
BRIDGING CITIES

THROUGH INNOVATION & TRADITION



SRF Loan Process

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Handouts and presentations are available in the conference app.

Preliminary Engineering Report (PER) Intended Use Plan (IUP)

- Engineer City is using prepares a preliminary engineering report that speaks to the project or reason/need for project.
- The IUP application is about the scope of the project, proposed loan sizing and timing of the project.
- IUP's accepted quarterly: March, June, September & December
- IUP approval is approximately 6-7 months, with agency technical and environmental reviews happening in that timeframe.
- Bid letting comes after IUP/DNR approval
- **PLAN AHEAD TO USE SRF FUNDING- DISCUSS EARLY WITH ENGINEER AND CITY COUNCIL**

Project Bid Letting Legal Opinion

- SRF funding requires that projects follow Iowa public bidding laws
- Engineers work with Bond Counsel or local Counsel prior to bidding for review of bid letting documents and public hearing on letting.
- SRF and grant organizations have “front end” language that must be included in bid letting documents.
- Bid letting opinion is completed following the bid letting and given to City and SRF.
- Opinion required for interest rate locking

Loan Public Hearing and Loan Agreement

PUBLIC HEARING REQUIREMENTS FOR LOAN BORROWING

- Bond Counsel will prepare all necessary proceedings
- Resolution setting date of Public Hearing
- Published after this meeting; water/sewer projects are Essential Corporate Purpose (ECP) which is a 4/20 hearing notice
- Resolution holding the Public Hearing

(Same Process is necessary for P & D loan)

LOAN AGREEMENT WITH SRF

- Bond Counsel will prepare the SRF loan agreement and all proceedings related
- Loan agreement enacted by Resolution by Counsel when the City is ready to start receiving loan funds
- Iowa Finance Authority Board Approval is required before loan agreement approval
- Loan executed at start of the project borrowing, no follow up loan work needed at end of project (unless you have loan forgiveness)

SRF Submission Requirements

CONSTRUCTION LOAN APPLICATION

- City Issuer Information
- Timing of Project
- Type of Borrowing (Rev, GO, Combo)
- Borrowing Amount
- Participants on project

PROFORMA

- Calculates Net Revenues of the Utility System
- Demonstrates estimated debt service schedule for loan borrowing amount
- Proves us meeting the 1.10x coverage factor requirement
- Indicates the utility rate increase needed and possible implementation options.

Utility Rate Ordinance Approval

- Proforma must “prove” that utility rates are/will be enough to meet the 1.10x coverage requirement of SRF.
- If a utility rate increase is needed the rate ordinance will need to be adopted by the City Council prior to the SRF loan closing.
- City Council’s should be reviewing preliminary proformas and possible rate increases before bid letting, so they are comfortable with post letting utility rate changes.
- Multiple options for rate increases can be explored with your Municipal Advisor to determine what fits your community
- Cities may want multiple ordinance readings, since it is a rate increase. Timing of these readings should be considered to be able to access loan funds. This could require special meetings if a City wants/needs this process to move along more quickly.

Prerequisites for Interest Rate Lock

1. DNR Issues Notice of Funding Eligibility (approval of construction costs)
 2. Bid Legal opinion
 3. Financial analysis
 4. Complete Construction Loan Application
- 1-4 Above Complete and Rate is Locked
 - IFA Board Approval and Scheduling Loan Closing with Bond Counsel

P&D Loans, Interest Rates & Fees

- P&D loans: no interest/payments up to 3 years
- Standard term: 75% of BVAL AAA 20-year yield
- Extended term (21-30 years): Base + 1.00%
- Lead Service Line projects: 0% interest
- Initiation fee: 0.50%, capped at \$100,000

Grant Disbursement Timing

CDBG, WTFAP, FEDERAL APPROPRIATION

- CDBG- disbursed over each bill payment request, subject to local match requirement
- WTFAP-disbursed first typically, may end up paying down or paying off SRF P & D loan.
- FEDERAL APPROPRIATION- disbursed over bills once local match requirement is made

Requesting Loan Funds

Submit:

- Disbursement Request Form (sample)
- Engineering and professional service invoices (sample)
- Contractor Pay applications (sample)
- Change orders – Initiated by Contractor and Accepted/Approved by Engineer and City
- • Change Orders also are reviewed by DNR for SRF eligibility
- • Documentation of all project costs and funding sources

CONSTRUCTION DISBURSEMENT REQUEST



Iowa Finance Authority

Available to Draw	Available to Draw	Available to Draw
#VALUE!	#VALUE!	#VALUE!

SAMPLE CHANGE CONTRACTOR PAY APPLICATION

EJCDC ENGINEERS JOINT CONTRACT DOCUMENTS COMMITTEE		Contractor's Application for Payment No.		01 (One)	
Application Period:		9/15/2025	to	9/30/2025	Application Date: 9/30/2025
To (Owner):	[Redacted]	From (Contractor):	Shank Constructors, Inc. 3501 85th Avenue North, Brooklyn Park, MN 55443		Via (Engineer): HDR Engineering, Inc. 300 E. Locust, Suite 210 Des Moines IA
Owner's DWSRF Number:	[Redacted]	Contractor's Contract Number:	1329		Engineer's Project Number: 10352507
Project:	[Redacted]		Contract:	Reverse Osmosis Membrane Treatment Process Train	
Application For Payment - Change Order Summary			1. Original Contract Price..... \$ 57,675,800.00		
Approved Change Orders			2. Net change by Change Orders..... \$ -		
Number	Additions	Deductions	3. Current Contract Price (Line 1 ± 2)..... \$ 57,675,800.00		
1			4. Total Completed and Stored to Date (Column F on Progress Estimate)..... \$ 1,153,516.00		
2			5. Retainage		
3			a. 3.00% X \$ 1,153,516.00 Work Completed..... \$ 34,605.48		
			b. 3.00% X \$ - Stored Material..... \$ -		
			c. Early Release of Retainage..... \$ -		
			d. Total Retainage (Line 5a + Line 5b - Line 5c)..... \$ 34,605.48		
			6. Amount Eligible to Date (Line 4 - Line 5d)..... \$ 1,118,910.52		
			7. Less Previous Payments (Line 6 from prior Application)..... \$ -		
Totals: \$	-	\$ -	8. Amount Due This Application..... \$ 1,118,910.52		
Net Change by Change Order: \$		-	9. Balance to Finish, Plus Retainage (Column G on Progress Estimate + Line 5 above)..... \$ 56,556,889.48		
Contractor's Certification			Payment of: \$1,118,910.52 (Line 8 or other - attach explanation of the other amount)		
The undersigned Contractor certifies, to the best of its knowledge, the following:			is recommended by: [Signature] HDR Project Manager 10/17/2025 (Engineer) (Date)		
(1) All previous progress payments received from Owner on account of Work done under the Contract have been applied on account to discharge Contractor's legitimate obligations incurred in connection with the Work covered by prior Applications for Payment;			Payment of: \$1,118,910.52 (Line 8 or other - attach explanation of the other amount)		
(2) Title to all Work, materials and equipment incorporated in said Work, or otherwise listed in or covered by this Application for Payment, will pass to Owner at time of payment free and clear of all Liens, security interests, and encumbrances (except such as are covered by a bond acceptable to Owner indemnifying Owner against any such Liens, security interest, or encumbrances); and			is approved by: [Signature] 11-14-25 (Owner) (Date)		
(3) All the Work covered by this Application for Payment is in accordance with the Contract Documents and is not defective.			Approved by: _____ Funding Agency (if applicable) (Date)		
By: [Signature]	Date: 09-30-25				

EJCDC® C-620 Contractor's Application for Payment
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Final Disbursement & Closeout Checklist

1. Final contractor pay requests
 2. Signed & certified change orders
 3. Works in Operation / Project Completion certification
 4. Final Davis-Bacon report
 5. AIS certification
 6. MBE/WBE reporting form
- Final SRF funds are released after all closeout items are received.
 - Loan Payments due semi-annually. Interest and servicing fees being the first June or December after loan closing. First principal payment due after the project is substantially complete.
 - Final Amortization Schedule – showing future payment amounts for remaining loan term.
 - If there is principal forgiveness – applied at project completion.

Thank you

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