



INVESTING IN IOWA'S WATER

FY 2023 INTENDED USE PLANS

Clean Water State Revolving Fund (CWSRF)

Drinking Water State Revolving Fund (DWSRF)

Approved by the Environmental Protection Commission (EPC) on June 21, 2022.

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FY 2023 Intended Use Plans
Clean Water State Revolving Fund
Drinking Water State Revolving Fund



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INTRODUCTION

In the last 30 years, Iowa's SRF has provided over **\$4 billion** in loans for water and wastewater infrastructure, agricultural best management practices, and other water quality projects. With the SFY 2023 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.

- ✓ Iowa's SRF is based on federal legislation that created the programs as revolving loan funds to provide a dependable, ongoing source of financing. Several sources of money are used to make loans, including federal Capitalization Grants (CAP Grants), bonds, and loan repayments with interest. No state general funds are provided.
- ✓ Iowa's SRF programs are highly rated in financial markets, giving the programs strong leveraging capacity to keep up with demand for loans.
- ✓ Transparency and accountability are commitments the Iowa SRF staff has made to stakeholders. All program plans are issued for public review and comment, with approval quarterly by the Iowa Environmental Protection Commission. Annual reports, IUP's and application requirements are posted on both DNRs and SRF's websites. Email listservs are used to inform stakeholders of program updates.
- ✓ SRF loans can be used as stand-alone financing or in combination with a wide variety of grants, including other federal water and wastewater assistance programs, state and federal agricultural cost-share, and local sources, along with private investment.
- ✓ Cities, counties, rural water systems, sanitary districts, farmers, livestock producers, homeowners, watershed organizations and others across the state utilize existing SRF programs. Many borrowers come back to the SRF multiple times to finance their ongoing capital improvement projects.

PROGRAM OVERVIEW

STATE REVOLVING FUND (SRF)

The Clean Water SRF funds wastewater treatment, sewer rehabilitation, and stormwater quality improvements, as well as non-point source projects.

The Drinking Water SRF funds water treatment plants or improvements to existing facilities, water line extensions to existing unserved properties, water storage facilities, wells, and source water protection efforts.

SRF PROGRAM ADMINISTRATION

The unique partnership between the Iowa Department of Natural Resources (DNR), the Iowa Finance Authority (IFA), and the Iowa Department of Agriculture and Land Stewardship (IDALS) 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 and permitting aspects of the program as well as regulatory compliance
- IFA-Administers the financial aspects of the program including fund management, bonding, loan approval and disbursements
- IDALS-Through a contractual agreement with DNR, IDALS administers three SRF Nonpoint Source Linked-Deposit Programs and provides technical assistance to the CWSRF Nonpoint Source Programs, including the Sponsored Project Program



Iowa's SRF also relies on partnerships with Soil and Water Conservation Districts, county environmental health agencies, watershed and land trust organizations, and lending institutions across the state to implement program and financial goals.

INTENDED USE PLANS

The Intended Use Plans (IUPs) following this **Program Overview** will provide a roadmap to the policies and procedures of the CWSRF and DWSRF Programs, along with the lists of projects and activities to be funded. The IUPs outline the proposed management of the Clean Water SRF and the Drinking Water SRF programs during State Fiscal Year 2023 (July 1, 2022 - June 30, 2023) and include Project Priority Lists (PPL), program policies and goals, financial management strategies, discussion of set-aside programs and efforts, and planned uses of administrative accounts. The IUPs are developed and updated quarterly, in June, September, December, and March or more often as needed, with projects added and funding amounts adjusted as needed. While the plans of action outlined in these SFY 2023 IUPs may be amended in subsequent quarters, they are intended to lay out the general direction and goals of the Clean Water and Drinking Water SRF Programs.

The CWSRF IUP and the DWSRF IUP each have several additions that are incorporated into the IUPs. There are multiple appendices to each IUP which are contained in this Microsoft Word document. The Project Priority Lists are an attachment to each IUP and are located in a separate Microsoft Excel spreadsheet. Finally, each IUP has an annex which addresses the specific policies and implementation of the Bipartisan Infrastructure Law, and which are located in separate Word documents. These additions will be discussed in more detail further in this document.

Federal and state law requires, and Iowa welcomes, opportunity for public participation in the development of the IUP. Any revisions of the goals, policies and method of distribution of funds must be addressed by a revision of the IUP, including public participation. Minor adjustments in funding schedules and loan amounts are allowed without public notification by the procedures of this IUP and state rules for administration of these programs.

PROJECT PRIORITY LIST

Project Priority Lists (PPL) for wastewater projects and drinking water projects are located in Attachment 1 of the Clean Water IUP and Attachment 1 of the Drinking Water IUP, respectively. These attachments are a separate Microsoft Excel spreadsheet available on www.iowasrf.com¹ ²For program planning purposes, the fundable projects are further identified as “R - ready for loan” (indicating that the construction permit and environmental review have been completed), and “P - in planning” and “L - loan signed.”

TYPES OF FINANCING

Construction Loans are offered with 20-year terms. An extended term loan is available up to 30 years, based on the average life of the project components. Interest rates and fees are established within the IUP.

Planning & Design (P&D) Loans are offered for up to 3 years to cover engineering and project development costs. P&D loans can be rolled into an SRF construction loan or paid off with other permanent financing.

Nonpoint Source Loans are available to public and private borrowers in the form of direct loans, loan participation or linked-deposit loans, depending on the borrower. These loans address stormwater management, inadequate septic systems, landfill closure, lake restoration, soil erosion control, brownfield cleanup, manure management and more.

CO-FUNDING

The SRF funding can be combined with several other funding sources to make costly infrastructure projects possible. While SRF offers low loan rates and additional subsidization to eligible applicants, many of Iowa’s communities need additional help from other funding sources. Joint funding that combines SRF loan dollars and funds from other agencies is crucial to making some water and wastewater infrastructure upgrade projects more affordable for many communities. 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 water and wastewater needs.

¹ CWSRF Project Priority List

https://www.iowasrf.com/program/clean_water_loan_program/clean-water-srf-intended-use-plan-information/

² DWSRF Project Priority List

https://www.iowasrf.com/program/drinking_water_loan_program/drinking-water-intended-use-plan-iup-information/

EMERGENCY FUNDING

In May of 2019, a Memorandum of Understanding (MOU) was signed regarding coordination between EPA and FEMA. The MOU established a framework for the EPA funded State Revolving Fund (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 75% for the replacement costs for public water and wastewater systems. The SRF can be used for the required 25% match.
- 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 could be used to finance the repairs and then be repaid with FEMA money. Emergency loans meeting these conditions may be made and then shown on the next quarterly IUP update.

HIGHLIGHTS AND CHANGES

In the past year, many exciting opportunities have developed to advance environmental equivalency in the water sector through increased investment in water and wastewater infrastructure. Iowa is expanding and revising the SRF Program, as needed, to adapt to and take advantage of these new opportunities. Highlighted below are some of the changes Iowa is incorporating into this year's Intended Use Plans.

- ✓ Plans for implementing the **Bipartisan Infrastructure Law (BIL)** funding, also known as the **Infrastructure Investment and Jobs Act**, are not covered in this annual release of the Intended Use Plan but will be implemented through separate annexes (BIL Annexes) to the DWSRF and CWSRF Intended Use Plans. The most current information available will also be posted at <https://www.iowasrf.com/infrastructure-bill-funding-opportunities/>.
- ✓ The BIL introduced a new requirement to federally funded infrastructure programs which expands domestic procurement requirements beyond iron and steel to include construction materials and manufactured goods. This requirement is referred to as **Build America, Buy American (BABA)**. Some SRF funded projects may be subject to the requirements of BABA, including projects that co-fund with other federal programs such as Housing and Urban Development Community Development Block Grant or USDA Rural Development loans. U.S. Environmental Protection Agency has not yet released implementation procedures on BABA; further guidance on BABA will be implemented in future quarterly updates to the CWSRF and DWSRF Intended Use Plans. The most current information available will also be posted at <https://www.iowasrf.com/infrastructure-bill-funding-opportunities/>.
- ✓ The **Water Resources Restoration Sponsored Project Program** is temporarily not accepting applications during SFY 2023 (September 2022 and March 2023 application rounds).
- ✓ The **Disadvantaged Community (DAC)** definition (DWSRF Program) and the **Affordability Criteria** (CWSRF Program) are under review and will be revised through public review and comment. The SRF Programs intend to implement the DAC definition and affordability criteria the BIL Annexes to the DWSRF and CWSRF Intended Use Plans, respectively. The goal of this revision is to expand environmental equality and ensure Iowa's SRF Programs are reaching communities most in need of assistance. The new definitions will be used to determine an applicant's eligibility to receive loan forgiveness from the base DWSRF and CWSRF Loan Programs as well as BIL Loan funds. The percent of loan forgiveness offered to each eligible project will also be determined through these revised criteria. See BIL Annex A to the DWSRF IUP and CWSRF IUP, respectively.
- ✓ Beginning in SFY 2023, loan initiation fees will not be assessed on loans to Disadvantaged Communities (DAC) receiving loan forgiveness.
- ✓ For the first time in the Program's history, the U.S. EPA is allowing states to utilize funding from the Cap Grant to provide **Technical Assistance** to borrowers. EPA is also preparing Technical Assistance contracts to support states and borrowers with accessing SRF Program funds from the BIL. Future quarterly updates to the CWSRF IUPs will describe how Iowa intends to utilize these funds and the technical assistance that will be available to our borrowers. See page 19.
- ✓ Beginning in SFY 2023, borrowers will be asked to identify their Municipal Advisor for the project as part of the

IUP application.

- ✓ Beginning in SFY 2023, prior to closing a construction loan, applicants must demonstrate that appropriate action has been taken to implement the utility rate recommendations of their Municipal advisor set forth in the 5-year pro-forma cash flow analysis.
- ✓ Beginning in SFY 2023, to the extent applicable, applicants must provide certification evidencing compliance with public bidding law, pursuant to Iowa Code Chapter 26, prior to closing a construction loan.

With the SFY 2023 Intended Use Plans and future program plans, Iowa's SRF Programs will continue to help Iowans protect public health and the environment through investing in Iowa's water.

FY 2023 INTENDED USE PLANS

CLEAN WATER STATE REVOLVING FUND



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FY 2023 Intended Use Plans

Clean Water State Revolving Fund

I. STATE FISCAL YEAR 2023 PLAN OF ACTION

The Clean Water SRF Program funds wastewater treatment, sewer rehabilitation, and stormwater quality improvements, as well as non-point source projects. Publicly owned wastewater treatment works, including those owned by cities, counties, sanitary districts, and utility management organizations are eligible. For non-point source projects, both public and private entities are eligible, including farmers, landowners, watershed organizations, landfills and rural homeowners.

The CWSRF loan program consists of three main program areas:

- The purchase of debt obligations for wastewater and some storm water projects for publicly owned facilities
- Direct loans, loan participation and linked deposit financing approaches addressing nonpoint source programs
- Water Resource Restoration Sponsor Program (Sponsored Projects) addressing nonpoint source problems via interest rate reductions on wastewater loans

The SFY 2023 Plan of Action covers the following areas:

- CWSRF goals and objectives
- Current and projected financial capacity of the CWSRF
- Financial management strategies
- Plan for the SFY 2023 Project Priority List
- Plan for Nonpoint Source Assistance Programs
- Plan for use of administrative accounts

The plan is based on anticipated use of new and revolved funds available in the CWSRF for funding water quality protection needs, including both publicly owned wastewater infrastructure and nonpoint source water protection projects.

CWSRF Goals and Objectives

The primary long-term goal of the Iowa CWSRF is to protect the environment and public health and welfare through a perpetual financial assistance program.

Due to federal legislation in this past year, program updates are anticipated in SFY 2023. New goals have been established to meet those requirements and adjust programs to available staff.

The SFY 2023 short-term goals and objectives are as follows:

- Goal: Commit loan funds to as many recipients as possible in accordance with the state priority rating system, the IUP, staff resources, and available funding, in order to assist in the construction of projects with the highest water quality impacts.

Objective: During SFY 2023, applications will be accepted quarterly and updates to the IUP will be prepared to add projects and update program financial information. Sponsored Project applications will be taken in March 2022 and added to the IUP during this fiscal year. Projects approved under the Nonpoint Source Assistance Programs will be funded on a continuous basis from the funds reserved for those programs.

- Goal: Continue to implement the Water Resource Restoration Sponsor Program authorized in Iowa Code 384.84.

Objective 1: During SFY 2023, **SRF staff will receive applications only once this year for Sponsored Project funding.** The application deadline for SFY 2023 was in March 2022, as advertised in the previous SFY 2022 Intended Use Plan. In conjunction with watershed coordinators, Iowa Department of Agriculture and Land

Stewardship urban conservationists, and others, SRF staff evaluated the applications and prepared a list of proposed projects for this IUP.

Objective 2: Systematic business assessment of the Sponsored Project Program process to identify best practices and to establish new practices that can streamline the process and shorten project completion times.

- Goal: Encourage applicants to engage a registered municipal advisor (MA).

Objective: During SFY 2023, all applicants submitting an Intended Use Plan application must demonstrate that they have hired an MA to assist with cash flows, rate setting, debt service coverage, and other financial aspects of their wastewater utility. Due to current supply chain and contractor availability issues, the costs of projects have been increasing. **The CWSRF Program will encourage applicants to engage with their MA early in the project planning process to ensure that the community is taking appropriate measures to account for potential increased debt service requirements.** The CWSRF program will reimburse up to \$4,000 of the MA fee to the borrowers.

- Goal: **Implement the “Build America, Buy American (BABA)” requirements** enacted by Congress in the Bipartisan Infrastructure Law on May 14, 2022.

Objective: During SFY 2023, SRF staff will engage DNR Field Office staff to establish a BABA oversight program. SRF staff will provide information to those applicants required to comply with necessary documentation and inspection procedures. CWSRF will conduct site visits and provide technical assistance to help applicants determine eligibility for the exemptions and waivers provided for in the Act and EPA guidance.

- Goal: Continue to implement the “Use of American Iron and Steel (AIS)” requirements enacted by Congress on January 17, 2014.

Objective: During SFY 2023, **SRF staff will re-evaluate the AIS oversight program**, retaining best practices and aligning the program with BABA requirements, as needed. SRF staff will provide information to applicants on necessary documentation and inspection procedures and will continue to help applicants determine eligibility for the exemptions and waivers provided for in the Act and EPA guidance. SRF will continue to engage DNR Field Office staff to conduct site visits and provide technical assistance.

- Goal: Fund green projects to meet the requirements of the Green Project Reserve (10% of the CWSRF Cap Grant).

Objective: During SFY 2023, the CWSRF Program will **fund green projects as required in the FFY 2022 Cap Grants and revise Grant Year assignments for 2018-2021 as project costs finalize.** Iowa has already complied with the GPR requirements of previous Cap Grants.

- Goal: Continue applying additional subsidization available in the FFY 2019-FY2021 Cap Grants.

Objective: During SFY 2022 SRF staff plans to approve plans and specifications and execute loans or loan amendments with loan forgiveness to previously assigned recipients for the amounts required in the FFY 2019, FFY2020, and FFY 2021 Cap Grants in accordance with previously established criteria (see Appendix C). Iowa has complied with the additional subsidization requirements for all previous Cap Grants.

- Goal: Review and revise criteria used to identify eligible applicants for loan forgiveness.

Objective: During SYF 2023, SRF staff will revise the affordability criteria through public review and comment. The CWSRF intends to utilize the new affordability criteria to identify eligible applicants to receive

loan forgiveness from future Cap Grants. The CWSRF intends to implement the new criteria in BIL Annex A to the CWSRF IUP.

- Goal: Apply additional subsidization available in FFY 2022 Cap Grant.

Objective: During SFY 2023, SRF staff will utilize the revised affordability criteria to assign loan forgiveness for FFY 2022 Cap Grant. SRF staff will approve plans and specifications and execute loans or loan amendments with loan forgiveness for the amounts required in the FFY 2022 Cap Grant.

- Goal: Comply with grant reporting conditions.

Objective: During SFY 2023, the Iowa CWSRF Program plans to enter data into the CWSRF National Information Management System (NIMS) and the EPA reporting database for the Office of Water State Revolving Funds (OWSRF).

- Goal: Comply with EPA guidance on reporting under the Federal Funding Accountability and Transparency Act (FFATA).

Objective: In the Annual Report, SRF staff will list loans that met the several requirements of FFATA for open Cap Grants. Grants may not be closed out until equivalency amounts can be reported.

- Goal: Comply with EPA guidance on cost and effectiveness requirements under Section 602(b)(13) of the Clean Water Act.

Objective: During SFY 2023, CWSRF will require applicants to submit a self-certification form indicating compliance with this requirement.

- Goal: Promote and identify sustainable practices in projects proposed for funding.

Objective: During SFY 2023, SRF staff will provide information on the EPA's Sustainability Policy to applicants and include sustainability features in project descriptions.

- Goal: Comply with the EPA Signage Guidance.

Objective: During SFY 2023, SRF staff and recipients will notify the public in the most effective ways possible about assistance agreements and benefits of the CWSRF program in order to enhance public awareness of EPA assistance agreements nationwide. The Iowa CWSRF program sends out press releases listing all CWSRF loans that have closed and borrower contact information.

Additional long-term goals include:

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

Objective: During SFY 2023, SRF staff will meet regularly with staff from the Community Development Block Grant program, and the USDA Rural Development program. SRF staff will also coordinate funding with state and federal grant and loan programs designed to address both point source and nonpoint source water quality initiatives.

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

Objectives: During SFY 2023, SRF staff will continue to assist applicants with completing the federal cross-cutting requirements for environmental and historical review, and will advise borrowers as needed with Davis-Bacon compliance. Borrowers will be responsible for compliance and may hire outside consultants to

assist.

- Goal: Continue the option of extended financing terms for CWSRF infrastructure projects.

Objective: During SFY 2023, this option will be offered to current and new projects on the Project Priority List. Applicants seeking extended financing must complete a worksheet outlining the anticipated life of the project components, which can be averaged to determine the extended term.

- Goal: Maintain mechanisms for funding the on-going administration of the program if federal funding is reduced or eliminated.

Objective: During SFY 2023, initiation and servicing fees will be collected on CWSRF loans for deposit to administrative accounts. SRF staff will develop short and long-term plans for administrative budgets.

- Goal: Manage the CWSRF to maximize its use and impact through sound financial management.

Objective: During SFY 2023, SRF staff and financial advisors will continue to conduct financial analysis and develop innovative approaches to financial management.

- Goal: Implement programs that effectively address water quality needs and target appropriate audiences.

Objective: During SFY 2023, SRF staff will continue to educate users and potential users about the program offerings through presentations, displays, program materials, and the IowaSRF.com website.

SFY 2023 Project Priority List (PPL)

The management of the CWSRF program includes a priority list of projects for loan assistance, which has been developed according to DNR rules 567 IAC 92 (455B). Attachment 1 constitutes the CWSRF Project Priority List. This priority list will be amended on a quarterly basis during SFY 2023.

With the available CWSRF funds, this IUP provides a projection of loan funding assistance for applications in priority order determined by point source rating criteria defined in 567 IAC 91 (455B). More information on priority ranking is available in Appendix B.

For program planning purposes, the fundable projects are further identified as “R - ready for loan” (indicating that the construction permit and environmental review have been completed), “P - in planning” and “L - loan signed.”

Due to the project workload and for planning purposes, the CWSRF staff may evaluate projects that have been on the IUP list for more than three years. A notification will be sent to the applicants that their project may be dropped if there is no progress in the six months following the notice. If a project is dropped, the applicant may reapply when the project is ready to move ahead.

The following categories of projects will be included for funding during SFY 2023 and are included on Attachment 1:

- **Planning and Design Loans.** Planning and design loans are provided at 0% interest for up to three years to cover the costs of preparing facility plans and project specifications. The loans will be rolled into CWSRF construction loans or repaid by another source of permanent financing. Planning & Design Loan applications can be found on the SRF website³.
- **Unfunded Prior Years’ Section 212 Projects:** These are loan requests remaining on the Project Priority List from previous years’ IUPs. It is Iowa’s intention to make CWSRF loans to these projects during SFY 2023 if they are ready for a binding loan commitment.
- **Segments of Previously Funded Section 212 Projects.** State rules provide that subsequent segments of a project, which has previously received funding priority or assistance, must be placed on the Project Priority List

³ https://www.iowasrf.com/program/planning_design_loans/

ahead of new projects. Segmented projects will be added to the SFY 2023 Project Priority List as received.

- **New Section 212 Projects.** New applications for assistance during SFY 2023 will be accepted on a quarterly basis and will be added to the Project Priority List if projects are determined to be eligible for funding and the application is complete. Intended Use Plan applications can be found on the SRF website⁴ and on the DNR Wastewater Construction Permit website⁵, and submitted to srf-iup@dnr.iowa.gov.
- **New General Nonpoint Source Projects including Source Water Protection.** New applications for assistance during SFY 2023 will be accepted on a quarterly basis and will be added to the Project Priority List if projects are determined to be eligible for funding and the application is complete. Intended Use Plan applications can be found on the SRF website under the Other Water Quality Program⁶ tab and submitted to srf-iup@dnr.iowa.gov.
- **Supplemental Financing.** Supplemental financing for projects listed in previously approved IUPs are added to the IUP as they are requested unless the additional funds will be used for improvements that would significantly change the scope of the project. Additional environmental review may be required. Supplemental loans will not be provided for changes that are ineligible for funding.

Water Resource Restoration Sponsor Program

The project category called water resource restoration or “sponsored projects” provides wastewater utilities with the opportunity to fund locally directed, watershed-based, nonpoint source projects that address water quality issues.

Iowa Code chapter 384.84 authorizes these projects to be financed with sewer revenues. On a CWSRF loan with a sponsored project, the utility borrows for both the wastewater improvement project and the sponsored project. However, the overall interest rate on the total amount of principal borrowed is reduced so that the utility’s ratepayers do not pay any more than they would have for just the wastewater improvements. In this way, a utility accomplishes two water quality projects for the cost of one.

- For loans up to 20 years, the interest rate on the combined infrastructure/sponsored project loan will be reduced to not lower than 0.75%. The maximum amount allowed for eligible sponsored project costs is \$100,000 per \$1 million borrowed.

The amount of funds reserved in SFY 2023 for Water Resource Restoration Sponsor Program interest rate reductions is \$5 million. In order to fund all eligible applications, the DNR reserves the right to cap individual application funding awards at a percentage of the total amount allocated for Sponsored Projects. Applications for SFY 2023 were accepted until March 1, 2022. The applications proposed for funding in SFY 2023 are listed in Appendix D.

The Sponsored Project Program is temporarily not accepting applications during SFY 2023 (September 2022 and March 2023) for program planning purposes to enhance the program. Application opportunities are expected to resume for communities or wastewater utilities interested in applying to the CWSRF Water Resource Restoration Sponsored Project Program. Future quarterly updates to the IUP will provide information on deadlines for pre-application conference calls and application deadlines.

Applicants that are approved for funding will be contacted after the approval of this IUP to schedule a project initiation meeting and to begin the sponsored project review and approval process. All information about the review and approval process is included in the Sponsored Project Manual⁷ located on the SRF website. Applicants should review the manual information to become familiar with the process.

Sponsors of approved projects will be required to follow project review and implementation guidelines established in the Water Resource Restoration Sponsored **Projects Milestone Checklist** located in the Sponsored Project Manual on the SRF website.

⁴ www.iowasrf.com

⁵ <https://www.iowadnr.gov/Environmental-Protection/Water-Quality/Wastewater-Construction/Construction-Permits>

⁶ https://www.iowasrf.com/program/other_water_quality_programs/

⁷ https://www.iowasrf.com/about_srf/sponsored-project-manual/

Water quality practices funded through sponsored projects must be maintained for the useful design life of the practice. Sponsored Project recipients will be required to develop and execute a maintenance plan for all practices, and agree to a Water Resource Restoration Sponsored Project Performance Agreement to ensure that the water quality practices being funded are constructed and maintained in a manner that will achieve, and continue to provide, the water quality improvement according to the approved design.

The waterbody, watershed, and water quality concern identified in the Water Resource Restoration Sponsored Project application cannot be changed after an application has been awarded funding.

Beginning with projects awarded in SFY 2022, Sponsored Project loan amendments must be executed prior to the second principal payment on the sponsoring CWSRF loan or the Sponsored Project award may be withdrawn.

Explanations of eligible applicants and projects, as well as specific application requirements, are outlined in the SFY 2023 Sponsored Project Application. This information is available on the Sponsored Project Home Page⁸.

Plan for Nonpoint Source Assistance Programs

Iowa authorizing legislation and state administrative rules allow the use of CWSRF program funds for nonpoint source pollution control projects. Four Nonpoint Source Assistance Programs have been established which target areas of need allowed under federal guidance and identified in the state Nonpoint Source Water Quality Management Plan:

- The On-Site Wastewater Systems Assistance Program (OSWAP) provides loans to homeowners to replace inadequate septic systems. New systems must be certified by county sanitarians.
- The Local Water Protection (LWP) Program addresses soil, sediment, and nutrient control practices on agricultural land. DNR contracts with the Iowa Department of Agriculture and Land Stewardship, which operates the program through local Soil and Water Conservation Districts.
- The Livestock Water Quality Facilities (LWQ) Program assists livestock producers with manure management plans, structures, and equipment. Facilities with fewer than 1,000 animal unit capacity are eligible. DNR contracts with the Iowa Department of Agriculture and Land Stewardship, which operates the program through local Soil and Water Conservation Districts.
- The General Nonpoint Source (GNS) Program supports a wide variety of other water quality protection efforts. Projects include habitat and wetland restoration, landfill closure, lake restoration, and watershed planning. Funding for Stormwater Best Management Practices loans is also included in this program. Projects that involve purchase of land require separate approval by the EPC. These projects are listed in Appendix E.

Loans for these four Nonpoint Source Assistance Programs are made through participating lenders through either a linked deposit arrangement or loan participation. For linked deposits, CWSRF funds are deposited with a participating lender and are used to reduce the interest rate on the loan. For loan participants, CWSRF funds are used to purchase an existing loan from a lender.

The table below outlines the current and proposed allocations planned for the four programs. These allocations may be amended based on need and the financial capacity of the CWSRF.

Nonpoint Source Assistance Programs	Proposed SFY 2023 Amount
Onsite Wastewater Assistance Program (OSWAP)	\$1.5 million
Local Water Protection Program (LWPP)	\$3.0 million
Livestock Water Quality Facilities Program (LWQ)	\$4.0 million
General Nonpoint Source Program (GNS)*	\$10.0 million
TOTAL	\$18.5 million

**GNS projects that receive a direct loan are not included in this allocation and are listed individually on the CWSRF Project Priority List (Attachment 1).*

⁸ https://www.iowasrf.com/about_srf/sponsored_projects_home_page.cfm

Current and Projected Financial Capacity of the CWSRF

Appendix A, the Estimated Sources and Uses table, shows that funds are available to fund current requests. The leveraging capacity of the CWSRF is robust due to the maturity of the fund and the current loan portfolio. SRF staff has analyzed the future financial capacity of the CWSRF in light of the discussion over water quality standards and other future wastewater needs. Assuming that Iowa continues receive Cap Grants, and that the CWSRF Program continues to grant 10% loan forgiveness and the current interest rates, it is projected that the CWSRF could loan an average approximately \$290 million per year over the next 10 years, or a total of \$2.9 billion. If Iowa receives no additional Cap Grants and the CWSRF Program keeps current interest rates, the CWSRF could loan an average of approximately \$230 million per year over the next 10 years. These figures would increase with an increase in interest rates.

Financial Management Strategies

The CWSRF Project Priority List (Attachment 1) shows total loan requests for wastewater projects. Because many of these projects are in the planning phase, they are not expected to sign a binding loan commitment during this fiscal year. The projected timing and demand for loan draws is reflected in the sources and uses table (Appendix A). Other uses for CWSRF program funds in SFY 2023 include \$18.5 million reserved for the Nonpoint Source Assistance Programs.

The cash draw procedure used is the direct loan method. The Iowa CWSRF program uses its equity fund to originate loans. When a sufficient number of loans have been made, the CWSRF 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. When funds are needed, state match bonds are issued at the same time that leveraged bond issues are done for greater cost effectiveness. State match is fully disbursed prior to drawing Cap Grant funds. The Cap Grant funds will be drawn at a 100% proportionality ratio.

The Iowa SRF program was invited to apply for a loan through EPA's State Infrastructure Financing Authority Water Infrastructure Finance and Innovation Act (SWIFIA). SWIFIA is a loan program exclusively for state infrastructure financing authority borrowers. SWIFIA may be used for up to 49 percent of an eligible project's costs that are ready to proceed, meaning construction will commence within 18 months after the Letter of Interest is submitted to EPA. A preliminary list of mostly CWSRF projects eligible for SWIFIA funding has been identified, totaling more than \$500 million. The SRF program is in the process of working through the underwriting process; the timeline for closing the loan is yet to be determined.

The program issued bonds in May 2022, which included the required state match obligations for the FFY 2022 Cap Grants (base CWSRF program and BIL supplemental).

Plan for Use of Administrative Accounts

There are three distinct funding sources for CWSRF administrative expenses:

- The CWSRF administrative Cap Grant set-aside. Iowa intends to take or reserve 4% of the federal Cap Grant funds for program administration.
- Loan initiation fees. A 0.5% loan origination fee will be charged on new CWSRF loans. The maximum amount charged is \$100,000. Under EPA rules, because Iowa's origination fees are financed through the loans, the proceeds are considered program income. Program income can only be used for the purposes of administering the CWSRF program or for making new loans. **Beginning in SFY 2023, loan initiation fees will not be assessed on loans to Disadvantaged Community (DAC) receiving loan forgiveness.**
- Loan servicing fees. A servicing fee of 0.25% on the outstanding principal is charged on CWSRF loans. Under EPA rules, only servicing fees received from loans made above and beyond the amount of the Cap Grant and after the Cap Grant under which the loan was made has been closed are considered Non-Program Income. Non-Program Income can be used to administer the program or for other water quality purposes. The uses of Non-Program Income are discussed below.

Program Income. Program Income collected in SFY 2023 will be used for administering the CWSRF Program. Program Income is replenished throughout the fiscal year by funds received from loan initiation fees as described above.

Non-Program Income. A portion of these funds will be used in SFY 2023 for administering the CWSRF Program.

Planned Expenses. CWSRF administration expenses include the SRF include the work of wastewater engineering section project managers, specialists in environmental review, nonpoint source program administrators, financial officers, loan coordinators, and program managers. It also covers expenses for financial and legal advisors. These program expenses will first be paid out of Program Income and then Non-Program Income once Program Income has been fully expended.

DNR intends to use a portion of Non-Program Income funds during SFY 2023 to support staffing to the Field Services Bureau for wastewater compliance activities including inspections, investigations and technical assistance and to support staffing in the Water Quality Bureau for construction permitting, National Pollution Discharge Elimination System permitting, American Iron and Steel Site Inspections, and other programmatic staffing needs.

II. INFORMATION ON THE CWSRF ACTIVITIES TO BE SUPPORTED

Allocation of Funds

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

1. The amount of financial assistance needed for each application was estimated.
2. The sources and allowable uses of all CWSRF funds were identified.
3. The CWSRF funds were allocated among the projects, consistent with the amount available and the financial assistance needed.
4. A designated amount was reserved for each Nonpoint Source Assistance Program based on past funding and expected future needs.

Information pertinent to each CWSRF project is contained in Attachment 1, pursuant to Section 606(c) (3) of the Clean Water Act.

Sources and Uses of Available CWSRF Funds

In July 2021, the CWSRF Program was awarded the FFY 2021 Cap Grant in the amount of \$21,505,000. In October 2022, the **CWSRF Program was awarded the FFY 2022 Cap Grant in the amount of \$15,660,000.** Appendix A to this Intended Use Plan illustrates potential sources and uses of funds in the CWSRF for SFY 2023. As shown, all pending loan requests and program administration needs can be funded. Projects will draw on their funding at different intervals based on their construction cycles. These differences are used to estimate cash needs throughout the year. Appendix A will be updated quarterly as needed to provide an ongoing view of the financial plan for meeting loan requests.

Iowa's SRF program issues bonds as needed. These bond issues typically include the state match for the next federal Cap Grants. See Appendix F. On May 5, 2021, IFA issued \$218,290,000 of SRF bonds; no state match funds was necessary at the time of issuance. On May 3, 2022, IFA issued SRF bonds totaling \$206.18 million (\$198.025 million tax-exempt and \$8.155 million taxable). The 2022 bonds included \$3 million of Clean Water state match and \$5.7 million of Drinking Water state match, which was deposited in the respective state match accounts. After SRF bonds are issued, the state match is spent first so the Cap Grant can be drawn down at 100% when it is received.

Section 212 Projects Program Policies

Project Scope. The scope of the project must be outlined in the Intended Use Plan application and in the facility plan. Changes to the scope are allowed prior to loan closing. Significant changes in scope may cause delays if additional work is required by the project manager or environmental review specialist. Once a loan is signed, only minor changes to the scope are allowed and only if the changes do not require additional technical or environmental review.

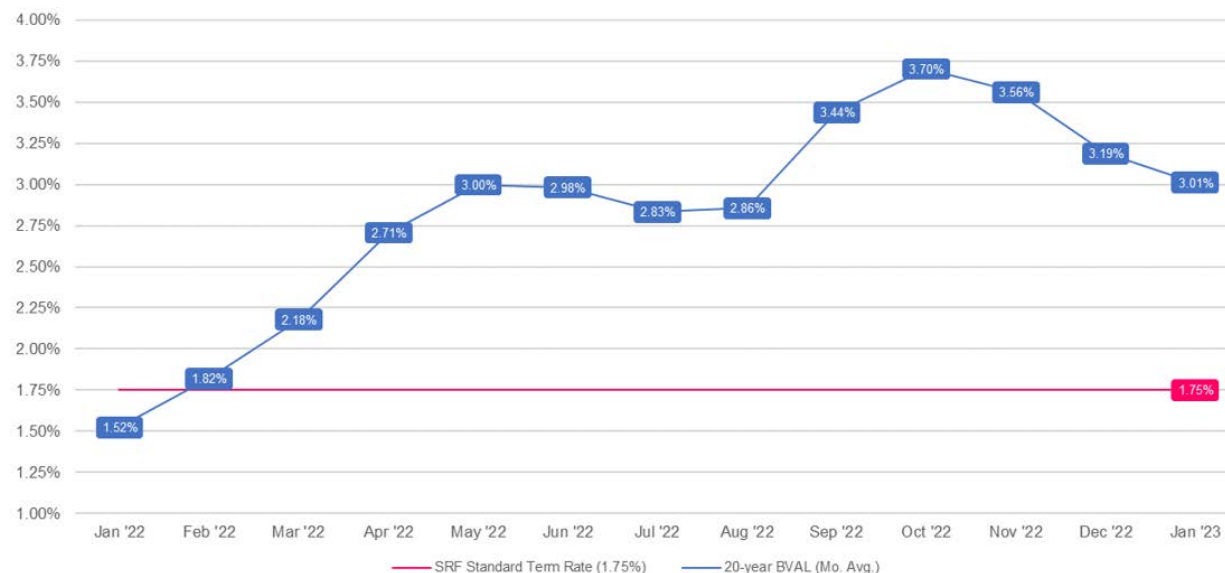
Loan Interest Rates. Interest rates for CWSRF planning and design loans are 0% for up to three years. The current interest rates for construction loans made from the CWSRF are as follows:

Loan Term	Applicant Type	Interest Rate	Servicing Fee	Total
Standard Tax-Exempt (up to 20 years)	All	1.75%	0.25%	2.00%
Extended (21 to 30 years based on useful life)	All	2.75%	0.25%	3.00%
Taxable Loans (up to 20 years)	All	2.75%	0.25%	3.00%
Taxable Loans (up to 20 years)	All loans executed on or after April 1, 2023	3.57%	0.25%	3.82%

The SRF program monitors the market to ensure that our loan interest rates are appropriate relative to the program’s cost of funds.

Interest rates in both the Treasury and municipal markets have been trending higher over the past year, as evidenced by Bloomberg’s BVAL AAA Municipal Curve, which uses real-time trades and sources to track movement in the municipal market⁹. The graph in **Figure 1** below shows the average 20-year BVAL yield for each month since January 2022, compared to the SRF Program’s Standard Term interest rate.

Figure 1: 20-year Bloomberg BVAL AAA Municipal Yields (Monthly Average)



SRF loan interest rates are established by considering factors including, but not limited to:

1. The Program’s interest rate cost of funds;
2. Availability of other SRF funds;
3. Prevailing market interest rates of comparable non-SRF loans; and
4. The long-term financial viability of the SRF.

Program staff will continue to monitor market conditions to ensure that SRF loan interest rates satisfy these and other provisions. Any changes to SRF loan interest rates will be communicated in the Intended Use Plan.

Loan Fees. A 0.5% origination fee is assessed on the full loan amount for new CWSRF construction loans, with a maximum amount of \$100,000. No origination fees are assessed on planning and design loans. A .25% loan servicing fee is assessed on construction loans. Payment of the loan servicing fee is made semi-annually with scheduled interest payments (June and December). Loan servicing fees are calculated based on the outstanding principal balance.

Financing Term. Loan terms can be up to 30 years. The initial determination of the length of the term is based on a

⁹ The BVAL® AAA Municipal Curves are updated daily and is publicly available on the Municipal Securities Rulemaking Board’s (MRSB) Electronic Municipal Market Access (EMMA) [website](#).

calculation of the average useful life of the entire project, determined by the applicant's consulting engineer and approved by DNR. Any project may request an extended term.

Maximum Financing. There is no maximum financing amount.

Project Readiness. Applicants cannot be offered assistance until they meet program requirements. More information can be found in the Wastewater Engineering Construction Permitting Process Manual¹⁰.

Funding Limitations. Pending loans identified in this IUP do not exceed funds obtainable for the CWSRF program.

Extended Financing The Iowa CWSRF can provide extended terms of up to 30 years for any loan as long as the loan term does not exceed the expected design life of the project. The consulting engineer for the project will be required to separate and itemize costs so that a weighted maturity may be calculated for loan repayment. The list of itemized costs and expected useful lives will be required prior to signing of the loan agreement.

Municipal Advisor Engagement. Beginning in SFY 2023, borrowers will be asked to identify their Municipal advisor for the project as part of the IUP application.

Rate Ordinance. Beginning in SFY 2023, prior to closing a construction loan, applicants must demonstrate that appropriate action has been taken to implement the utility rate recommendations of their Municipal advisor set forth in the 5-year pro-forma cash flow analysis.

Public Bidding Compliance Certification. Beginning in SFY 2023, applicants must provide certification evidencing compliance with public bidding law, pursuant to Iowa Code Chapter 26, prior to closing a construction loan.

Plan for Efficient and Timely Use of CWSRF Funds

The State of Iowa's Clean Water State SRF uses federal Cap Grant funds as expeditiously as possible. Iowa has been able to use its federal Cap Grant funds in a timely way due to a robust and sustained demand for loans. A number of program features have spurred the growth in loan demand. These include:

- Improvements and streamlining in the wastewater construction permitting process, which reduced timelines for project review and approval
- Allowing applicants to pursue phased approach for projects to enable individual phased projects proceed timely to construction instead of waiting on approval on a large project
- Planning and design loans at 0% interest for three years to provide upfront capital to get projects started and ready for construction and loan closing
- Quarterly application process and updates to the Intended Use Plan, which keeps projects in the loan pipeline on a continual basis
- Expansion of nonpoint source and green infrastructure programs to include loans for farmers, livestock producers, watershed organizations, and others
- Extended term financing, based on project useful life, which allows more utilities to benefit from the CWSRF
- Environmental review services to complete assessments of impacts to natural and cultural resources, reducing costs and barriers to participating in the loan program
- Focus on marketing, customer and consultant education, and coordination with other funders

When Cap Grants are awarded, those funds are drawn down first based on guidance from the U.S. EPA. Loan disbursements are made weekly. Iowa's CWSRF disbursements averaged approximately \$16.7 million per month in 2020. In 2021, the program disbursed an average of approximately \$19million per month. Average disbursements for SFY 2022 will be provided in future IUP updates.

With a return of \$4.66 for every dollar of federal investment (compared to the national average of \$2.95), Iowa's CWSRF

¹⁰ <https://www.iowadnr.gov/Environmental-Protection/Water-Quality/Wastewater-Construction/Construction-Permits>

is an efficient and effective delivery mechanism for water infrastructure funding.

Due to their effectiveness, the practices described above will be continued through SFY 2023.

Water Quality Management Planning

A reserve for water quality management planning as required by Title VI of the Clean Water Act will be set aside from Iowa's Title VI allotments and granted to the state for this purpose separately from the CWSRF. This reserve does not appear in this IUP as it has been already deducted from Iowa's allotment and considered in projecting Iowa's available Cap Grant.

SEE Salary Funds Deducted from Capitalization Grant

The CWSRF Program will withhold \$74,600 from FFY 2022 base CWSRF Cap Grant application for the SEE Program. These positions are filled by EPA Region 7 and assigned to the DNR's Wastewater Engineering section to provide technical and administrative assistance to the CWSRF projects and program. The SEE enrollees help provide staffing at Iowa DNR to maintain the CWSRF program and keep up with the increasing CWSRF 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."

III. ASSURANCES AND SPECIFIC PROPOSALS

Iowa will provide the necessary assurances and certifications according to the Operating Agreement between the State of Iowa and the U.S. EPA.

IV. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

Section 212 Infrastructure Projects

The following approach was used to develop Iowa's proposed distribution of CWSRF funds for Section 212 infrastructure projects: (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 CWSRF assistance; and (5) development of a disbursement schedule to pay the project costs as incurred.

Allocation of Funds Among Projects. All projects listed in the CWSRF Project Priority List (attached) are eligible for assistance and may be funded from the CWSRF subject to available funds.

All projects scheduled for funding with Iowa's CWSRF will be reviewed for consistency with appropriate plans developed under sections' 205(j), 208, 303(e), 319 and 320 of the Clean Water Act, as amended. Evidence of this review and finding of consistency will be documented in each CWSRF project file.

Priority of Communities and Financial Assistance Needed. Iowa law provides only for loan assistance. Additional subsidization required by federal Cap Grant conditions will be through forgivable loans. The state's CWSRF rules identify the priority rating system used to establish priorities for loan assistance.

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).

Affordability Criteria is discussed in Appendix C and BIL Annex A to the CWSRF IUP.

Additional Subsidization:

Iowa applies additional subsidization in the form of loan forgiveness. Appendix C identifies the criteria used to determine projects and borrowers eligible to receive financial assistance through forgivable loans. Criteria for loan forgiveness eligibility is established with each Cap Grant. Individual projects may be capped to allow more eligible borrowers to receive subsidization. Time limits may be established for loan commitments in order to apply loan

forgiveness awards from these grants. Construction must begin within 24 months of the loan forgiveness offer or the loan forgiveness offer may be withdrawn or reassigned.

Green Project Reserve (GPR):

All CWSRF Programs are required to use a portion of their federal grant for projects that address green infrastructure, water and energy efficiency, or other environmentally innovative activities. Iowa’s Nonpoint Source Programs, including the Sponsored Project Program, finance several projects annually which meet this criterion. Specific projects identified as GPR are listed in Appendix C.

Additional subsidization and GPR has been allocated for FFY 2018-2021 Cap Grants. The specific projects that have received add subs or been counted for the GPR are listed in Appendix C.

During SFY 2023, Iowa will apply for the FFY 2022 Cap Grant. Iowa will comply with additional subsidization and/or green project allocation requirements of that grant and will identify specific recipients of those funds during this fiscal year in Appendix C.

	Add Subs Req'd.	Add Subs Actual	%	GPR Req'd.	GPR Actual	%
2018	\$ 2,172,300	\$ 2,172,300	100%	\$ 2,172,300	\$2,285,000	105%
2019	\$ 2,150,500	\$ 2,150,500	100%	\$ 2,150,500	\$2,667,000	124%
2020	\$ 2,150,800	\$ 2,150,800	100%	\$ 2,150,800	\$2,443,000	114%
2021	\$ 2,150,500	\$ 2,423,952	113%	\$ 2,150,500	\$2,150,500	100%
2022	\$3,132,000	TBD		\$1,566,000	TBD	

Nonpoint Source Assistance Programs

Nonpoint Source Assistance Programs include funds reserved for the Onsite Wastewater Assistance Program (OSWAP), Livestock Water Quality Facilities (LWQ), Local Water Protection (LWP) and General Nonpoint Source (GNS). These funds implement the intent of Iowa statute to use CWSRF funds to improve residential wastewater systems, to assist owners of existing animal feeding operations to meet state and federal requirements, for local water protection projects that will provide water quality improvement or protection and for general nonpoint source projects that will provide water quality improvements or water quality protection. These systems are addressed as a need by Iowa’s State Nonpoint Source Management Plan. Individual loan applicants for all Nonpoint Source Assistance Programs operated as linked deposit and loan participation are not identified in this IUP. Only GNS projects with a direct loan will be listed on the Project Priority List.

V. METHOD OF AMENDMENT OF THE INTENDED USE PLAN

The State will follow this IUP in administering CWSRF funds in SFY 2023. Federal and state law requires, and Iowa welcomes, opportunity for public participation in the development of the IUP. Any revisions of the goals, policies and method of distribution of funds must be addressed by a revision of the IUP, including public participation. Minor adjustments in funding schedules and loan amounts are allowed without public notification by the procedures of this IUP and state rules for administration of the CWSRF. Adjustments to the Project Priority List to utilize actual funds available to the CWSRF for SFY 2023 will be considered minor and only affected applicants will be notified. Public notice of amendments will be made if municipalities are added to or removed from the Project Priority List.

VI. PUBLIC REVIEW AND COMMENT

A public meeting to allow input to Iowa’s SFY 2023 IUP and Project Priority List was held May 12, 2022, 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. Written comments were accepted until May 19, 2022.

A public meeting to allow input to Iowa’s SFY 2023 second quarter IUP update and Project Priority List was held August

11, 2022, 10:00 a.m. via virtual 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. Written comments were accepted until August 18, 2022.

A public meeting to allow input to Iowa’s SFY 2023 IUP third quarter update and Project Priority List was held November 17, 2022, 10:00 a.m. via virtual 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. Written comments were accepted until December 10, 2022.

A public meeting to allow input to Iowa’s SFY 2023 IUP fourth quarter update and Project Priority List was held February 9, 2023, 10:00 a.m. via virtual 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. Written comments were accepted until February 24, 2023.

The following comment was received from the Iowa Finance Authority and content from this comment was incorporated into the fourth quarter IUP update:

“Pursuant to IAC 265-26.5, Iowa Finance Authority respectfully recommends that the Base and Supplemental FY 2023 Q4 IUP incorporate the following change to the interest rate for taxable SRF loans:

Loan Terms	Applicant Type	Interest Rate	Servicing Fee	Total
Taxable Loans (up to 20 years)	All	3.57%	0.25%	3.82%

This proposed interest rate would apply to all taxable loans executed on or after April 1, 2023 and represents a 25% discount of the current 20-year BVAL AAA Taxable Revenue Municipal index yield of 4.76%.”

VII. PROJECT PRIORITY LIST

Attachment 1, the CWSRF Project Priority List, is included in a separate, sortable Excel file.

VIII. TECHNICAL ASSISTANCE

States have the flexibility to use up to 2% of their annual CWSRF Cap Grant for the purpose of providing technical assistance to rural, small, and tribal publicly owned treatment works. The eligibilities for this funding are very broad. Iowa does not intend to duplicate the technical assistance efforts being provided by U.S. EPA and other organizations receiving U.S. EPA Technical Assistance grants; so additional planning and coordination is needed before activities are identified for this funding. The Iowa CWSRF Program intends to reserves the 2% in the application of the FY 2022 Cap Grant for use at a later date.

APPENDIX A - CWSRF ESTIMATED FUNDING SOURCES AND FUNDING USES

Beginning Cash Balance: Funds Available in Equity Fund and Program Accounts	\$300,390,000*
Additional Sources of Funds	
Federal Capitalization Grants:	
FFY 2022 - Base Program	\$15,660,000
FFY 2022 - General Supplemental	\$24,088,000
Loan Repayments	\$132,367,000
Investment Earnings on Equity Fund and Program Accounts	\$14,000
	\$172,129,000
Total Funding Sources	\$472,519,000
Uses of Funding	
Administration	
Administrative Allowance from FFY 2022 Federal Capitalization Grants	\$1,590,000
Loan Disbursements	
Undisbursed Amounts Committed to Existing Loans (50% disbursement rate)	\$146,869,000**
CWSRF Project Requests (Current IUP Project List)	\$79,969,000
Planning & Design Requests (50% disbursement rate)	\$12,865,000**
Non-Point Source Program Assistance	\$18,297,000
Debt Service	
Principal Payments on Outstanding Revenue Bonds	\$48,670,000
Interest Payments on Outstanding Revenue Bonds	\$64,063,000
Total Uses of Funding	\$372,323,000
Ending Cash Balance	\$100,196,000
IUP Approved Projects to be Funded in Subsequent Years	\$871,724,000
Ending Balance Including Projects Yet to be Funded	(\$771,528,000)***

*Funds Available for disbursements as of 8/3/2022

**Loan disbursement rates are estimated based on previous experience with project pace.

***Future Sources: Federal Capitalization Grants (Base & Supplemental), State Match, Bond Proceeds and/or SWIFIA Loan Draws

All amounts are rounded to the nearest \$1,000

APPENDIX B-1 PROCEDURES TO DETERMINE SECTION 212 PROJECT PRIORITY LIST

Project rankings were determined by the following procedures:

Cost eligibility of projects was determined as per 567 IAC 92.7(6) (455B). Applications were evaluated using the priority point system in 567 IAC 91.8(455B).

The final Project Priority List for a fiscal year's project pool is compiled in the following manner: subsequent segments of projects funded by CWSRF loan programs of previous years will be ranked at the top; projects ranked in the current year application group will then be added.

Projects on the Project Priority List will be given contingency status should the total amount of needs exceed the year's CWSRF staff resources capability and loan funding or if the projects have not met the fundable criteria described in 567 IAC 92.6(2)(455B). Projects will be funded from the top down in the ranking order of the Project Priority List. Projects are ranked similarly in the contingency project list. The top project in the contingency list can be moved to the funding list when funds are available or it has met the fundable criteria. Funds can be made available due to a number of reasons including project bypasses, loan application withdrawal of other projects, reduction in loan amount requests, an increase in available funds, or progress in meeting program requirements.

Iowa is currently able to fund all projects that are eligible.

APPENDIX B-2

CRITERIA TO DETERMINE PROJECT PRIORITY LIST

In April 2010 Iowa adopted revised rules for the Clean Water State Revolving Fund (CWSRF). 567 IAC 91 provides the criteria for scoring and ranking CWSRF projects. The new system uses an integrated approach which allows comparison of Section 212 POTW (publicly owned wastewater treatment works) projects as well as nonpoint source pollution control projects. The goal of the new system is to gain the highest water quality benefits for the funding available.

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 CWSRF loans exceeds supply of funds.

Section 212 POTW Projects

The rating criteria consider the use classification of the receiving waters, water quality of the receiving waters, groundwater protection, project type, project purpose, and a tiebreaker as defined in 567 IAC 91.8 (455B). Priority ranking for the projects shall be based on the total points awarded for all the categories; the greater the total number of points, the higher the ranking. The ranking will be done at the time the IUP is prepared and will not be updated during the year. The tie breaker category will be used when necessary.

Nonpoint Source Assistance Programs

The rating criteria consider the use classification of the receiving waters, water quality of the receiving waters, groundwater protection, project type, project purpose, and a tiebreaker as defined in 567 IAC 91.8 (455B). Priority ranking for the projects is based on the total points awarded for all the categories; the greater the total number of points, the higher the ranking. The priority system for Nonpoint Source Assistance Programs projects will not be implemented until 90 percent of the funds reserved for that program have been allocated and no additional funds are available. If that occurs, ranking will be done at the time that a new project application is received.

APPENDIX C

LOAN FORGIVENESS

A. Borrowers Receiving Additional Subsidization

Iowa applies additional subsidization in the form of loan forgiveness. Criteria for loan forgiveness eligibility is established with each Cap Grant (see below). Individual projects may be capped to allow more eligible borrowers to receive subsidization. Time limits may be established for loan commitments in order to apply loan forgiveness awards from these grants. Construction must begin within 24 months of the loan forgiveness offer or the loan forgiveness offer may be withdrawn or reassigned.

For FFY 2018-2021 Cap Grants, a minimum of 10% of the state's allocation of grants funds are required to be allocated as additional subsidization. Eligibility criteria is described below.

For FFY 2022, a minimum of 20% of the state's allocation of grant funds are required to be allocated as additional subsidization. The CWSRF Program will comply with additional subsidization requirements of that grant and will identify recipients of those funds during this fiscal year. Eligibility criteria is described below.

Loan Forgiveness Criteria for FFY 2018-FFY2021 Capitalization Grants

Loan forgiveness of up to 30% may be offered to eligible projects for communities who meet the affordability criteria to be designated as a **Disadvantaged Community (DAC)** in accordance with the disadvantaged community rule in Iowa Code 455B.199B (see below). Funding for individual projects is capped at \$1 million per project.

Beginning in FFY 2020, eligible projects from unsewered communities who meet the affordability criteria to be designated as a **Disadvantaged Unsewered Community (DUC)** in accordance with the disadvantaged community rule in Iowa Code 455B.199B (see below) may receive up to 50% loan forgiveness. Funding for individual projects is capped at \$1 million per project.

At the conclusion on SFY 2022, all of the loan forgiveness funds through Cap Grant 2021 were allocated (see below). As loans close during SFY 2023, additional loan forgiveness may become available for reallocation. The CWSRF Program may withdraw the individual project cap if additional funding becomes available. Projects that were capped will have priority for reallocated funds.

Project	SRF Project #	Loan Amount*	Amount Ad Sub**	Grant Year Reported
Calmar	CS1920823-01	\$2,977,000.00	\$872,474.26	2017
Charles City	CS1920876-01	\$17,575,000.00	\$20,626.00	2017 <i>Reallocation</i>
Lake View	CS1920828-01	\$6,700,000.00	\$155,800.00	2017
Lake View	CS1920828-01	\$6,700,000.00	\$844,200.00	2018
St Donatus	CS1920773-01	\$300,000.00	\$90,000.00	2018
St Donatus	CS1920773-R1	\$452,927.75	\$135,878.33	2018
Charles City	CS1920876-01	\$17,575,000.00	\$909,635	2018 <i>Reallocation</i>
Coralville	GNS 10-04	\$641,955	\$192,586	2018
Woodward	CS1920814-01	\$5,424,041.03	\$1,000,000.00	2019
Everly	CS1920906-01	\$3,289,000.00	\$986,700.00	2019
Perry	CS1920954-01	\$28,900,000.00	\$94,061	2019
Charles City	CS1920876-01	\$17,575,000.00	\$69,739	2019
Perry	CS1920954-01	\$28,900,000.00	\$905,939	2020
Dougherty	CS1920993-01	\$865,000.00	\$432,500.00	2020
Osceola	CS1920878-01	\$25,554,000.00	\$882,100.00	2020
Osceola	CS1920878-01	\$25,554,000.00	\$117,900.00	2021
New Albin	CS1920871-01	\$1,860,000.00	\$1,000,000	2021
Frederika	CS1921013-01	\$2,153,000.00	\$645,900.00	2021
McGregor	CS1920974-01	\$4,934,000.00	\$1,000,000.00	2021

*Until a loan is signed, this amount may reflect the IUP award amount

**Capped at \$1 million (through grant year 2021)

Loan Forgiveness Criteria for FFY 2022 Capitalization Grant

Loan forgiveness (LF) of up to 90% may be offered to eligible projects that meet the Iowa SRF's disadvantaged community affordability criteria (socioeconomic assessment score) AND are applying for a priority project. Funding for individual projects is capped at \$1 million per project but the SRF Program reserves the right to withdraw the individual project cap.

The total amount of loan forgiveness available for a project will be determined by adding together the loan forgiveness percentages for the priority project, the socioeconomic assessment score, and the household burden indicator. **Projects will be funded from the top socioeconomic score down and in priority project ranking order with consideration given to readiness to proceed.**



Eligibility for loan forgiveness will first be assessed based on the type of project seeking funding. If the project is one of the priority project (PP) types listed below, then the second evaluation will be for disadvantaged status based on the socioeconomic assessment score (SES) criteria, described below.

The third element of the loan forgiveness equation is an assessment of a community or service area’s household’s ability to afford the proposed project. The Household Burden (HB) Indicator may be computed with assistance from the Municipal Advisor after the construction bid has been awarded and other funding sources have been deducted.

A detailed description of the loan forgiveness equation is outlined in BIL Annex A to the CWSRF IUP.

Loan forgiveness for FFY 2022 Capitalization Grant will be offered to the following eligible Priority Project Types:

- Sewer Collection System Rehabilitation (includes gravity sewers, relief sewers, pumping stations, force mains, SSO correction and CSO correction)
- Lagoons Advanced Treatment (Ammonia, E.coli; includes CDL optimization, sludge removal and equipment replacement)
- Advanced Treatment WWTPs (Ammonia, E.coli, Nutrients)
- Aging Infrastructure WWTPs (included expansion of existing secondary treatment)
- Consolidation/Regionalization (includes unsewered communities)

The CWSRF Program intends to review each IUP application received for loan forgiveness eligibility. As loans close, additional loan forgiveness awards will be made.

FFY CAP 2022 and FFY 2022 BIL General Supplemental Awards														
Project Name	CWSRF No.	Priority Points	LF Priority Project Type	DAC SES Score	Date Loan Signed	Loan Amount	SES %	PP %	HB% (up to 30%)	Minimum LF %	Maximum LF%	Minimum LF Award*	Maximum LF Award*	Grant Year
Corydon	CS1920815 01	237	2	23	10/7/2022 11/4/2022	\$5,172,000	25%	30%	TBD	55%	85.00%	\$1,000,000	\$1,000,000	2022
Oxford Junction	CS1920958 01	155	1	20	9/16/2022	\$ 938,000	20%	30%	TBD	50%	80.00%	\$ 469,000	\$ 750,400	2022
Grandview	CS1921020 01	245	2	19	8/5/22	\$ 325,000	20%	30%	TBD	50%	80.00%	\$ 162,500	\$ 260,000	2022
Armstrong	CS1921007 01	232	2	19	7/8/22	\$ 5,314,000	20%	30%	TBD	50%	80.00%	\$1,000,000	\$1,000,000	2022
Moravia	CS1921026 01	129	1	18	10/7/2022	\$ 345,000	20%	30%	TBD	50%	80.00%	\$ 172,500	\$ 276,000	2022
Mt Pleasant	CS1920919 01	324	3	17	9/30/22	\$ 4,020,000	20%	30%	TBD	50%	80.00%	\$1,000,000	\$1,000,000	2022
Des Moines	CS1920944 01	205	1	17	7/8/22	\$7,035,000	20%	30%	TBD	50%	80.00%	\$1,000,000	\$1,000,000	2022
Lovilia	CS1921001 01	114	1	17	11/4/22	\$ 450,000	20%	30%	TBD	50%	80.00%	\$ 225,000	\$ 360,000	2022
Humboldt	CS1921024 01	255	3	14	9/2/2022	\$1,712,000	15%	30%	TBD	45%	75.00%	\$ 770,400	\$1,000,000	2022
Fort Atkinson	CS1920770 01	290	2	11	7/22/22	\$ 3,080,000	15%	30%	TBD	45%	75.00%	\$1,000,000	\$1,000,000	2022

*Final loan forgiveness amount may change based on eligible expenses and the final amount drawn on the loan.

**Disadvantaged Community Affordability Criteria
For Capitalization Grants through FFY 2021:**

The Iowa DNR disadvantaged community rules implement Iowa Code 455B.199B, which establishes criteria for the Iowa DNR to use when determining if ratepayers or a community will experience substantial and widespread economic and social impact and qualify as disadvantaged. For more information on how a community qualifies as a disadvantaged

community, visit the Iowa DNR’s Water Quality page¹¹.

For Capitalization Grant FFY 2022:

During SFY 2023, the Iowa SRF Program adopted new criteria, a socioeconomic assessment score, to determine disadvantaged community status for SRF loan forgiveness purposes. The criteria were revised with public review and comment and became effective on September 20, 2022 with the approval of the second quarter IUP update. The socioeconomic assessment tool considers 15 datapoints from publicly available sources to determine a community or service area’s underlying socioeconomic and demographic condition that can determine the affordability of water/wastewater infrastructure projects. Applicants with a socioeconomic score between 11-30 points will be eligible for consideration of SRF loan forgiveness. ***A detailed description of the socioeconomic assessment criteria and tool is outlined in BIL Annex A to the CWSRF IUP. The socioeconomic assessment tool can be located on www.iowaSRF.com resource page.***¹²

The IA SRF Program will implement the new affordability criteria for both the base CWSRF Program and the BIL CWSRF General Supplemental Fund as outlined in BIL Annex A to the CWSRF IUP.

B. Borrowers Counted for Green Project Reserve (GPR)

For FFY 2018-2021 Cap Grants, a minimum of 10% of the grant funds are required to be used on Green Projects. At the conclusion on SFY 2022, all of the projects designated as Green Project Reserve have been identified through Cap Grant 2021 (see below).

During SFY 2023, Iowa will apply for the FFY 2022 Cap Grant. The SRF Program will comply with green project reserve allocation requirements of that grant and will identify recipients of those funds during this fiscal year.

Project	SRF Project #	Loan Amount*	Amount GPR	Grant Year Reported
Coralville	GNS 10-04	750,000.00	225,000.00	2018
Dyersville	WRR15-006	450,000.00	260,000.00	2018
Des Moines	WRR18-030	1,000,000.00	1,000,000.00	2018
Fort Dodge	WRR15-017	800,000.00	800,000.00	2018
Hampton	WRR14-004	633,300.00	421,000.00	2019
Des Moines	WR16-013	1,150,000.00	1,150,000.00	2019
Waukee	WRR16-010	920,000.00	920,000.00	2019
Des Moines	WRR18-013	750,000.00	750,000.00	2020
Clinton	WRR18-021	43,000.00	743,000.00	2020
Ogden	WRR17-009	481,000.00	481,000.00	2020
Lake View	WRR17-010	469,000.00	469,000.00	2020
Coralville	WRR16-004	2,700,000.00	2,150,500.00	2021

*Until a loan is signed, this amount may reflect the IUP award amount

¹¹ <https://www.iowadnr.gov/environmental-protection/water-quality/rural-community-sewers>

¹² https://www.iowasrf.com/about_srf/srf-resources/

APPENDIX D

SFY 2023 SPONSORED PROJECT FUNDING RECOMMENDATIONS

Sponsored Project loan amendments must be executed prior to the second principal payment on the sponsoring CWSRF loan or the Sponsored Project award may be withdrawn.

Applicant	Proposed Watershed and Project Description	Proposed Partners	Date Approved
City of Maquoketa	Implement edge-of-field, in-field, and stream erosion practices in the Prairie-Union Creek Watershed to improve native mussel habitat and reduce sediment runoff into Prairie Creek, a tributary of the Maquoketa River. Potential practices include: constructed wetlands, grassed waterways, bioswales, buffer strips, conversion to native perennial vegetation, and stream bank stabilization.	Maquoketa River Watershed Management Authority; Limestone Bluffs RC&D; NRSC-Maquoketa; IDALS	6/21/2022
City of Waukee	Improve water quality in the Walnut Creek Watershed by stabilizing and restoring 6,500 LF of Little Walnut Creek, within the Little Walnut Creek Greenway, between Warrior Lane and the Clive/Urbandale corporate limits.	Polk County SWCD; Walnut Creek WMA; City of Clive	6/21/2022
City of Clinton	Implement stormwater best management practiced to improve water quality in the Mill Creek-Mississippi River Watershed. Potential projects include: a large stormwater wetland, streambank restoration, wet detention ponds, the addition of pre-treatment at an existing grass swale, and outfall fortifications.	IDALS, DNR, Clinton Community College, Clinton Parks & Rec	6/21/2022
City of Earlham	Implement stormwater best management practices to improve water quality within the city of Earlham and reduce the amount of nutrients, sediment, and bacteria that travel downstream to Bear Creek and the South Raccoon River. Potential projects include: stormwater wetlands, bioretention cells, extended detention ponds, permeable pavers, and stream restoration.	IDALS, DNR, Madison County Conservation	6/21/2022

APPENDIX E

GENERAL NONPOINT SOURCE ASSISTANCE PROJECTS FOR APPROVAL OF LAND PURCHASE

Iowa Code 455B.291 and 455B.295 set forth the conditions by which land acquisition is eligible under this Nonpoint Source Assistance Program.

Per Iowa Administrative Code 567 Chapter 93.7(5) Ineligible costs. Costs for the purchase of land are not eligible costs unless specifically approved by the commission.

APPENDIX F STATE MATCH

FY20	Cap Grant Amount	State Match Needed	Excess State Match
Remaining CW State Match from Feb 2019 Bond Issue		\$4,499,000	
Excess State Match from prior years		\$0	
Total CW State Match Available		\$4,499,000	
FY20 CW Cap Grant	\$21,508,000	\$4,301,600	\$197,400
Remaining DW State Match from Feb 2019 Bond Issue		\$3,681,500	
Excess State Match from prior years		\$0	
Total DW State Match Available		\$3,681,500	
FY20 DW Cap Grant	\$17,443,000	\$3,488,600	\$192,900

FY21	Cap Grant Amount	State Match Needed	Excess State Match
CW State Match from Feb 2020 Bond Issue		\$10,000,000	
Excess State Match from prior years		\$197,400	
Total CW State Match Available		\$10,197,400	
FY21 CW Cap Grant	\$21,505,000	\$4,301,000	\$5,896,400
DW State Match from Feb 2020 Bond Issue		\$8,000,000	
Excess State Match from prior years		\$192,900	
Total DW State Match Available		\$8,192,900	
FY21 DW Cap Grant	\$17,427,000	\$3,485,400	\$4,707,500

FY22	Cap Grant Amount	State Match Needed	Excess State Match
CW State Match from 2022 Bond Issue (May 2022)		\$3,000,000	
Excess State Match from prior years		\$5,896,400	
Total CW State Match Available		\$8,896,400	
FY22 CW Cap Grant (20% match)	\$15,660,000	\$3,132,000	
FY22 CW Supplemental (10% match)	\$24,088,000	\$2,408,800	
		\$5,540,800	\$3,355,600
DW State Match from 2022 Bond Issue (May 2022)		\$5,700,000	
Excess State Match from prior years		\$4,707,500	
Total DW State Match Available		\$10,407,500	
FY22 DW Cap Grant (20% match)	\$11,101,000	\$2,220,200	
FY22 DW Supplemental (10% match)	\$28,504,000	\$2,850,400	
		\$5,070,600	\$5,336,900

FY 2023 INTENDED USE PLANS

DRINKING WATER STATE REVOLVING FUND



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I. STATE FISCAL YEAR 2023 PLAN OF ACTION

The Drinking Water State Revolving Fund (DWSRF) 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. Public and private community water systems are eligible for funding whether they are for profit or not for profit; nontransient, noncommunity public water supplies are eligible for funding if they are either publicly owned or are not for profit; and transient, noncommunity systems are eligible if they are owned by government entities.

The SFY 2023 Plan of Action covers the following areas:

- DWSRF goals and objectives
- Current and projected financial capacity of the DWSRF
- Financial management strategies
- Plan for the SFY 2023 Project Priority List
- Plan for use of DWSRF set-aside funds
- Plan for use of administrative accounts

The plan is based on anticipated use of new and revolved funds available in the DWSRF for construction of treatment plants or improvements to existing facilities, water storage facilities, wells, and source water protection efforts.

DWSRF Goals and Objectives

The primary long-term goal of the Iowa DWSRF is to support the protection of public health through a perpetual program of financial assistance for the purposes of ensuring the provision of an adequate quantity of safe drinking water to consumers of public water supplies, protecting source water for drinking water systems, and ensuring the long-term viability of existing and proposed water systems.

Due to federal legislation in this past year and program updates are anticipated in SFY 2023. New goals have been established to meet those requirements and adjust programs to available staff.

The SFY 2023 short-term goals and objectives are as follows:

- Goal: Commit loan funds to as many recipients as possible in accordance with the state priority rating system, the IUP, staff resources, and available funding.

Objective: During SFY 2023, applications will be accepted quarterly and updates to the IUP will be prepared to add projects and update program financial information.

- Goal: Ensure that borrowers are able to provide safe drinking water at a reasonable cost for the foreseeable future.

Objectives: During SFY 2023, viability assessments will be completed by each applicant and reviewed by SRF staff prior to the signing of a loan agreement. Systems determined nonviable or systems with EPA's Enforcement Targeting Tool (ETT) scores above 11 will be provided with an enforceable compliance schedule listing all actions that must be completed to return the system to viable status. Extended term financing will be offered to disadvantaged communities. SRF staff will coordinate efforts with other funders such as the Community Development Block Grant program. Staff will continue to educate and inform public water supplies, engineering consultants, and financial advisors on the financing savings available by using the DWSRF.

- Goal: Require applicants to engage a registered Municipal advisor (MA).

Objective: During SFY 2022, all applicants submitting an Intended Use Plan application must demonstrate that they have hired an MA to assist with cash flows, rate setting, debt service coverage, and other financial aspects of their water utility. The reports provided by the MAs will be used in the viability assessment review. Due to current supply chain and contractor availability issues, the costs of projects are increasing. **The**

DWSRF Program will encourage applicants to engage with their MA early and often in the project planning process to ensure that the community is taking appropriate measures to account for potential increased debt service requirements. The DWSRF Program will reimburse up to \$4000 of the MA fee to the borrowers.

- Goal: **Implement the “Build America, Buy American (BABA)” requirements** enacted by Congress in the Bipartisan Infrastructure Law on May 14, 2022.

Objective: During SFY 2023, SRF staff will engage DNR Field Office staff to establish a BABA oversight program. SRF staff will provide information to those applicants required to comply with necessary documentation and inspection procedures. SRF staff will conduct site visits and provide technical assistance to help applicants determine eligibility for the exemptions and waivers provided for in the Act and EPA guidance.

- Goal: Continue to implement the “Use of American Iron and Steel (AIS)” requirements enacted by Congress on January 17, 2014.

Objective: During SFY 2023, **SRF staff will re-evaluate the AIS oversight program**, retaining best practices and aligning the program with BABA requirements, as needed. SRF staff will provide information to applicants on necessary documentation and inspection procedures and will continue to help applicants determine eligibility for the exemptions and waivers provided for in the Act and EPA guidance. SRF staff will continue to engage DNR Field Office staff to conduct site visits and provide technical assistance.

- Goal: Continue applying additional subsidization available in FFY 2019-FY2021 Cap Grants to disadvantaged community projects and public health projects.

Objective: During SFY 2023, SRF staff plans to approve plans and specifications and execute loans or loan amendments with loan forgiveness for the amounts required in the FFY 2019, FFY2020, and FFY 2021 Cap Grants in accordance with previously established criteria (see Appendix C). Iowa has complied with the additional subsidization requirements for all previous Cap Grants.

- Goal: Review and revise criteria used to define disadvantaged communities and identify eligible applicants for loan forgiveness.

Objective: During SYF 2023, SRF staff will revise the affordability criteria currently used to determine disadvantaged community status through public review and comment. The SRF Programs intend to utilize the new affordability criteria to determine disadvantaged community status and to identify other eligible applicants to receive loan forgiveness from future Cap Grants. The DWSRF will implement the new criteria in future quarterly updates as BIL Annex A to the DWSRF IUP.

- Goal: Apply additional subsidization available in FFY 2022 Cap Grant

Objective: During SFY 2023, SRF staff will utilize the revised affordability criteria and disadvantaged community definition to assign loan forgiveness for FFY 2022 Cap Grant. SRF staff will approve plans and specifications and execute loans or loan amendments with loan forgiveness for the amounts required in the FFY 2022 Cap Grant.

- Goal: Promote and identify sustainable practices in projects proposed for funding.

Objective: During SFY 2023 SRF staff will provide information on the EPA’s Sustainability Policy to applicants and include sustainability features in project descriptions.

- Goal: Comply with grant reporting conditions.

Objective: During SFY 2023, the Iowa DWSRF plans to enter data into the DWSRF National Information Management System (NIMS) and the EPA reporting database for the Office of Water State Revolving Funds (OWSRF).

- Goal: Comply with EPA guidance on reporting under the Federal Funding Accountability and Transparency Act (FFATA).

Objective: In the Annual Report, SRF staff will list loans that met the several requirements of FFATA for open Cap Grants. Grants may not be closed out until equivalency amounts can be reported.

- Goal: Comply with the EPA Signage Guidance.

Objective: During SFY 2023 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 DWSRF program sends out press releases listing all DWSRF loans that have closed and borrower contact information.

Additional long-term goals include:

- Goal: Prioritize the provision of funds, to the extent practicable, to projects that address the most serious risk to human health and are necessary to ensure compliance with the national primary drinking water standards.

Objectives: Priority will be assigned to projects that address human health risks or compliance issues by the provision of points assigned during the DWSRF scoring process as outlined in 567 IAC Chapter 44.

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

Objective: During SFY 2023, SRF staff will meet regularly with staff from the Community Development Block Grant program, and USDA Rural Development. SRF staff will also coordinate funding with state and federal grant and loan programs designed to address both point source and nonpoint source water quality initiatives.

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

Objectives: During SFY 2023 SRF staff will continue to assist applicants with completing the federal cross-cutting requirements for environmental and historical review. Staff will not be responsible for Davis-Bacon compliance but will advise borrowers as needed. Borrowers will be responsible for compliance and may hire outside consultants to assist.

- Goal: Continue the option of extended financing terms for DWSRF infrastructure projects.

Objective: During SFY 2023 this option will be offered to all projects on the Project Priority List. Applicants seeking extended financing must complete a worksheet outlining the anticipated useful life of the project components. The average weighted useful life is used to determine the extended term of the loan.

- Goal: Maintain mechanisms for funding the on-going administration of the program if federal funding is reduced or eliminated.

Objective: During SFY 2023 initiation and servicing fees will be collected on DWSRF loans for deposit to administrative accounts. SRF staff will develop short and long-term plans for administrative budgets.

- Goal: Manage the DWSRF to maximize its use and impact through sound financial management.

Objective: During SFY 2023 SRF staff and financial advisors will continue to conduct financial analysis and

develop innovative approaches to financial management.

- Goal: Implement programs that effectively address water system needs and target appropriate audiences.

Objective: During SFY 2023 SRF staff will continue to educate users and potential users about the program offerings through presentations, displays, program materials, and the IowaSRF.com website.

Current and Projected Financial Capacity of the DWSRF

Appendix A of this DWSRF IUP (the Estimated Sources and Uses table) shows that available funds are sufficient to fund current loan requests. SRF staff has analyzed the future financial capacity of the DWSRF. Assuming that Iowa continues to receive Cap Grants and the full 31% set-asides, and that the DWSRF Program continues to grant 26% loan forgiveness, and the same interest rates, it is projected that the DWSRF could loan an average of approximately \$155 million per year over the next 10 years, or a total of \$1.55 billion. If Iowa does not receive any additional Cap Grants but keeps the same interest rates and the other assumptions, the DWSRF could loan an average of approximately \$130 million per year over the next 10 years. These figures would increase with an increase in interest rates.

Financial Management Strategies

The DWSRF Project Priority List (Attachment 1) shows total loan requests for water supply projects. Because many of these projects are in the planning phase, they are not expected to sign a binding loan commitment during this fiscal year. The projected timing and demand for loan draws is reflected in Appendix A.

The cash draw procedure used is the direct loan method. The Iowa DWSRF program uses its equity fund to originate loans. When a sufficient number of loans have been made, the SRF 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. State match bonds are typically issued at the same time that leveraged bond issues are done for greater cost effectiveness. State match is fully disbursed prior to drawing EPA Cap Grant funds. The EPA Cap Grant funds will be drawn at a 100% proportionality ratio.

Iowa issued bonds in 2019, which included the state match for FFY 2019 and FFY 2020 Cap Grants. Bonds were issued in February 2020 which included state match for future Cap Grants so no additional state match funds were included in the May 2021 bond issue. The program issued bonds in May 2022, which included the required state match obligations for the FFY 2022 Cap Grants (base program and supplemental).

SFY 2022 Project Priority List

The management of the DWSRF program, including development of a Project Priority List for financing assistance, was developed according to Part 567 of the Iowa Administrative Code (IAC), Chapter 44. This IUP indicates the intent to provide funds to projects ranked in priority order according to scoring criteria contained in Chapter 44 of the IAC.

The Iowa SRF Program is able to fund all eligible projects. Projects are added to the Project Priority List to be funded based on the State's implementation 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 Safe Drinking Water Act. Financing may be provided for up to 100% of project costs if the costs are eligible for funding based on engineering, environmental, and financial review and project readiness to proceed as described above.

Due to the project workload and for planning purposes, the DWSRF staff may evaluate projects that have been on the IUP list for more than three years. A notification will be sent to the applicants that their project may be dropped if there is no progress in the six months following the notice. If a project is dropped, the applicant may reapply when the project is ready to move ahead.

For program planning purposes, the fundable projects are further identified as "R - ready for loan" (indicating that the

construction permit and environmental review have been completed), and “P - in planning” and “L - loan signed.”

The following categories of projects will be included for funding during SFY 2023:

Unfunded Prior Years’ Projects. All projects from prior years that have not entered into a binding commitment are included in this IUP.

Segments of Previously Funded Projects. State rules provide that subsequent segments of a project which has previously received funding priority or assistance must be placed on the Project Priority List with the original project score.

New Projects. New applications for assistance during SFY 2023 will be added to the Project Priority List. Applications will be accepted on a continuous basis and quarterly updates completed as needed. Intended Use Plan applications can be found on the SRF website¹³ and on the DNR Drinking Water State Revolving Loan Fund¹⁴ website and submitted to srf-iup@dnr.iowa.gov.

Supplemental Financing. Supplemental financing for projects listed in previously approved IUPs are added to the IUP as they are requested unless the additional funds will be used for improvements that would significantly change the scope of the project. Additional environmental review may be required. Supplemental loans will not be provided for changes that are ineligible for funding.

Planning and Design Loans. Planning and design loans are provided at 0% interest for up to three years to cover the costs of preparing a preliminary engineering report and project specifications. The loans will be rolled into DWSRF construction loans or repaid by another source of permanent financing. Requests for planning and design loans are listed on the Project Priority List but have not been assigned priority points. Planning & Design Loan applications¹⁵ can be found on the SRF website.

Source Water Protection Loans. All outstanding requests for source water protection loans have been satisfied and applications are no longer being taken. Source water loans are not eligible projects under the regular DWSRF loan program but projects that improve water quality, including water that is used as source for drinking water, are eligible for loans under the Clean Water SRF Nonpoint Source Program.

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). Beginning in FFY 2019 Capitalization, the Safe Drinking Water Act (SDWA) requires an additional percentage of Cap Grant dollars to be allocated for additional subsidization to Disadvantaged Communities (DAC). Iowa will comply with these requirements.

The Disadvantaged Community (DAC) definition is discussed in Appendix C and BIL Annex A to the DWSRF IUP.

Additional Subsidization:

Iowa applies additional subsidization in the form of loan forgiveness. Appendix C identifies the criteria used to determine projects and borrowers eligible to receive financial assistance through forgivable loans. Criteria for loan forgiveness eligibility is established with each Cap Grant. Individual projects may be capped to allow more eligible borrowers to receive subsidization. Time limits may be established for loan commitments in order to apply loan forgiveness awards from these grants. Construction must begin within 24 months of the loan forgiveness offer or the loan forgiveness offer may be withdrawn or reassigned.

During SFY 2023, Iowa will continue to assign additional subsidization to projects according to available funding and designated criteria. The specific projects that have been allotted loan forgiveness are listed in Appendix C.

¹³ <http://www.iowasrf.com/>

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

¹⁵ http://www.iowasrf.com/program/planning_design_loans/

	Add Subs Reqd.	Add Subs Actual	%	DAC Reqd.	DAC Actual	%
2018	\$ 3,519,400	\$ 3,519,400	100%	N/A	N/A	N/A
2019	\$ 3,486,400	\$ 2,833,248	81%	\$ 1,045,920	\$ 1,045,920	100%
2020	\$ 2,442,020	\$2,442,020	100%	\$ 1,046,580	\$ 1,046,580	100%
2021	\$ 2,439,780	\$845,619	35%	\$ 1,045,620	\$ 1,661,500	121%
2022	\$1,551,140			\$1,332,120		

II. INFORMATION ON THE DWSRF ACTIVITIES TO BE SUPPORTED

Allocation of Funds

Allocation of funds to eligible projects is based on a three-step process:

1. The amount of financial assistance needed for each application is estimated.
2. The sources and spending limits for all DWSRF funds are identified
3. The DWSRF funds are allocated among the projects, consistent with the financial assistance needed.

Information pertinent to each DWSRF project is contained in the attached Project Priority List (Attachment 1).

Sources and Uses of Available DWSRF Funds

Iowa received \$17,427,000 for the FFY 2021 Cap Grant in November 2021. In September 2022, **the SRF Program was awarded the FFY 2022 Cap Grant in the amount of \$11,101,000.** Appendix A to this IUP illustrates potential sources and uses of funds in the DWSRF for SFY 2023. As shown, all pending loan requests and program administration needs can be funded. Projects will draw on their funding at different intervals based on their construction cycles. These differences are used to estimate cash needs throughout the year. Appendix A will be updated quarterly as needed to provide an ongoing view of the financial plan for meeting loan requests.

Iowa's SRF program issues bonds as needed. These bond issues typically include the state match for the next federal Cap Grants. See Appendix D. On May 5, 2021, IFA issued \$218,290,000 million of SRF bonds; no additional state match funds were necessary at the time and were not included in the 2021 bond issue. On May 3, 2022, IFA issued SRF bonds totaling \$206.18 million (\$198.025 million tax-exempt and \$8.155 million taxable). The 2022 bonds included \$3 million of Clean Water state match and \$5.7 million of Drinking Water state match, which was deposited in the respective state match accounts. After SRF bonds are issued, the state match is spent first so the Cap Grant can be drawn down at 100% when it is received.

The Iowa SRF program was invited to apply for a loan through EPA's State Infrastructure Financing Authority Water Infrastructure Finance and Innovation Act (SWIFIA) program. SWIFIA is a loan program exclusively for State infrastructure financing authority borrowers. SWIFIA may be used for up to 49 percent of an eligible project's costs that are ready to proceed, meaning construction will commence within 18 months after the Letter of Interest is submitted to EPA. A preliminary list of mostly CWSRF projects eligible for SWIFIA funding has been identified, totaling more than \$500 million. The SRF program is in the process of working through the underwriting process; the timeline for closing the loan is yet to be determined.

DWSRF Loan Policies

Project Scope. The scope of the project must be outlined on the Intended Use Plan application and in the preliminary engineering report. Changes to the scope are allowed prior to loan closing. Significant changes in scope may cause delays if additional work is required by the project manager or environmental review specialist. Once a loan is signed, only minor changes to the scope will be allowed and only if they do not require additional technical or environmental review.

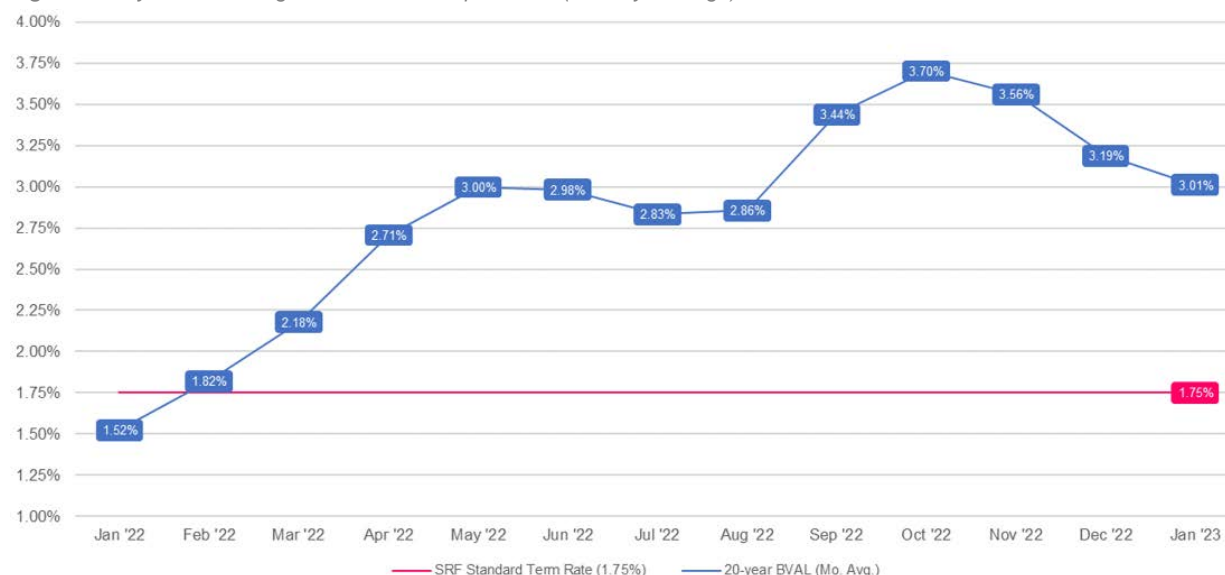
Loan Interest Rates. Interest rates for DWSRF planning and design loans are 0% for up to three years. The current interest rates for DWSRF construction loans are shown in the table below:

Loan Term	Applicant Type	Interest Rate	Servicing Fee	Total
Standard Tax-Exempt (up to 20 years)	All	1.75%	0.25%	2.00%
Extended (21 to 30 years based on useful life)	All	2.75%	0.25%	3.00%
Taxable Loans (up to 20 years)	All	2.75%	0.25%	3.00%
Taxable Loans (up to 20 years)	All loans executed on or after April 1, 2023	3.57%	0.25%	3.82%

The SRF program monitors the market to ensure that our loan interest rates are appropriate relative to the program’s cost of funds.

Interest rates in both the Treasury and municipal markets have been trending higher over the past year, as evidenced by Bloomberg’s BVAL AAA Municipal Curve, which uses real-time trades and sources to track movement in the municipal market¹⁶. The graph in **Figure 1** below shows the average 20-year BVAL yield for each month since January 2022, compared to the SRF Program’s Standard Term interest rate.

Figure 1: 20-year Bloomberg BVAL AAA Municipal Yields (Monthly Average)



SRF loan interest rates are established by considering factors including, but not limited to:

1. The Program’s interest rate cost of funds;
2. Availability of other SRF funds;
3. Prevailing market interest rates of comparable non-SRF loans; and
4. The long-term financial viability of the SRF.

Program staff will continue to monitor market conditions to ensure that SRF loan interest rates satisfy these and other provisions. Any changes to SRF loan interest rates will be communicated in the Intended Use Plan.

Loan Fees. A 0.5% origination fee is assessed on the full loan amount for new DWSRF construction loans and source water protection loans, with a maximum amount of \$100,000. No origination fees will be assessed on planning and design loans. A 0.25% loan servicing fee will be assessed on construction loans. Payment of the loan servicing fee is made semi-annually along with scheduled SRF interest payments. Loan servicing fees are calculated based on the

¹⁶ The BVAL® AAA Municipal Curves are updated daily and is publicly available on the Municipal Securities Rulemaking Board’s (MSRB) Electronic Municipal Market Access (EMMA) [website](#).

outstanding principal balance.

Maximum Financing. There is no maximum financing amount.

Project Readiness. Applicants cannot be offered assistance until they meet program requirements. More information can be found in the Water Supply Construction Permitting Process Manual¹⁷.

Funding Limitations. Pending loans identified in this IUP do not exceed funds obtainable for the DWSRF Program.

Municipal Advisor Engagement. Beginning in SFY 2023, borrowers will be asked to identify their Municipal advisor for the project as part of the IUP application.

Rate Ordinance. Beginning in SFY 2023, prior to closing a construction loan, applicants must demonstrate that appropriate action has been taken to implement the utility rate recommendations of their Municipal advisor set forth in the 5-year pro-forma cash flow analysis.

Public Bidding Compliance Certification. Beginning in SFY 2023, to the extent applicable, applicants must provide certification evidencing compliance with public bidding law, pursuant to Iowa Code Chapter 26, prior to closing a construction loan.

Extended Financing. The Iowa DWSRF can provide extended terms of up to 30 years for any loan as long as the loan term does not exceed the expected design life of the project. The department will use the table of estimated useful lives from EPA's publication 816-R-03-016 to determine the length of the loan for eligible expenses. The consulting engineer for the project will be required to separate and itemize costs so that a weighted maturity may be calculated for loan repayment. The list of itemized costs and expected useful lives will be required prior to signing of the loan agreement.

For Capitalization Grants through FFY 2021:

Community public water systems serving populations that contain a majority (51 percent) of Low to Moderate Income (LMI) persons will be considered disadvantaged for the purpose of receiving a lower interest rate on an extended term loan. This criterion does not apply to any other DWSRF assistance such as additional subsidization. Low to moderate income is defined as 80 percent of the median household income in the county or state (whichever is higher) using the most recent federal census or income survey data. Privately owned community public water systems will be considered eligible for disadvantaged community status if an income survey indicates that the service area meets the LMI criteria. Rural water systems will be considered eligible for disadvantaged community status if an income survey indicates that the area benefiting from the improvements meets the LMI criteria. Income surveys must be done according to the protocol specified by the Community Development Block Grant program. The interest rate on extended term loans will be 1.75% for borrowers who have been designated as disadvantaged using these criteria and who have received a notification letter from SRF by Sept. 20, 2022. For non-disadvantaged borrowers, the interest rate will be 2.75%.

For Capitalization Grants beginning with FFY 2022:

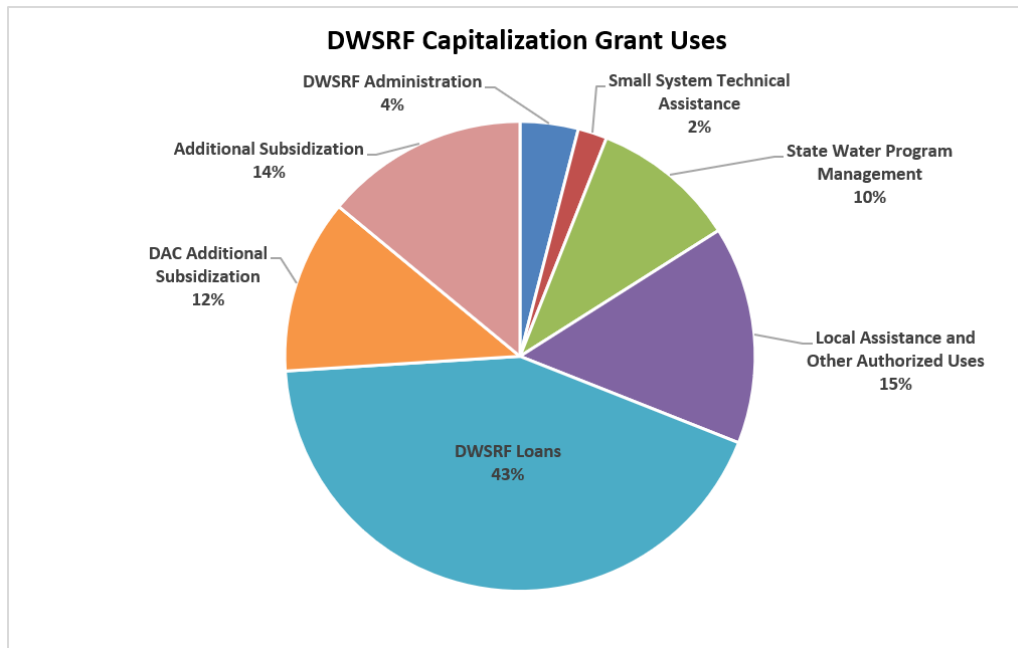
During SFY 2023, the Iowa DWSRF Program will evaluate the affordability criteria currently used to determine disadvantaged community status and will revise these criteria through public review and comment. The SRF intends to implement the new affordability criteria to determine disadvantaged community status in future quarterly updates as an annex to the DWSRF Intended Use Plan.

Intended Use of Set-Asides

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.

¹⁷ <https://www.iowadnr.gov/Environmental-Protection/Water-Quality/Water-Supply-Engineering/State-Revolving-Loan-Fund>

The amounts are subject to approval by EPA of program workplans. The DNR is following the SFY 2022 workplan and will switch to the SFY 2023 workplan during the fiscal year. Iowa plans to take or reserve set-side funds from the allowed amounts shown in the chart.



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

In recent years, 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.

DWSRF Program Administration Set-Aside. Iowa intends to use this set-aside including loan administrative fees to pay the costs of administering the State Revolving Fund loan program including:

- Portfolio management, debt issuance, and financial, management, and legal consulting fees
- Loan underwriting
- Project review and prioritization
- Project management
- Environmental review services
- Technical assistance to borrowers
- Database development and implementation
- Program marketing and coordination
- Drinking Water Infrastructure Needs Survey

Unused commitments are reserved for use in future years as necessary.

Small System Technical Assistance Set-Aside. Iowa intends to use this set-aside to provide technical assistance to public water supplies (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 public water supply systems, 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.

Unused commitments are reserved for use in future years for DNR staff and other purposes as necessary.

State Program Support Set-Aside. The primary uses of this set-aside are to assist with the administration of the Public Water Supply Supervision program, to review engineering documents for non-DWSRF construction projects, to provide wasteload allocations at public water systems with loans, 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 Iowa Administrative Code
- Field Office water supply staff conducting sanitary survey inspections at water supplies, as required by the Safe Drinking Water Act.

Unused commitments are reserved for use in future years for DNR staff and other purposes as needed.

Other Authorized Activities Set-Aside. 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 public water supplies, including:

- Completion of sanitary surveys with the eight elements and providing direct capacity development technical assistance
- Training of inspectors in comprehensive performance evaluation protocols
- Provision of technical assistance related to capacity development through the area wide optimization program (AWOP)
- Contracts with five counties to complete sanitary surveys and conduct annual visits at transient non-community public water supply systems
- System-specific capacity development assistance by contractor, including promotion of asset management planning

Funds are also budgeted for SWP activities including the following:

- Coordination and administration of the Source Water Protection 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 public water supply systems
- Technical assistance for well siting
- Maintenance of the *Source Water Mapper and Tracker* online database

Plan for Use of Administrative Accounts

There are three distinct funding sources for DWSRF administrative expenses:

- The DWSRF administrative Cap Grant set-aside. Four percent of the cumulative amount of federal Cap Grants received may be used for program administration as discussed in the set-aside section above.
- Loan initiation fees. A 0.5% loan origination fee is charged on new DWSRF loans which is included in the loan principal. The fees are deposited outside of the fund. The maximum amount charged is \$100,000. Under EPA rules, because Iowa's origination fees are financed through the loans, the proceeds are considered Program Income. Iowa uses the initiation fee receipts for administration of the DWSRF Program. **Beginning in SFY 2023, loan initiation fees will not be assessed on loans to Disadvantaged Community (DAC) receiving loan forgiveness.**

- Loan servicing fees. An annual servicing fee of 0.25% is charged on the outstanding principal of DWSRF loans. The fees are deposited outside of the fund. Iowa uses servicing fees collected during the time the Cap Grant is open for administration of the DWSRF Program. Servicing fee receipts collected after the Cap Grant is closed are used for other purposes under SDWA 1452.

Program Income. A portion of these funds will be used in SFY 2023 for program administration, and the remainder will be reserved for future administrative expenses. Income is replenished throughout the fiscal year by funds received from loan initiation fees as described above.

Non-program Income. A portion of these funds may be used in SFY 2023 to fund some of the activities completed under the State Program Management set-aside. A portion of these funds may be used in SFY 2023 toward Drinking Water Laboratory Certification and Capacity initiatives. Income is replenished throughout the fiscal year by funds received from loan servicing fees as described above.

SEE Salary Funds Deducted from Capitalization Grant

The DWSRF Program will not request U.S. EPA to deduct funds from FFY 2022 DWSRF Cap Grant for the SEE Program this fiscal year. These positions are filled by EPA Region 7 and assigned to the DNR’s Water Supply engineering section to provide administrative assistance to the DWSRF projects and program. The SEE enrollees could help provide staffing at Iowa DNR to maintain the DWSRF program and keep up with the increasing DWSRF project 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.”

Surface Water Curriculum Development Funds Deducted from the Capitalization Grant

The Iowa DNR will continue the project of developing advanced training for operators who currently operate surface water treatment plants. The Environmental Protection Agency is offering contracting services to help facilitate advanced surface water training with Process Applications Inc. The training will consist of six modules conducted over a three year period. Each session will last one or two days and will include a mix of presentations and small group workshops.

Module topics include:

1. Regulations and implementation
2. Surface water optimization
3. Coagulation, flocculation, and sedimentation
4. Filtration and residuals handling
5. Disinfection
6. Advanced topics such as jar test calibration, manganese control, cyanotoxin control, enhanced TOC removal, and source water considerations.

Plan for Efficient and Timely Use of DWSRF Funds

In recent years, the processes of the DWSRF have been streamlined and the marketing and education enhanced. These improvements have resulted in more efficient and timely use of the DWSRF and full utilization of available funds. In particular, Iowa applies for and draws federal Cap Grants as expeditiously as possible. When Cap Grants are awarded, those funds are drawn down first based on guidance from the U.S. EPA. Loan disbursements are made weekly. Iowa’s DWSRF disbursements averaged approximately \$4.6 million per month in 2020. In SFY2021, the program disbursed an average of approximately \$6.2 million per month. Average disbursements for SFY 2022 will be provided in future IUP updates.

Rather than doing one annual funding solicitation, with a discrete set of projects identified for funding that year, the Iowa DWSRF does quarterly updates to its Intended Use Plan. This creates a continuous pipeline of projects at different stages of readiness. Communities determine when they need their funding; the program does not set deadlines on loan execution as long as projects are making progress toward a loan.

With a return of \$3.10 for every dollar of federal investment (compared to the national average of \$2.07), Iowa's DWSRF is an efficient and effective delivery mechanism for water infrastructure funding.

DWSRF set-asides are typically fully utilized within a two-year planning and budgeting period. Iowa will draw grant funds based on designated uses on a first in, first out basis in order to close out Cap Grants. Due to increased water program budget needs and reduced funding from other sources, Iowa is spending reserved set-aside capacity at a faster rate than in the early years of the DWSRF program.

III. ASSURANCES AND SPECIFIC PROPOSALS

Iowa will provide the necessary assurances and certifications between the State of Iowa and the U.S. EPA.

IV. CRITERIA AND METHOD FOR DISTRIBUTION OF 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 pay the project costs as incurred.

Priority of Communities and Financial Assistance Needed

Iowa law provides only for loan assistance. Additional subsidization required by the Cap Grants will be through forgivable loans. The state's DWSRF rules identify the priority rating system used to establish priorities for financial assistance.

Projects can receive financial assistance for all eligible planning and project costs provided the project is on the Project Priority List of an approved IUP.

Allocation of Funds among Projects

All projects listed in the Project Priority List are eligible for assistance and may be funded from the DWSRF subject to available funds.

All projects scheduled for funding with Iowa's DWSRF will be reviewed for consistency with the Safe Drinking Water Act, as amended. Should a project fail to meet this review criterion, it may remain on the list until the criteria is met or it may be removed from the list. Projects may be added to the Project Priority List in priority order as applications are received.

V. METHOD OF AMENDMENT OF THE INTENDED USE PLAN

The State will follow this IUP in administering DWSRF funds in SFY 2023. Federal and state law requires, and Iowa welcomes, opportunity for public participation in the development of the IUP. Any revisions of the goals, policies and method of distribution of funds must be addressed by a revision of the IUP, including public participation. Minor adjustments in funding schedules and loan amounts are allowed without public notification by the procedures of this IUP and state rules for administration of the DWSRF. Adjustments to the Project Priority List to utilize actual funds available to the DWSRF for SFY 2023 will be considered minor and only affected applicants will be notified. Public notice of amendments will be made if municipalities are added to or removed from the Project Priority List.

VI. PUBLIC REVIEW AND COMMENT

A public meeting to allow input to Iowa's SFY 2023 IUP and Project Priority List was held May 12, 2022, 10:00 a.m. via virtual 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. Written comments were accepted until May 19, 2022.

A public meeting to allow input to Iowa's SFY 2023 IUP second quarter update and Project Priority List was held August 11, 2022, 10:00 a.m. via virtual 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. Written comments were accepted until August 18, 2022.

A public meeting to allow input to Iowa’s SFY 2023 IUP third quarter update and Project Priority List was held November 17, 2022, 10:00 a.m. via virtual 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. Written comments were accepted until December 10, 2022.

A public meeting to allow input to Iowa’s SFY 2023 IUP fourth quarter update and Project Priority List was held February 9, 2023, 10:00 a.m. via virtual 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. Written comments were accepted until February 24, 2023.

The following comment was received from the Iowa Finance Authority and content from this comment was incorporated into this IUP update:

“Pursuant to IAC 265-26.5, Iowa Finance Authority respectfully recommends that the Base and Supplemental FY 2023 Q4 IUP incorporate the following change to the interest rate for taxable SRF loans:

Loan Terms	Applicant Type	Interest Rate	Servicing Fee	Total
<i>Taxable Loans (up to 20 years)</i>	<i>All</i>	<i>3.57%</i>	<i>0.25%</i>	<i>3.82%</i>

This proposed interest rate would apply to all taxable loans executed on or after April 1, 2023 and represents a 25% discount of the current 20-year BVAL AAA Taxable Revenue Municipal index yield of 4.76%.”

VII. PROJECT PRIORITY LIST

Attachment 1, the DWSRF Project Priority List, is included in a separate, sortable Microsoft Excel file.

APPENDIX A - DWSRF ESTIMATED FUNDING SOURCES AND FUNDING USES

Beginning Cash Balance: Funds Available in Equity Fund and Program Accounts	\$179,030,000*
Additional Sources of Funds	
Federal Capitalization Grants:	
FFY 2022 - Base Program	\$5,950,000
FFY 2022 - General Supplemental	\$28,404,000
Loan Repayments	\$51,379,000
Investment Earnings on Equity Fund and Program Accounts	\$29,000
	\$85,762,000
Total Funding Sources	\$264,792,000
Uses of Funding	
Loan Disbursements	
Undisbursed Amounts Committed to Existing Loans (50% disbursement rate)	\$30,749,000**
DWSRF Project Requests (Current IUP Project List)	\$28,362,000
Planning & Design Requests (50% disbursement rate)	\$3,889,000**
Debt Service	
Principal Payments on Outstanding Revenue Bonds	\$17,670,000
Interest Payments on Outstanding Revenue Bonds	\$10,989,000
Total Uses of Funding	\$91,659,000
Ending Cash Balance	\$173,133,000
IUP Approved Projects to be Funded in Subsequent Years	\$247,773,000
Ending Balance Including Projects Yet to be Funded	(\$74,640,000)***

*Funds Available for disbursements as of 8/3/2022

**Loan disbursement rates are estimated based on previous experience with project pace.

***Future Sources: Federal Capitalization Grants (Base & Supplemental), State Match, Bond Proceeds and/or SWIFIA Loan Draws

All amounts are rounded to the nearest \$1,000

Funding Sources for Set Asides (Includes FFY21 & previous Cap Grants)	
Administration	\$180,000
Small Systems Technical Assistance	\$0
State Program	\$974,000
Other Authorized Activities	\$486,000
Total Funding Sources for Loans	\$1,640,000
Funding Uses for Set Asides	
Administration	\$180,000
Small Systems Technical Assistance	\$0
State Program	\$974,000
Other Authorized Activities	\$486,000
Total Uses for Set Asides	\$1,640,000

APPENDIX B

PROCEDURES TO DETERMINE PROJECT PRIORITY LIST

Project rankings were determined by the following procedures:

- Eligibility of applications were determined by needs criteria identified in IAC 567—44.7(8). In general, most water source, treatment and distribution system improvements are considered eligible.
- Project applications received during the SFY 2023 application period were considered for funding in SFY 2023; if not funded by the end of SFY 2023, these projects will be moved to the SFY 2024 Project Priority List.
- The priority ranking is a total score developed using the scoring criteria listed in IAC 567—44.7(8). Points may be gained in each of five categories: Water Quality and Human Health Risk-Related Criteria (60 point maximum), Infrastructure and Engineering-Related Improvement Criteria (35 point maximum), Affordability Criteria (10 point maximum), Special Category Improvements (15 point maximum), and Iowa DNR Adjustment Factor for Population (10 points). The combined score provides a numerical measure to rank each project within its pool. A project with a larger number receives higher priority.
- The final Project Priority List for a fiscal year's project pool is compiled in the following manner: Subsequent segments of projects funded by DWSRF loan programs of previous years will retain their original score and be added to the list of the current year's applications.
- Loan-eligible projects submitted will be placed on the IUP each calendar quarter. If the project is anticipated to proceed during SFY 2023, the project will be added to the Project Priority List and the list will be made available for public comment at the end of each calendar quarter in which one or more projects are added to the list.
- Projects on the Project Priority List will be moved to contingency status if the total amount of needs exceeds the year's DWSRF staff resources capability and loan funding. Projects will be funded from the top down in the ranking order of the Project Priority List with consideration given to readiness to proceed. Projects are ranked similarly in the contingency project list. Projects on contingency status can be moved to the funding list when funds are available or when the project is ready to proceed. Funds can be made available due to a number of reasons including project bypasses, loan application withdrawal of other projects, reduction in loan amount requests, or an increase in available funds.

APPENDIX C

BORROWERS RECEIVING ADDITIONAL SUBSIDIZATION OR COUNTED FOR GREEN PROJECT RESERVE

Iowa applies additional subsidization in the form of loan forgiveness. Criteria for loan forgiveness eligibility is established with each Cap Grant (see below). Individual projects may be capped to allow more eligible borrowers to receive subsidization. The cap may be removed at any time if additional funding is available. Time limits may be established for loan commitments in order to apply loan forgiveness awards from these grants. Construction must begin within 24 months of the loan forgiveness offer or the loan forgiveness offer may be withdrawn or reassigned.

For FFY 2018-2019 Cap Grants, a minimum of 20% of the state's allocation of grants funds are required to be allocated as additional subsidization. Eligibility criteria for each of these grants is described below.

For FFY 2020-2021 Cap Grants, a minimum of 14% of the state's allocation of grants funds are required to be allocated as additional subsidization and an additional 6% is required to assist Disadvantaged Communities (DAC), according to the state's definition (see below). Eligibility criteria for each of these grants is described below.

During SFY 2023, Iowa will apply for the FFY 2022 Cap Grant. A minimum of 14% of the state's allocation of grants funds are required to be allocated as additional subsidization. An additional 12% of the state's allocation of grant funds are required to be allocated as additional subsidization to Disadvantaged Communities (DAC), according to the state's definition (see below). The DWSRF Program will comply with additional subsidization requirements of that grant and will identify recipients of those funds during this fiscal year. Eligibility criteria is described below.

Loan Forgiveness Criteria for FFY 2018 Capitalization Grant:

Loan forgiveness in the DWSRF program has been provided for four categories of projects through FY 2018 Cap Grant:

- Public Health (PH)
- Green Projects (G)
- Disadvantaged Communities (D)
- Emergency Power Generation (EP)

Loan Forgiveness Criteria for FFY 2019-FFY 2021 Capitalization Grant:

Loan forgiveness will be offered only to the Public Health (PH) category. All projects receiving loan forgiveness from FFY 2019-2021 Cap Grants were capped at \$1 million dollars. If selected, eligible projects addressing non-compliance with drinking water regulations will receive up to 50% loan forgiveness of eligible costs. An additional 25% may be offered to those projects that choose the option of hooking onto another viable public water supply system to address their non-compliance issue:

- Public Health (PH)
- Public Health + Connection (PH/C)

During SFY 2023, the DWSRF Program may elect to remove the cap from one or both of these Public Health categories and assign additional subsidization to previously awarded projects if reallocated funds and/or unassigned loan forgiveness is available. In the SFY 2023 Q2 update, the cap was removed from Public Health + Connection category. The reallocated and remaining funds were disbursed to previously awarded but capped projects of that category.

Specific projects that have been allocated additional subsidization and/or designated as green project reserve for FFY 2018-FFY2021 are listed below. During SFY 2023, the DWSRF Program will continue to identify eligible projects and list them in this Appendix C with quarterly updates to the IUP.

Type	Project	Loan Amount**	Amount Green Project Reserve	Amount Additional Subsidization*	DAC Additional Subsidization*	Grant Year Reported
PH	Bellevue	\$2,200,000		\$1,380,596		2018
PH	Gallery Acres	\$1,334,000		\$1,000,500		2018
EP	Lyon-Sioux RWS Rock Rapids	\$113,000		\$81,699		2018
G	Cushing	\$61,100	\$18,330	\$18,330		2018
EP	Cushing	\$36,555		\$27,416		2018
PH/C	Manson	\$7,068,000		\$10,859		2018 Reallocated
G	Rathbun RWA	\$2,902,945	\$2,902,945	\$1,000,000		2018
PH/C	Dedham	\$402,000		\$309,094		2019
PH	Albion	\$693,000		\$347,500		2019
PH/C	MacBride Point	\$178,000		\$133,500		2019
PH/C	Bagley	\$804,000		\$512,791		2019
PH/C	Manson	\$7,068,000		\$1,642,293		2019
PH/C	Manson	\$7,068,000		\$90,209		2019 Reallocated
PH/C	Woodland Ridge	\$638,000		\$451,013		2019
DAC	Early	\$3,921,000			\$1,000,000	2019
DAC	Armstrong	\$1,100,000			\$45,920	2019
DAC	Armstrong	\$1,100,000			\$504,080	2020
DAC	Thor	\$408,000			\$204,000	2020
DAC	Lanesboro	\$3,557,000			\$338,500	2020

Type	Project	Loan Amount**	Amount Green Project Reserve	Amount Additional Subsidization*	DAC Additional Subsidization*	Grant Year Reported
PH/C	Manson	\$7,068,000		\$2,442,020		2020
DAC	Lanesboro	\$3,557,000			\$661,500	2021
DAC	Jamaica	\$2,769,400			\$1,000,000	2021
PH/C	Manson	\$7,068,000		\$845,619		2021

*Cap of \$1 million (through grant year 2021)

**Until a loan is signed, this amount may reflect the IUP award amount

Loan Forgiveness Criteria for FFY 2022 Capitalization Grant:

Loan forgiveness (LF) of up to 90% may be offered to eligible projects that meet the state’s disadvantaged community affordability criteria (socioeconomic assessment score) AND are applying for a priority project. Funding for individual projects is capped at \$2 million per project but the SRF Program reserves the right to withdraw the individual project cap.

The total amount of loan forgiveness available for a project will be determined by adding together the loan forgiveness percentages for the priority project, the socioeconomic assessment score, and the household burden indicator. **Projects will be funded from the top socioeconomic score down and in priority project ranking order with consideration given to readiness to proceed.**



Eligibility for loan forgiveness will first be assessed based on the type of project seeking funding. If the project is one of the priority project (PP) types listed below, then the second evaluation will be for disadvantaged status based on the socioeconomic assessment score (SES) criteria, described below.

The third element of the loan forgiveness equation is an assessment of a community or service area’s household’s ability to afford the proposed project. The Household Burden (HB) Indicator may be computed with assistance from the Municipal Advisor after the construction bid has been awarded and other funding sources have been deducted.

A detailed description of the loan forgiveness equation is outlined in BIL Annex A to the DWSRF IUP.

Loan forgiveness for FFY 2022 Cap Grant will be offered to the following eligible Priority Project Types:

- Non-Compliance Issues (e.g. SDWA compliance issues and Maximum Contaminant Levels (MCL) Violations)
- Consolidation/Regionalization
 - This priority is intended for communities who are consolidating with another system to obtain healthy drinking water or due to Technical/Managerial/Financial (TMF) issues. Systems are eligible even if there is no violation. Loan forgiveness is not being offered to systems that are buying viable systems just to franchise
- Resiliency Projects (flood/drought, redundancy and cyber security)
- New Public Water System (PWS) for communities served by private wells

The DWSRF Program intends to review each IUP application received for loan forgiveness eligibility. As loans close, additional loan forgiveness awards will be made.

FFY CAP 2022 and FFY 2022 BIL General Supplemental Awards														
Project Name	DWSRF No.	Priority Points	LF Priority Project Type	DAC SES Score	Date Loan Signed	Loan Amount	SES %	PP %	HB% (up to 30%)	Minimum LF %	Maximum LF%	Minimum LF Award*	Maximum LF Award*	Grant Year
Fort Atkinson	FS-96-21-DWSRF-023	55	Compliance	11	9/30/22	\$ 424,000.00	15%	30%	TBD	45%	75%	\$ 190,800.00	\$ 318,000.00	2022

*Final loan forgiveness amount may change based on eligible expenses and the final amount drawn on the loan.

Disadvantaged Communities Definition.

The Safe Drinking Water Act defines a “disadvantaged community” as the service area of a public water system that meets affordability criteria established after public review and comment by the State in which the public water system is located. See 42 U.S.C. 300j-12 (d)(3).

For Capitalization Grants through FFY 2021:

Disadvantaged communities are areas where 51 percent of the residents are low-and moderate-income persons. These communities are identified by survey data published by Housing and Urban Development (HUD) for the Community Development Block Grant (CDBG). Low to moderate income is defined as 80 percent of the median household income in the county or state (whichever is higher) using the most recent federal census or income survey data. Privately owned community public water systems will be considered eligible for disadvantaged community status if an income survey indicates that the service area meets the LMI criteria. Rural water systems will be considered eligible for disadvantaged community status if an income survey indicates that the area benefiting from the improvements meets the LMI criteria. Income surveys must be done according to the protocol specified by the Community Development Block Grant program.

For FFY 2022 Capitalization Grants:

During SFY 2023, the Iowa SRF Program adopted new criteria, a socioeconomic assessment score, to determine disadvantaged community status for SRF loan forgiveness purposes. The criteria were revised with public review and comment and became effective on September 20, 2022 with the approval of the second quarter IUP update. The socioeconomic assessment tool considers 15 datapoints from publicly available sources to determine a community or service area’s underlying socioeconomic and demographic condition that can determine the affordability of water/wastewater infrastructure projects. Applicants with a socioeconomic score between 11-30 points will be eligible for consideration of SRF loan forgiveness. ***A detailed description of the socioeconomic assessment criteria and tool is outlined in BIL Annex A to the DWSRF IUP.*** *The socioeconomic assessment tool can be located on www.iowaSRF.com resource page.*¹⁸

The IA SRF Program will implement the new affordability criteria for both the base DWSRF Program and the BIL DWSRF General Supplemental Fund as outlined in BIL Annex A to the DWSRF IUP.

¹⁸ https://www.iowasrf.com/about_srf/srf-resources/

APPENDIX D STATE MATCH

FY20	Cap Grant Amount	State Match Needed	Excess State Match
Remaining CW State Match from Feb 2019 Bond Issue		\$4,499,000	
Excess State Match from prior years		\$0	
Total CW State Match Available		\$4,499,000	
FY20 CW Cap Grant	\$21,508,000	\$4,301,600	\$197,400
Remaining DW State Match from Feb 2019 Bond Issue		\$3,681,500	
Excess State Match from prior years		\$0	
Total DW State Match Available		\$3,681,500	
FY20 DW Cap Grant	\$17,443,000	\$3,488,600	\$192,900
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FY21	Cap Grant Amount	State Match Needed	Excess State Match
CW State Match from Feb 2020 Bond Issue		\$10,000,000	
Excess State Match from prior years		\$197,400	
Total CW State Match Available		\$10,197,400	
FY21 CW Cap Grant	\$21,505,000	\$4,301,000	\$5,896,400
DW State Match from Feb 2020 Bond Issue		\$8,000,000	
Excess State Match from prior years		\$192,900	
Total DW State Match Available		\$8,192,900	
FY21 DW Cap Grant	\$17,427,000	\$3,485,400	\$4,707,500
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FY22	Cap Grant Amount	State Match Needed	Excess State Match
CW State Match from 2022 Bond Issue (May 2022)		\$3,000,000	
Excess State Match from prior years		\$5,896,400	
Total CW State Match Available		\$8,896,400	
FY22 CW Cap Grant (20% match)	\$15,660,000	\$3,132,000	
FY22 CW Supplemental (10% match)	\$24,088,000	\$2,408,800	
		\$5,540,800	\$3,355,600
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DW State Match from 2022 Bond Issue (May 2022)		\$5,700,000	
Excess State Match from prior years		\$4,707,500	
Total DW State Match Available		\$10,407,500	
FY22 DW Cap Grant (20% match)	\$11,101,000	\$2,220,200	
FY22 DW Supplemental (10% match)	\$28,504,000	\$2,850,400	
		\$5,070,600	\$5,336,900