

DRAFT

FY 2027 INTENDED USE PLAN

DRINKING WATER STATE REVOLVING FUND



State Revolving Fund

INVESTING IN IOWA'S WATER

Approval anticipated by the Environmental Protection Commission (EPC) on June 16, 2026.

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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.

Iowa's DWSRF Program has provided more than **\$1.5 billion** in financial assistance for water infrastructure projects since 1998. With the State Fiscal Year (SFY) 2027 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

Since 2022, Iowa has expanded and revised the SRF Program to take advantage of the increased investment in water and wastewater infrastructure through the **Infrastructure Investment and Jobs Act (IIJA)**. Plans for implementing funding for the General Supplemental (GS), Lead Service Line (LSL), and PFAS/Emerging Contaminants (EC) funding awarded from IIJA are included in this annual release of the IUP.

Highlighted below are some of the changes Iowa SRF is incorporating into SFY 2027 IUPs.

Disadvantaged Communities

- The **Socioeconomic Assessment (SA) Tool** used to establish affordability criteria and define a **Disadvantaged Community (DAC)** has been updated with current American Community Survey and will be referred to as the SFY 2027 SA Tool.

Highlighted below are some of the changes Iowa incorporated in SFY 2026 that will **continue** into SFY2027 IUPs.

Loan Terms

- Loan initiation fees will not be assessed on loans to any DAC borrowers.

Disadvantaged Communities

- **DAC eligibility will be evaluated at the time of IUP application.** All projects added to the Project Priority List (PPL) during SFY 2027 will receive a DAC score based on the SFY 2027 SA Tool and this score will not change with future SA Tool updates. All projects listed on the approved PPL *prior to SFY 2027* will continue to use the DAC score in accordance with the SFY 2024, SFY2025 and SFY2026 SA Tools.

Loan Forgiveness (LF)

- Priority funding for Base Cap Grants and IIJA GS LF will be awarded to compliance projects.
- LF for LSLR projects for DAC borrowers and DAC census tracts will now be based on the entire project amount, not just construction costs.
- PFAS/EC projects will now be based on the entire project amount, not just construction costs.

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.

TYPES OF FINANCIAL ASSISTANCE

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

The Iowa DWSRF Program offers **Planning & Design (P&D) Loans** and **Construction Loans**. Low-interest financing is provided 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 **P&D** are available to eligible public water supply systems to cover engineering and project development costs such as testing and scoping, preparing preliminary engineering report (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 Rates¹ page of the SRF website.

LF criteria is established in the IUP in Appendix B 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 are made aware that projects may be subject to compliance with other federal funding requirements that are not necessarily required by or are different from 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 after program requirements are met.

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:

- New applications for **P&D** will be accepted on a quarterly basis the first working day of the months of April, July, October and January.
- Applications are available on the SRF website² and are submitted to IFA's SRF Program Staff at waterquality@iowafinance.com.

Construction Projects:

¹ Loan Interest Rates <https://opportunityiowa.gov/community/water-quality/srf-resources/loan-interest-rates>

² P&D Loan Program <https://opportunityiowa.gov/community/water-quality/srf-programs/planning-design-loan-program>

- New applications for **construction projects** will be accepted on a quarterly basis the first working day of the months of March, June, September and December.
- IUP applications are available on the SRF website³ and are submitted to srf-iup@dnr.iowa.gov.

Additional documents required for a construction project application include:

- Preliminary Engineering Report (or for IIJA LSLR projects, a Lead Service Line Replacement Plan)
- Environmental Review Checklist
- Viability Assessment
- Socioeconomic Assessment Tool Worksheet

Project applications eligible for SRF funding under the IIJA General Supplemental, IIJA PFAS/Emerging Contaminants (EC) Fund, and the IIJA Lead Service Line Replacement 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 IIJA Funds. The SRF Program will provide additional application materials and guidance for IIJA Funds directly to borrowers, as applicable, and application materials will be available on the SRF website⁴.

C. 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 and PPL are submitted to the EPA as part of the annual application for a capitalization grant. The IUP is developed annually in May, and upon approval of the Environmental Protection Commission (EPC) in June, becomes effective on July 1, the first day of the SFY. This IUP covers activities during the SFY 2027, July 1, 2026 through June 30, 2027.

The IUP identifies the intended uses of funds available to the SRF including: the program’s goals, information on the types of activities to be supported, program requirements, 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 (including loan forgiveness), the loan rates, terms, and fees for the fiscal year, and includes a ranked listing of projects to be funded.

The IUP is updated quarterly in September, December, and March (or more often as needed) and includes new projects and changes to the loan status on the PPL, and any other necessary programmatic or financial updates. Federal and state law requires, and Iowa welcomes, public participation in the development of the IUP. Each IUP and quarterly update is published on the SRF website⁵ for public review, and a public hearing is held to collect public comments. Public comments on the IUP are received at srf-pc@dnr.iowa.gov (see Appendix J – Public Review and Comments Received).

The IUP and PPL are reviewed and approved quarterly by the Iowa EPC. The EPC is a panel of nine citizens who provide policy oversight over Iowa’s environmental protection efforts. EPC members are appointed by the Governor and confirmed by vote of the Senate for four-year terms.

METHOD OF AMENDMENT OF THE INTENDED USE PLAN

The Iowa SRF Program will follow this IUP in administering DWSRF funds in SFY 2027. Any revisions of the goals, policies and method of distribution of funds shall be addressed by a revision of the IUP, including public participation. Public notice of amendments will be made quarterly and will include the addition or removal of borrowers from the PPL. 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.

PROJECT PRIORITY LIST (PPL)

(See Attachment 1 – DWSRF PPL)

³ Drinking Water Loan Program <https://opportunityiowa.gov/community/water-quality/srf-programs/drinking-water-loan-program>

⁴ IIJA page of <https://opportunityiowa.gov/community/water-quality/srf-resources/infrastructure-investment-and-jobs-act>

⁵ Intended Use Plan page <https://opportunityiowa.gov/community/water-quality/srf-resources/intended-use-plan>

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 2027 and includes projects funded by both DWSRF Base and IJJA 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 Appendix C – Project Ranking Criteria. Projects are listed on the PPL in ranking order by the IUP year and quarter the application was received. P&D loan applications are not ranked but appear at the beginning of the list for each new quarter.

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 (ranking), projected amount of eligible assistance, and type of assistance. The PPL may also include the SRF project number, project status, DAC score or other information the program wishes to convey to the public.

The PPL (Attachment 1) includes the following project categories for funding during SFY 2027:

- **P&D 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) or a Lead Service Line Replacement (LSLR) Project Plan.
- **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 readiness, and the project is scored (See Appendix C- Project Ranking).
- **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.
- **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 2027 if they are ready for a binding loan commitment.
- **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 “P - in planning,” “R - ready for loan” (indicating that the construction permit and environmental review have been completed), and “L - loan signed.” IJJA PFAS/EC and LSL projects may be identified as “C - contingency status” (indicating that the project has not yet met all eligibility criteria to receive a specific funding source-see Section E. – Program Activities to be SupportedSFY 2027 Program Activities to be Supported).

PROJECT SCOPE

The scope of the project must be outlined in the IUP application and in the Preliminary Engineering Report.

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

DROPPED PROJECTS/PROJECT WITHDRAWAL

If a project on the approved IUP PPL is not going to proceed or will not be utilizing SRF funds, the applicant shall notify the SRF in writing that they wish to drop the project. The project will be removed from the PPL upon notification and the updated PPL will be available for public review and comment during the next quarterly IUP update.

For the purpose of program planning, unfunded prior years' projects that have been listed on the PPL for 3 years or longer will be considered for withdrawal from the PPL during the development of a new SFY IUP. As applicable, applicants will be notified that their project is pending withdrawal from the PPL. Applicants will be required to declare if they intend to proceed with the project and if so, will be required to evaluate their current IUP application and provide an updated project schedule, scope, and budget, as applicable. If SRF receives the required information from the applicant prior to finalization of the IUP public comment period, the project will remain on the PPL. If no response is received, the project will be withdrawn from the PPL. When a project is withdrawn or dropped from the PPL, the applicant may reapply when the project is ready to proceed.

PUBLIC REVIEW AND COMMENTS

(See Appendix I - Public Review and Comments Received)

The SRF Program accepts new IUP applications quarterly by the first business day in March, June, September, and December⁶. 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 Intended Use Plan webpage of the SRF Program's website⁷ and public comments are accepted for approximately 30 days following the posting at 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 website⁸. 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 website⁹.

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 each quarterly update of the IUP.

All of the opportunities mentioned above are open to the public. Meetings and hearing information are posted on the Water Quality News and IUP pages¹⁰ of the SRF website and announced through agency-managed listservs. Public comments are accepted at srf-pc@dnr.iowa.gov.

D. SFY 2027 DWSRF Program Goals

SHORT TERM GOALS

Goal: Maximize Funding Opportunities. *Apply for all available Federal Fiscal Year (FFY) 2026 Base and IIJA Capitalization Grants.*

Goal: Maximize Loan Commitments. *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: Expand Subsidization Opportunities. *Assign/reallocate LF funds from new and previous capitalization grants to fulfill additional subsidization requirements and reduce the financial burden on borrowers.*

Goal: Improve Program Efficiency. *Streamline administrative processes, including development and adoption of new software that improves communication and reduces the time from initial application to funding.*

⁶ IUP Application Deadline <https://opportunityiowa.gov/community/water-quality/srf-programs/drinking-water-loan-program>

⁷ Intended Use Plan <https://opportunityiowa.gov/community/water-quality/srf-resources/intended-use-plan>

⁸ Public Hearing <https://opportunityiowa.gov/community/water-quality/srf-resources/intended-use-plan>

⁹ Environmental Protection Commission <https://www.iowadnr.gov/About-DNR/Boards-Commissions/Environmental-Protection-EPC>

¹⁰ <https://www.iowasrf.com/intended-use-plan-public-hearings/> and <https://opportunityiowa.gov/community/water-quality/srf-resources/water-quality-news>

Goal: Enhance Public Awareness. *Update marketing materials, program resources and website to increase outreach and education efforts that will inform communities about available funding and program benefits.*

Goal: Increase Funding Accessibility. *Continue the partnership with Environmental Finance Center’s (EFC) Technical Assistance (TA) resources to assist the Iowa SRF Program to make funding more accessible to small and disadvantaged communities.*

LONG TERM GOALS

Goal: Minimize Barriers to Funding. *Apply program requirements that are simple and understandable and do not add unnecessary burdens to borrowers or recipients.*

Goal: Expand Program Reach. *Increase the number of projects funded and expand the geographic reach of the program to benefit more communities. Endeavor to make the SRF Program the first choice for Iowa communities to finance a water infrastructure project.*

Goal: Enhance Collaboration. *Strengthen partnerships with federal, state, and local agencies to maximize the impact of the DWSRF.*

Goal: Maintain Financial Health of the Fund. *Ensure the long-term financial stability of the DWSRF through prudent financial management and strategic investments that will sustain the DWSRF Loan Program in perpetuity to assist PWS in achieving compliance with public health objectives of the SDWA.*

E. SFY 2027 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

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.¹¹ Section H – H. Set-Aside Uses Set-Asides provides further details on Iowa’s intended use of set-aside funds during SFY 2027.

DWSRF BASE PROGRAM

The Iowa SRF Program will apply for and/or receive FFY 2026 DWSRF Base Program Funding during the SFY 2027 once the allotments and funding become available.

FFY	Funding Source	Allocation Amount*
2026	DWSRF Base Cap Grant	\$5,777,000

*This award amount is anticipated to be applied for and/or received in SFY 2027

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.

¹¹ <https://www.epa.gov/dwsrf/how-drinking-water-state-revolving-fund-works#DWSRF%20Set-Asides>

Eligible Activities: Eligible projects include new water sources, the installation, upgrade, or replacement of treatment facilities, finished water storage facilities, transmission and distribution systems, and water system consolidation/regionalization.¹² Eligibility guidelines are available in the DWSRF Eligibility Handbook.¹³

Special Conditions: Projects selected as equivalency will comply with the federal requirements described in F.

DWSRF IIJA PROGRAMS

The Infrastructure Investment and Jobs Act (IIJA), provides DWSRF programs with three additional capitalization grants annually through FFY 2026. The Iowa SRF Program will apply for and/or receive FFY 2025 and 2026 IIJA Funding during the SFY 2027.

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

DWSRF IIJA GENERAL SUPPLEMENTAL (GS) FUNDS

FFY	Funding Source	Allocation Amount*
2026	DWSRF IIJA General Supplemental Grant	\$37,419,000

*This allocation amount is anticipated to be applied for and/or received in SFY 2027

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

Special Conditions: Projects selected as equivalency will comply with the federal requirements described in F. and Appendix H-SRF Assistance Recipient Federal Requirements.

DWSRF PFAS/EMERGING CONTAMINANTS (EC) FUND

Iowa intends to apply for the full amount of these Cap Grant awards, however, award amounts will be limited to the total of the project applications received and listed on the PPL by the grant application deadline.

FFY	Funding Source	Allocation Amount
2026	DWSRF IIJA PFAS/EC	\$11,487,000*

* This allocation amount is anticipated to be applied for and/or received in SFY 2027

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 PFAS/EC in drinking water. Any contaminant on EPA's Contaminant Candidate Lists 1-6 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.¹⁴

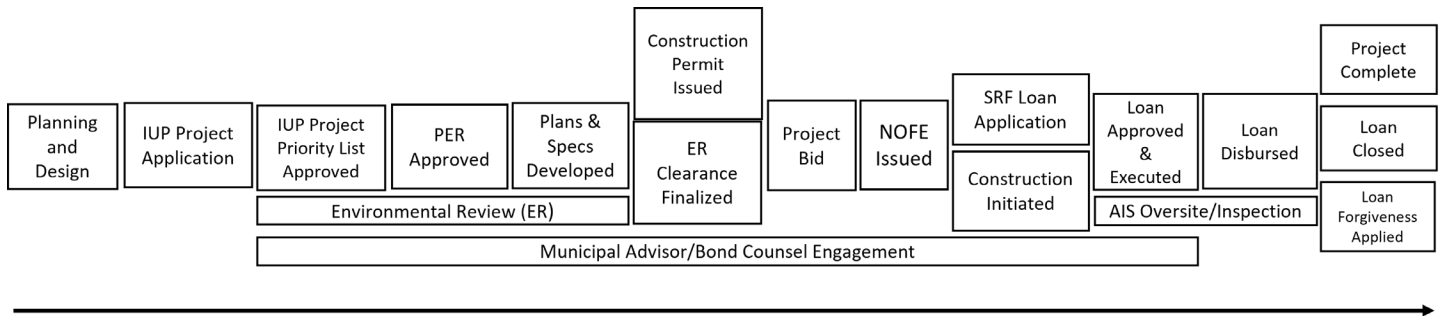
Special Conditions: Projects being funded with IIJA PFAS/EC are all considered equivalency projects and will comply with the federal requirements described in F. Project SEQUENCE

¹² <https://www.epa.gov/dwsrf/dwsrf-program-overview-epa-816-f-18-001>

¹³ <https://www.epa.gov/dwsrf/drinking-water-state-revolving-fund-eligibility-handbook>

¹⁴ EPA's webpage for the final regulation at <https://www.epa.gov/sdwa/and-polyfluoroalkyl-substances-pfas>

In order to ensure that all program requirements are met before binding financial commitments are made, the Iowa SRF Program requires all SRF projects to follow the project sequence below. Following this project sequence keeps projects progressing toward construction; limits duplication of work; reduces risk of re-bidding projects; reduces risk of re-issuing construction permits or environmental clearances; and minimizes the risk of project cost not being eligible for reimbursement from an SRF loan.



ASSISTANCE RECIPIENT REQUIREMENTS

For more information on SRF Program federal requirements, see Appendix H – SRF Assistance Recipient Federal Requirements.

The Iowa SRF Program has developed specific requirements that apply to all Iowa SRF borrowers in order to ensure compliance with EPA program requirements and minimize risk to the program.

VIALBILITY ASSESSMENT

The Iowa SRF Program requires all borrowers to demonstrate Technical, Managerial and Financial (TMF) Capacity prior to executing an SRF loan. The SRF Program has chosen to use the DNR’s Viability Self-Assessment Manual as a tool to demonstrate a system’s T & M capacity. Financial capacity is determined through the use of a Municipal Advisor. A Viability Assessment is a required attachment to the IUP application.

MUNICIPAL ADVISOR

The Iowa SRF Program requires all borrowers to engage a U.S. Securities and Exchange Commission (SEC) registered Municipal Advisor (MA) for any SRF construction loan. To maintain the integrity of the financing process and avoid conflicts of interest, the same firm or individual may not serve as both Municipal Advisor and Bond Counsel for the same transaction. Borrowers must retain separate entities for each role.

Role and Responsibilities

The MA is responsible for performing a pre-loan pro-forma cash flow analysis to determine if projected revenues are sufficient to meet the loan’s debt service coverage requirements. If revenues are found to be insufficient, the MA will recommend the necessary user rate adjustments.

Furthermore, borrowers are required to submit an updated pro forma analysis to the SRF program every five years during the loan repayment period to demonstrate ongoing compliance with debt coverage ratios.

Municipal Advisor Fees

Fees charged by a Municipal Advisor are eligible for reimbursement with SRF loan funds.

BOND COUNSEL

The SRF Program provides loans through the purchase of local bond debt. As such, SRF borrowers must engage with their bond counsel to authorize and issue the debt, prepare documents for public hearings, and to prepare loan closing documents. Fees charged by bond counsel are eligible for reimbursement with SRF loan funds.

PROCUREMENT PROCEDURES

The Iowa SRF Program has adopted the procedures under Ch. 26 – Public Construction Bidding, as the SRF Program’s procurement procedures. As such, all SRF borrowers must follow Iowa procurement law, *Ch.26 – Public Construction Bidding*, when bidding SRF construction projects, regardless of a borrower’s legal structure. If an SRF borrower is utilizing the Construction Manager at Risk (CMaR) delivery model, *Ch.26A – Guaranteed Maximum Price Contracts* must also be adhered to.

For borrowers utilizing the CMaR method, this process is also required when soliciting for a Construction Manager prior to construction.

Front-End Documents

All SRF borrowers must include SRF Front-End Documents as part of their bid package solicitation. All bidders must be made aware that the project will be subject to SRF requirements prior to submitting a proposal. This includes both the solicitation for qualifications and the invitation to submit proposals when the CMaR delivery model is used.

Some of these documents will be required for borrowers and/or primary contractors to sign when purchases of goods and services are done directly by the borrower and/or outside of a public bid package. SRF staff will inform each project which of the SRF Front-End Documents are required for each undertaking. These documents are also available on the Documents and Guides page of the SRF website.

Early Procurement

Occasionally, SRF borrowers find it necessary to procure construction-related equipment and services outside of and/or prior to a public request for bids. These activities are typically eligible for reimbursement under an SRF construction loan if SRF Front-End Documents are properly executed and legal opinion is documented. Borrowers will need to contact SRF for guidance on proper documentation.

Equipment-only procurement activities also require compliance with Ch. 26 (*see Legal Opinion of Compliance section below*). Borrowers are encouraged to consult with their legal counsel prior to engaging in these activities to ensure that proper procedures are followed and/or bond documents are drawn up accurately to include these expenses.

Construction Manager at Risk (CMaR)

The CMaR construction delivery model allows for a construction manager to be hired early in the planning phase to assist with the planning and design of a project. The CMaR also offers borrowers more transparency in the bidding process and results in a Guaranteed Maximum Price (GMP) for constructing a project.

Although the CMaR delivery model is compatible with the Iowa SRF Program, there are limitations to its traditional use of “design-build” construction. Iowa SRF projects are more compatible with the “design-bid-build” construction model because all required permits must be issued and the entire scope of the project must have an environmental clearance issued prior to beginning construction.

Borrowers choosing to use the CMaR method must **contact SRF early in the planning phase of the project, prior to soliciting for qualifications for a CMaR**, and must follow Ch.26A procurement procedures. Legal opinions, Front-End Documents and Notice of Funding Eligibility are all required for SRF reimbursement of costs associated with the selection of the Construction Manager (see applicable sections for more details).

Legal Opinion of Compliance

To demonstrate compliance with Iowa procurement law, borrowers will be required to submit a legal bid opinion to SRF. Borrowers are encouraged to seek a preliminary opinion review or “Form of Bid Opinion” by legal counsel prior to beginning their procurement processes. Example templates of these documents can be found on the Documents and Guides page of the SRF website.

- **Construction Manager Procurement.** After selection of the construction manager and the construction manager contract is executed and delivered, a “Legal Opinion of Compliance” must be signed by legal counsel certifying

compliance with Ch. 26A. *This opinion **is separate from and in addition to** the opinion offered after the GMP construction contracts are executed and delivered.*

- **Construction Procurement.** After construction contracts are executed and delivered, a “Legal Opinion of Compliance” must be signed by legal counsel certifying compliance with Ch.26 or Ch. 26A, as applicable.
- **Equipment-only Procurement.** When purchases of equipment are done directly by the borrower and/or outside of a public bid package, this equipment is still considered a part of a public construction project and must adhere to Ch.26A “Legal Opinion of Compliance” must be signed by legal counsel certifying compliance with Ch.26 (in particular Ch.26.14.3a), as applicable to purchase thresholds.

NOTICE OF FUNDING ELIGIBILITY (NOFE)

The SRF Program reviews public bid documents for cost eligibility, including bid tabulations, contract award documents, procurement documents, and purchase agreements. Lump sum bids are not acceptable without the supporting schedule of values. Following review of these documents, the SRF Program will issue a NOFE indicating the amount of construction costs eligible per bid package, for an SRF construction loan. A NOFE also indicates a borrower’s next steps and required documents needed before a construction loan application will be presented to the IFA Board for approval.

SELF CERTIFICATIONS

The SRF Program utilizes a self-certification form for demonstrating compliance with select federal program requirements. Although some additional program oversight may also occur, self-certifications are collected for American Iron and Steel compliance, Build America, Buy American (BABA) compliance, Disadvantaged Business Enterprise (DBE) usage, and Davis-Bacon Act compliance.

RECORDS RETENTION

The SRF Program requires retention of SRF project records for a period of a minimum of three years from the date of the final disbursement of the last loan closed for a project. The “Final Disbursement Date” can be found on the loan's Final Amortization Schedule provided to a borrower by IFA. If there is more than one loan issued for an SRF project, the date of retention is determined by the last loan closed. Records to be retained include but are not limited to, permits, financial records, supporting documentation and compliance documentation for Davis-Bacon, American Iron and Steel, Environmental Review, procurement, all applicable cross-cutters as outlined in Appendix H, and when the following circumstances apply to an SRF funded project (in whole or in part):

Litigation: The records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken if any litigation, claim, or audit is started before the expiration of the three-year period.

Property and Equipment: The records for property and equipment acquired with the support of SRF funds must be retained for three years after final disposition.

Force Account Labor: The records for indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as composite fringe benefit rates) must be retained for three-years. The retention period for its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

G. Financial Administration and Appendix H-SRF Assistance Recipient Federal Requirements.

The Iowa SRF Program requested, at the time of application in SFY 2024, that a portion of the FFY 2023 CWSRF IIJA PFAS/EC allocation, totaling \$1,078,000, be transferred to the DWSRF IIJA PFAS/EC fund. These transferred funds are expected to be received and available for DW PFAS/EC projects during SFY 2027.

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) IIJA PFAS/EC Fund.

DWSRF IIJA LEAD SERVICE LINE REPLACEMENT (LSL) FUND

Iowa intends to apply for and/or receive the full amount of these Cap Grant awards, however, award amounts will be limited to the total of the project applications received and listed on the PPL by the grant application deadline.

FFY	Funding Source	Allocation Amount*
2025	DWSRF IIJA LSL Replacement	\$55,038,000
2026	DWSRF IIJA LSL Replacement	TBD

*This allocation amount is anticipated to be applied for and/or received in SFY 2027

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.

- LF eligibility for LSL projects will be determined by the disadvantaged status of the community where the water system is located.
 - DAC community: All of the addresses within the service area will be considered disadvantaged for LF eligibility.
 - Non-DAC communities: If a community does not qualify as DAC using the Service-Based SA Tool, the applicant may use the Census Tract-Based SA Tool to evaluate the disadvantaged status of individual addresses for LF eligibility. Addresses must be located within a census tract that scores between 11-20 on the Census Tract-Based SA Tool to be considered disadvantaged. Only project costs related to LSL replacements in DAC census tracts will be eligible for LF.

See Appendix A - Disadvantaged Communities (DAC) *Appendix A – Disadvantaged Communities and Appendix B - Additional Subsidization for more information.*

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

- A full lead service line replacement including the private portion (but not interior plumbing)
 - *Galvanized service lines that are “unknown” to ever be located downstream of LSL are not eligible for funding after FFY 2024*
- Standalone or connected lead goosenecks, pigtails and connectors
- Pot-holing activities to confirm material types (regardless of type discovered)
- Pitchers and filters following replacement (up to 6 months)
- Lead Service Line disposal
- Planning & Design costs directly related to an LSL replacement project

Application Requirements. 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 that can reasonably be replaced in 2-3 years;
 - The location of LSL to be replaced, listed by specific addresses (by census tract, if applicable); and
 - Budget estimate
2. Environmental Review Checklist
3. Viability Assessment
4. PER/Lead Service Line Replacement Plan

Projects may 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 IIJA 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

IIJA Program Information page of the SRF website¹⁵ or the DNR’s DWSRF webpage.¹⁶ A final address list must be submitted in an Excel format and included with the LSLR Plan prior to approval.

After a DNR Water Supply Engineering project manager has reviewed and ensured the plan is complete, an approval letter will be issued based on the final address list. No additional addresses may be added to the project after LSLR Plan approval is issued.

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. ER clearance will be based off the final address list submitted/approved with the LSLR Plan and will follow the procedures outlined in the Iowa DWSRF State Environmental Review Process (SERP).

Funding Terms.

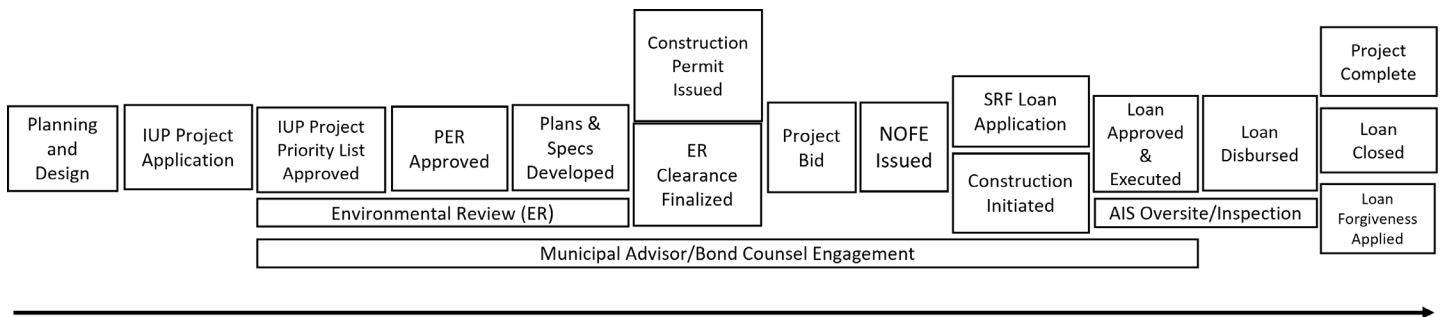
IIJA LSL funding will be offered to borrowers as a combination of additional subsidization (LF) and loans. Special loan interest rates and terms may be offered for LSL projects (see Appendix D – Interest Rates, Fees and Loan Terms Appendix D - Interest Rates, Fees and Loan Terms). Funds will be committed on a first ready, first-funded basis while funds are available.

Special Conditions. Projects being funded with IIJA LSL are all considered equivalency projects and will comply with the federal requirements described in F.

F. Iowa Specific SRF Program Requirements

PROJECT SEQUENCE

In order to ensure that all program requirements are met before binding financial commitments are made, the Iowa SRF Program requires all SRF projects to follow the project sequence below. Following this project sequence keeps projects progressing toward construction; limits duplication of work; reduces risk of re-bidding projects; reduces risk of re-issuing construction permits or environmental clearances; and minimizes the risk of project cost not being eligible for reimbursement from an SRF loan.



ASSISTANCE RECIPIENT REQUIREMENTS

For more information on SRF Program federal requirements, see Appendix H – SRF Assistance Recipient Federal Requirements.

The Iowa SRF Program has developed specific requirements that apply to all Iowa SRF borrowers in order to ensure compliance with EPA program requirements and minimize risk to the program.

¹⁵ LSL Replacement Plan Requirements <https://opportunityiowa.gov/community/water-quality/srf-resources/infrastructure-investment-and-jobs-act>

¹⁶ <https://www.iowadnr.gov/Environmental-Protection/Water-Quality/Water-Supply-Engineering/State-Revolving-Loan-Fund>

VIALBILITY ASSESSMENT

The Iowa SRF Program requires all borrowers to demonstrate Technical, Managerial and Financial (TMF) Capacity prior to executing an SRF loan. The SRF Program has chosen to use the DNR's Viability Self-Assessment Manual as a tool to demonstrate a system's T & M capacity. Financial capacity is determined through the use of a Municipal Advisor. A Viability Assessment is a required attachment to the IUP application¹⁷.

MUNICIPAL ADVISOR

The Iowa SRF Program requires all borrowers to engage a U.S. Securities and Exchange Commission (SEC) registered Municipal Advisor (MA) for any SRF construction loan. To maintain the integrity of the financing process and avoid conflicts of interest, the same firm or individual may not serve as both Municipal Advisor and Bond Counsel for the same transaction. Borrowers must retain separate entities for each role.

Role and Responsibilities

The MA is responsible for performing a pre-loan pro-forma cash flow analysis to determine if projected revenues are sufficient to meet the loan's debt service coverage requirements. If revenues are found to be insufficient, the MA will recommend the necessary user rate adjustments.

Furthermore, borrowers are required to submit an updated pro forma analysis to the SRF program every five years during the loan repayment period to demonstrate ongoing compliance with debt coverage ratios.

Municipal Advisor Fees

Fees charged by a Municipal Advisor are eligible for reimbursement with SRF loan funds.

BOND COUNSEL

The SRF Program provides loans through the purchase of local bond debt. As such, SRF borrowers must engage with their bond counsel to authorize and issue the debt, prepare documents for public hearings, and to prepare loan closing documents. Fees charged by bond counsel are eligible for reimbursement with SRF loan funds.

PROCUREMENT PROCEDURES

The Iowa SRF Program has adopted the procedures under Ch. 26 – Public Construction Bidding, as the SRF Program's procurement procedures. As such, all SRF borrowers must follow Iowa procurement law, *Ch.26 – Public Construction Bidding*, when bidding SRF construction projects, regardless of a borrower's legal structure. If an SRF borrower is utilizing the Construction Manager at Risk (CMaR) delivery model, *Ch.26A – Guaranteed Maximum Price Contracts* must also be adhered to.

For borrowers utilizing the CMaR method, this process is also required when soliciting for a Construction Manager prior to construction.

Front-End Documents

All SRF borrowers must include SRF Front-End Documents as part of their bid package solicitation. All bidders must be made aware that the project will be subject to SRF requirements prior to submitting a proposal. This includes both the solicitation for qualifications and the invitation to submit proposals when the CMaR delivery model is used.

Some of these documents will be required for borrowers and/or primary contractors to sign when purchases of goods and services are done directly by the borrower and/or outside of a public bid package. SRF staff will inform each project which of the SRF Front-End Documents are required for each undertaking. These documents are also available on the Documents and Guides page of the SRF website¹⁸.

Early Procurement

¹⁷ Viability Assessment Manual <https://www.iowadnr.gov/environmental-protection/water-quality/drinking-water/viability-capacity-building-strategy>

¹⁸ SRF Front End Documents <https://opportunityiowa.gov/community/water-quality/srf-resources/documents-and-guides>

Occasionally, SRF borrowers find it necessary to procure construction-related equipment and services outside of and/or prior to a public request for bids. These activities are typically eligible for reimbursement under an SRF construction loan if SRF Front-End Documents are properly executed and legal opinion is documented. Borrowers will need to contact SRF for guidance on proper documentation.

Equipment-only procurement activities also require compliance with Ch. 26 (see *Legal Opinion of Compliance section below*). Borrowers are encouraged to consult with their legal counsel prior to engaging in these activities to ensure that proper procedures are followed and/or bond documents are drawn up accurately to include these expenses.

Construction Manager at Risk (CMaR)

The CMaR construction delivery model allows for a construction manager to be hired early in the planning phase to assist with the planning and design of a project. The CMaR also offers borrowers more transparency in the bidding process and results in a Guaranteed Maximum Price (GMP) for constructing a project.

Although the CMaR delivery model is compatible with the Iowa SRF Program, there are limitations to its traditional use of “design-build” construction. Iowa SRF projects are more compatible with the “design-bid-build” construction model because all required permits must be issued and the entire scope of the project must have an environmental clearance issued prior to beginning construction.

Borrowers choosing to use the CMaR method must **contact SRF early in the planning phase of the project, prior to soliciting for qualifications for a CMaR**, and must follow Ch.26A procurement procedures. Legal opinions, Front-End Documents and Notice of Funding Eligibility are all required for SRF reimbursement of costs associated with the selection of the Construction Manager (see applicable sections for more details).

Legal Opinion of Compliance

To demonstrate compliance with Iowa procurement law, borrowers will be required to submit a legal bid opinion to SRF. Borrowers are encouraged to seek a preliminary opinion review or “Form of Bid Opinion” by legal counsel prior to beginning their procurement processes. Example templates of these documents can be found on the Documents and Guides page of the SRF website¹⁹.

- **Construction Manager Procurement.** After selection of the construction manager and the construction manager contract is executed and delivered, a “Legal Opinion of Compliance” must be signed by legal counsel certifying compliance with Ch. 26A. *This opinion **is separate from and in addition to** the opinion offered after the GMP construction contracts are executed and delivered.*
- **Construction Procurement.** After construction contracts are executed and delivered, a “Legal Opinion of Compliance” must be signed by legal counsel certifying compliance with Ch.26 or Ch. 26A, as applicable.
- **Equipment-only Procurement.** When purchases of equipment are done directly by the borrower and/or outside of a public bid package, this equipment is still considered a part of a public construction project and must adhere to Ch.26A “Legal Opinion of Compliance” must be signed by legal counsel certifying compliance with Ch.26 (in particular Ch.26.14.3a), as applicable to purchase thresholds.

NOTICE OF FUNDING ELIGIBILITY (NOFE)

The SRF Program reviews public bid documents for cost eligibility, including bid tabulations, contract award documents, procurement documents, and purchase agreements. Lump sum bids are not acceptable without the supporting schedule of values. Following review of these documents, the SRF Program will issue a NOFE indicating the amount of construction costs eligible per bid package, for an SRF construction loan. A NOFE also indicates a borrower’s next steps and required documents needed before a construction loan application will be presented to the IFA Board for approval.

SELF CERTIFICATIONS

The SRF Program utilizes a self-certification form for demonstrating compliance with select federal program requirements. Although some additional program oversight may also occur, self-certifications are collected for American

¹⁹ Form of Legal Bid Opinion <https://opportunityiowa.gov/community/water-quality/srf-resources/documents-and-guides>

Iron and Steel compliance, Build America, Buy American (BABA) compliance, Disadvantaged Business Enterprise (DBE) usage, and Davis-Bacon Act compliance.

RECORDS RETENTION²⁰

The SRF Program requires retention of SRF project records for a period of a minimum of three years from the date of the final disbursement of the last loan closed for a project. The “Final Disbursement Date” can be found on the loan's Final Amortization Schedule provided to a borrower by IFA. If there is more than one loan issued for an SRF project, the date of retention is determined by the last loan closed. Records to be retained include but are not limited to, permits, financial records, supporting documentation and compliance documentation for Davis-Bacon, American Iron and Steel, Environmental Review, procurement, all applicable cross-cutters as outlined in Appendix H, and when the following circumstances apply to an SRF funded project (in whole or in part):

Litigation: The records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken if any litigation, claim, or audit is started before the expiration of the three-year period.

Property and Equipment: The records for property and equipment acquired with the support of SRF funds must be retained for three years after final disposition.

Force Account Labor: The records for indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as composite fringe benefit rates) must be retained for three-years. The retention period for its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

G. Financial Administration

RATES, FEES AND LOAN TERMS & CONDITIONS

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

PROJECT READINESS FOR LOAN APPLICATION

Prior to a loan application being considered ready to go before the IFA Board for approval, borrowers must receive a Notice of Funding Eligibility from SRF and submit all applicable legal bid opinions to IFA.

SRF Notice of Funding Eligibility (NOFE)

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

NOFE Letters will include “next steps” which, at minimum, include the collection of the following documents:

- Legal Opinion of Compliance – *An opinion by legal counsel certifying compliance with Chapter 26 and/or 26A*
- Executed contract(s)
- Notice to Proceed

A Construction Loan Application **will not be considered “complete” until SRF issues a NOFE Letter and the borrower submits an opinion of legal counsel to DNR certifying compliance with Iowa public bidding law.**

Prior to Approving a Construction Loan:

²⁰ The records retention requirements for borrowers follows the SRF Program’s records retention and methods requirements found in 2 CFR [§ 200.334](#) and [§ 200.336](#), respectively.

A complete SRF Construction application includes a 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 interest rate lock will be in effect.

- For revenue-backed loans, borrowers 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 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.

The SA Tool and the metrics are discussed in Appendix A – Disadvantaged Communities Appendix A - Disadvantaged Communities (DAC), and they define the affordability criteria that will be used to evaluate the DAC status of a borrower. When funding sources mandate, the DAC status of a borrower will be used to determine SRF LF eligibility. The 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. Borrowers 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 Appendix B - Additional Subsidization)

Iowa applies additional subsidization in the form of LF. Appendix B - Additional Subsidization Appendix B 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
- Single Audit Act
- Federal Funding Accountability and Transparency Act (FFATA) reporting
- EPA signage requirements
- BABA (FFY 2022 and all future capitalization grants)²¹
- Federal environmental crosscutters (such as Endangered Species Act and National Historic Preservation Act)
- Federal Socioeconomic crosscutters (such as Debarment & Suspension Executive Order and Prohibition on Certain Telecom and Video Surveillance Services/Equipment)

Appendix H-SRF Assistance Recipient Federal Requirements outlines each of the program and equivalency requirements including a breakdown of the federal crosscutters and how the SRF borrower achieves compliance with each

²¹ <https://www.epa.gov/cwsrf/build-america-buy-america-baba>

requirement (See also Appendix G – Federal Assurance, 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. The evaluation is project-specific. Many factors are considered but, at minimum, the following factors are evaluated when making project selections for equivalency:

- Project type
- Project cost
- Project timeline
- Timing of loan execution
- Structure of loan(s)
- Federal co-funding (specifically, do other co-funding sources already require the same compliance?)
- Population of borrower
- Disadvantaged status of borrower
- Single audits (are they typically performed for the borrower?)

The SRF Program will coordinate with borrowers during project planning to identify and assign projects for equivalency. Because it is unknown which projects listed on the PPL will execute loan agreements in a fiscal year, the final equivalency loans selected for each year will not be listed in the IUP but will be identified 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 disburse the loan portion of the FFY2026 DWSRF Base Capitalization Grant, FFY2026 IJJA General Supplemental Fund, the FFY2022, FFY 2023, and FFY 2024 IJJA LSL Funds and FFY 2022, FFY 2023, FFY 2024 IJJA PFAS/EC Funds 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:

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 three-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.

All projects listed in the DWSRF PPL may be funded from the DWSRF Program subject to available funds and eligibility. Information pertinent to each DWSRF project is contained in the attached PPL (Attachment 1).

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 – Project 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 2027 and will report assignments of these funds in the annual report.

FUNDING SOURCES AND USES

(See Appendix E – Estimated Sources and Use)

During SFY 2027, the Iowa SRF Program will apply for and/or receive the following capitalization grants and amounts:

FFY	Funding Source	Allocation Amount
2022	DWSRF IIIA LSL Re-allotment #2	\$1,940,000
2023	DWSRF IIIA LSL Re-allotment #1	\$6,988,000
2024	DWSRF IIIA LSL Re-allotment #1	\$7,7167,000
2025	DWSRF IIIA LSL Replacement	\$55,038,000*
2026	DWSRF Base Cap Grant	\$5,777,000
2026	DWSRF IIIA GS Grant	\$37,419,000

*This amount is subject to the total of the project applications received by the application deadline

During SFY 2027, the Iowa SRF Program will apply for (but may not receive these funds in SFY 2027) the following capitalization grants and amounts:

FFY	Funding Source	Allocation Amount
2026	DWSRF IIIA PFAS/EC	\$11,487,000*
2026	DWSRF IIIA LSL Replacement	TBD*

*This amount is subject to the total of the project applications received by the application deadline

Appendix E – Estimated Sources and Uses illustrates potential sources and uses of funds in the DWSRF for SFY 2027. 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 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 new SDWA regulations and other future drinking water needs. If Iowa SRF continues to receive Cap Grants, and provides at least 26% of the Base Cap Grant and 49% of the IJJA Supplemental Cap Grant as LF, it is estimated that the DWSRF could loan an average of approximately \$215 million per year over the next 10 years, or a total of \$2.15 billion. These figures would increase with an increase in interest rates.

DWSRF - SFY 2027 as of April 15, 2026

SOURCES OF FUNDS

Federal Capitalization Grants:

FFY 2022 Grant(s):

IJJA Emerging Contaminants (undrawn amount)	\$11,153,000
IJJA Lead Service Line Replacement (undrawn amount)	\$46,806,000
IJJA Lead Service Line Replacement (reallotment; applied Mar 2026)	\$1,940,000
Total FFY 2022 Capitalization Grants Available	\$59,899,000

FFY 2023 Grant(s):

IJJA Emerging Contaminants (undrawn amount)	\$11,809,000
IJJA Lead Service Line Replacement (undrawn amount)	\$29,319,000
IJJA Lead Service Line Replacement (reallotment; applied Mar 2026)	\$6,988,000
Total FFY 2023 Capitalization Grants Available	\$48,116,000

FFY 2024 Grant(s):

IJJA Emerging Contaminants (undrawn amount)	\$11,487,000
IJJA Lead Service Line Replacement (undrawn amount)	\$30,066,000
IJJA Lead Service Line Replacement (reallotment; applied Mar 2026)	\$7,167,000
Total FFY 2024 Capitalization Grants Available	\$48,720,000

FFY 2025 Grant(s):

IJJA Emerging Contaminants (undrawn amount)	\$11,487,000
IJJA Lead Service Line Replacement (applied Mar 2026)	\$55,038,000
Total FFY 2025 Capitalization Grants Available	\$66,525,000

FFY 2026 Grant(s):

Base Program (application forthcoming)	\$5,777,000
IJJA Supplemental (application forthcoming)	\$37,419,000
IJJA Emerging Contaminants (application forthcoming)	\$11,487,000
Total FFY 2026 Capitalization Grants Available	\$54,683,000

Estimated Loan Repayments (P&I)	\$61,602,000
Estimated Fee Income	\$2,250,000
Funds Available in Equity and Program Accounts	\$179,154,000
Estimated Investment Earnings on Funds	\$4,104,000
Estimated Bond Proceeds:	
Leveraged/Reimbursement	\$76,980,000
New State Match	\$7,730,000

TOTAL SOURCES

\$609,763,000

ANTICIPATED USES OF FUNDS

Administration	\$7,029,000
Project Funding:	
Disbursements to Existing Loan Commitments*	\$93,522,000
Disbursements to Future Loan Commitments:	
Planning & Design Loan Requests from IUP**	\$3,069,000
Additional DWSRF Project Requests***	\$83,409,000
Debt Service:	
Principal Payments on Outstanding Revenue Bonds	\$25,505,000
Interest Payments on Outstanding Revenue Bonds	\$18,666,000
Retained Equity****	\$378,563,000
TOTAL USES	\$609,763,000
NET AVAILABLE FUNDS	\$0

Rounded to the nearest \$1,000

* Assumes 60% disbursement rate.

** Assumes 50% disbursement rate.

*** Additional projects from IUP (up to the budgeted disbursement total for SFY 2027).

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

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 strong and sustained demand for loans and it utilizes Federal Cap Grant funds as quickly as possible. After SRF bonds are issued, state match funds are spent first, before drawing Cap Grant funds. The Cap Grant funds are drawn at a 100% proportionality ratio. Loan disbursements requests are processed weekly.

Throughout the first 9 months of SFY 2026 (through March 2026), the DWSRF program disbursed an average of approximately \$31.1 million per month. Since the program's inception, Iowa's DWSRF has provided more than \$3.00 of assistance for every \$1.00 of federal investment due to the revolving nature of the program, demonstrating SRF's efficiency and effectiveness in delivering water infrastructure funding to important projects.

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. Iowa will use or reserve all 4% of Admin. Planned expenses are discussed in Section H. 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. Program 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 any DAC borrowers.

Non-Program Income. An **annual servicing fee** of 0.25% is charged on the outstanding principal of DWSRF construction loans (see Appendix D – Interest Rates, Fees, and Loan Terms).

Iowa uses servicing fees collected throughout the fiscal year while the Cap Grant is open for administration of the DWSRF Program, and those fees are considered Program Income. Servicing fee receipts collected after the Cap Grant is closed are considered Non-Program Income and those fees are used for other purposes under SDWA Section 1452 or reserved for future administrative expenses.

A portion of the Non-Program Income funds may be used in SFY 2027 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 2027 toward Drinking Water Laboratory Certification and Capacity Development initiatives. Planned expenses are further discussed in Section H.

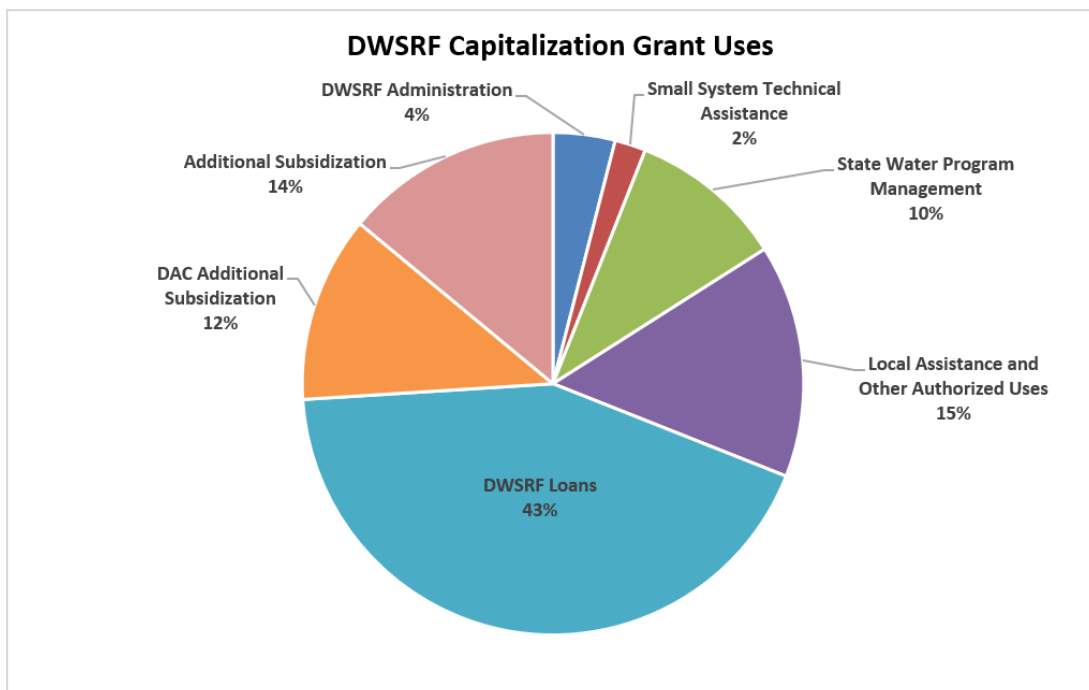
SENIOR ENVIRONMENTAL EMPLOYEE (SEE) SALARY FUNDS DEDUCTED FROM CAPITALIZATION GRANT

The DWSRF Program may withhold funding from FFY 2026 DWSRF Base Cap Grant application for the SEE Program and seek to fill positions under this program during SFY 2027. 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.”

H. 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 2026 workplan and will transition to the SFY 2027 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 taken up to their maximum allowable percentage or 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 IJJA General Supplemental Cap Grant and DWSRF Base Program and reserve authorized amounts from each of the IJJA PFAS/EC Funds and IJJA 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, IJJA GS, IJJA 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 borrowers, 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 borrower 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 2027 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
- Audit laboratories to ensure compliance with permitting requirements
- Conduct surface water training

Additional tasks may be added to the SFY 2027 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)
- System-specific capacity development assistance by contractor, including promotion of asset management planning

Additional tasks may be added to the SFY 2027 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)

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 a **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 affordability criteria established in this IUP after public review and comment will be the criteria used to determine DAC status.²² The amount of additional subsidization available to a DAC will be established annually in the IUP (see Appendix B – Additional Subsidization).

SA TOOL

The metrics (affordability criteria) used in the SA Tool was established using EPA guidance and revised with public input. The SA Tool continues to be part of the annual IUP public review and comment process. The SA Tool data is updated annually with new census data and the SFY 2027 SA Tool will go into effect upon approval of this IUP by the EPC.

For SFY 2027, borrowers 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.

DAC eligibility will be evaluated at the time of IUP application. All projects added to the Project Priority List (PPL) during SFY 2026 will receive a DAC score based on the SFY 2026 SA Tool and this score will not change with future SA Tool updates. All projects listed on the approved PPL *prior to SFY 2026* will continue to use the DAC score in accordance with the SFY 2024 and SFY2025 SA Tools.

There are two versions of the SA Tool:

- **Service Area-Based** - Metrics results are for an entire community or service area
 - **Standard by Place:** Applicable to municipalities which serve populations within **incorporated** boundaries.
 - **Standard for Large Service Areas:** Applicable to municipalities which serve populations within more than 5 incorporated boundaries.
 - **Standard for Rural Service Areas:** Applicable to Sanitary Districts, Rural Water Associations and/or municipalities which serve populations in **unincorporated** boundaries.
- **Census Tract-Based** - Metrics results are for Census tracts or primary county
 - **By Tract:** Applicable to Homeowner Associations (HOA) and SRF borrowers for IJJA Lead Service Line projects. This tool will also 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 website²³.

The SA Tool assesses 10 datapoints from publicly available sources produced by the Census Bureau of the U.S. Department of Commerce (Figure 1 below provides a list of the metrics used in the SA Tool). The SA Tool **is updated annually** with the release of new data from these sources. In SFY 2027, the SA Tool will use 2020-2024 (5-year) data from the American Community Survey.

²² 40 CFR 35.3505 Definitions and IAC 265 Chapter 26.7 - DAC Status

²³ Documents and Guides page <https://opportunityiowa.gov/community/water-quality/srf-resources/documents-and-guides>

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, borrowers will be given a score indicating the relative disadvantage to the other communities in the state (see Figure 1 and Figure 2)²⁴. A weighted average for each metric will be calculated and assigned points. Scores for each metric are totaled to produce an overall assessment of the borrower’s underlying social, economic, and demographic profile.

Example: A borrower with a poverty rate falling in the 73rd 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	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 nd /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 %)
Relative Disadvantage:	Low	Moderate	High

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. The service area-based SA Tool now uses 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 IIJA 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

²⁴ 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.

relative to the other communities in the state. Conversely, borrowers 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.

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

	Point Range	Disadvantaged Community
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).

The final amount disbursed on a loan is used to identify final LF amounts. In some cases, the actual amount of LF applied to a loan is less than the amount that SRF allocated to a project, leaving a remaining balance of LF to be awarded to another project.

PREVIOUS LOAN FORGIVENESS OPPORTUNITIES

Unused portions of LF awards from previous LF opportunities may be reallocated to the next eligible borrower in accordance with its original criteria, 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.

During SFY 2026, LF award letters were issued to all qualifying projects on the PPL using all available LF funding through FFY 2024. At the conclusion of SFY 2026, LF balances from these capitalization grants remain available to award in SFY 2027:

FFY	LF Funding Source	Awarded Amount	LF Available
2025	DWSRF Base Cap Grant	\$16,277,000	\$4,067,692
2025	DWSRF IIJA BIL GS	\$37,434,000	\$18,342,660

During SFY 2027, SRF will be receiving additional re-allocation/transfer/awarded funds from these previously applied for capitalization grants, providing additional loan forgiveness opportunities:

FFY	Funding Source	Allocation Amount	LF Available
2022	DWSRF IIJA LSL Re-allotment#2	\$1,940,000	\$950,600
2023	DWSRF IIJA LSL Re-allotment #1	\$6,988,000	\$3,424,120
2024	DWSRF IIJA LSL Re-allotment #1	\$7,167,000	\$3,511,830
2025	DWSRF IIJA LSL	\$55,038,000	\$26,968,620
2023	DWSRF IIJA PFAS/EC Grant Transfer from CW	\$1,078,000	\$1,078,000

As of the publication of this draft IUP, LF balances available for reallocation from funding years prior to FFY 2024 are pending final loan disbursements to awarded projects.

SFY 2027 LF CRITERIA

The following criteria will apply to all LF funding available to award during SFY 2027:

GENERAL RESTRICTIONS AND/OR LIMITATIONS

- LF eligibility will be evaluated based on DAC status in accordance with the SA Tool in effect at the time the project is added to the PPL.
- Borrowers being offered LF will be required 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.
- Except for lead service line projects or as otherwise allowed by the program, taxable portions of SRF projects are not eligible for LF.
- Borrowers 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 awards from the Iowa SRF program for the same project.
- LF awards may consist of more than one funding source to fulfill a single award allocation.

DWSRF BASE CAPITALIZATION GRANT AND IIJA GENERAL SUPPLEMENTAL FUND

FFY Fund	Award Amount	LF Required
2026 DWSRF Base Cap Grant	\$5,777,000*	\$1,502,020*
2026 DWSRF IIJA General Supplemental Fund (Year 5)	\$37,419,000*	\$18,335,310*

*This award amount is anticipated to be received during SFY 2027.

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 borrowers listed on the approved PPL prior to SFY 2027 were assigned a DAC score in accordance with the SFY 2024, SFY 2025, and SFY 2026 SA Tools).

LF awards from this funding source are applied only to the total eligible construction costs of the project.

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

1. Eligible compliance projects submitting an IUP application during SFY 2027 that result in the resolution of public health violations or return a system to compliance upon completion. Projects include correction of one of the following:
 - A. Non-compliance with Safe Drinking Water Act (SDWA)
 - B. Maximum Contaminant Level (MCL) or Health Advisory Level (HA) Violation
 - C. Identified Significant Deficiency (determined by DNR)

D. Requirements of a Bilateral Compliance Agreement (BCA)

2. Any eligible DAC project currently listed on the PPL and new eligible DAC projects added to the PPL during SFY 2027 (all project types considered).

METHOD OF AWARD

Projects that meet compliance requirements listed above will be allocated LF upon approval of the PPL. LF will be allocated to all other eligible DAC projects in accordance with the methods described below:

At the conclusion of the 2nd quarter of SFY 2027, all available reallocated and/or new LF funds will be used to allocate LF awards to any eligible project on the PPL, based on the ranking criteria listed below, until (1) all available funding is allocated or (2) all eligible projects have received an award.

Prior to the end of the 4th quarter of SFY 2027, any remaining, reallocated or new LF funding will be allocated to any remaining eligible projects on the PPL, based on the ranking criteria listed below, until (1) all available funding is allocated or (2) all eligible projects have received an award.

Projects will be ranked and LF assigned according to the following ranking 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. If necessary, the date of loan execution will be used as a tiebreaker to determine final priority ranking.

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

DWSRF IJJA PFAS/EC FUND

FFY IJJA Fund	LF Required	LF Committed	LF Available to Award
2024 DWSRF PFAS/EC (IJJA Year 3)	\$11,487,000	\$0	\$11,487,000
2025 DWSRF PFAS/EC (IJJA Year 4)	\$11,487,000	\$0	\$11,487,000
2026 DWSRF PFAS/EC (IJJA Year 5)	\$11,487,000*	\$0	\$11,487,000*

*This award amount is anticipated to be applied for during SFY 2027.

MAXIMUM AWARD AMOUNTS

The DWSRF Program reserves the right to withdraw or modify the individual project cap.

LF will be applied to eligible project costs within the SRF portion of the project.

- LF for new water source projects is capped at **\$3 million per project or 80% of the SRF loan, whichever is less.**
- LF for individual treatment projects is capped at **\$8 million per project or 80% of the SRF loan, whichever is less.**
- LF for consolidation projects is capped at **\$8 million per project or 90% of the SRF loan, whichever is less.**

ELIGIBILITY CRITERIA

LF may be issued to any borrower addressing PFAS or an EC meeting the criteria described in the IUP E. SFY 2027 Program Activities to be Supported.

1. **Treatment or New Water Source Projects.** LF of up to 80% may be offered for eligible project costs for projects that meet the contaminant and detection level priorities as listed below.

Emerging Contaminant	Concentration (ppt) ¹	Loan Forgiveness %	
		Finished Water for PWS with Treatment ₃	Raw Water for PWS without Treatment ₃
PFAS	PFOA ≥ 4.0	80%	60%
	PFOS ≥ 4.0	80%	60%
	PFHxS ≥ 10	80%	60%
	PFNA ≥ 10	80%	60%
	HFPO-DA (Gen X) ≥ 10	80%	60%
	Hazard Index ² > 1	80%	60%
Health Advisories (HA) on EPA’s Contaminant Candidate Lists 1-6 (Non PFAS)	≥ HA level	80%	60%
	≥ 75% of HA level	40%	N/A

¹In parts per trillion, except for the Hazard Index⁷

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

³Treatment addresses the emerging contaminant through a removal process. Blending of raw water sources is not considered treatment.

2. **Consolidation Projects.** LF of 90% may be offered for eligible consolidation/connection projects with the purpose of resolving a source water issue due to an eligible contaminant with a detection level listed above.

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 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. *It is the intent of the SRF Program to issue LF award letters to eligible projects as projects meet the “Ready” phase (see Project Priority List section of this IUP).*

DWSRF IIJA LSL REPLACEMENT FUND

FFY IIJA Fund	LF Required	LF Committed	LF Available to Award
2025 DWSRF IIJA LSL (IIJA Year 3)	\$26,968,620*	\$0	\$26,968,620*

*This award amount is anticipated to be received during SFY 2027 and is subject to the total of the project applications received by the application deadline.

MAXIMUM AWARD AMOUNTS

The DWSRF Program reserves the right to withdraw or modify the individual project cap.

Funding for individual projects is **capped at 49% per project.**

ELIGIBILITY CRITERIA

LF may be issued to any borrower for lead service line inventory or replacement meeting the criteria described in the IUP E. SFY 2027 Program Activities to be Supported.

Regardless of ownership:

(1) LF of 49% may be offered to DAC borrowers for all eligible **project 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 all eligible **project** 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 E. SFY 2027 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 and non-construction costs (such as legal and engineering fees) 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 is allocated to an LSL project upon approval of the PPL. LF will not be **awarded** or offer letters sent to the borrower until DNR engineering staff have approved the borrower's LSLR Plan and an environmental review is finalized (project readiness is described in the IUP in section E. SFY 2027 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.

IJIA PFAS/EC and LSL Replacement projects on the PPL may be given a **contingency** status until all fundable criteria described in section E. SFY 2027 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 15 points)
- D. Special Category Improvements (maximum of 15 points)
- E. DNR Adjustment Factor for Population (10 points)

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 OF FINANCING

SRF P&D LOANS

SRF Planning & Design (P&D) Loans are available to eligible entities to reimburse costs incurred during the preliminary phase of an SRF-eligible proposed drinking water project. Eligible costs include, but are not limited to, engineering fees, archaeological surveys, environmental studies, and other expenses associated with the preparation and submission of the project plan.

A key feature of P&D Loans is the deferral of all interest and principal payments for up to three years while the project is being designed. These loans have no minimum or maximum funding limits and are not assessed initiation or servicing fees. While there are no program fees, applicants are required to engage a 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 provide low-cost, long-term financing for a wide range of drinking water infrastructure projects. Key features include below-market interest rates, low fees, and flexible repayment terms of up to 30 years.

To secure the loan, borrowers must provide a first-lien pledge. Acceptable forms of security include:

- A pledge of the utility system's net revenues.
- A pledge of ad valorem taxes levied against all taxable property (a General Obligation pledge).
- A combination of both revenue and General Obligation pledges.

Additionally, the SRF Program may, on a case-by-case basis, require a borrower to establish and maintain Debt Service Reserve Fund (DSRF). This requirement is typically considered for loans with unique credit profiles or financial structures that warrant additional security to ensure repayment. If required, the SRF must be funded in an amount equal to the lesser of the following:

- 10% of the par amount of the loan;
- 100% of the Maximum Annual Debt Service (MADS); or
- 125% of the Average Annual Debt Service.

The DSRF may be funded using SRF loan proceeds.

TERMS OF FINANCING

STANDARD TERM LOANS (UP TO 20 YEARS)

Standard Term SRF Construction Loans are offered with a standard repayment term of up to 20 years.

EXTENDED TERM LOANS (21-30 YEARS)

Extended term loans, with a repayment period of up to 30 years, are available for qualifying projects. The maximum term may not exceed the project's average useful life. To be considered for extended term financing, a completed and signed *DWSRF Extended Financing Worksheet* must be submitted with the construction loan application. This worksheet requires signatures from both the applicant's consulting design engineer and the Iowa DNR project manager. 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

The *DWSRF Extended Term Financing Worksheet* can be found on the Documents and Guides page of the SRF website.²⁵

INTEREST RATES

The Iowa SRF Program is committed to providing a perpetual, low-cost funding source for communities to build infrastructure that provides safe drinking water and treats water pollution to support a healthy environment. To ensure the program's long-term sustainability, the interest rate methodology is reviewed regularly. This process considers factors such as the availability of federal and state funds, market conditions, and the program's overall financial health. The goal is to set rates that are affordable for borrowers while allowing the SRF to operate as a permanent financial resource for Iowa communities.

SETTING THE BASE RATE

The SRF Program establishes Base Interest Rates for both tax-exempt and taxable loans on a quarterly basis. These rates are calculated and published on the first business day of January, April, July, and October (the "Effective Date").

The rates are based on a percentage of the Bloomberg BVAL Municipal Yield Curves ("BVAL"). BVAL was chosen as the benchmark index because it is widely used, objective, and transparently reflects real-time municipal market conditions. The index is publicly available from the Municipal Securities Rulemaking Board (MSRB) for independent tracking. The Base Interest Rate is calculated using the average BVAL 20-year AAA yield for the calendar month immediately preceding the Effective Date. The current methodology is:

- **Tax-Exempt Loans:** The rate is 75% of the average Bloomberg BVAL General Obligation Municipal AAA 20-year yield.
- **Taxable Loans:** The rate is 75% of the average Bloomberg BVAL Taxable General Obligation Municipal AAA 20-year yield.

For example, a rate effective July 1 is calculated using the average BVAL yield during the month of June.

Current SRF loan interest rates are published on the SRF website²⁶.

SPECIAL PURPOSE FUND LOANS

Lead Service Line (LSL) Projects

Projects for the replacement of lead service lines qualify for a promotional interest rate, subject to the following terms:

- **Interest Rate:** A 0% interest rate is available for eligible LSL-related projects²⁷.
- **Applicable Fees:** Standard loan servicing fees apply to the full loan amount (please see the Fees section below for more information).

INTEREST RATE LOCK

To provide applicants with greater certainty during the final stages of the loan process, an interest rate lock is applied once an applicant, in coordination with its financing team, has completed all program prerequisites. These include, but are not limited to:

- Submission of a complete SRF Construction Loan Application;

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.

²⁵ Program Information – Extended Term Financing <https://opportunityiowa.gov/community/water-quality/srf-resources/documents-and-guides>

²⁶ Loan Interest Rates <https://opportunityiowa.gov/community/water-quality/srf-resources/loan-interest-rates>

²⁷ IMPORTANT NOTE: 0% financing is limited to an aggregate amount equal to the amount of the IJIA LSL Cap Grant(s) available for loans (e.g., net of set-asides).

- Issuance of Notice of Funding Eligibility (NOFE) letters by the Iowa DNR for all contracts funded by the loan;
- Receipt of a legal opinion confirming compliance with bidding procedures;
- Completion of all steps necessary to authorize the issuance of the debt; and
- Completion of a pro-forma financial analysis meeting the program's criteria.

Once these prerequisites are met and the application is deemed complete, Program staff will place the loan on an upcoming Iowa Finance Authority (IFA) Board meeting agenda. At that point, the following rate lock terms immediately apply²⁸.

Rate Lock Terms

- **Commencement and Duration:** A loan's interest rate is locked for a 90-day period on the date that Program staff formally submit the loan for the Board's agenda.
- **Protection from Rate Increases:** The locked rate protects the applicant from any potential interest rate increases that may occur during the 90-day period.
- **Benefit from Rate Decreases:** If the Program's published interest rates decrease during the lock period before the final loan agreement is signed, the applicant will automatically receive the new, more favorable rate.
- **Expiration:** Should the loan not be closed before the 90-day lock period expires, the interest rate will be reset to the Program's currently published rate at the time of closing.

FEES

Fee income is considered both Program Income and Non-Program Income, depending on when it is collected and if it is capitalized as part of the SRF loan. Program Income may only be used for purposes of administering the SRF Program or for making new loans. Non-Program Income can be used to administer the program or for other water quality purposes. The uses of Program Income and Non-Program Income are discussed in this IUP under Section F. Financial Administration-Other Program Uses and Section G. Set-Aside Uses.

LOAN INITIATION FEES

A one-time Loan Initiation Fee is assessed on new SRF Construction Loans, typically paid from loan proceeds at closing.

- **Rate:** 0.50% of the full loan commitment amount.
- **Maximum Fee:** The total initiation fee will not exceed \$100,000 per loan.
- **Fee Waiver for Disadvantaged Communities (DAC):** The 0.50% Loan Initiation Fee is waived for any borrower that meets the program's criteria as a Disadvantaged Community (DAC). A borrower's DAC designation is determined based on criteria applied to the community as a whole. Therefore, borrowers identified as DAC are eligible for the fee waiver even if only portions of their service area (e.g., specific Census Tracts) meet the DAC threshold.

For non-DAC communities, the standard initiation fee applies to all projects. This policy extends to Lead Service Line (LSL) replacement projects, where waiver eligibility is based on the borrower's overall DAC status, not the DAC status of an individual project location.

When capitalized, this fee income is considered Program Income.

²⁸ Loan Interest Rates <https://opportunityiowa.gov/community/water-quality/srf-resources/loan-interest-rates>

LOAN SERVICING FEES

An annual Loan Servicing Fee is charged on the outstanding balance of SRF Construction Loans for the duration of the loan term.

- **Rate:** 0.25% of the outstanding principal balance each year.
- **Payment:** The fee is paid semi-annually along with scheduled principal and interest payments.

Pursuant to established regulatory guidance, loan servicing fees may be classified as either Program Income or Non-Program Income.

Appendix E – Estimated Sources and Uses

DWSRF - SFY 2027 as of April 15, 2026

SOURCES OF FUNDS

Federal Capitalization Grants:

FFY 2022 Grant(s):

IIJA Emerging Contaminants (undrawn amount)	\$11,153,000
IIJA Lead Service Line Replacement (undrawn amount)	\$46,806,000
IIJA Lead Service Line Replacement (reallotment; applied Mar 2026)	\$1,940,000

Total FFY 2022 Capitalization Grants Available	\$59,899,000
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FFY 2023 Grant(s):

IIJA Emerging Contaminants (undrawn amount)	\$11,809,000
IIJA Lead Service Line Replacement (undrawn amount)	\$29,319,000
IIJA Lead Service Line Replacement (reallotment; applied Mar 2026)	\$6,988,000

Total FFY 2023 Capitalization Grants Available	\$48,116,000
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FFY 2024 Grant(s):

IIJA Emerging Contaminants (undrawn amount)	\$11,487,000
IIJA Lead Service Line Replacement (undrawn amount)	\$30,066,000
IIJA Lead Service Line Replacement (reallotment; applied Mar 2026)	\$7,167,000

Total FFY 2024 Capitalization Grants Available	\$48,720,000
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FFY 2025 Grant(s):

IIJA Emerging Contaminants (undrawn amount)	\$11,487,000
IIJA Lead Service Line Replacement (applied Mar 2026)	\$55,038,000

Total FFY 2025 Capitalization Grants Available	\$66,525,000
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FFY 2026 Grant(s):

Base Program (application forthcoming)	\$5,777,000
IIJA Supplemental (application forthcoming)	\$37,419,000
IIJA Emerging Contaminants (application forthcoming)	\$11,487,000

Total FFY 2026 Capitalization Grants Available	\$54,683,000
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Estimated Loan Repayments (P&I)	\$61,602,000
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Estimated Fee Income	\$2,250,000
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Funds Available in Equity and Program Accounts	\$179,154,000
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Estimated Investment Earnings on Funds	\$4,104,000
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Estimated Bond Proceeds:

Leveraged/Reimbursement	\$76,980,000
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New State Match	\$7,730,000
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TOTAL SOURCES	\$609,763,000
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ANTICIPATED USES OF FUNDS

Administration	\$7,029,000
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Project Funding:

Disbursements to Existing Loan Commitments*	\$93,522,000
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Disbursements to Future Loan Commitments:

Planning & Design Loan Requests from IUP**	\$3,069,000
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Additional DWSRF Project Requests***	\$83,409,000
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Debt Service:

Principal Payments on Outstanding Revenue Bonds	\$25,505,000
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Interest Payments on Outstanding Revenue Bonds	\$18,666,000
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Retained Equity****	\$378,563,000
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TOTAL USES	\$609,763,000
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NET AVAILABLE FUNDS	\$0
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Rounded to the nearest \$1,000

** Assumes 60% disbursement rate.*

*** Assumes 50% disbursement rate.*

**** Additional projects from IUP (up to the budgeted disbursement total for SFY 2027).*

***** 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

Federal Fiscal Year 2024

Sources of State Match

Surplus State Match from Prior Year(s)			\$622,500
State Match Bonds Issued in June 2024			\$8,000,000
Total DW State Match Available			\$8,622,500

Application of State Match

	Cap Grant (\$)	Match Required (%)	Match Required (\$)
FFY 2024 Base Cap Grant (includes reallocation)	\$7,031,000	20%	\$1,406,200
FFY 2024 IJA Supplemental Cap Grant	\$34,558,000	20%	\$6,911,600
Total DW State Match Required			\$8,317,800

DW State Match Surplus (Deficit)

\$304,700

Federal Fiscal Year 2025

Sources of State Match

Surplus State Match from Prior Year(s)			\$304,700
State Match Bonds Issued in July 2025			\$12,000,000
Total DW State Match Available			\$12,304,700

Application of State Match

	Cap Grant (\$)	Match Required (%)	Match Required (\$)
FFY 2025 Base Cap Grant	\$16,277,000	20%	\$3,255,400
FFY 2025 IJA Supplemental Cap Grant	\$37,434,000	20%	\$7,486,800
Total DW State Match Required			\$10,742,200

DW State Match Surplus (Deficit)

\$1,562,500

Federal Fiscal Year 2026

Sources of State Match

Surplus State Match from Prior Year(s)			\$1,562,500
State Match Bonds to be Issued in June 2026 (est.)			\$7,730,000
Total DW State Match Available			\$9,292,500

Application of State Match

	Cap Grant (\$)	Match Required (%)	Match Required (\$)
FFY 2026 Base Cap Grant	\$5,777,000	20%	\$1,155,400
FFY 2026 IJA Supplemental Cap Grant	\$37,419,000	20%	\$7,483,800
Total DW State Match Required			\$8,639,200

DW State Match Surplus (Deficit)

\$653,300

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. Each SRF funded project is also required to provide public notice of their SRF Project as part of the ER process.

VIABILITY ASSESSMENT

The SDWA requires states to ensure PWSs can provide safe drinking water to their public at a reasonable cost for the foreseeable future. Iowa has chosen to use a Viability Self-Assessment Manual²⁹ as a tool for water supplies to appraise their technical, managerial, and financial capability. SRF borrowers will be required to submit a Viability Self-Assessment for approval.

GREEN PROJECT RESERVE (GPR)

Congressional Appropriations allow for DWSRF Cap Grant funds to be used, at Iowa SRF's discretion, 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. 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 IIJA. 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.

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 systems³⁰. Iowa DWSRF Program conducts oversight of this requirement 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 borrowers 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 website³¹

BUILD AMERICAN, BUY AMERICA (BABA) ACT

On November 15, 2021, President Joseph R. Biden Jr. signed into law the IIJA, Pub. L. No. 117-58, which includes the BABA that strengthens the Made in America Laws.³² Infrastructure projects funded by federal financial assistance must

²⁹ Viability Assessment Manual <https://www.iowadnr.gov/environmental-protection/water-quality/drinking-water/viability-capacity-building-strategy>

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

³¹ AIS documents <https://opportunityiowa.gov/community/water-quality/srf-resources/documents-and-guides>

³² Build America, Buy America Act, <https://www.epa.gov/baba>

ensure that the *iron, steel, manufactured products, and construction materials* used in the project are produced in the United States.³³

Since not all funds available through the Iowa DWSRF Program are considered federal financial assistance, SRF will provide information to those borrowers required to comply with necessary documentation and inspection procedures. Iowa conducts oversight of this requirement 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 borrowers determine eligibility for the exemptions and waivers provided for in BABA and EPA guidance³⁴. 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 website³⁵.

ENVIRONMENTAL REVIEW

Projects receiving assistance from the DWSRF must conduct ER of the potential environmental and historical impacts of projects and associated activities. To reduce costs and barriers to participating in the SRF loan program, Iowa SRF ER staff conduct a NEPA-like investigation and/or consult with federal authorities on behalf of the SRF borrower to gain the necessary technical assistance and/or concurrence to issue a Categorical Exclusion (CX) or Finding of No Significant Impact (FNSI) clearance. Separate NEPA-like environmental review processes are performed for equivalency and non-equivalency projects in accordance with the EPA-approved Iowa DWSRF State Environmental Review Process (SERP) and the federal assurances below.

Projects receiving assistance from the DWSRF as equivalency projects are required to undergo a review for compliance with several additional environmental authority crosscutters (see Appendix H-SRF Assistance Recipient Federal Requirements). SRF staff will facilitate consultation for concurrence with other federal agencies, as necessary, on behalf of SRF borrowers. In the case of the National Historic Preservation Act (NHPA), SRF staff have been granted designated authority by the EPA to directly consult with the State Historic Preservation Office (SHPO).

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.³⁶ Iowa's oversight of this requirement is conducted by verification of bid documents and wage determinations utilizing SAM.gov, and will require borrowers 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.

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

³³ <https://www.epa.gov/cwsrf/build-america-buy-america-baba>

³⁴ <https://www.epa.gov/system/files/documents/2022-11/OW-BABA-Implementation-Procedures-Final-November-2022.pdf>

³⁵ BABA documents <https://opportunityiowa.gov/community/water-quality/srf-resources/documents-and-guides>

³⁶ <https://www.epa.gov/grants/davis-bacon-and-related-acts-dbra>

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.

Annual/Biennial Reports. As required, the state agrees to report to EPA on the actual use of funds (including Biennial reporting of set-asides) and how the state has met the goals and objectives for the previous fiscal year as identified in that year's IUP and set-aside workplans.

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 (40 CFR Part 6) will be conducted for any DWSRF project receiving assistance. Projects identified as equivalency projects will also undergo a review for compliance with the National Historic Preservation Act (NHPA) and other applicable environmental authority crosscutters (see Appendix H-SRF Assistance Recipient Federal Requirements).

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 200.334. Federal access to records will be according to 2 CFR 200.336. 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 the State and coordinated with EPA as necessary. The State will address project-level and most program inquiries and provide EPA a copy of all Congressional inquiries and responses. 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 the inquiry and response in a timely manner.

Appendix H – SRF Assistance Recipient Federal Requirements

PROGRAM SPECIFIC REQUIREMENTS—ALL SRF PROJECTS

The following federal program requirements are specifically identified in the CWA, SDWA, SRF Program regulations, and/or EPA policy and they apply to all SRF borrowers. These requirements are beyond basic borrower eligibility and basic project/activity requirements.

Requirement	Authorizing Statute	How IA SRF borrowers comply
American Iron and Steel	33 U.S.C. 1388 and 42 U.S.C. 300j-12(a)(4)	SRF Front-End Document #9; SRF Staff perform on-site inspection and desk review of certification letters; and AIS Self-Certification form signed at completion of project.
Davis-Bacon Wages	33 U.S.C. 1382(b)(6) and 42 U.S.C. 300j12(a)(5)	SRF Front-End Document #7b; Self-Certification.
Environmental Review	40 CFR 35.3140; 40 CFR 35.3580	Iowa SRF Environmental Review staff perform a NEPA-like investigation and/or consult with federal authorities on behalf of the SRF borrower to gain the necessary technical assistance and/or concurrence to issue a Categorical Exclusion (CX) or Finding of No Significant Impact (FNSI) clearance. These activities are completed prior to construction.
Generally Accepted Accounting Principles	33 U.S.C. 1382(b)(9) and 42 U.S.C. 300j-12(g)(3)	Loan documents.
Technical, Managerial, and Financial Capacity Demonstration, (DWSRF Only)	42 U.S.C. 300j-12(a)(3)	Viability Assessment and Municipal Advisor.

ADDITIONAL PROGRAM SPECIFIC REQUIREMENTS—EQUIVALENCY PROJECTS ONLY

Requirement	Authorizing Statute	How IA SRF borrowers comply
Single Audit	2 CFR part 200, Subpart F	Submit Single Audit; Corrective Actions.
Signage	EPA Guidance for Enhancing Public Awareness of SRF Assistance Agreements (2015)	SRF Program issues a media release quarterly listing all SRF executed loans. Projects issue public notification of project through social media, customer mailings, or other public notification methods.

REQUIRED CROSS-CUTTERS—ALL SRF PROJECTS

Federal cross-cutter authorities are requirements established by other federal laws and executive orders that apply to federal financial assistance programs. These requirements are not cited in the SRF Programs' authorizing statutes or regulations but apply broadly by their own terms in federal statutes, regulations, or executive orders to a wide range of federal financial assistance programs, including SRF.

Authority	Crosscutter	How IA SRF borrowers comply
Social Policy Authorities	<p>Civil Rights Laws</p> <ul style="list-style-type: none"> - The Age Discrimination Act of 1975, 42 U.S.C. 6102 et seq. - Section 13 of the Federal Water Pollution Control Act Amendments of 1972, (CWSRF only) 33 U.S.C. 1251 et seq. <p>Civil Rights Laws October 2003.pdf October 2003</p> <ul style="list-style-type: none"> - Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. 794 - Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d et seq. 	Signature on final page of IUP application Section 7; and loan documents.

ADDITIONAL REQUIRED CROSS-CUTTERS—EQUIVALENCY PROJECTS ONLY*

Authority	Crosscutter	How IA borrowers comply
Social Policy Authorities	Participation by Disadvantaged Business Enterprises in United States Environmental Protection Agency Programs	<p>SRF Front-End Documents #3-6, as applicable.</p> <p><i>*This requirement is applied to <u>all</u> Iowa SRF projects</i></p>
Environmental Authorities	<p>Archaeological and Historic Preservation Act, 16 U.S.C. 469 et seq.</p> <p>Clean Air Act Conformity, 42 U.S.C. 7401 et seq</p> <p>Coastal Barriers Resources Act, 16 U.S.C. 3501 et seq</p> <p>Coastal Zone Management Act, 16 U.S.C. 1451 et seq.</p> <p>Endangered Species Act, 16 U.S.C. 1531 et seq.</p> <p>Farmland Protection Policy Act, 7 U.S.C. 4201 et seq.</p> <p>Floodplain Management Executive Order No. 11988 (1977), as amended by Executive Order No. 12148 (1979)</p> <p>Magnuson-Stevens Fishery Conservation Management Act, 16 U.S.C. 1801 et seq.</p> <p>National Historic Preservation Act, 54 U.S.C. 300101 et seq.</p> <p>Sole Source Aquifer, Section 1424(e) of Safe Drinking Water Act, 42 U.S.C. 300h-3e</p> <p>Wetlands Protection - Executive Order No. 11990 (1997), as amended by Executive Order No. 12608 (1997)</p>	<p>Iowa SRF Environmental Review staff perform a NEPA-like investigation and/or consult with federal authorities on behalf of the SRF borrower to gain the necessary concurrence or clearances for these crosscutter requirements. These activities are completed prior to construction.</p> <p><i>*Investigation and/or consultation for these environmental authorities may be conducted for non-equivalency Iowa SRF projects, however, the consultation is for technical assistance to the ER staff and/or borrower rather than for concurrence or clearance purposes.</i></p>

	Wild and Scenic Rivers Act, 16 U.S.C. 1271 et seq.	
Economic and Miscellaneous Authorities	Administration of the Clean Air Act and the Federal Water Pollution Control Act with respect to Federal contracts, grants, or loans, Executive Order No. 11738 (1973) -Section 306 of the Clean Air Act, 42 U.S.C. 7606 et seq. -Section 508 of the Clean Water Act, 33 U.S.C. 1368 et seq.	SRF Front-End Document #7e. Borrowers must ensure that bidders of goods, services or materials are not on EPAs excluded parties listing at www.SAM.gov . SRF staff verify www.SAM.gov for all selected bidders/procurement contracts. <i>*This requirement is applied to <u>all</u> Iowa SRF projects</i>
	Build America, Buy America Act, Pub. L. 117-58, Sections 70901-70927	SRF Front-End Document #9; SRF Staff perform on-site inspection and desk review of certification letters; and BABA Self-Certification form signed at completion of project.
	Prohibition on Certain Telecom and Video Surveillance Services/Equipment, 2 CFR 200.216	SRF Front-End Document #10. <i>*This requirement is applied to <u>all</u> Iowa SRF projects</i>
	Suspension and Debarment, Executive Order 12549 (1986), 2 CFR Part 180, 2 CFR Part 1532	SRF Front-End Documents #2; SRF staff verifying www.SAM.gov for all selected bidders/procurement contracts. <i>*This requirement is applied to <u>all</u> Iowa SRF projects</i>
	Uniform Relocation and Real Property Acquisition Policies Act, 42 U.S.C 4601 et seq., 40 CFR Part 4, 49 CFR Part 24	Signature on Section 6 of IUP Application. <i>*This requirement is applied to <u>all</u> Iowa SRF projects</i>
	Federal Funding Accountability and Transparency Act (FFATA), Public Law 109-282	SRF Program staff file a FFATA report through www.SAM.gov following a SRF loan execution, as applicable, for projects selected as equivalency.

Appendix I – Public Review and Comments Received

A public meeting to allow input to Iowa’s SFY 2027 IUP and PPL will be held May 28, 2026, 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 Water Quality News³⁷ and the IUP Intended Use Plan³⁸ pages of the SRF website. Written comments may be submitted to srf-pc@dnr.iowa.gov and will be accepted through June 4, 2026.

Comments Received:

Second Quarter Update:

Comments Received:

Third Quarter Update:

Comments Received:

Fourth Quarter Update:

Comments Received:

³⁷ <https://opportunityiowa.gov/community/water-quality/srf-resources/water-quality-news>

³⁸ <https://opportunityiowa.gov/community/water-quality/srf-resources/intended-use-plan>

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
CMaR	Construction Manager at Risk
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

GMP	Guaranteed Maximum Price
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