



The Watershed

A quarterly publication of Indiana's State Revolving Fund Loan Program

Fall 2010

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Please take a look at the enclosed articles about these programs, and contact the SRF Loan Program administrators for more information.

The SRF Loan Program staff continues to seek out opportunities to help Indiana communities in their effort to meet U.S. EPA water quality standards. We are particularly proud of the recent partnerships between the SRF Loan Program and the Indiana Brownfields Program on projects that address both groundwater quality and brownfield remediation. The opportunities for funding combined projects like the one highlighted in this publication are based on programmatic requirements and availability of SRF funding.

The SRF Loan Program looks forward to partnering with you to meet our reporting obligations; expanding the GPR and Additional Subsidization programs; and continuing to serve as an attractive financing option for needed improvements to clean water and drinking water infrastructure. Thank you for your continued support as we work together to improve water quality for Indiana residents. Please continue to check our Web site for program updates.

Jim McGoff, Director

Message from the Director,

The SRF Loan Program's State Fiscal Year 2011 kicked off July 1st, and already we have found it to be a busy year. Although funding of ARRA projects is a distant memory, the reporting for them is alive and well. Please take note of the ARRA Progress Report in this publication. Our implementation efforts have received national attention from the U.S. Senate Committee on Transportation and Infrastructure. Further, this newsletter contains several updates on Davis-Bacon and Buy American requirements in an effort to keep you up to date on the developing regulations that we seem to be receiving quarterly from U.S. EPA.

During this State Fiscal Year, the SRF Loan Program is excited to expand two programs that were introduced with ARRA. They include the Green Project Reserve (GPR) and Additional Subsidization programs. The GPR program is designed to encourage sustainable design and construction by providing eligible projects with priority on SRF's Project Priority List and an interest rate break. The Additional Subsidization Program assists communities that have extraordinarily high user rates, by providing grant dollars to help "buy-down" user rates.

ARRA Progress Report

On February 17, 2010, the SRF Loan Program met the U.S. EPA deadline to allocate all of its American Recovery and Reinvestment Act (ARRA) funds to eligible SRF applicants. In total, 31 drinking water (DW) and 43 clean water (CW) projects received SRF funding that was made available through ARRA. Following the February deadline, the SRF Loan Program has since focused on its ARRA-related compliance efforts to make quick and accurate disbursements to its ARRA recipients.

As of September 2010, SRF has disbursed 75% of its CW ARRA allocation and 86% of its DW ARRA allocation. All SRF projects which received funds made available by ARRA are under construction or have already completed construction. For this accomplishment, the SRF Loan Program was recently recognized by the U.S. House of Representatives Committee on Transportation and Infrastructure for its expedient and thorough implementation of ARRA.

ARRA Updates



Updates to Davis-Bacon Wage Requirements

Per U.S. EPA guidance issued in October 2009, all SRF loans must include Davis-Bacon prevailing wage requirements. The SRF Loan Program has contracted with certified Grant Administrators to provide labor standards monitoring services for all SRF-funded project sites. These services include ensuring that the correct Davis-Bacon wages are being paid to all relevant employees through payroll review and on-site, confidential employee interviews.

The SRF Loan Program's labor standards compliance efforts are dictated primarily by the guidance issued by the Department of Labor (DOL). Per a recent reinterpretation of existing guidance, DOL has instituted a new wage determination protocol whereby the applicable wage determination for a construction project must be the determination that is in place on the date of bid opening. Pursuant to this new protocol, **effective May 25, 2010, the SRF Loan Program will only approve submitted bid specifications which include the Davis-Bacon wage determination that was in effect on the date of bid opening.**



Please contact Doris Roberson at (317) 234-1266, droberso@ifa.in.gov or Tiffany Murray at (317) 234-6836, timurray@ifa.in.gov with questions.

Complying with the "Buy American" Provision

Section 1605 (the "Buy American provision") of the American Recovery and Reinvestment Act of 2009 (ARRA) requires all iron, steel, and manufactured goods purchased for and incorporated into projects funded by ARRA to have been made or manufactured in the United States. Therefore, all recipients of ARRA funds must retain documentation from all of their vendors which demonstrates that each applicable product complies with the terms of the Buy American provision, and has been made, manufactured, or substantially transformed in the United States. Contractors for ARRA-funded projects play an important role in obtaining vendor documentation on behalf of the SRF borrowers; however, the ultimate burden of compliance rests with the recipient of the ARRA funds.

Along with all other ARRA-related documentation, Buy American documentation is subject to unannounced audit of the ARRA recipient's files by the Office of Inspector General (OIG). ARRA recipients must retain Buy American vendor and contractor certifications, supporting procurement documentation, and where applicable de minimis waiver tracking documents along with other ARRA-related documentation at the ARRA recipient's office. These documents are subject to unannounced audit by the OIG for up to three years following the completion of construction.

SRF and Indiana Brownfields Program: Creative Collaboration

Communities may need to solve a wastewater treatment plant or collection system problem, while in another part of the city or town, a brownfield site is in need of funds for clean up in order to attract businesses which would add additional revenue to the local budget.

In a time of constrained budgets and increased need, the State Revolving Fund (SRF) Loan Program and the Indiana Brownfields Program have joined together to address multifaceted water quality projects to the benefit of several SRF borrowers.

In March 2009, the City of Angola submitted an application to the SRF Loan Program. The city had a non-point source brownfield project that affected the groundwater source in the community. With the SRF Non-Point Source interest rate break program, Angola could also address the brownfields project without increasing rates for their citizens. The City of Angola benefitted from cost savings of approximately \$1,555,000 for improvements to the wastewater treatment plant and collection system.

Please contact Shelley Love, Wastewater Administrator, at (317) 232-4396, slove@ifa.in.gov, for more information.

In Depth Look: Green Project Reserve



Green Project Reserve Component: Energy-efficient blower in Darlington's Wastewater project.

The State Revolving Fund (SRF) Loan Program is required by the U.S. EPA to allocate, or reserve, at least 20% of annual capitalization grant funds to put toward financing "green" water and wastewater projects, otherwise known as the Green Project Reserve (GPR) program. SRF engineers make the final determination for GPR eligibility based on U.S. EPA project-specific criteria related to green infrastructure, water or energy efficiency improvements, or other environmentally innovative projects. Based on the type and cost of the green component, the community is eligible for improved ranking on the SRF Project Priority List and/or an interest rate break up to 0.5 % on its SRF Loan. All GPR projects, components and activities must otherwise be eligible for SRF funding.

How to Apply: The GPR process is initiated by the submittal of an SRF Loan Program application and GPR Checklist to the appropriate SRF administrator (i.e., Wastewater or Drinking Water).

A project planning meeting may be held with the loan recipient and the SRF staff in their office or via conference call discussing the requirements of the SRF Loan Program and the preparation of the Preliminary Engineering Report (PER).

Key Steps: One of the chapters or an appendix to the PER should provide the following:

1. Description of the project or components that qualify for GPR.
2. Description of how the project will incorporate/meet the intent of each proposed GPR category.
3. Cost associated with the GPR project or component. Include both construction (i.e., component/equipment cost plus installation costs) and planning and design costs, but provide separately.
4. Documentation for the project's qualification toward GPR. Documentation will vary depending on the project:
 - A. Projects clearly eligible for the GPR are categorically eligible projects (See GPR Checklist). B. Projects not found to be categorically eligible will need additional information in the form of a Business Case(s). A business case provides a well-documented justification for a project to be considered a GPR project. The SRF Loan Program must review all business cases to determine GPR eligibility and post them to the SRF Web site by the end of the quarter in which the loan is made (or three months after loan closing). The GPR Guidance provides information on categorically eligible projects and those requiring a business case.

5. Updated GPR Checklist and cost update, if necessary.
6. Submittal of business case, if necessary.

Bidding Requirements: At bidding, all proposed GPR components must be incorporated and identified in the approved PER in the Contract Documents plans and specifications. The Borrower's Consultant Engineer must also complete and return the GPR attachments of the SRF Front-End Documentation Certification Addendum.

Project Completion: The SRF Loan Program must receive the GPR Completion Certificate by project completion with the final contractor disbursement request. The contractor's final disbursement request will not be processed until the GPR Completion Certificate is received.

Visit the SRF GPR Web page at <http://www.in.gov/ifa/srf/2381.htm>

SRF Staff Make On-Site Visits

Pre-Construction Meetings – SRF Engineers will attend pre-construction meetings with SRF borrowers. The purpose of SRF's attendance will be limited to answering technical questions related to SRF requirements, such as on-site inspections and GPR tracking. Please coordinate with the SRF Engineer assigned to your project to schedule a meeting.

On-site SRF Inspections/Financial Reviews –The SRF Loan Program will review project construction progress and/or review financial project records of the loan recipient. These inspections/reviews may be conducted together or separately and will be coordinated with the on-site construction inspection engineer and the loan recipient's fiscal officer. An inspection/review checklist will be provided prior to inspection/review date so that the necessary documentation is available for review.

Site inspections and audits may also be conducted by the U.S. EPA Office of the Inspector General (OIG) without notice. During their inspection, OIG officials may visit the borrower's main office or town hall to review compliance documentation and then proceed to the work site for interviews and further document inspection.

SRF Engineers expect to receive the following documents on an ongoing basis during construction:

- Periodic copies of the Project Construction Progress Reports or Progress Status Meeting Minutes,
- selected construction photos with captions,
- periodic copy of the contractor's construction schedules, and
- periodic updates on progress of any GPR components that were included in the project contract documents.

SRF inspections are not intended to replace the SRF borrower's responsibility to properly monitor the construction of its project. SRF inspections are meant to assist borrowers to verify that SRF requirements are being met which protects both the SRF borrower, the Indiana Finance Authority, and their collective interests.

DOLLARS AND SENSE

Summary of Current SRF Interest Rates

SRF Interest Rates are re-set on the first business day of each January, April, July and October. Below are the current SRF Loan Program interest rates effective **through October 1, 2010 through December 31, 2010**. The interest rates vary based on three ranges of average monthly user rates for an equivalent dwelling unit (User Rates) within each of the three existing median household income (MHI) tiers, creating nine possible interest rates.

Visit the SRF Web site for current interest rates: <http://www.in.gov/ifa/srf/2427.htm>

Wastewater SRF Interest Rates	User Rates (Over \$50)	User Rates (\$30 to \$50)	User Rates (Under \$30)
Tier III (MHI*: under \$33,669)	2.00%	2.00%	2.48%
Tier II (MHI: \$33,670 to \$41,566)	2.00%	2.23%	2.73%
Tier I (MHI: over \$41,567)	2.23%	2.48%	2.98%

* MHI reflected in 2000 Census

Note: Up to a .50% reduction may be permitted if a non-point-source project is financed along with a point source project.

Debt Service Reserve

Account

As the name suggests, the Debt Service Reserve (DSR) Account is an account that serves as a "reserve" to pay debt service if circumstances prevent a community from paying its regularly scheduled debt service on time. Every community has adopted a bond ordinance and executed a financial assistance agreement (FAA) with the state that requires the establishment of such an account. This account should be clearly identified as a "Debt Service Reserve Account – Wastewater/Sewage Works" or "Debt Service Reserve Account – Drinking Water."

A community's bond ordinance established a reserve requirement be maintained that is equal to the maximum annual debt service for the anticipated loan. Pursuant to the FAA, the reserve requirement must be funded within 5 years of closing and be maintained in short term investments of 12 months or less.

The SRF Loan Program contacts all loan participants annually to request information to verify the balance of their DSR account. An underfunded DSR account violates the terms of the borrower's FAA, and the borrower will be asked to immediately fund a DSR account established with SRF's trustee bank.

Please contact Emma Kottlowski at ekottlowski@ifa.in.gov, 317-234-1463 or Debbie Wright at dwright@ifa.in.gov, 317-234-4863 with questions.

How to Apply for DUNS and CCR Numbers

The U.S. EPA has required registration with the Data Universal Numbering System (DUNS) and Central Contractor Registry (CCR) for all loan and grant recipients beginning April 2009. Each and every vendor recipients contract with must have a DUNS number to comply with the reporting guidelines.

DUNS Number: One may apply for the DUNS number by visiting the D & B website (<http://fedgov.dnb.com/webform>). This process will take approximately 15 minutes to complete in which a number will be assigned and sent via email confirmation within 24 hours of application at no cost to the entity and this number will not expire. A DUNS number must be obtained before the CCR process can be started.

CCR Number: The CCR system (www.bpn.gov) was created to be the primary registrant database for the U.S. Federal Government. CCR collects, validates, stores and disseminates data in support of agency acquisition missions. Both current and potential federal government registrants are required to register with CCR in order to be awarded federal government funding. Registrants are required to complete a one-time application process to provide basic information relevant to procurement and financial transactions. The CCR number (also known as the Cage Code) is assigned at no cost to the registrant. Once the application process is complete, the number will be sent to the entity via email confirmation within 3 to 5 business days. Registrants must update or renew this registration every 12 months to maintain active status.

All SRF borrowers must register with DUNS and CCR. Please keep your records open and not private, in order to facilitate tracking of your registration by SRF. If there are questions while completing the DUNS or CCR application process, please contact Gayle Hicks at 317-234-6730, ghicks@ifa.in.gov.

For SRF Loan Program Applications and Guidance, visit

<http://www.in.gov/ifa/srf/2376.htm>

Visit the SRF Finance Center at

<http://www.in.gov/ifa/srf/2383.htm>

Please, tell us what you think at

<http://www.in.gov/ifa/srf/2592.htm>

Project Highlight

Garden City: Perseverance Pays Off For Residents

For several years, the residents of the Garden City mobile home park suffered from drinking water problems. The park was served by one shallow well. There was a second well, but it was inactive. A 40-gallon bladder tank provided pressure. The distribution system, which was only intermittently disinfected, was circa 1962 and in very poor condition; lines were subject to breaks, leaks and were improperly repaired or not at all. In addition, homes were unmetered and residents paid a flat monthly bill. In 2007, arsenic became an issue; levels were as high as 73 parts per billion. For these reasons, the Garden City project was ranked #1 on the Indiana Drinking Water SRF State Fiscal Year 2010 Project Priority List.

The drinking water utility also experienced managerial and financial inadequacies. The infrastructure at Garden City was privately owned and the owner was not consistently operating the system. In response, the residents formed a Homeowners Association to tackle the problems. Besides the high arsenic levels, the Homeowners Association had difficulty accessing financial assistance even though 63% of the population was low to moderate income. In short, the Homeowners Association was not equipped to take on the responsibilities of owning and operating a drinking water utility. Residents needed a new water supply and/or treatment and needed a responsible party to operate the system in compliance with the Safe Drinking Water Act.

With the help of the Rural Community Assistance Program and the Indiana Department of Environmental Management, Drinking Water Branch Capacity Development staff, the Homeowners Association hired their own certified operator, identified solutions to the technical, managerial, and financial issues, and brought in the State Revolving Fund Loan Program.

Ultimately, a partnership was reached with the Indiana American Water Company (IAWC). IAWC-Richmond was providing water not far from the park and agreed to run a water main extension out to the mobile home park and install new lines and meters within the park. IAWC received assistance to complete the project from the Indiana DWSRF Loan Program in the form of American Recovery and Reinvestment Act (ARRA) principle forgiveness. Compared to an open market loan, SRF assistance saved the community \$1,077,365.

Garden City was ranked #1 on the Indiana Drinking Water SRF State Fiscal Year 2010 Project Priority List..



Garden City qualified for the Green Project Reserve Sustainability Incentive by installing meters on homes that were previously unmetered. It is likely that as a result of water meters and bills based on usage, customers will be empowered to conserve water and thereby reduce their own water bills.

The true heroes of the project are the residents of Garden City. They organized fund-raisers, concerts, and brought the project to the attention of local media. The funds they raised themselves helped pay for service connections and other costs which were not eligible for SRF assistance. The project and residents were featured in a public television documentary entitled, *Drop by Drop: Protecting Indiana's Water Supply*.

Garden City demonstrates that despite dire circumstances, determination and creative partnerships can achieve safe, reliable drinking water.



More Funding for Drinking Water Projects

Three years ago, the Indiana Drinking Water State Revolving Fund (DWSRF) Loan Program and 111 community water systems participated in the 2007 Drinking Water Infrastructure Needs Survey and Assessment ("Needs Survey"). As a consequence of the needs reported, Indiana increased its national allotment, resulting in up to \$14.7 million additional dollars for Indiana DWSRF projects.

A copy of the Report to Congress can be viewed at: <http://www.epa.gov/safewater/needsurvey/index.html>

The DWSRF Loan Program says THANK YOU to all people who participated in the 2007 Needs Survey. Your contribution of time to complete the survey benefits all drinking water systems in Indiana.

The Drinking Water Needs Survey begins in January 2011. Surveyed communities have been identified and will be contacted soon. For the most part, the 2011 survey will be similar to the 2007 survey. However, participants will be asked to provide documentation that demonstrates the intention to fund the needs identified. In other words, surveyed communities will be asked to distinguish between what the utility would like to have and what the utility must have. Copies of Capital Improvement Plans and past years' budgets will be very useful.

Please contact Sarah Hudson, DWSRF Program Administrator at 317-232-8663, sahudson@ifa.in.gov with questions.

1) Before completing or submitting Preliminary Engineering Reports (PERs) to the Drinking Water or Wastewater SRF Loan Program Administrator, please first submit an SRF application. An administrator will then set up a conference call or meeting with the SRF Loan Program, the applicant and the applicant's consultant to discuss the project. This very important step will help ensure that the PER can be approved with minimal review comments. Please also contact the administrators before submitting PER addenda/amendments to the SRF Loan Program.

2) When holding SRF-required public hearings, please have attendees provide their names, addresses and email addresses. The SRF Loan Program prefers to save paper and electronically send our Environmental Assessments for public comment. Include the email address information in the PER, and provide street addresses on prepared mailing labels. Please be sure to include the email address for the applicant and the applicant's consultant.

Indiana Gearing Up for the 2012 U.S. EPA Clean Watershed Needs Survey

Two years ago, the Indiana Clean Water SRF Loan Program and many communities across Indiana participated in the 2008 Clean Watersheds Needs Survey, where communities are asked to provide information about the needs of their wastewater system. The 2008 results showed that the main areas of need are combined sewer overflows, new collector sewers, and advanced treatment.

A copy of the Report to Congress can be viewed at: <http://water.epa.gov/scitech/datait/databases/cwns/upload/cwns2008rtc.pdf>

The Clean Water Needs Survey begins in January 2012. The Indiana CWSRF Loan Program will be looking to communities for help to document needs in the next two years.

Please contact Shelley Love, WW SRF Program Administrator at 317-232-4396, slove@ifa.in.gov with questions.



3) For projects which will be funded by multiple agencies, environmental review of a project, to be funded in part by the SRF Loan Program, should be initiated only after meeting with the SRF environmental reviewer to ensure efficient coordination between funding agencies. If the SRF Loan Program is the sole funding source, only the SRF Loan Program can conduct the environmental review; neither the consultant nor customer should initiate it. Environmental review cannot be initiated until the project scope and location are finalized and PER graphics and text are determined to be acceptable by the SRF Loan Program.

Environmental guidance may be viewed at: http://www.in.gov/ifa/srf/files/Environmental_Discussion_Guidance_Feb_7_2011.pdf and

[PER-Environmental Graphics Guidance July 15 2013](#)

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Indiana State Revolving Fund Loan Programs

Drinking Water, Wastewater, Nonpoint Source

The State Revolving Fund (SRF) Loan Programs provide low-interest loans to Indiana communities for projects that improve wastewater and drinking water infrastructure. The SRF Programs, administered by the Indiana Finance Authority, protect both public health and the environment.



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