

**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 2008**



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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 1997 by K.S.A. 65-163d through 65-163u. The Environmental Protection Agency (EPA) makes capitalization grant money available to the state for operation of the KPWSLF.

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

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

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

The Kansas Public Water Supply Loan Fund (KPWSLF) will continue to operate as a leveraged loan program. In a leveraged program, the EPA capitalization grant is not loaned to public water supply systems. Instead, the capitalization grant is deposited in a reserve account, and pledged as security for repayment of state issued revenue bonds (leverage bonds). The reserve account will be equal to no less than 25% of the amount of revenue bonds outstanding (both leveraged bonds and state match bonds). The revenue bond proceeds are loaned to municipalities. Investment earnings from the reserve account are combined with loan repayments from municipalities, thus allowing loans to be offered at interest rates less than the market rate.

As of this publication date, Kansas had been awarded \$110,336,800 in Capitalization Grants from FFY 1997 thru FFY 2007, and will apply for the FFY 2008 Grant (estimated at \$8,229,000) when it becomes available during the fiscal year. The total amount of funding available for the 2008 IUP projects will be calculated with the assumption that the 2008 Capitalization Grant will be available to disburse into the KPWSLF reserve account during the program year.

## **II. LIST OF PROJECTS**

On February 23, 2007, letters soliciting projects to be considered for funding were sent to the state's 823 public water suppliers eligible to receive assistance from the Kansas Public Water Supply Loan Fund. This mailing resulted in the submittal of 22 new projects with a total estimated cost of over \$47 million, to score for potential listing in this IUP. The new projects were ranked and combined with remaining projects on the 2007 Project Priority List (PPL), to create the 2008 PPL.

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 intends to continue the practice of issuing post equivalent loans during this program year. The total of all capitalization grants, expected to be awarded through FY2008, is \$118,596,800. The total amount of loans awarded as equivalent projects from year to date is \$ 196,687,384. This leaves Kansas with a \$78 million equivalency credit. The Environmental Review Process remains unchanged.

## **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.

The funding order of projects may not be identical to the priority ranking in the project list. Readiness to proceed is an important factor, however, the general order of project ranking will be followed to the extent a project's sponsor is ready to proceed. The PPL lists all eligible and current projects that have been submitted for loan fund consideration. Since KDHE can conceivably fund all projects on the Project Priority List, all systems will be sent an application. Following adoption of this IUP, KDHE will write the sponsors for all projects and establish a deadline to submit a complete application, including financial information and environmental review comments. Failure to submit complete applications by this deadline may cause a delay in funding.

State law requires KDHE to make 20% of the total money in the Loan Fund available to public water supply systems serving less than 5000 people (The SDWA requires 15% of the Fund to be made available to systems serving less than 10,000 people.) Small systems represent 39% of the loan funds in the 2008 PPL.

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 Kansas statutes authorizing the public water supply loan fund do not provide for grants, or forgiveness of principal. However, 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 projects have access to the Loan Fund.

#### IV. FINANCIAL STATUS OF THE KPWSLF

The Kansas Public Water Supply Loan Fund is audited annually by a certified public accounting firm in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The most recent audit received an unqualified opinion.

The reserve account table below and bond leveraging table on the next page, show details of the reserve account deposits and bond leveraging made from those deposits since the start of the program. Senate Bill 487 was passed by the 1998 Kansas Legislature and added an additional \$5,000,000 to the reserve account.

Fiscal Year of Grant	Capitalization Grant Earmarked for Reserve Account	Amount Deposited into the Reserve Account from SB 487	Amount Deposited into the Reserve Account**
1997	\$11,776,871		\$11,776,871
1998	\$9,407,614	\$1,000,000	\$10,407,614
1999	\$9,860,036		\$9,860,036
2000	\$10,393,127	\$4,000,000	\$14,393,127
2001	\$9,969,176		\$9,969,176
2002	\$9,001,632		\$9,001,632
2003	\$8,812,032		\$8,812,032
2004	\$9,141,216		\$9,141,216
2005	\$7,934,148		\$7,934,148
2006	\$7,310,128		\$7,310,128
2007	\$7,094,840		\$0
2008*	\$7,302,840		\$0
	\$108,003,660	\$5,000,000	\$98,605,980

\* Grant value estimated

\*\* As of June 30, 2007

As bonds are retired, the amount of money needed in the Reserve Account is also reduced. It is expected that any Reserve Account funds determined to be excess, will be de-allocated into the Recycled Fund Account as they will no longer be needed for leveraged bond security. This money will be available for recycled loans or to put back into the Reserve Account if the need for leveraging out paces available Capitalization Grants.

### Bond Leveraging

Year of Bond Issue	Bonds Leveraged from Reserve Account	State Match Bonds	Money Available to Loan Including State Match	Moody's Bond Rating	Fitch Bond Rating	Standard & Poor's Bond Rating
1997	\$42,490,000	\$2,930,000	\$43,793,586	A2	A+	
1998	\$37,615,000	\$2,075,000	\$38,866,142	A2	AA-	
2000	\$46,860,000	\$6,640,000	\$50,299,266	A2	AA	
2002	\$47,705,000	\$4,100,000	\$50,199,333	Aa3	AA	AA+
			\$1,846,927***			
			\$1,835,840***			
			\$327,900***			
2004 New	\$93,255,000	\$3,230,000	\$100,000,000	Aa1	AAA	AAA
2004 Refund	\$73,060,000	\$6,465,000		Aa1	AAA	AAA
Eliminated by Refunding	-\$75,775,000	-\$6,460,000				
Totals	\$265,210,000	\$18,980,000	\$287,168,994			

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

As of June 30, 2007, KDHE had 165 loan agreements or offers in place for a total of \$373,134,068.34.

The FY07 grant was awarded on June 8, 2007. The Fund will use the group of projects method for cash draws from the leveraged reserve portion of the Capitalization Grant. The group will consist of loans for the City of Russell (contributes \$5,513,452.15 to the group), the City of Carbondale (contributes \$2,263,207 to the group), and Cherokee Co. RWD #3 (contributes \$1,344,016 to the group). The Capitalization Grant is scheduled to draw \$2,364,947 for three quarters starting with the quarter ending June 30, 2007 and \$226,832 for the next five quarters. No 2007 Capitalization Grant funds have been drawn as of June 30, 2007, due to the timing of the grant award. The application for the FY08 grant will be submitted to EPA when funds are available and the draw schedule will be determined at that time.

An estimated \$7,277,260 from the 2008 Capitalization Grant and \$7,094,840 of the 2007 Capitalization Grant should be available to deposit in the reserve fund as the Kansas draw ratio

allows for incurred costs during the program year. The KPWSLF leveraging structure would allow the program to support \$204,000,000 in additional bonds with the estimated award of the 2008 capitalization grant (\$175,000,000 with out the 2008 grant). As of June 30, 2007 the Fund had committed \$84,454,833.13 more in loans than it had available from bond proceeds. Because the Fund had \$8,614,437.87 in unexpended bond proceeds and \$39,034,914.59 available in the Recycled Loan Account, the over commitment of loan funds does not produce a cash flow problem. This over commitment amount is subtracted from the \$204,000,000 in additional bond capacity to yield approximately \$120,000,000. This amount, minus cost of bond issuance, will be potentially available to loan to municipalities. The funds potentially available are more than enough to fund all projects on the 2008 PPL at \$108,973,256.00. If the 2008 Capitalization Grant is not awarded during the 2008 program year, recycled loans could be made to cover any shortfall in available bond proceeds. This is very unlikely to happen.

The recycled loan account, which contains funds de-allocated from the Leveraged Reserve Account along with program revenues in excess of funds needed to make revenue bond principal and interest payments, contained \$39,530,700.15 on June 30, 2007. Use of the recycled loan account is discussed in section VII.

KDHE will continue to write loan agreements committing funds up to the maximum commitment level of \$120 million and use existing funds to make payments. The program anticipates another borrowing to be completed in 2007. The exact timing of the bond issue will be determined by the need to meet cash flow requirements, to secure an interest rate which assures the program's principal and interest coverage requirements are met, and to assure compliance with tax laws.

More detailed financial information can be found in the KPWSLF Annual Report. The most recent report covers the program through June 30, 2006. This and future annual reports can be found on the KDHE web site [www.kdheks.gov/pws/loan/loanfund.htm](http://www.kdheks.gov/pws/loan/loanfund.htm).

## **V. INTEREST RATES**

In accordance with K.A.R 28-15-52, the KPWSLF interest rate will continue to be set at 80% of the previous three months' average Bond Buyers 20 Year Bond Index.

## **VI. 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 to every eligible project listed in the Intended Use Plan that is ready to proceed.

4. Provide funding for technical assistance to small systems.
5. 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.
6. 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.
7. 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.
8. Assist communities which qualify for Community Development Block Grants from the Kansas Department of Commerce by reserving a portion of the recycled loan account to provide loans to serve as local match.
9. 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.

## **VII. RECYCLED LOAN ACCOUNT**

The Recycled Loan Account consists of program revenues in excess of the amounts needed to make bond principal and interest payments and funds transferred/de-allocated from the Leveraged Reserve Fund in excess of amounts needed to meet leveraged reserve requirements. As of June 30, 2007, the

account contained \$39,530,700.15 of which \$495,785.56 has been committed to recycled loans. KDHE will reserve \$1,850,000 of the uncommitted amount to serve as local match for communities with projects competing for funding from the Kansas Department of Commerce Community Development Block Grant (CDBG) program. Project sponsors providing local match equal to the amount of requested CDBG funding are more likely to be funded than sponsors that do not provide local match. Because the funding cycle for the CDBG program does not coincide with the KPWSLF IUP program year, these projects need not be in listed on the PPL. These projects would only receive funding if they are eligible and would have ranked high enough to receive funding if on the PPL.

In order to qualify for CDBG funding, over 51% of the households benefiting from the project must be of low to moderate income. By matching state loan dollars with CDBG funding, the KPWSLF will achieve one of the objectives of the Safe Drinking Water Act, which is to assist communities most in need on a household income basis.

If interest in funding from the Recycled Loan Account exceeds the reservation of \$1,850,000 KDHE will fund the highest ranking projects, according to KPWSLF criteria. All projects and project sponsors will be required to meet all requirements of the KPWSLF to receive funding.

Once the current bond proceeds are expended, it is anticipated that uncommitted recycled loan funds (up to \$39,034,914.59) will temporarily be used to make project payments for loans that otherwise should be paid from bond proceeds. Once the KPWSLF issues bonds, the recycled fund would be reimbursed with those bond proceeds. This will help assure that the Fund meets the one and three year spend down requirements and avoid penalties imposed by tax laws. KDHE hopes to “prespend” up to 30% of the bond issue, therefore automatically meeting the one year spend down requirement. Having 30% of the bond proceeds spent on the first day after the issue will also help assure that 95% of the bond proceeds are spent with in 3 years.

It is anticipated that the current excess Leveraged Reserve Fund money and the 2007 Capitalization Grant will not be enough to meet the reserve requirement for the next anticipated bond issue. Therefore, after bonds are issued, a portion of the recycled loan fund will be transferred to the Leverage Reserve Fund to meet the leveraged reserve requirement. The exact amount will depend on the size of the issue.

## **VIII. DESCRIPTION OF NON-PROJECT ACTIVITIES TO BE FUNDED**

Section 1452(g)(2) and 1452(k)(1) of the SDWA provides the state certain opportunities to reserve a portion of the capitalization grant to assist with administration of the loan fund and other program requirements. The following is a list of uses that Kansas plans to utilize set-asides from the 2007 Capitalization Grant for:

- 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.

The state must match any set-aside expenditures under item C above dollar for dollar, 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.

With the 2007 Capitalization grant award, Kansas reserved \$329,160, \$225,000 for technical assistance (2% plus \$60,420 of credits), and \$580,000 for State Program Management. The table at the end of this section shows all the set-aside credits KDHE has taken to date.

For the 2008 Capitalization Grant Kansas anticipates reserving 4% for Administration (estimated at \$329,160), 2.7% for the Technical Assistance (estimated at \$222,580 and using \$58,000 in credits), and 4.86% for State Program Management (estimated at \$400,000). 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, and updating the needs survey.

#### **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. In order to maintain the level of funding for this set-aside, KDHE will use reserve credits from previous grants. Any balance not used will be reserved 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.

#### **C. State Program Management.**

Specific activities funded from the 2007 and 2008 Capitalization Grant will be to maintain and

update the SDWIS database and pay salary and costs for the Capacity Development Program Coordinator. Up to 10% of the capitalization grant can be used for these activities, but available state match can limit the amount reserved.

### SUMMARY OF CAPITALIZATION GRANT USES

	FY 2007	FY 2008*
Reserve Account	\$7,094,840	\$7,277,260
Administration	\$329,160	\$329,160
Technical Assistance	\$225,000	\$222,580
State Program Management	\$580,000	\$400,000
Other Authorized Activities		
Total	\$8,229,000	\$8,229,000

\* Grant not yet allotted, values are estimated

### 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*	-\$58,000		
Totals	\$225,901	\$2,543,697	\$0

\* Estimated

### VIII. PUBLIC REVIEW

A public hearing on the FY2008 Intended Use Plan and Priority Ranking System was held on June 29, 2007. Copies of the draft FY2008 IUP were mailed to all public water suppliers listed on the Project Priority list (Appendix A), the League of Kansas Municipalities, the Kansas Rural Water Association, the Kansas Rural Water Finance Authority, and to consulting engineers in the state of Kansas. 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**

## 2008 Project Priority List

July 1, 2007

Municipality Name	Project #	Priority Rating	Project Description	Loan Request \$	Accumulative Amount \$
* Severy	2484	38	Interconnection to Greenwood	\$150,000	\$150,000
* Oberlin	2492	38	WTP and Distribution Improvements	\$6,000,000	\$6,150,000
* Oakley	2507	38	Connect Well	\$75,000	\$6,225,000
* Atlanta	2360	33	New Filter System, Standpipe, and Chlorination	\$350,000	\$6,575,000
* Sedgwick Co RWD #2	2497	25	Replace Storage and Install Disinfection System	\$1,100,000	\$7,675,000
Junction City	2493	23	WTP Improvements	\$1,800,000	\$9,475,000
* Milford	2520	21	Water Treatment Plant Improvements	\$1,487,200	\$10,962,200
McPherson	2515	20	Blending System to Reduce Nitrates	\$12,000,000	\$22,962,200
Pittsburg	2489	18	WTP Modifications and Distribution Improvements	\$8,500,000	\$31,462,200
* Marysville	2435	18	New Water Well and Tower	\$1,266,817	\$32,729,017
* Greensburg	2431	18	New Water Supply Well	\$500,000	\$33,229,017
* Nemaha Co. RWD #2	2450	16	New Storage	\$300,000	\$33,529,017
* Copeland	2477	16	Install Water Meters	\$100,000	\$33,629,017
* Cherokee Co RWD #1	2473	16	Replace Distribution Lines	\$100,700	\$33,729,717
* Saline Co RWD #3	2521	15	Elevated Storage Tank and Looping	\$279,000	\$34,008,717
Shawnee Co. Cons. RWD #4	2517	15	New Water Treatment Plant and Wells	\$11,000,000	\$45,008,717
* Osage Co. RWD #5	2476	15	Distribution Line Upgrade	\$881,700	\$45,890,417
Manhattan	2462	15	Water Treatment Plant and Well Field Improvements	\$14,191,693	\$60,082,110
* Linwood	2452	15	New WTP and Well	\$250,000	\$60,332,110
* Leavenworth Co RWD #7	2474	15	Distribution Line replacement	\$840,000	\$61,172,110
* Jefferson Co RWD #9	2441	15	New Well and Treatment Facility	\$600,000	\$61,772,110
* Jackson Co. RWD #3	2464	15	Line Extensions to serve new customers, and Waterline Replacement	\$3,000,000	\$64,772,110
* Dickinson Co. RWD #2	2518	15	Pumpstation and Waterline	\$750,000	\$65,522,110
* Butler Co RWD # 5	2500	15	New Booster Pump Station, Looping Lines, and Meter Change	\$300,000	\$65,822,110
Baldwin	2430	15	Water Transmission Main replacement	\$2,500,000	\$68,322,110
* Weir	2488	13	New SCADA System	\$40,000	\$68,362,110
* Wilson	2519	13	Replace Transmission Line	\$200,000	\$68,562,110
* Parker	2482	13	Water Line Replacement	\$400,000	\$68,962,110
* Otis	2496	13	Distribution Line replacement	\$375,000	\$69,337,110
* Oswego	2459	13	Water Distribution System Replacement	\$1,500,000	\$70,837,110
* Moran	2386	13	Distribution System Replacement	\$500,000	\$71,337,110
* Norcatar	2429	13	Water Tower Rehabilitation	\$80,000	\$71,417,110
* Little River	2514	13	Transmission and Distribution Improvements	\$240,000	\$71,657,110
* Kiowa	2486	13	New Well	\$130,000	\$71,787,110
Junction City	2494	13	Well Field Improvements	\$1,180,000	\$72,967,110
* Crawford Co RWD #1	2437	13	Water Main Replacement	\$338,028	\$73,305,138
* Chase	2498	13	Replace Distribution Lines	\$853,000	\$74,158,138
* Bogue	2460	13	Water Distribution System Replacement	\$164,998	\$74,323,136
* Bartlett	2480	13	Water Line Replacement	\$225,000	\$74,548,136
* Washington Co. RWD #1	2475	11	Storage Tank	\$1,200,000	\$75,748,136
* Udall	2490	11	Water Tower and Distribution Line Replacement	\$1,500,000	\$77,248,136
* St. Marys	2506	11	Elevated Storage Tank	\$750,000	\$77,998,136
* Rolla	2510	11	Replace Well	\$150,000	\$78,148,136
* Nickerson	2428	11	Connect to new well	\$438,095	\$78,586,231
Newton	2509	11	Replace Distribution Pipe	\$1,405,000	\$79,991,231
* Haven	2513	11	Extension to serve Industrial Park	\$114,248	\$80,105,479
* Grainfield	2478	11	New Well and Well House	\$142,897	\$80,248,376
* Girard	2508	11	Water Tower and Pumpstation	\$2,500,000	\$82,748,376
* Bucklin	2440	11	Well and Tower Rehab and Waterline Replacement	\$100,000	\$82,848,376
* Brown Co RWD #2	2487	11	Interconnection and Booster Pump	\$100,000	\$82,948,376
* Rooks County RWD #1	2433	10	New Water Supply Well/Interconnection	\$232,320	\$83,180,696
PWWSD # 4	2505	10	New Pumpstation and Replace Distribution Line	\$443,560	\$83,624,256
Johnson Co RWD #7	2503	10	New Elevated Storage Tank and Supporting Pipeline	\$1,950,000	\$85,574,256
* Hesston	2495	10	New Tower and Pumpstation	\$2,500,000	\$88,074,256
* Goddard	2512	10	New Transmission Main	\$4,200,000	\$92,274,256
* Douglas Co. RWD #3	2516	10	New Wells and Water Treatment Plant Expansion	\$5,000,000	\$97,274,256
* Butler Co RWD # 8	2504	10	Replace Distribution Pipe and Looping	\$259,000	\$97,533,256
Bonner Springs	2453	10	New Plant and Well to meet capacity	\$9,660,000	\$107,193,256
* Mayetta	2502	6	Interconnect with Jackson Co RWD #1	\$280,000	\$107,473,256
Bonner Springs	2457	5	Water Main Replacement - Front Street	\$700,000	\$108,173,256
Bonner Springs	2456	5	Water Main Replacement - on 138th	\$300,000	\$108,473,256
Bonner Springs	2455	5	Water Main Replacement - Nettleton to 138th	\$500,000	\$108,973,256

\* indicates municipality population is less than 5000

## Appendix B

### Set-Aside Work Plans

### Sources and Uses Tables

## Set Aside Work Plan for 2007 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 &amp; Responsibilities</i>	<i>Evaluation Process</i>
\$225,000	2.5 Contractor	Provide a min. of 420 TA contacts to small Kansas Systems	On Going	Kansas Rural Water Association	Quarterly Reports from Contractor

### Administration

<i>Funding Amt</i>	<i>FTE Projection</i>	<i>Goals, Objectives, Outputs and Deliverables</i>	<i>Anticipated Start and End Dates</i>	<i>Other Agency &amp; Responsibilities</i>	<i>Evaluation Process</i>
\$329,160	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 &amp; Responsibilities</i>	<i>Evaluation Process</i>
\$400,000	Contractor	SDWIS-State maintenance and web upgrade	On Going	Global Environmental Consulting	Monthly Meetings with Contractor
\$180,000	1.0	Salary and Expenses for Capacity Development Program Coordinator	April 1, 2007 thru June 30, 2009	None	TFM capacity measured at 3 year intervals by questionnaire

### 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 &amp; Responsibilities</i>	<i>Evaluation Process</i>
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**No funds from the 2007 grant are reserved for this set aside**

## Set Aside Work Plan for 2008 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 &amp; Responsibilities</i>	<i>Evaluation Process</i>
\$222,580	2.5 Contractor	Provide a min. of 420 TA contacts to small Kansas Systems	On Going	Kansas Rural Water Association	Quarterly Reports from Contractor

### Administration

<i>Funding Amt</i>	<i>FTE Projection</i>	<i>Goals, Objectives, Outputs and Deliverables</i>	<i>Anticipated Start and End Dates</i>	<i>Other Agency &amp; Responsibilities</i>	<i>Evaluation Process</i>
\$329,160	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 &amp; Responsibilities</i>	<i>Evaluation Process</i>
\$310,000	Contractor	SDWIS-State maintenance and web upgrade	On Going	Global Environmental Consulting	Monthly Meetings with Contractor
\$90,000	1.0	Salary and Expenses for Capacity Development Program Coordinator	July 1, 2009 thru June 30, 2010	None	TFM capacity measured at 3 year intervals by questionnaire

### 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 &amp; Responsibilities</i>	<i>Evaluation Process</i>
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**No funds from the 2008 grant are reserved for this set aside**

# Sources and Uses

For Program year 2008

**Sources:**

Potential Net Bond Proceeds (based on maximum leveraging)	\$204,000,000
Undisbursed Capitalization Grants	\$9,988,800
Pending 2008 Capitalization Grant	\$8,229,000
Recycled Loan Account	\$39,530,700
<b>Total</b>	<b>\$261,748,500</b>

**Uses:**

Committed Loan Funds	84,950,668.69
Uncommitted Loan Funds (based on maximum Leveraging)	\$119,545,117
Recycled Loan Account Uncommitted	\$39,034,915
Reserve Fund	\$14,372,100
Program Set Asides	\$3,845,700
 Total	 \$261,748,500

**Total amount available for new loans including recycled money = \$158,000,000.**

## **Appendix C**

### **Project Priority System**

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

Federal Fiscal Year 2008  
Kansas Public Water Supply Loan Fund  
Project Priority System

July 1, 2007

**Kansas Department of Health and Environment**  
**Kansas Public Water Supply Loan Fund**  
**Project Priority System**  
**FY 2008**

**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 and approved by EPA, 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 3 p.m. Friday, June 29, 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) Intended Use Plan (IUP) for the 2008 program year. Copies of the IUP can be obtained by calling Linda White at (785) 296-5514 or fax at (785) 296-5509.

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.

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

Roderick L. Bremby  
Secretary of Health  
and Environment

Doc. No. 034505

State of Kansas

**Department of Health  
and Environment**

**Notice Concerning Annual Summary of Approved  
Environmental Use Control Agreements**

The Kansas Department of Health and Environment is publishing an annual summary of the number of approved environmental use control (EUC) agreements in order to fulfill the requirements of K.S.A. 65-1,233 (publication of approved use controls).

The EUC Act became state law July 1, 2003, with EUC regulations finalized in April 2006 as K.A.R. 28-73-1 through K.A.R. 28-73-7. Since inception of the program in 2003, KDHE has approved a total of 29 EUC agreements, 18 of which were approved in the calendar year 2006.

An EUC is a legal mechanism for applying restrictions, prohibitions and conditions on land use for a property that has environmental contamination at levels exceeding the cleanup standards for unrestricted use. The EUC process allows property owners to choose to establish restrictions on future property use instead of cleaning up the site to the most restrictive cleanup levels. Typical examples of EUC restrictions include: preventing disturbance of soil covers, prohibiting drilling of water wells, restricting excavation activities without advance notification to KDHE, restricting use of a property to only nonresidential use, and/or restricting access to a property.

To be eligible to receive an EUC, the property must be or have been active in a KDHE program with oversight authority. EUCs cannot be used in lieu of evaluating active remedial alternatives or substitute for remedial actions that are otherwise technically and economically practicable. EUCs must be applied as part of the overall approved cleanup plan.

EUCs protect the public by making sure that restrictions, designed to prevent people from coming into contact with contamination, are enforced. The mission of KDHE is to protect the health and environment of all Kansans by promoting responsible choices. This "promoting responsible choices" for Kansans philosophy is reinforced through implementation of the EUC Program.

Roderick Bremby  
Secretary of Health  
and Environment

Doc. No. 034512

State of Kansas

**Department of Health  
and Environment**

**Request for Comments**

The Kansas Department of Health and Environment is soliciting comments regarding a proposed air quality operating permit. Kansas Gas Service — Minneola Compressor Station has applied for a Class II operating permit in accordance with the provisions of K.A.R. 28-19-540. Emissions of nitrogen oxides and carbon monoxide were evaluated during the permit review process. The purpose of a Class II permit is to limit the potential-to-emit for these pollutants to below major source thresholds.

Kansas Gas Service, Tulsa, Oklahoma, owns and operates Minneola Compressor Station located at Section 13, T29S, R25W, Ford County, Kansas.

A copy of the proposed permit, permit application, all supporting documentation and all information relied upon during the permit application review process is available for public review for a period of 30 days from the date of publication during normal business hours at the KDHE, Bureau of Air and Radiation, 1000 S.W. Jackson, Suite 310, Topeka; and a copy of the proposed permit can be reviewed at the KDHE Southwest District Office, 302 W. McArtor Road, Dodge City. To obtain or review the proposed permit and supporting documentation, contact Michael J. Parhomek, (785) 296-1580, at the KDHE central office; and to review the proposed permit only, contact Josh Weil, (620) 225-0596, at the KDHE Southwest District Office. The standard departmental cost will be assessed for any copies requested.

Direct written comments or questions regarding the proposed permit to Michael J. Parhomek, KDHE, Bureau of Air and Radiation, 1000 S.W. Jackson, Suite 310, Topeka, 66612-1366. In order to be considered in formulating a final permit decision, written comments must be received before the close of business July 2.

A person may request a public hearing be held on the proposed permit. The request for a public hearing shall be in writing and set forth the basis for the request. The written request must be submitted to Sherry Walker, Bureau of Air and Radiation, not later than the close of business July 2 in order for the Secretary of Health and Environment to consider the request.

Roderick L. Bremby  
Secretary of Health  
and Environment

Doc. No. 034503

## FY2008 IUP Summary of Public Hearing

Bruce Smith from Douglas Co. RWD #3 was the only person from the public that attended the hearing. Bruce was interested in understanding the loan application process for his rural water district project and did not want to hear about the intended use plan. No presentation for the IUP was made.

FY2007 IUP Public Hearing  
Attendance List

June 29, 2007

<u>Name</u>	<u>From</u>
William Carr	KDHE
Dave Waldo	KDHE
Bruce Smith	Douglas Co. RWD #3

## **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)