

State of Alabama
Alabama Department of Environmental Management
Drinking Water State Revolving Fund (DWSRF) Loan Program



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DWSRF Intended Use Plan



Fiscal Year 2025

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I. Introduction

The Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) for the purpose of assisting public water systems to finance the cost of potable water infrastructure. The U.S. Environmental Protection Agency (EPA) is authorized to award capitalization grants to the States, which in turn administer the DWSRF program. This Intended Use Plan (IUP) describes how the State intends to use available DWSRF program funds for the year to meet the objectives of the SDWA and further the goal of protecting public health.

The State of Alabama is applying for \$19,257,000 in EPA grant funding that will be used to provide low interest financial assistance from the DWSRF program. The 20% state match requirement for the projected grant is \$3,851,400 and will be fulfilled by a combination of an overmatch of State Match Bonds, State Appropriations, and the Fund Fee. In addition, the State of Alabama is applying for \$34,000 from Wyoming's 2021 reallocations. The reallocation has a state match reallocation requirement of 20% in the amount of \$6,800, corresponding to an amount of \$6,800, which will also be fulfilled by the overmatch of State Match bonds.

Alabama's DWSRF is designed to be a perpetual source of low cost financial assistance for the construction of public water supply facilities needed to meet compliance standards and public health requirements. Once ultimate capitalization has been achieved, the program may utilize the direct loan repayments, undedicated interest from the bond debt service reserve funds and construction funds and assets of the Master State Revolving Account as the source funds to fund direct loans.

ADEM has set its short- and long-term goals of this IUP to align with EPA's strategic goals and objectives *FY 2022-2026 EPA Strategic Plan*, specifically Goal #5, to ensure clean and safe water for all communities and Objective 5.1 to ensure safe drinking water and reliable water infrastructure. The Office of Water has identified specific measures that address the strategic goals and objectives outlined by EPA in its strategic plan. A basis for each goal in this program IUP has been identified. These references ensure that all of the specific commitments made by the State are properly correlated to the strategic goals and objectives of the Agency.

Alabama agrees to comply with all Civil Rights Laws, including The Age Discrimination Act of 1975, Section 504 of the Rehabilitation Act of 1973, and Title VI of the Civil Rights Act, which prohibits discrimination in the provision of services or benefits, on the basis of race, color, national origin, sex, handicap or age.

II. Program Goals

A. Short-term goals (Outputs)

1. To provide financial assistance for DWSRF eligible activities for public water supply facilities on the DWSRF Priority List.
2. To support American workers, renew the water workforce, and cultivate domestic manufacturing by ensuring compliance with the Davis-Bacon Act and American Iron and Steel (AIS) and Build America Buy America (BABA) requirements. (Deliverable)
3. To protect the public health and the environment and promote the completion of cost-effective water treatment, storage, and distribution facilities.

4. To provide funding for the State of Alabama Public Water System Supervision (PWSS) program using the 10% State Program Management set-aside.
5. To provide assistance for educational events promoting objectives consistent with the Safe Drinking Water Act through the 15% Local Assistance and Other State Programs Activities set-aside.

B. Long term goals (Outcomes)

1. To maintain the DWSRF program and the long-term fiscal integrity of the fund.
2. To provide a self-perpetuating source of financial assistance for the construction of public water treatment and distribution facilities needed to meet the public health goals of the Safe Drinking Water Act.
3. To fund projects which will have a positive impact on public health and ensure compliance with the Safe Drinking Water Act.
4. To assist systems in ensuring affordable water supply.
5. To ensure safe drinking water and reliable water infrastructure by providing funding for projects that ensure compliance with drinking water national primary drinking water rules or return systems to compliance.
6. To protect and restore waterbodies and watersheds by addressing sources of water pollution and ensure water quality standards are protective of the health and needs of all people and ecosystems.
7. Alabama will ensure Clean and Safe Water for all communities by funding projects that prioritize Safe Drinking Water and Reliable Water Infrastructure and protect and restore waterbodies and watersheds by addressing sources of water pollution and projects that ensure water quality standards are protective of the health and environment.

C. Program Changes

No major programmatic changes are proposed for fiscal year 2025.

III. Sources and Uses of Funds:

The Department is expected to fund FY 2025 projects using a combination of interest earnings on the Fund, repayments from direct loans, and the 2025 EPA Capitalization Grant. Match for the EPA Grant will be fulfilled by a combination of an overmatch of State Match Bonds, State Appropriations, and the Fund Fee. The estimated sources and uses of funds in the FY 2025 DWSRF program are as follows:

A. Projected Sources:

2025 EPA DWSRF Cap Grant:	\$19,257,000
2021 Reallocation	\$34,000
DWSRF State Match:	\$3,858,200
Estimated Loan Repayments and Interest Earnings for 2025 Cap Grant	\$18,626,387 ¹
Loan Repayments and Interest Earnings from Revolving Fund	\$56,880,350
Total:	\$80,029,550
Overall Total:	\$98,655,937 ³

Note 1: Estimated future repayments and interest earnings from FY25 loans.

Note 2: Approximate total funds available based on projected fiscal year funding allotments and repayments for FY25. Actual totals are provided in the annual report at the end of each fiscal year.

Note 3: Estimated repayment funds from FY25 Capitalization Grant are not included in project funds. These funds will be included in future fiscal year(s)' IUPs as repayments are received.

B. Projected Uses:

Project Assistance:	\$75,396,830
Administrative Set-Aside (4%) ^{1&2}	\$853,180
State Program Management Set-Aside (10%) ¹	\$1,925,700
Local Assistance Set-Aside (15%) ¹	\$0
Total	\$78,175,710

Note 1: Set-Aside funding is discussed further in the "Set-Aside" section.

Note 2: 1/5% of current position of \$426,589,807

C. Leveraging

The Department does not intend to issue DWSRF revenue bonds for new projects during fiscal year 2025.

D. Transfer of Funds

In accordance with 40 CFR 35.3530, the Alabama Department of Environmental Management (the Department) reserves the right to transfer funds from the Clean Water State Revolving Fund (CWSRF) to the DWSRF. Funds transferred from the CWSRF to the DWSRF are to be used to fulfill the DWSRF infrastructure financing demand as needed.

E. Eligible Projects to be Funded

Eligible projects include the planning, design, and construction of improvements to:

- Rehabilitate or develop water sources to replace contaminated sources;
- Install or upgrade treatment facilities if the project would improve the quality of drinking water to comply with primary or secondary standards;
- Install or upgrade water storage tanks to prevent microbiological contaminants from entering the water system;
- Install or replace distribution pipes to prevent contamination caused by leaks or breaks in the pipe.

- Consolidate water supplies when customers have an inadequate quantity of water, the water supply is contaminated, or the system is unable to maintain compliance for financial or managerial reasons; and
- Other projects meeting the priority objectives of the program.

F. Financial terms of loans

The Fund may offer loans for up to 100 percent of allowable project costs for the construction of water treatment and distribution facilities and may offer a range of options regarding the term, interest rate and level of loan funding. Such loans must be made at or below market interest rates as determined by the Department. Loan interest rates will usually be set approximately 1% - 1.5% less than the AAA rated tax exempt municipal bonds. For fiscal year 2025 the Department will maintain an interest rate of 0.1% for all loans. A fee ranging from 1.89% - 2.65% is assessed for all loans except for 100% principal forgiveness loans. See the Program Income section below for additional information.

The total term financing shall not exceed 20 years or, under special circumstances, 30 years may be considered. Repayments shall commence after completion of construction or within 3 years for which such financial assistance was made. Financial assistance repayments shall be made in accordance with the repayment schedule indicated in the recipient's financial agreement. Principal and accrued interest with respect to a particular financial agreement may be prepaid in accordance with the provisions of the financial agreement. Interest shall accrue from the estimated date of the execution of the DWSRF financial agreement.

Project fund disbursements to recipients at intervals as work progresses and expenses are incurred and approved.

The specific terms and conditions of the funds shall be incorporated in the financial agreement to be executed by the recipient and the Department.

IV. Project Selection and Method for Distribution of Funds

A. Priority List

In order to be considered for DWSRF assistance, projects must be on or added to the Priority List and have a proposed project schedule that coincides with the availability of DWSRF funds. The DWSRF priority list was developed by identifying the priority point rating for each proposed project. The funding of such projects is also subject to the availability of funds. The Mobile Area Waterworks & Sewer System (MAWSS) (\$28,000,000) (\$) will be used as the equivalency project for the fiscal year 2025 capitalization grant.

The State reserves the right to fund projects not on the priority list, on an emergency basis, if funds are available. Emergency projects would include those where some type of failure was unanticipated and requires immediate attention to protect public health. Additionally, supplemental loans may be issued to previous recipients as needed to complete segmented projects or to cover cost overruns. See Attachment 1.

B. Additional Subsidization:

The 2025 EPA Capitalization Grant includes a requirement for a minimum of \$5,013,620 (\$5,006,820 for base and \$6,800 for 2021 reallocation funds) to be provided as assistance with additional subsidy.

For the DWSRF Base Capitalization Grant, a congressional mandatory 14% (\$2,695,980) must be provided as subsidization to eligible recipients. Also, an additional subsidization between 12-35% (\$2,310,840 - \$6,739,950) must be provided to disadvantaged communities. Therefore, a minimum of \$5,006,820 to a maximum of \$9,435,930 must be given out as subsidization from the DWSRF Base Capitalization Grant.

For the DWSRF Reallocation Funds, a congressional mandatory 14% (\$4,760) must be provided as subsidization to eligible recipients. Also, an additional subsidization between 6-35% (\$2,040 - \$11,900) must be provided to disadvantaged communities. Therefore, a minimum of \$6,800 to a maximum of \$16,660 must be given out as subsidization from the DWSRF Rollover Funds.

The Department will meet these requirements by offering the combined amount of additional subsidization exclusively to disadvantaged communities in the form of principal forgiveness.

The Department expects to allocate principal forgiveness to projects in communities determined to be disadvantaged based on the following criteria: small (less than 10,000) communities, assessment of financial records, and ratio of annual average water bill to median household income (MHHI).

The Department will utilize Table 1 to evaluate and score communities to determine principal forgiveness ranking. The highest ranked communities will receive principal forgiveness until it is exhausted (see Attachment 1). Any subsequent revision to this project list will likewise demonstrate principal forgiveness will be provided to meet the required percentage of the Capitalization Grant.

Criteria	Points
<10,000 population	1
<1.1x coverage ratio	1
Ratio of Water Bill/MHHI	Actual Number

Table 1.

A community is defined as disadvantaged if the sum of the criteria for population or coverage ratio results in a value greater than 1 point or the ratio of water bill to median household income is greater than 1. The disadvantaged rank will be determined based on the sum of the categories above, when possible.

Each individual category is briefly described below:

- <10,000 population – this is considered a “small” community. Since maintenance and cost of water system improvements is generally based on economy of scale (i.e., higher tax base results in higher tax revenue), a small community would be considered disadvantaged when compared to larger communities.
- <1.1x coverage ratio – A coverage ratio is defined as a borrower’s revenue divided by debt. This metric is meant to capture financial affordability. If a coverage ratio is 1.1x, a community would make 10% more in revenue than they expend in debt. The Department analyzes rate structures and frequency of rate increases to determine if the coverage ratio can be modified. A borrower cannot “afford” a loan if the coverage ratio is less than 1.1x.
- Ratio of Water Bill/MHHI – Along with coverage ratio, this metric determines a community’s ability to increase revenue through rate increases. If a coverage ratio is 1.00 then the rates are appropriate for the median household income of the area. If the rates are higher than one (1) then the applicant may have the ability to increase rates without burdening the service area

population. If the ratio is less than one (1), then the population of the system pays more for water than expected based on median household income.

The Department has authority to provide additional subsidization to meet the requirements by the Code of Alabama Section 22-23B-3.

C. Prevailing Wages

Davis-Bacon wage requirements apply for fiscal year 2021 and each fiscal year thereafter and the requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) shall apply to any construction project carried out in whole or in part with assistance made available by the DWSRF as authorized by section 1452 of that Act (42 U.S.C. 300j-12). The Department will include in all loan agreements and procurement contracts terms and conditions requiring compliance with this requirement.

D. Build America, Buy America (BABA)

Build America, Buy America (BABA) apply for fiscal year 2024 and each fiscal year thereafter. BABA will be required for eligible projects funded through the Drinking Water State Revolving Fund (DWSRF) unless a waiver is granted.

BABA is considered a federal cross-cutting requirement that applies to SRF assistance equivalent to the federal capitalization grant (i.e., “equivalency” projects). EPA’s SRF regulations at 40 CFR 35.3145 and 35.3575 require states and recipients of SRF funds equivalent to the amount of the federal capitalization grant to comply with federal cross-cutting requirements. Section 70914 of the IIJA, which states when a Buy America preference applies, explains that “none of the funds made available for a Federal financial assistance program for infrastructure...may be obligated for a project unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States.” Therefore, BABA only applies to projects funded in an amount equivalent to the federal capitalization grant.

E. Distribution of Funds to Set-Aside Accounts

EPA provisions allow funds to be set aside from the State Revolving Fund Capitalization Grant for activities such as administration of the SRF Program, operator training and technical assistance, special drinking water projects, and source water assessment. These activities are discussed in “Set-Aside Activities” below.

F. Selection of Systems to Receive Assistance

To the maximum extent possible, the DWSRF gives priority for the use of funds to projects that address the most serious risk to human health and are necessary to ensure compliance with the Safe Drinking Water Act.

The criteria for ranking projects give priority to projects that:

1. provide the highest nature of benefit;
2. benefit the most people per dollar expended;
3. assist systems most in need on a per household affordability basis as required by the Safe Drinking Water Act.
4. use consolidation with other systems to correct existing deficiencies and improve management.

These considerations are addressed by the Priority Ranking Criteria found in ADEM Administrative Code R. 335-11-2-.04 and in the DWSRF Pre-Application provided in Attachment 3.

Following completion of the ranking process, the priority list will be reviewed to determine if at least 15% of amount projected to be funded is for public water systems which regularly serve fewer than 10,000 people, as required by the SDWA. If this is not the case, the priority list will be adjusted by exchanging the lowest ranking projects above the funding line that serve 10,000 or more with the highest ranking projects below the funding line that serve fewer than 10,000, until the 15% requirement is satisfied.

When two or more projects score equally under the Project Priority System a tie breaking procedure will be utilized. The project with the smallest number of existing customers served will receive the higher ranking.

A project on the fundable portion of the list may be bypassed and the next eligible project funded if it is determined that the project will not be ready to proceed during the funding year. The Department will give the applicant whose project is to be bypassed written notice. Projects that have been bypassed may be funded at a later date when the project is ready to proceed. Should a system on the funded list decline the loan, the next ranked project shall be offered access to all or a portion of these funds.

G. Inadequate Allocations

If the actual federal DWSRF allocations are less than anticipated by the Department in the development of the DWSRF priority list, the Department may find it necessary to reduce their commitments to projects on the priority list. The Department may take formal action to reduce the number of commitments in accordance with subparagraph 3) of this paragraph.

- 1). The Department may redistribute the DWSRF funds allocated to each project.
- 2). The Department may redistribute funds from lower priority projects to higher priority projects.
- 3). The Department may bypass projects on the priority list in accordance with Section I, below.

H. Unanticipated and Uncommitted Funds

If unanticipated or uncommitted funds become available, the Department may take action to distribute them in accordance with subparagraphs 1-2 of this paragraph:

- 1). The Department may use the unanticipated or uncommitted funds to fund the highest priority project(s) from the priority list.
- 2). The Department may use the unanticipated or uncommitted funds to increase the amount of funds allocated to DWSRF fundable projects or to provide increased assistance to projects which have already received DWSRF assistance.

Additionally, supplemental loans may be made to previous recipients as needed to complete segmented projects or to cover unanticipated cost overruns.

I. Project Bypass/Reallotment:

The Department may bypass any project on the DWSRF Priority List that is not, in the Department's opinion, making satisfactory progress in satisfying requirements for DWSRF assistance. Bypassed projects will be removed from the priority list. In determining whether or not a project is making satisfactory progress in satisfying the requirements for DWSRF assistance, the Department shall use the criteria contained in subparagraphs 1- 6 of this paragraph. Funds released through project bypass will be considered as uncommitted and available for redistribution in accordance with this section.

1. Any project on the DWSRF Priority List may be bypassed if the applicant fails to submit a complete DWSRF application.
2. The Department may use individual project schedules developed by the Department to determine whether or not the project is making satisfactory progress during the fiscal year.
3. In order to comply with EPA certification restrictions related to equivalency requirements, it may be necessary to bypass projects which have not complied with Title II requirements and other federal authorities.
4. Any project on the DWSRF Priority List may be bypassed if the applicant fails to demonstrate the ability to repay the loan.
5. To maintain the fiscal integrity of a leveraged loan program or provide funds for new construction, the Department may choose to bypass projects which involve refinancing of existing debt.
6. Projects may be removed from the priority list at the request of the applicant or if the Department finds that the project is ineligible for DWSRF assistance.

V. Set-Aside Activities

A. Administrative Set-Aside (4% or 1/5% of New Position)

SRF Guidelines allow states to set aside 1/5% of the current position for SRF administrative costs. Administrative funds of \$853,180 will be used to pay costs for personnel, travel and training, equipment, supplies, audit fees, and indirect costs associated with implementing the SRF Program.

B. 2% Small Systems Technical Assistance (2%)

The Department will not reserve any funding to provide small systems technical assistance.

C. State Program Management (10%)

SRF Guidelines allow states to set aside up to 10% of the grant for state program management. The Department will reserve \$1,925,700 to provide funding for the State of Alabama Public Water System Supervision (PWSS) program.

D. Local Assistance and Other State Programs (15%)

SRF Guidelines allow states to set aside up to 15% for local assistance and other state programs. The Department will not reserve any funding in FY25 to provide assistance to communities for

educational events promoting objectives consistent with the Safe Drinking Water Act. This is because not all of the money set aside to support these activities has been used from FY24.

VI. Certifications

1. The Department certifies that this IUP will be subject to public review and comment with a public notice period of 30 days.
2. The Department certifies that all DWSRF eligible projects in this IUP are on the DWSRF Priority List.
3. The Department certifies that it will implement the State's DWSRF program in compliance with the Safe Drinking Water Act, Infrastructure and Investment Jobs Act (IIJA), Civil Rights Act, and to ensure conformance with Federal crosscutting requirements. (Deliverable)
4. The Department certifies to provide DWSRF financial assistance to include additional subsidization in the form of principal forgiveness for not less than the required minimum of 26% (\$5,013,620) and not more than 49% \$(9,452,590) to disadvantaged communities for the construction of eligible DWSRF projects including water treatment plants, distribution system improvements, and storage.
5. The Department certifies that it will enter into binding commitments for 120% of each payment under the DWSRF capitalization grant within one (1) year after receipt of each payment.
6. The Department certifies that it will expend all funds in the DWSRF in an expeditious and timely manner.
7. The Department certifies that all drinking water facilities in the state are in compliance with enforceable requirements or are making progress toward meeting those requirements except as specifically noted in the IUP.
8. The Department certifies that all facilities funded by the DWSRF shall complete a NEPA-like environmental review process.
9. The Department certifies that is in compliance with the operator certification and capacity development regulations along with the associated reporting requirements.
10. The Department certifies that it will comply with all requirements of the 1998 Operating Agreement with EPA. Note: the state is currently working on an updated Operating Agreement with EPA.

The Department certifies that it will complete a Benefits Assessment worksheet for each loan agreement executed in order to comply with EPA environmental results reporting requirements.

VII. Program Income

The Alabama Drinking Water Finance Authority, with ADEM as its agent, assesses a fee annually based on outstanding principal. These fees vary based on the fiscal year to which the loan agreement was secured. These fees are collected twice a year, when the recipient initiates repayment of the loan. In accordance with EPA regulations, fees collected from loans sourced from outstanding grants will be used for administration of the SRF fund only. All other fees will be used for activities eligible for the DWSRF grant only. The Department expects to receive fees during FY 2025 as follows:

Total Program Income	Program Income Collected During Grant Period	Program Income Collected After Grant Period
\$2,893,250.21	\$0.00	\$2,672,250.82

VIII: Estimated DWSRF Capitalization Grant Schedules/Timeline

A. Estimated Grant Draw Schedule

Capitalization Grant

Fiscal Year	Month	Draw
2025	Oct	\$1,604,750
2025	Nov	\$1,604,750
2025	Dec	\$1,604,750
2025	Jan	\$1,604,750
2025	Feb	\$1,604,750
2025	Mar	\$1,604,750
2025	Apr	\$1,604,750
2025	May	\$1,604,750
2025	Jun	\$1,604,750
2025	Jul	\$1,604,750
2025	Aug	\$1,604,750
2025	Sep	\$1,604,750
Total		\$19,257,000

FY21 DW Base Reallocation

Fiscal Year	Month	Draw
2025	Oct	\$2,833
2025	Nov	\$2,833
2025	Dec	\$2,833
2025	Jan	\$2,833
2025	Feb	\$2,833
2025	Mar	\$2,833
2025	Apr	\$2,833
2025	May	\$2,833
2025	Jun	\$2,833
2025	Jul	\$2,833
2025	Aug	\$2,833
2025	Sep	\$2,837
Total		\$34,000

B. Estimated Grant Disbursal Schedule

Capitalization Grant

Payment Quarter	Payment Date	Payment Amount
FY2026/Quarter 1	10/1/2025	\$9,628,500
FY2026/Quarter 2	01/01/2026	\$9,628,500

State Reallocation

Payment Quarter	Payment Date	Payment Amount
FY2026/Quarter 1	10/1/2025	\$17,000
FY2026/Quarter 2	01/01/2026	17,000

Payments are defined as increases to the amount of funds available from the federal SRF capitalization grant. This draft payment schedule is based on the State's projection of binding commitments and disbursements from the SRF to the members of the SRF project list. The disbursement schedule will essentially coincide with the grant payment schedule as ACH draw requests will be processed only upon submittal of payment requests from loan recipients for actual costs incurred. Funds from the ACH will be disbursed to the recipient immediately. The disbursement of funds will be in proportion to the amount of state and federal funds provided by the grant and state match. This will be ensured by disbursing all state match funds prior to drawing capitalization grant funds for project disbursements.

C. Capitalization Grant Budget Periods:

2025 EPA DWSRF Capitalization Grant

October 1, 2025 through September 30, 2031

IX. Public Participation

The IUP was provided for public comment on July 15, 2025 for a period of 30 days. Comments were received and all comments have been addressed. The comments along with the Department's response to those comments are attached to this IUP. No changes were made as a result of the comments. Any changes to the IUP, including the addition of projects not listed on the IUP at the time of solicitation for public comment, will require an additional public comment period of 30 days. The Department will re-solicit this IUP for notice if changes are made in future fiscal year(s).

X. Reporting

1. Annual reports are required for the DWSRF Capitalization Grant. Each annual report is due on December 31 following each fiscal year period. The annual report for the 2025 DWSRF funding will include the results from the period of October 1, 2025 through September 30, 2026 and will be submitted on or before December 30, 2026. The annual report shall provide an update on the deliverables and milestones accomplished by the Department in the fiscal year. Subaward (Set-aside) activities reporting will also be provided in the annual report.
2. The Department will submit information on projects into the DWSRF National Information Management System (NIMS) as binding commitments are entered into with the borrowers as

proposed in this IUP. The projects will be updated in NIMS at a maximum of one quarter after the binding commitment close date.

ATTACHMENT 1: PROJECT PRIORITY LIST

Project #	Applicant Name	Project Description	City/Town	County	Population	Disadvantaged Score	Priority Ranking Points	DW SRF % PF	Applied for Project Amount	Interest Rate
FS010169-02	Ariton Water and Sewer Board	Water Well Supply	Ariton	Dale	660	1.72	90	100%	\$1,430,000	NA
FS010476-05	Attalla Water Works Board, City of	Lake Rhea Clearwell No 2	Attalla	Etowah	5,872	2.65	60	70%	\$1,000,000	2.75%
FS010476-04	Attalla Water Works Board, City of	AMR Meter Replacement	Attalla	Etowah	5,872	2.65	60		\$1,389,700	1.99%
FS010562-01	Black, Town of	Water Meter Replacement	Black	Geneva	395	1.80	80	100%	\$319,753	NA
FS010263-03	Calera, Water Works Board of the City of	2022 Water Treatment Plant Improvements	Calera	Shelby	16,126	0.53	SUPP		\$2,250,000	2.20%
FS010306-02	Coffee County Water Authority	Tank and Well	Elba	Coffee	3,449	1.89	SUPP		\$610,000	1.99%
FS010064-05	Cullman, City of	Primary Water Transmission Pipeline Replacement	Cullman	Cullman	17,892	0.00	SUPP		\$5,075,000	2.20%
FS010141-05	Dale County Water Authority	Water System Improvements	Ozark	Dale	14,396	1.41	SUPP		\$381,000	1.99%
FS010561-02	Daleville Water and Sewer Board	Well and Tank Improvements	Daleville	Dale	4,912	1.65	SUPP		\$375,000	1.99%
FS010444-02	Eutaw, Water Resiliency Project	Water System Improvements SUPP	Eutaw	Greene	2,890	2.17	SUPP	100%	\$1,299,217	NA
FS010021-03	Five Star Water Supply District	Phase I (Interim) PFAS Treatment	Prattville	Elmore	37,977	0.00	180		\$4,135,000	1.99%
FS010168-04	Florence, City of	CR30 Water Main Replacement	Florence	Lauderdale	39,709	1.07	55		\$637,560	2.75%
FS010487-02	Haleyville Water Works and Sewer Board	2022 Water System Improvements	Haleyville	Winston	4,343	2.40	130		\$3,060,740	1.99%
FS010534-01	Hurtsboro WW&SB	Water Main Replacement	Hurtsboro	Russell	429	2.63	135	100%	\$849,000	NA
FS010096-13	Mobile Area Waterworks and Sewer System (MAWSS)**	Master Plan SRF Water Projects Phase II - Years 2024-2027	Mobile	Mobile	187,445	0.00	SUPP		\$28,000,000	1.99%
FS010448-03	Montevallo WW&SB	Water System Improvements	Montevallo	Shelby	6,968	1.59	SUPP		\$3,000,000	2.75%
FS010387-10	Prichard Water Works and Sewer Board	PWW&SB Lovejoy Loop Pipe P&D	Prichard	Mobile	19,645	2.51	205	100%	\$100,000	NA
FS010131-05	Quint-Mar Water Authority	Water Main Replacement	Lapine	Crenshaw		2.93	140	100%	\$516,000	NA
FS010089-09	South Alabama Utilities	Water System Improvements	Mobile	Mobile	200,000	0.56	230		\$12,000,000	2.75%
FS010507-03	Stewartville Water Authority	Hanover Water Main Project	Stewartville	Coosa	1,804	2.32	15		\$1,951,600	2.20%
FS010546-01	Wall Street Water Authority	Interconnection with Walnut Hill WA			231	2.20	50		\$755,000	2.20%
FS010547-01	Walnut Grove, Town of	Water Improvements Project	Walnut Grove	Etowah	901	1.77	45		\$500,000	1.99%
FS010511-03	Weaver, City of	Upgrade of Weaver Well Buildings	Weaver	Calhoun	3,061	1.72	30		\$264,260	2.75%
FS010549-02	West Barbour County Water Authority	New well	Louisville	Barbour	231	2.20	60		\$2,585,000	2.20%
FS010367-01	Wolf Creek Water, Sewer, and Fire Protection Authority	Water Storage Tank and Water Main Extensions	Pell City	St. Clair	231	0.70	35		\$265,000	1.99%
FS010267-02	Woodland, Town of	Water Main Replacement	Woodland	Randolph	542	2.55	60	100%	\$675,000	NA
FS010522-05	York, City of	Proposed York Water System Infrastructure Project - 2024 SUPP	York	Sumter	2,371	2.56	SUPP	100%	\$1,124,000	NA

28 Total Projects

** MAWSS is the "Equivalency" Project

\$ 7,012,970 \$75,396,830

ATTACHMENT 2 – DW PROJECT PRIORITY DESCRIPTIONS

Ariton, Town of – Water Supply Well

The Town of Ariton proposes to replace two water supply wells that have exceeded their useful life with an new water supply well. The two wells to be replaced are 77 and 68 years old with capacities of 90 gallons per minute each. The old wells have deteriorated casings and are subject to failure. The new well will allow the Town of Ariton to continue to provide safe reliable water to its citizens.

Attalla Water Works Board, City of – AMR Meter Replacement

The Attalla Water Works Board proposes a project to replace all existing water meters in the Attalla Water System with remote-read type meters and upgrade the billing software to be compatible with the new meters. The customers will benefit from the project because it will increase the efficiency of the meter reading process.

Attalla Water Works Board, City of – Lake Rhea Clearwell No. 2

The Attalla Water Works Board proposes a project to construct a new 250,000 gallon ground level clearwell adjacent to the existing clearwell and interconnect the piping such that both tanks will be utilized to store treated water. In addition, the existing clearwell can be finally taken out of service for maintenance for the first time in 20 years and the plant can continue to operate using the new clearwell.

Black, Town of – Water Meter Replacement

The City of Black proposes implementing the new radio read meters, meter boxes, curb stops, and backflow preventers, which will allow the Town to more accurately assess each water bill and isolate problems as they occur, including helping keep the system's water losses to a minimum.

Calera, The City of – Water Supply Tanks and Mains (SUPP)

The City of Calera proposes to continue an ARPA funded project to install new water storage tanks and to loop water mains to supply adequate water pressures to areas that have been served by dead end water mains. Completion of this project will provide safe reliable water supplies to the customers of Calera.

Coffee County Water Authority – Water Supply Well & Tank

Coffee County Water Authority proposes to continue an ARPA (50% funded) project to install a new water supply well and elevated water storage tank which will provide adequate water pressures to its customers. This is the continuation of a project which was partially funded with an ARPA Grant.

Cullman, City of – Primary Water Transmission Replacement

The City of Cullman proposes to replace the transmission water main from the water treatment plant to the distribution system. Over 50 percent of water purchased from Cullman Utilities is conveyed through the current transmission water main, which has exceeded its operating life. Completion of this project will ensure compliance with drinking water regulations, reduce leaks, unaccounted water loss, and continued provision of adequate safe drinking water to all service areas.

Dale County Water Authority – Water Supply Well & Tank

Dale County Water Authority proposes to continue an ARPA (50% funded) project to install a new water supply well and elevated water storage tank which will provide adequate water pressures to its customers. This is the continuation of a project which was partially funded with an ARPA Grant.

Daleville Water & Sewer Board– Water Supply Well & Tank

The Daleville Water & Sewer Board proposes to continue an ARPA (50% funded) project to install a new water supply well and elevated water storage tank which will provide adequate water pressures to its customers. This is the continuation of a project which was partially funded with an ARPA Grant

Eutaw, Water Resiliency Project - Water System Improvements SUPP

The City of Eutaw proposes improvements to the water service system, which will reduce unaccounted-for water loss, reduce the risk of cross-contamination, and maintain compliance with the ADEM PWSID permit. This improvement included backflow devices, tank.

Five Star Water Supply District Phase I (Interim) PFAS Treatment

Five Star Water Supply District proposes to provide testing and analysis of different PFAS treatment methods at the Five Star water treatment facility. This includes demonstration testing for short term treatment of PFAS contamination as well as a Reverse Osmosis pilot treatment study to help expedite future long-term treatment of PFAS contamination. The purpose of the project is to enable the Water District to comply with the maximum contaminant limits (MCLs) for PFAS analytes and provide safe drinking water for all the municipalities supplied by the Five Star Water District.

Florence, City of – County Road 30 Water Main

The City of Florence proposes a project to install water mains for residents along County Road 30. The proposed project consists of connecting residents along County Road 30 to the existing water system. Completion of this project will ensure the residents on County Road 30 have reliable, safe drinking water and improve water quality and reliability along County Road 27.

Haleyville Water Works and Sewer Board, City of

The City of Haleyville Water Works and Sewer Board proposes a project for equipment related to storage and distribution within its water system. The project scope includes the following: rehabilitation and painting of the Fontaine Water Storage Tank and the Kelly Hill Water Storage Tank; replacement of the Kelly Hill booster station; installation of a new water transmission main to the Kelly Hill booster station; and a new back-up power generator. Completion of this project will greatly benefit system flows and pressures, while increasing system reliability.

Hurtsboro WW&SB, Water Main Replacement

The City of Hurtsboro proposes replacing the existing cast iron water mains with new PVC water mains along the three streets to remove the lead goosenecks and prevent leaks, breaks and discoloration of drinking water from obsolete rusted pipes, including installing new service lines to meter boxes, new curb stop, meter, and dual check valve.

Mobile, AL (MAWSS), Board of Water and Sewer Commissioners of the City of - Master Plan SRF Wastewater Projects Phase II – Years 2024 -2027 (SUPP)

The Mobile Board of Water and Sewer Commissioners (MAWSS) proposes implementation of Mobile's DWSRF Master Plan Phase II to address the following projects: Big Creek Lake Boom and Storage for Hazardous Spill Containment, Big Creek Lake Dam Toe of Berm Modification, E.M. Stickney WTP Settling Basin Structural Rehab, Big Creek Lake Early Contaminant Warning System, E.M. Stickney Filter Rehabilitation, Big Creek Lake Emergency By-Pass Connections, Stickney On-Site Hypochlorite Generation, Meyers WTP Filter Rehabilitation, Replace Gaillard Pump Station Pumps, Valves, and Fittings, Stickney WTP Liquid Lime Facility Installation, Stickney WTP Redundant Solids Clarifier, Various Critical Valve Replacement in Distribution System, Various Water Main Replacements, Water Treatment Plant Security Upgrades, Secondary Raw Water Source Treatment and Conveyance Systems, and Water Treatment Plant Paving.

Montevallo WW&SB - Water System Improvements

The proposed project will rehabilitate the water storage tank, replace existing water lines, and upgrade the booster pump stations, including piping, valves, actuators, etc. The project will increase water quality and reliability for all customers.

Prichard Water Works and Sewer Board Water Distribution System Planning and Design

Prichard WW&SB plans to address water quality, water loss, SCADA, operational integrity, system efficiency, and storage needs throughout the PWW&SB drinking water distribution system. The purpose of this project is to perform the Planning, Design, and Budget Estimates for the project to enable it to go out to bid once project funding has been secured.

Quint-Mar Water Authority - Water Main Replacement

The Quint-Mar Water Authority proposes to extend a 6” water main to allow more flow to head towards the Cool Springs Tank and a second direction of flow for increased reliability. The project includes installing a new PVC water main along Horne Road, installing new service lines to meter boxes, new curb stops, meters, and dual check valves.

South Alabama Utilities Improvement Project

South Alabama Utilities due to the high growth their service area has experienced in the past few years needs to improve its water service capabilities along Airport Road including a new well, treatment facility, and water line upgrades, and Replace and Add Water Meters to ensure proper billing.

Stewartville Water Authority Hanover Water Main

The Stewartville Water Authority (SWA) proposes to install a ductile iron water main from the existing SWA booster pump station at the Northwest intersection of Highway 231 and Coosa County Road 56 toward Central High School, and also connect the new water main to the existing SWA Water Tower. The current lack of redundancy in the system causes the entire town to be without water during repairs. The purpose of the project is to provide reliable potable water services to over 200 customers and prevent school closures related to water line repairs, by rerouting the water main along a more maintenance friendly route and creating system redundancy.

Wall Street Water Authority – Interconnection with Walnut Hill WA

Wall Street Water Authority (WSWA) proposes to install water lines connecting the WSWA with the Walnut Hill Water Authority. The installation would take place in the right-of-way along Lovelady Road from Websters Ford Road in Reeltown, AL to AL Highway 50. The purpose of the project is to allow water to be purchased and sold between the two systems, providing a critical secondary source of safe drinking water for both systems to utilize during emergencies.

Walnut Grove, Town of – Water Improvements Project

The Town of Walnut Grove proposes a project for their water system. The project scope of work includes the rehabilitation of a water tank and access road, replacement of water lines with new pipe to help reduce water loss, the addition of a generator to the well, and replacement of existing flush hydrants and valves. These improvements will greatly benefit the system.

Weaver, City of – Well Building Repairs

The City of Weaver proposes to upgrade the existing well buildings and surrounding grounds. The project will rehabilitate the buildings at Wells No. 2 and No.3 and includes improvements to the sidewalks, doors, lighting, chlorinators, scales, windows, roof, chain link fence, heater, vent fan, chlorine leak alarm, and interior and exterior finishing. The project will improve the safety, security, and efficiency of the well buildings.

West Barbour County Water Authority – Water Supply Well & Tank

The West Barbour County Water Authority proposes to install a new water supply well. One of the System's two existing wells failed in 2024. The well that failed is the lower capacity of the two wells. A new well is necessary to insure the reliability of the system to provide adequate water supply to its customers.

Wolf Creek Water, Sewer, and Fire Protection Authority – Water Storage Tank and Water Main Extensions

Wolf Creek Water, Sewer, and Fire Protection Authority proposes a project to include the installation of a 100M gallon standpipe water storage tank with associated piping, valves, and telemetry. Improvements also include two extensions to an existing parallel water main along Wolf Creek Rd. The first extension takes place at the Wolf Creek Road/War Eagle Road intersection while the second is located at the Wolf Creek Road/Roberts Mill Pond Road intersection. Both extensions include materials consisting of 6" PVC.

Woodland, Town of – Water Main Replacement

The Town of Woodland proposes a project to replace aging PVC water mains. The scope of the work will be the replacement of approximately 20,000 LF of existing 6" and 3" PVC water mains. This project will ensure that the system stays in compliance and provide water to their customers.

York, City of – Proposed York Water System Infrastructure Project - 2024 SUPP

The City of York proposes to replace approximately 20,000 linear feet of cast iron water mains, install a booster pump station, rehabilitate the two (2) deep finished well water sources, and install SCADA. The proposed project would improve water quality and reliability for all customers throughout the system.



Form 370: Drinking Water State Revolving Fund Preapplication

Project Name	
Assistance Amount Requested	\$
Date Submitted	



Submit Complete Preapplication to:	
Preferred method By email:	srf@adem.alabama.gov
By overnight mail:	1400 Coliseum Boulevard Montgomery, Alabama 36110-2400 (334) 271-7714
By mail:	SRF Section Alabama Department of Environmental Management Post Office Box 301463 Montgomery, Alabama 36130-1463

Section 1: Contact Information

Loan Applicant

Applicant Name			
Authorized Representative (Signatory of Loan Agreement)		Title of Authorized Representative	
Email Address		Telephone Number	
Contact Person (Daily SRF Communications)		Title of Contact Person	
Email Address		Telephone Number	
Mailing Address		City, Zip Code	
County		UEI Number	
Fax Number		PWSID Number	
AL House District(s)		AL Senate District(s)	
Total Number of System Connections (Current)		Population of System	

Project Engineer:

Firm Name	
Address	
City, State, Zip code	
Engineer Name	
Telephone Number	
Email Address	
Fax Number	

Section 2: Project Information

For the following questions, please attach additional pages if adequate space is not provided on this form:

Break down the total project cost (categories should sum to 100%) and list all other funding sources to be utilized to complete this project.

Treatment:	%	Other Funding Source(s)	Amount(s)	Commitment Date
Distribution:	%			
Source:	%			
Storage:	%			

Enter the Median Household Income (MHI) for the affected community:	Enter the Average Annual Household Water Bill Based on 5,000 Gal Usage:
Source:	Source:
\$	\$

Priority Ranking System

The following factors are used to rank the proposed project and will ultimately determine if the project is fundable. The applicant must provide documentation where required in order to receive credit.

*Any ranking criteria that cannot be verified through supporting documentation by the Department will be awarded zero points.

A. Enforcement and Compliance Rating Criteria (Maximum: 50 points)*

Ranking Criteria		Point Value
1	The system is under formal enforcement action by ADEM. Completion of the project will return the system to compliance.	50
2	The project is a voluntary effort to resolve noncompliance and will mitigate the issuance of a formal enforcement action.	40
3	The system is currently in compliance but will be in imminent noncompliance without the proposed project.	25

B. Drinking Water Contaminants Criteria (Maximum: 150 points)*

Ranking Criteria		Point Value
1	The system has current primary MCL violations and completion of the project will return the system to compliance.	100
2	The system has current secondary MCL violations and completion of the project will return the system to compliance.	50
3	The primary purpose of the project is to extend service to persons presently served by contaminated wells.	50

C. Water/Energy Efficiency Rating (Maximum: 45 points)*

Ranking Criteria		Point Value
1	The project significantly reduces water loss. The unaccounted reported water loss during the last 12-month period was: 50% or higher 35% - 49% 20% - 34% 15% - 19%	25 20 10 5
2	The project incorporates energy efficient design considerations with established objectives and targets for energy reduction opportunities.	5
3	The project uses renewable energy such as wind, solar, geothermal, hydroelectric, micro-hydroelectric, biogas combined heat and power (CHP) systems, or biofuels production to provide power to a drinking water treatment plant.	5
4	The project implements upgrades to pumps and treatment processes which result in: a) 20% or greater reduction in energy consumption at a drinking water treatment plant. b) 10-20% reduction in energy consumption at a drinking water treatment plant, or 20% or greater reduction in energy consumption at a remote pump station.	10 5

D. Capacity and Pressure Criteria (Maximum: 100 points) *

Ranking Criteria		Point Value
1	The system lacks adequate capacity to provide safe drinking water. Completion of the project will restore capacity to existing customers.	100
2	The project will mitigate pressure readings of <20 psi at 50 or more customer meters.	50
3	The project will mitigate pressure readings of <20 psi at 10-49 customer meters.	25

E. System Consolidation Criteria (Maximum: 100 points) *

Ranking Criteria		Point Value
1	The project will result in the elimination of at least one public water system.	100
2	The project will establish a new interconnection between two water systems, where the beneficiary water system (or portion of the beneficiary water system) is served by only one source.	25

F. Sustainability Criteria (50 possible bonus points) *

Ranking Criteria		Point Value
1	The project implements one or more of the following planning methodologies: a) Asset Management Plan	10
2	The project includes one or several of the following design considerations: a) LEED certified or other ADEM-approved green building techniques. b) Project envelope is located in a previously developed area. c) Use of environmentally friendly post-consumer recycled or reclaimed materials.	5 5 5
3	The project incorporates at least one of the following construction methods: • Innovative erosion control practices; • Protection of onsite trees, vegetation, native habitats and urban forests; or • Replanting of disturbed areas with native plant species.	5
4	The project will utilize one or more of the following water conservation strategies: a) Incorporates sustainable water pricing practices and rate structures. b) Completion of EPA's Water Quality Scorecard (see http://www.epa.gov/smartgrowth/water_scorecard.htm).	10 5

G. Reporting Criteria (Maximum point reduction: 30) *

Ranking Criteria		Point Reduction
1	The system was cited during the last twelve months for late submittal of Monthly Operating Reports (MOR) or Consumer Confidence Reports (CCR), or was cited for a monitoring/reporting violation.	-10
2	The system was sent a Drinking Water Needs Survey and/or a Clean Watershed Needs Survey in the last four years and failed to return a completed survey.	-20

H. Affordability Criteria (Maximum: 60 points)

Ranking Criteria		Point Value
Divide the Average Annual Household Water Bill by the Median Household Income (from Page 2) and multiply by 100%:		
2.50% or higher		60
2.00 – 2.49%		40
1.50 – 1.99%		20
Less than 1.50%		0

I. Infrastructure Improvement Criteria*

Ranking Criteria		Point Value
1	Construction of a new water treatment plant	20
2	Level of treatment upgrade to an existing water treatment plant	15
3	Modifications to address disinfection byproduct requirements	25
4	Replacement of water lines due to age, leaks, breaks, or lead or asbestos-cement pipe	10
5	Installation of new water lines, where none existed previously	5
6	Rehabilitation or replacement of a water storage tank	15
7	Installation of a new water storage tank	10
8	New or upgraded pump station (not associated with a tank project)	5
9	Security improvements to a water system	5
10	Emergency power generators	5
11	Construction of a new well	15
12	Rehabilitation/upgrade of an existing well	10
13	Installation of green stormwater infrastructure at a water treatment plant	5
14	Installation of water meters in previously unmetered areas, or replacement of traditional water meters with AMR or smart meters	10
15	Water meter replacement with traditional meters	5
16	Installation or retrofitting water efficient devices such as plumbing fixtures and appliances (toilets, showerheads, urinals)	5
17	Replacement of (potable) landscape irrigation with more efficient landscape irrigation systems	5
18	Recycling and water reuse projects that replace potable sources with non-potable sources (grey water, wastewater effluent)	10
19	Installation or upgrade of SCADA systems	15

Sum the points from each category below.

Part A: Enforcement and Compliance (50 points maximum)	
Part B: Drinking Water Contaminants (150 points maximum)	
Part C: Water/Energy Efficiency (45 points maximum)	
Part D: Capacity and Pressure (100 points maximum)	
Part E: System Consolidation (50 points maximum)	
Part F: Sustainability (50 bonus points maximum)	
Part G: Reporting (Maximum Reduction of 30)	
Part H: Affordability (60 points maximum)	
Part I: Infrastructure Improvement	
TOTAL POINTS CLAIMED:	

This form should be signed by the official who is authorized to execute contracts on behalf of the applicant jurisdiction.
ONE SIGNED COPY (including attachments) should be emailed to the address shown on Page 1 of this form.

Attachments to be included with this form:

- 1. Preliminary Engineering Report (PER Outline PER Format Below (Preferred))**
- 2. Copies of last three (3) years of audited financial statements (if available)**

Preliminary Engineering Report Outline:

- 1. Description of Project**
 - a. Brief description and background of project
 - b. Purpose of project
 - c. Location of project
 - d. Project Scope
 - e. Average annual household water bill
 - f. Population and median household income
- 2. Proposed Improvements**
 - a. System connections and connections that benefit from construction
 - b. System plan for water conservation
 - c. Proposed operation and management
 - d. Improvements to system
- 3. Project Maps**
 - a. Include all affected water bodies
- 4. Projected Outlay Schedule**
- 5. Cost Breakdown**
 - a. Estimated cost outline for entire project
- 6. Supporting Documentation*** for priority points claimed, as required above. Any points claimed that cannot be readily substantiated from the information submitted will not be counted. The Department reserves the right to make the final determination of all points awarded.

The undersigned representative of the applicant certifies that the information in the application and in the attached statements and exhibits is true, correct and complete to the best of the applicant's knowledge, information and belief.

Signature of Authorized Representative	Print or Type Name
Title	Date

EDWARD F. POOLOS
DIRECTOR

JEFFERY W. KITCHENS
DEPUTY DIRECTOR



Alabama Department of Environmental Management
adem.alabama.gov

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Montgomery, Alabama 36130-1463
(334) 271-7700 ■ FAX (334) 271-7950

KAY IVEY
GOVERNOR

September 15, 2025

Ms. Victoria Miller, Director of Advocacy Research
Alabama Rivers Alliance
2014 6th Ave N #200
Birmingham, AL 35203

Dear Ms. Miller,

On August 12, 2025, the Department received comments from the Alabama Rivers Alliance pertaining to the fiscal year 2025 Clean Water State Revolving Loan Fund (CWSRF) and Drinking Water State Revolving Loan Fund (DWSRF) Base Intended Use Plans (IUPs) as well as the Reallocation of the FY24 DWSRF Infrastructure Investment and Jobs Act (IIJA) Emerging Contaminants (EC) and DWSRF IIJA Lead Service Line (LSL) IUPs. Below are the Department's responses addressing the comments received. No major programmatic changes to the IUPs were necessary.

If you have any questions, please do not hesitate to contact Brian Espy at (334)271-7711 or via email at bespy@adem.alabama.gov.

Sincerely,

Russell A. Kelly, Chief
Permits & Services Division
ADEM



Birmingham Office
110 Vulcan Road
Birmingham, AL 35209-4702
(205) 942-6168
(205) 941-1603 (FAX)

Decatur Office
2715 Sandlin Road, S.W.
Decatur, AL 35603-1333
(256) 353-1713
(256) 340-9359 (FAX)

Coastal Office
1615 South Broad Street
Mobile, AL 36605
(251) 450-3400
(251) 479-2593 (FAX)

Section 1: Questions/Concerns on Projects and ranking criteria

Question/Recommendation/Comment 1: When does the Department anticipate releasing IUPs for funding appropriated from the Bipartisan Infrastructure Law (also known as the Infrastructure Investment and Jobs Act) for FY2025? The USEPA released the FY 2025 Allotment Tables in May 2025, which included a general supplement to the DWSRF (\$43,930,000), DWSRF emerging contaminants funding (\$13,490,000), a general supplement to the CWSRF (\$27,546,000), and CWSRF emerging contaminants funding (\$2,378,000). It is our understanding that USEPA has not allocated the FY2025 lead service line funding yet as they are incorporating lead inventory data into these and future lead allocations. Is this consistent with the Department's current understanding?

Response 1: The USEPA did release the FY 2025 allotments for the Drinking Water State Revolving Fund (DWSRF), Drinking Water State Revolving Fund Emerging Contaminants (DWSRF EC), Clean Water State Revolving Fund (CWSRF), and Clean Water State Revolving Fund Emerging Contaminants (CWSRF EC). The projects that will be selected for the DWSRF & CWSRF funding programs are currently being evaluated and ranked. The Department received a large number of applications between June 1 and June 20th and those are still undergoing review. The Alabama Department of Environmental Management (ADEM) SRF staff have begun ranking projects based on critical need using the Project Priority Ranking System. The timeline for placing the IJA IUPs on notice is unknown, but the Department is working to complete the task as quick as possible ensuring all projects are adequately reviewed and considered ensuring the most critical projects receive the funding. Please note, in addition to new applications, previous projects submitted in prior years that were not selected for funding are also eligible and will be considered for the IJA funding.

In response to the USEPA not yet reallocating the FY2025 lead service line appropriation, yes, the Department agrees that the USEPA is reevaluating the lead service line allotments. The USEPA has not committed to a deadline upon which those allocations will be announced.

Question/Recommendation/Comment 2: What is the Department's explanation for the reallocation and re-notice for the FY2024 DWSRF EC and LSL IUPs? These IUPs were previously issued in December 2024. We note the primary difference between this and the former FY2024 DWSRF EC IUP is the addition of \$500,000 awarded to one project. We recommend future re-allocation IUPs include that it is a reallocation on the front page and a brief explanation for the re-allocation within the introduction.

Response 2: The Department must re-notice any IUP when a change to allocation of funds is made regardless of the amount. It is not unusual for systems to not have the need for the full amount as they originally applied for. This has been more common for LSL projects as there are more unknowns. The Department re-notices any IUPs in an effort to use all allocated funds to ensure dollars do not go unused.

Question/Recommendation/Comment 3: When does the Department expect to make changes to the CWSRF pre-application to allow priority points for project affordability, as discussed in ADEM's response to ARA's FY2024 IUP comments and ADEM's response to ARA's FY2023 IUP comments? These recent IUPs feature the same CWSRF pre-application as last year, and the Department has not yet released public notice for adjustments to the CWSRF Form 340. As a reminder from previous IUP comments, we recommend the Department introduce a financial metric into the CWSRF pre-application's Project Priority Ranking system to more definitively identify clean water projects of high priority when they seek to address affordability or for applicants that have high water and wastewater financial burdens. The Department's response from previous IUP comment letters was as follows: "The Department does agree that inclusion of the financial metric on the pre-application form would provide more clarity and uniformity between the programs. As noted in last year's comment responses, the SRF is proposing a change in the CWSRF pre-application form to include an appropriate metric for financial capability within the ranking procedure."

Response 3: The Department is always working to ensure that all application forms are updated to comply with federal and state requirements. An executive order pertaining to the Justice40 Mapping tool resulted in the Department no longer being able to utilize the tool. The Justice40 Mapping tool was a key component to the Department's planned modification. The same CWSRF pre-application form was used in this year's IUP, and will most likely be used in 2026 until USEPA Headquarters is able to provide the states with a clear directive on this topic. To update the form the Department must work with the USEPA to ensure the financial criteria are met and then ADEM must go through ADEM Administrative Code Div. 1 rulemaking. As stated in previous IUPs, principal forgiveness is allocated to communities of the highest rank until all funds are expended. Third party financial advisors are used by the Department to analyze the financial capability and status of each system/community. This process ensures communities with the most critical need receive the funding opportunities.

Question/Recommendation/Comment 4: Please clarify what amounts the projects on the FY2025 CWSRF and DWSRF IUPs are being awarded on Attachment 1: Project Priority List. The FY2025 CWSRF and DWSRF IUPs feature a good quality image for PPL. However, the IUP's PPLs are missing columns that describe the total amount being awarded (which is often not the same as the total amount requested) and the dollar amount of principal forgiveness that the awarded projects expect to receive. Without these two columns, it is not clear to an awardee receiving principal forgiveness how much they are being offered and how much of that would be forgiven. Please include these missing columns in the final IUPs.

Response 4: The "Applied for Project Amount" is the total amount being awarded and the "SRF PF%" indicates the precise percentage of principal forgiveness (PF) proposed. The Department is in communication with all of the systems on the IUP and ADEM is confident that each system knows how much funding and PF they will be receiving.

Question/Recommendation/Comment 5: What factors determine the varying annual fee rates assigned to projects on the PPL beginning in FY2025? The FY2025 CWSRF and DWSRF IUPs newly include a stated range for fee from 1.85% to 2.65% and a column in the PPL that describes the applicable rate for each project. The additional information in the Program Income section asserts that this annual fee varies based on the outstanding loan principal and fiscal year. However, in the FY2025 CWSRF IUP, there are different fee rates offered to projects starting this fiscal year (excluding supplemental projects). For example, Fort Payne's \$5 million request is offered 1.99% and Blountsville's \$1,750,000 request is offered 2.75%. What factors determine this differing interest rate for projects being awarded in the same fiscal year? This rationale should be included in future IUPs.

Response 5: The FY2025 IUP does have a stated range for various interest rates. Communities who submitted projects to the Department in different funding years were notified that the interest rate offered would reflect the year the preapplication was submitted to the Department. In addition, every system state-wide receives a USPS mailed card in November or December of each year notifying them of the rate. The rate is determined annually – generally during the month of October after consultation with the Department's 3rd party financial advisor. The advising firm ensures the SRF program is offering rates that are the most competitive in the state. This provides an enormous financial benefit for all eligible systems in the state while at the same time guaranteeing the revolving aspect of the dollars creating a healthy SRF Program.

Question/Recommendation/Comment 6: Clarification is needed on the composition of the overall total \$47,272,426 within the Lead Service Line SRF fund. The reallocated FY2024 DWSRF LSL IUP indicates that this total includes the new FY2025 lead capitalization grant plus \$15,874,426 in additional funds identified as "Direct Loan Repayments, Interest Earnings, and Unobligated Funds." Given that lead funding from the IIJA is required to be awarded entirely as additional subsidization, and that the Department charges no fees on 100% additional subsidization projects, can the Department confirm whether the full \$15,874,426 consists solely of unobligated funds from prior years of lead funding? If these unobligated funds represent previously awarded projects that failed to proceed with funding, what steps is the Department taking to better support communities in advancing lead service line projects once funding is awarded? Enhanced technical assistance, pre-application planning, or targeted outreach would help ensure timely obligation and implementation of these critical public health projects.

Response 6: The Lead Service Line (LSL) funding from the IIJA IUPs does have to be awarded with additional subsidization and the ARA is correct that the Department does not charge fees on 100% additional subsidization projects. The IIJA LSL funding requires exactly 49% additional subsidy and 51% as a revolving loan component. The amount of \$15,874,426 is funds from the FY2024 LSL IUP that were not allocated. This is due to the Department waiting for lead service line inventories from numerous communities that are eager to solve the lead problem in their drinking water system. The unobligated funds are a combination of projects whose scope of work did not confine to the requirement set by the EPA which require only the 'service lines' are eligible for funding and not the actual main distribution line. The Department realizes that this is a substantial amount of money and ensures that communities across the state will be able to reap the benefits of removing lead from their drinking water.

Question/Recommendation/Comment 7: Please provide an update on the new CWSRF set-aside program described in previous IUPs. The FY2024 CWSRF base IUP indicated that the newly-created 2% technical assistance set-aside would be utilized to support the development of a septic tank assistance program, presumably targeting underserved or low-income households. However, the FY2025 CWSRF IUP does not provide clarity on the status of this program or whether communities have ever been given a formal opportunity to request or access these funds. In the future, set-aside work plans should be attached to the IUP and describe this information.

Response 7: The Department is still working on developing a plan for the set-aside program. The set-aside program will continue to aid in funding water festivals and outreach programs to communities. These water festivals assist in making the communities aware of the funding opportunities. As of now the Department will not provide funding for individual septic tanks. The Alabama Department of Public Health (ADPH) administers the requirements and available funding used to support any septic tank program.

Question/Recommendation/Comment 8: Please include an explanation of the funding sources used to meet the 20% state match required for the base capitalization grants. For example, the FY2025 DWSRF base IUP includes in the introduction, "The 20% state match requirement for the projected grant is \$3,851,400 and will be fulfilled by a combination of an overmatch of State Match Bonds, State Appropriations, and the Fund Fee." Please clarify the specific amount that was appropriated by the Alabama legislature. We are working to raise awareness among Alabama legislators about the critical importance of water system funding and to educate other elected officials and local leaders across the state as well. Knowing the exact amount of state appropriations that were used allows us to more accurately inform officials about the state's current investment.

Response 8: SRF match was provided by the State Legislature through Act No. 2024-355 in the amount of \$3,000,000.

Question/Recommendation/Comment 9: Under what circumstances can Alabama communities and utility systems seek SRF funding under an emergency basis? Please provide examples of emergency needs that qualify for SRF, and how such requests are considered by the Department. We have heard anecdotes from community systems that expensive, unanticipated repairs cripple a system's ability to provide services and stifle progress on other projects/upgrades. Each IUP includes language describing the SRF's right to fund emergency projects. However, there has been little information available about how systems can request emergency funds and what urgent needs would be considered appropriate. This information would be particularly helpful as we continue outreach efforts, communicate with water systems, and educate stakeholders including elected officials and other local leaders.

Response 9: The Department does reserve the right to fund emergency projects. If an emergency project was needed the project would have to be SRF eligible and allow the Department to quickly access the audits from the previous three years. The Department must follow the requirements set by each program and publish a Categorical Exclusion (CE) or Finding of No Significant Impact (FONSI) for public comment. If a community is impacted by a travesty to their water or wastewater system the only request needed for consideration of an emergency project is for the community to submit a

preapplication form and to contact the Department immediately and allow a member of the SRF staff to provide technical assistance. Examples of emergency projects would be categorized as a project that, without the immediate action of repair the water/wastewater system, would fail to provide service to its customers for a substantial amount of time. Please note, the Department is only able to service emergencies conditions if the appropriate amount of funds are available.

Question/Recommendation/Comment 10: Does the Department anticipate continuing to provide Alabama water systems with up-to-date funding information on the alabamawaterprojects.com website? This website and its linked funding lists have not been updated since June 5, 2024. We are very supportive of the Department's efforts to provide a publicly accessible resource for water system funding information and have noted widespread use by communities and stakeholders to determine the status of their funding request, which provides context for future funding requests.

Response 10: The Department is not maintaining the Alabama Water Projects website. That website was quickly created at the inception of ARPA to provide the public with information concerning all of the project requests. During that time, the Department was conducting a major overhaul to the ADEM website. The new ADEM website is now complete. All of the information previously found on the Alabama Water Projects website is now located on the ADEM SRF page and regularly updated. The URL for the ADEM SRF webpage is <https://adem.alabama.gov/water/state-revolving-fund-srf>.

Question/Recommendation/Comment 11: Please clarify what the Department means in the line on the FY2025 CWSRF base IUP Section III, B: Project Uses that says, "The current projected sources of funds exceed the projects listed on the Project Priority List..." Why is this the case? Does the Department mean to imply that there were not enough eligible or ready CWSRF projects to maximize the current year of clean water funding? If so, this surplus suggests the Department should be doing more to support a "pipeline" of Alabama clean water projects and foster project readiness for Alabama utilities. We know there is a significant backlog of wastewater infrastructure needs, and it is critical to understand the full range of these needs before the current funding availability ends. Our coalition has several recommendations for the Department on how to strengthen project readiness for clean water projects, which include establishing a clean water supervision forum, more frequent communication to waiting pre-applicants, and/or planning and pre-development grants. These efforts could be supported by increased set-aside activities. Our coalition welcomes the opportunity to discuss these suggestions further with the Department.

Responses 11: The full citation should be provided for complete transparency, "The current projected sources of funds exceed the projects listed on Project Priority List included in Attachment 1; however, the surplus funds are from ADEM's loan repayments and interest earnings from revolving funds and can be used for projects in future IUPs." The final portion of the citation left out in the comment is paramount and is intended to provide clarification. The "projected" sources of funds are currently not in-house or available for use in an infrastructure project. The sources are projections based on amortization table outlays from existing loans. It is not the Department's practice to agree to loan funds to a system based on projected future income. In the future, those funds will be used to support projects in future IUPs.

Section 2: Recommendations on IUP and SRF

Recommendation A: We appreciate the expanded explanation of minimum and maximum amounts for additional subsidization on FY2025 DWSRF IUP and FY2025 CWSRF IUP, and the addition of Table 4 in the FY2025 CWSRF IUP. This is very helpful to understand exactly how much the Department is directing towards additional subsidization.

Response A: No response warranted. Thank you for the comment.

Recommendation B: Set aside funding: The Department should maximize allowable set-aside funds to support technical, managerial, and financial assistance for projects on the PPL that encounter delays in progressing through the SRF process and to support other communities' efforts to submit strong proposals.

Response B: The Department does provide technical assistance to any project that receives funding through the SRF programs or is in the process of applying for funds. As stated in last year's FY2024 IUP Comment Response letter "The SRF is continually attending conferences, workshops, and coordinating with multiple stakeholders. ADEM works closely with communities and organizations such as Rural Water, Rivers Alliance, ADEM operator certification and compliance staff, WFX, universities, *etc.* The SRF participates in regional workshops annually with Rural Water. These are held at least four times a year in different areas throughout the state and attended by water and wastewater utilities throughout each region. The SRF also implements two workshops each year for interested applicants. The Department has demonstrated a transparent interest in an open dialog with communities and stakeholders throughout the state."

Recommendation C: Expanding on Item 4 in Section 1 above, adjustments should be made to the FY2025 and future Project Priority Lists (PPLs) to emphasize transparency and proper use of federal funds.

Response C: Please see Section 1, Response 4 above.

Recommendation D: We repeat recommendations from our previous IUP comment letters that the Department should re-evaluate the criteria used to offer additional subsidization (i.e., CWSRF's affordability criteria and DWSRF's disadvantaged criteria) to determine if these definitions and criteria sufficiently promote efficient, equitable access to SRF resources for all systems.

Response D: Numerous communities have benefited from the SRF staff's assistance. The Department has awarded a substantial amount of funding with numerous projects already completed. The Department will continue ranking the projects and funding those communities with the most critical need.

Recommendation E: Green infrastructure projects: We continue to encourage the Department to do more to support “green infrastructure” water projects that seek to use environmentally and economically sustainable practices, such as water and energy efficiency, nature-based solutions, and climate-resilient infrastructure.

Response E: The Department always encourages communities to submit green infrastructure projects, but rarely receives project proposals for green infrastructure. The Department recommends that the Alabama Rivers Alliance encourage the systems as well.

Recommendation F: Planning & development assistance: We also continue to encourage the Department to offer planning and application development grants or loans for communities and utilities that face challenges completing the required pre-application materials and securing affordable project services. By relying on projects to be waiting and “shovel ready” once the Department drafts IUPs, systems lacking project experience or readiness are never funded and in the case of failing systems, remain out of compliance indefinitely. Planning and development grants can help address this gap by both maintaining a pipeline of projects ready to proceed and equipping communities and utilities to proceed with funding once it is available.

Response F: The Department is very willing to assist all communities looking for funding by providing technical assistance. Systems that lack project experience are encouraged to reach out to the Department for more information.