

The Watershed

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

Winter 2013

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Message from the Director

It is hard to believe it, but winter is upon us and the SRF is in the midst of a full schedule of closings. If you haven't had a chance, please take a look at our current interest rates. Remember, the SRF Program is here to meet your drinking and waste water infrastructure financing needs.

Bill Harkins, SRF Director

Prepaying an SRF Loan

With many SRF loans executed more than 10 years ago, together with historically low interest rates, the SRF Program has seen many communities explore refinancing their SRF loans with more than \$175,000,000 of open-market refundings having been completed in the past year.

While these refinancings are completed by issuing local bonds outside the SRF Program, they raise a variety of concerns for the SRF Program because each borrower's loan is tied to the SRF Program bonds that have been previously issued to capitalize all borrower loans. As a result, on July 19, 2013, the SRF Program requested that all SRF participants, contemplating prepaying SRF loans, follow the terms of their originally issued SRF bond issues, including call notices, call limitations, escrows fundings and similar matters.

The SRF Program seeks to continue to enable borrowers to retain flexible prepayment (call) terms associated with their SRF loans, while at the same time assuring the preservation of the SRF Program's overall cash flow and its continuing ability to fund and meet new SRF loan demand.

The SRF Program is pleased to be able to assist with such a large volume of prepayments and expects to continue to do so where it can be managed prudently.

For more information, please contact Bill Harkins, SRF Director, at wharkins@ifa.in.gov or 317/234-4862.

Current SRF Interest Rates

Below are the current SRF Program interest rates effective October 1, 2013 through December 31, 2013. 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 Medium Household Income tiers, creating nine possible interest rates.

Indiana's Drinking Water and Wastewater SRF Programs use a Base SRF Interest Rate, which is re-set on the first business day of each January, April, July and October. The SRF Program accepts applications throughout the year.

| Drinking Water SRF Interest Rates | User Rates (Over \$45) | User Rates(\$25 to \$45) | User Rates (Under \$25) |
|-------------------------------------|------------------------|--------------------------|-------------------------|
| Tier III (MHI*: under \$33,669) | 2.36% | 2.61% | 3.11% |
| Tier II (MHI: \$33,670 to \$41,566) | 2.61% | 2.86% | 3.36% |
| Tier I (MHI: over \$41,567) | 2.86% | 3.11% | 3.61% |

| Wastewater SRF Interest Rates | User Rates (Over \$50) | User Rates(\$30 to \$50) | User Rates (Under \$30) |
|-------------------------------------|------------------------|--------------------------|-------------------------|
| Tier III (MHI*: under \$33,669) | 2.36% | 2.61% | 3.11% |
| Tier II (MHI: \$33,670 to \$41,566) | 2.61% | 2.86% | 3.36% |
| Tier I (MHI: over \$41,567) | 2.86% | 3.11% | 3.61% |

*MHI reflected in 2000 Census

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

Chesterton Saves \$2.7 Million By Financing With SRF

Chesterton closed a loan with SRF in September 2013 for \$10.75 million to build a 1.2 million gallon wet weather storage tank and an upgrade to the plant headworks. The improvements will collect wet weather flows that exceed the Wastewater Treatment Plant's (WWTP) capacity and will upgrade the control system for the WWTP and collection system lift stations. The headworks upgrade includes an addition to the influent building with new vertical bar screens, new grit chamber, and a new lift station. The wet weather storage tank and headworks addition will treat wet weather flows up to a 10-year storm or 26 MGD over the treatment plant capacity. Chesterton Utility has been able to save over \$2.7 million by financing through the Indiana SRF, rather than through a conventional sewage revenue bond.



Construction of Chesterton's Wet Weather Storage Tank

Mount Vernon Saves \$2.3 Million Clean Water Project Highlight

As a combined sewer overflow community, Mount Vernon was required to develop a Long Term Control Plan (LTCP). To finance the first phase of the LTCP, Mount Vernon closed a loan with the SRF Program in 2009, that included grant assistance through the American Recovery and Reinvestment Act. This phase eliminated a combined sewer overflow that was upstream of the City's drinking water intake.

On May 11, 2011, SRF financed Phase II to increase the City's wastewater treatment plant's (WWTP) peak capacity from 5.32 million gallons per day (MGD) to 9.2 MGD. This phase included constructing a new headworks structure, installing an additional 3.0 MGD pump at the plant lift station, converting the existing primary clarifier to an aerated sludge holding tank, installing new aeration blowers, converting one of the aeration tanks to a contact stabilization tank, modifying the return activated sludge/waste activated sludge pumping station, converting the chlorine disinfection system to an ultra-violet disinfection system, and constructing a 3.5 million gallon wet weather storage tank.

Mount Vernon's project also included several Green Project Reserve components:

- o Flushing gates used in conjunction with the plant water system to clean the wet weather storage tank in lieu of using City water (water efficiency).
- o Variable frequency drives (VFDs) used with the high efficiency blowers to reduce energy usage (energy efficiency).
- o Supervisory Control and Data Acquisition system being used in conjunction with the VFDs on pump motors to reduce energy usage (energy efficiency).
- o Plant water system used for sealing water as opposed to using City water (water efficiency).

These improvements will help significantly in reducing the frequency and volume of the City's two remaining combined sewer overflows. By financing through the SRF, Mount Vernon saved approximately \$2.3 million in interest over a 20-year period versus financing through a conventional sewage revenue bond.



Mount Vernon's Wet Weather Storage Tank.

Lake Station Saves \$2.4 Million

Drinking Water Project Highlight

The City of Lake Station’s water utility suffered from declining well water production, taste and odor problems, and residential water meters at the end of useful life. The City of approximately 12,500 people provided no water treatment and wanted to improve water quality, provide softened water, and reduce its dependency on purchased water.

In response, SRF financed a \$9,771,000 loan on December 13, 2012, which saved the community \$2.4 million compared to an open market loan.

Utilizing its Drinking Water SRF funds, the city installed new water wells, replaced water mains, and constructed a new water treatment plant. The new wells will provide additional supply and the new water treatment plant will reduce iron and manganese. Replacing water mains will improve water quantity and quality; replacing water meters will decrease the utility’s unaccounted for water loss.

The city received an interest rate break as part of the SRF’s Green Project Reserve Sustainability Incentive for installing energy efficient motors, variable frequency drives, a new Supervisory Control and Data Acquisition (SCADA) system, ductile iron pipe, a backwash reclamation systems and water meters.



Lake Station’s horizontal pressure filters will reside in custom openings at the new water treatment plant.

Drinking Water Needs Survey Results

Indiana Drinking Water Systems need \$6.5 Billion

The results of the 2011 Drinking Water Infrastructure Needs Survey and Assessment (“the Survey”) are in! Thanks to all who assisted with the Survey; Indiana continues to demonstrate a significant drinking water infrastructure need.

According to the U.S. EPA’s Fifth Report to Congress, Indiana’s need is \$6.5 billion (in 2011 dollars) which represents infrastructure projects needed from January 1, 2011, through December 31, 2030. The table below titled, “Indiana’s Community Water Systems’ 20-Year Need by Size and Population,” shows the relationship between infrastructure need, population served, and the number of community water systems by size category. The estimate covers infrastructure needs that are eligible for, but not necessarily financed by Drinking Water State Revolving Fund (DWSRF) monies. Projects eligible for DWSRF funding include the installation of new infrastructure and the rehabilitation of existing infrastructure. Projects may be needed because existing infrastructure is deteriorated or undersized, or to ensure compliance with regulations.

The Indiana DWSRF Loan Program extends our sincere gratitude to everyone that assisted with the Survey. For more information about the Survey or to read the entire Report to Congress, please see: http://water.epa.gov/grants_funding/dwsrf/index.cfm

| Indiana’s Community Water Systems’ 20-Year Need by Size and Population (in billions of January 2011 dollars) | | | | | | |
|--------------------------------------------------------------------------------------------------------------|-------------|-----------|-------------------|--------------------|-------------------|------------------------|
| System Size | Need | | Water Systems | | Population Served | |
| | \$ Billions | % of Need | Number of Systems | % of Water Systems | Population | % of Population Served |
| Large Community Water Systems (serving over 100,000 persons) | \$1.8 | 28.2% | 5 | 0.6% | 1,577,574 | 32.3% |
| Medium Community Water Systems (serving 3,301 to 100,000 persons) | \$3.4 | 53.8% | 205 | 25.5% | 2,811,074 | 57.6% |
| Small Community Water Systems (serving 3,300 and fewer persons) | \$1.1 | 18.0% | 595 | 73.9% | 491,513 | 10.1% |

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

The State Revolving Fund (SRF) Loan Programs provide low-interest loans to Indiana communities for projects that improve wastewater and drinking water infrastructure. The SRF Programs, administered by the Indiana Finance Authority, protect both public health and the environment.



Indiana State Revolving Fund Loan Program

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