SOUTH DAKOTA
DRINKING WATER STATE REVOLVING FUND
FISCAL YEAR 2016 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 2016 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 5, 2015, to review the 2016 Intended Use Plan and receive comments. The IUP reflects the results of this review.

The 2016 capitalization grant estimate used in the IUP is based on last year's allocation.

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. 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 2016, the specific measures are:

1. In fiscal year 2015, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 94.0 percent, which exceeded the target goal of 90 percent. For fiscal year 2016, the goal of the Drinking Water SRF program is to maintain the fund utilization rate at or above 90 percent.

2. In fiscal year 2015, the rate at which projects progressed as measured by disbursements as a percent of assistance provided was 83.1 percent, which met the goal of 80 percent. For fiscal year 2016, the goal is to maintain the construction pace at 80 percent or higher.

3. For fiscal year 2016, the goal of the Drinking Water SRF program is to fund 25 loans, totaling $46.0 million.

4. For fiscal year 2016, it is estimated that 29 projects will initiate operations.

5. For fiscal year 2016, 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 2016, 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. "Readiness to Proceed" is defined by EPA as the applicant being prepared to begin construction and is immediately ready, or poised to be ready, to enter into assistance agreements. 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 2016 are summarized in Table 1. Information regarding disadvantaged eligibility and subsidy level criteria can be found in the disadvantaged community subsidies section. The 10-year disadvantaged rate was established in November 2011. The 30-year base program rate and extension of interim financing to 5 years were established in March 2015. The other rates were last adjusted in February 2009.

Table 1 - Drinking Water SRF Interest Rates

	Up to 5 Yrs	Up to 10 Yrs	Up to 20 Yrs	Up to 30 Yrs*
Interim Rate				
Interest Rate	2.00%			
Admin. Surcharge	0.00%			
Total	2.00%			
Base Rate				
Interest Rate		1.75%	2.50%	2.75%
Admin. Surcharge		0.50%	0.50%	0.50%
Total		2.25%	3.00%	3.25%**
Disadvantaged Rate - 100% of MHI				
Interest Rate				2.50%
Admin. Surcharge				0.50%
Total				3.00%
Disadvantaged Rate - 80% of MHI				
Interest Rate		1.00%		1.75%
Admin. Surcharge		0.25%		0.50%
Total		1.25%		2.25%
Disadvantaged Rate - 60% of MHI				
Interest Rate				0.00%
Admin. Surcharge				0.00%
Total				0.00%

* Term cannot exceed useful life of the project
** Non-Profit Borrowers are not eligible to receive this loan rate and term.

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 the department.

As of September 30, 2015, $3.57 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 $9,000 per approved loan with payments made in $3,000 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 $1,100 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 2016 allocation for these activities will be $50,000.

In fiscal year 2016, $75,000 of administrative surcharge funds will be used for operator certification training.

Administrative surcharge funds will be used to provide grants to assist very small systems in violation of the Safe Drinking Water Act excluding the Total Coliform Rule. These funds will be limited to community systems with 50 or less connections and not-for-profit, non-transient non-community water systems. Funds will be provided for infrastructure projects as 100 percent grants up to a maximum of $50,000 and for total project costs less than $100,000. No additional funds will be allocated for these activities in federal fiscal year 2016.

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 $193.2 million have been made to systems meeting this population threshold, or 47.4 percent of the $407.6 million of total funds available for loan. Attachment II – List of Projects to be funded in Fiscal Year 2016 identifies more than $46.0 million in projects, of which approximately $32.9 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 to the Drinking 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 2016 capitalization grant, the ability exists to transfer up to $42.1 million from the Clean Water SRF program to the Drinking Water SRF program. More than $40.2 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 expected in fiscal year 2016.

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 2016 capitalization grant is expected to be $8,787,000 which requires $1,757,400 in state match. Bond proceeds will be used to match 2016 capitalization grant funds.

For purposes of meeting fiscal year 2016 proportionality requirements, the South Dakota Drinking Water SRF program will document the expenditure of repayments and bond proceeds in an amount equivalent to the entire required state match.

Leveraged Bonds: The South Dakota Conservancy District has the ability to issue additional bonds above that required for state match, known as leveraged bonds. If demand significantly exceeds that shown on Attachment II - List of Projects to be Funded in FY 2016, additional leveraged bonds may be required in 2016.

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 $7.25 million in principal repayments will become available for loans in fiscal year 2016.

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 $4.25 million in interest earnings will become available for loans in fiscal year 2016.

As of September 30, 2015, 270 loans totaling $383,075,266 have been made.

At the beginning of fiscal year 2016, $24,567,413 is available for loan. With the 2016 capitalization grant, state match, leveraged bonds, excess interest earnings, and repayments, approximately $46.1 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	$351,480
Small System Technical Assistance	$175,740
Total for set-asides	**$527,220**

A conservative approach to set-asides 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. The 2012 through 2015 capitalization grants mandated additional subsidy be provided in an amount not less than 20 percent, but not more than 30 percent, of the capitalization grants. 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 $30 per month based on 5,000 gallons usage or to qualify for principal forgiveness. Other applicants must have a minimum rate of $55 per month based on 7,000 gallons usage 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) Readiness to proceed;
(9) Regionalization or consolidation of facilities;
(10) Technical feasibility;
(11) Utility rates; and
(12) Water quality benefits.

Table 2 summarizes the amounts of principal forgiveness provided to date.

Table 2 – Principal Forgiveness Status

	Principal Forgiveness	
FFY	Minimum	Maximum
2010	$4,071,900	$13,573,000
2011	$2,825,400	$9,418,000
2012	$1,795,000	$2,692,500
2013	$1,684,200	$2,526,300
2014	$1,769,000	$2,653,500
2015	$1,757,400	$2,636,100
2016 (est.)	$1,757,400	$2,636,100
	$15,660,300	$36,135,500

Table 2 – Principal Forgiveness Status (Cont.)

Awarded from 2010 grant	$13,504,075
Awarded from 2011 grant	$9,418,000
Awarded from 2012 grant	$2,692,000
Awarded from 2013 grant	$2,526,300
Awarded from 2014 grant	$2,653,500
Awarded from 2015 grant	$2,285,890

It is anticipated that the 2016 capitalization grant will include the ability to award principal forgiveness. Attachment II - List of Projects to be Funded in FY 2016 identifies $2,652,000 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.

Sufficient funds have been awarded to qualifying projects to meet the 2010 and 2011 Green Project Reserve requirement. The 2012 - 2015 capitalization grants were not subject to the Green Project Reserve requirement.

The Green Project Reserve requirement is not expected to be reinstated in with the 2016 capitalization grant.

Build America Bond Activities and Uses

The Series 2010A bonds that were issued in December 2010 were designated as Build America Bonds. As a result the District receives subsidy payments from the U.S. Treasury equal to 35% of the interest payable on its Series 2010A Bonds.

In fiscal year 2016, approximately $1,200,000 of Build America Bond funds will be allocated to supplement the Consolidated program with grants for water projects. The appropriation level reflects the semi-annual subsidy payments received from July 2011 through September 2016 on the Clean Water SRF portion of the Build America Bonds.

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 ($351,480) 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 ($175,740) 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, $175,740 from the fiscal year 2016 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, $198,138 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 2016.

Local assistance and other state programs. 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.

No funds will be set-aside for these activities in federal fiscal year 2016. There remains $160,402 from prior years' allocations. It is anticipated that a portion of these funds will be used by the Midwest Assistance Program (MAP). Since 2008, MAP has been assisting 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 as needed.

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 $30 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 median household income statistics will the American Community Survey or other statistically valid income data supplied by the applicant and acceptable to the board.

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. Disadvantaged communities with a median household income less than 60 percent of the statewide median household income may receive a zero percent loan. See Table 1 on page 3 for the disadvantaged interest rate for fiscal year 2016.

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. Disadvantaged communities are eligible for additional subsidy in the form of principal forgiveness.

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	$8,975,000	$2,961,750	$46,239,105				$30,664,785	$28,739,105
2013	$8,421,000	$2,788,930	$49,018,035				$33,443,715	$31.518,035
2014	$8,845,000	$2,918,850	$51,936,885				$36,362,565	$34,436,885
2015	$8,787,000	$2,899,710	$54,814,485				$39,240,165	$37,314,485
2016 (est.)	$8,787,000	$2,899,710	$57,714,195				$42,139,875	$40,214,195

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 2016.

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
145	Hermosa	C462278-02	*Problem:* the town does not have sufficient water supply from its wells as one has exceeded the maximum contaminant level for radionuclides and is not in use. *Project:* install a new well and distribution line to supply the community or connect to a regional supplier to purchase water.	$1,471,875	2.25%, 30 years	398	Yes (Pending rate Increase)
112	Midland	C462056-01	*Problem:* the existing water storage tank does not have a mixing system and has contributed to the town exceeding the maximum contaminant level for haloacetic acids and is experiencing leakage; the town also has several dead end distribution lines. *Project:* construct a new 53,000-gallon storage tank that will have a mixing system and install 3,200 feet of new PVC water main to loop the system.	$715,000	2.25%, 30 years	129	Yes (Pending rate Increase)
110	South Shore	C462294-01	*Problem:* the existing distribution mains are poor quality PVC and experiencing excessive breaks and a includes dead end lines, no water meters are currently installed and the town does not accurately bill for water, the town does not have adequate storage capacity, and the existing wells cannot supply the necessary water to meet demands. *Project:* install 17,300-feet of new PVC water mains and loop the system, install 85 water meters, construct a 50,000-gallon water storage tank, and install a new well.	$2,400,000	3.00%, 30 years	225	Yes (Pending rate increase)
108	Hecla	C462276-01	*Problem:* the existing distribution mains are old cast iron and asbestos cement pipe and are	$554,000	2.25%, 30 years	227	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
			experiencing excessive breaks existing water meters are old and no longer accurately measure use. *Project:* install 5,400-feet of new PVC water mains and install 100 water meters.				
96	Hot Springs	C462040-02	*Problem*: the city's raw water pumping system does not have capacity to provide adequate water in the event one of the two pumping stations is out of commission, the storage capacity is less than a peak day, and the system does not have adequate well supply. *Project*: install a new well and pump house, construct a new 3-million gallon water tower, and develop a new Madison well.	$3,850,000	0%, 30 years	3,711	Yes (Pending rate increase)
84	Viborg	C462240-03	*Problem:* the distribution system consists primarily of old cast iron, ductile iron, and asbestos cement lines and very few of the valves and hydrants are operable. *Project:* install approximately 2,100 feet of PVC line to replace the old lines, new gate valves, hydrants, and 35 service lines.	$579,936	0%, 30 years	782	Yes
81	Perkins County Rural Water System	C462474-02	*Problem:* The system's existing water lines will not have proper burial depth to prevent freezing or damage from loads as a result of a DOT project to change highway grade elevations. *Project:* Relocate approximately 50,650-feet of existing water main outside of the DOT work area to provide proper burial depth to prevent freezing and damage to the pipes.	$1,516,700	2.25%, 30 yrs	3,201	Yes
53	Florence	C462338-01	*Problem:* the existing distribution mains are poor quality PVC and experiencing excessive breaks and includes dead end lines, existing water meters are old and no longer accurately measure use, and the town does not have adequate storage capacity. *Project:* install 17,000-feet of new PVC water mains and loop the system, install 145 water meters and construct a 105,000-gallon water storage tank.	$2,354,375	3.25%, 30 years	374	
42	Conde	C462082-01	*Problem:* the distribution system has several dead-end lines, has experienced excessive line	$3,442,700	2.25%, 30 years	140	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
			breaks and the community does not have adequate water storage capacity. *Project:* loop portions of the distribution system, replace the brittle ductile iron pipe and construct a new water tower.				
39	Colman	C462144-04	*Problem:* the city's water lines are old and experiencing breaks and excessive water loss and the water tower is old and undersized. *Project:* replace water lines along Highway 34 and install a 100,000-gallon elevated water tank.	$925,000	3.00%, 30 years	594	Yes
38	Emery	C462248-01	*Problem:* the distribution system consists primarily of old cast iron lines and very few of the valves on the mainline or service lines are operable. *Project:* install approximately16,600 feet of PVC line to replace the cast iron lines, 73 gate valves, and 157 service lines.	$1,962,000	3.00%, 30 years	439	Yes
33	Wakonda	C462299-01	*Problem:* the distribution system consists of old cast iron lines that are old and undersized, there are several dead end distribution lines, the water storage tower and meter pit are in need of repair, and there are existing unused wells that have not been properly abandoned. *Project:* installation of approximately 16,200 feet of new PVC water main to replace the cast iron lines and loop the system, rehabilitate the existing storage tower and meter pit and properly abandon the unused wells.	$2,655,910	3.00%, 30 years	321	Yes
26	Lead-Deadwood Sanitary District	C462002-02	*Problem:* the Peake Ditch raw water source has limited use due to a landslide that damaged a portion of the water line. *Project:* abandon approximately 17,200 feet of the existing line and replace it with approximately 16,600 feet of new HDPE line.	$1,061,000	3.00%, 30 years	4,556	Yes (Pending rate increase)
20	Britton	C462188-02	*Problem:* the existing distribution mains are cast iron and asbestos cement pipe and experiencing excessive breaks, there are not enough valves in the system and breaks require large portions of the community to be shut down for repair, the water storage town is in need of	$4,896,000	3.00%, 30 years	1,241	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
			repair and the existing booster station is not able to meet demands. *Project:* install 22,500-feet of new PVC water mains and loop the system, install 65 water valves, rehabilitate the water storage tank and construct a new pump house and booster pumps.				
18	Brookings-Deuel Rural Water System	C462453-03	*Problem:* the water system currently utilizes a self-read billing system that is inefficient. *Project:* convert approximately 2,500 water meters to utilize an automatic meter reading system and install base towers as needed.	$675,000	2.25%, 10 years	8,500	
16	Hartford	C462104-04	*Problem:* the system is supplied by a single 8-inch water line which is susceptible to breaks and there is no other water supply for the community. *Project:* construct an additional water supply line to provide a looped system to prevent interruptions in service.	$711,200	3.25%, 30 years	2,534	
16	Lead	C462007-05	*Problem:* many of the city's meters are obsolete and unserviceable or require manual reading. *Project:* replace approximately 1,400 water meters and install an automatic meter reading system and equipment for the meters not being replaced.	$560,000	2.25%, 10 years	3,124	Yes
16	Tea	C462028-02	*Problem:* currently the city's airport is not served by the distribution system, and homes along Christine Ave are served by a long dead end line. *Project:* installation of approximately 5,300 feet of PVC watermain to connect the airport to the system and to provide looping to remove dead ends.	$941,000	3.25%, 30 years	3,806	
14	Avon	C462242-01	*Problem:* the city's meters are obsolete and unserviceable. *Project:* replace approximately 330 water meters and install an automatic meter reading system.	$469,800	2.25%, 10 years	590	Yes
14	Humboldt	C462254-02	*Problem:* the city's meters are obsolete and unserviceable. *Project:* replace approximately 300 water meters and install an automatic meter reading system.	$240,000	2.25%, 10 years	581	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
14	Philip	C462205-01	*Problem:* many of the city's meters are obsolete and unserviceable or require manual reading. *Project:* replace approximately 220 water meters and install an automatic meter reading system and equipment for the meters not being replaced.	$340,000	2.25%, 10 years	779	Yes
14	Plankinton	C462110-02	*Problem:* the city's meters are old and in need of replacement. *Project:* replace approximately 380 water meters and install drive by meter reading system.	$240,000	2.25%, 10 years	707	Yes
14	Wessington Springs	C462210-02	*Problem:* the city's meters are old and in need of replacement. *Project:* replace approximately 540 water meters and install an automatic meter reading system.	$568,000	1.25%, 10 years	956	Yes
13	Chancellor	C462122-02	*Problem:* the city's meters are old and in need of replacement. *Project:* replace approximately 131 water meters and install an automatic meter reading system.	$177,415	2.25%, 10 years	264	Yes
12	Belle Fourche	C462012-01	*Problem:* the water line under 8th Avenue consists of old cast iron pipe that is susceptible to corrosion. *Project:* replace the cast line with approximately 1,500 feet of PVC pipe.	$230,000	2.25%, 30 years	5,594	Yes (Pending rate increase)
11	Canton	C462039-03	*Problem:* the water line under Dakota Street consists of old cast iron, ductile iron and asbestos cement pipe that is susceptible to corrosion and breaks. *Project:* replace the existing line with approximately 3,850 feet of PVC pipe.	$1,064,000	3.00%, 30 years	3,057	Yes
11	Dell Rapids	C462064-06	*Problem:* much of the city's water mains are cast iron pipe that are in need of replacement. *Project:* replace approximately 7,135 feet of water main with new 6- and 8-inch PVC pipe.	$1,883,000	3.25%, 30 years	3,633	
10	Elk Point	C462059-06	*Problem:* the water line under Rose Street consists of old ductile iron pipe that is susceptible to corrosion. *Project:* replace the ductile line with approximately 2,500 feet of PVC pipe.	$1,750,000	3.25%, 30 years	1,963	
10	Miller	C462128-02	*Problem:* a portion of the city's distribution system consists of asbestos cement pipe that is	$6,318,460	3.00%, 30 years	1,489	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
			experiencing excessive breaks. *Project:* replace approximately 53,000 feet of asbestos cement pipe with PVC pipe.				
8	Bridgewater	C462112-01	*Problem:* a portion of the city's distribution system consists of cast iron pipe that is experiencing excessive breaks. *Project:* replace approximately 700 feet of cast iron pipe with PVC pipe.	$218,900	2.25%, 30 years	492	Yes
8	Kingbrook Rural Water System	C462432-06	*Problem:* Kingbrook RWS has requests to provide water to 195 potential customers but does not have adequate storage, distribution capacity and pressure within the system to provide address the additional connections. *Project:* construct a 750,000-gallon water storage tank to provide additional storage and install 150 miles of new pipelines to provide capacity in the distribution system and two new booster pumps to provide needed pressures.	$13,143,000	3.00%, 20 years	15,298	
6	Tea	C462028-03	*Problem:* there are eight existing homes that are currently unserved by the city's distribution system. *Project:* installation of approximately 4,335 feet of PVC watermain to connect these users to the city distribution system.	$808,000	3.25%, 30 years	3,806	

ATTACHMENT II – LIST OF PROJECTS TO BE FUNDED IN FISCAL YEAR 2016

Priority Points	Loan Recipient	Project Number	Assistance Amount	Principal Forgiveness [1]	Funding Date	Expected Funding Source[2]
LOANS EXPECTED						
112	Midland	C462056-01	$715,000	$72,000	March 2016	Leveraged Funds
81	Perkins County Rural Water System	C462474-02	$1,516,700	$150,000	March 2016	2015/2016
42	Conde	C462082-01	$3,442,700	$340,000	March 2016	Repayments
33	Wakonda	C462299-01	$2,655,910	$265,000	March 2016	Repayments
20	Britton	C462188-02	$4,896,000	$489,000	March 2016	Repayments
18	Brookings-Deuel Rural Water System	C462453-03	$675,000	-0-	March 2016	2016
16	Lead	C462007-05	$560,000	$56,000	March 2016	Repayments
16	Tea	C462028-02	$941,000	-0-	March 2016	Repayments
14	Plankinton	C462110-02	$240,000	$24,000	March 2016	Repayments
13	Chancellor	C462122-02	$177,415	$18,000	March 2016	Repayments
12	Belle Fourche	C462012-01	$230,000	$23,000	March 2016	Repayments
11	Canton	C462039-03	$1,064,000	$106,000	March 2016	Repayments
11	Dell Rapids	C462064-06	$1,883,000	-0-	March 2016	Repayments
10	Elk Point	C462059-06	$1,750,000	-0-	March 2016	Repayments
8	Kingbrook Rural Water System	C462432-06	$13,143,000	-0-	March 2016	2016/2017
145	Hermosa	C462278-02	$1,471,784	$147,000	June 2016	Repayments
84	Viborg	C462240-03	$579,916	$58,000	June 2016	Repayments
39	Colman	C462144-04	$925,000	$92,000	June 2016	Repayments
6	Tea	C462028-03	$808,000	-0-	June 2016	Repayments
110	South Shore	C462294-01	$2,400,000	$240,000	Sept. 2016	Repayments
96	Hot Springs	C462040-02	$3,850,000	$385,000	Sept. 2016	Repayments
26	Lead-Deadwood Sanitary District	C462002-02	$1,061,000	$106,000	Sept. 2016	Repayments
14	Avon	C462242-01	$469,800	$47,000	Sept. 2016	Repayments
14	Humboldt	C462254-02	$240,000	-0-	Sept. 2016	Repayments
14	Philip	C462205-01	$340,000	$34,000	Sept. 2016	Repayments

1. Principal forgiveness amounts shown for loans expected are estimates for planning purposes only.
2. Projects identified using 2016 capitalization grant funds are for equivalency requirements planning purposes only, actual projects used for capitalization grant equivalency will be identified on the fiscal year 2016 annual report.

ATTACHMENT III
PROGRAM FUNDING STATUS

Fiscal Years 1997 - 2015

Capitalization Grants	$166,412,698	
State Match	$35,878,260	
ARRA Grant	$19,500,000	
Set-Asides	($10,586,336)	
Transfer of FY 2002 & 2003 Clean Water Capitalization Grant and State Match	$15,574,320	
Transfer of DWSRF Repayments	($10,000,000)	
Leveraged Bonds	$67,725,699	
Excess Interest as of September 30, 2015	$36,597,932	
Excess Principal as of Sept. 30, 2015	$79,135,826	
Total Funds Dedicated to Loan		$407,642,679
Loans made through September 30, 2015		($383,075,266)
Balance of funds as of September 30, 2015		$24,567,413

Fiscal Year 2016 Projections

Capitalization Grants	$8,787,000	
State Match	$1,757,400	
Set-Asides	($527,220)	
Projected Excess Principal Repayments	$7,250,000	
Projected Unrestricted Interest Earnings	$4,250,000	
Projected Fiscal Year 2016 Loan Sub-total		$21,517,180
Total Funds Available for Loans		$46,084,593
Loan Amount Identified on Attachment II - List of Projects to be Funded in Fiscal Year 2016		$46,035,225

Administrative Surcharge Funds Available as of September 30, 2015	
Program Income	$1,203,324
Non-Program Income	$2,372,650
Total	$3,575,974