

**FY 2025 INTENDED USE PLAN**  
**DRINKING WATER STATE REVOLVING FUND**



**INVESTING IN IOWA'S WATER**

Approved by the Environmental Protection Commission (EPC) on June 18, 2024. Approved by EPC on September 17, 2024. Approved by EPC on December 17, 2024.

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## Introduction

Under the authority of Section 1452 of the Safe Drinking Water Act (SDWA), the Drinking Water State Revolving Fund (DWSRF) Program finances water treatment plants or improvements to existing facilities, water line extensions to existing unserved properties, water storage facilities, wells, and source water protection efforts.

As of June 30, 2024, Iowa's DWSRF Program has provided more than **\$1 billion** in financial assistance for water infrastructure projects since 1998. With the State Fiscal Year (SFY) 2025 Intended Use Plan (IUP) and future program plans, Iowa's SRF will continue to help Iowans protect public health and the environment through investing in Iowa's water.

## A. Highlights and Changes

In the past few years, many exciting opportunities have developed to advance environmental equity in the water sector through increased investment in water and wastewater infrastructure. Iowa is expanding and revising the SRF Program, as needed, to adapt to and take advantage of these new opportunities. Highlighted below are some of the changes Iowa SRF is incorporating into SFY 2025 IUPs.

- ✓ Plans for implementing funding for the General Supplemental (GS), Lead Service Line (LSL), and PFAS/Emerging Contaminants (EC) funding awarded from the **Infrastructure Investment and Jobs Act (IIJA)**, also known as, **Bipartisan Infrastructure Law (BIL)** are included in this annual release of the IUP.
- ✓ The **Socioeconomic Assessment Tool** used to define a **Disadvantaged Community (DAC)** (DWSRF Program) and **Affordability Criteria** (CWSRF Program) has been updated with current American Community Survey and state-level employment data and will be referred to as the SFY 2025 Socioeconomic Assessment (SA) Tool.
- ✓ **DAC eligibility will be evaluated at the time of IUP application.** All projects added to the Project Priority List (PPL) during SFY 2025 will receive a DAC score based on the SFY 2025 SA Tool and this score will not change with future SA Tool updates. All projects listed on the approved PPL *prior to SFY 2025* will continue to use the DAC score in accordance with the SFY 2024 SA Tool.
- ✓ The amount of loan forgiveness funds available to a community will be determined in accordance with a set scale based on DAC score (see Appendix B).
- ✓ Additional subsidization in the form of loan principal forgiveness will be applied to the SRF portion of eligible **construction costs.**
- ✓ Priority funding for all available Base Cap Grants and BIL GS LF will be awarded based on total project priority points and DAC score, with consideration given to compliance status and date of loan execution.

## B. SRF Program Overview

### SRF PROGRAM ADMINISTRATION

The unique partnership between the Iowa Department of Natural Resources (DNR) and the Iowa Finance Authority (IFA) is the foundation for the success of the SRF programs. These agencies work together to deliver streamlined programs and good customer service:

- DNR - Administers the environmental, permitting, and regulatory compliance aspects of the program as well as project level approval, eligibility and compliance.
- IFA - Administers the financial aspects of the program including fund management, bond issuance for state match and leveraging, loan approval, disbursement, and servicing.

### INTENDED USE PLANS

The State of Iowa IUP for the DWSRF is prepared annually in accordance with the provisions of section 1452 of the SDWA, 40 CFR Part 35 and Iowa Code Sections 455B.291-455B.299 and 567 Iowa Administrative Code (IAC) Chapter 44.

The IUP is developed annually in June and updated quarterly in September, December, and March (or more often as needed). This IUP covers activities during the SFY 2025, July 1, 2024 through June 30, 2025.

The IUP identifies the intended use of funds available to the SRF, the program's goals, information on the types of activities to be supported, assurances and specific proposals on the manner by which the State intends to meet the requirements of the Operating Agreement with the U.S. Environmental Protection Agency (EPA), sources and uses of

funds, criteria and method for distribution of funds, the loan rates, terms, and fees for the fiscal year, and includes a ranked listing of projects to be funded.

The IUP and PPL are submitted to the EPA as part of the application for a capitalization grant. The IUP and PPL are reviewed and approved quarterly by the Iowa Environmental Protection Commission (EPC). Federal and state law requires, and Iowa welcomes, public participation in the development of the IUP.

#### **METHOD OF AMENDMENT OF THE INTENDED USE PLAN**

The Iowa SRF Program will follow this IUP in administering DWSRF funds in SFY 2025. Any revisions of the goals, policies and method of distribution of funds shall be addressed by a revision of the IUP, including public participation. Minor adjustments in funding schedules and loan amounts are allowed without public notification by the procedures of this IUP and state rules for administration of the DWSRF. Public notice of amendments will be made if borrowers are added to or removed from the PPL.

#### **PUBLIC REVIEW AND COMMENTS**

(See Appendix H - Public Review and Comments Received)

The SRF Program accepts new IUP applications quarterly by the first business day in March, June, September, and December<sup>1</sup>. The DRAFT IUP and PPL are updated and available to the public for review about 60 days after the quarterly IUP application deadline. The IUP is posted on the DWSRF Program webpage of the SRF Program's website ([www.iowasrf.com](http://www.iowasrf.com)) and public comments are accepted for up to 30 days following the posting at [srf-pc@dnr.iowa.gov](mailto:srf-pc@dnr.iowa.gov).

Public Hearings are typically scheduled on the final Thursday of the months of May, August, November and February to highlight changes from the previous quarter, when applicable, and to collect public comments. Information on how to participate in the public hearing is provided through listservs and on the SRF website. A final draft version of the IUP, including all comments and SRF responses to the comments received, will be posted as part of the EPC Meeting and Agenda on the EPC webpage on the DNR's website<sup>2</sup>.

An open forum client contact group meeting will be held on the Thursday prior to each EPC meeting to discuss agenda items. The IUP is approved quarterly by the EPC at regularly scheduled EPC meetings typically held the third Tuesday of the months of June, September, December and March. EPC meetings are open to the public, providing a final opportunity for public comment on the IUP.

All of the opportunities mentioned above are open to the public. Meetings and hearing information are posted on the Media Center<sup>3</sup> and IUP Public Hearings<sup>4</sup> pages of the [SRF website](http://www.iowasrf.com), and announced through agency-managed listservs. Public comments are accepted at [srf-pc@dnr.iowa.gov](mailto:srf-pc@dnr.iowa.gov).

#### **PROJECT PRIORITY LIST (PPL)**

Administration of the DWSRF Program includes developing a priority list of projects to receive loan assistance, in accordance with DNR rules 567 IAC Chapter 44 (455B). Attachment 1 constitutes the DWSRF PPL and is included as a separate, sortable Excel file. This PPL will be amended quarterly during SFY 2025 and includes projects funded by both DWSRF Base and BIL Funds.

The PPL is a list of projects currently requesting funding from the SRF. This list provides the DWSRF Program with a projection of loan funding assistance needed for applications. Priority order is determined by point source rating criteria defined in 567 IAC Chapter 44 (455B). More information on priority ranking is available in

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<sup>1</sup> Drinking Water Program page of <https://www.iowasrf.com/>

<sup>2</sup> <https://www.iowadnr.gov/About-DNR/Boards-Commissions/Environmental-Protection-EPC>

<sup>3</sup> <https://www.iowasrf.com/media-center/>

<sup>4</sup> <https://www.iowasrf.com/intended-use-plan-public-hearings/>

Appendix C - Project Ranking Criteria. Projects are listed on the PPL in ranking order by the IUP year and quarter the application was received. Planning and Design loan applications are not ranked.

Pursuant to Section 1452 of the SDWA and 40 CFR Part 35, the PPL includes the following required items: name of the public water supply (PWS) system, project description, the population of the system's service area, the priority assigned to the project, projected amount of eligible assistance, and type of assistance. The PPL may also include the SRF project number, project status or DAC score.

The PPL (Attachment 1) includes the following project categories for funding during SFY 2025:

- **Planning and Design Loans.** These are loan requests that cover planning and engineering costs related to the design of an eligible DWSRF project and the development of a Preliminary Engineering Report (PER).
- **New Infrastructure Projects.** Projects are added to the PPL only after a complete IUP application is received, the project has passed a preliminary review of eligibility, and the project is scored.
- **Unfunded Prior Years' Infrastructure Projects.** These are loan requests remaining on the PPL from previous years' IUPs. It is Iowa's intention to make DWSRF loans to these projects during SFY 2025 if they are ready for a binding loan commitment.
- **Segments of Previously Funded Infrastructure Projects.** Subsequent segments of a project which have previously received funding priority or assistance will be placed on the PPL and may carry over their original priority point total from the previous year.
- **Supplemental Financing.** Supplemental financing provides additional funds for projects listed in previously approved IUPs. These funds will be used to cover cost overruns on previously approved scopes of work and are added to the IUP as they are requested.

Fundable projects are further identified as "R - ready for loan" (indicating that the construction permit and environmental review have been completed), "P - in planning" and "L - loan signed." PFAS and LSL projects will be identified as "C - contingency status" (indicating that the project has not yet met all eligibility criteria to receive a specific funding source-see SFY 2025 Program Activities to be Supported) until all funding criteria have been met.

If a project on the approved IUP list is not going to proceed or will not be utilizing SRF funds, the applicant should notify the SRF in writing that they wish to withdraw the IUP application from the PPL. For the purpose of program planning, applicants with projects on the PPL for longer than 3 years will be required to evaluate their original IUP application to determine if the scope and cost of the project are still accurate and if they intend to proceed with the project. Applicants will be asked to provide an updated project schedule, scope and cost, as necessary. A notification may be sent to the SRF applicant that their project may be dropped if adequate progress toward a binding loan commitment is not demonstrated within six months following the notice. If a project is withdrawn or dropped from the PPL, the applicant may reapply when the project is ready to move ahead.

**Project Scope.** The scope of the project must be outlined in the IUP application and in the PER.

**Scope Changes.** Significant changes in scope may cause delays if additional work is required by the project manager or environmental review specialist. Changes to the scope are allowed prior to executing an SRF loan. Once a loan is signed, only minor changes to the scope are allowed and only if the changes do not require additional public bidding, technical or environmental review.

## TYPES OF FINANCIAL ASSISTANCE

(See Appendix D - Interest Rates, Fees and Loan Terms)

The Iowa DWSRF Program provides low-interest financing through direct loans.

**Direct Loans** - DWSRF funds are used to purchase municipal bond debt, secured by utility system revenues or a general obligation pledge.

Direct Loans for **Planning & Design** are available to eligible public water supply systems to cover engineering and project development costs such as testing and scoping, preparing PERs, and project specifications that are directly related to the development of an eligible SRF drinking water project.

Current interest rates and fees are established in the IUP in Appendix D- Interest Rates, Fees and Loans and are published on the Loan Interest Rates<sup>5</sup> page of the SRF website.

LF criteria is established in the IUP in Appendix B - Additional Subsidization. Recipients of LF are publicly announced through listservs, news releases and published in the annual report.

## CO-FUNDING

The SRF strives to assist communities with the most affordable financing for their water quality projects. SRF funding can be combined with several other funding sources to make costly infrastructure projects possible. Joint funding with other funding agencies is crucial to making drinking water infrastructure projects affordable for some communities.

Other state and federal funding sources may have funding requirements in addition to those required under the SRF Program. When projects are co-funded, borrowers should be aware that projects may become subject to compliance with other federal funding requirements that are not necessarily required by the SRF Program. Examples include, but may not be limited to, the Single Audit Act or Build America, Buy America (BABA) Act.

The Iowa SRF Program is committed to coordinating with other funding agencies to simplify the process of co-funding and to find an affordable solution to drinking water needs.

## EMERGENCY FUNDING

A Memorandum of Understanding (MOU) between EPA and the Federal Emergency Management Agency (FEMA) provides a framework for SRF programs to assist and collaborate with FEMA disaster assistance grant programs. The Iowa SRF Program will work with communities on a case-by-case basis to provide assistance addressing public health threats related to drinking water and wastewater resulting from a disaster. Some of the ways the SRF can help following a disaster include:

**Use SRF loans as match for FEMA grants.** FEMA funds will generally pay for a percentage of the repair or replacement costs for public water and wastewater systems damaged by natural disasters or projects to prevent or mitigate future disasters. The SRF can be used to finance the amount not covered by FEMA.

**Use SRF funds as short-term loans to be repaid with FEMA grants.** There may be times when a public facility has been approved for a FEMA grant but there is a delay in receiving the funds. In those situations, when all program requirements are met, an SRF loan may be used to finance the repairs and then be repaid with FEMA money. Emergency loans meeting these conditions may be executed and then reported in the next quarterly IUP update.

## APPLICATION PROCESS

**Planning & Design Projects:** Applications are available on the SRF website<sup>6</sup> and are submitted to IFA's SRF Program Staff at [waterquality@iowafinance.com](mailto:waterquality@iowafinance.com).

- New applications for **Planning & Design** will be accepted on a quarterly basis the first working day of the months of April, July, October and January.

**Infrastructure Construction Projects:** IUP applications are available on the SRF website<sup>7</sup> and are submitted to [srf-iup@dnr.iowa.gov](mailto:srf-iup@dnr.iowa.gov).

- New applications for **infrastructure construction projects** will be accepted on a quarterly basis the first working day of the months of March, June, September and December.

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<sup>5</sup> <https://www.iowasrf.com/loan-interest-rates/>

<sup>6</sup> Planning & Design Loan Program page of <https://www.iowasrf.com/planning-and-design-loans/>

<sup>7</sup> Drinking Water Loan Program page <https://www.iowasrf.com/drinking-water-loan-program/>

- Project applications eligible for SRF funding under the BIL General Supplemental, BIL LSL, and BIL PFAS/EC Fund will use the DWSRF IUP application and follow the same quarterly IUP application cycle as the DWSRF Base Program. Additional application information may be required for projects applying for BIL Funds. The SRF Program will provide additional application materials for BIL Funds directly to applicants, as applicable, and application materials will be available on the SRF website<sup>8</sup>.

## C. SFY 2025 DWSRF Program Goals

### SHORT TERM GOALS

Goal: Apply for all available Federal Fiscal Year (FFY) 2024 Base and BIL Capitalization Grants.

Goal: Commit loan funds to as many recipients as possible in accordance with the state priority rating system, the IUP, staff resources, and available funding, to assist in the construction of projects that protect human health through the delivery of safe drinking water.

Goal: Update internal tracking systems and software to assist with streamlining and improving processes necessary to co-administer the DWSRF Program.

Goal: Update marketing materials, program resources and website to better facilitate communication and outreach with customers and to provide clear, concise and readily accessible program information and guidance.

Goal: Assign/reallocate LF funds from previous capitalization grants to fulfill additional subsidization requirements.

Goal: Continue the partnership with Environmental Finance Center's (EFC) Technical Assistance (TA) resources to assist the Iowa SRF Program and DAC borrowers.

Goal: Continue implementing the state's oversight program for American Iron and Steel (AIS) requirements and Build American, Buy America (BABA) requirements; and in cooperation with co-funding sources, as needed.

### LONG TERM GOALS

Goal: Endeavor to make the SRF Program the first choice for Iowa communities to finance a water infrastructure project.

Goal: Work with other state and federal agencies to coordinate water infrastructure funding.

Goal: Maintain mechanisms for funding the on-going administration of the program that will assist PWS in achieving compliance with public health objectives of the SDWA.

Goal: Maintain the long-term financial integrity of the DWSRF Program by managing its assets to realize a rate of return that will sustain the DWSRF Loan Program in perpetuity.

Goal: Apply program requirements that are simple and understandable and do not add unnecessary burdens to applicants or recipients.

## D. SFY 2025 Program Activities to be Supported

The principal objective of the DWSRF is to facilitate compliance with national primary drinking water regulations or otherwise significantly advance the public health protection objectives of the SDWA. State SRF Programs are required to give priority for the use of DWSRF project funds to:

- Address the most serious risks to human health
- Ensure compliance with the requirements of the SDWA
- Assist systems most in need on a per household basis according to state affordability criteria

<sup>8</sup> <https://www.iowasrf.com/bipartisan-infrastructure-law/>

States also have the option to take up to 31% of their capitalization grant for set-asides. Set-asides can fund state programs, technical assistance and training for water utilities, and other activities that support achieving the public health protection objectives of the SDWA.<sup>9</sup> 2025 Set-Aside Uses provides further details on Iowa’s intended use of set-aside funds during SFY 2025.

**DWSRF BASE PROGRAM**

Allotments for the FFY 2024 EPA Capitalization Grants (Cap Grants) have been determined and the Iowa SRF Program will apply for and/or receive FFY 2024 DWSRF Base Program Funding during the SFY 2025.

FFY	Funding Source	Allocation Amount*
2024	DWSRF Base Cap Grant	\$7,007,000

\*This award amount is anticipated to be received by SFY 2025 but has not been received as of the publication of this DRAFT IUP

**WATER INFRASTRUCTURE PROJECTS**

Eligible Borrowers: Publicly and privately-owned community water systems and nonprofit non-community water systems are eligible for funding under the DWSRF program.

Eligible Activities: Eligible projects include the installation, upgrade, or replacement of treatment facilities, finished water storage facilities, transmission and distribution systems, and water system consolidation/regionalization.<sup>10</sup> Eligibility guidelines are available in the DWSRF Eligibility Handbook.<sup>11</sup>

Special Conditions: Projects selected as equivalency will comply with the federal requirements described in E. Financial Administration of this IUP.

**DWSRF BIL PROGRAMS**

The IJA, also known as the BIL, provides DWSRF programs with three additional capitalization grants annually through FFY 2026. Allotments for the FFY 2024 EPA capitalization grants have been determined and the Iowa SRF Program will apply for and/or receive FFY 2023 and 2024 BIL Funding during the SFY 2025.

Due to BIL funding requirements, projects being financed with BIL PFAS/EC and General Supplemental funding must enter into a loan assistance agreement within one year of becoming eligible for the funds. BIL LSL Replacement projects must enter into a loan assistance agreement within 2 years of becoming eligible for the funds. The DWSRF staff may bypass projects that have not signed a loan obligation within these time limits. If an eligible project is bypassed, the applicant may be reconsidered when the project is ready to move ahead, as funding is available, or may be financed through DWSRF Base Funds.

**DWSRF BIL GENERAL SUPPLEMENTAL (GS) FUNDS**

Eligibility. Eligible borrowers and eligible activities for BIL GS Funds are the same as the DWSRF Base Program.

Special Conditions: Projects selected as equivalency will comply with the federal requirements described in E. Financial Administration of this IUP and BIL Signage requirements described in Appendix G - Federal Assurances, Certifications and Proposals.

Projects receiving *additional subsidization* from this fund will also comply with BIL Signage requirements described in Appendix G - Federal Assurances, Certifications and Proposals.

<sup>9</sup> <https://www.epa.gov/dwsrf/how-drinking-water-state-revolving-fund-works#DWSRF%20Set-Asides>

<sup>10</sup> <https://www.epa.gov/dwsrf/dwsrf-program-overview-epa-816-f-18-001>

<sup>11</sup> <https://www.epa.gov/dwsrf/drinking-water-state-revolving-fund-eligibility-handbook>



FFY	Funding Source	Allocation Amount*
2024	DWSRF BIL General Supplemental Grant	\$34,558,000

\*This award amount is anticipated to be applied for and received by SFY 2025 but has not been received as of the publication of this DRAFT IUP

### DWSRF PFAS/EMERGING CONTAMINANTS (EC) FUND

Eligible Borrowers. Both publicly and privately-owned community water systems and nonprofit non-community water systems are eligible for funding under the DWSRF program. At least 25% of the funds will be awarded to DAC or PWSs fewer than 25,000 people.

Eligibility Activities. For a project or activity to be eligible under this funding source, it must be otherwise DWSRF eligible, and the primary purpose must be to address EC in drinking water. Any contaminant on EPA’s Contaminant Candidate Lists 1-5 are eligible, however, priority for funding will be given to projects addressing perfluoroalkyl and polyfluoroalkyl substances (PFAS) based on the April 2024 final PFAS National Primary Drinking Water Regulation.<sup>12</sup>

Special Conditions: Projects being funded with BIL PFAS/EC are all considered equivalency projects and will comply with the federal requirements described in E. Financial Administration of this IUP and BIL Signage requirements described in Appendix G - Federal Assurances, Certifications and Proposals.

FFY	Funding Source	Allocation Amount
2023	DWSRF BIL PFAS/EC	\$12,565,000*
2024	DWSRF BIL PFAS/EC	\$11,487,000**

\*This award amount includes the FFY 2023 CWSRF PFAS/EC partial transfer amount of \$1,078,000

\*\*This award amount is anticipated to be applied for and/or received during SFY 2025 but has not been received as of the publication of this DRAFT IUP

The Iowa SRF Program requested, at the time of application in SFY 2024, that a portion of the FFY 2023 CWSRF BIL PFAS/EC allocation, totaling \$1,078,000, be transferred to the DWSRF BIL PFAS/EC fund. These transferred funds are expected to be received and available for DW PFAS/EC projects during SFY 2025.

The Iowa DWSRF Program reserves the right to request transfer of the unobligated portions of this Cap Grant to the Clean Water State Revolving Fund (CWSRF) BIL PFAS/EC Fund.

### DWSRF BIL LSL REPLACEMENT FUND

Eligible Borrowers. Both publicly and privately-owned community water supply systems and nonprofit non-community water systems are eligible for funding under the DWSRF program. LSLs can be system-owned or customer-owned.

BIL LSL funding will be offered to borrowers as a combination of additional subsidization (LF) and loans. Special loan interest rates and terms may be offered for LSL projects (see Appendix D - Interest Rates, Fees and Loan Terms). LF eligibility for LSL projects will be determined by the disadvantaged status of the community where the water system is located. If the community is a DAC community, all of the addresses within the service area will be considered disadvantaged for LF eligibility. For non-DAC communities, the program will evaluate the disadvantaged status of individual addresses for LF eligibility. Addresses must be located within a Census tract that scores between 11-20 to be considered disadvantaged and in order for those construction costs to be eligible for LF. ***If there is only one census tract covering the service area, borrowers will use the Service Area-Based SA Tool. If there are multiple tracts within the community’s service area, borrowers will use the Census Tract-Based SA Tool to determine disadvantaged census tracts.*** See Appendix A - Disadvantaged Communities (DAC) and Appendix B - Additional Subsidization for more information.

<sup>12</sup> EPA's webpage for the final regulation at <https://www.epa.gov/sdwa/and-polyfluoroalkyl-substances-pfas>

Eligible Activities. For a project or activity to be eligible under this funding source, it must be otherwise DWSRF eligible, and the primary purpose must be a LSL replacement project or associated activity directly connected to the identification, planning, design, and replacement of LSLs. LSL Replacement includes:

- Either LSL or galvanized service lines that are or were ever located downstream of LSL
- The entire LSL, including private portion (but not interior plumbing)
- Standalone or connected lead goosenecks, pigtails and connectors

Application Process. In order to be listed on the PPL, application packets must include, at minimum:

1. Intended Use Plan Application
  - An overall project description, including a proposed timeline for the replacement work can reasonably be replaced in 2-3 years;
  - The location of LSL to be replaced, listed by specific addresses; and
  - Budget estimate
2. Environmental Review Checklist
3. Viability Assessment
4. PER/Lead Service Line Replacement Plan

Projects will be given a “**C-contingency**” status on the PPL until they have met all funding criteria described below.

***Funding Criteria***

An approved ***LSL Replacement Project Plan*** is required to receive BIL LSL funding. Although a PER is acceptable, the Project Plan for LSL Replacement does not need to be covered by an engineer’s completed Iowa certification block with stamp, signature, and date. If a PER is submitted, it will need to include the same information needed in an ***LSL Replacement Project Plan***.

Requirements for Project Plans for LSL Replacement can be found on the BIL Program Information page of the SRF website<sup>13</sup> or the DNR’s DWSRF webpage.<sup>14</sup>

After a DNR Water Supply Engineering project manager has reviewed and ensured the plan is complete, an approval letter will be issued. Funding commitments **for the BIL LSL Fund** and **LF obligations** will be issued to applicants only after the LSL Project Plan is approved. Funds will be disbursed on a first ready, first-funded basis until all available funding is obligated.

Environmental Review (ER). **Construction activities cannot begin at any address until that address has received an ER clearance.** Each address on the LSL replacement project list will be cleared through the ER process. LSL projects listed on the PPL will begin working with an SRF ER Specialist to complete the ER Checklist and submit additional information and maps, as needed, per project. ER clearances may “group” like-addresses together based on historical or architectural significance and multiple ER clearances may be issued for each project application.

Special Conditions. Projects being funded with BIL LSL are all considered equivalency projects and will comply with the federal requirements described in E. Financial Administration of this IUP and BIL Signage requirements described in Appendix G - Federal Assurances, Certifications and Proposals.

***Projects may be required to include specific contractual language in their bid packages regarding construction guidelines when conducting LSL replacements and/or monitoring of an identified historic place.***

FFY	Funding Source	Allocation Amount
2023	DWSRF BIL LSL Replacement	\$29,319,000*
2024	DWSRF BIL LSL Replacement	\$30,066,000*

<sup>13</sup> LSL Replacement Plan Requirements <https://www.iowasrf.com/bipartisan-infrastructure-law/>

<sup>14</sup> <https://www.iowadnr.gov/Environmental-Protection/Water-Quality/Water-Supply-Engineering/State-Revolving-Loan-Fund>

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\*This award amount is anticipated to be applied for and/or received during SFY 2025 but has not been received as of the publication of this DRAFT IUP

Iowa intends to apply for these funds once adequate projects are identified.

## E. Financial Administration

### RATES, FEES AND LOAN TERMS & CONDITIONS

(See Appendix D - Interest Rates, Fees and Loan Terms)

### PROJECT READINESS FOR LOAN APPLICATION

SRF applicants are required to comply with Iowa public bidding law in order to receive funding through the DWSRF Program. Applicants must demonstrate compliance through an opinion of legal counsel. A sample “Form of SRF Construction Bidding Opinion” is available on the SRF website.<sup>15</sup> Applicants are encouraged to include this opinion letter when submitting bid documentation to SRF.

**SRF Notice of Funding Eligibility (NOFE)** Letters will be issued *only after* the following program requirements are complete:

- Construction Permit(s) issued by DNR Project Manager for all project phases to be funded by the SRF loan
- Environmental Clearance issued by SRF ER Staff
- Project Bid and Bid Documents (including signed SRF Front-End Documents) submitted to DNR

**Construction Loan Applications will not be accepted until the SRF NOFE Letter(s) are issued by the SRF Project Compliance Specialist.**

If the SRF NOFE Letter is issued *contingent upon* the receipt of a construction bidding legal opinion, an SRF Construction Loan Application **will not be considered “complete” until the applicant submits an opinion of legal counsel certifying compliance with Iowa public bidding law**, therefore *releasing* the contingency on the NOFE.

### Prior to Approving a Construction Loan:

A complete SRF Construction application includes the following: NOFE, construction bidding legal opinion, proforma, and proof of rate ordinance adoption. When the complete SRF construction loan application is accepted, the loan will be considered for IFA Board approval. Once the board approves the loan, the 90-day lock will be in effect.

- For revenue-backed loans, submit a pro-forma cash flow analysis prepared by a registered Municipal Advisor identifying all outstanding parity obligations and detailing the revenues, expenses, outstanding debt, and debt coverage ratios for the system. At a minimum, the pro-forma should show financial information based on actuals for the past two years, the current year, and projections for the next two years.
- If user rates must be increased to meet the loan’s debt coverage requirements, provide documentation that action has been taken to implement the recommendation of the Municipal Advisor (adopted rate ordinance, public hearing notice, etc.).

### DISADVANTAGED COMMUNITIES

(See Appendix A - Disadvantaged Communities (DAC))

The SDWA defines DAC as the entire service area of a PWS that meets affordability criteria established by the State after public review and comment. In SFY 2023, a SA Tool was developed to include a more comprehensive range of metrics by which communities are evaluated for DAC status. In SFY 2024, the metrics behind the SA Tool were refined to improve desired outcomes and comply with existing federal statute while still including social, economic and demographic information that may indicate a lack of access to affordable clean water and safe drinking water.

The SA Tool and the metrics are discussed in Appendix A - Disadvantaged Communities (DAC), and they define the affordability criteria that will be used to evaluate the DAC status of a borrower for the purpose of SRF LF eligibility. The

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<sup>15</sup> Under “Program Information” on the Documents and Guides page <https://www.iowasrf.com/documents-and-guides/>

SA Tool is updated with new census data each year and will become effective, with the IUP, on the first day the state fiscal year. Applicants will use the SA Tool in effect for the state fiscal year of their project application to determine DAC score. **DAC determinations are made at the time of IUP application. Once a DAC score is assigned to a project, it will not change for that project.**

## ADDITIONAL SUBSIDIZATION

(See Appendix B - Additional Subsidization)

Iowa applies additional subsidization in the form of LF. Appendix B - Additional Subsidization, identifies the available funding and the criteria used to determine projects and borrowers eligible to receive additional subsidization. **Criteria for additional subsidization is established for each Cap Grant.** At the end of each fiscal year, unassigned or reallocated LF may remain available in subsequent years in accordance with its original criteria, or may be combined with the funds made available in accordance with the new Cap Grant criteria.

## EQUIVALENCY

An *Equivalency Project* is a treatment works project that is constructed, in whole or in part, with funds equaling the amount of a federal capitalization grant awarded to a state. The Iowa DWSRF Program must designate a project or group of projects with loan amounts totaling the amount of each Cap Grant received, to comply with all federal funding requirements applicable to that Cap Grant.

Projects assigned as equivalency for SRF capitalization grants will have to comply with the following Federal requirements:

- Disadvantaged Business Enterprise<sup>16</sup>
- Single Audit Act
- Federal Funding Accountability and Transparency Act (FFATA) reporting
- EPA signage requirements
- BABA (FFY 2022 and all future capitalization grants)<sup>17</sup>
- Federal environmental and socioeconomic cross-cutters<sup>18</sup>

See Appendix G - Federal Assurances, Certifications and Proposals for program compliance requirements.

**Project Selection for Equivalency.** The Iowa SRF Program intends to select projects for equivalency that will impose the least amount of administrative or financial burden on a borrower. Because it is unknown which projects listed on the PPL will execute loan agreements, the SRF will coordinate with borrowers during project planning to identify and assign projects for equivalency. The final equivalency loans selected will be listed in the annual report.

## CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

The cash draw procedure used is the direct loan method. The Iowa DWSRF Program uses its Equity Fund to originate loans. When enough loans have been made, the DWSRF Program issues bonds and uses the bond proceeds to replenish the Equity Fund. Iowa's bonds are cross-collateralized across both the Clean Water and Drinking Water SRF accounts, in a manner consistent with state and federal laws. State match bonds are issued along with leveraged bond issues for greater cost effectiveness. State match proceeds are fully disbursed prior to drawing Cap Grant funds. The Cap Grant funds will be drawn at a 100% proportionality ratio. Iowa expects to fully disburse the loan portion of the FFY2024 DWSRF Base Capitalization Grant, FFY2024 BIL General Supplemental Fund, the FFY2022 and FFY 2023 BIL LSL Fund and FFY 2022 and FFY 2023 BIL PFAS/EC during the program year.

**Allocation of Funds Among Projects.** All projects listed in the DWSRF PPL (Attachment 1) may be funded from the DWSRF subject to available funds.

The following approach was used to develop Iowa's proposed distribution of DWSRF funds:

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<sup>16</sup> <https://www.epa.gov/grants/disadvantaged-business-enterprise-program-under-epa-assistance-agreements-dbe-program>

<sup>17</sup> <https://www.epa.gov/cwsrf/build-america-buy-america-baba>

<sup>18</sup> <https://www.epa.gov/grants/epa-subaward-cross-cutter-requirements>

1. Analysis of the priority of communities applying and financial assistance needed;
2. Identification of the sources and spending limits of available funds;
3. Allocation of funds among projects;
4. Development of a payment schedule which will provide for making timely binding commitments to the projects selected for DWSRF assistance; and
5. Development of a disbursement schedule to reimburse the project costs as incurred.

Allocation of funds to eligible projects was based on a four-step process:

1. The amount of financial assistance needed for each application was estimated.
2. The sources and allowable uses of all DWSRF funds were identified.
3. The DWSRF funds were allocated among the projects, consistent with the amount available and the financial assistance needed.

**Priority of Communities and Financial Assistance Needed.** The state’s priority rating system used to establish priorities for loan assistance is described in Appendix C – Priority Ranking Criteria.

**Capitalization Grant Requirements.** Cap Grants include requirements for minimum and maximum percentages of the funds to be allocated for additional subsidization and/or green project reserve (GPR). Iowa will identify projects meeting eligibility criteria during SFY 2025 and will report assignments of these funds in the annual report.

**FUNDING SOURCES AND USES**

(See Appendix E – Estimated Sources and Use)

During SFY 2025, the Iowa SRF Program will apply for and/or receive the following capitalization grants and amounts:

FFY	Funding Source	Allocation Amount*
2023	DWSRF BIL PFAS/EC	\$12,565,000
2023	DWSRF BIL LSL Replacement	\$29,319,000
2024	DWSRF Base Cap Grant	\$7,007,000
2024	DWSRF BIL GS Grant	\$34,558,000
2024	DWSRF BIL PFAS/EC	\$11,487,000
2024	DWSRF BIL LSL Replacement	\$30,066,000

\*This amount includes \$1,078,000 transferred from FFY 2023 CWSRF BIL PFAS/EC.

Appendix E – Estimated Sources and Use illustrates potential sources and uses of funds in the DWSRF for SFY 2025. As shown, all pending loan requests and program administration needs can be funded. To account for the fact that projects draw their funding at different intervals, Iowa SRF frequently analyzes program cash flows to ensure adequate funding is available. Appendix E - Sources and Uses will be updated, as appropriate, to provide an ongoing view of the financial plan for meeting loan requests.

**Current and Projected Financial Capacity of the DWSRF.** The leveraging capacity of the DWSRF is robust due to the maturity of the fund and the current loan portfolio. SRF staff has analyzed the future financial capacity of the DWSRF considering the discussion over water quality standards and other future drinking water needs. Assuming that Iowa SRF continues receiving Cap Grants, and providing at least 26% of the Cap Grant as LF, *it is estimated that the DWSRF could loan an average of approximately \$100 million per year over the next 10 years, or a total of \$1.0 billion.* These figures would increase with an increase in interest rates.

**STATE MATCH**

(See Appendix F - State Match)

The Iowa SRF Program issues bonds for state match.

## **BONDS**

Iowa's SRF program issues bonds as needed. These bond issues typically include the anticipated state match for the next federal Cap Grants.

## **SWIFIA**

The Iowa SRF program was invited to apply for a loan through EPA's Water Infrastructure Finance and Innovation Act (WIFIA). The SRF Program is in the process of working through the underwriting process; the timeline for closing the loan is yet to be determined.

## **TRANSFERS BETWEEN FUNDS**

The Iowa DWSRF reserves the right to transfer 33% of the amount of the Clean Water capitalization grants from the Water Pollution Control Revolving Fund to the Public Water Supply Loan Fund in the future. The transferred funds will not be federal funds and will come from either bond proceeds, investment earnings, or recycled funds. This would help the DWSRF Program to meet loan demands in the future and should not impact the ability for the CWSRF to fund demand for projects.

## **PLAN FOR EFFICIENT AND TIMELY USE OF DWSRF FUNDS**

The Iowa DWSRF has a robust and sustained demand for loans and it uses Federal Cap Grant funds as expeditiously as possible. After SRF bonds are issued, state match funds are spent first, prior to drawing Cap Grant funds. The Cap Grant funds will be drawn at a 100% proportionality ratio. Loan disbursements requests are processed on a weekly basis. In SFY 2024, the program has disbursed an average of approximately \$6.6 million per month (10 months, through April 2024). With a return of \$3.00 for every dollar of federal investment, Iowa's DWSRF is an efficient and effective delivery mechanism for water infrastructure funding.

## **OTHER PROGRAM USES**

### **ADMINISTRATIVE ACCOUNTS**

DWSRF administration expenses include the work of drinking water engineering section project managers, SRF Environmental Review Specialists, SRF Project Compliance Specialist, program coordinators, program admin, program managers, financial officers and loan coordinators. It also covers expenses for financial and legal advisors. These program expenses will first be paid out of administrative set-aside and Program Income; and then Non-Program Income will be used once Program Income has been fully expended.

There are three distinct funding sources for DWSRF administrative expenses: Cap Grant administrative set-aside, loan initiation fees, and loan servicing fees.

***DWSRF Cap Grant Administrative Set-Aside.*** A total of 4% of the cumulative amount of federal Cap Grants received may be used for program administration. Planned expenses are discussed in Section F. 2025 Set-Aside Uses.

***Program Income.*** A 0.50% ***loan initiation fee*** is charged on new DWSRF construction loans which is included in the loan principal. Iowa uses the initiation fee receipts for administration of the DWSRF Program. A portion of these funds will be used in SFY 2025 for program administration, and the remainder will be reserved for future administrative expenses. Income is earned throughout the fiscal year by funds received from loan initiation fees as described in Appendix D – Interest Rates, Fees, and Loan Terms.

***Loan initiation fees will not be assessed on loans to DAC receiving SRF LF.***

***Non-Program Income.*** An ***annual servicing fee*** of 0.25% is charged on the outstanding principal of DWSRF construction loans. Iowa uses servicing fees collected while the Cap Grant is open for administration of the DWSRF Program. Servicing fee receipts collected after the Cap Grant is closed are used for other purposes under SDWA Section 1452 or reserved for future administrative expenses. Income is earned throughout the fiscal year by funds received from loan servicing fees as described in Appendix D – Interest Rates, Fees, and Loan Terms.

A portion of the non-program income funds may be used in SFY 2025 to fund some of the activities completed under the State Program Management set-aside. A portion of these funds may also be used in SFY 2025 toward Drinking Water Laboratory Certification and Capacity Development initiatives. Planned expenses are further discussed in Section F. 2025 Set-Aside Uses.

**SENIOR ENVIRONMENTAL EMPLOYEE (SEE) SALARY FUNDS DEDUCTED FROM CAPITALIZATION GRANT**

The DWSRF Program will not withhold any funding from FFY 2023 DWSRF Base Cap Grant application for the SEE Program but may seek to fill positions under this program during SFY 2025. These positions are filled by EPA Region 7 and assigned to the DNR’s Drinking Water Engineering section to provide technical and administrative assistance to the DWSRF projects and program. The SEE enrollees help provide staffing at DNR to maintain the DWSRF program and keep up with the increasing DWSRF project technical and administrative work-load. Authorized under the Environmental Programs Assistance Act of 1984 (PL 98- 313), the SEE program is intended “to utilize the talents of older Americans in programs authorized by other provisions of law administered by the Administrator in providing technical assistance to Federal, State, and local environmental agencies for projects of pollution prevention, abatement, and control.”

**REFINANCE OF EXISTING LOANS**

Central Iowa Water Works (“CIWW”), a regional water system and joint cooperative of the State of Iowa, was created in April 2024 pursuant to a 28E/28F Agreement (the “28E Agreement”) among twelve Des Moines area communities and/or utility systems:

City of Ankeny	City of Clive	Des Moines Water Works*
City of Grimes*	City of Johnston	City of Norwalk
City of Polk City	Urbandale Water Utility	Warren Water District
City of Waukee	West Des Moines Water Works*	Xenia Rural Water District

\* Owns water production assets that will transfer to CIWW

CIWW is responsible for drinking water treatment, water system planning, and the wholesale delivery of water across the Des Moines metro. CIWW will be the exclusive water provider to the participating members, who will each retain control over water distribution, storage, and customer service within their service area.

Ownership of certain water production-related assets will be transferred to CIWW on January 1, 2025. Pursuant to the 28E Agreement, CIWW will also assume liabilities related to outstanding loan and disbursement agreements that financed such assets between the SRF Program and Des Moines Water Works (DMWW), West Des Water Works (WDMWW) and the City of Grimes. These entities previously borrowed funds from the DWSRF Program to finance drinking water projects at their facilities. The following table is a summary of the refinancing activities. The refinanced loans are subject to an initiation fee but no changes will be made to the loans’ interest rates.

Original Borrower	Loan ID Paid Off	Par Amount*	New Borrower	Loan Type
Grimes	D0276R	\$1,157,064.99	CIWW	Tax-Exempt Construction Loan
WDMWW	D0389R	\$2,359,281.61	CIWW	Tax-Exempt Construction Loan
Grimes	D0472R	\$3,272,316.38	CIWW	Tax-Exempt Construction Loan
Grimes	D0683R**	\$4,326,151.26	CIWW	Tax-Exempt Construction Loan
DMWW	D0741R	\$15,407,832.79	CIWW	Tax-Exempt Construction Loan
Grimes	D0378RT	\$399,499.84	CIWW	Taxable Construction Loan
Grimes	D0481RT	\$1,321,999.47	CIWW	Taxable Construction Loan
Grimes	D0504T	\$20,762,866.69	CIWW	Taxable Construction Loan
DMWW	D0670P	\$10,614,423.00	CIWW	Planning & Design Loan

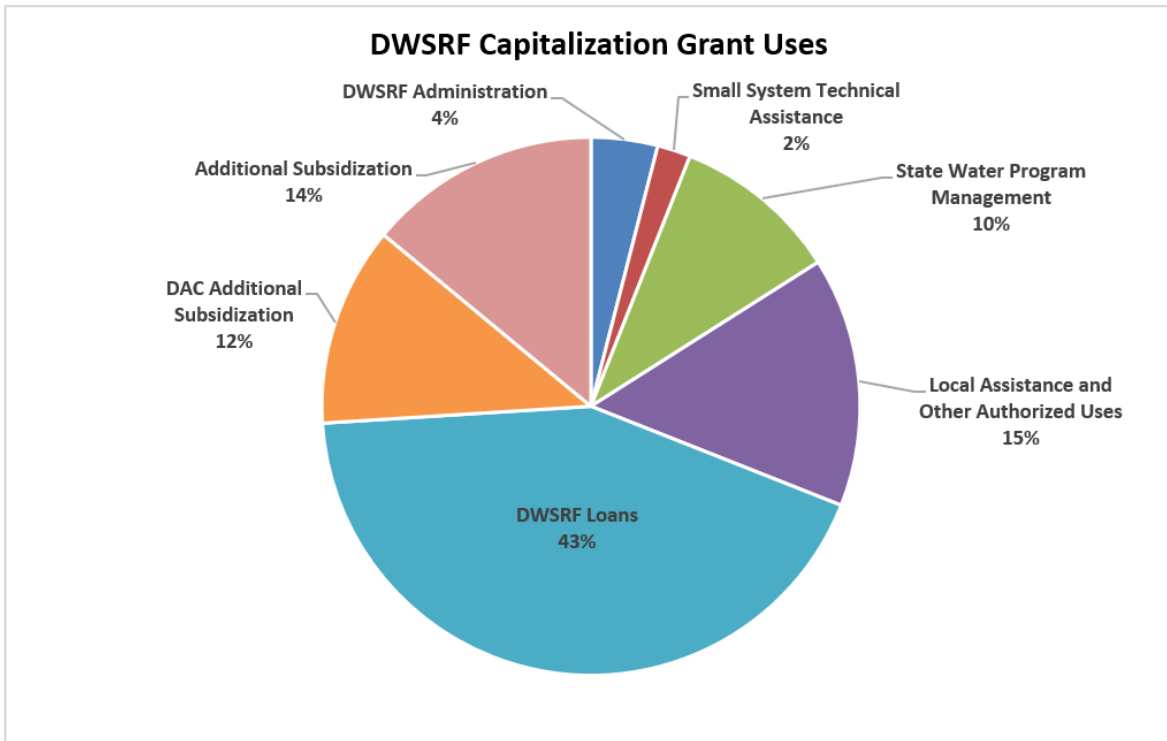
\*Par Amount: The face value of the bond equal to the sum of the remaining draws, loan balance, initiation fee, DSRF and the cost of issuance.

\*\*Partial Pay Off: Only the portion of the loan that originally financed water production elements can be transferred.

## F. 2025 Set-Aside Uses

States are allowed to take or reserve set-aside amounts from each Federal Cap Grant for a number of activities that enhance the technical, financial, and managerial capacity of public water systems and protect sources of drinking water. The use of the set-asides as well as the loan program is intended to carry out Iowa's goal of ensuring that the drinking water received by 92% of the population served by community water systems meets all applicable health-based drinking water standards through approaches including effective treatment and source water protection.

The amounts are subject to approval by EPA of program workplans. The DNR is following the SFY 2024 workplan and will transition to the SFY 2025 workplan during the fiscal year. Iowa plans to take or reserve set-side funds from the allowed amounts shown in the chart.



DNR has two options for addressing the amounts available each year in set-asides. Set-aside funds may be reserved for future use (except for the Local Assistance and Other Authorized Uses set-aside), in which case they would be deducted from a future Cap Grant when they are ready to be taken. Funds that are taken from an available Cap Grant must be applied to planned work efforts approved by EPA.

DNR has been using the set-asides and drawing upon reserved funds as needed to meet the needs for programs and efforts required by EPA that are critical for ensuring public health. Once the reserved amounts are expended, the amounts available for each set-aside will be limited to the percentage allowed out of each Cap Grant.

### PLANNED EXPENSES

Iowa intends to take the total amount authorized for each set-aside from the BIL General Supplemental Cap Grant and reserve authorized amounts from each of the DWSRF Base Program, BIL PFAS/EC Funds and BIL LSL Replacement Funds. Unused commitments are reserved for use in future years as necessary.

#### DWSRF Program Administration Set-Aside (4%).

Iowa intends to use this set-aside including loan administrative fees to pay the costs of administering the DWSRF Base, BIL GS, BIL LSL and PFAS/EC Funds including:

- Portfolio management, debt issuance, and financial, management, and legal consulting fees
- Loan underwriting



- Project review and prioritization
- Project management
- Technical assistance to borrowers
- AIS/BABA site inspections
- Database development and implementation
- Contract services for a continuous improvement facilitator
- Program marketing and coordination
- Drinking Water Infrastructure Needs Survey
- ER services\*

*\*In order to keep **ER services** available for all applicants, the SRF Program may establish funding limitations per project for archaeological and/or architectural contracted services necessary to complete a project's ER. If funding limitations are implemented, the applicant will be responsible for all related costs in excess of the funding limit.*

**Small System Technical Assistance Set-Aside (2%).** Iowa intends to use this set-aside to provide technical assistance to PWSs serving populations of less than 10,000.

Funds from this set-aside will be used this year to provide support for the operator certification program. This will include the administration and proctoring of examinations in all six regions of the state, provide training for new Grade A water system operators, and provide continuing education for existing Grade A water system operators. Grade A is the certification grade for the smallest PWS, with only disinfection treatment. Funds are also used by the Field Office water supply staff to provide technical assistance and compliance follow-up to small system operators.

Additional tasks may be added to the SFY 2025 Set-Aside Workplan to support initiatives specific to PFAS and/or LSL replacements.

**State Program Support Set-Aside (10%).** The primary uses of this set-aside are to assist with the administration of the Public Water Supply Supervision (PWSS) program, to review engineering documents for non-DWSRF construction projects, and to evaluate disinfection contact time determinations, approve corrosion control strategies, and make influenced groundwater determinations.

Other uses include:

- Updating the SDWIS database including support systems and provide compliance determinations and information technology database support
- Adopting rules and revisions to the IAC
- Field Office water supply staff conducting sanitary survey inspections at PWSs, as required by the SDWA.
- Create new electronic certification exams and PFAS Monitoring

Additional tasks may be added to the SFY 2025 Set-Aside Workplan to support initiatives specific to PFAS/EC and/or LSL replacements.

**Other Authorized Activities Set-Aside (15%).** The two primary uses of this set-aside are capacity development and source water protection (SWP).

Funds are budgeted for efforts related to developing technical, managerial, and financial capacity for Iowa's PWSs, including:

- Completion of sanitary surveys with the eight elements and providing direct capacity development technical assistance
- Training of inspectors in comprehensive performance evaluation protocols
- Provision of technical assistance related to capacity development through the area wide optimization program (AWOP)
- Contracts with five counties to complete sanitary surveys and conduct annual visits at transient noncommunity PWSs

- System-specific capacity development assistance by contractor, including promotion of asset management planning

Additional tasks may be added to the SFY 2025 Set-Aside Workplan to support initiatives specific to PFAS/EC and/or LSL replacements.

Funds are also budgeted for SWP activities including the following:

- Coordination and administration of the SWP program
- Development of SWP plans and review and assist with implementation of Best Management Practices
- Development of data for Phase 1 SWP assessments for all new systems and new wells at existing PWSs
- Technical assistance for well siting
- Maintenance of the Source Water Mapper and Tracker online database

## Appendix A - Disadvantaged Communities (DAC)

The affordability criteria established in this IUP after public review and comment will be the criteria used to determine DAC status.<sup>19</sup>

For SFY 2025, applicants with a SA score of at least 11 points meet the affordability criteria of the DWSRF Program and are identified as a “Disadvantaged Community” for the Program purposes.

### REVISED AFFORDABILITY CRITERIA USED TO DETERMINE DAC STATUS

The DWSRF Program historically focused on low-to-moderate income metrics to identify borrowers that would experience a significant hardship raising the revenue necessary to finance a drinking water project. In SFY 2023, the Iowa SRF Program began using an **SA Tool** with a broad range of metrics to evaluate a community or service area’s underlying socioeconomic and demographic conditions in an effort to develop a more comprehensive definition of what it means to be DAC. This SA Tool provides a comprehensive analysis of factors that typically determine whether a community or service area is disadvantaged and can determine the affordability of water infrastructure projects.

The Iowa DWSRF Program will use the results of the SA Tool, or “Socioeconomic Assessment Score” to determine the disadvantaged status of a borrower and/or **eligibility to receive SRF loan forgiveness** (also referred to as additional subsidization) or other incentives offered by the DWSRF Program specifically for DAC.

The amount of additional subsidization available to a DAC will be established annually in the IUP.

### SA TOOL

In SFY 2023, the metrics (affordability criteria) used in the original SA Tool were established using EPA guidance and revised with public input. The SA Tool metrics were revised in SFY 2024 and the census data is updated annually. The SA Tool is part of the annual IUP public review and comment process. The SFY 2025 SA Tool will go into effect upon approval of this IUP by the EPC.

There are two versions of the SA Tool:

- **Service Area-Based** - Metrics results are for an entire community or primary county
  - Applicable to: Municipalities which serve populations within incorporated boundaries; and BIL LSL projects in which there is **only one Census tract** covering the service area.
- **Census Tract-Based** - Metrics results are for Census tracts or primary county
  - Applicable to: Homeowner’s Associations (HOA), Sanitary Districts, Rural Water Associations; and BIL LSL projects in which there are **multiple Census tracts within the community’s service area**. This tool will be used when the primary purpose of a consolidation/regionalization project is to expand a system’s service area.

Both versions of the SA Tool are available to the public throughout the SRF website<sup>20</sup> at [www.iowasrf.com](http://www.iowasrf.com).

The SA Tool assesses 10 datapoints from publicly available sources produced by the Census Bureau of the U.S. Department of Commerce and Iowa Workforce Development. The SA Tool is **updated annually** with the release of new data from these sources. In SFY 2025, the SA Tool will use 2018-2022 data from the American Community Survey and up-to-date employment data from Iowa Workforce Development (through March 2024). Figure 1 below provides a list of the metrics used in the SA Tool.

To use the SA Tool, a borrower will select each community that makes up the utility’s service area, along with the corresponding percent of population served. For each of the metrics evaluated, applicants will be given a score indicating the relative disadvantage to the other communities in the state (see Figure 1 and Figure 2)<sup>21</sup>. A weighted

<sup>19</sup> 40 CFR 35.3505 Definitions and IAC 265 Chapter 26.7 - DAC Status

<sup>20</sup> Documents and Guides page <https://www.iowasrf.com/documents-and-guides/>

<sup>21</sup> The only exception is Population Trend. For the service area-based SA-Tool, no points are given for positive or 0% growth, 1 point for negative growth up to -7.5%, 2 points for more than -7.5% population growth.

average for each metrics will be calculated and assigned points. Scores for each metric are totaled to produce an overall assessment of the applicant’s underlying social, economic, and demographic profile.

**Example:** An applicant with a poverty rate falling in the 73<sup>rd</sup> percentile (a high rate) would be one of the bottom 1/3 of communities and receive 2 points for that metric.

Points	0	1	2
1 Median Household Income	Top 1/3 (Highest MHI)	Middle 1/3	Bottom 1/3 (Lowest MHI)
2 Percent Below Poverty	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)
3 Percent Receiving Public Assistance or Supplemental Nutrition Assistance Program (SNAP)	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)
4 Percent Receiving Supplemental Security Income (SSI)	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)
5 Unemployment Rate (County 12-mo avg.)	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)
6 Percent Not in Labor Force	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)
7 Population Trend Between 2010 and 2020 Census*	Non-negative population growth	Declining growth up to -7.5%	Declining growth of more than 7.5%
8 Percent with Highschool Diploma or Less	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)
9 Percent of Vacant Homes (excluding 2 <sup>nd</sup> /Vacation dwellings)	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)
10 Percent of Cost Burdened Housing (>= 30% of Income spent on owner- and renter-occupied housing)	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)
<b>Relative Disadvantage:</b>	<b>Low</b>	<b>Moderate</b>	<b>High</b>

Figure 1

Percentile Rank	Relative Disadvantage	Points
Top 1/3	Low	0
Middle 1/3	Moderate	1
Bottom 1/3	High	2

Figure 2

**NOTE:** In prior years, population growth for both the service area-based and Census tract-based SA Tool was measured at the County level. This year, the service area-based SA Tool will use Census Place data to measure population growth. Projects that use the tract-based version of the SA tool will continue to use County level data for population growth.

**USING THE SA SCORE TO DETERMINE DAC STATUS**

The following information applies to DWSRF Base and BIL Capitalization Grant Funds (General Supplemental, PFAS/EC and LSL):

- DAC status for the purposes of the DWSRF Program will be determined by completing the SA worksheet to produce a SA score
- With 10 total metrics, equally weighted, the maximum number of points will be 20. Communities or service areas with a cumulative score of 11 and up (e.g., falling in the top 1/2 of the total possible cumulative score) indicates that the community or service area is socially, economically, and/or demographically disadvantaged relative to the other communities in the state. Conversely, applicants who score in the bottom 1/2 of total cumulative points (e.g., 10 total points or less), will not be considered disadvantaged for SRF Program purposes.
- All projects added to the PPL during SFY 2025 will receive a DAC score based on the SFY 2025 SA Tool and this score will not change with future SFY SA Tool updates. ***All projects listed on the approved PPL prior to SFY 2025 will continue to use the DAC score assigned in accordance with the SFY 2024 SA Tool.***

**Applicants with a total SA score of at least 11 points meet the DWSRF Program’s definition of DAC.**

	<b>Point Range</b>	<b>Disadvantaged Community</b>
Low	0-10	No
Moderate	11-15	Yes
High	16-20	Yes

**NOTE:** Because DAC scores are determined at the time of IUP application, it is possible for a borrower with multiple projects listed on the approved PPL to have different DAC scores for each project, if the project IUP applications were submitted to SRF in different state fiscal years.

## Appendix B - Additional Subsidization

The DWSRF Program will comply with the additional subsidization requirements of each Cap Grant and will identify recipients of available funds during the fiscal year. Criteria for additional subsidization eligibility is established with each Cap Grant (see below).

Iowa applies additional subsidization in the form of loan principal forgiveness (LF). LF is applied as principal forgiveness on the later of (1) the date of the final loan disbursement; or (2) the date of the loan's reissuance (if determined as necessary by the borrower's bond counsel).

### PREVIOUS LOAN FORGIVENESS OPPORTUNITIES

At the conclusion of SFY 2024, final LF funds from these capitalization grants were reallocated and/or awarded. LF balances remaining available to award in SFY 2025:

Federal Fiscal Year	LF Funding Source	LF Required	LF Obligated	LF Available to Award
2018	DWSRF Base Cap Grant	\$3,519,400	\$3,519,400	\$0
2019	DWSRF Base Cap Grant	\$3,486,400	\$3,486,400	\$0
2020	DWSRF Base Cap Grant	\$3,488,600	\$3,488,600	\$0
2021	DWSRF Base Cap Grant	\$3,485,400	\$3,098,637*	\$386,763
2022	DWSRF Base Cap Grant	\$2,885,260	\$1,652,900*	\$1,233,360
2022 (BIL Year 1)	DWSRF BIL General Supplemental Fund	\$13,996,960	\$5,031,000*	\$8,965,960
2023	DWSRF Base Cap Grant	\$1,930,240	\$1,930,240*	\$1,930,240
2023 (BIL Year 2)	DWSRF BIL General Supplemental Fund	\$15,511,440	\$15,511,440*	\$15,511,440

\*Final obligation amounts are pending loans executed in May and June, 2024 and pending acceptance of LF terms and conditions.

***At the conclusion of each fiscal year, unused portions of LF awards may be reallocated to the next eligible borrower or may be combined with other available Cap Grant LF funds and awarded in accordance with the LF criteria in effect for the current funding year.***

### SFY 2025 LF CRITERIA

The following criteria will apply to all LF funding available to award during SFY 2025:

#### GENERAL RESTRICTIONS AND/OR LIMITATIONS

- LF eligibility will be evaluated based on the current SA Tool in effect at the time the project is added to the PPL.
- LF awards is applied only to the total eligible **construction costs** of the project.
- Borrowers being offered additional subsidization will be asked to accept the award by signing an offer letter of LF terms and conditions.
- Time limits may be established for signing loan commitments in order to apply LF awards.
- Maximum time limits may also be established for commencing construction of an eligible project. If construction has not been initiated or a loan commitment has not been signed by the date indicated in the LF terms and conditions award letter, the LF offer may be withdrawn or reassigned.
- Taxable portions of SRF projects are not eligible for LF.
- Applicants who received a DAC determination from DNR prior to September 20, 2022 and are eligible for extended term financing (up to 30 years) at the 20-year interest rate, are not eligible for LF.
- Borrowers receiving EPA congressionally directed spending will not be eligible to receive subsequent LF from the Iowa SRF program for the same project.
- Borrowers receiving additional subsidization awards from a previous Cap Grant will not be eligible to receive subsequent LF from the Iowa SRF program for the same project.
- LF awards may consist of more than one funding source.

## FFY 2024 DWSRF BASE CAPITALIZATION GRANT AND BIL GENERAL SUPPLEMENTAL FUND

FFY 2024	Award Amount	LF Required	LF Obligated	LF Available to Award
DWSRF Base Cap Grant	\$7,007,000	\$1,821,820	\$0	\$1,821,820*
DWSRF BIL General Supplemental Fund	\$34,558,000	\$16,933,420	\$0	\$16,933,420*

\*This award amount is anticipated to be applied for and received during SFY 2025 but has not yet been received as of the publication of this DRAFT IUP.

### **MAXIMUM AWARD AMOUNTS**

LF awards will be issued as a not to exceed maximum award amount. **Maximum amounts are based on a borrower's DAC score**, in accordance with the SA Tool in effect at the time of IUP application (all projects listed on the approved PPL prior to SFY 2025 were assigned a DAC score in accordance with the SFY 2024 SA Tool).

Maximum award amounts based on DAC scores are identified below in Figure 3 LF Award Scale:

DAC Score	Maximum LF Award Amount
20	\$ 1,400,000
19	\$ 1,300,000
18	\$ 1,200,000
17	\$ 1,100,000
16	\$ 1,000,000
15	\$ 900,000
14	\$ 800,000
13	\$ 700,000
12	\$ 600,000
11	\$ 500,000

Figure 3 LF Award Scale

### **ELIGIBILITY CRITERIA**

Projects currently listed on the PPL that are **most likely to** execute an SRF loan in SFY 2025 will be identified as the group of projects eligible for LF consideration and this group will be ranked according to the following criteria:

1. First, all projects (DAC scores 11-20) will be ranked **by DAC score** (highest to lowest).
2. Next, projects will be ranked **by project priority points** (highest to lowest).
3. Then, projects that will result in the resolution of public health violations or that will return a system to compliance upon completion will receive priority of funding among this group.
4. If necessary, the date of loan execution will be used as a tiebreaker to determine final priority ranking.

### **METHOD OF AWARD**

Awards will be assigned based on highest to lowest ranking order, in accordance with the SFY 2025 LF criteria described above. It is the intent of this program to assign LF awards during the first quarter of the state fiscal year.

**Once all available LF funding is obligated, the remaining projects in the selected group that are most likely to execute an SRF loan in SFY 2025, will receive a LF award contingent upon availability of unused and/or reallocated funds. Contingent LF awards will not be offered for future funding opportunities.**

The DWSRF Program reserves the right to modify the DAC level maximum LF award amounts and/or to withdraw the limitation to construction costs.

**FFY 2022, FFY 2023 AND FFY 2024 BIL PFAS/EC FUND**

FFY BIL Fund	LF Required	LF Obligated	LF Available to Award
2022 DWSRF PFAS/EC (BIL Year 1)	\$11,969,000	\$11,969,000	\$TBD**
2023 DWSRF PFAS/EC (BIL Year 2)	\$12,565,000	\$12,565,000***	\$TBD**
2024 DWSRF PFAS/EC (BIL Year 3)	\$11,487,000*	\$0	\$11,487,000

\*This award amount is anticipated to be received by SFY 2025 but has not been received as of the publication of this DRAFT IUP.

\*\*A total of \$11,487,000 was allotted to Iowa for this fund. Upon application of 2023 BIL PFAS/EC funds, a total of \$1,078,000 was transferred from the CWSRF PFAS/EC fund to DWSRF PFAS/EC fund to be used for Drinking Water PFAS/EC projects.

\*\*\*Projects equaling LF required are identified on the PPL but final LF amounts for each project are not yet determined.

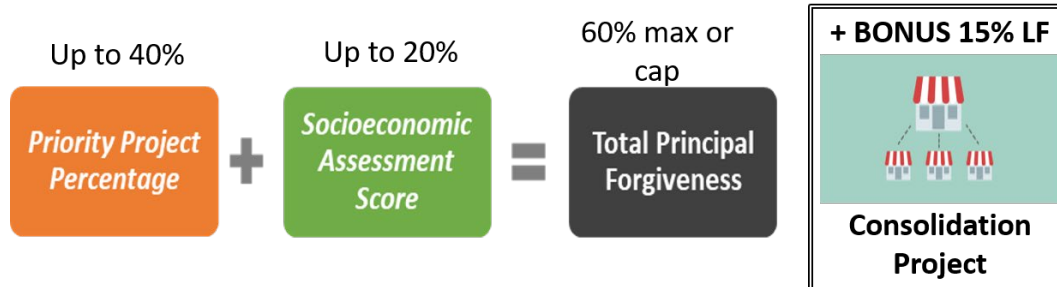
**MAXIMUM AWARD AMOUNTS**

Funding for individual projects is **capped at \$2 million per project** and LF will be applied only to eligible construction costs. The DWSRF Program reserves the right to withdraw or modify the individual project cap and/or to withdraw the limitation to construction costs.

**ELIGIBILITY CRITERIA**

LF may be issued to any applicant addressing PFAS or an EC meeting the criteria described in the IUP D. SFY 2025 Program Activities to be Supported.

LF of up to 40% may be offered for eligible construction costs to projects that meet the contaminant and detection level priorities. An additional 20% may be offered to eligible projects that meet the Iowa SRF’s DAC definition, for a **total of 60%** of construction costs. Consolidation projects will be offered an additional 15% LF, for a **total of 75%** of construction costs.



1. Up to 40% LF awarded for constructing a priority project;

Emerging Contaminant	Concentration (ppt) <sup>1</sup>	Loan Forgiveness %	
		Finished Water	Raw Water
PFAS	PFOA ≥ 4.0	40%	30%
	PFOS ≥ 4.0	40%	30%
	PFHxS ≥ 10	40%	30%
	PFNA ≥ 10	40%	30%
	HFPO-DA (Gen X) ≥ 10	40%	30%
	Hazard Index <sup>2</sup> > 1	40%	30%
Health Advisories (HA) on EPA’s Contaminant Candidate Lists 1-5 (Non PFAS)	≥ HA level	40%	30%
	≥ 50% of HA level	20%	N/A

<sup>1</sup>In parts per trillion, except for the Hazard Index

<sup>2</sup>Hazard Index calculation is based on the April 2024 final rule for the National Primary Drinking Water Regulation for PFAS.



2. Up to 20% LF awarded for DAC Status (SA score of 11 or higher);

	Point Range	Principal Forgiveness
Low	0-10	0%
Moderate	11-15	15%
High	16-20	20%

3. An additional 15% LF will be awarded if the project is a consolidation/regionalization project.

This priority is intended for SRF-eligible applicants who are fully or partially consolidating or regionalizing with another system. The primary purpose of the consolidation or regionalization project must be for system A to obtain drinking water that more reliably meets SDWA requirements or to address technical, managerial, and/or financial issues within system A through consolidation or regionalization with system B. Consolidation or regionalization projects are eligible for this LF even if there is no violation or compliance issue for system A. ***The SA score for system A will be used to determine the DAC status and the corresponding level of LF eligibility.*** The project cannot be primarily focused on expansion of system B's service area and must provide a public health benefit to those served by system A. When a consolidation project also includes expansion of system B, the costs related to connecting system A to system B are the only components eligible to receive LF.

**METHOD OF AWARD**

LF will be awarded on a first ready, first-funded basis while funds are available.

**FFY 2022, FFY 2023 AND FFY 2024 BIL LSL REPLACEMENT FUND**

FFY Fund	LF Required	LF Obligated	LF Available to Award
2022 DWSRF BIL LSL (BIL Year 1)	\$22,007,370	\$0*	\$22,007,370
2023 DWSRF BIL LSL (BIL Year 2)	\$14,366,310	\$0*	\$14,366,310*
2024 DWSRF BIL LSL (BIL Year 3)	\$14,732,340	\$0	\$14,732,340*

\* Projects equaling LF required are identified on the PPL but final LF amounts for each project are not yet determined. All project awards are currently in a contingent status.

\*\*This is based on an award amount that is anticipated to be applied for and/or received by SFY 2025 but has not been received as of the publication of this DRAFT IUP.

**MAXIMUM AWARD AMOUNTS**

Funding for individual projects is **capped at \$2 million per project** and LF will be applied only to eligible construction costs. The DWSRF Program reserves the right to withdraw or modify the individual project cap and/or to withdraw the limitation to construction costs.

**ELIGIBILITY CRITERIA**

LF may be issued to any applicant for lead service line inventory or replacement meeting the criteria described in the IUP D. SFY 2025 Program Activities to be Supported.

*Regardless of ownership:*

(1) LF of 49% may be offered to DAC borrowers for eligible construction costs necessary to replace full lead service lines ***anywhere*** within their service area.

(2) LF of 49% may be offered to non-DAC borrowers for eligible construction costs necessary to replace full lead service lines ***in qualifying DAC census tracts*** within their service area. Qualifying census tracts are determined by the Census Tract-Based SA Tool (see Appendix A - Disadvantaged Communities (DAC)). Eligible project costs and project readiness are described in the IUP in section D. SFY 2025 Program Activities to be Supported.

For non-DAC borrowers, costs related to LSL replacements completed in census tract areas that do not meet the DAC criteria are not eligible for LF. Special interest rates or other incentives may be offered for costs not eligible for LF (see Appendix D - Interest Rates, Fees and Loan Terms).

**METHOD OF AWARD**

LF will be awarded on a first ready, first-funded basis while funds are available.

LF will not be ***obligated*** to projects until the “contingency status” is removed (see B. SRF Program Overview) and DNR engineering staff have approved the applicant’s LSL Replacement Project Plan (project readiness is described in the IUP in section D. SFY 2025 Program Activities to be Supported).

## Appendix C - Project Ranking Criteria

Projects are added to the PPL to be funded based on the rules for the DWSRF Program in 567 IAC Chapter 44. Projects will be funded as they become ready to proceed to construction. Adjustment to the list of fundable projects will be made, if necessary, to assure that at least 15% of the project funds are available to systems serving fewer than 10,000 persons as specified in Section 1452(a) (2) of the SDWA. Methods for determining the population served are described in 567 IAC Chapter 44.

Iowa is currently able to fund all projects that are eligible, but the priority system will be available to use in the case that demand for DWSRF loans exceeds supply of funds. In the event that available funds are limited, funding shall be offered to the projects with highest rank on the PPL, subject to the project's readiness to proceed, and shall proceed from the highest project downward, subject to availability of funds.

### PPL RANKING CRITERIA

Planning and Design projects are not ranked. Construction projects are ranked based on the DNR's scoring system, described in 567 IAC Chapter 44. All projects shall be listed in descending order on the published PPL according to the number of total priority points assigned each project. The ranking will be done at the time the IUP is prepared and will not be updated during the year.

When two or more projects have the same priority point total:

1. The project sponsored by a system in the process of consolidation shall receive the higher priority;
2. A private system in the process of forming and becoming a PWS shall have the next highest priority (if the system is determined by EPA regulations or guidance to be eligible for DWSRF funding);
3. The entity with the smallest served population shall receive the next highest priority.

LSL Replacement projects on the PPL will be given a **contingency** status until all fundable criteria described in section D. SFY 2025 Program Activities to be Supported of this IUP have been met.

### PPL SCORING CRITERIA

Eligible PWS projects will be scored for inclusion in the PPL based on the application as submitted, in accordance with the scoring system contained in Chapter 44 of the IAC.

The DWSRF Project Scoring System assigns points to projects in each of the following scoring criteria:

- A. Human Health Risk-related Criteria (maximum of 60 points)
- B. Infrastructure and Engineering-related Improvement Criteria (maximum of 35 points)
- C. Affordability Criteria (maximum of 10 points)
- D. Special Category Improvements (maximum of 15 points)
- E. DNR Adjustment Factor for Population

Projects involving a multiyear, phased effort may carry over their original priority point total from the previous year's application, provided that the project owner reapplies at each stage.

## Appendix D - Interest Rates, Fees and Loan Terms

### TYPES AND TERMS OF FINANCING

#### SRF PLANNING AND DESIGN LOANS

Eligible entities may use SRF Planning and Design (P&D) Loans to reimburse costs incurred in the P&D phase of SRF-eligible proposed wastewater, stormwater, or drinking water project. Eligible costs include, but are not limited to, engineering fees, archaeological surveys, environmental studies, fees related to project plan preparation and submission, and other costs related to project plan preparation.

P&D Loans have no interest or payments due for up to three years while the project is designed, and there are no minimum or maximum loan limits. These loans are not subject to initiation or servicing fees; however, borrowers must engage their Bond Counsel to authorize and issue the debt. P&D Loans will be rolled into an SRF Construction Loan or may be repaid when other permanent financing is secured.

#### SRF CONSTRUCTION LOANS

SRF Construction Loans offer low-cost financing for a variety of wastewater and drinking water infrastructure projects. These loans carry below-market interest rates, low fees, and favorable terms including up to 30 year repayment terms. SRF Construction Loans require a first-lien pledge of (1) a utility system's net revenues (equal to 1.10x aggregate annual debt service for all parity obligations); (2) ad valorem taxes levied against all taxable property (general obligation); or (3) some combination thereof. The SRF Program reserves the right, on a case-by case basis, to require that borrowers establish and maintain debt service reserve fund (DSRF) equal to the lesser of (1) 10% of the par amount of the loan; (2) 100% of the Maximum Annual Debt Service; or (3) 125% of the Average Annual Debt Service. A DSRF may be funded with SRF funds.

Standard Term SRF Construction Loans are available for up to 20 years. Qualifying projects may request extended term financing for up to 30 years (not to exceed the average useful life of the project).

#### INTEREST RATES

DWSRF Programs are responsible for providing communities a low-cost, perpetual funding source for constructing infrastructure and implementing practices that deliver safe drinking water to citizens and treats water pollution to support a healthy environment.

To carry out this mandate, Iowa's SRF Loan Programs utilizes Base Interest Rates for Tax-Exempt and Taxable loans that are re-calculated and published on the first business day each January, April, July, and October (the "Effective Date").

Current SRF loan interest rates are published on the SRF website, <https://iowasrf.com/loan-interest-rates/>.

#### SPECIAL PURPOSE FUND LOANS

The interest rate on loans for lead service line-related projects is 0%<sup>22</sup>. Loan servicing fees will still apply (see Fees section below).

#### INTEREST RATE LOCK

Applicants should coordinate with their Bond Counsel, Municipal Advisor, and other members of their financing team to complete the loan issuance process (e.g., submit a complete SRF Construction Loan Application: NOFE letter, legal opinion on bidding procedures, hold public hearing and authorize debt, complete proforma financial analysis, pass rate ordinance if required, etc.). Once an acceptable construction application is received, the loan is presented for IFA Board approval. After approval, applicants will receive notification from IFA that includes a 90-day interest rate lock. If the Program's loan interest rates decrease before the loan agreement is signed, the applicant will automatically receive the lower rate at loan closing provided it is within the 90-day rate lock period. If the 90-day rate lock period expires, the loan will be executed using the current interest rates which are set quarterly.<sup>23</sup>

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<sup>22</sup> IMPORTANT NOTE: 0% financing is limited to an aggregate amount equal to the amount of the BIL LSL Cap Grant(s) available for loans (e.g., net of set-asides).

<sup>23</sup> <https://www.iowasrf.com/loan-interest-rates/>

### STANDARD TERM LOANS (UP TO 20 YEARS)

The Base Interest Rate for tax-exempt loans is calculated by taking 75 percent of the average daily Bloomberg BVAL General Obligation Municipal AAA 20-year yield (“BVAL”) for the calendar month immediately preceding the Effective Date. For example, the Base Interest Rate effective July 1 will be calculated using the average 20-year BVAL yield for the month of June.

Similarly, the Base Interest Rate for the taxable portions of SRF projects is calculated by taking 75 percent of the average Bloomberg BVAL Taxable General Obligation Municipal AAA 20-year yield for the calendar month immediately preceding the Effective Date.

### EXTENDED TERM LOANS (21-30 YEARS)

Extended term loans of up to 30 years are available for qualifying projects. The interest rate for these projects will be:

Loan Term*	Interest Rate
21-30 years	Base Interest Rate + 1.00%

\*Not to exceed the qualifying average useful life of the project

### About BVAL

BVAL use real-time trades and contributed sources to signal movement in the municipal market as it is happening. Iowa SRF has chosen BVAL's AAA Municipal Curves as the benchmark indices because they are widely used, objective, transparent, and publicly available through the [Municipal Securities Rulemaking Board](#) to anyone who wishes to track the market independently.

## FEES

### LOAN INITIATION FEES

New SRF Construction Loans are assessed a loan initiation fee of 0.50% of the full loan commitment amount, not to exceed \$100,000, paid upon closing. Since Iowa's loan initiation fees are capitalized, the fee income is considered program income and may only be used for the purposes of administering the SRF Program or for making new loans. The uses of Program Income are discussed in E. Financial Administration and Section F. 2025 Set-Aside Uses in this IUP.

Initiation fees will not be assessed on borrowers that meet the Program's affordability criteria as a DAC and have received a LF award.

### LOAN SERVICING FEES

An annual loan servicing fee equal to 0.25% of the outstanding loan balance is charged on SRF Construction Loans. Payment of the loan servicing fee is made semiannually along with scheduled interest payments. Loan servicing fees are calculated based on the outstanding principal balance. Non-Program Income can be used to administer the program or for other water quality purposes. The uses of Non-Program Income are discussed in Other Program Uses section in this IUP.

## Appendix E – Estimated Sources and Uses

### Estimated Sources and Uses of Funds

DWSRF - SFY 2025

Rounded to the nearest \$1,000 as of April 15, 2024

#### SOURCES OF FUNDS

FFY 2022 Federal Capitalization Grant(s):	
BIL Emerging Contaminants (Undrawn Amount)	\$11,945,000
BIL Lead Service Line Replacement (Undrawn Amount)	\$44,913,000
Total 2022 Grants	\$56,858,000
FFY 2023 Federal Capitalization Grant(s):	
BIL Emerging Contaminants (anticipate applying for in June 2024)	\$12,565,000
BIL Lead Service Line Replacement (anticipate applying for in June 2024)	\$29,319,000
Total 2023 Grants	\$41,884,000
FFY 2024 Federal Capitalization Grant(s):	
Base Program	\$7,007,000
BIL Supplemental	\$34,558,000
BIL Emerging Contaminants (anticipate applying for in April 2025)	\$11,487,000
BIL Lead Service Line Replacement (anticipate applying for in June 2025)	\$30,066,000
Total 2024 Grants	\$83,118,000
Estimated Loan Repayments (P&I)	\$45,000,000
Estimated Fee Income	\$2,536,000
Funds Available in Equity and Program Accounts	\$199,246,000
Estimated Investment Earnings on Funds	\$5,300,000
Estimated Bond Proceeds:	
Leveraged/Reimbursement	\$59,540,000
State Match	\$8,000,000
<b>TOTAL SOURCES</b>	<b>\$501,482,000</b>
<b>ANTICIPATED USES OF FUNDS</b>	
Administration	\$5,921,000
Project Funding:	
Disbursements to Existing Loan Commitments <sup>24</sup>	\$96,411,000
Disbursements to Future Loan Commitments:	
Planning & Design Loan Requests from IUP <sup>25</sup>	\$5,653,000
Additional DWSRF Project Requests <sup>26</sup>	\$4,436,000
Debt Service:	
Principal Payments on Outstanding Revenue Bonds	\$21,530,000
Interest Payments on Outstanding Revenue Bonds	\$15,153,000
Retained Equity <sup>27</sup>	\$352,378,000
<b>TOTAL USES</b>	<b>\$501,482,000</b>
<b>NET SOURCES (USES)</b>	<b>\$0</b>

<sup>24</sup> Assumes 75% disbursement rate.

<sup>25</sup> Assumes 50% disbursement rate.

<sup>26</sup> Additional projects from IUP (up to the budgeted disbursement total for SFY 2025), plus another 25% of budgeted new commitments.

<sup>27</sup> Includes accumulated undrawn cap grants, investment interest, and loan repayments available for future project funding and/or debt service.

## Appendix F - State Match

### Drinking Water SRF

<b>Federal Fiscal Year 2022</b>
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**Sources of State Match**

Surplus State Match from Prior Year(s)	\$4,675,500
State Match Bonds Issued in May 2022	\$5,700,000
<b>Total DW State Match Available</b>	<b>\$10,375,500</b>

**Application of State Match**

	<u>Cap Grant (\$)</u>	<u>Match Required (%)</u>	<u>Match Required (\$)</u>
FFY 2022 Base Cap Grant	\$11,101,000	20%	\$2,220,200
FFY 2022 BIL Supplemental Cap Grant	\$28,504,000	10%	\$2,850,400
<b>Total DW State Match Required</b>			<b>\$5,070,600</b>
<b>DW State Match Surplus (Deficit)</b>			<b>\$5,304,900</b>

<b>Federal Fiscal Year 2023</b>
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**Sources of State Match**

Surplus State Match from Prior Year(s)	\$5,304,900
<b>Total DW State Match Available</b>	<b>\$5,304,900</b>

**Application of State Match**

	<u>Cap Grant (\$)</u>	<u>Match Required (%)</u>	<u>Match Required (\$)</u>
FFY 2023 Base Cap Grant	\$7,424,000	20%	\$1,484,800
FFY 2023 BIL Supplemental Cap Grant	\$31,656,000	10%	\$3,165,600
<b>Total DW State Match Required</b>			<b>\$4,650,400</b>
<b>DW State Match Surplus (Deficit)</b>			<b>\$654,500</b>

<b>Federal Fiscal Year 2024</b>
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**Sources of State Match**

Surplus State Match from Prior Year(s)	\$654,500
State Match Bonds Issued in June 2024	\$8,000,000
<b>Total DW State Match Available</b>	<b>\$8,654,500</b>

**Application of State Match**

	<u>Cap Grant (\$)</u>	<u>Match Required (%)</u>	<u>Match Required (\$)</u>
FFY 2024 Base Cap Grant	\$7,007,000	20%	\$1,401,400
FFY 2024 BIL Supplemental Cap Grant	\$34,558,000	20%	\$6,911,600
<b>Total DW State Match Required</b>			<b>\$8,313,000</b>
<b>DW State Match Surplus (Deficit)</b>			<b>\$341,500</b>

## Appendix G - Federal Assurances, Certifications and Proposals

Iowa will provide the necessary assurances and certifications according to the Operating Agreement between the State of Iowa and the EPA, the grant terms and conditions, and the proposals listed within this Appendix.

### SPECIFIC PROPOSALS AND CERTIFICATIONS

#### PROGRAM BENEFITS REPORTING

The Iowa DWSRF Program plans to enter data into the EPA reporting database for the Office of Water State Revolving Funds (OWSRF) not less than quarterly and enter data into the National Information Management System (NIMS) annually.

#### SIGNAGE

SRF staff and recipients will notify the public in the most effective ways possible about assistance agreements and benefits of the DWSRF program in order to enhance public awareness of EPA assistance agreements nationwide. The Iowa SRF program issues periodic announcements of all executed DWSRF loans and borrower contact information. Each SRF funded project is also required to provide public notice of their SRF Project as part of the environmental review process.

Projects receiving additional subsidization, or are funded as equivalency projects from IIJA or BIL funds will follow the OMB<sup>28</sup> and EPA Signage Guidance<sup>29</sup> for those funds, as summarized below:

The BIL signage term and condition requires a physical sign displaying the official Building a Better America emblem and EPA logo be placed at construction sites for BIL-funded projects. The sign must be placed in an easily visible location that can be directly linked to the work taking place and must be maintained in good condition throughout the construction period. This requirement applies only to the following projects:

- Construction projects identified as “equivalency projects” for BIL general supplemental capitalization grants;
- Construction projects that receive additional subsidization (forgivable loans) made available by BIL general supplemental capitalization grants

#### VIABILITY ASSESSMENT

The SDWA requires states to ensure PWS can provide safe drinking water to their public at a reasonable cost for the foreseeable future. Iowa has chosen to use a Self-Assessment Manual as a tool for water supplies to appraise their technical, managerial, and financial capability. SRF applicants will be required to submit a viability self-assessment for approval.

#### GREEN PROJECT RESERVE (GPR)

Congressional Appropriations require 10% of DWSRF Cap Grant amounts be used to fund projects that qualify under the EPA’s GPR, if such applications are submitted. GPR projects address green infrastructure, water and energy efficiency, and/or other environmentally innovative activities. During SFY 2025, the SRF Program will identify recipients that comply with GPR requirements. The specific projects identified as GPR will be listed in the annual report.

#### ADDITIONAL SUBSIDIZATION

DWSRF Base Program funding, provided through the Consolidated Appropriations Act, includes two different additional subsidization authorities (Congressional and SDWA DAC). Additional subsidy authority also exists under the BIL. Iowa has established criteria in Appendix B - Additional Subsidization to comply with these authorities and will document recipients of these funds in the annual report.

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<sup>28</sup> Guidelines and design specifications for using the official Building A Better America emblem and corresponding logomark available at <https://www.whitehouse.gov/wp-content/uploads/2022/08/Building-A-Better-America-BrandGuide.pdf>

<sup>29</sup> Compliance guidelines for sign specifications provided by the EPA Office of Public Affairs (OPA) are available at <https://www.epa.gov/grants/epa-logo-seal-specifications-signage-producedepa-assistance-agreement-recipients>



## AMERICAN IRON AND STEEL

DWSRF assistance recipients are required to use iron and steel products produced in the United States for projects for constructing, altering, maintaining, or repairing public water systems<sup>30</sup>. Iowa DWSRF Program proposes oversight of this requirement to be conducted by verification of bid documents, selective review of product certification documentation, and on-site inspections and/or desk reviews. SRF staff will provide technical assistance to help applicants determine eligibility for the exemptions and waivers provided for in the Act and EPA guidance. All recipients will be required to sign a self-certification of compliance at completion of the project.

Forms and guidance for compliance will be provided to SRF borrowers and/or made available on the [SRF website](#).

## BUILD AMERICAN, BUY AMERICA (BABA) ACT

On November 15, 2021, President Joseph R. Biden Jr. signed into law the IJIA, Pub. L. No. 117-58, which includes the BABA that strengthens the Made in America Laws.<sup>31</sup> Infrastructure projects funded by federal financial assistance must ensure that the *iron, steel, manufactured products, and construction materials* used in the project are produced in the United States.<sup>32</sup>

Since not all funds available through the Iowa DWSRF Program are considered federal financial assistance, SRF will provide information to those applicants required to comply with necessary documentation and inspection procedures. Iowa proposes oversight of this requirement to be conducted by verification of bid documents, selective review of product certification documentation, and on-site inspections and/or desk reviews. SRF staff will provide technical assistance to help applicants determine eligibility for the exemptions and waivers provided for in BABA and EPA guidance<sup>33</sup>. All recipients will be required to sign a self-certification of compliance at completion of the project.

Forms and guidance for compliance will be provided to SRF borrowers and/or made available on the [SRF website](#).

## ENVIRONMENTAL REVIEW

Projects receiving assistance from the DWSRF must conduct ERs of the potential environmental impacts of projects and associated activities. To reduce costs and barriers to participating in the SRF loan program, Iowa SRF ER staff will conduct NEPA-like ER services on behalf of DWSRF applicants in accordance with the federal assurances below.

In order to keep these services available for all applicants, the SRF Program may establish funding limitations per project for archaeological and/or architectural contracted services necessary to complete a project's ER. If funding limitations are implemented, the applicant will be responsible for all related costs in excess of the funding limit.

## DAVIS-BACON

The Davis Bacon Act requires that all contractors and subcontractors performing construction, alteration and repair (including painting and decorating) work under federal contracts in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage and fringe benefits for the geographic location.<sup>34</sup> Iowa proposes oversight of this requirement to be conducted by verification of bid documents and wage determinations, and will require applicants to submit a self-certification form at completion of the project indicating compliance with this requirement.

## FEDERAL ASSURANCES

**Instrumentality of the State.** See language in current Operating Agreement.

**Binding Commitments.** The State will enter into binding commitments with recipients to provide assistance in accordance with the requirements of the SDWA, in an amount equal to 120 percent of the amount of each grant payment, within one year after receipt of such grant payment. DWSRF binding commitments include set-aside funds.

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<sup>30</sup> <https://www.epa.gov/cwsrf/state-revolving-fund-american-iron-and-steel-ais-requirement>

<sup>31</sup> Build America, Buy America Act, P.L. 117-58, Secs 70911 - 70917

<sup>32</sup> <https://www.epa.gov/cwsrf/build-america-buy-america-baba>

<sup>33</sup> <https://www.epa.gov/system/files/documents/2022-11/OW-BABA-Implementation-Procedures-Final-November-2022.pdf>

<sup>34</sup> <https://www.epa.gov/grants/interim-davis-bacon-act-guidance>

**Expeditious and Timely Expenditure.** All monies in the fund will be committed and expended in an expeditious and timely manner.

**State Laws and Procedures.** The state will commit or expend each quarterly capitalization grant payment in accordance with laws and procedures applicable to the commitment or expenditure of revenues of the State.

**State Accounting and Auditing Procedures.** In carrying out the fiscal control and auditing requirements of the SDWA, the state will report to EPA in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board.

**Assistance Recipient Accounting and Auditing Procedures.** The state will require as a condition of making a loan or providing other assistance from the fund that the recipient of such assistance provide an annual audit of project accounts in accordance with GAAP. A copy of the loan agreement can be reviewed on the [SRF website](#).

**Annual/Biennial Reports.** As required, the state agrees to report to EPA on the actual use of funds and how the state has met the goals and objectives for the previous fiscal year as identified in that year's IUP.

**Environmental Review.** The State will assure compliance through the procedures described in State Rules and 40 CFR 35.3580, in effect at the time of execution of this agreement, and any future amendments which are reviewed and approved by EPA. A NEPA-like review will be conducted for any DWSRF project receiving assistance.

**Types of Financial Assistance.** The State certifies that only the types of assistance authorized under Section 1452 of the SDWA, as amended, and the State's enabling legislation, will be awarded.

#### **PROCESS (APPLICATION/PAYMENT/DISBURSEMENT)**

**Application.** Properly executed, completed grant applications with supporting documentation meeting 2 CFR Part 200 requirements will be submitted to the Regional Administrator at least 90 days prior to the target grant award date. The State and EPA agree to negotiate promptly, cooperatively, and in good faith to clarify or resolve questions which may arise during the 60-day application review time period.

**Grant Payments.** After the award of a capitalization grant, the state will begin receiving quarterly grant payments according to the schedule in the grant award. The quarterly payments, up to the full amount of the grant, must be made in no more than 8 quarters following grant award or 12 quarters after funds are allotted.

**Cash Draws/Disbursements.** Cash draws will be made as costs are incurred. Disbursements will be made from state monies first, then federal monies.

**Annual Report, Review and Audit.** State will follow requirements in 40 CFR 35.3570.

**Corrective Action.** State will follow requirements addressed in 40 CFR 35.3585.

**Disputes.** Dispute provisions of 2 CFR Part 1500 Subpart E shall be used for disputes involving EPA disapproval of an application or a capitalization grant, as well as disputes arising under a capitalization grant including suspension or termination of grant assistance.

**Records, Retention and Access.** Records will be retained according to 2 CFR 200.333. Federal access to records will be according to 2 CFR 200.336a. The State will establish and maintain program and project files as required to:

1. Document compliance with SDWA, other federal regulations, and any general and special grant conditions;
2. Produce the required report;
3. Document technical and financial review and project decisions;
4. Support audits; and
5. Provide effective and efficient program management.

**Congressional and Public Inquiries.** Responses to Congressional and public inquiries will be made by State and coordinated with EPA as necessary. A copy of the inquiry and response will be sent to EPA for all Congressional inquiries. Although State will address project-level and most program inquiries. If EPA is responsible for any program inquiries, the State will provide background information in a timely manner and EPA will provide a copy of inquiry and response in a timely manner.

## Appendix H - Public Review and Comments Received

A public meeting to allow input to Iowa’s SFY 2025 IUP and PPL will be held May 30, 2024, 10:00 a.m. via video conference call. This meeting will be announced in a notice provided to stakeholder organizations representing city officials, consulting engineers, county governments, councils of government, area planning agencies, and other groups which might have an interest. Public notice announcements were also posted on the Media Center<sup>35</sup> and the IUP Public Hearings<sup>36</sup> pages of the SRF website. Written comments may be submitted to [srf-pc@dnr.iowa.gov](mailto:srf-pc@dnr.iowa.gov) and will be accepted through June 7, 2024.

### Comments Received:

1. During the comment period, the following P&D projects were identified as no longer needing SRF funding and were removed from the final PPL presented to the EPC for approval:

Applicant	DWSRF Project No.	Funding Request	Project Type
Albion	PD-DW-19-13	\$55,000	P&D
Bellevue	PD-DW-19-15	\$285,000	P&D
Correctionville	PD-DW-24-63	\$508,000	P&D
Ely	PD-DW-23-18	\$582,420	P&D
Ely	PD-DW-23-19	\$184,420	P&D
Essex	PD-DW-21-53	\$30,000	P&D
Glidden	PD-DW-21-38	\$150,000	P&D
New Albin	PD-DW-24-59	\$200,000	P&D
Plainfield	PD-DW-20-33	\$40,000	P&D
Randolph	PD-DW-24-67	\$528,000	P&D
Titonka	PD-DW-22-16	\$424,100	P&D
Vail	PD-DW-18-30	\$50,000	P&D

2. During the comment period, the SRF Program re-evaluated the first and second ranking priorities for SFY 2025 loan forgiveness “Eligibility Criteria” in Appendix B. The DRAFT IUP was released for comment with projects first being ranked for loan forgiveness priority based on the IUP application project priority points (highest to lowest). The SRF Program determined that ranking projects first by DAC score (highest to lowest) and then second by project priority points (highest to lowest) better aligns with the intent of BIL loan forgiveness funding and the state’s goals of making subsidy available to the most disadvantaged borrowers first.
3. During the public hearing, a representative of the Sierra Club commented that a glossary of acronyms would be helpful for readers. The SRF Program intends to incorporate a glossary of acronyms in the second quarter IUP update.

### Second Quarter Update:

A public meeting to allow input to Iowa’s SFY 2025 IUP and PPL will be held August 29, 2024, 10:00 a.m. via video conference call. This meeting was announced in a notice provided to stakeholder organizations representing city officials, consulting engineers, county governments, councils of government, area planning agencies, and other groups which might have an interest. Public notice announcements were also posted on the Media Center and the IUP/IUP Public Hearings pages of the SRF website. Written comments may be submitted to [srf-pc@dnr.iowa.gov](mailto:srf-pc@dnr.iowa.gov) and will be accepted through September 5, 2024.

### Comments Received:

<sup>35</sup> <https://www.iowasrf.com/media-center/>

<sup>36</sup> <https://www.iowasrf.com/intended-use-plan-public-hearings/>

1. During the comment period, the following construction projects were identified as no longer needing any additional SRF funding to complete their project and were removed from the final PPL presented to the EPC for approval:

<b>Applicant</b>	<b>CWSRF Project No.</b>	<b>Funding Request</b>	<b>Project Type</b>
Cleghorn	FS-18-18-DWSRF-006	\$200,000	CONSTRUCTION
Farmington	FS-8916-DWSRF-006	\$117,000	CONSTRUCTION
Jamaica	FS-39-20-DWSRF-017	\$1,033,000	CONSTRUCTION
Oskaloosa	FS-62-23-DWSRF-014	\$863,000	CONSTRUCTION
Park View	FS-82-20-DWSRF-006	\$839,000	CONSTRUCTION

Third Quarter Update:

A public meeting to allow input to Iowa’s SFY 2025 IUP and PPL is scheduled for Dec. 5, 2024, 10:00 a.m. via video conference call. This meeting will be announced in a notice provided to stakeholder organizations representing city officials, consulting engineers, county governments, councils of government, area planning agencies, and other groups which might have an interest. Public notice announcements were also posted on the Media Center and the IUP/IUP Public Hearings pages of the SRF website. Written comments may be submitted to [srf-pc@dnr.iowa.gov](mailto:srf-pc@dnr.iowa.gov) and will be accepted through Dec. 5, 2024.

Comments Received:

EPA Headquarters suggested that SRF provide information in the IUP related to upcoming refinancing of existing construction loans. This information was incorporated into the DWSRF IUP in section E. Financial Administration, under Other Program Uses (see page 12).

## Appendix J – IUP Acronyms

Acronym	Description
A/E	Architectural and Engineering
AIS	American Iron and Steel
ARRA	American Recovery and Reinvestment Act of 2009
AWIA	America's Water Infrastructure Act of 2018
AWOP	Area Wide Optimization Program
BABA	Build America, Buy America
BIL	Bipartisan Infrastructure Law
BVAL	Bloomberg Value - General Obligation Municipal AAA 20-year yield
CFR	Code of Federal Regulation
CSO	Combined Sewer Operations
CWA	Clean Water Act
CWSRF	Clean Water State Revolving Fund
DAC	Disadvantaged Community
DNR	Iowa Department of Natural Resources
DW	Drinking Water
DWSRF	Drinking Water State Revolving Fund
EC	Emerging Contaminants
EFC	Environmental Finance Center
EPA	U.S. Environmental Protection Agency
EPC	Environmental Protection Commission
ER	Environmental Review
FEMA	Federal Emergency Management Agency
FFATA	Federal Funding Accountability and Transparency Act
FFY	Federal Fiscal Year
FP	Facility Plan
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GNS	General Nonpoint Source

GPR	Green Project Reserve
GS	General Supplemental
HOA	Homeowner's Association
IAC	Iowa Administrative Code
IDALS	Iowa Department of Agriculture and Land Stewardship
IFA	Iowa Finance Authority
IIJA	Infrastructure Investment and Jobs Act
IUP	Intended Use Plan
LF	Loan Forgiveness
LSL	Lead Service Line
LWPP	Local Water Protection Program
LWQP	Livestock Water Quality Program
MOU	Memorandum of Understanding
NEPA	National Environmental Protection Act
NHPA	National Historic Preservation Act
NIMS	National Information Management System
NOFE	Notice of Funding Eligibility
NPDES	National Pollutant Discharge Elimination System
NPS	Nonpoint Source
OMB	Office of Management and Budget
OSWAP	Onsite Wastewater Assistance Program
OWSRF	Office of Water State Revolving Fund
P&D	Planning & Design
PER	Preliminary Engineering Report
PFAS	Perfluoroalkyl and polyfluoroalkyl Substances
POPs	Persistent Organic Pollutants
POTW	Publicly Owned Treatment Works
PPCPs	Pharmaceuticals and Personal Care Products
PPL	Project Priority List
PWS	Public Water Supply
PWSS	Public Water Supply Supervision

SA	Socioeconomic Assessment (Tool)
SDWA	Safe Drinking Water Act
SDWIS	Safe Drinking Water Information System
SEE	Senior Environmental Employee
SFY	State Fiscal Year
SWIFIA	State Infrastructure Financing Authority Water Infrastructure Finance and Innovation Act of 2014
SWP	Stormwater Best Management Practices Program
TA	Technical Assistance
WRRDA	Water Resources Reform and Development Act of 2014



## **Attachment 1 - DWSRF PPL**

This is a separate, sortable Excel File