<<Theresa Enright>> Is a, is a, a program that is managed by two departments, the Department of Natural Resources and the Iowa Finance Authority co-administer this program. My name is Theresa Enright, and I am the State Revolving Fund Coordinator, with the DNR.

<<Aaron Smith>> Hey, everybody, my name's Aaron Smith, I work for Iowa Finance Authority, involved with State Revolving Fund program as well.

<<Theresa>> Ok, as Alicia mentioned, I'm just gonna start with our, a slideshow presentation and we'll start taking questions after that. So, the, the Bipartisan Infrastructure Law (BIL) got its name after the Infrastructure Investment and Job Act was passed last, last year, and so for this presentation we'll be referring to that money as BIL, B-I-L. This is, on your screen right now, what shows all of Iowa's allocation for five years, this is a funding program that will receive an annual allocation over the next five years in different pots of money. So, for the clean water program there are two new pots of money that are in addition to our based State Revolving Fund program, one is for, called BIL supplemental, and other is called emerging contaminants, so this presentation will focus on that funding today. Knowing what our first year's allocation is for our clean water SRF program, up at the top it shows what our base programs capitalization grant allocation is, for Iowa, it's $15,660,000 dollars this year, and there's a mandated 20% of that funding that should go to additional subsidization. What that means, in our case with Iowa, we do additional subsidization in the form of principle forgiveness on loans. So, $3 million dollars, $3,132,000 is available from that portion of funding. Now the BIL allocation is the portion that's shown below and in our supplemental portion we have an additional $24 million and $11, $11.8 of that is mandated as loan forgiveness, and then under emerging contaminants is $1.2 million, 1 point, $1.265 million, and 100% of that is required to go for, as additional subsidization, now I will get into each of these separately. But I wanted to give a few ideas, just a few information pieces about the program in general, overall, when the DNR is applying for the capitalization grant, where this funding is being funneled through, we have to apply for each of those pots of funding separately. In order to make an application we have to have a project list that identifies all of the projects in our intended use plan before we can, by each of those funding categories, before we can apply for that funding, and then, so that's why, that's why you have to be on an intended use plan list prior to receiving this BIL funding, and then there are no restrictions on co-funding the BIL money with other programs. At the beginning of this year the SRF Planning Team was formed, and we had various people on our team that have helped us, kind of, come up with a simple implementation plan, it includes engineer staff from the DNR, both clean water and drinking water, it includes our finance team at IFA, it includes legal representatives from DNR, including an environmental justice legal team member, and, um, several others that are involved within the SRF program currently. We wanted to set some priorities for how we were going to get through this fund, get through this planning process. The first thing we recognized we needed to do is identify where we wanted to focus the funding first, in this first year, so with the clean water program we identified some project priorities that were based off of the 2012 needs cate, er needs assessment survey, and that was when the communities like yours provided information and back, and, on what was needed in their community, and where their greatest needs were in related to the sewer systems and wastewater systems in your communities. The next thing that the planning review team needed to do was based on the way that the BIL guidance was written, there was a strong emphasis on taking a look at disadvantaged communities, definitions, and so the team spent significant time reviewing and revising disadvantaged community criteria that we'll be discussing today as well. With that, also, we needed to develop a process for determining loan forgiveness, what would make them eligible, and how much we would have available for each eligible applicant. And then lastly, here we are today, with getting a, creating an opportunity for us to have some stakeholder engagement and feedback from you all. I'm gonna start talking about the Clean Water SRF supplemental fund. Again, this is the fund that comes with the BIL, that is in addition to our regular SRF program. All of the funding has been mandated for this infrastructure to go through the SRF program because we're already an established program doing this, doing, making loans for the same purpose. So, with this category, in the guidance it says that all eligible categories under our regular base program, for SRF, will be eligible for this supplemental category of funding, and Iowa has put together, as I mentioned, some project priorities that we would like to, to focus on for the loan forgiveness portion of this. So, these will be ranked, oh, well these, we had the idea of including these in our, our ranking process, but they include sewer collection system rehab, lagoon advanced treatments, advanced treatment, secondary treatment, and consolidation and regionalization. So, that's

what we're hoping, in this first year, to focus the funding to go to. Now, with the implementation guidance, from the BIL, 49% of the loan forgiveness that's allocated for this funding source has to meet one of these criteria: 1. It has to meet the state's affordability criteria, and if it doesn't meet the affordability criteria but it will benefit individual rate payers in the residential user rate class that would make them qualify, or also implementation of certain types of, of um, technology, and techniques that address water, energy efficiency, sustainability, and stormwater runoff. We feel like we have enough of a pool of, of, of a need in that first category, the state's affordability criteria, that that, through our ranking system, those are probably going to take up the majority of this first year's funding. Next, I'm gonna move on to our clean water PFAS and emerging contaminants fund. The BIL was very specific for this use of funding in that they created, in the guidance, some categories that would be eligible, and it's different between drinking water and, and wastewater. The eligibility criterias, there are four main categories, one includes PFAS and other persistent organic pollutants, another category is biological contaminants and microorganisms, pharmaceuticals and personal care projects, and then nanomaterials. So, Iowa has, our team has looked at what we think are some potential issues in the state, and, and I'll mention that PFAS for clean water has not been noted as a significant issue yet, we are still determining, trying to determine the best ways that we could address these problems when they come up, but we've identified that the project priorities could be pathogen, such as UV disinfection, or bacteria, for SARS, things like that, through that biological contaminants and microorganisms category. We believe that some pharmaceuticals and some microplastics related projects could be eligible. Now, with the emerging contaminants funding the requirement is that 100% of this all, of this, of this allocation be given to any applicant that is addressing an emerging, an emerging contaminant. Ok, so I mentioned that we set the priorities for the projects, we did that first, then we started to review what our disadvantaged community criteria was, this slide shows what our current definitions are, so for clean water we've established, through, through DNR's disadvantaged community rules, 455B.199B, we've kind of tacked onto that, and it focused mostly, primarily, on income population, unemployment, and project cost. Well, we wanted to take a look at some of the other factors that could contribute to, to the disadvantaged status of a community, or the ability to afford these projects. And so, we started expanding that, our, expanding the information that we collected to include some more socioeconomic barriers. The socioeconomic barriers that we considered were ones that will help us determine, basically, how disadvantaged one community is compared to another, other communities, compared to other communities within the state. We also wanted to consider household burden, that helps us examine the affordability of individual projects and it's more focused on user rates and communitywide impact, then when you combine that information with project points, it basically gives us analysis, the analysis will give us information we need to make determinations on user rates and of loan forgiveness. So, this is a basic formula that we will be talking through in the next several slides, where we'd like to show you what we've been thinking about applying loan forgiveness. So, we'd like to take into consideration these top three things, the socioeconomic score, your project priority points, and then household burden, for an overall, total loan forgiveness eligibility.

<<Aaron>> Yeah, so, just to dive in a little bit deeper here, on each of these components individually, since this is a little bit of a, a, of a diversion from how the program's historically looked at disadvantaged status in the past, we wanted to just, kind of, give a quick overview here. So, as Theresa mentioned, before, you know, we wanted to expand our, our view of, of the communities, as far as what the underlying factors are that are contributing to a particular community or service areas disadvantageness, so with that, you know, we, we are looking at items such as, you know, income, or median household income, various poverty measures, the percentage of community receiving public assistance income, or SNAP, supplemental security income, various labor force data, such as unemployment rate and those participating or not participating in the labor force, populations trends, which is growth and other demographics, valuation metrics, educational attainment, housing metrics, and then the last item here that are, that's included is what's call the social vulnerability index, which is produced by, it's put out by the Centers for Disease Control, it includes a myriad of, of other, of data points including minority status and language, household composition, disability, and then access to transportation and thing like that. Real quick, I did see a question pop up and I was gonna talk about this specifically, at this point what we've looked at is using data, data from the 2019 America, American Community Survey, primarily, for some of the factors that's not the case, such as labor force data, particular with the unemployment rate, the State of Iowa, the Iowa Workforce Development, the agency here

at the state level, collects pretty good data, and so we're using the state's data for that as well, instead of American Community Survey. Let's see here, also the social vulnerability index is updated every two years, so we have not had an update from the 2020 census figures yet, I'm not sure that we will as there have been some, some data concerns with the 2020 figures there. Ok, so, next slide maybe. So, effectively then, we have 15 various metrics and your community will be scored on each of those, you'll receive points based on, again, where you fall in relation to the rest of the state, or the rest of the communities within the state, so as, either receiving zero, one, or two points, again depending on, sort of, where you fall within the percentiles. So, when we add all of that up, you know, you're gonna range anywhere from zero points all the way up to 30 points for this. So, low being 0-10 points, moderate to low, moderate, moderate to high, and high, those are kind of the break points that we've determined for, sort of, how disadvantaged the community is based on these underlying socioeconomic factors, and then we've identified here, and this is, I can't stress this enough, sort of, preliminary at this point, sort of, a corresponding principle forgiveness amount, based on the range that you fall within there. So, the second component that Theresa mentioned, as far as how we're putting together the total loan forgiveness formula, includes, we're calling it, I guess, the household burden component. This is really where affordability concerns are coming into play, so, you know, you have the first, the first piece there, which is looking at the underlying factors of the community, and then the second piece is looking at, sort of, what the, what the homeowner or the household costs are, and it's really taking into, into account the size of the project, in a lot of ways, so the cost of the current project, as well as any outstanding debt, maybe, that the community has, so all of that's gonna come into play and be captured in the monthly water sewer bill data that we get there. We get the monthly data, or, or if it's annual we get the annual, we annualize it one way or another, and then we want to divide that out and come up with a ratio compared to what the lowest quintile income is for the community. Again, that's provided, or produced, from American Community Survey data, and then we come up with, you know, a metric there for, for this example, we're gonna use this example, it's 4.8%, and then also the second component of, of this metric being the percent of households in this area earning below 80% of the median income. That's, again, able to be captured pretty easily, this is all, again, taking a look at, sort of, affordability, what, what percentage, and what, you know, what percentage of the lowest quintile income a typical household is paying for water and sewer service, and then also looking at, and the percentage of the households in the area that are, sort of, low, low to moderate income, and again, kind of, focusing on, on those, those folks in the community. And then these are put together in another matrix, so on the left hand side, those are our, our break points right now, if the percentage of the income for the water and sewer bills falls within those, those metrics, you sort of look at where, where that falls, and then the different columns are represented by the percentage of the households in the area earning below 80% AMI. So again, you just kind of reference where your community is and in the prior example we saw 4.8% for the, for the household burden, and then the percentage of households earning below 80% AMI, 29% for this example, that community would have a moderate to low burden to the households and would have a corresponding loan forgiveness amount of 10% which would then be added to whatever that community had on the socioeconomic side as well. So, these, these amounts here are, kind of, stacked up and are accrued here.

<<Theresa>> So this sort of gives you a layout, there's, our proposal includes those three factors that we talked about, socioeconomic score, getting a score for project points, and then also adding in household burden, but you'll understand where you fall pre-bid, and at IUP application time period, and post-bid, once the actual project costs have come into play, so the first two factors, the socioeconomic score and the project priority points, will be known, basically at IUP application time, and then again, once the bids have been received and actual project costs can be plugged into some of those household burden numbers, that will be added to it. So, you'll see there, we've, we are proposing, again as Aaron stated, we want to emphasis this is a proposal at this point, we're proposing up to 30% loan forgiveness based off of your disadvantaged status as you, as you are, compared to other communities, plus the project that you're doing, we, we are, I shared with you the project priorities that we have, so we will assign a percentage amounts to those projects, so if you were doing a project that we think is the highest priority within the state you'll be able to, essentially, get 20% additional loan forgiveness, and then finally, um, creating opportunity for, potentially, up to 40% more loan forgiveness added onto that for a total of up to 90%. In some cases, there may be a requirement for us to cap the dollar amount per project, so as you will recall, the allocation that we have for

the first year, we are essentially looking at, let's see, oh right here, around $14.9 million dollars total to apply in loan forgiveness, now that compared to where we are with our normal capitalization grant program, in the past few years we've been receiving around $21 million in cap grants and only had a 10% requirement for loan forgiveness, so we were giving around $2 million dollars a year away in loan forgiveness, so you can see how we can, you know, even if we capped it, the $15 million dollars available to, to spread around, we're, we're going to be able to help several more communities, potentially, with this funding. So, getting back to this model right here, so that's our total proposal for loan forgiveness application, I just wanted to show you a couple examples of recent loan forgiveness awards that we've done on our current, using our current system versus how they would roll out in the socioeconomic score. And so, most of these you'll see are scoring above 10, which would put them within that category, they're still within that, meeting that, so called, definition or meeting the criteria necessary to be deemed eligible for loan forgiveness purposes, and there's a few that are highlighted that did not. I'm gonna take an example of one, now this was a connection project, connection projects were one of our priorities, we're just going to use, in this example, um, and say that it was 20%, that they scored the highest amount, and that also in this example, that it scored, that the community scored the highest that it could for household burden. The population is 62 and we're estimating around 25 users that are paying for the loans, for this project, and this connection project, it was an unsewered community, but they took a loan with us for $865,000,000, sorry, $865,000, so there, yeah, excuse me about that, there socioeconomic score was 14, so according to that scale, example scale that we showed you, that would give them 15% loan forgiveness, plus their project priority here, so they would know going into the application process that they could potentially be awarded 35% loan forgiveness. Then after the project costs came in, let's say their project costs were high enough, they scored 40%, 75% loan forgiveness is what they would be eligible for, under our current criteria, Dougherty, as I mentioned was an unsewered community, and so we were offering 50% loan forgiveness for unsewered communities that were doing connection projects, and so they are currently receiving $432,500. They could potentially receive up to 75%, $648,000, under the new criteria that we are proposing. Did you want to add anything, or clarify anything from this screen before I move on? Ok. Ok, that basically concludes what we wanted to provide you with new information. What I'd like to talk about briefly is our next steps before we open up for, for conversation and questions. We've established a, a, an email address specifically for your public comments and for additional questions to be directed to, its water-infrastructure@dnr.iowa.gov and we would like to encourage you, following this engagement, to, to use that as your primary means for communicating questions and providing statements to us, so that we can keep track of that stuff together. What we will do after these engagements, and after reviewing all of these comments, is work through finalizing our socioeconomic tool, that helps us determine that score, and looking at the disadvantaged community criteria, that helps us define who will meet that loan forgiveness criteria. We'll also be, as a team and as a state, working through set aside uses for both of our programs and at that point, once we have all that information, we can, I can draft the intended use plan for the BIL funding. Then it will go through, it's a regular IUP process, so we will publish the intended use plan for a time period, there will be a public hearing that will be allowed, and that will be in the August time period, and then a public comment period will be open for that as well. We're hoping to get this plan finalized and to the Environmental Protection Commission for approval at the September 20th commission meeting, and it is our intent to apply for BIL funding by the end of this federal fiscal year, September 30th, 2022. So, I'm going to, again, just emphasis that I like you to begin entering any questions that you have in the chat, and we've reserved the next, remainder of our time here to help address some of these questions, and then also the Q&A from this webinar, if we're not able to get to all of the questions, and a video of this information will be posted to the infrastructure BIL funding opportunities webpage on our IowaSRF.com website. You can find more information there as well as an FAQ that is already posted there. I'm going to go ahead and leave this one up, I'd like to mention that we will be accepting comments and additional, yeah additional public comments through July 8th, but you are welcome to continue to send your questions to this email address and I'll, I'll just make mention that for the information that comes in, and even the questions, it may require some discussion with our planning team before we can get back to you, so just be patient with us and understand that we'll get back to you with a response as soon as we can.

Colleen Conroy

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