

**SOUTH DAKOTA
DRINKING WATER STATE REVOLVING FUND
FEDERAL FISCAL YEAR 2019 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) 2019 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 8, 2018, to review the FFY 2019 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 2019, the specific measures are:

1. In FFY 2018, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 98.1 percent, which exceeded the target goal of 90 percent. For FFY 2019, the goal of the Drinking Water SRF program is to maintain the fund utilization rate at or above 90 percent.
2. In FFY 2018, the rate at which projects progressed as measured by disbursements as a percent of assistance provided was 83.1 percent, which met the goal of 80 percent. For FFY 2019, the goal is to maintain the construction pace at 80 percent or higher.
3. For FFY 2019, the goal of the Drinking Water SRF program is to fund 29 loans, totaling more than \$89.1 million.
4. For FFY 2019, it is estimated that 27 projects will initiate operations.
5. For FFY 2019, 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 2019, 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 2019 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 2018.

ADMINISTRATIVE SURCHARGE FEES

The interest rate includes an administrative surcharge as identified in Table 1. 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	1.75%	2.00%	2.25%	
Admin. Surcharge	0.50%	0.50%	0.50%	
Total	2.25%	2.50%	2.75%**	
<u>Disadvantaged Rate – 80% to 100% of MHI</u>				
Interest Rate				2.00%
Admin. Surcharge				0.50%
Total				2.50%
<u>Disadvantaged Rate - 60% to 80% of MHI</u>				
Interest Rate	1.25%		1.75%	
Admin. Surcharge	0.00%		0.50%	
Total	1.25%		2.25%	
<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
 ** Non-profit borrowers are not eligible to receive this loan rate and term.

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, 2018, more than \$2.98 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 2019 allocation for these activities will be \$50,000.

In FFY 2019, \$75,000 of administrative surcharge funds will be allocated for operator certification training.

In FFY 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. The authority to expend the 2015 allocation through the South Dakota budget process will end on June 30, 2019. To allow for additional projects to be funded \$200,000 will be allocated for these activities in FFY 2019.

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 over \$234.2 million have been made to systems meeting this population threshold, or 49.1 percent of the \$476.6 million of total funds available for loan. Attachment II – List of Projects to be funded in FFY 2019 identifies more than \$89.1 million in projects, of which nearly \$47.3 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 2019 capitalization grant, the ability exists to

transfer more than \$52.0 million from the Clean Water SRF program to the Drinking Water SRF program. More than \$50.1 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 2019.

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 2019 capitalization grant is expected to be \$11,107,000 which requires \$2,221,400 in state match. Bond proceeds will be used to match FFY 2019 capitalization grant funds.

For purposes of meeting FFY 2019 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. It is anticipated that up to \$45.0 million in leveraged bonds will be required in FFY 2019.

Borrowers' Principal Repayments: The principal repaid by the loan borrowers is used to make semi-annual leveraged bond

payments. Any excess principal is available for loans. It is estimated that \$5.5 million in principal repayments will become available for loans in FFY 2019.

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 \$2.5 million in interest earnings will become available for loans in FFY 2019.

As of September 30, 2018, 311 loans totaling \$467,393,262 have been made.

At the beginning of FFY 2019, \$9,220,644 is available to loan. With the 2019 capitalization grant, state match, leveraged bonds, excess interest earnings, and repayments, approximately \$74.2 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	\$444,280
Small System Technical Assistance	\$222,140
Local Assistance	\$75,000
State Program Management	\$600,000
Total for set-asides	\$1,341,420

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 through 2018 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 (est)	\$2,221,400	\$2,221,400
	\$21,565,300	\$41,252,800

Awarded as of September 30, 2018

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	\$1,214,807
Awarded from 2018 grant	\$0

It is anticipated that the 2019 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 FFY 2019 identifies \$4,357,000 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 - 2018 capitalization grants were not subject to the Green Project Reserve requirement.

The Green Project Reserve requirement is not expected to be reinstated with the 2019 capitalization grant.

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 2019 capitalization grant is \$444,280, and 1/5 of a percent of the current fund valuation of \$196,491,885 results in \$392,983 available for administrative fees. **As a result, an administrative set-aside of \$444,280 will be reserved for administrative purposes in FFY 2019.**

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 (\$222,140) 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, \$222,140 from the fiscal year 2019 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, \$99,738 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 2019. 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 \$93,400 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 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 rates for fiscal year 2019.

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 through 2018.

The American Water Infrastructure Act (AWIA) of 2018 added new requirements to provide additional subsidy to disadvantaged communities. Beginning with the 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 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	\$3,332,100
2019 (est)	\$666,420	\$3,887,450
	\$666,420	\$12,185,450

Awarded from 2016 grant	\$2,493,600
Awarded from 2017 grant	\$2,472,300
Awarded from 2018 grant	\$1,069,700

Attachment II - List of Projects to be Funded in FFY 2019 identifies \$5,594,500 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 (est)	\$11,107,000	\$3,665,310	\$67,607,595				\$52,033,275	\$50,107,595

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 2019.

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
145	Springfield	C462071-01	<i>Problem:</i> the existing raw water intake and water treatment plant are beyond their useful life and beginning to experience breakdown and deterioration, the existing water storage tank does not provide adequate mixing and is in need of rehabilitation, an unused smaller storage tank is no longer functional, the water transmission line to a large prison facility is undersized impacting surrounding users with poor water service, and the existing water meters are beyond their useful life. <i>Project:</i> construct a new raw water intake structure and build a new membrane filtration water treatment plant, rehabilitate the existing water storage tank and install a mixing system, demolish the unused water storage tank, construct a new larger transmission line directly from the storage tank to increase service levels to all users, and install new radio read water meters throughout the city.	\$7,615,880	2.25%, 30 years	1,989	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advantaged
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)
88	Geddes	C462274-01	<i>Problem:</i> the water meters are old and some locations are unmetered so the town does not accurately bill for water, and the town's water storage tower is beyond its useful life. <i>Project:</i> install 155 water meters with new meter pits and construct a 55,000-gallon water storage tank.	\$1,927,488	2.25%, 30 years	208	Yes
88	Randall Community Water District	C462436-01	<i>Problem:</i> the town of Geddes currently is a bulk user of Randall CWD, and its distribution system and water storage tower are in need of replacement. Randall CWD is in need of additional storage to meet current user demands on its system. <i>Project:</i> Randall CWD will reconstruct the Geddes system and supply residents as individual users to alleviate the operational issues of the city. A new 2.7-million gallon storage tank will be constructed to supply Randall CWD's users with a dedicated line to Geddes to supply pressure and flows for the community.	\$4,600,000	2.25%, 30 years	11,028	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 (Pending rate increase)
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	2.25%, 30 years	603	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
83	Irene	C462255-03	<i>Problem:</i> the existing cast iron distribution system north of Main Street is beyond its useful life. <i>Project:</i> replace approximately 7,200 feet of water main with PVC pipe.	\$1,446,410	2.25%, 30 years	420	Yes
82	Oldham	C462219-01	<i>Problem:</i> the existing asbestos cement distribution system is beyond its useful life. <i>Project:</i> replace approximately 11,770 feet of water main with PVC pipe.	\$1,245,000	2.25%, 30 years	133	Yes
79	Eagle Butte	C462148-05	<i>Problem:</i> the existing elevated storage tank is in need of new interior and exterior coating to prolong its life and does not meet current safety standards. <i>Project:</i> recoat the interior and exteriors of the tank to prolong the useful life of the tank for the system and make necessary safety improvements.	\$350,000	0%, 20 years	797	Yes
79	Pierre	C462288-03	<i>Problem:</i> the city does not have adequate capacity for current and future water system demands with a well out of service. The existing wells have also had exceedances of secondary guidelines for manganese, sulfate, and total dissolved solids. <i>Project:</i> construction of a new Missouri River surface water intake system for supply and a centralized 8.8 MGD ultrafiltration water treatment system.	\$36,800,000	2.75%, 30 years	13,646	
55	Salem	C462057-05	<i>Problem:</i> the existing water treatment plant has had many of the current ultra-filtration modules fail, and the nano-filtration system has experienced pipe, pump and filter failure. These issues have limited the capacity of the treatment plant and increased the costs for operation and maintenance. <i>Project:</i> install a new water treatment filtration system after pilot plant studies have been conducted to determine the most advantageous treatment system for the city.	\$1,144,000	2.50%, 30 years	1,347	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
38	Mitchell	C462129-05	<i>Problem:</i> the city currently utilizes only water from B-Y Water User District for supply, and the city's treatment plant is no longer fully operational. The current supply from B-Y is not sufficient to meet peak day demands. The city does not have adequate storage for peak days, the storage tanks do not adequately mix the water for quality, and one existing storage tank is beyond its useful life. The city has a large amount of aging cast iron and asbestos cement pipe that is experiencing more frequent breaks and leaks. <i>Project:</i> abandon the existing water treatment plant and cost share with B-Y WUD to make improvements to B-Y's system to the city to receive adequate water supply to meet peak day demands. The existing water towers will be painted and have mixers installed to improve water quality, and a new water storage tower will be constructed to replace the aging tower. The city will replace approximately 14,000 feet of aging water main with PVC.	\$14,300,232	2.50%, 30 years	15,254	Yes (Pending rate increase)
34	Lake Preston	C462011-01	<i>Problem:</i> the existing cast iron distribution system pipe is beyond its useful life. Additionally, 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	2.50%, 30 years	599	Yes
33	Mitchell	C462129-04	<i>Problem:</i> the distribution system within the East Central Drainage area includes lead pipe that may present a health hazard and is beyond its useful life. <i>Project:</i> replace water main with PVC pipe within the East Central Drainage system area.	\$475,000	2.50%, 30 years	15,254	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
28	Colome	C462269-01	<i>Problem:</i> the water meters are old and some locations are unmetered so the town does not accurately bill for water, and the town's water storage is beyond its useful life and does not provide adequate system pressure. <i>Project:</i> install 184 water meters, and construct a 50,000-gallon water storage tank.	\$1,220,360	2.50%, 30 years	296	Yes
28	Roscoe	C462292-01	<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 to prolong its life, the existing wells need rehabilitation to continue to provide service, and new water meters are needed to replace the current ones that are beyond their useful life. <i>Project:</i> replace approximately 14,200 feet of water main with PVC pipe, replace the existing water meters with new radio read meters, recoat the water storage tank and make other minor improvements, and rehabilitate the existing wells to continue providing needed capacity.	\$2,261,790	2.50%, 30 years	329	Yes
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	2.75%, 30 years	1,963	
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 to prolong its life, 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	2.75%, 30 years	736	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advantaged
22	Box Elder	C462003-02	<i>Problem:</i> the existing water supply wells are not able to supply users with adequate capacity requiring regular water use restrictions. <i>Project:</i> drill a new Madison aquifer well to increase capacity for the system and install 9,250 feet of new mainline distribution pipe to connect to the rest of the city's system.	\$1,841,681	2.25%, 30 years	7,800	Yes (Pending rate increase)
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 pressure 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	2.50%, 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	2.75%, 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	2.75%, 30 years	3,806	
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	2.75%, 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
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	2.25%, 10 years	2,387	Yes
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	2.25%, 10 years	779	Yes
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	1.25%, 10 years	956	Yes
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	2.25%, 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	2.75%, 30 years	354	
13	Gayville	C462250-02	<i>Problem:</i> the city's meters are old and in need of replacement. <i>Project:</i> replace approximately 200 water meters and install an automatic meter reading system.	\$46,000	2.25%, 10 years	407	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	2.75%, 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	2.50%, 30 years	3,124	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
10	Groton	C462051-05	<i>Problem:</i> the existing asbestos cement distribution mains are old and beginning to experience excessive breaks and low pressure, and the booster pump house to fill the storage tank and elevated storage tank are beyond their useful life. <i>Project:</i> replace approximately 5,000 feet of water main with PVC pipe, and construct a new booster pump station and 125,000-gallon elevated storage tank.	\$2,077,700	2.75%, 30 years	1,458	
10	Miller	C462128-04	<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, and one well is no longer in service and has not been properly abandoned. <i>Project:</i> replace approximately 12,000 feet of water main with PVC pipe and properly abandon the unused well.	\$2,500,000	2.50%, 30 years	1,489	Yes
9	Alexandria	C462241-01	<i>Problem:</i> the existing cast iron distribution mains are old and beginning to experience excessive breaks, and the booster pump house to fill the storage tank and elevated storage tank are all beyond their useful life. Additionally, 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	2.50%, 30 years	615	Yes
9	Avon	C462242-01	<i>Problem:</i> the distribution system on Main Street is beyond its useful life. <i>Project:</i> replace approximately 1,100 feet of water main with PVC pipe.	\$150,000	2.50%, 30 years	590	Yes
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.	\$395,000	2.50%, 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	2.50%, 30 years	784	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
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	2.25%, 30 years	456	Yes
7	Harrisburg	C462065-04	<i>Problem:</i> an existing watermain must be relocated due to SD DOT reconstruction of Highway 115. <i>Project:</i> relocate and construct a new watermain to continue to serve the existing users.	\$1,340,088	2.75%, 30 years	5,698	
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	2.75%, 30 years	3,806	
3	Montrose	C462075-02	<i>Problem:</i> the current water storage tank has structural and age related issues that are beyond repair. <i>Project:</i> construct a new 75,000-gallon ground storage tank to supply needed storage for the system.	\$187,000	2.25%, 30 years	472	Yes
3	Tulare	C462297-01	<i>Problem:</i> the town's booster pump house to fill the storage tank, existing ground water storage tank, and current elevated storage tank are all beyond their useful life. Additionally, two wells no longer in service have not been properly abandoned. <i>Project:</i> cap and plug the existing unused wells and construct a new booster pump station and 80,000-gallon elevated storage tank.	\$1,374,800	2.50%, 30 years	207	Yes

ATTACHMENT II – LIST OF PROJECTS TO BE FUNDED IN FFY 2019

Priority Points	Loan Recipient	Project Number	Assistance Amount	Principal Forgiveness ¹	Funding Date	Expected Funding Source²
LOANS EXPECTED						
79	Pierre	C462288-03	\$36,800,000	\$1,000,000	Jan. 2019	2018/19/ Lev. Funds
33	Mitchell	C462129-05	\$475,000	\$48,000	Jan. 2019	Leveraged Funds
15	Chamberlain	C462044-03	\$250,000	\$25,000	Jan. 2019	Leveraged Funds
10	Miller	C462128-04	\$2,500,000	\$250,000	Jan. 2019	Leveraged Funds
3	Tulare	C462297-01	\$1,374,800	\$138,000	Jan. 2019	Leveraged Funds
270	Edgemont	C462216-03	\$250,000	\$75,000 ³	March 2019	Leveraged Funds
145	Springfield	C462071-01	\$7,615,880	\$2,285,000 ³	March 2019	Leveraged Funds
88	Randall Community Water District	C462436-01	\$4,600,000	\$1,380,000 ³	March 2019	Lev. Funds/ Repay
83	Irene	C462255-03	\$1,446,410	\$435,000 ³	March 2019	Repayments
82	Oldham	C462219-01	\$1,245,000	\$373,000 ³	March 2019	Repayments
34	Lake Preston	C462011-01	\$8,405,000	\$840,000	March 2019	Repayments
28	Roscoe	C462292-01	\$2,261,790	\$226,000	March 2019	Repayments
24	Elkton	C462229-01	\$4,600,000	\$460,000	March 2019	Repayments
9	Avon	C462242-01	\$150,000	\$15,000	March 2019	Repayments
9	Marion	C462020-01	\$1,519,958	\$152,000	March 2019	Repayments
7	Harrisburg	C462065-04	\$1,340,088	\$134,000	March 2019	Repayments
3	Montrose	C462075-02	\$187,000	\$56,000 ³	March 2019	Repayments
28	Colome	C462269-01	\$1,220,360	\$122,000	June 2019	Repayments
22	Box Elder	C462003-02	\$1,841,681	\$552,000 ³	June 2019	Repayments
17	Aurora-Brule Rural Water System	C462425-02	\$4,500,000	\$450,000	June 2019	2018
14	Philip	C462205-01	\$340,000	\$34,000	June 2019	Repayments
13	Blunt	C462265-01	\$530,000	\$53,000	June 2019	Repayments
13	Gayville	C462250-02	\$46,000	\$5,000	June 2019	Repayments
11	Lead	C462007-05	\$104,045	\$10,000	June 2019	Repayments
10	Groton	C462051-05	\$2,077,700	\$210,000	June 2019	Repayments
9	Alexandria	C462241-01	\$1,450,000	\$145,000	June 2019	Repayments
14	Wessington Springs	C462210-02	\$568,000	\$170,000 ³	Sept. 2019	Repayments
9	Bowdle	C462243-02	\$395,000	\$40,000	Sept. 2019	Repayments
8	Bryant	C462121-01	\$1,051,000	\$268,500 ³	Sept. 2019	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 2019 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**

Federal Fiscal Years 1997 - 2018

Capitalization Grants	\$194,072,698	
State Match	\$38,814,540	
ARRA Grant	\$19,500,000	
Set-Asides	(\$13,769,262)	
Transfer of FY 2002 & 2003 Clean Water Capitalization Grant and State Match	\$15,574,320	
Leveraged Bonds	\$78,732,490	
Excess Interest as of September 30, 2018	\$44,592,983	
Excess Principal as of Sept. 30, 2018	<u>\$99,096,567</u>	
 Total Funds Dedicated to Loan		 \$476,614,336
 Closed Loans made through September 30, 2018		 <u>(\$429,480,692)</u>
 Unclosed loans and available funds as of September 30, 2018		 \$47,133,644

Federal Fiscal Year 2019 Projections

Capitalization Grants	\$11,107,000	
State Match	\$2,221,400	
Set-Asides	(\$1,341,420)	
Projected Excess Principal Repayments	\$5,500,000	
Projected Unrestricted Interest Earnings	\$2,500,000	
Leveraged Bonds	<u>\$45,000,000</u>	
Projected FFY 2019 Loan Sub-total		\$64,986,980
 Unclosed loans and funds Available for Loans		 \$112,120,624
 Loans Awarded and Unclosed as of September 30, 2018		 (\$37,913,000)
 Total Funds Available for Loans		 <u>\$74,207,624</u>
 Loan Amount Identified on Attachment II - List of Projects to be Funded in FFY 2019		 <u><u>\$89,144,712</u></u>

Administrative Surcharge Funds Available as of September 30, 2018	
Program Income	\$875,887
Non-Program Income	\$2,104,364
Total	<u>\$2,980,251</u>