

DRAFT

FY 2025 INTENDED USE PLAN

CLEAN WATER STATE REVOLVING FUND



INVESTING IN IOWA'S WATER

Anticipated approval by the Environmental Protection Commission (EPC) on June 18, 2024

Table of Contents

Introduction	1
A. Highlights and Changes	1
B. SRF Program Overview	1
SRF Program Administration	1
Intended Use Plans	2
Application Process	5
C. SFY 2025 CWSRF Program Goals	6
Short Term Goals	6
Long Term Goals	6
D. SFY 2025 Program Activities to be Supported	6
CWSRF Base Program	7
CWSRF Bipartisan Infrastructure Law (BIL) Programs	11
E. Financial Administration	12
Rates, Fees and Loan Terms & Conditions	12
Project Readiness for Loan Application	12
Affordability Criteria	13
Additional Subsidization	13
Equivalency	13
Criteria and Method for Distribution of Funds	14
Other Program Uses	16
F. Technical Assistance	17
Appendix A - Affordability Criteria	18
Revised Affordability Criteria used to determine DAC Status	18
Appendix B - Additional Subsidization	21
Previous Loan Forgiveness Opportunities	21
SFY 2025 Loan Forgiveness Criteria	21
FFY 2025 CWSRF Base Capitalization Grant and BIL General Supplemental Fund	22
Appendix C - Project Ranking Criteria	24
Project Priority List Ranking Criteria	24
Project Priority List Scoring Criteria	24
Special Purpose Funds Scoring Criteria	24
Appendix D - Interest Rates, Fees, and Loan Terms	27
Types and Terms of Financing	27
Interest Rates	27
Fees	28
Appendix E - Estimated Sources and Uses	30
Appendix F - State Match	31
Appendix G - Federal Assurances, Certifications and Proposals	32
Specific Proposals and Certifications	32
Federal Assurances	33
Appendix H - Funding Recommendations	36
General Nonpoint Source Assistance Projects for Approval of Land Purchase	36
General Nonpoint Source Assistance Projects Receiving Special Purpose Funding	36
Appendix I - Public Review and Comments Received	37
Attachment 1 - CWSRF Project Priority List	38

Introduction

Under the authority of Title VI of the Federal Water Pollution Control Act and Iowa Code Sections 455B.291-455B.299, the Clean Water State Revolving Fund (CWSRF) Program finances wastewater treatment, sewer rehabilitation, stormwater quality improvements, and nonpoint source (NPS) projects.

As of June 30, 2023, Iowa's CWSRF Programs have provided over **\$4 billion** in financial assistance for wastewater infrastructure, agricultural best management practices, and other water quality projects since 1989. With the State Fiscal Year (SFY) 2025 Intended Use Plan (IUP) and future program plans, Iowa's SRF will continue to help Iowans protect public health and the environment through investing in Iowa's water.

A. Highlights and Changes

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

- ✓ Plans for implementing funding for the General Supplemental (GS) and PFAS/Emerging Contaminants (EC) funding awarded from the **Infrastructure Investment and Jobs Act (IIJA)**, also known as, **Bipartisan Infrastructure Law (BIL)** are included in this annual release of the IUP.
- ✓ The **Socioeconomic Assessment (SA) Tool** used to define a **Disadvantaged Community (DAC)** (DWSRF Program) and **Affordability Criteria** (CWSRF Program) has been updated with current American Community Survey and state-level employment data and will be referred to as the SFY 2025 SA Tool.
- ✓ **DAC eligibility will be evaluated at the time of IUP application.** All projects added to the Project Priority List (PPL) during SFY 2025 will receive a DAC score based on the SFY 2025 SA Tool and this score will not change with future SA Tool updates. All projects listed on the approved PPL *prior to SFY 2025* will continue to use the DAC score in accordance with the SFY 2024 SA Tool.
- ✓ The amount of loan forgiveness (LF) funds available to a community will be determined in accordance with a set scale based on a DAC score (see Appendix B).
- ✓ Additional subsidization in the form of principal LF will be applied to the SRF portion of eligible **construction costs.**
- ✓ Priority funding for all available Base Cap Grants and BIL GS LF will be awarded based on total project priority points and DAC score, with consideration given to compliance status and date of loan execution.
- ✓ Beginning in SFY 2025, IUP application deadlines for General NPS projects will align with the Point Source application deadlines of March, June, September, and December of each year. Planning and Design (P&D) loan applications deadlines will remain the same and accepted in April, July, October, and January of each year.
- ✓ Funding for new Water Resources Restoration projects (**Sponsored Projects**) is not available during SFY 2025.
- ✓ In December of 2024, the SRF General NPS Program will offer a "Special Funding Opportunity" to communities interested in constructing NPS practices to manage stormwater or other nonpoint pollutants. Applications will be scored and qualifying communities will receive up to \$500,000 at 0% interest for General NPS direct loans.

B. SRF Program Overview

SRF PROGRAM ADMINISTRATION

The unique partnership between the Iowa Department of Natural Resources (DNR), 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, permitting, and regulatory compliance aspects of the program as well as project level approval, eligibility and compliance
- IFA-Administers the financial aspects of the program including fund management, bond issuance for state match and leveraging, loan approval, processing disbursements, and servicing loans in repayment
- IDALS-Through a contractual agreement with DNR, IDALS administers three SRF NPS Linked Deposit Programs and provides technical assistance to the CWSRF NPS Programs

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

INTENDED USE PLANS

The State of Iowa IUP for the CWSRF is prepared annually in accordance with the provisions of Clean Water Act (CWA), 40 CFR Part 35 and Iowa Code Sections 455B.291-455B.299 and 567 Iowa Administrative Code (IAC) Chapters 90-93.

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

The IUP identifies the intended use of funds available to the SRF, the program's goals, information on the types of activities to be supported, assurances and specific proposals on the manner by which the State intends to meet the requirements of the Operating Agreement with the U.S. Environmental Protection Agency (EPA), sources and uses of funds, criteria and method for distribution of funds, the loan rates, terms, and fees for the fiscal year, and includes a ranked listing of projects to be funded.

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

METHOD OF AMENDMENT OF THE IUP

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

PUBLIC REVIEW AND COMMENT

(See Appendix I - Public Review and Comments Received)

The SRF Program accepts new IUP applications quarterly by the first business day in March, June, September, and December¹. The DRAFT IUP and PPL are updated and available to the public for review about 60 days after the quarterly IUP application deadline. The IUP is posted on the CWSRF Program webpage of the SRF Program's website (www.iowasrf.com) and public comments are accepted for up to 30 days following the posting at srf-pc@dnr.iowa.gov.

Public Hearings are typically scheduled on the final Thursday of the months of May, August, November and February to highlight changes from the previous quarter, when applicable, and to collect public comments. Information on how to participate in the public hearing is provided through listservs and on the SRF website². A final draft version of the IUP, including all comments and SRF responses to the comments received, will be posted as part of the EPC Meeting and Agenda on the EPC webpage on the DNR's website³.

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

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

² <https://www.iowasrf.com/intended-use-plan-public-hearings/>

³ <https://www.iowadnr.gov/About-DNR/Boards-Commissions/Environmental-Protection-EPC>

All of the opportunities mentioned above are open to the public. Meetings and hearing information are posted on the Media Center and IUP Public Hearings⁴ pages of the [SRF website](#), and announced through agency-managed listservs. Public comments are accepted at srf-pc@dnr.iowa.gov.

PROJECT PRIORITY LIST

(See Attachment 1 - CWSRF PPL)

Administration of the CWSRF Program includes developing a priority list of projects to receive loan assistance, in accordance with DNR rules 567 IAC Chapter 92 (455B). Attachment 1 constitutes the CWSRF PPL and is included as a separate, sortable Excel file. This PPL will be amended quarterly during SFY 2025 and includes projects funded by both CWSRF Base and BIL Funds.

The PPL is a list of projects currently requesting funding from the SRF. This list provides the CWSRF Program with a projection of loan funding assistance needed for applications. Priority order is determined by point source rating criteria defined in 567 IAC Chapter 91 (455B). More information on priority ranking is available in Appendix C - Project Ranking Criteria. Projects are listed on the PPL in ranking order by the IUP year and quarter the application was received. P&D loan applications are not ranked.

Pursuant to Section 606(c) (3) of the CWA and 40 CFR Part 35, the PPL includes the following required items: name of the potential borrower; project description; National Pollutant Discharge Elimination System (NPDES) Permit Number (as applicable); SRF project number; projected amount of eligible assistance; and type of assistance. The PPL may also include project ranking, project status or DAC score.

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

- **Planning and Design Loans.** These are loan requests that cover planning and engineering costs related to the design of an eligible CWSRF project and the development of a Facility Plan (FP).
- **New Section 212 Treatment Works Projects.** Projects are added to the PPL only after a complete IUP application is received, the project has passed a preliminary review of eligibility, and the project is scored.
- **Segments of Previously Funded Section 212 Treatment Works Projects.** Subsequent segments of a project which have previously received funding priority or assistance will be placed on the PPL and may carry over their original priority point total from the previous year.
- **New General Nonpoint Source Projects including Source Water Protection.** Projects are added to the PPL only after a complete IUP application is received, the project has passed a preliminary review of eligibility, and the project is scored.
- **Unfunded Prior Years' Section 212 Treatment Works and General NPS Projects.** These are loan requests remaining on the PPL from previous years' IUPs. It is Iowa's intention to make CWSRF loans to these projects during SFY 2025 if they are ready for a binding loan commitment.
- **Supplemental Financing.** Supplemental financing provides additional funds for projects listed in previously approved IUPs. These funds will be used to cover cost overruns on previously approved scopes of work and are added to the IUP as they are requested.

Fundable projects are further identified as "C – Contingent" (indicating that the project has not yet met all eligibility criteria required to receive a specific funding source), "P - in planning," "R - ready for loan" (indicating that the construction permit and environmental review (ER) have been completed), and "L - loan signed."

If a project on the approved IUP list is not going to proceed or will not be utilizing SRF funds, the applicant should notify the SRF in writing that they wish to withdraw the IUP application from the PPL. For the purpose of program planning, applicants with projects on the PPL for longer than 3 years (or listed in Appendix H - Funding Recommendations of this IUP) will be required to evaluate their original IUP application to determine if the scope and cost of the project are still accurate and if they intend to proceed with the project. Applicants will be asked to provide an updated project schedule, scope and cost, as necessary. A notification may be sent to the SRF applicant that their project may be dropped if

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

adequate progress toward a binding loan commitment is not demonstrated within six months following the notice. If a project is withdrawn or dropped from the PPL, the applicant may reapply when the project is ready to move ahead.

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

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

TYPES OF FINANCIAL ASSISTANCE

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

The Iowa SRF Program provides low-interest financing using one of three financing mechanisms:

- **Direct Loans** - CWSRF funds are used to purchase municipal bond debt, secured by utility system revenues or a general obligation pledge.
- **Loan Participation** - CWSRF funds are used to purchase an existing loan from a lender. These loans are not listed in the PPL but are identified in Appendix H - Funding Recommendations of the CWSRF IUP and are individually reported in the annual report.
- **Linked Deposit** - CWSRF funds are deposited with a participating lender and are used to fund the loan and reduce the interest rate. These loans are not listed in the PPL but are reported by total program usage in the annual report.

Direct Loans for **P&D** are available to eligible public and private borrowers to cover engineering and project development costs such as testing and scoping, preparing FPs, and project specifications that are directly related to the development of an eligible SRF treatment works or General NPS project.

Direct Loans for **Section 212 Treatment Works Projects** are available to Publicly Owned Treatment Works (POTW) to address new construction or improvements to existing wastewater treatment facilities, treatment techniques, transmission lines and collection systems.

Financial assistance for **NPS Projects** is available to public and private borrowers in the form of direct loans, loan participations or linked-deposit loans, depending on the borrower and project type. These projects address stormwater quality, inadequate septic systems, landfill closure, lake restoration, soil erosion control, brownfield cleanup, manure management and more (see SFY 2025 Program Activities to be Supported).

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

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

CO-FUNDING

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

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

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

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 wastewater needs.

EMERGENCY FUNDING

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

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

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

APPLICATION PROCESS

New CWSRF IUP applications for **construction projects, including General NPS projects**, will be accepted on a quarterly basis the first business day of the months of March, June, September and December.

Infrastructure/Point Source Construction Projects: IUP applications can be found on the Clean Water Loan Program page of the SRF website⁶ and are submitted to srf-iup@dnr.iowa.gov.

General Nonpoint Source (GNS) Projects: IUP applications and instructions can be found on the SRF website⁷, and submitted to srf-iup@dnr.iowa.gov.

Applications for **P&D** will be accepted on a quarterly basis the first working day of the months of April, July, October and January.

P&D Projects: Applications are available on the P&D Loan Program page of the SRF website⁸ and are submitted to IFAs SRF Program Staff at waterquality@iowafinance.com.

Linked Deposit Programs: Applications for these programs are accepted on a continuous basis. Instructions and applications for each program can be found on the SRF website⁹.

Project applications eligible for SRF funding under the BIL General Supplemental and BIL PFAS/EC Fund will use the CWSRF IUP application and follow the same quarterly IUP application cycle as the CWSRF Base Program. Additional application information may be required for projects applying for BIL Funds. The SRF Program will provide additional application materials and guidance for BIL Funds directly to applicants, as applicable, and application materials will be available on the SRF website¹⁰.

⁶ Clean Water Loan Program page of <https://www.iowasrf.com/clean-water-loan-program/>

⁷ NPS Water Quality Programs “Programs for Communities” page <https://www.iowasrf.com/general-non-point-source/>

⁸ P&D Loan Program page of <https://www.iowasrf.com/planning-and-design-loans/>

⁹ NPS Water Quality Programs, “Programs for Landowners” page of <https://www.iowasrf.com/nonpoint-source-water-quality-programs/>

¹⁰ BIL page of <https://www.iowasrf.com/bipartisan-infrastructure-law/>

C. SFY 2025 CWSRF Program Goals

SHORT TERM GOALS

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

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

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

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

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

Goal: Continue the partnership with the Environmental Finance Center's (EFC) technical assistance resources to assist DAC borrowers with accessing Iowa SRF Program funds.

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

Goal: Continue outreach efforts to educate borrowers on current and upcoming NPS funding opportunities, including updates to the SRF NPS website regarding the new General NPS direct loan incentive or "Special Purpose Financing."

Goal: Expand marketing and outreach efforts of SRF NPS programs, including targeted outreach to communities that may benefit from the new General NPS direct loan special purpose financing.

LONG TERM GOALS

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

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

Goal: Maintain mechanisms for funding the ongoing administration of the program that will assist POTWs in achieving compliance with public health objectives of the CWA.

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

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

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

Goal: Provide communities with innovative funding mechanisms to encourage the financing of nonpoint source projects that improve and/or protect the water quality of Iowa's surface and groundwater for public health, native fish and wildlife.

D. SFY 2025 Program Activities to be Supported

Iowa's CWSRF Program can fund a wide variety of water quality improvement and protection efforts. In 1987 when the program was established, there were three statutory eligibilities. The CWSRF Program eligibilities have since been expanded by the American Recovery and Reinvestment Act (ARRA) of 2009, the Water Resources Reform and Development Act (WRRDA) of 2014, and the America's Water Infrastructure Act (AWIA) of 2018 to incorporate twelve

eligibilities. These eligibilities allow Iowa SRF to fund a variety of project types. Eligible projects exist under all of the following categories: Centralized Wastewater Treatment, Energy Conservation, Water Conservation, Stormwater, Agricultural Best Management Practices, Decentralized Wastewater Treatment, Resource Extraction, Contaminated Sites, Landfills, Habitat Protection and Restoration, Estuary Protection and Restoration, Silviculture, Desalination, Groundwater Protection and Restoration, Surface Water Protection and Restoration, Planning / Assessment, and Source Water Protection.¹¹

CWSRF BASE PROGRAM

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

FFY	Funding Source	Allocation Amount*
2024	CWSRF Base Cap Grant	\$11,048,000

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

POINT SOURCE ASSISTANCE-CWA 603 (C) 1 - SECTION 212

Eligible Borrowers: Any municipal, interstate, or state agency for the construction of publicly owned, centralized wastewater treatment projects.

Eligible Activities: Eligible projects address primary and secondary treatment, advanced treatment, sewer system repair and replacement, combined sewer operations (CSO) correction, resilience to extreme weather events, security and system consolidation/regionalization.¹²

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

NONPOINT SOURCE ASSISTANCE PROGRAMS

Iowa authorizing legislation allows the use of CWSRF Program funds for NPS pollution control projects. Iowa SRF is committed to funding projects that control NPS pollution. An annual budget is established for each program to ensure that funding is dedicated to these initiatives. During SFY 2025, budgets may be modified in future IUP updates, based on need.

Financial assistance for NPS assistance programs is provided through three funding mechanisms: loan participation, direct loan, or linked deposit (see Section B. SRF Program Overview, Types of Financing, for more details). Public entities are eligible for direct loans, private entities are eligible for loan participation, and private landowners are eligible for linked-deposit financing.

GENERAL NONPOINT SOURCE PROGRAM-CWA SECTION 603(C)2-SECTION 319

Nonpoint Source Assistance Programs	Proposed SFY 2025 Budget
General NPS Program	\$10,000,000*

*The SRF Program may adjust this amount in future updates based on project demand and funding availability.

¹¹ <https://www.epa.gov/cwsrf/clean-water-state-revolving-fund-cwsrf-factsheets>

¹² https://www.epa.gov/sites/default/files/2016-07/documents/overview_of_cwsrf_eligibilities_may_2016.pdf

Loan Participation Financing

Eligible Borrowers: Private entities

Eligible Activities: Eligible projects must implement NPS management programs established under Section 319 of the CWA. Projects must support Iowa’s State NPS Management Plan¹³ or a nine-element watershed-based plan and must be for the primary purpose of water quality improvement or protection. Projects primarily for the purchase of land must meet the definition of “projects” in IA Code 455B.291 and require separate approval by the EPC¹⁴.

Applications and instructions for General NPS projects can be found on the NPS Water Quality Programs, “Programs for Communities” page of the SRF website.¹⁵

Projects funded as loan participation are listed in Appendix H - Funding Recommendations. NPS assistance offered as loan participation is reported by project in the annual report.

Direct Loan Financing

Eligible Borrowers: Cities, counties, and other public entities with the ability to issue a bond or generate revenue to repay a CWSRF loan. Borrowers must be an owner of record or demonstrate long-term control of the project area.

Eligible Activities: Eligible projects must implement NPS management programs established under Section 319 of the CWA. Projects must support Iowa’s State NPS Management Plan or a nine-element watershed-based plan and must be for the primary purpose of water quality improvement or protection.

Application Process: Applications and instructions for General NPS projects can be found on the NPS Water Quality Programs, “Programs for Communities” page of the SRF website.

The current General NPS Program application and associated application/project review process will be in effect through September 1, 2024 (third quarter SFY 2025 IUP applications deadline). After September 1, 2025, a revised application will be in effect and all General NPS direct loan project applications eligible for placement on the PPL will also be scored using the Special Purpose Scoring Criteria outlined in Appendix C – Project Ranking Criteria.

Projects funded as a direct loan under this program are listed in Attachment 1 - CWSRF PPLL.

SPECIAL PURPOSE FUNDING OPPORTUNITY
<p>During SFY 2025, the SRF Program will be offering a competitive NPS funding incentive to encourage implementation of locally directed, water quality improvement projects. This incentive intends to reward NPS projects that demonstrate high water quality benefits, sound design, and project readiness through special purpose financing.</p> <p>Beginning with General NPS project applications received by the December 1, 2025 application deadline, projects eligible for placement on the PPL will also be scored using the Special Purpose Scoring Criteria outlined in Appendix C – Project Ranking Criteria, specifically to determine eligibility for this special purpose financing opportunity.</p> <p><u>Funding Opportunity:</u> Direct loans will be offered to eligible applicants at 0% interest for up to \$500,000 per General NPS project. Loan amounts can be up to 100% of the project costs with no limitation on total project amounts and project costs above \$500,000 will be funded at the current SRF interest rate. This incentive will be available on a first come, first-funded basis until all available funding has been obligated. Eligible project costs in excess of \$500,000 can be funded through a General NPS SRF loan at the standard interest rate.</p>

¹³ <https://www.iowadnr.gov/environmental-protection/water-quality/watershed-improvement/nonpoint-source-plan>

¹⁴ Iowa Administrative Code 567 - 93 (455B)

¹⁵ Nonpoint Source Water Quality Programs “Programs for Communities” page <https://www.iowasrf.com/general-non-point-source/>

Eligibility Requirements: Projects scoring a minimum of 10 points out of 20 qualify for, and may be offered special purpose funds.

Eligible Borrowers: Public entities with an established stormwater utility; or the ability to issue a bond; or another funding source available to repay a CWSRF loan. Borrowers must be an owner of record or demonstrate long-term control of the project area.

Eligible Activities: All General NPS project activities listed under the General NPS section above.

Timeline: The first round of applications will be accepted by December 1, 2024 for the fourth quarter of SFY 2025 IUP. Notices of application scores and funding approval will be available by mid-January 2025. Subsequent project applications will be accepted quarterly the first working day of March, June, September and December.

Application Process: Details regarding the application submission, review and scoring process are available on the SRF NPS Water Quality Programs webpage <https://iowasrf.com/nonpoint-source-water-quality-programs/>.

Public Comments: An extended public comment period will be offered on this Special Purpose Funding Opportunity, application and scoring criteria **through July 5, 2024**. Public comments will be accepted at srf-pc@dnr.iowa.gov .

NPS Assistance Programs	Proposed SFY 2025 Budget
General NPS Special Purpose Funding	\$10,000,000*

*The SRF Program may adjust this amount in future updates based on project demand and funding availability.

Projects funded with Special Purpose Funding are listed in Appendix H - Funding Recommendations.

LINKED DEPOSIT PROGRAMS AND FINANCING

Four NPS Assistance Programs have been established which target areas of need allowed under federal guidance and identified in the state NPS Water Quality Management Plan. Iowa SRF contracts with the IDALS to administer the Local Water Protection (LWPP), Livestock Water Quality Facilities (LWQ), and Stormwater Best Management Practices (SWP) programs through local Soil and Water Conservation Districts. The Onsite Wastewater Systems Assistance Program (OSWAP) is administered through cooperation between DNR and county sanitarians.

Nonpoint Source Linked-Deposit Assistance Programs	Proposed SFY 2025 Budget
SWP Practices Program	\$500,000
LWQ Program	\$6,000,000
LWP Program	\$2,000,000
OSWAP	\$1,500,000

Application Process:

Applications and instructions for Linked-Deposit Assistance Programs can be found on the NPS Water Quality Programs, “Programs for Landowners” page of the SRF website.¹⁶

Individual loan applicants are not identified in this IUP but loans are reported by program use in the annual report.

Onsite Wastewater Systems Assistance Program (OSWAP) provides loans to replace inadequate septic systems. New systems must be certified by county sanitarians.

Eligible Borrowers: Private homeowners in a location not served by public sewers.

¹⁶ NPS Water Quality Programs “Programs for Landowners” page <https://www.iowasrf.com/general-non-point-source/>

Eligible Activities: Projects must include replacement of septic tank and secondary treatment system.

Local Water Protection (LWP) Program addresses soil, sediment, and nutrient control practices on agricultural land.

Eligible Borrowers: Private landowners.

Eligible Activities: May include but not limited to buffer strips, field borders or windbreaks, filter strips, grade stabilization structures, grassed waterways, sediment basins, terraces, wetlands and bioreactors.

Livestock Water Quality Facilities (LWQ) Program assists livestock producers with minimizing or eliminating NPS pollution from animal feeding operations.

Eligible Borrowers: Private livestock producers (only facilities with fewer than 1,000 animal unit capacity).

Eligible Activities: Improvements to existing animal feeding operations. May include but not limited to manure storage structures, including roofed buildings and solid settling basins, vegetative filters, manure management plans and prescribed grazing.

Stormwater Best Management Practices (SWP) offers financing for projects that address storm water quality and are designed to keep pollutants out of waterways.

Eligible Borrowers: Homeowners, developers and other private entities

Eligible Activities: May include but not limited to detention basins, grassed waterways, infiltration practices, pervious paving systems, ponds or wetland systems and soil quality restoration.

SPONSORED PROJECT PROGRAM

The CWSRF Water Resource Restoration Sponsored Project Program or “Sponsored Projects” provides wastewater utilities with the opportunity to fund locally directed, watershed-based, NPS projects that address water quality issues. Iowa Code Section 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.

NPS Assistance Programs	Proposed SFY 2025 Budget
Sponsored Project Program	\$0

In SFY 2025 funding will not be made available for new sponsored projects. In lieu of allocating funds to sponsored projects from the CWSRF fund, subsidization shall be provided to qualifying projects funded through the General NPS loan program, “Special Purpose Funding”. Funding for previously awarded sponsored projects remains unchanged.

Program resources are available for **current** projects on the Water Resource Restoration Sponsored Projects webpage.¹⁷

Loan Amendments. 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.

¹⁷ NPS Water Quality Programs, Programs for Communities at <https://www.iowasrf.com/water-resource-restoration-sponsored-projects/>

Scope Change. 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.

Maintenance. Water quality practices funded through sponsored projects must be maintained for the useful design life of the practice. Sponsored Project recipients are 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.

CWSRF BIL PROGRAMS

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

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

CWSRF BIL GENERAL SUPPLEMENTAL (GS) FUNDS

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

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

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

FFY	Funding Source	Allocation Amount*
2024	CWSRF BIL GS Grant	\$30,779,000

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

BIL PFAS/EC FUND

Eligibility. Eligible borrowers and eligible activities are the same as the CWSRF Base Program. For a project or activity to be eligible under this funding source, it must be otherwise eligible under section 603(c) of the CWA and the primary purpose must be to address PFAS and/or EC.

As defined by EPA, EC refer to substances and microorganisms, including manufactured or naturally occurring physical, chemical, biological, radiological, or nuclear materials, which are known or anticipated in the environment, that may pose newly identified or re-emerging risks to human health, aquatic life, or the environment.¹⁸

The main categories of EC include but are not limited to:

- Perfluoroalkyl and polyfluoroalkyl substances (PFAS) and other persistent organic pollutants (POPs)
- Biological contaminants and microorganisms
- Some compounds of pharmaceuticals and personal care products (PPCPs)
- Nanomaterial

¹⁸ https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf

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

FFY	Funding Source	Allocation Amount
2023	CWSRF BIL PFAS/EC	\$1,800,000*
2024	CWSRF BIL PFAS/EC	\$2,878,000**

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

**SRF intends to apply for CWSRF BIL PFAS funds and/or transfer these funds to DWSRF Program during SFY 2025

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

The Iowa CWSRF Program reserves the right to request transfer of the unobligated portion of the FFY 2024 Cap Grant to the Drinking Water State Revolving Fund (DWSRF) BIL PFAS/EC Fund.

E. Financial Administration

RATES, FEES AND LOAN TERMS & CONDITIONS

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

PROJECT READINESS FOR LOAN APPLICATION

SRF applicants are required to comply with Iowa public bidding law in order to receive funding through the CWSRF Program. Applicants shall demonstrate this compliance through an opinion of legal counsel certifying their compliance. A sample “Form of SRF Construction Bidding Opinion” can be located on the SRF website¹⁹ and applicants are encouraged to include this opinion letter when submitting bid documentation to SRF.

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

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

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

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

Prior to Approving a Construction Loan:

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

¹⁹ Under “Program Information” on the Documents and Guides page <https://www.iowasrf.com/documents-and-guides/>

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

AFFORDABILITY CRITERIA

(See Appendix A - Affordability Criteria)

The CWA requires Iowa to consider income, unemployment data, population trends, and other data determined to be relevant in establishing affordability criteria used to award certain additional subsidies under the SRF program. In SFY 2023, a SA Tool was developed to include a more comprehensive range of metrics by which communities are evaluated for DAC status. In SFY 2024, the metrics behind the SA Tool were refined to improve desired outcomes and comply with existing federal statute while still including social, economic and demographic information that may indicate a lack of access to affordable clean water and safe drinking water.

The SA Tool and the metrics are discussed in Appendix A - Affordability Criteria, and they define the affordability criteria that will be used to evaluate the DAC status of a borrower for the purpose of SRF loan forgiveness eligibility. The SA Tool is updated with new census data each year and will become effective, with the IUP, on the first day of the state fiscal year. Applicants will use the SA Tool in effect for the state fiscal year of their project application to determine DAC score.

DAC determinations are made at the time of IUP application. Once a DAC score is assigned to a project, it will not change for that project.

ADDITIONAL SUBSIDIZATION

(See Appendix B - Additional Subsidization)

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

EQUIVALENCY

An *Equivalency Project* is a treatment works project (as defined in Section 212 of the CWA) that is constructed, in whole or in part, with funds equaling the amount of a federal capitalization grant awarded to a state. The Iowa CWSRF Program must designate a project or group of projects with loan amounts totaling the amount of each Cap Grant received, to comply with all federal funding requirements applicable to that Cap Grant.

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

- Disadvantaged Business Enterprise²⁰
- Single Audit Act
- Federal Funding Accountability and Transparency Act (FFATA) reporting
- Procurement of A/E services in accordance with the federal Brooks Act (Section 602(b)(14))²¹
- EPA signage requirements

²⁰ <https://www.epa.gov/grants/disadvantaged-business-enterprise-program-under-epa-assistance-agreements-dbe-program>

²¹ <https://www.epa.gov/sites/default/files/2021-03/documents/best-practice-guide-for-procuring-services-supplies-equipment.pdf>

- BABA (FFY 2022 and all future capitalization grants)²²
- Federal environmental and socioeconomic crosscutters²³

See Appendix G – Federal Assurance, Certifications and Proposals for program compliance requirements.

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

CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

The cash draw procedure used is the direct loan method. The Iowa CWSRF Program uses its Equity Fund to originate loans. When enough 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, in a manner consistent with state and federal laws. State match bonds are issued along with leveraged bond issues for greater cost effectiveness. State match proceeds are fully disbursed prior to drawing Cap Grant funds. The Cap Grant funds will be drawn at a 100% proportionality ratio. Iowa expects to fully disburse the loan portion of the FFY 2024 CWSRF Base Capitalization Grant, FFY 2024 BIL General Supplemental Fund, FFY 2022 BIL PFAS/EC, and a portion of the FFY 2023 BIL PFAS/EC during the program year.

Allocation of Funds Among Projects. All projects listed in the CWSRF PPL (see Attachment 1) 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 section 205(j), 208, 303(d), and 603(c) of the CWA, as amended. Evidence of this review and finding of consistency will be documented in each CWSRF project file.

The following approach was used to develop Iowa’s proposed distribution of CWSRF 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 CWSRF assistance; and
5. Development of a disbursement schedule to reimburse the project costs as incurred.

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

1. The amount of financial assistance needed for each application was estimated.
2. The sources and allowable uses of all 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 NPS Assistance Program based on past funding and expected future needs.

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

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

²² <https://www.epa.gov/cwsrf/build-america-buy-america-baba>

²³ <https://www.epa.gov/grants/epa-subaward-cross-cutter-requirements>

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

FUNDING SOURCES AND USES

(See Appendix E - Estimated Sources and Uses)

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

FFY	Funding Source	Allocation Amount
2023	CWSRF BIL PFAS/EC	\$1,078,000*
2024	CWSRF BIL PFAS/EC	\$2,878,000
2024	CWSRF Base Cap Grant	\$11,048,000
2024	CWSRF BIL General Supplemental Grant	\$30,779,000

*The full allocation of the funding source was \$2,878,000 but the Iowa SRF Program requested a total of \$1,078,000 to be transferred to the DWSRF BIL PFAS/EC fund upon application of those funds.

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

Other uses for CWSRF program funds in SFY 2025 include \$30 million (\$10M General NPS, \$10M General NPS Special Purpose Funding at 0% interest, and \$10M Linked-Deposit Programs) reserved for the NPS Assistance Programs.

Current and Projected Financial Capacity of the CWSRF. 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 SRF continues receiving Cap Grants and providing at least 20% of the Cap Grant as LF, *it is projected that the CWSRF could loan an average of approximately \$200 million per year over the next 10 years, or a total of \$2.0 billion.* These figures would increase with an increase in interest rates.

STATE MATCH

(See Appendix F - State Match)

The Iowa SRF Program issues bonds for state match.

BONDS

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

SWIFIA

The Iowa SRF program was invited to apply for a loan through EPA’s 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. The SRF Program is in the process of working through the underwriting process; the timeline for closing the loan is yet to be determined.

TRANSFERS BETWEEN FUNDS

The Iowa CWSRF reserves the right to transfer 33% of the amount of the Drinking Water capitalization grants from the Water Pollution Control Revolving Fund to the Public Water Supply Loan Fund in the future. The transferred funds will not be federal funds and will come from either bond proceeds, investment earnings, or recycled funds. This would help

the DWSRF Program to meet loan demands in the future and should not impact the ability for the CWSRF to fund demand for projects.

PLAN FOR EFFICIENT AND TIMELY USE OF CWSRF FUNDS

The Iowa CWSRF has a robust and sustained demand for loans and it uses Federal Cap Grant funds as expeditiously as possible. After SRF bonds are issued, state match funds are used first, prior to drawing Cap Grant funds. The Cap Grant funds will be drawn at a 100% proportionality ratio. Loan disbursements requests are processed on a weekly basis. In SFY 2024, the program has disbursed an average of approximately \$22.9 million per month (10 months, through April 2024). With a return of \$5.25 for every dollar of federal investment, Iowa's CWSRF is an efficient and effective delivery mechanism for water infrastructure funding.

OTHER PROGRAM USES

PLAN FOR USE OF ADMINISTRATIVE ACCOUNTS

CWSRF administration expenses include the work of wastewater engineering section project managers, SRF ER Specialists, SRF Project Compliance Specialist, program coordinators, program admin, program managers, financial officers and loan coordinators. It also covers expenses for financial and legal advisors. These program expenses will first be paid out of Program Income and then Non-Program Income once Program Income has been fully expended.

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

CWSRF Cap Grant Administrative Set-Aside. A total of 4% of the cumulative amount of Federal Cap Grants received may be used for program administration. Iowa will use all 4% of Admin.

Program Income. A 0.5% **loan initiation fee** is charged on new CWSRF construction loans which is included in the loan principal. Program Income can be used to administer the program. Program Income is replenished throughout the fiscal year by funds received from loan initiation fees as described in Appendix D – Interest Rates, Fees, and Loan Terms.

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

Non-Program Income. An **annual servicing fee** of 0.25% is charged on the outstanding principal of CWSRF construction loans. Non-Program Income can be used to administer the program or for other water quality purposes. Income is replenished throughout the fiscal year by funds received from loan servicing fees as described in Appendix D – Interest Rates, Fees, and Loan Terms.

PLAN FOR USE OF ADMINISTRATIVE ACCOUNTS

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

- Portfolio management, debt issuance, and financial, management, and legal consulting fees
- Loan underwriting
- Project review and prioritization
- Project management
- Technical assistance to borrowers
- AIS/BABA site inspections
- Database development and implementation
- Contract services for a continuous improvement facilitator
- Program marketing and coordination
- ER services*

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

The CWSRF Program intends to use a portion of Non-Program Income funds during SFY 2025 to support DNR staffing to the Field Services Bureau for wastewater compliance activities including inspections, investigations and technical assistance and to support DNR staffing in the Water Quality Bureau for construction permitting, NPDES permitting, AIS/BABA Site Inspections, and other programmatic staffing needs.

WATER QUALITY MANAGEMENT PLANNING

A reserve for water quality management planning as required by Title VI of the CWA (Section 604(b)) 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.

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

The CWSRF Program will not withhold any funding from FFY 2024 CWSRF Base 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 DNR to maintain the CWSRF program and keep up with the increasing CWSRF project technical and administrative workload. 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."

F. 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 eligibility for this funding is very broad. Iowa does not intend to duplicate the technical assistance efforts being provided by EPA and other organizations receiving EPA Technical Assistance grants; so additional planning and coordination is needed before activities are identified for this funding. The Iowa CWSRF Program reserves the right to use 2% of the FFY 2024 Cap Grant TA. Activities completed with these funds will be described in the annual report.

Appendix A - Affordability Criteria

The affordability criteria established in this IUP after public review and comment will be the criteria used to determine DAC status.²⁴

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

REVISED AFFORDABILITY CRITERIA USED TO DETERMINE DAC STATUS

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

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

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

SA TOOL

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

There are two versions of the SA Tool:

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

Both versions of the SA Tool are available to the public throughout the SRF website²⁵ at www.iowasrf.com.

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

To use the SA Tool, a borrower will select each community that makes up the utility’s service area, along with the corresponding percent of population served. For each of the metrics evaluated, applicants will be given a score indicating the relative disadvantage to the other communities in the state (see Figure 1 and Figure 2)²⁶. A weighted

²⁴ IAC 265 Chapter 26.7 - Disadvantaged Community Status

²⁵ Documents and Guides page <https://www.iowasrf.com/documents-and-guides/>

²⁶ The only exception is Population Trend. For the service area-based SA-Tool, no points are given for positive or 0% growth, 1 point for negative growth up to -7.5%, 2 points for more than -7.5% population growth.

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

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

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

Figure 1

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

Figure 2

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

USING THE SA SCORE TO DETERMINE DAC STATUS

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

- DAC status for the purposes of the CWSRF Program will be determined by completing the SA worksheet to produce a SA score.
- With 10 total metrics, equally weighted, the maximum number of points will be 20. Communities or service areas with a cumulative score of 11 and up (e.g., falling in the top 1/2 of the total possible cumulative score)

indicates that the community or service area is socially, economically, and/or demographically disadvantaged relative to the other communities in the state. Conversely, applicants who score in the bottom 1/2 of total cumulative points (e.g., 10 total points or less), will not be considered disadvantaged for SRF Program purposes.

- All projects added to the PPL during SFY 2025 will receive a DAC score based on the SFY 2025 SA Tool and this score will not change with future SFY SA Tool updates. **All projects listed on the approved PPL prior to SFY 2025 will continue to use the DAC score assigned in accordance with the SFY 2024 SA Tool.**

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

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

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

Appendix B - Additional Subsidization

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

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

PREVIOUS LOAN FORGIVENESS OPPORTUNITIES

At the conclusion of SFY 2024, final LF funds from these Cap Grants were reallocated and/or awarded. No additional LF funds are available to award from these Cap Grants in SFY 2025:

Federal Fiscal Year	LF Funding Source	LF Required	LF Obligated	LF Available to Award
2021	CWSRF Base Cap Grant	\$2,150,500	\$2,955,739	\$0
2022 (BIL Year 1)	CWSRF Base Cap Grant	\$3,132,000	\$3,734,434	\$0
2022 (BIL Year 1)	CWSRF BIL General Supplemental Fund	\$11,803,120	\$11,803,120	\$0
2022 (BIL Year 1)	CWSRF PFAS/EC	\$1,265,000	\$1,265,000	\$0
2023 (BIL Year 2)	CWSRF Base Cap Grant	\$2,030,400	\$2,030,400*	\$0
2023 (BIL Year 2)	CWSRF BIL General Supplemental Fund	\$13,822,900	\$13,822,900*	\$0
2023 (BIL Year 2)	CWSRF PFAS/EC	\$1,800,000	\$1,800,000	\$0**

As of the publication of this DRAFT IUP:

*LF awards will be made to projects with qualifying DAC scores between 14-20 with executed loans between January 1, 2023 and June 30, 2024. Final obligation amounts are pending loans executed in May and June, 2024 and pending acceptance of LF terms and conditions. Any remaining or reallocated funds will be combined with FFY 2024 Base and BIL GS funds.

**A total of \$2,878,000 was allotted to Iowa for this fund. Upon application of 2023 BIL PFAS/EC funds, a total of \$1,078,000 was transferred from the CWSRF PFAS/EC fund to DWSRF PFAS/EC fund to be used for Drinking Water PFAS/EC projects.

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

SFY 2025 LF CRITERIA

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

GENERAL RESTRICTIONS AND/OR LIMITATIONS

- LF eligibility will be evaluated based on the current SA Tool in effect at the time the project is added to the PPL.
- LF awards is applied only to the total eligible **construction costs** of the project.
- Borrowers being offered additional subsidization will be asked to accept the award by signing an offer letter of LF terms and conditions.
- Time limits may be established for signing loan commitments in order to apply LF awards.
- Maximum time limits may also be established for commencing construction of an eligible project. If construction has not been initiated or a loan commitment has not been signed by the date indicated in the LF terms and conditions award letter, the LF offer may be withdrawn or reassigned.

- Beginning in SFY 2024, borrowers with a project that is eligible for LF and have previously received a Sponsored Project award for the same qualifying project will not be able to receive both subsidizations, but may choose one or the other.
- Taxable portions of SRF projects are not eligible for LF.
- Applicants who received a DAC determination from DNR prior to September 20, 2022 and are eligible for extended term financing (up to 30 years) at the 20-year interest rate, are not eligible for LF.
- Borrowers receiving EPA congressionally directed spending will not be eligible to receive subsequent LF from the Iowa SRF program for the same project.
- Borrowers receiving additional subsidization awards from a previous Cap Grant will not be eligible to receive subsequent LF from the Iowa SRF program for the same project.
- LF awards may consist of more than one funding source.

FFY 2024 CWSRF BASE CAPITALIZATION GRANT AND BIL GENERAL SUPPLEMENTAL FUND

FFY 2024	Award Amount	LF Required	LF Obligated	LF Available to Award
CWSRF Base Cap Grant	\$11,048,000*	\$2,209,600	\$0	\$2,209,600
CWSRF BIL General Supplemental Fund	\$30,779,000*	\$15,081,710	\$5,365,030**	\$9,716,680

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

**Round 1-LF awards will first be made to the remaining projects with qualifying DAC scores between 11-20 with executed loans between January 1, 2023 and June 30, 2024. Final obligation amounts are pending loans executed in May and June, 2024 and pending acceptance of LF terms and conditions. Any remaining funds will be awarded in accordance with Round 2 described below (see Method of Distribution).

MAXIMUM AWARD AMOUNTS

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

Maximum award amounts based on DAC scores are identified below in Figure 1-LF Award Scale:

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

Figure 1- LF Award Scale

ELIGIBILITY CRITERIA

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

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

METHOD OF AWARD

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

Loan forgiveness for CWSRF Base and BIL GS funds will be awarded in two rounds:

Round 1: All available LF funds will first be used to award LF to the remaining eligible projects that executed loans between January 1, 2023 -June 30,2024, in accordance with the SFY 2025 LF criteria described above.

Round 2: The balance of FFY 2024 LF funds available will be assigned to the projects identified using the criteria listed above, until all funding is obligated.

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

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

FFY 2024 BIL PFAS/EC FUND

FFY 2024	LF Required	LF Obligated	LF Available to Award
CWSRF PFAS/EC	\$2,878,000*	\$0	\$2,878,000

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

MAXIMUM AWARD AMOUNTS

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

ELIGIBILITY CRITERIA

LF of up to 100% may be issued to any applicant addressing PFAS or an EC meeting the criteria described in SFY 2025 Program Activities to be Supported.

METHOD OF AWARD

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

Appendix C - Project Ranking Criteria

Projects are added to the PPL to be funded based on the rules for the CWSRF Program in 567 IAC Chapter 91. Projects will be funded as they become ready to proceed to construction.

The criteria for scoring and ranking CWSRF projects use an integrated approach which allows comparison of Section 212 POTW projects as well as NPS pollution control projects 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 the demand for CWSRF loans exceeds supply of funds. In the event that available funds are limited, funding shall be offered to the projects with highest rank on the PPL, subject to the project's readiness to proceed, and shall proceed from the highest project downward, subject to availability of funds.

PPL RANKING CRITERIA

P&D projects are not ranked. Construction projects are ranked based on the DNR's scoring system, described in 567 IAC Chapter 91. 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 ranking will be done at the time the IUP is prepared and will not be updated during the year.

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 follow.

According to 567 IA Chapter 91, loan assistance for General NPS projects is based on a first come, first-funded concept until 90 percent of the General NPS program budget is allocated. Once 90 percent of the budget is allocated, the ranking will be done at the time the project application is received. Priority ranking for General NPS projects will be based on the total points awarded for all categories; the greater the total number of points, the higher the ranking. The tiebreaker category will be used when necessary.

PPL SCORING CRITERIA

Eligible CWSRF projects (treatment works and NPS projects) will be scored in accordance with the scoring system described in 567 IAC Chapter 91.

The CWSRF project scoring system assigns points to projects in each of the following scoring criteria:

- A. Use and classification of receiving waters
- B. Water quality of the receiving waters
- C. Protection of groundwater resources
- D. Project type
- E. Project Purpose

All projects will be listed in descending order on the published PPL according to the number of total priority points assigned to each project. The tie breaker category (described in 567 IAC Chapter 91) will be used when necessary.

SPECIAL PURPOSE FUNDS SCORING CRITERIA

When special financing or incentive offerings, referred to as "Special Purpose Funds," are available through the SRF program, General NPS projects listed on the PPL may be evaluated using additional scoring criteria. The SRF Program may offer funding incentives to reward project applications that demonstrate high water quality benefits, sound design and/or project readiness.

This additional General NPS scoring criteria assigns applications a score up to a total of 20 points based on the following evaluation factors:

- A. Water quality impact
- B. Viability of design, strong technical merit

- C. Project readiness
- D. Cost effectiveness
- E. Demonstrated understanding of staff training and equipment maintenance needs
- F. Stakeholder communication plan and stakeholder support
- G. Intended evaluation/assessment of water quality outcomes
- H. Public impact and demonstration value of the practice

The total score needed to qualify for Special Purpose Funds may vary between offerings and will be determined as part of the funding criteria.

Evaluation Factor (Points out of 20)	Description	Scoring Considerations
Water quality impact (4)	Extent to which the constructed practice will reduce or prevent pollution to a water body. e.g. reduces/prevents delivery of sediment, nutrients, heat or another identified pollutant. Constructed practice will directly address a water quality issue identified within the community.	Water quality issue identified and addressed directly with practice; Treatment volume; Drainage Area (DA); land use; greater than 1 water quality benefit per practice e.g. wetland reduces nutrient AND sediment. For stream stabilizations, design goes beyond stream armoring; e.g. use of vegetated buffers and/or instream structures to compliment bank protection. Calculated load reductions.
Viability of design, strong technical merit (4)	Practices are designed with strong technical merit and are based on previously used and approved manuals and/or design standards. If a current design standard does not exist for Iowa, the application can still score well for viability of design if the applicant has consulted with a TA and incorporated relevant design components from other standards.	Design standard cited or relevant methods/best practices cited (e.g. Iowa River Restoration Toolbox). Likelihood practice will fit in project area based on 5 lines of evidence: design concept, footprint/DA ratio, preliminary checklist calculations, discussions with TA and site visit.
Project readiness (4)	Demonstrated ability to implement the project/practices in an efficient manner; readiness to proceed quickly upon project approval. Readiness evaluated based on stage of design, realistic timeline, demonstrated legal control and understanding of permitting needs.	Stage of design (e.g. concept/30/60/90), design checklist started or complete, realistic timeline, demonstrated legal control, and permitting needs understood and in progress if needed.

Cost effectiveness (\$ per water quality impact) (3)	Project maximizes the volume of water treated or pollutant load reduced by the practice relative to the total cost of the project.	Co-funders either in-kind or monetary, >1 practice within project footprint, extent of impervious surfaces.
Demonstrated understanding of staff training and equipment maintenance needs (2)	Discuss previous staff experience with maintenance of proposed practice or similar practices, or plans to address staff training needs. Discuss maintenance equipment needs.	Staff experience maintaining proposed practice or a similar practice, training needs.
Stakeholder communication plan and stakeholder support (1)	Neighbors and community members that will be directly impacted by the project are supportive of the project. Plan to engage with stakeholders prior to construction of the project.	Letters of support from partners who are directly impacted by the project e.g. landowner, monetary or in-kind support. Existing watershed plan if applicable.
Intended evaluation/assessment of water quality outcomes (1)	Application describes evaluation criteria or measures of success for the practice. e.g. clearer water, less sediment exported, lower temperatures etc. Post-construction water quality assessments should go beyond regular maintenance requirements. e.g. measuring or monitoring water quality via partnering with a monitoring program, citizen science, or school	Practice evaluation criteria or measures of success clearly stated. Discussion of plan to monitor and measure success post-construction.
Public impact and demonstration value of the practice (1)	Outreach and education activities planned to inform the general public about the water quality benefits of the practice, and/or activities planned to encourage surrounding communities to adopt similar practices	Planned signage, media coverage, community programs or field days relevant to constructed practice

Appendix D - Interest Rates, Fees, and Loan Terms

TYPES AND TERMS OF FINANCING

SRF P&D LOANS

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

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

SRF CONSTRUCTION LOANS

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

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

SRF Construction Loans also provide eligible entities with low-cost financing for a variety of NPS projects. SRF Construction Loans are offered for the length of the useful life of the NPS practice as determined by an existing design standard for the practice (e.g. 10 or 20 years depending on the NPS practice), with below-market interest rates, low fees, and favorable terms.

INTEREST RATES

CWSRF Programs are charged with offering communities a low-cost, perpetual funding source for constructing infrastructure and implementing practices that delivers safe drinking water to citizens and treats water pollution to support a healthy environment.

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

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

STANDARD TERM LOANS (UP TO 20 YEARS)

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

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

About BVAL

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

EXTENDED TERM LOANS (21-30 YEARS)

Extended term loans of up to 30 years are available for qualifying projects. The interest rate for projects that qualify and wish to close a loan with extended term financing will be:

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

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

SPECIAL PURPOSE FUND LOANS

General NPS projects: The interest rate for qualifying General NPS projects will be 0% up to the first \$500,000 of NPS project costs. Projects must qualify in accordance with the scoring criteria described in Appendix C – Project Ranking Criteria for “Special Purpose Funds.” Loan servicing fees will still apply (see Fees section below).

INTEREST RATE LOCK

Applicants should work with their Bond Counsel, Municipal Advisor, and other members of their financing team to complete the loan issuance process (e.g., submit a complete SRF Construction Loan Application: NOFE letter, legal opinion on bidding procedures, hold public hearing and authorize debt, complete proforma financial analysis, pass rate ordinance if required, etc.). After an acceptable construction application is received, the loan is presented for IFA Board approval. Post approval, applicants will receive notification from IFA that includes an interest rate lock for 90 days. Should the Program’s loan interest rates fall prior to signing a loan agreement, the applicant will automatically receive the more favorable rate at loan closing while staying within the 90-day rate lock period. Should the 90-day rate lock period expire, the loan would execute using the current interest rates (set quarterly²⁷).

FEES

LOAN INITIATION FEES

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

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

²⁷ <https://www.iowasrf.com/loan-interest-rates/>

LOAN SERVICING FEES

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

Appendix E - Estimated Sources and Uses

Estimated Sources and Uses of Funds

CWSRF - SFY 2025

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

SOURCES OF FUNDS

FFY 2022 Federal Capitalization Grant(s):	
BIL Emerging Contaminants (Undrawn Amount)	\$1,265,000
Total 2022 Grants	\$1,265,000
FFY 2023 Federal Capitalization Grant(s):	
BIL Emerging Contaminants	\$1,800,000
Total 2023 Grants	\$1,800,000
FFY 2024 Federal Capitalization Grant(s):	
Base Program	\$11,048,000
BIL Supplemental	\$30,779,000
BIL Emerging Contaminants	\$2,878,000
Total 2024 Grants	\$44,705,000
Estimated Loan Repayments (P&I)	\$120,000,000
Estimated Fee Income	\$6,568,000
Funds Available in Equity and Program Accounts	\$225,523,000
Estimated Investment Earnings on Funds	\$3,507,000
Estimated Bond Proceeds:	
Leveraged/Reimbursement	\$242,342,000
State Match	\$9,000,000
TOTAL SOURCES	\$654,710,000

ANTICIPATED USES OF FUNDS

Administration	\$5,376,000
Project Funding:	
Disbursements to Existing Loan Commitments ²⁸	\$267,308,000
Disbursements to Future Loan Commitments:	
Planning & Design Requests from IUP ²⁹	\$8,862,000
Additional CWSRF Project Requests ³⁰	\$78,030,000
Debt Service:	
Principal Payments on Outstanding Revenue Bonds	\$57,475,000
Interest Payments on Outstanding Revenue Bonds	\$66,849,000
Retained Equity ³¹	\$170,810,000
TOTAL USES	\$654,710,000
NET SOURCES (USES)	\$0

²⁸ Assumes 75% disbursement rate.

²⁹ Assumes 50% disbursement rate.

³⁰ Additional projects from IUP (up to the budgeted disbursement total for SFY 2025), plus another 25% of budgeted new commitments.

³¹ Includes accumulated undrawn cap grants, investment interest, and loan repayments available for future project funding and/or debt service.

Appendix F - State Match

Clean Water SRF

Federal Fiscal Year 2022			
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Sources of State Match

Surplus State Match from Prior Year(s)	\$5,896,400
State Match Bonds Issued in May 2022	\$3,000,000
Total CW State Match Available	\$8,896,400

Application of State Match

	<u>Cap Grant (\$)</u>	<u>Match Required (%)</u>	<u>Match Required (\$)</u>
FFY 2022 Base Cap Grant	\$15,660,000	20%	\$3,132,000
FFY 2022 BIL Supplemental Cap Grant	\$24,088,000	10%	\$2,408,800
Total CW State Match Required			\$5,540,800

CW State Match Surplus (Deficit)

\$3,355,600

Federal Fiscal Year 2023			
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Sources of State Match

Surplus State Match from Prior Year(s)	\$3,355,600
State Match Bonds Issued in June 2023	\$1,500,000
Total CW State Match Available	\$4,855,600

Application of State Match

	<u>Cap Grant (\$)</u>	<u>Match Required (%)</u>	<u>Match Required (\$)</u>
FFY 2023 Base Cap Grant	\$10,152,000	20%	\$2,030,400
FFY 2023 BIL Supplemental Cap Grant	\$28,210,000	10%	\$2,821,000
Total CW State Match Required			\$4,851,400

CW State Match Surplus (Deficit)

\$4,200

Federal Fiscal Year 2024			
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Sources of State Match

Surplus State Match from Prior Year(s)	\$4,200
State Match Bonds Issued in June 2024	\$9,000,000
Total CW State Match Available	\$9,004,200

Application of State Match

	<u>Cap Grant (\$)</u>	<u>Match Required (%)</u>	<u>Match Required (\$)</u>
FFY 2024 Base Cap Grant	\$11,048,000	20%	\$2,209,600
FFY 2024 BIL Supplemental Cap Grant	\$30,779,000	20%	\$6,155,800
Total CW State Match Required			\$8,365,400

CW State Match Surplus (Deficit)

\$638,800

Appendix G - Federal Assurances, Certifications and Proposals

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

SPECIFIC PROPOSALS AND CERTIFICATIONS

PROGRAM BENEFITS REPORTING

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

SIGNAGE

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

Projects receiving additional subsidization, or are funded as equivalency projects from IIJA or BIL funds will follow the OMB³² and EPA Signage Guidance³³ for those funds, as summarized below:

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

- Construction projects identified as “equivalency projects” for BIL general supplemental capitalization grants;
- Construction projects that receive additional subsidization (grants or forgivable loans) made available by BIL general supplemental capitalization grants;
- Construction projects that receive funding from BIL PFAS/EC capitalization grant.

COST EFFECTIVENESS ANALYSIS

To comply with EPA guidance on cost and effectiveness requirements under Section 602(b)(13) of the CWA, Iowa will require applicants to submit a self-certification form indicating compliance with this requirement.

GREEN PROJECT RESERVE (GPR)

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

ADDITIONAL SUBSIDIZATION

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

³² Guidelines and design specifications for using the official Investing in America emblem and corresponding logomark available at <https://www.epa.gov/invest/investing-america-signage>

³³ Compliance guidelines for sign specifications provided by the EPA Office of Public Affairs (OPA) are available at <https://www.epa.gov/aboutepa/using-epa-seal-and-logo>

AMERICAN IRON AND STEEL

CWSRF assistance recipients are required to use iron and steel products produced in the United States for projects for constructing, altering, maintaining, or repairing public water systems³⁴. Iowa CWSRF Program proposes oversight of this requirement to be conducted by verification of bid documents, selective review of product certification documentation, and on-site inspections and/or desk reviews. SRF staff will provide technical assistance to help applicants determine eligibility for the exemptions and waivers provided for in the Act and EPA guidance. All recipients will be required to sign a self-certification of compliance at completion of the project.

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

BUILD AMERICAN, BUY AMERICA ACT

On November 15, 2021, President Joseph R. Biden Jr. signed into law IIJA, Pub. L. No. 117-58, which includes the BABA that strengthens the Made in America Laws.³⁵ Infrastructure projects funded by federal financial assistance must ensure that the *iron, steel, manufactured products, and construction materials* used in the project are produced in the U.S.³⁶

Since not all funds available through the Iowa CWSRF Program are considered federal financial assistance, SRF will provide information to those applicants required to comply with necessary documentation and inspection procedures. Iowa proposes oversight of this requirement to be conducted by verification of bid documents, selective review of product certification documentation, and on-site inspections and/or desk reviews. SRF staff will provide technical assistance to help applicants determine eligibility for the exemptions and waivers provided for in BABA and EPA guidance³⁷. All recipients will be required to sign a self-certification of compliance at completion of the project.

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

ENVIRONMENTAL REVIEW

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

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

DAVIS-BACON

The Davis Bacon Act requires that all contractors and subcontractors performing construction, alteration and repair (including painting and decorating) work under federal contracts in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage and fringe benefits for the geographic location.³⁸ Iowa proposes oversight of this requirement to be conducted by verification of bid documents and wage determinations, and will require applicants to submit a self-certification form at completion of the project indicating compliance with this requirement.

FEDERAL ASSURANCES

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

³⁴ <https://www.epa.gov/cwsrf/state-revolving-fund-american-iron-and-steel-ais-requirement>

³⁵ Build America, Buy America Act, P.L. 117-58, Secs 70911 - 70917

³⁶ <https://www.epa.gov/cwsrf/build-america-buy-america-baba>

³⁷ <https://www.epa.gov/system/files/documents/2022-11/OW-BABA-Implementation-Procedures-Final-November-2022.pdf>

³⁸ <https://www.epa.gov/grants/interim-davis-bacon-act-guidance>

Binding Commitments. The State will enter into binding commitments with recipients to provide assistance in accordance with the requirements of the CWA, in an amount equal to 120 percent of the amount of each grant payment, within one year after receipt of such grant payment.

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

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

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

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

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

Environmental Review. The State will assure compliance through the procedures described in State Rules and 40 CFR 35.3140, in effect at the time of execution of this agreement, and any future amendments which are reviewed and approved by EPA. A NEPA-like (40 CFR Part 6) review will be completed for all CWSRF Treatment works projects, as defined by Section 212 of the CWA, receiving assistance.

Types of Financial Assistance. The State certifies that only the types of assistance authorized under Section 603 of the CWA, as amended, and the State's enabling legislation, will be awarded.

PROCESS (APPLICATION/PAYMENT/DISBURSEMENT)

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

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

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

Annual Report, Review and Audit. State will follow requirements in 40 CFR 35.3165.

Corrective Action. State will follow requirements addressed in 40 CFR 35.3170.

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

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

1. Document compliance with the CWA, other federal regulations, and any general and special grant conditions;

2. Produce the required report;
3. Document technical and financial review and project decisions;
4. Support audits; and
5. Provide effective and efficient program management.

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

Appendix H - Funding Recommendations

GENERAL NPS ASSISTANCE PROJECTS FOR APPROVAL OF LAND PURCHASE

Iowa Code Sections 455B.291 and 455B.295 set forth the conditions by which land acquisition is eligible under this NPS Assistance Program. Per 567 IAC 93.7(5), costs for the purchase of land are not eligible costs unless specifically approved by the EPC.

Applicant	Project Description (Proposed watershed, land use, transfer of ownership)	Acres	Purchase Price

GENERAL NPS ASSISTANCE PROJECTS RECEIVING SPECIAL PURPOSE FUNDING

GNS project applications received during the fourth quarter of SFY 2025 (and subsequent quarters as funds are available) will be scored to determine if the project qualifies for incentive funding. Applications will be evaluated using the additional scoring criteria located in “Special Purpose Funds” section of Appendix C – Project Ranking Criteria, to determine if the project demonstrates high water quality benefits, sound design, and project readiness.

The projects listed below received an application score of 10 or higher and qualify to receive incentive funding. As long as these projects are issued an Eligibility Letter within 18 months of project approval by EPC, the SRF applicant will receive incentive funds when they lock their interest rate.

Applicant	Project Description (Proposed practice, watershed, transfer of ownership)	Application Score	Total Project Cost

Appendix I - Public Review and Comments Received

A public meeting to allow input to Iowa's SFY 2025 IUP and PPL will be held May 30, 2024, 10:00 a.m. via video conference call. This meeting will be announced in a notice provided to stakeholder organizations representing city officials, consulting engineers, county governments, councils of government, area planning agencies, and other groups which might have an interest. Public notice announcements were also posted on the Media Center³⁹ and the IUP Public Hearings⁴⁰ pages of the SRF website. Written comments may be submitted to srf-pc@dnr.iowa.gov and will be accepted through June 7, 2024

Comments Received:

³⁹ <https://www.iowasrf.com/media-center/>

⁴⁰ <https://www.iowasrf.com/intended-use-plan-public-hearings/>

Attachment 1 - CWSRF PPL

This is a separate, sortable Excel File