

**SOUTH DAKOTA DEPARTMENT OF ENVIRONMENT  
AND NATURAL RESOURCES  
STATE REVOLVING FUND ANNUAL REPORT  
Federal Fiscal Year 1991**

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**SOUTH DAKOTA DEPARTMENT OF ENVIRONMENT  
AND NATURAL RESOURCES  
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Federal Fiscal Year 1991**

**I. INTRODUCTION**

The state of South Dakota hereby 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) 1991.

**II. EXECUTIVE SUMMARY**

South Dakota's SRF FFY 1991 program was based upon an assumed federal appropriation of \$11,800,000. However, the actual appropriation was only \$10,074,800. 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 & 1991, the State's capitalized amount at the end of FFY 1994 could be decreased by as much as \$9,700,000.

To ensure the viability of the SRF, the Board of Water and Natural Resources (BWNR) revised the interest rates at its October 1990 meeting in accordance with ARSD 74:05:18. Rates for FFY 1991 were established at 3% for 10 years, 4% for 15 years, and 5% for 20 years. The State entered into 12 binding commitments totaling \$8,317,770 during FFY 1991 (see Exhibit I).

The Fund was used in FFY 1991 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 Goal And Objectives**

The IUP for the State described one short term goal and four short term objectives to be achieved during FFY 1991. 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; its FFY 1990 capitalization grant of \$4,738,000 on March 30, 1990; and its FFY 1991 capitalization grant of \$10,074,800 on April 3, 1991.*

The short term objectives are as follows:

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

*The State has completed the Handbook of Procedures (HOP) check sheets 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 criteria of the individual projects, as well as the SRF, are adhered to, protected, and enhanced.*

2. Ensure compliance with all pertinent federal, state and local water pollution control laws and regulations.

*State project engineers ensure that all pertinent water pollution laws and regulations are adhered to.*

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

*The State received the FFY 1989, FFY 1990 and FFY 1991 capitalization grants on March 6, 1989, March 30, 1990, and April 3, 1991 respectively. The State has obligated all but \$4,195,356, of the total 1991 capitalization grant, and the rest will be obligated in the time allowable. The State did receive the full amount of SRF funds available from EPA for FFY 1989, 1990, and 1991. The State is expected to apply for the FFY 1992 capitalization grant as soon as allowable in FFY 1992.*

## **B. Long Term Goals And Objectives**

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

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; protect public health; and promote the economic well-being of the citizens of South Dakota.

*The State was able to fully capitalize the FFY 1989, FFY 1990 and FFY 1991 SRF grants to the maximum extent possible. The first loan (binding commitment) from the SRF program was made on November 9, 1989, and since then loans totalling \$18,297,044 have been made. This leaves a balance available to loan of \$4,195,356 from FFY 1991 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 wastewater treatment works projects and water pollution control activities including nonpoint source pollution control, and groundwater protection projects.

*The State has made significant progress toward the establishment of a permanent, self-sustaining SRF through the capitalization of the FFY 1989, 1990 and 1991 grants. The State has made significant progress in obligating these funds and has*

*\$4,195,356 remaining. The interest rates are currently established to maximize the attractiveness of the SRF and yet be sufficient to retire the State match revenue bonds. The BWNR may, and has, adjusted the interest rates to account for changes in inflation and other factors. ARSD allows the BWNR to review and revise SRF interest rates annually to reflect market conditions.*

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 have been deleted since the funding source is now loans.*

#### **IV. DETAILS OF ACCOMPLISHMENTS**

##### **A. SRF Financial Status**

##### **1. Binding Commitments**

The Department of Environment and Natural Resources (DENR) entered into 12 binding commitments during FFY

1991. Exhibit I lists the recipients of SRF loans during FFY 1991. The FFY 1989, 1990 and 1991 funds were all obligated within one year after the receipt of each quarterly grant payment (see Exhibit II). The remaining FFY 1991 balance of \$4,195,356 must be obligated by March 31, 1993. It is anticipated that these funds will be obligated by December 31, 1991. All of the loans were made to Section 212 projects (wastewater treatment works and storm water disposal), although \$330,000 was used to refinance a previously constructed Section 212 project. All 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 1991. During FFY 1991 the State was awarded a \$10,074,800 federal capitalization grant that was matched by \$2,014,960 in State funds. There were no Title II transfers to the SRF during FFY 1991.

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 1991.

4. Financial Statement(s)

**Exhibit VI** shows the balance sheet for all accounts as of September 30, 1991.

**Exhibit VII** shows the statement of revenues, expenditures, and changes in fund balances as of September 30, 1991.

**Exhibit VIII** shows the statement of changes in financial position as of September 30, 1991.

**Exhibit IX** shows the SRF loan participants as of September 30, 1991.

**Exhibit X** shows the total sources and uses of funds as of September 30, 1991.

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 population of the loan applicant is less than 1,000, the loan must be secured by both 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 of the outstanding principal into the Loan Loss Reserve Fund, which will make approval by the credit insurer automatic. In FFY 1991 one loan was approved which required the placement of \$51,354 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 1991 were well protected from default. 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 - V** illustrate the assistance activity of the SRF for FFY 1991.

**Exhibit I** shows those recipients that received SRF loans for FFY 1991. All loans were for Section 212 projects (wastewater and storm water), and all met the Title II statutory requirements. Three projects met the enforceable requirements of the CWA, and one project was a refinancing. The refinancing met the Title II statutory requirements.

**Exhibit II** lists the FFY 1989, 1990 and 1991 payment schedules contained in the FFY 1989, 1990 and 1991 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 III** shows the total SRF funds available, broken down by fiscal year, capitalization amounts, and State match amounts.

**Exhibit IV** lists the estimated FFY 1991 cash disbursement schedule from the federal LOC. This schedule was agreed upon by the State and EPA in July 1990. 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 \$5,716,523 for FFY 1991, which is below the cash draw ceiling of \$5,995,000. However, the actual cumulative cash draw is approximately 95 percent of the FFY 1991 State/EPA Workplan commitment.

**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, the loan's repayment period and interest rate.

## **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 1991 Title II funds was allowed.

*The State did not transfer any Title II funds during FFY 1991.*

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 1991 were 6.2 percent for MBE and 6.2 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 11 loan recipients all submitted project certification forms (EPA 4700-4) to the DENR, 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. Beginning in FFY 1991 storm sewers were eligible to receive SRF loan assistance.

*Three projects received loans for storm sewers in FFY 1991.*

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 Part 31 will be followed.

*There was one procurement action during FFY 1991 that involved the SRF administrative funds and the associated State match. Neufeld Consulting was procured to analyze the SRF program with respect to the Asset Purchase Loan Sale (APLS) program, and 40 CFR Part 31.36(E)(4)(i)(A) was followed.*

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 1991) payments to the LOC are summarized as follows:

FFY 1991	1st Qtr. -	\$-0-
	2nd Qtr. -	\$-0-
	3rd Qtr. -	\$3,854,182
	4th Qtr. -	\$665,368
FFY 1992	1st Qtr. -	\$1,587,628
	2nd Qtr. -	<u>\$3,967,622</u>
	Total	\$10,074,800

#### V. PROGRAM CHANGES

##### A. 1992 Intended Use Plan

The Annual Report contains the 1992 IUP as approved by the BWRN.

##### B. Modifications of the Program

The BWRN reviewed the FFY 1992 SRF interest rates at its October 1991 meeting.

## EXHIBIT I

### PROJECTS RECEIVING SRF ASSISTANCE

<u>Community</u>	<u>Project Number</u>	<u>Binding Commit. Date</u>	<u>Assistance Amount</u>
Pierre***	C461288-01	11-08-90	\$600,000
Sioux Falls	C461232-03	12-12-90	\$845,000
Sioux Falls**	C461232-04	12-12-90	\$1,200,000
Rapid City	C461014-01	12-12-90	\$2,637,000
Lake Madison*	C461036-01	03-14-91	\$330,000
Madison	C461024-01	03-14-91	\$150,000
Brandon**	C461032-01	03-14-91	\$105,000
Brookings***	C461019-01	03-14-91	\$188,065
Huron**	C461291-02	06-12-91	\$750,000
Clear Lake	C461037-01	06-12-91	\$370,000
Lead	C461007-02	07-11-91	\$500,770
McCook Lake***	C461010-01	08-29-91	<u>\$641,935</u>
		<b>TOTAL</b>	<b>\$8,317,770</b>

\*Refinancing

\*\*Storm Sewer

\*\*\*Enforceable Project

## EXHIBIT II

### CAPITALIZATION GRANT PAYMENT SCHEDULES (FFY 1989, 1990 AND 1991)

Fiscal Capitalization		Quarters									
		FFY 1989				FFY 1990			FFY 1991		
Year	Amount	1st	2nd	3rd	4th	1st	2nd	3rd	4th	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	

Fiscal Capitalization		FFY 1991				FFY 1992	
Year	Amount	1st	2nd	3rd	4th	1st	2nd
1991	10,074,800	\$0	\$0	\$3,854,182	\$665,368	\$1,587,628	\$3,967,622
Total	10,074,800	\$0	\$0	\$3,854,182	\$665,368	\$1,587,628	\$3,967,622

**Cumulative**

Total	\$	\$9,315,200	\$9,315,200	\$13,169,382	\$13,834,750	\$15,422,378	\$19,390,000
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### EXHIBIT III

#### ALLOCATION AND SOURCE OF TOTAL AVAILABLE SRF FUNDS

<u>Fiscal Year</u>	<u>Capitalization Grant Amount</u>	<u>State Match</u>	<u>Total</u>
1989	\$4,577,200	\$915,440	\$ 5,492,640
1990	\$4,738,000	\$947,600	\$ 5,685,600
1991	\$10,074,800	\$2,014,960	\$12,089,760
Total	\$19,390,000	\$3,878,000	\$23,268,000

Note: Total available SRF funds includes \$775,600 for SRF administration.

## EXHIBIT IV

### SRF PROJECTED VERSUS ACTUAL FEDERAL LOC CASH DRAWS (FFY 1991) Per Quarter

<u>Quarter</u>	<u>Cumulative Projected Draws</u>	<u>Cumulative Actual Draws</u>	<u>Difference</u>
1st	\$1,227,000	\$1,356,990	\$129,990
2nd	\$2,563,000	\$3,095,842	\$532,842
3rd	\$4,141,000	\$4,306,239	\$165,239
4th	\$5,995,000	\$5,716,523	(\$278,477)

## EXHIBIT V ASSISTANCE AMOUNT BY NEEDS CATEGORIES

Community	Project Number	Fiscal Year	Assistance Amount	I	II	IIIA	IIIB	IVA	IVB	V	Storm Sewer	Repayment Period (Years)	Interest Rate (%)
Pierre	C461288-01	90	\$270,000										
		91	\$330,000	480,000					120,000			15	4
Sioux Falls	C461232-03	90	\$226,358										
		91	\$618,642			845,000						10	3
Sioux Falls	C461232-04	91	\$1,200,000							1,200,000		10	3
Rapid City	C461014-01	91	\$2,637,000	813,900			1,167,000		656,100			15	4
Lake Madison	C461036-01	90	\$330,000					330,000				15	4
Madison	C461024-01	91	\$150,000					150,000				10	3
Brandon	C461032-01	91	\$105,000							105,000		10	3
Brookings	C461019-01	91	\$188,065						188,065			15	4
Huron	C461291-02	91	\$750,000							750,000		10	3
Clear Lake	C461037-01	91	\$370,000	370,000								15	4
Lead	C461007-02	91	\$500,770				500,770					10	3
McCook Lake	C461010-01	91	\$641,935	496,519				145,416				20	5
FFY 91 SUBTOTAL			\$8,317,770	\$2,160,419	\$0	\$845,000	\$1,667,770	\$625,416	\$964,165	\$0	\$2,055,000		
Cumulative Total FFY 89-91			\$18,297,044	\$5,731,874	\$1,086,000	\$1,362,100	\$3,359,770	\$1,530,416	\$3,075,475	\$96,409	\$2,055,000		

- Category
- I - Secondary Treatment
  - II - Advance Treatment
  - IIIA - Infiltration/Inflow Correction
  - IIIB - Major Sewer Rehabilitation
  - IVA - New Collectors
  - IVB - New Interceptors
  - V - Correction of Combined Sewer Overflows

**Exhibit VI**

**Balance Sheet  
September 30, 1991  
\$ (000)**

<u>Assets</u>	<u>SRF</u>	<u>Non/SRF</u>	<u>TOTAL</u>
Cash and Investments (Note 1)	\$ 133	\$ 3,606	\$ 3,739
Accrued Interest	103	71	174
Federal LOC Commitment less Cash Draws	0	11,851	11,851
Loan Loss Reserve Fund (Note 2)	0	580	580
Loans Outstanding	8,767	0	8,767
Capitalized Interest Fund	0	375	375
Deferred Bond Issuance Costs (Note 3)	0	719	719
<b>Total Assets</b>	<b><u>\$ 9,003</u></b>	<b><u>\$17,202</u></b>	<b><u>\$26,205</u></b>
 <u>Liabilities and Fund Equity</u>			
<u>Liabilities</u>			
Accrued Interest - Bonds (Note 4)	\$ 0	\$ 64	\$ 64
Bonds Payable (Note 4)	0	5,485	5,485
<b>Total Liabilities</b>	<b><u>\$ 0</u></b>	<b><u>\$ 5,549</u></b>	<b><u>\$ 5,549</u></b>
 <u>Fund Equity</u>			
Contribution from EPA (Note 5)	\$ 8,664	\$ 10,726	\$19,390
Contribution from State	364	934	1,298
Fund Balance	(25)	(7)	(32)
<b>Total Fund Equity</b>	<b><u>\$ 9,003</u></b>	<b><u>\$11,653</u></b>	<b><u>\$20,656</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 9,003</u></b>	<b><u>\$17,202</u></b>	<b><u>\$26,205</u></b>

## Exhibit VII

### Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ending September 30, 1991 \$ (000)

<u>Revenues</u>	<u>SRF</u>	<u>Non/SRF</u>	<u>TOTAL</u>
<b>Interest Earned on:</b>			
Loans	\$ 191	\$ 0	\$ 191
Investments	2	313	315
Loan Loss Reserve Fund	0	46	46
Capitalized Interest Fund	<u>0</u>	<u>33</u>	<u>33</u>
<b>Total Revenues</b>	<b>\$ 193</b>	<b>\$ 392</b>	<b>\$ 585</b>
 <b><u>Expenses</u></b>			
Program Administration	\$ 110	\$ 0	\$ 110
Interest on Bonds	0	392	392
Amortization of Bond Issuance Costs	<u>0</u>	<u>40</u>	<u>40</u>
<b>Total Expenses</b>	<b>\$ 110</b>	<b>\$ 432</b>	<b>\$ 542</b>
 Excess (Deficit) of Revenues Over Expenses	 \$ 83	 \$ (40)	 \$ 43
Fund Balance (Deficit) at Beginning of Year (Note 3)	<u>(108)</u>	<u>33</u>	<u>(75)</u>
Fund Balance (Deficit) at End of Year	<u>\$ (25)</u>	<u>\$ (7)</u>	<u>\$ (32)</u>

## Exhibit VIII

### Statement of Changes in Financial Position Year Ending September 30, 1991 \$ (000)

<u>Sources of Working Capital</u>	<u>SRF</u>	<u>Non/SRF</u>	<u>TOTAL</u>
Excess (Deficit) of Revenues over Expenditures	\$ 83	\$ (40)	\$ 43
Federal Capitalization Grant	0	10,075	10,075
Increase in Loans Outstanding	6,691	0	6,691
Increase (Decrease) in Accts Payable	(1,084)	1	(1,083)
Loan Principal Repayments	59	0	59
Miscellaneous	<u>91</u>	<u>(94)</u>	<u>(3)</u>
Total Sources of Working Capital	\$ 5,840	\$ 9,942	\$ 15,782
 <u>Uses of Working Capital</u>			
Loan Disbursements	\$ 0	\$ 6,750	\$ 6,750
Repayment of Principal on Bonds	<u>0</u>	<u>155</u>	<u>155</u>
Total Uses of Working Capital	<u>\$ 0</u>	<u>\$ 6,905</u>	<u>\$ 6,905</u>
 <u>Net Increase in Working Capital</u>	 \$ 5,840	 \$ 3,037	 \$ 8,877
Balance Beginning of Year	\$ 3,163	\$ 14,165	\$ 17,328
Balance End of Year	<u>\$ 9,003</u>	<u>\$ 17,202</u>	<u>\$ 26,205</u>

**Exhibit IX  
SRF Loan Participants  
September 30, 1991**

<u>Customer Name</u>	<u>Loan #</u>	<u>Rate</u>	<u>Loan Amount</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance</u>
City of Belle Fourche	461012-01	3%	\$253,000	\$11,752	\$0	\$11,752
City of Box Elder	461003-01	3%	648,600	648,600	24,036	624,564
City of Brandon	461032-01	3%	105,000	0	0	0
City of Brookings	461019-01	4%	188,065	0	0	0
City of Clear Lake	461037-01	4%	370,000	0	0	0
City of Custer City	461021-01	3%	430,000	357,454	0	357,454
City of Custer City	461021-02	3%	182,000	182,000	885	181,115
City of Huron	461291-01	3%	1,656,000	1,656,000	0	1,656,000
City of Huron	461291-02	3%	750,000	0	0	0
Lake Cochrane Sanitary Dist.	461008-01	3%	80,000	80,000	4,196	75,804
Lake Madison Sanitary Dist.	461036-01	4%	330,000	330,000	5,068	324,932
Lead-Deadwood Sanitary Dist.	461002-01	3%	106,855	106,855	7,209	99,646
City of Lead	461007-01	3%	186,409	186,409	1,137	185,272
City of Lead	461007-02	3%	500,770	204,561	0	204,561
City of Lemmon	461015-01	3%	427,100	427,100	15,841	411,259
City of Madison	461024-01	3%	150,000	100,008	0	100,008
McCook Lake Sanitary Dist.	461010-01	5%	641,935	0	0	0
City of Mobridge	461016-01	3%	1,500,000	1,500,000	0	1,500,000
City of Pierre	461288-01	4%	600,000	110,753	0	110,753
City of Rapid City	461014-01	4%	2,637,000	556,746	0	556,746
Rapid Valley Sanitary Dist.	461013-01	3%	614,000	222,969	0	222,969
City of Sioux Falls	461232-01	3%	3,316,310	2,013,438	0	2,013,438
City of Sioux Falls	461232-02	3%	454,000	68,822	0	68,822
City of Sioux Falls	461232-03	3%	845,000	0	0	0
City of Sioux Falls	461232-04	3%	1,200,000	62,555	0	62,555
City of Vermillion	461022-01	3%	125,000	0	0	0
<b>TOTALS</b>			<b>\$18,297,044</b>	<b>\$8,826,022</b>	<b>\$58,372</b>	<b>\$8,767,650</b>

**Exhibit X**  
**SRF Program**  
**Schedule of Sources and Uses of Cash and Investments**  
**Period from August 1, 1989 to September 30, 1991**  
**\$(000)**

**Sources:**

Contribution from EPA	\$19,390
Bond Proceeds	5,785
Contribution from State	1,298
Investment Earnings	808
Loan Interest Earnings	315
Increase in Accrued Interest - Bonds	64
Loan Principal Repayments (See Exhibit IX)	59
Beginning Cash and Investments	<u>0</u>
<b>TOTAL SOURCES</b>	<b><u>\$27,719</u></b>

**Uses:**

Federal LOC Commitment less Cash Draws	\$11,851
Loan Advances (See Exhibit IX)	8,826
Ending Cash and Investments	3,739
Bond Interest	860
Deferred Bond Issuance Costs	719
Loan Loss Reserve Fund	580
Capitalized Interest Fund	375
Bond Principal Repayments	300
Administrative Costs	221
Accrued Interest - Investments and Loans	174
Amortized Bond Issuance Costs	<u>74</u>
<b>TOTAL USES</b>	<b><u>\$27,719</u></b>

## NOTES TO FINANCIAL STATEMENTS

1. Investments consist substantially of two 7.55% Investment Agreements with Citibank due July 25, 1992, totalling \$3,536,700. 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, 1991, 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 beginning total fund balance was restated to (75) from (834) reported last year. The difference of (759) represents the reporting of bond issuance cost expense over the 20 year life of the bond issue instead of in the original year paid.
4. The following principal and interest payments on the bonds are due as follows:

	<u>February 1, 1992</u>	<u>August 1, 1992</u>
Principal	\$ 0	\$165,000
Interest	<u>192,098</u>	<u>192,098</u>
Total	<u>\$192,098</u>	<u>\$357,098</u>

5. 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
October 31, 1991	<u>10,074,800</u>
Total	<u>\$19,390,000</u>

6. A summary of the administrative costs paid by the SRF program reported on Exhibit X is as follows:

State administrative costs	\$181,134
First National Bank - Trustee	21,219
Neufeld Consulting - Financial Service	14,720
Lindquist and Venum-Arbitrage Calculations	<u>4,000</u>
Total	<u>\$221,073</u>

# **SOUTH DAKOTA REVOLVING FUND**

## **FY 1992 INTENDED USE PLAN**

### **FINAL**

#### **I. INTRODUCTION**

The State of South Dakota proposes to adopt the following Intended Use Plan (IUP) for federal fiscal year 1992 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 1992:

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 project's 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 1992. Additional projects from the priority list can be added to the IUP list by the amendment process identified in the SRF rules. 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 1992 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, the amount of assistance, and the financing terms and conditions will be made by the BWNR during federal FY 1992.

### III. GOALS AND OBJECTIVES

#### Long Term Goals and Objectives:

The long term goals 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 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** - 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 the 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 92 Priority List and SRF IUP on August 28, 1991. The FY 1992 Priority List and Intended Use Plan was approved at the hearing.

## ATTACHMENT I

### LIST OF POTENTIAL SRF PROJECTS WASTEWATER FACILITIES

<u>Municipality</u>	<u>Project Description</u>
Big Stone City*	Interceptors/Treatment
Brandon	Storm Sewers/Add. to Facility
Canton	Sanitary/Storm Sewers
Chamberlain	Collection/Storm Sewers
Custer State Park	New Sanitary Sewer Collection and Treatment
Enemy Swim Sanitary District	Collection/Treatment
Hayti	Sanitary Sewer Rehabilitation
Langford	Sanitary Sewer Rehabilitation
Lead	I/I Correction/Rehabilitation
Madison	Collection/Interceptors/Storm Sewers
Milbank	Interceptors
Mina Lake*	Interceptors
Mobridge	Wastewater Facility Laboratory Refinancing
N. Sioux City	Interceptors/Treatment
Prairie Meadows Sanitary District	Sanitary Sewer Rehabilitation
Pollock*	Treatment
Rapid City	Interceptors/Rehabilitation/Storm Sewers/ Treatment/Refinancing
Rapid Valley Sanitary District	New Sanitary Sewer Collection/Sewer Rehabilitation
Saint Lawrence	Treatment
Sioux Falls	Interceptors/Rehabilitation/ Storm Sewers/Treatment
Spearfish	Treatment/Interceptors
Tea	Storm Sewers
Veblen*	Treatment
Volga	Treatment
Watertown*	Treatment
Waubay	Collection/Interceptors/Treatment
Worthing	Treatment

\*Denotes enforceable project.

(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 management.
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.