

**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 2009



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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 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 \$118,482,800 in Capitalization Grants from FFY 1997 thru FFY 2008. The FFY 2009 Grant has not been appropriated yet but is estimated at \$8,275,000. The total amount of funding available for the 2009 IUP projects will be calculated with the assumption that the 2009 Capitalization Grant will be available to disburse into the KPWSLF reserve account during the program year.

II. LIST OF KPWSLF PROJECTS

On February 18, 2008, letters soliciting projects to be considered for funding were sent to the state's 825 public water suppliers eligible to receive assistance from the Kansas Public Water Supply Loan Fund. This mailing resulted in the submittal of 17 new projects with a total estimated cost of over \$27 million, to score for potential listing in this IUP. The new projects were ranked and combined with remaining projects on the 2008 Project Priority List (PPL), to create the 2009 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 FY2009, is \$126,757,800. The total amount of loans awarded as equivalent projects from year to date is \$ 196,301,355. This leaves Kansas with a \$69 million equivalency credit. The Environmental Review Process remains unchanged for post equivalent projects.

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 47% of the loan funds in the 2009 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 communities have access to the Loan Fund.

IV. FINANCIAL STATUS OF THE KPWSLF

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

The reserve account table below show details of the reserve account 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. Details of past bond issues can be found in Appendix F.

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**
1997-2007	\$100,700,820	\$5,000,000	\$105,700,820
2008	\$7,595,160		\$0
2009*	\$7,294,000		\$0
	\$115,589,980		\$105,700,820

* Grant value estimated

** As of June 30, 2008

As bonds are retired, the amount of money needed in the Reserve Account is also reduced. It is expected that Reserve Account funds will be de-allocated into the Recycled Fund Account once they are 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.

As of June 30, 2008, KDHE had 181 loan agreements or offers in place for a total of \$409,575,360.98.

The FY08 Capitalization Grant was awarded on June 13, 2008. 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 a single loan for the City of Manhattan (KPWSLF # 2462 - \$12,756,153). The Capitalization Grant is scheduled to draw \$2,531,720 for three quarters starting with the quarter beginning July 1, 2008 and \$110,168 for the following five quarters. The application for the FY09 grant will be submitted to EPA when funds are available and the draw schedule will be determined at that time.

An estimated \$7,294,000 from the 2009 Capitalization Grant and \$7,595,160 of the 2008 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 \$245,000,000 in additional bonds with the estimated award of the 2009 capitalization grant (\$215,000,000 without the 2009 grant). As of June 30, 2008 the Fund had committed \$121,304,563.87 more in loans than it had available from bond proceeds. This over commitment amount is subtracted from the \$245,000,000 in additional bond capacity to yield approximately \$123,000,000 in additional loan capacity for the Fund. The funds available for additional loan capacity are more than enough to fund all projects on the 2009 PPL at \$98,509,161. If the 2009 Capitalization Grant is not awarded during the 2009 program year, recycled loans could be made to cover any shortfall in available bond proceeds. This is unlikely to happen. The use of the recycled loan account is discussed in section VIII.

KDHE will continue to write loan agreements committing funds up to the maximum commitment level of \$123 million and use existing funds to make payments. The program anticipates another borrowing to be completed in the fall of 2008. 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, 2007. This and future annual reports can be found on the KDHE web site 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. 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. For program year 2009, this group will consist of KPWSLF project # 2470 for the City of Olathe (loan amount is \$19,745,000 and the 2009 cap grant is \$8,146,000).

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 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.

VIII. RECYCLED LOAN ACCOUNT

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

On November 5, 2007 the Fund expended all available bond proceeds. As indicated in the 2008 Intended Use Plan, the recycled loan account was then used to make loan disbursements for project costs that would have normally been paid with bond proceeds. As of June 30, 2008, \$25,636,635.10 of recycled loan account funds were temporarily used to make project payments for loans that otherwise would have been paid from bond proceeds. Once the KPWSLF issues bonds, the recycled loan account will be reimbursed with the new bond proceeds. This 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. 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 within 3 years. As of June 30, 2008, the recycled account contained \$17,738,221.59.

Once the recycled loan account is reimbursed from the bond proceeds, 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.

It is anticipated that the current Leveraged Reserve Fund balance will not be enough to meet the reserve requirement for the next 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 bond issue.

IX. 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 2008 and 2009 Capitalization Grant:

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

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. The actual amounts spent during the program year will differ from the amounts shown as reserved for these grants. Funds from previous grants and work plans will be spent in addition to (or prior to) the reserved amounts for the 2008 and 2009 grants.

With the 2008 Capitalization grant, Kansas reserved \$325,840 for administration (4%) and \$225,000 for technical assistance (2% plus \$62,080 of credits). The table at the end of this section shows all the set-aside credits KDHE has taken to date.

For the 2009 Capitalization Grant Kansas anticipates reserving 4% for Administration (estimated at \$331,000), 3 % for the Technical Assistance (estimated at \$250,000 and using \$84,500 in credits), and 4.83% 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, updating the needs survey, processing of loan disbursements, and any other costs associated with the operation of the KPWSLF.

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 2008 and 2009 Capitalization Grant will be to maintain and update the SDWIS database, 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.

SUMMARY OF CAPITALIZATION GRANT USES

	FY 2008	FY 2009*
Reserve Account	\$7,595,160	\$7,294,000
Administration	\$325,840	\$331,000
Technical Assistance	\$225,000	\$250,000
State Program Management		\$400,000
Other Authorized Activities		
Total	\$8,146,000	\$8,275,000

* 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	-\$62,080		
2009*	-\$84,500		
Totals	\$137,321	\$2,543,697	\$0

* Estimated

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 and as of May 31, 2008 there was a balance of \$362,861.61. The .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 and annual dues for the Association of State Drinking Water Administrators. As of May 31, 2008 the balance of the service fee account was \$2,786,358.74. 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, 2008 there was a \$0 balance in the FIAC fee account as all funds were transferred to KRWFA.

XI. CROSS COLLATERALIZATION

With the anticipated bond issue in the fall of 2008, the KPWSLF will establish a mechanism that will allow cross collateralization of funds with the Kansas Water Pollution Control Revolving Loan Fund (KWPCRLF – the Kansas Clean Water SRF program). This will provide one more assurance that the KPWSLF and KWPCRLF will repay their bonds. The KPWSLF and KWPCRLF bond resolutions and operating agreements will be amended to allow funds that would normally be transferred to the recycled loan account each fiscal year, to be used to remedy a bond payment default situation in the other SRF program. Those funds would then be paid back once the defaulting program generates funds that would normally go into its recycled loan account. Transfers of funds due to the cross collateralization mechanism would not involve transfer of capitalization grant funds, only recycled funds. The impact of such a transfer would only affect the expansion of recycled loans until the transfer is repaid.

XII. PUBLIC REVIEW

A public hearing on the FY2009 Intended Use Plan and Priority Ranking System was held on July 2, 2008. Copies of the draft FY2009 IUP were made available 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

2009 Project Priority List

July 1, 2008

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	\$4,218,200	\$4,368,200
* Oakley	2507	38	New Well	\$261,500	\$4,629,700
* Atlanta	2360	33	New Filter System, Standpipe, and Chlorination	\$350,000	\$4,979,700
* Mitchell Co. RWD #2	2555	30	WTP improvements	\$1,600,000	\$6,579,700
* Lewis	2523	26	Nitrate Removal WTP	\$927,290	\$7,506,990
Junction City	2493	23	WTP Improvements	\$1,800,000	\$9,306,990
* Milford	2520	21	Water Treatment Plant Improvements	\$1,487,200	\$10,794,190
* Yates Center	2526	18	WTP Rehab	\$284,530	\$11,078,720
Pittsburg	2489	18	WTP Modifications and Distribution Improvements	\$8,500,000	\$19,578,720
* Matfield Green	2522	18	Replace Standpipe, Chlorination System, and Install Valves	\$100,000	\$19,678,720
* Marysville	2435	18	New Water Well and Tower	\$2,008,008	\$21,686,728
* Greensburg	2431	18	New Water Supply Well	\$500,000	\$22,186,728
Cheryvale	2553	18	Waterline Replacement	\$1,700,000	\$23,886,728
* Blue Rapids	2544	18	New Storage Facility	\$375,000	\$24,261,728
Topeka	2548	16	WTP Rehab	\$8,160,700	\$32,422,428
* Solomon	2537	16	New Well House	\$35,000	\$32,457,428
Ottawa	2540	16	New Clearwell	\$1,807,700	\$34,265,128
* Nemaha Co. RWD #2	2450	16	New Storage	\$300,000	\$34,565,128
* Copeland	2477	16	Install Water Meters	\$100,000	\$34,665,128
* Cherokee Co RWD #1	2473	16	Replace Distribution Lines	\$100,700	\$34,765,828
Strong City	2535	15	WTP Improvements	\$27,000	\$34,792,828
* Osage Co. RWD #5	2476	15	Distribution Line Upgrade	\$1,079,772	\$35,872,600
* Leavenworth Co RWD #7	2474	15	Distribution Line replacement	\$840,000	\$36,712,600
* Linwood	2452	15	New WTP	\$200,000	\$36,912,600
* Linwood	2554	15	New Well	\$200,000	\$37,112,600
Johnson Co. Con. RWD #6	2532	15	Water Line and Storage	\$6,900,000	\$44,012,600
* Jefferson Co. RWD #13	2557	15	WTP improvements, New Storage, and Waterline Replacement	\$1,750,000	\$45,762,600
* Jefferson Co RWD #9	2441	15	New Well and Treatment Facility	\$600,000	\$46,362,600
* Dickinson Co. RWD #2	2518	15	Pumpstation and Waterline	\$750,000	\$47,112,600
Baldwin	2430	15	Water Transmission Main replacement	\$2,500,000	\$49,612,600
* Weir	2488	13	New SCADA System	\$40,000	\$49,652,600
* Virgil	2550	13	Replace Water lines	\$30,000	\$49,682,600
* Parker	2482	13	Water Line Replacement	\$400,000	\$50,082,600
* Otis	2496	13	Distribution Line replacement	\$375,000	\$50,457,600
* Oswego	2459	13	Water Distribution System Replacement	\$1,500,000	\$51,957,600
* Norcatur	2429	13	Water Tower Rehabilitation	\$80,000	\$52,037,600
* Kiowa	2486	13	New Well	\$130,000	\$52,167,600
Junction City	2494	13	Well Field Improvements	\$672,396	\$52,839,996
* Humbolt	2543	13	Distribution Pipe Replacement	\$2,000,000	\$54,839,996
* Crawford Co RWD #1	2437	13	Water Main Replacement	\$572,000	\$55,411,996
* Bogue	2460	13	Water Distribution System Replacement	\$164,998	\$55,576,994
* Bartlett	2480	13	Water Line Replacement	\$225,000	\$55,801,994
Atchison	2551	13	New Tower	\$3,563,006	\$59,365,000
Atchison	2552	13	Replace Pump Station	\$428,054	\$59,793,054
* Washington Co. RWD #1	2475	11	Storage Tank	\$1,200,000	\$60,993,054
Pratt	2528	11	Waterline Replacement	\$1,292,927	\$62,285,981
Ottawa	2539	11	Water Transmission Main from WTP to Tower	\$1,664,762	\$63,950,743
Newton	2509	11	Replace Distribution Pipe	\$1,405,000	\$65,355,743
* Mount Hope	2549	11	Waterline Replacement	\$120,000	\$65,475,743
* Nemaha Co. RWD #3	2558	11	New wells	\$2,000,000	\$67,475,743
* Leon	2533	11	New wells to meet demand	\$50,000	\$67,525,743
* Haven	2513	11	Extension to serve Industrial Park	\$114,248	\$67,639,991
* Girard	2508	11	Water Tower and Pumpstation	\$2,500,000	\$70,139,991
* Clay Co. RWD #2	2530	11	New Wells	\$370,000	\$70,509,991
* Bucklin	2440	11	Well and Tower Rehab and Waterline Replacement	\$100,000	\$70,609,991
* Rooks County RWD #1	2433	10	New Water Supply Well/Interconnection	\$232,320	\$70,842,311
* Riley	2536	10	Pipe Replacement	\$1,344,000	\$72,186,311
* Marion Co. Lake Impr Dist	2529	10	Water Storage and Booster Pump Station	\$510,000	\$72,696,311
KC BPU	2545	10	Water Main Replacement	\$2,000,000	\$74,696,311
Johnson Co RWD #7	2503	10	New Elevated Storage Tank and Supporting Pipeline	\$1,950,000	\$76,646,311
* Goddard	2512	10	New Transmission Main	\$5,040,000	\$81,686,311
* Coffey Co. RWD #3	2546	10	New Water Tower	\$795,000	\$82,481,311
* Cheney	2556	10	Replace Water lines	\$1,300,000	\$83,781,311
Bonner Springs	2453	10	New Plant and Well to meet capacity	\$9,660,000	\$93,441,311
Topeka	2542	6	New Transmissio Main	\$1,287,850	\$94,729,161
* Mayetta	2502	6	Interconnect with Jackson Co RWD #1	\$280,000	\$95,009,161
El Dorado	2534	6	Booster Pump Station and Pipeline	\$2,000,000	\$97,009,161
Bonner Springs	2457	5	Water Main Replacement - Front Street	\$700,000	\$97,709,161
Bonner Springs	2456	5	Water Main Replacement - on 138th	\$300,000	\$98,009,161
Bonner Springs	2455	5	Water Main Replacement - Nettleton to 138th	\$500,000	\$98,509,161

* indicates systems serving less than 5000

Appendix B

Set-Aside Work Plans

Sources and Uses Tables

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 & 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 & Responsibilities</i>	<i>Evaluation Process</i>
\$325,840	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 2008 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 2008 grant are reserved for this set aside

Set Aside Work Plan for 2009 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>
\$250,000	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 & Responsibilities</i>	<i>Evaluation Process</i>
\$331,000	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>
\$310,000	3.0	PWWS program costs and salaries	July 1, 2009 thru June 30, 2010	None	
\$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 & Responsibilities</i>	<i>Evaluation Process</i>

No funds from the 2008 grant are reserved for this set aside

Sources and Uses

For Program year 2009

Sources:

Potential Net Bond Proceeds (based on maximum leveraging)	\$240,000,000
Undisbursed Capitalization Grants	\$10,284,175
Pending 2009 Capitalization Grant	\$8,275,000
Recycled Loan Account	\$39,530,700
Total	\$298,089,875

Uses:

Committed Loan Funds	121,208,746
Uncommitted Loan Funds (based on maximum Leveraging)	\$118,791,254
Recycled Loan Account Uncommitted	\$39,530,700
Reserve Fund	\$14,513,243
Program Set Asides	\$4,045,932
Total	\$298,089,875

Total amount available for new loans including recycled money is approximately \$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 2009
Kansas Public Water Supply Loan Fund
Project Priority System

July 1, 2008

Kansas Department of Health and Environment
Kansas Public Water Supply Loan Fund
Project Priority System
FY 2009

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. Wednesday, July 2, in the Azure Conference Room of the Curtis State Office Building, 1000 S.W. Jackson, fourth floor, Topeka, to discuss the Kansas Public Water Supply Loan Fund (KPWSLF) 2009 Intended Use Plan (IUP). The IUP details how available KPWSLF funds will be utilized during the 2009 program year. Copies of the IUP can be obtained by calling Linda White at (785) 296-5514 or fax (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 may be presented at the hearing or in writing prior to the hearing. Written comments should be addressed to Linda White, Kansas Department of Health and Environment, Bureau of Water, 1000 S.W. Jackson, Suite 420, Topeka, 66612.

Roderick L. Bremby
Secretary of Health
and Environment

Doc. No. 035815

State of Kansas

Department of Health
and EnvironmentPublic Notice Concerning Kansas/Federal Water
Pollution Control Permits and Applications

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

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

Public Notice No. KS-AG-08-183
Application(s) for New or Expansion of
Existing Swine Facilities

Name and Address of Applicant	Owner of Property Where Facility Will Be Located
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Herbert Busenitz
14488 N.W. 60th St.
Whitewater, KS 67154

Herbert Busenitz
14488 N.W. 60th St.
Whitewater, KS 67154

Legal Description

SE/4 of Section 33,
T24S, R03E,
Butler County

Receiving Water

Walnut River Basin

Kansas Permit No. A-WABU-S046

This is an application for a permit for new construction at an existing swine facility for 1,060 head (424 animal units) of swine weighing more than 55 pounds, 300 head (30 animal units) of swine less than 55 pounds and 800 head (400 animal units) of beef cattle weighing less than 700 pounds, for a total capacity of 854 animal units. New cattle pens and a new wastewater retention structure are proposed. A new or modified permit will not be issued without additional public notice.

Public Notice No. KS-AG-08-184/193

Pending Permits for Confined Feeding Facilities

Name and Address of Applicant	Legal Description	Receiving Water
Dutch Creek Farms G.M. Albright 11667 K Road Delia, KS 66418	NE/4 of Section 21, T09S, R14E, Jackson County	Kansas River Basin

Kansas Permit No. A-KSJA-B005

This is a new permit for an existing facility for 300 head (150 animal units) of beef cattle weighing less than 700 pounds. Grass buffers will be established to control drainage from the cattle pens. The existing vacant swine building and water retention structure will not be used for waste storage.

Name and Address of Applicant	Legal Description	Receiving Water
Moundridge Farm Ag Forte, LLC 15029 N.W. 36th St. Burrton, KS 67020	NW/4 of Section 05, T23S, R02W, Harvey County	Little Arkansas River Basin

Kansas Permit No. A-LAHV-F005

This is a renewal permit for an existing facility for 6,800 hens (122.4 animal units) and 500 toms (9.0 animal units), for a total of 7,300 turkeys (131.4 animal units). The facility consists of three hen buildings, one tom building, one egg storage/washing building, and one retention control structure.

Name and Address of Applicant	Legal Description	Receiving Water
Rokey Farms LLC Todd Rokey 2003 200th Road Sabetha, KS 66534	SW/4 of Section 29, T01S, R14E, Nemaha County	Missouri River Basin

Kansas Permit No. A-MONM-S007

This existing facility has a maximum capacity of 2,150 head (860 animal units) of swine more than 55 pounds and 900 head (90 animal units) of swine 55 pounds or less, and 10 head (10 animal units) of beef cattle more than 700 pounds, for a total of 960 animal units. This represents a decrease in animal units from the past permit due to a facility change in operations.

Name and Address of Applicant	Legal Description	Receiving Water
Jim Anderson P.O. Box 337 Hope, KS 67451	NE/4 of Section 34, T15S, R03E, Dickinson County	Smoky Hill River Basin

Kansas Permit No. A-SHDK-B018

This permit is being reissued for an existing facility with a maximum capacity of 900 head (450 animal units) of beef cattle 700 pounds or less. There is no change in the permitted animal units.

FY2009 IUP
Summary of Public Hearing

No members from the public attended the hearing, therefore no presentation was made.

FY2007 IUP Public Hearing
Attendance List

July 2, 2008

<u>Name</u>	<u>From</u>
Dave Waldo	KDHE
William Carr	KDHE

Appendix E

List of Ineligible Projects and Activities

List of Ineligible Projects and Activities

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

Dams, or rehabilitation of dams;

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

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

Laboratory fees for monitoring;

Operation and maintenance expenses;

Projects needed mainly for fire protection;

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

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

Projects primarily intended to serve future growth.

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

Appendix F
Bond Leveraging

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

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