



The Watershed

The Latest Happenings in Indiana's State Revolving Fund Loan Programs

Spring 2019

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**Russiaville:
Pipe Installation Bore Pit**

Message from the Director

It is an exciting time at the Indiana Finance Authority's State Revolving Fund (SRF) Loan Program as we continue to partner with Indiana communities to finance projects that protect public health and the environment. There has certainly been a buzz surrounding our program the last few years as we have implemented new initiatives and programs, all in the spirit of providing better low cost financing options to Indiana communities. Only half way through State Fiscal Year 2019, new program records were already set for the amount of funding we provided, and we anticipate the same trend for upcoming State Fiscal Year 2020, which begins on July 1, 2019.

In the middle of this productive time, we are wrapping up the first year of our Asset Management Program. Additionally, we look forward to updates from the Indiana General Assembly where we will be tasked to implement new state laws which are currently in the form of Indiana House Bill 1406 and Indiana Senate Bill 4. These two new bills, along with the new Asset Management Program, encourage communities to continue to make informed decisions as they prioritize local wastewater and water infrastructure needs. We look forward to working with Indiana communities as these new laws become effective on July 1, 2019.

To meet the increasing demand in Indiana, the SRF Loan Program is in the process of adjusting our financing schedule to better accommodate the needs of communities by extending our traditional financing period by one fiscal quarter. Communities will have until March 31st, instead of December 31st, to close an SRF financing. The ByPass period (still provided on a first come, first served basis) will be from April 1st to June 30th. In order to limit issues created by an overly crowded closing calendar, we will also implement a new policy that will cap the number of borrowings that we will complete in any given quarter. We will develop an online calendar where Indiana communities may see the remaining number of open slots available in a quarter. We will share more information on this topic in a ListServ announcement in the coming weeks. In the meantime, please see the many exciting articles included in this newsletter and enjoy the Season of Spring!

— Bill



Lead Service Line Replacement Program

The Indiana Finance Authority continues to offer the Lead Service Line Replacement incentive offered by the State Revolving Fund (SRF) Loan Programs. This Program offers a reduced interest rate incentive to encourage communities to consider including lead line replacement as part of their SRF projects. Lead line replacement projects include replacing complete lead and galvanized pipe service lines (both public and privately owned). Based on the type and cost of these components, a community may be eligible for improved ranking on the SRF Project Priority List as well as an interest rate as low as 0.00% on its SRF loan.

SRF recommends complete lead service line replacement projects. The SRF will finance projects that replace the entire service line from the public water main to the point at which it connects to premise plumbing; which means a connection made at either the meter or the isolation/shut-off valve inside the home. Replacements that are not complete may be considered if the specific situation warrants less than a complete replacement and appropriate customer notice procedures are followed.

Lead line replacement projects will follow the same process as a traditional SRF Loan Program project and as part of the preliminary engineering report (PER), will be required to provide:

1. A description of the project or components that qualify for possible lead line replacement.
2. All proposed lead line replacement locations in the PER graphics.
3. The costs associated with the lead line replacement portion of the project, including both construction and design costs.

For more information, please visit the SRF Web site at www.srf.in.gov. Contact the SRF Program Administrator, Shelley Love, at 317/232-4396 or slove@ifa.in.gov, with questions.

Extended Term Financing

In an effort to allow all Indiana utilities to address the issue of aging water and sewer infrastructure, while achieving more affordable customer user rates, the Indiana Finance Authority's State Revolving Fund Loan Programs continue to offer an Extended Term Financing Program with loan terms up to 35 years for water and sewer pipe projects, having a useful life at least equal to or great than the loan term.

In order to provide this accommodation to borrowers, a nominal interest rate premium will be assessed to offset increased borrowing costs of the IFA and will be at the rate of 10 basis points per each five years that the loan is extended beyond 20 years. This increase will be assessed after any interest rate reduction incentives (Lead Remediation, Nonpoint Source, Green Project Reserve/Sustainability/Climate Resiliency, and Brownfields) are applied.



Asset Management Program Requirements

On July 1, 2018, the Indiana General Assembly codified asset management planning priorities into law for Participants of the Indiana Finance Authority's State Revolving Fund (SRF) Loan Programs, with the purpose of ensuring the long-term sustainability of the water and wastewater systems across the State. Indiana Code 5-1.2-10-16 requires a Participant that receives a loan or other financial assistance from the SRF to certify that the Participant has documentation demonstrating it has the financial, managerial, technical and legal capability to operate and maintain its water or wastewater distribution/collection and treatment system.

Participants are required to certify that an Asset Management Program (AMP) is developed prior to approval of the last disbursement for the main project. The minimum criteria established for a compliant AMP includes the development and implementation of each of the following:

- A system map;
- An inventory and assessment of system assets to enable lifecycle analysis;
- Development of an infrastructure inspection, repair, and maintenance plan, including a plan for funding such activities;
- An analysis of the customer rates necessary to support the AMP;
- An evaluation and implementation of water and energy conservation efforts;
- A financial audit performed every two years; and
- Demonstration of the financial, managerial, technical and legal capability to operate and maintain the system.

It is important to note that the AMP guidance is inclusive of the requirements for the EPA-required Fiscal Sustainability Plan for SRF financed projects. One document should meet both requirements and two separate documents is not necessary. SRF previously required borrowers financing wastewater projects to provide both an FSP and an AMP certification. Effective July 1, 2019, borrowers financing drinking water and/or wastewater projects will only be required to submit one certification which is modified to include the requirements of the AMP and FSP.

For more information, including the certification, checklist, and guidance, please visit SRF's website: <https://www.in.gov/ifa/srf/2385.htm> or contact the SRF Section Chief, Camille Meiners, at 317/234-3661 or cmeiners@ifa.in.gov, with questions.

The Audit Component of the Asset Management Program Requirements

Effective July 1, 2018, a new law was passed that requires all State Revolving Fund (SRF) Participants that receive a loan or other financial assistance from the Indiana Finance Authority's SRF Loan Programs to certify that the SRF Participant has documentation demonstrating that it has the financial, managerial, technical and legal capability to operate and maintain its water or wastewater system in the form of an Asset Management Program (AMP).

One component of the AMP is verification of financial capability. This requirement is met by the SRF Participant providing audited financial statements to the SRF Loan Program prior to an SRF loan closing and every two years thereafter during the repayment of the SRF loan. On and after July 1, 2019, SRF Participant's must submit audited financial statements of the SRF Participant. The audit may be performed by the Indiana State Board of Accounts or another independent public accountant for the calendar year ending no later than two years prior to the SRF loan closing date. The SRF Loan Program will no longer accept reviews or examinations.

The "audit" component requirement is set forth in the SRF Participant's Financial Assistance Agreement, Section 3.02(g).

For more information or questions please contact the SRF Program Director, Bill Harkins at 317-234-4862 or wharkins@ifa.IN.gov.



SRF Interest Rates

The Indiana Finance Authority's State Revolving Fund (SRF) Loan Programs uses a Base SRF Program Interest Rate, which is re-set on the first business day of each January, April, July and October.

The Base Rate is calculated by using 90 percent of the average 20-year AAA-rated, general obligation bond Municipal Market Data ("MMD") composite index for the most recent calendar month. The Base Rate is then discounted further based upon a borrower's Median Household Income (MHI) from the most recent Census data and projected user rates; since there are no AAA-rated communities in Indiana, this methodology assures the lowest possible interest rate for all SRF borrowers.

Below are the current SRF Program interest rates effective April 1, 2019 through June 30, 2019. The interest rates vary based on the three ranges of average monthly user rates for an equivalent dwelling unit (User Rates) within each of the three existing 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 40,346)	2.00%	2.00%	2.00%
Tier II (MHI: \$40,347 to \$50,432)	2.00%	2.00%	2.13%
Tier I (MHI: over \$50,433)	2.00%	2.00%	2.38%

**MHI reflected in 2012-2016 ACS 5 year estimates.*

Note: Up to an annual .50% reduction may be permitted if a non-point-source project is financed along with a point source project or a project that includes green/sustainable components, including climate resiliency components.

Drinking Water SRF Interest Rates	User Rates (Over \$45)	User Rates(\$25 to \$45)	User Rates (Under \$25)
Tier III (MHI: under 40,346)	2.00%	2.00%	2.00%
Tier II (MHI: \$40,347 to \$50,432)	2.00%	2.00%	2.13%
Tier I (MHI: over \$50,433)	2.00%	2.00%	2.38%

**MHI reflected in the 2012-2016 ACS 5 year estimates.*

Note: Up to an additional .50% reduction may be permitted if a project is financed that includes green/sustainable components, including climate resiliency components. The SRF interest rate may also be reduced if a project includes lead line replacement.

The Census data is posted at: <http://factfinder.census.gov>.



New Legislation in Place to Improve Water Resource Protection in Indiana

Senate Bill 4 establishes a storm water management task force to study issues related to stormwater management systems in Indiana. The Bill also tasks the Indiana Finance Authority (IFA) to divide the state into study areas for Regional Planning purposes. Once study areas are established, the IFA will conduct annual meetings with the officers and employees of utilities within each defined study area to determine water and wastewater priorities, and promote cooperation among utilities. Any utility applying to the IFA for a loan, grant, or other financial assistance will be required to demonstrate participation in study area activities.

The IFA will use feedback from the first regional meetings and other sources to help determine the boundaries. The IFA is required to submit a report summarizing the activities of the regional meetings to the Legislature by March 1, 2021 and every year thereafter. More details regarding the meetings will be made available later this year.

To further protect Indiana resources, Senate Bill 4 requires every water utility to complete an annual water loss audit. In even-numbered years, utilities are required to have the results of the annual audit verified by an independent evaluator and reported to the IFA. The IFA will summarize the audit data and issue a biennial report on the State's water loss. More information will be coming from the IFA soon.

Senate Bill 4 also expands the definition of lead service line to include galvanized steel service lines, encouraging utilities to remove this potential source of lead from their distribution system as a part of their lead service line replacement plans.

In 2018, the Indiana legislature created the Water Infrastructure Task Force. This group heard testimony on water issues and adopted a final report with recommendations related to water infrastructure and quality in Indiana. Now in 2019, House Bill 1406 proposes to appropriate state funds to carry out the recommendations of that report through a funding program that will provide financial assistance to Indiana utilities. 40% of the funds in the program will be focused on small utilities with service populations less than 3,200. Any Participant in the program must take part in Regional study area activities (as required by Senate Bill 4), participate in efforts to identify and eliminate causes of water loss in their system, and must create and maintain an asset management program for the useful life of the financed assets or the life of the loan. More information on this funding program will be forthcoming.

CAGE Codes: A gentle reminder

Reminder: the Indiana Finance Authority's State Revolving Fund Loan Programs borrowers must maintain a Commercial and Government Entity (CAGE) Code via SAM.gov for the duration of their active project. The CAGE Code registration must be reviewed and updated on an annual basis. Please note, the registration of your entity and any necessary assistance is entirely free through SAM.gov.

Russiaville Provides Regional Solution

The State Revolving Fund Loan (SRF) Program encourages borrowers to consider regionalization projects. In October 2018, the Town of Russiaville completed an \$825,000 financing with SRF and received a \$500,000 grant from the Office of Rural and Community Affairs. These funds are being used to abandon the existing New London Wastewater Treatment Plant (WWTP), which has reached the end of its useful life, and provide a connection to Russiaville from New London for wastewater treatment at the Town of Russiaville’s WWTP.

Construction of approximately 1.5 miles of forcemain between New London and Russiaville’s WWTP is currently under construction.

“Russiaville has been running the New London plant for over 10 years. The plant has been in service for over 25-years and was a used plant when it was installed. This project is a huge benefit for the New London customers and will promote community relations. This project will cost New London less money in the long run with the regionalization.”

- Pat Reel, Russiaville Town Council Member.



Photos clockwise from top left: New London’s old plant. Construction begins from the Russiaville plant. Manhole structure. Pulling pipe long the route.

Welcome!



Staci Orr Gardner



Artemis Nikolaou

Staci began working for the IFA after graduate school in 2015. During her first 3 years, Staci worked on special projects, including developing Source Water Emergency Response Plans (SWERP) for Indiana's drinking water utilities; managing the State's Water Study, "Why-fi Water"; and assisting in the development and implementation of the Lead Sampling Program for Public Schools. She joined the SRF team in July 2018 as Bidding Coordinator and Environmental Review Coordinator.

She holds an MPA-MSES (Public Affairs and Environmental Science), with a concentration in water resources from the Paul H. O'Neill School of Public and Environmental Affairs at Indiana University Bloomington.

In her free time, she enjoys going on adventures with her husband and friends, mentoring through the Starfish Initiative, and running half marathons.

Please join us in welcoming Staci to the SRF Loan Program.

Artemis began her water resources career in 2004 and has worked in various areas of the water and wastewater industry including treatment, distribution and supply. During this time she has enjoyed taking on new challenges, working on a variety of projects, always trying to make a positive impact on the environment and one of our greatest natural resources: **water**.

Artemis started working for the State of Indiana in February 2016 in IDEM's Drinking Water Branch as an Environmental Engineer in the Capacity Development Certification and Permits Section of the Drinking Water Branch. She managed IDEM's cross connection control program, reviewed drinking water permits and provided technical and outreach assistance. Artemis joined SRF in December 2018 as a Project Engineer.

She holds an MSc in Civil/Environmental Engineering degree from Florida State University and a BSc in Civil Engineering from the University of Surrey in the UK.

In her free time she enjoys traveling with her family, cooking for friends, volunteering at her church and dancing.

Please join us in welcoming Artemis to the SRF Loan Program.



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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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