

**SOUTH DAKOTA  
DRINKING WATER STATE REVOLVING FUND  
FISCAL YEAR 2008 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 2008 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 9, 2007, to review the 2008 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 2008, the specific measures are:

1. In fiscal year 2007, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 87.1 percent, which is slightly below the national average of 88 percent. For fiscal year 2008, the goal of the Drinking Water SRF program is to increase the fund utilization rate to above 90 percent or better.

2. In fiscal year 2007, the rate at which projects progressed as measured by disbursements as a percent of assistance provided was 86.8 percent. For fiscal year 2008, the goal is to maintain the construction pace at or above 80 percent.
3. For fiscal year 2008, the goal of the Drinking Water SRF program is to fund 16 loans, totaling \$51 million.
4. For fiscal year 2008, it is estimated that 16 projects will initiate operations.
5. For fiscal year 2008, 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 2008, it is estimated that the South Dakota Association of Rural Water Systems will provide 1,200 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 periodically and are set to be competitive with other funding agencies. The interest rates for fiscal year 2008 are summarized in Table 1. 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, 2007, \$3.34 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, an additional \$150,000 will be obligated for this purpose in fiscal year 2008.

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, \$70.4 million has been obligated to systems meeting this population threshold, or 44.2 percent of the \$176.1 million of total funds available for loan. With \$3.25 million identified for systems serving fewer than 10,000 persons on Attachment II – List of Projects to be funded in Fiscal Year 2008, 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 and subsequent Congressional action allows states to transfer an amount equal to 33 percent of its Drinking Water SRF capitalization grant to the Clean Water SRF or an equivalent amount from the Clean Water SRF to the Drinking Water SRF. States can also transfer state match, investment earnings, or principal and interest repayments between SRF programs and may

transfer a previous year's allocation at any time.

South Dakota 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 2008 capitalization grants, the ability exists to transfer up to \$17.5 million from the Clean Water SRF program to the Drinking Water SRF program. Up to \$25.5 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 2008.

#### **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 2008 capitalization grant is expected to be \$8,229,000 which requires \$1,654,800 in state match. Bond proceeds will be used to match 2008 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. To meet the expected demand for fiscal year 2008 the district will need to raise additional revenue by issuing leveraged bonds. The bond sale is expected in January 2008, and the amount of leveraged bonds issued for the Drinking Water Program is estimated to be \$8.0 million.

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 \$5.8 million in principal repayments will be available for loans in fiscal year 2008.

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 \$3.1 million in interest earnings will be available for loans in fiscal year 2008.

As of September 30, 2007, 111 loans totaling \$172,200,172 have been made.

At the beginning of fiscal year 2008, \$22,753,984 is available for loan. The attached project priority list identifies nearly \$74 million in potential loans. With the 2008 capitalization grant, state match, leveraged bonds, excess interest earnings, and repayments, approximately \$48.8 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	\$329,160
Small System Technical Assistance	\$164,580
<b>Total for set-asides</b>	<b>\$493,740</b>

The program has received ten previous capitalization grants totaling \$91,793,500 and has provided the required state match of \$18,358,700. Of this amount, \$5,119,234 was allocated to set-aside activities as follows: \$3,671,140 for administration, \$1,221,988 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 (\$329,160) 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 (\$164,580) 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 \$598,500 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 9,460 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. One hundred-eleven grants have been made for this purpose, totaling \$437,869 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.

The Midwest Assistance Program (MAP) has submitted a proposal to assist small communities that received an SRF loan and recommendations were made in the capacity assessment to improve the technical,

financial, or managerial capacity of the system. The Midwest Assistance Program will work with the DENR Capacity Assessment Coordinator to identify communities for follow-up reviews. The Midwest Assistance Program is proposing to dedicate approximately one-half FTE to conduct 3 or 4 reviews per quarter. In FY 2008, \$48,000 will be allocated for this activity pending EPA approval of the workplan.

To assure available funds to support the existing small system technical assistance endeavors, \$164,580 from the fiscal year 2008 capitalization grant will be allocated to this set-aside. Unused funds from previous years' set-aside for small system technical assistance are banked for use in future years. Currently, \$159,422 remains from previous years' allocations to be used for the purposes described above.

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 2008.

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 2008.

## **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

2008. 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

<b>Year</b>	<b>DWSRF Capitalization Grant</b>	<b>Amount Available for Transfer</b>	<b>Banked Transfer Ceiling</b>	<b>Amount Transferred from CWSRF to DWSRF</b>	<b>Amount Transferred from DWSRF to CWSRF</b>	<b>Transfer Description</b>	<b>CWSRF Funds Available to Transfer</b>	<b>DWSRF Funds Available to Transfer</b>
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	\$8,229,000	\$2,715,570	\$30,313,965				\$14,739,645	\$22,813,965
2008 (est.)	\$8,229,000	\$2,715,570	\$33,029,535				\$17,455,215	\$25,529,535

## 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 2008.

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
169	Watertown	C462029-01	<i>Problem:</i> Several components within the Lake Kampeska water treatment plant are old or inadequate and the plant is experiencing elevated levels of disinfection by-products. Additionally an existing standpipe is old and in poor condition. <i>Project:</i> installation of eight wells to develop a new well field, construction of a raw water transmission line, and expansion of the city's second, newer water treatment plant to replace the Lake Kampeska treatment plant, and construction of a new standpipe.	\$23,760,000	3.25%, 20 yrs	20,237	
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
132	Clark Rural Water System	C462460-01	<i>Problem:</i> the water treatment plant is exceeding its design capacity during peak demand periods. <i>Project:</i> replace the iron/manganese filtration plant with a lime softening plant.	\$1,000,000	3.25%, 20 yrs	5,653	
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	\$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	positive for total and fecal coli form; additionally the system is unmetered. <i>Project:</i> replace the existing concrete reservoirs, repair the existing 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
118	B-Y Rural Water User District	C462431-02	<i>Problem:</i> potential new users have been identified in the district's service area. <i>Project:</i> construct approximately seven miles of 4 and 6-inch lines to serve 20 additional users in Douglas County.	\$300,000	3.25%, 30 yrs	15,000	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
93	Kingbrook Rural Water System	C462432-06	<i>Problem:</i> increased demands within the system have created hydraulic deficiencies within the distribution system. <i>Project:</i> construct approximately 28 miles of 12-inch pipe and make improvements to an existing booster station to improve transmission capabilities.	\$4,200,000	3.25%, 20 yrs	11,000	
92	Morristown	C462366-10	<i>Problem:</i> the water distribution system is in poor condition resulting in numerous water breaks and dead-end lines within the system contribute to water quality problems. <i>Project:</i> replace the entire distribution with 2 and 4-inch PVC water mains.	\$100,000	0%, 30 yrs.	82	Yes
81	Aurora-Brule Rural Water System	C462425-01	<i>Problem:</i> the existing raw water intake and pumping system are at capacity and located in	\$3,000,000	3.25%, 30 yrs	5,000	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
77	Spearfish Meadows Homeowners Association	C462459-01	an area with unstable soil conditions. <i>Project:</i> construct new intakes, pump station, and raw water reservoir at a new location. <i>Problem:</i> the distribution system consists of lines ranging from ¾-inch to 4-inch in size which results in pressure and supply problems. <i>Project:</i> replace existing distribution system with 4 and 6-inch water lines, replace existing booster pump, install water meters and other miscellaneous improvements.	\$170,000	3.25%, 20 yrs	67	
60	Sioux Falls	C462232-06	<i>Problem:</i> the capacity of the existing backwash basins limits the number of daily filter backwashes that can be performed and prohibits consecutive filters from being backwashed. Additionally, water usage is nearing the water treatment plant's design capacity. <i>Project:</i> construct a 500,000-gallon dual cell backwash handling tank, five additional dual media gravity filters, and appurtenances.	\$17,848,000	2.50%, 10 yrs	123,975	
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	
55	Chamberlain	C462044-01	<i>Problem:</i> the water treatment plant is over 50 years old and several components various elements of the plant are in need of replacement or repair <i>Project:</i> Stabilize or reconstruct the clarifier/pre-sedimentation basin, and install a chlorine dioxide generator, variable frequency drives, level sensors in the clearwell, and alarms on the chemical feed pumps.	\$400,000	3.25%, 20 yrs.	2,338	
23	Yankton	C462038-03	<i>Problem:</i> low flows and high sediment loads in	\$4,700,000	3.25%, 30 yrs	13,528	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
21	Box Elder	C462003-01	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 angle wells to draw water from under the Missouri river and replace water lines <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 one additional wells and replace the asbestos-cement and undersized PVC pipe within the distribution system.	\$2,000,000	3.25%, 30 yrs	2,841	Yes
20	Black Hawk Water Users District	C462393-02	<i>Problem:</i> there is inadequate storage within the portion of the system serving Summerset. <i>Project:</i> construct an 815,000-gallon reservoir.	\$1,142,000	3.25%, 20 yrs	2,500	
20	DeSmet	C462193-01	<i>Problem:</i> portions of the water distribution system are old and in need of replacement. <i>Project:</i> replace approximately 3,000 feet of water main on Third Street.	\$258,000	2.50%, 20 yrs. (w/ pending rate increase)	1,164	Yes *
20	Hartford	C462104-04	<i>Problem:</i> portions of the water distribution system are 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 on South Street, Main Avenue, and Mickelson Road and convert to an automatic water meter reading system.	\$200,000	3.25%, 20 yrs.	1,844	
20	Miller	C462128-01	<i>Problem:</i> the community is experiencing unacceptable water losses. <i>Project:</i> undertake a system-wide replacement of the old, unreliable water meters to better determine actual losses.	\$255,200	2.50%, 10 yrs	1,530	
19	Armour	C462048-01	<i>Problem:</i> the city's distribution system is old, undersized and in need of replacement. <i>Project:</i> replace approximately 13,500 feet of old water	\$525,000	3.25%, 30 yrs.	782	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
19	Viborg	C462240-01	mains and install an additional 5,800 feet of new line to loop dead-end lines. <i>Problem:</i> portions of the city's water main is cast iron that is old and in poor condition. <i>Project:</i> install approximately 2,500 feet of 6 and 10-inch water mains to replace the old cast iron lines and loop dead-end lines.	\$250,000	3.25%, 30 yrs	832	Yes
18	Faith	C462249-01	<i>Problem:</i> reliability of the city's source has been compromised due to recent drought. <i>Project:</i> construct a new well.	\$350,000	2.50%, 30 yrs.	489	Yes
18	Pukwana	C462417-01	<i>Problem:</i> the bulk water provider, Aurora-Brule RWS, has limited the town to 45 psi during summer periods, and as a result the town experiences low pressure during periods of peak demand. <i>Project:</i> construct a 50,000-gallon elevated water storage reservoir.	\$400,000	2.50%, 30 yrs.	273	Yes
17	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	
17	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 yrs.	176	
17	Mission Hill	C462364	<i>Problem:</i> the lack of storage capacity and several long, dead-end lines within the water system results in low pressure during high demand periods. <i>Project:</i> construct a new 100,000-gallon elevated water tower.	\$350,000	3.25%, 20 yrs.	183	
13	Hurley	C462281-01	<i>Problem:</i> dead-end lines are present in portions of the distribution system. <i>Project:</i> install approximately 3,500 feet of 6-inch water main to provide looping.	\$100,000	3.25%, 20 yrs.	426	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
13	Mellette	C462363-01	<i>Problem:</i> the water distribution system has numerous dead-ends without hydrants for flushing. <i>Project:</i> install nine blocks of new water main to eliminate dead-ends, and install gate valves and hydrants.	\$110,000	3.25%, 30 yrs	248	Yes
10	Elk Point	C462059-04	<i>Problem:</i> a three-block section of cast iron water main on Clay Street is old, has inadequate cover, and has experienced several breaks. <i>Project:</i> replace the existing line with PVC water main.	\$300,000	3.25%, 20 yrs.	1,714	
10	Elk Point	C462059-05	<i>Problem:</i> the cast iron water mains on Main Street are old and experiencing breaks. <i>Project:</i> replace the existing line with PVC water main in conjunction with a DOT reconstruction project.	\$625,000	3.25%, 20 yrs.	1,714	
10	Sioux Falls	C462232-07	<i>Problem:</i> The pumping capacity of Well No 69 has decreased by more than 50 percent due to due to deterioration of the well and equipment. <i>Project:</i> convert vertical Well No. 69 to a horizontal collector well and replace aging equipment.	\$2,200,000	2.50%, 10 yr	123,975	
10	Sioux Falls	C462232-08	<i>Problem:</i> Areas within distribution system are aging and in need of replacement <i>Project:</i> replace approximately 8,040 feet of water main in the Western Heights area, approximately 3,280 feet of water main near the air base and 27 valves.	\$2,705,600	2.50%, 10 yr	123,975	
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	
7	Cavour	C462043-01	<i>Problem:</i> the city's water distribution system is old and in poor condition. <i>Project:</i> replace approximately 2,250 feet of water main and	\$100,000	3.25%, 20 yrs	141	

<b>Priority Points</b>	<b>Community/ Public Water System</b>	<b>Project Number</b>	<b>Project Description</b>	<b>Est. Loan Amount</b>	<b>Expected Loan Rate &amp; Term</b>	<b>Pop. Served</b>	<b>Dis-advan-taged</b>
5	Beresford	C462187-01	purchase and install water meters throughout the system: <i>Problem:</i> the 4-inch cast iron water main along East Street has experienced a significant reoccurrence of breaks. <i>Project:</i> replace the water main along East Street with 8-inch PVC and extend the line to loop the system.	\$100,000	3.25%, 30 yrs	2006	Yes

**ATTACHMENT II - LIST OF PROJECTS TO BE FUNDED IN FISCAL YEAR 2008**

<b>Priority Points</b>	<b>Community/ Public Water System</b>	<b>Project Number</b>	<b>Loan Amount</b>	<b>Funding Date</b>	<b>Expected Funding Source</b>	<b>Dis-advantaged?</b>
LOANS EXPECTED						
60	Sioux Falls	C462232-06	\$17,848,000	January 2008	2007 & Repayments	
20	Black Hawk WUD	C462393-02	\$1,142,000	January 2008	UCE	
20	Miller	C462128-01	\$255,200	January 2008	UCE	
10	Sioux Falls	C462232-07	\$2,200,000	January 2008	UCE	
10	Sioux Falls	C462232-08	\$2,705,600	January 2008	UCE	
169	Watertown	C462029-01	\$23,760,000	March 2008	Leveraged, UCE, & 2008	
132	Clark RWS	C462460-01	\$1,000,000	June 2008	2008	
55	Chamberlain	C462044-01	\$400,000	June 2008	UCE	
20	De Smet	C462193-01	\$258,000	June 2008	Repayments	Yes *
17	Copper Oaks I Water Association	C462457-01	\$100,000	June 2008	2008	
10	Elk Point	C462059-04	\$300,000	June 2008	Repayments	
20	Hartford	C462104-04	\$200,000	September 2008	Repayments	
19	Viborg	C462240-01	\$250,000	September 2008	Repayments	Yes
13	Hurley	C462281-01	\$100,000	September 2008	Repayments	
13	Mellette	C462363-01	\$110,000	September 2008	UCE	Yes
9	Woonsocket	C462138-01	\$390,000	September 2008	UCE	

**ATTACHMENT III  
PROGRAM FUNDING STATUS**

**Fiscal Years 1997 - 2007**

Capitalization Grants	\$91,793,500
State Match	\$18,358,700
Set-Asides	(\$5,119,234)
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, 2007	\$8,480,765
Excess Principal Repayments as of Sept. 30, 2007	\$17,548,508
 Total Funds Dedicated to Loan	 \$176,140,634
 Loans made through September 30, 2007	 <u>(\$153,386,650)</u>
 Balance of funds as of September 30, 2007	 \$22,753,984

**Fiscal Year 2008 Projections**

Capitalization Grants	\$8,229,000
State Match	\$1,645,800
Set-Asides	(\$493,740)
Projected Excess Principal Repayments	\$5,800,000
Projected Unrestricted Interest Earnings	\$3,100,000
Leveraged Bond Proceeds	\$11,000,000
Arbitrage Rebate Liability	(\$200,000)
 Projected Fiscal Year 2008 Sub-total	 <u>\$26,081,060</u>
 Total Funds Available for Loans	 <u>\$51,835,044</u>
 Loan Amount Identified on Attachment II - List of Projects to be Funded in Fiscal Year 2008	 <u>\$51,018,800</u>

<b>Administrative Surcharge Funds Available as of September 30, 2007</b>	
Program Income	\$1,385,420
Non-Program Income	<u>\$1,958,199</u>
Total	<u>\$3,343,619</u>