

**SOUTH DAKOTA
DRINKING WATER STATE REVOLVING FUND
FISCAL YEAR 2007 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 2007 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 2, 2006, to review the 2007 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;
- 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 to assure adequate cash flow to maintain the fund.
2. To fulfill the requirements of pertinent federal, state, and local laws and regulations governing safe drinking water activities, while providing the state and local project sponsors with maximum flexibility and decision making authority regarding such activities.

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

The specific short-term objectives of the program are:

1. To assist systems in replacing aging infrastructure.
2. To assist systems in maintaining and upgrading its water treatment capabilities to ensure compliance with the Safe Drinking Water Act.

3. To promote regionalization and consolidations of water systems, where mutually beneficial, as a practical means of addressing financial, managerial, and technical capacity.
4. To ensure the technical integrity of Drinking Water SRF projects through the review of planning, design plans and specifications, and construction activities;
5. To ensure the financial integrity of the Drinking Water SRF program through the review of the financial impacts of the set-asides and disadvantaged subsidies and individual loan applications and the ability for repayment;
6. To obtain maximum capitalization of the funds for the state in the shortest time possible while taking advantage of the provisions for disadvantaged communities and supporting the non-Drinking Water SRF activities.

Environmental Results

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

For fiscal year 2007, the specific measures are:

1. In fiscal year 2006, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 95.6 percent, which is above the national average of 88 percent. For fiscal year 2007, the goal of the Drinking Water SRF program is to maintain the fund utilization rate at or above 90 percent.
2. In fiscal year 2006, the rate at which projects progressed as measured by

disbursements as a percent of assistance provided was 77.9 percent. For fiscal year 2007, the goal is to maintain the construction pace at or above 75 percent.

3. For fiscal year 2007, the goal of the Drinking Water SRF program is to fund 11 loans, totaling \$19.1 million.

4. For fiscal year 2007, it is estimated that twelve projects will initiate operations.

5. For fiscal year 2007, it is estimated that 10 Small Community Planning Grants will be awarded to small systems to evaluate the system's infrastructure needs.

6. For fiscal year 2007, it is estimated that the South Dakota Association of Rural Water Systems will provide 900 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 2006 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

| Table 1 - Drinking Water SRF Interest Rates | | | | |
|---|----------------|-----------------|-----------------|-----------------|
| | 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, 2006, \$2.44 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 2007.

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, \$67.2 million has been obligated to systems meeting this population threshold, or 42.2 percent of the \$159.3 million of total funds available for loan. With \$3.95 million identified for systems serving fewer than 10,000 persons on Attachment II – List of Projects to be funded in Fiscal Year 2007, 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. In fiscal year 2006, \$7.5 million of leveraged bond proceeds was transferred from the Drinking Water SRF program to the Clean Water SRF program. With the 2007 capitalization grants, the ability exists to transfer up to \$14.75 million from the Clean Water SRF program to the Drinking Water SRF program. Up to \$22.83 million could be transferred from the Drinking Water SRF Program to the Clean Water SRF program. Table 2 (page 9) itemizes the amount of funds transferred between the programs and the amount of funds available to be transferred.

No transfers are anticipated in fiscal year 2007.

FINANCIAL STATUS

Loan funds are derived from various sources and include federal capitalization grants, state match, leveraged bonds, borrowers' principal repayments, and interest earnings.

Capitalization Grants/State Match: Federal capitalization grants are provided to the state annually. These funds must be matched by the state at a ratio of 5 to 1. The fiscal year 2007 capitalization grant is expected to be \$8,270,000 which requires \$1,654,000 in state match. Bond proceeds will be used to match 2007 capitalization grant funds. The bonding authority for this program is established in SDCL 46A-1-60.1.

Leveraged Bonds: The South Dakota Conservancy District has the ability to issue additional bonds above that required for state match, known as leveraged bonds. 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. Subsequently, \$7.5 million of the 2006 proceeds were transferred to the Clean Water SRF program. There does not appear to be a need to issue leveraged bonds in fiscal year 2007.

Borrowers' Principal Repayments: The principal repaid by the loan borrowers is used to make semi-annual leveraged bond payments. Any excess principal is available for loans. It is estimated that \$1,100,000 in principal repayments will be available for loans in fiscal year 2007.

Interest Earnings: The interest repaid by the loan borrowers, as well as interest earned on investments, is dedicated to make semi-annual state match bond payments. Any excess interest is available for loans. It is estimated that \$1,600,000 in interest earnings will be available for loans in fiscal year 2007. As of September 30, 2006, 104 loans totaling \$165,349,822 have been made.

At the beginning of fiscal year 2007, \$6,955,142 is available for loan. The attached project priority list identifies \$44.8 million in potential loans. With the 2007 capitalization grant, state match, leveraged bonds, excess interest earnings, and

repayments, approximately \$22.9 million will be available to loan. This information is provided in Attachment III, Drinking Water SRF Funding Status.

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

| | |
|-----------------------------------|------------------|
| Administration | \$330,800 |
| Small System Technical Assistance | \$165,400 |
| Total for set-asides | \$496,200 |

The program has received ten previous capitalization grants totaling \$83,564,500 and has provided the required state match of \$16,712,900. Of this amount, \$4,625,494 was allocated to set-aside activities as follows: \$3,342,580 for administration, \$1,057,408 for small system technical assistance, \$4,300 for state program management – operator certification, \$21,206 for capacity development, and \$200,000 for wellhead protection support.

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 (\$330,800) 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 (\$165,400) 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 7,400 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. Ninety-one grants have been made for this purpose, totaling \$359,645 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. Twelve grants, totaling \$17,600, 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, \$180,746 remains from previous years' allocations to be used for the purposes described above.

To assure available funds to support the existing small system technical assistance endeavors, \$164,400 from the fiscal year 2007 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 2007.

Local assistance and other state programs. The state can fund other activities to assist development and implementation of local drinking water protection activities. Up to 15 percent of the capitalization grant may be used for the activities specified below, but not more than 10 percent can be used for any one activity. The allowable activities for this set-aside are: (1) assistance to a public water system to acquire land or a conservation

easement for source water protection; (2) assistance to a community water system to implement voluntary, incentive-based source water quality protection measures; (3) to provide funding to delineate and assess source water protection areas; (4) to support the establishment and implementation of a wellhead protection program; and (5) to provide funding to a community water system to implement a project under the capacity development strategy.

No funds will be set-aside for these activities in federal fiscal year 2007.

DISADVANTAGED COMMUNITY SUBSIDIES

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

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

- (1) for municipalities and sanitary districts:
 - (a) the median household income is below the state-wide median household income; and
 - (b) the monthly residential water bill is \$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. See Table 1 on page 3 for the disadvantaged interest rate for fiscal year

2007. 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 |
| 2007 (est.) | \$8,270,000 | \$2,729,100 | \$30,327,495 | | | | \$14,753,175 | \$22,827,495 |

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 2007.

| 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 |
| 135 | Hanson Rural Water System | C462458-01 | <i>Problem:</i> additional users within the system's service area cannot be connected due to the lack of excess water. <i>Project:</i> connect to an adjacent rural water system for additional water and construct approximately 17 miles of water lines to connect additional users. | \$2,000,000 | 3.25%, 30 yrs | 2,145 | Yes |
| 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; additionally the system is unmetered. <i>Project:</i> replace the existing concrete reservoirs. repair the existing | \$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 | steel reservoir, and install water meters. <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 | |
| 85 | Wagner | C462209-02 | <i>Problem:</i> the city's cast iron water mains are over 100 years old and in poor condition. <i>Project:</i> Replace approximately 1,500 feet of cast iron main with PVC line. | \$100,000 | 0%, 30 yrs | 1,675 | Yes |
| 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 |
| 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 | \$1,000,000 | 3.25%, 30 yrs | 1,371 | Yes |

| Priority Points | Community/ Public Water System | Project Number | Project Description | Est. Loan Amount | Expected Loan Rate & Term | Pop. Served | Dis-advan- taged |
|-----------------|-----------------------------------|----------------|--|------------------|---------------------------|-------------|---------------------|
| 58 | Green Valley Sanitary District | C462251-01 | facility to include a microfiltration pretreatment system and a nanofiltration softening system and the installation of one new well. <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 to the Black Hawk Water Users District. | \$100,000 | 3.25%, 20 yrs. | 320 | |
| 23 | Yankton | C462038-02 | <i>Problem:</i> low flows and high sediment loads in the Missouri River are causing problems with the water intakes and old cast iron lines with the distribution system have had significant maintenance problems. <i>Project:</i> drill two to draw water from under the Missouri river and replace water lines | \$4,700,000 | 3.25%, 30 yrs | 13,528 | 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 | \$3,300,000 | 3.25%, 30 yrs | 2,841 | Yes |

| 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 | and undersized PVC pipe within the distribution system. <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 | |
| 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 |
| 11 | Lead | C462007-03 | <i>Problem:</i> water lines are old and deteriorating. <i>Project:</i> replace water lines in conjunction with a sanitary/storm sewer separation project. | \$250,000 | 3.25%, 30 yrs | 3,027 | Yes |
| 10 | Elk Point | C462059-04 | <i>Problem:</i> a two-block section of cast iron water main on Washington Street is old and has inadequate cover. <i>Project:</i> replace the existing line with PVC water main. | \$100,000 | 2.5%, 20 yrs. | 1,714 | |
| 10 | Hartford | C462104-04 | <i>Problem:</i> portions of the water distribution system is old and experience water loss and decreased pressure and about half of meters in the water system need to be replaced. <i>Project:</i> replace approximately 500 feet of water main South Street, Main Avenue, and Mickelson Road and convert to an automatic water meter | \$200,000 | 2.5%, 20 yrs. | 1,844 | |

| 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 | reading system. <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 | 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. | \$390,000 | 3.25%, 20 yrs | 720 | |
| 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 old and deteriorating. <i>Project:</i> replace water lines under Highway 14 in conjunction with a DOT highway project | \$125,000 | 3.25%, 20 yrs. | 418 | |
| 7 | Kingbrook Rural Water System | C462432-05 | <i>Problem:</i> portions of the unincorporated community 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 | 3.25%, 20 years | 176 | |
| 2 | Copper Oaks #1 Water Association | C462457-01 | <i>Problem:</i> the system is supplied with one well that is susceptible to contamination. <i>Project:</i> development of a new well to provide redundancy and better quality water. | \$100,000 | 3.25%, 20 yrs | 70 | |

ATTACHMENT II - LIST OF PROJECTS TO BE FUNDED IN FISCAL YEAR 2007

| Priority Points | Community/ Public Water System | Project Number | Loan Amount | Funding Date | Expected Funding Source | Dis-advantaged? |
|------------------------|---|-----------------------|--------------------|---------------------|--------------------------------|------------------------|
| LOANS EXPECTED | | | | | | |
| 129 | Edgemont | C462216-01 | \$750,000 | March 2007 | FY 2007 | Yes |
| 13 | Brookings | C462019-01 | \$200,000 | March 2007 | FY 2007 | |
| 93 | Fall River Water Users District | C462435-03 | \$650,000 | June 2007 | UCE | Yes |
| 23 | Yankton | C462038-02 | \$4,700,000 | June 2007 | UCE | Yes |
| 13 | Mellette | C462363-01 | \$110,000 | June 2007 | UCE | Yes |
| 11 | Lead | C462007-03 | \$250,000 | June 2007 | UCE | Yes |
| 8 | South Lincoln RWS | C462441-02 | \$800,000 | June 2007 | FY 2007 | |
| 135 | Tripp County WUD | C462434-03 | \$900,000 | September 2007 | UCE | Yes |
| 88 | Sioux Falls | C462232-06 | \$10,255,400 | September 2007 | FY 2007/Repayments | |
| 85 | Wagner | C462209-02 | \$100,000 | September 2007 | FY 2007 | Yes |
| 9 | Woonsocket | C462138-01 | \$390,000 | September 2007 | FY 2007 | |

**ATTACHMENT III
PROGRAM FUNDING STATUS**

Fiscal Years 1997 - 2006

| | |
|--|----------------------------|
| Capitalization Grants | \$83,564,500 |
| State Match | \$16,712,900 |
| Set-Asides | (\$4,625,494) |
| Transfer of FY 2002 & 2003 Clean Water Capitalization Grant and State Match | \$15,574,320 |
| Leveraged Bonds | \$29,504,075 |
| Excess Interest as of September 30, 2006 | \$5,919,674 |
| Excess Principal Repayments as of Sept. 30, 2006 | \$12,889,477 |
| Total Funds Dedicated to Loan | \$159,279,133 |
| Loans made through September 30, 2006 | <u>(\$152,323,992)</u> |
| Balance of funds as of September 30, 2006 | \$6,955,141 |

Fiscal Year 2007

| | |
|--|-------------------------|
| Capitalization Grants | \$8,270,000 |
| State Match | \$1,654,000 |
| Set-Asides | (\$496,200) |
| Projected Excess Principal Repayments | \$1,100,000 |
| Projected Unrestricted Interest Earnings | \$1,600,000 |
| WEB Recission | \$3,950,000 |
| Arbitrage Rebate Liability | (\$180,000) |
| Projected Fiscal Year 2007 Sub-total | <u>\$15,897,800</u> |
| Total Funds Available for Loans | <u>\$22,852,941</u> |
| Loan Amount Identified on Attachment II - List of Projects to be Funded in Fiscal Year 2007 | <u>\$19,105,400</u> |

| Administrative Surcharge Funds Available as of September 30, 2006 | |
|--|---------------------|
| Program Income | \$ 1,255,223 |
| Non-Program Income | \$ <u>1,183,619</u> |
| Total | \$2,438,842 |