

INVESTING IN IOWA'S WATER



INTENDED USE PLANS

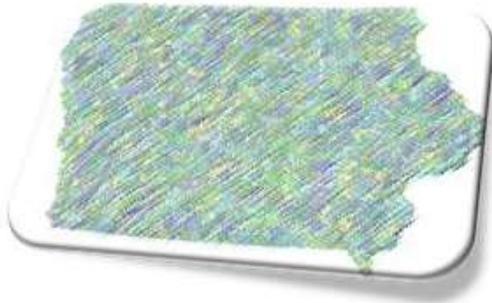
Clean Water State Revolving Fund

Drinking Water State Revolving Fund

Fiscal Year 2017

Iowa Department of Natural Resources

Iowa Finance Authority

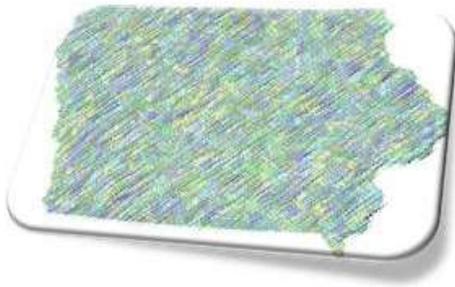


INTENDED USE PLANS

Clean Water State Revolving Fund
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Fiscal Year 2017

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INVESTING IN IOWA'S WATER

Introduction to the Iowa SRF

10 Quick Facts about Iowa's State Revolving Fund

Fact 1: SRF assistance recipients are cities, counties, rural water systems, sanitary districts, farmers, livestock producers, homeowners, watershed organizations, and others.

Fact 2: Since 1988, Iowa's SRF has provided almost \$2.7 billion in loans for water and wastewater infrastructure, agricultural best management practices, and other water quality projects.

Fact 3: Within the broad framework set by federal legislation, states have flexibility to set their own priorities and manage their own SRF programs. Iowa's SRF program has become one of the most innovative and far-reaching in the United States to help the state meet its water quality goals.

Fact 4: Strong partnerships between three state agencies form the basis for the SRF programs. The Iowa Department of Natural Resources, the Iowa Finance Authority, and the Iowa Department of Agriculture and Land Stewardship work together to deliver streamlined programs and good customer service.

Fact 5: Iowa's SRF also depends on several other types of partners to implement program and financial goals, including Soil and Water Conservation Districts, county environmental health agencies, watershed and land trust organizations, and lending institutions across the state.

Fact 6: The federal legislation created the programs as revolving loan funds to provide an ongoing source of financing. Iowa's SRF draws on several sources of money to make loans, including federal capitalization grants, bonds, and loan repayments with interest. No state general funds are provided.

Fact 7: The SRF programs accept applications year-round, and make funding available when projects are ready to proceed. All eligible projects can be funded.

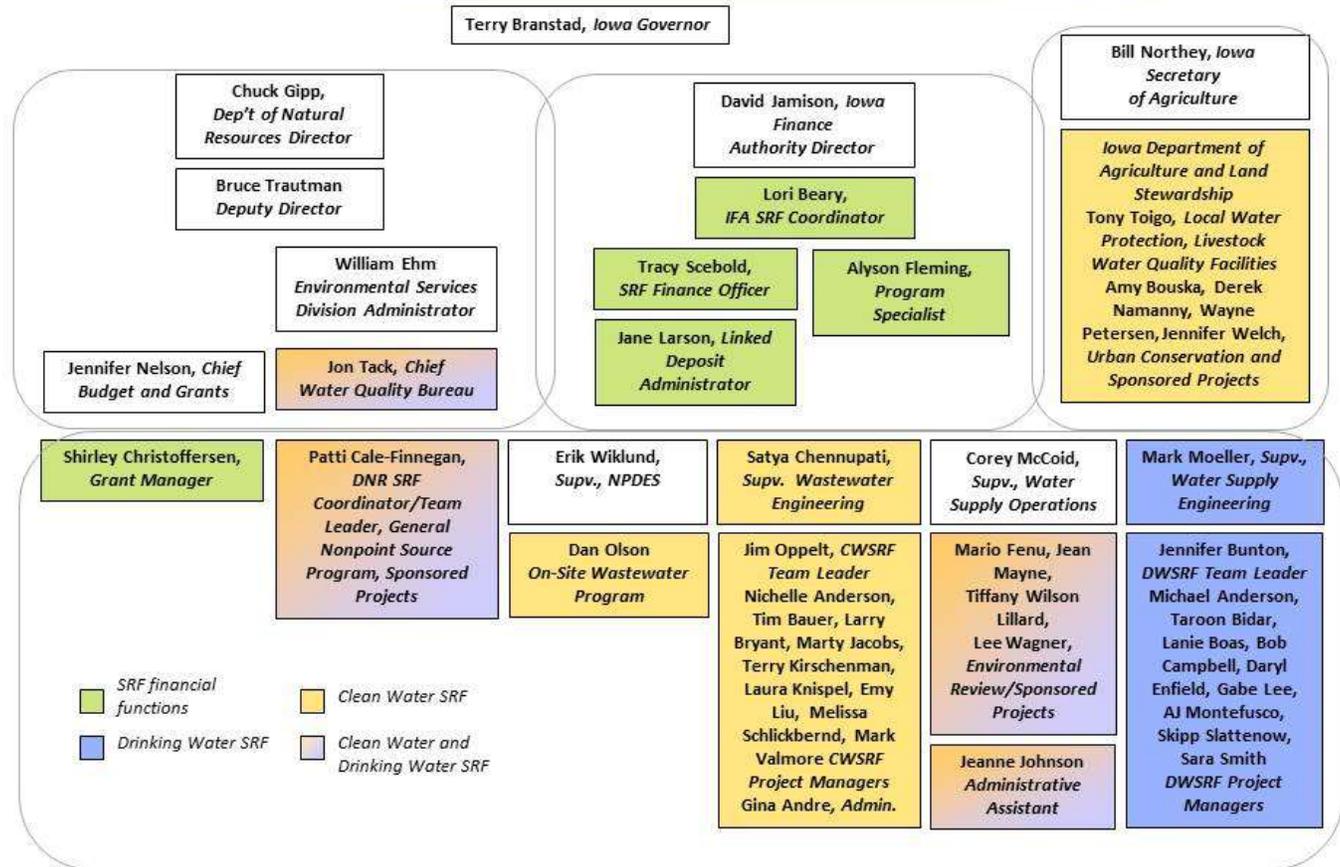
Fact 8: Iowa's SRF programs are rated highly in financial markets, giving the programs strong leveraging capacity to keep up with demand for loans.

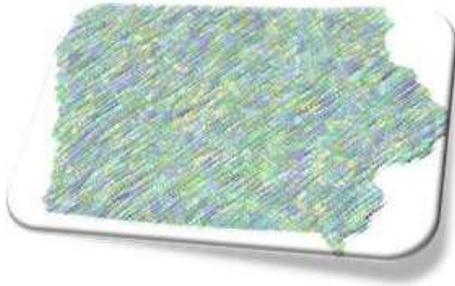
Fact 9: SRF loans are used as stand-alone financing or in combination with a wide variety of grants, including other federal water and wastewater assistance programs, state and federal agricultural cost-share, and local sources, along with private investment.

Fact 10: Iowa's SRF staff is committed to transparency and accountability. All programs plans are issued for public review and comment, with approval quarterly by the Iowa Environmental Protection Commission. Annual reports and program audits show program performance.

The Intended Use Plans (IUPs) following this introduction provide a roadmap to the policies and procedures of the SRF programs, along with the lists of projects and activities to be funded. The IUPs outline the proposed management of the Clean Water SRF and the Drinking Water SRF during State Fiscal Year 2017 (July 1, 2016 – June 30, 2017). The IUPs are developed and updated quarterly, in June, September, December, and March or more often as needed.

State Revolving Fund Organizational Structure -- Iowa



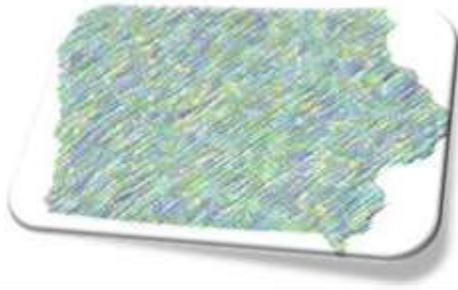


INTENDED USE PLAN

Clean Water State Revolving Fund
Fiscal Year 2017

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INTENDED USE PLAN

Clean Water State Revolving Fund
Fiscal Year 2017

I. STATE FISCAL YEAR 2017 PLAN OF ACTION

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

The CWSRF loan program consists of three main program areas:

- The purchase of debt obligations for wastewater and some storm water projects is provided through the CWSRF to publicly owned facilities.
- Direct loans or linked deposit financing approaches address nonpoint source programs.
- Water Resource Restoration sponsored projects address nonpoint source problems via interest rate reductions on wastewater loans.

The SFY 2017 Plan of Action covers the following areas:

- CWSRF goals and objectives;
- Current and projected financial capacity of the CWSRF;
- Financial management strategies;
- Plan for the SFY 2017 project priority list;
- Plan for nonpoint source set-asides; and
- Plan for use of administrative accounts.

CWSRF Goals and Objectives

The primary long-term goal of the Iowa CWSRF is to protect the environment and public health and welfare through a perpetual financial assistance program. While there have been changes to the CWSRF in recent years due to federal legislation, no major program updates are anticipated in SFY 2017. The SFY 2017 short-term goals and objectives are as follows:

- Goal: Commit loan funds to as many recipients as possible in accordance with the state priority rating system, the IUP, staff resources, and available funding, in order to assist in the construction of projects with the highest water quality impacts. *Objective: During SFY 2017, quarterly updates to the IUP will be prepared to add projects and update program financial information.*
- Goal: Require applicants to engage a registered Municipal Advisor (MA). *Objective: During SFY 2017, all applicants submitting an Intended Use Plan application must demonstrate that they have hired an MA to assist with cash flows, rate setting, debt service coverage, and other financial aspects of their wastewater utility.*

- Goal: Implement the “Use of American Iron and Steel (AIS)” requirements enacted by Congress on January 17, 2014. *Objective: During SFY 2017, SRF staff will help applicants determine eligibility for the exemptions and waivers provided for in the Act and EPA guidance. SRF staff will provide information to those applicants required to comply on necessary documentation and inspection procedures. SRF will engage DNR Field Office staff to conduct site visits and provide technical assistance.*
- Goal: Fund green projects to meet the requirements of the Green Project Reserve. *Objective: During SFY 2017, the Iowa SRF plans to fund green projects equivalent to at least 10% of the FFY 2016 capitalization grant. Iowa has already complied with the GPR requirements in the FFY 2010 – 2015 cap grants.*
- Goal: Apply additional subsidization required in FFY 2012 - 2014 capitalization grants to disadvantaged community projects and green projects. Develop plans for allocating loan forgiveness required in FFY 2016 cap grant. *Objective: During SFY 2017 SRF staff plans to approve plans and specifications and execute loans or loan amendments with loan forgiveness for the amounts required in the FFY 2012-2014 cap grants. For the FFY 2015 capitalization grant, loan forgiveness was optional. Iowa does not intend to provide any loan forgiveness from the FFY 2015 grant. Congress has once again required 10% loan forgiveness from the FFY 2016 cap grant.*
- Goal: Comply with EPA guidance on reporting under the Federal Funding Accountability and Transparency Act (FFATA). *Objective: In the Annual Report, SRF staff will list loans that met the several requirements of FFATA for open capitalization grants. Grants may not be closed out until equivalency amounts can be reported. Loans reported for FFATA will meet equivalency requirements for the following:*
 - *Section 602(b)(14) of the Clean Water Act: “A contract to be carried out using funds directly made available by a capitalization grant...for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or architectural related services shall be negotiated in the same manner as a contract for architectural and engineering services is negotiated under Chapter 11 of title 40, United States Code....”*
 - *Federal socioeconomic cross-cutters.*
 - *Federal environmental cross-cutters.*
 - *EPA signage guidance.*
 - *Single audit requirements.*
- Goal: Comply with EPA guidance on cost and effectiveness requirements under Section 602(b)(13) of the Clean Water Act, which states: “Beginning in (federal) fiscal year 2016, the State will require as a condition of providing assistance...that the recipient of such assistance certify...that the recipient – A) has studied and evaluated the cost and effectiveness of the processes, materials, techniques, and technologies for carrying out the proposed project...; and B) has selected, to the maximum extent practicable, a project or activity that maximizes the potential for efficient water use, reuse, recapture, and conservation, and energy conservation, taking into account – i) the cost of constructing the project or activity; ii) the cost of operating the project or activity over the life of the project or activity; and iii) the cost of replacing the project or activity.” *Objective: During SFY 2017 CWSRF will require applicants whose project requests were placed on the IUP after October 1, 2015 to submit a self-certification form indicating compliance with this requirement.*

- Goal: Promote and identify sustainable practices in projects proposed for funding. *Objective: During SFY 2017 SRF staff will provide information on the EPA's Sustainability Policy to applicants and include sustainability features in project descriptions.*
- Goal: Continue to implement the Water Resource Restoration Sponsor Program authorized in Iowa Code 384.84. *Objective: During SFY 2017, SRF staff will receive applications twice per year for sponsored project funding. Application deadlines will be in September and March. In conjunction with DNR 319 program staff, watershed coordinators, Iowa Department of Agriculture and Land Stewardship urban conservationists, and others, SRF staff will evaluate the applications and prepare a list of proposed projects for the IUP.*
- Goal: Comply with the EPA Signage Guidance. *Objective: During SFY 2017 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.*
- Goal: Update the CWSRF Operating Agreement. *Objective: During SFY 2017 SRF staff will work with EPA Region 7 to update the Clean Water SRF Operating Agreement between DNR and EPA. The agreement has not been updated since 2007.*

Additional long-term goals include:

- Goal: Work with other state and federal agencies to coordinate water quality funding. *Objective: During SFY 2017, SRF staff will meet regularly with staff from the Community Development Block Grant program, and USDA Rural Development. SRF staff will also coordinate funding with new state Water Quality Initiative grants for nonpoint source projects.*
- Goal: Apply program requirements that are simple and understandable and do not add unnecessary burdens to applicants or recipients. *Objectives: During SFY 2017 SRF staff will continue to assist applicants with completing the federal cross-cutting requirements for environmental and historical review. Staff will not be responsible for Davis-Bacon compliance but will advise borrowers as needed. Borrowers will be responsible for compliance and may hire outside consultants to assist.*
- Goal: Continue the option of extended financing terms for CWSRF infrastructure projects. *Objective: During SFY 2017 this option will be offered to current and new projects on the project priority list. Applicants seeking extended financing must complete a worksheet outlining the anticipated life of the project components, which can be averaged to determine the extended term.*
- Goal: Maintain mechanisms for funding the on-going administration of the program if federal funding is reduced or eliminated. *Objective: During SFY 2017 initiation and servicing fees will be collected on CWSRF loans for deposit to administrative accounts. SRF staff will develop short and long-term plans for administrative budgets.*
- Goal: Manage the CWSRF to maximize its use and impact through sound financial management. *Objective: During SFY 2017 SRF staff and financial advisors will continue to conduct financial analysis and develop innovative approaches to financial management.*

- Goal: Implement programs that effectively address water quality needs and target appropriate audiences. *Objective: During SFY 2017 SRF staff will continue to educate users and potential users about the program offerings through presentations, displays, program materials, and the IowaSRF.com website.*

Current and Projected Financial Capacity of the CWSRF

Appendix A, the Estimated Sources and Uses table, shows that funds are available to fund current requests as of April 2016. The Iowa CWSRF program uses its equity fund to originate loans. When a sufficient number of loans have been made, the SRF program issues bonds, backed by those CWSRF loans, and uses the bond proceeds to replenish the equity fund. A bond issued will be completed in SFY 2017 and include state match for the FFY 2016 capitalization grant.

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. Using relatively conservative assumptions, it is projected that the CWSRF could loan an average of \$300 million per year over the next 10 years, or a total of \$3 billion.

Financial Management Strategies

The CWSRF Project Priority List (attached) show total loan requests for wastewater projects. Because many of these projects are in the planning phase, they are not expected to sign a binding loan commitment during this fiscal year. The projected timing and demand for loan draws is reflected in the sources and uses table (Appendix A). Other uses for CWSRF funds in SFY 2017 include \$22.8 million for nonpoint source set-asides.

Iowa’s cap grants and state match amounts are shown below. State match bonds are issued at the same time that leveraged bond issues are done for greater cost effectiveness. The state match for the FFY 2016 cap grant will be obtained in SFY 2017.

FFY 2016	Cap Grant Amount	State Match Needed	Excess State Match
CWSRF state in SFY 2017 bond issue		\$3,591,800	
Excess state match		\$24,800	
Total CWSRF state match		\$3,3,616,600	
FFY 2016 cap grant	\$18,083,000	\$3,616,600	\$0

The cash draw procedure used is the direct loan method. State match is fully disbursed prior to drawing EPA capitalization grant funds. The EPA capitalization grant funds will be drawn at a 100% proportionality ratio. Iowa’s bonds are cross-collateralized across both the Clean Water and Drinking Water SRF accounts.

SFY 2017 Project Priority List

The management of the CWSRF program includes a priority list of projects for loan assistance, which has been developed according to DNR rules 567 IAC 92 (455B).

With the available CWSRF funds, this IUP provides a projection of loan funding assistance for applications in priority order determined by point source rating criteria defined in 567 IAC 91 (455B). This priority list will be amended on a quarterly basis during SFY 2017. Chart 1 (attached) constitutes the project priority list.

Due to the project workload and for planning purposes, the CWSRF staff may evaluate projects that have been on the IUP list for more than three years. A notification will be sent to the applicants that their project may be

dropped if there is no progress in the six months following the notice. If a project is dropped, the applicant may reapply when the project is ready to move ahead.

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

The following categories of projects will be included for funding during SFY 2017 and are included on the CWSRF Project Priority List:

Unfunded Prior Years’ Section 212 Projects: These are loan requests remaining on the project priority list from previous years’ IUPs. It is Iowa’s intention to make CWSRF loans to these projects during SFY 2017 if they are ready for a binding loan commitment.

Segments of Previously Funded Section 212 Projects. State rules provide that subsequent segments of a project, which has previously received funding priority or assistance, be placed on the project priority list ahead of new projects. Segmented projects will be added to the SFY 2017 project priority list as received.

New Section 212 Projects. New applications for assistance during SFY 2017 will be added to the project priority list. Applications will be accepted on a continuous basis during SFY 2017 with quarterly updates completed as needed.

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

Planning and Design Loans. Planning and design loans are provided at 0% interest for up to three years to cover the costs of preparing facility plans and project specifications. The loans will be rolled into CWSRF construction loans or repaid by another source of permanent financing.

Capitalization Grant Requirements. The FFY 2010 - 2016 capitalization grants include requirements for certain percentages of the funds to be allocated for additional subsidization and/or green projects. The FFY 2016 capitalization grant figures are estimates.

Year	CW Cap Grant Amount	CW Required Green Project Reserve Amount	CW Add Subs Required Minimum Amount	CW Add Subs Maximum Amount Allowed
2010	\$27,528,000	\$ 5,515,000	\$ 4,129,860	\$13,766,200
2011	\$19,985,000	\$ 3,997,000	\$ 1,851,928	\$ 6,173,093
2012	\$19,128,000	\$ 1,912,800	\$ 1,063,065	\$ 1,594,597
2013	\$18,069,000	\$ 1,806,900	\$ 851,127	\$ 1,276,691
2014	\$18,976,000	\$ 1,897,600	\$ 1,032,630	\$ 1,548,944
2015	\$19,003,000	\$ 1,900,300	\$0	\$ 5,700,900
2016	\$ 18,083,000	\$ 1,808,300	\$ 1,808,300	\$ 1,808,300
TOTAL	\$140,648,000	\$17,017,200	\$10,736,910	\$31,868,725

The following outlines the amounts and the projects that have been or will be counted for each cap grant. The highlighted projects met the qualifications for the Green Project Reserve. Not all GPR projects received loan forgiveness. The remaining projects met disadvantaged criteria.

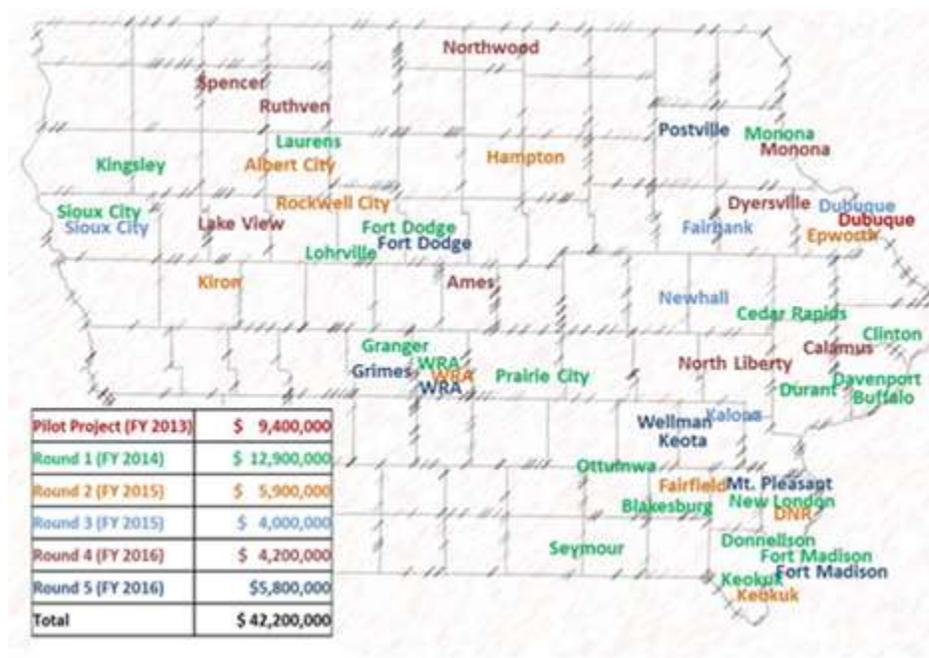
Project	Current Request	Loan Amount	Amount Green	Amount Add Subs	Grant Year Reported
Charles City		1,400,000	1,400,000	420,000	2010
Lohrville		3,724,000		1,117,200	2010
Spirit Lake		103,000	103,000	30,900	2010
Conesville		1,350,000		230,689	2010
Ocheyedan		2,065,000		227,398	2010
Terril		1,077,000		335,400	2010
Odebolt		1,599,000		319,800	2010
Odebolt		500,000		100,000	2010
McCallsburg		810,000		147,400	2010
Washington		16,316,000		1,000,000	2010
Walker		2,158,000		431,600	2010
Nonpoint Source		1,975,574	1,975,574		2010
Nonpoint Source		10,024	10,024		2010
Nonpoint Source		1,435,320	1,435,320		2010
Nonpoint Source		189,874	189,874		2010
Nonpoint Source		403,000	403,000		2010
Pisgah		650,000		195,000	2010
Meriden		329,000	64,485	12,897	2011
Dubuque (sponsored)		9,400,000	9,400,000	-	2011
Nonpoint Source		827,000	827,000		2011
Ottumwa (Richmond Ave)		4,800,000		1,440,000	2011
Coralville		1,751,000	1,751,000	525,300	2011
Albert City	2,787,264	400,000		120,000	2012
Dubuque (methane)		3,048,000	3,048,000		2012
Nonpoint Source		647,700	647,700		2012
Nonpoint Source		129,420	129,420		2012
Nonpoint Source		98,940	98,940		2012
Nonpoint Source		300,000	300,000		2013
Nonpoint Source		342,000	342,000		2013
Nonpoint Source		2,835,000	2,835,000		2013
Buffalo (sponsored)		35,000	35,000		2014
Monona (sponsored)		245,000	245,000		2014
Wastewater Reclamation Authority (sponsored)		2,200,000	2,200,000		2014
Dubuque (Upper Bee Branch)		28,823,000	28,823,000	5,908,000	2011, 2012, 2013,

					2014 (add subs) 2015 (green)
TOTAL	2,787,264	91,976,852	56,363,516	12,280,837	

Water Resource Restoration. In 2009, the Iowa General Assembly amended Iowa Code chapter 384.84 to add a new category of projects that can be financed with sewer revenues. This new category, called “water resource restoration” sponsored projects, includes locally directed, watershed-based projects to address nonpoint source water quality issues.

On a typical CWSRF loan, the utility borrows principal and repays principal plus interest. On a CWSRF loan with a sponsored project, the utility borrows for both the wastewater improvement project and the sponsored project. 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. Instead, two water quality projects are accomplished for the cost of one.

The map shows the project locations for approved sponsored projects as of January 2016.



The following applications are proposed for funding during SFY 2017:

SRF Number	Applicant	Project Description	Project Partners
WRR16-001	City of Hills	Iowa River Watershed – urban storm water infiltration practices	Johnson Co. SWCD, Iowa City Comm. School Dist., Hills Elementary, Hills Bank & Trust, Elson C. Stutsman, Inc.
WRR16-002	City of Mount	Snipe Run Watershed / Skunk	IDALS, NRCS, Mount Pleasant

	Pleasant	River – urban storm water infiltration practices	Community School District
WRR16-003	City of Fort Dodge	Middle Des Moines River - comprehensive plan to improve water quality in stretch of river flowing through Fort Dodge	Webster County Conservation, American Rivers, Iowa DNR River Programs
WRR16-004	City of Coralville	Clear Creek, Iowa River – stream stabilization, ecological restoration, and urban storm water infiltration practices	Clear Creek Watershed Coalition
WRR16-005	WRA	Fourmile Creek – stream stabilization	Polk SWCD, Fourmile Creek Watershed Management Authority, Polk County Conservation Board, City of Ankeny, City of Pleasant Hill

The next application deadline will be September 1, 2016. The same requirements apply.

- For loans up to 20 years, the interest rate on the combined infrastructure/sponsored project loan will be reduced to not lower than 0.75%. The equivalent of the amount that would be generated by a 1% interest rate (approximately \$100,000 per \$1 million borrowed) will be available for eligible sponsored project costs. Loans between 20-30 years can also be used but the dollar amount for sponsored projects will also be \$100,000 per \$1 million.
- The amount set aside for interest rate reductions for the in FY 2017 is \$10 million (on up to \$100 million worth of future CWSRF infrastructure loans). If sponsored project requests exceed that amount, DNR reserves the right to cap the dollar amount of a single project to a percentage of the total allocated.

Eligible applicants include the following:

1. Applicants submitting sponsored project applications at the same time as their wastewater infrastructure Intended Use Plan application. The wastewater IUP application must be complete and eligible to be placed on the fundable list.
2. Applicants with wastewater projects already included on the fundable list of the CWSRF Intended Use Plan which are still in the “Planning” phase.

The following will disqualify an applicant for pursuing a sponsored project:

1. The sponsored project application is submitted with an incomplete wastewater IUP application. The wastewater IUP application packet includes a checklist for determining a project’s readiness to be placed on the Intended Use Plan. Sponsored project applications submitted with incomplete wastewater IUP applications will not be considered.
2. The applicant’s wastewater project has reached the “Ready for Loan” milestones as of the sponsored project application deadline. This classification on the IUP project list indicates that construction permits have been issued, environmental review is complete, and in some cases, that the project has

gone out to bid. Applicants may not delay their wastewater project construction or financing in order to apply for a sponsored project.

3. The wastewater loan has already been executed.

Detailed requirements for FY 2017 sponsored project applications are explained on Page 18.

Plan for Nonpoint Source Set-Asides

Iowa authorizing legislation and state administrative rules allow the use of CWSRF funds for nonpoint source pollution control projects. Four set-asides for nonpoint source program assistance have been established which target areas of need allowed under federal guidance and identified in the state nonpoint source water quality management plan:

- The On-Site Wastewater Systems Assistance Program (OSWAP), providing loans to homeowners to replace inadequate septic systems. New systems are certified by county sanitarians and loans are made through participating lenders through a linked deposit arrangement.
- The Local Water Protection (LWP) Program, addressing soil, sediment, and nutrient control practices on agricultural land. DNR contracts with the Iowa Department of Agriculture and Land Stewardship, which operates the program through local Soil and Water Conservation Districts. Loans are made through participating lenders through a linked deposit arrangement.
- The Livestock Water Quality Facilities (LWQ) Program, assisting livestock producers with manure management plans, structures, and equipment. Facilities with fewer than 1,000 animal unit capacity are eligible. DNR contracts with the Iowa Department of Agriculture and Land Stewardship, which operates the program through local Soil and Water Conservation Districts. Loans are made through participating lenders through a linked deposit arrangement.
- The General Nonpoint Source (GNS) Program, for a wide variety of other water quality protection efforts. Projects include habitat and wetland restoration, landfill closure, lake restoration, and watershed planning. Funding for Storm Water Best Management Practices loans are also included in this set-aside amount.

Individual projects under the GNS program that involve purchase of land must be approved by the Environmental Protection Commission. Two projects are proposed this quarter by the Iowa Natural Heritage Foundation.

Project	Description	Water Quality Benefit	Loan Amount
DeYoung Property, Mahaska County	Purchase of 185 acres of land along the North Skunk River	The current uses of the property are 70 acres of cropland, 18.3 acres in the Conservation Reserve Program, and 97 acres of timber along the North Skunk and a tributary stream. New uses will include floodplain functions and wildlife habitat. The parcel is believed to harbor the endangered Indiana bat. Upstream and downstream stretches of the river are impaired. Protection of this stretch is intended to keep it off the impaired waters	\$545,750

		list.	
Coulson Property, Madison and Clarke Counties	Purchase of 1,021 acres of land adjacent to the Clanton Creek Natural Resource Area	The property currently has 100 acres in the Conservation Reserve Program, 310 acres in row crop, and the remaining 603 acres in woodland, savanna, and remnant prairie along the South Fork of Clanton Creek. The creek is a tributary to the Middle River, an impaired water that drains into Lake Redrock. The DNR has requested assistance in purchasing this large tract of land due to the opportunities it presents for water quality protection, habitat, and outdoor recreation.	\$3,950,000

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

Program	Proposed SFY 2017 Set-Aside Amount
Onsite Wastewater Assistance Program (OSWAP)	\$1.8 million
Local Water Protection Program (LWPP)	\$5.0 million
Livestock Water Quality Facilities Program (LWQ)	\$6.0 million
General Nonpoint Source Program (GNS)	\$10.0 million
TOTAL	\$22.8 million

Plan for Use of Administrative Accounts

There are three distinct funding sources for CWSRF administrative expenses:

- The CWSRF administrative set-aside. Iowa intends to take or reserve 4% of the federal capitalization grant funds for program administration. The Iowa SRF program did not take any administrative set-aside from the ARRA capitalization grant. The administrative set-aside of \$2,122,000 from the ARRA cap grant is reserved for future use. Any unused administration commitments from other capitalization grants are reserved for use in future years as necessary should capitalization grants be reduced, or actual costs increase.
- Loan initiation fees. A 0.5% loan origination fee will be charged on new CWSRF loans. The maximum amount to be paid will be \$100,000. Under EPA rules, because Iowa’s origination fees are financed through the loans, the proceeds are considered program income. Program income can only be used for the purposes of administering the CWSRF program or for making new loans. There is approximately \$3 million available in funds considered program income. A portion of these funds will be used in SFY 2017 for program administration, and the remainder will be reserved for future administrative expenses.
- Loan servicing fees. A fee of 0.25% on principal is charged on CWSRF loans. Under EPA rules, only servicing fees charged on loans made above and beyond the amount of the capitalization grant and fees collected after the capitalization grant under which the loan was made has been closed are considered non-program income. Non-program income can be used to administer the program or for other water quality purposes. The uses of non-program income are discussed below.

Program Income. CWSRF program expenses are currently approximately \$2.6 million per fiscal year. This includes the work of wastewater engineering section project managers, specialists in environmental review, nonpoint source program administrators, financial officers, loan coordinators, and program managers. It also covers expenses for financial and legal advisors.

Non-Program Income. There is approximately \$6.6 million available in funds considered non-program income. The DNR proposes the following uses for a portion of these funds during SFY 2017:

Purpose	Explanation	Amount
To support wastewater compliance activities	SRF non-program income will be used in place of state general fund dollars for three FTEs in the field office wastewater staff. The field offices will be doing inspections to ensure compliance with the NPDES permit, assisting permit holders with staying in compliance with their permit, investigating complaints from the public related to wastewater treatment and offering technical assistance to wastewater facility operators. Another task is working with unsewered communities to become properly sewerred.	\$328,000
To provide staffing in the Water Quality Bureau	This funding will replace state general funds for up to three environmental engineers that review construction projects in the Wastewater Engineering section, up to four permit writers in the National Pollution Discharge Elimination System (NPDES) section, up to three water quality monitoring staff, the Water Quality Resource Coordinator position, half the time of a business analyst to update Bureau databases, and engineering interns.	\$1,400,000
To support the development of a stream mitigation program	The funding will be used to fund staff time to develop a stream mitigation banking effort.	\$150,000
	TOTAL	\$1,878,000

II. INFORMATION ON THE CWSRF ACTIVITIES TO BE SUPPORTED

Allocation of Funds

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

1. The amount of financial assistance needed for each application was estimated;
2. The sources and allowable uses of all CWSRF funds were identified; and
3. The CWSRF funds were allocated among the projects, consistent with the amount available and the financial assistance needed.
4. A designated amount was selected as reasonable and manageable for each set-aside.

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

Sources and Uses of Available CWSRF Funds

Appendix A to the Intended Use Plan illustrates potential sources and uses of funds in the CWSRF for SFY 2017. As shown, all pending loan requests and program administration needs can be funded. Projects will draw on their funding at different intervals based on their construction cycles. These differences are used to estimate cash needs throughout the year. Appendix A will be updated quarterly as needed to provide an ongoing view of the financial plan for meeting loan requests.

Section 212 Projects Program Policies

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

Loan Interest Rates. The interest rates for construction loans made from the CWSRF are as follows:

Loan Term	Applicant Type	Interest Rate	Servicing Fee	Total	Additional Information
Standard (up to 20 years)	All	1.75%	.25%	2.00%	
Extended (21 to 30 years based on useful life)	Disadvantaged	1.75%	.25%	2.00%	Communities must be determined to be disadvantaged based on criteria in Iowa Code section 455B.199B, Disadvantaged Communities Variance, as amended by Senate File 407 on April 28, 2011. These criteria include income and unemployment data. SRF staff will also consider population trends, providing 1 point for communities with projected increases or decreases in population. Population trends are also reviewed as part of the construction permitting process as required in Iowa Administrative Code 567 Chapter 64.2(9).
Extended (21 to 30 years based on useful life)	Non-Disadvantaged	2.75%	.25%	3.00%	

Interest rate for CWSRF planning and design loans will be 0% for up to three years.

Loan Fees. A 0.5% origination fee is charged on the full loan amount for new CWSRF construction loans, with a maximum amount of \$100,000. No origination fees will be charged on planning and design loans. A .25% servicing fee will be charged on construction loans. Payment of the loan servicing fee is semi-annual with

interest payments for all new SRF loans. Loan servicing fees are only charged on the principal amount disbursed during construction (not the entire original loan amount).

Financing Term. The financing term will be up to 30 years. Current and new projects on the project priority list may request an extended term. The length of the term will be based on calculation of the average useful life of the entire project, to be determined by the applicant's consulting engineer and approved by DNR.

Maximum Financing. There is no maximum financing amount.

Project Readiness. Applicants cannot be offered assistance until they meet program requirements.

Funding Limitations. Pending loans identified in this IUP do not exceed funds obtainable for the CWSRF program. These estimates are based on the projections that, for projects that have completed program requirements and are ready for funding, only 40% of the loan amount will be disbursed this fiscal year. For projects that are currently in the planning phase but may be ready for funding during SFY 2017, it is projected that only 25% of total funds will be disbursed this fiscal year.

Plan for Efficient and Timely Use of CWSRF Funds

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

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

Financial management also contributes to the timely use of federal funds. The Iowa CWSRF program uses its Equity Fund to originate new loans. This fund consists of principal and interest repayments. When additional funds are needed, the SRF program issues bonds, backed by those CWSRF loans, and uses the bond proceeds to replenish the equity fund.

Iowa's SRF program generally issues bonds annually. These bond issues include the state match for the next federal capitalization grants. After the bonds are issued, the state match is spent first so the cap grant can be drawn down at 100% when it is received. Due to equivalency guidance from the U.S. EPA, cap grant dollars can be directed on a first-come, first-served basis. That allows the cap grant to be drawn down more quickly.

Equivalency projects are chosen to meet the full range of SRF requirements as described on page 5. Loan disbursements are made weekly. Iowa's CWSRF disbursements average \$10 million per month.

With a return of \$3.20 for every dollar of federal investment, Iowa's CWSRF is an efficient and effective delivery mechanism for water infrastructure funding.

The practices described above are currently working well for Iowa and will be continued through FY 2017.

Water Quality Management Planning

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

SEE Salary Funds Deducted from Cap Grant

The Iowa DNR may request U.S. EPA to deduct funds from its FFY 2016 and FFY 2017 capitalization grants which could be included in Iowa's next grant applications to EPA after receiving notification of availability of the CWA Title VI Funds and evaluating the state allotment amount. These positions could be 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 could help provide staffing at Iowa DNR to maintain the CWSRF program and keep up with the increasing CWSRF project technical and administrative work load. Authorized under the Environmental Programs Assistance Act of 1984 (PL 98- 313), the SEE program is intended "to utilize the talents of older Americans in programs authorized by other provisions of law administered by the Administrator in providing technical assistance to Federal, State, and local environmental agencies for projects of pollution prevention, abatement, and control."

III. ASSURANCES AND SPECIFIC PROPOSALS

Iowa will provide the necessary assurances and certifications according to the Operating Agreement between the State of Iowa and the U.S. EPA. Iowa's Operating Agreement was amended in April 2007 and will be updated during SFY 2017.

IV. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

Section 212 Infrastructure Projects

The following approach was used to develop Iowa's proposed distribution of CWSRF funds for Section 212 infrastructure projects: (1) analysis of the priority of communities applying and financial assistance needed; (2) identification of the sources and spending limits of available funds; (3) allocation of funds among projects; (4) development of a payment schedule which will provide for making timely binding commitments to the projects selected for CWSRF assistance; and (5) development of a disbursement schedule to pay the project costs as incurred.

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

All projects scheduled for funding with Iowa's CWSRF will be reviewed for consistency with appropriate plans developed under sections' 205(j), 208, 303(e), 319 and 320 of the Clean Water Act, as amended. Evidence of this review and finding of consistency will be documented in each CWSRF project file. Should a project fail to meet this review criterion, it may be bypassed as allowed by State rules. The Project Priority List provides for contingency projects, which may be considered for loan assistance as bypass projects according to state rules without formal amendment of this intended use plan.

Priority of Communities and Financial Assistance Needed. Iowa law provides only for loan assistance. Additional subsidization required by the FFY 2010-2014 and FFY 2016 capitalization grants will be through forgivable loans. The state's CWSRF rules identify the priority rating system used to establish priorities for loan assistance.

Nonpoint Assistance Programs

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

Water Resource Restoration Sponsored Projects – FY 2017 Requirements

Sponsored project applications may be submitted by the following:

- Applicants submitting sponsored project applications at the same time as their wastewater infrastructure Intended Use Plan application. The wastewater IUP application must be complete and eligible to be placed on the fundable list. **Next deadline: September 1, 2016.**
- Applicants with wastewater projects already included on the fundable list of the CWSRF Intended Use Plan which are still in the "Planning" phase. **Next deadline: September 1, 2016.**

Potential applicants for the September 1 application deadline must schedule a pre-application conference call with the DNR before June 30, 2016.

Wastewater utilities are required to include local watershed organizations, Watershed Management Authorities, County Conservation Boards, and/or Soil and Water Conservation Districts in the planning and implementation of sponsored projects. These organizations provide technical assistance and expertise for water quality projects.

Wastewater utilities interested in conducting a sponsored project will use the standard CWSRF Intended Use Plan application for the infrastructure project. The separate CWSRF sponsored project application must also be completed and submitted, along with the following attachments:

- Authorizing resolution passed by the wastewater utility's governing board for the sponsored project application;
- If there is a third-party entity involved, the 28E agreement between the utility and the qualified entity;
- Identification of the water quality/conservation organization involved with project planning;

- Letters of support from other project partners;
- Letter from the wastewater utility’s bond counsel indicating concurrence with the sponsored project concept;
- Project conceptual plans, including:
 - Assessment of the impacted waterbody and its watershed with data that supports the identification of the water quality problems to be addressed
 - Discussion of project goals and objectives
 - Evaluation of possible water quality practices that could be implemented, considering the unique demographic, topographic, hydrologic, and institutional characteristics of the planning area
 - Description of potential practices to be implemented with the expected water quality outcomes
 - Discussion of project locations, land ownership, and any plans for acquiring properties or easements
 - Identification of any other organizations or resources to be involved in the project and their expected contributions
 - Proposed project schedule with major milestones, along with a discussion of how the sponsored project construction schedule coordinates with the infrastructure project schedule
 - Proposed evaluation procedures and measures
 - Explanation of the proposed budget, including other planned funding sources and flexibility to adjust budget according to final amount available through sponsored project mechanism

V. METHOD OF AMENDMENT OF THE INTENDED USE PLAN

This IUP will be followed by the State in administering CWSRF funds in SFY 2017. Federal and state law requires, and Iowa welcomes, opportunity for public participation in the development of the IUP. Any revisions of the goals, policies and method of distribution of funds, must be addressed by a revision of the IUP, including opportunity for public participation. Updates to the IUP to add projects to the priority list, to make program changes, or to adjust dollar amounts in set-asides, will be made quarterly as needed. Minor adjustments in funding schedules, loan amounts and use of bypass provisions including funding of projects on contingency status are allowed by the procedures of this IUP and state rules for administration of the CWSRF without public notification.

VI. PUBLIC REVIEW AND COMMENT

A public meeting to allow input to Iowa’s SFY 2017 IUP and Project Priority List was held May 12, 2016, 10:00 a.m., at the Wallace State Office Building, Conference Room 5E, 502 E. 9th Street, Des Moines. This meeting was announced in a notice provided to stakeholder organizations representing city officials, consulting engineers, county governments, councils of government, area planning agencies, US EPA Region VII and other groups which might have an interest. There were no attendees. The public comment period was open until May 19, 2016. There were no written comments.

VII. PROJECT PRIORITY LIST

The CWSRF Project Priority List is included in a separate, sortable Excel file.

APPENDIX A

**Iowa CWSRF State Fiscal Year 2017 1Q
Estimated Funding Sources and Funding Uses
As of 4/28/2016**

Funding Sources

Funds Available in Equity Fund and Program Accounts	\$95,089,000	*
FFY 2016 Capitalization Grant	\$18,083,000	
State Match for FFY 2016 Capitalization Grant	\$3,617,000	**
Issuance of Leveraged Bonds (next bond issue expected SFY 2017)	\$124,096,000	
Equity Fund and Program Interest Earnings	\$446,000	
Loan Repayments	\$75,312,000	
Total Funding Sources	\$316,643,000	

Funding Uses

Undisbursed Amounts Committed to Existing Loans (55% disbursement rate)	\$60,728,000
Section 212 Project Requests (FNSI/CX issued; 40% disbursement rate)***	\$98,170,000
Section 212 Project Requests (FNSI/CX not issued; 25% disbursement rate)***	\$67,063,000
Planning & Design Requests (60% disbursement rate)	\$1,986,000
Non-Point Source Program Assistance	\$22,800,000
Principal Payments on Outstanding Bonds	\$36,620,000
Interest Payments on Outstanding Bonds	\$27,154,000
Program Administration From ARRA Capitalization Grant	\$2,122,000
Total Funding Uses	\$316,643,000

* Funds Available for disbursements as of 4/28,2016

** Amount Rounded to the nearest \$1,000, Actual will be 20% of Cap Grant

*** Loan disbursement rates are estimated based on previous experience with project pace. For projects that currently have not had a Finding of No Significant Impact or Categorical Exclusion issued, it is expected that up to 25% of the total project amounts may be disbursed during SFY 2017 once environmental review is completed, construction permit issued, and binding loan commitment signed. For those projects with FNSI/CX clearance, the disbursement rate is estimated at 40% of the loan request amount.

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

Project rankings were determined by the following procedures:

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

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

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

**APPENDIX B-2
CRITERIA TO DETERMINE PROJECT PRIORITY LIST**

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

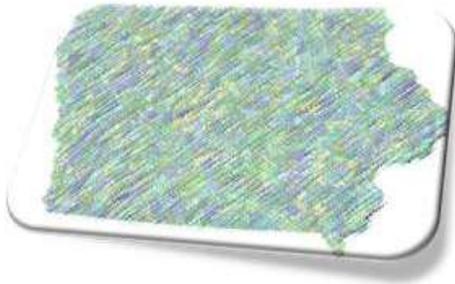
Currently Iowa is able to fund all projects that are eligible, but the priority system will be available to use in the case that demand for CWSRF loans exceeds supply of funds.

Section 212 POTW Projects

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

Nonpoint Source Set-Aside Programs

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

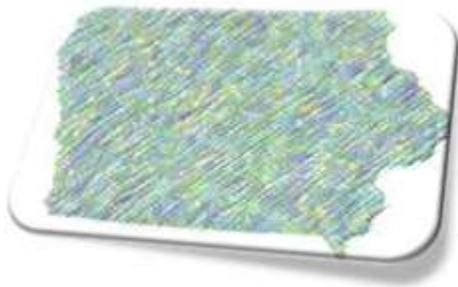


INTENDED USE PLAN

Drinking Water State Revolving Fund
Fiscal Year 2017

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INTENDED USE PLAN

Drinking Water State Revolving Fund
Fiscal Year 2017

I. STATE FISCAL YEAR 2017 PLAN OF ACTION

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

The SFY 2017 Plan of Action covers the following areas:

- DWSRF goals and objectives;
- Current and projected financial capacity of the DWSRF;
- Financial management strategies;
- Plan for the SFY 2017 project priority list;
- Plan for use of DWSRF set-aside funds; and
- Plan for use of administrative accounts.

DWSRF Goals and Objectives

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

The SFY 2017 short-term goals and objectives are as follows:

- Goal: Commit loan funds to as many recipients as possible in accordance with the state priority rating system, the IUP, staff resources, and available funding. *Objective: During SFY 2017, quarterly updates to the IUP will be prepared to add projects and update program financial information.*
- Goal: Ensure that borrowers are able to provide safe drinking water at a reasonable cost for the foreseeable future. *Objectives: During SFY 2017, viability assessments will be completed by each applicant and reviewed by SRF staff prior to signing of the loan agreement. Systems determined nonviable or systems with EPA's Enforcement Targeting Tool (ETT) scores above 11 will be provided with an enforceable compliance schedule listing all actions that must be completed to return the system to viable status. Extended term financing will be offered to disadvantaged communities. SRF staff will coordinate efforts with other funders such as the Community Development Block Grant program. We will continue to educate and inform public water supplies, engineering consultants, and financial advisors on the financing savings available by using the DWSRF.*
- Goal: Require applicants to engage a registered Municipal Advisor (MA). *Objective: During SFY 2017, all applicants submitting an Intended Use Plan application must demonstrate that they have hired an MA to assist with cash flows, rate setting, debt service coverage, and other financial aspects of their wastewater utility.*

- Goal: Implement the “Use of American Iron and Steel (AIS)” requirements enacted by Congress on January 17, 2014. *Objective: During SFY 2017, SRF staff will help applicants determine eligibility for the exemptions and waivers provided for in the Act and EPA guidance. SRF staff will provide information to those applicants required to comply on necessary documentation and inspection procedures. SRF will engage DNR Field Office staff to conduct site visits and provide technical assistance.*
- Goal: Apply additional subsidization available in FFY 2014 - 2016 capitalization grants to disadvantaged community projects and public health projects. Identify additional projects as needed when the FFY 2015 cap grant is available. *Objective: During SFY 2017 SRF staff plans to approve plans and specifications and execute loans or loan amendments with loan forgiveness for the amounts required in the FFY 2014 - 2016 cap grants.*
- Goal: Promote and identify sustainable practices in projects proposed for funding. *Objective: During SFY 2017 SRF staff will provide information on the EPA’s Sustainability Policy to applicants and include sustainability features in project descriptions.*
- Goal: Comply with EPA guidance on reporting under the Federal Funding Accountability and Transparency Act (FFATA). *Objective: In the Annual Report, SRF staff will list loans that met the several requirements of FFATA for open capitalization grants. Grants may not be closed out until equivalency amounts can be reported.*
- Goal: Comply with the EPA Signage Guidance. *Objective: During SFY 2017 SRF staff and recipients will notify the public in the most effective ways possible about assistance agreements and benefits of the DWSRF program in order to enhance public awareness of EPA assistance agreements nationwide.*
- Goal: Update the DWSRF Operating Agreement. *Objective: During SFY 2017 SRF staff will work with EPA Region 7 to update the Drinking Water SRF Operating Agreement between DNR and EPA. The agreement has not been updated since 2007.*

Additional long-term goals include:

- Goal: Prioritize the provision of funds, to the extent practicable, to projects that address the most serious risk to human health and are necessary to ensure compliance with the national primary drinking water standards. *Objectives: Priority will be assigned to projects that address human health risks or compliance issues by the provision of points assigned during the DWSRF scoring process as outlined in 567 IAC Chapter 44. The EPA’s Enforcement Targeting Tool (ETT) will be reviewed to determine whether additional assistance through the DWSRF program could be extended to systems with scores above 11 points related to drinking water quality through additional subsidization or other means.*
- Goal: Apply program requirements that are simple and understandable and do not add unnecessary burdens to applicants or recipients. *Objectives: During SFY 2017 SRF staff will continue to assist applicants with completing the federal cross-cutting requirements for environmental and historical review. Staff will not be responsible for Davis-Bacon compliance but will advise borrowers as needed. Borrowers will be responsible for compliance and may hire outside consultants to assist.*

- Goal: Continue the option of extended financing terms for DWSRF infrastructure projects. *Objective: During SFY 2017 this option will be offered to current and new projects on the project priority list. Applicants seeking extended financing must complete a worksheet outlining the anticipated life of the project components, which can be averaged to determine the extended term.*
- Goal: Maintain mechanisms for funding the on-going administration of the program if federal funding is reduced or eliminated. *Objective: During SFY 2017 initiation and servicing fees will be collected on DWSRF loans for deposit to administrative accounts. SRF staff will develop short and long-term plans for administrative budgets.*
- Goal: Manage the DWSRF to maximize its use and impact through sound financial management. *Objective: During SFY 2017 SRF staff and financial advisors will continue to conduct financial analysis and develop innovative approaches to financial management.*
- Goal: Implement programs that effectively address water system needs and target appropriate audiences. *Objective: During SFY 2017 SRF staff will continue to educate users and potential users about the program offerings through presentations, displays, program materials, and the IowaSRF.com website.*

Current and Projected Financial Capacity of the DWSRF

Appendix A, the Estimated Sources and Uses table, shows that available funds are sufficient to fund current requests.

SRF staff has analyzed the future financial capacity of the DWSRF. Using relatively conservative assumptions, it is projected that the DWSRF could loan an average of \$150 million per year over the next 10 years, or a total of \$1.5 billion.

Financial Management Strategies

The sources of funds for this IUP include the FFY 2016 federal capitalization grant. A bond issue will be completed in SFY 2017 and include state match for the FFY 2016 capitalization grant.

Iowa’s cap grants and state match amounts are shown below. State match bonds are issued at the same time that leveraged bond issues are done for greater cost effectiveness. The cap grant amounts are not always known at that time, so there may be an overmatch that can be rolled into the next fiscal year’s state match.

FFY 2016	Cap Grant Amount	State Match Needed	Excess State Match
DWSRF state match in SFY 2017 bond issue		\$2,469,000	
Excess state match		\$17,400	
Total DWSRF state match available		\$2,486,400	
FFY 2016 cap grant	\$12,432,000	\$2,486,400	\$0

The cash draw procedure used is the direct loan method. State Match is fully disbursed prior to drawing EPA Capitalization Grant funds. The EPA Capitalization Grant funds will be drawn at a 100% proportionality ratio. Iowa’s bonds are cross-collateralized across both the Clean Water and Drinking Water SRF accounts.

SFY 2017 Project Priority List

The management of the DWSRF program, including development of a project priority list for financing assistance, was developed according to Part 567 of the Iowa Administrative Code (IAC), Chapter 44. This IUP

indicates the intent to provide funds to projects ranked in priority order according to scoring criteria contained in Chapter 44 of the IAC.

In the event that projects identified for funding in the IUP do not attain readiness for a loan commitment by projected dates, these delayed projects may be bypassed. Other projects may be added to the project priority list to be funded based on the State's implementation rules for the DWSRF program (567 IAC 44). Applications that are in excess of available DWSRF assistance or that are unable to enter binding commitments within one year may be placed on Contingency status according to priority.

Projects will be funded as ranked on the project priority list. Adjustment to the list of fundable projects will be made, if necessary, to assure that at least 15% of the project funds are available to systems serving fewer than 10,000 persons as specified in Section 1452(a) (2) of the Act. Financing may be provided for up to 100% of project costs if the costs are eligible for funding based on engineering, environmental, and financial review and project readiness to proceed as described above.

The priority list has two major categories of projects: fundable and contingency. Fundable projects are defined as those are likely to be ready for a loan during the current fiscal year. Contingency projects are those that will not be ready for a loan during the current fiscal year.

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

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

The following categories of projects will be included for funding during SFY 2017:

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

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

New Projects. New applications for assistance during SFY 2017 will be added to the project priority list. Applications will be accepted on a continuous basis and quarterly updates completed as needed.

Supplemental Financing. Supplemental financing for projects listed in previously approved IUPs are added to the IUP as they are requested unless the additional funds will be used for improvements that would significantly change the scope of the project. Additional environmental review may be required. Supplemental loans will not be provided for changes that would lower the original score of the project to a point where the application is no longer competitive or is ineligible for funding.

Contingency Projects. Projects on contingency status have indicated they do not expect to enter into binding commitments during SFY 2017. These projects may be moved to fundable status if their schedules indicate they will require funding during SFY 2017.

Planning and Design Loans. Requests for planning and design loans are listed on the project priority list but have not been assigned priority points.

Source Water Protection Loans. Applications from eligible public water supplies with approved SWP plans will be added when the proposed project is a component of the SWP plan.

Capitalization Grant Requirements. The FFY 2010 - 2016 capitalization grants include requirements for certain percentages of the funds to be allocated for additional subsidization and/or green projects.

Year	DW Cap Grant Amount	DW Required Green Project Reserve Amount	DW Add Subs Required Minimum Amount	DW Add Subs Maximum Amount Allowed
2010	\$23,169,000	\$4,633,000	\$6,950,700	\$23,200,000
2011	\$16,077,000	\$3,164,000	\$4,746,000	\$15,821,000
2012	\$15,322,000	\$0	\$3,064,000	\$4,596,600
2013	\$14,375,000	\$0	\$2,875,000	\$4,312,000
2014	\$13,229,000	\$0	\$2,465,800	\$3,968,700
2015	\$13,142,000	\$0	\$2,628,400	\$3,942,600
2016	\$12,432,000	\$0	\$1,243,200	\$1,243,200
TOTAL	\$107,746,000	\$7,797,000	\$24,153,800	\$57,084,600

The following outlines the amounts and the projects that have been or will be counted for each cap grant. Projects are labeled as D (Disadvantaged), P (Public Health), G (Green Project) or EG (Emergency Generation). The projects for which additional subsidization has been committed but which have not signed loan agreements as of April 2016 are shown in bold.

Project	D, PH, G, EG	Current Request	Loan Amount	Amount Green	Amount Add Subs	Grant Year Reported
New Hartford	D		\$ 81,000		\$ 16,200	2010
Charlotte	PH		\$ 93,000		\$ 46,500	2010
Colfax	G		\$ 510,000	\$ 510,000	\$ 153,000	2010
Durant	G		\$ 182,000	\$ 182,000	\$ 36,400	2010
Keokuk	D		\$ 1,600,000		\$ 480,000	2010
Lidderdale	D		\$ 400,000		\$ 240,000	2010
Lyon-Sioux RWS	G		\$ 455,000	\$ 455,000	\$ 90,900	2010
Maquoketa	G		\$ 492,000	\$ 492,000	\$ 98,400	2010
Ottumwa	D		\$ 1,400,000		\$ 560,000	2010
Ottumwa	D		\$ 1,666,000		\$ 666,400	2010
Rathbun RWA	D		\$ 5,380,000		\$ 1,614,000	2010
Rolfe	D		\$ 1,122,000		\$ 561,000	2010
Union	D		\$ 658,000		\$ 197,400	2010
Wall Lake	G		\$ 132,000	\$ 132,000	\$ 26,400	2010
Lidderdale	D		\$ 1,301,000		\$ 780,600	2010

Shenandoah	G		\$ 14,057,000	\$ 5,228,000	\$ 1,050,000	2010
Humboldt	G		\$ 6,814,000	\$ 1,800,000	\$ 360,000	2010
Ottumwa	G		\$ 1,250,000	\$ 1,250,000	\$ 250,000	2011
College Springs	PH		\$ 110,000		\$ 41,154	2011
Timber Ridge Water Utility Corporation	PH		\$ 225,000		\$ 112,500	2011
Hills	PH		\$ 4,151,000		\$ 2,075,250	2011
LeMars	G		\$ 1,010,000	\$ 1,010,000	\$ 202,000	2011
Ames	G		\$ 76,325,000	\$ 30,000,000	\$ 6,599,000	2011, 2012, 2013, 2014
Churdan	PH		\$ 1,120,000		\$ 560,000	2011
Ottumwa	D		\$ 4,500,000		\$ 1,800,000	2014
Frankville	PH		\$ 910,000		\$ 455,000	2014
TOTAL			\$ 125,944,000	\$ 41,059,000	\$ 19,172,104	
<i>Ralston (Status: in planning)</i>	<i>D</i>	<i>\$ 344,000</i>			<i>\$ 138,000</i>	
<i>Shenandoah (Status: in planning)</i>	<i>G</i>	<i>\$ 81,000</i>		<i>\$ 81,000</i>	<i>\$ 24,300</i>	
<i>Amana Society Service Co.</i>	<i>PH</i>	<i>\$ 5,603,000</i>			<i>\$ 4,202,250</i>	
<i>Cushing</i>	<i>G</i>	<i>\$ 517,000</i>		<i>Cost of water meters TBD</i>	<i>30% of cost of water meters</i>	
<i>Dyersville</i>	<i>PH</i>	<i>\$ 1,021,000</i>			<i>\$ 765,750</i>	
<i>Farley</i>	<i>PH</i>	<i>\$ 1,507,000</i>			<i>\$ 1,130,625</i>	
<i>Fort Dodge</i>	<i>G</i>	<i>\$ 4,347,000</i>		<i>\$ 4,347,000</i>	<i>\$ 1,304,000</i>	
<i>Livermore</i>	<i>G</i>	<i>\$ 1,186,000</i>		<i>Cost of water meters</i>	<i>30% of cost of water meters</i>	
<i>Marshalltown</i>	<i>EG</i>	<i>\$ 8,673,000</i>		<i>Cost of emergency generator</i>	<i>75% of cost of emergency generator</i>	
<i>Muscatine</i>	<i>EG</i>	<i>\$ 2,432,416</i>		<i>Cost of emergency generator</i>	<i>75% of cost of emergency generator</i>	
<i>New London</i>	<i>EG</i>	<i>\$ 741,000</i>		<i>Cost of emergency generator</i>	<i>75% of cost of emergency generator</i>	
<i>Oelwein</i>	<i>EG</i>	<i>\$ 1,033,000</i>		<i>Cost of emergency generator</i>	<i>75% of cost of emergency generator</i>	
<i>Osceola Rural Water</i>	<i>EG</i>	<i>\$ 6,643,000</i>		<i>Cost of emergency generator</i>	<i>75% of cost of emergency generator</i>	
<i>Ridgeway</i>	<i>EG</i>	<i>\$ 380,000</i>		<i>Cost of emergency generator</i>	<i>75% of cost of emergency generator</i>	
<i>Sabula</i>	<i>G</i>	<i>\$ 787,920</i>		<i>Cost of water meters</i>	<i>30% of cost of water meters</i>	

<i>Solon</i>	<i>EG</i>	<i>\$ 1,692,000</i>		<i>Cost of emergency generator</i>	<i>75% of cost of emergency generator</i>	
<i>Wahpeton</i>	<i>EG</i>	<i>\$ 1,392,000</i>		<i>Cost of emergency generator</i>	<i>75% of cost of emergency generator</i>	

A solicitation for applications for possible loan forgiveness will be conducted starting in April 2016. Projects already on the project priority list have also been designated based on their application information. The following percentages of loan forgiveness may be applied to qualifying projects:

- To address immediate public health threats: up to 75% loan forgiveness
- For green projects, including water and energy efficiency: up to 30% loan forgiveness
- To incentivize the installation of emergency backup power: up to 75% loan forgiveness

Loan forgiveness may also be allocated to disadvantaged communities (those that qualify for Community Development Block Grants but do not receive them).

II. INFORMATION ON THE DWSRF ACTIVITIES TO BE SUPPORTED

Allocation of Funds

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

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

Information pertinent to each DWSRF project is contained in the attached Project Priority List.

Sources and Uses of Available DWSRF Funds

Appendix A to the Intended Use Plan illustrates potential sources and uses of funds in the DWSRF for SFY 2017. As shown, all pending loan requests and program administration needs can be funded. Projects will draw on their funding at different intervals based on their construction cycles. These differences are used to estimate cash needs throughout the year. Appendix A will be updated quarterly as needed to provide an ongoing view of the financial plan for meeting loan requests.

The Iowa DWSRF program uses its equity fund to originate loans. When the number of loans that have been made creates a need for additional funds, IFA issues bonds, backed by those DWSRF loans, and uses the bond proceeds to replenish the equity fund.

DWSRF Loan Policies

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

Loan Interest Rates. The interest rate for DWSRF construction loans are shown in the table below:

Loan Term	Applicant Type	Interest Rate	Servicing Fee	Total	Additional Information
Standard (up to 20 years)	All	1.75%	.25%	2.00%	
Extended (21 to 30 years based on useful life)	Disadvantaged	1.75%	.25%	2.00%	Please see below, "Extended Financing and Disadvantaged Status," for an explanation.
Extended (21 to 30 years based on useful life)	All	2.75%	.25%	3.00%	Please see below, "Extended Financing and Disadvantaged Status," for an explanation.

Interest rates for DWSRF planning and design loans will be 0% for up to three years. Interest rates for source water protection loans, which come out of the Other Authorized Uses set-aside, will be 0% for up to 20 years.

Loan Fees. A 0.5% origination fee is charged on the full loan amount for new DWSRF construction loans and source water protection loans, with a maximum amount of \$100,000. No origination fees will be charged on planning and design loans. A .25% servicing fee will be charged on construction loans and source water protection loans. Payment of the loan servicing fee is semi-annual with interest payments for all new SRF loans. Loan servicing fees are only charged on the principal amount disbursed during construction (not the entire original loan amount).

Maximum Financing. There is no maximum financing amount.

Project Readiness. Applicants cannot be offered assistance until they meet program requirements.

Funding Limitations. All program requests for disbursements from DWSRF projects can be met. These estimates are based on the projections that, for projects that have completed program requirements and are ready for funding, only 65% of the loan amount will be disbursed this fiscal year. For projects that are currently in the planning phase but may be ready for funding during SFY 2017, it is projected that only 60% of total funds will be disbursed to the project this fiscal year.

Extended Financing and Disadvantaged Status. During SFY 2015 the Iowa SRF received approval from the U.S. EPA to provide extended terms for a loan to any borrower as long as the extended term does not terminate more than 30 years after project completion and the loan term does not exceed the expected design life of the project. For borrowers designated as disadvantaged, the interest rate on extended term loans will be 1.75%. For non-disadvantaged borrowers, the interest rate will be 2.75%.

The Safe Drinking Water Act defines a disadvantaged community as the service area of a public water system that meets affordability criteria established after public review and comment. Community public water systems serving populations that contain a majority (51 percent) of Low to Moderate Income (LMI) persons will be considered disadvantaged for the purpose of receiving the 1.75% interest rate on an extended term loan. This criterion does not apply to any other DWSRF assistance such as additional subsidization. Low to moderate income is defined as 80 percent of the median household income in the county or state (whichever is higher)

using the most recent federal census or income survey data. Privately owned community public water systems will be considered eligible for disadvantaged community status if an income survey indicates that the service area meets the LMI criteria. Rural water systems will be considered eligible for disadvantaged community status if an income survey indicates that the area benefiting from the improvements meets the LMI criteria. Income surveys must be done according to the protocol specified by the Community Development Block Grant program.

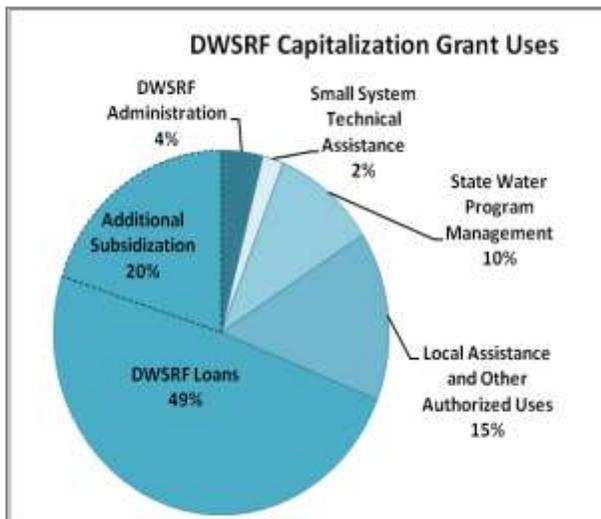
Extended term loans are limited to public water supply infrastructure improvements. Projects eligible for funding from set-asides, such as source water protection projects, are not eligible in accordance with federal program requirements.

Only those portions of a project that have a design life or life cycle of at least 30 years are eligible for repayment schedules exceeding 20 years. The department will use the table of estimated useful lives from EPA's publication 816-R-03-016 to determine the length of the loan for eligible expenses. The consulting engineer for the project will be required to separate and itemize costs so that a weighted maturity may be calculated for loan repayment. The list of itemized costs and expected useful lives will be required prior to signing of the loan agreement.

Intended Use of Set-Asides

States are allowed to take or reserve set-aside amounts from each federal capitalization grant for a number of activities that enhance the technical, financial, and managerial capacity of public water systems and protect sources of drinking water. The use of the set-asides as well as the loan program is intended to carry out Iowa's goal of ensuring that the drinking water received by 92% of the population served by community water systems meets all applicable health-based drinking water standards through approaches including effective treatment and source water protection.

The amounts are subject to approval by EPA of program workplans. The DNR is following the FY 2016 workplan. Iowa plans to take or reserve the allowed amount in each set-aside as shown in the chart.



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

In recent years, DNR has been using the set-asides and drawing upon reserved funds as needed to meet the needs for programs and efforts required by EPA that are critical for ensuring public health. Once the reserved amounts are expended, the amounts available for each set-aside will be limited to the percentage allowed out of each capitalization grant.

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

- Portfolio management, debt issuance, and financial, management, and legal consulting fees;

- Loan underwriting;
- Project review and prioritization;
- Project management;
- Environmental review services;
- Technical assistance to borrowers;
- Database development and implementation; and
- Program marketing and coordination.

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

Small System Technical Assistance Set-Aside. Iowa intends to use DWSRF funds equivalent to 2% of the federal capitalization grant funds to provide technical assistance to public water supplies (PWSs) serving populations of less than 10,000.

Funds from this set-aside will be used this year to provide support for the operator certification program including the administration and proctoring of examinations in all six regions of the state, and to provide training for new Grade A water system operators and continuing education for existing Grade A water system operators. Grade A is the certification grade for the smallest public water supply systems, with only disinfection treatment.

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

State Program Support Set-Aside. The primary uses of this set-aside are to assist with the administration of the Public Water Supply Supervision program, to review engineering documents for non-DWSRF construction projects, to provide wasteload allocations at public water systems with loans, and to evaluate disinfection contact time determinations, approve corrosion control strategies, and make influenced groundwater determinations.

Other uses include:

- Updating the SDWIS database including support systems and provide compliance determinations and information technology database support;
- Adopting final federal rules and revisions to the Iowa Administrative Code.

Fifty percent of the budget amount will be funded from the capitalization grant and the remaining 50% will be funded from State sources. Unused commitments are reserved for use in future years for DNR staff and other purposes as needed.

Other Authorized Activities Set-Aside. The two primary uses of this set-aside are capacity development and source water protection (SWP).

Funds are budgeted for efforts related to developing technical, managerial, and financial capacity for Iowa's public water supplies, including:

- Completion of sanitary surveys with the eight elements and providing direct capacity development technical assistance;
- Training of inspectors in comprehensive performance evaluation protocols;

- Provision of technical assistance related to capacity development through the area wide optimization program (AWOP);
- Contracts with five counties to complete sanitary surveys and conduct annual visits at transient non-community public water supply systems;
- Provision of performance based training for the AWOP program; and
- System-specific capacity development assistance by contractor.

The SWP activities include the following:

- Coordination and administration of the Source Water Protection program;
- Contracts for services to develop SWP plans and to finalize implementation of Best Management Practices (BMPs) identified in SWP action plans;
- Water quality monitoring to evaluate impacts of BMPs;
- Groundwater site investigations;
- Development of data for Phase 1 SWP assessments for all new systems and new wells at existing public water supply systems;
- Technical assistance for well siting; and
- Maintenance of the *Source Water Mapper and Tracker* online database.

Plan for Use of Administrative Accounts

There are three distinct funding sources for DWSRF administrative expenses:

- The DWSRF administrative set-aside. Four percent of the cumulative amount of federal capitalization grants received may be used for program administration as discussed in the set-aside section above.
- Loan initiation fees. A 0.5% loan origination fee is charged on new DWSRF loans. Under EPA rules, because Iowa's origination fees are financed through the loans, the proceeds are considered program income. Program income can only be used for the purposes of administering the DWSRF program or for making new loans.
- Loan servicing fees. A fee of 0.25% on principal is charged on DWSRF loans. Under EPA rules, only servicing fees charged on loans made above and beyond the amount of the capitalization grant and fees collected after the capitalization grant under which the loan was made has been closed are considered non-program income. Non-program income can be used to administer the program or for other safe drinking water purposes.

Program Income. As of April 2107, there was approximately \$4.6 million in the fee account encompassing program income. A portion of these funds will be used in SFY 2017 for program administration, and the remainder will be reserved for future administrative expenses.

Non-Program Income. As of April 2017, there was \$6.1 million available in funds considered non-program income. DWSRF non-program income may be used in SFY 2017 to provide part of the required state match for the State Program Management set-aside and for state match for the FFY 2016 capitalization grant.

Plan for Efficient and Timely Use of DWSRF Funds

In recent years, the processes of the DWSRF have been streamlined, and the marketing and education enhanced. These improvements have resulted in more efficient and timely use of the DWSRF and full utilization

of available funds. In particular, Iowa applies for and draws federal capitalization grants as expeditiously as possible.

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

With a return of \$2.65 for every dollar of federal investment, Iowa's DWSRF is an efficient and effective delivery mechanism for water infrastructure funding.

DWSRF set-asides are typically fully utilized within a two-year planning and budgeting period. Iowa draws grant funds on a first-in, first-out basis in order to close out the capitalization grants. Due to increased water program budget needs, Iowa is spending reserved set-aside capacity at a faster rate than in the early years of the DWSRF program.

III. ASSURANCES AND SPECIFIC PROPOSALS

Iowa will provide the necessary assurances and certifications according to the Operating Agreement between the State of Iowa and the U.S. EPA. Iowa's Operating Agreement was amended in April 2007 and will be updated during SFY 2017.

IV. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

The following approach was used to develop Iowa's proposed distribution of DWSRF funds: (1) analysis of the priority of communities applying and financial assistance needed; (2) identification of the sources and spending limits of available funds; (3) allocation of funds among projects; (4) development of a payment schedule which will provide for making timely binding commitments to the projects selected for DWSRF assistance; and (5) development of a disbursement schedule to pay the project costs as incurred.

Priority of Communities and Financial Assistance Needed

Iowa law provides only for loan assistance. Additional subsidization required by the FFY 2010-2015 capitalization grants will be through forgivable loans. The state's DWSRF rules identify the priority rating system used to establish priorities for financial assistance.

Projects are considered eligible for financial assistance for all planning and project costs providing the project is on the project list of an approved IUP.

Allocation of Funds among Projects

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

All projects scheduled for funding with Iowa's DWSRF will be reviewed for consistency with the Safe Drinking Water Act, as amended. Should a project fail to meet this review criterion, it may be bypassed or deleted from the funding list. Contingency projects may be considered for assistance as bypass projects according to state

rules without formal amendment of this IUP. Projects may be added to the Project Priority List in priority order as applications are received.

V. METHOD OF AMENDMENT OF THE INTENDED USE PLAN

The State will follow this IUP in administering DWSRF funds in FY 2017. Federal and state law requires, and Iowa welcomes, opportunity for public participation in the development of the IUP. Any revisions of the goals, policies and method of distribution of funds must be addressed by a revision of the IUP, including public participation. Minor adjustments in funding schedules, loan amounts, and use of bypass provisions including funding of projects on the contingency list are allowed by the procedures of this IUP and state rules for administration of the DWSRF without public notification. Adjustments to the Project Priority List to utilize actual funds available to the DWSRF for FY 2017 will be considered minor and only affected applicants will be notified. Public notice of amendments will be made if municipalities are added to or removed from the Project Priority List.

VI. PUBLIC REVIEW AND COMMENT

A public meeting to allow input to Iowa's SFY 2017 IUP and Project Priority List was held May 12, 2016, 10:00 a.m., at the Wallace State Office Building, Conference Room 5E, 502 E. 9th Street, Des Moines. This meeting was announced in a notice provided to stakeholder organizations representing city officials, consulting engineers, county governments, councils of government, area planning agencies, US EPA Region VII and other groups which might have an interest. There were no attendees. The public comment period was open until May 19, 2016. There were no written comments.

VII. PROJECT PRIORITY LIST

The DWSRF Project Priority List is included in a separate, sortable Excel file.

APPENDIX A

**Iowa DWSRF State Fiscal Year 2017 1Q
Estimated Funding Sources and Funding Uses
As of 4/28/2016**

Funding Sources for Loans

Funds Available in Equity Fund and Program Accounts	\$70,938,000	*
FFY 2016 Capitalization Grant	\$10,567,000	
State Match for FFY 2016 Capitalization Grant	\$2,486,000	**
Issuance of Leveraged Bonds (next bond issue expected SFY 2017)	\$35,957,000	
Equity Fund and Program Interest Earnings	\$269,000	
Loan Repayments	\$32,819,000	
Total Funding Sources for Loans	\$153,036,000	

Funding Uses for Loans

Undisbursed Amounts Committed to Existing Loans (60% disbursement rate)	\$54,541,000
Project Requests (FNSI/CX issued; 65% disbursement rate)***	\$29,180,000
Project Requests (FNSI/CX not issued; 60% disbursement rate)***	\$44,358,000
Planning & Design Requests (50% disbursement rate)	\$1,435,000
Principal Payments on Outstanding Bonds	\$14,360,000
Interest Payments on Outstanding Bonds	\$9,162,000
Total Funding Uses for Loans	\$153,036,000

* Funds Available for disbursements as of 4/28/2016

** Amount Rounded to the nearest \$1,000, Actual will be 20% of Cap Grant

*** Loan disbursement rates are estimated based on previous experience with project pace. For projects that currently have not had a Finding of No Significant Impact or Categorical Exclusion issued, it is expected that up to 60% of the total project amounts may be disbursed during SFY 2017 once environmental review is completed, construction permit issued, and binding loan commitment signed. For those projects with FNSI/CX clearance, the disbursement rate is estimated at 65% of the loan request amount.

Funding Sources for Set Asides (Includes FFY 2015 & previous Cap Grants)

Available Balance under Existing Capitalization Grants for set asides:

Administration	\$0
Small Systems Technical Assistance	\$35,000
State Program	\$698,000
Other Authorized Activities	\$2,795,000

Total Funding Sources for Set-Asides **\$3,528,000**

Funding Uses for Set Asides

Administration	\$0
Small Systems Technical Assistance	\$35,000
State Program	\$698,000
Other Authorized Activities	\$2,795,000

Total Uses for Set Asides **\$3,528,000**

APPENDIX B PROCEDURES TO DETERMINE PROJECT PRIORITY LIST

Project rankings were determined by the following procedures:

- Eligibility of applications were determined by needs criteria identified in IAC 567—44.7(8). In general, most water source, treatment and distribution system improvements are considered eligible.
- Project applications received during the FY 2017 application period were considered for funding in FY 2017; if not funded by the end of FY 2017, these projects will be moved to the FY 2018 project priority list.
- The priority ranking is a total score developed using the scoring criteria listed in IAC 567—44.7(8). Points may be gained in each of five categories: Water Quality and Human Health Risk-Related Criteria (60 point maximum), Infrastructure and Engineering-Related Improvement Criteria (35 point maximum), Affordability Criteria (10 point maximum), Special Category Improvements (15 point maximum), and IDNR Adjustment Factor for Population (10 points). The combined score provides a numerical measure to rank each project within its pool. A project with a larger number receives higher priority.
- The final project priority list for a fiscal year's project pool is compiled in the following manner: Subsequent segments of projects funded by DWSRF loan programs of previous years will retain their original score and be added to the list of the current year's applications.
- Loan-eligible projects submitted will be placed on the IUP each calendar quarter. If the project is anticipated to proceed during FY 2017, the project will be added to the project priority list and the list will be made available for public comment at the end of each calendar quarter in which one or more projects are added to the list.
- Projects on the project priority list will be moved to contingency status if the total amount of needs exceeds the year's DWSRF staff resources capability and loan funding or if it is known that the project will be unable to be funded during FY 2017. Projects will be funded from the top down in the ranking order of the project priority list with consideration given to readiness to proceed. Projects are ranked similarly in the contingency project list. Projects on contingency status can be moved to the funding list when funds are available or when the project is ready to proceed. Funds can be made available due to a number of reasons including project bypasses, loan application withdrawal of other projects, reduction in loan amount requests, or an increase in available funds.