

SFY 2026

Drinking Water Intended Use Plan



Water Infrastructure
Finance Authority of
Arizona



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INTRODUCTION

The Water Infrastructure Finance Authority (WIFA) is pleased to submit Arizona's Drinking Water State Revolving Fund (DWSRF) Intended Use Plan (IUP) for the State Fiscal Year (SFY) 2026 funding cycle. The DWSRF IUP describes WIFA's plan to develop, implement, and administer the DWSRF program in Arizona from July 1, 2025 through June 30, 2026.

This IUP is a required element of the grant application documentation to obtain the Federal Fiscal Year (FFY) 2025 grant awards and is not intended to be a comprehensive description of the State Revolving Fund programs. More detailed information about all of WIFA's funding programs is available to the public at www.azwifa.gov or by emailing contact@azwifa.gov.

During SFY 2026, WIFA will utilize various funding sources to finance drinking water infrastructure and support related program activities. This IUP is based upon the FFY 2025 DWSRF Federal Appropriation of \$1,126,101,000. Of this, Arizona's Base Capitalization Grant is anticipated to be \$19,079,000. Additionally, the Bipartisan Infrastructure Law (BIL), also known as the Infrastructure Investment and Jobs Act (IIJA) of 2021, (P.L. 117-58), increased the federal appropriations to the DWSRF programs. Appropriations from BIL are summarized in Table 1 below.

Table 1. Summary of Federal Appropriations FFY2025

Appropriation	Federal Amount - FFY 2025	Arizona's Amount - FFY 2025
DWSRF Base Capitalization Grant	\$1,126,101,000	\$19,079,000
DWSRF General Supplemental	\$2,603,000,000	\$43,556,000
DWSRF Emerging Contaminant	\$800,000,000	\$13,365,000
DWSRF Lead Service Line Replacement*	\$3,000,000,000 (<i>estimate</i>)	\$28,650,000 (<i>estimate</i>)
Total	\$7,529,101,000	\$104,650,000

**The FFY 2025 DWSRF Lead Service Line Replacement allotment is an estimate since the information had not been made available as of June 3, 2025 when this IUP was drafted.*

In addition to the amounts listed above further funds have become available through the re-allotment process. Therefore, the DWSRF Base Capitalization Grant total available is **\$19,161,000**, and the Emerging Contaminants Grant total available is **\$13,862,000**. See Section 10 for more information on the total sources of funds available.

The Arizona DWSRF Loan Program funds community water systems (both publicly-owned and privately-owned) and non-profit non-community water systems. Eligible projects include treatment, transmission and distribution, source, storage, consolidation and creation of new systems. Projects to acquire land or to refinance debt obligations of publicly-owned systems may also be eligible. The program also places an emphasis on small and disadvantaged communities and on programs that address compliance and health advisories, as well as prevention and sustainability as tools for ensuring safe drinking water.

Section 1: Short-Term Goals

For the purposes of this IUP, a short-term goal is an activity intended to be initiated, and in some cases, completed within a year. The following are the short-term goals of the loan program:

- WIFA will make drinking water infrastructure loans more accessible and affordable to small communities by subsidizing all loans.

- If available, WIFA will provide additional assistance to communities who are identified as disadvantaged as described in Section 7.
- WIFA will provide any required percentage/amount of the Capitalization Grant amount as additional subsidization in the form of forgivable principal.
- WIFA will continue to encourage borrowers to address water and energy efficiency improvements and other environmentally innovative activities.

Section 2: Long-Term Goals

For the purposes of this IUP, a long-term goal is defined as the life of the program. The following are the long-term goals of the loan program:

- Award WIFA's resources in accordance with the needs of Arizona's citizens.
- Maintain the fiscal integrity of WIFA's funds and assure continuous enhancement for future generations.
- Effectively and efficiently deliver financial and technical assistance.
- Market agency programs and advocate the importance of safe, reliable water through presentations, networking and outreach.
- Ensure compliance with Title VI of the Civil Rights Act of 1964

Section 3: Important Program Changes

In 2022, the Arizona Legislature made significant changes to WIFA's structure and mission through SB1740. Most of the changes were related to the creation of three additional funds, separate from the state revolving funds, focused on water supply development, conservation, and augmentation. While the new funds have no direct impact on the DWSRF, the changes have raised WIFA's public profile and generated greater awareness of all of WIFA's assistance programs, including the DWSRF. The bill also changed WIFA's governance structure, including related to decision making under the state revolving funds. Funding decisions under the SRF are now vetted first by a federal programs committee, which consists of representatives from public water systems, domestic water systems, large and small cities or towns, large and small counties, and representatives from the Department of Environmental Quality. The federal programs committee reviews applications and makes recommendations to the WIFA Board of Directors, who ultimately votes on whether to provide funding. The Board of Directors is appointed by a bicameral, bipartisan group of legislators and the Governor and consists of financial and water experts from large and small counties.

In SFY 2022 Arizona Senate Bill 1067 passed, which for fiscal years 2023 through 2027 allows cities and towns regardless of their size, to enter into loan agreements with WIFA without obtaining voter approval, provided the agreement is financed with BIL funds. These cities and towns will still be required to obtain a resolution from their governing bodies to enter into a loan with WIFA. This change in statute helps to streamline the application process and opens up the availability of BIL funds to communities who otherwise would likely not have applied for them.

In March of 2024 WIFA's Board approved [WIFA Policy II.1, Clean Water and Drinking Water SRF Application Process Policy](#), which made updates to the application process to ensure projects which are added to the fundable range list are ready to proceed in the process to ensure awarded SRF loan funds are spent by borrowers in a timely and expeditious manner.

Section 4: Agreement to Enter Data into SRF Data System

WIFA agrees to enter data into the SRF Data System (formerly known as PBR) no less than quarterly and to enter data for the yearly report (formerly known as NIMS).

Section 5: Description of Public Notice Process and Actions Taken to Address Public Comments

A notice and comment period regarding this IUP was conducted from June 3, 2025 through June 17, 2025. Notice of the comment period was provided to 6,749 stakeholders through the GovDelivery email system. WIFA also posted information about the IUP and instructions for commenting on our Facebook and other social media accounts. Additionally, the draft IUP was posted on WIFA's website and sent directly to interested stakeholders including the Arizona Department of Environmental Quality, Arizona Corporation Commission, Arizona Department of Water Resources, Rural Water Association, and the Inter-Tribal Council of Arizona.

Public Comment Opportunities and Schedule

The public was invited to offer written comments on this IUP via mail or email. Mailed comments were accepted if mailed to WIFA's offices, 3300 N. Central Avenue, Suite 1050, Phoenix, AZ 85012. Emailed comments were accepted if sent to contact@azwifa.gov.

The public also had three opportunities to provide oral comments. First, the public had the opportunity to comment during the June 10, 2025 Federal Programs Committee (FPC) meeting. Then WIFA hosted a public hearing to allow for real-time public comments on June 13, 2025. Information and registration for the public hearing were made available online. The public also had the opportunity to comment at the June 18, 2025 WIFA Board of Directors meeting. The FPC is responsible for reviewing, discussing, and making a recommendation to the Board regarding the adoption of the IUP, and the Board is responsible for adopting the final IUP. Instructions for commenting were made available online and included on the agendas for each meeting.

WIFA solicited public review and comment on the draft SFY 2026 DWSRF IUP and Project Priority List (PPL) according to the following schedule.

June 3, 2025	• Draft IUP posted on www.azwifa.gov • Draft IUP and instructions for commenting sent via GovDelivery • Draft IUP and instructions for commenting posted on Social Media • Draft IUP sent directly to key stakeholders
June 10, 2025	• Federal Program Committee meeting to review, discuss, and make a recommendation on the draft DWSRF IUP and PPL. Public comments also accepted as part of the FPC meeting.
June 13, 2025	• Public hearing conducted to solicit comments in real time
June 17, 2025	• Deadline for submitting public comments on the draft IUP
June 18, 2025	• Water Infrastructure Finance Authority Board of Directors' meeting to review FPC recommendations and public input before adoption of the final DWSRF IUP • After adoption, the IUP will be sent to EPA for final approval.
July 1, 2025	• Begin implementation of the Approved DWSRF IUP.

Comments Received and WIFA's Responses

In this section, WIFA will summarize all comments received and provide responses as appropriate. This section will be completed prior to the June 18, 2025 Board of Director's meeting.

Section 6: Assurances and Specific Proposals

WIFA intends to comply with the following:

- WIFA will comply and will notify its borrowers of the requirement to comply with the Civil Rights Act requirements outlined in the Capitalization Grant Terms and Conditions;
- WIFA will comply with its environmental review policy as approved by EPA;
- WIFA will notify its borrowers of the requirement to comply with the Federal Flood Risk Management Standard (equivalency requirement);
- WIFA will notify its borrowers of the requirement to comply with the Davis-Bacon requirements outlined in the Capitalization Grant Terms and Conditions;
- WIFA will notify its borrowers of the requirement to comply with the American Iron and Steel requirements outlined in the Capitalization Grant Terms and Conditions;
- WIFA will notify its borrowers of the requirement to comply with the Build America, Buy American Act requirement outlined in the Capitalization Grant Terms and Conditions (equivalency requirement); and
- WIFA will strive to comply with applicable EPA guidance.

Section 7: Disadvantaged Community Program

WIFA is committed to providing assistance to public water systems serving Disadvantaged Communities.

In June of 2022 WIFA revised the definition of disadvantaged community in [WIFA Policy III.6](#) in response to EPA BIL Guidance. WIFA intends to provide 26% of the Base Capitalization Grant in additional subsidy as forgivable principal to communities (see table below). WIFA's Disadvantaged Policy also allows for extended term, reduced interest or a combination. Further, [WIFA's Additional Subsidy Procedure \(III.20.1\)](#) for drinking water projects allows for up to 100% forgivable principal for disadvantaged communities who are resolving public health threats and project costs are \$250,000 or less.

Table 2. Grant amounts, forgivable principal amounts, and forgivable principal eligibility

Grant	Grant Amount*	% Available as Forgivable Principal	Dollar Amount of Forgivable Principal
FFY 2025 Base	\$19,161,000	26% (12% for disadvantaged)	\$4,981,860
FFY 2025 BIL – Supplemental	\$43,556,000	49% (only for disadvantaged)	\$21,342,440
FFY 2025 BIL – Lead Service Line**	\$0	49% (only for disadvantaged)	\$0
FFY 2025 BIL – Emerging Contaminant	\$13,862,000	100% (25% for disadvantaged or community serving 25,000 persons or less)	\$13,862,000
Total	\$76,579,000		\$39,689,300

*Includes re-allotment amounts from past Capitalization Grants

**WIFA is not applying for the BIL – Lead Service Line grant. WIFA may apply for the grant if additional projects are identified throughout the year.

Section 8: Criteria and Methods for Distribution of Funds (Priority Setting Criteria)

- **Project Priority List and Fundable Range**

- **Project Priority List (PPL):** On an annual basis, following a statewide solicitation for projects, WIFA develops a statewide priority list of projects. Projects are scored and ranked on the list based upon public health risk, SDWA compliance, current condition of the system, and financial need. Projects to address health advisories are a priority for DWSRF funding, as well as projects to address MCL exceedances. Additional points are added for projects that consolidate two or more public water systems or extend services to areas not currently served by a water system, and for projects that have water or energy efficiency components. Currently, WIFA's DW PPL has 27 applications totaling \$112,474,137.02 (see table below). WIFA anticipates a continued marketing and awareness campaign will raise the demand for financial assistance throughout the year. Staff are in discussions regarding several potential DW projects that may be added to the PPL during the year.
- **Fundable Range:** The Fundable Range includes the applicants ready to receive design or construction financial assistance. Projects are added to the Fundable Range as they become ready to proceed throughout the year.

- **Project Priority List Updates**

The DW PPL may be updated throughout the year with additions or removals of projects or adjusting the fundable range for design or construction projects. The decision to update the DW PPL may be based on a project's readiness to proceed, availability of other funding sources or other new information affecting the expansion or contraction of the PPL and Fundable Range. The Board adopts the updated DW PPL at a public meeting and the updates are posted on WIFA's website. All projects must meet the applicable requirements under the Safe Drinking Water Act, 42 U.S.C. § 300f to 300j-26.

- **ADEQ Drinking Water Program**

WIFA works in coordination with the Arizona Department of Environmental Quality (ADEQ) to identify drinking water systems in need of financial assistance and developing priority-setting criteria. The ADEQ Drinking Water program is federally mandated to ensure safe drinking water supplies for the public. Staff reviews water system construction plans, conducts compliance inspections on drinking water systems, reviews water quality monitoring data, initiates enforcement actions in response to continued or significant noncompliance, and conducts outreach to educate stakeholders on regulatory requirements. The program also evaluates source waters to ascertain their susceptibility to contamination, promotes voluntary community programs aimed at protecting aquifers for drinking water use, and administers the monitoring assistance program to assist public water systems in complying with monitoring requirements under the federal Safe Drinking Water Act. ADEQ develops a master priority list (MPL) that ranks public water systems according to their need for technical assistance in accordance with A.A.C R18-4-803. The MPL is updated annually and WIFA uses the MPL score to determine the current condition scoring for PPL applications.

Table 3. Grant amounts compared to PPLs received

Grant	Grant Amount	Number of PPL Applications	Dollar Amount of PPL Applications
Base & BIL Supplemental*	\$62,717,000	19	\$65,090,709
BIL – Emerging Contaminant	\$13,862,000	4	\$38,000,000
Total	\$76,579,000	23	\$103,090,709
FFY 23 BIL LSL (Remainder)**	\$809,822	4	\$9,383,428
Total	\$77,388,822	27	\$112,474,137

**The Base Grant and BIL Supplemental have the same eligibility and therefore have been grouped together.*

***WIFA will apply the remaining FFY 23 LSL equivalency requirement towards four eligible PPLs. While only \$809,822 remains in equivalency requirements, \$13,035,320 in loan forgiveness is still available to award from the LSL funding. WIFA intends to award 100% forgivable loans to eligible projects which qualify as disadvantaged (currently \$9,383,428 on PPL). After the equivalency requirement is met, and at the end of SFY 2026 after additional applicants have a chance to apply, WIFA intends to provide the remaining loan forgiveness to previously awarded borrowers as an increase to their forgivable principal of their existing loan.*

Section 9: Bypass Procedures and Emergency Funding Procedures

The Fundable Range process is used to bypass projects that are not ready to proceed. In determining which projects may be included on the Fundable Range, WIFA evaluates each project for evidence of debt authorization, the completeness of the PPL application, the applicant's technical, managerial, financial, and legal capability to be eligible for an SRF loan, the project timeline and design/engineering progress, and other documentation requested by staff. If sufficient funds are not available to fund all projects that are ready to proceed, WIFA will use tie breaking procedures established in A.A.C. R18-15-304.

WIFA may approve emergency funding for eligible applicants if a declaration of emergency is made by the Governor of Arizona or the Federal Emergency Management Agency (FEMA). The term of the loan will not exceed one year and be no more than \$250,000 per emergency event.

Section 10: Sources and Uses Table

Drinking Water Sources and Uses		2026
Revolving Fund	\$	122,565,170
Undrawn Federal Funds	\$	83,523,824
Beginning Funds Available (Estimate: 07-01-25)	\$	206,088,994
FFY 2025 Base Cap Grant (Forgivable 26% - \$4,960,540)	\$	19,079,000
FFY 2021 Base Cap Grant - <i>Reallotment</i> (Forgivable 26% - \$21,320)	\$	82,000
FFY 2025 BIL Supplemental Cap Grant (Forgivable 49% - \$21,342,440)	\$	43,556,000
FFY 2025 BIL Emerging Contaminant Cap Grant (Forgivable 100% - \$13,365,000)	\$	13,365,000
FFY 2023 BIL Emerging Contaminant Cap Grant - <i>Reallotment</i> (Forgivable 100% - \$376,000)	\$	376,000
FFY 2022 BIL Emerging Contaminant Cap Grant - <i>Reallotment</i> (Forgivable 100% - \$121,000)	\$	121,000
P&I Repayments from SRF Loans	\$	42,006,899
Administrative Fees from SRF Loans	\$	7,538,781
Investment Interest Earned	\$	4,902,141
State Appropriations	\$	-
Refunding Savings/Revenue Bond Proceeds	\$	-
Total Funding Sources	\$	337,115,815
Debt Service Payments	\$	31,985,181
Administration Fee revenue	\$	200,000
Administration Set-Aside (WIFA - 4% - from Base Grant)	\$	763,160
Administration Set-Aside (WIFA - 4% - from BIL Supplemental Grant)	\$	1,742,240
Outstanding Loan Obligations (Closed Loans) ¹	\$	298,997,134
Binding Commitments (Board Approved/Not Closed) ¹	\$	5,818,794
Set-Aside Local Assistance and Other State Programs (ADEQ - 15% - from Base Grant)	\$	2,861,850
Set-Aside Local Assistance and Other State Programs (ADEQ - 15% - from BIL Supplemental Grant)	\$	-
Set-Aside PWSS (ADEQ -10% - from Base Grant)	\$	1,907,900
Set-Aside PWSS (ADEQ -10% - from BIL Supplemental Grant)	\$	3,627,600
Set-Aside Small System Technical Assistance (ADEQ - 2% - from Base Grant)	\$	381,580
Set-Aside Small System Technical Assistance (ADEQ - 2% - from BIL Supplemental Grant)	\$	871,120
Technical Assistance (WIFA - 15% - from BIL Supplemental Grant)	\$	1,000,000
Total Fund Uses	\$	350,156,559
Ending Cash Balance	\$	(13,040,744)
Project Priority List Projects	\$	112,474,137
Ending Cash Balance with PPL Projects	\$	(125,514,881)

1. Loan obligations and commitments are expected to be drawn down over several years, WIFA does not anticipate these amounts to be drawn down completely in SFY 2026.

The Safe Drinking Water Act §1452(g) and §1452(k) allows States to set aside up to 31 percent of the Capitalization Grant for specific activities. These are referred to as the 2 percent, 4 percent, 10 percent, and 15 percent set-asides and are further described below. WIFA reserves the authority to bank any unused grant funds from the 2 percent, 4 percent, and 10 percent set-asides for future use.

15 Percent Set-aside

State and Federal Statutes allow setting aside up to 15 percent of the Federal Capitalization Grant funds to provide local assistance to water systems in Arizona. ADEQ has requested \$2,861,850 for capacity development, wellhead protection, and source water protection activities to protect drinking water sources. WIFA will utilize \$1,000,000 of this set-aside as described in Section 11 below.

10 Percent Set-aside

State and Federal Statutes allow setting aside up to 10 percent of the Federal funds for the Public Water System Supervision activities. ADEQ will use this funding for the PWSS Program, which encompasses all the various activities involved in implementing the Safe Drinking Water Act requirements in Arizona. These activities include operator certification, source water assessment and protection, development of regulatory guidance and assistance documents, assisting systems in obtaining the technical, financial, and managerial capability to comply with drinking water regulations, and technical consultations on water system and treatment system design. ADEQ is requesting \$5,535,500 (\$1,907,900 will be from 10% set aside out of the Base Capitalization Grant, and \$3,627,600 will be from the 10% set aside out of the BIL Supplemental Grant).

4 Percent Set-aside

State and Federal Statutes allow setting aside up to 4 percent of the Federal funds for the administration of the DWSRF program, as well as technical assistance activities. WIFA will utilize this set-aside to pay salaries and associated expenses of program's personnel devoting time to the administration of the funds as well as the necessary ancillary services performed by other agencies. These funds will also be used to procure equipment and training necessary for the adequate performance of staff. Expenses for DWSRF-related public meetings, workshops and conferences will also be paid for out of this set-aside. Funds not used immediately will be reserved for use in future years. As evidenced in the Sources and Uses Table, WIFA will provide additional program administration support through use of WIFA Fees. WIFA plans to use \$2,505,400 of the 4% from the Base Grant and BIL Supplemental Grant for administration purposes.

2 Percent Set-aside

State and Federal Statutes allow setting aside 2 percent of the Federal funds to provide local assistance to water systems in Arizona. The 2 percent set-aside in the amount of \$1,252,700 will be used by ADEQ's Capacity Development Program (\$381,580 will be from 2% set aside out of the Base Capitalization Grant and \$871,120 will be from the 2% set aside out of the BIL Supplemental Grant). ADEQ's Capacity Development Unit assists small drinking water systems, serving 10,000 or fewer people, to improve their day-to-day operation.

Section 11: Identify the Types of Assistance Provided and the Terms (Principal Forgiveness, Extended Terms)

WIFA provides low interest loans for projects eligible under the Safe Drinking Water Act. Eligible projects include treatment, transmission and distribution, source, storage, consolidation and creation of new systems. Projects to acquire land or to refinance debt obligations of publicly owned systems may also be eligible.

Forgivable Principal

WIFA may provide additional subsidization in the form of forgivable principal for up to 100 percent of the loan amount, based on financial need and if the project resolves a public health threat. WIFA may provide additional subsidization to projects for communities who cannot otherwise afford the projects. WIFA

intends on providing 26 percent of the FFY 2025 base capitalization grant in additional subsidy as forgivable principal: 12 percent for only disadvantaged communities and 14 percent for any borrower. Based on WIFA's current PPL and standard procedures WIFA staff would recommend approximately \$53.46 million in loan forgiveness; however, the exact amount of loan forgiveness provided per project is determined based on multiple factors including financial indicators of the applicant, the total forgivable available, and the anticipated near-term demand. See [WIFA Procedure III.20.1](#) and [Procedure II.21.1](#) for more information on how WIFA awards loan forgiveness.

WIFA also provides the following types of Technical Assistance:

Staff Technical Assistance - WIFA will use up to \$760,000 to provide staff technical assistance to borrowers. The purpose of WIFA's Staff Technical Assistance Program is to help prepare systems for construction of capital improvement projects. Awards will be made to small or disadvantaged systems that need assistance in completing the design phase of an infrastructure project, or any system that needs assistance to comply with WIFA's environmental review process. Under agreements between the councils of governments and WIFA, the councils of governments will be reimbursed to oversee compliance with Davis-Bacon and contractor procurement. Fees will be provided to the councils of governments to defray the cost of Davis-Bacon monitoring and procurement. The SFY 2026 allocation for these activities will be \$160,000 (included as part of the \$760,000 staff technical assistance budget). Funds will be available for projects to be funded with a WIFA construction loan.

Professional Technical Assistance – Professional Technical Assistance includes studies, surveys and other types of reports that provide benefit to a range of drinking water systems statewide. Additional funds may also be used to provide technical, managerial, and financial capacity development assistance. This year, WIFA has budgeted \$30,000 for the drinking water portion of the annual Water and Wastewater Residential Rate Survey. This effort includes a survey of approximately 500 utilities, updates to the Rates Dashboard by the University of North Carolina's Environmental Finance Center, survey analysis and final report.

WIFA has budgeted \$50,000 for Arizona State University and the Kyl Center for Water Policy at the Morrison Institute for Public Policy to undertake a statewide analysis of water affordability which will allow WIFA to better assess the ability of communities to afford repayment obligations associated with WIFA programs.

The 8th Drinking Water Needs Survey is scheduled to launch in SFY 2026. WIFA has budgeted \$160,000 to complete the Drinking Water Needs Survey. This survey effort would include travel, training, one-on-one consultation with the systems selected to participate, data review and consultation with EPA's contractor, and participation in EPA's preparation of the Report to Congress.

These costs were originally planned for SFY 2025, however are now anticipated to occur in SFY 2026. Throughout the Funding Cycle and as circumstances require, WIFA may fund additional Professional Technical Assistance projects. The Board may act to add Professional Technical Assistance projects at a public meeting of the Board.

Financial Terms and Requirements of Loans

1. All loans for the financing of projects will be for a term not to exceed 30 years from loan closing date. Loan terms are not to exceed the useful life of the project.

2. Repayment of loan principal must begin within 12 months of project completion based on the construction schedule available at the loan closing date or actual completion date or three years from the date of the loan closing, whichever is earlier.
3. Design Loans are offered for a three-year term with a 1% interest only payment structure through maturity.
4. Loan disbursements are to be made on a cost reimbursement basis.
5. All contracts for DWSRF construction financial assistance will require the borrower to comply with the Davis-Bacon Act regardless of the source of funding.
6. Contracts for financial assistance for all DWSRF equivalency projects will require the borrower to comply with Build America, Buy American (BABA) Act requirements.
7. All contracts for DWSRF construction financial assistance will require the borrower to comply with the Use of American Iron and Steel as described in WIFA's Capitalization Grant regardless of the source of funding, if required as part of the FFY 2025 Capitalization Grant.
8. WIFA will assess income from the Standard Combined Interest and Fee Rate (CIFR) as either fee income or interest income (see Section 18 for more details).

Section 12: State Match Sources

As demonstrated in the Sources and Uses Table, WIFA revenues will provide match for the FFY 2025 Capitalization Grants. The FFY 2025 Base Capitalization Grant requires 20% state match (\$3,815,800). The FFY 2025 BIL Supplemental Capitalization Grant requires 20% state match (\$8,711,200). The FFY 2025 BIL Emerging Contaminant Capitalization Grant and Lead Service Line Grant do not require a state match.

Section 13: Identification of Overmatch

Through January 31, 2025, WIFA has overmatched the federal grants when viewed in a cumulative perspective by \$27,493,986.

Section 14: Anticipated Cash Draw Ratio (proportionality) or Statement of Match Drawdown then Federal

With the overmatch, WIFA will draw 100 percent of federal funds until the overmatch is reduced. Once the overmatch is depleted, WIFA will draw the proportional state match amount prior to drawing federal funds.

Section 15: Estimated Disbursement Schedule

First Quarter	Second Quarter	Third Quarter	Fourth Quarter
20%	35%	35%	10%

Section 16: Identification of any Intended Transfers between Funds

WIFA currently has no planned transfers between the CWSRF and the DWSRF, however WIFA reserves the right to transfer between the funds in future based on demand.

Section 17: Identification and Explanation of any Cross Collateralization

The Authority maintains the CWSRF and DWSRF as separate and distinct programs. Revenues generated by either program will remain within that program. Any transfers between funds will be temporary in nature and done only to alleviate short-term cash shortages.

Section 18: Combined Interest and Fee Rate (CIFR)

WIFA Procedure has established a target CIFR ranging between 70 percent and 95 percent of the tax-exempt AAA MMD Rate for governmental entities and non-profits, and the taxable-equivalent to MMD

for non-governmental entities. CIFR/financial assistance index scores on each loan will be set pursuant to the criteria below:

- Total Points; and
- Local fiscal capacity of the area served by the system requesting assistance.

WIFA will assess income from the CIFR in accordance with the following table.

$$\text{CIFR} - \text{Fee} = \text{Interest}$$

Financial Structure	CIFR	Fee	Interest
Governmental	Set in accordance with Section 1 of WIFA Procedure: III.3.1	1.5%	CIFR – Fee
Non-Governmental		3.0%	CIFR – Fee

Section 19: Fees Charged if Applicable and Uses of Fees

Section 11 describes how fees are charged. The Sources and Uses table demonstrates how fees will be used for SFY 2026, providing match to the federal grant and administration of the SRF.

Section 20: Overview of Program Financial Status and Management

The Arizona DWSRF established and is managing the revolving loan fund to make low-cost loans and other types of assistance to water systems to finance the cost of infrastructure projects to achieve or maintain compliance with Safe Drinking Water Act requirements. All planned and prior year loans have assisted public water systems in meeting the federal and state drinking water compliance requirements. Details of Arizona's DWSRF activities will be included in the DWSRF Annual Report as well as in the EPA's SRF Reporting System (formerly known as the Drinking Water National Information Management System (DW NIMS) and Drinking Water Project Benefit Reporting System (PBR)); and the Federal Funding Accountability and Transparency Act (FFATA) Reporting System (equivalency projects only).

Section 21: Leveraging Plan

As a matter of practice, WIFA pays close attention to its cash position and lending capacity. This practice includes reports to the WIFA Board and Federal Programs Committee during regular meetings. In FY2025, WIFA issued a refunding of outstanding bonds that included a revision to the bond indenture, freeing up cash from a reserve that can be used to pay debt service during FY2026. WIFA is also forecasting a need to issue bonds for new money the beginning of Fiscal Year 2027. It is worth noting that WIFA's program leverage is cross-collateralized, so the primary consideration for this was the considerable demand for both clean water and drinking water projects. Given the current uncertainty regarding the continuation of tax-exempt financing and federal funding levels for the SRFs, WIFA is also preparing for a possible bond sale in FY2026. The decision to leverage will be based on demand on the loan fund for projects to address public health concerns, political and market conditions, and long-term impact to the financial health of the fund.

Section 22: Binding Commitment Schedule

When the Board of Directors approves an applicant's financial assistance request, WIFA staff prepares and circulates financial assistance (loan) documents to evidence the binding commitment in accordance with

applicable federal and state requirements. Based on the DW PPL, WIFA expects to enter into binding commitments at 147 percent (dollars on PPL vs. the federal cap grant). WIFA's process is to accept PPL applications throughout the fiscal year instead of locking the PPL at the beginning of the year. WIFA is currently in discussions with numerous borrowers on potential projects that will be added to the SFY 2026 PPL as the year progresses.

Section 23: Grant Payment Schedule

WIFA will receive all payments in the first quarter available.

Section 24: Project Priority List and Fundable List

WIFA applies all crosscutters to all DWSRF projects with the exception of FFATA and BABA. FFATA and BABA are treated on an equivalency basis. It is unknown at this time which projects will be awarded forgivable principal.

Arizona's Drinking Water Revolving Fund Project Priority List – SFY 2026 Funding Cycle

PPL Rank	Applicant	Pop-ulation	County	PWS#	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Financial Assistance Index
1	¹ Jackson Acres DWID	32	Yavapai	AZ0413 036	Water System Infrastructure Replacement Project	The project will include the replacement of all piping at the well and to the storage tank and booster pumps to reduce leaks and potential Lead and Copper concerns system-wide	DW-001-2026	\$1,500,000.00	75%*
2	¹ Viewpointe II Townhomes Association Inc	272	Pima	AZ0420 101	Viewpointe HOA Program	Viewpointe HOA has faced ongoing water system failures since 2011, with costly repairs failing to stop significant water loss. Home metering revealed only 30% of water reached homes, this request would fund the waterline replacement to reduce water loss.	DW-002-2026	\$3,638,639.00	80%*
3	^{1,2} Navajo Tribal Utility Authority (NTUA)	12,869	Apache	NN0403 000	Lead Pipe Replacement Project (NTUA/Window Rock USD)	The Window Rock Unified School District, in partnership with the Navajo Tribal Utility Authority, plans to replace existing, old and damaged lead pipe lines with modern water lines that meet State Code and EPA guidelines to provide clean drinking water for their students, faculty, staff and community.	DW-003-2026	\$7,683,428.00	80%*
4	^{1,2} Pine-Strawberry Water Improvement District	2,896	Gila	AZ0404 034	Service and Customer Waterlines Inspection for Lead & Copper	PSWID plans to conduct the EPA mandated Lead Service Line inventory.	DW-004-2026	\$700,000.00	75%*
5	¹ Kelvin Simmons Water Co-Op	50	Pinal	AZ0411 035	LSL Replacement	The water system being built in the 1900s coupled with lead concentrations in the water exceeding the action level (0.015mg/L) since September 2017, strongly suggests the use of lead service lines. This project will replace 100%	DW-005-2026	\$500,000.00	80%

PPL Rank	Applicant	Pop-ulation	County	PWS#	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Financial Assistance Index
						of the water lines to provide safe water to customers.			
6	¹ Thim Utility Co.	1,220	Pima	AZ0410 117	Water System Improvement Project	Current equipment, storage, pumps and wells need to be repaired or replaced. Thim will be implementing a major overhaul to its water production and transmission system. Thim will also be adding additional storage, electrical panels, as well as replacing 265 Meters and adding software integration system to more efficiently read water meters.	DW-006-2026	\$2,010,165.02 / \$401,565.00	80%*
7	¹ Ellison Creek	175	Gila	AZ0404 106	ECCOA water line replacement	This project aims to replace the water distribution system for all 60 of the homes in Ellison Creek.	DW-007-2026	\$2,000,000.00	80%*
8	Marana, Town of	5,100	Pima	AZ0410 329	Pioneer Well PFAS Treatment	The Pioneer Well in Marana's Hartman Vista system supplies 40% of the water, but exceeds MCLs for PFOS, PFHxS, and PFOA. Marana Water plans to build an ion-exchange treatment facility to remove PFAS.	DW-008-2026	\$3,000,000.00	85%
9	¹ Rancho Del Conejo Community Water Co-op	900	Pima	AZ0410 142	Rancho Del Conejo Community Water Co-op Meter Replacement Project	RDC plans to replace all manual-read water meters with cellular meters to improve accuracy, identify leaks, conserve water, and reduce operating costs.	DW-009-2026	\$180,000.00 / \$180,000.00	85%
10	¹ Ash Fork Development Assoc. dba: Ash Fork Water Service	2,400	Yavapai	AZ0413 008	Ash Fork Water Service System Improvements	This project will address multiple issues within the system including spot blast and re-coat of two 500,000-gallon steel Storage Tanks, installation of an Arsenic Treatment system, installation of approximately 6,200' of water mains and design and construction of a new Standpipe facility.	DW-010-2026	\$1,375,000.00	75%*

PPL Rank	Applicant	Pop-ulation	County	PWS#	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Financial Assistance Index
11	Sun Valley Farms Unit VI Water Company, Inc.	600	Pinal	AZ041111	Well Site Improvement and Capacity Upgrades (2)	This project aims to resolve critical water system issues through the installation of new well casing, construction of a 170,000-gallon water storage tank, and installation of perimeter fencing around the site. It also includes associated infrastructure such as piping, valves, controls, and the tank foundation.	DW-011-2026	\$877,941.00	85%
12	¹ WILD FLOWER WATER CO-OP	145	Pima	AZ0410265	Distribution system upgrade	This project will replace aged and failing water lines and water meters with new water lines and radio read meters which will provide residents a more reliable water service.	DW-012-2026	\$200,000.00	80%*
13	¹ Escudilla Mountain Domestic Water Improvement District	140	Apache	AZ0401349	Escudilla Mountain DWID Standpipe	This project will include the construction of a standpipe and waterline to provide water to an unserved community.	DW-013-2026	\$500,000.00	85%
14	Marana, Town of	5,100	Pima	AZ0410406; AZ0410329	Northwest Recharge and Recovery Delivery System - Marana Independent Project	The Marana Water department aims to replace depleted groundwater with CAP canal water and reclaimed wastewater. Infrastructure upgrades near Marana Regional Airport are needed to pump water into the NWRD pipeline at 1,500 gallons per minute and 200 psi. This includes installing an in-line booster and a new booster station at the airport to ensure continuous supply to both the NWRD Booster and the airport Potable System.	DW-014-2026	\$3,000,000.00	85%
15	¹ Janice E. Worden and Lawrence A Worden dba Worden Water Co	60	Pima	AZ0410132	New well	The water system's only well has been non-operational since August 8, 2023. An obstruction within the casing is impeding installation of a new pump, so a new well needs to be drilled. Drill a new well.	DW-015-2026	\$82,000.00	80%*

PPL Rank	Applicant	Population	County	PWS#	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Financial Assistance Index
16	^{1,2} Payson, Town of	18,000	Gila	AZ0404032	Town Of Payson Lead Service Line Identification Project	The Town of Payson must comply with new Lead and Copper Rule requirements, including service line inventory, public notifications, and reporting. They have completed initial inventory submission and notifications but still need to physically identify unknown service lines.	DW-016-2026	\$500,000.00	80%*
17	¹ Town of Camp Verde, Arizona	5,550	Yavapai	AZ0413015: AZ0413072	Various Water Projects (including land acquisition for wells, adequate water study and tank & pump)	This project includes the Verde Commercial Tank & Pump (Engineering/Construction), an ADWR Adequate Water Supply Study, Verde River Estates new Well (Land Acquisition), and Northbound Highway 260 Production Wells (Land Acquisition).	DW-017-2026	\$4,945,000.00	80%*
18	Star Valley, Town of	1,157	Gila	AZ0404037	2025 Water Line Replacement Project	This project will include the replacement of failing waterlines.	DW-018-2026	\$260,000.00	80%*
19	Granite Mountain Water Company	381	Yavapai	AZ0413150	Granite Mountain Storage	Granite Mountain Water Company will install a new storage tank to meet demand during peak hours.	DW-019-2026	\$500,000.00	85%
20	¹ Silverbell Irrigation and Drainage District	307	Pinal	AZ0411005	Silverbell IDD New Drinking Water Well	Silverbell IDD has 2 active groundwater wells supplying drinking water, with 2 inactive wells due to collapse. The active wells suffer from incomplete casing and the water system is struggling to pump enough groundwater to supply their customers. Silverbell IDD is requesting funding to install a new well.	DW-020-2026	\$699,964.00	85%
21	^{1, 3, 4} City of Prescott	60,804	Yavapai	AZ0413045	Prescott Wells Remediation	The City of Prescott discovered the presence of PFAS chemicals in two of their water wells located near the airport and is seeking funding to remediate the wells.	DW-021-2026	\$7,000,000.00	80%*

PPL Rank	Applicant	Pop-ulation	County	PWS#	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Financial Assistance Index
22	Coldwater Canyon Water Company	290	Yavapai	AZ0413 192; AZ0413 202	Potable Water Storage & Delivery Project Design and Construction for Coldwater Canyon 2 and 3	This project is to conduct design and construction services for Coldwater Canyon 2 and Coldwater Canyon 3 to add potable water storage, upgrade the electrical components, and integrate booster pumps and pressure vessels to maintain constant water pressure.	DW-022-2026	\$1,465,000.00	85%
23	Coldwater Canyon Water Company	1,085	Yavapai	AZ0413 020; AZ0413 192; AZ0413 202	Arsenic Treatment Design and Construction for Coldwater Canyon 1, 2, and 3	This project involves conducting design and construction services for Coldwater Canyon 1, 2, and 3 to upgrade the arsenic treatment systems and provide redundancy.	DW-023-2023	\$1,925,000.00	85%
24	¹ Via Entrada Townhouses Association	77	Pima	AZ0420 103	Via Entrada Townhouses Association Water System Improvement Project	This project involves the replacement of the water distribution system within Via Entrada Townhouses Association area as well as the addition of sub-meters which will help identify and locate leaks and excessive usage more efficiently.	DW-024-2026	\$1,500,000.00	85%
25	⁴ Page Utility Enterprises	8,676	Coconino	AZ0403 017	Raw Water Intake and Conveyance Pipeline	This project includes the design and construction of a new raw water intake structure located upstream of the Glen Canyon Dam on the east side of the dam, and a new 25,500 foot, 18-inch conveyance pipeline would be constructed to convey raw water from the intake pump station to the surface water treatment plant.	DW-025-2026	\$38,432,000.00	90%

PPL Rank	Applicant	Pop-ulation	County	PWS#	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Financial Assistance Index
26	^{3,4} Town of Prescott Valley	53,000	Yavapai	AZ0413 048	Quailwood Well #3 Treatment and Water System Inter-tie	PFAS chemicals impact three Wells in the southeastern portion of the Town's distribution system. The town will install an ion exchange treatment at one of the wells and interconnect this area to another part of the water system to provide an alternate water source and account for the loss of well capacity from the other 2 wells.	DW-026-2026	\$10,000,000.00	90%
27	^{3,4} Liberty Utilities (Litchfield Water & Sewer) Corp.	55,000	Maricopa	AZ0407 046	PFAS Remediation in Drinking Water Wells	PFAS has impacted the entire water supply of the Liberty Utilities Litchfield water system. To ensure compliance with the PFAS MCL, the company is requesting funding for a treatment master plan, pilot testing, final design, construction and related support and management activities.	DW-027-2026	\$18,000,000.00	95%

Total:

\$112,474,137.02

Legend:

¹ Eligible for disadvantaged community designation

² Eligible for BIL – Lead Service Line Replacement Funds

³ Eligible for BIL – Emerging Contaminant Funds

⁴ Potential equivalency project

* Priority Community

Arizona's Drinking Water Revolving Fund Fundable Range List – SFY 2026 Funding Cycle

Fundable Range Rank	PPL Rank	Applicant	Population	County	Project Name	Project Number	Amount Requested	Financial Assistance Index
1	3	Navajo Tribal Utility Authority (NTUA)	12,869	Apache	Lead Pipe Replacement Project (NTUA/Window Rock USD)	DW-003-2026	\$7,683,428.00	80%*
2	4	Pine-Strawberry Water Improvement District	2,896	Gila	Service and Customer Waterlines Inspection for Lead & Copper	DW-004-2026	\$700,000.00	75%*

Total: **\$8,383,428.00**

Arizona's Drinking Water Revolving Fund Project Priority List – BIL Funding Eligibility

PPL Rank	Applicant	Project Name	Project Number	Amount Requested	Amount Eligible for Base Grant or BIL Supplemental Grant	Amount Eligible for BIL Lead Service Line Grant	Amount Eligible for BIL Emerging Contaminant Grant
1	¹ Jackson Acres DWID	Water System Infrastructure Replacement Project	DW-001-2026	\$1,500,000.00	\$1,500,000.00	\$0.00	\$0.00
2	¹ Viewpointe II Townhomes Association Inc	Viewpointe HOA Program	DW-002-2026	\$3,638,639.00	\$3,638,639.00	\$0.00	\$0.00
3	^{1,2} Navajo Tribal Utility Authority (NTUA)	Lead Pipe Replacement Project (NTUA/Window Rock USD)	DW-003-2026	\$7,683,428.00	\$0.00	\$7,683,428.00	\$0.00
4	^{1,2} Pine-Strawberry Water Improvement District	Service and Customer Waterlines Inspection for Lead & Copper	DW-004-2026	\$700,000.00	\$0.00	\$700,000.00	\$0.00
5	Kelvin Simmons Water Co-Op	LSL Replacement	DW-005-2026	\$500,000.00	\$0.00	\$500,000.00	\$0.00

PPL Rank	Applicant	Project Name	Project Number	Amount Requested	Amount Eligible for Base Grant or BIL Supplemental Grant	Amount Eligible for BIL Lead Service Line Grant	Amount Eligible for BIL Emerging Contaminant Grant
6	Thim Utility Co.	Water System Improvement Project	DW-006-2026	\$2,010,165.02	\$2,010,165.02	\$0.00	\$0.00
7	Ellison Creek	ECCOA water line replacement	DW-007-2026	\$2,000,000.00	\$2,000,000.00	\$0.00	\$0.00
8	Marana, Town of	Pioneer Well PFAS Treatment	DW-008-2026	\$3,000,000.00	\$0.00	\$0.00	\$3,000,000.00
9	Rancho Del Conejo Community Water Co-op	Rancho Del Conejo Community Water Co-op Meter Replacement Project	DW-009-2026	\$180,000.00	\$180,000.00	\$0.00	\$0.00
10	¹ Ash Fork Development Assoc. dba: Ash Fork Water Service	Ash Fork Water Service System Improvements	DW-010-2026	\$1,375,000.00	\$1,375,000.00	\$0.00	\$0.00
11	Sun Valley Farms Unit VI Water Company, Inc.	Well Site Improvement and Capacity Upgrades (2)	DW-011-2026	\$877,941.00	\$877,941.00	\$0.00	\$0.00
12	¹ WILD FLOWER WATER CO-OP	Distribution system upgrade	DW-012-2026	\$200,000.00	\$200,000.00	\$0.00	\$0.00
13	Escudilla Mountain Domestic Water Improvement District	Escudilla Mountain DWID Standpipe	DW-013-2026	\$500,000.00	\$500,000.00	\$0.00	\$0.00

PPL Rank	Applicant	Project Name	Project Number	Amount Requested	Amount Eligible for Base Grant or BIL Supplemental Grant	Amount Eligible for BIL Lead Service Line Grant	Amount Eligible for BIL Emerging Contaminant Grant
14	Marana, Town of	Northwest Recharge and Recovery Delivery System - Marana Independent Project	DW-014-2026	\$3,000,000.00	\$3,000,000.00	\$0.00	\$0.00
15	Janice E. Worden and Lawrence A Worden dba Worden Water Co	New well	DW-015-2026	\$82,000.00	\$82,000.00	\$0.00	\$0.00
16	^{1,2} Payson, Town of	Town Of Payson Lead Service Line Identification Project	DW-016-2026	\$500,000.00	\$0.00	\$500,000.00	\$0.00
17	¹ Town of Camp Verde, Arizona	Various Water Projects (including land acquisition for wells, adequate water study and tank & pump)	DW-017-2026	\$4,945,000.00	\$4,945,000.00	\$0.00	\$0.00
18	Star Valley, Town of	2025 Water Line Replacement Project	DW-018-2026	\$260,000.00	\$260,000.00	\$0.00	\$0.00
19	Granite Mountain Water Company	Granite Mountain Storage	DW-019-2026	\$500,000.00	\$500,000.00	\$0.00	\$0.00
20	Silverbell Irrigation and Drainage District	Silverbell IDD New Drinking Water Well	DW-020-2026	\$699,964.00	\$699,964.00	\$0.00	\$0.00
21	³ City of Prescott	Prescott Wells Remediation	DW-021-2026	\$7,000,000.00	\$0.00	\$0.00	\$7,000,000.00

PPL Rank	Applicant	Project Name	Project Number	Amount Requested	Amount Eligible for Base Grant or BIL Supplemental Grant	Amount Eligible for BIL Lead Service Line Grant	Amount Eligible for BIL Emerging Contaminant Grant
22	Coldwater Canyon Water Company	Potable Water Storage & Delivery Project Design and Construction for Coldwater Canyon 2 and 3	DW-022-2026	\$1,465,000.00	\$1,465,000.00	\$0.00	\$0.00
23	Coldwater Canyon Water Company	Arsenic Treatment Design and Construction for Coldwater Canyon 1, 2, and 3	DW-023-2023	\$1,925,000.00	\$1,925,000.00	\$0.00	\$0.00
24	Via Entrada Townhouses Association	Via Entrada Townhouses Association Water System Improvement Project	DW-024-2026	\$1,500,000.00	\$1,500,000.00	\$0.00	\$0.00
25	Page Utility Enterprises	Raw Water Intake and Conveyance Pipeline	DW-025-2026	\$38,432,000.00	\$38,432,000.00	\$0.00	\$0.00
26	³ Town of Prescott Valley	Quailwood Well #3 Treatment and Water System Inter-tie	DW-026-2026	\$10,000,000.00	\$0.00	\$0.00	\$10,000,000.00
27	³ Liberty Utilities (Litchfield Water & Sewer) Corp.	PFAS Remediation in Drinking Water Wells	DW-027-2026	\$18,000,000.00	\$0.00	\$0.00	\$18,000,000.00
				\$112,474,137.02	\$65,090,709.02	\$9,383,428.00	\$38,000,000.00

Section 25: IUP Includes Set-Asides Taken and Authority to be Banked if Applicable

See Sources and Uses Table for Set-Aside budgeted for FFY 2025. WIFA reserves the authority to bank any allowable percentages of set-asides for future use.

Section 26: IUP Includes Uses of the Set-Aside Funds and Expected Timeline of Expenditure

Section 10 describes the uses of the set-aside funds. ADEQ provides a timeline in a separate work plan for their portion.

Section 27: IUP Includes Expected Outcomes of the Set-Aside Funds

Provided by ADEQ under separate cover.