

**STATE OF KANSAS
DEPARTMENT OF HEALTH AND ENVIRONMENT
DIVISION OF ENVIRONMENT
BUREAU OF WATER**

**INTENDED USE PLAN
FOR
THE KANSAS PUBLIC WATER SUPPLY LOAN FUND**

FISCAL YEAR 2011



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TABLE OF CONTENTS

| | | |
|------|---|----|
| I | Introduction | 1 |
| II | List of KPWSLF Projects..... | 2 |
| III | Criteria and Method for Distributing Funds..... | 3 |
| IV | Financial Status of the KPWSLF | 4 |
| V | Interest Rates and Additional Subsidy | 5 |
| VI | Single Audit Act Requirements..... | 6 |
| VII | Short and Long Term Goals of the KPWSLF | 6 |
| VIII | Recycled Loan Account | 7 |
| IX | Description of Non-Project Activities to be Funded..... | 8 |
| X | Rates and Uses of Fees | 10 |
| XI | Cross Collateralization | 11 |
| XII | Public Review..... | 11 |

Appendices

- A. Project Priority List
- B. Set-Aside Work Plan & Sources and Uses Tables
- C. Project Priority System
- D. Public Participation Summary
- E. List of Ineligible Projects and Activities
- F. Bond Leveraging
- G. Green Project Reserve Guide

I. INTRODUCTION

In 1996 the Safe Drinking Water Act (SDWA) established the Drinking Water State Revolving Fund (DWSRF) to assist public water supply systems in financing the costs of infrastructure needed to achieve or maintain compliance with SDWA requirements, and to protect public health. The Kansas Public Water Supply Loan Fund (KPWSLF) was established in 1994 by K.S.A. 65-163d through 65-163u. The Environmental Protection Agency (EPA) makes capitalization grant money available to the state for operation of the KPWSLF.

Both state and federal law require preparation of an annual intended use plan (IUP), to identify projects and activities to be supported by the federal appropriation. The IUP is submitted to the EPA as part of an application for the capitalization grant. EPA regulations require the state's IUP to include the following elements:

- A list of projects to be assisted by the KPWSLF, including a description of the project and population served;
- The criteria and methods established to distribute the funds;
- A description of the financial status of the KPWSLF;
- A description of the long and short-term goals for the KPWSLF;
- A description of non-project activities (set-asides) to be funded from the capitalization grant, and;
- A description of how assistance will be provided to disadvantaged communities.

The SDWA requires states to give priority to projects that address the most serious risks to human health, that are necessary to achieve compliance with the SDWA, and to assist public water supply systems most in need on a per-household basis. State law requires KDHE to encourage regional, cooperative public water supply projects in accordance with the regionalization strategy of the state water plan.

This 2011 Intended Use Plan will address required changes in program structure and operation in order to comply with Public Law 111-88, "Making appropriation for the Department of the Interior, environment, and related agencies for the fiscal year ending September 30, 2010, and for other purposes" which appropriated funds for state revolving loan fund program. Specifically, these required changes are (1) to make all Kansas Public Water Supply Loan Fund (KPWSLF) loans executed after October 30, 2009 and prior to October 1, 2010, comply with Davis-Bacon Act Requirements; (2) to provide at least 30% of the FFY 2010 EPA capitalization grant as additional subsidy in the form of a grant, principal forgiveness, or a negative interest rate loan; and (3) to use 20% of the FFY 2010 EPA capitalization grant to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities.

Allotments for the FFY 2011 EPA capitalization grant have not been determined as of the date of the publication of this document and any special conditions or required program changes are also

unknown. Because of the uncertainty, this Intended Use Plan will not discuss the use of any FFY 2011 capitalization grant.

The Kansas Public Water Supply Loan Fund (KPWSLF) is operating as both a leveraged loan program and a direct loan program. In a leveraged program, the EPA capitalization grant is not loaned to public water supply systems. Instead, the capitalization grant is deposited in a reserve account, and pledged as security for repayment of state issued revenue bonds (leverage bonds). The reserve account will be equal to no less than 25% of the amount of revenue bonds outstanding (both leveraged bonds and state match bonds). The revenue bond proceeds are loaned to municipalities. Investment earnings from the reserve account are combined with loan repayments from municipalities, thus allowing loans to be offered at interest rates less than the market rate. Although KDHE intends to continue operating the KPWSLF as a leveraged loan program, market conditions have limited the opportunities to receive reasonable interest earnings on the Leveraged Reserve account. Without the ability to invest new capitalization grants in products that give a significant and dependable rate of return, the KPWSLF leveraging structure cannot provide for additional loan capacity beyond what it has already committed. Due to the limited ability to invest reserves and the added requirements of providing additional subsidy from the 2010 capitalization grant, the 2010 capitalization grant will be direct loaned.

As of June 30, 2010, Kansas had been awarded \$146,128,800 in capitalization grants from FFY 1997 thru FFY 2009 (includes ARRA grant). The Kansas Public Water Supply Loan fund has been allotted \$16,605,000 from the FFY 2010 EPA capitalization grant.

II. LIST OF KPWSLF PROJECTS

On May 24, 2010, letters soliciting projects were sent to over 800 public water suppliers eligible to receive assistance from the Kansas Public Water Supply Loan Fund. These solicitation letters specifically requested projects that would qualify for the Green Project Reserve (GPR) but also allowed systems to submit traditional projects. These projects will be combined with the projects left over from the 2010 Project Priority List (PPL) to create the 2011 Project Priority List. Twenty additional projects for \$62 M were submitted for consideration to the 2011 IUP. All projects are listed in order of project ranking and projects with the same ranking are further sorted by increasing project amount. The funding line is set to accommodate the highest ranked projects in correlation to the available funds. The 2011 PPL can be found in Appendix A.

There are 8 projects on the 2011 PPL that are above the funding line, but have requested a delay to consideration for funding because they are not ready to proceed or are unable to execute loan agreements at this time. These projects will be bypassed until the 2011 capitalization grant is available and at such time they will be given an opportunity to apply for a loan if their project ranking is still above the funding line. The remaining 15 projects will receive loan applications. If any of these projects do not submit the loan application by the deadline established in the application submittal letter, or if any system notifies KDHE that they are no longer interested in a KPWSLF loan, the next projects on the PPL will be given an opportunity to apply for a loan if enough funds are available.

KDHE is required to assure that projects funded in an amount “equivalent” to the capitalization grant comply with certain federal laws and executive orders dealing with environmental and socio-

economic requirements, called cross-cutters. Once “equivalency” is achieved, the number of cross-cutting requirements is reduced significantly. KDHE has issued post equivalent loans for all of the loan commitments since 2004 with the exception of ARRA loans. The total of all capitalization grants awarded and the expected 2010 capitalization grant is \$162,733,800. The total amount of loans awarded as equivalent projects through June 30, 2010 is \$ 233,052,047. This leaves Kansas with a \$70 million equivalency credit. Starting with the 2011 program year Disadvantaged Business Enterprise (DBE) provisions will be removed from post equivalent loans. The Environmental Review Process remains unchanged for post equivalent projects.

Any project that is funded by a KPWSLF loan agreement executed after October 30, 2009 and prior to October 1, 2010, will comply with Davis-Bacon Act Requirements as indicated by EPA and the Department of Labor.

III. CRITERIA AND METHODS FOR DISTRIBUTING FUNDS

The Kansas Department of Health and Environment developed a Project Priority System to rank all projects submitted for funding. The system provides a clear, objective order of ranking for public water supply infrastructure improvements. The Project Priority System is attached as Appendix C.

Projects will be funded according to ranking on the 2011 PPL and readiness to proceed. Twenty percent of the FFY 2010 EPA capitalization grant (\$3,321,000) will not be considered available to fund these projects but instead will be reserved for green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities, otherwise referred to as green or Green Project Reserve (GPR). Traditional projects that contain components that qualify as green will use GPR funds up to the amount of the green component. Projects that are considered entirely green will be copied to a specific Green Project Priority List (GPPL). Projects from the GPPL will be funded from any remaining GPR funds. Projects on the GPPL may be bypassed if they exceed funding availability or are not ready to proceed. Existing loan recipients, that have not bid construction contracts as of the date of this IUP, will be allowed to utilize this reserve for qualifying green components. Every project has the potential to contain GPR components, which is reflected on the PPL, however simply containing a GPR component does not qualify a project to be listed on the GPPL. Green Project Reserve funds will first be used for green components of projects listed on the 2011 PPL that are above the funding line. If projects on the 2011 PPL do not contain sufficient green components to use all the funds from the GPR, projects will be selected from the GPPL.

Green project and green component types can be found in Appendix G. If a project or component type is listed as categorical, then no further information is needed to justify its GPR eligibility. For those projects or components that are not considered categorical but still address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities, a report, otherwise referred to as a business case, will need to be created that describes the green component or project and the benefits of incorporating that component or project into the water system. These business cases will be reviewed by KDHE to determine if the project or component qualifies to use GPR funds. KDHE must approve any green component or project prior to the project being advertised for bids. Any green component must be itemized on the bid form for construction contracts.

The funding order of projects may not be identical to the priority ranking in the Project Priority List (PPL) found in Appendix A. Readiness to proceed is an important factor, however, the general order of project ranking will be followed to the extent a project's sponsor is ready to proceed. The PPL lists all eligible and current projects that have been submitted for loan fund consideration. Since the KPWSLF will not add loan capacity through leveraging, the funding line for the PPL will be set to an amount closest to the available funds for traditional projects which is \$12,821,879 (\$11,437,700 from the 2010 cap grant, and \$1,384,178 from the recycled loan account). The funding line will allow 15 projects on the PPL to submit loan applications. If leveraging once again becomes a viable option, the funding line will be extended appropriately. The GPPL funding line and order will be determined once KDHE approves the eligibility of each project listed and confirms enough funding is available to move forward with the project. There is \$3,321,000 available for GPR projects and components.

State law requires KDHE to make 20% of the total money in the Loan Fund available to public water supply systems serving less than 5000 people (The SDWA requires 15% of the Fund to be made available to systems serving less than 10,000 people.) Small systems represent 45% of the loan funds in the 2011 PPL and 57% of the systems above the funding line.

KDHE always reserves the right to fund lower priority ranking projects over higher priority ranking projects, if in its opinion, a higher priority project's sponsor has not taken the steps necessary to expeditiously apply for funding. If a project must be bypassed because of a delay, it will be funded when it is ready to proceed, if loan funds are available and if the project still has a favorable priority rating. The ability to bypass projects which are not ready to proceed, will give a greater probability that all available loan funds can be committed. Additionally KDHE may elevate any eligible project to the project priority list due to emergency conditions.

One of the purposes for the revolving loan fund stated in the SDWA is to provide assistance to those systems most in need, on a per household income basis. The SDWA provides the opportunity to assist economically disadvantaged communities by allowing 30% of the capitalization grant to be used for loan subsidies, including principal forgiveness. The KPWSLF has not developed disadvantaged community criteria, but the KDHE project priority system includes a scoring criterion based on the applicant's median household income compared to the statewide median household income. This helps assure lower income communities have access to the Loan Fund.

IV. FINANCIAL STATUS OF THE KPWSLF

The Kansas Public Water Supply Loan Fund is audited annually by a certified public accounting firm in accordance with auditing standards generally accepted in the United States of America and Government Audit provided an unqualified opinion.

Leveraged reserve account deposits since the start of the program total \$120,468,720 (\$115,468,720 from EPA grants and \$5,000,000 from Senate Bill 487). Currently the leveraged reserve account contains \$69,116,259 which meets the current leveraged reserve requirement based on 25% of all outstanding bonds (\$276,465,000). The remaining \$51,352,461 that was deposited into the Leveraged Reserve account was de-allocated to the general recycled account to reduce arbitrage penalties and will be transferred back to the leveraged reserve account or otherwise be used for leveraging bonds to satisfy current over commitment amounts and additional capacity at a later date. Until these funds are needed for leveraging they will be used as temporary financing for current and future loan fund disbursements. This temporary financing will be reimbursed by leveraged and state

match bond proceeds once bonds are issued. Details of past bond issues can be found in Appendix F.

As of June 30, 2010, KDHE had 214 loan agreements or offers in place for a total of \$462,093,035.02

Due to market conditions and the additional subsidy requirement, KDHE will direct loan the non set aside portion of the 2010 capitalization grant rather than use it to leverage bonds. There is approximately \$1.3 M in the general recycled account and approximately \$14.7M from the 2010 EPA Capitalization Grant available to commit to loans which includes \$3.3M reserved for green projects or components. The Kansas Public Water Supply Loan Fund has \$12.8M available to commit to loans on the 2011 PPL and an additional \$3.3M to commit to GPR components or GPR loans on the 2011 PPL and GPPL.

The 2010 Capitalization Grant will require a state match of \$3,321,000. The Fund has \$3,341,628 of State Match that was deposited (and disbursed) in 2008, through the sale of state match bonds, but was not designated as match to a particular Capitalization Grant; \$3,321,000 of this amount will be designated as State Match for the 2010 Capitalization Grant.

Historically the KPWSLF has executed loans prior to actually having the money in the Fund to make disbursements for them, this is referred to as an over commitment. Before executing these loans KDHE has a financial analysis performed that shows how much funds it could obtain through the bond market, and once that is established, will start committing loans up to that amount. This is advantageous because there can be a significant time lag between loan execution and disbursements. If KDHE were to issue the bonds prior to loan execution it would create a significant amount of idle bond proceeds which has undesirable tax and bond redemption consequences. Furthermore, opportunities to invest such idle bond proceeds until loan disbursement and receive significant earnings to subsidize loan interest rates are scarce or non existent. Once bonds are issued KDHE is paying interest to the bond holders, but if significant interest earnings on the bond proceeds are not obtained by KDHE, debt service to bond holders must come from the Fund equity. As of June 30, 2010 the KPWSLF had \$61,105,281.74 in executed loans that do not have bond proceeds to pay for disbursements if the loans were to request them immediately. KDHE times bond issues to obtain funds for this over commitment based on cash flow needs. Of this amount, \$17,757,347.58 of loan disbursements have been made temporarily with funds in the recycled loan account which will be reimbursed with proceeds from a bond issue that will likely occur within the program year but could conceivably be delayed until the 2012 program year.

More detailed financial information can be found in the KPWSLF Annual Report. The most recent report covers the program through June 30, 2009. This and future annual reports can be found on the KDHE web site www.kdheks.gov/pws/loan/loanfund.htm.

V. INTEREST RATES AND ADDITIONAL SUBSIDY

In accordance with K.A.R 28-15-52, the KPWSLF interest rate will continue to be set at 80% of the previous three months' average Bond Buyers 20 Year Bond Index. All loans executed after October 30, 2009 will receive 20% principal forgiveness based on the KPWSLF funded portion of the construction contract amount listed on the bid form of the successful bidder. Once KDHE has met

the additional subsidy requirement of the 2010 grant principal forgiveness will not longer be included in any loans executed after that date. Principle forgiveness will not be provided for loans that will serve as interim financing which will be retired with permanent financing.

Any GPR component or GPR project funded from available funds in the 2010 capitalization grant reserved for such purposes, will receive 20% principal forgiveness based on the KPWSLF funded portion of the construction contract amount listed on the bid form of the successful bidder. For traditional projects that contain GPR components but are not considered GPR projects, principal forgiveness will be based on the KPWSLF funded portion of the GPR component amount listed in the bid form of the successful bidder.

Although any eligible recipient of assistance from the KPWSLF may receive the required additional subsidization from the 2010 capitalization grant, EPA's guidance for implementing provisions of the 2010 appropriation encourages states to give additional subsidy to systems that could not otherwise afford a KPWSLF loan. These communities are generally referred to as disadvantaged communities. The Safe Drinking Water Act Amendments and resulting Federal regulations that created the drinking water state revolving funds allow states to independently develop affordability criteria and define disadvantaged systems as being the entire service area of a public water system that meets such state criteria. These disadvantaged systems are then eligible for loans with principal forgiveness or negative interest rate loans which would in effect give away a portion of the federal grant. When the KPWSLF was being developed, stakeholders did not support the use of these types of loan subsidies as they were thought to conflict with the technical, financial, and managerial requirements of the program, and allowing the grant to be given away would erode the ability of the KPWSLF to generate funds to meet demand. As a result, no affordability criteria were developed for the program. Furthermore, the KPWSLF was structured to use bond proceeds and excess earnings as the mechanism for funding loans, using the EPA capitalization as funds as reserves to secure the bonds, otherwise not to be loaned. Because the bond proceeds have to be repaid, giving away these funds is not financially responsible.

Developing affordability criteria and implementing a disadvantaged community component for the loan fund will take public input and considerable time and effort. Due to the delay in obtaining guidance on the 2010 capitalization grant and the fact that EPA would not award the 2010 capitalization grant until such guidance was final, it is not practical to further delay projects from the 2011 IUP until such criteria are developed and implemented.

VI. SINGLE AUDIT ACT REQUIREMENTS

The KWPSLF must designate in the Intended Use Plan a project or group of projects equal to the capitalization grant amount that will be required to submit an audit that complies with the Single Audit Act requirements. Any loan that receives funding directly from the 2010 capitalization grant will be required to comply with the Single Audit Act.

VII. SHORT AND LONG-TERM GOALS OF THE KPWSLF

The state will pursue the following short-term goals as it implements the program.

1. Provide funding options for systems to correct problems that have caused enforcement actions.
2. Provide funding for replacement of deteriorating infrastructure.
3. Provide funding for technical assistance to small systems.
4. Encourage projects that consolidate or interconnect in a regional manner which would reduce public health risks or make more efficient use of source water capacity and treatment processes.
5. Provide loans to assist applicants in complying with drinking water standards, improving drinking water quality in the state, and improving Kansas public water supply infrastructure.
6. Assure small public water supply systems are included in the loan program by providing at least 20% of available loan funds to systems serving a population of less than 5000.
7. Assure Kansas municipalities are aware of the KPWSLF and the potential for financial savings through participation.

The state will pursue the following long-term goals, as it implements the program.

1. Maintain a well managed perpetual program to allow a source of funds to be available to systems in need.
2. Encourage systems to choose projects with the most cost effective solutions.
3. Encourage systems to implement projects that have little if any significant impact to the environment.
4. Continue to implement and expand the Capacity Development Program.
5. Explore ways to make the program more affordable/desirable to systems.
6. Comply with state and federal laws and the state/EPA capitalization grant agreement.
7. Assist water suppliers in meeting SDWA requirements.
8. Protect public health.

VIII. RECYCLED LOAN ACCOUNT

The Recycled Loan Account consists of program revenues in excess of the amounts needed to make bond principal and interest payments and funds transferred/de-allocated from the Leveraged Reserve

Fund as leveraged bonds are retired.

As of June 30, 2010 the KPWSLF has committed \$61,105,281.74 in loans funded from bond proceeds in which the bonds have not been issued yet. The recycled loan account will continue to be used to make temporary disbursements for project costs associated with these loans. As of June 30, 2010, \$17,757,347.58 of recycled loan account funds were temporarily used to make project payments for these loans. Once the KPWSLF issues bonds, the recycled loan account will be reimbursed for the amount it has disbursed in this manner. Pre-spending bond proceeds will help assure that the Fund meets the one and three year spend down requirements for bond proceeds and avoid penalties imposed by tax laws. As of June 30, 2010 the recycled account contained \$54,428,150.14. Assuming an average of \$3.2M a month in disbursements, the recycled account could continue to serve as a temporary source for disbursements throughout the 2011 program year.

As of June 30, 2010, there is \$19,450,060.76 of recycled loan funds that are committed to recycled loans that have not been disbursed yet. The remaining funds will be used as reserves for leverage bonds, committed to new loans, or used to make temporary disbursements, as needed. Issuing bonds to meet the over commitment amount will require about \$15.3M to be transferred from the recycled account to the leverage reserve fund.

IX. DESCRIPTION OF NON-PROJECT ACTIVITIES TO BE FUNDED

Sections 1452(g)(2) and 1452(k)(1) of the SDWA provides the state certain opportunities to reserve a portion of the capitalization grant to assist with administration of the loan fund and other program requirements. The following is a list of uses that Kansas plans to utilize set-asides from the 2010 Capitalization Grant:

- A. administration of the KPWSLF (up to 4%);
- B. technical assistance to systems serving 10,000 or fewer persons (up to 2%);
- C. state program management (up to 10%)
 - 1) to administer the State PWSS program;
 - 2) to develop and implement a capacity development strategy.
- D. other authorized activities (up to 15%)

The state must provide a dollar for dollar match for any set-aside expenditures under item C above, in addition to providing the 20% matching funds to receive the capitalization grant. At least half of the match must be in addition to the amount spent by the state to match its public water supply supervision grant in FY 93. There are no additional match requirements for the remainder of the set-asides. Any funds, which are reserved but not spent, will not be lost. The actual amounts spent during the program year will differ from the amounts shown as reserved for the 2010 grant. Funds from previous grants and work plans will be spent in addition to (or prior to) the reserved amounts for the 2010 grant.

For the 2010 capitalization grant the KPWSLF will reserve 4% for Administration (\$664,200), and

2% for Technical Assistance (\$332,100). Work plans in table format can be found in Appendix B of this Intended Use Plan. The state also has the option of transferring unspent set-asides to the loan fund in future years. Because no State Program Management set asides will be taken from the 2010 grant, KDHE will reserve \$1,660,500 of credit to the State Program Management set-aside (see table on page 9).

A. Program Administration.

Activities funded with this set-aside include financial reviews, project review and approval, project ranking, priority list management, tracking of loan repayments, construction inspection, NIMS data maintenance, updating the needs survey, processing of loan disbursements, and any other costs associated with the operation of the KPWSLF. KDHE anticipates spending about \$390,000 from this set aside during the 2011 program year however these expenditures will likely be taken from the 2007 and 2008 capitalization grants.

B. Small System Technical Assistance.

Funds from this set aside are used to provide technical assistance to public water suppliers serving less than 10,000 people. Work conducted under this set-aside will continue to be through contracts with the Kansas Rural Water Association. Any balance not used during the program year will be used for continued technical assistance to small systems in the future. Assistance will be provided in the areas of compliance, operation and maintenance, and management, with a focus on systems with drinking water violations to return to compliance. Systems will benefit in resolving MCL and treatment technique violations, and responding to water quality complaints including low-pressure problems. Systems operating surface water treatment plants will receive training in operational tests, chemical dosages, filter operations, and record keeping. KDHE anticipates spending about \$225,000 from this set aside during the 2011 program year with expenditures taken from the 2009 and 2010 capitalization grants.

C. State Program Management.

Although no funds are being reserved for this set aside from the 2010 Capitalization Grant, available funds from previous grant awards will be used to pay salary and costs for the Capacity Development Program Coordinator, and pay salary and costs for Public Water Supply Supervision program positions. Up to 10% of the capitalization grant can be used for these activities, but available state match can limit the amount reserved. Compliance with the match requirements for this set aside will be demonstrated in the Annual Report. Any balance not used during the program year will be used for continued State Program Management costs in the future. KDHE anticipates spending about \$90,000 from this set aside during the 2011 program year however these expenditures will likely be taken from the 2007 capitalization grant.

D. Other Authorized Activities

Funds from this set aside will be used to help pay for first round investigative cryptosporidium monitoring for systems that serve population under 10,000 as required the Long Term 2 Surface Water Treatment Rule (LT2 rule). Use of the set aside for this purpose was determined eligible by EPA through a memo dated March 1, 2010 from the Director of the Drinking Water Protection

Division. Funds will also be used to fund regional planning grants, KanCap and asset management training, technical assistance with financial planning and rate setting, and training and reporting tools associated with asset management, rate setting, and TFM surveys (all uses are through the Capacity Development Program). KDHE anticipates spending about \$700,000 from this set aside during the 2011 program year however some of these expenditures will be taken from the 2005 and 2006 capitalization grant before the 2010 grant is used.

SUMMARY OF CAPITALIZATION GRANT USES

| | FY 2010 |
|-----------------------------|--------------|
| Direct Loan | \$14,758,700 |
| Administration | \$664,200 |
| Technical Assistance | \$332,100 |
| State Program Management | \$0 |
| Other Authorized Activities | \$850,000 |
| Total | \$16,605,000 |

HISTORY OF CREDITS TOWARD FUTURE GRANTS

| Year of Capitalization Grant | Technical Assistance Set Aside | State Program Management Set Aside | Administration Set Aside |
|------------------------------|--------------------------------|------------------------------------|--------------------------|
| 1997 | | \$422,071 | |
| 1998 | | \$485,000 | |
| 1999 | | \$485,000 | |
| 2000 | \$145,717 | \$485,000 | |
| 2001 | | | \$1,674 |
| 2002 | | \$181,626 | \$369,388 |
| 2003 | \$183,584 | \$485,000 | |
| 2004 | \$190,442 | | |
| 2005 | -\$50,000 | | -\$371,062 |
| 2006 | -\$125,422 | | |
| 2007 | -\$60,420 | | |
| 2008 | -\$62,080 | | |
| 2009 | -\$84,500 | | |
| ARRA | \$390,000 | | \$780,000 |
| 2010 | | \$1,660,500 | |
| Totals | \$527,321 | \$4,204,197 | \$780,000 |

X. RATES AND USES OF FEES

The KPWSLF charges up to three types of fees on loan recipients. Every recipient is charged a one time 0.25% Loan Origination Fee (LOF) and pays 0.35% service fee on outstanding balances due semiannually (this service fee rate is included in the loan interest rate). For recipients that do not have taxing authority and do not purchase bond insurance for the loan agreement, or at risk cities, an additional one time 1% Financial Integrity Assurance Contract (FIAC) fee is required. The LOF and FIAC fee are typically capitalized in the loan amount, but recipients can make that payment from

their own funds if desired.

Fees obtained from the LOF are used to pay for financial reviews and technical assistance in completing loan applications. As of June 30, 2010 there was a balance of \$225,568.64 in the Loan Origination Fee account. The 0.35% service fee on outstanding balances is used to pay for KPWSLF expenses such as accounting services, legal services associated with bonds, and annual bond service fees. The service fee account is also used for non KPWSLF expenses such as software and computer equipment for the Public Water Supply program, salary, benefits and other operating costs for the Public Water Supply Supervision Program, annual dues for the Association of State Drinking Water Administrators and the Western State Water Council. As of June 30, 2010 the balance of the service fee account was \$3,503,968.57. The FIAC fees are transferred to the Kansas Rural Water Finance Authority (KRWFA) to pay for costs of financial monitoring for recipients that enter into a FIAC agreement. As of June 30, 2010 there was a \$0 balance in the FIAC fee account as all funds were transferred to KRWFA.

XI. CROSS COLLATERALIZATION

The KPWSLF and KWPCRLF bond resolutions and operating agreements allow funds that would normally be transferred to the recycled loan account each fiscal year, to be used to remedy a bond payment default situation in the other SRF program. Those funds would then be paid back once the defaulting program generates funds that would normally go into its recycled loan account. Transfers of funds due to the cross collateralization mechanism would not involve transfer of capitalization grant funds, only recycled funds. The impact of such a transfer would only affect the expansion of recycled loans until the transfer is repaid. No such transfers are anticipated to be made during the 2011 program year.

XII. PUBLIC REVIEW

A public hearing on the FY2011 Intended Use Plan and Priority Ranking System was held on August 17, 2010. The draft FY2011 IUP was made available on the KPWSLF web site and all public water suppliers listed on the Project Priority list (Appendix A) were provided written notification of the hearing. The League of Kansas Municipalities, the Kansas Rural Water Association, the Kansas Rural Water Finance Authority, and consulting engineers in the state of Kansas were also provided written notification of the hearing. A copy of the meeting notice was published in the Kansas Register. The hearing attendance list and a summary of the hearing are included in Appendix D.

Appendix A

Project Priority List

2011 Project Priority List

August xx, 2010

| Municipality Name | Project # | Priority Rating | Project Description | Loan Request \$ | Accumulative Amount \$ | GPR Type ¹ | GPR Categorical | GPR Business Case | GPR Amount |
|----------------------------|-----------|-----------------|---|-------------------------|------------------------|-----------------------|-----------------|-------------------|------------|
| * Oakley** | 2507 | 38 | New Well | \$261,500 | \$0 | G, W, E, I | yes | yes | Unknown |
| * Argonia*** | 2702 | 38 | WTP to remove Arsenic and Nitrates | \$1,851,068 | \$1,851,068 | G, W, E, I | yes | yes | Unknown |
| * Oberlin** | 2492 | 38 | WTP and Distribution Improvements | \$4,218,200 | \$1,851,068 | | | | |
| * St. John | 2724 | 33 | New Well or WTP to Resolve Nitrate Non Compliance | \$1,000,000 | \$2,851,068 | G, W, E, I | yes | yes | Unknown |
| * Montgomery Co. RWD #13** | 2708 | 31 | Interconnection with Montgomery RWD #8 | \$323,200 | \$2,851,068 | | | | |
| * Richmond** | 2673 | 31 | New Treatment Plant | \$2,900,000 | \$2,851,068 | | | | |
| * Kanopolis | 2714 | 30 | GAC Water Treatment System | \$50,000 | \$2,901,068 | G, W, E, I | yes | yes | Unknown |
| * Mitchell Co. RWD #2** | 2555 | 30 | WTP improvements | \$1,600,000 | \$2,901,068 | | | | |
| * Hiawatha** | 2661 | 26 | RO Treatment Plant | \$12,260,575 | \$2,901,068 | G, W, E, I | yes | yes | Unknown |
| Manhattan | 2720 | 23 | Waterline Extension to Serve Konza Valley | \$1,038,000 | \$3,939,068 | G, W, E, I | yes | yes | Unknown |
| Junction City | 2493 | 23 | WTP Improvements | \$1,800,000 | \$5,739,068 | G, W, E, I | yes | yes | Unknown |
| * Milford** | 2520 | 21 | Water Treatment Plant Improvements | \$1,487,200 | \$5,739,068 | | | | |
| Topeka** | 2663 | 21 | WTP modifications | \$9,000,000 | \$5,739,068 | G, W, E, I | yes | yes | Unknown |
| * Matfield Green | 2522 | 18 | Replace Standpipe, Chlorination System, and Install Valve | \$100,000 | \$5,839,068 | G, W, E, I | yes | yes | Unknown |
| * Elgin | 2705 | 18 | New Well and Waterline Replacement | \$342,000 | \$6,181,068 | G, W, E, I | yes | yes | Unknown |
| * Greensburg | 2431 | 18 | New Water Supply Well | \$500,000 | \$6,681,068 | G, W, E, I | yes | yes | Unknown |
| * Vermillion | 2703 | 18 | Waterline Replacement | \$750,000 | \$7,431,068 | G, W, E, I | yes | yes | Unknown |
| * Johnson Co. RWD #7 | 2727 | 17 | Consolidate systems and replace meters | \$2,600,000 | \$10,031,068 | W | yes | yes | \$168,000 |
| * Solomon | 2537 | 16 | New Well House | \$35,000 | \$10,066,068 | G, W, E, I | yes | yes | Unknown |
| * Copeland | 2477 | 16 | Install Water Meters | \$100,000 | \$10,166,068 | W | yes | | \$100,000 |
| * Cherokee Co RWD #1 | 2473 | 16 | Replace Distribution Lines | \$100,700 | \$10,266,768 | G, W, E, I | yes | yes | Unknown |
| * Nemaha Co. RWD #2 | 2450 | 16 | New Storage | \$300,000 | \$10,566,768 | G, W, E, I | yes | yes | Unknown |
| Public Wholesale WSD #18 | 2711 | 16 | Water Treatment Plant Improvements | \$3,000,000 | \$13,566,768 | G, W, E, I | yes | yes | Unknown |
| FUNDING LINE | | | | | | | | | |
| * Strong City | 2535 | 15 | WTP Improvements | \$27,000 | \$13,593,768 | G, W, E, I | yes | yes | Unknown |
| * Linwood | 2554 | 15 | New Well | \$200,000 | \$13,793,768 | G, W, E, I | yes | yes | Unknown |
| * Linwood | 2452 | 15 | New WTP | \$200,000 | \$13,993,768 | G, W, E, I | yes | yes | Unknown |
| * Jefferson Co RWD #9 | 2441 | 15 | New Well and Treatment Facility | \$600,000 | \$14,593,768 | G, W, E, I | yes | yes | Unknown |
| * Dickinson Co. RWD #2 | 2518 | 15 | Pumpstation and Waterline | \$750,000 | \$15,343,768 | G, W, E, I | yes | yes | Unknown |
| * Leavenworth Co RWD #7 | 2474 | 15 | Distribution Line replacement | \$840,000 | \$16,183,768 | G, W, E, I | yes | yes | Unknown |
| Allen Co. RWD #8 | 2717 | 15 | New Storage tower and pipe | \$851,740 | \$17,035,508 | G, W, E, I | yes | yes | Unknown |
| Franklin Co. RWD #4 | 2713 | 15 | New Tower and Pumpstation Replacement | \$1,820,000 | \$18,855,508 | G, W, E, I | yes | yes | Unknown |
| * Baldwin | 2430 | 15 | Water Transmission Main replacement | \$2,500,000 | \$21,355,508 | G, W, E, I | yes | yes | Unknown |
| * Johnson Co. Con. RWD #6 | 2532 | 15 | Water Line and Storage | \$6,900,000 | \$28,255,508 | G, W, E, I | yes | yes | Unknown |
| * Reserve | 2706 | 13 | Rehabilitate Storage Tank | \$15,390 | \$28,270,898 | G, W, E, I | yes | yes | Unknown |
| * Virgil | 2550 | 13 | Replace Water lines | \$30,000 | \$28,300,898 | G, W, E, I | yes | yes | Unknown |
| * Weir | 2488 | 13 | New SCADA System | \$40,000 | \$28,340,898 | G, W, E, I | yes | yes | Unknown |
| * Olmitz | 2669 | 13 | Replace Waterline | \$50,000 | \$28,390,898 | G, W, E, I | yes | yes | Unknown |

| | | | | | | | | | | |
|---|--------------------|------|----|--|-------------|--------------|------------|-----|-----|-----------|
| * | Norcatour | 2429 | 13 | Water Tower Rehabilitation | \$80,000 | \$28,470,898 | G, W, E, I | yes | yes | Unknown |
| | Chanute | 2722 | 13 | Upgrade meters and energy audit improvements | \$115,000 | \$28,585,898 | W, E | yes | yes | \$115,000 |
| * | Kiowa | 2486 | 13 | New Well | \$130,000 | \$28,715,898 | G, W, E, I | yes | yes | Unknown |
| | Chanute | 2576 | 13 | Replace CO2 tank, repair Clarifiers | \$150,000 | \$28,865,898 | G, W, E, I | yes | yes | Unknown |
| * | Cuba | 2562 | 13 | replace well and add pumpstation | \$155,000 | \$29,020,898 | G, W, E, I | yes | yes | Unknown |
| * | Bogue | 2460 | 13 | Water Distribution System Replacement | \$164,998 | \$29,185,896 | G, W, E, I | yes | yes | Unknown |
| * | Marion | 2709 | 13 | Waterline Replacement | \$205,406 | \$29,391,302 | G, W, E, I | yes | yes | Unknown |
| * | Bartlett | 2480 | 13 | Water Line Replacement | \$225,000 | \$29,616,302 | G, W, E, I | yes | yes | Unknown |
| | Green | 2712 | 13 | New Well and Waterline Replacement | \$250,000 | \$29,866,302 | G, W, E, I | yes | yes | Unknown |
| * | Ellis | 2613 | 13 | Distribution System replacement | \$300,000 | \$30,166,302 | G, W, E, I | yes | yes | Unknown |
| | Arkansas City | 2651 | 13 | New Tower to replace hydro-pneumatic system | \$350,000 | \$30,516,302 | G, W, E, I | yes | yes | Unknown |
| * | Parker | 2482 | 13 | Water Line Replacement | \$400,000 | \$30,916,302 | G, W, E, I | yes | yes | Unknown |
| | Coffeyville | 2580 | 13 | Transmission Main Replacement WTP to Storage | \$425,000 | \$31,341,302 | G, W, E, I | yes | yes | Unknown |
| * | Crawford Co RWD #1 | 2437 | 13 | Water Main Replacement | \$572,000 | \$31,913,302 | G, W, E, I | yes | yes | Unknown |
| | Atchison | 2723 | 13 | replace forest park pumpstation | \$600,000 | \$32,513,302 | G, W, E, I | yes | yes | Unknown |
| * | Barnes | 2700 | 13 | Waterline and Disinfection system replacement | \$650,000 | \$33,163,302 | G, W, E, I | yes | yes | Unknown |
| * | Russell | 2731 | 13 | Replace Waterlines on Elm and Kansas | \$927,000 | \$34,090,302 | G, W, E, I | yes | yes | Unknown |
| | Atchison | 2566 | 13 | replace pipe on Main sty. | \$976,426 | \$35,066,728 | G, W, E, I | yes | yes | Unknown |
| * | Oswego | 2459 | 13 | Water Distribution System Replacement | \$1,500,000 | \$36,566,728 | G, W, E, I | yes | yes | Unknown |
| * | Cottonwood Falls | 2621 | 13 | Water Main Replacement | \$1,630,000 | \$38,196,728 | G, W, E, I | yes | yes | Unknown |
| * | Humbolt | 2543 | 13 | Distribution Pipe Replacement | \$2,000,000 | \$40,196,728 | G, W, E, I | yes | yes | Unknown |
| * | Anthony | 2593 | 13 | Replace ground storage and waterline | \$3,284,800 | \$43,481,528 | G, W, E, I | yes | yes | Unknown |
| | Atchison | 2551 | 13 | New Tower | \$3,563,006 | \$47,044,534 | G, W, E, I | yes | yes | Unknown |
| | Arkansas City | 2648 | 13 | WTP improvements | \$6,500,000 | \$53,544,534 | G, W, E, I | yes | yes | Unknown |
| * | Windom | 2653 | 11 | Replace Waterlines | \$54,000 | \$53,598,534 | G, W, E, I | yes | yes | Unknown |
| * | Oxford | 2615 | 11 | waterline replacement | \$87,000 | \$53,685,534 | G, W, E, I | yes | yes | Unknown |
| * | Reno Co. RWD #3 | 2686 | 11 | Replace Waterlines | \$100,000 | \$53,785,534 | G, W, E, I | yes | yes | Unknown |
| * | Bucklin | 2440 | 11 | Well and Tower Rehab and Waterline Replacement | \$100,000 | \$53,885,534 | G, W, E, I | yes | yes | Unknown |
| * | Haven | 2513 | 11 | Extension to serve Industrial Park | \$114,248 | \$53,999,782 | G, W, E, I | yes | yes | Unknown |
| * | Colby | 2589 | 11 | Emergency Power Generator | \$120,000 | \$54,119,782 | G, W, E, I | yes | yes | Unknown |
| * | Mount Hope | 2549 | 11 | Waterline Replacement | \$120,000 | \$54,239,782 | G, W, E, I | yes | yes | Unknown |
| * | Wellsville | 2670 | 11 | Replace Waterline | \$136,653 | \$54,376,435 | G, W, E, I | yes | yes | Unknown |
| * | Leon | 2606 | 11 | New wells to meet demand | \$200,000 | \$54,576,435 | G, W, E, I | yes | yes | Unknown |
| * | Dighton | 2592 | 11 | Lane St. Distribution Replacement | \$245,000 | \$54,821,435 | G, W, E, I | yes | yes | Unknown |
| * | Olsburg | 2560 | 11 | distribution replacement | \$350,000 | \$55,171,435 | G, W, E, I | yes | yes | Unknown |
| * | Kingman | 2654 | 11 | Replace Waterlines | \$358,000 | \$55,529,435 | G, W, E, I | yes | yes | Unknown |
| * | Cunningham | 2658 | 11 | Looping and Generator | \$365,865 | \$55,895,300 | G, W, E, I | yes | yes | Unknown |
| * | Burlington | 2563 | 11 | Waterline relocation | \$400,000 | \$56,295,300 | G, W, E, I | yes | yes | Unknown |
| | Topeka | 2666 | 11 | Replace waterlines in Belmont Addition | \$500,000 | \$56,795,300 | G, W, E, I | yes | yes | Unknown |
| | Salina | 2627 | 11 | Replace Waterlines | \$500,000 | \$57,295,300 | G, W, E, I | yes | yes | Unknown |
| | El Dorado | 2623 | 11 | Replace Waterlines | \$500,000 | \$57,795,300 | G, W, E, I | yes | yes | Unknown |
| | Topeka | 2664 | 11 | Replace 29th St. Waterlines | \$550,000 | \$58,345,300 | G, W, E, I | yes | yes | Unknown |

| | | | | | | | | | |
|--------------------------|------|----|---|--------------|---------------|------------|-----|-----|--------------|
| * Montgomery Co. RWD #12 | 2633 | 11 | Pump Station Rehab and Looping | \$630,000 | \$58,975,300 | G, W, E, I | yes | yes | Unknown |
| * Udall | 2671 | 11 | Replace Waterline | \$1,000,000 | \$59,975,300 | G, W, E, I | yes | yes | Unknown |
| Lawrence | 2617 | 11 | SCADA and Security Improvements | \$1,000,000 | \$60,975,300 | G, W, E, I | yes | yes | Unknown |
| Salina | 2626 | 11 | WTP Rehab | \$1,025,000 | \$62,000,300 | G, W, E, I | yes | yes | Unknown |
| Dodge City | 2659 | 11 | 2 new wells | \$1,200,000 | \$63,200,300 | G, W, E, I | yes | yes | Unknown |
| Topeka | 2665 | 11 | 37th St. Waterline | \$1,300,000 | \$64,500,300 | G, W, E, I | yes | yes | Unknown |
| Salina | 2628 | 11 | Well Field Improvements | \$1,300,000 | \$65,800,300 | G, W, E, I | yes | yes | Unknown |
| * Wamego | 2625 | 11 | New Tower | \$1,400,000 | \$67,200,300 | G, W, E, I | yes | yes | Unknown |
| Topeka | 2668 | 11 | Waterline from 37th and Fairlawn | \$1,500,000 | \$68,700,300 | G, W, E, I | yes | yes | Unknown |
| * Washington Co. RWD #1 | 2641 | 11 | New tower and wells | \$1,923,932 | \$70,624,232 | G, W, E, I | yes | yes | Unknown |
| Lawrence | 2619 | 11 | Waterline Replacement | \$2,000,000 | \$72,624,232 | G, W, E, I | yes | yes | Unknown |
| El Dorado | 2534 | 11 | New Booster Pump Station and Pipeline - phase 1 | \$2,000,000 | \$74,624,232 | G, W, E, I | yes | yes | Unknown |
| Winchester | 2721 | 11 | Waterline and SCADA Replacement, Wind Turbine | \$2,000,000 | \$76,624,232 | G, W, E, I | yes | yes | Unknown |
| Salina | 2629 | 11 | Distribution System replacement | \$2,200,000 | \$78,824,232 | G, W, E, I | yes | yes | Unknown |
| Kansas City BPU | 2570 | 11 | Pipe Replacement | \$2,253,521 | \$81,077,753 | G, W, E, I | yes | yes | Unknown |
| * Ellsworth | 2561 | 11 | 2 wells and replace raw water line | \$2,500,000 | \$83,577,753 | G, W, E, I | yes | yes | Unknown |
| Topeka | 2667 | 11 | Water main along Indian Hills Rd | \$3,619,000 | \$87,196,753 | G, W, E, I | yes | yes | Unknown |
| * Girard | 2508 | 11 | Replace Water Tower, Waterline, and Pumpstation | \$4,300,000 | \$91,496,753 | G, W, E, I | yes | yes | Unknown |
| Lawrence | 2618 | 11 | Redundant Water Supply Line for N. Lawrence | \$7,300,000 | \$98,796,753 | G, W, E, I | yes | yes | Unknown |
| Kansas City BPU | 2571 | 11 | 4MG reservoir to meet demand | \$11,267,606 | \$110,064,359 | G, W, E, I | yes | yes | Unknown |
| Kansas City BPU | 2718 | 11 | Upgrade meters with automated reading | \$16,000,000 | \$126,064,359 | W | yes | | \$16,000,000 |
| Topeka | 2662 | 11 | Upgrade meters with Advanced Metering Infra. | \$18,400,000 | \$144,464,359 | W | yes | | \$18,400,000 |
| * Butler Co. RWD #5 | 2675 | 10 | Replace VFD | \$40,000 | \$144,504,359 | G, W, E, I | yes | yes | Unknown |
| * Butler Co. RWD #5 | 2676 | 10 | Barbor Building Piping Replacement | \$65,000 | \$144,569,359 | G, W, E, I | yes | yes | Unknown |
| Hesston | 2715 | 10 | Install VFD's and Emergency Generators | \$100,000 | \$144,669,359 | G, W, E, I | yes | yes | Unknown |
| Gardner | 2645 | 10 | Water Tower Improvements | \$120,000 | \$144,789,359 | G, W, E, I | yes | yes | Unknown |
| * Douglass | 2704 | 10 | Rehabilitate Storage Tank | \$150,000 | \$144,939,359 | G, W, E, I | yes | yes | Unknown |
| PWWSD#4 | 2631 | 10 | Replace SCADA | \$155,000 | \$145,094,359 | G, W, E, I | yes | yes | Unknown |
| * Johnson Co. RWD #7 | 2729 | 10 | Water Meter Replacement | \$171,700 | \$145,266,059 | W | yes | | \$171,700 |
| * Rooks County RWD #1 | 2433 | 10 | New Water Supply Well/Interconnection | \$232,320 | \$145,498,379 | G, W, E, I | yes | yes | Unknown |
| Smith Co. RWD #1 | 2547 | 10 | New Booster Pump Station | \$281,690 | \$145,780,069 | G, W, E, I | yes | yes | Unknown |
| * Wilson Co RWD #9 | 2660 | 10 | Waterline and Storage Improvements | \$350,000 | \$146,130,069 | G, W, E, I | yes | yes | Unknown |
| WaterOne | 2599 | 10 | Install Interconnection Valves | \$415,000 | \$146,545,069 | G, W, E, I | yes | yes | Unknown |
| Mulvane | 2707 | 10 | Replace Waterlines | \$482,125 | \$147,027,194 | G, W, E, I | yes | yes | Unknown |
| * Dickinson Co. RWD #1 | 2685 | 10 | Replace Waterlines | \$560,000 | \$147,587,194 | G, W, E, I | yes | yes | Unknown |
| Bonner Springs | 2457 | 10 | Replace Front St. Water Main | \$570,000 | \$148,157,194 | G, W, E, I | yes | yes | Unknown |
| * Osage Co. RWD #7 | 2652 | 10 | Water Line Replacement | \$580,000 | \$148,737,194 | G, W, E, I | yes | yes | Unknown |
| Valley Center | 2622 | 10 | Looping | \$600,000 | \$149,337,194 | G, W, E, I | yes | yes | Unknown |
| * Johnson Co. RWD #7 | 2636 | 10 | Replace waterline along 151st St. | \$650,000 | \$149,987,194 | G, W, E, I | yes | yes | Unknown |
| * Sedgwick Co. RWD #1 | 2684 | 10 | Booster Pump Station and Disinfection Booster | \$682,000 | \$150,669,194 | G, W, E, I | yes | yes | Unknown |
| * Butler Co. RWD #5 | 2674 | 10 | Waterline Extension | \$703,000 | \$151,372,194 | G, W, E, I | yes | yes | Unknown |
| * Coffey Co. RWD #3 | 2546 | 10 | New Water Tower | \$795,000 | \$152,167,194 | G, W, E, I | yes | yes | Unknown |

| | | | | | | | | | |
|--------------------------|------|----|--|-------------|---------------|------------|-----|-----|---------|
| * Ottawa Co RWD #2 | 2644 | 10 | Replace Tower | \$828,732 | \$152,995,926 | G, W, E, I | yes | yes | Unknown |
| * Johnson Co. RWD #7 | 2728 | 10 | Water Main- Four Corners, Kill Creek Rd, Waverly Rd | \$850,000 | \$153,845,926 | G, W, E, I | yes | yes | Unknown |
| WaterOne | 2598 | 10 | Replace high service pumps at Hansen Facility | \$1,000,000 | \$154,845,926 | G, W, E, I | yes | yes | Unknown |
| WaterOne | 2597 | 10 | Replace Traveling Screens | \$1,000,000 | \$155,845,926 | G, W, E, I | yes | yes | Unknown |
| Sedgwick Co. RWD #3 | 2725 | 10 | Booster Pump Station and Pipe to New Source | \$1,111,000 | \$156,956,926 | G, W, E, I | yes | yes | Unknown |
| * Benton | 2677 | 10 | Replace Storage | \$1,289,250 | \$158,246,176 | G, W, E, I | yes | yes | Unknown |
| WaterOne | 2602 | 10 | Interconnect with Gardner | \$1,413,228 | \$159,659,404 | G, W, E, I | yes | yes | Unknown |
| * Johnson Co. RWD #7 | 2730 | 10 | New Water Tower | \$1,500,000 | \$161,159,404 | G, W, E, I | yes | yes | Unknown |
| * Johnson Co RWD #7 | 2503 | 10 | New Elevated Storage Tank and Supporting Pipeline | \$1,950,000 | \$163,109,404 | G, W, E, I | yes | yes | Unknown |
| Kansas City BPU | 2545 | 10 | Water Main Replacement | \$2,000,000 | \$165,109,404 | G, W, E, I | yes | yes | Unknown |
| * Miami Co. RWD #1 | 2655 | 10 | Water Line Replacement and new tower | \$2,130,600 | \$167,240,004 | G, W, E, I | yes | yes | Unknown |
| WaterOne | 2595 | 10 | Woodson Pump Station Rehab | \$2,200,000 | \$169,440,004 | G, W, E, I | yes | yes | Unknown |
| * Leavenworth Co RWD #1C | 2647 | 10 | Replace Tower | \$2,400,000 | \$171,840,004 | G, W, E, I | yes | yes | Unknown |
| * Johnson Co. RWD #7 | 2640 | 10 | New Water Tower to Share with Spring Hill | \$2,963,000 | \$174,803,004 | G, W, E, I | yes | yes | Unknown |
| WaterOne | 2601 | 10 | 36-inch Transmission Main | \$3,138,888 | \$177,941,892 | G, W, E, I | yes | yes | Unknown |
| * Lyon Co. RWD # 1 | 2710 | 10 | Replace Waterline, pumpstation, and install tower mixing | \$5,000,000 | \$182,941,892 | G, W, E, I | yes | yes | Unknown |
| Goddard | 2512 | 10 | New Transmission Main | \$5,040,000 | \$187,981,892 | G, W, E, I | yes | yes | Unknown |
| Desoto | 2578 | 10 | WTP Rehabilitation | \$5,250,000 | \$193,231,892 | G, W, E, I | yes | yes | Unknown |
| Bonner Springs | 2453 | 10 | New Plant and Well to meet capacity | \$9,660,000 | \$202,891,892 | G, W, E, I | yes | yes | Unknown |
| * Colby | 2588 | 8 | New Water Storage Tank | \$600,000 | \$203,491,892 | G, W, E, I | yes | yes | Unknown |
| * Mayetta | 2502 | 6 | Interconnect with Jackson Co RWD #1 | \$280,000 | \$203,771,892 | G, W, E, I | yes | yes | Unknown |
| Topeka | 2542 | 6 | Transmission main along SE 37th and Adams | \$1,287,850 | \$205,059,742 | G, W, E, I | yes | yes | Unknown |
| Gardner | 2646 | 5 | Looping | \$60,000 | \$205,119,742 | G, W, E, I | yes | yes | Unknown |
| Bonner Springs | 2456 | 5 | Water Main Replacement - on 138th | \$300,000 | \$205,419,742 | G, W, E, I | yes | yes | Unknown |
| WaterOne | 2600 | 5 | Replace Treatment Plant Roof | \$412,000 | \$205,831,742 | G, W, E, I | yes | yes | Unknown |
| Bonner Springs | 2455 | 5 | Water Main Replacement - Nettleton to 138th | \$500,000 | \$206,331,742 | G, W, E, I | yes | yes | Unknown |
| Bonner Springs | 2457 | 5 | Water Main Replacement - Front Street | \$700,000 | \$207,031,742 | G, W, E, I | yes | yes | Unknown |
| Miami Co RWD #2 | 2604 | 5 | New Tower and Pipeline | \$4,800,000 | \$211,831,742 | G, W, E, I | yes | yes | Unknown |

* System has population of less than 5,000.

** These projects have requested a delay to consideration for funding because they are not ready to proceed and will be bypassed until the 2011 capitalization grant is available and at such time they will be given an opportunity to apply for a loan.

*** Pending final results of regionalization feasibility study

¹ G = Green Infrastructure, W = Water Efficiency, E = Energy Efficiency, and I = Environmentally Innovative

2010 Green Project Priority List

August xx, 2010

| Municipality Name | Project # | Priority Rating | Project Description | Loan Request \$ | Accumulative Amount \$ | GPR Type ¹ | GPR Categorical | GPR Business Case | GPR Amount |
|----------------------|-----------|-----------------|--|-----------------|------------------------|-----------------------|-----------------|-------------------|-----------------|
| * Copeland | 2477 | 16 | Install Water Meters | \$100,000 | \$100,000 | W | yes | | \$100,000.00 |
| Chanute | 2722 | 13 | Upgrade meters and energy audit improvements | \$115,000 | \$215,000 | W, E | yes | yes | \$115,000 |
| Kansas City BPU | 2718 | 11 | Automated Meter Reading System | \$16,000,000 | \$16,215,000 | W | yes | | \$16,000,000.00 |
| Topeka | 2662 | 11 | Advanced Metering Infrastructure | \$18,400,000 | \$34,615,000 | W | yes | | \$18,400,000.00 |
| * Johnson Co. RWD #7 | 2729 | 10 | Water Meter Replacement | \$171,700 | \$34,786,700 | W | yes | | \$171,700 |

* System has population of less than 5,000.

¹ G = Green Infrastructure, W = Water Efficiency, E = Energy Efficiency, and I = Environmentally Innovative

Appendix B

Set-Aside Work Plans

Sources and Uses Tables

Set Aside Work Plan for 2010 Grant

Technical Assistance

| <i>Funding Amt</i> | <i>FTE Projection</i> | <i>Goals, Objectives, Outputs and Deliverables</i> | <i>Anticipated Start and End Dates</i> | <i>Other Agency & Responsibilities</i> | <i>Evaluation Process</i> |
|--------------------|-----------------------|---|--|--|-----------------------------------|
| \$332,100 | Contractor | Provide a min. of 420 TA contacts to small Kansas Systems | On Going | Kansas Rural Water Association | Quarterly Reports from Contractor |

Administration

| <i>Funding Amt</i> | <i>FTE Projection</i> | <i>Goals, Objectives, Outputs and Deliverables</i> | <i>Anticipated Start and End Dates</i> | <i>Other Agency & Responsibilities</i> | <i>Evaluation Process</i> |
|--------------------|-----------------------|--|--|--|--|
| \$664,200 | 5.0 | Comply with State and Federal Requirements for Loan Program implementation, and Commit loan dollars on a timely basis. Financial review, Construction inspection, Project review | On Going | None | Annual Report and Annual Evaluation by EPA |

State Program Management (1452(g))

| <i>Funding Amt</i> | <i>FTE Projection</i> | <i>Goals, Objectives, Outputs and Deliverables</i> | <i>Anticipated Start and End Dates</i> | <i>Other Agency & Responsibilities</i> | <i>Evaluation Process</i> |
|--------------------|-----------------------|--|--|--|---------------------------|
| | | | | | |

No funds from the 2010 grant are reserved for this set aside

Other Authorized Activities (1452(k))

| <i>Funding Amt</i> | <i>FTE Projection</i> | <i>Goals, Objectives, Outputs and Deliverables</i> | <i>Anticipated Start and End Dates</i> | <i>Other Agency & Responsibilities</i> | <i>Evaluation Process</i> |
|--------------------|-----------------------|--|--|--|---------------------------------|
| \$420,000 | | Help pay for first round investigative cryptosporidium monitoring for systems that serve population under 10,000 | April 1, 2010 thru April 1, 2012 | None | Laboratory reports |
| \$125,000 | | Regional PWS planning grants provided through the Capacity Development Program | July 1, 2010 thru June 30, 2012 | None | Feasibility Studies Generated |
| \$210,000 | Contractor | Kan Cap, asset management training, financial planning assistance and training | July 1, 2010 thru June 30, 2012 | Kansas Rural Water Association; Ranson Financial | Quarterly Reports |
| \$95,000 | Contractor | Reporting tool for TFM Survey and Asset Management Training tool | July 1, 2010 thru June 30, 2012 | NM Tech, Contractor TBD | Periodic product status reports |

Sources and Uses
For Program year 2011
Amounts as of July 1, 2010

Sources:

| | |
|---|----------------------|
| Bond Proceeds to fund undisbursed over commitment amount (transaction date unknown) | \$43,347,934 |
| Bond Proceeds to reimburse Recycled account (transaction date unknown) | \$17,758,550 |
| Recycled Loan Account | \$54,428,150 |
| Undisbursed Capitalization Grants | |
| 2005 grant - Other Authorized Activities | \$71,000 |
| 2006 Grant - Other Authorized Activities | \$240,000 |
| 2007 Grant - Administration and State Program Management | \$380,961 |
| 2008 Grant - Administration | \$325,840 |
| 2009 Grant - Administration, State Program Management, Technical Assistance | \$759,460 |
| ARRA - Loans | \$10,045,489 |
| 2010 Capitalization Grant (not yet awarded) | \$16,605,000 |
| Total | \$143,962,384 |

Uses:

| | |
|---|----------------------|
| Disbursements to Committed Loans | \$43,347,934 |
| Disbursements to Committed Loans (Recycled) | \$19,450,061 |
| Disbursements to Committed Loans (ARRA) | \$10,045,489 |
| 2010 Grant to be committed to loans on 2011 IUP | \$14,758,700 |
| Recycled funds to be committed to loans on 2011 IUP | \$1,384,178 |
| Recycled funds used for leveraging bonds for over commitment | \$15,276,320 |
| Recycled funds reserved for leveraging bonds and/or direct loaned at a later date | \$36,076,141 |
| Program Set Asides | |
| 2005 grant - Other Authorized Activities | \$71,000 |
| 2006 Grant - Other Authorized Activities | \$240,000 |
| 2007 Grant - Administration and State Program Management | \$380,961 |
| 2008 Grant - Administration | \$325,840 |
| 2009 Grant - Administration, State Program Management, Technical Assistance | \$759,460 |
| 2010 Grant - Administration, Technical Assistance, Other Authorized Activities | \$1,846,300 |
| Total | \$143,962,384 |

Appendix C

Project Priority System

State of Kansas
Kansas Department of Health and Environment
Division of Environment
Bureau of Water

Federal Fiscal Year 2011
Kansas Public Water Supply Loan Fund
Project Priority System

August 17, 2010

Kansas Department of Health and Environment
Kansas Public Water Supply Loan Fund
Project Priority System
FY 2011

I INTRODUCTION

The SDWA and Kansas Statutes establishing the public water supply loan fund require KDHE to develop a project priority system; including ranking criteria to determine which projects should receive loans. In preparing a priority list, the Secretary is required to exclude projects from applicants who have not adopted and implemented water conservation plans consistent with Kansas Water Office guidelines. KDHE is also required to ensure that at least 20% of loan fund monies are made available to communities of less than 5000 people.

II PRIORITY RATING CRITERIA

The priority rating criteria are used to numerically rank projects for potential funding assistance from the Kansas Public Water Supply Loan Fund. State law and the SDWA both provide guidance on factors to be considered when ranking projects.

The SDWA requires priority be given to projects that address the most serious risks to human health, that are necessary to assure compliance with requirements of the SDWA (national primary drinking water regulations) and to assist public water supplies most in need, on a per household basis according to state affordability criteria.

Kansas statutes require KDHE to give consideration to projects consistent with the public water supply regionalization strategies developed in the Kansas Water Plan. Since no regionalization strategies have been proposed, the rating criteria cannot address this issue. However, the rating criteria do award points for system consolidation.

The Bureau of Water will consider the following factors in determining the numerical scores of each project:

- 1) Water quality issues, including compliance with maximum contaminant levels, treatment techniques, aesthetic factors, and unregulated contaminants.
- 2) Consolidation of systems;
- 3) Improvements to reliability;
- 4) State median and applicant household income levels;
- 5) Special categories; and
- 6) KDHE adjustment

III IDENTIFICATION OF POTENTIAL PROJECTS

Potential projects for inclusion on the project priority list may be identified by public water supply officials, by KDHE, through participation in national needs surveys, through routine inspection and special studies; or by federal, state, or local agencies.

Projects may also be identified by the Secretary of KDHE in accordance with section IV.4 as necessary for correction of an emergency condition.

IV ADMINISTRATIVE PROCEDURES

KDHE will use the following procedures in administering the priority system.

1. The Bureau of Water will prepare annually, a tentative priority list of all projects to be included in the Intended Use Plan for possible funding during the following federal fiscal year. The tentative Project Priority List (PPL) will include the rank for each project. This list will contain projects equal to approximately 150% of available loan funds, to assure money is obligated.
2. The Bureau of Water will give public notice of the PPL and hold a minimum of one public hearing to receive comments. The Bureau of Water will provide information upon request, on the detailed calculation of the priority rank of a project.
3. The highest ranking projects equal to the money available will be given the first opportunity to apply for funding.
4. The Secretary of KDHE may amend the PPL and the Intended Use Plan to include a project requested by the Bureau of Water as needed to protect public health, or to meet emergency needs.
5. Projects will be elevated to the PPL for funding based on priority ranking and readiness to proceed.
6. A project must be listed in the PPL prepared by KDHE to receive a loan; unless funded under the emergency provision of VI.4 or the bypass provision of IV.
7. If available monies are not used by the projects identified in the PPL, those funds will be made available to the highest ranked projects ready to proceed. This ability to bypass projects is necessary to assure available funds are obligated on a timely basis.
8. Kansas legislation requires 20% of available loan funds to be made available to public water suppliers that serve less than 5000 people. If available, projects serving less than 5000 people, totaling at least 30% of available loan funds, will be included in the PPL to assure sufficient projects to meet the 20% requirement. Projects from public water suppliers serving less than 5000 population will be indicated on the Project Priority List and may be included in the PPL regardless of priority ranking, if necessary to meet the 20% requirement

V PROJECT RATING PROCEDURE

Projects identified in accordance with Section IV, other than projects identified in accordance with section IV.4, will be ranked by the rating system set forth below. The highest point total denotes the highest priority for funding. A separate ranking will be prepared for each project. Projects will receive points, up to the stated maximum, for each applicable category.

1. Water quality issues:

| | |
|--|-----------------|
| Acute MCL or treatment technique violation corrected | Up to 35 points |
| Chronic MCL or treatment technique violation corrected | Up to 30 points |
| Impending MCL violation corrected | Up to 20 points |
| Unregulated contaminant correction | Up to 15 points |
| Compliance with existing administrative order | Up to 10 points |
| Secondary MCL correction | Up to 10 points |

2. Consolidation of two or more water systems 10 points each

3. Reliability improvement:

| | |
|---|-----------------|
| Second source for single source systems | Up to 15 points |
| Low water pressure (less than 20 psi) | Up to 15 points |
| Water restrictions in last 3 years | Up to 10 points |
| Plant rehabilitation | Up to 10 points |
| Storage (less than 24 hours) | Up to 10 points |
| Excessive water loss | Up to 10 points |
| Distribution system looping | Up to 10 points |

4. Beneficiaries income:

| | |
|--|----------|
| LT 80% of State Median Household Income (SMHI) | 3 points |
| GT 80% of SMHI but LT SMHI | 1 point |

5. Special categories:

| | |
|---|-----------------|
| Upgrade to meet future regulations | Up to 15 points |
| Plant expansion | Up to 15 points |
| Water treatment waste discharges | Up to 15 points |
| Extend distribution system to unserved area | Up to 15 points |

6. KDHE point adjustment Up to 35 points

BACKGROUND

The following background is provided to explain the factors KDHE will consider when awarding points under the project rating criteria. For some criteria, water quality issues for example, KDHE will award points up to a maximum value. For other rating criteria, consolidation for example, the points to be awarded are set in the criterion.

1. Water Quality Issues

This group considers a project's ability to correct violations of drinking water standards. Acute MCL and treatment technique violations are those violations which may have an immediate public health impact, or which require public notices to be given under the acute MCL violation provision of the public notification regulations. Only nitrate MCL violations and acute coliform MCL violations are covered by this provision at the present time. Violations of surface water treatment requirements will be included as an acute violation. Chronic MCL violations are those MCL violations which have health impacts over a longer period of time. Projects to provide treatment for an impending violation will also be considered in this category. Generally, an impending violation would be scored if an identifiable plume of contamination was threatening a water source. Secondary MCL violations are violations which cause aesthetic impacts. Existence of an administrative order to correct an MCL violation will also be considered in this category. KDHE will also consider projects providing treatment for unregulated contaminants which may have health impacts under this category. Extensions of distribution systems to areas with documented water quality problems may also receive points under this section.

2. Consolidation

Kansas law requires the department to encourage regional cooperative projects. Up to 10 points will be added for each system to be served by a project. (Two systems, maximum of 20 points)

3. Reliability Issues

Projects which add supplemental sources of water to systems with single sources are important to assure the reliability of a system and will receive points under this category. KDHE will consider the level of water restriction imposed when awarding points under this category. Restrictions on domestic consumption are viewed as more significant than outdoor restrictions. KDHE will also consider efforts made by an applicant to locate and reduce water losses and promote water conservation. Projects which rehabilitate treatment plants, add storage to meet peak needs, and loop dead end lines are also considered to improve reliability. KDHE will give greater weight to projects which correct low pressure problems, when the problems are documented by field measurements.

4. Beneficiaries Income

This section allows additional points to be awarded based on the applicant's median household

income and the state median household income. The 2000 Census data on income levels, as found on the U.S. Census Bureau web site, will be used for this purpose.

5. **Special Categories**

Projects can receive additional ranking points if they meet any of these special categories.

6. **KDHE point adjustment**

This category allows KDHE to award a maximum of 35 discretionary points when circumstances exist which are not adequately accommodated by the categories described above.

Appendix D

Public Participation Summary

State of Kansas

Department of Health and Environment

Notice of Hearing

A public hearing will be conducted at 2 p.m. Tuesday, August 17, in the Azure Conference Room, fourth floor, Curtis State Office Building, 1000 S.W. Jackson, Topeka, to discuss the Kansas Public Water Supply Loan Fund (KPWSLF) 2011 Intended Use Plan (IUP). This plan will describe how the KPWSLF will change to comply with new federal requirements including prevailing wage rates, awarding additional subsidy in the form of principal forgiveness, and green project types, and to add new projects to the project priority list. Copies of the IUP can be obtained online at http://www.kdheks.gov/pws/loan/2011_IUP_draft.pdf.

Any individual with a disability may request accommodation to participate in the public hearing. Requests for accommodation should be made at least five working days before the hearing by contacting Linda White at (785) 296-5514.

Comments can be presented at the hearing or in writing prior to the hearing. Written comments should be addressed to Linda White, KDHE, Bureau of Water, 1000 S.W. Jackson, Suite 420, Topeka, 66612.

Roderick L. Bremby
Secretary of Health
and Environment

Doc. No. 038496

State of Kansas

Department of Health and Environment

Notice Concerning Kansas/Federal Water Pollution Control Permits and Applications

In accordance with Kansas Administrative Regulations 28-16-57 through 63, 28-18-1 through 15, 28-18a-1 through 32, 28-16-150 through 154, 28-46-7, and the authority vested with the state by the administrator of the U.S. Environmental Protection Agency, various draft water pollution control documents (permits, notices to revoke and reissue, notices to terminate) have been prepared and/or permit applications have been received for discharges to waters of the United States and the state of Kansas for the class of discharges described below.

The proposed actions concerning the draft documents are based on staff review, applying the appropriate standards, regulations and effluent limitations of the state of Kansas and the Environmental Protection Agency. The final action will result in a Federal National Pollutant Discharge Elimination System Authorization and/or a Kansas Water Pollution Control permit being issued, subject to certain conditions, revocation and reissuance of the designated permit or termination of the designated permit.

Public Notice No. KS-AG-10-087/093

Pending Permits for Confined Feeding Facilities

| Name and Address of Applicant | Legal Description | Receiving Water |
|--|--|------------------------------|
| Rock Creek Finishing Farms, LLC Steven J. Eichman 13075 Brush Creek Road Westmoreland, KS 66549 | SE/4 of Section 28, T08S, R09E, Pottawatomie County | Kansas River Basin |
| Kansas Permit No. A-KSPT-H001 | | Federal Permit No. KS0091260 |

This is a renewal permit and modification for an existing facility for 4,980 head (1,992 animal units) of swine weighing more than 55 pounds each. The permittee is proposing the construction of a mortality composting building. All other aspects of the facility are unchanged.

| Name and Address of Applicant | Legal Description | Receiving Water |
|---|---|------------------------------|
| Wilkens Pork Scott Wilkens 1275 Heritage Road Linn, KS 66953 | N/2 of Section 32, T03S, R02E, Washington County | Big Blue River Basin |
| Kansas Permit No. A-BBWS-H005 | | Federal Permit No. KS0094137 |

This permit is being reissued for an existing facility with a maximum capacity of 7,200 head (2,880 animal units) of swine more than 55 pounds. There is no change in the permitted animal units from the previous permit. This facility has an approved NMP (Nutrient Management Plan) on file with the department.

| Name and Address of Applicant | Legal Description | Receiving Water |
|---|---|------------------------------|
| Kansas-Smith Farms, LLC 13 Finishing and 14 Finishing 23179 #5 Road Plains, KS 67869 | S/2 of Section 13, T32S, R32W, Seward County | Cimarron River Basin |
| Kansas Permit No. A-CISW-H004 | | Federal Permit No. KS0089915 |

This permit is being reissued for an existing swine facility consisting of two farms for a maximum capacity of 13,960 head (5,584 animal units) of swine weighing more than 55 pounds. There is no change in the permitted animal units. Farm 13 consists of two enclosed confinement buildings, a settling basin, an anaerobic lagoon and a drying bed, for a total capacity of 5,120 head (2,048 animal units) of swine weighing more than 55 pounds. Farm 14 has not been constructed. Plans for the proposed construction of Farm 14 shall be resubmitted to the department prior to construction. An approved Nutrient Management Plan for the facility is on file with KDHE.

| Name and Address of Applicant | Legal Description | Receiving Water |
|--|---|------------------------|
| Don Van Scoyoc 875 4th Road Longford, KS 67458 | SE/4 of Section 16, T10S, R02E, Clay County | Smoky Hill River Basin |
| Kansas Permit No. A-SHCY-B002 | | |

This is a renewal permit for an existing facility for 300 head (150 animal units) of cattle weighing less than 700 pounds and 100 head (100 animal units) of cattle weighing more than 700 pounds, for a total of 250 animal units. There is no change in animal unit capacity from the previous permit. The permit contains a schedule of compliance to submit a dead animal composting plan for review and approval prior to composting dead animals.

| Name and Address of Applicant | Legal Description | Receiving Water |
|--|--|----------------------|
| MK Fuhrman LLC 12500 302nd Lancaster, KS 66041 | SW/4 of Section 24, T05S, R19E, Atchison County | Missouri River Basin |
| Kansas Permit No. A-MOAT-S001 | | |

This permit is being reissued for an existing facility with a maximum capacity of 1,050 head (420 animal units) of swine more than 55 pounds and 600 head (60 animal units) of swine 55 pounds or less,

(continued)

FY2011 IUP
Summary of Public Hearing
August 17, 2010

FY2011 IUP Public Hearing
Attendance List

August 17, 2010

| <u>Name</u> | <u>From</u> |
|--------------|------------------|
| Dave Waldo | KDHE |
| William Carr | KDHE |
| Mike Mathews | City of Atchison |

Details about the 2010 grant amount and special conditions were presented and there were no comments made from the public.

Appendix E

List of Ineligible Projects and Activities

List of Ineligible Projects and Activities

In accordance with K.A.R. 28-15-56, the following projects and activities are ineligible for participation in the Kansas Public Water Supply Loan Fund.

Dams, or rehabilitation of dams;

Water rights, except if the water rights are owned by a system that is being purchased through consolidation as part of a capacity development strategy;

Reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process and are located on the property where the treatment facility is located;

Laboratory fees for monitoring;

Operation and maintenance expenses;

Projects needed mainly for fire protection;

Projects for systems that lack adequate technical, managerial and financial capability, unless assistance will ensure compliance;

Projects for systems in significant non-compliance, unless funding will ensure compliance;

Projects primarily intended to serve future growth.

Source: 40CFR Part 35.3500, 35.3520 (e), and (f)

Appendix F

Bond Leveraging

| Year of Bond Issue | Bonds Leveraged from Reserve Account | State Match Bonds | Money Available to Loan Including State Match | Moody's Bond Rating | Fitch Bond Rating | Standard & Poor's Bond Rating |
|-------------------------------|--------------------------------------|-------------------|---|---------------------|-------------------|-------------------------------|
| 1997 | \$42,490,000 | \$2,930,000 | \$43,793,586 | A2 | A+ | |
| 1998 | \$37,615,000 | \$2,075,000 | \$38,866,142 | A2 | AA- | |
| 2000 | \$46,860,000 | \$6,640,000 | \$50,299,266 | A2 | AA | |
| 2002 | \$47,705,000 | \$4,100,000 | \$50,199,333 | Aa3 | AA | AA+ |
| | | | \$1,846,927*** | | | |
| | | | \$1,835,840*** | | | |
| | | | \$327,900*** | | | |
| 2004 New | \$93,255,000 | \$3,230,000 | \$100,000,000 | Aa1 | AAA | AAA |
| 2004 Refund | \$73,060,000 | \$6,465,000 | | Aa1 | AAA | AAA |
| Bonds Eliminated by Refunding | -\$75,775,000 | -\$6,460,000 | | | | |
| 2008 | \$31,540,000 | \$5,160,000 | \$35,930,792 | Aaa | AAA | AAA |
| 2009 New | \$31,400,000 | \$4,130,000 | \$35,156,134 | Aaa | | AAA |
| 2009 Refund | \$37,510,000 | | | Aaa | | AAA |
| Bonds Eliminated by Refunding | -\$34,385,000 | -\$2,545,000 | | | | |
| Totals | \$331,275,000 | \$25,725,000 | \$358,255,920 | | | |

*** State Match deposit for 2002, 2003, and partial deposit for 2004 Grant

Appendix G

Green Project Reserve Guide

Kansas Public Water Supply Loan Fund Green Project Types

In the 2010 Federal fiscal year appropriation to the Environmental Protection Agency (EPA), congress required the EPA state revolving fund programs to use a certain percentage of funds for green infrastructure, water efficiency, energy efficiency, and environmentally innovated projects or components. This group of project types and funding amount is referred to as Green Project Reserve or GPR. Congress' intent in enacting the GPR is to direct State investment practices in the water sector to guide funding toward projects that utilize green or soft-path practices to complement and augment hard or gray infrastructure, adopt practices that reduce the environmental footprint of water and wastewater treatment, collection, and distribution, help utilities adapt to climate change, enhance water and energy conservation, adopt more sustainable solutions to wet weather flows, and promote innovative approaches to water management problems. Over time, GPR projects could enable utilities to take savings derived from reducing water losses and energy consumption, and use them for public health and environmental enhancement projects. Additionally, EPA expects that green projects will help the water sector improve the quality of water services without putting additional strain on the energy grid, and by reducing the volume of water lost every year. Kansas Public Water Supply Loan Fund projects that contain GPR components will receive principal forgiveness calculated at 20% of the construction cost (as bid) of such component. Funding for GPR projects, and the related principal forgiveness, is limited and will be applied to projects as funding allows.

The following sections outline the technical aspects for the Green Project Reserve related to Kansas Public Water Supply Loan Fund projects. Those items listed as categorical are considered eligible GPR components and require no further justification. Any item that is not considered categorical will require a "business case" that justifies the component as being eligible for GPR. Business case development is discussed in the last section of this document. **Please note some categorical items are only eligible if they are part of a larger KPWSLF project and cannot be funded as a stand alone project.**

1. Green Infrastructure Definition: Green stormwater infrastructure includes a wide array of practices at multiple scales that manage wet weather and that maintains and restores natural hydrology by infiltrating, evapotranspiring and harvesting and using stormwater. On a regional scale, green infrastructure is the preservation and restoration of natural landscape features, such as forests, floodplains and wetlands, coupled with policies such as infill and redevelopment that reduce overall imperviousness in a watershed. On the local scale, green infrastructure consists of site- and neighborhood-specific practices, such as bioretention, trees, green roofs, permeable pavements and cisterns.
 - a. Categorical Projects
The following types of projects, done at a utility owned facility or as part of a water infrastructure project, can be counted toward the GPR if they are a part of an eligible KPWSLF project:
 - i. Pervious or porous pavement
 - ii. Bioretention
 - iii. Green roofs

- iv. Rainwater harvesting/cisterns
- v. Grey water use
- vi. Xeriscape
- vii. Landscape conversion programs
- viii. Moisture and rain sensing irrigation equipment

2. Water Efficiency Improvements. Definition: EPA's WaterSense program defines water efficiency as the use of improved technologies and practices to deliver equal or better services with less water. Water efficiency encompasses conservation and reuse efforts, as well as water loss reduction and prevention, to protect water resources for the future.

a. Categorical Projects

- i. Installing or retrofitting water efficient devices such as plumbing fixtures and appliances (must be part of a larger eligible KPWSLF project)
 - 1. For example – showerheads, toilets, urinals, and other plumbing devices
 - 2. Implementation of incentive programs to conserve water such as rebates
 - 3. WaterSense labeled products
(<http://www.epa.gov/watersense/index.html>)
- ii. Installing any type of water meter in previously unmetered areas
 - 1. If rate structures are based on metered use
 - 2. Can include backflow prevention devices if installed in conjunction with water meter
- iii. Replacing existing broken/malfunctioning water meters with:
 - 1. Automatic meter reading systems (AMR), for example:
 - a. Advanced metering infrastructure (AMI)
 - b. Smart meters
 - 2. Meters with built in leak detection
 - 3. Can include backflow prevention devices if installed in conjunction with water meter replacement
- iv. Retrofitting/adding AMR capabilities or leak equipment to existing meters (not replacing the meter itself).
- v. Automatic flushing systems (portable or permanent)
- vi. Pressure reducing valves (PRVs)
- vii. Recycling and water reuse projects that replace potable sources with non-potable sources
 - 1. Gray water, condensate, and wastewater effluent reuse systems (where local codes allow the practice.
 - 2. Extra treatment costs and distribution pipes associated with water reuse.
- viii. Retrofitting or replacing existing landscape irrigation systems to more efficient landscape irrigation systems, including moisture and rain sensing controllers.
- ix. Distribution system leak detection equipment, portable or permanent.
- x. Internal plant water reuse (such as backwash water recycling).

- b. Types of Water Efficiency Projects Requiring a Business Case
 - i. Water meter replacement with traditional water meters (see AWWA M6 Water Meters – Selection, Installation, Testing, and Maintenance)
 - ii. Distribution pipe replacement or rehabilitation to reduce water loss and prevent water main breaks (see AWWA M28 Rehabilitation of Water Mains)
 - iii. Storage tank replacement/rehabilitation to reduce water loss
 - iv. New water efficient landscape irrigation system.
 - c. Considerations for making a Business Case
 - i. Efficiency is the act of reducing water consumption, which can be done through water saving elements or reducing water consumption. This will reduce the amount of water taken out of rivers, lakes, streams, groundwater, or from other sources.
 - ii. Proper water infrastructure management should address where water losses could be occurring in the system and fix or avert them. This could be achieved, for example, by making operational changes or replacing aging infrastructure.
 - iii. Water efficiency projects should deliver equal or better services with less net water use as compared to traditional or standard technologies and practices.
 - iv. Efficient water use often has the added benefit of reducing the amount of energy required by a drinking water system, since less water would need to be treated and transported; therefore, there is also a financial savings.
3. Energy Efficiency Improvements. Definition: Energy efficiency is the use of improved technologies and practices to reduce the energy consumption of water projects, use energy in a more efficient way, and/or produce/utilize renewable energy.
- a. Categorical Projects
 - i. Renewable energy generation which is part of a larger public health project such as solar, wind, geothermal, micro-hydroelectric, that provide power to a utility (<http://www.epa.gov/cleanenergy>). Micro-hydroelectric projects involve capturing the energy from pipe flow.
 - 1. Can be located on-site of the utility or off-site
 - 2. Includes the portion of a publicly owned renewable energy project that serves the utilities energy needs
 - 3. Must feed into the grid that the utility draws from and/or there is a direct connection.

- ii. National Electric Manufacturers Association (NEMA) Premium energy efficiency motors (<http://www.nema.org/gov/energy/efficiency/premium/>)
 - iii. Sub-metering of individual processes to determine high energy use areas
- b. Example Projects Requiring a Business Case
- i. Energy efficient retrofits and upgrades to pumping systems and treatment processes (including variable frequency drives (VFD's)).
 - ii. Pump refurbishment to optimize pump efficiency (such as replacing or trimming impellers if pumps have too much capacity, replacing damaged or worn wearing rings/seals/bearings, etc)
 - iii. Projects that cost effectively eliminate pumps or pumping stations.
 - iv. Automated and remote control systems (SCADA) that achieve substantial energy efficiency improvements (see AWWA M2 Instrumentation and Control)
 - v. Projects that result from an energy efficiency related assessments (such as energy audits, energy assessment studies, etc)
 - vi. Projects that achieve the remaining increments of energy efficiency in a system that is already very efficient
 - vii. Upgrade of lighting to energy efficient sources (such as metal halide pulse start technologies, compact fluorescent, light emitting diode, etc)
- c. Considerations for making a Business Case
- i. Projects should include products and practices which will decrease environmental impacts, such as reducing greenhouse gas emissions, and provide financial savings
 - ii. Projects should entail approaches to integrate energy efficient practices into daily management and long-term planning (http://www.epa.gov/waterinfrastructure/bettermanagement_energy.html)
 - iii. Operator training in conjunction with any energy savings project is strongly encouraged in order to maximize the energy savings potential
 - iv. Utilities are encouraged to utilize existing tools such as Energy Star's Portfolio Manager (http://www.energystar.gov/index.cfm?c=evaluate_performance.bus_portfoliomanager) or Check up Process for Small Systems (CUPSS) (<http://www.epa.gov/cupss/>) to document current energy usage and track anticipated savings
4. Environmentally Innovative Activities. Definition: Environmentally innovative projects include those that demonstrate new and/or innovative approaches to delivering services or managing water resources in a more sustainable way.
- a. Categorical Projects
- i. Construction of US Building Council LEED certified buildings, or renovation of an existing building, owned by the utility, which is part of an eligible DWSRF project.
 - 1. a Any level of certification (Platinum, Gold, Silver, Certified).

2. All building costs are eligible, not just stormwater, water efficiency and energy efficiency related costs. Costs are not limited to the incremental additional costs associated with LEED certified buildings.
(<http://www.usgbc.org/DisplayPage.aspx?CategoryID=19>)
- ii. Greenhouse gas (GHG) inventory management plan and submission of a GHG inventory to a registry (such as Climate Leaders or Climate Registry), as long as it is being done for a facility which is eligible for KPWSLF assistance
 1. EPA Climate Leaders – <http://www.epa.gov/climateleaders/basic/index.html>
 2. Climate Registry – <http://www.theclimateregistry.org/>
- b. Example Projects Requiring a Business Case
- i. Design practices that reduce carbon footprint
 - ii. Projects that achieve the goals/objectives of utility asset management plans
(http://www.epa.gov/safewater/smallsystems/pdfs/guide_smallsystems_assetmanagement_bestpractices.pdf;
<http://www.epa.gov/owm/assetmanage/index.htm>)
 - iii. Application of treatment technologies or systems that improve environmental conditions and are consistent with the Decision Criteria for environmentally innovative projects, such as:
 1. Projects that significantly reduce or eliminate the use of chemicals in water treatment
 2. Treatment technologies or approaches that significantly reduce the volume of residuals, minimize the generation of residuals, or lower the amount of chemicals in the residuals (Cornwell, 2009; *Water Treatment Residuals Engineering*; Water Research Foundation)
 3. Trenchless or low impact construction technology
 4. Using recycled materials or re-using materials on-site.
 - iv. Educational activities and demonstration projects for water or energy efficiency (such as rain gardens)
 - v. Projects that achieve the goals/objectives of utility asset management plans
(http://www.epa.gov/safewater/smallsystems/pdfs/guide_smallsystems_assetmanagement_bestpractices.pdf;
<http://www.epa.gov/owm/assetmanage/index.htm>).
- c. Considerations for Business Cases
- i. The majority of environmentally innovative activities will require a business case (see Section III *Business Case Development* below)
 1. Technology or approach whose performance is expected to address water quality but the actual performance has not been demonstrated in the state, or

2. Technology or approach that is not widely used in the state, but does perform as well or better than conventional technology/approaches at lower cost, or
 3. Conventional technology or approaches that are used in a new application in the state
5. Business Case Development: A business case is a due diligence document. For those projects, or portions of projects, which are not included in the categorical projects lists provided above, a business case will be required to demonstrate that an assistance recipient has thoroughly researched anticipated 'green' benefits of a project. Business cases will be approved by KDHE. The following sections provide guidelines for business case development.
- a. Business cases should be adequate but not exhaustive.
 - i. There are many formats and approaches. KDHE does not require any specific one.
 - ii. Some projects will require detailed analysis and calculations. While others many not require more than one page.
 - iii. Limit the information contained in the business case to only the pertinent 'green' information needed to justify the project
 - b. A business case can simply summarize results from, and then cite, existing documentation – such as engineering reports, water or energy audits, results of water system tests, etc
 - c. Quantifiable water and/or energy savings or water loss reduction for water and energy efficiency projects should be included, and compared to existing conditions.
 - d. Business cases must address the decision criteria for the category of project.
 - e. The cost and financial benefit of the project should be included, along with the payback time period
 - f. Items which make a stronger business case, but are not required, include:
 - i. Showing that the project was designed to enable equipment to operate most efficiently.
 - ii. Demonstrating that equipment will meet or exceed standards set by professional associations.
 - g. Including operator training or committing to utilizing existing tools such as Energy Star' s Portfolio Manager or CUPSS for energy efficiency projects.

Example business cases are available at <http://www.srfbusinesscases.net/>