

**SOUTH DAKOTA
DRINKING WATER STATE REVOLVING FUND
FISCAL YEAR 2018 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 2018 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, 2017, to review the 2018 Intended Use Plan and receive comments. The IUP reflects the results of this review.

The 2018 capitalization grant estimate used in the IUP is based on last year's allocation.

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.

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 2018, the specific measures are:

1. In fiscal year 2017, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 97.2 percent, which exceeded the target goal of 90 percent. For fiscal year 2018, the goal of the Drinking Water SRF program is to maintain the fund utilization rate at or above 90 percent.
2. In fiscal year 2017, the rate at which projects progressed as measured by disbursements as a percent of assistance provided was 81.5 percent, which met the goal of 80 percent. For fiscal year 2018, the goal is to maintain the construction pace at 80 percent or higher.
3. For fiscal year 2018, the goal of the Drinking Water SRF program is to fund 16 loans, totaling \$31.8 million.

4. For fiscal year 2018, it is estimated that 34 projects will initiate operations.
5. For fiscal year 2018, 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 2018, it is estimated that the South Dakota Association of Rural Water Systems will provide 1,400 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. "Readiness to Proceed" is defined by EPA as the applicant being prepared to begin construction and is immediately ready, or poised to be ready, to enter into assistance agreements. 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 2018 are summarized in Table 1. Information regarding disadvantaged eligibility and subsidy level criteria can be found in the

disadvantaged community subsidies section. The interest rates were last adjusted in November 2016.

	Up to 5 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	1.50%	1.75%	2.00%	
Admin. Surcharge	0.50%	0.50%	0.50%	
Total	2.00%	2.25%	2.50%**	
<u>Disadvantaged Rate – 80% to 100% of MHI</u>				
Interest Rate				1.75%
Admin. Surcharge				<u>0.50%</u>
Total				2.25%
<u>Disadvantaged Rate - 60% to 80% of MHI</u>				
Interest Rate	1.00%		1.50%	
Admin. Surcharge	<u>0.00%</u>		0.50%	
Total	1.00%		2.00%	
<u>Disadvantaged Rate – Less than 60% of MHI</u>				
Interest Rate				0.00%
Admin. Surcharge				<u>0.00%</u>
Total				0.00%

* Term cannot exceed useful life of the project
 ** Non-profit borrowers are not eligible to receive this loan rate and term.

ADMINISTRATIVE SURCHARGE FEES

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 the department.

As of September 30, 2017, nearly \$4.48 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 \$9,000 per approved loan with payments made in \$3,000 increments as certain milestones are met.

The American Recovery and Reinvestment Act (ARRA) of 2009 and subsequent capitalization grants have mandated implementation of Davis-Bacon prevailing wage rules. Under joint powers agreements between the planning districts and the department, the planning districts are to be reimbursed \$1,100 per project to oversee compliance with the Davis-Bacon wage rate verification and certification.

Administrative surcharge funds will again be provided to the planning districts to defray the cost of SRF application preparation and project administration, which includes Davis-Bacon wage rate verification and certification. The 2018 allocation for these activities will be \$150,000.

In fiscal year 2018, \$75,000 of administrative surcharge funds will be allocated for operator certification training.

In federal fiscal year 2015, \$250,000 of administrative surcharge funds were allocated to provide grants to assist very small systems in violation of the Safe Drinking Water Act. These funds are limited to community systems with 50 or less connections and not-for-profit, non-transient non-community water systems. Funds will be provided for infrastructure projects as 100 percent grants up to a maximum of \$50,000 and for total project costs less than \$100,000. No additional funds will be allocated for these activities in federal fiscal year 2018.

In fiscal year 2018, \$50,000 of administrative surcharge funds will be allocated to provide additional funds for the Small Community Planning Grant program. In previous years these grants have been funded by the two percent technical assistance set-aside, due to increased demand additional funds above the allowable 2 percent are needed to fully fund this program.

In fiscal year 2018, \$1,500,000 of administrative surcharge funds will be allocated. These funds will be used to supplement the Consolidated program with grants for the construction of drinking water facilities.

SMALL SYSTEM FUNDING

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 nearly \$212.4 million have been made to systems meeting this population threshold, or 47.8 percent of the \$444.2 million of total funds available for loan. Attachment II – List of Projects to be funded in Fiscal Year 2018 identifies nearly \$31.8 million in projects, all of which is 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 to the Drinking Water SRF program in past years. In fiscal year 2006 and 2011, \$7.5 million of leveraged bond proceeds and \$10 million of repayments, respectively were transferred from the Drinking Water SRF program to the Clean Water SRF program. With the 2018 capitalization grant, the ability exists to transfer over \$47.4 million from the Clean Water SRF program to the Drinking Water SRF program. Nearly \$45.5 million could be transferred from the Drinking Water SRF Program to the Clean Water SRF program. Table 4 (page 11) itemizes the amount of funds transferred between the programs and the amount of funds available to be transferred.

No transfers are expected in fiscal year 2018.

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 2018 capitalization grant is expected to be \$8,241,000 which requires \$1,648,200 in state match. Bond proceeds will be used to match 2018 capitalization grant funds.

For purposes of meeting fiscal year 2018 proportionality requirements, the South Dakota Drinking Water SRF program will document the expenditure of repayments and bond proceeds in an amount equivalent to the entire required state match.

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, \$78.7 million in leveraged bonds have been issued for the Drinking Water SRF program. No leveraged bonds are anticipated to be issued in fiscal year 2018.

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 \$6.0 million in principal repayments will become available for loans in fiscal year 2018.

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 \$4.0 million in interest earnings will become available for loans in fiscal year 2018.

As of September 30, 2017, 300 loans totaling \$444,171,214 have been made.

At the beginning of fiscal year 2018, \$12,974,812 is available to loan. With the 2018 capitalization grant, state match, leveraged bonds, excess interest earnings, and repayments, approximately \$31.6 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	\$400,000
Small System Technical Assistance	\$164,820
Local Assistance	\$75,000
State Program Management	\$600,000
Total for set-asides	\$1,239,820

A conservative approach to set-asides 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.

Additional Subsidy - Principal Forgiveness

The 2010 and 2011 Drinking Water SRF appropriations 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. The 2012 through 2015 capitalization grants mandated additional subsidy be provided in an amount not less than 20 percent, but not more than 30 percent, of the capitalization grants. The 2016 and 2017 capitalization grant mandated additional subsidy of exactly 20 percent of the total grant be provided to 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 \$30 per month based on 5,000 gallons usage or to qualify for principal forgiveness. Other applicants must have a minimum rate of \$55 per month based on 7,000 gallons usage 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) Readiness to proceed;

- (9) Regionalization or consolidation of facilities;
- (10) Technical feasibility;
- (11) Utility rates; and
- (12) Water quality benefits.

Table 2 summarizes the amounts of principal forgiveness provided to date.

Table 2 – Principal Forgiveness Status

FFY	Principal Forgiveness	
	Minimum	Maximum
2010	\$4,071,900	\$13,573,000
2011	\$2,825,400	\$9,418,000
2012	\$1,795,000	\$2,692,500
2013	\$1,684,200	\$2,526,300
2014	\$1,769,000	\$2,653,500
2015	\$1,757,400	\$2,636,100
2016	\$1,662,400	\$1,662,400
2017	\$1,648,200	\$1,648,200
2018 (est.)	\$1,648,200	\$1,648,200
	\$18,861,700	\$38,458,200

Awarded as of September 30, 2017

Awarded from 2010 grant	\$13,573,000
Awarded from 2011 grant	\$9,418,000
Awarded from 2012 grant	\$2,692,500
Awarded from 2013 grant	\$2,526,300
Awarded from 2014 grant	\$2,653,500
Awarded from 2015 grant	\$2,636,100
Awarded from 2016 grant	\$1,638,911
Awarded from 2017 grant	\$558,000

It is anticipated that the 2018 capitalization grant will include the ability to award principal forgiveness for any borrower of exactly 20 percent of the total grant award.

Additional principal forgiveness can also be provided to disadvantaged communities. Further discussion can be found in the Disadvantaged Community Subsidy section beginning on page 9.

Attachment II - List of Projects to be Funded in FY 2018 identifies \$2,384,000 in potential principal forgiveness for communities not eligible for the additional disadvantaged community principal forgiveness.

Green Project Reserve

The 2010 and 2011 Drinking Water SRF appropriations mandate 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.

Sufficient funds have been awarded to qualifying projects to meet the 2010 and 2011 Green Project Reserve requirement. The 2012 - 2017 capitalization grants were not subject to the Green Project Reserve requirement.

The Green Project Reserve requirement is not expected to be reinstated with the 2018 capitalization grant.

Build America Bond Activities and Uses

The Series 2010A bonds that were issued in December 2010 were designated as Build America Bonds. As a result the District receives subsidy payments from the U.S. Treasury equal to 35% of the interest payable on its Series 2010A Bonds.

Through fiscal year 2017, \$1,250,000 of Build America Bond funds were allocated to supplement the Consolidated program with grants for water projects. No additional funds will be allocated for these activities in federal fiscal year 2018.

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.

The Water Infrastructure Improvements for the Nation (WIIN) Act of 2017 provides three options to states to calculate the administrative set-aside available from each year's capitalization grant. States may use the greatest of 1) \$400,000 per year, 2) 1/5 of a percent of the current valuation of the Drinking Water SRF fund based on the most recent previous year's audited financial statements, or 3) an amount equal to four percent of the annual capitalization grant.

Four percent of the fiscal year 2018 capitalization grant is \$329,640, and 1/5 of a percent of the current fund valuation of \$192,703,154 results in \$385,406 available for administrative fees. **As a result, an administrative set-aside of \$400,000 will be reserved for administrative purposes in fiscal year 2018.**

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 (\$164,820) 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 periodically to allow the continuation of assistance activities. 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.

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, with the maximum grant amount for any study being \$8,000. As described earlier an additional \$50,000 in administrative surcharge funds will be allocated for these grants in fiscal year 2018.

To assure available funds to support the existing small system technical assistance endeavors, \$164,820 from the fiscal year 2018 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, \$5,598 funds remain from previous

years' allocations to be used for the purposes described above.

State program management. \$600,000 will be allocated for the administration of the state's Public Water System Supervision (PWSS) program.

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. The WIIN Act of 2017 removed the requirements for an additional dollar-for-dollar match of capitalization funds for these activities.

Insufficient federal funds have been allocated from the Performance Partnership Grant for South Dakota's PWSS program to complete all tasks and activities identified in the workplan. A total of \$600,000 will be set-aside for these activities in federal fiscal year 2018. An additional \$200,000 of PWSS fees will be used to fully fund all activities identified in the workplan.

Local assistance and other state programs. Up to \$75,000 will be allocated for the capacity development activities described below.

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.

Since 2008, Midwest Assistance Program (MAP) has been assisting 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. In addition, the MAP has assisted in the review of capacity assessments required as part of the Drinking Water SRF loan applications.

There remains \$55,300 from prior years' allocations. A portion of these funds will be used by a qualified assistance provider, selected through a request for proposals in FY 2018. DENR will select the most qualified firm for contracting of these services.

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 \$30 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 median household income statistics will be the American Community Survey or other statistically valid income data supplied by the applicant and acceptable to the board.

Affordability criteria used to determine subsidy amount. Loans given to disadvantaged communities may have a term up to 30 years or the expected life of the project, whichever is less. Disadvantaged communities below the statewide median household income, but at or greater than 80 percent, are eligible to extend the term of the loan up to 30 years. Disadvantaged communities below 80 percent of the statewide median household income, but at or greater than 60 percent may receive up to a two percentage point reduction in interest rates. Disadvantaged communities with a median household income less than 60 percent of the statewide median household income may receive a zero percent loan. See Table 1 for the disadvantaged interest rate for fiscal year 2018.

Amount of capitalization grant to be made available for providing additional subsidies to disadvantaged communities. Disadvantaged communities are eligible for additional subsidy in the form of principal forgiveness, in an amount equal to 30 percent of the annual capitalization grant. South Dakota utilized the option to provide additional subsidy in the form of principal forgiveness to disadvantaged communities in federal fiscal years 2016 and 2017. Table 3 summarizes the amounts of disadvantaged principal forgiveness provided to date. Disadvantaged

communities below 80 percent of the statewide median household income will be given priority for this subsidy.

Table 3 – Disadvantaged Principal Forgiveness

FFY	Principal Forgiveness	
	Minimum	Maximum
2016	\$0	\$2,493,600
2017	\$0	\$2,472,300
2018	\$0	\$2,472,300
	\$0	\$7,438,200

Awarded from 2016 grant \$2,493,600
 Awarded from 2017 grant \$0

In FY 2018 South Dakota will plan to again provide additional principal forgiveness to disadvantaged communities, for up to 30 percent of the capitalization grant. Attachment II - List of Projects to be Funded in FY 2018 identifies \$3,185,000 in potential principal forgiveness.

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 4 – 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	\$9,418,000	\$3,107,940	\$43,277,355		\$10,000,000	Repayments	\$27,703,035	\$25,777,355
2012	\$8,975,000	\$2,961,750	\$46,239,105				\$30,664,785	\$28,739,105
2013	\$8,421,000	\$2,788,930	\$49,018,035				\$33,443,715	\$31,518,035
2014	\$8,845,000	\$2,918,850	\$51,936,885				\$36,362,565	\$34,436,885
2015	\$8,787,000	\$2,899,710	\$54,814,485				\$39,240,165	\$37,314,485
2016	\$8,312,000	\$2,742,960	\$57,557,445				\$41,983,125	\$40,057,445
2017	\$8,241,000	\$2,719,530	\$60,276,975				\$44,702,655	\$42,776,975
2018 (est)	\$8,241,000	\$2,719,530	\$62,996,505				\$47,422,185	\$45,496,505

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 2018.

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
270	Edgemont	C462216-03	<i>Problem:</i> the town's water supply consists of four free flowing wells that are exceeding the maximum contaminant level for Gross Alpha, and the town's distribution system and underground concrete reservoirs are old and in poor condition. <i>Project:</i> re-case one existing well, drill a new well, construct a new storage reservoir and water treatment system, and replace and reconfigure the distribution system to bring water from all wells to the new storage reservoir.	\$250,000	0%, 30 years	774	Yes
137	Clark Rural Water System	C462460-01	<i>Problem:</i> the town of Bradley currently is a bulk user of Clark RWS, and its system is in need of replacement to provide needed pressure to its residents. In addition the town of Willow Lake currently has its own wells with poor quality water and do not provide sufficient quantity. <i>Project:</i> Clark RWS will reconstruct the Bradley system and supply residents as individual users to alleviate the pressure issues. Willow Lake will be connected as a bulk user and will no longer need its existing wells. Additional pipe and pumping improvements will be needed within the Clark RWS system to make these connections possible.	\$3,000,000	2.00%, 30 years	5,315	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
117	Sioux Rural Water System	C462433-02	<i>Problem:</i> the existing well field cannot supply sufficient quantity to meet peak day demand, the treatment plant filters have had to backwash more frequently to prevent discolored water, the meters within the existing system have reached their useful life, several areas of the system have experienced low pressures or inadequate supply, and the town of Hazel needs to make improvements to its distribution system. <i>Project:</i> install a new well and make improvements to existing wells, install additional settling and filtration equipment to improve treatment plant performance, install an automatic meter reading system, install additional and parallel lines and make pumping improvements within the distribution system, and connect the town of Hazel residents as individual users.	\$11,321,000	2.25%, 20 years	5,742	
111	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, the storage capacity is less than a peak day, and the system does not have adequate well supply. <i>Project:</i> install a new well and pump house, construct a new 3-million gallon water tower, and develop a new Madison well.	\$3,850,000	0%, 30 years	3,711	Yes (Pending rate increase)
110	South Shore	C462294-01	<i>Problem:</i> the existing distribution mains are poor quality PVC and experiencing excessive breaks and include dead end lines, the system is not metered so the town does not accurately bill for water, the town does not have adequate storage capacity, and the existing wells cannot supply the necessary water to meet demands. <i>Project:</i> install 17,300-feet of new PVC water mains and loop the system, install 85 water meters, construct a 50,000-gallon water storage tank, and install a new well.	\$2,650,000	2.25%, 30 years	225	Yes (Pending rate increase)

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advantaged
87	McIntosh	C462286-01	<i>Problem:</i> the city's meters are obsolete and unserviceable, pressures within the system drop to less than 20 psi in some areas. <i>Project:</i> replace approximately 112 water meters and install an automatic meter reading system, install a booster pump station to increase system pressure to acceptable levels.	\$840,000	2.00%, 20 years	173	Yes
87	Oelrichs	C462373-01	<i>Problem:</i> the water storage tank does not cycle water adequately leading to negative tastes and odors and is in need of paint and controls to remain operable, several valves and hydrants are not operable, several homes have no backflow prevention and need meter setters for proper metering. <i>Project:</i> Install a mixer in the storage tank, paint the tower, construct a control building, replace the hydrants and valves, and install backflow preventers and meter setters where needed.	\$417,470	2.25%, 30 years	126	Yes
84	Newell	C462109-03	<i>Problem:</i> the existing transite distribution mains are experiencing excessive breaks and leading to service interruptions. <i>Project:</i> install 3,300 feet of new PVC water mains.	\$314,924	2.00%, 30 years	603	Yes (Pending rate increase)
67	Ree Heights	C462386-01	<i>Problem:</i> the existing distribution mains are experiencing excessive breaks and there are pressures less than 20 psi, and the existing meters are obsolete. <i>Project:</i> Replace the distribution system and install new meters, to allow Mid-Dakota RWS to take over the system and serve Ree Heights as individual users.	\$509,000	2.25%, 30 years	62	Yes (Pending rate increase)
53	Lake Norden	C462256-01	<i>Problem:</i> the existing well field produces poor quality water and the wells are reaching their useful life, one of the existing water treatment filters has begun to leak and is in need of replacement. <i>Project:</i> construct a new well field to provide better quality and meet the community's supply needs and install a new stainless steel water filter.	\$3,000,000	2.00%, 30 years	467	Yes (Pending rate increase)

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
26	Lead-Deadwood Sanitary District	C462002-02	<i>Problem:</i> the Peake Ditch raw water source has limited use due to a landslide that damaged a portion of the water line. <i>Project:</i> abandon approximately 17,200 feet of the existing line and replace it with approximately 16,600 feet of new HDPE line.	\$1,061,000	2.25%, 30 years	4,556	Yes (Pending rate increase)
25	Elk Point	C462059-07	<i>Problem:</i> the Douglas Street distribution system consists of lead pipe that may present a health hazard and is beyond its useful life. <i>Project:</i> replace approximately 1,340 feet of water main with PVC pipe.	\$788,000	2.50%, 30 years	1,963	
17	Aurora-Brule Rural Water System	C462425-02	<i>Problem:</i> the existing distribution system is not able to supply users with adequate supply or pressures during peak demands. <i>Project:</i> Install several miles of new water main to parallel and loop existing areas and upgrade several booster pump stations.	\$4,500,000	2.25%, 30 years	5,079	Yes
17	Canova	C462321-02	<i>Problem:</i> the town is experiencing significant water loss due to outdated meters and a section of deteriorating asbestos cement pipe. <i>Project:</i> replace approximately 55 water meters and install an automatic meter reading system, replace the existing asbestos cement watermain with 950 feet of PVC pipe, and conduct a leak detection study.	\$225,920	2.50%, 30 years	105	
16	Tea	C462028-02	<i>Problem:</i> currently the city's airport is not served by the distribution system, and homes along Christine Ave are served by a long dead end line. <i>Project:</i> installation of approximately 5,300 feet of PVC watermain to connect the airport to the system and to provide looping to remove dead ends.	\$1,551,000	2.50%, 30 years	3,806	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advantaged
16	Tea	C462028-03	<i>Problem:</i> homes north of 271 st Street on Devin Avenue are served by a long un-looped line which is also a mainline into the city from a water storage reservoir. <i>Project:</i> installation of approximately 5,900 feet of PVC watermain to provide a northern loop to the city's distribution system to improve water quality and system redundancy.	\$830,000	2.50%, 30 years	3,806	
15	Chamberlain	C462044-03	<i>Problem:</i> some of the city's meters are beyond their useful life and need to be replaced, and other meters with remote read capability need to be updated to remain compatible with new software. <i>Project:</i> replace approximately 200 water meters and upgrade the automatic meter reading system and transmitters for the 800 meters not being replaced.	\$250,000	2.00%, 10 years	2,387	Yes
14	Avon	C462242-01	<i>Problem:</i> the city's meters are obsolete and unserviceable. <i>Project:</i> replace approximately 330 water meters and install an automatic meter reading system.	\$469,800	2.00%, 10 years	590	Yes
14	Humboldt	C462254-03	<i>Problem:</i> the city's meters are obsolete and unserviceable. <i>Project:</i> replace approximately 350 water meters and install an automatic meter reading system.	\$265,000	2.00%, 10 years	581	
14	Philip	C462205-01	<i>Problem:</i> many of the city's meters are obsolete and unserviceable or require manual reading. <i>Project:</i> replace approximately 220 water meters and install an automatic meter reading system and transmitters for the meters not being replaced.	\$340,000	2.00%, 10 years	779	Yes
14	Valley Springs	C462239-01	<i>Problem:</i> the city's meters are old and in need of replacement. <i>Project:</i> replace approximately 350 water meters and install a drive-by meter reading system.	\$175,000	2.00%, 10 years	759	
14	Wessington Springs	C462210-02	<i>Problem:</i> the city's meters are old and in need of replacement. <i>Project:</i> replace approximately 540 water meters and install an automatic meter reading system.	\$568,000	1.00%, 10 years	956	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
13	Blunt	C462265-01	<i>Problem:</i> the city's meters are old and in need of replacement. <i>Project:</i> replace approximately 360 water meters and install an automatic meter reading system.	\$530,000	2.00%, 10 years	354	
13	Blunt	C462265-02	<i>Problem:</i> the city's water main valves and several curb stops are old and in need of replacement. <i>Project:</i> replace approximately 10 water valves and 18 curb stops.	\$115,000	2.50%, 30 years	354	
13	Bridgewater	C462112-01	<i>Problem:</i> the city's meters are old and in need of replacement. <i>Project:</i> replace approximately 275 water meters and install an automatic meter reading system.	\$243,000	1.00%, 10 years	492	Yes
11	Dell Rapids	C462064-07	<i>Problem:</i> a portion of the city's distribution system consists of asbestos cement and cast iron pipe that is beyond its useful life. <i>Project:</i> replace approximately 11,700 feet of water main with PVC pipe.	\$4,328,100	2.50%, 30 years	3,633	
10	Crooks	C462227-02	<i>Problem:</i> the distribution system in the Palmira neighborhood is experiencing breaks and is beyond its useful life. <i>Project:</i> replace approximately 4,900 feet of water main with PVC pipe.	\$1,154,730	2.50%, 30 years	1,269	
10	WEB Water Development Association, Inc.	C462426-04	<i>Problem:</i> increased demand within the system's service area has resulted in insufficient flows within the system. <i>Project:</i> install approximately 21 miles of 24-inch ductile iron mainline pipe and install an additional high service pump at the treatment plant.	\$22,504,300	2.25%, 30 years	45,000	Yes
9	Valley Springs	C462239-01	<i>Problem:</i> the existing asbestos cement distribution mains are old and beginning to experience excessive breaks. <i>Project:</i> install 23,000 feet of new PVC water mains.	\$7,300,000	2.50%, 30 years	759	
6	Tea	C462028-04	<i>Problem:</i> there are eight existing homes that are currently unserved by the city's distribution system. <i>Project:</i> installation of approximately 4,335 feet of PVC watermain to connect these users to the city's distribution system.	\$863,000	2.50%, 30 years	3,806	

ATTACHMENT II – LIST OF PROJECTS TO BE FUNDED IN FISCAL YEAR 2018

Priority Points	Loan Recipient	Project Number	Assistance Amount	Principal Forgiveness ¹	Funding Date	Expected Funding Source²
LOANS EXPECTED						
270	Edgemont	C462216-03	\$250,000	\$125,000 ³	March 2018	Lev. Funds
137	Clark Rural Water System	C462460-01	\$3,000,000	\$1,200,000 ³	March 2018	2016/2017
117	Sioux Rural Water System	C462433-02	\$11,321,000	\$1,130,000	March 2018	2017/2018
87	McIntosh	C462286-01	\$840,000	\$336,000 ³	March 2018	Lev. Funds/Repay
87	Oelrichs	C462373-01	\$417,470	\$42,000	March 2018	Repayments
67	Ree Heights	C462386-01	\$509,000	\$50,000	March 2018	Repayments
53	Lake Norden	C462256-01	\$3,000,000	\$1,200,000 ³	March 2018	2018
17	Aurora-Brule Rural Water System	C462425-02	\$4,500,000	\$450,000	March 2018	2018
14	Wessington Springs	C462210-02	\$568,000	\$227,000 ³	March 2018	Repayments
13	Blunt	C462265-01	\$530,000	\$53,000	March 2018	Repayments
13	Blunt	C462265-02	\$115,000	\$12,000	March 2018	Repayments
13	Bridgewater	C462112-01	\$243,000	\$97,000 ³	March 2018	Repayments
11	Dell Rapids	C462064-07	\$4,328,100	\$430,000	March 2018	2018
10	Crooks	C462227-02	\$1,154,730	\$115,000	March 2018	2018/Lev. Funds
25	Elk Point	C462059-07	\$788,000	\$79,000	June 2018	Repayments
17	Canova	C462321-02	\$225,920	\$23,000	June 2018	Repayments

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

2. Projects identified using capitalization grant funds are for equivalency requirements planning purposes only, actual projects used for capitalization grant equivalency will be identified on the fiscal year 2018 annual report.

3. Projects are anticipated to be funded in part utilizing the additional up to 30 percent of the capitalization grant for principal forgiveness to disadvantaged communities.

**ATTACHMENT III
PROGRAM FUNDING STATUS**

Fiscal Years 1997 - 2017

Capitalization Grants	\$182,965,698	
State Match	\$39,188,860	
ARRA Grant	\$19,500,000	
Set-Asides	(\$12,427,842)	
Transfer of FY 2002 & 2003 Clean Water Capitalization Grant and State Match	\$15,574,320	
Transfer of DWSRF Repayments	(\$10,000,000)	
Leveraged Bonds	\$78,725,699	
Excess Interest as of September 30, 2017	\$43,002,721	
Excess Principal as of Sept. 30, 2017	\$93,212,290	
Total Funds Dedicated to Loan		\$457,146,026
Loans made through September 30, 2017		(\$444,171,214)
Balance of funds as of September 30, 2017		\$12,974,812

Fiscal Year 2018 Projections

Capitalization Grants	\$8,241,000	
State Match	\$1,648,200	
Set-Asides	(\$1,239,820)	
Projected Excess Principal Repayments	\$6,000,000	
Projected Unrestricted Interest Earnings	\$4,000,000	
Projected Fiscal Year 2018 Loan Sub-total	\$18,649,380	
Total Funds Available for Loans		\$31,624,192
Loan Amount Identified on Attachment II - List of Projects to be Funded in Fiscal Year 2018		\$31,790,220

Administrative Surcharge Funds Available as of September 30, 2017	
Program Income	\$1,166,624
Non-Program Income	\$3,317,922
Total	\$4,484,546