

**SOUTH DAKOTA
DRINKING WATER STATE REVOLVING FUND
FISCAL YEAR 2012 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 2011 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 10, 2011, to review the 2012 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.

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 and 74:05:11:06.01. 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 2012, the specific measures are:

1. In fiscal year 2011, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 95.2 percent, which exceeded the national average and our target goal of 90 percent. For fiscal year 2012, the goal of the Drinking Water SRF program is to maintain the fund utilization rate at or above 90 percent.
2. In fiscal year 2011, the rate at which projects progressed as measured by disbursements as a percent of assistance provided was 82.1 percent, which exceeded the goal of 80%. For fiscal year 2012, the goal is to maintain the construction pace at or above 80 percent.
3. For fiscal year 2012, the goal of the Drinking Water SRF program is to fund 19 loans, totaling \$22.1 million.
4. For fiscal year 2012, it is estimated that 29 projects will initiate operations.
5. For fiscal year 2012, it is estimated that 12 Small Community Planning Grants

will be awarded to small systems to evaluate the system's infrastructure needs.

- For fiscal year 2012, 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 in comparison to established bond rating indexes to assure rates are at or below market rates as required. The SRF rates are then set to be competitive with other funding agencies.

The interest rates for fiscal year 2012 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 last 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 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. It is estimated that approximately \$1.9 million will be used

	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		1.00%		1.75%
Admin. Surcharge		<u>0.25%</u>		<u>0.50%</u>
Total		1.25%		2.25%
<u>Disadvantaged Rate - 60% of MHI</u>				
Interest Rate				0.00%
Admin. Surcharge				<u>0.00%</u>
Total				0.00%

as state match for the fiscal year 2012 capitalization grant.

As of September 30, 2011, \$6.5 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.

The American Recovery and Reinvestment Act (ARRA) of 2009 and subsequent capitalization grants have mandated implementation of Davis-Bacon prevailing wage rules. Under joint powers agreements between the planning districts and the department, the planning districts are to be reimbursed \$1,000 per project to oversee compliance with the Davis-Bacon wage rate verification and certification.

Administrative surcharge funds will again be provided to the planning districts to defray the cost of SRF application preparation and project administration, which includes Davis-Bacon wage rate verification and certification. The 2012 allocation for these activities will be \$100,000.

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 nearly \$122 million have been made to systems meeting this population threshold, or 39.7 percent of the \$307.25 million of total funds available for loan. Attachment II – List of Projects to be funded in Fiscal Year 2012 identifies more than \$23.4 million in projects, of which approximately \$22.4 million is for systems serving less than 10,000; therefore, 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 and 2011, \$7.5 million of leveraged bond proceeds and \$10 million of repayments, respectively were transferred from the Drinking Water SRF program to the Clean Water SRF program. With the 2012 capitalization grant, the ability exists to transfer up to \$30.8 million from the Clean Water SRF program to the Drinking Water SRF program. Nearly \$28.9 million could be transferred from the Drinking Water SRF Program to the Clean Water SRF program. Table 3 (page 10) itemizes the amount of funds transferred between the programs and the amount of funds available to be transferred.

No transfers are anticipated in 2012.

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 2012 capitalization grant is expected to be \$9,418,000 which requires \$1,883,600 in state match. Administrative surcharge will be used to match 2012 capitalization grant funds.

In fiscal year 2012, the South Dakota Drinking Water SRF program will draw cash from Federal grants to pay for project and administrative expenses at a ratio of 83.33 percent federal to 16.67 percent of state match funds. This ratio may be adjusted throughout the year with additional federal funds spent, due to the program having spent state match prior to drawing federal funds, so the program could remain in compliance with the Tax Increase Prevention and Reconciliation Act. Leveraged bond proceeds will be spent on project expenses with a zero percent federal proportionate share.

Leveraged Bonds: The South Dakota Conservancy District has the ability to issue additional bonds above that required for state match, known as leveraged bonds. To date, \$60.7 million in leveraged bonds have been issued for the Drinking Water SRF program. It is anticipated that no additional leveraged bonds will be required in 2012.

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 \$8.5 million in principal repayments will be available for loans in fiscal year 2012.

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 \$3.6 million in interest

earnings will be available for loans in fiscal year 2012.

As of September 30, 2010, 200 loans totaling \$292,527,899 have been made.

At the beginning of fiscal year 2012, \$14,722,241 is available for loan. With the 2012 capitalization grant, state match, leveraged bonds, excess interest earnings, and repayments, approximately \$37.4 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	\$376,720
Small System Technical Assistance	\$188,360
Local Assistance and Other State Programs	\$550,000
Total for set-asides	\$1,115,080

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.

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.

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.

Additional Subsidy - Principal Forgiveness

The 2010 and 2011 Drinking Water SRF appropriations mandated that not less than 30 percent of the funds made available for Drinking Water SRF capitalization grants shall be used by the State to provide additional subsidy to eligible recipients. Additional subsidy may be in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these).

Additional subsidy will be provided in the form of principal forgiveness. Municipalities and sanitary districts must have a minimum rate of \$25 per month based on 5,000 gallons usage or a flat rate to qualify for principal forgiveness. Other applicants must have a minimum rate of \$55 per month based on 7,000 gallons usage or a flat rate to qualify for principal forgiveness.

When determining the amount of principal forgiveness, the Board of Water and Natural Resources may consider the following decision-making factors, which are set forth in alphabetical order:

- (1) Annual utility operating budgets;
- (2) Available local cash and in-kind contributions;
- (3) Available program funds;

- (4) Compliance with permits and regulations;
- (5) Debt service capability;
- (6) Economic impact;
- (7) Other funding sources;
- (8) Qualification as a Green Project Reserve project;
- (9) Readiness to proceed;
- (10) Regionalization or consolidation of facilities;
- (11) Technical feasibility;
- (12) Utility rates; and
- (13) Water quality benefits.

Table 2 summarizes the amounts of principal forgiveness provided through the 2010 and 2011 capitalization grants.

Table 2 – Principal Forgiveness Awarded

FFY	Principal Forgiveness	
	Minimum	Maximum
2010	\$4,071,900	\$13,573,000
2011	\$2,825,400	\$9,418,000
	\$6,897,300	\$22,991,000
Awarded in 2010		(\$1,490,000)
Awarded in 2011		(\$12,809,030)
Principal Forgiveness Balance		\$8,691,970

Although the availability of principal forgiveness for the upcoming year is unknown, it is anticipated that the 2012 capitalization grant will include the ability to award principal forgiveness. Attachment II - List of Projects to be Funded in FY 2011 identifies \$1,962,800 in potential principal forgiveness.

Green Project Reserve

The 2010 and 2011 Drinking Water SRF appropriations mandate that to the extent there are sufficient eligible project applications, not less than 20 percent of the

funds made available for each year's Drinking Water SRF capitalization grant shall be used by the State for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. These four categories of projects are the components of the Green Project Reserve.

To meet the Green Project Reserve requirement, the South Dakota Drinking Water SRF program needed to provide at least \$2,714,600 and \$2,545,000 from the 2010 and 2011 capitalization grants, respectively, to qualifying projects. Sufficient funds have been awarded to qualifying projects to meet the 2010 and 2011 Green Project Reserve requirement.

It is anticipated that the Green Project Reserve requirement will carry forward with the 2012 capitalization grant. It is anticipated that the Green Project Reserve requirement will be reduced to 10 percent of the 2012 capitalization grant. Attachment II - List of Projects to be Funded in FY 2012 identifies \$1,696,520 of potential projects or project components that may count towards the Green Project Reserve. This is sufficient to meet the expected 10 percent threshold for the 2012 capitalization grant. If the Green Project Reserve amount cannot be achieved, the department must attempt to identify additional qualifying projects, or a waiver can be requested. To obtain a waiver it must be demonstrated that sufficient effort was taken to solicit eligible projects.

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 (\$376,720) 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 (\$188,360) 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 periodically to allow the continuation of assistance activities. 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.

To promote proactive planning within small communities, the Small Community Planning Grant program was initiated in fiscal year 2001. Communities are reimbursed 80 percent of the cost of an engineering study, with the maximum grant amount for any study being \$8,000.

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.

To assure available funds to support the existing small system technical assistance endeavors, \$188,360 from the fiscal year 2012 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, \$225,706 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 2012.

Local assistance and other state programs.
Up to \$550,000 will be allocated for the capacity development activities described below.

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.

Energy audits for several small systems were conducted using the two percent small system technical assistance set-aside available from the Drinking Water ARRA allocation. It is intended to use the local assistance set-aside to conduct additional energy audits for systems serving more than 10,000.

The Board of Water and Natural Resources and the department encourage regional approaches to address small system compliance. To encourage the consolidation of systems, local assistance set-aside funds will be reserved to study the feasibility of consolidation where such potential exists.

In 2008, the Midwest Assistance Program (MAP) began assisting 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. In addition, the Midwest Assistance Program has assisted in the review of capacity assessments required as part of the Drinking Water SRF loan applications. The DENR and the Midwest Assistance Program will continue the partnership in FY 2012.

A total of \$550,000 will be set-aside for the activities described above in federal fiscal year 2012.

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 \$25 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 \$55 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 2012. 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 subsidy as mandated under recent capitalization grants is provided as described previously. Additional subsidies in the form of principal forgiveness or negative interest rates specifically for disadvantaged communities 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 3 - Amounts Available to Transfer between State Revolving Fund Programs

Year	DWSRF Capitalization Grant	Amount Available for Transfer	Banked Transfer Ceiling	Amount Transferred from CWSRF to DWSRF	Amount Transferred from DWSRF to CWSRF	Transfer Description	CWSRF Funds Available to Transfer	DWSRF Funds Available to Transfer
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	\$2,688,180	\$33,002,145				\$17,427,825	\$25,502,145
2009	\$8,146,000	\$2,688,180	\$35,690,325				\$20,116,005	\$28,190,325
2010	\$13,573,000	\$4,479,090	\$40,169,415				\$24,595,095	\$32,669,415
2011	\$9,418,000	\$3,107,940	\$43,277,355		\$10,000,000	Repayments	\$27,703,035	\$25,777,355
2012 (est.)	\$9,418,000	\$3,107,940	\$46,385,295				\$30,810,975	\$28,885,295

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 2012.

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
316	Edgemont	C462216-01	<i>Problem:</i> the town's water supply is four free flowing wells that are exceeding the maximum contaminant level for Gross Alpha and the towns distribution system and underground concrete reservoirs are old and in poor condition. <i>Project:</i> re-case the existing wells, construct a new storage reservoir and water treatment system, and replace and reconfigure the distribution system to bring water from all four wells to the new storage reservoir.	\$2,500,000	2.25%, 30 years	867	Yes
170	McLaughlin	C462233-02	<i>Problem:</i> over 1/2 of the distribution system is old cast iron and asbestos cement pipe that is in poor condition; one of the two water towers is over 100 years old and is in poor condition, portions of the town experience low pressures, and two of the city's five wells are in poor condition. <i>Project:</i> replace the cast iron and asbestos cement pipe, construct a new water tower, loop dead-end lines and connect to the Standing Rock Rural Water System.	\$3,640,000	2.25%, 30 years	955	Yes
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.	\$2,133,000	3.00%, 20 years	250	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
150	Butte-Meade Sanitary District	C462190-01	<i>Problem:</i> the district's meters are old and becoming obsolete. <i>Project:</i> replace approximately 810 water meters and install an automatic meter reading system.	\$300,000	2.25%, 10 years	2,000	
149	Newell	C462109-02 and C462109-03	<i>Problem:</i> portions of the distribution system consist of asbestos cement water lines that are in need of replacement and the city's meters are old and outdated. <i>Project:</i> replace approximately 7,500 feet of line and 300 water meters and install an automatic meter reading system.	\$252,300 and \$852,400	1.25%, 10 years and 2.25%, 30 years	646	Yes
149	Viborg	C462240-03	<i>Problem:</i> the city's meters are old and outdated. <i>Project:</i> replace approximately 400 water meters and install an automatic meter reading system.	\$254,500	2.25%, 10 years	832	Yes
145	Lennox	C462105-02 and C462105-03	<i>Problem:</i> portions of the distribution system consist of cast iron and asbestos cement water lines that are old and prone to breaking and the city utilizes a manual read meter system. <i>Project:</i> replace approximately 3,700 feet of cast iron and asbestos cement water lines with PVC lines, retrofit about 875 meters with electronic remote transmitters, and install an automatic meter reading system.	\$793,450 and \$322,450	3.00%, 30 years and 2.25%, 10 years	2,037	Yes
142	Longview Sanitary District	C462463-01	<i>Problem:</i> the sanitary district consists of residences served by individual shallow wells that are inadequate and a small community water system with an inadequate water source. <i>Project:</i> construct a distribution system and connect to the Rapid City system.	\$2,700,000	3.00%, 20 years	180	
137	Mansfield Water User Association	C462-472-01	<i>Problem:</i> the system's water lines are undersized and experiencing excessive water loss. <i>Project:</i> replace lines and have each user served individually by the WEB Rural Water System.	\$106,500	3.00%, 20 years	76	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
127	Woodland Hills Homeowners Association	C462469-01	<i>Problem:</i> the distribution system is unmetered, leaking excessively and experiencing freezing problems due to inadequate burial depth. <i>Project:</i> Install water meters and replace the distribution system.	\$1,215,000	3.00%, 20 years	250	
125	Mid-Dakota Rural Water System	C462430-03	<i>Problem:</i> the distribution system within the system's authorized service area has not been completed. <i>Project:</i> extension of approximately 14.3 miles of 1-1/2 to 4-inch pipeline to serve areas in the western portion of the Crow Creek Indian Reservation.	\$300,000	3.00%, 30 years	32,000	Yes
125	Mid-Dakota Rural Water System	C462430-04	<i>Problem:</i> the distribution system within the system's authorized service area has not been completed. <i>Project:</i> extension of approximately 36 miles of 1-1/2 to 6-inch pipeline to serve areas in the northwestern portion of Sanborn County	\$780,000	3.00%, 30 years	32,000	Yes
125	Mid-Dakota Rural Water System	C462430-05	<i>Problem:</i> the distribution system within the system's authorized service area has not been completed. <i>Project:</i> extension of approximately 23 miles of 1-1/2 to 4-inch pipeline to serve areas in the southwestern portion of Clark County.	\$662,000	3.00%, 30 years	32,000	Yes
125	Mid-Dakota Rural Water System	C462430-06	<i>Problem:</i> additional users within the system's service area have requested to be connected to the rural water system. <i>Project:</i> install pipe an water services throughout the system's service area to supply as many as 200 users with rural water.	\$670,000	3.00%, 30 years	32,000	Yes
109	Wilmot	C462077-01 and C462077-02	<i>Problem:</i> the distribution system includes approximately 5,300 feet of 4-inch cast iron lines that are old and undersized and 2,700 feet of small diameter lines (1-1/2 inches or less), the city's meters are old and outdated, and the water towers is 100 years old and is undersized.	\$1,634,350 and \$347,470	2.25%, 30 years and 1.25%, 10 years	543	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
107	Madison	C462024-02 and C462024-03	<i>Project:</i> install approximately 8,000 feet of PVC line to replace the 4-inch cast iron and small diameter lines, replace 270 water meters and install an automatic meter reading system, and erect a new 100,000-gallon water tower. <i>Problem:</i> levels of volatile organic compounds (VOCs) exceeding the maximum contaminant level have been detected in the city's treated water. <i>Project:</i> install an ozone generator to address the VOCs and make other improvements at the water treatment plant to include a new ground storage reservoir and clearwell, ammonia feed equipment, and piping modifications.	\$2,830,000 and \$1,741,100	3.00%, 30 years and 3.00%, 20 years	6,540	Yes
96	Tri-County Water/Mni Waste' Water Company	C462438-01	<i>Problem:</i> areas within the rural water system experience low pressures. <i>Project:</i> construct a 250,000-gallon elevated water storage tank.	\$200,000	2.25%, 30 years	3,175	Yes (Pending rate increase)
85	Mid-Dakota Rural Water System	C462430-07	<i>Problem:</i> due to a flood-related line break in the Redfield Service Area, many users experienced low pressure and volumes for a period. <i>Project:</i> construct a new 150,000-gallon elevated storage tank to serve the Redfield Service Area enhance the reliability in this area.	\$819,000	3.00%, 30 years	32,000	Yes
84	Faulkton	C462217-02	<i>Problem:</i> most of the city's water main consists of old, undersized cast iron that is in poor condition. <i>Project:</i> replace approximately 3,500 feet of water line under US Highway 212 in conjunction with a DOT project.	\$441,725	3.00%, 30 years	785	Yes
82	TM Rural Water District	C462429-01	<i>Problem:</i> two of the district's bulk water users – Hurley and Viborg – have old water towers that need to be replaced. <i>Project:</i> construct approximately 9.5 miles of water lines to upgrade the connection to an underutilized 300,000-gallon elevated tower owned by the TM Rural Water District.	\$2,483,500	3.00%, 20 years	5,890	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
82	Tripp Water Users District	C462434-02	<i>Problem:</i> the water tower serving the community of Fairfax and nearby rural users is old and in disrepair. <i>Project:</i> construct a new 100,000-gallon water tower.	\$836,000	3.00%, 30 years	8,353	Yes (Pending rate increase)
80	Fort Pierre	C462049-01	<i>Problem:</i> the two well pumps periodically stop which causes hammering and surging events that put stress on the water lines and portions of the distribution system is old cast iron and asbestos cement pipe that is in poor condition. <i>Project:</i> install variable frequency drives on the well pumps and replace approximately 3,100 feet of cast iron and asbestos cement pipe.	\$357,000	3.00%, 20 years	1,991	
76	Dell Rapids	C462064-04	<i>Problem:</i> the city's meters are obsolete and unserviceable. <i>Project:</i> replace approximately 650 water meters, refurbish approximately 500 meters and install an automatic meter reading system.	\$363,600	2.25%, 10 years	3,115	
74	Colman	C462144-01	<i>Problem:</i> the city's meters are obsolete and unserviceable. <i>Project:</i> replace approximately 370 water meters and install an automatic meter reading system	\$200,000	2.25%, 10 years	572	
74	Colton	C462135-03	<i>Problem:</i> the city's meters are old and outdated. <i>Project:</i> replace approximately 325 water meters and install an automatic meter reading system.	\$210,700	2.25%, 10 years	662	
64	Centerville	C462215-02	<i>Problem:</i> the city's uses a manual read meter system and wishes to upgrade to an automatic meter reading system. <i>Project:</i> install electronic remote transmitters to existing water meters, replace defective water meters, and install an automatic meter reading system.	\$92,200	2.25%, 10 years	882	
64	Menno	C462136-01	<i>Problem:</i> the city's meters are old and outdated. <i>Project:</i> replace approximately 390 water meters and install an automatic meter reading system.	\$110,000	2.25%, 10 years	729	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
51	Mobridge	C462016-06	<i>Problem:</i> the distribution system includes approximately 45,300 feet of 4-inch cast iron lines that are old and undersized, one of the water towers is 100 years old and undersized and the other is in need of rehabilitation. <i>Project:</i> replace the 4-inch cast iron lines with PVC, erect a new 500,000-gallon water tower, and rehabilitate the other tower.	\$4,500,000	2.25%, 30 years	3,574	Yes
34	Colman	C462144-02	<i>Problem:</i> the city's water lines are old and experiencing breaks and excessive water loss and the water tower is old and undersized. <i>Project:</i> replace approximately 12,800 feet of water line and install a 100,000-gallon elevated water tank.	\$2,100,000	3.00%, 30 years	572	Yes
23	Hisega Meadows Water, Inc.	C462468-01	<i>Problem:</i> the water system's distribution system is old, undersized, and has long dead-end lines. <i>Project:</i> install approximately 14,500 feet of 4- and 6-inch PVC water lines and appurtenances to replace and loop the distribution system.	\$1,489,000	3.00%, 20 years	486	
23	Trail West Sanitary District	C462471-01	<i>Problem:</i> the distribution system serving the Trail West Sanitary District is owned by a private water company and is undersized and poorly constructed. <i>Project:</i> acquire the water system and replace the distribution system.	\$1,400,000	3.00%, 20 years	206	
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 years	2,841	Yes (Pending rate increase)
21	Winner	C462123-01	<i>Problem:</i> areas within the city experience inadequate pressures due to undersized lines and inadequate water levels in the existing storage tanks, the existing wells cannot keep the storage	\$3,250,000	2.25%, 30 years	3,137	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
19	Springfield	C461071-01	tanks filled during peak water demand periods, and the city cannot monitor the well and pumping system. <i>Project:</i> replace or install approximately 10,750 feet of water line, relocate an existing water tank or construct a new tank, and install telemetry and a SCADA system.	\$329,000	3.00%, 30 years	792	Yes (Pending rate increase)
18	Doland	C462050-01	<i>Problem:</i> the city's water tower is old and in poor conditions and over 75% of the distribution system consists of cast iron and asbestos concrete water lines that over 50 years old and in poor condition. <i>Project:</i> replace the water tower, replace cast iron and asbestos concrete water lines, and loop dead end lines.	\$2,600,000	3.00%, 30 years	297	Yes
10	Beresford	C462187-01	<i>Problem:</i> the city's water distribution system is old and in poor condition and the city wishes to connect to the Lewis and Clark Regional Water System. <i>Project:</i> install approximately 5,000 feet of PVC water main to replace a portion of the existing lines and install an additional 1,550 to connect to the Lewis and Clark Regional Water System.	\$961,000	3.00%, 30 years	2,006	Yes
8	Aberdeen	C462072-03	<i>Problem:</i> the intake at the water treatment plant has problems due to aging and silting. <i>Project:</i> replace the intake structure.	\$1,045,000	3.00%, 20 years	24,658	
4	Baltic	C462223-03	<i>Problem:</i> the city's water lines are old and experiencing water loss. <i>Project:</i> install about 1,900 feet of water line and appurtenances in under Elm Avenue.	\$318,600	3.00%, 20 years	811	
4	New Underwood	C462257-02	<i>Problem:</i> the city's elevated storage tank is located over ½ mile outside city limits and connects to the distribution system with one 6-	\$280,000	3.00%, 30 years	616	Yes (Pending rate)

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
			inch line, which is inadequately sized and provides no back-up delivery method. <i>Project:</i> construct a parallel 10-inch line to connect the elevated storage tank to the distribution system.				increase)
4	Worthing	C462047-02	<i>Problem:</i> portions of the city's distribution system consist of 4-inch asbestos cement pipe which is undersized. <i>Project:</i> install approximately 1,600 feet of PVC lines to replace the 4-inch asbestos cement pipe,	\$280,100	3.00%, 20 years	585	
2	Pierpont	C462076-01	<i>Problem:</i> the town's pressure tank, installed in 1905, and the high pressure pump system and controls have reached the end of its useful life. <i>Project:</i> install a new booster pump station with a ground storage tank and generator.	\$551,200	3.00%, 20 years * booster station not eligible for extended term	122	Yes *

ATTACHMENT II – LIST OF PROJECTS TO BE FUNDED IN FISCAL YEAR 2012

Priority Points	Loan Recipient	Project Number	Assistance Amount	Principal Forgiveness ¹	Funding Date	Expected Funding Source
	<i>Green Project Reserve Information</i>					
LOANS EXPECTED						
76	Dell Rapids	C462064-04	\$363,600	\$36,360	Jan. 2011	2011
	<i>GPR Project Type: Water Efficiency (Categorical)</i> <i>GPR Amount: \$363,600</i>					
74	Colton	C462135-02	\$210,700	\$105,350	Jan. 2011	2011
	<i>GPR Project Type: Water Efficiency (Categorical)</i> <i>GPR Amount: \$210,700</i>					
149	Newell	C462109-02 and C462109-03	\$1,104,700	\$110,500	Mar. 2012	2011
	<i>GPR Project Type: Water Efficiency (Categorical)</i> <i>GPR Amount: \$252,300</i>					
145	Lennox	C462105-02 and C462105-03	\$1,115,900	\$223,180	Mar. 2012	2011/2012
	<i>GPR Project Type: Water Efficiency (Categorical)</i> <i>GPR Amount: \$322,450</i>					
109	Wilmot	C462077-01 and C462077-02	\$1,981,820	\$198,180	Mar. 2012	2012
	<i>GPR Project Type: Water Efficiency (Categorical)</i> <i>GPR Amount: \$347,470</i>					
107	Madison	C462024-02 and C462024-03	\$4,571,100	\$457,110	Mar. 2012	2012
74	Colman	C462144-01 and C462144-02	\$2,300,000	\$230,000	Mar. 2012	2012
	<i>GPR Project Type: Water Efficiency (Categorical)</i> <i>GPR Amount: \$200,000</i>					
82	Tripp Water Users District	C462434-02	\$836,000	-0-	June 2012	2012
19	Springfield	C462071-01	\$329,000	-0-	June 2012	2012
10	Beresford	C462187-01	\$961,000	\$96,100	June 2012	2012/Repayments
8	Aberdeen	C462072-03	\$1,045,000	-0-	June 2012	Repayments

Priority Points	Loan Recipient	Project Number	Assistance Amount	Principal Forgiveness ¹	Funding Date	Expected Funding Source
	<i>Green Project Reserve Information</i>					
4	Baltic	C462223-03	\$318,600	-0-	June 2012	Repayments
4	Worthing	C462047-02	\$280,100	\$56,020	June 2012	Repayments
51	Mobridge	C462016-06	\$4,500,000	\$450,000	Sept. 2012	Repayments
21	Winner	C462123-01	\$3,250,000	-0-	Sept. 2012	Repayments
4	New Underwood	C462257-02	\$280,000	-0-	Sept. 2012	Repayments

1. Principal forgiveness amounts shown for loans expected are estimates for planning purposes only.

**ATTACHMENT III
PROGRAM FUNDING STATUS**

Fiscal Years 1997 - 2011

Capitalization Grants	\$131,076,500
State Match	\$26,215,300
ARRA Grant	\$19,500,000
Set-Asides	(\$7,916,164)
Transfer of FY 2002 & 2003 Clean Water Capitalization Grant and State Match	\$15,574,320
Transfer of DWSRF Repayments	(\$10,000,000)
Leveraged Bonds	\$60,725,699
Excess Interest as of September 30, 2010	\$22,427,604
Excess Principal Repayments as of Sept. 30, 2011	<u>\$49,646,881</u>
 Total Funds Dedicated to Loan	 \$307,250,140
 Loans made through September 30, 2011	 <u>(\$292,527,899)</u>
 Balance of funds as of September 30, 2011	 \$14,722,241

Fiscal Year 2012 Projections

Capitalization Grants	\$9,418,000
State Match	\$1,883,600
Set-Asides	(\$1,115,080)
Projected Excess Principal Repayments	\$8,500,000
Projected Unrestricted Interest Earnings	\$4,000,000
Arbitrage Rebate Liability	<u>-0-</u>
Projected Fiscal Year 2012 Loan Sub-total	<u>\$22,686,520</u>
 Total Funds Available for Loans	 <u>\$37,408,761</u>
 Loan Amount Identified on Attachment II - List of Projects to be Funded in Fiscal Year 2012	 <u>\$23,445,520</u>

Administrative Surcharge Funds Available as of September 30, 2011	
Program Income	\$1,479,359
Non-Program Income	<u>\$5,027,336</u>
Total	<u>\$6,506,695</u>