



The SRF News

The latest happenings in Indiana's State Revolving Fund Loan Program

Spring 2010

In this issue:

- **Message from the Director**
- **SRF Inspections Starting Soon!**
- **2010 SRF Program includes Davis-Bacon Act Requirements**
- **U.S. EPA Office of Inspector General Audits ARRA-Funded Sites**
- **ARRA Requires "Buy American"**
- **Two Ways to Save Money**
- **Summary of Current SRF Interest Rates**
- **Interest Rate Breaks for Sustainable Infrastructure and Nonpoint Source Projects**
- **SRF Funding Available!**

of approximately \$287 Million. This nearly triples the number of loan closings traditionally accomplished in twelve months (74 vs. 28), almost doubles the total dollar amount of loans provided (\$400 vs. \$220 Million) and more than doubles actual savings realized by Indiana communities for the past 3 years (\$287 vs. \$120 Million).

I would like to thank the committed and hard-working SRF Loan Program staff for achieving these results, as well as the IDEM, IDNR and OCRA staffs that worked closely with the SRF Loan Program to assure their required reviews were complete to meet the time sensitive deadlines for the ARRA-funded projects. Lastly, I would like to thank all of the communities for their patience and understanding of the ARRA process.

This newsletter provides information on the on-going oversight of ARRA-funded projects for which we are now responsible and also provides some exciting news about additional grant opportunities that will be offered by the SRF Loan Program.

Jim McGoff, Director

Message from the Director,

Last year, we all became very familiar with the American Recovery and Reinvestment Act of 2009, or, "ARRA," as it is commonly referred to. I often thought of Charlie Brown last year when seeing the letters "ARRA" and thought "ARGG!" However, now I am able to look back and see, with great satisfaction, all of the communities that have benefitted by the federal program over the last 9 months.

ARRA provided the State with a total of \$122 Million to fund wastewater and drinking water infrastructure projects. The SRF Loan Program reviewed over 300 applications, totaling more than \$2.5 Billion, in order to determine eligible participants with the most shovel-ready projects.

The SRF Loan Program traditionally averages 28 loan closings a year, totaling approximately \$220 Million. The savings provided to Indiana communities over the last three years combined (pre-ARRA) totaled almost \$120 Million. In only nine months, the SRF Loan Program closed 74 loans totaling over \$400 Million, including the \$122 Million of ARRA funds provided to the State, and provided Hoosiers with interest rate savings

SRF Inspections Starting Soon!

With the arrival of spring, SRF loan recipients and their consultants can expect to hear from SRF Loan Program staff to schedule project inspections. The primary purpose of the SRF project inspection is to ensure the SRF-financed project is being constructed as originally approved by the SRF Loan Program.

SRF Loan Program staff will also check certified weekly payrolls, "green" project components, unspent funds, and Buy American documentation (for American Recovery and Reinvestment Act projects). We appreciate SRF loan recipients and their consultants making time available to attend these important meetings.

Information for SRF Borrowers

2010 SRF Program includes Davis-Bacon Act Requirements

In Fall 2009, the U.S. EPA issued guidance creating a new requirement to the existing Drinking Water and Clean Water SRF programs. The guidance requires Davis-Bacon wages to be paid on all SRF projects bid after October 30, 2009.

Contracts for labor associated with all SRF construction projects must contain provisions incorporating the payment of local prevailing wages and fringe benefits as provided by the Davis-Bacon Act. Prevailing wage determinations, which are published by the Department of Labor, are determined per job classification and vary from county to county. Employees working on SRF construction sites must be paid on a weekly basis, and certified weekly payrolls must confirm the prevailing wages and fringe benefits for each employee working on-site. Wage determinations are updated frequently; therefore, Davis-Bacon guidelines provide several time restrictions on the applicability of each wage determination during the bidding and contract award process.

To assist SRF borrowers with meeting the Davis-Bacon requirements during phases of construction, the SRF Loan Program has retained certified Grant Administrators to serve as Labor Standards Administrators (LSA) to oversee labor standards compliance monitoring on all

SRF-financed projects. The LSAs will be the main point of contact for labor standards questions or concerns; therefore, they are an integral part of the construction management team and should be included on all related correspondence, especially items having to do with the construction schedule and pre-construction and progress meeting scheduling.

The SRF LSAs will provide valuable services to SRF-funded projects, including:

- review of certified weekly payrolls to ensure Davis-Bacon wage and fringe benefit compliance;
- on-site wage interviews of employees;
- apprentice training certification review; and
- suspension and debarment certification review.

Upon loan closing, the SRF Compliance Officer will provide the project contact and consulting engineer with the LSA's contact information in order to schedule a pre-construction meeting and as a reference for all future labor standards coordination. Compliance with the new Davis-Bacon Act requirements is imperative, and it is the SRF Loan Program's hope that the LSA will provide a necessary and valuable source of information and guidance through this process.

For more information, please contact Tiffany Murray, SRF Compliance Officer, at timurray@ifa.in.gov or (317) 234-6836.

U.S. EPA Office of Inspector General Audits ARRA-Funded Sites

The U.S. EPA Office of Inspector General (OIG) has visited several ARRA-funded project sites in order to audit and evaluate compliance with the requirements of the American Recovery and Reinvestment Act of 2009. U.S. EPA OIG audits are unannounced and include review of a wide spectrum of required documentation and construction activity.

In order to be prepared for a U.S. EPA OIG inspection, SRF-ARRA borrowers should make certain they are meeting the terms of their Loan Agreement with the SRF Loan Program. To ensure compliance, the U.S. EPA OIG may inspect several items, including:

- Bid documentation for all phases of the SRF-ARRA funded project;
- Documents which verify Davis-Bacon wages (or equivalent) are being paid including Certified Weekly Payrolls for each contractor(s) and subcontractor(s) working on-site, and interview forms for the requisite percentage of employees;
- Buy American documentation including manufacturer certifications, procurement contracts, and/or U.S.

EPA waivers; and

- Records which verify that all required ARRA documentation is maintained, including disbursement requests.

SRF-ARRA borrowers are required to maintain ARRA-related documentation at the utility's main office for a minimum of three years following project completion.

To make this process easier for borrowers, the SRF Loan Program has retained certified Grant Administrators to serve as Labor Standards Administrators (LSA) to oversee the labor standards compliance monitoring on all SRF-ARRA job sites at no cost to its borrowers. SRF-ARRA borrowers should make contact with their LSA in order to ensure that copies of up-to-date and accurate labor standards documentation is being distributed to the SRF-ARRA borrower on a consistent basis.

Further inquiries can be directed to Tiffany Murray, SRF Compliance Officer, at timurray@ifa.in.gov or (317) 234-6836.

ARRA Update

ARRA Requires “Buy American”

Section 1605 (the Buy American clause) of the American Recovery and Reinvestment Act of 2009 requires that all iron, steel, and manufactured goods purchased for and incorporated into projects funded in sum or in part by ARRA must be manufactured, assembled, or otherwise transformed in the United States.

To implement the Buy American clause, the U.S. EPA has mandated the maintenance of specific documentation to demonstrate compliance with this requirement. These Buy American compliance documents must be kept on-file at the SRF-ARRA borrower's main office.

ARRA-funded SRF projects have been audited by the U.S. EPA's Office of Inspector General (OIG) in order to

verify that compliance with all ARRA-related requirements is being achieved. The ultimate burden of compliance lies with the SRF-ARRA borrower; therefore, having comprehensive and accurate documentation is essential for successful U.S. EPA OIG audits.

As a courtesy to SRF-ARRA borrowers, the SRF Loan Program has asked that copies of all Buy American waivers, manufacturer's certifications, and all other related documentation are sent to the SRF Compliance Officer for review. The Compliance Officer will provide suggestions and interpretations based on U.S. EPA guidance in order to assist SRF-ARRA borrowers in obtaining full compliance with Buy American requirements.

Please forward all “Buy American” documentation to Tiffany Murray at timurray@ifa.in.gov.

The Indiana Finance Authority has fully awarded all \$122 million provided to Indiana for wastewater and drinking water infrastructure projects under the American Recovery and Reinvestment Act of 2009. The Recovery Act has supplemented more than \$400 million in financings through the State Revolving Fund Loan Program during the last 9 months alone, providing funding for 74 water infrastructure projects across the State.

For more information, visit <http://www.srf.in.gov>



Sustainability Program

Two Ways to Save Money

Green Projects

The U.S. EPA is requiring that at least 20% of the funds it makes available to the SRF Loan Program be used by the State for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities; a.k.a., “Green Projects.” Accordingly, the SRF Loan Program will ensure that projects that include green components receive priority in the SRF project ranking systems. In addition to the improved position in the SRF ranking system, the SRF Loan Program will continue to offer its Sustainable Infrastructure/Green Initiatives (SI/GI) Program where communities can receive an interest rate break of up to 0.5% on an eligible Green Project. Please contact the SRF Administrators to learn how your community can benefit by including Green Projects.

Learn more about the SI/GI Program at <http://www.in.gov/ifa/srf/2381.htm>

Additional Subsidization

Similar to the 20% green requirement, the U.S. EPA is requiring that at least 30% of the funds it makes available to the SRF Loan Program be used by the State to provide additional subsidy to eligible recipients in the form of principal forgiveness loans. Accordingly, the SRF Loan Program will give priority to projects in communities that could not otherwise afford such projects. Please contact the SRF Administrators if you believe your project, due to factors like high user rates, could not otherwise be completed unless the SRF Loan Program provides additional subsidy in the form of principal forgiveness.

For Drinking Water projects, contact Sarah Hudson at sahudson@ifa.in.gov. For Wastewater projects, contact Shelley Love at slove@ifa.in.gov.

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 Loan Program interest rates effective **April 1, 2010 through June 30, 2010**. 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. Visit the SRF Web site for current interest rates: <http://www.in.gov/ifa/srf/2427.htm>

Wastewater SRF Interest Rates	User Rates (Over \$50)	User Rates (\$30 to \$50)	User Rates (Under \$30)
Tier III (MHI*: under \$33,669)	2.17%	2.42%	2.92%
Tier II (MHI: \$33,670 to \$41,566)	2.42%	2.67%	3.17%
Tier I (MHI: over \$41,567)	2.67%	2.92%	3.42%

* 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.

Drinking Water SRF Interest Rates	User Rates (Over \$45)	User Rates (\$25 to \$45)	User Rates (Under \$25)
Tier III (MHI*: under \$33,669)	2.17%	2.42%	2.92%
Tier II (MHI: \$33,670 to \$41,566)	2.42%	2.67%	3.17%
Tier I (MHI: over \$41,567)	2.67%	2.92%	3.42%

Interest Rate Breaks for Sustainable Infrastructure and Nonpoint Source Projects

Resuming in SFY 2011, an SRF loan recipient may receive a reduced interest rate by incorporating Sustainable Infrastructure / Green Initiatives (SI/GI) or Nonpoint Source (NPS) components into their SRF-funded projects. By doing so, an SRF recipient may realize up to 0.5% percent interest rate discount for the entire loan to help offset either the SI/GI or NPS component costs.

Examples of SI/GI components are those that reduce energy consumption, include sustainable building design and materials, and conserve water consumption. Examples of NPS components include projects that reduce nonpoint source pollution, such as septic tank elimination.

For more information on SI/GI incentives, visit <http://www.in.gov/ifa/srf/2381.htm>.

For more information on NPS incentives, visit <http://www.in.gov/ifa/srf/2385.htm>.

SRF Funding Available!

SRF Traditional Financing

The DWSRF and WWSRF Loan Programs begin State Fiscal Year (SFY) 2011 on July 1, 2010. All preliminary engineering reports deemed complete by June 30, 2010 will be scored and ranked on the DWSRF and WWSRF Project Priority Lists (PPLs). The SRF Loan Program will determine the amount of funding available for SFY 2011 projects and will make funds available to the highest ranked projects, resulting in a "Fundable Range" on each PPL. Those projects in the Fundable Range may close a loan until Dec 31, 2010, after which the priority to close loans will be on a first-come first-served basis.

SRF Principal Forgiveness

New in SFY 2011, the DWSRF and WWSRF Loan Programs will offer a limited amount of principal forgiveness assistance (grants) available to qualifying SRF loan recipients. Principal forgiveness eligibility will be determined by a recipient's post-project user rates. For instance, a community with user rates that exceed \$65/month for WW or \$45/month for DW projects will be eligible to fund all or part of a project with SRF principal forgiveness as well as SRF traditional financing. SRF principal forgiveness will be made available to eligible projects in the Fundable Range starting July 1, 2010 and until December 31, 2010, after which availability will be on a first-come, first-served basis. An SRF recipient may also apply for additional funding, including grants, from other sources like the Office of Community and Rural Affairs and the USDA Rural Development.

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Indiana State Revolving Fund Loan Programs

Drinking Water, Wastewater, Nonpoint Source

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



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