

**SOUTH DAKOTA  
DRINKING WATER STATE REVOLVING FUND  
FISCAL YEAR 2009 INTENDED USE PLAN**

**INTRODUCTION**

The Safe Drinking Water Act Amendments of 1996 and South Dakota Codified Law 46A-1-60.1 to 46A-1-60.3, inclusive, authorize the South Dakota Drinking Water State Revolving Fund (SRF) program. Program rules are established in Administrative Rules of South Dakota chapter 74:05:11.

The state of South Dakota proposes to adopt the following Intended Use Plan (IUP) for the federal fiscal year 2009 as required under Section 1452(b) of the Safe Drinking Water Act and ARSD 74:05:11:03. The IUP describes how the state intends to use the Drinking Water SRF to meet the objectives of the Safe Drinking Water Act and further the goal of protecting public health. A public hearing was held on November 6 and 7, 2008, to review the 2009 Intended Use Plan and receive comments. The IUP reflects the results of this review.

The IUP includes the following:

- Priority list of projects;
- Short- and long-term goals;
- Criteria and method of fund distribution;
- Funds transferred between the Drinking Water SRF and the Clean Water SRF;
- Financial status;
- Description and amount of non-Drinking Water SRF (set-aside) activities; and
- Disadvantaged community subsidies.

Information pertaining to the state's effort to meet the requirements of the American Recovery and Reinvestment Act of 2009 is provided in the supplemental Intended Use Plan provided in Appendix A.

The amended Drinking Water SRF Intended Use Plan which included the supplement for the American Recovery and Reinvestment Act of 2009 was approved by the Board on March 27, 2009

**PRIORITY LIST OF PROJECTS**

A project must be on the project priority list, Attachment I, to be eligible for a loan. This list was developed from the State Water Plan and includes projects that did not designate Drinking Water SRF loans as a funding source.

Projects may be added to the project priority list at any meeting of the Board of Water and Natural Resources if the action is included on the agenda at the time it is posted.

Priority ratings are based on the project priority system established in ARSD 74:05:11:06. The general objective of the priority system is to assure projects that address compliance or health concerns, meet certain affordability criteria, or regionalize facilities receive priority for funding.

**GOALS, OBJECTIVES, AND ENVIRONMENTAL RESULTS**

The long-term goals of the Drinking Water SRF are to fully capitalize the fund, ensure that the state's drinking water supplies remain safe and affordable, ensure that systems are

operated and maintained, and promote economic well-being.

The specific long-term objectives of the program are:

1. To maintain a permanent, self-sustaining SRF program that will serve in perpetuity as a financing source for drinking water projects and source water quality protection measures. This will necessitate that the amount of capitalization grant funds for non-Drinking Water SRF activities are reviewed annually to assure adequate cash flow to maintain the fund.
2. To fulfill the requirements of pertinent federal, state, and local laws and regulations governing safe drinking water activities, while providing the state and local project sponsors with maximum flexibility and decision making authority regarding such activities.

The short-term goal of the SRF is to fully capitalize the fund.

The specific short-term objectives of the program are:

1. To assist systems in replacing aging infrastructure.
2. To assist systems in maintaining and upgrading its water treatment capabilities to ensure compliance with the Safe Drinking Water Act.
3. To promote regionalization and consolidations of water systems, where mutually beneficial, as a practical means of addressing financial, managerial, and technical capacity.
4. To ensure the technical integrity of Drinking Water SRF projects through the

review of planning, design plans and specifications, and construction activities;

5. To ensure the financial integrity of the Drinking Water SRF program through the review of the financial impacts of the set-asides and disadvantaged subsidies and individual loan applications and the ability for repayment;
6. To obtain maximum capitalization of the funds for the state in the shortest time possible while taking advantage of the provisions for disadvantaged communities and supporting the non-Drinking Water SRF activities.

#### Environmental Results

Beginning January 1, 2005, states were required to establish program activity measures (outcomes) in its Intended Use Plan to receive the federal capitalization grant. Progress related to the measures is to be reported in the following annual report.

For fiscal year 2009, the specific measures are:

1. In fiscal year 2008, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 98.9 percent, which is well above the national average of 88 percent. For fiscal year 2009, the goal of the Drinking Water SRF program is to maintain the fund utilization rate at or above 90 percent.
2. In fiscal year 2008, the rate at which projects progressed as measured by disbursements as a percent of assistance provided was 71.6 percent, which was lower than the goal of 80%. For fiscal year 2009, the goal is to increase the construction pace above 80 percent.

3. For fiscal year 2009, the goal of the Drinking Water SRF program is to fund 12 loans, totaling \$30 million.
4. For fiscal year 2009, it is estimated that 18 projects will initiate operations.
5. For fiscal year 2009, it is estimated that 10 Small Community Planning Grants will be awarded to small systems to evaluate the system's infrastructure needs.
6. For fiscal year 2009, it is estimated that the South Dakota Association of Rural Water Systems will provide 1,500 hours of technical assistance to small systems.

### CRITERIA AND METHOD OF FUND DISTRIBUTION

Projects will be funded based on their assigned priority as set forth on the Project Priority list. Projects with the highest ranking that have submitted a complete State Revolving Fund loan application and demonstrated adequate financial, managerial, and technical capacity to receive the loan shall be funded before any lower ranked projects. Projects on the priority list may be bypassed if they have not demonstrated readiness to proceed by submitting a loan application. The next highest priority project that has submitted an application will be funded. The state shall exert reasonable effort to assure that the higher priority projects on the priority list are funded.

Interest rates are reviewed periodically and are set to be competitive with other funding agencies. The interest rates for fiscal year 2009 are summarized in Table 1. Information regarding disadvantaged eligibility and subsidy level criteria can be found in the disadvantaged community subsidies section. The rates were adjusted in February 2009.

The interest rate includes an administrative surcharge as identified in Table 1. The

primary purpose of the surcharge is to provide a pool of funds to be used for administrative

	Up to 3 Yrs	Up to 10 Yrs	Up to 20 Yrs	Up to 30 Yrs
<u>Interim Rate</u>				
Interest Rate	2.00%			
Admin. Surcharge	<u>0.00%</u>			
Total	2.00%			
<u>Base Rate</u>				
Interest Rate		2.75%	2.50%	
Admin. Surcharge		<u>0.50%</u>	<u>0.50%</u>	
Total		2.25%	3.00%	
<u>Disadvantaged Rate - 100% of MHI</u>				
Interest Rate				2.50%
Admin. Surcharge				<u>0.50%</u>
Total				3.00%
<u>Disadvantaged Rate - 80% of MHI</u>				
Interest Rate				1.75%
Admin. Surcharge				<u>0.50%</u>
Total				2.25%
<u>Disadvantaged Rate - 60% of MHI</u>				
Interest Rate				0.00%
Admin. Surcharge				<u>0.00%</u>
Total				0.00%

purposes after the state ceases to receive capitalization grants. The administrative surcharge is also available for other purposes, as determined eligible by EPA and at the discretion of the Board of Water and Natural Resources and department. As of September 30, 2008, \$4.28 million of administrative surcharge funds are available.

Beginning in fiscal year 2005, administrative surcharge funds were provided to the planning districts to defray expenses resulting from SRF application preparation and project administration. Reimbursement is \$7,500 per approved loan with payments made in \$2,500 increments as certain milestones are met. Based on recent loan demand, an additional

\$150,000 will be obligated for this purpose in fiscal year 2009.

A requirement of the program is that a minimum of 15 percent of all dollars credited to the fund be used to provide loan assistance to small systems that serve fewer than 10,000 persons. Since the inception of the program, loans totaling more than \$71.5 million have been made to systems meeting this population threshold, or 35.0 percent of the \$204.2 million of total funds available for loan. With \$2.82 million identified for systems serving fewer than 10,000 persons on Attachment II – List of Projects to be funded in Fiscal Year 2009, the state expects to continue to exceed the 15 percent threshold.

Water systems must demonstrate the technical, managerial, and financial capability to operate a water utility before it can receive a loan.

The distribution methods and criteria are designed to provide affordable assistance to the borrower with maximum flexibility while providing for the long-term viability of the fund.

#### **AMOUNT OF FUNDS TRANSFERRED BETWEEN THE DRINKING WATER SRF AND THE CLEAN WATER SRF**

The Safe Drinking Water Act Amendments of 1996 and subsequent Congressional action allows states to transfer an amount equal to 33 percent of its Drinking Water SRF capitalization grant to the Clean Water SRF or an equivalent amount from the Clean Water SRF to the Drinking Water SRF. States can also transfer state match, investment earnings, or principal and interest repayments between SRF programs and may transfer a previous year's allocation at any time.

South Dakota transferred \$15,574,320 from the Clean Water SRF program in past years.

In fiscal year 2006, \$7.5 million of leveraged bond proceeds was transferred from the Drinking Water SRF program to the Clean Water SRF program. With the 2009 capitalization grants, the ability exists to transfer up to \$20.0 million from the Clean Water SRF program to the Drinking Water SRF program. Up to \$28.1 million could be transferred from the Drinking Water SRF Program to the Clean Water SRF program. Table 2 (page 9) itemizes the amount of funds transferred between the programs and the amount of funds available to be transferred.

No transfers are anticipated in fiscal year 2009.

#### **FINANCIAL STATUS**

Loan funds are derived from various sources and include federal capitalization grants, state match, leveraged bonds, borrowers' principal repayments, and interest earnings.

Capitalization Grants/State Match: Federal capitalization grants are provided to the state annually. These funds must be matched by the state at a ratio of 5 to 1. The fiscal year 2009 capitalization grant is expected to be \$8,146,000 which requires \$1,629,200 in state match. Bond proceeds will be used to match 2009 capitalization grant funds. The bonding authority for this program is established in SDCL 46A-1-60.1.

Leveraged Bonds: The South Dakota Conservancy District has the ability to issue additional bonds above that required for state match, known as leveraged bonds. Additional (leveraged) bonds above that required for state match were issued in fiscal years 2004, 2006, and 2008 in amounts of \$22.5 million, \$14.5 million and \$13.0 million, respectively. Subsequently, \$7.5 million of the 2006 proceeds were transferred to the Clean Water SRF program. It is anticipated that a 2009 bond issue will be required in to meet program demand.

Borrowers' Principal Repayments: The principal repaid by the loan borrowers is used to make semi-annual leveraged bond payments. Any excess principal is available for loans. It is estimated that \$6.8 million in principal repayments will be available for loans in fiscal year 2009.

Interest Earnings: The interest repaid by the loan borrowers, as well as interest earned on investments, is dedicated to make semi-annual state match bond payments. Any excess interest is available for loans. It is estimated that \$2.7 million in interest earnings will be available for loans in fiscal year 2009.

American Recovery and Reinvestment Act Funds: The state of South Dakota received a \$19,500,000 Drinking Water SRF capitalization grant through the American Recovery and Reinvestment Act of 2009. These funds do not require state match.

As of September 30, 2008, 122 loans totaling \$223,833,947 have been made.

At the beginning of fiscal year 2009, \$2,306,079 is available for loan. The attached project priority list identifies nearly \$48.4 million in potential loans. With the 2009 capitalization grant, state match, leveraged bonds, excess interest earnings, and repayments, approximately \$48.8 million will be available to loan. This information is provided in Attachment III, Drinking Water SRF Funding Status.

Funds will be allocated to the set-aside activities in the amounts indicated below. All remaining funds will be used to fund projects on the project priority list. A more detailed description of the activities can be found in the section pertaining to set-asides and the attachments.

Administration	\$325,840
Small System Technical Assistance	\$162,920
ARRA Small System Technical Assistance	\$390,000
Local Assistance and Other State Programs	\$50,000
<b>Total for set-asides</b>	<b>\$928,760</b>

The program has received eleven previous capitalization grants totaling \$99,939,500 and has provided the required state match of \$19,987,900. Of this amount, \$5,607,994 was allocated to set-aside activities as follows: \$3,997,580 for administration, \$1,384,908 for small system technical assistance, \$4,300 for state program management – operator certification, \$21,206 for capacity development, and \$200,000 for wellhead protection support.

With the adoption of the amended and restated Master Indenture in 2004, the Clean Water and Drinking Water SRF programs are cross-collateralized. This allows the board to pledge excess revenues on deposit in the Drinking Water SRF program to act as additional security for bonds secured by excess revenues on deposit in the Clean Water SRF program, and vice versa.

A conservative approach to set-asides and subsidized loans has been taken to assure achieving the goals of developing a permanent, self-sustaining SRF program. Future demand on the program will influence the allocation of funds to set-asides and loan subsidies.

The Safe Drinking Water Act included three provisions that call for a withholding of Drinking Water SRF grant funds where states fail to implement three necessary programmatic requirements. These provisions were assuring the technical, financial and managerial capacity of new water systems, developing a strategy to

address the capacity of existing systems, and developing an operator certification program that complies with EPA guidelines. The State of South Dakota continues to meet the requirements of these provisions and will not be subject to withholding of funds.

#### **DESCRIPTION AND AMOUNT OF NON-PROJECT ACTIVITIES (SET-ASIDES)**

The Safe Drinking Water Act authorizes states to provide funding for certain non-project activities provided that the amount of that funding does not exceed certain ceilings. Unused funds in the non-Drinking Water SRF will be banked for future use, where allowable, or transferred to the project loan account at the discretion of the State and with concurrence from the EPA Regional Administrator.

The following sections identify what portions of the capitalization grant will be used for non-Drinking Water SRF activities and describe how the funds will be used.

**Administration. Four percent of the fiscal year capitalization grant (\$325,840) will be allocated to administer the Drinking Water SRF program. This is the maximum allowed for this purpose.**

Specific activities to be funded are: staff salary, benefits, travel, and overhead; retaining of bond counsel, bond underwriter, financial advisor, and trustee; and other costs to administer the program.

Unused administrative funds will be banked to assure a source of funds not dependent on state general funds.

**Small system technical assistance. Two percent of the capitalization grant (\$162,920) and two percent of the ARRA capitalization grant (\$390,000) will be allocated to provide technical assistance to**

**public water systems serving 10,000 or fewer. This is the maximum allowed for this purpose.**

The objective of this set-aside is to bring non-complying systems into compliance and improve operations of water systems.

In fiscal year 1997, the board contracted with the South Dakota Association of Rural Water Systems to help communities evaluate the technical, managerial, and financial capability of its water utilities. These contracts have been renewed annually. The contract will be amended to allow the continuation of assistance activities. The South Dakota Association of Rural Water Systems has been allocated \$688,816 in set-aside funds. The Rural Water Association provides such on-site assistance as leak detection, consumer confidence reports, water audits, board oversight and review, treatment plant operations, operator certification, and rate analysis. Contracts to date have provided approximately 11,100 hours of on-site small system technical assistance.

The South Dakota Association of Rural Water Systems proposing to implement an “Energy Management Pilot for Drinking Water Facilities” with \$390,000 available through the American Recovery and Reinvestment Act of 2009.

To promote proactive planning within small communities, the Small Community Planning Grant program was initiated in fiscal year 2001. The systems are reimbursed 80 percent of the cost of an engineering study, with the maximum grant amount for any project being \$6,000. One hundred-eighteen grants have been made for this purpose, totaling \$438,773 in obligations. Grants are available only for communities with a population of 2,500 or less.

The board also provides additional grants for studies incorporating a rate analysis using

Rate Maker software. Reimbursement for performing a rate analysis is 80 percent of costs up to a maximum of \$1,600. Twenty-one grants, totaling \$29,600, have been awarded for rate analyses.

To assure available funds to support the existing small system technical assistance endeavors, \$162,920 from the fiscal year 2009 capitalization grant will be allocated to this set-aside. Unused funds from previous years' set-aside for small system technical assistance are banked for use in future years. Currently, \$145,718 remains from previous years' allocations to be used for the purposes described above.

State program management. The state may use up to 10 percent of its allotment to (1) administer the state PWSS program; (2) administer or provide technical assistance through water protection programs, including the Class V portion of the Underground Injection Control program; (3) develop and implement a capacity development strategy; and (4) develop and implement an operator certification program. A dollar-for-dollar match of capitalization funds must be provided for these activities.

No funds will be set-aside for these activities in federal fiscal year 2009.

Local assistance and other state programs. **\$50,000 will be used to contract with the Midwest Assistance Program (MAP).**

The state can fund other activities to assist development and implementation of local drinking water protection activities. Up to 15 percent of the capitalization grant may be used for the activities specified below, but not more than 10 percent can be used for any one activity. The allowable activities for this set-aside are: (1) assistance to a public water system to acquire land or a conservation easement for source water protection; (2) assistance to a community water system to

implement voluntary, incentive-based source water quality protection measures; (3) to provide funding to delineate and assess source water protection areas; (4) to support the establishment and implementation of a wellhead protection program; and (5) to provide funding to a community water system to implement a project under the capacity development strategy.

In 2008, the Midwest Assistance Program (MAP) submitted a proposal to assist small communities that received an SRF loan and recommendations were made in the capacity assessment to improve the technical, financial, or managerial capacity of the system. The Midwest Assistance Program worked with the DENR Capacity Assessment Coordinator to identify communities for follow-up reviews. Ten follow-up reviews were completed in fiscal year 2008. The DENR and the Midwest Assistance Program will continue the partnership in FY 2009 and \$50,000 will be allocated for this activity. The Midwest Assistance Program dedicates approximately one-half FTE to conduct 3 or 4 reviews per quarter.

## **DISADVANTAGED COMMUNITY SUBSIDIES**

Communities that meet the disadvantaged eligibility criteria described below may receive additional subsidies. This includes communities that will meet the disadvantaged criteria as a result of the project.

Definition. To be eligible for loan subsidies a community must meet the following criteria:

- (1) for municipalities and sanitary districts:
  - (a) the median household income is below the state-wide median household income; and
  - (b) the monthly residential water bill is \$20 or more for 5,000 gallons usage; or

(2) for other community water systems:

- (a) the median household income is below the state-wide median household income; and
- (b) the monthly water bill for rural households is \$50 or more for 7,000 gallons usage.

The source of income statistics will be the most recent federal census or statistically valid information supplied by the applicant.

Affordability criteria used to determine subsidy amount. Loans given to disadvantaged communities may have a term up to 30 years or the expected life of the project, whichever is less. Disadvantaged communities below the statewide median household income, but at or greater than 80 percent, are eligible to extend the term of the loan up to 30 years. Disadvantaged

communities below 80 percent of the statewide median household income, but at or greater than 60 percent may receive up to a two percentage point reduction in interest rates. See Table 1 on page 3 for the disadvantaged interest rate for fiscal year 2009. Disadvantaged communities with a median household income less than 60 percent of the statewide median household income may receive a zero percent loan.

Amount of capitalization grant to be made available for providing additional subsidies. Additional subsidies in the form of principal forgiveness or negative interest rates are not authorized under the program rules.

Identification of systems to receive subsidies and the amount. Systems that are eligible to receive disadvantaged community rates and terms are identified in Attachment I and Attachment II.



Table 2 - Amounts Available to Transfer between State Revolving Fund Programs

<b>Year</b>	<b>DWSRF Capitalization Grant</b>	<b>Amount Available for Transfer</b>	<b>Banked Transfer Ceiling</b>	<b>Amount Transferred from CWSRF to DWSRF</b>	<b>Amount Transferred from DWSRF to CWSRF</b>	<b>Transfer Description</b>	<b>CWSRF Funds Available to Transfer</b>	<b>DWSRF Funds Available to Transfer</b>
1997	\$12,558,800	\$4,144,404	\$4,144,404				\$4,144,404	\$4,144,404
1998	\$7,121,300	\$2,350,029	\$6,494,433				\$6,494,433	\$6,494,433
1999	\$7,463,800	\$2,463,054	\$8,957,487				\$8,957,487	\$8,957,487
2000	\$7,757,000	\$2,559,810	\$11,517,297				\$11,517,297	\$11,517,297
2001	\$7,789,100	\$2,570,403	\$14,087,700				\$14,087,700	\$14,087,700
2002	\$8,052,500	\$2,657,325	\$16,745,025	\$7,812,960		CW Cap Grant/Match	\$8,932,065	\$16,745,025
2003	\$8,004,100	\$2,641,353	\$19,386,378	\$7,761,360		CW Cap Grant/Match	\$3,812,058	\$19,386,378
2004	\$8,303,100	\$2,740,023	\$22,126,401				\$6,552,081	\$22,126,401
2005	\$8,352,500	\$2,756,325	\$24,882,726				\$9,308,406	\$24,882,726
2006	\$8,229,300	\$2,715,669	\$27,598,395		\$7,500,000	Leveraged Bonds	\$12,024,075	\$20,098,395
2007	\$8,229,000	\$2,715,570	\$30,313,965				\$14,739,645	\$22,813,965
2008	\$8,146,000	\$2,632,570	\$32,946,535				\$17,372,215	\$25,446,535
2009 (est)	\$8,146,000	\$2,632,570	\$35,579,105				\$20,004,785	\$28,079,105

## ATTACHMENT I

### PROJECT PRIORITY LIST

Attachment I is a comprehensive list of projects that are eligible for Drinking Water SRF loans. This list was developed from State Water Plan applications. Inclusion on the list carries no obligations to the Drinking Water SRF program. Attachment II lists those projects expected to be funded in fiscal year 2009.

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
200	Sioux Falls	C462232-09	<i>Problem:</i> production of vertical raw water wells Nos. 60, 61, and 62 and horizontal collector well No. 37 has been decreasing. <i>Project:</i> construct a new horizontal collector well to replace vertical wells Nos. 60, 61, and 62 and rehabilitate horizontal collector well No. 37.	\$3,578,750	2.25%, 10 yrs	123,975	
187	Northville	C462371-01	<i>Problem:</i> the water supply is insufficient to supply the demand for a peak day, and the distribution system is experiencing extreme water loss and has several dead end lines. <i>Project:</i> install approximately 1,280 feet of 4-inch line, replace water and upgrade the pump house to include installation of variable speed drives.	\$100,000	3.00%, 20 yrs	124	
172	Corson Village Sanitary District	C462423-01	<i>Problem:</i> recent sampling showed unacceptable levels of radionuclides, the distribution system is largely pipe of 2 inches or less and the pump house and chlorination system is in poor condition. <i>Project</i> replace the distribution system with 6-inch PVC lines and extend a main to connect with the city of Brandon.	\$440,000	3.00%, 20 yrs	45	
168	South Lincoln Rural Water System	C462441-02	<i>Problem:</i> the pumps in the Chancellor booster station are not efficient due to modifications to the system, and specific areas of substandard pressure within the system have been identified.	\$365,000	3.00%, 20 yrs	13,013	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
165	Fort Pierre	C462049-01	<i>Project:</i> Install new motors with variable frequency drives at the Chancellor booster station and construct 5 miles of additional pipeline to increase pressures. <i>Problem:</i> the water supply pumping system is outdated and wastes significant energy as well as contributes to cavitation and air entrainment. <i>Project:</i> install variable frequency drives and a magnetic flow meter to minimize pump cycling.	\$135,000	2.25%, 10 yrs	1,991	
165	Longview Sanitary District	C462463-01	<i>Problem:</i> a small public water system within the sanitary district has a history of water - related health and safety issues and water shortages. <i>Project:</i> connect to the Rapid Valley Sanitary District to provide water to the public water system and other users within the sanitary district.	\$2,100,000	3.00%, 20 yrs	200	
165	Mid-Dakota Rural Water System	C462430-01	<i>Problem:</i> the system does not have the treatment capacity to accommodate requests to provide service to new users. <i>Project:</i> expand the capacity of the existing treatment facility from 9.0 MGD to 13.5 MGD.	\$12,000,000	2.00%, 3 yrs	32,000	
154	New Underwood	C462257-01	<i>Problem:</i> the city in violation of maximum contaminant levels for radium and gross alpha which has resulted in a compliance order from DENR. <i>Project:</i> construction of a media adsorption filter system, building, and appurtenances to treat water from Well #2.	\$165,000	3.00%, 20 yrs	616	
153	Piedmont	C462462-01	<i>Problem:</i> water for the recently incorporated municipality is supplied by private wells which are being affected by on-site septic systems. <i>Project:</i> construct approximately 4,500 feet of 12-inch line to connect to the Black Hawk Water User District system and a distribution network.	\$1,100,000	3.00%, 20 yrs	300	
144	Colonial Pine Hills Sanitary District	C462270-02	<i>Problem:</i> three of the five wells within the system have high radionuclide levels and one	\$950,000	3.00%, 20 y	1,000	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
142	Englehart Estates	C462461-01	well has exceeded the radionuclide MCL. <i>Project:</i> drill a new well in the Madison formation to replace the wells with high radionuclide levels. <i>Problem:</i> the shallow wells serving the system are unreliable due to low water levels resulting from a recent drought, and the system is not metered and is not sampling as required. <i>Project:</i> Abandon the existing wells, install approximately 4000 feet of water main to connect to the city of New Underwood, replace the existing distribution system, and install meters.	\$129,100	3.00%, 20 yrs	45	
133	Fall River Water Users District	C462435-03	<i>Problem:</i> the Fall River WUD was served a petition for annexation from a group of area ranchers, businesses and other landowners. <i>Project:</i> construct approximately 48 miles of variously sized water mains, a new well, and appurtenances to serve new users in Fall River and Custer Counties.	\$612,000	0%, 30 yrs	275	Yes
132	Clark Rural Water System	C462460-01	<i>Problem:</i> the water treatment plant is exceeding its design capacity during peak demand periods. <i>Project:</i> replace the iron/manganese filtration plant with a lime softening plant.	\$1,000,000	3.00%, 20 yrs	5,653	
129	Edgemont	C462216-01	<i>Problem:</i> the city's storage facilities and distribution system is old and in disrepair and has had routine and repeat samples that tested positive for total and fecal coli form; additionally the system is unmetered. <i>Project:</i> replace the existing concrete reservoirs, repair the existing steel reservoir, and install water meters.	\$750,000	2.25%, 30 yrs	867	Yes
118	B-Y Rural Water User District	C462431-02	<i>Problem:</i> potential new users have been identified in the district's service area. <i>Project:</i> construct approximately seven miles of 4 and 6-	\$300,000	3.00%, 30 yrs	15,000	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- tagged
110	Rapid City	C462014-02	inch lines to serve 20 additional users in Douglas County. <i>Problem:</i> the Jackson Springs Gallery, which supplied about one-half of the city's water, was determined to be Groundwater Under the Direct Influence of Surface Water and the existing surface water treatment facility, constructed in 1961 and expanded in 1979 has exceeded its useful life. <i>Project:</i> construction of an 8 MGD treatment plant at Jackson Springs and a 36 MGD surface water treatment plant to replace the existing facility.	\$6,000,000	3.00%, 20 yrs	59,607	
98	B-Y Rural Water User District	C462431-03	<i>Problem:</i> the two current intakes are not large enough to serve the water treatment plant when operating at maximum capacity. <i>Project:</i> construction of a third raw water intake.	\$300,000	0%, 3 yrs	15,000	Yes
95	Eureka	C462194-02	<i>Problem:</i> the city's distribution system is experiencing excessive breaks due to its age and contains several dead end lines; additionally, improvements are needed to the water tower and pump house to improve reliability. <i>Project:</i> replace approximately 6,600 of waterline, repaint the water tower, provide a back-up power source for the pump house, and install a SCADA system and variable frequency drives for the pumps.	\$500,000	0%, 30 yrs	1,101	Yes
95	Hanson Rural Water System	C462458-01	<i>Problem:</i> the water tower in Ethan is over 100 years old and is need of replacement. <i>Project:</i> construct a 250,000-gallon elevated reservoir that will benefit both the town of Ethan and the Hanson Rural Water System.	\$841,000	3.00%, 30 yrs	1,842	Yes
95	Wagner	C462209-03	<i>Problem:</i> portions of the city's water distribution system cast iron that is almost 100 years old and in poor condition. <i>Project:</i> install	\$440,000	0%, 30 yrs	1,675	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
93	Clay Rural Water System	C462437-02	approximately 2,770 of PVC water main to replace the existing cast iron lines on south Park and intersecting streets. <i>Problem:</i> the water system has been approached to provide service to residences within the system's service area and components of the system have reached their useful life and need replacement. <i>Project:</i> install various sized pipe to serve an additional 80 users, replace variable frequency drives on pumps, replace two wells and one booster station and make improvements to the SCADA system.	\$2,290,000	3.00%, 30 yrs	17,587	Yes
93	Faith	C462249-01	<i>Problem:</i> the city is served by a regional water system; however, the city has been required to implement water restriction due to unavailability of water from the regional supplier. <i>Project:</i> construct a new well to provide additional water.	\$825,000	2.00%, 30 yrs	489	Yes
93	Kingbrook Rural Water System	C462432-06	<i>Problem:</i> increased demands within the system have created hydraulic deficiencies within the distribution system. <i>Project:</i> construct approximately 28 miles of 12-inch pipe and make improvements to an existing booster station to improve transmission capabilities.	\$4,200,000	3.00%, 20 yrs	11,000	
93	Letcher	C462358-01	<i>Problem:</i> the town is experiencing nearly 50 percent water loss. <i>Project:</i> install approximately 16,800 feet of PVC water main to replace the entire distribution system.	\$660,000	2.25%, 30 yrs	201	Yes
93	Roslyn	C462183-01	<i>Problem:</i> the water distribution system is in poor condition resulting in numerous water breaks and dead-end lines exist within the system. <i>Project:</i> replace the entire distribution with PVC water mains.	750,000	0%, 30 yrs	225	Yes
92	Morristown	C462366-10	<i>Problem:</i> the water distribution system is in poor condition resulting in numerous water breaks and dead-end lines within the system	\$100,000	0%, 30 yrs	82	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
84	Canistota	C462226-01	contribute to water quality problems. <i>Project:</i> replace the entire distribution with 2 and 4-inch PVC water mains. <i>Problem:</i> much of the existing cast iron water mains are corroded with interior encrustations reducing the effective diameter of the mains. <i>Project:</i> replace approximately 3,400 feet of water main on ash Street	\$441,460	3.00%, 30 yrs	700	Yes
84	Faulkton	C462217-01	<i>Problem:</i> much of the existing distribution system is cast iron water mains that are in poor condition. <i>Project:</i> install approximately 28,500 feet of PVC water mains to replace the existing cast iron mains and loop several dead-end lines, replace water meters, and purchase a standby generator.	\$500,000	0%, 3 yrs	785	Yes
81	Aurora-Brule Rural Water System	C462425-01	<i>Problem:</i> the existing raw water intake and pumping system are at capacity and located in an area with unstable soil conditions. <i>Project:</i> construct new intakes, pump station, and raw water reservoir at a new location.	\$500,000	0%, 3 yrs	5,000	Yes
78	Fall River Water Users District	C462435-04	<i>Problem:</i> additional landowner's within the district's service area have requested service. <i>Project:</i> construct approximately 29 miles of variously sized water mains and a 132,000-gallon water storage reservoir to serve the new users.	\$1,000,000	3.00%, 30 yrs	275	Yes
77	Spearfish Meadows Homeowners Association	C462459-01	<i>Problem:</i> the distribution system consists of lines ranging from ¾-inch to 4-inch in size which results in pressure and supply problems. <i>Project:</i> replace existing distribution system with 4 and 6-inch water lines, replace existing booster pump, install water meters and other miscellaneous improvements.	\$170,000	3.00%, 20 yrs	67	
65	Sioux Falls	C462232-10	<i>Problem:</i> areas within distribution system are aging and in need of replacement <i>Project:</i>	\$7,606,900	2.25%, 10 yrs	123,975	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
58	Green Valley Sanitary District	C462251-01	replace approximately 7,390 feet of water main in the Western Heights area, approximately 8,160 feet of water main near the air base and replace a pump station and three large diameter valves. <i>Problem:</i> most residences in the district are served by individual shallow wells for water use and septic systems for wastewater treatment. High groundwater levels and poorly operating septic tanks have led to water quality problems. <i>Project:</i> construct a distribution system and connect to the Rapid City system.	\$500,000	3.00%, 20 yrs	768	
57	Rapid Valley Sanitary District	C462013-01	<i>Problem:</i> the sanitary district has been approached by two small public water systems to provide water. <i>Project:</i> install a third micro-filtration skid in the water plant to provide the needed additional capacity.	\$682,000	3.00%, 20 yrs	7,500	
53	Yankton	C462038-03	<i>Problem:</i> Portions of the city's water lines are old and in need of replacement and the city's water towers are developing areas of corrosion, pitting and delaminated coatings. <i>Project:</i> replace approximately 19,850 feet of water lines and refurbish two water towers.	\$3,000,000	3.00%, 20 yrs	13,528	
35	Yankton	C462038-04	<i>Problem:</i> low flows and high sediment loads in the Missouri River are causing problems with the water intakes. <i>Project:</i> drill two angle wells to draw water from under the Missouri River.	\$2,228,000	3.00%, 20 yrs	13,528	
34	Parker	C462026-03	<i>Problem:</i> the existing water distribution system consists largely of 4-inch lines and is experiencing substantial water loss. <i>Project:</i> construct phase 4 of a seven-phase project to replace most of the water distribution system.	\$204,000	3.00%, 20 yrs	1,031	
33	Watertown	C462029-02	<i>Problem:</i> water main on Kemp Avenue is over 50 years old and experiencing numerous breaks and dead end lines exist in the vicinity. <i>Project:</i>	\$716,000	3.00%, 20 yrs	20,237	Yes



Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
23	Mitchell	C462129-02	Replace approximately 2,800 of 6- and 10-inch line on Kemp Avenue with 12-inch PVC line and install approximately 7,150 feet of various sized lines to loop dead end lines. <i>Problem:</i> the city does not have sufficient storage to meet the peak day demand, and two of the three towers are over 70 years old. <i>Project:</i> construct a 1,000,000-gallon elevated water tower.	\$1,000,000	3.00%, 30 yrs	14,558	Yes
22	Spearfish	C462030-01	<i>Problem:</i> water demand on the east side of the city has, on occasion, exceeded the capability of existing booster pump and well that serve the area. <i>Project:</i> develop a new well to serve the area.	\$1,300,000	3.00%, 20 yrs	8,606	
21	Box Elder	C462003-01	<i>Problem:</i> the city's three wells are unable to meet peak domestic demand and portions of the distribution system are asbestos-cement and undersized PVC pipe. <i>Project:</i> develop one additional wells and replace the asbestos-cement and undersized PVC pipe within the distribution system.	\$2,000,000	3.00%, 30 yrs	2,841	Yes
20	De Smet	C462193-01	<i>Problem:</i> the city's water distribution system consists of cast iron that is old and in poor condition. <i>Project:</i> install approximately 3,000 feet of PVC water main replace the existing cast iron lines on Third street:	\$325,000	2.25%, 30 yrs	1,164	Yes
19	Arlington	C462213-01	<i>Problem:</i> portions of the city's water main are cast iron that is old and in poor condition. <i>Project:</i> replace approximately 2-1/2 blocks of water main under Birch and 1 <sup>st</sup> Streets.	\$190,000	3.00%, 30 yrs	992	Yes
19	Newell	C462109-01	<i>Problem:</i> the city's water tower is 90 years old and in poor condition. <i>Project:</i> construct a 150,000 gallon water tower.	\$280,000	2.25%, 30 yrs	646	Yes
18	Oacoma	C462289-01	<i>Problem:</i> due to the elevations of the city's water storage reservoirs, insufficient pressure	\$1,414,800	3.00%, 20 yrs	390	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
18	Warner	C462042-01	occurs in certain locations. <i>Project:</i> construct a 140,000-gallon elevated water storage reservoir and relocate an existing storage reservoir. <i>Problem:</i> the city's water storage reservoir does not provide adequate storage to meet peak day demand, and the water meters have outlived the useful life expectancy. <i>Project:</i> construct a 75,000-gallon elevated water storage reservoir, and replace water meters.	\$400,000	0%, 3 yrs	419	
13	Baltic	C462223-02	<i>Problem:</i> the city's water meters are over 20 years old and unreliable. <i>Project:</i> replace the existing meters and covert to an automatic meter reading system.	\$185,000	2.25%, 10 yrs	811	
13	Hurley	C462281-01	<i>Problem:</i> dead-end lines are present in portions of the distribution system. <i>Project:</i> install approximately 3,500 feet of 6-inch water main to provide looping.	\$100,000	3.00%, 20 yrs	426	
13	Huron	C462291-02	<i>Problem:</i> portions of the city's water mains are 50 years old or older and experiencing numerous breaks. <i>Project:</i> replace 26 blocks of water lines.	\$620,000	3.00%, 30 yrs	11,893	Yes
12	Sturgis	C462068-02	<i>Problem:</i> The water main on Lazelle Street consists of 3-, 4-, and 6-inch water mains that are over 50 years old and in need of repair. <i>Project:</i> Replace existing lines with 12- and 6-inch mains.	\$1,200,000	3.00%, 30 yrs	6,450	Yes
11	Sisseton	C462053-01	<i>Problem:</i> portions of the city's water main are old cast iron that is experiencing corrosion. <i>Project:</i> replace approximately 6,400 feet of water line within the city.	\$723,000	3.00%, 20 yrs	2,572	
10	Elk Point	C462059-05	<i>Problem:</i> the cast iron water mains on Main Street are old and experiencing breaks. <i>Project:</i> replace the existing line with PVC water main in conjunction with a DOT reconstruction project.	\$625,000	3.00%, 20 yrs	1,714	
9	Bowdle	C462243-01	<i>Problem:</i> much of the city's water main is old	\$500,000	2.25%, 30 yrs	571	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- tagged
9	Hoven	C462253-01	and in poor condition. <i>Project:</i> replace 10,100 feet of water line within the city. <i>Problem:</i> the city's water lines and water tower are old and in poor condition. <i>Project:</i> replace approximately 19,300 feet of water mains, replace water meters, and rehabilitation of the water tower.	\$1,675,000	3.00%, 20 yrs	511	
9	Newell	C462109-01	<i>Problem:</i> portions of the city's distribution system consist of transite and cast iron pipe that is old and in poor condition. <i>Project:</i> replace approximately 1,600 feet of line in conjunction with a DOT project.	\$130,000	2.25%, 30 yrs	646	Yes
9	Selby	C462137-01	<i>Problem:</i> the city's distribution system is old and in need of replacement. <i>Project:</i> replace approximately 7,400 feet of water line.	\$735,000	2.25%, 30 years	736	Yes
9	Waubay	C462025-02	<i>Problem:</i> the city's distribution system is old and in need of replacement. <i>Project:</i> replace 10,950 feet of water line to complete the city's two-phase water distribution system replacement project.	\$1,200,000	2.25%, 30 years	662	Yes
9	Woonsocket	C462138-01	<i>Problem:</i> a portion of the city's distribution system is old and experiencing unacceptable leakage. <i>Project:</i> replace approximately 4,460 feet of asbestos cement pipe and 700 feet of cast iron pipe with PVC.	\$390,000	3.00%, 20 yrs	720	
9	Woonsocket	C462138-02	<i>Problem:</i> the water line on Highway 34 is old and experiencing frequent breaks. <i>Project:</i> install approximately 5,250 feet of 6- and 8-inch PVC pipe on Highway 34	600,000	3.00%, 20 yrs	720	
8	Emery	C462248-01	<i>Problem:</i> the city's water distribution system is old and in poor condition. <i>Project:</i> install approximately 1,350 feet of PVC water main replace the existing lines on Third and Main Streets.	\$200,000	3.00%, 30 yrs	439	Yes
8	Gayville	C462250-01	<i>Problem:</i> much of the existing distribution	\$275,000	3.00%, 20 yrs	418	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
			system consists of cast iron water mains that were installed in 1910. <i>Project:</i> install approximately 17,100 feet of PVC water mains to replace the cast iron mains and loop several dead-end lines.				
7	Java	C462350-01	<i>Problem:</i> the city's water distribution system consists of cast iron that is old and in poor condition. <i>Project:</i> install approximately 14,600 feet of PVC water main replace the existing cast iron lines.	\$150,000	3.00%, 30 yrs	197	Yes
6	Mobridge	C462016-05	<i>Problem:</i> recent low flow conditions in the Missouri River have threatened to the city's water intake. <i>Project:</i> extend the intake 1,560 feet.	\$1,240,000	2.25%, 30 yrs	3,574	Yes
6	Redfield	C462182-03	<i>Problem:</i> the water line on 1 <sup>st</sup> Street is old and in need or replacement. <i>Project:</i> install approximately 1,125 feet of 6- and 10- inch PVC pipe	\$280,000	2.25%, 30 yrs	2,897	Yes
5	Chamberlain	C462044-02	<i>Problem:</i> the city's water distribution system is over 40 years old and experiencing excessive breaks. <i>Project:</i> install approximately 7,000 feet of PVC water main replace existing lines.	\$940,000	3.00%, 30 yrs	2,338	Yes
5	Groton	C462051-03	<i>Problem:</i> approximately 60 percent of the city's water meters need to be replaced. <i>Project:</i> install 400 water meters and a remote meter reading system.	\$272,000	2.25%, 10 yrs	1356	
5	Lemmon	C462015-01	<i>Problem:</i> the system experiences inconsistent water pressure. <i>Project:</i> construction of a pressure boosting facility to provide constant water pressure.	\$185,000	2.25%, 20 yrs	1,398	Yes
5	Tyndall	C462131-03	<i>Problem:</i> the city's elevated storage tower is over 100 years old and in need of significant repairs. <i>Project:</i> construct a new 150,000-gallon elevated storage reservoir.	\$650,000	3.00%, 20 yrs	1,239	
4	Mina Lake Sanitary District	C462287-02	<i>Problem:</i> homes on the south end of Mina Lake	\$240,000	3.00%, 20 yrs	800	

<b>Priority Points</b>	<b>Community/ Public Water System</b>	<b>Project Number</b>	<b>Project Description</b>	<b>Est. Loan Amount</b>	<b>Expected Loan Rate &amp; Term</b>	<b>Pop. Served</b>	<b>Dis-advan- taged</b>
3	Hermosa	C462278-02	are experiencing low pressure. <i>Project:</i> construct approximately 11,400 of 6-inch PVC waterline. <i>Problem:</i> Due to a DOT re-grading project, the town must relocate water lines. <i>Project:</i> relocate approximately 900 feet of water mains.	\$196,000	3.00%, 20 yrs	341	

**ATTACHMENT II - LIST OF PROJECTS TO BE FUNDED IN FISCAL YEAR 2009**

<b>Priority Points</b>	<b>Community/ Public Water System</b>	<b>Project Number</b>	<b>Assistance Amount</b>	<b>Additional Subsidy</b>	<b>Funding Date</b>	<b>Expected Source of Loan Amount</b>	<b>Dis-advantaged?</b>
<b>LOANS EXPECTED</b>							
	See the ARRA Supplement to the Intended Use Plan for information on loans to be funded						

**ATTACHMENT III  
PROGRAM FUNDING STATUS**

**Fiscal Years 1997 - 2008**

Capitalization Grants	\$99,939,500
State Match	\$19,987,9000
Set-Asides	(\$5,607,944)
Transfer of FY 2002 & 2003 Clean Water Capitalization Grant and State Match	\$15,574,320
Leveraged Bonds	\$42,504,075
Excess Interest as of September 30, 2008	\$11,079,976
Excess Principal Repayments as of Sept. 30, 2008	\$23,048,399
 Total Funds Dedicated to Loan	 \$206,526,176
 Loans made through September 30, 2008	 <u>(\$204,220,098)</u>
 Balance of funds as of September 30, 2008	 \$2,306,078

**Fiscal Year 2009 Projections**

Capitalization Grants	\$8,146,000
State Match	\$1,629,200
Set-Asides	(\$538,760)
Projected Excess Principal Repayments	\$7,700,000
Projected Unrestricted Interest Earnings	\$3,650,000
Stimulus Funds	\$19,500,000
Stimulus Funds - Additional Subsidy	(\$9,750,000)
Set-Asides from Stimulus Funds	(\$390,000)
2009 Bond Issue	TBD
Arbitrage Rebate Liability	(\$200,000)
Projected Fiscal Year 2009 Loan Sub-total	<u>\$29,746,440</u>
 Total Funds Available for Loans	 <u>\$32,052,518</u>
 Loan Amount Identified on Attachment II - List of Projects to be Funded in Fiscal Year 2009	 <u>\$81,069,100</u>
 <i>Total Funds Available for Additional Subsidy</i>	 <i>\$9,750,000</i>
 <i>Additional Subsidy Amount Identified on Attachment II - List of Projects to be Funded in Fiscal Year 2009</i>	 <i>\$10,343,495</i>

<b>Administrative Surcharge Funds Available as of September 30, 2008</b>	
Program Income	\$1,494,726
Non-Program Income	\$2,782,804
Total	\$4,277,530

# **Appendix A**

**State of South Dakota DWSRF  
Supplemental Intended Use Plan  
Capitalization Grant Under the  
American Recovery and Reinvestment Act of 2009**



**State of South Dakota DWSRF  
Supplemental Intended Use Plan  
Capitalization Grant Under the  
American Recovery and Reinvestment Act of 2009**

**I. Introduction**

This Intended Use Plan (IUP) accompanies the State of South Dakota's application for a \$19,500,000 capitalization grant for its Drinking Water State Revolving Fund (DWSRF) under the American Recovery and Reinvestment Act (ARRA) of 2009. It is considered a supplement to the previously approved IUP for 2009 that was provided to USEPA in November 2008

**II. DWSRF Program Goals**

The State of South Dakota is committed to using the capitalization grant for which it is applying to provide assistance to water systems for capital improvement projects which will proceed quickly to construction, creating jobs and furthering the public health protection objectives of the Safe Drinking Water Act. The State of South Dakota's goal is to enter into binding commitments for projects which will proceed to construction or award of construction contracts by February 17, 2010. The State intends to award all assistance available under this capitalization grant in full conformance with the deadlines established under the ARRA and the terms and conditions of the capitalization grant award.

The State of South Dakota recognizes that the goal of the ARRA is to expeditiously fund eligible projects that simultaneously will create jobs, promote economic recovery, and generate long-term benefits from infrastructure investment. In this grant, the State is being called upon to accomplish goals that may not previously have been priorities in its base DWSRF program. Some priorities and activities in the State's base program that may not practically be attainable within the timeframes associated with the ARRA will be pursued using funds made available through the base DWSRF program.

**III. Sources and Uses of Funds**

The State of South Dakota is applying for a capitalization grant in the amount of \$19,500,000. This represents the amount that the State is eligible to receive under the State's allocation from the supplemental appropriation enacted under the ARRA. Note that the ARRA has waived the State match that the State is normally required to provide in order to receive a capitalization grant.

It may be necessary to transfer funds between the programs to meet expected demand. Any funds transferred will not involve ARRA funds, but will be SRF funds from other sources. The State intends to take a set-aside of 2.0% for small system technical assistance, which will be focused exclusively on conducting energy audits for small water system. This activity will be conducted by

the South Dakota Association of Rural Water Systems. A workplan has been developed and approved for this organization to provide a wide variety of technical assistance to small water systems. It is anticipated that a supplemental workplan will be developed and submitted to EPA.

The following table summarizes the sources and uses of the capitalization grant for which the State is applying:

Table 1 Sources and Uses of Capitalization Grant

<b>SOURCES</b>	<b>Amount</b>
Capitalization Grant	\$19,500,000
<b>USES</b>	<b>Amount</b>
2.0% Small System Technical Assistance	\$390,000
Infrastructure Assistance Agreements	\$19,110,000

#### IV. Criteria and Methods for Distribution of Funds

##### A. Loan Terms and Fees

The South Dakota CWSRF Program will offer the following loan terms:

The standard interest rates, including administration surcharge, and terms shall apply as shown on the following table:

	Up to 10 Yrs	Up to 20 Yrs	Up to 30 Yrs*
Base Rate			
Interest Rate	1.75%	2.50%	
Admin. Surcharge	<u>0.50%</u>	<u>0.50%</u>	
Total	2.25%	3.00%	
<u>Disadvantaged Rate - 100% of MHI</u>			
Interest Rate			2.50%
Admin. Surcharge			<u>0.50%</u>
Total			3.00%
<u>Disadvantaged Rate - 80% of MHI</u>			
Interest Rate			1.75%
Admin. Surcharge			<u>0.50%</u>
Total			2.25%
<u>Disadvantaged Rate - 60% of MHI</u>			
Interest Rate			0.00%
Admin. Surcharge			<u>0.00%</u>
Total			0.00%
* Term cannot exceed useful life of the project			

- Loan Origination Fee: None

## **B. Additional Subsidization**

The ARRA requires that 50% of assistance provided be in the form of additional subsidies. The State of South Dakota, under the authority of Chapter 174:05:12 of the Administrative Rules of South Dakota, (ARSD 174:05:12), has authority to offer principal forgiveness in an amount up to 100% of the value of a loan made by the State's DWSRF Program.

As adopted, ARSD 174:05:12 establishes the process and criteria for determining the amount of additional subsidy on a project specific basis. The following is the process and criteria the state will use:

All Drinking Water SRF applicants that meet readiness-to-proceed deadlines will receive 10 percent of the assistance amount awarded as principal forgiveness. Assistance recipients that meet the rates identified below may receive principal forgiveness in an amount exceeding 10 percent of the assistance amount awarded. When determining the amount of principal forgiveness, the following decision-making factors will be considered:

- Annual utility operating budgets;
- Available local cash and in-kind contributions;
- Available program funds;
- Compliance with permits and regulations;
- Debt service capability;
- Economic impact;
- Other funding sources;
- Readiness to proceed;
- Regionalization or consolidation of facilities;
- Technical feasibility;
- Utility rates; and
- Water quality benefits.

For municipalities and sanitary districts, the monthly residential wastewater bill must be \$20 or more for 5,000 gallons usage. For all other assistance recipients the monthly residential wastewater bill must be \$50 or more for 7,000 gallons usage.

The attached project list demonstrates that at least 50% of the available funding for projects will be provided via principal forgiveness. Any subsequent revision to this project list will likewise demonstrate that at least 50% of the available funding for projects will be provided via principal forgiveness.

## **C. Green Infrastructure**

The ARRA requires that, to the extent there are sufficient eligible project applications, not less than 20% of the funds provided for projects be used for water efficiency, energy efficiency, green infrastructure, or other environmentally innovative activities. The projects listed in the attached

project list includes 4 projects, and technical assistance activities, with a total assistance amount of \$3,535,370 (out of \$81.5 million requested in this IUP) that are designated on the List as meeting one or more of the specific objectives required by this provision. Where it is not clear that a project or component qualifies to be included as counting towards the 20% requirement, the files for such project will contain documentation of the business case on which the project was judged to qualify, as described in Attachment 8 to the USEPA guidance for the ARRA. Projects on the List meeting one or more objectives are designated as follows: Green Infrastructure = G; Energy Efficiency = E, Water Efficiency = W, Other Environmentally Innovative Activity = O.

Projects on the State of South Dakota's Fundable Project Priority List appear to contain qualifying components of a total value of 4.34 percent of the funds available for projects in the State. The State of South Dakota is making a timely and concerted solicitation for additional projects, with the objective of determining by August 17, 2009 which additional qualifying green infrastructure projects it will amend onto its IUP in an effort to reach the 20 percent mark.

#### **D. Priority for Projects Ready to Proceed to Construction in 12 Months/ Preference for Expeditious Activities**

The State of South Dakota has a priority system for its DWSRF program that ranks projects in accordance with criteria associated with public health, compliance and economic need. However, the ARRA requires that priority be given to projects that will be ready to proceed to actual construction within 12 months of the date of enactment. In anticipation of compliance with this requirement, the State of South Dakota is consulting with potential assistance recipients with projects on the project priority list and making a determination as to which of these projects can be started and completed expeditiously. After receiving a capitalization grant, the State will provide ARRA assistance to projects that qualify for this preference and submit an application for financial assistance

Through the annual State Water Planning process the state identified \$48.4 million in potential Drinking Water SRF projects. Through the normal State Water Plan amendment procedure and emergency applications to take advantage of the ARRA, an additional \$32.6 million in Drinking Water SRF projects have been identified. The state has focused on reaching out to communities with ready to go projects and green infrastructure, water or energy efficiency improvements and other environmentally innovative projects. As a result of this effort the DWSRF program has identified more than \$81.0 million in eligible projects that could be ready to proceed to construction within the time deadlines established by the ARRA. The state has adopted rules which provide supplemental priority points to projects that are ready to proceed or involve water or energy efficiency, green infrastructure, or other environmentally innovative activities. The attached project list includes projects that have been assessed through the DWSRF prioritization process.

In addition, ARRA section 1602 requires that "recipients shall give preference to activities that can be started and completed expeditiously, including a goal of using at least 50 percent of the funds for activities that can be initiated not later than 120 days after ... enactment" of the ARRA. The State of South Dakota intends to implement this preference requirement with the priority determined above, those projects that, as far as it's possible to determine, appear most likely to be able to start construction by June 16.

## **E. Avoidance of Reallotment/Relationship to Base Program**

In order to meet the requirements and deadlines of the ARRA for the expeditious and timely commitment and expenditure of funds, the State of South Dakota has established deadlines in its administrative rules governing the ARRA. Additionally, the State will regularly review the data reported to USEPA on the progress of assistance recipients under the statutory deadlines specified in this IUP to identify any issues with the timeliness of this progress. If such issues are identified, the State of South Dakota intends to work with USEPA to resolve such issues as may place the State at risk of reallotment if not timely resolved. The recently adopted administrative rules provide deadlines to ensure that assistance recipients make timely progress with respect to entering into construction contracts and/or construction. If a recipient fails to maintain progress with these conditions, they will forfeit its additional subsidization so that ARRA funding can be provided to a project that is ready to proceed. Recipients may receive other funding, including other DWSRF monies, to continue with project development.

The State understands that the USEPA may deobligate grant funds from States that fail to meet requirements on use of funds. The State of South Dakota intends to avoid deobligation. If the State is eligible for additional funds made available from other States that fail to meet deadlines, the State will provide USEPA with a list of projects from its priority list that are ready to proceed to construction, and will also provide a certification through an amendment to this IUP that all funds received for these projects will be under contract for construction within 120 days of reallotment.

## **V. Public Review and Comment**

In compliance with the requirement in SDWA sec. 1452(b)(1) to provide for public review and comment, the Intended Use Plan in draft form at [www.denr.state.sd.gov](http://www.denr.state.sd.gov). The State also provided notice of the availability of the Intended Use Plan to organizations and individuals on its distribution list by email, with a request that all comments be submitted by March 24, 2009. No comments were received.

## DWSRF ARRA FUNDABLE LIST 2009

**STATE: South Dakota**

**DATE: March 27, 2009**

^ "Green projects" key: Green Infrastructure=G, Energy Efficiency=E, Water Conservation=W, Other=O

Project Rank	Assistance Recipient	Service Area Population	Green Project^	Project Description	Estimated Date of Construction	Estimated Assist. Amount	Principal Forgiveness	ARRA Funding	DWSRF Funding	Green Project Reserve Amount	Interest Rate and Terms
1	Sioux Falls	123,975	E	Horizontal well	August-09	\$3,578,750	\$357,875	\$2,901,420	\$677,330	\$2,901,420	2.25%, 10 yrs
2	Northville	124	E	Water line & meter replacement & pump improvements	May-10	\$100,000	\$43,000	\$43,000	\$57,000	\$43,000	3.00%, 20 yrs
3	Corson Village Sanitary District	45		Consolidation of systems	August-09	\$440,000	\$44,000	\$440,000	\$0		3.00%, 20 yrs
4	South Lincoln Rural Water System	13,013	E	Installation of VFDs and additional pipeline	July-09	\$365,000	\$73,000	\$73,000	\$292,000	\$65,950	3.00%, 20 yrs
5	Fort Pierre	1,991	E	Installation of VFDs and magnetic flow meter	July-09	\$135,000	\$67,500	\$135,000	\$0	\$135,000	2.25%, 10 yrs
6	Longview Sanitary District	200		Consolidation of systems	May-10	\$2,100,000	\$210,000	\$2,100,000	\$0		3.00%, 20 yrs
7	Mid-Dakota Rural Water System	32,000		Treatment Plant expansion	July-09	\$13,000,000	\$1,000,000	\$1,000,000	\$12,000,000		2.00%, 3 yrs
8	New Underwood	616		New treatment system to address radionuclide issue	August-09	\$165,000	\$16,500	\$165,000	\$0		3.00%, 20 yrs
9	Piedmont	300		New distribution system to address contaminated wells	May-10	\$1,100,000	\$110,000	\$1,100,000	\$0		3.00%, 20 yrs
10	Colonial Pine Hills Sanitary District	1,000		New well to replace existing well with radionuclide issue	August-09	\$950,000	\$95,000	\$950,000	\$0		3.00%, 20 yrs
12	Fall River Water Users District	275		Pipeline well and appurtances to serve new users	August-09	\$612,000	\$612,000	\$612,000	\$0		0%, 3 yrs
13	Clark Rural Water System	5,653		Lime softening plant	August-09	\$1,000,000	\$100,000	\$1,000,000	\$0		3.00%, 20 yrs
14	Edgemont	867		Replace water storage reservoirs	May-10	\$750,000	\$75,000	\$750,000	\$0		2.25%, 30 yrs
15	B-Y Rural Water User District	15,000		Additional lines to serve new users	August-09	\$300,000	\$30,000	\$30,000	\$270,000		3.00%, 30 yrs
16	Rapid City	59,607		Two new water treatment plants	July-09	\$6,000,000	\$600,000	\$600,000	\$5,400,000		3.00%, 20 yrs
17	B-Y Rural Water User District	15,000		Raw water intake	May-10	\$2,000,000	\$300,000	\$300,000	\$1,700,000		0%, 3 yrs
18	Eureka	1,101		Replace lines and install SCADA & back-up power	August-09	\$500,000	\$50,000	\$50,000	\$450,000		0%, 30 yrs
19	Hanson Rural Water System	1,842		Elevated water reservoir	August-09	\$841,000	\$84,100	\$84,100	\$756,900		3.00%, 30 yrs
20	Wagner	1,675		Water line replacement	August-09	\$440,000	\$44,000	\$44,000	\$396,000		0%, 30 yrs
21	Clay Rural Water System	17,587		Lines to serve new users, replace VFDs, wells, & booster	July-09	\$2,290,000	\$229,000	\$529,960	\$1,760,040		3.00%, 30 yrs
22	Faith	489		Develop new well	August-09	\$825,000	\$82,500	\$82,500	\$742,500		2.00%, 30 yrs
23	Kingbrook Rural Water System	11,000		New lines and booster station	May-10	\$4,200,000	\$420,000	\$420,000	\$3,780,000		3.00%, 20 yrs
24	Letcher	201		Water line replacement	September-09	\$660,000	\$66,000	\$66,000	\$594,000		2.25%, 30 yrs
25	Roslyn	225		Water line replacement	May-10	\$750,000	\$75,000	\$75,000	\$675,000		0%
26	Morristown	82		Water line replacement	May-10	\$100,000	\$10,000	\$10,000	\$90,000		0%, 30 yrs
27	Canistota	700		Water line replacement	August-09	\$441,460	\$291,460	\$291,460	\$150,000		3.00%, 30 yrs
28	Faulkton	785		Water line and meter replacement	May-10	\$500,000	\$500,000	\$500,000	\$0		0%
29	Aurora-Brule Rural Water System	5,000		Intakes, pump station, and raw water reservoir	September-09	\$3,000,000	\$500,000	\$500,000	\$2,500,000		0%

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30	Fall River Water Users District	275		Additional lines to serve new users	August-09	\$1,000,000	\$100,000	\$100,000	\$900,000		3.00%, 30 yrs
32	Sioux Falls	123,975		Water line and large diameter valve replacement	June-09	\$7,606,900	\$760,690	\$760,690	\$6,846,210		2.25%, 10 yrs
33	Green Valley Sanitary District	768		New distribution system to address contaminated wells	May-10	\$500,000	\$50,000	\$50,000	\$450,000		3.00%, 20 yrs
34	Rapid Valley Sanitary District	7,500		Third micro-filtration skid	August-09	\$682,000	\$68,200	\$68,200	\$613,800		3.00%, 20 yrs
35	Yankton	13,528		Water line replacement	June-09	\$3,000,000	\$300,000	\$300,000	\$2,700,000		3.00%, 20 yrs
36	Yankton	13,528		Raw water intake	May-10	\$2,228,000	\$222,800	\$222,800	\$2,005,200		3.00%, 20 yrs
37	Parker	1,031		Water line replacement	June-09	\$472,190	\$372,190	\$372,190	\$100,000		3.00%, 20 yrs
38	Watertown	20,237		Water line replacement	August-09	\$716,000	\$71,600	\$71,600	\$644,400		3.00%, 20 yrs
39	Mitchell	14,558		1,000,000-gallon elevated water tower	August-09	\$1,000,000	\$100,000	\$100,000	\$900,000		3.00%, 30 yrs
41	Box Elder	2,841		Well development and water line replacement	May-10	\$2,000,000	\$200,000	\$200,000	\$1,800,000		3.00%, 30 yrs
42	De Smet	1,164		Water line replacement	August-09	\$325,000	\$32,500	\$32,500	\$292,500		2.25%, 30 yrs
43	Arlington	992		Water line replacement	August-09	\$190,000	\$19,000	\$19,000	\$171,000		3.00%, 30 yrs
44	Newell	646		150,000-gallon elevated water tower	September-09	\$280,000	\$28,000	\$28,000	\$252,000		2.25%, 30 yrs
45	Oacoma	390		140,000-gallon elevated water tower	September-09	\$1,414,800	\$321,480	\$321,480	\$1,093,320		3.00%, 20 yrs
46	Warner	419		75,000-gallon elevated water tower	September-09	\$400,000	\$400,000	\$400,000	\$0		0%
47	Baltic	811		Meter replacement	August-09	\$185,000	\$18,500	\$18,500	\$166,500		2.25%, 10 yrs
48	Hurley	426		Additional water lines to loop distribution system	August-09	\$100,000	\$10,000	\$10,000	\$90,000		3.00%, 20 yrs
49	Huron	11,893		Water line replacement	August-09	\$620,000	\$62,000	\$62,000	\$558,000		3.00%, 30 yrs
50	Sturgis	6,450		Water line replacement	May-10	\$1,200,000	\$120,000	\$120,000	\$1,080,000		3.00%, 30 yrs
51	Sisseton	2,572		Water line replacement	May-10	\$723,000	\$72,300	\$72,300	\$650,700		3.00%, 20 yrs
52	Elk Point	1,714		Water line replacement	May-10	\$625,000	\$62,500	\$62,500	\$562,500		3.00%, 20 yrs
53	Bowdle	571		Water line replacement	May-10	\$500,000	\$50,000	\$50,000	\$450,000		2.25%, 30 yrs
54	Hoven	511		Water line replacement	May-10	\$1,675,000	\$167,500	\$167,500	\$1,507,500		3.00%, 20 yrs
55	Newell	646		Water line replacement	May-10	\$130,000	\$13,000	\$13,000	\$117,000		2.25%, 30 yrs
56	Selby	736		Water line replacement	May-10	\$735,000	\$73,500	\$73,500	\$661,500		2.25%, 30 yrs
58	Woonsocket	720		Water line replacement	May-10	\$390,000	\$39,000	\$39,000	\$351,000		3.00%, 20 yrs
59	Woonsocket	720		Water line replacement	May-10	600,000	\$60,000	\$60,000	\$540,000		3.00%, 20 yrs
60	Emery	439		Water line replacement	May-10	\$200,000	\$20,000	\$20,000	\$180,000		3.00%, 30 yrs
61	Gayville	418		Water line replacement	May-10	\$275,000	\$27,500	\$27,500	\$247,500		3.00%, 20 yrs
62	Java	197		Water line replacement	May-10	\$150,000	\$15,000	\$15,000	\$135,000		3.00%, 30 yrs
63	Mobridge	3,574		Raw water intake extension	May-10	\$1,240,000	\$124,000	\$124,000	\$1,116,000		2.25%, 30 yrs
64	Redfield	2,897		Water line replacement	May-10	\$280,000	\$28,000	\$28,000	\$252,000		2.25%, 30 yrs
65	Chamberlain	2,338		Water line replacement	August-09	\$940,000	\$94,000	\$94,000	\$846,000		3.00%, 30 yrs
66	Groton	1356		Meter replacement	August-09	\$272,000	\$27,200	\$27,200	\$244,800		2.25%, 10 yrs
67	Lemmon	1,398		Pressure booster facility	September-09	\$185,000	\$18,500	\$18,500	\$166,500		2.25%, 20 yrs

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68	Tyndall	1,239		150,000-gallon elevated water tower	September-09	\$650,000	\$65,000	\$65,000	\$585,000		3.00%, 20 yrs
69	Mina Lake Sanitary District	800		Additional water lines to address low pressure areas	May-10	\$240,000	\$24,000	\$24,000	\$216,000		3.00%, 20 yrs
70	Hermosa	341		Water line relocation	August-09	\$196,000	\$19,600	\$19,600	\$176,400		3.00%, 20 yrs
<b>Subtotal for DWSRF Projects:</b>						<b>\$81,069,100</b>	<b>\$10,343,495</b>	<b>\$19,110,000</b>	<b>\$61,959,100</b>	<b>\$3,145,370</b>	
	SD Association of Rural Water System		E	Technical Assistance Set-aside for Energy Audit Activities	NA	\$390,000		\$390,000		\$390,000	
						<b>\$81,459,100</b>		<b>\$19,500,000</b>		<b>\$3,535,370</b>	