

# Disadvantaged Community Designation

**WIFA Policy #: III.6**

**Purpose:**

*Outline the criteria to designate a drinking water system or wastewater system as a Disadvantaged Community and define the additional benefits available to Disadvantaged Communities.*

**Policy:**

**Section 1: Disadvantaged Community Designation**

The Board may designate an applicant as a Disadvantaged Community if the applicant satisfies one of the following:

1. The community is a designated "colonia" community through the federal government, or
2. The community received 60 or more Local Fiscal Capacity points on the DWRP or CWRP PPL.

**Section 2: Disadvantaged Community Financing Options**

After the Board designates a drinking water or wastewater system as a Disadvantaged Community, and the applicant fails to meet the applicable WIFA financial capability requirements as defined by WIFA Policies III.7 and III.8, WIFA may reduce the Combined Interest and Fee Rate (CIFR); extend the term beyond the standard financial assistance term; and/or provide forgivable principal in accordance with the financing options listed below. WIFA may reduce the CIFR calculated in accordance with Procedure III.3.1 at the time of loan closing. "Standard Financial Assistance Term" is defined by Policies III.7 and III.8 as follows:

**Standard Financial Assistance Term:** The standard loan term for design loans shall be three years. The standard loan term for long-term loans shall not exceed 20 years or the useful life of the facilities financed if the useful life is less than 20 years. In accordance with WIFA Policy III.6, the Board may designate an applicant as disadvantaged and extend the term for long-term loans beyond 20 years up to a maximum of 30 years.

Note: Extended loan terms for Clean Water financing must have EPA approval.

The Disadvantaged Community financing options include:

Option 1: WIFA may either

- a) reduce the CIFR on a standard financial assistance term to a rate lower than would otherwise apply, but not below the minimum rate of 2.0%, or
- b) extend the term to longer than 20 years, but not beyond the maximum of 30 years, whichever permits the Disadvantaged Community to obtain the required debt service coverage in each case, the term may be extended only to the extent necessary to

obtain the required debt service coverage but no longer than the useful life of the facilities financed.

Option 2: If the Disadvantaged Community cannot obtain the required debt service coverage under Option 1, WIFA may both:

- a) reduce the CIFR to a rate lower than would otherwise apply, but not below the minimum of 2.0%, and
- b) extend the term beyond the standard financial assistance term, but not beyond the useful life of the facilities financed and not beyond the maximum of 30 years, to the extent necessary to obtain the required debt service coverage requirement.

Option 3: WIFA may also provide forgivable principal as outlined in Procedure III.20.1.

**Section 3: Security Levels**

WIFA may require Disadvantaged Community applicants to execute additional levels of security as follows:

**Applicant Type**

**Security Type**

**Governmental**

City or Town  
Community Facility District  
Domestic Water Improvement District

General Obligation  
General Obligation  
Special Assessments

**Non-Governmental**

Association/Cooperative/Non-Profit  
Privately/Investor Owned

Liens on Personal Property  
Personal Guarantee

The Board may, if requested and justified by the Disadvantaged Community applicant, waive the additional security levels.

**Responsibility:** Chief Financial Officer

**Statutory Reference:** A.R.S. Title 49, Chapter 8

**Rule Reference:** A.A.C. R18-15-104

**Original Issue Date:** January 11, 2000

**Previous Amendment Date(s):** February 15, 2006; April 18, 2007; October 20, 2010; June 20, 2012

**Most Recent Amendment Date:** April 30, 2014 (effective July 1, 2014) (*Replaces All Previous Versions*)

**Approval:**



7/1/14

**Executive Director**

**Date**