552,715	306	\$677,938,637

*Outstanding balances as of 12/21/2022, there were remaining commitments of \$326,441,003 that were obligated but not yet drawn.

RURAL WATER INFRASTRUCTURE COMMITTEE



The Rural Water Infrastructure Committee (RWIC) is an informal partnership of various federal and state agencies that provide loans, grants, and technical assistance to Arizona's rural communities under 10,000. The RWIC's chairpersons are WIFA's Communication Director and a representative from the Arizona Department of Environmental Quality (ADEQ).

Participating agencies of the Rural Water Infrastructure Committee:

- Water Infrastructure Finance Authority of Arizona (WIFA)
- AZ Corporation Commission (ACC)
- AZ Department of Environmental Quality (ADEQ)
- AZ Department of Water Resources (ADWR)
- US Environmental Protection Agency (EPA)
- USDA Rural Development (USDA-RD)
- North American Development Bank (NADBank)
- Rural Water Association of Arizona (RWAA)
- Rural Community Assistance Corporation (RCAC)
- Bureau of Reclamation (BOR)
- Department of Housing and Urban Development (HUD)
- Arizona Department of Housing (ADOH)

In SFY 2022, RWIC hosted its regular quarterly meetings. The first half of the panel provides a platform for small communities to present their project needs and engage with multiple agencies at once. After each presentation, the partners discuss available assistance options offered by their agencies and build a "next-step" plan with the presenter. After the presenters finish, the partners use the remaining time to discuss projects, improve project coordination, collaboration, and provide partner updates on upcoming training and funding opportunities.

WIFA facilitated four RWIC committee meetings in SFY 2022:

- RWIC meeting, September 2021
- RWIC meeting, March 2022
- RWIC meeting February 2022 (Planning Meeting)
- RWIC meeting, June 2022

ATTACHMENTS

Table 1: Drinking Water Binding Commitments and Executed Loans

Borrower	Binding Commitment Date	Binding Commitment Amount	SFY Loan Executed	Loan Amount Executed in SFY22
White Mountain Apache Housing Authority	8/28/2019	\$616,030.00	SFY22	\$616,030.00
DS Water Company	10/28/2020	\$75,000.00	SFY22	\$75,000.00
City of Somerton	4/28/2021	\$450,000.00	SFY22	\$450,000.00
Bradshaw Water Company, Inc.	6/23/2021	\$87,430.00	SFY22	\$87,430.00
Tierra Linda Water Company, Inc.	6/23/2021	\$406,980.00	SFY22	\$406,980.00
Livco Water Company	8/27/2021	\$214,261.00	SFY22	\$214,261.00
Yuma County Improvement District	8/27/2021	\$250,000.00	pending loan closing	-
Town of Camp Verde	10/28/2021	\$10,175,000.00	SFY22	\$10,175,000.00
Town of Queen Creek	10/28/2021	\$8,238,763.00	SFY22	\$8,238,763.00
Desert Gardens RV Resort Cooperative, Inc.	12/9/2021	\$225,000.00	SFY22	\$225,000.00
Tonto Basin Water Company	2/17/2022	\$470,000.00	SFY22	\$470,000.00
Pine Creek Canyon Domestic Water Improvement District	2/17/2022	\$100,000.00	SFY22	\$100,000.00
Pine Strawberry Water Improvement District	2/17/2022	\$17,500,000.00	SFY22	\$17,500,000.00
Timberland Acres DWID	4/21/2022	\$250,000.00	SFY22	\$250,000.00
Trujillo Trail Domestic Water Improvement District	4/21/2022	\$265,000.00	SFY22	\$265,000.00
Town of Queen Creek	4/21/2022	\$45,518,694.00	SFY22	\$45,518,694.00
Walnut Creek Water Company	4/21/2022	\$100,000.00	SFY22	\$100,000.00
City of Prescott	6/16/2022	\$34,000,000.00	pending loan closing	-
Town of Marana	6/16/2022	\$1,000,000.00	pending loan closing	-
Total:		\$119,942,158	16 Executed Loans in SFY22	\$84,692,158

Table 2: Clean Water Binding Commitments and Executed Loans

Borrower	Binding Commitment Date	Binding Commitment Amount	SFY Loan Executed	Loan Amount Executed in SFY22
White Mountain Apache Housing Authority	8/28/2019	\$806,862.00	SFY22	\$806,862.00
City of Peoria	4/28/2021	\$17,764,029.00	SFY22	\$17,764,029.00
Tri-city Regional Sanitary District	8/27/2021	\$5,500,000.00	SFY22	\$5,500,000.00
City of Buckeye	8/27/2021	\$13,000,000.00	SFY22	\$13,000,000.00
Town of Queen Creek	4/21/2022	\$10,098,396.00	SFY22	\$10,098,396.00
City of Flagstaff	4/21/2022	\$20,000,000.00	SFY22	\$20,000,000.00
Superstition Mountains Community Facilities District No. 1	6/16/2022	\$7,200,000.00	SFY23	-
Total:		\$74,369,287	6 Executed Loans in SFY22	\$67,169,287

Table 3: Drinking Water Forgivable Principal Provided

Borrower	Project Name	Forgivable Principal Amount
Town of Camp Verde	Water Utility Revenue WIFA Loan, Series 2021	\$900,000.00
Desert Gardens RV Resort Cooperative, Inc.	Arsenic Removal	\$225,000.00
Livco Water Company	Water System Upgrades	\$182,121.00
Town of Marana	Marana Park Reservoir	\$512,500.00
Pine Creek Canyon Domestic Water Improvement District	Water Meter and Pump Upgrades	\$85,000.00
City of Prescott	Water Production and Intermediate Pump Station Completion	\$1,532,500.00
Town of Queen Creek	Water System Comprehensive Construction Plan	\$1,012,500.00
Tonto Basin Water Company	Cactus Forest Water System Improvements (2)	\$322,500.00
Trujillo Trail Domestic Water Improvement District	Waterline Installation	\$220,000.00
Walnut Creek Water Company	Storage Tank Improvements	\$80,975.00
Yuma County Improvement District	Tacna Water Infrastructure Project	\$250,000.00
Total:	11 Projects	\$5,323,096

Table 4: Clean Water Additional Forgivable Principal Provided

Borrower	Project Name	Forgivable Principal Amount
City of Flagstaff	Stormwater Capital Projects	\$1,000,000.00
Total:	1 Project	\$1,000,000