

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	CWSRF Base Cap Grant	\$3,132,000	\$3,734,434	\$0
2022 (BIL Year 1)	CWSRF BIL GS Fund	\$11,803,120	\$11,803,120	\$0
2022 (BIL Year 1)	CWSRF PFAS/EC	\$1,265,000	\$1,265,000	\$0
2023	CWSRF Base Cap Grant	\$2,030,400	\$2,030,400*	\$0
2023 (BIL Year 2)	CWSRF BIL GS 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.

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

EXTENDED TERM LOANS (21-30 YEARS)

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

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.

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

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

	Cap Grant (\$)	Match Required (%)	Match Required (\$)
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

	Cap Grant (\$)	Match Required (%)	Match Required (\$)
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

	Cap Grant (\$)	Match Required (%)	Match Required (\$)
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:

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

Applicant	CWSRF Project No.	Funding Request	Project Type
Rickardsville	CS1920956	\$1,032,000	CONSTRUCTION
Algona	PD-CW-17-14	\$130,000	P&D
Chelsea	PD-CW-24-55	\$200,000	P&D
Coralville	PD-CW-21-61	\$694,400	P&D
Ely	PD-CW-23-16	\$184,420	P&D
Mapleton	PD-CW-16-30	\$225,000	P&D
Oelwein	PD-CW-16-40	\$33,500	P&D
Saint Ansgar	PD-CW-21-72	\$64,400	P&D

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

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