

SFY 2023

Drinking Water Intended Use Plan

Amendment 1

July 20, 2022



Water Infrastructure
Finance Authority of
Arizona



Table of Contents

Section 1: Short-Term Goals	1
Section 2: Long-Term Goals	2
Section 3: Important Program Changes.....	2
Section 4: Agreement to Enter Data into SRF Data System.....	2
Section 5: Description of Public Notice Process and Actions Taken to Address Public Comments.....	3
Section 6: Assurances and Specific Proposals.....	3
Section 7: Disadvantaged Community Program	3
Section 8: Criteria and Methods for Distribution of Funds (Priority Setting Criteria)	4
Section 9: Bypass Procedures and Emergency Funding Procedures	5
Section 10: Sources and Uses Table.....	6
Section 11: Identify the Types of Assistance Provided and the Terms (Principal Forgiveness, Extended Terms)	8
Section 12: State Match Sources	10
Section 13: Identification of Overmatch.....	10
Section 14: Anticipated Cash Draw Ratio (proportionality) or Statement of Match Drawdown then Federal	10
Section 15: Estimated Disbursement Schedule	10
Section 16: Identification of any Intended Transfers between Funds.....	10
Section 17: Identification and Explanation of any Cross Collateralization	10
Section 18: Combined Interest and Fee Rate (CIFR)	10
Section 19: Fees Charged if Applicable and Uses of Fees	10
Section 20: Overview of Program Financial Status and Management	10
Section 21: Leveraging Plan	11
Section 22: Binding Commitment Schedule	11
Section 23: Grant Payment Schedule	11
Sections 24-33: (These Sections are for CWSRF)	11
Section 34-43: Fundable List.....	12
Section 44: IUP Includes Set-Asides Taken and Authority to be Banked if Applicable	24
Section 45: IUP Includes Uses of the Set-Aside Funds and Expected Timeline of Expenditure	24
Section 46: IUP Includes Expected Outcomes of the Set-Aside Funds	24

AMENDMENT 1 TO THE IUP FOR SFY 2023. The Intended Use Plan (IUP) for State Fiscal Year (SFY) 2023 has been amended to update sections 5 and 10 due to changes in the amounts of set-asides being used.

INTRODUCTION

The Arizona Finance Authority Board of Directors is pleased to release Arizona’s Drinking Water State Revolving Fund (DWSRF) Intended Use Plan (IUP) for the State Fiscal Year (SFY) 2023 funding cycle. The DWSRF IUP describes the Water Infrastructure Finance Authority’s (WIFA) plan to utilize various sources of funds to finance drinking water infrastructure and support related program activities during the SFY 2023 funding cycle from July 1, 2022 through June 30, 2023. This IUP is a required element of the grant application documentation to obtain the Federal Fiscal Year (FFY) 2022 grant award.

Arizona herewith submits its IUP for the FFY 2022 funds available to Arizona for the purposes of continuing the development, implementation and administration of the DWSRF program in Arizona. This IUP is based upon the FFY 2022 DWSRF Federal Appropriation of \$1,126,088,000. Of this, Arizona’s Base Capitalization Grant is anticipated to be \$12,603,000.

Additionally, the Bipartisan Infrastructure Law (BIL), also known as the Infrastructure Investment and Jobs Act (IIJA) of 2021, (P.L. 117-58), increased the federal appropriations to the DWSRF programs. Appropriations from BIL are summarized in Table 1 below.

Table 1. Summary of BIL Appropriations FFY2022

Appropriation	Federal Amount - FFY 2022	Arizona’s Amount - FFY 2022
DWSRF General Supplemental	\$1,902,000,000	\$32,359,000
DWSRF Emerging Contaminant	\$800,000,000	\$13,587,000
DWSRF Lead Service Line Replacement	\$3,000,000,000	\$50,986,000
Total	\$5,702,000,000	\$96,932,000

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

Section 1: Short-Term Goals

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

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

Section 2: Long-Term Goals

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

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

Section 3: Important Program Changes

WIFA staff has proposed a change to the definition of disadvantaged communities in WIFA Policy III.6. This change will result in a change to the affordability criteria as it relates to Clean Water projects. The BIL Implementation guide published by EPA made it clear that EPA's expectation was that states would evaluate and revise, as needed, the DWSRF disadvantaged community definition and CWSRF affordability criteria. WIFA's goal is to ensure that communities who are most in need of financial assistance are eligible to receive additional subsidy under the disadvantaged and affordability criteria.

WIFA also is working on new policy and procedures related to the BIL funding and the amount of forgivable principal available for eligible recipients. WIFA anticipates implementing these changes once BIL funding has been awarded.

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.

Section 4: Agreement to Enter Data into SRF Data System

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

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

Public review and written comment period of this IUP was conducted from May 23, 2022 through June 6, 2022. Public review and written comment period for Amendment 1 was conducted from July 20, 2022 through August 5, 2022. Notes on the changes done in Amendment 1 are on pages 6 and 7.

WIFA solicited public review and comment on the draft SFY 2023 DWSRF IUP and Project Priority List (PPL) according to the following schedule.

May 23, 2022	Distribution and Web posting of the draft DWSRF IUP and PPL to all interested parties.
June 6, 2022	Public Hearing – online via Webex at 3:00 p.m.
June 6, 2022	Deadline for public comments on the draft DWSRF IUP and PPL (5:00 pm).
June 9, 2022	Advisory Board recommendation of adoption of the final draft DWSRF IUP and PPL.
June 16, 2022	Arizona Finance Authority Board of Directors’ adoption of the final draft DWSRF IUP and PPL. IUP will then be sent to EPA for final approval.
July 1, 2022	Begin implementation of the Approved DWSRF IUP and PPL

Section 6: Assurances and Specific Proposals

WIFA intends to comply with the following:

- WIFA will comply with its environmental review policy as approved by EPA;
- 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; and
- WIFA will make every effort to comply with EPA’s guidance for timely and expeditious use of funds.

Section 7: Disadvantaged Community Program

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

WIFA’s current Disadvantaged Community Designation policy (III.6) defines a disadvantaged community as the following:

1. The community is a designated “colonia” community through the federal government, or
2. The community received 60 or more Local Fiscal Capacity points on the CWSRF PPL.

However, at the June 2022 WIFA Board meeting staff is proposing to change this policy. If the policy is approved by the Board, then the Board may designate an applicant as a Disadvantaged Community if the applicant satisfies one of the following:

3. The community is a designated “colonia” community through the federal government, or
4. The community received 50 or more Local Fiscal Capacity points on the CWSRF PPL, or
5. The community has a Local MHI of 90% or less of the State MHI.

WIFA intends to provide a percentage of the capitalization grant in additional subsidy as forgivable principal to communities who cannot otherwise afford projects (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
Base	\$12,603,000	30% (16% for disadvantaged)	\$3,780,900
BIL – Supplemental	\$32,359,000	49% (only for disadvantaged)	\$15,855,910
BIL – Lead Service Line*	\$50,986,000	49% (only for disadvantaged)	\$24,983,140
BIL – Emerging Contaminant	\$13,587,000	100% (25% for disadvantaged or community serving 25,000 persons or less)	\$13,587,000
Total	\$109,535,000		\$58,206,950

**WIFA is applying for a conditional award of the BIL – Lead Service Line grant, current Lead Service Line projects on WIFA’s PPL equals \$31,957,000. WIFA will apply for the entire grant amount on the condition that the remaining grant funds will only be provided once additional project have been identified.*

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, and financial need. Projects to address health advisories are a priority for DWSRF funding, as well as projects to address MCL exceedances. Currently, WIFA’s DW PPL has 34 applications totaling \$1,461,855,741 (see table below). 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.
- **Project Priority List Updates**

The Board may update the DW PPL by adding or deleting 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.

Table 3. Grant amounts compared to PPLs received

Grant	Grant Amount	Number of PPL Applications	Dollar Amount of PPL Applications
Base & BIL Supplemental*	\$44,962,000	27	\$1,349,443,328
BIL – Lead Service Line**	\$50,986,000	4	\$31,957,000
BIL – Emerging Contaminant	\$13,587,000	3	\$80,455,413
Total	\$109,535,000	34	\$1,461,855,741

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

***Once an additional \$19,029,000 of lead service line projects have been identified WIFA will update the IUP to be awarded the rest of the conditional grant funds.*

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 according to A.A.C. R18-15-104. WIFA may not present an application to the Board for consideration until the applicant has provided such evidence. 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	2023
Revolving Fund	\$ 109,966,298
Undrawn Federal Funds	\$ 17,487,454
Beginning Cash Balance (Estimate: 07-01-22)	\$ 127,453,752
FFY 2022 Base Cap Grant (Forgivable 30%-\$3,780,900)	\$ 12,603,000
FFY 2022 BIL Supplemental Cap Grant (Forgivable 49%-\$15,855,910)	\$ 32,359,000
FFY 2022 BIL Lead Service Line Cap Grant (Forgivable 49%-\$24,983,140)*	\$ 50,986,000
FFY 2022 BIL Emerging Contaminant Cap Grant (Forgivable 100%-\$13,587,000)	\$ 13,587,000
P&I Repayments from SRF Loans	\$ 35,984,185
Administrative Fees from SRF Loans	\$ 6,503,154
Investment Interest Earned	\$ 549,831
State Appropriations	\$ -
Revenue Bond Proceeds	\$ -
Total Funding Sources	\$ 280,025,922
Debt Service Payments	\$ 30,185,401
Administration Fee revenue	\$ 750,000
Administration Set-Aside (WIFA - 4% - from Base Grant)	\$ 504,120
Administration Set-Aside (WIFA - 4% - from BIL Supplemental Grant)	\$ 1,294,360
Outstanding Loan Obligations (Closed Loans)	\$ 166,830,226
Binding Commitments (Board Approved/Not Closed)	\$ 250,000
Set-Aside Source Water Protection (ADEQ - 15% - from Base Grant)	\$ 1,890,450
Set-Aside Source Water Protection (ADEQ - 15% - from BIL Supplemental Grant)	\$ 735,000
	\$ 1,853,850
Set-Aside PWSS (ADEQ -10% - from Base Grant)	\$ 1,260,300
Set-Aside PWSS (ADEQ -10% - from BIL Supplemental Grant)	\$ 1,265,000
	\$ 3,235,900
Set-Aside Capacity Development (ADEQ - 2% - from Base Grant)	\$ 252,060
Set-Aside Capacity Development (ADEQ - 2% - from BIL Supplemental Grant)	\$ 370,680
Technical Assistance (WIFA - 15% - from BIL Supplemental Grant)	\$ 3,000,000
Technical Assistance (WIFA - 15% - from BIL Lead Service Line Grant)	\$ 3,000,000
Technical Assistance (WIFA - 4% - from BIL Lead Service Line Grant)	\$ 1,200,000
Technical Assistance (WIFA - 2% - from BIL Lead Service Line Grant)	\$ 700,000
Total Fund Uses	\$ 213,487,597
	\$ 216,577,347
Ending Cash Balance	\$ 66,538,325
	\$ 63,448,575
Project Priority List Projects	\$ 1,461,855,741
Ending Cash Balance with PPL Projects	\$ (1,395,317,416)
	\$ (1,398,407,166)

**WIFA is applying for a conditional award of the BIL – Lead Service Line Grant. WIFA’s current PPL has \$32,359,000 in lead service line projects, once additional projects are identified WIFA will revise the IUP to be awarded the rest of the grant funds.*

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

15 Percent Set-aside

State and Federal Statutes allow setting aside up to 15 percent of the Federal Capitalization Grant funds to provide local assistance to water systems in Arizona. ADEQ has requested \$2,625,450 \$3,744,300 for capacity development and wellhead and source water protection activities to protect drinking water sources (\$1,890,450 will be from 15% set aside out of the Base Capitalization Grant and \$735,000 \$1,853,850 will be from the 15% set aside out of the BIL Supplemental Grant). WIFA will utilize \$6,000,000 of this set-aside as described in Section 11 below.

10 Percent Set-aside

State and Federal Statutes allow setting aside up to 10 percent of the Federal funds for the Public Water System Supervision activities. ADEQ will use this funding for the PWSS Program, which encompasses all the various activities involved in implementing the Safe Drinking Water Act requirements in Arizona. These activities include operator certification, source water assessment and protection, development of regulatory guidance and assistance documents, assisting systems in obtaining the technical, financial, and managerial capability to comply with drinking water regulations, and technical consultations on water system and treatment system design. ADEQ is requesting \$2,525,300 \$4,496,200 (\$1,260,300 will be from 10% set aside out of the Base Capitalization Grant and \$1,265,000 \$3,235,900 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. 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 \$1,798,480 of the 4% from the Base Grant and BIL Supplemental Grant for administration purposes. Additionally, WIFA will use \$1,200,000 from the BIL Lead Service Line Grant 4% set-aside to provide technical assistance to communities for lead service line inventory assistance.

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 \$622,740 will be used by ADEQ’s Capacity Development Program (\$252,060 will be from 2% set aside out of the Base Capitalization Grant and \$370,680 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. WIFA will use \$700,000 from the BIL Lead Service Line Grant 2% set-aside to provide technical assistance to small communities (10,000 or fewer) for lead service line inventory assistance.

ADEQ Drinking Water Program

The 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.

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.

- Subject to the limitation that loan terms are not to exceed the useful life of the project, all loans for the financing of projects will be for a term not to exceed 30 years from loan closing date. WIFA may provide additional subsidization to projects for communities who cannot otherwise afford the projects. WIFA intends on providing 30 percent of the FFY 2022 capitalization grant in additional subsidy as forgivable principal, 16% of which shall be used for disadvantaged communities.

WIFA also provides the following types of Technical Assistance:

Staff Technical Assistance - WIFA will use up to \$800,000 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 2023 allocation for these activities will be \$200,000 (included as part of the \$800,000 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.

The 2022 Drinking Water Needs Survey launched in SFY 2022 and the majority of the work related to the survey was completed in SFY 2022. WIFA is budgeting \$10,230 to pay for the final report for this survey.

Throughout the Funding Cycle and as circumstances require, WIFA may fund additional Professional Technical Assistance projects. The Board will act to add Professional Technical Assistance projects at a public meeting of the Board.

WIFA is currently creating a workplan on how the remaining \$5,189,770 of the 15% set- asides (from the BIL Supplemental Grant and BIL Lead Service Line Grant) will be used.

Financial Terms 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. Loan disbursements are to be made on a cost reimbursement basis.
4. The decision to leverage will be based on demand on the loan fund for projects to address public health concerns, market conditions and long-term impact to the fund.
5. Thirty percent of the FFY 2022 Capitalization Grant funds will be provided as forgivable principal (unless the grant requirement is higher, in which case this percentage will be adjusted accordingly).
6. All contracts for DWSRF construction financial assistance will require the borrower to comply with the Davis-Bacon Act regardless of the source of funding.
7. Contracts for financial assistance for all DWSRF equivalency projects will require the borrower to comply with Build America, Buy American (BABA) Act requirements. The EPA’s “Implementation Procedures” have not yet been released so further guidance on BABA is still required. If it is determined that BABA must apply to all WIFA funded projects, then all applicable borrowers will be required to comply with BABA.
8. 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 2022 Capitalization Grant.
9. WIFA will assess income from the Standard Combined Interest and Fee Rate (CIFR) as either fee income or interest income 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 12: State Match Sources

As demonstrated in the Sources and Uses Table, WIFA revenues will provide match for the FFY 2022 Capitalization Grants. The FFY 2022 Base Capitalization Grant requires 20% state match (\$2,520,600). The FFY 2022 BIL Supplemental Capitalization Grant requires 10% state match (\$3,235,900). The FFY 2022 BIL Emerging Contaminant Capitalization Grant and Lead Service Line Grant do not require a state match.

Section 13: Identification of Overmatch

Through March 2022, WIFA has overmatched the federal grants when viewed in a cumulative perspective by \$13,578,489 (through June 30, 2021 the overmatch was \$13,766,595).

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/subsidies 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.

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 2023, 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 supporting EPA’s Strategic Plan will be included in the DWSRF Annual Report as well as in the Drinking Water National Information Management System (DW NIMS), Drinking Water

Project Benefit Reporting System (PBR); and the Federal Funding Accountability and Transparency Act (FFATA) Reporting System.

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 Advisory Board at each Advisory Board meeting defining WIFA's current cash position and lending capacity. At this time, WIFA is considering a Bond Issue during this fiscal year due to strong demand in the drinking water program.

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 1,335 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 2023 PPL as the year progresses.

Section 23: Grant Payment Schedule

WIFA will receive all payments in the first quarter available.

Sections 24-33: (These Sections are for CWSRF)

These Sections are for CWSRF, not applicable to DWSRF.

Section 34-43: Fundable List

Arizona combines the Fundable and Comprehensive lists into one list. WIFA applies all crosscutters to all DWSRF projects with the exception of FFATA. FFATA is treated on an equivalency basis. The project(s) in yellow is identified as potential equivalency project(s). It is unknown at this time which projects will be awarded forgivable principal. See the supplemental table on page 19 for just projects eligible for BIL funds.

Arizona’s Drinking Water Revolving Fund Project Priority List – SFY 2023 Funding Cycle

PPL Rank	Applicant	Population	County	PWS Number	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Subsidy
1	¹ Lagoon Estates Water Company, Inc.	1,440	Mohave	AZ0408021	Arsenic Remedial - System Improvements	This project will include the installation of a new well to resolve high arsenic levels, a filtration system to remove iron and manganese, the installation of a new storage tank, the installation of VFD boosters, and the addition of a SCADA system to monitor operations at the well site.	009 2022	\$1,300,000.00 / \$500,000.00	80%
2	¹ Sun Valley Farms Unit VI Water Company, Inc.	600	Pinal	AZ0411111	Well Site Improvement and Capacity Upgrades (2)	The project will construct a second storage tank, install well casing liner, well discharge piping modifications, backup generator, SCADA monitoring system, gas chlorination conversion, a perimeter block wall, and rehab a chlorine storage building. The previous WIFA loan was for \$891,000 however, due to escalating material, equipment and construction costs, the company needs an additional \$1,052,700 to complete the project and additional items.	031 2022	\$1,052,700.00	75%
3	¹ Cienega Water Company INC	108	La Paz	AZ0415002	Epcor Connection	This project will include installing a new main line from the Epcor system so Epcor can take over the supply of water for the Cienega Springs Company customers.	034 2022	\$400,000.00	80%

PPL Rank	Applicant	Population	County	PWS Number	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Subsidy
4	Desert Gardens RV Resort Cooperative, Inc.	532	Pinal	AZ0411129	System Power Deficiency	The water system has had equipment damage and failures resulting in water outages due to the numerous power deficiencies experienced from the local electric utility. This project includes the addition of a 30KW 440-volt propane backup power generation system including all switching, fuel tank, and wiring. The emergency generator and automatic transfer switch with the power monitoring system will reduce the potential of future damage and water outages.	058 2022	\$103,000.00	80%
5	¹ Sierra Vista Park, LLC, An Arizona Limited Liability Company	89	Pinal	AZ0411383	Arsenic Treatment	Sierra Vista Park proposes to design and install arsenic treatment and rehabilitate a well to address arsenic and nitrate exceedances in the water supply.	010 2022	\$275,000.00	80%
6	¹ City of Eloy	8,859	Pinal	AZ0411030	Well Rehab and Solar Project	The city of Eloy proposes to rehab their Well No. 5 and install kW-dc photovoltaic systems at their pump station and Well No. 3.	042 2022	\$850,000.00 / \$500,000.00	80%
7	³ Marana, Town of	8,625	Pima	AZ0410092 and AZ0410138	Picture Rocks and Twin Peaks Interconnect	This project will construct a new water main to connect the Twin Peaks/Hartman Vistas wells of the Hartman Vistas water system to the Continental Reserve wells of the Picture Rocks water system. This project will alleviate storage deficiencies in the Picture Rocks water system and will distribute PFAS and 1,4 Dioxane treated water to more customers in Marana.	038 2022	\$4,455,413.00	85%
8	¹ Dineh Utility	1,375	Apache	NN0400815	Booster System, Meters, Tank and Generator Upgrades	This project will include upgrading booster pump system, installing 221 water meters, tank inspections, sediment removal, and full cleaning. It will also include purchasing a generator.	030 2022	\$289,865.00	80%

PPL Rank	Applicant	Population	County	PWS Number	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Subsidy
9	¹ Yarnell Water Improvement Association, YWIA	700	Yavapai	AZ0413057	YWIA System Improvements	YWIA will replace and upgrade the current VERTCH SCADA system, replace leaking and undersized pipes, and replace 19 blow off valves.	004 2022	\$250,000.00 / \$10,000.00	75%
10	Global Water - Rincon Water Company, Inc.	171	Pima	AZ0410144	Fluoride Removal	Global Water - Rincon Water Company, Inc is under a consent order with the Pima County Department of Environmental Quality for fluoride concentrations above the Maximum Contaminant Level (MCL) in the water supply. This project will construct a fluoride treatment system to decrease the fluoride concentrations below the MCL.	045 2022	\$1,500,000.00	85%
11	³ Marana, Town of	7,560	Pima	AZ0410092 and AZ0410138	Water Treatment Campus Loans Reimbursement	The Town is requesting reimbursement for the previously constructed Water Treatment Campuses to address PFOA's and 1,4 dioxane.	037 2022	\$16,000,000.00	85%
12	Metropolitan Domestic Water Improvement District	46,977	Pima	AZ0410076	Northwest Recharge, Recovery, and Delivery System	Under an IGA between the Town of Oro Valley, Town of Marana, and Metro DWID, Metro DWID will design and construct 9 miles of transmission main, a forebay reservoir, 4.75 miles of transmission main and a booster facility to recover, convey and store renewable water resources.	029 2022	\$22,217,568.00 / \$22,217,568.00	85%
13	Metropolitan Domestic Water Improvement District	46,977	Pima	AZ0410076	Ironwood Blend Well and Pipeline	Metro DWID plans to use their stored CAP water however, the recovered CAP water is high in total dissolved solids (TDS) and will require blending with groundwater. Construction will include well drilling followed by the well equipping, final site improvements, and pipeline connection to existing facilities.	044 2022	\$5,575,250.00	85%

PPL Rank	Applicant	Population	County	PWS Number	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Subsidy
14	City of Bullhead City	6,351	Mohave	AZ0408068	Bullhead City Water Infrastructure Project I (NWTLR)	This project includes drilling three new well, installing transmission lines, and adding a one-million-gallon reservoir.	033 2022	\$24,500,000.00	80%
15	¹ Bonita Creek Water Company	140	Gila	AZ0404024	Waterline and Meter Upgrades	To address system deficiencies, Bonita Creek plans to replace around 5,000 feet of water line, replumb service connections, replace steel line from pump house to water tanks with 2-inch 80 PVC, replace water meters with smart low flow models, install an Emergency Transfer Switch, and install a new updated sand filter.	019 2022	\$247,970.00	80%
16	¹ 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- Including survey, design, bidding, construction administration, permitting, and post construction tasks, and design and construction new Standpipe facility- Storage tank, pump system, dispensing system, site work including driveways.	046 2022	\$1,375,000.00	75%
17	¹ City of Prescott	60,804	Yavapai	AZ0413045	Water Production and Intermediate Pump Station Completion	This project includes replacing the existing water booster facility in Chino Valley and building the new intermediate pump station and tanks located near the Prescott Airport. This project also consists of the design and replacement of the City of Prescott water booster facility (buildings, boosters, electrical, controls).	035 2022	\$34,000,000.00	80%

PPL Rank	Applicant	Population	County	PWS Number	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Subsidy
18	Phoenix, City of	1,700,000	Maricopa	AZ0407025	City of Phoenix Water CIP Program	This project includes water main replacements and rehabilitation, water treatment plant rehabilitation, booster pump station replacement, a new reservoir, cybersecurity process control and technology, water system power resiliency, system resiliency groundwater wells program, real-time energy analytics, energy conservation measures, and the addition of high efficiency motors and alternative energy.	056 2022	\$1,135,250,000	85%
19	^{1, 2} Payson, Town of	18,000	Gila	AZ0404032	Lead Service Line Inventory	Payson intends to complete a lead service line inventory to comply with the new lead and copper rule revision.	059 2022	\$150,000.00	80%
20	City of Peoria	179,002	Maricopa	AZ0407096	Zone 6E Reservoir and Booster Pump Station	The City of Peoria intends to design and construct a new 2.5 million gallon reservoir and booster pump station facility that will treat water from the new wellfield, treat it, and distribute it to the water system.	048 2022	\$17,126,000.00	90%
21	City of Peoria	179,002	Maricopa	AZ0407096	CAP/LPP Intersection Wellfield	The City of Peoria intends to drill and equip five new groundwater wells and install all associated piping and appurtenances to bring the water back to a central treatment facility.	049 2022	\$35,075,000.00	90%
22	^{1, 2} Tucson Water	744,528	Pima	Multiple Systems	Implementation of the Lead and Copper Rule Revisions	The city of Tucson is seeking financial assistance to develop a lead service line (LSL) inventory of utility and customer service lines for their nine (9) public water systems. The LSL inventory will be used to develop a Lead Service Line Replacement Plan and will help execute aspects of EPA's Lead and Copper Rule.	050 2022	\$6,950,000.00	80%

PPL Rank	Applicant	Population	County	PWS Number	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Subsidy
23	1,3 Tucson Water	675,686	Pima	AZ0410112	Northwest Wellhead Treatment	This project includes the addition of treatment facilities to existing wells affected by PFAS and 1,4-dioxane. The project will allow the wells to be returned to service and eliminate additional conveyance of potable water from long distances.	057 2022	\$60,000,000.00	80%
24	Douglas, City of	16,656	Cochise	AZ0402014	Design and Construction of New Well #18	This project will drill and construct an additional well which will provide enough potable water to meet the city's existing demands.	036 2022	\$1,800,000.00	85%
25	Town of Cave Creek	6,815	Maricopa	AZ0407016	City of Phoenix Water Interconnection Project	Currently Cave Creek's water system is supplied by a single 12-mile pipeline from the CAP canal. This project would provide Cave Creek with redundancy in their system by constructing an interconnection to the City of Phoenix's water system.	041 2022	\$9,500,000.00	85%
26	Flagstaff, City of	76,000	Coconino	AZ0403008	Lake Mary Water Treatment Plant Sedimentation Basin Rehabilitation Project	This project will rehabilitate the sedimentation basins which have been in continuous use since 1965, including the replacement of all valves, influent piping, equipment (sludge collectors and flocculators), and vertical structures (walls & supporting pedestals) within the basins. All concrete structures will either be demolished and replaced or repaired (recoated). In addition, a static chemical mixer will be added to the basins increasing chemical mixing and efficiency.	047 2022	\$6,000,000.00	85%
27	Flagstaff, City of	76,000	Coconino	AZ0403008	Rural Water Supply & Drought Resiliency Projects	The City will drill, equip, and connect City of Flagstaff Groundwater Recovery Well, obtain Red Gap Ranch Regional Pipeline Right-of-Way Licensing, complete NEPA, and Red Gap Ranch Well	051 2022	\$20,000,000.00	85%

PPL Rank	Applicant	Population	County	PWS Number	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Subsidy
28	Flagstaff, City of	76,960	Coconino	AZ0403008	Lake Mary Raw Water Pipeline Replacement-Design and Construction	Surface water from Upper Lake Mary is supplied to the Lake Mary Water Treatment Plant through a 27-inch concrete wire wrap pipeline that was installed in 1964 and is no longer in production. Due to the age and installation of the pipeline, there have been ruptures or breaks on average every two years. Lining the 27-inch concrete pipeline would be the most cost-effective and feasible means of ensuring a reliable pipeline to deliver surface water.	052 2022	\$20,000,000.00	85%
29	Flagstaff, City of	76,000	Coconino	AZ0403008	Woody Mountain Wellfield Powerline Burial	Relocating the city-owned overhead powerlines to the six groundwater wells and the Woody Mtn. Booster Station would increase the resiliency and dependability of the wellfield and reduce the risk of wildfire caused by the powerlines to northern Arizona.	053 2022	\$4,000,000.00	85%
30	Flagstaff, City of	76,000	Coconino	AZ0403008	Inner Basin Raw Water Pipeline and North Reservoir Filtration Plant Assessment and Rehabilitation	This project will address significant infiltration and leakage in the Inner Basin Pipeline and infrastructure rehabilitation at the North Reservoir Filtration Plant.	054 2022	\$4,000,000.00	85%
31	Metropolitan Domestic Water Improvement District	767	Pima	AZ0410046	E&T 22 Well Replacement	This project will drill and construct and new well to replace Metro DWID's antiquated and failing Well No. 22.	043 2022	\$1,755,975.00	90%
32	Marana, Town of	12,569	Pima	AZ0410150	Marana Park Reservoir	The project will address an existing water storage deficiency in the North Marana Service Area by installing a million-gallon storage reservoir.	028 2022	\$1,000,000.00	90%

PPL Rank	Applicant	Population	County	PWS Number	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Subsidy
33	² City of Scottsdale	241,361	Maricopa	AZ0407098	Lead Service Line Inventory	The City of Scottsdale will perform a lead service line inventory for approximately 45,000 homes to comply with the Lead and Copper Rule Revisions.	040 2022	\$2,357,000.00	90%
34	² Phoenix, City of	1,700,000	Maricopa	AZ0407025	City of Phoenix Service Line Assessments and Replacements	The City of Phoenix intends to assess services and replace the service lines of concern as part of the LCRR, to address public health concerns and to prevent or stop water loss resulting from leaks.	055 2022	\$22,500,000.00	95%

Total: **\$1,461,855,741.00**

¹ Eligible for disadvantaged community designation

² Eligible for BIL – Lead Service Line Replacement Funds

³ Eligible for BIL – Emerging Contaminant Funds

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

PPL Rank	Applicant	Project Name	Project Number	Amount Requested	Amount Eligible for Base Grant or BIL Supplemental Grant	Amount Eligible for BIL Lead Service Line Grant	Amount Eligible for BIL Emerging Contaminant Grant
1	¹ Lagoon Estates Water Company, Inc.	Arsenic Remedial - System Improvements	009 2022	\$1,300,000.00	\$1,300,000.00		
2	¹ Sun Valley Farms Unit VI Water Company, Inc.	Well Site Improvement and Capacity Upgrades (2)	031 2022	\$1,052,700.00	\$1,052,700.00		
3	¹ Cienega Water Company INC	Epcor Connection	034 2022	\$400,000.00	\$400,000.00		
4	Desert Gardens RV Resort Cooperative, Inc.	System Power Deficiency	058 2022	\$103,000.00	\$103,000.00		
5	¹ Sierra Vista Park, LLC, An Arizona Limited Liability Company	Arsenic Treatment	010 2022	\$275,000.00	\$275,000.00		
6	¹ City of Eloy	Well Rehab and Solar Project	042 2022	\$850,000.00	\$850,000.00		
7	³ Marana, Town of	Picture Rocks and Twin Peaks Interconnect	038 2022	\$4,455,413.00			\$4,455,413.00
8	¹ Dineh Utility	Booster System, Meters, Tank and Generator Upgrades	030 2022	\$289,865.00	\$289,865.00		
9	¹ Yarnell Water Improvement Association, YWIA	YWIA System Improvements	004 2022	\$250,000.00	\$250,000.00		
10	Global Water - Rincon Water Company, Inc.	Fluoride Removal	045 2022	\$1,500,000.00	\$1,500,000.00		
11	³ Marana, Town of	Water Treatment Campus Loans Reimbursement	037 2022	\$16,000,000.00			\$16,000,000.00

PPL Rank	Applicant	Project Name	Project Number	Amount Requested	Amount Eligible for Base Grant or BIL Supplemental Grant	Amount Eligible for BIL Lead Service Line Grant	Amount Eligible for BIL Emerging Contaminant Grant
12	Metropolitan Domestic Water Improvement District	Northwest Recharge, Recovery, and Delivery System	029 2022	\$22,217,568.00	\$22,217,568.00		
13	Metropolitan Domestic Water Improvement District	Ironwood Blend Well and Pipeline	044 2022	\$5,575,250.00	\$5,575,250.00		
14	City of Bullhead City	Bullhead City Water Infrastructure Project I (NWTLR)	033 2022	\$24,500,000.00	\$24,500,000.00		
15	¹ Bonita Creek Water Company	Waterline and Meter Upgrades	019 2022	\$247,970.00	\$247,970.00		
16	¹ Ash Fork Development Assoc. dba: Ash Fork Water Service	Ash Fork Water Service System Improvements	046 2022	\$1,375,000.00	\$1,375,000.00		
17	¹ City of Prescott	Water Production and Intermediate Pump Station Completion	035 2022	\$34,000,000.00	\$34,000,000.00		
18	Phoenix, City of	City of Phoenix Water CIP Program	056 2022	\$1,135,250,000.00	\$1,135,250,000.00		
19	^{1,2} Payson, Town of	Lead Service Line Inventory	059 2022	\$150,000.00		\$150,000.00	
20	City of Peoria	Zone 6E Reservoir and Booster Pump Station	048 2022	\$17,126,000.00	\$17,126,000.00		
21	City of Peoria	CAP/LPP Intersection Wellfield	049 2022	\$35,075,000.00	\$35,075,000.00		
22	^{1,2} Tucson Water	Implementation of the Lead and Copper Rule Revisions	050 2022	\$6,950,000.00		\$6,950,000.00	

PPL Rank	Applicant	Project Name	Project Number	Amount Requested	Amount Eligible for Base Grant or BIL Supplemental Grant	Amount Eligible for BIL Lead Service Line Grant	Amount Eligible for BIL Emerging Contaminant Grant
23	1,3 Tucson Water	Northwest Wellhead Treatment	057 2022	\$60,000,000.00	\$60,000,000.00		\$60,000,000.00
24	Douglas, City of	Design and Construction of New Well #18	036 2022	\$1,800,000.00	\$1,800,000.00		
25	Town of Cave Creek	City of Phoenix Water Interconnection Project	041 2022	\$9,500,000.00	\$9,500,000.00		
26	Flagstaff, City of	Lake Mary Water Treatment Plant Sedimentation Basin Rehabilitation Project	047 2022	\$6,000,000.00	\$6,000,000.00		
27	Flagstaff, City of	Rural Water Supply & Drought Resiliency Projects	051 2022	\$20,000,000.00	\$20,000,000.00		
28	Flagstaff, City of	Lake Mary Raw Water Pipeline Replacement-Design and Construction	052 2022	\$20,000,000.00	\$20,000,000.00		
29	Flagstaff, City of	Woody Mountain Wellfield Powerline Burial	053 2022	\$4,000,000.00	\$4,000,000.00		
30	Flagstaff, City of	Inner Basin Raw Water Pipeline and North Reservoir Filtration Plant Assessment and Rehabilitation	054 2022	\$4,000,000.00	\$4,000,000.00		
31	Metropolitan Domestic Water Improvement District	E&T 22 Well Replacement	043 2022	\$1,755,975.00	\$1,755,975.00		
32	Marana, Town of	Marana Park Reservoir	028 2022	\$1,000,000.00	\$1,000,000.00		

PPL Rank	Applicant	Project Name	Project Number	Amount Requested	Amount Eligible for Base Grant or BIL Supplemental Grant	Amount Eligible for BIL Lead Service Line Grant	Amount Eligible for BIL Emerging Contaminant Grant
33	² City of Scottsdale	Lead Service Line Inventory	040 2022	\$2,357,000.00		\$2,357,000.00	
34	² Phoenix, City of	City of Phoenix Service Line Assessments and Replacements	055 2022	\$22,500,000.00		\$22,500,000.00	
Total					\$1,349,443,328	\$31,957,000	\$80,455,413

Section 44: IUP Includes Set-Asides Taken and Authority to be Banked if Applicable

See Sources and Uses Table for Set-Aside budgeted for FFY 2022. WIFA reserves the authority to bank any allowable percentages of set-asides for future use.

Section 45: 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 46: IUP Includes Expected Outcomes of the Set-Aside Funds

Provided by ADEQ under separate cover.