

**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 2012



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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 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 2012 Intended Use Plan will address required changes in program structure and operation in order to comply with Public Law 111-88, "Making appropriations 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. These changes are still in effect due to the nature of the continuing resolution that provides funding for FFY 2011 (Public Law 112-10). 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, 2011, comply with Davis-Bacon Act Requirements; (2) to provide at least 30% of the FFY 2011 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 2011 EPA capitalization grant to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. This IUP will also address changes to the KPWSLF to make more efficient use of funds and promote use of the fund to municipalities.

Allotments for the FFY 2012 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 2012 capitalization grant, but may be amended at a future date to do so.

As of June 30, 2011, Kansas had been awarded \$162,733,800 in capitalization grants from FFY 1997 thru FFY 2010. The Kansas Public Water Supply Loan fund has been allotted \$11,522,000 for the FFY 2011 EPA capitalization grant.

II. LIST OF KPWSLF PROJECTS

On March 7, 2011, 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 2011 Project Priority List (PPL) to create the 2012 Project Priority List. Thirty-three additional projects for \$37.9 M were submitted for consideration to the 2012 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 2012 PPL can be found in Appendix A.

There are 4 projects on the 2012 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 2013 IUP is published 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 projects above the funding line 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 projects will be removed and the next project 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 2011 capitalization grant is \$174,255,800. The total amount of loans awarded as equivalent projects through June 30, 2010 is \$ 232,468,625. This leaves Kansas with a \$58 million equivalency credit. 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, 2011, 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 2012 PPL and readiness to proceed. If municipalities are provided with a loan application and do not complete it by the deadline given to them and they are otherwise nonresponsive, they will be bypassed and removed from the PPL. Twenty percent of the FFY 2011 EPA capitalization grant (\$2,267,800) 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) which will be utilized if insufficient qualified GPR projects or components are not above the PPL funding line. Projects on the GPPL may be bypassed if they exceed funding availability or are not ready to proceed. 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 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. The funding line for the PPL will be set to an amount closest to the available funds (approximately \$95M see next section for funding sources). The funding line will allow 95 projects on the PPL to submit loan applications. There is approximately \$5.2M available for GPR projects and components (2010 and 2011 grants combined) and while the GPPL shows a funding line, all GPR projects above that funding line are also above the PPL funding line. The GPPL will not be utilized unless insufficient GPR projects above the PPL funding line do not apply for loans.

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.) Systems that serve less than 10,000 represent 59% of the loan funds in the 2012 PPL and 74% 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

In November of 2010 the Kansas Development Finance Authority created a Master Financing Indenture (MFI) that allows the Kansas Public Water Supply Loan Fund and the Kansas Water Pollution Control Revolving Fund (KWPCRF - KDHE's Clean Water Act State Revolving Loan Fund) to access the municipal bond market as a single entity. This new indenture greatly enhances the KPWSLF's ability to provide loans. The MFI issued bonds in November of 2010 and May of 2011 and both issues were rated AAA (see Appendix F). The Master Bond Resolution, which preceded the MFI, will continue to exist as long as bonds issued under it are still outstanding, but no new bonds can be issued from it.

The MFI brought 3 major enhancements to the KPWSLF, the ability to utilize a cash flow reserve model for issuing bonds (the MFI still allows the use of a leveraged reserve model to issue new bonds if market conditions make it desirable to do so), strengthening cross collateralization (see Section XI), and freeing up Leveraged Reserve Fund moneys to loan directly to municipalities.

Because the Master Bond Resolution still exists, the KPWSLF is operating as both a leveraged reserve loan program and a cash flow leveraged loan program. In a leveraged reserve 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 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.

In a cash flow leveraged loan program the EPA capitalization grant is directly loaned out and the repayments of those loans are pledged as security for repayment of state issued revenue bonds (leveraged bonds). The revenue bond proceeds are also loaned to municipalities and such loans are pledged as security for repayment of the state issued revenue bonds. Since a portion of loans are funded with EPA capitalization grant funds, which the program does not pay interest on but does receive interest payments from once they are loaned out, the pool of loans can be offered at interest rates less than the market rate.

As noted in the 2011 IUP, market conditions have limited the opportunities to receive reasonable interest earnings on the Leveraged Reserve accounts that are found in leveraged reserve programs. Without the ability to invest new capitalization grants in products that give a significant and dependable rate of return, the KPWSLF leveraging structure of the Master Bond Resolution cannot provide for additional loan capacity beyond what was already committed. The MFI allowed the KPWSLF to immediately utilize a cash flow leveraging structure and in conjunction with refunding some of the Master Bond Resolution bonds, the KPWSLF was able to move funds required to be in the Leveraged Reserve account and make them available to commit to loans. Since no new bonds will be issued under the Master Bond Resolution, a portion of funds that were held in the General Recycled account that were being reserved to place into the Leveraged Reserve account for future bond issues, were instead allowed to be direct loaned.

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 applicable standards contained in Government Auditing Standards issued by the Comptroller General of the United States. The most recent audit provided an unqualified opinion.

Currently the Leveraged Reserve account of the Master Bond Resolution contains \$43,103,750 which meets the current leveraged reserve requirement based on 25% of all Master Bond Resolution outstanding bonds (\$172,415,000). As Master Bond Resolution bonds are paid off, the Leveraged Reserve account will be reduced and those funds will be moved to the MFI and direct loaned to municipalities.

As of June 30, 2011, KDHE had 217 loan agreements or offers in place for a total of \$457,342,249.92.

KDHE will direct loan the non set aside portion of the 2011 capitalization grant (and remainder of the 2010 capitalization grant) rather than use it to leverage bonds through a reserve leveraging structure. As of June 30, 2011 there was approximately \$9.3 M of the 2010 capitalization grant, \$76M from the MFI Program Equity Fund, and \$10.6M from the anticipated 2011 capitalization grant that had not yet been committed to loans. This would provide approximately \$95.9M to be committed to loans on the 2012 PPL.

More detailed financial information can be found in the KPWSLF Annual Report. The most recent report covers the program through June 30, 2010. 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 be set at 60% of the previous three months' average of the Bond Buyers 20 Year Bond Index. Previous interest rates were set at 80% of the Index. Like the 2010 capitalization grant, the 2011 grant requires the KPWSLF to provide at least 30% to be used as additional subsidy. The Fund will meet this requirement by awarding principle forgiveness for GPR projects and projects that return a non compliant public water supply system to compliance with MCL requirements.

Any GPR component or GPR project funded from available funds in the 2010 capitalization grant or 2011 capitalization grant will receive 40% 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.

Any project that returns a non compliant system to compliance in regards to MCL requirements will receive 30% principal forgiveness based on the KPWSLF funded portion of the construction contract amount listed on the bid form of the successful bidder. For projects that return systems to compliance, but also include improvements that are not closely related to compliance, the principal forgiveness will be based on the KPWSLF funded portion of the eligible component amount (determined by KDHE) listed in the bid form of the successful bidder.

EPA's guidance for implementing provisions of the 2010 and 2011 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, affordability criteria were not developed for the program.

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 making the 2011 capitalization grant available and determining if there were any additional subsidy requirements associated with the grant, it is not practical to delay projects from the 2012 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. At the time of loan execution, KDHE will determine if such loan will be required to comply with the Single Audit Act. Because it is unknown which projects listed in the PPL will actually execute loan agreements, it is not possible to list specific loans on the IUP. These loans will be listed in the annual report.

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, MFI PROGRAM EQUITY FUND, AND MFI GENERAL FUND

The Recycled Loan Account was the depository of program revenues of the Master Bond Resolution that were in excess of the amounts needed to make bond principal and interest payments and also included funds transferred/de-allocated from the Leveraged Reserve Fund as leveraged

bonds were retired. These funds were either direct loaned or transferred back to the Leveraged Reserve Fund to facilitate bond issues. Now, these revenues in the Master Bond Resolution that would normally flow to the Recycled Loan Account are transferred to the MFI. The MFI contains a Program Equity Fund which consists of program revenues of the MFI in excess of the amounts needed to make MFI bond principal and interest payments. The Program Equity Fund can be direct loaned (recycled) to municipalities, but it is also pledged to the MFI so it could be used in an emergency to prevent a default in MFI bonds. Funds in the Program Equity Fund can be transferred to the General Fund where they can also be direct loaned to municipalities; however, the General Fund is not pledged to the MFI so these funds would not be used to prevent a default in MFI bonds unless the KPWSLF specifically chose to do so.

As of June 30, 2011 the Recycled Loan Account had a balance of \$7,566,294.75, that entire amount is expected to be disbursed to existing loans. Once disbursements are made to satisfy those existing loans, any remaining balance of the Recycled Loan Account and principal repayments from Recycled Loans will be transferred to the MFI.

As of June 30, 2011 the Program Equity Fund had a balance of \$20,000,000. However, by April of 2012 the Program Equity Fund is expected to have an additional \$56,000,000 deposited into it as excess revenues from the Master Bond Resolution flows through the MFI. The KPWSLF intends to commit loans for the entire \$76,000,000 that is expected to be in this fund throughout the program year.

The KPWSLF has historically utilized pre-spending of bond proceeds using funds in the Recycled Loan Account. 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. This practice will likely continue using the Program Equity Fund.

As of June 30, 2011 the General Fund had a balance of \$0.00. It is not expected that any funds will be transferred to the General Fund in the near future.

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 set asides and uses that can be utilized:

- 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 2011 grant. Funds from previous grants and work plans will be spent in addition to (or prior to) the reserved amounts for the 2011 grant.

For the 2011 capitalization grant the KPWSLF will reserve 4% for Administration (\$460,880), and 2.5% for Technical Assistance (\$288,050). The amount for Technical Assistance will use \$57,610 of credits reserved from previous years (see History of Credits Towards Future Grants on next page).

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.

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 2012 program year however these expenditures will likely be taken from the 2008 and 2009 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 \$285,000 from this set aside during the 2012 program year with expenditures taken from 2010 and 2011 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 \$300,000 from this set aside during the 2012 program year however these expenditures will be taken from the 2009 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 \$400,000 from this set aside during the 2012 program year however these expenditures will be taken from the 2010 capitalization grant as no funds from the 2011 capitalization grant will be reserved.

SUMMARY OF CAPITALIZATION GRANT USES

	FY 2011
Direct Loan	10,773,070
Administration	\$460,880
Technical Assistance	\$288,050
State Program Management	\$0
Other Authorized Activities	\$0
Total	\$11,522,000

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	
2011	-\$57,610		
Totals	\$469,711	\$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, 2011 there was a balance of \$257,188.61 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, 2011 the balance of the service fee account was \$3,902,207.12. 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, 2011 there was a \$0 balance in the FIAC fee account as all funds were transferred to KRWFA.

XI. CROSS COLLATERALIZATION

The KPWSLF and KWPCRF have two cross collateralization mechanisms (one for the Master Bond Resolution and one for the MFI) that are explained in detail in the Operating Agreement between KDHE and EPA.

The Master Bond Resolution and KPWSLF and KWPCRF operating agreements allow funds that would normally be transferred to the MFI each fiscal year, to be used to remedy an Master Bond Resolution 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 be transferred to the MFI. 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 2012 program year.

The entire MFI is structured as a cross collateralization mechanism as all interest revenues are pledged to the MFI State Match bonds and all other revenues are pledged to the MFI Leveraged Bonds. The KPWSLF and KWPCRF will maintain and operate the loan programs as separate entities with separate accounting of all loan disbursements, interest revenues, principal revenues, State Match debt service, Leveraged debt service, State Match bond issuance amounts, Leveraged bond issuance amounts, State Match bond proceeds, Leveraged bond proceeds, and any other fund or account established in the MFI.

If cross-collateralization is used to pay debt service on MFI bonds, KDHE accounting will show

revenue from one program was needed to pay debt service of the other program. That amount will be treated as a loan (without interest) to be repaid once the borrowing program has available funds in its portion of the Program Equity Fund. In the unlikely event that State Match debt service could not be paid using the corresponding program's portion of interest revenues in the MFI, an amount necessary needed to pay the State Match debt service of the program would be transferred from the corresponding program's Service Fee account to the State Match debt service account (Service Fees are a interest component of the loan repayments). This will assure that the assets of one program are not used, even temporarily, to pay for the other program's State Match.

Furthermore, the MFI will not issue any bonds unless it can show that the program which receives bond proceeds can pay 100% of the debt service of the corresponding bonds (in other words, without using cross-collateralization).

XII. CASH DRAW RATIO

The non set aside portion of the 2011 capitalization grant will be direct loaned. KDHE will determine which loans receive 2011 capitalization grant funds at the time of loan execution. The 2011 capitalization grant will require a state match of \$2,304,440. The Fund has \$20,628.00 of State Match that was deposited on October 29, 2008 (and disbursed to a single loan recipient) but was not designated as match to a particular capitalization grant. The Fund also has \$4,000,000 of State Match that was deposited and disbursed in 2009 (and used for loan disbursements among 11 municipalities - see Appendix H) but was not designated as match to a particular capitalization grant. The remaining \$20,628.00 of the 2008 deposit and \$2,283,812 of the 2009 deposit will be designated as State Match for the 2011 Capitalization Grant. Because the 2011 state match was previously disbursed, the draw ratio for the 2011 capitalization grant is 100%.

XIII. PUBLIC REVIEW

A public hearing on the FY2012 Intended Use Plan and Priority Ranking System was held on July 12, 2011. The draft FY2012 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

2012 Project Priority List

July 12, 2011

Municipality Name	Project #	Priority Rating	Project Description	Loan Request \$	Accumulative Amount \$	Population Served	GPR Type ¹	GPR Categorical	GPR Business Case	GPR Amount
Oakley**	2507	38	New Well	\$261,500	\$0	1,812	A	*	*	Unknown
Argonia/Regional District***	2702	38	WTP to remove Arsenic and Nitrates	\$4,000,000	\$4,000,000	792	A	*	*	Unknown
Liebenthal	2755	33	Water Treatment Plant for Flouride Compliance	\$310,000	\$4,310,000	99	A	*	*	Unknown
St. John	2724	33	New Well or WTP to Resolve Nitrate Non Compliance	\$3,000,000	\$7,310,000	1,174	A	*	*	Unknown
Mitchell Co. RWD #2**	2555	30	WTP improvements	\$1,600,000	\$7,310,000	5,099	A	*	*	Unknown
Jefferson Co. RWD #1	2764	30	Replace Asbestos pipe	\$2,000,000	\$9,310,000	2531	A	*	*	Unknown
Hiawatha	2661	26	RO Treatment Plant	\$11,600,000	\$20,910,000	4,364	A	*	*	Unknown
Gove	2759	23	Replace Well and Pumpstation	\$550,000	\$21,460,000	88	A	*	*	Unknown
Manhattan	2720	23	Waterline Extension to Serve Konza Valley	\$1,038,000	\$22,498,000	56,520	A	*	*	Unknown
Elgin	2705	18	New Well and Waterline Replacement	\$342,000	\$22,840,000	71	A	*	*	Unknown
Johnson Co. RWD #7**	2727	17	Consolidate systems and replace meters	\$2,600,000	\$22,840,000	4,537	W	yes		\$168,000
Medicine Lodge	2749	16	Clearwell Improvements	\$110,000	\$22,950,000	1,958	A	*	*	Unknown
Strong City***	2535	15	WTP Improvements	\$27,000	\$22,950,000	946	A	*	*	Unknown
Smith Co. RWD #1	2547	15	New Booster Pump Station	\$281,690	\$23,231,690	380	A	*	*	Unknown
Jefferson Co RWD #9	2441	15	New Well and Treatment Facility	\$600,000	\$23,831,690	352	A	*	*	Unknown
Dickinson Co. RWD #2	2518	15	Pumpstation and Waterline	\$750,000	\$24,581,690	1,560	A	*	*	Unknown
Leavenworth Co RWD #7	2474	15	Distribution Line replacement	\$840,000	\$25,421,690	3,000	A	*	*	Unknown
Allen Co. RWD #8	2717	15	New Storage tower and pipe	\$851,740	\$26,273,430	736	A	*	*	Unknown
Franklin Co. RWD #4	2713	15	New Tower and Pumpstation Replacement	\$1,820,000	\$28,093,430	2,281	A	*	*	Unknown
Baldwin	2430	15	Water Transmission Main replacement	\$2,500,000	\$30,593,430	6,015	A	*	*	Unknown
Johnson Co. Con. RWD #6	2532	15	Water Line and Storage	\$6,900,000	\$37,493,430	3,420	A	*	*	Unknown
Reserve	2706	13	Rehabilitate Storage Tank	\$15,390	\$37,508,820	93	A	*	*	Unknown
Virgil	2550	13	Replace Water lines	\$30,000	\$37,538,820	99	A	*	*	Unknown
Weir	2488	13	New SCADA System	\$40,000	\$37,578,820	706	A	*	*	Unknown
Dickinson Co. RWD #1	2751	13	Install Main Line Meters for Leak Detection	\$40,250	\$37,619,070	979	W	yes		\$40,250
Olmitz	2669	13	Replace Waterline	\$50,000	\$37,669,070	129	A	*	*	Unknown
Norcatuar	2429	13	Water Tower Rehabilitation	\$80,000	\$37,749,070	141	A	*	*	Unknown
Kiowa	2486	13	New Well	\$130,000	\$37,879,070	1,121	A	*	*	Unknown
Chanute	2576	13	Replace CO2 tank, repair Clarifiers	\$150,000	\$38,029,070	9,613	A	*	*	Unknown
Cuba	2562	13	replace well and add pumpstation	\$155,000	\$38,184,070	191	A	*	*	Unknown
Bogue	2460	13	Water Distribution System Replacement	\$164,998	\$38,349,068	160	A	*	*	Unknown
Ogden	2753	13	Install AMR Meters	\$198,000	\$38,547,068	2,324	W	yes		\$198,000
Delphos	2763	13	Replace Meters with AMR system	\$208,426	\$38,755,494	359	W	yes		\$208,426
Bartlett	2480	13	Water Line Replacement	\$225,000	\$38,980,494	121	A	*	*	Unknown
Green	2712	13	New Well and Waterline Replacement	\$250,000	\$39,230,494	139	A	*	*	Unknown

Marion	2739	13	Install Radio Read Meters	\$300,000	\$39,530,494	2,093	W	*	*	\$300,000
Osborne	2737	13	Rehabilitate Filters	\$300,000	\$39,830,494	1,374	A	*	*	Unknown
Ellis	2613	13	Distribution System replacement	\$300,000	\$40,130,494	1,952	A	*	*	Unknown
Arkansas City	2651	13	New Tower to replace hydro-pneumatic system	\$350,000	\$40,480,494	12,374	A	*	*	Unknown
Parker	2482	13	Water Line Replacement	\$400,000	\$40,880,494	299	A	*	*	Unknown
Coffeyville	2580	13	Transmission Main Replacement WTP to Storage	\$425,000	\$41,305,494	14,356	A	*	*	Unknown
Geneseo	2754	13	Install AMR Meters, New Well, and replace Transmissio	\$477,000	\$41,782,494	259	W	yes	yes	\$282,325
Osage Co. RWD #2	2740	13	New Well and Transmission Main	\$500,000	\$42,282,494	220	A	*	*	Unknown
Crawford Co RWD #1	2437	13	Water Main Replacement	\$572,000	\$42,854,494	430	A	*	*	Unknown
Barnes	2700	13	Waterline and Disinfection system replacement	\$650,000	\$43,504,494	136	A	*	*	Unknown
Atchison	2745	13	Replace VFW Booster Pump Station	\$789,000	\$44,293,494	14,859	E		yes	\$300,000
Russell	2731	13	Replace Waterlines on Elm and Kansas	\$927,000	\$45,220,494	4,185	A	*	*	Unknown
Atchison	2566	13	replace pipe on Main sty.	\$976,426	\$46,196,920	14,859	A	*	*	Unknown
Kinsley	2752	13	Replace Waterlines	\$1,168,085	\$47,365,005	1,442	A	*	*	Unknown
Oswego	2459	13	Water Distribution System Replacement	\$1,500,000	\$48,865,005	2,031	A	*	*	Unknown
Cottonwood Falls	2621	13	Water Main Replacement	\$1,630,000	\$50,495,005	878	A	*	*	Unknown
Humbolt	2543	13	Distribution Pipe Replacement	\$2,000,000	\$52,495,005	1,941	A	*	*	Unknown
Smith Center	2733	13	Replace Water Treatment Plant	\$2,500,000	\$54,995,005	1,585	A	*	*	Unknown
Manhattan	2743	13	Replace Water Meters	\$3,084,249	\$58,079,254	56,520	W	yes		\$3,084,249
Anthony	2593	13	Replace ground storage and waterline	\$3,284,800	\$61,364,054	2,398	A	*	*	Unknown
Atchison	2551	13	New Tower	\$3,563,006	\$64,927,060	14,859	A	*	*	Unknown
Arkansas City	2648	13	WTP improvements	\$6,500,000	\$71,427,060	12,347	A	*	*	Unknown
Windom	2653	11	Replace Waterlines	\$54,000	\$71,481,060	130	A	*	*	Unknown
Oxford	2615	11	waterline replacement	\$87,000	\$71,568,060	1,223	A	*	*	Unknown
Reno Co. RWD #3	2686	11	Replace Waterlines	\$100,000	\$71,668,060	450	A	*	*	Unknown
Bucklin	2440	11	Well and Tower Rehab and Waterline Replacement	\$100,000	\$71,768,060	727	A	*	*	Unknown
Haven	2513	11	Extension to serve Industrial Park	\$114,248	\$71,882,308	1,163	A	*	*	Unknown
Colby	2589	11	Emergency Power Generator	\$120,000	\$72,002,308	4,803	A	*	*	Unknown
Mount Hope	2549	11	Waterline Replacement	\$120,000	\$72,122,308	857	A	*	*	Unknown
Wellsville	2670	11	Replace Waterline	\$136,653	\$72,258,961	1,707	A	*	*	Unknown
Leon	2606	11	New wells to meet demand	\$200,000	\$72,458,961	640	A	*	*	Unknown
Marysville	2734	11	Water Tower Rehabilitation	\$210,000	\$72,668,961	3,105	A	*	*	Unknown
Dighton	2592	11	Lane St. Distribution Replacement	\$245,000	\$72,913,961	1,019	A	*	*	Unknown
Olsburg	2560	11	distribution replacement	\$350,000	\$73,263,961	197	A	*	*	Unknown
Kingman	2654	11	Replace Waterlines	\$358,000	\$73,621,961	3,181	A	*	*	Unknown
Cunningham	2658	11	Looping and Generator	\$365,865	\$73,987,826	452	A	*	*	Unknown
Burlington	2563	11	Waterline relocation	\$400,000	\$74,387,826	5,121	A	*	*	Unknown
Beloit	2760	11	Replace Meters with AMR system	\$500,000	\$74,887,826	3,985	W	yes		\$500,000

Topeka	2666	11	Replace waterlines in Belmont Addition	\$500,000	\$75,387,826	151,349	A	*	*	Unknown
Salina	2627	11	Replace Waterlines	\$500,000	\$75,887,826	47,023	A	*	*	Unknown
El Dorado	2623	11	Replace Waterlines	\$500,000	\$76,387,826	31,587	A	*	*	Unknown
Medicine Lodge	2748	11	Install AMR Meters	\$501,920	\$76,889,747	1,958	W	yes		\$501,920
Larned	2746	11	Replace Water Mains installed in 1890's	\$530,000	\$77,419,747	3,540	W		yes	\$530,000
Topeka	2664	11	Replace 29th St. Waterlines	\$550,000	\$77,969,747	151,349	A	*	*	Unknown
Phillipsburg	2750	11	Install AMR meters	\$625,000	\$78,594,747	2,349	W	yes		\$625,000
Udall	2671	11	Replace Waterline	\$1,000,000	\$79,594,747	739	A	*	*	Unknown
Lawrence	2617	11	SCADA and Security Improvements	\$1,000,000	\$80,594,747	142,224	A	*	*	Unknown
Salina	2626	11	WTP Rehab	\$1,025,000	\$81,619,747	47,023	A	*	*	Unknown
Beloit	2758	11	Replace Waterlines	\$1,072,667	\$82,692,413	3,985	A	*	*	Unknown
Dodge City	2659	11	2 new wells	\$1,200,000	\$83,892,413	25,689	A	*	*	Unknown
Topeka	2665	11	37th St. Waterline	\$1,300,000	\$85,192,413	151,349	A	*	*	Unknown
Salina	2628	11	Well Field Improvements	\$1,300,000	\$86,492,413	47,023	A	*	*	Unknown
Wamego	2625	11	New Tower	\$1,400,000	\$87,892,413	4,358	A	*	*	Unknown
Topeka	2668	11	Waterline from 37th and Fairlawn	\$1,500,000	\$89,392,413	151,349	A	*	*	Unknown
Winchester	2721	11	Waterline and SCADA Replacement, Wind Turbine	\$2,000,000	\$91,392,413	562	A	*	*	Unknown
Lawrence	2619	11	Waterline Replacement	\$2,000,000	\$93,392,413	142,224	A	*	*	Unknown
El Dorado	2534	11	New Booster Pump Station and Pipeline - phase 1	\$2,000,000	\$93,392,413	31,587	A	*	*	Unknown
FUNDING LINE										
Salina	2629	11	Distribution System replacement	\$2,200,000	\$95,592,413	47,023	A	*	*	Unknown
Kansas City BPU	2570	11	Pipe Replacement	\$2,253,521	\$97,845,935	168,620	A	*	*	Unknown
Lyons	2757	11	Replace Waterline and Install AMR meters	\$2,332,000	\$100,177,935	4,300	W	yes	yes	\$2,332,000
Ellsworth	2561	11	2 wells and replace raw water line	\$2,500,000	\$102,677,935	2,858	A	*	*	Unknown
Topeka	2667	11	Water main along Indian Hills Rd	\$3,619,000	\$106,296,935	151,349	A	*	*	Unknown
Girard	2508	11	Replace Water Tower, Waterline, and Pumpstation	\$4,300,000	\$110,596,935	2,722	A	*	*	Unknown
Lawrence	2618	11	Redundant Water Supply Line for N. Lawrence	\$7,300,000	\$117,896,935	142,224	A	*	*	Unknown
Kansas City BPU	2571	11	4MG reservoir to meet demand	\$11,267,606	\$129,164,540	168,620	A	*	*	Unknown
Kansas City BPU	2718	11	Upgrade meters with automated reading	\$16,000,000	\$145,164,540	168,620	W	yes		\$16,000,000
Topeka	2662	11	Upgrade meters with Advanced Metering Infra.	\$18,400,000	\$163,564,540	151,349	W	yes		\$18,400,000
Butler Co. RWD #5	2675	10	Replace VFD	\$40,000	\$163,604,540	4,757	A	*	*	Unknown
Saline Co. RWD #3	2761	10	Replace Meters with AMR system	\$65,000	\$163,669,540	843	W	yes		\$65,000
Butler Co. RWD #5	2676	10	Barbor Building Piping Replacement	\$65,000	\$163,734,540	4,757	A	*	*	Unknown
Hesston	2715	10	Install VFD's and Emergency Generators	\$100,000	\$163,834,540	3,741	A	*	*	Unknown
Gardner	2645	10	Water Tower Improvements	\$120,000	\$163,954,540	17,462	A	*	*	Unknown
Shawnee Co. RWD #3C	2756	10	Install AMR meters	\$139,160	\$164,093,700	1,785	W	yes		\$139,160
Sedgwick Co RWD #2	2742	10	Replace Meters with AMR system	\$140,000	\$164,233,700	1,100	W	yes	*	\$140,000
Douglass	2704	10	Rehabilitate Storage Tank	\$150,000	\$164,383,700	1,806	A	*	*	Unknown
Rooks Co. RWD #1	2433	10	New Water Supply Well/Interconnection	\$232,320	\$164,616,020	87	A	*	*	Unknown
Jackson Co. RWD #1	2736	10	Install AMR meters	\$250,000	\$164,866,020	7,658	W	*	*	\$250,000

Wilson Co RWD #9	2660	10	Waterline and Storage Improvements	\$350,000	\$165,216,020	546	A	*	*	Unknown
WaterOne	2599	10	Install Interconnection Valves	\$415,000	\$165,631,020	331,900	A	*	*	Unknown
Jackson Co. RWD #1	2735	10	Replace Waterlines	\$424,450	\$166,055,470	7,658	A	*	*	Unknown
Sedgwick Co RWD #2	2744	10	Install Waterlines	\$450,000	\$166,505,470	1,100	A	*	*	Unknown
Mulvane	2707	10	Replace Waterlines	\$482,125	\$166,987,595	5,915	A	*	*	Unknown
Sumner Co. RWD #4	2762	10	New Wells, Pump Station, and Replace Meters	\$550,000	\$167,537,595	1277	A	*	*	Unknown
Dickinson Co. RWD #1	2685	10	Replace Waterlines	\$560,000	\$168,097,595	979	A	*	*	Unknown
Bonner Springs	2457	10	Replace Front St. Water Main	\$570,000	\$168,667,595	7,161	A	*	*	Unknown
Osage Co. RWD #7	2652	10	Water Line Replacement	\$580,000	\$169,247,595	2,031	A	*	*	Unknown
Valley Center	2622	10	Looping	\$600,000	\$169,847,595	7,738	A	*	*	Unknown
Johnson Co. RWD #7	2636	10	Replace waterline along 151st St.	\$650,000	\$170,497,595	4,537	A	*	*	Unknown
Sedgwick Co. RWD #1	2684	10	Booster Pump Station and Disinfection Booster	\$682,000	\$171,179,595	1,275	A	*	*	Unknown
Butler Co. RWD #5	2674	10	Waterline Extension	\$703,000	\$171,882,595	4,757	A	*	*	Unknown
Coffey Co. RWD #3	2546	10	New Water Tower	\$795,000	\$172,677,595	1,600	A	*	*	Unknown
Ottawa Co RWD #2	2644	10	Replace Tower	\$828,732	\$173,506,327	1,794	A	*	*	Unknown
Johnson Co. RWD #7	2728	10	Water Main- Four Corners, Kill Creek Rd, Waverly Rd	\$850,000	\$174,356,327	4,537	A	*	*	Unknown
WaterOne	2598	10	Replace high service pumps at Hansen Facility	\$1,000,000	\$175,356,327	331,900	A	*	*	Unknown
WaterOne	2597	10	Replace Traveling Screens	\$1,000,000	\$176,356,327	331,900	A	*	*	Unknown
Sedgwick Co. RWD #3	2725	10	Booster Pump Station and Pipe to New Source	\$1,111,000	\$177,467,327	5,145	A	*	*	Unknown
Benton	2677	10	Replace Storage	\$1,289,250	\$178,756,577	806	A	*	*	Unknown
Ottawa Co. RWD #2	2747	10	New Well Field	\$1,412,800	\$180,169,377	1,794	A	*	*	Unknown
WaterOne	2602	10	Interconnect with Gardner	\$1,413,228	\$181,582,605	331,900	A	*	*	Unknown
Johnson Co. RWD #7	2730	10	New Water Tower	\$1,500,000	\$183,082,605	4,537	A	*	*	Unknown
Johnson Co RWD #7	2503	10	New Elevated Storage Tank and Supporting Pipeline	\$1,950,000	\$185,032,605	4,537	A	*	*	Unknown
Kansas City BPU	2545	10	Water Main Replacement	\$2,000,000	\$187,032,605	168,620	A	*	*	Unknown
Miami Co. RWD #1	2655	10	Water Line Replacement and new tower	\$2,130,600	\$189,163,205	1,680	A	*	*	Unknown
WaterOne	2595	10	Woodson Pump Station Rehab	\$2,200,000	\$191,363,205	331,900	A	*	*	Unknown
Leavenworth Co RWD #1C	2647	10	Replace Tower	\$2,400,000	\$193,763,205	3,200	A	*	*	Unknown
Johnson Co. RWD #7	2640	10	New Water Tower to Share with Spring Hill	\$2,963,000	\$196,726,205	4,537	A	*	*	Unknown
WaterOne	2601	10	36-inch Transmission Main	\$3,138,888	\$199,865,093	331,900	A	*	*	Unknown
Lyon Co. RWD # 1	2710	10	Replace Waterline, pumpstation, and install tower mixing	\$5,000,000	\$204,865,093	1,595	A	*	*	Unknown
Goddard	2512	10	New Transmission Main	\$5,040,000	\$209,905,093	3,869	A	*	*	Unknown
Desoto	2578	10	WTP Rehabilitation	\$5,250,000	\$215,155,093	5,561	A	*	*	Unknown
Bonner Springs	2453	10	New Plant and Well to meet capacity	\$9,660,000	\$224,815,093	7,161	A	*	*	Unknown
Public Wholesale WSD # 25	2765	10	New WTP and Wells	\$16,000,000	\$240,815,093	6358	A	*	*	Unknown
Chautauqua Co. RWD #4	2732	8	Install Radio Read Meters	\$81,400	\$240,896,493	385	W	yes		\$81,400
Colby	2588	8	New Water Storage Tank	\$600,000	\$241,496,493	4,803	A	*	*	Unknown

Mayetta	2502	6	Interconnect with Jackson Co RWD #1	\$280,000	\$241,776,493	355	A	*	*	Unknown
Topeka	2542	6	Transmission main along SE 37th and Adams	\$1,287,850	\$243,064,343	151,349	A	*	*	Unknown
Gardner	2646	5	Looping	\$60,000	\$243,124,343	17,462	A	*	*	Unknown
Bonner Springs	2456	5	Water Main Replacement - on 138th	\$300,000	\$243,424,343	7,161	A	*	*	Unknown
WaterOne	2600	5	Replace Treatment Plant Roof	\$412,000	\$243,836,343	331,900	A	*	*	Unknown
Bonner Springs	2455	5	Water Main Replacement - Nettleton to 138th	\$500,000	\$244,336,343	7,161	A	*	*	Unknown
Bonner Springs	2457	5	Water Main Replacement - Front Street	\$700,000	\$245,036,343	7,161	A	*	*	Unknown
Miami Co RWD #2	2604	5	New Tower and Pipeline	\$4,800,000	\$249,836,343	14,059	A	*	*	Unknown

* Project could contain some components that are considered categorically green and some components that will need a business case

** These projects have requested a delay to consideration for funding because they are not ready to proceed and will be bypassed until the 2013 program year.

*** Pending final results of regionalization feasibility study

¹ G = Green Infrastructure, W = Water Efficiency, E = Energy Efficiency, I = Environmentally Innovative, A = Could contain components of G, W, E, and I

43% of funds on PPL for systems with population of less than 5,000 for entire list

70% of funds above funding line with population of less than 5,000 above funding line

59% of funds on PPL for systems with population of less than 10,000 for entire list

75% of funds above funding line with population of less than 10,000 above funding line

2011 Green Project Priority List

July 12, 2011

Municipality Name	Project #	Priority Rating	Project Description	Loan Request \$	Accumulative Amount \$	GPR Type ¹	GPR Categorical	GPR Business Case	GPR Amount
Dickinson Co. RWD #1	2751	13	Install Main Line Meters for Leak Detection	40,250.00	\$40,250	W	yes		\$40,250
Ogden	2753	13	Install AMR Meters	198,000.00	\$238,250	W	yes		\$198,000
Delphos	2763	13	Replace Meters with AMR system	\$208,426	\$446,676	W	yes		\$208,426
Marion	2739	13	Install Radio Read Meters	\$300,000	\$746,676	W	yes		\$300,000
Manhattan	2743	13	Replace Water Meters	\$3,084,249	\$3,830,925	W	yes		\$3,084,249
Beloit	2760	11	Replace Meters with AMR system	500,000.00	\$4,330,925	W	yes		\$500,000
Medicine Lodge	2748	11	Install AMR Meters	501,920.40	\$4,832,845	W	yes		\$501,920
			FUNDING LINE						
Larned	2746	11	Replace Water Mains installed in 1890's	530,000.00	\$5,362,845	W	yes	yes	\$530,000
Phillipsburg	2750	11	Install AMR meters	625,000.00	\$5,457,845	W	yes		\$625,000
Lyons	2757	11	Replace Waterline and Install AMR meters	2,332,000.00	\$7,789,845	W	yes	yes	\$2,332,000
Kansas City BPU	2718	11	Automated Meter Reading System	\$16,000,000	\$23,789,845	W	yes		\$16,000,000
Topeka	2662	11	Advanced Metering Infrastructure	\$18,400,000	\$42,189,845	W	yes		\$18,400,000
Saline Co. RWD #3	2761	10	Replace Meters with AMR system	\$65,000	\$42,254,845	W	yes		\$65,000
Shawnee Co. RWD #3C	2756	10	Install AMR meters	139,160.00	\$42,329,005	W	yes		\$139,160
Sedgwick Co RWD #2	2742	10	Replace Meters with AMR system	\$140,000	\$42,469,005	W	yes		\$140,000
Jackson Co. RWD #1	2736	10	Install AMR meters	\$250,000	\$42,719,005	W	yes		\$250,000
Chautauqua Co. RWD #4	2732	8	Install Radio Read Meters	\$81,400	\$42,800,405	W	yes		\$81,400

¹ G = Green Infrastructure, W = Water Efficiency, E = Energy Efficiency, I = Environmentally Innovative, A = Could contain components of G, W, E, and I

Appendix B

Set-Aside Work Plans

Sources and Uses Tables

Set Aside Work Plan for 2011 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>
\$288,050	Contractor	Provide a min. of 2,000 hours of assistance 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>
\$460,880	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 2011 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>

No funds from the 2011 grant are reserved for this set aside

Sources and Uses
For Program year 2012
Amounts as of June 30, 2011

Sources:

Bond Proceeds	\$19,620,522
Recycled Loan Account	\$7,566,295
MFI Program Equity	\$76,000,000
Undisbursed Capitalization Grants	
2007 Grant - State Program Management	\$14,555
2008 Grant - Administration	\$15,191
2009 Grant - Administration, State Program Management	\$722,835
2010 Grant - Administration, Other Authorized Activities, Technical Assistance	\$1,570,734
2010 Grant - Loans	\$13,739,893
2011 Grant - Loans	\$10,773,070
2011 Grant - Administration, Technical Assistance	\$748,930
Total	\$130,772,025

Uses:

Disbursements to Executed Loans	\$31,585,767
Disbursements from MFI Program Equity to Future Executed Loans	\$76,000,000
2010 Grant to be committed/disbursed to loans on 2012 IUP	\$9,340,942
2011 Grant to be committed/disbursed to loans on 2012 IUP	\$10,773,070
Program Set Asides	
2007 Grant - State Program Management	\$14,555
2008 Grant - Administration	\$15,191
2009 Grant - Administration, State Program Management	\$722,835
2010 Grant - Administration, Technical Assistance, Other Authorized Activities	\$1,570,734
2011 Grant - Administration, Technical Assistance	\$748,930
Total	\$130,772,025

Appendix C

Project Priority System

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

State Fiscal Year 2012
Kansas Public Water Supply Loan Fund
Project Priority System

July 12, 2011

Kansas Department of Health and Environment
Kansas Public Water Supply Loan Fund
Project Priority System
FY 2012

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, July 12, 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) 2012 Intended Use Plan (IUP). This plan will describe how the KPWSLF intends to use available funds as well as implement prevailing wage rate requirements, green project reserve requirements, additional subsidy in the form of principal forgiveness, and reduced loan interest rates. Copies of the IUP can be obtained online, after June 15, at http://www.kdheks.gov/pws/loan/2012_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, Bureau of Water, KDHE, 1000 S.W. Jackson, Suite 420, Topeka, 66612.

Robert Moser, M.D.
Secretary of Health
and Environment

Doc. No. 039479

State of Kansas

Department of Health
and EnvironmentNotice 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-11-092/096

Pending Permits for Confined Feeding Facilities

Name and Address of Applicant	Legal Description	Receiving Water
Schulze Farms, LLC Brian Schulze 7191 Road W6 Norton, KS 67654	NW/4 of Section 11, T02S, R24W, Norton County	Upper Republican River Basin

Kansas Permit No. A-URNT-B012

This is a new permit for an expanding confined feeding operation with a maximum capacity of 400 head (200 animal units) of cattle weighing 700 pounds or less. Modifications include the construction of open lot pens, a sediment basin, and a vegetative treatment area.

Name and Address of Applicant	Legal Description	Receiving Water
Bar D Cattle Company David Kielhorn 31302 131st Road Arkansas City, KS 67005	NW/4 of Section 05, T35S, R05E, Cowley County	Lower Arkansas River Basin

Kansas Permit No. A-ARCL-B002

This is a new permit for an existing facility for 980 head (490 animal units) of cattle weighing 700 pounds or less. The facility consists of approximately 2.6 acres of open lot pens, two diversions and a two-cell earthen retention structure. Proposed modifications include the removal of the berm between the two cells of the structure.

Name and Address of Applicant	Legal Description	Receiving Water
Seaboard Foods, LP Breeding #3, 4, 5, 6 and 7 Don Owens 2801 Hurliman Road Guymon, OK 73942	Parts of Sections 21, 27, 28, 29 & 33, T31S, R40W, Morton County	Cimarron River Basin

Kansas Permit No. A-CIMT-H001 Federal Permit No. KS0091341

This is a permit modification and reissuance for the construction of an evaporation basin at an existing swine facility. The existing capacity is 37,850 head (15,140 animal units) of swine weighing more than 55 pounds each and 39,460 head (3,946 animal units) of swine weighing 55 pounds or less each, for a total of 19,086 animal units of swine. The capacity will be unchanged by the modification. This facility has an approved nutrient management plan on file with KDHE.

Name and Address of Applicant	Legal Description	Receiving Water
SCA New Look 2 Steven Cox Associates, LLC 504 W. 1500 Road Long Island, KS 67647	W/2 of Section 21, T01S, R20W, Phillips County	Upper Republican River Basin

Kansas Permit No. A-URPL-S010

This permit is being reissued for an existing facility with a maximum capacity of 2,190 head (876 animal units) of swine more than 55 pounds 1,150 head (115 animal units) of swine 55 pounds or less, for a total of 3,340 head (991 animal units) of swine. There is no change in the permitted animal units from the previous permit.

Name and Address of Applicant	Legal Description	Receiving Water
Erickson Farms Keith Erickson 1197 W. Iron Road Prairie View, KS 67664	SW/4 of Section 11, T02S, R20W, Phillips County	Solomon River Basin

Kansas Permit No. A-SOPL-B007

This permit is being reissued for an existing facility with a maximum capacity of 230 head (115 animal units) of cattle 700 pounds or less. There is no change in the permitted animal unit capacity from the previous permit.

Public Notice No. KS-Q-11-045/048

The requirements of the draft permits public noticed below are pursuant to the Kansas Surface Water Quality

FY2012 IUP
Summary of Public Hearing
July 12, 2011

FY2011 IUP Public Hearing
Attendance List

July 12, 2011

<u>Name</u>	<u>From</u>
Thaniel Monaco	BG Consultants
Rose Mary Saunders	Ranson Financial
Dave Waldo	KDHE
Cathy Tucker-Vogel	KDHE
William Carr	KDHE

Details regarding the special conditions of the 2011 grant, changes in the bond structure, additional subsidy qualifications, and changes in the interest rate setting of loans, and placement of the funding line on the PPL were discussed. Positive verbal comments were made regarding additional subsidy and interest rate changes.

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	Leveraged Bonds Par Amount	State Match Bonds Par Amount	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				
2010 Refund	\$59,105,000	\$2,405,000			AAA	AAA
Bonds Eliminated by Refunding	-\$87,870,000	-\$2,495,000				
2011	\$49,880,000	\$3,500,000	\$53,000,000		AAA	AAA
Totals	\$352,390,000	\$29,135,000	\$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 and 2011 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 Water Sense 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/>

Appendix H

State Match

RECEIPT VOUCHER

11/12/2008
 14:26:07

Deposit of State Match Bonds from 2008 Bond Issue

Treasurer's Validation Number: 10000046

STARS Receipt Voucher	Current Document Number S9037145
Doc Date: 10/29/2008 Eff Date: 10/29/2008	

Line #	Sfx	T/C	Agy	Fund	BFY	Index	PCA	SObj	R	Amount	
843819	01	604	264	7539	2009	7844	73000	6023		\$258,406.75	
ACH/WIRE		Description 2008 DW - Original Issue Premium to COI						Agency Use 2008 DW			
843820	02	604	264	7538	2009	7709	73000	6021		\$5,040,000.00	
ACH/WIRE		Description 2008 DW - Bond Proceeds to State Match Account						Agency Use 2008 DW			
843821	03	604	264	7538	2009	7714	73000	6021		\$30,523,792.00	
ACH/WIRE		Description 2008 DW - Bond Proceeds to Leveraged Loan Account						Agency Use 2008 DW			
843822	04	604	264	7539	2009	7844	73000	6021		\$769,208.00	
ACH/WIRE		Description 2008 DW - Bond Proceeds to COI Account						Agency Use 2008 DW			
843823	05	603	264	7539	2009	7844	73000	2790	R	\$702,050.01	
ACH/WIRE		Description 2008 DW - Underwriter's Discount						Agency Use 2008 DW			
Cash			Checks BY ACH/WIRE			Returned Checks			Document Total 35,889,356.74		

Voucher Initiated By: PPUETT - Patty Puett - 785.357.4445 X: 311 - 10/21/2008
 Last Voucher Update By: PPUETT - Patty Puett - 785.357.4445 X: 311 - 10/23/2008
 Document Approvals: PPUETT - Patty Puett - 785.357.4445 X: 311 - 10/23/2008 12:25pm
 approvals - releases
 Received by Treasurer: JAYHAWK - Brenda Linder - 785.296.4144 10/29/2008 9:11am
 Reviewed by auditor: JENIFER - Shawn Price - 785.296.2287 10/30/2008 9:33am
 Uploaded to STARS: 10/29/2008

Disbursement of State Match Obtained from 2008 Bond Issue

SCHEDULE 3.5(b)(1)

KDHE REIMBURSEMENT FROM STATE MATCH LOAN ACCOUNT OF LOAN FUND

QUALIFIED USER	AMOUNT REIMBURSED
Hutchinson 2 #2493	\$5,040,000.00

Deposit of State Match from 2009 Bonds

State of Kansas
Department of Administration
Division of Accounts and Reports
DA - 3 (Rev. 2-90)

RECEIPT VOUCHER

10/06/2009
09:25:07

Treasurer's Validation Number: 10000047

STARS Receipt Voucher Current Document Number **S0914026**
Doc Date: 09/29/2009 Eff Date: 09/29/2009

Tx Exempt

Line #	Sfx	T/C	Agy	Fund	BFY	Index	PCA	SOBJ	R	Amount	
963645	01	604	264	7538	2010	8000	73000	6021		\$3,600,000.00	
ACH/WIRE		Description STATE MATCH LOAN - BOND PROCEEDS 09DW-1						Agency Use PWS 2009DW-1			
963646	02	604	264	7538	2010	8010	73000	6021		\$116,495.15	
ACH/WIRE		Description LEVERAGED LOAN - BOND PROCEEDS 09DW-1						Agency Use PWS 2009DW-1			
963647	03	604	264	7538	2010	8010	73000	6602		\$400,000.00	
ACH/WIRE		Description TRANSFER GOOD FAITH DEPOSIT PROCEEDS TO STATE MATCH ACCT + FROM LEV - 09DW1						Agency Use PWS 2009DW-1			
963648	04	604	264	7538	2010	8000	73000	6601		\$400,000.00	
ACH/WIRE		Description TRANSFER IN GOOD FAITH DEPOSIT PROCEEDS FROM LEV LOAN ACCT + SM - 09DW1						Agency Use PWS 2009DW-1			
963649	05	604	264	7538	2010	7719	73000	6021		\$21,189,180.00	
ACH/WIRE		Description ESCROW - SLGS PURCHASE 2009DW-1						Agency Use PWS 2009DW-1			
963650	06	604	264	7538	2010	7719	73000	6021		\$15,876,932.63	
ACH/WIRE		Description ESCROW - CASH DEPOSITS 2009DW-1						Agency Use PWS 2009DW-1			
963651	07	604	264	7539	2010	7836	73000	6021		\$457,392.22	
ACH/WIRE		Description COI - BOND PROCEEDS 09DW-1						Agency Use PWS 2009DW-1			
963652	08	603	264	7539	2010	7836	73000	2790		\$141,576.00	
ACH/WIRE		Description UNDERWRITER'S DISCOUNT 09DW-1						Agency Use PWS 2009DW-1			
963653	09	604	264	7539	2010	7836	73000	6023		\$87,776.80	
ACH/WIRE		Description ORIGINAL ISSUE DISCOUNT - 09DW-1						Agency Use PWS 2009DW-1			
Cash			Checks BY ACH/WIRE			Returned Checks			Document Total 41,010,647.20		

DWI - LEV

DWI - SM

+2,103,376
PROP YMT
ISD + transfer
to ESCROW
wired to
UMB bank
on 9/29/09
39,169,488.63

COI

COI

Voucher Initiated By: PPUETT - Patty Puett - 785.357.4445 X: 311 - 09/23/2009
 Last Voucher Update By: PPUETT - Patty Puett - 785.357.4445 X: 311 - 09/28/2009
 Document Approvals: PPUETT - Patty Puett - 785.357.4445 X: 311 - 09/28/2009 7:57am
 approvals - releases
 Received by Treasurer: JAYHAWK - Brenda Linder - 785.296.4144 09/29/2009 9:08am
 Reviewed by auditor: JENIFER - Shawn Price - 785.296.2287 09/29/2009 2:44pm
 Uploaded to STARS: 09/29/2009

Disbursements of State Match Obtained from 2009 Bond Issue

SCHEDULE 3.5(b)(1)

KDHE REIMBURSEMENT FROM STATE MATCH LOAN ACCOUNT OF LOAN FUND

QUALIFIED USER	AMOUNT REIMBURSED
Brown Co. RWD 2 #2487	\$ 8,086.19
Clay Co. RWD 2 #2464	3,364.15
Douglas Co. RWD 3 #2516	189,731.66
Harvey Co. RWD 1.2 #2426	39,593.89
Jackson Co. RWD 3 #2464	26,222.25
Johnson Co. RWD 7.3 #2283	6,182.75
Nemaha Co. RWD 3 #2448	55,742.59
Olathe 2 #2470	3,378,532.48
PWWSD 4.3 #2505	89,711.43
Sedgwick Co. RWD 2 #2497	48,097.58
Topeka 4 #2418	154,735.03
Total	\$4,000,000.00

SCHEDULE 3.5(b)(2)

KDHE REIMBURSEMENT FROM LEVERAGED LOAN ACCOUNT OF LOAN FUND

QUALIFIED USER	AMOUNT REIMBURSED
Harvey Co. RWD 1 #2426	\$116,495.15
<i>Total</i>	<i>\$116,495.15</i>