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Message from the Director,

You’ll notice many exciting items in the Spring Newsletter. To start, just the way you received the newsletter is different; we’ve switched to utilizing a Listserv to disseminate our newsletters and other special announcements to our clients and interested partners. Anyone can go to the SRF web page to subscribe/unsubscribe at any time; we will not share the Listserv email address list.

Other exciting news in this issue includes an article about our new Rank and Score System for inclusion on our Project Priority Lists, an article about how you might be able to help the SRF Programs obtain more money for your community, and an article about SRF’s financial incentive to encourage borrowers to include sustainability in infrastructure projects.

We look forward to continuing to meet your drinking and wastewater infrastructure needs.

Jim McGoff, Director

Scoring For State Fiscal Year 2009
Prepare Your Project for the Fundable Range

Although the SRF Loan Program accepts applications year round, the deadline to be ranked on the State Fiscal Year (SFY) 2009 Project Priority List (PPL) is July 1, 2008. On that date, all Participants that have submitted a complete Preliminary Engineering Report (PER) will be ranked on the PPL to determine priority of funding.

Also on July 1, 2008, the SRF Loan Program will identify the SFY 2009 SRF Fundable Range, which is determined by the SRF Loan Program’s current loan capacity. Projects within the Fundable Range are eligible for an SRF loan. A project’s ranking on the PPL is important because only ranked projects within the Fundable Range have the ability to close an SRF loan. Eligible communities will have six months to close their loan. After six months (January 1, 2009), the SRF Loan Program will permit the bypass of projects within the Fundable Range that have not closed loans. Lower ranked projects will be permitted to close loans as long as funds are available.

Lastly, please make note that all communities eligible for SRF subsidized financing must have a construction permit and bid the entire SRF financed project before closing an SRF loan.

Indiana Communities Receive $3.5 Million from the Special Appropriation Program

The Special Appropriation Program is a federal earmark program allotted by the U.S. Congress to communities that have a project that exhibits a water quality or public health need.

SRF is excited to report that, for federal fiscal year 2008, eight Indiana communities received a total of $3.5 million dollars of these federal funds for work on drinking water and wastewater infrastructure projects.

The Indiana Finance Authority (IFA) manages the Special Appropriation Program for the U.S. EPA. Since 2005, the IFA’s management of the Special Appropriation Program, in Indiana, has assisted 26 Indiana communities in using $14.2 million dollars of federal funds for wastewater and drinking water projects.
As you may know, the Indiana Finance Authority (IFA) is planning a workshop to promote sustainability through its environmental programs—the State Revolving Fund (SRF) Loan Programs and the Indiana Brownfield Program. The workshop will be held on June 5th at the downtown Indianapolis Hyatt Hotel conference center. The workshop will feature leaders in the developing field of Sustainable Infrastructure and Green Development.

The focus of the workshop is to promote Sustainability through creative incentives. The workshop will address various sustainability topics including:

- What is Sustainability?
- What are the benefits of including Sustainability in SRF and Brownfields projects?
- Why should Sustainability be included in a project?
- How can Sustainable elements be added to a project?
- How will the IFA help pay for Sustainability Projects?

Panel discussion and presentations will offer the opportunity for participants to contribute their perspective and expertise in facilitated breakout sessions. Following a keynote address by David Forsell, President, Keep Indianapolis Beautiful, Inc., the workshop will begin with a general session, entitled Sustainable Design and then divide into separate SRF and Brownfields sessions.

The general session will discuss sustainable design as it relates to Leadership in Energy and Environmental Design (LEED), including heat sink shading, building orientation and green roofs; Low Impact Development (LID) with an emphasis on storm water capture/rain harvesting utilization for water reuse; and an overview on how LEED and LID may impact planning and smart growth in drinking and wastewater infrastructure and brownfields redevelopment.

The SRF session will provide an overview of how communities might incorporate sustainable business practices in infrastructure projects including designing for deconstruction, beneficial reuse of biosolids, side stream reduction and water conservation. This track will also highlight sustainability projects in Indiana and provide lessons learned and suggestions. Finally, we will wrap-up with an overview of how SRF will encourage the implementation of sustainability in SRF projects. This will include a discussion of the financial incentive that SRF will make available to projects that include sustainability.

Topics for the Brownfields session include: Green remediation in Brownfields projects (definition, techniques available, EPA position, local examples); Green City Initiatives (discussion of real world sustainable business practices); and conclude with a discussion available incentives and which the Indiana Brownfields Program may make available to encourage sustainable projects.

The information gathered from the Workshop will be incorporated into new sustainable SRF/Brownfields initiatives.

Key audiences include past, current and future SRF and Brownfields clients, mayors and town managers, municipal finance officials, utility superintendents, consulting engineers, financial advisors, real-estate developers, and persons interested in learning more about how sustainability impacts SRF and Brownfields projects.

Space is limited to 200 participants who represent brownfield stakeholders and wastewater and drinking water professionals.

Register now, space is limited.

For more workshop information, including a complete agenda with speakers, registration information, online registration link, lodging, parking, and maps, visit the IFA Sustainability Program web page at: http://www.in.gov/ifa/3260.htm

If you have any questions concerning registration, please contact Jessica Ewing at (317) 234-1279 or jaewing@ifa.in.gov.

Check out the SRF Website for IFA Sustainability Workshop information! http://www.in.gov/ifa/srf/3260.htm

DEADLINE FOR ADVANCE REGISTRATION: FRIDAY, MAY 20
How You Can Help Increase SRF CW Funding

The SRF Loan Programs have started preparing to conduct the 2008 Clean Watershed Needs Survey—a survey of wastewater systems and non-point source projects to assess 20-year capital improvement needs. The results of the survey help determine the federal allotment of funds to make capital improvements in Indiana and across the country.

Your help is needed to accurately document the needs for Indiana. If you are a community or county with a wastewater treatment plant, a collection system or failing septic systems please help us identify your needs. Communities with additional nonpoint source needs are also encouraged to participate. Surveys were mailed to all municipal systems and counties with a response requested by April 30, 2008. Additional information may be found on our web site or by logging on to www.epa.gov/cwns.

Bottom line: In order to fund Indiana’s increased wastewater capital improvement projects, we must document the need! The survey will produce an accurate assessment of the nation’s and state’s wastewater capital improvement needs and will be part of a report to Congress.

The SRF thanks you in advance for taking the time to complete the survey.

If you have questions, please contact Shelley Love, SRF Wastewater Program Administrator, at (317) 232-4396 or Amy Henninger, SRF Special Projects Coordinator, at (317) 232-6566.

Revised Scoring Systems

Effective July 1, 2008, the Drinking Water and Wastewater State Revolving Fund (SRF) Loan Programs will adopt revised Preliminary Engineering Report (PER) scoring systems. The PER scoring system is used to score and rank proposed projects on each Program’s Project Priority List (PPL). Ranking on the list is important because a project with a higher rank has a greater likelihood of receiving SRF subsidized funding.

Changes to the Wastewater SRF PER scoring system include a greater focus on water quality and sustainability. In addition, the new system will be based on 100 points, making it easier to compare ranked projects.

Changes to the Drinking Water SRF PER scoring system will include the addition of bonus points for participation in In-WARN (a Public Water System mutual aid network) and the Hoosier Water Guardian (a voluntary program administered by the Indiana Department of Environmental Management).

Both Programs will include the addition of bonus points for projects that incorporate sustainable elements and a brownfield redevelopment aspect. On June 5, 2008, IFA will hold the first IFA Sustainability Workshop to encourage sustainability through creative incentives (see article on page 2). Information gathered at the workshop will be used to develop the process for assigning bonus points to sustainable projects.

The draft revised PER scoring systems for both Programs will be available on June 1, 2008 and posted to the IFA website for a 30 day public comment period.

For questions regarding the revised Wastewater PER scoring system or to receive a copy by mail, contact Shelley Love, Wastewater Program Administrator (317) 232-4396. For questions regarding the revised Drinking Water PER scoring system or to receive a copy by mail, contact Sarah Hudson, Drinking Water Program Administrator (317) 232-8663.

Thank You, Drinking Water Systems!

Indiana has recently completed the 2007 Drinking Water Infrastructure Needs Survey and Assessment. The outcome of the survey will determine the amount of money available to Indiana drinking water systems through the Drinking Water SRF Loan Program. SRF staff is wrapping up the process by finishing final data verification and drafting a list of lessons learned to improve the process for next time—2011. Although the results of the survey will not be available until February 2009, Indiana scored high marks for the quality of survey information submitted to the U.S. EPA.

With that in mind, we would like to pass on the kudos to you, the 110 drinking water systems that participated in the survey. Thank you for your time and the quality you put into the survey responses. We care about improving Indiana’s drinking water quality and through your thoughtful responses, it was apparent that you do, too!

For questions regarding the Drinking Water Needs Survey, contact Sarah Hudson, Drinking Water Program Administrator (317-232-8663).
Columbia City Uses SRF Loan To Improve Water Quality & Reduce CSO Discharges

The existing Columbia City Water Pollution Control Facility (WPCF) is a Class III conventional activated sludge facility with 1.9 million gallons per day (MGD) of average design flow and 4.0 MGD peak hourly flow capacity. A large portion of the wastewater flow in the collection system overflows into the Blue River from permitted combined sewer overflows (CSO) during wet weather events.

The WPCF needed to be upgraded to increase the treatment capacity in order to reduce CSO discharges, treat additional wastewater flows and loadings because of rapid growth, address mechanical equipment deficiencies, and to address safety issues. To address these needs and implement Phase I of the city’s approved Long-Term Control Plan (LTCP), the city closed an SRF loan for $16,672,000 on September 25, 2005 for plant upgrades and closed a second SRF loan for $6,928,000 on December 15, 2006 for collection system improvements.

The project scope included:
- Upgrade the WPCF to 3.5 MGD average design flow with a peak capacity of 11.5 MGD, and
- Construct a gravity interceptor collection system, called the Blue River Interceptor.

Faced with the dilemma of higher than anticipated bids, the city used a creative engineering approach to stay within the original SRF loan amount.

The city, its consultants, and the construction contractor conducted value engineering to reduce the WPCF project contract amount. During the construction of the WPCF, the anaerobic digester floating cover had sustained significant structural damage which rendered the digester virtually inoperable. Additional value engineering and an amended contract eliminated plans to rehabilitate the existing anaerobic digester cover, and instead proposed installation of a new gas membrane-style digester cover with related piping, electrical and PLC revisions.

To complete the water quality improvements within their budget, the city amended the Blue River Interceptor project by revising the originally considered gravity interceptor sewer project to a series of gravity sewers, pump stations and force mains to reduce construction costs.

As anticipated by the city, through a cooperative effort among the municipality, consultants and contractor conducting value engineering on a on-going basis during construction, the city was able to construct unanticipated improvements without increased costs to its constituency.

Currently, the WPCF Upgrade contract is 99% complete and is under the original SRF loan amount. The Blue River Interceptor project has just begun and the city anticipates that the water quality improvements proposed in their approved Preliminary Engineering Report (PER) will be completed within their total loan amounts.
SRF Financial Corner

Summary of Current SRF Interest Rates

SRF Interest Rates are re-set on the first business day of each January, April, July and October. Below are the current SRF Program interest rates effective April 1, 2008 through June 30, 2008. The interest rates vary based on three ranges of average monthly user rates for an equivalent dwelling unit (User Rates) within each of the three existing median household income (MHI) tiers, creating nine possible interest rates.

<table>
<thead>
<tr>
<th>Wastewater SRF Interest Rates</th>
<th>User Rates (Over $50)</th>
<th>User Rates ($30 to $50)</th>
<th>User Rates (Under $30)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier III (MHI*: under $33,669)</td>
<td>3.03%</td>
<td>3.28%</td>
<td>3.78%</td>
</tr>
<tr>
<td>Tier II (MHI: $33,670 to $41,566)</td>
<td>3.28%</td>
<td>3.53%</td>
<td>4.03%</td>
</tr>
<tr>
<td>Tier I (MHI: over $41,567)</td>
<td>3.53%</td>
<td>3.78%</td>
<td>4.28%</td>
</tr>
</tbody>
</table>

* MHI reflected in 2000 Census
Note: Up to a .50% reduction may be permitted if a non-point-source project is financed along with a point source project.

<table>
<thead>
<tr>
<th>Drinking Water SRF Interest Rates</th>
<th>User Rates (Over $45)</th>
<th>User Rates ($25 to $45)</th>
<th>User Rates (Under $25)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier III (MHI*: under $33,669)</td>
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</tbody>
</table>

The New DBE Rule and What It Means To You

On March 26, 2008, the Office of Small Business Programs published its final rule entitled, “Participation by Disadvantaged Business Enterprises in Procurement under Environmental Protection Agency Financial Assistance Agreements,” (DBE Rule) in the Federal Register. The requirements of this rule will take effect on May 25, 2008.

The new DBE Rule will re-name the current (Minority Business Enterprise and Women’s Business Enterprise (MBE/WBE Programs) to the Disadvantaged Enterprises (DBE) Program and will decrease the quarterly reporting to a biannual requirement.

The new requirements under the DBE Rule affect all financial assistance agreements entered into from the effective date of the rule, forward. The new DBE Rule will not retroactively affect financial assistance agreements entered into before the effective date of the rule. Financial assistance agreements entered into before the effective date of the new rule will continue to be subject to the MBE/WBE program terms and conditions in their financial assistance agreements.

About Paying Agent Agreements

Q: What is a Paying Agent Agreement?
A: The Paying Agent Agreement (“Agreement”) is also commonly referred to as a Deposit Agreement. The Agreement is between the borrower of SRF funds and the Bank of New York Trust Company, Inc. (“Bank”). Under the Agreement, the Indianapolis office of the Bank holds the bond and interest account and the debt service reserve account of the borrower, and the borrower is given preferred investment rates. The borrower makes monthly transfers directly to the Bank to fund the debt service reserve account until the reserve requirement is met (generally, 60 months after the loan closing) and makes monthly transfers to the Bank to fund the bond and interest account so the Bank can make the borrower’s next principal and interest payment. The Agreement is a new requirement of closing a loan with the SRF Program.

Q: What investment options are available to the borrower?
A: The Bank offers a borrower several investment options, including three funds with no cash management fees:
1) Dreyfus Cash Management (Treasury, Agency, REPO, Bank Notes, Short Term Corps, CDs);
2) Dreyfus Government Prime Cash Management (Treasury and Agency Instruments Only);
3) Dreyfus Treasury Prime Cash Management (Treasury Instruments only).

The borrower should discuss with its financial advisor which investment is best.

Q: What fees are associated with the Bank holding a borrower’s SRF bond and interest account and debt service reserve account?
A: The Bank will not charge any fees for holding a borrower’s funds invested in one of the three Dreyfus funds outlined above. The Bank will be sending each borrower a new authorization form to fill out. It is important to return the form as requested by the Bank. (If fees are currently being charged, they will continue to show up on the borrower’s statement, unless the borrower signs the new form electing one of the three Dreyfus funds.) Please note that the Bank will charge a paying agent fee if the Bank is asked by the borrower to be the paying agent for bonds that are not SRF bonds.

Q: Can a borrower write one check each month that includes funds to be deposited in the bond and interest account and the reserve account?
A: Yes, a borrower can write one check ,but at a minimum, the borrower should either write on the check or include a cover letter with the check that has the account number(s) and a break down of the amount that should be deposited into the bond and interest account and into the reserve account. The borrower should also identify if the funds are for a drinking water loan or a wastewater loan.

Q: Should the borrower wire transfer the funds or is payment by mail acceptable?
A: Wire transfer is preferred. However, borrowers may send the transfers by mail. If mailing payment, send directly to the Bank (not the SRF Program) at the following address: The Bank of New York Trust Company, NA, Attn: Pool Finance Unit, 6525 West Campus Oval, Suite 200, New Albany, OH 43054. Payments should be received on or prior to the due date.
The State Revolving Fund (SRF) Loan Programs provide low-interest loans to Indiana communities for projects that improve wastewater and drinking water infrastructure. The SRF Programs, administered by the Indiana Finance Authority, protect both public health and the environment.

Indiana State Revolving Loan Programs
Drinking Water, Wastewater, Nonpoint Source

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