

**SOUTH DAKOTA
DRINKING WATER STATE REVOLVING FUND
FISCAL YEAR 2006 INTENDED USE PLAN**

INTRODUCTION

The Safe Drinking Water Act Amendments of 1996 and South Dakota Codified Law 46A-1-60.1 to 46A-1-60.3, inclusive, authorize the South Dakota Drinking Water State Revolving Fund (SRF) program. Program rules are established in Administrative Rules of South Dakota chapter 74:05:11.

The state of South Dakota proposes to adopt the following Intended Use Plan (IUP) for the federal fiscal year 2006 as required under Section 1452(b) of the Safe Drinking Water Act and ARSD 74:05:11:03. The IUP describes how the state intends to use the Drinking Water SRF to meet the objectives of the Safe Drinking Water Act and further the goal of protecting public health. A public hearing was held on November 4, 2005, to review the 2006 Intended Use Plan and receive comments. The IUP reflects the results of this review.

The IUP includes the following:

- Priority list of projects;
- Short- and long-term goals;
- Criteria and method of fund distribution;
- Amount of funds transferred between the Drinking Water SRF and the Clean Water SRF;
- Financial status;
- Description and amount of non-Drinking Water SRF (set-aside) activities; and

- Disadvantaged community subsidies.

PRIORITY LIST OF PROJECTS

A project must be on the project priority list, Attachment I, to be eligible for a loan. This list was developed from the State Water Plan and includes projects that did not designate Drinking Water SRF loans as a funding source.

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

Priority ratings are based on the project priority system established in ARSD 74:05:11:06. The general objective of the priority system is to assure projects that address compliance or health concerns, meet certain affordability criteria, or regionalize facilities receive priority for funding.

Attachment II is a list of those projects from which the department expects to receive applications. The estimated funding dates are only estimates and should not be interpreted as deadlines or that the loan funds have been reserved. Projects with a later expected funding date may receive loans prior to those projects with an earlier date based on time of submittal of its funding application. Any project that is listed on the project priority list, but not listed on Attachment II, will be moved to Attachment II upon submittal of an application. Attachment II will be revised as projects are added. These revisions do not require approval by the Board of Water and Natural Resources.

GOALS, OBJECTIVES, AND ENVIRONMENTAL RESULTS

The long-term goals of the Drinking Water SRF are to fully capitalize the fund, ensure that the state's drinking water supplies remain safe and affordable, ensure that systems are operated and maintained, and promote economic well-being.

The specific long-term objectives of the program are:

1. To maintain a permanent, self-sustaining SRF program that will serve in perpetuity as a financing source for drinking water projects and source water quality protection measures. This will necessitate that the amount of capitalization grant funds for non-Drinking Water SRF activities are reviewed annually by approved financial advisors to assure adequate cash flow to maintain the fund.
2. To fulfill the requirements of pertinent federal, state, and local laws and regulations governing safe drinking water activities, while providing the state and local project sponsors with maximum flexibility and decision making authority regarding such activities.

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

The specific short-term objectives of the program are:

1. To ensure the technical integrity of Drinking Water SRF projects through the review of planning, design plans and specifications, and construction activities;

2. To ensure the financial integrity of the Drinking Water SRF program through the review of the financial impacts of the set-asides and disadvantaged subsidies and individual loan applications and the ability for repayment;
3. To ensure compliance with all pertinent federal, state, and local safe drinking water rules and regulations; and
4. To obtain maximum capitalization of the funds for the state in the shortest time possible while taking advantage of the provisions for disadvantaged communities and supporting the non-Drinking Water SRF activities.

Environmental Results

Beginning January 1, 2005, states were required to establish program activity measures (outcomes) in its Intended Use Plan to receive the federal capitalization grant. Progress related to the measures are to be reported in the following annual report.

For fiscal year 2006, the specific measures are:

1. In fiscal year 2005, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 99.8 percent, which is above the national average of 83 percent. For fiscal year 2006, the goal of the Drinking Water SRF program is to maintain the fund utilization rate at or above 90 percent.
2. In fiscal year 2005, the rate at which projects progressed as measured by disbursements as a percent of assistance provided was 64.5 percent. For fiscal year 2006, the goal is to increase this construction pace to 75 percent.

3. For fiscal year 2006, the goal of the Drinking Water SRF program is to fund 14 loans, totaling \$19.0 million.

4. For fiscal year 2006, it is estimated that ten projects will initiate operations.

5. For fiscal year 2006, it is estimated that 20 Small Community Planning Grants will be awarded to small systems to evaluate the system's infrastructure needs.

6. For fiscal year 2006, it is estimated that the South Dakota Association of Rural Water Systems will provide 950 hours of technical assistance to small systems.

CRITERIA AND METHOD OF FUND DISTRIBUTION

Projects will be funded based on their assigned priority as set forth on the Project Priority list. Projects with the highest ranking that have submitted a complete State Revolving Fund loan application and demonstrated adequate financial, managerial, and technical capacity to receive the loan shall be funded before any lower ranked projects. Projects on the priority list may be bypassed if they have not demonstrated readiness to proceed by submitting a loan application. The next highest priority project that has submitted an application will be funded. The state shall exert reasonable effort to assure that the higher priority projects on the priority list are funded.

Interest rates are reviewed annually and are set to be competitive with other funding agencies. In September 2005 the Board of Water and Natural Resources retained the interest rates established in March 2004, which are 2.50 percent for loans with a term of 10 years or less and 3.25 percent for loans with a term greater than 10 years. The term of each loan is at the discretion of the project sponsor provided that the proposed repayment

source produces sufficient coverage. The rate for loans for interim financing is 2.0 percent. The maximum allowable term for interim financing loans is three years. Loan rates for disadvantaged communities are 3.25 percent, 2.5 percent or zero percent depending on the recipient's median household income. Information regarding disadvantaged eligibility and subsidy level criteria can be found in the disadvantaged community subsidies section.

The interest rate includes an administrative surcharge as identified in Table 1. The primary purpose of the surcharge is to provide a pool of funds to be used for administrative

	Up to 3 Yrs	Up to 10 Yrs	Up to 20 Yrs	Up to 30 Yrs
<u>Interim Rate</u>				
Interest Rate	2.00%			
Admin. Surcharge	<u>0.00%</u>			
Total	2.00%			
<u>Base Rate</u>				
Interest Rate		2.00%	2.50%	
Admin. Surcharge		<u>0.50%</u>	<u>0.75%</u>	
Total		2.50%	3.25%	
<u>Disadvantaged Rate - 100% of MHI</u>				
Interest Rate				2.50%
Admin. Surcharge				<u>0.75%</u>
Total				3.25%
<u>Disadvantaged Rate - 80% of MHI</u>				
Interest Rate				2.00%
Admin. Surcharge				<u>0.50%</u>
Total				2.50%
<u>Disadvantaged Rate - 60% of MHI</u>				
Interest Rate				0.00%
Admin. Surcharge				<u>0.00%</u>
Total				0.00%

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. As of September 30, 2005, \$1.63 million of administrative surcharge funds are available.

Beginning in fiscal year 2005, administrative surcharge funds were provided to the planning districts to defray expenses resulting from SRF application preparation and project administration. Reimbursement is \$7,500 per approved loan with payments made in \$2,500 increments as certain milestones are met. Based on recent loan demand, \$150,000 will be obligated for this purpose in fiscal year 2006.

A requirement of the program is that a minimum of 15 percent of all dollars credited to the fund be used to provide loan assistance to small systems that serve fewer than 10,000 persons. Since the inception of the program, \$60.0 million has been obligated to systems meeting this population threshold, or 42.1 percent of the \$143.0 million of total funds available for loan. With over \$6.2 million identified for systems serving fewer than 10,000 persons on Attachment II – List of Projects to be funded in Fiscal Year 2006, the state expects to continue to exceed the 15 percent threshold.

Water systems must demonstrate the technical, managerial, and financial capability to operate a water utility before it can receive a loan.

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

AMOUNT OF FUNDS TRANSFERRED BETWEEN THE DRINKING WATER SRF AND THE CLEAN WATER SRF

The Safe Drinking Water Act Amendments of 1996 allowed 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. One-year extensions of this transfer authority were granted for fiscal years 2002 - 2005. This transfer authority has been extended by Congressional action for fiscal year 2006 and thereafter. States can also transfer state match, investment earnings, or principal and interest repayments between SRF programs and may transfer a previous year's allocation at any time.

South Dakota transferred \$15,574,320 from the Clean Water SRF program in past years. Table 2 (page 8) itemizes the amount of funds transferred to the Drinking Water SRF program. No transfers have been made from the Drinking Water Program to the Clean Water SRF program. With the 2006 capitalization grants, the ability exists to transfer up to \$12,064,731 from the Clean Water SRF program to the Drinking Water SRF program. Up to \$27.6 million could be transferred from the Drinking Water SRF Program to the Clean Water SRF program.

To meet demand on the Clean Water SRF program, up to \$7.5 million will be transferred from the Drinking Water Program to the Clean Water SRF program. The source of the funds will be leveraged bond proceeds. This transfer will not impact any projects expecting SRF funding during fiscal year 2006. Based on EPA's Financial Planning Model it is estimated that this action will reduce the annual Drinking Water SRF revolving level by approximately \$1 million per year during the next 20 years.

Additionally, transfers from the Clean Water SRF program may be necessary to address high demand on the Drinking Water SRF program from private, non-profit regional

water systems. These borrowers can not utilize bond proceeds, leaving capitalization grants as the primary source of funds available for this purpose. Although excessive demand from private, non-profit borrowers has not been identified for fiscal year 2006, this option may be needed at a later date.

FINANCIAL STATUS

It is expected that the fiscal year 2006 capitalization grant will be \$8,352,500. The required state match of \$1,670,500 has been secured through bonds. The bonding authority for this program is established in SDCL 46A-1-60.1.

As of September 30, 2005, ninety-two loans totaling \$142,685,736 have been made.

Funds will be allocated to the set-aside activities in the amounts indicated below. All remaining funds will be used to fund projects on the project priority list. A more detailed description of the activities can be found in the section pertaining to set-asides and the attachments.

Administration	\$334,100
Small System Technical Assistance	\$167,050
Wellhead Protection Support	<u>\$200,000</u>
Total for set-asides	\$701,150

The program has received nine previous capitalization grants totaling \$75,335,200 and has provided the required state match of \$15,067,040. Of this amount, \$3,931,736 was allocated to set-aside activities as follows: \$3,013,408 for administration, \$892,822 for small system technical assistance, \$4,300 for state program management – operator certification, and \$21,206 for capacity development.

To accommodate increased loan demand, the entire fiscal year 2002 and 2003 Clean Water SRF capitalization grants and state match were transferred to the Drinking Water SRF program. This amounted to more than \$15.5 million. Additional (leveraged) bonds above that required for state match were issued in fiscal years 2004 and 2006 in amounts of \$22.5 million and \$14.5 million, respectively.

At the beginning of fiscal year 2006, \$316,000 is available for loan. The attached project priority list identifies \$48.6 million in potential loans. With the 2006 capitalization grant, state match, leveraged bonds, excess interest earnings, and repayments, approximately \$29.1 million will be available to loan. This information is provided in Attachment III, Drinking Water SRF Funding Status.

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.

A conservative approach to set-asides and subsidized loans has been taken to assure achieving the goals of developing a permanent, self-sustaining SRF program. Future demand on the program will influence the allocation of funds to set-asides and loan subsidies.

The Safe Drinking Water Act included three provisions that call for a withholding of Drinking Water SRF grant funds where states fail to implement three necessary programmatic requirements. These provisions were assuring the technical, financial and managerial capacity of new

water systems, developing a strategy to address the capacity of existing systems, and developing an operator certification program that complies with EPA guidelines. The State of South Dakota continues to meet the requirements of these provisions and will not be subject to withholding of funds.

DESCRIPTION AND AMOUNT OF NON-PROJECT ACTIVITIES (SET-ASIDES)

The Safe Drinking Water Act authorizes states to provide funding for certain non-project activities provided that the amount of that funding does not exceed certain ceilings. Unused funds in the non-Drinking Water SRF will be banked for future use, where allowable, or transferred to the project loan account at the discretion of the State and with concurrence from the EPA Regional Administrator.

The following sections identify what portions of the capitalization grant will be used for non-Drinking Water SRF activities and describe how the funds will be used.

Administration. Four percent of the fiscal year capitalization grant (\$334,100) will be allocated to administer the Drinking Water SRF program. This is the maximum allowed for this purpose.

Specific activities to be funded are: staff salary, benefits, travel, and overhead; retaining of bond counsel, bond underwriter, financial advisor, and trustee; and other costs to administer the program.

Unused administrative funds will be banked to assure a source of funds not dependent on state general funds.

Small system technical assistance. Two percent of the capitalization grant (\$167,050) will be allocated to provide technical assistance to public water systems

serving 10,000 or fewer. This is the maximum allowed for this purpose.

The objective of this set-aside is to bring non-complying systems into compliance and improve operations of water systems.

In fiscal year 1997, the board contracted with the South Dakota Association of Rural Water Systems to help communities evaluate the technical, managerial, and financial capability of its water utilities. These contracts have been renewed annually. The contract will be amended to allow the continuation of assistance activities. The South Dakota Association of Rural Water Systems has been allocated \$473,500 in set-aside funds. The Rural Water Association provides such on-site assistance as leak detection, consumer confidence reports, water audits, board oversight and review, treatment plant operations, operator certification, and rate analysis. Contracts to date have provided nearly 6,700 hours of on-site small system technical assistance.

To promote proactive planning within small communities, the Small Community Planning Grant program was initiated in fiscal year 2001. The systems are reimbursed 80 percent of the cost of an engineering study, with the maximum grant amount for any project being \$6,000. Eighty-six grants have been made for this purpose, totaling \$312,565 in obligations. Grants are available only for communities with a population of 2,500 or less.

The board also provides additional grants for studies incorporating a rate analysis using Rate Maker software. Reimbursement for performing a rate analysis is 80 percent of costs up to a maximum of \$1,600. Nine grants, totaling \$13,600, have been awarded for rate analyses.

Unused funds from previous years' set-aside for small system technical assistance are

banked for use in future years. Currently, \$68,840 remains from previous years' allocation to be used for the purposes described above.

To assure available funds to support the existing small system technical assistance endeavors, \$167,050 from the fiscal year 2006 capitalization grant will be allocated to this set-aside. Specific use of funds will be on an as-needed basis.

State program management. The state may use up to 10 percent of its allotment to (1) administer the state PWSS program; (2) administer or provide technical assistance through water protection programs, including the Class V portion of the Underground Injection Control program; (3) develop and implement a capacity development strategy; and (4) develop and implement an operator certification program. A dollar-for-dollar match of capitalization funds must be provided for these activities.

No funds will be set-aside for these activities in federal fiscal year 2006.

Local assistance and other state programs. The state can fund other activities to assist development and implementation of local drinking water protection activities. Up to 15 percent of the capitalization grant may be used for the activities specified below, but not more than 10 percent can be used for any one activity. The allowable activities for this set-aside are: (1) assistance to a public water system to acquire land or a conservation easement for source water protection; (2) assistance to a community water system to implement voluntary, incentive-based source water quality protection measures; (3) to provide funding to delineate and assess source water protection areas; (4) to support the establishment and implementation of a wellhead protection program; and (5) to provide funding to a community water system

to implement a project under the capacity development strategy.

In fiscal year 2006, \$200,000 will be allocated for a project to characterize the impacts of decentralized wastewater treatment systems overlying fractured or solution enhanced aquifers and watersheds in the Rapid City area. Information gathered from this study may provide the basis for establishing and implementing ground water protection programs in areas with high concentrations of decentralized wastewater treatment systems.

DISADVANTAGED COMMUNITY SUBSIDIES

Communities that meet the disadvantaged eligibility criteria described below may receive additional subsidies. This includes communities that will meet the disadvantaged criteria as a result of the project.

Definition. To be eligible for loan subsidies a community must meet the following criteria:

- (1) for municipalities and sanitary districts:
 - (a) the median household income is
 - (b) below the state-wide median household income; and
 - (c) the monthly residential water bill is \$20 or more for 5,000 gallons usage; or
- (2) for other community water systems:
 - (a) the median household income is below the state-wide median household income; and
 - (b) the monthly water bill for rural households is \$50 or more for 7,000 gallons usage.

The source of income statistics will be the most recent federal census or statistically valid information supplied by the applicant.

Affordability criteria used to determine subsidy amount. Loans given to disadvantaged communities may have a term up to 30 years or the expected life of the project, whichever is less. Disadvantaged communities below the statewide median household income, but at or greater than 80 percent, are eligible to extend the term of the loan up to 30 years. Disadvantaged communities below 80 percent of the statewide median household income, but at or greater than 60 percent may receive up to a two percentage point reduction in interest rates. Disadvantaged communities with a median household income less than 60 percent of the statewide median household income may receive a zero percent loan.

Amount of capitalization grant to be made available for providing additional subsidies. Additional subsidies in the form of principal forgiveness or negative interest rates are not authorized under the program rules.

Identification of systems to receive subsidies and the amount. Systems that are eligible to receive disadvantaged community rates and terms are identified in Attachment I and Attachment II.

Table 2 - Amounts Available to Transfer between State Revolving Fund Programs

Year	DWSRF Capitalization Grant	Amount Available for Transfer	Banked Transfer Ceiling	Amount Transferred from CWSRF to DWSRF	Amount Transferred from DWSRF to CWSRF	Transfer Description	CWSRF Funds Available to Transfer	DWSRF Funds Available to Transfer
1997	\$12,558,800	\$4,144,404	\$4,144,404				\$4,144,404	\$4,144,404
1998	\$7,121,300	\$2,350,029	\$6,494,433				\$6,494,433	\$6,494,433
1999	\$7,463,800	\$2,463,054	\$8,957,487				\$8,957,487	\$8,957,487
2000	\$7,757,000	\$2,559,810	\$11,517,297				\$11,517,297	\$11,517,297
2001	\$7,789,100	\$2,570,403	\$14,087,700				\$14,087,700	\$14,087,700
2002	\$8,052,500	\$2,657,325	\$16,745,025	\$7,812,960		CW Cap Grant/Match	\$8,932,065	\$16,745,025
2003	\$8,004,100	\$2,641,353	\$19,386,378	\$7,761,360		CW Cap Grant/Match	\$3,812,058	\$19,386,378
2004	\$8,303,100	\$2,740,023	\$22,126,401				\$6,552,081	\$22,126,401
2005	\$8,352,500	\$2,756,325	\$24,882,726				\$9,308,406	\$24,882,726
2006	\$8,229,300	\$2,715,669	\$27,598,395		\$7,500,000	Leveraged Bonds	\$12,024,075	\$20,098,395

ATTACHMENT I

PROJECT PRIORITY LIST

Attachment I is a comprehensive list of projects that are eligible for Drinking Water SRF loans. This list was developed from State Water Plan applications. Inclusion on the list carries no obligations to the Drinking Water SRF program. Attachment II lists those projects expected to be funded in fiscal year 2006.

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- tagged
152	West River/Lyman-Jones Rural Water System	C462446-03	<i>Problem:</i> Rural residents in Stanley and Haakon County have inadequate sources of water with marginal water quality. <i>Project:</i> the second phase of a two-phase project to extend pipeline from the Mni Wiconi water treatment plant in Fort Pierre to Philip.	\$8,700,000	3.25%, 30 yrs	4,968	Yes
141	T-M Rural Water District	C462429-01	<i>Problem:</i> The existing treatment facility is approaching the end of its useful life and is not expected to comply with impending regulations. <i>Project:</i> replace the existing treatment plant with a nanofiltration membrane and aeration treatment facility.	\$1,325,000	3.25%, 20 yrs	5,256	
135	Tripp County Water Users District	C462434-03	<i>Problem:</i> the wells and springs on which homes in the Clearfield area rely for domestic water cannot provide adequate water - either in quality or quantity - due to drought. <i>Project:</i> construction of approximately 72 miles of various sized water line, meters, pump station, and a 50,000-gallon reservoir.	\$900,000	2.50%, 30 yrs	2,338	Yes
129	Edgemont	C462216-01	<i>Problem:</i> The city's storage facilities and distribution system is old and in disrepair and has had routine and repeat samples that tested positive for total and fecal coliform. <i>Project:</i> replace the existing concrete reservoirs and	\$750,000	2.50%, 30 yrs	867	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
122	BDM Rural Water System	C462444-03	repair the existing steel reservoir. <i>Problem:</i> the town of Hecla's water source is of poor quality and insufficient quantity. <i>Project:</i> install several miles of pipe to connect Hecla and other rural residences to the BDM Rural Water System.	\$2,000,000	3.25%, 30 yrs.	464	Yes
93	Fall River Water Users District	C462435-03	<i>Problem:</i> the Fall River WUD was served a petition for annexation from a group of area ranchers, businesses and other landowners. <i>Project:</i> construct approximately 48 miles of variously sized water mains to serve new users in Fall River and Custer Counties.	\$650,000	3.25%, 30 yrs.	275	Yes
88	Sioux Falls	C462232-06	<i>Problem:</i> portions of the city's distribution system are old and in need of repair, newer areas lack connectivity between pressure zones, and equipment at the treatment plant is aging. <i>Project</i> replace distribution lines throughout the city, install new lines to improve system reliability through line looping, and upgrade systems at the treatment plant (SCADA, backwash water equalization basin, filters, solid contact units, and sludge handling system.	\$10,255,400	2.5%, 10 yrs	123,975	
83	B-Y Rural Water System	C462431-02	<i>Problem:</i> vulnerability assessments indicate that disruption of one of the two remote intake sites would limit the ability to provide a safe reliable drinking water supply <i>Project:</i> construct a new raw water intake.	\$3,000,000	3.25%, 30 yrs	15,000	Yes
80	Eureka	C462194-01	<i>Problem:</i> with the current metering system, the city can only account for about 60% of the water being purchased from the bulk supplier. <i>Project:</i> replace the water meter system.	\$100,000	0%, 10 yrs	1,101	Yes
80	Wagner	C462209-01	<i>Problem:</i> the existing water tower is over 60 years old and is in disrepair. <i>Project:</i> construct a new 400,000-gallon water tower.	\$450,000	0%, 30 yrs	1,675	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
65	Salem	C462057-03	<i>Problem:</i> the water treatment plant is 30 to 40 years old and in need of repair and the well capacity does not meet recommended standards. <i>Project:</i> construct a new water treatment facility to include a microfiltration pretreatment system and a nanofiltration softening system and the installation of one new well.	\$1,000,000	3.25%, 30 yrs	1,371	Yes
60	WEB Rural Water System	C462426-03	<i>Problem:</i> the water treatment plant is approaching its expected design life and has surpassed its design capacity during peak periods. <i>Project:</i> construct a settling basins and sand/carbon filters to increase the treatment capacity by 4.0 MGD, upsize intake pumps, add raw water storage, and upgrade the PLC process control system.	\$3,950,000	3.25%, 20 yrs	43,530	Yes
58	Green Valley Sanitary District	C462251-01	<i>Problem:</i> most residences in the district are served by individual shallow wells for water use and septic systems for wastewater treatment. High groundwater levels and poorly operating septic tanks have led to water quality problems. <i>Project:</i> construct a distribution system and connect to the Rapid City system.	\$500,000	3.25%, 20 yrs	768	
57	Rapid Valley Sanitary District	C462013-01	<i>Problem:</i> the existing treatment plant will not be able to meet future turbidity standards required by the Enhanced Surface Water Treatment Rule. <i>Project:</i> construct a new water treatment plant consisting of an Actifloc clarification process, gravity filters and ultraviolet radiation for disinfection.	\$2,600,000	3.25%, 20 yrs.	7,043	
53	Stagebarn Sanitary District	C462451-01	<i>Problem:</i> the system lacks adequate storage and an upcoming highway project will require relocation or elimination of two pump houses. <i>Project:</i> install approximately 5,500 feet of 6-inch, 8-inch, and 10-inch water mains to connect	\$100,000	3.25%, 20 yrs.	320	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
34	Parker	C462026-02	to the Black Hawk Water Users District. <i>Problem:</i> the existing water distribution system consists largely of 4-inch lines and is experiencing substantial water loss. <i>Project:</i> construct phases 3 and 4 of a seven-phase project to replace most of the water distribution system.	\$1,400,000	3.25%, 20 yrs	1,031	
31	Sisseton	C462053-01	<i>Problem:</i> portions of the city's distribution system are cast iron that is over 50 years old and experiencing decreased pressure due to mineral deposits. <i>Project:</i> replace approximately 7,000 feet of 6- and 10-inch cast iron lines with PVC.	\$538,000	2.50%, 30 yrs.	2,572	Yes
21	Box Elder	C462003-01	<i>Problem:</i> the city's three wells are unable to meet peak domestic demand and portions of the distribution system are asbestos-cement and undersized PVC pipe. <i>Project:</i> develop two additional wells and replace the asbestos-cement and undersized PVC pipe within the distribution system.	\$3,300,000	3.25%, 30 yrs	2,841	Yes
21	Dell Rapids	C462064-02	<i>Problem:</i> water lines are old and in poor condition. <i>Project:</i> replace portions of the water distribution system in conjunction with a street improvement project.	\$162,300	3.25%, 20 yrs	2,980	
17	Big Sioux Community Water System	C462439-01	<i>Problem:</i> the capacity of the system's storage facilities is less than the peak day demand. <i>Project:</i> construction of a 500,000-gallon clearwell to increase storage capacity.	\$500,000	3.25%, 20 yrs.	8,000	
16	Kingbrook Rural Water System	C462432-04	<i>Problem:</i> increased demand has created area with inadequate storage. <i>Project:</i> construct three new water storage reservoirs and a booster pumping station.	\$2,350,000	3.25%, 20 yrs.	3,600	
16	Mobridge	C462016-03	<i>Problem:</i> dead-end lines exist in the southeast corner of the city. <i>Project:</i> install approximately 6,300 feet of water line to loop	\$100,000	3.25%, 20 yrs.	3,574	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
15	Big Sioux Community Water System	C462439-02	the system and provide service to homes within the area not currently being served by the city. <i>Problem:</i> the Lake Madison service area experiences low pressure during periods of peak demand. <i>Project:</i> construct approximately six miles of 10-inch, 8-inch, and 6-inch watermain from the Ethanol Tower to Lake Madison.	\$880,000	3.25%, 20 yrs.	2,597	
14	Humboldt	C462254-01	<i>Problem:</i> the pump house and ground storage reservoirs are old and in disrepair. <i>Project:</i> construct a new interconnection to the Minnehaha Community water system through a new 2.5-mile, 6-inch water main and pump station which would eliminate the pump house and ground storage reservoirs.	\$250,000	3.25%, 30 yrs	521	Yes
13	Brookings	C462019-01	<i>Problem:</i> water lines under Main Street are over 90 years old and in need of replacement. <i>Project:</i> replace approximately 2,200 feet of cast iron mains with PVC.	\$200,000	3.25%, 20 yrs.	18,504	
13	Mellette	C462363-01	<i>Problem:</i> low pressure is being experienced in parts of the community due to undersized lines and inadequate looping. <i>Project:</i> install nine blocks of new water main, gate valves and hydrants.	\$110,000	3.25%, 30 yrs	248	Yes
13	Tyndall	C462131-03	<i>Problem:</i> portions of the distribution system consist of asbestos cement pipe that is over 50 years old and undersized. <i>Project:</i> replace approximately 2,800 feet of asbestos cement water line with PVC.	\$300,000	2.5%, 30 yrs.	1,239	Yes
9	Burke	C462225-01	<i>Problem:</i> the existing water main under Franklin Street is old, corroded, and filled with deposits. <i>Project:</i> Replace approximately 2,900 feet of water main in conjunction with a road reconstruction project.	\$115,600	2.5%, 30 yrs.	676	Yes
9	Hill City	C46231-01	<i>Problem:</i> the existing water mains are old,	\$450,000	3.25%, 30 yrs.	780	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
9	Selby	C462137-01	undersized, and are in need of replacement. <i>Project:</i> replace approximately 2,750 feet of water main and install approximately 2,175 feet of lines to provide looping and serve new users. <i>Problem:</i> the city's distribution system is old, undersized and in need of replacement. <i>Project:</i> install approximately 17,000 feet of PVC pipe to replace existing cast iron and asbestos cement water lines.	\$650,000	2.5%, 30 years		Yes
9	Waubay	C462025-01	<i>Problem:</i> the city's distribution system is old and in need of replacement. <i>Project:</i> replace 13,100 feet of line in Phase I and 10,550 feet in Phase II.	\$650,000	2.5%, 30 years	662	Yes
9	Woonsocket	C462138-01	<i>Problem:</i> a portion of the city's distribution system is old and experiencing unacceptable leakage. <i>Project:</i> replace approximately 4,460 feet of asbestos cement pipe and 700 feet of cast iron pipe with PVC to complete a total replacement of the distribution system.	\$345,000	3.25%, 20 yrs	720	
8	Hosmer	C462279-01	<i>Problem:</i> an existing ground storage tank, elevated water tower, water lines throughout the city are old and in need of repair. <i>Project:</i> replace the existing 34,000-gallon ground storage tank with a 54,000-gallon tank, repair and upgrade the elevated storage tank, and replace 350 feet of watermain.	\$160,000	2.5%, 30 years	287	Yes
8	South Lincoln Rural Water System	C462441-02	<i>Problem:</i> a 25-year old pumping station is aging and in need of repair, the telemetry system hardware and software is outdated causing reliability concerns, and increased demand is straining the existing supply. <i>Project:</i> upgrade the existing pump station and SCADA system, and develop a new well.	\$800,000	3.25%, 20 yrs	13,013	
8	Wolsey	C462262-02	<i>Problem:</i> the city's water distribution system is	\$120,000	3.25%, 20 yrs.	418	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- tagged
7	Kingbrook Rural Water System	C462432-05	old and deteriorating. <i>Project:</i> replace water lines under Highway 14 in conjunction with a DOT highway project <i>Problem:</i> portions of the City of Winfred's distribution system are cast iron lines that need to be replaced. <i>Project:</i> make improvements to the distribution system to allow individual service from the Kingbrook Rural Water System.	\$100,000	2.5%, 20 years	176	
5	Elk Point	C462059-03	<i>Problem:</i> dead-end lines are present in the western edge of the system. <i>Project:</i> install approximately 1,450 feet of new water main to provide looping in the area.	\$120,000	3.25%, 20 yrs	1,714	
3	Hermosa	C462278-02	<i>Problem:</i> the system is served by only one well. <i>Project:</i> develop an additional well with the necessary appurtenances (well house, connecting lines, etc).	\$1,000,000	3.25%, 20 yrs.	315	
2	Hitchcock	C462349-01	<i>Problem:</i> the water tower is old and in disrepair. <i>Project:</i> make the necessary repairs to the tower.	\$100,000	3.25%, 30 yrs.	108	Yes
2	Ponderosa Park Development Association	C462450-01	<i>Problem:</i> the 2-inch water lines are susceptible to freezing due to insufficient burial depth, and the existing storage facility does not provide sufficient pressure throughout the system. <i>Project:</i> replace the existing distribution system with 6-inch lines and construct additional storage to eliminate pressure tanks.	\$180,000	3.25%, 20 yrs.	50	

ATTACHMENT II - LIST OF PROJECTS TO BE FUNDED IN FISCAL YEAR 2006

Priority Points	Community/ Public Water System	Project Number	Loan Amount	Funding Date	Expected Funding Source	Dis-advantaged?
LOANS MADE						
21	Dell Rapids	C462064-02	\$162,300	January 2006	Leveraged Bonds	
9	Burke	C462225-01	\$115,600	January 2006	Leveraged Bonds	Yes
60	WEB Rural Water System	C462426-03	\$3,950,000	March 2006	FY 2006	
17	Big Sioux Community Water System	C462439-01	\$831,000	March 2006	FY 2006	
9	Waubay	C462025-01	\$750,000	March 2006	Leveraged Bonds	Yes
80	Wagner	C462209-01	\$750,000	June 2006	FY 2006	Yes
34	Parker	C462026-02	\$300,000	June 2006	FY 2006	
16	Kingbrook RWS	C462432-04	\$2,350,000	June 2006	FY 2006	
14	Humboldt	C462254-01	\$412,300	June 2006	FY 2006	
5	Elk Point	C462059-03	\$218,000	June 2006	FY 2006 & Principal Repayments	
LOANS EXPECTED						
141	T-M Water District	C462429-01	\$1,325,000	September 2006	Unrestricted Interest Earnings	
80	Eureka	C462194-01	\$100,000	September 2006	Principal Repayments	Yes
16	Mobridge	C462016-03	\$100,000	September 2006	Principal Repayments	
57	Rapid Valley Sanitary District	C462013-01	\$2,000,000	September 2006	Unrestricted Interest Earnings	
13	Mellette	C462363-01	\$110,000	September 2006	Principal Repayments	Yes

**ATTACHMENT III
PROGRAM FUNDING STATUS**

Fiscal Years 1997 - 2005

Capitalization Grants	\$75,335,200
State Match	\$15,067,040
Set-Asides	(\$3,931,736)
Transfer of FY 2002 & 2003 Clean Water Capitalization Grant and State Match	\$15,574,320
Leveraged Bonds	\$22,503,662
Excess Interest as of September 30, 2005	\$4,297,730
Principal Repayments as of Sept. 30, 2005	\$12,022,296
 Total Funds Dedicated to Loan	 \$140,868,512
 Loans made through September 30, 2005	 <u>(\$142,685,736)</u>
 Balance of funds as of September 30, 2005	 (\$1,817,224)

Fiscal Year 2006

Capitalization Grants	\$8,229,300
State Match	\$1,645,860
Set-Asides	(\$693,758)
Leveraged Bond Proceeds	\$14,500,413
Projected Principal Repayments	\$585,650
Projected Unrestricted Interest Earnings	\$2,000,000
Arbitrage Rebate Liability	(\$176,777)
Transfer to Clean Water SRF Program	(\$7,500,000)
 Projected Fiscal Year 2006 Sub-total	 <u>\$17,840,688</u>
 Total Funds Available for Loans	 <u>\$16,023,464</u>
 Loan Amount Identified on Attachment II - List of Projects to be Funded in Fiscal Year 2006	 <u>\$34,270,400</u>

Administrative Surcharge Funds Available as of September 30, 2005	
Program Income	\$987,969
Non-Program Income	<u>\$643,374</u>
Total	\$1,631,343