

RatingsDirect®

Summary:

Iowa Finance Authority; State Revolving Funds/Pools

Primary Credit Analyst:

Peter V Murphy, New York + 1 (212) 438 2065; peter.murphy@spglobal.com

Secondary Contact:

Timothy P Meernik, Englewood + 1 (303) 721 4786; timothy.meernik@spglobal.com

Table Of Contents

Credit Highlights

Outlook

Credit Opinion

Credit Snapshot

Summary:

Iowa Finance Authority; State Revolving Funds/Pools

Credit Profile

US\$146.715 mil state revolving fd rev bnds (Green Bonds) ser 2025A dtd 01/30/2025 due 08/01/2054

Long Term Rating AAA/Stable New

US\$40.13 mil state revolving fd rev bnds taxable (Green Bonds) ser 2025B dtd 01/30/2025 due 08/01/2033

Long Term Rating AAA/Stable New

Iowa Fin Auth SRF bnds

Long Term Rating AAA/Stable Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to the Iowa Finance Authority's (IFA) anticipated \$146.7 million series 2025A and \$40.1 million series 2025B state revolving fund (SRF) revenue (green) bonds.
- At the same time, we affirmed our 'AAA' long-term rating on IFA's outstanding SRF bonds for both its drinking and clean water programs.
- The outlook is stable.

Security

Program bonds are secured by the trust estate, which consists primarily of cash flows provided by pledged loans, the equity fund and other indenture funds, and interest earnings. Following the issuance of the 2025 bonds, the two programs will have \$3 billion of loans outstanding, to support approximately \$2 billion in bonds.

The series 2025A and 2025B bond proceeds will fund participant loans, reimburse the authority's equity fund for SRF loans previously disbursed, and pay the costs of issuance.

Credit overview

The long-term rating reflects our view of IFA's:

- Extremely strong enterprise risk profile, given that the program has ongoing support from the state and federal governments, a governmental entity manages the program, and loans are geographically diversified throughout the state of Iowa;
- Extremely strong financial risk profile, with overcollateralization that is capable of withstanding S&P Global Ratings' loss coverage scenario (LCS), based on the credit quality of the asset pool and consolidated cash flows, run at our 'AAA' category stress level; and
- Healthy operating performance, and financial policies consistent with this profile, which also includes cross-collateralization between clean- and drinking-water portfolios.

The authority makes loans to Iowa municipalities and water and sewer utilities. We consider the combined drinking- and clean-water loan portfolio of more than 1,200 loans geographically diverse, and we expect this trend will continue given the already large group of more than 760 borrowers. Approximately 9.4% of total loans are secured by a general obligation (GO) pledge, accounting for just 3.3% of loan principal, while the remainder is secured by water or wastewater revenue. Loans made since 2012 have a maximum 30-year term with an interest indexed at a market rate. The SRF program does provide additional subsidy for certain qualifying loans, which are accounted for in the cash flows.

Rating above the sovereign

Because we view securitizations backed by pools of public-sector assets as highly sensitive to country risk, we cap the rating on the securitization at two notches above the sovereign. However, no specific sovereign default stress is applied, given the U.S. sovereign rating is 'AA+'.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that the authority's strong management of the loan portfolio will continue, and that collateralization will continue to enable coverage of a very high level of potential defaults and delinquencies.

Downside scenario

We could lower the rating should the program experience a material increase in loan defaults, a material increase of loan delinquencies, or if our view of the pool's loss coverage weakens.

Credit Opinion

Enterprise risk profile: extremely strong

We view the program's enterprise risk profile as extremely strong. This is due to a combination of the low industry risk profile for municipal pools and the program's market position, which we consider extremely strong. Iowa Administrative Code 567, Chapters 44 and 92, respectively, establish the rules for the drinking- and clean-water programs. The state's Department of Natural Resources (DNR) and IFA jointly administer the SRF programs, which receive both federal and state support through capitalization grants and state match with bond proceeds, respectively. We believe these factors reflect a high level of government support and mitigate the risk of challenges that could affect demand.

Financial risk profile: extremely strong

We also view the program's financial risk profile to be extremely strong. This is due to a combination of the LCS, financial policies, and operating performance. The LCS is extremely strong and also incorporates the effects of the largest obligor test (which the program passes). Projected cash flows for the clean- and drinking-water portfolios are sufficient to withstand a level of defaults consistent with a 'AAA' rating. Total annual DSC on all SRF bonds averages 1.12x and exceeds 1.07x in all years, through 2055. Annual debt service for both clean- and drinking-water is structured to be highest in the first years and then slowly decline. Pledged equity funds available for any program

Summary: Iowa Finance Authority; State Revolving Funds/Pool

purpose, including payment of debt service if needed, support the cash flows and total about \$419 million for the clean- and drinking-water portfolios combined, after the 2025 bonds are issued.

Management performs credit reviews for all new loans and it requires net revenue to show 1.1x coverage of all senior-lien utility revenue loans and 1.05x coverage for all subordinate loans. GO loans require a GO pledge backed by ad valorem taxes. Management also reviews disclosure information for all borrowers. Program participants are required to work with a licensed municipal advisor to prepare their financial data at the time of application and every five years thereafter for the life of the loan. Loan repayments are due at least 60 days prior to bond debt service, but notices and invoices are sent well in advance. The intended-use plan and project-priority lists are developed in conjunction with the state DNR annually but updated quarterly; management reports that it has sufficient resources to fund all eligible applicants at this time. Investments are made pursuant to permitted investments within the indenture. Management has demonstrated a long track record of timely loan and debt service payments, which we consider a credit strength. To date, there have been no material defaults under either the clean- or drinking-water programs.

Credit Snapshot

- Program description: The Iowa Finance Authority was created in 1975 under state statutes and is authorized to arrange financing of the SRF programs. The authority has a 15-member board with nine appointed by the governor and six ex-officio members. The clean- and drinking-water SRF programs were established under state statutes in 1988 and 1997, respectively, and are administered by the Iowa Department of Natural Resources, a department of the state of Iowa.
- Flow of funds: Under the trust agreement, revenue received from the loan participants under the pledged agreements plus investment earnings will be deposited in the revenue fund. On the interest and principal payment dates the trustee will allocate funds to the applicable state match and leveraged bond funds for the clean- and drinking-water revolving fund bonds. The trustee will transfer all excess amounts remaining in the principal and interest subaccounts to the program's equity fund.
- Summary statistics: Under the existing program, there are about 767 borrowers, representing \$3.02 billion in loans, compared with \$2.07 billion in bonds outstanding following the issuance of the 2025A and 2025B bonds. The five leading participants in the combined programs represent about 28.4% of loans outstanding; the leading participant is the Des Moines Metro Wastewater Reclamation Authority, with about \$419 million outstanding.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.