

**SOUTH DAKOTA
DRINKING WATER STATE REVOLVING FUND
FEDERAL FISCAL YEAR 2020 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 (FFY) 2020 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 7, 2019, to review the FFY 2020 Intended Use Plan and receive comments. The IUP reflects the results of this review.

The IUP includes the following:

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

PRIORITY LIST OF PROJECTS

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

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

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

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

States are 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 FFY 2020, the specific measures are:

1. In FFY 2019, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 96.7 percent, which exceeded the target goal of 90 percent. For FFY 2020, the goal of the Drinking Water SRF program is to maintain the fund utilization rate at or above 90 percent.
2. In FFY 2019, the rate at which projects progressed as measured by disbursements as a percent of assistance provided was 80.4 percent, which met the goal of 80 percent. For FFY 2020, the goal is to maintain the construction pace at 80 percent or higher.
3. For FFY 2020, the goal of the Drinking Water SRF program is to fund 19 loans, totaling more than \$36.6 million.
4. For FFY 2020, it is estimated that 30 projects will initiate operations.
5. For FFY 2020, it is estimated that 10 Small Community Planning Grants will be awarded to small systems to evaluate the system's infrastructure needs.
6. For FFY 2020, 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 FFY 2020 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 adjusted in November 2019.

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

Table 1 - Drinking Water SRF Interest Rates

| | 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 | 0.00% | | | |
| 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 | | | | 0.50% |
| Total | | | | 2.25% |
| <u>Disadvantaged Rate - 60% to 80% of MHI</u> | | | | |
| Interest Rate | | 1.00% | | 1.50% |
| Admin. Surcharge | | 0.00% | | 0.50% |
| Total | | 1.00% | | 2.00% |
| <u>Disadvantaged Rate – Less than 60% of MHI</u> | | | | |
| Interest Rate | | | | 0.00% |
| Admin. Surcharge | | | | 0.00% |
| Total | | | | 0.00% |

* Term cannot exceed useful life of the project

discretion of the Board of Water and Natural Resources and the department.

As of September 30, 2019, nearly \$4.14 million of administrative surcharge funds are available.

Beginning in FFY 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 FFY 2020 allocation for these activities will be \$50,000.

In FFY 2020, \$75,000 of administrative surcharge funds will be allocated for operator certification training.

In FFY 2019, \$200,000 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 2020.

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 \$253.1 million have been made to systems meeting this population threshold, or 48.2 percent of the \$525.2 million of total funds available for loan. Attachment II – List of Projects to be funded in FFY 2020 identifies more than \$36.6 million in projects, of which all \$36.6 million 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 FFY 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 expected FFY 2020 capitalization grant, the ability exists to transfer more than \$55.6 million from the Clean Water SRF program to the Drinking Water SRF program. More than \$53.7 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 FFY 2020.

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 FFY 2020 capitalization grant is expected to be \$11,004,000 which requires \$2,200,800 in state match. Bond proceeds will be used to match FFY 2020 capitalization grant funds.

For purposes of meeting FFY 2020 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, \$123.7 million in leveraged bonds have been issued for the Drinking Water SRF program. It is not anticipated that additional leveraged bonds will be required in FFY 2020.

Borrowers' Principal Repayments: The principal repaid by the loan borrowers is used to make semi-annual leveraged bond payments. Any excess principal is available for loans. It is estimated that \$1.5 million in principal repayments will become available for loans in FFY 2020.

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 \$4.9 million in interest earnings will become available for loans in FFY 2020.

As of September 30, 2019, 331 loans totaling \$525,176,462 have been made.

At the beginning of FFY 2020, \$18,269,560 is available to loan. With the expected FFY 2020 capitalization grant, state match, leveraged bonds, excess interest earnings, and repayments, nearly \$36.2 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 | \$440,160 |
| Small System Technical Assistance | \$220,080 |
| Local Assistance | \$75,000 |
| State Program Management | \$600,000 |
| Total for set-asides | \$1,335,240 |

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 through 2019 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 | \$2,221,400 | \$2,221,400 |
| 2019 | \$2,200,800 | \$2,200,800 |
| 2020 (est) | \$2,200,800 | \$2,200,800 |
| | \$23,836,500 | \$43,433,000 |

Awarded as of September 30, 2019

| | |
|-------------------------|--------------|
| 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 | \$1,662,400 |
| Awarded from 2017 grant | \$1,648,200 |
| Awarded from 2018 grant | \$2,221,400 |
| Awarded from 2019 grant | \$326,099 |

It is anticipated that the FFY 2020 capitalization grant includes 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 FFY 2020 identifies \$2,566,000 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 - 2019 capitalization grants were not subject to the Green Project Reserve requirement.

The Green Project Reserve requirement is not expected to be reinstated with the FFY 2020 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.

In FFY 2020, \$1,000,000 of Build America Bond funds will be allocated to supplement the Consolidated program with grants for drinking water projects. The appropriation level reflects the current available balance and anticipated payments through September

2020 on the Drinking Water SRF portion of the Build America Bonds.

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 FFY 2020 capitalization grant is expected to be \$440,160, and 1/5 of a percent of the current fund valuation of \$199,386,570 results in \$398,773 available for administrative fees. **As a result, an administrative set-aside of \$440,160 will be reserved for administrative purposes in FFY 2020.**

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 (\$220,080) 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.

To assure available funds to support the existing small system technical assistance endeavors, \$220,080 from the fiscal year 2020 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, \$177,818 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 FFY 2020.

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 \$18,400 from prior years' allocations. In FFY 2018, DENR issued a request for proposals to select the most qualified assistance provider firm for contracting of these services. A three-year contract was signed with Midwest Assistance Program to continue their efforts with borrowers to improve the technical, financial, or managerial capacity of the system.

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 one 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 rates for FFY 2020.

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. South Dakota utilized the option to provide additional subsidy in the form of principal forgiveness to disadvantaged communities in federal fiscal years 2016 through 2018, in an amount equal to 30 percent of the annual capitalization grant.

The American Water Infrastructure Act (AWIA) of 2018 added new requirements to provide additional subsidy to disadvantaged communities. Beginning with the FFY 2019 capitalization grant states must provide a minimum of 6 percent and may provide up to 35 percent of the capitalization grant amount

as additional subsidy to disadvantaged communities.

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 eligible 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 | \$3,332,100 |
| 2019 | \$660,240 | \$3,851,400 |
| 2020 (est) | \$660,240 | \$3,851,400 |
| | \$1,320,480 | \$16,000,800 |

Awarded as of September 30, 2019

| | |
|-------------------------|-------------|
| Awarded from 2016 grant | \$2,493,600 |
| Awarded from 2017 grant | \$2,472,300 |
| Awarded from 2018 grant | \$3,332,100 |
| Awarded from 2019 grant | \$1,823,600 |

Attachment II – List of Projects to be Funded in FFY 2020 identifies \$3,298,000 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 | \$11,107,000 | \$3,665,310 | \$63,942,285 | | | | \$48,367,965 | \$46,442,285 |
| 2019 | \$11,004,000 | \$3,631,320 | \$67,573,605 | | | | \$51,999,285 | \$50,073,605 |
| 2020 (est) | \$11,004,000 | \$3,631,320 | \$71,204,925 | | | | \$55,630,605 | \$53,704,925 |

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 FFY 2020.

| Priority Points | Community/ Public Water System | Project Number | Project Description | Est. Loan Amount | Expected Loan Rate & Term | Pop. Served | Dis-advan-taged |
|-----------------|-----------------------------------|----------------|---|------------------|---------------------------|-------------|-----------------|
| 150 | Tripp | C462238-02 | <i>Problem:</i> portions of the existing main and all water meters are beyond their useful life, the existing storage does not equalize properly and results in poor turnover of water, the existing source does not have redundancy to meet peak day demands with any one well out of service, the existing wells are also high in chloride, sulfate, and total dissolved solids impacting quality, and there are existing unused wells that have not been properly abandoned. <i>Project:</i> replace 1,500 feet of watermain with PVC, install new remote read meters, raise one water storage tank to match overflow elevations and install a mixer to improve quality, properly abandon unused wells, and either connect to a rural water system for supply or construct new wells to provide better quality and quantity of source for the users. | \$2,210,000 | 0%, 30 years | 647 | Yes |
| 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 the peak day demand, 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 |

| Priority Points | Community/ Public Water System | Project Number | Project Description | Est. Loan Amount | Expected Loan Rate & Term | Pop. Served | Dis-advan- taged |
|-----------------|-----------------------------------|----------------|---|------------------|---------------------------|-------------|--------------------------------|
| 108 | Langford | C462285-02 | <i>Problem:</i> the existing 4-inch asbestos cement distribution mains are undersized and experiencing excessive leakage, water meters are old and some locations are unmetered so the town does not accurately bill for water, and the town does not have adequate storage capacity or pressure. <i>Project:</i> install 3,400 feet of new PVC water mains and loop the system, install 184 water meters, and construct a 75,000-gallon water storage tank. | \$570,000 | 0%, 30 years | 313 | Yes |
| 88 | Willow Lake | C462303-01 | <i>Problem:</i> the water meters are old and beyond their useful life resulting in the town not accurately billing for water, and many valves and hydrants are inoperable. <i>Project:</i> replace existing meters with new meters and replace non-operable hydrants and valves. | \$150,000 | 1.00%, 10 years | 263 | Yes |
| 86 | Hot Springs | C462040-03 | <i>Problem:</i> the existing water distribution pipe under North River Street/SD Hwy 385/18 is old and the highway will be reconstructed. <i>Project:</i> replace the existing watermain pipe with new PVC pipe prior to the SD DOT reconstruction of the roadway. | \$391,022 | 0%, 30 years | 3,711 | Yes |
| 84 | Newell | C462109-03 | <i>Problem:</i> the existing transite distribution mains are experiencing excessive breaks 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) |
| 53 | Hudson | C462280-01 | <i>Problem:</i> the existing cast iron distribution system pipe and water meters are beyond their useful life, the current water storage ground level tanks do not supply adequate pressure or storage for the average day demand and are beyond their useful life. <i>Project:</i> replace and install approximately 25,100 feet of water main with PVC pipe, loop the system, and increase pipe size where needed, install new remote read water meters, and construct a new 120,000-gallon water storage tank. | \$9,494,180 | 2.00%, 30 years | 296 | 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 |
|-----------------|-----------------------------------|----------------|---|------------------|---------------------------|-------------|-----------------|
| 36 | Black Hawk Water User District | C462393-03 | <i>Problem:</i> the system has limited ability to provide water to users from different distribution lines impacting flows to users, portions of the existing mains are beyond their useful life, the existing storage is inadequate to supply peak days, and the existing source does not have redundancy to meet peak day demand with any one well out of service. <i>Project:</i> Construct two crossings under the interstate and install a new transmission main to better loop portions of the system, replace a portion of existing cast iron pipe with PVC on Elm Street to alleviate problem areas, construct a new 1,000,000-gallon storage tank, and develop a new Madison aquifer well. | \$8,494,000 | 2.50%, 30 years | 3,850 | |
| 34 | Lake Preston | C462011-01 | <i>Problem:</i> the existing cast iron distribution system pipe is beyond its useful life, some areas of town experience low pressure due to undersized pipe, and the current water storage tower is beyond its useful life. <i>Project:</i> replace approximately 28,500 feet of water main with PVC pipe and increase pipe size where needed and construct a new 100,000-gallon water storage tank. | \$8,405,000 | 2.25%, 30 years | 599 | Yes |
| 27 | Saint Lawrence | C462045-01 | <i>Problem:</i> portions of the existing cast iron distribution system and the water meters are beyond their useful life, the current water tower coatings are in need of replacement, and the booster station has only one pump and no generator lacking redundancy in the system if it would fail. <i>Project:</i> replace and install approximately 5,300 feet of water main with PVC pipe, loop the system, and increase pipe size where needed, install new remote read water meters, recoat the water storage tank, and install a second pump and generator at the booster station. | \$1,454,000 | 2.50%, 30 years | 198 | |

| Priority Points | Community/ Public Water System | Project Number | Project Description | Est. Loan Amount | Expected Loan Rate & Term | Pop. Served | Dis-advan-taged |
|-----------------|-----------------------------------|----------------|--|------------------|---------------------------|-------------|-----------------|
| 25 | Elk Point | C462059-07 | <i>Problem:</i> the Douglas and Washington Street distribution systems consists of lead pipe that may present a health hazard and is beyond its useful life. <i>Project:</i> replace approximately 1670 feet of water main with PVC pipe. | \$854,600 | 2.50%, 30 years | 1,963 | |
| 25 | Webster | C462054-03 | <i>Problem:</i> the distribution system in much of the city is beyond its useful life and has several dead ends impacting water quality. <i>Project:</i> replace and install approximately 46,200 feet of water main with PVC pipe and loop the system. | \$6,630,020 | 2.00%, 30 years | 1,886 | Yes |
| 24 | Elkton | C462229-01 | <i>Problem:</i> the existing water distribution system is old and experiencing excessive breaks and high water loss, the current water tower coatings are in need of replacement, and there is an existing unused well that has not been properly abandoned. <i>Project:</i> replace approximately 20,000 feet of water main with PVC pipe, recoat the water storage tank, and properly cap and abandon the unused well. | \$4,600,000 | 2.50%, 30 years | 736 | |
| 22 | Harrisburg | C462065-04 | <i>Problem:</i> the distribution system in the southeastern part of the city is beyond its useful life and has several dead ends impacting water quality. <i>Project:</i> replace and install approximately 26,200 feet of water main with PVC pipe and loop the system. | \$6,250,000 | 2.50%, 30 years | 5,698 | |
| 21 | North Sioux City | C462009-01 | <i>Problem:</i> the existing elevated water storage capacity does not provide adequate storage to meet the average day demands for current or projected future use. <i>Project:</i> construct a new 750,000-gallon elevated water storage take to provide the necessary storage to meet average day demand. | \$2,700,000 | 2.50%, 30 years | 2,530 | |
| 20 | Volga | C462046-01 | <i>Problem:</i> the existing water storage tower does not have adequate capacity to meet the average day demand flows of the system. <i>Project:</i> construct a new 750,000-gallon elevated water storage tower to meet average day demand needs. | \$2,790,000 | 2.50%, 30 years | 1,768 | |

| Priority Points | Community/ Public Water System | Project Number | Project Description | Est. Loan Amount | Expected Loan Rate & Term | Pop. Served | Dis-advantaged |
|-----------------|--------------------------------------|----------------|--|------------------|---------------------------|-------------|----------------|
| 19 | Burke | C462225-02 | <i>Problem:</i> the distribution system on 8 th , 9 th , and Jefferson Streets is beyond its useful life and has several dead ends impacting water quality. <i>Project:</i> replace and install approximately 2,060 feet of water main with PVC pipe and loop the system. | \$535,000 | 2.00%, 30 years | 604 | Yes |
| 19 | Valley Springs | C462239-01 | <i>Problem:</i> the existing water distribution system is old and experiencing excessive breaks, high water loss, and dead-end lines and the current water tower coatings are in need of replacement. <i>Project:</i> replace and install approximately 4,700 feet of water main with PVC pipe and loop the system and recoat the water storage tank. | \$1,583,000 | 2.50%, 30 years | 759 | |
| 19 | Wonderland Homes Water & Service Co. | C462484-01 | <i>Problem:</i> the existing water supply well is not able to supply users with adequate capacity and does not provide a redundant source of water. <i>Project:</i> drill a new well to increase capacity and provide redundancy for the system and install distribution pipe and a well house to connect to the rest of the distribution system. | \$795,275 | 2.50%, 30 years | 750 | |
| 17 | Clay Rural Water System | C462437-05 | <i>Problem:</i> the existing system has several areas which experience inadequate pressures and the existing SCADA and electronic controls throughout the system utilize outdated technology. <i>Project:</i> install 9 miles of new water distribution piping as well as a booster station to better supply users with inadequate pressure and install new SCADA and electronic controls with current technology available. | \$2,158,500 | 2.50%, 30 years | 5,800 | |
| 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 | |

| Priority Points | Community/ Public Water System | Project Number | Project Description | Est. Loan Amount | Expected Loan Rate & Term | Pop. Served | Dis-advan-taged |
|-----------------|-----------------------------------|----------------|--|------------------|---------------------------|-------------|-----------------|
| 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 |
| 13 | Blunt | C462265-01 | <i>Problem:</i> the city's meters are old and in need of replacement and the city's water main valves and several curb stops are old and in need of replacement. <i>Project:</i> replace approximately 360 water meters and install an automatic meter reading system and replace approximately 10 water valves and 18 curb stops. | \$645,000 | 2.25%, 20 years | 354 | |
| 11 | Dell Rapids | C462064-08 | <i>Problem:</i> the 6 th Street and Iowa Avenue distribution system consists of cast iron pipe that is beyond its useful life. <i>Project:</i> replace approximately 1,700 feet of water main with PVC pipe. | \$1,000,000 | 2.50%, 30 years | 3,633 | |
| 11 | Lead | C462007-05 | <i>Problem:</i> the distribution system on Houston Street is beyond its useful life. <i>Project:</i> replace approximately 650 feet of water main with PVC pipe. | \$104,045 | 2.25%, 30 years | 3,124 | Yes |
| 10 | DeSmet | C462193-02 | <i>Problem:</i> portions of the distribution system are cast iron pipe and beyond its useful life. <i>Project:</i> replace and install approximately 2,040 feet of water main with PVC pipe and loop the system. | \$565,000 | 2.25%, 30 years | 1,089 | Yes |
| 9 | Alexandria | C462241-01 | <i>Problem:</i> the existing cast iron distribution mains are old and beginning to experience excessive breaks, the booster pump house to fill the storage tank and elevated storage tank are all beyond their useful life, and one well is no longer in service and has not been properly abandoned. <i>Project:</i> replace approximately 2,000 feet of water main with PVC pipe, construct a new booster pump station and 100,000-gallon elevated storage tank, and properly abandon the unused well. | \$1,450,000 | 2.25%, 30 years | 615 | Yes |

| Priority Points | Community/ Public Water System | Project Number | Project Description | Est. Loan Amount | Expected Loan Rate & Term | Pop. Served | Dis-advan-taged |
|------------------------|---|-----------------------|--|-------------------------|--------------------------------------|--------------------|------------------------|
| 9 | Bowdle | C462243-02 | <i>Problem:</i> the distribution system on Main Street is beyond its useful life. <i>Project:</i> replace approximately 1,400 feet of water main with PVC pipe. | \$783,587 | 2.25%, 30 years | 502 | Yes |
| 9 | Marion | C462020-01 | <i>Problem:</i> the distribution system on Broadway Avenue is beyond its useful life. <i>Project:</i> replace approximately 2,500 feet of water main with PVC pipe. | \$1,519,958 | 2.25%, 30 years | 784 | Yes |
| 8 | Bryant | C462121-01 | <i>Problem:</i> the existing cast iron distribution mains are old and beginning to experience excessive breaks. <i>Project:</i> install 8,000 feet of new PVC water mains and related appurtenances. | \$1,051,000 | 2.00%, 30 years | 456 | Yes |
| 3 | Wolsey | C462262-03 | <i>Problem:</i> the existing pump house, pumps and controls are in poor condition and beyond their useful life resulting in pressure issues in the community. <i>Project:</i> construct a new pump house at the existing location and install new pumps, controls and a standby generator to ensure system pressure for the users. | \$326,000 | 2.00%, 20 years | 376 | Yes |

ATTACHMENT II – LIST OF PROJECTS TO BE FUNDED IN FFY 2020

| Priority Points | Loan Recipient | Project Number | Assistance Amount | Principal Forgiveness ¹ | Funding Date | Expected Funding Source² |
|------------------------|-------------------------|-----------------------|--------------------------|---|---------------------|--|
| LOANS EXPECTED | | | | | | |
| 108 | Langford | C462285-02 | \$570,000 | \$171,000 ³ | Jan. 2020 | 2019 |
| 25 | Elk Point | C462059-07 | \$788,000 | \$79,000 | Jan. 2020 | 2019 |
| 13 | Blunt | C462265-01 | \$645,000 | \$65,000 | Jan. 2020 | 2019 |
| 150 | Tripp | C462238-02 | \$2,210,000 | \$663,000 ³ | March 2020 | 2019 |
| 53 | Hudson | C462280-01 | \$3,000,000 | \$900,000 ³ | March 2020 | 2019/2020 |
| 34 | Lake Preston | C462011-01 | \$4,200,000 | \$420,000 | March 2020 | 2020 |
| 27 | Saint Lawrence | C462045-01 | \$1,454,000 | \$145,000 | March 2020 | 2020 |
| 25 | Webster | C462054-03 | \$3,300,000 | \$990,000 ³ | March 2020 | 2020 |
| 22 | Harrisburg | C462065-04 | \$6,250,000 | \$625,000 | March 2020 | 2020/Lev. Funds/ Repay |
| 21 | North Sioux City | C462009-01 | \$2,700,000 | \$270,000 | March 2020 | Repayments |
| 20 | Volga | C462046-01 | \$2,790,000 | \$279,000 | March 2020 | Repayments |
| 19 | Valley Springs | C462239-01 | \$1,583,000 | \$158,000 | March 2020 | Repayments |
| 11 | Dell Rapids | C462064-08 | \$1,000,000 | \$100,000 | March 2020 | Repayments |
| 10 | DeSmet | C462193-02 | \$565,000 | \$57,000 | March 2020 | Repayments |
| 9 | Marion | C462020-01 | \$1,519,958 | \$152,000 | March 2020 | Repayments |
| 19 | Burke | C462225-02 | \$535,000 | \$161,000 ³ | June 2020 | Repayments |
| 17 | Clay Rural Water System | C462437-05 | \$2,158,500 | \$216,000 | June 2020 | 2018/2019 |
| 3 | Wolsey | C462262-03 | \$326,000 | \$98,000 ³ | June 2020 | Repayments |
| 8 | Bryant | C462121-01 | \$1,051,000 | \$315,000 ³ | Sept. 2020 | 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 FFY 2020 annual report.

3. Projects are anticipated to be funded in part utilizing the additional 6 percent minimum and up to 35 percent of the capitalization grant for principal forgiveness to disadvantaged communities.

**ATTACHMENT III
PROGRAM FUNDING STATUS**

Federal Fiscal Years 1997 - 2019

| | | |
|--|----------------------|----------------------------|
| Capitalization Grants | \$205,076,698 | |
| State Match | \$41,015,340 | |
| ARRA Grant | \$19,500,000 | |
| Set-Asides | (\$15,104,502) | |
| Transfer of FY 2002 & 2003 Clean Water Capitalization Grant and State Match | \$15,574,320 | |
| Leveraged Bonds | \$123,742,076 | |
| Excess Interest as of September 30, 2019 | \$45,110,658 | |
| Excess Principal as of September 30, 2019 | <u>\$108,180,511</u> | |
| Total Funds Dedicated to Loan | | \$543,095,092 |
| Closed Loans made through September 30, 2019 | | <u>(\$454,789,462)</u> |
| Unclosed loans and available funds as of September 30, 2019 | | \$88,305,630 |

Federal Fiscal Year 2020 Projections

| | | |
|--|---------------|--------------------------------|
| Capitalization Grants | \$11,004,000 | |
| State Match | \$2,200,800 | |
| Set-Asides | (\$1,335,240) | |
| Projected Excess Principal Repayments | \$1,500,000 | |
| Projected Unrestricted Interest Earnings | \$4,900,000 | |
| Leveraged Bonds | <u>\$0</u> | |
| Projected FFY 2020 Loan Sub-total | | \$18,269,560 |
| Unclosed loans and funds Available for Loans | | \$106,575,190 |
| Loans Awarded and Unclosed as of September 30, 2019 | | (\$70,387,000) |
| Total Funds Available for Loans | | <u>\$36,188,190</u> |
| Loan Amount Identified on Attachment II - List of Projects to be Funded in FFY 2020 | | <u><u>\$36,645,458</u></u> |

| Administrative Surcharge Funds Available as of September 30, 2019 | |
|--|--------------------|
| Program Income | \$696,241 |
| Non-Program Income | <u>\$3,441,163</u> |
| Total | <u>\$4,137,404</u> |