

SOUTH DAKOTA CLEAN WATER STATE REVOLVING FUND FISCAL YEAR 2017 INTENDED USE PLAN

INTRODUCTION

The state of South Dakota proposes to adopt the following Intended Use Plan (IUP) for federal fiscal year 2017 as required under Section 606(c) of the Clean Water Act.

The primary purpose of the IUP is to identify the proposed annual intended use of the amounts available to the Clean Water State Revolving Fund (SRF). The IUP has been reviewed by the public and reflects the results of that review.

The IUP includes the following:

1. List of projects and activities;
2. Goals, objectives, and environmental results;
3. Amount of funds transferred between the Clean Water SRF and the Drinking Water SRF;
4. Information on the activities to be supported;
5. Assurances and specific proposals;
6. Criteria and method for distribution of funds; and
7. Sources and uses of funds (the 2017 capitalization grant estimate used in the IUP is based on last year's allocation).

LIST OF PROJECTS AND ACTIVITIES

The IUP identifies potential municipal wastewater, storm water, and nonpoint source 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 Clean Water SRF loans as a funding source.

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

Priority ratings are based on the integrated project priority system established in ARSD 74:05:08:03.01. The general objective of the integrated priority system is to ensure that projects funded through the Clean Water SRF program address high priority water quality problems. This is accomplished with a priority system that ranks both municipal wastewater and nonpoint source pollution control projects on an equal basis. Projects and activities utilizing administrative surcharge funds are not required to be ranked and included on the project priority list.

The Clean Water SRF may be used for the following purposes:

1. Low-interest loans for secondary or more stringent treatment of any cost-effective alternatives, new interceptors and appurtenances, infiltration/inflow correction, new collectors, sewer system rehabilitation, expansion and correction of combined sewer overflows, decentralized wastewater treatment systems, and construction of new storm sewers. The low-interest loans can be made for up to 100 percent of the total project cost;

2. Refinancing of existing debt obligations for municipal wastewater facilities if the debt was incurred and construction initiated after March 7, 1985; or
3. Nonpoint source pollution control projects and programs, including non-traditional projects (projects with a primary purpose other than water quality).

A determination of which projects are funded from the above mentioned lists, the amount of assistance, and the financing terms and conditions will be made by the Board of Water and Natural Resources during federal fiscal year 2017.

GOALS, OBJECTIVES, AND ENVIRONMENTAL RESULTS

Long-term Goals and Objectives:

The long-term goals of the State Water Pollution Control Revolving Fund are to fully capitalize the Clean Water SRF, maintain or restore and enhance the chemical, physical, and biological integrity of the state's waters for the benefit of the overall environment, protect public health, and promote economic well-being.

Objectives:

1. Maintain a permanent, self-sustaining Clean Water SRF program that will serve in perpetuity as a financing source for wastewater treatment works projects and nonpoint source pollution control projects; and
2. Fulfill the requirements of pertinent federal, state, and local laws and regulations governing water pollution control activities while providing the state and local project sponsors with

maximum flexibility and decision-making authority regarding such activities.

Short-term Goal and Objectives:

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

Objectives:

1. Ensure the technical integrity of Clean Water SRF projects through the review of planning, design plans and specifications, and construction activities;
2. Ensure compliance with all pertinent federal, state, and local water pollution control laws and regulations; and
3. Obtain maximum capitalization of the funds for the state in the shortest time possible.

Environmental Results:

Beginning January 1, 2005, states are required to quantify and report the environmental benefits being realized through the Clean Water SRF loan program. The reporting requirement is being satisfied using an on-line environmental benefits assessment developed by EPA in cooperation with the States and other organizations. A summary of the fiscal year 2017 loans and the resulting benefits will be provided in the end-of-year-annual report.

AMOUNT OF FUNDS TRANSFERRED BETWEEN THE CLEAN WATER SRF AND THE DRINKING 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 has transferred \$15,574,320 from the Clean Water SRF program to the Drinking Water SRF program in past years. In fiscal year 2006 and 2011, \$7.5 million in 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 2017 capitalization grant, the ability exists to transfer over \$44.7 million from the Clean Water SRF program to the Drinking Water SRF program. More than \$42.8 million could be transferred from the Drinking Water Program to the Clean Water SRF program. The table on page 10 details the amount of funds transferred between the programs and the amount of funds available to be transferred.

No transfers are expected in fiscal year 2017.

INFORMATION ON THE ACTIVITIES TO BE SUPPORTED

The primary type of assistance to be provided by the Clean Water SRF is direct loans including refinancing of existing debts where eligible. Loan assistance will be provided to municipalities, sanitary districts, counties, or other units of government for publicly owned wastewater treatment facilities, storm sewers, and nonpoint source pollution control programs in accordance with the Clean Water SRF administrative rules adopted by the Board of Water and Natural Resources. 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.

Sources of Loan Funds

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 2017 capitalization grant is expected to be \$6,525,000 which requires \$1,305,000 in state match. Bond proceeds will be used to match 2017 capitalization grant funds.

For purposes of meeting fiscal year 2017 proportionality requirements, the South Dakota Clean 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. It is anticipated that up to \$55.0 million in leveraged bonds will be required in 2017.

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 \$10,500,000 in principal repayments will become available for loans in fiscal year 2017.

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 \$7,000,000 in interest earnings will become available for loans in fiscal year 2017.

Additional Subsidy - Principal Forgiveness

The 2010 and 2011 Clean Water SRF appropriation mandated that not less than 30 percent of the funds made available for Clean Water SRF capitalization grants be used by the State to provide additional subsidy to eligible recipients and shall only apply to the portion of the national allocation that exceeds \$1,000,000,000. The 2012 through 2014 capitalization grants mandated additional subsidy be provided in an amount not less than 20 percent, but not more than 30 percent, of that portion of the national allocation that exceeds \$1,000,000,000. 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 a flat rate to qualify for principal forgiveness. Other applicants must have a minimum rate of \$40 per month based on 5,000 gallons usage or a flat rate to qualify for principal forgiveness.

With the passage of the Water Resources Reform and Development Act (WRRDA) in June 2014, states may provide additional subsidization when the total amount appropriated for capitalization grants exceeds \$1,000,000,000. Additional subsidization can be provided to a municipality only if it

meets the affordability requirements established by the state or to projects that implement a process, material, technique, or technology with water efficiency, energy efficiency, mitigation of stormwater runoff or sustainability benefits.

The 2016 appropriation act required an additional 10 percent of the capitalization grant be used for additional subsidy and is available for any eligible borrower. At this time South Dakota will only provide this 10 percent to borrowers who meet the state's affordability criteria.

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 1 summarizes the amounts of principal forgiveness provided with the 2010 – 2016 capitalization grants.

Table 1 – Principal Forgiveness Status

FFY	Principal Forgiveness	
	Minimum	Maximum
2010	\$1,497,892	\$4,993,274
2011	\$669,233	\$2,230,777
2012	\$383,922	\$575,882
2013	\$307,120	\$460,680
2014	\$372,924	\$559,386
2015	\$0	\$2,045,100
2016	\$652,500	\$2,610,000
2017 (est)	\$0	\$1,957,500
	\$3,883,681	\$15,432,599
Awarded from 2010 grant		\$4,993,274
Awarded from 2011 grant		\$2,230,777
Awarded from 2012 grant		\$575,882
Awarded from 2013 grant		\$460,680
Awarded from 2014 grant		\$559,836
Awarded from 2015 grant		\$2,045,100
Awarded from 2016 grant		\$838,291

In compliance with the WRRDA provisions South Dakota has adopted the affordability criteria below.

1. All applicants will be awarded points to determine principal forgiveness eligibility as follows:
 - a. Five points if an applicant’s median household income is equal to or less than 80 percent of the statewide median household income;
 - b. Three points if an applicant’s median household income is equal to or less than the statewide median household income and greater than 80 percent of the statewide median household income;
 - c. One point if the applicant’s 2010 census population is less than the

applicant’s 2000 census population; and

- d. One point if an applicant’s county unemployment rate is greater than the statewide unemployment rate.
2. If the boundaries of an applicant are located in more than one county, the unemployment rate of the county with the largest percentage of the applicant’s population will be used.
3. Applicants must receive a minimum of five points to be eligible for principal forgiveness in the upcoming fiscal year.

The source of median household income statistics will be the American Community Survey or other statistically valid income data supplied by the applicant and acceptable to the board.

The source of unemployment rates will be the 2013 average unemployment rates as determined by the South Dakota Department of Labor and Regulation, Labor Force Statistics.

Systems that are eligible to receive principal forgiveness are identified in Attachment I and Attachment II. Attachment II - List of Projects to be Funded in FY 2017 identifies \$2,972,000 in potential principal forgiveness.

Green Project Reserve

Recent Clean Water SRF appropriations mandated that to the extent there are sufficient eligible project applications, a portion of the funds made available for each year’s Clean 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 – 2014 capitalization grants Green Project Reserve requirements.

The Green Project Reserve requirement was included in the 2015 and 2016 capitalization grant, and required that not less than 10 percent be made available for Green Project Reserve eligible projects. It is assumed that 2017 capitalization grant will include a requirement that not less than 10 percent be made available for Green Project Reserve eligible projects. Attachment II – List of Projects to be Funded in FY 2017 identifies eight projects with \$2,243,680 of Green Project Reserve eligible project components. This amount will exceed the 10 percent requirement of the 2015-2017 capitalization grants.

Interest Rates

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 2017 are summarized in Table 2. The rates were adjusted in November 2016.

Projects for traditional wastewater or stormwater projects that include a nonpoint source component may receive the nonpoint source rate. The annual principal and interest payments are calculated for a loan at the higher base interest rate. Using the lower interest incentive rate, a loan is sized using the annual payment previously calculated. The difference in the two loan amounts is the

amount of funding available for the nonpoint source component of the project.

Table 2 – Clean Water SRF Interest Rates

	Up to 5 Yrs	Up to 10 Yrs	Up to 20 Yrs	Up to 30 Yrs*
<u>Interim Rate</u>				
Interest Rate	2.00%			
Admin. Surcharge	0.00%			
Total	2.00%			
<u>Base Rate</u>				
Interest Rate	1.25%	1.50%	1.75%	
Admin. Surcharge	0.75%	0.75%	0.75%	
Total	2.00%	2.25%	2.50%	
<u>Nonpoint Source Incentive Rate</u>				
Interest Rate	0.50%	0.75%	0.75%	
Admin. Surcharge	0.50%	0.50%	0.75%	
Total	1.00%	1.25%	1.50%	

* Term cannot exceed useful life of the project.

Administrative Surcharge Activities

The interest rate includes an administrative surcharge as identified in Table 2. The surcharge was established 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. Recent emphasis has been on using the surcharge for purposes other than reserves for future program administration.

In fiscal year 2001, the board initiated the Small Community Planning Grant program to encourage proactive planning by small communities. The planning grants reimburse 80 percent of the cost of the study. Planning grants are available only to communities of 2,500 or less. Communities are reimbursed 80 percent of the cost of an engineering

study, with the maximum grant amount for any project being \$10,000.

The board 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.

Administrative surcharges are being used for non-federal cost share for Total Maximum Daily Load (TMDL) assessment and implementation projects.

Additionally, administrative surcharges have been allocated to supplement the Consolidated program by providing water quality grants to Clean Water SRF eligible projects.

Beginning in fiscal year 2005, administrative surcharge funds were also provided to the planning districts to defray the cost of 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. Future allocations for this activity are anticipated and will be based on expected loan demand.

The American Recovery and Reinvestment Act (ARRA) of 2009 and subsequent capitalization grants have mandated implementation of Davis-Bacon prevailing wage rules. The WRRDA of 2014 included Davis-Bacon prevailing wage requirements for all capitalization grants going forward. Under joint powers agreements between the planning districts and the department, the planning districts are reimbursed \$1,100 per project to oversee compliance with the Davis-Bacon wage rate verification and certification.

Administrative Surcharge Uses in FY 2017

As of September 30, 2016, \$27,006 of unobligated administrative surcharge funds is available. It is anticipated that the administrative surcharge will generate an additional \$1,400,000 in the upcoming fiscal year.

In fiscal year 2017, \$1,000,000 of administrative surcharge funds will be allocated. It is proposed to allocate \$100,000 for planning grants and \$900,000 to supplement the Consolidated and Section 319 programs with grants for wastewater treatment and TMDL implementation projects. An additional \$50,000 from the 2016 allocation was transferred from grant supplement funds into the funds available for small community planning grants to meet demand.

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 2017 allocation for these activities will be \$150,000.

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 2017, approximately \$250,000 of Build America Bond funds will be allocated to supplement the Consolidated program with grants for wastewater or stormwater projects.

Capitalization Grant Administrative Allowance

The WRRDA of 2014 provides three options to states to calculate the administrative fees available from each year's capitalization grant. States may use the larger of 1) an amount equal to four percent of the annual capitalization grant, 2) \$400,000 per year or 3) 1/5 of a percent of the current valuation of the Clean Water SRF fund based on the most recent previous year's audited financial statements.

Four percent of the expected fiscal year 2017 capitalization grant is \$261,000, and 1/5 of a percent of the current fund valuation of \$218,802,332 results in \$436,164 available for administrative fees. As a result, an administrative allowance of \$436,164 will be reserved for administrative purposes in fiscal year 2017.

ASSURANCES AND SPECIFIC PROPOSALS

The state has assured compliance with the following sections of the law in the State/EPA Operating Agreement – XI Certification Procedures. In addition, the state has developed specific proposals on implementation of those assurances in the administrative rules promulgated by the Board of Water and Natural Resources.

Section 602(a) – Environmental Reviews – The state certifies that it will conduct environmental reviews of each project on Attachment II receiving assistance from the Clean Water SRF, as applicable. The state will follow EPA-approved National Environmental Policy Act (NEPA) procedures in conjunction with such environmental reviews.

Section 602(b)(3) – Binding Commitments – The state certifies that it will enter into binding commitments equal to at least 120 percent of each quarterly grant payment within one year after receipt.

Section 602(b)(4) – Timely Expenditures of Funds – The state is committed to obligate Clean Water SRF moneys to eligible applicants as quickly and efficiently as possible to facilitate the financing of eligible projects and to initiate construction with a minimum of delay.

Section 602(b)(5) – First Use Enforceable Requirements – The state certifies that all major and minor wastewater treatment facilities identified as part of the National Municipal Policy (NMP) universe are:

1. in compliance, or
2. have received funding through various state and federal assistance programs and constructed a facility designed to produce an effluent capable of meeting the appropriate permit limits and achieve compliance with its discharge permit, or
3. have upgraded existing facilities or constructed new facilities through its own means to achieve compliance with its discharge permit.

Section 602(b)(6) – Compliance with Title II Requirements – The state certifies that it will comply as applicable.

Section 602(b)(13) – Cost Effectiveness Certification – The state will require Clean Water SRF assistance recipients and their consulting engineer to certify that they have studied and evaluated the cost effectiveness of the proposed project, and to the maximum extent practicable, have selected the alternative that maximizes the potential for

efficient water use, reuse, and recapture, and conservation and energy conservation.

Section 602(b)(14) – Procurement of Architectural and Engineering Services – The state will not provide Clean Water SRF assistance to projects for architectural or engineering services that are identified as an equivalency project in the annual report, unless the project has complied with the architectural and engineering procurement procedures identified in 40 U.S.C. 1101 *et seq.*

Section 608 – American Iron and Steel Provisions – The state certifies that it will require American Iron and Steel products to be utilized for all treatment works projects receiving assistance from the Clean Water SRF, as applicable.

CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

The Clean Water SRF funds are distributed using the following criteria:

1. the availability of funds in the Clean Water SRF program;
2. the applicant's need;
3. violation of health and safety standards;
and
4. the applicant's ability to repay.

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

Public Review and Comment – On May 25, 1988, a public hearing was held to review the initial Clean Water SRF rules and to receive comments. The Board of Water and Natural

Resources approved the rules following the hearing. Revisions to the Clean Water SRF rules have been made periodically to reflect the needs of the program.

A formal public hearing was held for the South Dakota fiscal year 2017 Clean Water SRF Intended Use Plan on November 9, 2016.

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	\$8,285,500	\$2,734,215	\$24,860,616				\$9,286,296	\$24,860,616
2006	\$8,229,300	\$2,715,669	\$27,576,285		\$7,500,000	Leveraged Bonds	\$12,001,965	\$20,076,285
2007	\$8,229,000	\$2,715,570	\$30,291,855				\$14,717,535	\$22,791,855
2008	\$8,146,000	\$2,688,180	\$32,980,035				\$17,405,715	\$25,480,035
2009	\$8,146,000	\$2,688,180	\$35,668,215				\$20,093,895	\$28,168,215
2010	\$13,573,000	\$4,479,090	\$40,147,305				\$24,572,985	\$32,647,305
2011	\$9,418,000	\$3,107,940	\$43,255,245		\$10,000,000	Repayments	\$27,680,925	\$25,755,245
2012	\$8,975,000	\$2,961,750	\$46,216,995				\$30,642,675	\$28,716,995
2013	\$8,421,000	\$2,788,930	\$48,995,925				\$33,421,605	\$31,495,925
2014	\$8,845,000	\$2,918,850	\$51,914,775				\$36,340,455	\$34,414,775
2015	\$8,787,000	\$2,899,710	\$54,814,485				\$39,240,165	\$37,314,485
2016	\$8,312,000	\$2,742,960	\$57,557,445				\$41,983,125	\$40,057,445
2017 (est.)	\$8,312,000	\$2,742,960	\$60,300,405				\$44,726,085	\$42,800,405

ATTACHMENT I

PROJECT PRIORITY LIST

Attachment I is a comprehensive list of projects that are eligible for Clean Water SRF loans. This list was developed from State Water Plan applications. Inclusion on the list carries no obligations to the Clean Water SRF program. Attachment II lists those projects expected to be funded in fiscal year 2017.

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term	Principal Forgiveness Eligible
31	Fort Pierre	C461049-07	Construction of an additional 20-acre wastewater treatment pond to provide additional treatment in order to help meet NPDES compliance, forcemain and gravity sewer to convey the wastewater, and depth indicators in existing ponds. The collection system will be cleaned and televised to prioritize future line replacement.	\$2,229,300	2.50%, 30 yrs	
31	Summerset	C461448-02	Installation of an effluent filter to lower Total Suspended Solids and Biochemical Oxygen Demand to meet NPDES permit requirements, as well as installation of covers over portions of the treatment system to increase treatment capability.	\$2,769,000	2.25%, 20 yrs	
28	Watertown	C461029-12	Construction of new gravity and low pressure sewer main to connect a development on the edge of the city currently utilizing on-site septic systems to the city's wastewater treatment system.	\$832,896	2.50%, 30 yrs	

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term	Principal Forgiveness Eligible
25	Sturgis	C461068-06	Construction of a Membrane Bioreactor wastewater treatment facility to allow the wastewater facility to discharge and maintain compliance and upgrades to the existing biosolids treatment system. The project will also include relining approximately 31,500 feet of sewer main, replacement of the current influent line to the treatment facility, and removal of biosolids that have accumulated in an existing wastewater pond.	\$19,256,000	2.25%, 20 yrs	Yes (Pending rate increase)
23	Lake Poinsett Sanitary District	C461027-05	Extension of the sanitary sewer collection system to serve additional residences and the construction of a total retention wastewater treatment lagoon system.	\$10,000,000	2.50%, 30 yrs	
22	Raymond	C461385-01	Upgrade the wastewater treatment ponds to total retention including installation of a synthetic liner and other upgrades to improve pond operation.	\$565,000	2.50%, 30 yrs	Yes (Pending rate increase)
21	Blunt	C461265-01	Rehabilitation of the wastewater treatment ponds to include liner replacement, riprap and other improvements. Two lift stations will also be rehabilitated, and the collection system will be cleaned and televised to prioritize future line replacement.	\$1,310,000	2.50%, 30 yrs	
21	Piedmont	C461462-01	Construction of a centralized collection system and activated sludge treatment facility to replace on-site septic systems within the municipality.	\$4,500,000	2.25%, 20 yrs	Yes (Pending rate increase)

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term	Principal Forgiveness Eligible
20	Sioux Falls	C461232-38	Replacement of the mixing system for primary digesters #1, #2, and #3, as well as the replacement of the floating covers for each digester with a fixed steel cover.	\$8,115,000	1.00%, 10 yrs	
17	Harrisburg	C461065-07	Construction of a new wastewater treatment facility or payment of a system regionalization development charge implemented by the city of Sioux Falls to be a regional user.	\$23,917,000	2.25%, 20 yrs	
16	Hot Springs	C461040-03	Construction of new gravity sewer main to connect users currently utilizing on-site septic systems to the city's wastewater treatment system.	\$270,000	2.50%, 30 yrs	Yes (Pending rate increase)
15	Elk Point	C461059-08	Reconditioning Cell #3 to include relining and replacing inter-pond piping and valves and installing riprap and other appurtenances.	\$283,000	2.50%, 30 yrs	
13	Belle Fourche	C461012-03	Replacement of approximately 7,300 feet of sewer and storm sewer lines, 25 manholes, and other appurtenances as part of the reconstruction of 8 th Avenue.	\$2,070,000	2.50%, 30 yrs	Yes (Pending rate increase)
12	Sioux Falls	C461232-39	Installation of new stormwater conveyance and storage infrastructure to adequately convey storm water flows in the area of 43 rd Street and Terry Avenue.	\$5,649,000	1.00%, 10 yrs	
11	Brandon	C461032-07	Installation of new trunk sewers to eliminate lift stations and convey wastewater to the main lift station to Sioux Falls.	\$10,123,000	2.50%, 30 yrs	
11	Salem	C461057-03	Replacement of approximately 5,000 feet of sewer lines, 14 manholes and related appurtenances throughout the city.	\$2,555,748	2.50%, 30 yrs	

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term	Principal Forgiveness Eligible
10	Dell Rapids	C461064-09	Installation of approximately 20,600 feet of new forcemain, 2 lift stations, 5,900 feet of gravity sewer, and related appurtenances to serve an undeveloped area near Interstate 29. The project would also include replacement of approximately 12,500 feet of sanitary sewer, 34 manholes and related appurtenances in the eastern portion of the city.	\$10,098,900	2.50%, 30 yrs	
10	Hot Springs	C461040-04	Replacement of approximately 1,425 feet of sewer lines and manholes.	\$197,000	2.50%, 30 yrs	Yes (Pending rate increase)
10	Humboldt	C461254-02	Replacement of approximately 6,400 feet of sewer lines, 24 manholes and related appurtenances throughout the city.	\$2,784,450	2.50%, 30 yrs	
10	North Sioux City	C461009-03	Installation of approximately 3,900 feet of forcemain to convey wastewater from the lift station on North Shore Drive eliminating a gravity sewer line that has reached capacity.	\$557,000	2.50%, 30 yrs	
10	Onida	C461234-01	Replacement of approximately 31,900 feet of sewer lines, 83 manholes and related appurtenances throughout the city. An existing lift station will be replaced that is beyond its useful life.	\$7,900,000	2.50%, 30 yrs	
10	Valley Springs	C461239-04	Replacement or relining of approximately 20,500 feet of sewer lines and manholes and replacement of an existing lift station and related appurtenances throughout the city.	\$7,849,000	2.50%, 30 yrs	

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term	Principal Forgiveness Eligible
9	Faith	C461249-01	Cleaning and televising the entire collection system, replacement or relining of approximately 15,000 feet of sewer lines, 34 manholes, and related appurtenances throughout the city.	\$1,472,814	2.50%, 30 yrs	Yes (Pending rate increase)
9	Gregory	C461126-03	Replacement of 800 feet of clay sanitary sewer with 8-inch PVC pipe that is experiencing excessive inflow and infiltration and related appurtenances under Felton Street.	\$334,000	2.50%, 30 yrs	Yes
9	Platte	C461130-02	Cleaning and televising the entire collection system, relining of approximately 14,565 feet of sewer lines, manhole rehabilitation, and installation of an influent flow meter at the treatment facility.	\$1,075,000	2.50%, 30 yrs	Yes
8	Colton	C461135-03	Replacement of approximately 5,500 feet of sewer lines and manholes.	\$1,371,600	2.50%, 30 yrs	
8	Tea	C461028-08	Replacement of approximately 4,350 feet of sewer lines and manholes as part of the reconstruction of Ceylon Avenue.	\$745,000	2.50%, 30 yrs	
8	Tea	C461028-09	Replacement of approximately 5,100 feet of sewer lines and manholes as part of the reconstruction of Brian Street.	\$749,000	2.50%, 30 yrs	
8	Tea	C461028-10	Installation of approximately 4,400 feet of gravity sewer lines, 11,800 feet of forcemain to provide for service for future development along and adjacent to 271 st Street.	\$733,000	2.50%, 30 yrs	
8	Veblen	C461186-01	Replacement or relining of approximately 19,700 feet of sewer line and 40 manholes. The project will also install riprap on the wastewater treatment lagoon.	\$2,137,000	2.50%, 30 yrs	Yes (Pending rate increase)

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term	Principal Forgiveness Eligible
7	Lake Norden	C461256-01	Cleaning and televising and potential relining of the entire collection system.	\$510,000	2.50%, 30 yrs	Yes (Pending rate increase)
7	Volga	C461046-01	Installation of a lift station to serve a currently undeveloped area of town.	\$619,000	2.25%, 20 yrs	
6	Avon	C461242-01	Replacement of approximately 330 water meters and installation of an automatic meter reading system.	\$469,800	2.00%, 10 yrs	Yes (Green Project)
6	Cavour	C461043-01	Replacement of approximately 7,000 feet of sanitary sewer and appurtenances, cleaning and televising of collection system, and upgrades to the wastewater treatment ponds.	\$2,390,000	2.50%, 30 yrs	
6	Centerville	C461215-03	Installation of over 1,800 feet of parallel storm sewer pipe to increase capacity of the existing system to handle flows on Nebraska Street.	\$214,000	2.50%, 30 yrs	
6	Humboldt	C461254-03	Replacement of approximately 260 water meters and installation of an automatic meter reading system.	\$264,580	2.00%, 10 yrs	Yes (Green Project, Pending rate increase)
6	Lebanon	C461356-01	Replacement of approximately 6,800 feet of sanitary sewer, relining of 4,100 feet of sanitary sewer, and replacement of 18 manholes and related appurtenances,	\$1,270,641	2.50%, 30 yrs	Yes
6	Philip	C461205-06	Replacement of approximately 220 water meters and installation of an automatic meter reading system and transmitters for all other meters not being replaced.	\$340,000	2.00%, 10 yrs	Yes (Green Project)
6	Plankinton	C461110-02	Replacement of approximately 380 water meters and installation of an automatic meter reading system.	\$240,000	2.00%, 10 yrs	Yes (Green Project)

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term	Principal Forgiveness Eligible
6	Valley Springs	C461239-04	Replacement of approximately 350 water meters and installation of an automatic meter reading system.	\$175,000	2.00%, 10 yrs	Yes (Green Project, Pending rate increase)
6	Worthing	C461047-04	Replacement of approximately 380 water meters and installation of an automatic meter reading system.	\$120,000	2.00%, 10 yrs	Yes (Green Project)
5	Blunt	C461265-02	Replacement of approximately 180 water meters and installation of an automatic meter reading system.	\$530,000	2.00%, 10 yrs	Yes (Green Project, Pending rate increase)
4	Doland	C461050-01	Replacement of approximately 100 water meters and installation of an automatic meter reading system.	\$104,300	2.00%, 10 yrs	Yes (Green Project)

ATTACHMENT II – LIST OF PROJECTS TO BE FUNDED IN FY2017

Priority Points	Loan Recipient	Project Number	Assistance Amount	Principal Forgiveness ¹	Funding Date	Expected Funding Source ²
	<i>Green Project Reserve Information</i>					
Loans Expected						
13	Belle Fourche	C461012-03	\$2,070,000	\$200,000	Jan. 2017	2015
31	Fort Pierre	C461049-07	\$2,229,300	\$0	March 2017	2016
31	Summerset	C461448-02	\$2,769,000	\$0	March 2017	2016
25	Sturgis	C461068-06	\$19,256,000	\$2,000,000	March 2017	2016/2017/Repay
21	Blunt	C461265-01	\$1,310,000	\$0	March 2017	Repayments
20	Sioux Falls	C461232-38	\$8,115,000	\$0	March 2017	Repayments
11	Salem	C461057-03	\$2,555,748	\$0	March 2017	Repayments
10	Humboldt	C461254-02	\$2,784,450	\$0	March 2017	Repayments
10	North Sioux City	C461009-03	\$557,000	\$0	March 2017	Repayments
10	Onida	C461234-01	\$7,900,000	\$0	March 2017	Repayments
9	Faith	C461249-01	\$1,472,814	\$150,000	March 2017	Repayments
9	Gregory	C461126-03	\$334,000	\$35,000	March 2017	Repayments
8	Colton	C461135-03	\$1,075,000	\$0	March 2017	Repayments
6	Avon	C461242-01	\$469,800	\$47,000	March 2017	Repayments
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$469,800</i>					
6	Centerville	C461215-03	\$214,000	\$0	March 2017	Repayments
6	Humboldt	C461254-03	\$264,580	\$26,000	March 2017	Repayments
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$264,580</i>					
6	Valley Springs	C461239-04	\$175,000	\$17,000	March 2017	Repayments
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$175,000</i>					
6	Worthing	C461047-04	\$120,000	\$12,000	March 2017	Repayments
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$120,000</i>					
5	Blunt	C461265-02	\$530,000	\$53,000	March 2017	Repayments
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$530,000</i>					

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

2. Projects identified using capitalization grant funds are for equivalency requirements planning purposes only, actual projects used for capitalization grant equivalency will be identified on the fiscal year 2017 annual report.

ATTACHMENT II – LIST OF PROJECTS TO BE FUNDED IN FY2017 (Continued)

Priority Points	Loan Recipient	Project Number	Assistance Amount	Principal Forgiveness ¹	Funding Date	Expected Funding Source ²
	<i>Green Project Reserve Information</i>					
Loans Expected						
15	Elk Point	C461059-08	\$283,000	\$0	June 2017	Repayments
12	Sioux Falls	C461232-39	\$5,649,000	\$0	June 2017	Repayments
10	Dell Rapids	C461064-09	\$10,098,900	\$0	June 2017	Repayments
8	Tea	C461028-08	\$745,000	\$0	June 2017	Repayments
8	Veblen	C461186-01	\$2,137,000	\$210,000	June 2017	Repayments
6	Lebanon	C461356-01	\$1,270,641	\$127,000	June 2017	Repay/Lev. Funds
6	Philip	C461205-06	\$340,000	\$34,000	June 2017	Lev. Funds
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$469,800</i>					
6	Plankinton	C461110-02	\$240,000	\$24,000	June 2017	Lev. Funds
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$469,800</i>					
4	Doland	C461050-01	\$104,300	\$10,000	June 2017	Lev. Funds
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$469,800</i>					
28	Watertown	C461029-12	\$832,896	\$0	Sept. 2017	Lev. Funds
16	Hot Springs	C461040-03	\$270,000	\$27,000	Sept. 2017	Lev. Funds
10	Dell Rapids	C461064-09	\$10,098,900	\$0	Sept. 2017	Lev. Funds
8	Tea	C461028-09	\$749,000	\$0	Sept. 2017	Lev. Funds

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2. Projects identified using capitalization grant funds are for equivalency requirements planning purposes only, actual projects used for capitalization grant equivalency will be identified on the fiscal year 2017 annual report.

**ATTACHMENT III
PROGRAM FUNDING STATUS**

Fiscal Years 1989 – 2016

Capitalization Grants	\$180,818,200	
State Match	\$33,567,920	
ARRA Grant	\$19,239,100	
Program Administration Allowance	(\$7,768,458)	
Leveraged Funds	\$207,246,266	
Transfer of FY 2002 & 2003 Capitalization Grant and State Match to DWSRF	(\$15,574,320)	
Transfer of DWSRF Repayments	\$10,000,000	
Excess Interest as of September 30, 2016	\$82,211,733	
Excess Principal as of September 30, 2016	<u>\$160,835,053</u>	
 Total Funds Dedicated to Loan		 \$663,171,214
 Loans made through September 30, 2016		 <u>(\$614,450,975)</u>
 Balance of funds as of September 30, 2016		 \$48,720,239

Fiscal Year 2017 Projections

Capitalization Grants	\$6,525,000	
State Match	\$1,305,000	
Program Administration Allowance	(\$436,164)	
Projected Excess Principal Repayments	\$10,500,000	
Projected Unrestricted Interest Earnings	\$7,000,000	
Leveraged Bonds	<u>\$55,000,000</u>	
Projected Fiscal Year 2017 Loan Subtotal		\$79,893,836
 Total Funds Available for Loans		 <u><u>\$128,614,075</u></u>
 Loan Amount Identified on Attachment II - List of Projects to be Funded in Fiscal Year 2017		 <u><u>\$87,020,329</u></u>

Administrative Surcharge Funds Available as of September 30, 2016	
Restricted Account (Administrative Purposes Only)	\$9,182
Discretionary Account (Available for Water Quality Grants)	<u>\$17,824</u>
Total	<u>\$27,006</u>