As you will read below, the SRF Loan Programs are off to a good start through the half-way point of our State’s 2006 fiscal year. So good in fact, that the drinking water program will only be able to finance the highest ranking projects on our 2006 project priority list through the traditional SRF Loan Program. However, as described below, we believe we can still give borrowers an alternative funding source that will provide a below market interest rate. The same program will also be made available to our wastewater participants when the current capacity of that program meets its limits.

Jim McGoff, Director

STATE FISCAL MID-YEAR UPDATE

LOAN CLOSINGS
Indiana communities that financed their drinking water and wastewater infrastructure improvements through the SRF Loan Programs between July 1, 2005 and December 31, 2005 have saved an estimated $34,629,960 in interest payments over the next 20 years. Eight communities closed loans totaling $12,377,000 in order to provide safe drinking water to approximately 14,000 Hoosiers, and 12 wastewater project loans closed loans totaling $173,772,000 to provide over 1 million residents with improved wastewater treatment.

CAPACITY UPDATES

Drinking Water SRF Program:
The Drinking Water SRF (DWSRF) Loan Program is at capacity for SFY 2006 (July 1, 2005–June 30, 2006), which means the program has committed all of its available funds for fully subsidized loans for this SFY. However, the SRF Program will provide an alternative funding option for those communities needing to close a drinking water loan this spring. The program will be referred to as the “SRF Pooled Program.” Participants will be offered the “AAA” interest rate that is available to the SRF Program at the time of their loan closing. For most communities, this will still be a substantial savings when compared to their “open market” rate.

On July 1, 2006, DWSRF projects for which preliminary engineering reports (PERs) have been submitted will be scored and ranked on the SFY 2007 project priority list (PPL) for funding during SFY 2007. The highest ranking projects in the DWSRF range of available funding will be given the opportunity to close a loan within four months. On November 1, 2006, projects within the range of available funding that have not closed loans will be bypassed for lower-ranked projects that are ready to proceed. Projects not falling within the fundable range will be given the opportunity to close a loan through the SRF Pooled Program. Please contact Rich Emery or Sarah Reymann if you have questions. The DWSRF Loan program continues to accept new application for future funding consideration.

Wastewater SRF Program:
The Wastewater SRF (WWSRF) Loan Program anticipates having sufficient capacity to fund all loan requests for the current SFY. However, with increased reliance on the WWSRF Program for wastewater infrastructure financing and the anticipated reduction in the amount the State receives from the U.S. EPA, the WWSRF Loan Program will likely be able to fund only the highest ranking projects on its WW PPL during SFY 2007. The same ‘by-pass’ procedure described above will be followed for wastewater projects, and like the DWSRF Loan Program, the SRF Pooled Program will be made available for those wastewater projects that are unable to be funded through the traditional WWSRF Loan Program. If you have questions, please contact Rich Emery or Shelley Love. The WWSRF Program continues to accept new applications for future funding consideration.

PROJECT FOCUS

Wastewater:
The Town of Fulda is the first public decentralized wastewater treatment system (DWWTS) partially-financed by the wastewater SRF Program. Due to poor soils and seasonal high water tables, septic systems throughout the Town were either backing up or discharging into roadside ditches. Small lots precluded the opportunity for on-site repairs or replacements, and due to the Town’s location, community leaders determined that a package plant or regionalization with another system was too costly. The DWWTS consists of a septic tank effluent pumping (STEP) collection system, a two-celled subsurface constructed wetland with a re-circulating gravel filter, followed by a drip irrigation system. Since the project addressed a nonpoint source issue, an additional interest rate break allowed the community to finance $420,000 at 2.69%, saving nearly $120,000 in interest costs over a 20-year time period. The removal of the failing septic

Two-Celled Constructed Wetland 1
systems is expected to reduce nutrient loading to the East Fork of Crooked Creek.

**PROJECT FOCUS (Continued)**

**Drinking Water:**

The Town of Russiaville closed on a $1.3 million drinking water SRF loan to address several problems. The Town’s water treatment plant was deteriorating, and supply and storage capacities were inadequate. Besides needing to upgrade aging facilities to comply with EPA’s Safe Drinking Water Act, Russiaville’s distribution system had areas with dead ends and pressure less than 20 psi, which is a potential public health threat. In response, Russiaville constructed a new 200 gallon per minute (gpm) well, a new 200 gpm treatment facility and a new 200,000 storage tank. Also replaced were 1,800 linear feet of distribution mains. This project will protect public health and achieve Safe Drinking Water Act compliance.