

Drinking Water Intended Use Plan

SFY 2027



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) 2027 funding cycle. The DWSRF IUP describes WIFA's plan to develop, implement, and administer the DWSRF program in Arizona from July 1, 2026 through June 30, 2027.

This IUP is a required element of the grant application documentation to obtain the Federal Fiscal Year (FFY) 2026 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 2027, WIFA will utilize various funding sources to finance drinking water infrastructure and support related program activities. This IUP is based upon the FFY 2026 DWSRF Federal Appropriation of \$404,699,000. Of this, Arizona's Base Capitalization Grant is anticipated to be \$6,721,000. Last year, Congress did not set aside any Congressionally Directed Community Grants from SRF funds; however, earmarks were reinstated this year. As a result, the SRF funding available for Arizona's DWSRF Base Capitalization Grant has been reduced.

Fortunately, the Bipartisan Infrastructure Law (BIL), also known as the Infrastructure Investment and Jobs Act (IIJA) of 2021, (P.L. 117-58), continues to increase federal appropriations to the DWSRF programs. This year represents the fifth and final year of BIL supplemental funding. The federal appropriations available to Arizona are summarized in Table 1 below.

Table 1. Summary of Federal Appropriations FFY 2026

Appropriation	Federal Amount	Arizona's Amount
DWSRF Base Capitalization Grant	\$404,699,000	\$6,721,000
DWSRF General Supplemental	\$2,603,000,000	\$43,539,000
DWSRF Emerging Contaminant	\$800,000,000	\$13,365,000
DWSRF Lead Service Line Replacement	\$2,875,000,000	\$27,456,000
Total	\$6,682,699,000	\$91,081,000

In addition to the amounts listed above, \$90,000 of DWSRF Emerging Contaminant funds have become available through the re-allotment process. Therefore, the DWSRF Emerging Contaminants Grant total available is \$13,455,000. 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.

Funding decisions under the DWSRF are 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.

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 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

A notice and comment period regarding this IUP was conducted from May 26, 2026 through June 10, 2026. Notice of the comment period was provided to 5,797 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, WIFA hosted a public hearing to allow for real-time public comments on June 5, 2026. Information and registration for the public hearing were made available online. Then, the public had the opportunity to comment during the June 9, 2026 Federal Programs Committee (FPC) meeting. The public also had the opportunity to comment at the June 18, 2026 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 2027 DWSRF IUP and Project Priority List (PPL) according to the following schedule.

May 27, 2026	• 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 5, 2026	• Public hearing conducted to solicit comments in real time
June 9, 2026	• 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 10, 2026	• Deadline for submitting public comments on the draft IUP
June 17, 2026	• 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, 2026	• Begin implementation of the Approved DWSRF IUP.

Comments Received and WIFA's Responses

WIFA received one public comment on the Clean Water and Drinking Water IUPs. The commenter inquired whether there are plans or designated funding for water loss training, technical assistance, and water audit validation. WIFA staff responded that the Drinking Water IUP outlines the intended uses of the DWSRF set-asides, and while no specific activity related to water loss training are currently planned, there may be opportunities for such trainings through the set-aside funding provided to ADEQ.

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 2026 Base	\$6,721,000	26% (12% for disadvantaged)	\$1,747,460
FFY 2026 BIL – Supplemental	\$43,539,000	49% (only for disadvantaged)	\$21,334,110
FFY 2026 BIL – Lead Service Line*	\$0	49% (only for disadvantaged)	\$0
FFY 2026 BIL – Emerging Contaminant**	\$13,455,000	100% (25% for disadvantaged or community serving 25,000 persons or less)	\$13,455,000
Total	\$63,715,000		\$36,536,570

*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.

**Includes re-allotment amounts from past Capitalization Grants

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 33 applications totaling \$161,678,798 (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*	\$50,260,000	26	\$74,948,890
BIL – Emerging Contaminant	\$13,455,000	7	\$86,729,908
Total	\$63,715,000	33	\$161,678,798

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

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		SFY 2027
Revolving Fund		\$122,663,177
Undrawn Federal Funds		\$184,065,365
Beginning Funds Available (Estimate: 07-01-26)		\$306,728,542
FFY 2026 Base Cap Grant (Forgivable 26% - \$1,747,460)		\$6,721,000
FFY 2026 BIL Supplemental Cap Grant (Forgivable 49% - \$21,334,110)		\$43,539,000
FFY 2026 BIL Emerging Contaminant Cap Grant (Forgivable 100% - \$13,365,000)		\$13,365,000
FFY 2022 BIL Emerging Contaminant Cap Grant - <i>Reallotment</i> (Forgivable 100% - \$4,000)		\$4,000
FFY 2023 BIL Emerging Contaminant Cap Grant - <i>Reallotment</i> (Forgivable 100% - \$86,000)		\$86,000
P&I Repayments from SRF Loans		\$ 42,620,690
Administrative Fees from SRF Loans		\$8,051,137
Investment Interest Earned		\$5,682,540
State Appropriations		\$0
Refunding Savings/Revenue Bond Proceeds		\$0
Total Funding Sources		\$426,797,909
Debt Service Payments		\$35,355,200
Administration Fee revenue		\$300,000
Administration Set-Aside (WIFA - 4% - from Base Grant)		\$268,840
Administration Set-Aside (WIFA - 4% - from BIL Supplemental Grant)		\$1,741,560
Outstanding Loan Obligations (Closed Loans) ¹		\$286,010,833
Binding Commitments (Board Approved/Not Closed) ¹		\$6,509,120
Set-Aside Local Assistance and Other State Programs (ADEQ - 15% - from Base Grant)		\$1,008,150
Set-Aside Local Assistance and Other State Programs (ADEQ - 15% - from BIL Supplemental Grant)		\$5,463,411
Set-Aside PWSS (ADEQ -10% - from Base Grant)		\$672,100
Set-Aside PWSS (ADEQ -10% - from BIL Supplemental Grant)		\$336,370
Set-Aside Small System Technical Assistance (ADEQ - 2% - from Base Grant)		\$134,420
Set-Aside Small System Technical Assistance (ADEQ - 2% - from BIL Supplemental Grant)		\$368,180
Technical Assistance (WIFA - 15% - from BIL Supplemental Grant)		\$932,500
Total Fund Uses		\$339,100,684
Ending Cash Balance		\$87,629,725
Project Priority List Projects		\$161,678,798
Ending Cash Balance with PPL Projects		\$(73,981,573)

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 2027.

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 \$6,471,561 for capacity development, wellhead protection, and source water protection activities to protect drinking water sources (\$1,008,150 will be from 15% set aside out of the Base Capitalization Grant, and \$5,463,411 will be from the 15% set aside out of the BIL Supplemental Grant). WIFA will utilize \$932,500 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 \$1,008,470 (\$672,100 will be from 10% set aside out of the Base Capitalization Grant, and \$336,370 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 \$2,010,400 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 \$502,600 will be used by ADEQ's Capacity Development Program (\$134,420 will be from 2% set aside out of the Base Capitalization Grant and \$368,180 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 2026 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 \$95 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 2027 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.

WIFA has budgeted \$12,500 for the remaining work for Arizona State University and the Kyl Center for Water Policy at the Morrison Institute for Public Policy for 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 total project cost is \$50,000, of which \$37,500 has already been paid, leaving a contract balance of \$12,500.

The 8th Drinking Water Infrastructure Needs Survey and Assessment (DWINSA) is scheduled to launch in SFY 2027. WIFA has budgeted up to \$160,000 to complete the DWINSA. 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. The final cost of the DWINSA effort will be determined as the scope of work is refined and the survey progresses.

These costs were originally planned for SFY 2025, however are now anticipated to occur in SFY 2027. 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 2026 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 2026 Capitalization Grants. The FFY 2026 Base Capitalization Grant requires 20% state match (\$1,344,200). The FFY 2026 BIL Supplemental Capitalization Grant requires 20% state match (\$8,707,800). The FFY 2026 BIL Emerging Contaminant Capitalization Grant does not require a state match.

Section 13: Identification of Overmatch

Through March 31, 2026, WIFA has overmatched the federal grants when viewed in a cumulative perspective by \$25,567,583.

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.

CIFR – Fee = 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 2027, 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 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. Although the DW and CW programs are accounted for separately, WIFA leverages the programs through cross collateralized for both CW and DW loan repayments. The most recent forecast indicates WIFA has adequate funding without leveraging through FY2027. However, WIFA is positioned financially to leverage based on changes in federal funding levels for SRFs, changes in market conditions and 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 254 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 2027 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 2027 Funding Cycle

PPL Rank	Applicant	Population	County	Permit#	Project Name	Description	Project Number	Amount Requested/ Probable Green Amount	Financial Assistance Index
1	^{1,4} Flowing Wells Irrigation District	17,000	Pima	AZ0410051	Advanced Metering Infrastructure Project	Flowing Wells Irrigation District has experienced persistent water loss at or above 12% despite ongoing infrastructure improvements. The district attributes much of this to an aging meter stock, with many meters that are 40+ years old and no longer recording consumption accurately. Replacing the meters is expected to improve measurement accuracy, support water conservation efforts, and better reflect actual usage on customer bills.	040 2026	\$2,000,000.00 / \$2,000,000.00	75%*
2	^{1,4} Town of Kearny	1,898	Pinal	AZ0411031	Kearny Water Supply Reliability and System Improvements Project	The proposed project would upgrade the Town of Kearny's water treatment and distribution system to improve treatment capacity, system reliability, and water quality, while providing operational redundancy needed to maintain regulatory compliance and better utilize available groundwater supplies during ongoing drought conditions.	053 2026	\$2,155,000.00	80%*
3	^{1,4} Thim Utility Co.	1,220	Pima	AZ0410117	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	006 2026	\$1,880,758.80 / \$401,565.00	80%*

PPL Rank	Applicant	Population	County	Permit#	Project Name	Description	Project Number	Amount Requested/ Probable Green Amount	Financial Assistance Index
						Meters and adding software integration system to more efficiently read water meters.			
4	^{1,4} Empirita Water Company LLC	120	Cochise	AZ0402122	Empirita Water Company Improvements	This project proposes connecting Well 3 to restore source water redundancy following the collapse of Well 2, refurbishing the system's 150,000-gallon storage tank, and replacing all 81 manual water meters with automatic meter reading (AMR) technology.	034 2026	\$269,250.00 / \$59,662.00	75%*
5	^{1,2,4} City of Cottonwood	12,029	Yavapai	AZ0413025	Effluent PFAS Removal	The proposed project would implement a PFAS treatment system at the Mingus Wastewater Treatment Plant in Cottonwood to proactively remove PFAS from treated effluent before discharge or groundwater recharge, protecting public health, safeguarding regional water supplies, and ensuring compliance with anticipated state and federal regulations.	054 2026	\$628,908.00	80%*
6	^{1,2,3,4} Town of Chino Valley	2,358	Yavapai	AZ0413137	Bright Star Water Production Facility PFAS Remediation	The Town of Chino Valley's main water production facility called the Bright Star WPF was found by ADEQ to be in exceedance of the EPA and ADEQ PFOA (PFAS) MCL of 4 PPT. This funding will allow the full remediation system to be constructed to remediate the PFOA within the Town's principle main water production facility through ion-exchange remediations systems.	042 2026	\$5,000,000.00	80%*
7	^{1,2,3,4} Town of Chino Valley	2,358	Yavapai	AZ0413137	PFAS Remediation for Indirect Potable Reuse	The Town of Chino Valley relies heavily on recycled water recharge for its potable water supply, and the proposed project	043 2026	\$10,000,000.00	80%*

PPL Rank	Applicant	Population	County	Permit#	Project Name	Description	Project Number	Amount Requested/ Probable Green Amount	Financial Assistance Index
					Recycled water at the WRF	would remove PFAS from the recycled water before aquifer recharge to protect the Town's recovery wells, regional groundwater supplies, and nearby City of Prescott drinking water wells from future PFAS contamination.			
8	⁴ Sun Valley Farms Unit VI Water Company, Inc.	600	Pinal	AZ0411111	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. The scope of work also includes associated infrastructure such as piping, valves, controls, and the tank foundation.	011 2026	\$1,217,500.00	85%
9	^{1,4} Town of Camp Verde, Arizona	5,550	Yavapai	AZ413015/A Z0413072	High View Land Acquisition and Well Project	The High View Land Acquisition and Well Project will expand and strengthen the Town of Camp Verde's municipal water system by purchasing land for a new production well near the Highway 260 corridor and acquiring an existing, fully developed well site, complete with storage, treatment facilities, and associated infrastructure, from Boulder Creek Camp Verde LLC. These assets will be incorporated into the Town's system to increase production capacity, improve water quality, enhance fire protection, and ensure long-term system reliability.	036 2026	\$3,295,079.00	80%*
10	^{1,4} Verde Valley Manor Retirement Center	256	Yavapai	AZ0413127	Verde Valley Manor Retirement Center	Replacement storage tank including related engineering and construction costs.	033 2026	\$138,000.00	75%*

PPL Rank	Applicant	Population	County	Permit#	Project Name	Description	Project Number	Amount Requested/ Probable Green Amount	Financial Assistance Index
11	^{1,4} Tonto Creek Water Company, LLC	190	Gila	AZ0404021	Replace aging water system infrastructure	The project will include Water Meter Replacement, service Line Replacement, Storage Tank Replacement, and Replace Isolation Valves.	041 2026	\$903,437 / \$216,957.00	85%
12	^{1,4} Canyon Water Improvement District	300	Gila	AZ0404112	Canyon Water Independence and Resiliency Project	The proposed project will include construction of a new well, storage improvements, pumping facilities, electrical infrastructure, system tie-ins, and related water system upgrades.	052 2026	\$2,476,949.00	85%
13	⁴ 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.	019 2026	\$500,000.00	80%*
14	^{1,4} Rancho Del Conejo Community Water Co-op	900	Pima	AZ0410142	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.	009 2026	\$180,000.00 / \$180,000.00	85%
15	^{1,4} Ash Fork Development Assoc. dba: Ash Fork Water Service	2,400	Yavapai	AZ0413008	Ash Fork Water Service System Improvements	This project will address multiple issues within the system including spot blast and re-coat of 2-500,000 gallon steel Storage Tanks, installation of an Arsenic Treatment system at Ash Fork #1 groundwater well, installation of approximately 6,200' of water mains and design and construction of a new Standpipe facility.	010 2026	\$1,375,000.00	80%*
16	^{1,4} Congress DWID	1,850	Yavapai	AZ0413021	CONGRESS DWID NEW WATER SUPPLY WELL PROJECT	Congress DWID will drill a 12" new well with at least 250gpm with VFD booster pumps, generator, fencing and gates, 100K storage tank, SCADA integration, utility-power upgrades	049 2026	\$1,948,960.00	80%*
17	^{1,4} Camp Verde, Town of	5,550	Yavapai	AZ0413015 / AZ0413072	Verde River Estates New Well and Storage Tanks	This project includes the Verde Commercial Tank & Pump (Engineering/Construction), an ADWR Adequate Water Supply Study, Verde River Estates new Well (Land	017 2026	\$521,083.00	80%*

PPL Rank	Applicant	Population	County	Permit#	Project Name	Description	Project Number	Amount Requested/ Probable Green Amount	Financial Assistance Index
						Acquisition), and Northbound Highway 260 Production Wells (Land Acquisition).			
18	⁴ Coldwater Canyon Water Company	290	Yavapai	AZ0413192 / AZ0413202	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.	022 2026	\$1,465,000.00	85%
19	⁴ Coldwater Canyon Water Company	1,085	Yavapai	AZ0413192 / AZ0413202 / AZ0413020	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.	023 2026	\$1,925,000.00	85%
20	⁴ 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 NWRDPS 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 NWRDPS Booster and the airport Potable System.	014 2026	\$3,000,000.00	95%
21	^{1,4} 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.	012 2026	\$200,000.00	85%
22	^{1,4} City of Globe	7,500	Gila	AZ0404008	Globe Water Transmission Main 595 Project	The City of Globe is seeking \$1,000,000 to cover the required local match and additional construction costs for a	044 2026	\$1,000,000.00	85%

PPL Rank	Applicant	Population	County	Permit#	Project Name	Description	Project Number	Amount Requested/ Probable Green Amount	Financial Assistance Index
						USACE Section 595-funded project that will replace aging waterline infrastructure along the old US 60 corridor between the Gila County Fairgrounds and the ADOT maintenance yard.			
23	^{1,4} Ellison Creek	175	Gila	AZ0404106	ECCOA water line replacement	This project aims to replace the water distribution system for all 60 of the homes in Ellison Creek.	007 2026	\$2,455,000	85%
24	^{1,4} Inscription Canyon Water Company	2,000	Yavapai	AZ0413303	System Maintenance and Improvements	Project includes replacing Well no. 1 on the Inscription Canyon side, expanding SCADA system, installing 3 generators at the pumping stations, add a backflow valve at the meter pit serving Talking Rock Ranch Golf Course, and installing a cross tie under Williamson Valley road to connect the two separate systems.	030 2026	\$900,000.00	85%
25	^{1,4} Verde Lakes Water Corp.	909	Yavapai	AZ0413130 / AZ0413059	System Improvement	Verde Lakes Water project includes replacement of mainline valves, meter replacement, new water line installation, installation of two new 10,000-gallon poly storage tanks, replacement of arsenic media, and the purchase of new vehicles.	031 2026	\$457,706.00	85%
26	^{1,4} Viewpointe II Townhomes Association Inc	272	Pima	AZ0420101	Viewpointe HOA Program	The proposed project will replace all the waterlines and support the installation of isolation valves and submeters. The applicant states the project will result in improved water quality, reduction in water loss from emergency line breaks, and improved water pressure	002 2026	\$3,152,543.00	85%
27	⁴ Forest Lakes Domestic Water Improvement District	500	Coconino	AZ0403032	Capital Projects	The DWID is seeking funding to accelerate replacement of aging water meters and water lines, address rising labor and material costs and staffing limitations, and	046 2026	\$1,200,625.00	90%

PPL Rank	Applicant	Population	County	Permit#	Project Name	Description	Project Number	Amount Requested/ Probable Green Amount	Financial Assistance Index
						hire consultants to complete a critical threat analysis and drought contingency plan to improve long-term system reliability and preparedness.			
28	^{3, 4} Page Utility Enterprises	8,676	Coconino	AZ0403017	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.	025 2026	\$38,432,000.00	90%
29	^{2, 3, 4} Marana, Town of	5,100	Pima	AZ0410329	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.	008 2026	\$3,000,000.00	95%
30	⁴ Metropolitan Domestic Water Improvement District	45,490	Pima	AZ0410076	Herb Johnson 2.5 MG Reservoir - Design	The project would improve system reliability and resiliency by constructing additional reservoir storage capacity, allowing the aging Herb Johnson Reservoir to be taken offline for needed inspections and maintenance for the first time since its construction in 1996.	045 2026	\$1,900,000.00	90%
31	^{1, 2, 3, 4} Marana, Town of	18,341	Pima	AZ0410150	Marana Park PFAS	The proposed project would construct a GAC treatment system and supporting infrastructure at the Marana Park facility to remove PFAS from groundwater supplies, ensure compliance with upcoming EPA drinking water standards, and maintain reliable potable water service for the North Marana System.	050 2026	\$21,512,000.00	90%

PPL Rank	Applicant	Population	County	Permit#	Project Name	Description	Project Number	Amount Requested/ Probable Green Amount	Financial Assistance Index
32	^{1,2,3,4} Marana, Town of	18,341	Pima	AZ0410150	Heritage Park PFAS	The proposed project would construct a centralized GAC treatment facility at the Heritage Park Water Plant to remove PFAS from groundwater supplies, restore the offline Honea East Well, and ensure the Town of Marana complies with upcoming EPA PFAS drinking water standards while maintaining reliable potable water service.	051 2026	\$28,589,000.00	90%
33	^{2,3,4} Liberty Utilities (Litchfield Water & Sewer) Corp.	55,000	Maricopa	AZ407046	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.	027 2026	\$18,000,000.00	95%
TOTAL								\$161,678,798.80	

Legend:
¹ Eligible for disadvantaged community designation

² Eligible for BIL – Emerging Contaminant Funds

³ Potential equivalency project

⁴ Eligible to receive additional subsidization as loan forgiveness

* Priority Community

Arizona's Drinking Water Revolving Fund Fundable Range List – SFY 2027 Funding Cycle

Fundable Range Rank	PPL Rank	Applicant	Population	County	Project Name	Description	Project Number	Amount Requested	Financial Assistance Index
1	4	Empirita Water Company LLC	120	Cochise	Empirita Water Company Improvements	This project proposes connecting Well 3 to restore source water redundancy following the collapse of Well 2, refurbishing the system's 150,000-gallon storage tank, and replacing all 81 manual water meters with automatic meter reading (AMR) technology.	034 2026	\$269,250.00	75%*
2	8	Sun Valley Farms Unit VI Water Company, Inc.	600	Pinal	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. The scope of work also includes associated infrastructure such as piping, valves, controls, and the tank foundation.	011 2026	\$1,217,500.00	85%
TOTAL:								\$1,486,750.00	

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

PPL Rank	Applicant	Population	County	Permit#	Project Name	Description	Project Number	Amount Requested	Financial Assistance Index
5	City of Cottonwood	12,029	Yavapai	AZ0413025	Effluent PFAS Removal	The proposed project would implement a PFAS treatment system at the Mingus Wastewater Treatment Plant in Cottonwood to proactively remove PFAS from treated effluent before discharge or groundwater recharge, protecting public health, safeguarding regional water supplies, and ensuring compliance with anticipated state and federal regulations.	054 2026	\$628,908.00	80%*
6	Town of Chino Valley	2,358	Yavapai	AZ0413137	Bright Star Water Production Facility PFAS Remediation	The Town of Chino Valley's main water production facility called the Bright Star WPF was found by ADEQ to be in exceedance of the EPA and ADEQ PFOA (PFAS) MCL of 4 PPT. This funding will allow the full remediation system to be constructed to remediate the PFOA within the Town's principle main water production facility through ion-exchange remediations systems.	042 2026	\$5,000,000.00	80%*
7	Town of Chino Valley	2,358	Yavapai	AZ0413137	PFAS Remediation for Indirect	The Town of Chino Valley relies heavily on recycled water recharge for its potable	043 2026	\$10,000,000.00	80%*

PPL Rank	Applicant	Population	County	Permit#	Project Name	Description	Project Number	Amount Requested	Financial Assistance Index
					Potable Reuse Recycled water at the WRF	water supply, and the proposed project would remove PFAS from the recycled water before aquifer recharge to protect the Town's recovery wells, regional groundwater supplies, and nearby City of Prescott drinking water wells from future PFAS contamination.			
28	Marana, Town of	5,100	Pima	AZ0410329	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.	008 2026	\$3,000,000.00	95%
31	Marana, Town of	18,341	Pima	AZ0410150	Marana Park PFAS	The proposed project would construct a GAC treatment system and supporting infrastructure at the Marana Park facility to remove PFAS from groundwater supplies, ensure compliance with upcoming EPA drinking water standards, and maintain reliable potable water service for the North Marana System.	050 2026	\$21,512,000.00	90%
32	Marana, Town of	18,341	Pima	AZ0410150	Heritage Park PFAS	The proposed project would construct a centralized GAC treatment facility at the	051 2026	\$28,589,000.00	90%

PPL Rank	Applicant	Population	County	Permit#	Project Name	Description	Project Number	Amount Requested	Financial Assistance Index
						Heritage Park Water Plant to remove PFAS from groundwater supplies, restore the offline Honea East Well, and ensure the Town of Marana complies with upcoming EPA PFAS drinking water standards while maintaining reliable potable water service.			
33	Liberty Utilities (Litchfield Water & Sewer) Corp.	55,000	Maricopa	AZ407046	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.	027 2026	\$18,000,000.00	95%
TOTAL:								\$86,729,908.00	

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 2026. 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.