SRF CONSTRUCTION LOANS

For Wastewater, Storm Water and Drinking Water Infrastructure

PROJECT PLANNING AND DESIGN PHASE

Important decisions are made early in the planning and design phase that affect an infrastructure project's scope and cost. Applicants should engage and coordinate with various consultants that support and serve the goals and outcomes of the project. Iowa SRF offers Planning and Design (P&D) Loans that can be used to pay costs incurred in the planning and design phase of SRF-eligible projects.

Engineering Consultant

The consulting engineer will complete the design of the project and coordinate with Iowa Department of Natural Resources (DNR) staff on steps necessary for construction permitting, environmental review clearance, bid document review, compliance with applicable federal SRF requirements, and SRF eligibility determination.

Municipal Advisor

While the engineer is designing the project, a Municipal Advisor (MA) will review any outstanding debt, analyze the existing revenues and expenses of the utility system and the financial impact of the new project, and help plan for any necessary rate increases.

Local Counsel

Prior to bidding the project, legal counsel should be engaged to ensure compliance with Iowa public bidding law. A written legal opinion certifying compliance must be submitted to DNR as part of a complete bid package. A bond attorney (see below) may be able to issue this opinion.

Bond Counsel

Bond Counsel is primarily responsible for issuing a written legal opinion that the SRF loan is a valid and binding obligation and that interest on the is exempt from federal and state income taxes. Bond Counsel will prepare proceedings for the public hearing (if required) and required resolutions to authorize the SRF loan. Bond Counsel will coordinate with SRF staff to sign loan documents and close the loan.

INTEREST RATE LOCK

A notice locking the loan interest rate for 90 days will be provided to the Applicant on the later of 1) the date a complete bid packet is received by DNR (the SRF Bid Document Checklist is available on our website), or 2) the date environmental review clearance is issued. Should the Program's loan interest rates fall prior to signing a loan agreement within the rate lock period, the Applicant will automatically receive the more favorable rate at loan closing. More information on SRF Program interest rates can be found on our website.

LOAN APPLICATION

An SRF Construction Loan Application may be submitted to IFA once DNR has issued an SRF Notice of Funding Eligibility (NOFE) letter and the project is ready for construction. The SRF NOFE is issued after the following items are complete and reviewed:

1. Construction Permit(s) issued by DNR for all project phases to be funded by the SRF loan.
2. Environmental Review clearance issued by SRF Environmental Review staff.
3. Complete bid packet submitted to DNR (the SRF Bid Document Checklist, available on our website, outlines the list of documents required with the bid packet).

Prior to executing a construction loan, a pro forma financial analysis completed by a Municipal Advisor must be submitted to IFA identifying all outstanding parity obligations and demonstrating system revenues can meet loan requirements. Also, Applicants must demonstrate that action has been initiated to implement any utility rate increases outlined in the pro forma financial analysis, such as an adopted ordinance or proof a notice of public hearing has been published for an upcoming ordinance.

LOAN EXECUTION

SRF staff will work with the Applicant's Bond Counsel to coordinate loan execution. Once a closing date is determined, SRF staff will provide an estimated amortization schedule, and the Applicant's Bond Counsel will work with the Applicant to issue the bond, bond opinion, and execute the authorizing resolution.

Loan closings are generally scheduled for Fridays. The week of the closing, SRF staff will send the Applicant information to about closing, including the loan disbursement form and instructions for requesting loan disbursements.

LOAN DISBURSEMENTS

Loan disbursements are made weekly electronically via Automated Clearing House (ACH). A current ACH authorization form must be on file before disbursement requests can be processed. SRF staff will provide the ACH form (if needed) with the loan disbursement request form and instructions.

Loan disbursement requests and any corresponding documentation (invoices) must be emailed to waterquality@iowafinance.com. SRF staff checks disbursement requests against eligible project expenses. SRF will work with the DNR Project Manager and the borrower to address any discrepancies or questions.

The DNR Project Manager must review change orders for eligibility. SRF is notified of approved change orders. Change order requests that increase the amount of the construction contract will not be reimbursed until the change order has been approved.

FINAL DISBURSEMENT AND LOAN CLOSEOUT DOCUMENTATION

The following documentation is required prior to receiving the final loan disbursement:

1. Signed and certified change orders not previously approved by DNR (submit directly to DNR for review and approval).
2. Each Contractor's signed Final Pay Request, showing no retainage (or provide evidence that retainage has been released).
3. Written Notice of Works in Operation, Owner Acceptance, and Certification of Project Completion forms.
4. Final Disadvantaged Business Enterprise Report.
5. Final Davis-Bacon Compliance Report.
6. Final Project Close-Out: Self-Certification of compliance with American Iron and Steel and/or Build America, Buy America (BABA) requirements, if applicable.

SRF will send the final loan disbursement after receiving all final documents. The final loan certificate and a final debt service schedule will be generated after the final disbursement. The borrower must sign the final loan certificate and returns to SRF.

LOAN SERVICING

Invoices are sent to borrowers semiannually – most payments are due on December 1st and June 1st. Loan repayments are made electronically via ACH.

For more information, contact:

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