



The SRF News

A Publication of the State Revolving Fund Loan Programs

Fall 2008

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Message from the Director,

In light of the turmoil we have recently witnessed in the financial markets, I am pleased to report that it is business as usual for the SRF Loan Programs and that we will make available more than \$200 million to Indiana communities to fund needed wastewater and drinking water infrastructure projects during this State fiscal year. In addition to the discounted interest rates currently offered by the SRF Loan Programs, communities implementing a non-point source project or including sustainable ("green") components in their projects will be provided with additional interest rate savings. Visit the SRF Loan Program website at www.srf.in.gov to learn more about the SRF Loan Programs, including the current interest rates and information about how your community may qualify for additional interest rate reductions.

Jim McGoff, Director

The Paying Agent Agreement: An important message about following your monthly transfer schedules

The Paying Agent Agreement ("PAA"), commonly referred to as a deposit agreement, is between the borrower of SRF funds and the Bank of New York Mellon Trust Company ("Bank"). Pursuant to the PAA, the Indianapolis Office of the Bank maintains the borrower's bond and interest account and its debt service reserve account, providing the borrower with preferred investment rates for each account. Each borrower is required, by the ordinance authorizing their borrowing, to establish a debt service reserve and debt service account separate and apart from the customary accounts of their utility. The only additional requirement of an SRF Loan is that these separate accounts be maintained by the Bank. Allowing the Bank to maintain these accounts for the benefit of the borrower enables the SRF Loan Programs to monitor the accounts to ensure sufficient funds will be on deposit for the next principal and/or interest payment and to ensure the required balance is maintained in the debt service reserve account without requesting periodic updates from each borrower.

Question: What happens when a borrower fails to follow its monthly transfer schedule in Exhibit B of the PAA?

Answer:

If a borrower fails to follow its monthly transfer schedule set forth in Exhibit B of its PAA for its bond and interest account the borrower will not have enough funds in its account for the Paying Agent (the Bank of New York Mellon Trust Company) to make the borrower's next bond and interest payment. Failure to make a timely payment is considered an event of default and in addition to any other remedies at law or in equity, the SRF Loan Programs may, without giving any prior notice, declare the entire outstanding principal amount of the

loan, together with accrued interest thereon, immediately due and payable. Therefore, if a monthly payment is missed it is extremely important that the borrower immediately make the transfer that was missed and contact both the Bank and the SRF Loan Program to verify the payment was received by the Bank and ensure that the balance in the account is adequate.

If a borrower fails to make a monthly transfer into its debt service reserve account, the borrower will need to immediately make up the missed payment to avoid being in violation of the loan documents. Please note that pursuant to the loan documents, which were signed by the borrower and the SRF Loan Program, the reserve account generally should be fully funded within 60 months after the loan closing.

Payment Notices:

Every borrower receives a payment notice from the SRF Loan Program. If you are a borrower who has entered into a PAA and your bond and interest account is being held at the Bank, then it is your responsibility to check with the Bank to make sure that your bond and interest account has enough funds in it for the Bank to make your payment. Do not ignore the payment notice, but instead review your most recent statement, or call the Bank to verify that your bond and interest account is adequately funded.

Monitoring the PAA:

The SRF Loan Programs routinely monitor each borrower's accounts at the Bank and in particular verifies that monthly transfers are made to the Bank. If the SRF Loan Programs determine that a borrower has not been making its monthly transfers pursuant to the monthly transfer schedule the borrower will receive a call and/or a letter requesting the borrower to immediately send in the missed payment.

If you have any questions regarding your PAA and/or your monthly transfer schedules or need updated monthly transfer schedules, please contact either your financial advisor or Debbie Wright at 317-234-4863 or dwright@ifa.in.gov.



Environmental News

Since our last newsletter, the Indiana Department of Natural Resources (DNR) Division of Historic Preservation and Archaeology (DHPA) has updated some information on its website. The new address for the list of qualified professional archaeologists is http://www.state.in.us/dnr/files/gp_archeo.pdf. Other updated resources on the DHPA website include:

- the June '08 "Indiana Archaeology Law Question and Answer Sheet" at http://www.state.in.us/dnr/files/hp-archaeolawqa_8-08.pdf,
- the June '08 compilation of properties listed on both the state and national registers of historic places at http://www.in.gov/dnr/files/hp-nrlist_8-08.pdf, and
- the August '08 compilation of the properties on the state list at http://www.state.in.us/dnr/files/hpStateRegisterList_8-08.pdf.

The spring and fall DHPA *Preserving Indiana* newsletters have not been posted on the DHPA Web site, although they have been published; you may obtain copies by emailing jrdinius@dnr.in.gov. To receive the monthly Archaeology Newsletter e-mailing list, contact ajohnson@dnr.in.gov. To access the recent legislation mentioned in our last newsletter, see <http://www.in.gov/legislative/bills/2008/HE/HE1129.1.html>. If you have questions regarding that legislation, call IDNR at 317-232-1646 and ask for the Division of Historic Preservation and Archaeology or Amy Johnson or Dr. Rick Jones.

In this calendar year, the SRF Loan Programs have issued:

- 15 Findings of No Significant Impact,
- 15 Categorical Exclusions,
- 15 reaffirmations of previously approved projects which changed,
- 7 approvals or reaffirmations of previous approvals for communities also seeking Office of Community and Rural Affairs (OCRA) funding, and
- 1 approval for a community also seeking Economic Development Administration funding.

This quarter's environmental tips:

- When making a wetland graphic using The Indiana-Map, be sure to activate the following layers: wetlands, wetland lines, wetland points, and streams.
- The 2005 aerial photos on The IndianaMap are usually the best to use, since they are "leaf-off."

Contact Max Henschen at (317) 232-8623 or mhensche@ifa.in.gov with questions.

Energy Efficiency Opportunities for SRF Participants

Continuing our effort to encourage sustainable infrastructure in Indiana, the State Revolving Fund (SRF) Loan Programs are pleased to share the follow opportunities:

Free Energy Efficiency Assessments - The Clean Manufacturing Technology Institute at Purdue University has received funding to provide free energy efficiency assessments to Indiana Municipal Drinking Water and Wastewater Treatment Facilities. The energy efficiency assessments will identify opportunities for these facilities to reduce energy usage and costs.

For more information, contact: Shayla Barrett, 765-463-4749 or shayla@purdue.edu.

The Innovative Energy Management Workshop - A cooperative effort between the U.S. Environmental Protection Agency and Clean Manufacturing Technology Institute, the workshop is intended for drinking water and wastewater utilities and will be held on October 29, 2008 at the Purdue University campus.

The goals of the workshop are to:

- develop an energy management plan
- prioritize energy improvement
- set measurable energy goals to reduce consumption
- manage energy to reduce operating costs
- establish a plan to follow through on priority energy management goals

To register, contact: Kim Stockment, 765-494-7225 or kstockme@purdue.edu.

Grants to Attend the Innovative Energy Management Workshop - The SRF Loan Program will make grants available to current SRF Project Priority List communities to attend the Innovative Energy Management Workshop. Grants are limited to the registration fee (\$35.00) of two community members per current SRF Project Priority List community.

For more information contact DWSRF Administrator, Sarah Hudson, 317-232-8663 or sahudson@ifa.in.gov, or Shelley Love, WWSRF Administrator, 317-232-4396 or slove@ifa.in.gov.

SRF Project Highlight

Arsenic Success Story: Small-scale Treatment Can Deliver Big Impact

Bruce Johnson of Delaware County demonstrates good things can come in small packages. When the U.S. Environmental Protection Agency recently tightened its national arsenic Maximum Contaminant Level (MCL) from 50 parts per billion (ppb) to 10 ppb, the operator of the Glenn Hills Non-Profit Corporation water system found that the utility was out of compliance. The utility needed a solution that would meet the new standard and be financially acceptable to the approximately 80 residents.

In response, the utility applied for and was awarded a \$41,162 Arsenic Remediation Grant from the State Revolving Fund Loan Program to install 31 residential point-of-use reverse osmosis reduction systems. As a stipulation of the grant, the treatment systems are owned and operated by the utility, and have removed arsenic levels to well below the standard, improving water quality for the residents.

"The water quality is better. It really made a difference," said Bruce Johnson, certified operator for the water system. "We tried blending the water from our two wells, which put us below the MCL for arsenic, but for fear of one well going bad we decided we needed to treat the water. After much research, it was decided that putting in reverse osmosis systems at each connection was the best option."

Point-of-use systems are typically installed at the home's drinking water source (under the kitchen sink) and, depending on



At the Glenn Hills Non Profit Water Corporation, each residential point-of-use system is comprised of a recharge tank and filtration unit (situated behind the recharge tank), which easily fits under the kitchen sink.

use, require the operator to replace the media on an annual to biennial basis.

Point-of-use systems can be a cost-effective alternative to centralized treatment depending on the needs of the utility.

Since the inception of the program in 2006, the State Revolving Fund Loan Program has made 21 grants totaling \$990,083. The Arsenic Remediation Grant Program has funded 3 point-of-use projects, 3 consolidation projects, 2 new well projects, and 13 arsenic treatment projects.

SRF Inspections—Why inspections are helpful to borrowers

SRF project engineers conduct inspections at least once during the course of the construction of wastewater and drinking water infrastructure projects. Even though these inspections are not made to replace the borrower's responsibility to properly monitor the construction of its project; the SRF inspections are helpful to borrowers because they serve to verify that SRF requirements are met. SRF inspectors help to protect the borrowers' as well as SRF's interests by confirming the following requirements:

- Borrowers' inspectors properly maintain written logs that confirm work completed by the contractor, documenting weather conditions and problems encountered, as well as the need for any change orders.
- Frequent inspections by qualified inspectors are performed in sufficient number to ensure that construction complies with the approved Preliminary Engineering Report (PER) and the Indiana Department of Environmental Management (IDEM)-issued construction permit.
- A pre-final inspection is performed by the borrower and a

punch list is created identifying incomplete and unacceptable work, which must be corrected before the final inspection and acceptance of the work.

Additional services that SRF Inspectors provide:

- Verify that the approved construction drawings are available on the project site.
- Ask for any upcoming change orders and/or significant change to the scope of the project that may require prior approval from the SRF Loan Program or IDEM, in order to avoid future compliance issues or significant approval delays.
- Verify that the appropriate construction signs and wage rates are properly displayed.

The SRF inspections are intended to establish better communication between the SRF Loan Programs, borrowers, consultants and contractors.

Clean Water News

Evansville WWTP Uses Innovative BAF Treatment System to Improve Water Quality

Evansville's Westside wastewater treatment plant (WWTP) was constructed in the late 1950s; a secondary treatment system was completed in 1973 and upgraded in 1990. The Westside WWTP is being expanded based on revisions to the city's Combined Sewer Overflow Long Term Control Plan to address wet weather flows. The improvements will increase average design flow to 21.7 million gallons per day (MGD), peak sustained wet weather flow to 30.6 MGD, and peak hourly flow to 39.0 MGD. Treatment for the wet weather capacity will be provided with the installation of a biological aerated filtration (BAF) process rated at an average design flow of 10 MGD and a peak flow of 20 MGD.

The BAF process combines the removal of carbonaceous biochemical oxygen demand (CBOD), ammonia, and suspended solids in a single structure, therefore eliminating the need for additional secondary clarifiers. The treatment process will occur in the individual cells with each cell containing polystyrene beads that float in an upward flow pattern allowing the fixed film bacteria to become attached and grow.



Periodically the flow to the cells will be reversed and the accumulated solids will be collected in the backwash tank and recycled to the head of the WWTP for removal in the primary clarifiers.

The Evansville Water and Sewer Utility financed this innovative project through a \$35 million loan. By taking advantage of the SRF subsidized interest rate, Evansville will save more than \$8.5 million over the 20-year life of the loan.

Clean Water Needs Survey Update

SRF needs your help to complete the 2008 survey.

The 2008 Clean Water Infrastructure Needs Survey and Assessment is underway.

The "Needs Survey" is a survey of all community wastewater systems to assess their 20-year capital improvement needs. The results of the survey determine the amount of money available to Indiana systems for wastewater infrastructure projects through the Wastewater SRF Loan Program.

Let's keep the momentum going – we request all wastewater systems to submit a survey to ensure

Indiana's capital improvement needs are accurately represented. If you are one of the systems we have not heard from, please let us know how we can help you complete the survey!

If you did not receive a survey and would like one sent to you or have any questions about the survey, please contact Shelley Love at 317-232-4396 or slove@ifa.in.gov or Amy Henninger at 317-232-6566 or ahenning@ifa.in.gov.

Financial Corner

Summary of Current SRF Interest Rates

Want to get your money faster?

One way to speed up the processing of your disbursements is to make sure that all change orders have been approved prior to requesting payment. Send all change order forms to SRF, to the attention of Doris Roberson after all of the required signatures have been obtained. Make sure you include all of the supporting documentation. Once you receive your approval letter, you can request payment. It's that easy!

SRF Interest Rates are re-set on the first business day of each January, April, July and October. Below are the current SRF Program interest rates effective **October 1, 2008 through December 31, 2008**. 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.

Wastewater SRF Interest Rates	User Rates (Over \$50)	User Rates (\$30 to \$50)	User Rates (Under \$30)
Tier III (MHI*: under \$33,669)	2.93%	3.18%	3.68%
Tier II (MHI: \$33,670 to \$41,566)	3.18%	3.43%	3.93%
Tier I (MHI: over \$41,567)	3.43%	3.68%	4.18%

* 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.

Drinking Water SRF Interest Rates	User Rates (Over \$45)	User Rates (\$25 to \$45)	User Rates (Under \$25)
Tier III (MHI*: under \$33,669)	2.93%	3.18%	3.68%
Tier II (MHI: \$33,670 to \$41,566)	3.18%	3.43%	3.93%
Tier I (MHI: over \$41,567)	3.43%	3.68%	4.18%

IFA Day of Service

On September 23, 2008, Indiana Finance Authority (IFA) employees volunteered a Day of Service to Keep Indianapolis Beautiful, Inc. (KIB) as a follow-up to the Sustainability Workshop held by IFA's Environmental Programs in June. KIB, whose mission is to unite people to beautify the city, improve the environment and foster pride in the community, was a key participant in the workshop, lent its president David Forsell to deliver the morning's keynote address.

IFA Staff poses for a group photo after a hard day's work.



Twenty-two IFA staff worked in conjunction with KIB, the Indianapolis Colts, and several other organizations to help build a playground and complete other beautification projects at Indianapolis Public School 46. The event was organized by KaBoom!, a national non-profit organization

IFA's Sara Westrick-Corbin (Brownfields Program) and Debbie Wright (SRF) shovel mulch for the playground.



weeded, mulched, and cleaned up the entire property.

At the end of the school day, teachers, students and staff assembled outside to see the playground and other improvements for the first time. Their enthusiastic cheering and smiles of gratitude were a great end to a fulfilling day.

that works with local organizations to build playgrounds within walking distance of every child in America.

IFA staff built a blue Colts play structure and a patio, planted trees around the school's perimeter, painted a map of the U.S.A. on a basketball court, constructed benches and planters for the school's front entrance, and

Tracy Concannon (Brownfields Program) signs her name after the project is complete.



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Indiana State Revolving 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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