

**SOUTH DAKOTA
DRINKING WATER STATE REVOLVING FUND
FISCAL YEAR 2011 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 2011 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 30, 2010, to review the 2011 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 and 74:05:11:06.01. 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.

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 is to be reported in the following annual report.

For fiscal year 2011, the specific measures are:

1. In fiscal year 2010, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 91.5 percent, which is at the national average of 91 percent. For fiscal year 2011, the goal of the Drinking Water SRF program is to maintain the fund utilization rate at or above 90 percent.
2. In fiscal year 2010, the rate at which projects progressed as measured by disbursements as a percent of assistance provided was 78.5 percent, which was near the goal of 80%. For fiscal year 2011, the goal is to increase the construction pace above 80 percent.
3. For fiscal year 2011, the goal of the Drinking Water SRF program is to fund 15 loans, totaling \$18.1 million.
4. For fiscal year 2011, it is estimated that 30 projects will initiate operations.
5. For fiscal year 2011, it is estimated that 12 Small Community Planning Grants will be awarded to small systems to evaluate the system's infrastructure needs.

- For fiscal year 2011, it is estimated that the South Dakota Association of Rural Water Systems will provide 1,500 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 in comparison to established bond rating indexes to assure rates are at or below market rates as required. The SRF rates are then set to be competitive with other funding agencies.

The interest rates for fiscal year 2011 are summarized in Table 1. Information regarding disadvantaged eligibility and subsidy level criteria can be found in the disadvantaged community subsidies section. The rates were last adjusted in February 2009.

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 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. Approximately \$2 million will be used as state match for the fiscal year 2011 capitalization grant.

As of September 30, 2010, \$5.78 million of administrative surcharge funds are available.

	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		2.75%	2.50%	
Admin. Surcharge		<u>0.50%</u>	<u>0.50%</u>	
Total		2.25%	3.00%	
<u>Disadvantaged Rate - 100% of MHI</u>				
Interest Rate				2.50%
Admin. Surcharge				<u>0.50%</u>
Total				3.00%
<u>Disadvantaged Rate - 80% of MHI</u>				
Interest Rate				1.75%
Admin. Surcharge				<u>0.50%</u>
Total				2.25%
<u>Disadvantaged Rate - 60% of MHI</u>				
Interest Rate				0.00%
Admin. Surcharge				<u>0.00%</u>
Total				0.00%

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. With the loan demand resulting from the American Recovery and Reinvestment Act (ARRA) of 2009 being met, the allocation for this purpose will be decreased from \$250,000 to \$200,000 in fiscal year 2011.

Joint powers agreements were executed between the department and the planning districts to manage requirements of the American Recovery and Reinvestment Act (ARRA) of 2009. Under the agreements, the planning districts were to be reimbursed \$1,000 per project to oversee compliance with the Davis-Bacon wage rate verification and certification and an additional \$500 per project to compile payroll information regarding ARRA job creation and retention. Since the Davis-Bacon requirement remained with 2010 and 2011 capitalization grants, the planning districts will continue to be reimbursed \$1,000 per project to provide wage rate verification and certification.

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, loans totaling more than \$96.5 million have been made to systems meeting this population threshold, or 33.6 percent of the \$287.8 million of total funds available for loan. Attachment II – List of Projects to be funded in Fiscal Year 2011 identifies nearly \$14.0 million in projects, all for systems serving less than 10,000; therefore, 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 2011 capitalization grant, the ability exists to transfer nearly \$28.8 million from the Clean Water SRF program to the Drinking Water SRF program. Up to \$36.8 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.

It is anticipated that a transfer of approximately \$10,000,000 from the Drinking Water SRF program to the Clean Water SRF program will be required due the high demand experienced on the Clean Water SRF program.

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 2011 capitalization grant is expected to be \$12,725,000 which requires \$2,545,000 in state match. Bond proceeds and administrative surcharge will be used to match 2011 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. To date, \$60.7 million in leveraged bonds have been issued for the Drinking Water SRF program. It is anticipated that no additional leveraged bonds will be required in 2011.

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 \$6.5 million in principal repayments will be available for loans in fiscal year 2011.

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 \$3.0 million in interest earnings will be available for loans in fiscal year 2011.

As of September 30, 2010, 177 loans totaling \$263,319,567 have been made.

At the beginning of fiscal year 2011, \$24,484,891 is available for loan. The attached project priority list identifies more than \$49.1 million in potential loans. With the 2011 capitalization grant, state match, leveraged bonds, excess interest earnings, and repayments, approximately \$48.5 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	\$509,000
Small System Technical Assistance	\$254,500
Total for set-asides	\$763,500

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.

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.

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.

- (12) Utility rates; and
- (13) Water quality benefits.

Additional Subsidy - Principal Forgiveness

The 2010 Drinking Water SRF appropriation mandated that not less than 30 percent of the funds made available for Drinking Water SRF capitalization grants shall be used by the State to provide additional subsidy to eligible recipients. Additional subsidy may be in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these).

Additional subsidy will be provided in the form of principal forgiveness. Municipalities and sanitary districts must have a minimum rate of \$25 per month based on 5,000 gallons usage or a flat rate to qualify for principal forgiveness. Other applicants must have a minimum rate of \$55 per month based on 7,000 gallons usage or a flat rate to qualify for principal forgiveness.

When determining the amount of principal forgiveness, the Board of Water and Natural Resources may consider the following decision-making factors, which are set forth in alphabetical order:

- (1) Annual utility operating budgets;
- (2) Available local cash and in-kind contributions;
- (3) Available program funds;
- (4) Compliance with permits and regulations;
- (5) Debt service capability;
- (6) Economic impact;
- (7) Other funding sources;
- (8) Qualification as a Green Project Reserve project;
- (9) Readiness to proceed;
- (10) Regionalization or consolidation of facilities;
- (11) Technical feasibility;

As a result of the 2010 appropriation, the South Dakota Drinking Water SRF program was required to provide a minimum of \$4,071,900 as additional subsidy. The program is allowed to provide an amount equal to the entire 2010 capitalization grant (\$13,573,000) as additional subsidy. As of September 30, 2010, \$1,640,000 of principal forgiveness had been awarded.

The 2011 Drinking Water SRF appropriation requires that no more than 30 percent of the funds made available for Drinking Water SRF capitalization grants shall be used by the State to provide additional subsidy to eligible recipients. Up to \$3,817,500 may be awarded as principal forgiveness.

With the 2010 and 2011 authority to award additional subsidy, the program has the ability to award between \$2,431,900 and \$15,750,500 in additional principal forgiveness. Attachment II - List of Projects to be Funded in FY 2011 identifies \$2,488,700 in potential principal forgiveness.

Green Project Reserve

The 2010 and 2011 Drinking Water SRF appropriations mandates that to the extent there are sufficient eligible project applications, not less than 20 percent of the funds made available for each year's Drinking Water SRF capitalization grant shall be used by the State for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. These four categories of projects are the components of the Green Project Reserve.

To meet the Green Project Reserve requirement, the South Dakota Drinking Water SRF program will be expected to provide at least \$2,714,600 and \$2,545,000

from the 2010 and 2011 capitalization grants, respectively, to qualifying projects. If this amount cannot be achieved, a waiver from the Green Project Reserve requirement can be requested. To obtain a waiver it must be demonstrated that sufficient effort was taken to solicit eligible projects.

In fiscal year 2010, \$1,227,400 has qualified towards the Green Project reserve. This leaves \$1,487,200 of Green Project Reserve funding to be awarded to meet the 2010 capitalization grant requirements

Attachment II - List of Projects to be Funded in FY 2011 identifies \$2,233,650 of projects or project components that may count towards the Green Project Reserve. This is insufficient to meet the 20 percent threshold for the 2011 capitalization grant. The department will continue its efforts to identify additional projects to satisfy the Green Project Reserve or explore obtaining a waiver.

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 (\$509,000) 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 (\$254,500) 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 \$923,316 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 approximately 14,220 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. Communities are reimbursed 80 percent of the cost of an engineering study.

In fiscal year 2010, the maximum grant amount for any study was \$6,000. In 2011, the maximum grant amount will be raised to \$8,000. 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.

To assure available funds to support the existing small system technical assistance endeavors, \$254,500 from the fiscal year 2011 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, \$228,746 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 2011.

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 2011.

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 \$25 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 \$55 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 2011. 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	\$8,229,000	\$2,715,570	\$30,313,965				\$14,739,645	\$22,813,965
2008	\$8,146,000	\$2,688,180	\$33,002,145				\$17,427,825	\$25,502,145
2009	\$8,146,000	\$2,688,180	\$35,690,325				\$20,116,005	\$28,190,325
2010	\$13,573,000	\$4,479,090	\$40,169,415				\$24,595,095	\$32,669,415
2011 (est.)	\$12,725,000	\$4,199,250	\$44,368,665		\$10,000,000	Repayments	\$28,794,345	\$26,868,665

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 2011.

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
316	Edgemont	C462216-01	<i>Problem:</i> the town's water supply is four free flowing wells that are exceeding the maximum contaminant level for Gross Alpha and the towns distribution system and underground concrete reservoirs are old and in poor condition. <i>Project:</i> re-case the existing wells, construct a new storage reservoir and water treatment system, and replace and reconfigure the distribution system to bring water from all four wells to the new storage reservoir.	\$2,500,000	2.25%, 30 yrs	867	Yes
237	Fairview/ South Lincoln Rural Water System	C462336-01/ C462441-02	<i>Problem:</i> the town's water system is old, and the town lacks the financial, technical, and managerial capacity to operate the system. <i>Project:</i> install approximately 8.5 miles of 6-inch PVC line to connect to the South Lincoln Rural Water System and improve the town's distribution system by installing 3,300 feet of 6-inch PVC line, 35 meters and meter pits, and 1,800 feet of 1-inch service lines. Upon project completion the distribution system will be owned and operated as part of the South Lincoln Rural Water System.	\$476,500	3.00%, 30 yrs	94	Yes
170	McLaughlin	C462233-02	<i>Problem:</i> over ½ of the distribution system is old cast iron and asbestos cement pipe that is in poor condition; one of the two water towers is over 100 years old and is in poor condition, portions of the town experience low pressures,	\$3,640,000	2.25%, 30 yrs	955	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
163	Montrose	C462075-01	and two of the city's five wells are in poor condition. <i>Project:</i> replace the cast iron and asbestos cement pipe, construct a new water tower, loop dead-end lines and connect to the Standing Rock Rural Water System. <i>Problem:</i> The town's water distribution system is old and experiencing excessive water loss and low pressures. <i>Project:</i> replace all 4-inch cast iron lines with 6-inch PVC lines and replace meters.	\$1,050,000	3.00%, 30 yrs	460	Yes
153	Clay Rural Water System	C462437-04	<i>Problem:</i> a portion of the water system uses a self read; self payment system and about 1/3 of these meters are old and outdated. <i>Project:</i> replace approximately 1,750 water meters and install an automatic meter reading system.	\$730,000	2.25%, 10 years	17,580	Yes
153	Piedmont	C462462-01	<i>Problem:</i> water for the recently incorporated municipality is supplied by private wells which are being affected by on-site septic systems. <i>Project:</i> construct approximately 4,500 feet of 12-inch line to connect to the Black Hawk Water User District system and a distribution network.	\$2,133,000	3.00%, 20 yrs	250	
150	Butte-Meade Sanitary District	C462190-01	<i>Problem:</i> the district's meters are old and becoming obsolete. <i>Project:</i> replace approximately 810 water meters and install an automatic meter reading system.	\$300,000	2.25%, 10 years	2,000	
149	Viborg	C462240-03	<i>Problem:</i> the city's meters are old and and outdated. <i>Project:</i> replace approximately 400 water meters and install an automatic meter reading system.	\$254,500	2.25%, 10 years	832	Yes
142	Longview Sanitary District	C462463-01	<i>Problem:</i> the sanitary district consists of residences served by individual shallow wells that are inadequate and a small community water system with an inadequate water source. <i>Project:</i> construct a distribution system and connect to the Rapid Valley Sanitary District system.	\$1,100,000	3.00%, 20 yrs	180	
133	Randall Community Water	C462436-01	<i>Problem:</i> the Platte Treatment Plant is	\$2,825,000	3.00%, 20 yrs	12,808	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
	District		incapable of providing adequate treatment when the raw water experiences turbidity spikes. <i>Project:</i> construct a two-part treatment process consisting of flocculation and plate/tube settlers followed by a membrane filter.				
127	Woodland Hills Homeowners Association	C462469-01	<i>Problem:</i> the distribution system is unmetered, leaking excessively and experiencing freezing problems due to inadequate burial depth. <i>Project:</i> Install water meters and replace the distribution system.	\$1,215,000	3.00%, 20 yrs	250	
125	Mid-Dakota Rural Water System	C462430-03	<i>Problem:</i> the distribution system within the system's authorized service area has not been completed. <i>Project:</i> extension of approximately 14.3 miles of 1-1/2 to 4-inch pipeline to serve areas in the western portion of the Crow Creek Indian Reservation.	\$300,000	3.00%, 30 yrs	32,000	Yes
125	Mid-Dakota Rural Water System	C462430-04	<i>Problem:</i> the distribution system within the system's authorized service area has not been completed. <i>Project:</i> extension of approximately 36 miles of 1-1/2 to 6-inch pipeline to serve areas in the northwestern portion of Sanborn County	\$780,000	3.00%, 30 yrs	32,000	Yes
125	Mid-Dakota Rural Water System	C462430-05	<i>Problem:</i> the distribution system within the system's authorized service area has not been completed. <i>Project:</i> extension of approximately 23 miles of 1-1/2 to 4-inch pipeline to serve areas in the southwestern portion of Clark County.	\$662,000	3.00%, 30 yrs	32,000	Yes
125	Mid-Dakota Rural Water System	C462430-06	<i>Problem:</i> additional users within the system's service area have requested to be connected to the rural water system. <i>Project:</i> install pipe and water services throughout the system's service area to supply as many as 200 users with rural water.	\$670,000	3.00%, 30 yrs	32,000	Yes
107	Sturgis	C462068-03	<i>Problem:</i> the system experiences turbidity issues when well #1 is in operation and the various components of the supply and	\$3,865,000	3.00%, 20 yrs	6,442	Yes (Pending rate)

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advantaged
			distribution systems are old, deteriorating and in need of replacement. <i>Project:</i> install a new well to replace well #1, underground valve pits, pressure reducing valves, and a booster pump pit, install a booster station, upgrade the SCADA system and chemical feed systems, repair security fences, install new pitless adapters, and replace water mains in various locations throughout the city.				increase)
104	Wilmot	C462077-01	<i>Problem:</i> portions of the distribution system consist of cast iron pipe that is in poor condition, the elevated water tank is 100 years old and in need of repair, and the water meters are outdated. <i>Project:</i> Install approximately 8,000 feet of PVC lines to replace cast iron pipe and loop dead end lines, construct a new 100,000-gallon water tower and replace water meters and upgrade to an automatic reading system.	\$350,000	2.25%, 10 years	543	Yes
95	Fall River Water Users District	C462435-04	<i>Problem:</i> the system's water water is supplied by the city of Hot Springs; however, demand is approaching the amount that can be obtained under the existing contract. <i>Project:</i> construct a new well, well house and transmission line.	\$1,100,000	3.00%, 30 yrs	1,500	Yes
88	White Lake	C462261-01	<i>Problem:</i> the distribution system contains several dead-end lines. <i>Project:</i> install approximately 4,200 feet of 6- and 8-inch PVC water main to loop the distribution system.	\$290,000	2.25%, 30 yrs	405	Yes
84	Faulkton	C462217-02	<i>Problem:</i> most of the city's water main consists of old, undersized cast iron that is in poor condition. <i>Project:</i> replace approximately 3,500 feet of water line under US Highway 212 in conjunction with a DOT project.	\$441,725	3.00%, 30 yrs	785	Yes
83	Bon Homme-Yankton Water User District	C462140-01	<i>Problem:</i> the water system has no back up power source. <i>Project:</i> construction of on-site power generation facilities.	\$3,000,000	3.00%, 20 yrs (Project is not eligible for 30-year term)	15,000	Yes
83	Clay Rural Water System	C462437-05	<i>Problem:</i> the lime sludge lagoons are located on	\$638,500	3.00%, 30 yrs	17,580	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
82	TM Rural Water District	C462429-01	leased land, and the landowner is unwilling to renew a long-term lease. <i>Project:</i> construct new lime sludge lagoons. <i>Problem:</i> two of the district's bulk water users - Hurley and Viborg - have old water towers that need to be replaced. <i>Project:</i> construct approximately 9.5 miles of water lines to connect to an underutilized 300,000-gallon elevated tower owned by the TM Rural Water District.	\$2,483,500	3.00%, 20 yrs	5,890	
80	Fort Pierre	C462049-01	<i>Problem:</i> the two well pumps periodically stop which causes hammering and surging events that put stress on the water lines and portions of the distribution system is old cast iron and asbestos cement pipe that is in poor condition. <i>Project:</i> install variable frequency drives on the well pumps and replace approximately 3,100 feet of cast iron and asbestos cement pipe.	\$357,000	3.00%, 20 yrs	1,991	
80	Gregory	C462126-02	<i>Problem:</i> several deficiencies have been identified with the clear well pump house and the chlorination system and a large portion of the distribution system is cast iron and asbestos cement pipe in poor condition. <i>Project:</i> construct a clear well pump house and chlorination system and replace cast iron and asbestos cement pipe	\$685,080	2.25%, 20 yrs * portions of pump house improvements may not be eligible for extended term	1,342	Yes * (pending rate increase)
79	Viborg	C462240-04	<i>Problem:</i> the city's elevated storage tower is over 100 years old and in need of significant repairs. <i>Project:</i> install a larger water line connection to the T-M Rural Water System and utilize an existing T-M water tower.	\$983,000	3.00%, 30 yrs	832	Yes
68	Gayville	C462250-01	<i>Problem:</i> much of the existing distribution system consists of cast iron water mains that were installed in 1910. <i>Project:</i> install approximately 17,100 feet of PVC water mains to replace the cast iron mains and loop several dead-end lines.	\$900,000	3.00%, 30 yrs	418	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
64	Menno	C462136-01	<i>Problem:</i> the city's meters are old and outdated. <i>Project:</i> replace approximately 390 water meters and install an automatic meter reading system.	\$110,000	2.25%, 10 years	729	Yes
34	Plankinton	C462110-01	<i>Problem:</i> the distribution system includes sections of asbestos cement pipe and has several dead end lines, and the water tank is over 90 years old. <i>Project:</i> Replace approximately 1,800 feet of asbestos cement pipe with PVC pipe, install an additional 7,800 feet of PVC pipe to loop, dead end lines, replace water meters, and construct a new 100,000-gallon water tower.	\$1,000,000	3.00%, 30 yrs	601	Yes
23	Hisega Meadows Water, Inc.	C462468-01	<i>Problem:</i> the water system's distribution system is old, undersized, and has long dead-end lines. <i>Project:</i> install approximately 14,500 feet of 4- and 6-inch PVC water lines and appurtenances to replace and loop the distribution system.	\$1,489,000	3.00%, 20 yrs	486	
23	Vermillion	C462022-04	<i>Problem:</i> one of the city's two elevated storage tanks is nearly 100 years old, is in poor condition and need to be replaced, and the storage capacity of the three tanks is less than the peak day demand. <i>Project:</i> construct a new 500,000-gallon elevated water storage reservoir.	\$1,608,000	2.25%, 30 yrs	10,276	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 one additional wells and replace the asbestos-cement and undersized PVC pipe within the distribution system.	\$2,000,000	3.00%, 30 yrs	2,841	Yes (Pending rate increase)
21	Hot Springs	C462040-02	<i>Problem:</i> the city's raw water pumping system does not have capacity to provide adequate water in the event one of the two pumping stations is out of commission, and the storage capacity is less than a peak day. <i>Project:</i> install a new well and pump house and construct a new 3-million gallon water tower.	\$2,400,000	2.25%, 30 yrs	4,129	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
21	Winner	C462123-01	<i>Problem:</i> areas within the city experience inadequate pressures due to undersized lines and inadequate water levels in the existing storage tanks, the existing wells cannot keep the storage tanks filled during peak water demand periods, and the city cannot monitor the well and pumping system. <i>Project:</i> replace or install approximately 10,750 feet of water line, relocate an existing water tank or construct a new tank, and install telemetry and a SCADA system.	\$3,250,000	2.25%, 30 yrs	3,137	Yes
19	Springfield	C461071-01	<i>Problem:</i> the raw water intake gets plugged by submerged vegetation in the Missouri River. <i>Project:</i> construct a horizontal well to replace the raw water intake.	\$180,000	3.00%, 30 yrs	792	Yes (Pending rate increase)
18	Doland	C462050-01	<i>Problem:</i> the city's water tower is old and in poor conditions and over 75% of the distribution system consists of cast iron and asbestos concrete water lines that over 50 years old and in poor condition. <i>Project:</i> replace the water tower, replace cast iron and asbestos concrete water lines, and loop dead end lines.	\$2,600,000	3.00%, 30 yrs	297	Yes
10	Sioux Falls	C462232-11	<i>Problem:</i> areas within the water distribution system consist of deteriorated or undersized pipe in need of replacement. <i>Project:</i> replace water main in Cliff Avenue, Sycamore Avenue, the Raven Oaks and Scenic Heights neighborhoods and the Western Heights area, and replace five large diameter valves.	\$4,000,000	2.25%, 10 yrs	123,975	
9	Viborg	C462240-02	<i>Problem:</i> portions of the city's water main are cast iron over 50 years old and in poor condition. <i>Project:</i> replace approximately 4,700 feet of water line under SD Highway 19 in conjunction with a DOT project.	\$847,000	3.00%, 30 yrs	832	Yes
9	Wall	C462033-01	<i>Problem:</i> the city's water distribution system is old and in poor condition. <i>Project:</i> install approximately 1,450 feet of PVC water main to replace the existing lines on Main Street from 5 th	\$230,000	3.00%, 20 yrs	818	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- tagged
8	Emery	C462248-01	Avenue to 7 th Avenue. <i>Problem:</i> the city's water distribution system is old and in poor condition. <i>Project:</i> install approximately 1,350 feet of PVC water main to replace the existing lines on Third and Main Streets.	\$200,000	3.00%, 30 yrs	439	
5	Tyndall	C462131-03	<i>Problem:</i> the city's elevated storage tower is over 100 years old and in need of significant repairs. <i>Project:</i> construct a new 150,000-gallon elevated storage reservoir.	\$650,000	3.00%, 20 yrs	1,239	
4	Colton	C462135-02	<i>Problem:</i> areas in the distribution system experience low pressure during high use periods. <i>Project:</i> construct a new water line along 5 th Street in conjunction with a street reconstruction project.	\$180,000	3.00%, 20 yrs	662	
4	New Underwood	C462257-02	<i>Problem:</i> the city's elevated storage tank is located over ½ mile outside city limits and connects to the distribution system with one 6-inch line, which is inadequately sized and provides no back-up delivery method. <i>Project:</i> construct a parallel 10-inch line to connect the elevated storage tank to the distribution system.	\$280,000	3.00%, 30 yrs	616	Yes (Pending rate increase)
3	Hurley	C462281-01	<i>Problem:</i> the city's elevated storage tower is over 100 years old and in need of significant repairs. <i>Project:</i> install a larger water line connection to the T-M Rural Water System and utilize an existing T-M water tower.	\$518,000	3.00%, 20 yrs	426	
2	Pierpont	C462076-01	<i>Problem:</i> the town's pressure tank, installed in 1905, and the high pressure pump system and controls have reached the end of its useful life. <i>Project:</i> install a new booster pump station with a ground storage tank and generator.	\$551,200	3.00%, 20 yrs	122	Yes *

* booster station not eligible for extended term

ATTACHMENT II - LIST OF PROJECTS TO BE FUNDED IN FISCAL YEAR 2011

Priority Points	Loan Recipient	Project Number	Assistance Amount	Principal Forgiveness ¹	Funding Date	Expected Funding Source
	<i>Green Project Reserve Information</i>					
LOANS MADE						
68	Gayville	C462250-01	\$900,000	\$480,000	Nov. 2010	2010/Repayments
	<i>GPR Project Type: Water Efficiency (Approved Business Case) GPR Amount: \$783,650</i>					
9	Viborg	C462240-02	\$847,000	\$730,000	Nov. 2010	2010/Repayments
237	South Lincoln Rural Water System	C462441-02	\$476,500	\$244,500	Jan. 2011	2010
84	Faulkton	C462217-02	\$441,725	\$341,725	Jan. 2011	2010/Repayments
80	Gregory	C462126-02	\$685,080	\$185,080	Jan. 2011	2010/Repayments
10	Sioux Falls	C462232-11	\$4,000,000	-0-	Jan. 2011	Repayments
LOANS EXPECTED						
163	Montrose	C462075-01	\$1,050,000	\$502,500	Sept. 2010	2010/Repayments
	<i>GPR Project Type: Water Efficiency (Business Case) GPR Amount: \$1,050,000</i>					
153	Piedmont	C462462-01	\$2,133,000	\$426,600	Mar. 2011	2010/Repayments
107	Sturgis	C462068-03	\$3,865,000	-0-	Mar. 2011	Repayments
23	Vermillion	C462022-04	\$1,608,000	\$160,800	Mar. 2011	2010/Repayments
21	Box Elder	C462003-01	\$2,000,000	\$500,000	Mar. 2011	2010/Repayments
4	Colton	C462135-02	\$180,000	\$36,000	Mar. 2010	2010/Repayments
150	Butte Meade Sanitary District	C462190-01	\$300,000	\$30,000	June. 2011	2010/Repayments
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$300,000</i>					
149	Viborg	C462240-03	\$254,500	\$100,000	June. 2011	2010/Repayments
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$254,500</i>					
125	Mid-Dakota Rural Water System	C462430-03	\$300,000	\$30,000	June. 2011	2010/Repayments
82	TM Rural Water District	C462003-01	\$2,483,500	\$500,000	June 2011	2010/Repayments
5	Tyndall	C462131-03	\$650,000	-0-	Sept.. 2011	Repayments

1. Principal forgiveness amounts shown for loans expected are estimates for planning purposes only.

**ATTACHMENT III
PROGRAM FUNDING STATUS**

Fiscal Years 1997 - 2010

Capitalization Grants	\$121,658,500	
State Match	\$24,331,700	
ARRA Grant	\$19,500,000	
Set-Asides	(\$7,351,084)	
Transfer of FY 2002 & 2003 Clean Water Capitalization Grant and State Match	\$15,574,320	
Leveraged Bonds	\$60,725,699	
Excess Interest as of September 30, 2010	\$17,101,267	
Excess Principal Repayments as of Sept. 30, 2010	\$36,264,056	
	<hr/>	
Total Funds Dedicated to Loan		\$287,804,458
Loans made through September 30, 2010		<u>(\$263,319,567)</u>
Balance of funds as of September 30, 2010		\$24,484,891

Fiscal Year 2011 Projections

Capitalization Grants	\$12,725,000	
State Match	\$2,545,000	
Set-Asides	(\$763,500)	
Projected Excess Principal Repayments	\$16,600,000	
Projected Unrestricted Interest Earnings	\$3,800,000	
Transfer to CWSRF	(\$10,000,000)	
Arbitrage Rebate Liability	-0-	
Projected Fiscal Year 2011 Loan Sub-total	<hr/>	\$24,906,500
Total Funds Available for Loans		<u>\$49,391,391</u>
Loan Amount Identified on Attachment II - List of Projects to be Funded in Fiscal Year 2011		<u>\$22,174,305</u>

Administrative Surcharge Funds Available as of September 30, 2010	
Program Income	\$1,483,663
Non-Program Income	\$4,294,146
Total	\$5,777,809