<<Theresa Enright>> Thank you everybody for joining us today. We will be having a discussion about the Infrastructure Investment and Jobs Act that was passed last fall and has since been known as the Bipartisan Infrastructure Law (BIL). Within that bill they were specifically mandated that the water infrastructure funding be handled through the State Revolving Fund programs, and in Iowa the State Revolving Fund programs is a partnership between the Department of Natural Resources and the Iowa Finance Authority. My name is Theresa Enright, I'm the Clean Water and Drinking Water State Revolving Fund Program Coordinator.

<<Aaron Smith>> Hi, I'm Aaron Smith with Iowa Finance Authority.

<<Theresa>> Um, I think we'll just start first by showing you what Iowa's BIL allocation is, for this session we're going to be focusing on the drinking water portion. When the bill was passed it, it allowed for three additional pots of funding, in addition to our base SRF program, and I'll be explaining those each separately, but you'll see here one will be referred to as the BIL supplemental, one will be for emerging contaminants, and the last will be for lead service line replacement. If you take notice then this grant is going to be something that we apply for over the next five years, and the total allocation for Iowa, for all five years, for drinking water, is over $458 million dollars, and of that there are mandates for how portions of those, those funds have to be allocated, for loan forgiveness, and you can see the total that we have available for all five years, for all three pots of funds, is $255 million, with the majority of that specifically to be used for lead service line replacement. Ok, as I mentioned, this is funding that is in addition to our base cap grant program, this year's allocation for drinking water is lower than normal because earmarks were reintroduced, but our base program will also have loan forgiveness or additional subsidization requirements. Additional subsidization in Iowa is applied through principle forgiveness, or loan forgiveness, but you'll see that we have about $2.8 million dollars available for loan forgiveness from our base program, and that's down from what it normally is, usually around $4 million a year. But, we're really going to be talking about this portion particularly, which is Iowa's first year BIL allocation. With the supplemental program we have about thir-, almost $14 million available for loan forgiveness, with emerging contaminants all of that money must be given away as loan forgiveness, and then with lead service line replacements, there's about $22 million dollars available for loan forgiveness. Ok, just a few things, program-wide, about BIL, that we understand, the DNR will be applying for a capitalization grant at each of the BIL funding opportunities separately. And then, in order for us to apply for this funding we have to have an accompanying project priority list. So, applicants to the SRF program will have to be on an IUP project priority list, that priority list will be submitted with the application, before funding can be awarded to our state. SRF borrowers can also co-finance these projects with other programs, there are no restrictions on co-financing. Ok, at the beginning of the year we formed a team, an SRF BIL Implementation Planning team, and there were various people involved in that, it primarily was members from Iowa Finance Authority, DNR, and from DNR included wastewater and drinking water engineers, and legal team, as well as environmental justice legal team member, and management supervisors. So, from that our primary objective, our first objective was to identify where the greatest needs were within our state. That's based off of information that we have on violations and discrepancies and other types of identified significant deficiencies across the state. So, we started with identifying project that we wanted to do for the first year, and really address the ones that had the greatest need across the state. The next thing was that when the bill was passed and EPA put out its guidance, they put a very strong emphasis on states to review and to potentially revise their definitions of disadvantaged communities, and a significant amount of these moneys is going to be mandated to be given to disadvantaged communities based on those definitions, on the state's definition. So, we wanted to take a look at that as a team and see how that could be improved upon. And then, we were also then going to take that information, help it, help us to develop eligibility criteria for how we determine how loan forgiveness will be applied and just how much loan forgiveness can be applied to each borrower that qualifies. And then finally, once we had a base plan and something to present to the public to create opportunities like today, where we can have some stakeholder engagement, ask for your feedback and your thoughts on what our initial plans are, and hopefully go from there, before the final plan is submitted. I'm gonna talk through each of these pots of money, starting with the supplemental, then we'll move into emerging contaminants, and end with lead service line replacement. So, with this, again, I just pulled up the drinking water supplemental amounts from the bill, but I also paired it here with our cap grant, because the eligibilities for this, based off the guidance, is any eligible category under our regular, base SRF program, is eligible under the

supplemental program, but then in Iowa, again, we took a look at where is the greatest need within our state. And so, we've come up with a list of, of our top project priorities that we will then give a percentage, or a score to. But I wanted to talk, talk you through these real quick, so highest priority would be with noncompliance issues, that could be safe, safe drinking water act compliance issue, an MCL or maximum contaminant level violation, or identified significant deficiencies and those are major deficiencies and other compliance issues that were identified either through an operating permit compliance issue or the sanitary survey significant deficiencies. So, we want to take care of those first, as primary, then we've identified consolidation and regionalization as a priority, within our state, in this first year. And these consolidation and connection projects are prioritized for the projects that are addressing technical, operator, managerial, and financial liability. So, borrowers can be eligible even if there's no violation, if they are not in a position to continue to manage their own systems, or they don't have operations available, or the financial capabilities to continue to sustain their own systems. The intended priority is for these small communities, who are giving up their systems because they have a lack of technical, managerial, or financial viability, or if they just need to get good water. And the intent here is not to provide loan forgiveness to systems that are buying other viable systems just to franchise. So, again, we're really taking a look at where's the need, and what problems is it solving. Next would be resiliency projects, flood and drought, redundancy projects, cybersecurity, and then followed by new public water systems for communities that are served by private wells. So, this is where we're starting with our ideas for where the biggest need is for the supplemental funding, of this funding 49% of it is mandated to go to disadvantaged communities, for this loan forgiveness. Ok, here we go. The next pot of funding that we're gonna talk about is the drinking water PFAS and emerging contaminants. So, Iowa's been allocated just about $12 million, and $12 million dollars all of that will need to awarded as loan forgiveness. So, eligible projects, that was determined by the EPA and they have determined that treatment of PFAS or any of the, any of the contaminants that are listed on the CCL 1-5, that's the EPA's Contaminant Candidate List 1-5, are eligible for funding with this pot of money. Iowa's priority project list, PFAS will always be at the top, because that was the intended purpose for this, that was the primary intended purpose for this funding, but we will also be addressing public health advisories with this funding source. The loan forgiveness requirement on this one is that at least 25% of this money be given to disadvantaged communities, or water systems that are serving less than 25,000 people, the other 75% of the money available here can be given to any non-disadvantaged community borrower. Then our last priority, or our last set of funding that comes with the bill, was directly for lead service line replacement. We have been obligated, we've been allocated nearly $45 million dollars for this, in the first year, and mandated to give 49% of that away as loan forgiveness, so we have about $22, $22 million available to award to borrowers for lead service line replacement. The eligibility for this is any, all projects that are associated with directly removing lead service lines, doing inventories, so planning and identification of lead service lines, and it requires that the entire lead service line be replaced, including the prior, including the private portion, but not the interior plumbing. And this replacement can be stand alone, or it can be connection pieces, like an isolated goose-neck, or pigtail, or some type of connector. So, Iowa's project priorities, um, we would like to try to assist the communities in meeting the lead and copper rule revision requirements for October 2024, which mandates all communities to have lead service line inventory by that date, and of course any projects that actually are ready to go with an inventory, that would like to do lead service line replacement, will be financed through this fund, through this source. The loan forgiveness requirement, again, is 49% of this money has to go to disadvantaged communities, now with our drinking water program the state has an option of setting aside a portion of the allocation of our, a portion of the allocation to be used for our public water supply systems program in this state, and so one of those options, in this situation, is we could potentially use up to 26% of our set-asides to do a statewide contract to assist with doing inventories, this would mean that the state would be working with a contractor that would assist individual communities in getting their inventories completed. So, that is an option on the table for us, but the funding can also still be used for inventories. Ok, so I've gone through each of the pots of funding, now I just want to talk a little bit about disadvantaged communities and how we define it today, and where we'd like to see it move in the future. So, our criteria, as of today, up to this point, has been equal to that of the, of the, the CDBG program, Community Development Block Grant program, whereas if 51% of the residents are low to moderate income then you would be considered disadvantaged. But what, but that is, what we came to recognize is that's a very black and white line, and so communities that were 50% low to moderate income, or 49%, may have been just as disadvantaged as those that were 51% but they didn't make the cut. So, we wanted to look at more factors that could broaden that definition a little bit and be more inclusive, so our proposed definition, our proposed criteria for defining what, what's a disadvantaged community and what's not is really gonna be based on this broader scope of information about the community that will include things like socioeconomic barriers that have potentially kept communities from getting access to these types in the future, er in the past. So, as we present the next several slides we're gonna be talking about how we intend to present this allocation plan of how we allocate loan forgiveness and it will include three different factors, one which would be this underlying socioeconomic profiles for your community, and this will kind of help us determine how disadvantaged your community is based off of this criteria, as it compares to other communities within the state. Another factor will be household burden, so this really takes a look at the individual project cost and examines affordability, and it's really, it's more focused on user rates and the community wide impact that a project would have on a rate payer. When you take these two pieces of information and combine it with a project priority score, that kind of infor-, all of that information combined allows us to do an analysis and can help up make a decision on loan forgiveness amounts and user rates and terms. This is what that formula for loan forgiveness would look like, you'll be receiving a percentage of loan forgiveness, based off of your socioeconomic score, plus a percentage related to your project, one of the project priorities we've identified, and that would give you your base loan forgiveness amount, but then, then we would move, move on to determining what the household burden percentage would be, after bids have been received and actual project costs are known, then that would give you your final total loan forgiveness eligibility amount.

<<Aaron>> Hi, this is Aaron, so just to kind of go over some of those factors, I see there's some questions coming in related to, you know, maybe what we'd be looking at here, but, you know, again, as Theresa said, we wanted to move away from, sort of, that black and white CBDG definition of disadvantaged community status and move into something that's a little more all-encompassing. So, with that we've identified about 15 metrics, right now, across a bunch of different, kind of, categories, here you can see, that allow us to view, sort of, what the communities make up, socioeconomic make up, really, truly is. And for this we use a variety of data points, er data sources for these points, anywhere from a community survey, to, you know, well established data from the Centers for Disease Control, all the way just down here to the state level, as it relates to some of the labor force data. But, you know, we're looking at some things that, sort of, make sense historically, such as median household income as it compares to other communities within the state, various poverty measures, such as, you know, the percentage of the community that's receiving public assistance income or SNAP benefits, supplemental security income, labor force data, like unemployment rate, those not in the labor force, and so on. Looking at some communitywide metrics, like the property evaluation per capita, and how much debt is already, kind of, um, incurred by that community, or by the service area. Other things like educational obtainment, so the percentage of the community with less than a high school diploma, the percentage of vacant homes and how much of the community is housing cost burden, so that metric would look at the percentage of, of those in the community, maybe with housing cost that exceed 30% of income, and then the social vulnerability index, which is sort of a catch all here, that looks at a bunch of other things, like minority status, nonnative, nonnative English speaking percentage, disability, a percentage of those with disabilities, or household composition, so elderly, a lot of elderly citizens or a lot of under age 17 citizens, and things like that, and access to transportation, which again, this is a, this is a production from the Centers for Disease Control that, sort of, helps, like it, like it, like its named here, how, how vulnerable is a community from, from a variety of, of impacts, so. That's sort of from a high level what we're looking at, you know, again, nothing is, nothing is determined at this point, I do want to stress that, so this is sort of still in flux, and I would, I would just remind everybody here, provide as much feedback as you see fit, you know, we're really looking for input here from, from you all, as stakeholders, we will also have, as Theresa mentioned, an Intended Use Plan, or IUP, process with public comments as well. But then we basically take the scoring from that, again depending on where you, your community would fall on the percentile ranking of amongst other communities, and then award, you know, a principle forgiveness amount based upon, sort of, your aggregate score amongst all those factors. If you score sort of low, that's, that means your, your community is less disadvantaged than others, so you know, any where from zero to ten points, no principle forgiveness because the community just isn't, isn't, isn't meeting the, the threshold for disadvantaged, you know, so to speak. And then from there it, kind of, ticks up in buckets of five, or in increments of

five, all the way up to 30%, so basically for each metric there's two points possible. If you're, a zero, one, or two points, for each of the 15 right now. So, moving on to the other component here, not, not just looking at the underlying socioeconomic make up of the community, or of the service area, we wanted to focus really, really heavily on affordability as well. So, there are a couple components to our affordability piece here, and you'll see on the next slide there's a, there's a matrix here, but there are two components, the household burden, so what is the percentage that someone who earns the lowest quintile income will pay each year, in water and sewer bills, and so we have, sort of, a breakout of that, and then that's also paired up with the percentage of households in that community earning below 80% of the median income. So, that 80% number is really just to catch what the, effectively what the federal government, defines as low to moderate income individuals, so in this example, for using 5%, I'm sorry, can you go back Theresa? So, in this example we want to, we want to calculate the amount of the water and sewer bill combined for a household using 5000 gallons per month, and say that comes up with 4.8%, and then the percentage of households in the area earning below 80% AMI, that's 29%, we carry that forward and we've got this, sort of, preliminary matrix here, which looks at, sort of, where you fall, or where the community or the service area would fall, and then a corresponding principle forgiveness amount there as well, which would then be added to the other, the other percentages as well. So, we're sort of stacking together different components of the project and different aspects of the community. Again, this one's looking at more of a, more of a residential, or a homeowner burden, to really deal with projects that are expensive, and how expensive are those projects for either those at the lowest quintile income, or sort of, those who are more at need in the community.

<<Theresa>> Ok, the intent here is not to make this confusing and unattainable to understand, but we are hope, we have a tool that will help us determine those numbers as, as Aaron talked about and we'll end up with a score. That score, right now we're proposing for this presentation, that up to 30% of loan forgiveness can be awarded for the socioeconomic score, and that's something that, once the tool is complete and ready for use, will be available for any community to quickly determine what that score is for them and if this is the range that we decide to go with, they'd be able to determine what their base principle forgiveness could be. So, then you take that and you'll already know what your project is that you're doing, and if you fall within those top priority projects that we've identified, the percentage of loan forgiveness, for those projects would be identified in the intended use plan, so you'd be able to identify how much loan forgiveness your receiving for your project. So, at the time of an intended use plan application the idea is you would have an idea of what your base loan forgiveness eligibility would be, and then once bids are received and final project costs are known, those numbers can be, um, combined with the other household burden information, and we're proposing up to 40% of additional loan forgiveness can be added to what was available and known at the time of application, for a total of up to 90% loan forgiveness for a community. I do need to emphasis that, based on the number of projects that come in and how much money we have available there may, there may be a need for us to cap the dollar amount that any one project will receive, in order for us to service the most amount of people with this funding opportunity. Ok, so we took a look at how this change would impact recently awarded loan forgiveness projects, and so all of these projects here were provided a loan forgiveness award, and all of them, using our proposed socioeconomic, socioeconomic score, scored a ten or above, so all of them would still fit within that definition of a disadvantaged community, as it compares to the other Iowa communities. So, I'd like to take a couple of examples and walk you through what that might look like for some of these recent awarded ones, and I pulled some connection project as the examples because I can then assume that, because that's a high priority for our state and for our communities in Iowa, that they would maximize the amount of loan forgiveness that they could receive based off of, based off of their project, but then in these examples we're also assuming that they're gonna score the highest that they could score in the household burden so that the total amount gives us a maximum that they would receive. So, in the case of Jamaica, with a population of 195 people, there's approximately 78 people who are paying those user rates, for a loan that's anticipated to be about $2.7 million dollars, for this connection project. When you run them through the socioeconomic score they scored a 19, and so they fall within that range for 20% loan forgiveness. Again, assuming that 20% the maximum that's going to be received for that connection project, they would know at the time of application that they were eligible for no less than 40% loan forgiveness, then once the final project costs come in, and the household impact is determined, they could receive up to another 40%, so that would give them a total of 80% loan forgiveness. Before our current

criteria, Jamaica qualifies for loan forgiveness based off of being a disadvantaged community, but because they're doing a connection project we had an additional, in that, sorry, the disadvantaged community criteria was 50% loan forgiveness this year, and because they're doing a connection project we were offering an additional 25% on forgiveness, to those projects, if they were doing a connection or regionalization project. So, they were capped at $1 million dollars, we did institute a cap for these projects, but based off of our proposed criteria they, they could have received up to $2.2 million, or 80% of this loan forgiven. And again, we're not sure if, if caps will have to be put in place for these funds, or not, but at least, we'd like, we wanted to demonstrate how there is a difference in the potential of loan forgiveness earnings that can be made from this proposal. The next one was the City of Bagley, 98 rate payers, a loan around $800,000 dollars, their socioeconomic score was 23, that put them in the 25% bracket, this again was a connection project, assuming the maximum amount of household burden, they could potentially receive 85% loan forgiveness. The current criteria, it's like I just mentioned, 50% for connection projects, 25%, er for public health project, 25% because, a bonus because they are doing a connection project, so they're receiving $603,000. If they were using the proposed criteria they could have potentially received up to 85% loan forgiveness for this same project. And finally, the City of Lanesboro, they have around 48 rate payers that are to pay for a project excess of $3 million dollars, their socioeconomic score is 18, so they're in the 20% bracket, 20% for the connection, 40% for the maximum household burden, so 80%. They are currently capped at $1 million dollars, but potentially could be receiving $2.8 million for a project, for this same project using this proposed criteria. Ok, before we open it up for a question and answer session I just want to direct you to an email address that we've established for beyond today's webinar. If you would like to provide further comments to us, or would like to ask a question, please direct that to this Water-Infrastructure@dnr.iowa.gov, following this session, and following the collection of those comments we will be working on finalizing that tool, that determines the socioeconomic score, and working on the criteria that defines a disadvantaged community and finalizing that. Also, taking a look, collectively, at the set-aside uses for our programs, and then the goal is to have a draft intended use plan available, and published, for review the end of July, the very first part of August, then we will have a public hearing for this intended use plan, and then in another, and then an additional public hearing, or public comment period through August, and then our target is to bring this intended use plan to the Environmental Protection Commission for approval on September 20th, positioning us to be able to apply for this funding by the September 30th deadline. Um, I've put this email address and our website, IowaSRF.com website, we have a page already built for Infrastructure BIL Funding Opportunities, this is where you will find the slides for today presentation, and where we will also be posting the video of today's information, and I will have that, the email address is available here. So, I'm going to ask you, if you have questions to go ahead and continue to enter those into the chat right now, and the next remaining time period for our session we will devote to addressing those questions. So, Alicia I will turn it back over to you at this point.

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