SOUTH DAKOTA DEPARTMENT OF WATER AND NATURAL RESOURCES STATE REVOLVING FUND ANNUAL REPORT Federal Fiscal Year 1990

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SOUTH DAKOTA DEPARTMENT OF WATER AND NATURAL RESOURCES
STATE REVOLVING FUND ANNUAL REPORT
Federal Fiscal Year 1990

I. INTRODUCTION

The State of South Dakota prepared and submits its State Revolving Fund (SRF) Annual Report, as a condition of the operating agreement for the federal capitalization grant from the U.S. Environmental Protection Agency (EPA). The Annual Report describes how the State has met the goals of the State Revolving Loan Program, as identified in the Intended Use Plan (IUP), for federal fiscal year (FFY) 1990.

II. EXECUTIVE SUMMARY

South Dakota's SRF FFY 1990 program was based upon an assumed federal appropriation of $5,900,000. However, the actual appropriation was only $4,738,000. The decrease did not have any immediate effect on the State's program, since requests for funds did not exceed the amount available. However, in the long term, this decrease will have a significant negative effect. If the congressional appropriations continue at the same percentage as FFY's 1989 & 1990 the State's capitalized amount at the end of FFY 1994 could be decreased by as much as $9,700,000.

The State successfully pursued legislative changes that enabled the communities to access SRF funds more effectively. The legislative changes, which became effective July 1, 1990, allow a municipality to incur long term debt without a bond election if wastewater revenues are segregated and the segregated portion is used to repay the debt. The State made 14 binding commitments totalling $9,982,419 during FFY 1990 (see Exhibit I).

The Fund was used in FFY 1990 to partially fund three "first use" requirements of the federal Clean Water Act (CWA). The "first use" requirements are those projects that will result in communities meeting the National Pollutant Discharge Elimination System (NPDES) permit requirements. The State funded the remainder of the state's "first use" requirements that were ready to proceed with Title II grant funds (EPA Construction Grants Program).

III. GOALS AND OBJECTIVES

A. Short Term Goals And Objectives

The IUP for the State described one short term goal and four short term objectives to be achieved during FFY 1990. The State has made significant progress toward successful completion of its short term goal and objectives.

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

The State received its FFY 1989 capitalization grant of $4,577,200 on March 6, 1989; and it received its FFY 1990 capitalization grant of $4,738,000 on March 30, 1990.

The short term objectives are as follows:

1. Develop a SRF program that provides low interest financing (up to 100 percent) for municipal wastewater treatment facilities and nonpoint

source pollution control projects.

The State has fully developed the SRF that will provide low interest loans (3 percent for 1989 and 1990) to municipal wastewater treatment facilities/nonpoint source pollution control projects.

2. Ensure the technical integrity of the SRF projects through the review of planning, design, plans and specifications, and construction activities.

   The State has completed the Handbook of Procedures (HOP) checksheets to be used by the State project engineers in the review of planning documents, plans and specifications, and monitoring construction activities. The State will use the same engineering staff it has employed for management of the EPA Construction Grants Program activities.

   In addition, the State staff includes two financial specialists to ensure that the financial aspects of the individual projects, as well as the SRF, are adhered to, protected, and enhanced.

3. Obtain maximum capitalization of the SRF for the State in the shortest time possible.

   The State received the FFY 1989 and FFY 1990 capitalization grants on March 6, 1989 and March 30, 1990, respectively. The State has obligated all but $823,213, and the rest will be obligated in the time allowable.

   The State did receive the full amount of SRF funds available from EPA for both federal fiscal years. The State is expected to apply for the FFY 1991 capitalization grant as soon as allowable in FFY 1991.

B. <u>Long Term Goals And Objectives</u>

In its IUP, the State identified the following long term goal:

The long term goals of the SRF are to capitalize the SRF to the fullest, maintain, restore and enhance the chemical, physical and biological integrity of the State's waters for the benefit of the overall environment, to protect public health, and to promote economic well-being.

The State was able to fully capitalize both the FFY 1989 and 1990 SRF grants to the maximum extent possible. The first loan binding commitment was made on November 9, 1989, and since then loans totalling $9,982,419 have been made. This leaves a balance available to loan of $823,213 from FFY 1989 and 1990 monies.

The long term objectives are as follows:

1. Maintain a permanent, self-sustaining SRF program that will serve in perpetuity as a source of financing for wastewater treatment facilities and water pollution control activities including nonpoint source pollution control, and where applicable groundwater protection projects.

   The State has made significant progress toward the estab-

lishment of a permanent, self-sustaining SRF by the capitalization of the FFY 1989 and 1990 grants. The State has made significant progress in obligating these funds and has $823,213 remaining. The interest rate is currently established to maximize the attractiveness of the SRF and yet be sufficient to retire the state match revenue bond. The Board of Water and Natural Resources (BWNR) may, at its discretion, change the interest rate annually to account for changes in inflation and other factors.

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.

   The State has tailored the HOP to reflect a minimum of State oversight and maximum recipient leeway in the activities of the SRF. Certain activities such as a Plan of Operation and an Operation and Maintenance Manual will not normally be required. Also, activities such as change order review for cost negotiation has been deleted since the funding source is now loans.

IV. DETAILS OF ACCOMPLISHMENTS

A. SRF Financial Status

1. Binding Commitments

The Department of Water and Natural Resources (DWNR) entered into 14 binding commitments during FFY 1990. **Exhibit I** lists the recipients of SRF loans during FFY 1990. The FFY 1989 and 1990 funds were all obligated within one year after the receipt of each quarterly grant payment (see **Exhibit II**). The remaining FFY 1990 balance of $823,213 must be obligated by September 30, 1991. This is not expected to be a problem since these funds should be obligated by December 31, 1990. All of the loans were made to Section 212 projects (wastewater treatment works), although $1,155,700 was used to refinance previously constructed Section 212 projects. All of the loan recipients were required to meet the federal statutory requirements.

2. Sources of Funds

Exhibit III shows the sources of SRF funds available for FFY 1990. During FFY 1990, the State was awarded a $4,738,000 federal capitalization grant that was matched by $947,600 in State funds. There were no Title II transfers to the SRF during FFY 1990.

The State provided its match by issuing Conservancy District revenue bonds ($5,785,000) for the first 3 years of the required State match. **Exhibit VI** provides a balance sheet of where the $5,785,000 was deposited. **Exhibit VII** provides

a statement of revenues, expenditures, and changes in fund balances.

3. Disbursements and Guarantees

There were no loan guarantees issued during FFY 1990.

4. Financial Statement(s)

Exhibit VI shows the balance sheet for all accounts as of September 30, 1990.

Exhibit VII shows the statement of revenues, expenditures, and changes in fund balances as of September 30, 1990.

5. Credit Risk of the SRF

The Capital Guaranty Insurance Company has been employed as the credit insurer, and has established its own set of program guidelines to be used in conjunction with federal, State, and local regulations and statutes.

The summarized rules of the credit insurer are:

a. If the loan applicant has a population of less than 1,000, the loan agreement must be secured by both its wastewater system revenues and the full faith and credit of the applicant;

b. If the loan applicant's outstanding wastewater debt is greater than $1,000 per capita, the loan may only be made with the written consent of the insurer;

c. If the loan applicant's outstanding wastewater debt is less than $1,000 per capita, approval by the credit insurer is automatic; and

d. If the loan applicant's outstanding wastewater debt is greater than $500 per capita or greater than $1,500 per hookup, the State must deposit an amount equal to 8 percent on the outstanding principal into the Loan Loss Reserve Fund, which will make the approval by the credit insurer automatic. In FFY 1990, three loans were approved which required the placement of $55,360 into the Loan Loss Reserve Fund.

In addition to the credit insurer criteria, the State will follow the review procedures contained in the current HOP and Attachment 6 (Loan Program Policies and Guidelines).

With the credit insurer's criteria and the State's in-house review process, the SRF loans that were issued in FFY 1990 were well protected from default. In two cases where a loan involved the purchase of equipment, the loan repayment period was reduced to 10 years to correspond with the expected useful life of the equipment. The State's repayments on its revenue series issuance will also be protected. In addition, as a general indication of the fiscal responsibility of the municipalities that will be receiving loans; there has never been a municipal bond default in the State's history.

B. Assistance Activity

Exhibits I - VIII illustrate the assistance level financial activity of the SRF for FFY 1990.

Exhibit I shows those recipients that received SRF loans for FFY 1990. All of the loans were for Section 212 projects (wastewater) and they all met the Title II statutory requirements. Four projects met the enforceable requirements of the CWA and an additional three projects were refinancings. The refinancings all met the Title II statutory requirements in order to be refinanced.

Exhibit V lists the assistance amount provided to each Section 212 project by needs category. The table also lists the year's funds used for each project and each loan's repayment period. During FFY 1990, loans for categories III B, IV A, and V using FFY 1989 funds totalled $647,852. This was 11.8 percent of the FFY 1989 capitalization grant amount, which is well within the 20 percent limit for these categories. The 20 percent limit did not apply to the FFY 1990 funds.

Exhibit II lists the FFY 1989 and 1990 payment schedules contained in the FFY 1989 and 1990 capitalization grants. The payment schedule is essentially a Letter-of-Credit (LOC) ceiling for federal cash disbursements to the State's SRF. More importantly, the State must make binding commitments totalling 120 percent (federal + state share) of each quarterly payment schedule within one year from the date of the payment schedule in order to capitalize the SRF.

Exhibit IV lists the estimated FFY 1990 cash disbursement schedule from the federal LOC. This schedule was agreed upon by the State and EPA in July 1989. The table indicates the State overestimated the rate at which federal LOC cash draws would be made. The State has requested federal LOC cash draws of $1,822,713 for FFY 1990, which is well below the cash draw ceiling of $7,971,900. However, the actual cumulative cash draw is approximately 82 percent of the FFY 1990 State/EPA Workplan commitment. This was due in part because the first SRF loan was made in November, 1989. The loan closing did not take place until approximately four weeks later. The loans made in November, December, January, and April were for work yet to be completed which delayed the cash draws.

Exhibit II shows the total SRF funds available, broken down by fiscal year, capitalization amounts, and state match amounts.

C. Capitalization Grant Conditions

The State of South Dakota agreed to a number of conditions in the capitalization grant agreement. A list of the applicable conditions and their respective status' are described below:

1. Transfer of Funds - the grant stated that no transfer of FFY 1990 Title II funds were allowed.

   The State did not transfer any Title II funds during FFY 1990.

2. Establishment of Minority Business Enterprise (MBE)/ Women's Business Enterprise (WBE) Goals and Submittal of MBE/WBE Utilization Report.

   The State and EPA have agreed on "fair-share" goals of 5 percent and 2 percent for MBE and WBE firms. The actual goals achieved for FFY 1990 were 7.8 percent for MBE and 0.3 percent for WBE.

3. The State agrees to accept all payments from the federal LOC.

   The State has agreed to a payment schedule (see Exhibit II) with EPA.

4. Each request for a cash draw on behalf of the State Water Pollution Control Revolving Fund (SWPCRF) shall be separate from any other cash draws from EPA.

   The State has a separate LOC for its SRF draws.

5. The State will not claim prior funds or prior projects' costs as match.

   The State has not claimed prior incurred costs as State match.

6. Loan recipients must establish a dedicated source of revenue for loan repayment.

   The loan recipients were required to establish a dedicated source of revenue for loan repayments.

7. Prior to executing binding commitments on SRF projects, the Regional Administrator must certify project compliance with Title VI of the Civil Rights Act.

   The 14 loan recipients all submitted project certification forms (EPA 4700-4) to DWNR, which in turn submitted these forms to EPA for concurrence. The forms were returned with EPA approval prior to BWNR action on the loans.

8. No assistance from 120 percent of the funds made available by the capitalization grant awarded in FFY 1990 shall be used for storm sewers.

   No SRF funds were awarded for any storm sewer projects during FFY 1990.

9. Each disbursement from the SWPCRF for activities shall be composed of a 83.33 percent share of cash draws on the federal LOC and a 16.67 percent share of State match.

   All disbursements made for activities of the SWPCRF were in compliance with the 83.33 percent/16.67 percent Federal/State split.

10. For all procurement actions after award of this capitalization grant, the State assures 40 CFR Parts 31 and 32 will be followed.

    There have not been any procurement actions during FFY 1990 that involved the SRF administrative funds nor the associated State match.

11. Any administrative surcharge imposed on SWPCRF loan recipients as a program administrative fee must be billed outside the SWPCRF.

    Administrative surcharge is billed separately from principal and interest on loans.

12. The State shall derive its match from the bonded debt issued by the BWNR acting as the South Dakota Conservancy District.

    The BWNR issued $5,785,000 in revenue bonds on August 9, 1989. These funds are being used to provide the first three years of the State match.

13. The State shall provide an estimate for future cash draws on the federal LOC no later than the third quarter of each federal fiscal year.

    The State provided the cash draw schedule as requested.

14. The Certification Regarding Lobbying is incorporated into this award as another federal authority.

    The State is adhering to the federal requirements regarding lobbying with federal funds.

15. Intended Use Plan (IUP) (FFY 1990) payments to the LOC are synopsized below:

FFY 1990	2nd Qtr. -	$-0-
	3rd Qtr. -	$2,893,800
	4th Qtr. -	$500,900
FFY 1991	1st Qtr. -	$1,343,300
	Total	$4,738,000

V. PROGRAM CHANGES

A. 1991 Intended Use Plan

The Annual Report contains the 1991 IUP as approved by BWNR.

B. Modifications of the Program

The State has identified several minor changes to be made to the Operating Agreement and IUP for FFY 1991, because storm sewers will then be eligible. Several loans for storm sewers will be made upon receipt of the FFY 1991 capitalization grant. In addition, there have been some staff/BWNR discussions on increasing the SRF loan interest rate to help make up for the reduced appropriations of SRF funds in FFY 1989 and 1990.

EXHIBIT I

PROJECTS RECEIVING SRF ASSISTANCE

Community	Project Number	Binding Commit. Date	Assistance Amount
Huron*	C461291-01	11-9-89	$1,656,000
Rapid Valley	C461013-01	1-11-90	$614,000
Box Elder*,**	C461003-01	4-11-90	$648,600
Custer	C461021-01	4-11-90	$430,000
Lake Cochrane*,**	C461008-01	4-11-90	$80,000
Lemmon**	C461015-01	4-11-90	$427,100
Sioux Falls	C461232-01	4-11-90	$3,316,310
Lead-Deadwood	C461002-01	6-7-90	$110,000
Vermillion	C461022-01	6-7-90	$125,000
Custer	C461021-02	7-11-90	$182,000
Lead	C461007-01	7-11-90	$186,409
Mobridge*	C461016-01	7-11-90	$1,500,000
Sioux Falls	C461232-02	7-11-90	$454,000
Belle Fourche	C461012-01	8-22-90	$ 253,000
		TOTAL	$9,982,419

*Enforceable Projects
**Refinancings

EXHIBIT II

CAPITALIZATION GRANT PAYMENT SCHEDULES (FFY 1989 AND 1990)

Fiscal Year	Capitalization Amount	Quarters 1st	2nd	FFY 1989 3rd	4th	1st	2nd	FFY 1990 3rd	4th	FFY 1991 1st
1989	$4,577,200	$ 0	$ 0	$85,000	$2,952,963	$1,539,237	$ 0	$ 0	$0	$0
1990	$4,738,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$2,893,800	$ 500,900	$1,343,300
Total	$9,315,200	$ 0	$ 0	$85,000	$2,952,963	$1,539,237	$ 0	$2,893,800	$ 500,900	$1,343,300
Cumulative Total	$	$ 0	$ 0	$85,000	$3,037,963	$4,577,200	$4,577,200	$7,471,000	$7,971,900	$9,315,200

EXHIBIT III

ALLOCATION AND SOURCE OF TOTAL AVAILABLE SRF FUNDS

Fiscal Year	Capitalization Grant Amount	State Match	Total
1989	$4,577,200	$915,440	$ 5,492,640
1990	$4,738,000	$947,600	$ 5,685,600
Total	$9,315,200	$1,863,040	$11,178,240

Note: Total available SRF funds includes $372,608 for SRF administration.

EXHIBIT IV

SRF PROJECTED VERSUS ACTUAL FEDERAL LOC CASH DRAWS (FFY 1990)

Month	Cumulative Projected Draws	Cumulative Actual Draws	Difference
October	$ 15,000	$ 0	($ 15,000)
November	$ 30,000	$ 0	($ 30,000)
December	$ 45,000	$ 0	($ 45,000)
January	$ 60,000	$ 0	($ 60,000)
February	$ 90,000	$ 71,692	($18,308)
March	$ 120,000	$ 71,692	($ 48,308)
April	$ 220,000	$ 71,692	($148,308)
May	$ 420,000	$ 80,705	($339,295)
June	$ 720,000	$ 572,087	($147,913)
July	$1,220,000	$ 789,811	($430,189)
August	$1,720,000	$1,095,502	($624,498)
September	$2,220,000	$1,822,713	($397,287)

EXHIBIT V
ASSISTANCE AMOUNT BY NEEDS CATEGORIES

Community	Project Number	Fiscal Year	Assistance Amount	I	II	IIIA	IIIB	IVA	IVB	V	Repayment Period
Box Elder*	C461003-01	89	$ 324,300	$ 324,300							20
Custer	C461021-01	89	$430,000		$430,000						20
Huron	C461291-01	89	$1,656,000	$1,000,000	$656,000						20
Lemmon*	C461015-01	89	$213,550			$213,550					20
Mobridge	C461016-01	89	$1,500,000	$ 1,500,000							20
Rapid Valley	C461013-01	89	$614,000				$250,000	$364,000			20
Sioux Falls*	C461232-01	89	$ 571,702				$228,865	$58,824	$284,013		20
	Subtotal		$5,309,552	$2,824,300	$1,086,000	$213,550	$ 478,865	$422,824	$284,013		
Belle Fourche	C461012-01	90	$ 253,000						$253,000		20
Box Elder*	C461003-01	90	$324,300	$324,300							20
Custer	C461021-02	90	$182,000					$182,000			20
Lake Cochrane	C461008-01	90	$80,000	$80,000							20
Lead	C461007-01	90	$186,409			$90,000				$96,409	20
Lead-Deadwood	C461002-01	90	$110,000	$110,000							10
Lemmon*	C461015-01	90	$213,550			$213,550					20
Sioux Falls*	C461232-01	90	$2,744,608				$995,135	$300,176	$1,449,297		20
Sioux Falls	C461232-02	90	$454,000	$236,000			$218,000				10
Vermillion	C461022-01	90	$125,000						$125,000		20
	SUBTOTAL		$4,672,867	$ 750,300	$ 0	$303,550	$1,213,135	$482,176	$1,827,297	$96,409	
	Total		$9,982,419	$3,574,600	$1,086,000	$517,100	$1,692,000	$905,000	$2,111,310	$96,409	

*Split into FFY 1989 and 1990

Category

I - Secondary Treatment

II - Advance Treatment

IIIA - Infiltration/Inflow Correction

IIIB - Major Sewer Rehabilitation

IVA - New Collectors

IVA - New Interceptors

V - Correction of Combined Sewer Overflows

Exhibit VI

State of South Dakota
Balance Sheet
September 30, 1990
$ (000)

Assets	SRF	Non/SRF	TOTAL
Cash and Investments (Note 1)	$ 1,084	$ 4,750	$ 5,834
Accrued Interest	3	87	90
Federal LOC Commitment less Cash Draws	0	7,492	7,492
Loan Loss Reserve Fund (Note 2)	0	580	580
Loans Outstanding	2,076	0	2,076
Capitalized Interest Fund	0	497	497
Total Assets	$ 3,163	$13,406	$16,569
Liabilities and Fund Equity			
Liabilities			
Accts Payable - Bond Interest (Note 3)	$ 0	$ 66	$ 66
Accts Payable - Due to Cities	1,084	0	1,084
Bonds Payable (Note 3)	0	5,640	5,640
Total Liabilities	$ 1,084	$ 5,706	$ 6,790
Fund Equity			
Contribution from EPA (Note 4)	$ 1,823	$ 7,492	$ 9,315
Contribution from State	364	934	1,298
Fund Balance	(108)	(726)	(834)
Total Fund Equity	$ 2,079	$ 7,700	$ 9,779
Total Liabilities and Fund Equity	$ 3,163	$13,406	$16,569

Exhibit VII

State of South Dakota
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ending September 30, 1990

Revenues	SRF	Non/SRF	TOTAL
Interest Earned on:			
Investments	$ 3	$ 387	$ 390
Loan Loss Reserve Fund	0	48	48
Capitalized Interest Fund	0	36	36
Total Revenues	$ 3	$ 471	$ 474
Expenses			
Program Administration	$ 111	$ 0	$ 111
Interest on Bonds and Notes	0	401	401
Total Expenses	$ 111	$ 401	$ 512
Excess (Deficit) of Revenues Over Expenses	$ (108)	$ 70	$ (38)
Fund Balance (Deficit) at Beginning of Year	0	(796)	(796)
Fund Balance (Deficit at End of Year)	$ (108)	$ (726)	$ (834)

Exhibit VIII

State of South Dakota
Statement of Changes in Financial Position
Year Ending September 30, 1990

Sources of Working Capital	SRF	Non/SRF	TOTAL
Excess or (Deficit) of Revenues over Expenditures	$ (108)	$ 70	$ (38)
Federal Capitalization Grant	0	4,738	4,738
Increase in Loans Outstanding	2,076	0	2,076
Increase (Decrease) in Accts Payable	1,084	(1)	1,083
Loan Principal Repayments	0	0	0
Miscellaneous	111	(47)	64
Total Sources of Working Capital	$ 3,163	$ 4,760	$ 7,923
Uses of Working Capital			
Loan Disbursements	$ 0	$ 2,076	$ 2,076
Repayment of Principal of Bonds	0	145	145
Total Uses of Working Capital	$ 0	$ 2,221	$ 2,221
Net Increase in Working Capital	$ 3,163	$ 2,539	$ 5,702
Balance Beginning of Year	$ 0	$10,867	$10,867
Balance End of Year	$ 3,163	$13,406	$16,569

NOTES TO FINANCIAL STATEMENTS

1. Investments consist substantially of two 7.55% Investment Agreements with Citibank due July 25, 1992, totaling $4,311,700. The remaining funds are held in a Federated Investors Inc. money market fund rated "AAA" by Standard and Poors.

2. The Loan Loss Reserve Fund has two major investments: $280,000 par value United States Treasury Notes due October 31, 1990, and $280,000 par value Federal Home Loan Bank Notes due July 25, 1994. The remaining funds are held in a Federated Investors Inc. money market fund rated "AAA" by Standard and Poors.

3. The following principal and interest payment on the bonds are due as follows:

	February 1, 1991	August 1, 1991
Principal	$ 0	$155,000
Interest	196,942	196,942
Total	$196,942	$351,942

4. The contribution from the EPA is the full amount authorized for the periods ending as follows:

October 31, 1989	$4,577,200
October 31, 1990	4,738,000
Total	$9,315,200

SOUTH DAKOTA REVOLVING FUND

INTENDED USE PLAN

FINAL

I. INTRODUCTION

The State of South Dakota proposes to adopt the following Intended Use Plan (IUP) for federal fiscal year 1991 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 State Revolving Fund (SRF). The IUP has been reviewed by the public and reflects the results of such review.

The IUP includes the following:

1. List of Projects, and Activities,
2. Long and Short Term Goals,
3. Assurances and Specific Proposals,
4. Criteria and Method for Distribution of Funds,
5. Proposed Schedule of Grant Payments, and
6. Commitment of Matching State Funds.

II. LIST OF PROJECTS

The State is considering the following list of eligible projects/activities for receiving revolving funds in Federal FY 1991:

1. Attachment I - Potential Wastewater Treatment Projects; and
2. Attachment II - Potential Nonpoint Source Management Activities.

The State intends to use remaining available Title II funds for wastewater facility projects necessary to assure maintenance of progress, as determined by the Governor of the State, toward compliance with enforceable deadlines National Municipal Policy (NMP) projects, goals and requirements of the Clean Water Act including the municipal compliance deadline. Thus, the State through this approach will meet the EPA "first use" requirement.

The project priority list identifies potential projects eligible for EPA construction grant and SRF funds. The SRF funds will basically be administered on a first-come, first-serve basis, regardless of the projects ranking on the priority list. However, to be eligible for SRF funding the project/activity must also be identified and included as a potential project in the IUP. Attachments I and II contain lists of projects and activities that are projected for use of SRF funds during federal fiscal year 1991. Additional projects from the priority list can be added to the IUP list by the amendment process identified in the SRF rules (copy enclosed). The State will also fund nonpoint source management projects/activities from Attachment II as they apply, subject to the 20 percent discretionary limit and the SRF rules adopted by the Board of Water and Natural Resources (BWNR) on May 25, 1988. According to the approved rules, the BWNR may set aside a portion of the 1991 SRF allocation for nonpoint source management projects/activities.

The SRF may be used for the following purposes:

1. Low interest loans to municipalities for secondary or more stringent treatment of any cost-effective alternatives, new inter-

ceptors and appurtenances, infiltration/inflow correction, new collectors, sewer system rehabilitation, expansion and correction of combined sewer overflows, 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 implementation projects/programs.

A determination of which projects are selected from the above mentioned lists, what amount of assistance, and financing terms and conditions will be made by the South Dakota Board of Water and Natural Resources during federal FY 1991.

III. GOALS AND OBJECTIVES

Long Term Goal and Objectives:

The long term goal of the State water pollution control revolving fund is to fully capitalize the SRF, maintain or restore and enhance the chemical, physical and biological integrity of the State's waters for the benefit of the overall environment, the protection of public health, and the promotion of economic well-being.

Objectives:

1. Maintain a permanent, self-sustaining SRF program that will serve in perpetuity as a financing source for wastewater treatment works projects and water pollution control activities including nonpoint source and groundwater protection 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 SRF is to fully capitalize the fund.

Objectives:

1. Ensure the technical integrity of 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.

IV. INFORMATION ON THE ACTIVITIES TO BE SUPPORTED

The primary type of assistance to be provided by the SRF is loans and refinancing of existing debts, where eligible. The State plans on reserving 4 percent of the capitalization grant amount for administrative expenses. On a more limited basis, the State may guarantee or buy insurance for local debt obligations, or leverage bond issues.

From the SRF, these types of assistance will be provided to local communities, sanitary districts, counties, or other units of government for the construction of publicly-owned wastewater treatment facilities (WWTF), and for the implementation of nonpoint source pollution control programs in conjunction with the SRF rules adopted by the BWNR on May 25, 1988.

V. ASSURANCE AND SPECIFIC PROPOSALS

A. Environmental Reviews (Section 602(a))

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 rules promulgated by the BWNR.

Section 602(a) - Environmental Reviews - The State certifies that it will conduct environmental reviews of each project receiving assistance from the SRF. The State will follow EPA approved 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 - The State certifies that it will expend all funds in the SRF in an expeditious and timely manner.

Section 602(b)(5) - First Use Enforceable Requirements - The State certifies that all major and minor WWTF's that the State has previously identified as part of the NMP Universe are:

(a) in compliance, or

(b) on an enforceable schedule, or

(c) have an enforcement action filed, or

(d) have a funding commitment (appear on Project Priority List for grant funding) during or prior to the first year covered by the IUP. Unless otherwise noted on Attachment I, all Section 212 projects will be required to meet the equivalency requirements.

Section 602(b)(6) - Compliance with Title II Requirements - The State certifies that it will ensure that sufficient financial assistance is provided from the fund to treatment works projects with eligible construction costs to satisfy the Title II equivalency requirements specified in Section 602(b)(6) in an amount equal to the funds directly made available by the Federal capitalization grant.

VI. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

SRF funds are being distributed using the method, criteria and eligible activities described in the SRF program rules. The methods and criteria used are designed to provide maximum flexibility and assistance which is affordable to the community 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 SRF rules and to receive comments. Copies of these documents were mailed to interested parties prior to the public hearing. The BWNR approved the rules following the hearing. A formal public hearing was held for the South Dakota State/EPA FY 91 Priority List and SRF IUP on August 22, 1990.

ATTACHMENT I

LIST OF POTENTIAL SRF PROJECTS WASTEWATER FACILITIES

Municipality	Project Description
Belle Fourche	Collection/Interceptors
Big Stone City*	Interceptors/Treatment
Brandon	Storm Sewers
Brookings	Collection/Interceptors
Clear Lake	Treatment
Colton	Treatment
Deadwood	Collection/Rehabilitation/I/I Correction
Highmore*	Treatment/I/I Correction
Lake Madison	Refinancing
Lake Norden*	Treatment
Lead	I/I Correction/Rehabilitation
Madison	Collection
McCook Lake	Interceptors/Treatment
Milbank	Interceptors
Mina Lake*	Collection/Treatment
N. Sioux City	Interceptors/Treatment
Oacoma*	Interceptors/Treatment
Philip*	Interceptors/Treatment
Pierre	Treatment/Interceptors
Pollock*	Treatment
Rapid City	Interceptors/Rehabilitation/Storm Sewers/ Treatment/Refinancing
Sioux Falls	Interceptors/Rehabilitation/ Storm Sewers/Treatment
Spearfish	Treatment
Tea	Storm Sewers
Veblen*	Treatment
Watertown*	Treatment
Waubay	Collection/Interceptors/ Treatment
Wentworth	Refinancing
Whitewood*	Treatment

*Denote enforceable projects.

(Projects appearing on the Project Priority List may be added to this list at any time as required in accordance with the SRF rules adopted by the Board of Water and Natural Resources.)

ATTACHMENT II

LIST OF
POTENTIAL SRF
NONPOINT SOURCE PROGRAMS

Activities to be implemented for the control of NPS pollution in the project areas listed for consideration include:

1. Agricultural Best Management Practices such as reduced tillage, sod based crop rotation, terraces and fertilizer/pesticide managment.
2. Urban Best Management Practices such as street cleaning, retention/detention basins and non-vegetative soil stabilization.
3. Sediment Control Structures.
4. Studies
   A. Groundwater impacts from agricultural activities.
   B. Groundwater characterization from selected aquifers.
   C. Wellhead protection area identification
5. Shoreline/Streambank Erosion Control.
6. Animal Waste Management Systems.
7. Shoreline Waste Management Systems.
8. Silviculture Best Management Practices such as ground cover and debris removal.
9. Mining Best Management Practices such as water diversion and block cutting.