

# **STATE OF INDIANA**

## **Drinking Water State Revolving Fund Loan Program**



**First Amended & Restated  
Intended Use Plan  
State Fiscal Year 2009  
April 1, 2009**

**Drinking Water State Revolving Fund Loan Program  
First Amended & Restated  
Intended Use Plan SFY 2009  
Table of Contents**

		<u>Page:</u>
I.	Introduction	1
II.	Goals and Objectives	2
	A. Short-term Goals and Objectives	2
	B. Long-term Goals and Objectives	4
III.	Financial Status of the Fund	5
	A. Sources and Uses of Funds	5
	B. Available Funds	6
	C. Cross-collateralization	6
IV.	Distribution of Funds	7
	A. Allocation of Funds to the DWSRF and the Set-Aside Accounts	7
	B. Interest Rates	7
	C. Terms	8
	D. Other Types of Assistance Provided	9
	E. Fees Assessed on Recipients	9
	F. DWSRF Financial Planning and Long-term Financial Health	9
	G. Transfers to the DWSRF from the Clean Water SRF (CWSRF)	9
V.	Selection of Systems to Receive Assistance	10
	A. Priority System	10
	B. Project Priority List	10
	C. List of Projects Expected to Receive Assistance – Fundable Range	11
	D. Bypass Procedure	12
	E. Small Systems	14
VI.	Set-Asides	14
VII.	Disadvantaged Community Assistance	14
VIII.	Public Review	15
IX.	Amending the IUP	15
X.	Assurances	15

**APPENDICES:**

Exhibit A:	Definitions
Exhibit B:	Amended Project Priority List (PPL)
Exhibit B-1:	Green Reserve Project Descriptions
Exhibit B-1a:	Green Reserve Projects - Verification of meeting the 20% Requirement
Exhibit C:	Intended Uses of the Funds
Exhibit C-1:	Sources and Uses of ARRA Capitalization Grant

Exhibit D: Unspecified DWSRF Set-Asides  
Exhibit E: Priority Scoring and Ranking System  
Exhibit F: Summary of Set-Aside Funds  
Exhibit G: State Fiscal Year 2009 Set-Aside Work Plan

**State of Indiana**  
**Drinking Water State Revolving Fund Loan Program**  
**First Amended & Restated**  
**Intended Use Plan**  
**SFY 2009**

**RECITALS**

1. The Indiana Finance Authority's (Authority) Drinking Water State Revolving Fund Loan Program (DWSRF Loan Program or DWSRF) has previously submitted an Intended Use Plan (IUP) dated July 1, 2008 to the U.S. Environmental Protection Agency (EPA) for State Fiscal Year 2009 (SFY 2009); and
2. Federal law authorizes amendments to the IUP that comply with both federal and State law; and
3. The "American Recovery and Reinvestment Act of 2009" (ARRA) enacted on February 17, 2009 provides additional funding to States with a capitalization grant for both Clean Water State Revolving Funds and Drinking Water State Revolving Funds; and
4. The Authority desires to amend and restate the DWSRF IUP for SFY 2009 as of April 1, 2009 to identify the intended uses of funds provided to the DWSRF by the ARRA; and
5. The DWSRF IUP for SFY 2009 is hereby amended and restated in its entirety as follows:

**I. Introduction**

The acronyms and terms used herein are defined in Exhibit A, Definitions.

Pursuant to the Safe Drinking Water Act (SDWA) and 40 CFR 35.3555 (a), the State, acting through its Indiana Finance Authority (Authority), hereby submits to the United States Environmental Protection Agency (EPA) and the public this First Amended & Restated Intended Use Plan (IUP) for State Fiscal Year (SFY) 2009 for its Drinking Water State Revolving Fund (DWSRF). An IUP is prepared each fiscal year to identify the uses of all monies available to the DWSRF.

This IUP supports all funds appropriated to the DWSRF Loan Program during SFY 2009, including funds appropriated under the American Recovery and Reinvestment Act of 2009 (ARRA) in the form of an additional Capitalization Grant (collectively, all grants to the DWSRF are referred to herein as Capitalization Grants).

The mission of the DWSRF Loan Program is to provide low-cost financial assistance in order to construct necessary and environmentally sound drinking water infrastructure; to facilitate statewide compliance with state and federal drinking water standards; to maintain a fiscally self-sufficient program as a continuing source of funding for improvement and protection of public health; and, to conduct any other activity permitted by the Safe Drinking Water Act. The DWSRF Loan Program is administered by the Authority. The Authority is responsible for setting priorities for loan assistance from the DWSRF, which is evidenced by the Amended Project Priority List (PPL) for SFY 2009 which is attached as Exhibit B. As required by 40 CFR

35.3555(c)(2), the PPL includes all Proposed Projects, including projects to be funded with funds appropriated under the ARRA. Funds received under the ARRA may be used to provide loans and/or additional subsidization to eligible recipients in the form of principal forgiveness, negative interest loans or grants or any combination of these.

The ARRA's purpose and objective is to preserve and create jobs and promote economic recovery. The DWSRF Loan program is committed to use the ARRA funds to provide assistance to water systems for capital improvement projects which can proceed quickly to construction, create jobs and further the public health protections of the SDWA. Priority of the funds appropriated under the ARRA to the DWSRF Loan Program shall be given to those projects that are ready to start construction within 120 days from the date the ARRA was enacted.

## **II. 2009 DWSRF Loan Program Goals and Objectives**

The DWSRF Loan Program sets short- and long-term goals as required by 40 CFR 35.3555(c)(5). Short-term goals and objectives are those the State expects to achieve during SFY 2009, while long-term goals and objectives are those the State expects to achieve over a longer period.

### **A. Short-Term Goals and Objectives**

During SFY 2009, the DWSRF Loan Program expects to achieve the following short-term goals and objectives:

(ST1a) Seek the immediate award of the FFY 2009 Capitalization Grant. Upon award, continue to disburse loan proceeds such that the 2009 Capitalization Grant can promptly be utilized.

(ST1b) Seek the immediate award of the Capitalization Grant appropriated under the ARRA. To expedite spending under the ARRA and to meet the requirements of the ARRA, the DWSRF Loan Program will disburse the loan proceeds from the ARRA capitalization grant first.

(ST1c) Seek to use funds appropriated under the ARRA in a manner that maximizes job creation and economic benefit. Prioritize those projects that are ready to proceed to construction within 120 days of enactment of the ARRA.

(ST1d) The DWSRF Loan Program estimates that it will close enough loans by July 1, 2009 that will cover all of its ARRA funds.

(ST2) Utilize the EPA pilot program "DWSF Public Health Benefits Reporting System" to evaluate the benefits of the Indiana DWSRF Loan Program. Among other parameters, the reporting system will evaluate the number of Indiana DWSRF projects that provide the following public health benefits:

1. Achieve compliance with the Safe Drinking Water Act;
2. Maintain compliance with the Safe Drinking Water Act; and
3. Meet future requirements of the Safe Drinking Water Act.

(ST3) Conduct at least 30 technical inspections during the construction phase and the post-construction phase to document the construction progress, as well as the appropriate use of SRF funds.

(ST4) Conduct at least 6 SRF financial site visits to assess Participants financial strength and their ability to repay loans, and work with Participants as needed.

(ST5) Administer the State's Small System Technical Assistance Fund Program with the goal of providing needed financial assistance for the planning and design costs of SRF projects contemplated by small and low income communities.

(ST6) Administer the Arsenic Grant Remediation Program with the goal of providing financial assistance for compliance with the arsenic standard to all SRF eligible public water systems that currently cannot meet the newly lowered standard.

(ST7) Begin to develop the structure of the new Wellhead Abandonment Program.

(ST8) Work diligently with Participants and effectively manage Proposed Projects to assist Participants in closing loans and constructing projects in a timely, efficient manner. This is accomplished by the following metrics:

(ST8a) Schedule a Project Planning Meeting with each Participant within two weeks of receipt of application.

(ST8b) Issue a follow-up letter to each Participant within 5 days after a Project Planning Meeting.

(ST8c) Perform a completeness review within 10 days of receipt of a Preliminary Engineering Report.

(ST8d) Complete a technical review of each Preliminary Engineering Report in less than 45 days.

(ST8e) Issue environmental review documents in less than 90 days.

(ST8f) Approve bidding documents in less than 5 days.

(ST9) Work diligently to identify and fund projects that address or have components of green infrastructure, water or energy efficiency improvements or other environmentally innovative activities in them. To the extent there are sufficient eligible project applications, the DWSRF Loan Program will ensure that not less than 20% of the funds appropriated under the ARRA shall be for the above type projects. A detailed listing of the projects with sustainability components is attached as Exhibit B-1. In addition, Exhibit B-1a shows verification that at least 20% of the ARRA funds will be used to meet the above mentioned green reserve requirement.

(ST10) The DWSRF Loan Program shall report no less than weekly on the use of the funds provided under the ARRA. The Drinking Water Project Tracking System will be used to gather information regarding key project characteristics and milestones. Project data shall be entered into the reporting system as soon as loan agreements are signed with recipients. The DWSRF Loan Program shall meet all reporting requirements established under the ARRA.

## **B. Long-Term Goals and Objectives**

During SFY 2009, the State will continue to work to achieve the following long-term goals:

(LT1) Provide financial assistance to current and future Participants, by providing low-cost financing commensurate with prudent fiscal and credit standards.

(LT2) Maintain the long-term financial integrity of the DWSRF by judiciously managing its assets in order to realize a rate of return that will sustain the DWSRF in perpetuity.

(LT3) Monitor all outstanding loans and the financial capability of Participants through the use of an in-house monitoring system and, in conjunction with the Bank of New York, ensure the DWSRF Loan Program continues to avoid loan defaults. In particular, review the financial statements for Participants receiving a State Board of Accounts audit in the current calendar year. Require new Participants to utilize paying agent agreements and offer all prior Participants the opportunity to enter into a paying agent agreement. Conduct financial on-site visits as warranted.

(LT4) Leverage EPA Capitalization Grants to generate loans that exceed two-times the awarded grant amounts.

(LT5) Monitor Participant's draw of funds to assure loans are being drawn within two years. Assure that un-drawn funds are returned to the DWSRF loan pool and made available to other Participants.

(LT6) Submit required reports to EPA in a well-prepared and timely manner, and ensure that EPA funds are accessed within one week of being made available to the State.

(LT7) Monitor DWSRF Set-Aside uses and activities and reconcile balances to EPA Set-Aside account balances quarterly. Continue to encourage the transfer of unused balances to the DWSRF, thereby increasing the DWSRF Set-Aside spending rate.

(LT8) Provide at least 15% of the DWSRF to systems serving fewer than 10,000 persons.

(LT9) Publish a quarterly SRF Loan Program newsletter.

(LT10) Work with the other State and Federal drinking water infrastructure financing agencies to coordinate efficient and effective financing of drinking water projects.

(LT11) Develop a comprehensive database for staff to reference all information related to each SRF project.

(LT12) Complete a drinking water technical training course to ensure that all SRF Loan Program technical reviewers can competently review both wastewater and drinking water Proposed Projects.

(LT13) Coordinate the co-funding of an Indiana Finance Authority Brownfield Program and DWSRF Loan Program project.

(LT14) Work diligently with Participants and effectively manage Proposed Projects so as to meet all of the requirements of the ARRA, including the following:

(LT14a) Ensure that projects to be funded under ARRA are under a binding commitment and are under contract or construction within 12 months of the date of enactment of the ARRA. Priority of funds shall be given to projects on the PPL that are ready to proceed to construction within 120 days after the date of the enactment of the ARRA.

(LT14b) Ensure that none of the funds appropriated may be used for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project is produced in the United States unless a waiver is given by EPA. This requirement shall be applied in a manner consistent with the U.S. obligations under international agreements.

(LT14c) The DWSRF Loan Program shall report no less than weekly on the use of the funds provided under the ARRA. The Drinking Water Project Tracking System will be used to gather information regarding key project characteristics and milestones. Project data shall be entered into the reporting system as soon as loan agreements are signed with recipients. The DWSRF Loan Program shall meet all reporting requirements established under the ARRA.

(LT14d) Ensure that Davis-Bacon Act wage rules apply to all assistance agreements made in whole or in part with the funds appropriated under the ARRA.

(LT14e) Notwithstanding the requirements of section 1452(a) (2) of the SDWA, ensure that not less than 50 percent of the capitalization grant appropriated under the ARRA shall be used to provide additional subsidization in the form of forgiveness of principal, negative interest loans or grants.

(LT14f) Section 1452(k) of the SDWA shall not apply to funds received under the ARRA.

(LT15) Develop and administer the Wellhead Abandonment Program with the goal of reducing the risk of groundwater contamination by properly sealing abandoned wells.

### **III. Financial Status of the DWSRF**

#### **A. Sources and Uses of Funds**

Capitalization Grants, Guarantee Revenue Bond proceeds, and State Match Revenue Bond proceeds are used to capitalize the DWSRF Loan Program. In turn, the majority of the bond proceeds are loaned to Participants for eligible projects. The DWSRF Loan Program utilizes its Capitalization Grants to serve as security for Guarantee Revenue Bonds issued by the State, the proceeds of which are loaned to Participants. Earnings on the Capitalization Grants serve as a source of payment for Guarantee Revenue Bonds and State Match Revenue Bonds issued by the State.

The ARRA funds will initially fund direct loans to Participants for eligible projects. The Interest paid on such loans may serve as a source of payment for Guarantee Revenue Bonds and State Match Revenue Bonds issued by the State. Principal repayments on such loans may serve as security for Guarantee Revenue Bonds issued by the State. Additionally, the State may issue Guarantee Revenue Bonds in the future and utilize interest paid and/or principal repayments from ARRA funded loans to serve as security for such Guarantee Revenue Bonds.

As required by 40 CFR 35.3555(c)(4), Exhibit C, Intended Uses of the Funds, identifies the intended uses of the funds held in DWSRF accounts, and how those uses support the goals of the DWSRF Loan Program. Exhibit C also demonstrates how the Authority meets the requirements of 40 CFR 35.3550(1) by using all of the funds in the DWSRF in an expeditious and timely manner.

The sources and uses of the ARRA capitalization grant is set forth in Exhibit C-1.

### **B. Available Funds**

During SFY 2009, the State intends to provide funds to meet existing loan commitments and to make new loans through the issuance of additional Guarantee Revenue Bonds and State Match Bonds. The issuance of these bonds will occur as, when and in amounts that are necessary for the State to meet the cash flow borrowing needs of existing and new loans. Binding commitments are only made from the DWSRF when a financial assistance agreement is entered into with a Participant.

In order to maximize the amount of funds that the DWSRF Loan Program may lend, the State employs a leveraged financing structure, which limits precision in predicting capacity. Future funding capacity can vary materially if there are changes in the calculating assumptions such as future loan interest rates, future interest rates on Guarantee Revenue Bonds and State Match Revenue Bonds, the rate at which Capitalization Grants are converted to cash, the amount of future Capitalization Grants, and future investment rates.

The maximum amount of funding available for loans depends on:

1. Demand for the DWSRF Loan Program as evidenced by Proposed Projects;
2. Readiness-to-proceed of Participants as evidenced by completion of a PER and other steps necessary to secure a DWSRF Loan Program loan within SFY 2009; and
3. Capacity of the DWSRF to issue additional Guarantee Revenue Bonds and State Match Revenue Bonds to generate additional loanable funds, which requires sufficient cash flows to repay them.

The State expects to seek and be awarded in SFY 2009 a Capitalization Grant in the amount of approximately \$11.4 million. In addition to the SFY 2009 Capitalization Grant the State shall receive funds in the form of an additional capitalization grant from EPA through an appropriation made to EPA under the "American Recovery and Reinvestment Act of 2009." The funds received pursuant to the ARRA shall not be subject to the State matching requirements of section 1452(e) of the SDWA. The funds appropriated under the ARRA shall be approximately \$27, 212,000 Million. The State intends to fund those Proposed Projects funded under the ARRA as cash draws as set forth in the ARRA.

### **C. Cross-collateralization of the CWSRF with the DWSRF**

To the extent permitted by the Clean Water Act (CWA) and the SDWA, and their incumbent regulations, specifically 40 CFR 35.3555(c)(9), the State has cross-collateralized the Clean Water State Revolving Fund (CWSRF) and the DWSRF Loan Programs to optimize their capitalization requirements and to better manage the specific funding needs of projects assisted through them.

This cross-collateralization arrangement maximizes the security for bonds issued by the State to capitalize the SRF Loan Programs. Accordingly, this could relate to and affect all types of funds held in them. The State expects that any such transfers would occur at any time necessary to prevent a default on any such bonds and would be made between accounts established for like purposes and subject to like restrictions. To date, no transfers of this nature have been made.

The State expects to retain the flexibility to reimburse, on a cumulative net basis, any transfers made under a cross-collateralization arrangement. Because such a cross-collateralization arrangement is a contingent security concept and transfers are not expected or planned to occur, the State does not expect this arrangement to affect negatively the funding capacity of the SRF Loan Programs. However, if such transfers occur and are not reimbursed, it may affect the burdened Fund's ability to make a volume of additional loans it otherwise might have been able to make.

#### **IV. Distribution of Funds**

##### **A. Allocation of Funds to the DWSRF and the Set-Aside Accounts**

The SDWA permits the State to use a Capitalization Grant for a variety of purposes to protect drinking water. In addition to making loans for the construction of drinking water infrastructure, the State may use the Capitalization Grant to support activities in the Indiana Department of Environmental Management (IDEM) Drinking Water Program, such as: provide technical assistance to drinking water systems; improve the technical, managerial, or financial capacity of drinking water systems; and develop programs to protect sources of drinking water. As required by 40 CFR 35.3555 (c)(3)(i), the State must provide the rationale for allocating Capitalization Grant funds between infrastructure loans and other activities known as “Set-Asides.”

In SFY 2009, the State will focus on infrastructure projects and will take the full Administrative Set-Asides. (see Section VI. Set-Asides).

As stated in EPA Policy Memo of February 9, 1999, the Indiana DWSRF Loan Program can earmark 1452 (g)(2)(B) Set-Aside funds that it intends to use at a later time and for which a workplan has not been prepared. These unspecified funds – also called “banked” funds - are deposited into the DWSRF and directed toward infrastructure projects in the short-term. The State retains the authority to reclaim the funds from a future capitalization grant.

A historic summary of Indiana DWSRF banked funds is presented in Exhibit D, Unspecified DWSRF Set-Asides.

The DWSRF Loan Program will bank the full Administration Set Aside (4%) of the capitalization grant appropriated under the ARRA. The DWSRF Loan Program intends to bank its use of the above set-aside for a future year.

##### **B. Interest Rates**

As allowed by 40 CFR 35.3555 (c)(3)(iii), Indiana’s DWSRF Loan Program uses a Base 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 Monthly Market Data (MMD) composite index for the most recent calendar month. The

Base Rate is discounted further based on the Participant’s median household income (MHI) from 2000 Census data and projected post-project monthly user rates, as follows:

	<b>User rates over \$45</b>	<b>User rates between \$25-\$45</b>	<b>User rates under \$25</b>
<b>MHI under \$33,669</b>	{C} Rate – 0.75%	{C} Rate – 0.50%	{A} Rate – 0.50% = {C} Rate
<b>MHI between \$33,670-\$41,566</b>	{B} Rate – 0.75%	{B} Rate – 0.50%	{A} Rate – 0.25% = {B} Rate
<b>MHI over \$41,567</b>	{A} Rate – 0.75%	{A} Rate – 0.50%	Base Rate = {A} Rate

The Participant’s financial information is reviewed by the DWSRF Loan Program to finalize a DWSRF interest rate. The Participant’s rate consultant completes this rate study before a rate ordinance is adopted at the local level.

Wrapped DWSRF loans may be charged 25 additional basis points to help offset the additional subsidy they afford. The DWSRF Loan Program has the discretion to waive the extra charge for Participants. Any Participant proposing to use a wrap structure will be required to justify it by showing a substantial effect on User Rates.

Interest rates for not-for-profits and for-profit entities will be set at the discretion of the State and may be higher, but no lower than the interest rates calculated by the means set forth immediately above.

The DWSRF Loan Program will monitor DWSRF Loan Program interest rates and make adjustments as appropriate; however, these adjustments will not affect loans closed prior to the adjustment.

Under the ARRA, the DWSRF Loan Program shall provide additional subsidization in the form of principal forgiveness with at least 50% of the funds appropriated under the ARRA capitalization grant. For the remaining percentage of funds provided under the ARRA, the DWSRF Loan Program shall develop an interest rate structure that is in accordance with the requirements and objectives of the ARRA, which may include 0% interest rates and/or principal forgiveness. For the portion of the loan funded with SRF funds the base interest rate structure as described in this section may apply.

### **C. Terms**

Consistent with applicable law, all DWSRF Loan Program loans, including ARRA funded loans, will be structured so that minimum annual principal repayments commence one year after expected completion of the project, and final principal payment will occur no later than 20 years after expected completion of the project. Additionally, the State expects level debt service payments except in limited circumstances, such as where DWSRF Loan Program debt service is wrapped around a Participant’s existing debt based on user rate affordability. Executing a DWSRF Loan Program loan on any basis other than level, aggregate annual debt service is subject to additional State review and approval.

#### **D. Other Types of Assistance Provided**

In addition to assistance from the DWSRF, the DWSRF Loan Program also offers the SRF Pooled Loan Program. Participants in the SRF Pooled Loan Program are eligible for financing at the same “AAA” interest rate available to the SRF Loan Program at the time of the Participant’s loan closing. Most Participants realize substantial savings when compared to their “open market” rate. Since the SRF Pooled Loan Program supplements the DWSRF Loan Program, the State has the right to blend a large project with assistance from the SRF Pooled Loan Program. For instance, the State may require non-construction loans (“planning and design”) loans to be funded by the SRF Pooled Loan Program. Furthermore, the State may require requests for additional funding to be funded by the SRF Pooled Loan Program.

The State will consider refinancing, commensurate with federal and State law, where (i) a Participant is proposing a new drinking water project that will result in a significant improvement in drinking water quality and (ii) as a result of State law or other restrictions on the Participant (including existing bond ordinance, trust indenture or credit agreement provisions), a refinancing of the existing debt is necessary or convenient as a matter of law or prudent fiscal or credit policy.

#### **E. Fees Assessed on Recipients**

As permitted by 40 CFR 35.3555 (c)(3)(iv), the State assesses Participants a Loan Closing Fee of \$1,000. The DWSRF Loan Program may also assess a Non-Use Fee on funds not used for project costs two years following the loan closing. The total dollar amount in the DWSRF Administrative Fee account as of June 30, 2008 was \$32,015.85.

Participants must use non-SRF monies to fund payment of the above mentioned fees.

All loans that are funded with ARRA funds shall be assessed the same fees as standard SRF loans.

#### **F. DWSRF Financial Planning and Long-term Financial Health**

The State employs financial advisor, Lamont Financial Services Corporation, to evaluate the financial status and health of the DWSRF and make recommendations that support fiscal sustainability, in accordance with 40 CFR 35.3555 (c)(3)(v).

#### **G. Transfers between DWSRF and CWSRF**

The State has retained the flexibility to permit transfers between the DWSRF and the CWSRF of Capitalization Grants and other funds held in or allocable to such funds to the extent permitted by the CWA and the SDWA, specifically 40 CFR 35.3555(c)(8). Exhibit C, *Intended Uses of the Funds*, identifies transfer balances.

Each transfer would only be made between accounts established for like purposes and be subject to like restrictions by the SRF Loan Programs and would be accounted for on a cumulative net basis. Consistent with prior transfers, the State expects that transfers would be from funds held in

its Grant Equity account or other funds held in the SRF and that such funds would be used to generate additional lending capacity under the leverage loan structure of the DWSRF. The State would expect only to make transfers in a manner consistent with agreements related to outstanding Guarantee Revenue Bonds and State Match Revenue Bonds.

The State retains the flexibility to permit transfers between DWSRF and the CWSRF capitalization grant received under the ARRA. The State acknowledges that the only such transfer of funds that is permissible under the ARRA appropriation is between these two capitalization grants, and commits to manage and expend all funds thus transferred consistent with the requirements of the ARRA.

## **V. Selection of Systems to Receive Assistance**

### **A. Priority System**

To determine which Proposed Projects will receive loans, the State follows criteria for assistance established by the SDWA and 40 CFR 35.3555(c)(1). To the extent practical, the State expects to give priority to projects that propose the following items:

1. Address the most serious risk to human health;
2. Are necessary to ensure compliance with the SDWA; and
3. Assist systems most in financial need on a per household basis according to state affordability criteria.

The priority system, designed to implement the SDWA criteria, is attached as Exhibit E, DWSRF Loan Program Project Scoring and Ranking Worksheet. All Projects are ranked and under go public review as required by 40 CFR 35.3555(c)(2).

Projects funded with ARRA funds will be given priority as indicated below and in the Bypass Procedure.

### **B. Project Priority List (PPL)**

The DWSRF Loan Program conducted outreach to alert communities of the potential for ARRA funding. The DWSRF Loan Program began talking to communities about the potential for ARRA funding during project planning meetings in the fall of 2008. On February 19, 2009 the DWSRF Loan Program sent an email to its mailing list (listserv) containing a Fact Sheet that outlined the general requirements of the ARRA funding. The DWSRF Loan Program has focused on communities with ready to proceed projects and those that may be eligible to receive additional subsidization. As a result of this effort the DWSRF Loan Program has identified over \$300 Million in eligible projects many of which may be ready to proceed to construction within the time deadlines established by ARRA.

The PPL, attached as Exhibit B, contains Proposed Projects for which PERs were received by March 13, 2009. The names of the public water systems along with a description of the types of projects, the expected terms of financial assistance, the expected amount of assistance and the system sizes are listed on the PPL, as required by 40 CFR 35.3555 (c)(2)(i). Pursuant to the requirements of ARRA, priority will be given to those Proposed Projects listed on the PPL that are considered to be ready to proceed to construction within the timeframes identified by the SRF

Loan Program and the ARRA. The Bypass Procedure shall be used as set forth in Paragraph D. below.

In addition to the PPL, a separate list is attached as Exhibit B-1, which sets forth a description of those projects that have a component of green infrastructure, water or energy efficiency improvements or other environmentally innovative activities in it. No less than 20% of the appropriated funds under the ARRA (approximately \$5,442,400) shall be for projects to address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities. See attached Exhibit B-1a which verifies that at least 20% of the ARRA funds will be used to meet the above mentioned green reserve requirement.

Projects on the PPL were ranked and scored during the period of July 1, 2008 through December 31, 2008. After December 31, 2008, the Bypass Procedure is used which includes the ARRA funded projects. Priority is given to those projects that are ready to proceed to construction within the timeframes identified by the SRF Loan Program and the ARRA.

“Project readiness criteria” will be applied to assure that Proposed Projects that are ready for DWSRF Loan Program financing will be given priority. Steps towards “project readiness” can be demonstrated by: (1) Submitting a PER, (2) Obtaining PER Approval, construction permit issued, bidding the project and beginning construction pursuant to the DWSRF Loan Program established timeframes which are based on meeting the requirements of ARRA, and (3) Initiating the steps required by State statute and the DWSRF Loan Program to proceed with a financial closing with the DWSRF Loan Program. This involves completing the State law steps required to issue valid bonds, retaining a nationally recognized bond counsel to issue its unqualified, approving opinion on the validity of the bonds at closing and demonstrating the ability to repay the DWSRF Loan Program Loan.

Disbursements of DWSRF Loan Program funds will be made on a cost-incurred basis in accordance with the SDWA and State law. ARRA funds will be disbursed first and tracked separately from traditional DWSRF Loan Program Funds.

### **C. List of Projects Expected to Receive Assistance – Fundable Range**

To inform the public of estimates regarding the DWSRF’s financial capacity and to direct DWSRF Loan Program assistance to the highest priorities where possible, the State calculated a “Fundable Range” for those projects that were on the PPL prior to the enactment of ARRA.

The Fundable Range is a tool the State uses to plan and prioritize its responsibilities and resources. For the PPL that was developed prior to the enactment of ARRA, Proposed Projects were included in the Fundable Range based on a Proposed Project’s rank and score. On July 1, 2009, prior to the enactment of ARRA, the Authority determined that funds available were insufficient to fund all projects on the PPL, therefore, those Proposed Projects within the Fundable Range were afforded priority of resources; most notably, preference in closing a loan as soon as the necessary programmatic and financial steps were completed.

For those projects that will be funded with the ARRA funds, Proposed Projects will be financed subject to the availability of funds, readiness to proceed and the ability of the Participant to comply with the ARRA requirements and DWSRF Loan Program requirements and timeframes.

Projects funded with ARRA funds will follow the Bypass Procedure outlined below.

## **D. Bypass Procedure**

The DWSRF Loan Program shall follow the below outlined bypass procedure for all projects funded with the ARRA capitalization grant.

The Authority has determined that funds on-hand are insufficient to fund projects in addition to those within the Fundable Range, therefore, the State will use the following bypass procedures to allow other projects on the PPL to receive financial assistance from the DWSRF during SFY 2009. As allowed by 40 CRF 35.3555(c)(2)(ii), these bypass procedures enable projects originally identified outside the Fundable Range to be funded when higher-priority projects have not yet progressed to a stage allowing for loan closing. However, if a bypassed project becomes ready to proceed, it will have funding priority over other projects below it on the PPL. The following Bypass Process will be used in SFY 2009:

1. The DWSRF Loan Program will note the Fundable Range on the SFY 2009 PPL and notify all Participants with Proposed Projects on the PPL of their status. Participants will be advised that being in the Fundable Range does not mean that a loan commitment is made or that funding is guaranteed or reserved; rather it means funding priority will be given to those Proposed Projects.
2. All Participants that are eligible for subsidized financing must bid the entire DWSRF Loan Program financed project in advance of a DWSRF loan closing.
3. Up to December 31, 2008, only projects in the Fundable Range will be permitted to close a DWSRF loan.
4. After December 31, 2008, the DWSRF Loan Program will permit the bypass of projects within the Fundable Range that have not closed, or scheduled to close a loan. The DWSRF Loan Program will extend the Fundable Range by the amount of such bypassed projects. This is intended to afford Participants otherwise outside the original Fundable Range to gain priority in working quickly to close their loans.
5. After December 31, 2008, any project ready to close a DWSRF Loan Program loan under applicable DWSRF Loan Program lending requirements will be permitted to do so.
6. Proposed Projects that are necessary to alleviate unanticipated catastrophic or emergency situations that pose a threat to public health may be elevated to the top of the PPL upon the recommendation of the IDEM's Drinking Water Program. Emergency projects may include, but not be limited to, the loss of safe drinking water resulting from the following events: flood, fire, system collapse, tornado, weather damage or hazardous spills. Therefore, as allowed by 40 CFR 35.3555 (c)(2)(iii)-such emergency projects may be added to the top of the PPL for immediate assistance. One or more Proposed Projects in the original Fundable Range may be moved out of the Fundable Range in order to provide loans to emergency projects.
7. Notwithstanding the foregoing, after December 31, 2008, the DWSRF Loan Program may institute additional or alternative conditions and limits other than as expressed in this IUP to tentatively select Participants for closing eligibility and to bypass any such tentatively selected Participant. Without limitation, these may include (i) bypassing Participants that fail to close within a 30-day (or shorter) period of being notified of

- timing and eligibility to close, (ii) limiting loan closing amounts to lesser amounts than requested, (iii) requiring evidence of full project funding if all funding needs are not provided through the DWSRF Loan Program at a loan closing, and (iv) conditionally reserving funding for any Participant commitments, etc.
8. For projects funded with funds appropriated under the ARRA, the DWSRF Loan Program shall give priority to those projects that are ready to proceed to construction within 120 days of enactment of the ARRA and to those projects that are ready to proceed to construction within 12 months of the date of enactment of the ARRA. Projects must meet all standard DWSRF Loan Program requirements and any additional requirements provided for under the ARRA. The DWSRF Loan Program intends to implement these priorities by selecting for first ARRA funding those projects that meet SRF deadlines and are most likely to start construction by June 17, 2009 and no later than December 1, 2009.
  9. In order to meet the requirements and deadlines of the ARRA for expeditious and timely commitment and expenditure of funds, the DWSRF Loan Program will regularly review data reported to EPA on the progress of assistance recipients and identify any issues with timeliness of progress. If issues are identified, the DWSRF Loan Program will work to resolve these issues. The DWSRF Loan Program has included conditions in its financial assistance agreement to ensure that recipients make timely progress with respect to entering into contracts and/or construction. The DWSRF Loan Program understands that EPA may deobligate grant funds from states that fail to meet requirements on use of ARRA funds. If the State is eligible for additional funds made available by reallocation of ARRA funds, the State will provide EPA a list of projects from its PPL that are immediately prepared to proceed to construction. In addition, if the State is eligible for reallocation of ARRA funds the State agrees to provide EPA a certification through an amendment to the IUP that all funds received for additional projects will be under construction within 120 days of reallocation.
  10. The ARRA requires 50% of the funds appropriated under the ARRA to be used to provide additional subsidization to eligible recipients in the form of forgiveness of principal, negative interest loans or grants or any combination of these. Pursuant to Indiana Code 13-18-21-2(a), the DWSRF Loan Program has the authority to offer loans and other financial assistance for the benefit of participants, including forgiveness of principal if allowed under federal law. The DWSRF Loan Program intends to provide at least 50% of the ARRA funds as additional subsidization in the form of principal forgiveness to those communities who have a high monthly user rate as will be determined by the DWSRF Loan Program. The DWSRF Loan Program intends to target, as much as possible, communities that could not otherwise afford an SRF loan to receive the additional subsidization. The DWSRF Loan Program shall identify those communities who will receive additional subsidization and the amount of the additional subsidization prior to executing a financial assistance agreement. All DWSRF Loan Program requirements must be complied with as well as all additional requirements set forth in the ARRA.
  11. The ARRA requires 20% of the funds (approximately \$5,442,400) appropriated for projects that address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities. The DWSRF Loan Program has solicited and identified a list of projects that contain components of green infrastructure, water or energy efficiency improvements or other environmentally innovative activities. The list

containing the project descriptions is attached as Exhibit B-1 which may be amended periodically. In addition, Exhibit B-1a shows verification that at least 20% of the ARRA funds will be used to meet the above mentioned green reserve requirement.

12. All unfunded Proposed Projects are eligible to remain on the next SFY's PPL if they inform the DWSRF Loan Program of their desire to do so.

### **E. Small Systems**

Of the total amount available for assistance from the DWSRF each year, the State will make at least 15 percent available solely for providing loan assistance to small systems to the extent such funds can be obligated for eligible projects, as required by 40 CFR 35.3555 (c)(2)(iv). A small system is a public water system that regularly serves 10,000 or fewer persons. Population is a criterion of the priority system – small systems receive more points than large systems – (See Exhibit E) and the State monitors the population of Participants in order to verify this requirement.

### **VI. Set-Asides**

On June 30, 2008, the balance of unexpended dollars in the Set-Aside Funds was \$1,232,066.38, including the SFY 2008 Capitalization Grant, awarded May 12, 2008. The balance in each Set-Aside is listed in the attached spreadsheet, Exhibit F, Summary of Set-Aside Funds.

The State will use a portion of its FFY 2009 Capitalization Grant for Set-Aside activities. The Set-Asides Work Plan for SFY 2009, in Exhibit G, outlines the Set-Aside activities and dollar amounts the State expects to complete in SFY 2009.

The DWSRF Loan Program will bank the full Administration Set Aside (4%) of the capitalization grant appropriated under the ARRA. The DWSRF Loan Program intends to bank its use of the above set-aside for a future year. The DWSRF Loan Program retains the authority to reclaim these funds from future capitalization grants. No set asides from funds appropriated under the ARRA may be taken under section 1452(k) of the SDWA.

### **VII. Disadvantaged Community Assistance**

As permitted by 40 CFR 35.3555(c)(7), the State may provide assistance to disadvantaged communities. The State defines a disadvantaged community as a Participant with both 1) a Median Household Income (MHI) below \$33,669, as established by the 2000 US Census, and 2) an estimated post project user rate greater than \$45.00 per month. These communities receive the lowest interest rate the State provides to DWSRF Participants (see Section IV, part B, Interest Rates). Unless specifically authorized under the ARRA, the State does not currently provide principal forgiveness or negative interest rate loans.

### **VIII. Public Review**

Pursuant to 40 CFR 35.3555 (b), the State will conduct a meaningful public review during the development of the SFY 2009 IUP. The DWSRF Loan Program has public noticed the First Amended & Restated IUP, including the PPL, on the SRF Loan Program website.

The DWSRF Loan Program will respond to any major SFY 2009 IUP comment or concern; the process of such response will be determined by the nature of the comment or concern.

### **IX. Amending the IUP**

According to 40 CFR 35.3555(d), this IUP, including the PPL, may be amended during SFY 2009 in accordance with federal and State Law, and any amendments to the PPL for the addition of drinking water projects will be subject to public review.

### **X. Assurances**

As required by 40 CFR 31.26, the Authority, hereby affirms that it retains an independent auditor to review and audit the use of funds deposited in the DWSRF Loan Program in accordance with the auditing procedures of the federal General Accounting Office and the requirements the federal Single Audit Act and the federal Office of Management and Budget Circular A-133.

# **EXHIBIT A**

## Definitions

**Exhibit A**  
**DWSRF Loan Program Definitions**

Terms used in this document have the following meanings:

**Amended PPL** has the same meaning as PPL but has been amended to include projects that are eligible for funding under the American Recovery and Reinvestment Act of 2009.

**ARRA** means the “American Recovery and Reinvestment Act of 2009” enacted on February 17, 2009.

**Binding Commitment** means a closed DWSRF loan.

**Bypass Process** means the procedure which allows the State to bypass projects identified in a Fundable Range if the Indiana Finance Authority determines that there may be insufficient resources to fund all loans on the PPL during the SFY. It allows projects originally identified outside the Fundable Range to be funded when higher-priority projects have not yet progressed to a stage allowing for loan closing.

**Capitalization Grants** means a federal grant, as evidenced by an agreement with the United States Environmental Protection Agency that provides funds to capitalize the DWSRF. Capitalization Grants include both the 2009 Capitalization Grant and the Capitalization Grant appropriated under the ARRA.

**CWA** means the Clean Water Act of 1972, as amended and supplemented and codified at 33 United States Code Section 1251 et seq., and the rules and regulations promulgated there under.

**Drinking Water Branch (DWB)** means the Indiana Department of Environmental Management’s program area responsible for operating programs to fulfill the requirements of the Safe Drinking Water Act.

**Drinking Water SRF (DWSRF)** means the State's Drinking Water State Revolving Fund created in accordance with the SDWA and State law.

**DWSRF Loan Program** means the State’s revolving fund loan program for drinking water infrastructure established under and pursuant to I.C. 13-18-21 and the programs afforded thereby.

**Environmental Protection Agency (EPA)** means the federal agency responsible for promulgating regulations to implement environmental statutes including the Safe Drinking Water Act and from which the DWSRF receives Capitalization Grants.

**Federal Fiscal Year (FFY)** means the fiscal year beginning October 1<sup>st</sup> and ending September 30<sup>th</sup>.

**Fiscal Year (FY)** means the fiscal year for the year indicated.

**Fundable Range** means an estimated current loan capacity which is determined by various assumptions. Defined at the commencement of the SFY, it determines which projects on the PPL are expected to receive assistance from the available funds subject to the DWSRF’s Bypass Process.

**Guarantee Revenue Bonds** means one or more series of revenue bonds issued from time to time by the State to fund the DWSRF Program. Federal Capitalization Grants provide security for, and the DWSRF is the source of revenue for, the payment of Guarantee Revenue Bonds. Guarantee Revenue Bond net proceeds are loaned to Participants to finance Proposed Drinking Water Projects.

**Indiana Department of Environmental Management (IDEM)** means the State's environmental regulatory agency.

**Indiana Finance Authority (Authority)** means the State entity that administers the Indiana SRF Loan Programs pursuant to IC 4-4-11.

**Intended Use Plan (IUP)** means the document that is required to be prepared annually to support the State's Capitalization Grant application, which identifies the uses of all monies available to the DWSRF.

**Median Household Income (MHI)** means the average annual income for a given region as determined by the most recent federal census data.

**Municipal Market Data (MMD)** means the composite index used in pricing municipal bonds.

**Nonpoint Source (NPS) Pollution** means water pollution from diffuse, rather than discrete sources. It is caused by precipitation moving over and through the ground

**Participant(s)** means public water systems that are eligible for financial assistance from the DWSRF. Public water systems eligible for SRF assistance are for-profit and non-profit Community Water Systems (e.g. municipalities, political subdivisions, and private mobile home parks) and non-profit Non-Community Water systems (e.g. schools, churches, day cares, and group homes).

**Political Subdivision** means a municipal corporation, special taxing district, sanitary/conservancy district, regional water, sewer, or waste district, or any other separate local governmental entity. "Political Subdivision" is more specifically described in Indiana Code 13-11-2-164.

**Preliminary Engineering Report (PER)** means the document(s) submitted by the Participant that provides the information necessary for the DWSRF Loan Program to determine the technical, economic, and environmental adequacy of the Proposed Project.

**Project Planning Meeting** means an initial meeting held with the Participant to gain an understanding of the Participant's needs, and to explain DWSRF Program requirements and the process involved in closing a loan.

**Project Priority List (PPL)** means the list of eligible Proposed Projects, seeking financial assistance, in the order of their priority ranking. It includes Proposed Projects that are preliminarily scored and unranked as well as those that are scored and ranked on the basis of needs, prepared pursuant to Section 1452 of the SDWA.

**Proposed Project** means the drinking water infrastructure project and NPS project proposed by Participants for DWSRF financing in SFY 2008, which will be reviewed for qualification and ranking under Section 1452 of the SDWA.

**Public Water System (PWS)** means a system that supplies piped water for human consumption and has at least 15 service connections or 25 persons who are served by the system for 60 or more days each year.

**Scoring and Ranking System** means the priority ranking system; a system by which the DWSRF staff evaluates and ranks Proposed Projects for listing on the PPL.

**SDWA** means the Safe Drinking Water Act of 1974, as amended, Section 1452, and the rules and regulations promulgated there under including 40 CFR Part 35.

**Set-Asides** means the allowed uses of DWSRF Capitalization Grant monies specifically identified in Section 1452 of the SDWA that are not directly associated with the construction of capital improvement projects.

**Small System Technical Assistance Fund (SSTAF)** means funds from DWSRF Set-Asides that are made available to qualified Participants in order to provide assistance with planning and design costs related to their DWSRF Projects.

**Source Water Protection** means a strategy to protect water supplies in their natural state (before treatment) from pollution that can threaten health, lives, and community development.

**State Fiscal Year (SFY)** means the period of time beginning July 1<sup>st</sup> and ending June 30<sup>th</sup>.

**State Law** means Indiana Code 13-18-21 et seq. with applicable definitions at Indiana Code 13-11-2 and the rules and regulations promulgated there under.

**State Match** means the State's commitment to provide matching funds equal to 20 percent of each Capitalization Grant for the DWSRF.

**State Match Revenue Bonds** means one or more series of revenue bonds issued by the State Issuer as needed to fund its State Match.

**State Revolving Fund (SRF) Loan Programs or SRF Loan Programs** means both the DWSRF and CWSRF Loan Programs.

**Cleanwater SRF (CWSRF) Loan Program** means the State's revolving fund loan program for wastewater infrastructure established under and pursuant to I.C. 13-18-21 and the programs afforded thereby.

**Wellhead Protection** means a strategy to protect groundwater drinking supplies from pollution that can threaten health, lives, and community development.

# **EXHIBIT B**

## Amended Project Priority List

# INDIANA DRINKING WATER STATE REVOLVING FUND (DWSRF) LOAN PROGRAM

## Project Priority List

Projects applying for financial assistance<sup>1</sup> (20 year loan) in State Fiscal Year 2009 (July 1, 2008- June 30, 2009) revised April 16, 2009

PRELIMINARY ENGINEERING REPORTS SUBMITTED

Project Name	MHI	Population	PWSID #	SRF Project Number	Description	Total Project Cost
Alexandria	\$35,359	6,300	5248001	DW 09364801	water storage	\$1,135,000
Anderson	\$32,577	58,000	5248002	DW 09374801	water storage	\$3,850,000
And-Tro Water Authority	\$36,246	4,136	5262001	DW 09386202	storage, water mains, computer system	\$2,795,000
Batesville - Bischoff Reservoir Intake	\$50,155	5,856	5269001	DW 09336901	water intake	\$198,000
Batesville - Hydrants	\$50,155	5,856	5269001	DW 09336901	water mains	\$198,000
Batesville - Mollenkrammer Reservoir	\$50,155	5,856	5269001	DW 09336901	water reservoir	\$1,600,000
Batesville - Park Reservoir Intake	\$50,155	5,856	5269001	DW 09336901	water intake	\$70,000
Batesville - Pearl St Water Tower	\$50,155	5,856	5269001	DW 09336901	water tower	\$655,000
Batesville - Water Treatment	\$50,155	5,856	5269001	DW 09336901	water treatment plant	\$50,000
Batesville - School Water Tower	\$50,155	5,856	5269001	DW 09336901	water storage	\$1,425,000
Bean Blossom	\$38,893	8,640	5260001	DW 09406001	water mains	\$5,398,250
Berne	\$35,491	4,150	5201001	DW 09190101	water storage, water mains	\$2,190,000
Boonville	\$34,913	10,260	5287001	DW 05018601	water treatment plant, mains, wells	\$3,515,000
Brazil	\$30,902	8,000	5211001	DW 09121101	well storage, mains	\$4,950,490
Brookville	\$29,390	2,870	5224001	DW 09412401	water mains	\$605,880
Cambridge City	\$33,750	2,200	5289002	DW 09708901	water wells, water mains	\$2,159,000
Catact Lake Water Corporation	\$44,500	3,100	5260002	DW 09426701	water well, water storage	\$900,000
Centerville	\$32,219	3,351	5289003	DW 09438902	water treatment plant	\$800,000
Chandler	\$49,972	14,500	5287002	DW 06128701	new water treatment plant, well	\$8,499,000
Churubusco	\$39,583	1,666	5292001	DW 10119301	well, water treatment plant, mains	\$2,363,000
Decatur County Rural Water Corporation	\$40,401	1,294	5216008	DW 09311601	water storage, water mains	\$10,200,000
Dunkirk	\$33,750	2,646	5238001	DW 08083802	water treatment plant, water mains	\$1,300,000
Earl Park	\$32,981	470	5204003	DW 06130401	well, mains	\$696,860
East Chicago	\$26,588	38,001	5245012	DW 19911003	water treatment plant, mains, storage	\$54,400,000
Elkhart	\$4,863	46,872	5220008	DW 09142001	water storage, water mains	\$3,857,900
Elrod Water Company (Hoosier Hills Regional Water District)	\$41,426	8,397	5269002	DW 09446901	water storage, water mains	\$1,030,500
Elwood	\$30,986	9,874	5248007	DW 09134801	wells, water treatment plant	\$2,300,000
English	\$27,768	670	5213002	DW 09631301	water storage	\$526,000
Fortville	\$42,642	4,585	5230003	DW 09013001	water storage, water mains	\$4,209,796
Fowler - Water Tank	\$40,396	2,324	5204006	DW 09640402	water treatment plant, water storage	\$1,400,000
Fowler - Water Treatment Plant	\$40,396	2,324	5204006	DW 09640402	water treatment plant, water storage	\$1,500,000
Garden City Trailer Court (Indiana American Water)	\$31,307	80	5289016	DW 09958901	water mains	\$1,000,000
Gas City	\$35,940	6,500	5227006	DW 09022702	water treatment plant, wells	\$4,880,275
Glenwood	\$33,750	318	5270002	DW 09287001	water storage, water mains	\$845,500
Goshen	\$39,383	31,500	5220009	DW 09032001	computer system	\$1,515,800
Grandview	\$35,417	874	5274005	DW 09457401	water tower	\$1,311,000
Hammond - Water Tank	\$35,528	78,292	5245020	DW 09654501	water storage	\$2,391,000
Hammond - Water Treatment Plant	\$35,528	78,292	5245020	DW 09664502	water treatment	\$2,736,000
Huntington - Airport Water Tower	\$33,483	17,451	5235005	DW 09473502	water storage	\$2,100,000
Huntington - Northside Tower, Treatment, Wells	\$33,483	17,451	5235005	DW 09463501	water storage, treatment plant, wells	\$5,300,000
Huntington - Westside Unserved Area	\$33,483	17,451	5235005	DW 09483504	water mains	\$1,875,000
Indiana American Water - Farmersburg	\$30,478	1,998	5277003	DW 09237703	water mains	\$1,390,842
Indiana American Water - Gary	\$27,195	173,431	5245015	DW 09224504	water mains	\$1,984,617

PRELIMINARY ENGINEERING REPORTS SUBMITTED

Project Name	MHI	Population	PWSID #	SRF Project Number	Description	Total Project Cost
Indiana American Water - Muncie	\$26,613	74,950	5218012	DW 09241805	water mains	\$875,833
Indiana American Water - Richmond	\$30,210	42,454	5289012	DW 09258906	water mains	\$1,691,313
Indiana American Water - Terre Haute	\$28,018	64,873	5284012	DW 09268407	water mains	\$880,422
Indiana American Water - Kokomo	\$36,258	57,240	5234007	DW 09273408	water mains	\$2,908,754
Indianapolis Water - Main Replacements	\$40,051	799,127	5249004	DW 09504902	water mains	\$409,000
Indianapolis Water - TW Moses Treatment Plant	\$40,051	799,127	5249004	DW 09514903	water treatment plant	\$31,106,000
Indianapolis Water - Unserved Areas	\$40,051	799,127	5249004	DW 09524904	water mains	\$832,000
Indianapolis Water - White River Intake	\$40,051	799,127	5249004	DW 09534905	surface water intake	\$28,700,000
Jackson County Water Utility	\$41,335	10,262	5236003	DW 08043601	mains, storage, well	\$3,300,000
LaFontaine	\$43,393	906	5285004	DW 08098301	storage, mains	\$1,393,530
Lapel	\$41,389	1,825	5248013	DW 09054801	water treatment plant, wells, storage, mains	\$1,722,000
Liberty	\$30,296	2,061	5281001	DW 09048102	water main	\$1,278,344
Lowell	\$49,173	7,705	5245029	DW 09334501	water meters	\$700,000
Madison	\$35,092	14,955	5239006	DW 08103902	water mains	\$1,125,000
Marion	\$30,440	31,590	5227014	DW 09102701	water treatment plant	\$595,300
Mishawaka	\$33,986	47,620	5271009	DW 09347103	water mains	\$6,103,450
Mitchell	\$28,559	4,567	5247003	DW 09064701	wells, water main	\$1,340,000
Nashville	\$27,330	3,706	5207002	DW 09540701	water main	\$330,000
North Dearborn Water Corporation	\$46,037	3,203	5215008	DW 09551501	water storage, water mains	\$1,720,000
North Manchester	\$35,448	6,260	5285009	DW 08078502	water treatment plant, mains	\$4,075,000
North Vernon	\$34,244	6,500	5240008	DW 09564001	water treatment plant	\$1,120,000
Plainfield	\$46,782	15,500	5232020	DW 09573201	water mains, water storage	\$3,203,000
Princeton	\$26,689	12,150	5226008	DW 09582601	water mains, water treatment plant, storage	\$3,935,610
Ramsey Water Company	\$36,375	14,472	5231005	DW 09321301	water treatment plant	\$2,355,000
Redkey	\$30,732	1,527	5238008	DW 09293801	water mains, water treatment plant, storage	\$2,221,000
Ripley County Redevelopment Commission	\$35,144	1,784	5269006	DW 09216901	water mains	\$213,000
Rising Sun	\$33,750	2,400	5258002	DW 09595801	water well, water treatment	\$271,017
Rossville	\$48,333	1,513	5212007	DW 09351201	water mains	\$163,100
South Bend	\$32,439	113,400	5271014	DW 09087102	well, water mains, storage	\$9,364,765
South Lawrence Utilities	\$34,490	6,777	5247007	DW 09164701	water storage, lab building	\$1,850,000
Stucker Fork	\$37,647	14,000	5272002	DW 09077201	wells, water main	\$15,500,000
Sugar Creek Utilities / Riley Village	\$46,802	160	5230006	DW 09153001	water mains	\$270,000
Tipton	\$34,075	5,300	5280004	DW 09308001	water mains, water treatment plant, storage	\$1,510,000
Union City	\$26,526	3,790	5268010	DW 09186801	water treatment plant	\$520,000
Vincennes	\$26,289	18,701	5242014	DW 09604201	water mains, water treatment plant	\$7,800,000
Whitestown	\$46,528	2,200	5206006	DW 05160603	mains	\$2,600,000
Winslow	\$28,672	881	5263006	DW 09616301	surface water intake	\$25,000
Wolcott	\$37,563	989	5291015	DW 09629101	water mains, water treatment plant	\$748,125
Yorktown	\$50,974	4,684	5218014	DW 09671801	water well, water main	\$750,000
<b>TOTAL PRELIMINARY ENGINEERING REPORTS SUBMITTED</b>						<b>\$297,613,273</b>

<sup>1</sup> The source of funding for some projects may be from American Recovery and Reinvestment Act funds and base DWSRF Loan Program funds. In addition, some of the above projects will be eligible for additional subsidization in the form of principal forgiveness.

## **EXHIBIT B-1**

### Green Reserve Project Descriptions

EXHIBIT B-1 DRINKING WATER SRF GREEN PROJECT RESERVE

<b>COMMUNITY NAME:</b>	<b>LOAN AMOUNT</b>	<b>SI/GI AMOUNT</b>
<b><u>BOONVILLE</u></b>	<b>\$3,515,000</b>	<b>\$380,000</b>
<ul style="list-style-type: none"> <li>• Energy Efficiency – new SCADA system enables operational efficiencies</li> <li>• Energy Efficiency- new energy efficient generator (not replacement) will enable system to shave peak electrical loads</li> <li>• Water Efficiency –new flow meters , leak detection development for water conservation</li> <li>• Green Infrastructure – reuse existing tankage and thereby reducing raw materials and carbon footprint</li> </ul>		
<b><u>CHANDLER</u></b>	<b>\$8,499,000</b>	<b>\$628,850</b>
<ul style="list-style-type: none"> <li>• Energy Efficiency – new SCADA system enables operational efficiencies</li> <li>• Water Efficiency – less frequent backwash cycles and re-use of backwash water will result in less water usage and waste.</li> <li>• Energy Efficiency – various electrical improvements, including the addition of new high efficiency motors, variable frequency drives for pumps, soft starts on other motors, high efficiency HVAC systems. These are new components for a new plant. Previously there were three separate treatment plants. These improvements will result in greater energy savings.</li> </ul>		
<b><u>CHURUBUSCO</u></b>	<b>\$2,363,000</b>	<b>\$118,150</b>
<ul style="list-style-type: none"> <li>• Water Efficiency –new flow meter for water conservation</li> <li>• Energy Efficiency – new SCADA system enables operational efficiencies</li> <li>• Energy Efficiency- new energy efficient generator (not replacement) will enable system to shave peak electrical loads</li> <li>• Energy Efficiency – new VFD pumps (not replacement) for energy savings</li> <li>• Greening Infrastructure – removal of underground fuel tank to protect groundwater</li> </ul>		
<b><u>DUNKIRK</u></b>	<b>\$1,300,000</b>	<b>\$25,700</b>
<ul style="list-style-type: none"> <li>• Energy Efficiency – new SCADA system enables operational efficiencies</li> </ul>		
<b><u>EAST CHICAGO</u></b>	<b>\$54,400,000</b>	<b>\$8,080,000</b>
<ul style="list-style-type: none"> <li>• Water Efficiency – less frequent backwash cycles and 100% re-use of backwash water will result in less water usage and waste.</li> <li>• Water Efficiency – membrane system allows for less chemical treatment and therefore less water usage</li> <li>• Energy Efficiency – new VFD pumps (not replacement) and high efficiency motors for energy savings</li> <li>• Energy Efficiency- new energy efficient generator (not replacement) will enable system to shave peak electrical loads</li> </ul>		

**EXHIBIT B-1 DRINKING WATER SRF GREEN PROJECT RESERVE**

- Energy Efficiency –two new buildings to include: high efficiency HVAC systems, high efficiency lighting with automatic room controls, reduced number of windows and outdoor solar lighting systems for energy savings
- Green Infrastructure – Project to include tree shading for reduced energy savings, modular building design for future building deconstruction, reuse of previously disturbed land, rainwater harvesting, and porous pavement design.

**LAFONTAINE**

**\$1,393,530**

**\$57,675**

- Energy Efficiency – new tank will result in less pumpage and greater energy savings
- Environmental Innovation – operational design will result in less frequent water withdrawal from aquifer

**MITCHELL**

**\$1,340,000**

**\$26,800**

- Energy Efficiency – new well pumps (not replacement) have soft starts are energy efficient

**NORTH MANCHESTER**

**\$4,075,000**

**\$188,250**

- Energy Efficiency – new SCADA system enables operational efficiencies
- Energy Efficiency- new energy efficient generator will enable system to shave peak electrical loads

## **EXHIBIT B-1a**

Green Reserve Projects – Verification of  
Meeting the 20% Requirement

Indiana DW SRF Loan Program  
 Exhibit B-1a - Proof of meeting 20% Requirements

DW SRF ARRA  
 Appropriation  
 \$27,212,000

Community	DW	Project	Loan Amount	Amount of eligible SI in ARRA Loan	% of recovery \$
North Manchester	DW	WTP	\$4,075,000	\$188,250	0.7%
Boonville	DW	WTP	\$3,515,000	\$380,000	1.4%
East Chicago	DW	WTP	\$54,400,000	\$8,080,000	29.7%
Churubusco	DW	WTP	\$2,363,000	\$118,150	0.4%
Chandler	DW	WTP	\$8,499,000	\$628,850	2.3%
Dunkirk	DW	WTP	\$1,300,000	\$25,700	0.1%
LaFontaine	DW	WTP	\$1,393,530	\$57,675	0.2%
Mitchell	DW	Wells	\$1,340,000	\$26,800	0.1%
<b>TOTAL</b>			<b>\$76,885,530</b>	<b>\$9,505,425</b>	<b>34.9%</b>

Includes Categorical Qualifications only, no business cases required  
 Does not include planning or design costs, which are eligible to meet 20%

# **EXHIBIT C**

## Intended Uses of the Funds

Exhibit C to the Intended Use Plan for SFY<sup>1</sup> 2009  
Expeditious and Timely Use of Funds in the Indiana Finance Authority's SRF Accounts

This exhibit identifies the intended uses of the funds held in various accounts of the DWSRF, and how those uses support the goals of the DWSRF. This exhibit also demonstrates how the Authority meets the requirements of 40 CFR 35.3550(1) by using all of the funds in the DWSRF in an expeditious and timely manner.

**Sources, Uses and Available Balances in SRF Accounts**

The following accounts have been created and exist under the Authority's Drinking Water Trust Indenture and comprise its DWSRF. Set forth on the attached Schedule 1 (the "Use Schedule") is detail on what funds are held in the DWSRF and how they were expeditiously and timely used in SFY 2008 and will continue to be in perpetuity.

**Drinking Water Purchase Account.**

*Sources of Funds:* Funds held in this account<sup>2</sup> come from proceeds of Program Bonds<sup>3</sup> issued by the Authority. The Authority expects to cause additional Program Bonds to be issued at times and in amounts sufficient to meet the funding requirements for loans presently closed as of the end of the SFY 2008 as well as loans anticipated to be closed in SFY 2009 and after.

*Uses of Funds:* These funds are used to make loans for qualified Proposed Projects as permitted by 40 CFR 35.3525(a). This use directly furthers the primary purpose of the DWSRF Program by financing qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

*Available Balance:* As of July 1, 2008, the aggregate amount of closed and committed loans was less than the balance in this account. As additional loans are closed in SFY 2009, such committed amount will exceed the amount available in this account ("Excess Commitments"). The aggregate amount held in this account as of July 1, 2008 is shown in the Use Schedule. Accordingly, none of the

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<sup>1</sup> Refers to the State Fiscal Year ending on June 30 of the year listed.

<sup>2</sup> Pursuant to SRF Indenture modification, the former State Match Loan Account was consolidated into this Account effective May 30, 2007.

<sup>3</sup> These bonds are revenue bonds within the meaning of 40 CFR 35.3525(e), the net proceeds of which were deposited in the DWSRF. To date, the Authority (or its processor issuer) has issued multiple series of bonds including several refunding series (the "Program Bonds"), a portion of which are issued for the DWSRF. An allocated portion of the Program Bonds were deposited in the Purchase Account (with such bonds being referred to as the "Guarantee Revenue Bonds" in this Report) to make loans from the DWSRF and a further allocated portion of the Program Bonds were deposited in the Purchase Account (or the former State Match Loan Account) as state match (with such bonds being referred to as the "State Match Revenue Bonds" in this Report) to make loans or for other permitted purposes; their proceeds (together with other match sources) have matched all capitalization grants awarded to date as well as a portion of the not-yet-available FFY 2009 (FFY refers to the Federal Fiscal Year ending September 30 of the year listed) grant by reason of over-match.

funds presently on deposit in this account are available for other SRF purposes except to finance closed and committed loans related to qualified Proposed Projects.

**Drinking Water Participant Loan Principal Account.**

*Sources of Funds:* Funds held in this account come from principal payments on loans made from the Purchase Account and the former State Match Loan Account.

*Uses of Funds:* These funds are used to make payments on the outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e) and the Authority’s Operating Agreement with EPA. This use indirectly furthers the primary purpose of the SRF by making loan proceeds available to finance qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

*Available Balance:* Approximately annually, this account is fully depleted to make payments on Program Bonds. Accordingly, none of the funds presently on deposit in this account are available for other SRF purposes.

**Drinking Water Participant Loan Interest Account.**

*Sources of Funds:* Funds held in this account come from interest payments on loans made from the Purchase Account and the former State Match Loan Account.

*Uses of Funds:* These funds are used to make payments on the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds as permitted by 40 CFR 35.3525(e) and 40 CFR 35.3550(g)(3), respectively. This use indirectly furthers the primary purpose of the SRF by making loan proceeds available to finance qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

*Available Balance:* Approximately annually, this account is fully depleted to make payments on Program Bonds. Accordingly, none of the funds presently on deposit in this account are available for other SRF purposes.

**DRINKING WATER RESERVE**<sup>4</sup> contains the following accounts:

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<sup>4</sup> Pursuant to SRF Indenture modification, effective May 30, 2007, the following Reserve accounts are pledged to particular series of Program Bonds by means of subaccounts therein. Such pledged accounts serving as the Reserve for only one Series of Program Bonds (a “Series Reserve”) and are held at a fixed amount (a “Series Reserve Requirement”) subject to annual reductions as principal on such Series of Program Bonds are repaid as required by the SRF indenture. While not labeled under this Reserve group of accounts, amount held in Equity serve as security for the payment of Program Bonds, and thus, are part of the “reserve” for the purposes of this Report and the federal Safe Drinking Water Act, as amended.

### **Drinking Water Reserve Earnings Account.**

*Sources of Funds:* Funds held in this account come from interest payments on loans made from the Purchase Account and the State Match Loan Account together with other earnings on invested Reserve accounts.

*Uses of Funds:* These funds are *first* used to make payments on the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds as permitted by 40 CFR 35.3525(e) and 40 CFR 35.3550(g)(3), respectively, and *secondly* transferred to the Reserve Deficiency Account, as described below.

*Available Balance:* Approximately annually, this account is fully depleted to make payments on Program Bonds, with any excess available balances to be transferred to the Reserve Deficiency Account. Accordingly, none of the funds presently on deposit<sup>5</sup> in this account are available for other SRF purposes.

### **Drinking Water Reserve Grant Account.**

*Sources of Funds:* Funds held in this account<sup>6</sup> come from Federal capitalization grants drawn when funds are loaned, up to the amount therein (and in the Equity Grant Account) that equals the perpetuity amount, and any amounts in excess thereof come from State Match.<sup>7</sup>

*Uses of Funds:* These funds are used (i) as security<sup>8</sup> for outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e) and (ii) as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds as permitted by 40 CFR 35.3525(e) and 40 CFR 35.3550(g)(3), respectively. This use both directly and indirectly furthers the primary purpose of the DWSRF Program by making financing for qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

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<sup>5</sup> And before any transfers to the WWSRF as discussed elsewhere in this Exhibit.

<sup>6</sup> Pursuant to SRF Indenture modification, the former State Match Account was consolidated into this Account effective May 30, 2007.

<sup>7</sup> State Match in this account came from State Match Revenue Bonds, and is from principal on loan repayments funded from such proceeds. As of July 1, 2008, such amounts related to State Match on deposit in this account have not been applied to Guarantee Revenue Bonds but may be so applied to make any regularly scheduled payments on the outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e) and the Authority's Operating Agreement with EPA.

<sup>8</sup> Pursuant to the financing indentures related to the cross-collateralized outstanding Program Bonds, the Authority is presently required to maintain reserves of at least \$637.9 million, which is to be held in the Reserve accounts and is not anticipated to be used to make loans to Participants. A portion of the reserves have been allocated to the DWSRF for purpose of this IUP (as shown in the amount set out in the Use Schedule). This is a minimum invested funds requirement. However, the Authority views invested amounts in excess of the foregoing minimum requirement as security and as a source of payment for the outstanding Program Bonds. Further, the Authority expects that the foregoing minimum requirement will increase as additional Program Bonds are issued in SFY 2009 and beyond. Such excess purposes are served by the Equity accounts to the extent that they are not anticipated to be used to make loans to Participants.

*Available Balance:* The aggregate amount held in this account (as of July 1, 2008 and as anticipated in SFY 2009) is shown in the Use Schedule.<sup>9</sup> In furtherance of these purposes, the funds in this account are invested with certain short-term investments, State and Local Government Series (SLGS) securities, and long-term high-quality investment contracts (the "Investment Agreements"). The Investment Agreements (a) pay interest semi-annually serving as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds, (b) mature and may be terminated at the Authority's option as set forth in the attached Schedule 2, and (c) are available in full (as security) at any time if needed to pay the outstanding Guarantee Revenue Bonds.

### **Drinking Water Reserve Deficiency Account.**

*Sources of Funds:* Funds held in this account, if any, will come from other Reserve accounts discussed above when the amounts held in the group of accounts serving as the Reserve any Series of Program Bonds (a "Series Reserve") exceeds its Series Reserve Requirement.

*Uses of Funds:* These funds are used to fund each Series Reserve by immediately transferring them as necessary (the *first* possible use) to each Series Reserve that is below its Series Reserve Requirement on each February 1 and August 1 and secondly (if not required for such *first* use) shall be transferred to an Equity account (the *secondary* use; which is expected to occur). Any such transfer is either made to a Grant Account or Earnings Account depending on the source of the funds transferred to the Reserve Deficiency Account.

*Available Balance:* No amounts were held in this account as of July 1, 2008 nor are any so anticipated in SFY 2009.

**DRINKING WATER EQUITY**<sup>10</sup> contains the following accounts:

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<sup>9</sup> And before any transfers to the WWSRF as discussed elsewhere in this Exhibit.

<sup>10</sup> While funds held in these Equity accounts are not pledged to the payment of Program Bonds, the SRF Program Representative may, but is not required to, direct that they be used to pay Program Bonds. Further, the Authority would expect such to occur if it was necessary to pay such bonds and, thus, while not labeled under as Reserve in this Report, the DWSRF treats it as part of the "reserve" for the purposes of this Report and the federal Safe Drinking Water Act, as amended.

## **Drinking Water Equity Grant Account.**

*Sources of Funds:* Funds held in this account come from Federal capitalization grants drawn when funds are loaned, up to the amount therein (and in the Reserve Grant Account) that equals the perpetuity amount, and any amounts in excess thereof come from State Match.

*Uses of Funds:* These funds are used (i) as security<sup>11</sup> and as a source of payment for the outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e), (ii) to fund any transfers to the Authority's WWSRF as permitted by law including Section 302 of the Safe Drinking Water Act, and (iii) to fund that portion of any loans closed but not presently on deposit in the Purchase Account<sup>12</sup> in the event additional leveraged Guarantee Revenue Bonds could not be issued for any reason to meet such commitments. This use both directly and indirectly furthers the primary purpose of the DWSRF Program by making financing for qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

*Available Balance:* The aggregate amount held in this account (as of July 1, 2008 and as anticipated in SFY 2009) is shown in the Use Schedule.<sup>13</sup> In furtherance of these purposes, the funds in this account are invested with certain short-term investments, State and Local Government Series (SLGS) securities, and long-term high-quality investment contracts (the "Investment Agreements"). The Investment Agreements (a) pay interest semi-annually serving as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds, (b) mature and may be terminated at the Authority's option as set forth in the attached Schedule 2, and (c) are available in full (as security) at any time if needed to pay the outstanding Guarantee Revenue Bonds.

## **Drinking Water Equity Earnings Account.**

*Sources of Funds:* Funds held in this account come from (a) transfers from the Reserve Earnings Account and the Participant Loan Interest Account undertaken approximately annually or at the time of an issuance of additional Program Bonds and (b) earnings on amounts invested in the Equity accounts.

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<sup>11</sup> Pursuant to the financing indentures, the Authority may use these funds if the Reserve Grant Account were insufficient to pay outstanding Program Bonds. Further, the Authority expects that the foregoing minimum requirement of Reserve accounts will increase as additional Program Bonds are issued in SFY 2009 and will result in a transfer of any uncommitted amounts in the Equity Grant Account to the Reserve Grant Account inclusive of any Capitalization Grants drawn into the SRF after July 1, 2008.

<sup>12</sup> In addition to meeting any Excess Commitments as of July 1, 2008, additional Excess Commitments will occur before additional Guarantee Revenue Bonds are issued. This will result from closing new loans for qualified Proposed Projects with (a) approved preliminary engineering reports (PERs) as of July 1, 2008, (b) PERs submitted and under review by the DWSRF as of July 1, 2008 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2009), each as detailed in the Use Schedule.

<sup>13</sup> And before any transfers to the WWSRF as discussed elsewhere in this Exhibit.

*Uses of Funds:* These funds are used (i) as security and as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds as permitted by 40 CFR 35.3525(e) and 40 CFR 35.3550(g)(3), respectively, like the Equity Grant Account and (ii) to fund that portion of any loans closed but not on deposit in the Purchase Account in the event additional leveraged Guarantee Revenue Bonds could not be issued for any reason to meet such commitments. This use both directly and indirectly furthers the primary purpose of the SRF by making financing for qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

*Available Balance:* The aggregate amount held in this account as of July 1, 2008 is shown in the Use Schedule.<sup>14</sup>

## **ADDITIONAL INFORMATION CONCERNING EXPECTED USES OF SRF FUNDS**

**Use of Available Balances to Meet Closed Loan Commitments.** Under its existing practices, the Authority closes DWSRF Program loans with Participants without the necessity of having available balances in its Purchase Account to fully fund those loan commitments on the date a DWSRF Program loan is closed. As of July 1, 2008, there were no Excess Commitments. By closing new loans for qualified Proposed Projects with (a) approved PERs as of July 1, 2008, (b) PERs submitted and under review by the DWSRF as of July 1, 2008 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2009), the aggregate amount of Excess Commitments would become as shown in the Use Schedule.

The Authority expects to cause additional Program Bonds to be issued at times and in amounts sufficient to meet the funding requirements for loans presently closed and those anticipated to be closed in SFY 2009. Additionally, certain amounts held in the Equity Grant Account and Equity Earnings Account are available and would be used to meet a portion of the projected funding requirements for loans presently closed (and those anticipated to be closed in SFY 2009) in the event additional Guarantee Revenue Bonds could not to be issued.

**Use of Available Balances as a Reserve and Source of Payment for Guarantee Revenue Bonds.** Amounts held in the Reserve Deficiency Account, Equity Grant Account, Reserve Grant Account Reserve Earnings Account and Equity Earnings Account secure, and are a source of payment, for Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e). In addition to this use, a portion of these funds are also held to meet (a) Excess Commitments in SFY 2009 in the event additional Guarantee Revenue Bonds could not to be issued and (b) any transfers to the WWSRF as permitted by law.

**Use of Available Balances as a Source of Payment for State Match Revenue Bonds.** All SRF earnings including amounts held in the Reserve Earnings Account and Equity Earnings Account secure, and are a source of payment, for State Match Revenue Bonds as permitted by 40 CFR

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<sup>14</sup> And before any transfers to the WWSRF as discussed elsewhere in this Exhibit.

35.3550(g)(3). In addition to this use, a portion of these funds are held to meet (a) Excess Commitments in SFY 2009 in the event additional Guarantee Revenue Bonds could not to be issued and (b) any transfers to the WWSRF as permitted by law.

**Use of Available Balances to Possibly Transfer Funds to the Wastewater SRF.** As of July 1, 2008, about \$23.6 million has been transferred to DWSRF. As of July 1, 2008, the cumulative transfer amount available for additional transfers from CWSRF to the DWSRF could result in up to \$44.76 million of allowable transfers which includes 33% of the FFY 2008 grant. The full amount of any such potential transfers is banked.

Further, transfers can be made from DWSRF to the WWSRF up to the cumulative amount made from WWSRF to DWSRF to date, together with an amount equal to 33 percent of aggregate Drinking Water Capitalization Grants awarded. The full amount of any such potential transfers is banked.

Since the inception of the DWSRF, the Authority (or its predecessor) has banked transfers up to maximum permitted limit and continues to do so; funds held in the Equity Grant Account might be used for this purpose. Such transfer may be effectuated by a transfer of an invested balance from (a) one or more of the Authority's Investment Agreements or (b) other investments. These invested funds would then be used to support the issuance of Guarantee Revenue Bonds, the proceeds of which would be used to make Program loans. Any such determination would be based on whether the DWSRF or WWSRF program is more in need of funds (when considering their respective priorities) than the other. While a transfer from DWSRF to the WWSRF is not expected, it is also banked to reserve the Authority's discretion.

SCHEDULE C-2  
SRF INVESTMENT AGREEMENTS

Funds held in the Reserve Grant Account and certain other accounts are invested in the following Investment Agreements which mature, and may be terminated at the Authority's option only, as follows:

Investment Agreement with:	Final Maturity Date <sup>15</sup>	Optional Termination Date <sup>16</sup>	Scheduled Repayments of Invested Amounts <sup>17</sup>
AIG Matched Funding Corp., Dated, September 29, 1998	2/1/20	2/1/10	\$1 to \$6 million
Citigroup Global Company Inc., Dated, February 13, 2006	8/1/16	Any time	\$1 to \$5 million
Trinity Plus Funding Company, LLC, Dated January 9, 2001	8/1/23	8/1/08	\$0.1 to \$18 million
AIG Matched Funding Corp., Dated, November 14, 2001	2/1/23	N/A	\$1 to \$10 million
AIG Matched Funding Corp., Dated, December 27, 2002	2/1/24	N/A	\$1 to \$2 million
Trinity Plus Funding Company, LLC, Dated March 21, 2006	2/1/29	N/A	\$3 to \$10 million
FSA Capital Management Services LLC, Dated June 19, 2007	2/1/27	N/A	\$-0- to \$0.5 million

The Authority has structured these Investment Agreements in a manner to assure as great as flexibility as practical to serve the variety of needs required by the SRF. The long-term nature of these investments assures long-term access to quality investment sources and, thereby, balances revenue certainty against known debt obligations associated with Program Bonds. This fosters the ability to issue additional Program Bonds to fund a prudent, maximum level of leveraged loans. Further, repayment features are consistent with the reserve purposes associated with most of these invested funds. These optional termination dates and scheduled repayment features associated with the Investment Agreements, in total, assure access to invested balances at reasonable intervals and are expected to facilitate future leveraged bond issues. However, it also to be understood that this restricts the SRF Program's ability to make use of these invested sums for other purpose (including certain of those uses recited elsewhere in this exhibit) without negotiating different termination provisions which could result in a charged losses upon any such alternate termination depending upon market conditions and other factors.

<sup>15</sup> If not repaid sooner, all invested sums are required to be repaid to the Authority by this date.

<sup>16</sup> On or after this date, the Authority may terminate the investment at its option and all invested sums will then be required to be repaid to the Authority without any premium (or other market to market payment).

<sup>17</sup> Each February 1 (except for the 2000 & the first 2001 Investment Agreements, which is each August 1), commencing in 2008 (except for the first 2001 Investment Agreements, which is 2019), a portion of the invested sums is required to repaid annually to the Authority. These annual amounts are set out in a schedule to each agreement and range within the amounts shown in this column.

**Schedule 1**  
**to Exhibit C for the DW Intended Use Plan (SFY 2009)**

	Account Balances* as of:	
	30-Jun-2008 (Actual)	Future Deposits in SFY
<b><u>A. Funds Committed to Projects by DWSRF</u></b>		
Purchase Account	\$ 30,900,000	\$ -
	\$ 30,900,000	\$ -
<b><u>B. Other Funds Held in DWSRF</u></b>		
Reserve Grant Account	\$ 114,100,000	\$ -
Reserve Earnings Account	4,300,000	-
Reserve Deficiency Account	-	-
Equity Grant Account	29,600,000	\$ 22,300,000
Equity Earnings Account	400,000	-
	\$ 148,400,000	\$ 22,300,000
<b>Total Available Funds (A. and B. above)</b>	<b>\$ 179,300,000</b>	<b>\$ 22,300,000</b>

**Proof of Timely & Expedious Use of Above Funds Held in DWSRF\***

Closed Loan (Undrawn loan amounts covered by on-hand Purchase A/C Funds)	\$ 30,900,000
Closed Loan Excess Commitments (after Application of above Purchase A/C **)	-
Closed Loan to be funded directly from Equity (undrawn portion of loan)	6,900,000
PERs In-house (approved & under-review) Awaiting Loan Closing	71,900,000
Other Projects on new SFY's PPL, Requesting Loan Funding	36,300,000
1. Use: to cover Loan Demand***	146,000,000
2. Use: to cover Series Reserve Requirement	117,800,000
<b>Possible Uses of Funds</b> (1 & 2 above without considering other secondary purposes for holding them in the DWSRF) # are as follows:	<b>\$ 263,800,000</b>

<b>Uses of Funds (1 &amp; 2 above):</b>	\$ 263,800,000
<b>Less: Total Available Funds (A. and B. above)</b>	201,600,000
<b>Amount by which "Possible Uses of Funds" EXCEED "Total Available Funds"</b>	<b>\$ 62,200,000</b>

Notes:

\* Amounts are approximate & rounded to nearest \$100,000

\*\* This amount is a net unfunded amount of closed loans after application of the June 30th on-hand balance.

\*\*\* While use will likely be met with future Program Bonds, possible that on-hand funds could be used. When covered by issuance of Program Bonds used to make subsidized loan, a reserve of 40% to 50% is funded from Equity and additional Program Bonds are used to make pooled loan at a market rate. Such Program Bonds would not be sufficient to meet all needs.

# **EXHIBIT C-1**

## Sources and Uses of ARRA Capitalization Grant

Exhibit C-1

Sources and Uses of ARRA Capitalization Grant

<u>SOURCES</u>	<u>AMOUNT</u>
Capitalization Grant	\$27,212,000
<b>TOTAL SOURCES</b>	<b>\$27,212,000</b>

  

<u>USES</u>	<u>AMOUNT</u>
Project Assistance Loans	
Program loans	\$ 8,163,600
Green Project Reserve loans	\$ 5,442,400
Project Assistance Subsidization (at least)	\$13,606,000
<b>TOTAL USES</b>	<b>\$27,212,000</b>

# **EXHIBIT D**

## Unspecified DWSRF Set-Asides

Exhibit D  
Unspecified DWSRF Loan Program Set-Asides

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>ARRA</b>	<b>Total</b>
	<b>Amount Banked</b>						
Administrative	\$389,972	\$31,777	\$0	\$459,360	\$360,000	\$1,088,480	<b>\$2,329,589</b>
Small System Technical Assistance	\$0	\$0	\$0	\$229,680	\$130,000	\$0	<b>\$359,680</b>
State Program Management	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Totals</b>	<b>\$389,972</b>	<b>\$31,777</b>	<b>\$0</b>	<b>\$689,040</b>	<b>\$490,000</b>	<b>\$1,088,480</b>	<b>\$2,689,269</b>

# **EXHIBIT E**

## Priority Scoring and Ranking System



**INDIANA FINANCE AUTHORITY**  
**DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**  
**PROJECT SCORING AND RANKING WORKSHEET**

Project Name: \_\_\_\_\_

SRF Project Number: \_\_\_\_\_

PWSID#: \_\_\_\_\_

SRF Worksheet Reviewer: \_\_\_\_\_

Date: \_\_\_\_\_

Attachment:

A) SRF Sustainable Design Incentive Checklist

## DWSRF Project Scoring and Ranking Worksheet

### **INSTRUCTIONS:**

Projects are scored using the following criteria in order to be ranked according to their priority on the Drinking Water State Revolving Fund (DWSRF) Loan Program Project Priority List (PPL). To the extent practical, the DWSRF Loan Program expects to give priority to projects that:

1. Address the most serious risk to human health;
2. Are necessary to ensure compliance with the Safe Drinking Water Act (SDWA); and
3. Assist systems most in financial need on a per household basis according to state affordability criteria.

Points are assigned to proposed projects that intend to correct deficiencies. For example, if the public water system has persistent violations of a Maximum Contaminant Level (MCL) but the proposed project does not address that problem, the points associated with persistent violations of a MCL will not be assigned. However, if the Participant does not have persistent MCL violations, but the project will address another public water system's persistent MCL violations, such as through consolidation, the points associated with the persistent MCL violations will be assigned.

The total number of available points is 100. If projects score equally, the project with the highest initial total first in Section 1, then Section 2, and finally Section 3 will prevail. If a tie persists, then the project that serves the smallest population will prevail.

A project must submit a complete Preliminary Engineering Report (PER) to the DWSRF Loan Program in order to be scored and ranked on the PPL.

**Section 1: Acute Public Health / SDWA Compliance (upper limit 55 points)**

Instructions: Assign points to projects that address acute public health concerns occurring within the last three years. The upper limit for points in this section is 55. Acute public health concerns affect an individual in the immediate short-term.

Criteria to be corrected by project	Points for this criteria	Points for the project
1. Administrative Order, Agreed Order, or the Indiana Department of Environmental Management (IDEM) declares a waterborne emergency at existing water works for acute public health concerns	50 points	
2. Surface Water Treatment Rule violation, (including Backwash Filter Rule) i.e., inadequately treated surface water or groundwater under the influence of surface water	50 points	
3. Persistent Total Coliform Rule (TCR) or Nitrate violations	50 points	
4. Inadequate individual home water supplies documented by the local or state health department to show health hazards, such as exceeding the Drinking Water Maximum Contaminant Levels	50 points	
5. Consolidation of a non-complying public water system (acute public health concerns)	50 points	
6. Condition determined to be an acute public health concern by IDEM or the Indiana State Department of Health (ISDH)	50 points	
7. Compliance maintained in anticipation of a new regulation relating to acute public health	45 points	
<b>Initial total is:</b>		

**The upper limit for points in Section 1: Acute Public Health / SDWA Compliance is 55.**

**The final score for Section 1 is:** \_\_\_\_\_

**Section 2: Chronic Public Health / SDWA Compliance (upper limit 25 points)**

Instructions: Assign points to projects that address chronic public health concerns occurring within the last three years. The upper limit for points in this section is 25 points. Chronic public health concerns affect an individual over a lifetime.

Criteria to be corrected by project	Points for this Criteria	Points for the project
1. Administrative Order or Agreed Order for chronic public health concerns	20 points	
2. Persistent MCL violations (Volatile Organic Compounds, Synthetic Organic Compounds, Inorganic Compounds, Radionuclides or Disinfection Byproducts Rule)	20 points	
3. Lead and Copper Action Level violations	20 points	
4. Significant noncompliance (SNC) as determined by IDEM	20 points	
5. Consolidation of a non-complying public water system (chronic public health concerns)	20 points	
6. Condition determined to be a chronic public health concern by IDEM or ISDH	20 points	
7. Compliance maintained in anticipation of a new regulation relating to chronic public health	15 points	
<b>Initial total is:</b>		

**The upper limit for points in Section 2: Chronic Public Health / SDWA Compliance is 25.**

**The final score for Section 2 is:** \_\_\_\_\_

**Section 3: Public Health / Water Works Regulations Compliance (upper limit 10 points)**

Instructions: Assign points to projects for infrastructure improvements that will bring the existing public water systems into compliance with IDEM and/or water works regulations, such as Recommended Standards For Water Works 2003 Edition (A Report of the Water Supply Committee of the Great Lakes – Upper Mississippi River Board of State and Provincial Public Health and Environmental Managers). The upper limit for points in this section is 10 points.

Criteria to be corrected by project	Points for this Criteria	Points for the project
1. Resolve an IDEM connection ban, early warning notice or a non-SDWA violation	10 points	
2. Resolve inadequate pressure in water works	10 points	
3. Resolve conditions of inadequate quantity of a water supply, including individual home wells	7 points	
4. Ensure that drinking water receives appropriate treatment to meet secondary standards	7 points	
5. Ensure storage capacity in the water works is adequate	7 points	
6. Reduce leakage and increase accountability	5 points	
7. Ensure adequate flow in distribution system	5 points	
8. Prevent conditions favoring the entrance of contaminants into the distribution system	3 points	
9. Install eligible security measures (alternate intake, fencing, lighting, cameras, motion detectors, secure chemical and fuel storage, security hatches, and access panels)	3 points	
<b>Initial total is:</b>		

**The upper limit for points in Section 3: Public Health / Water Works Regulations Compliance is 10.**

**The final score for Section 3 is: \_\_\_\_\_**

**Section 4: Affordability and Population (upper limit 6 points)**

Instructions: Affordability points are assigned to assist community water systems most in need on a per household basis. Therefore, non-community systems are not eligible to receive affordability points. The upper limit for points in this section is 6 points. Sources for median household income and population data include the most recent U.S. Census and the IDEM Safe Drinking Water Information System (SDWIS). The post project annual water bill is based on an average monthly water bill (based on 4,000 gallons) x 12 months and rounded to one decimal place.

Criteria to be corrected by project	Points for this Criteria	Points for the project
<b><u>A. Affordability: post-project annual water bill as a percentage of median household income</u></b>		
<i>Community water systems only.</i>		
Greater than or equal to 1.5 %	<b>5 points</b>	
1.0 – 1.4 %	<b>4 points</b>	
Less than or equal to 0.9 %	<b>1 point</b>	
<b><u>B. Population served by the project</u></b>		
<i>Community and non-community water systems</i>		
Less than or equal to 10,000	<b>1 point</b>	
Greater than or equal to 10,001	<b>0 points</b>	
<b>Initial total is:</b>		

**The upper limit for points in Section 4: Affordability and Population is 6.**

**The final score for Section 4 is: \_\_\_\_\_**

**Section 5: Bonus (upper limit 4 points)**

Instructions: Bonus points encourage community water systems to perform planning and proper operation and maintenance. Non-community water systems are not eligible for bonus points. The upper limit for points in this section is 4 points.

Criteria to be corrected by project	Points for this Criteria	Points for the project
<b>A. Other Funds Available</b>		
Points are assigned to encourage community water systems to have other funds (cash on hand, grants or other loans) in addition to the construction loan from the DWSRF Loan Program. The percentage is calculated by dividing the other funds by the total project cost and rounding to a whole number. Assign points based on whether the system has the committed funds ( <b>Awarded</b> ) or is still in process of applying for other funds ( <b>Applying</b> ).		
Less than or equal to 10 %	<b>0 points</b>	
11-50 % (Awarded: 2 points / Applying: 1 points)	<b>1-2 points</b>	
Greater than or equal to 50% (Awarded: 3 points / Applying: 2 points)	<b>2-3 points</b>	
<b>B. Capacity Development / Sustainability</b>		
1. Completes a self-assessment survey to assess the technical, managerial and financial capability of the utility, such as CUPSS (Check Up System for Small Systems), but does not have to be IDEM specific	<b>1 point</b>	
2. Attends training for Utility Board Drinking Water Administrators	<b>1 point</b>	
3. Consolidation of a SDWA compliant public water system or interconnection	<b>1 point</b>	
4. Zero SDWA violations in last 12 months	<b>1 point</b>	
5. Project includes Wellhead Protection Plan Implementation measures	<b>1 point</b>	
6. Member of InWARN Network	<b>1 point</b>	
7. Recognized with a Hoosier Water Guardian Award	<b>1 point</b>	
8. >95% customers metered	<b>1 point</b>	
9. Unaccounted for water <15%	<b>1 point</b>	
10. Public Water System utilizes a Water Conservation Ordinance	<b>1 point</b>	
11. Project includes the remediation/redevelopment of a brownfield (IC 13-11-2-19.3) in conjunction with the Indiana Finance Authority Brownfields Program	<b>1 point</b>	
12. Project incorporates sustainable elements, as recognized by Attachment A: The SRF Sustainable Infrastructure Checklist (NOTE: these points are pending approval, and will not be assigned until approved by the Indiana Finance Authority Board.)	<b>1-4 points</b>	
<b>Initial total is:</b>		

The upper limit for points in Section 5: Bonus is 4. The final score for Section 5 is: \_\_\_\_\_

<b>DWSRF Project Scoring and Ranking Table</b>	
<b>Section 1: Acute Public Health / SDWA Compliance (upper limit 55 points)</b>	
<b>Section 2: Chronic Public Health / SDWA Compliance (upper limit 25 points)</b>	
<b>Section 3: Public Health / Water Works Regulations Compliance (upper limit 10 points)</b>	
<b>Section 4: Affordability and Population (upper limit 6 points)</b>	
<b>Section 5: Bonus (upper limit 4 points)</b>	
<b>TOTAL SCORE:</b>	

Attachment A  
SRF Sustainable Design Incentive Checklist  
(50 Possible Total Points)

**A. Energy Reduction/Alternative Source Items (13 Subtotal Points)**

- 1. The design reduces the future carbon footprint (**5 points**)
- 2. Site planning for any new storage, pumping station or treatment plant provides that items such as heat sink shading, building orientation and green roofs are included in the design (**3 points**)
- 3. The design includes an energy reduction plan (from the Energy Audit) with at least a 20% reduction goal (**3 points**)
- 4. Project utilizes a SCADA system, which performs data collection and control at the supervisory level that is placed on top of a real-time control system (multiple Programmable Logic Controls (PLC's)) to reduce energy consumption and enhance process control (**1 point**)
- 5. Clean fuel construction vehicles are used for 50% of the construction work (**1 point**)

**B. Wetland, Water Reuse and Reduction Items (15 Subtotal Points)**

- 1. Project creates, restores or expands a wetland (**1-3 points**)
- 2. Storm water capture/rain harvesting utilization for water reuse on site to be implemented (**2 points** for a treatment plant and/or **3 points** for within collection system)
- 3. The project includes long-term clear water reduction components (**4 points**)
- 4. The treatment facility incorporates water conservation and side stream reduction (**3 points**)

**C. Site and Material Reuse Items (17 Subtotal Points)**

- 1. Previously disturbed areas are given a high priority for any new storage, pumping station or treatment plant site selection (**2 points**); use of a brownfield site (adds **2 points**)
- 2. The design takes into account the deconstruction of the new, above-ground facilities (**2 points**)
- 3. Offsite beneficial reuse of either the treated wastewater or biosolids (**2 points**); new treatment process that significantly reduces residuals disposal (**2 additional points**)
- 4. The project beneficially utilizes recycled materials in the construction (**2 points**)
- 5. The specifications include an incentive clause for construction waste reduction, cut/fill earth work balance (**2 points**)
- 6. Low-impact construction technology is utilized to minimize impacts to the existing surface (**3 points**)

**D. Detailed life cycle costs (material, equipment, energy usage etc.) are fully utilized in the alternative selection process (5 points)**

- Project selection is based on detailed life cycle cost analysis
- A life cycle cost analysis calculates the cost of a project over its entire life span and includes up-front capital costs (planning, design and construction), annual operation and maintenance costs, replacement costs, and salvage value as well as annual project revenues.

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50 Total Possible Points

Awarded Points \_\_\_\_\_

# **EXHIBIT F**

## Summary of Set-Aside Funds

**Exhibit F**

**Summary of State of Indiana Set-Aside Activity**

**Total for Grant Years 1997 through 2007**

**As of June 30, 2008**

<b>Set-Aside</b>	<b>Federal Funds Awarded for Set-Asides</b>	<b>Maximum Grant for Set-Aside / Category (as % of Total Federal Grant)</b>	<b>Funds Obligated / Encumbered (optional)</b>	<b>Unobligated Balance</b>	<b>Funds Expended</b>	<b>Balance of Unexpended Funds</b>	<b>Set-Aside Spending Rate</b>
<b><u>Set-Aside Category</u></b>							
<b>Administration Set-Aside</b>	2,367,712.11	4%	543,772.71	1,823,939.40	1,800,939.40	566,772.71	76.1%
<b>Small Systems Technical Assistance</b>	1,311,983.89	2%	75,000.00	1,236,983.89	934,679.89	377,304.00	71.2%
<b><u>State Program Management</u></b>							
<b>PWSS (administer State program)</b>	1,656,369.00		287,989.97	1,368,379.03	1,368,379.33	287,989.67	
<b>Source Water Protection programs</b>	0.00		0.00	0.00	0.00	0.00	
<b>Capacity Development strategy</b>	0.00		0.00	0.00	0.00	0.00	
<b>Operator Certification program</b>	0.00		0.00	0.00	0.00	0.00	
<b>Total State Program Management (note: 1-to-1 match required on State Program Management)</b>	1,656,369.00	10%	287,989.97	1,368,379.03	1,368,379.33	287,989.67	82.6%
<b><u>Local Assistance / other State Programs</u></b>							
<b>Land Acquisition loans</b>	0.00		0.00	0.00	0.00	0.00	
<b>Source Water Protection loans</b>	0.00		0.00	0.00	0.00	0.00	
<b>Wellhead Protection</b>	0.00		0.00	0.00	0.00	0.00	
<b>PWS Capacity Development assistance</b>	2,163,769.00		0.00	2,163,769.00	2,163,769.00	0.00	
<b>SWP areas - Delineation &amp; Assessment</b>	0.00		0.00	0.00	0.00	0.00	
<b>Total Local Assistance &amp; other State Programs</b>	2,163,769.00	15%	0.00	2,163,769.00	2,163,769.00	0.00	100.0%
<b>Sub-Total: Non-Administration Set-Asides</b>	5,132,121.89		362,989.97	4,769,131.92	4,466,828.22	665,293.67	87.0%
<b>Total - All Set-Aside Activity</b>	<b>7,499,834.00</b>		<b>906,762.68</b>	<b>6,593,071.32</b>	<b>6,267,767.62</b>	<b>1,232,066.38</b>	<b>83.6%</b>

# **EXHIBIT G**

State Fiscal Year 2009  
Set-Aside Work Plan

**Exhibit G**  
**SFY 2009 Set-Aside Work Plan**

In SFY 2009 (July 1, 2008 – June 30, 2009), Indiana's Drinking Water State Revolving Fund (DWSRF) Loan Program will use its DWSRF Set-Aside allotments to continue promoting the implementation of the Safe Drinking Water Act (SDWA).

ADMINISTRATIVE SET-ASIDE (SDWA 1452(g)(2))

The DWSRF Loan Program will bank 4% of the Capitalization Grant appropriated under the ARRA, or approximately \$1,088,480 for the Administrative Set-Aside. The DWSRF Loan Program intends to bank its use of the Set Aside for a future year. The DWSRF Loan Program retains the authority to reclaim these funds from future capitalization grants.

In SFY 2009, the DWSRF Loan Program will take 4%, or approximately \$460,000 of the estimated \$11.4 million FFY 2009 DWSRF Capitalization Grant for the Administrative Set-Aside for the administration of the DWSRF Loan Program, which may include funding DWSRF salaries, benefits, and miscellaneous expenses incurred with program management.

Specifically, the DWSRF Loan Program will spend up to \$20,000 on new computers and computer-related equipment which have reached end of useful life and need to be replaced. The computers and equipment will be used by SRF Loan Program staff members who devote a portion of time to the DWSRF Loan Program.