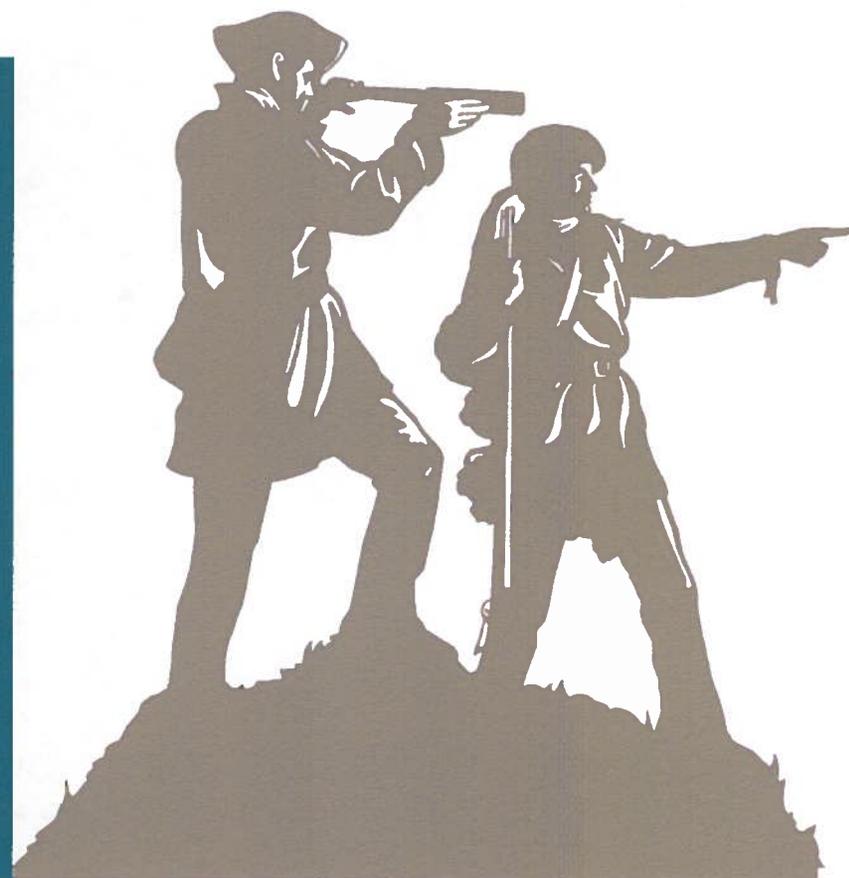


Lewis & Clark Regional Water System

*South Dakota
Senate & House
Appropriations
Committees*

March 4, 2014



Project Background

Membership

SOUTH DAKOTA

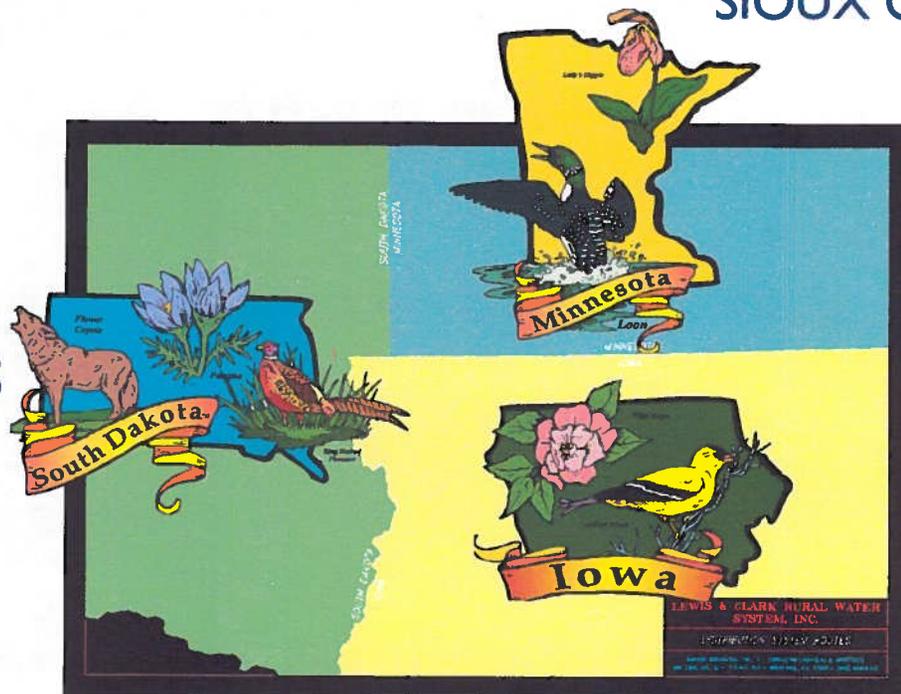
BERESFORD
CENTERVILLE
HARRISBURG
LENNOX
MADISON
PARKER
SIOUX FALLS
TEA
LINCOLN CO. RWS
MINNEHAHA CWC
SOUTH LINCOLN RWS

MINNESOTA

LUVERNE
WORTHINGTON
LINCOLN-PIPESTONE RW
ROCK COUNTY RW

IOWA

HULL
ROCK RAPIDS
SHELDON
SIBLEY
SIOUX CENTER



Project Background

- ◆ L&C is critical to improving the quality of life and expanding economic development in the region
- ◆ Non-profit, wholesale provider of water
- ◆ Incorporated in 1990, authorized by Congress in 2000 (PL 106-246) and groundbreaking in 2003
- ◆ Funding: 80% federal, 10% states & 10% locals (exception is SF where in layman's terms they pay 15% and receive 75% federal funding)
- ◆ Owned and governed by the members – 15 cities and 5 rural water systems
- ◆ Over 300,000 people will be served in region
- ◆ Water drawn from a series of wells that tap into an aquifer along the banks of the Missouri River (easement for wells from SD GF&P)

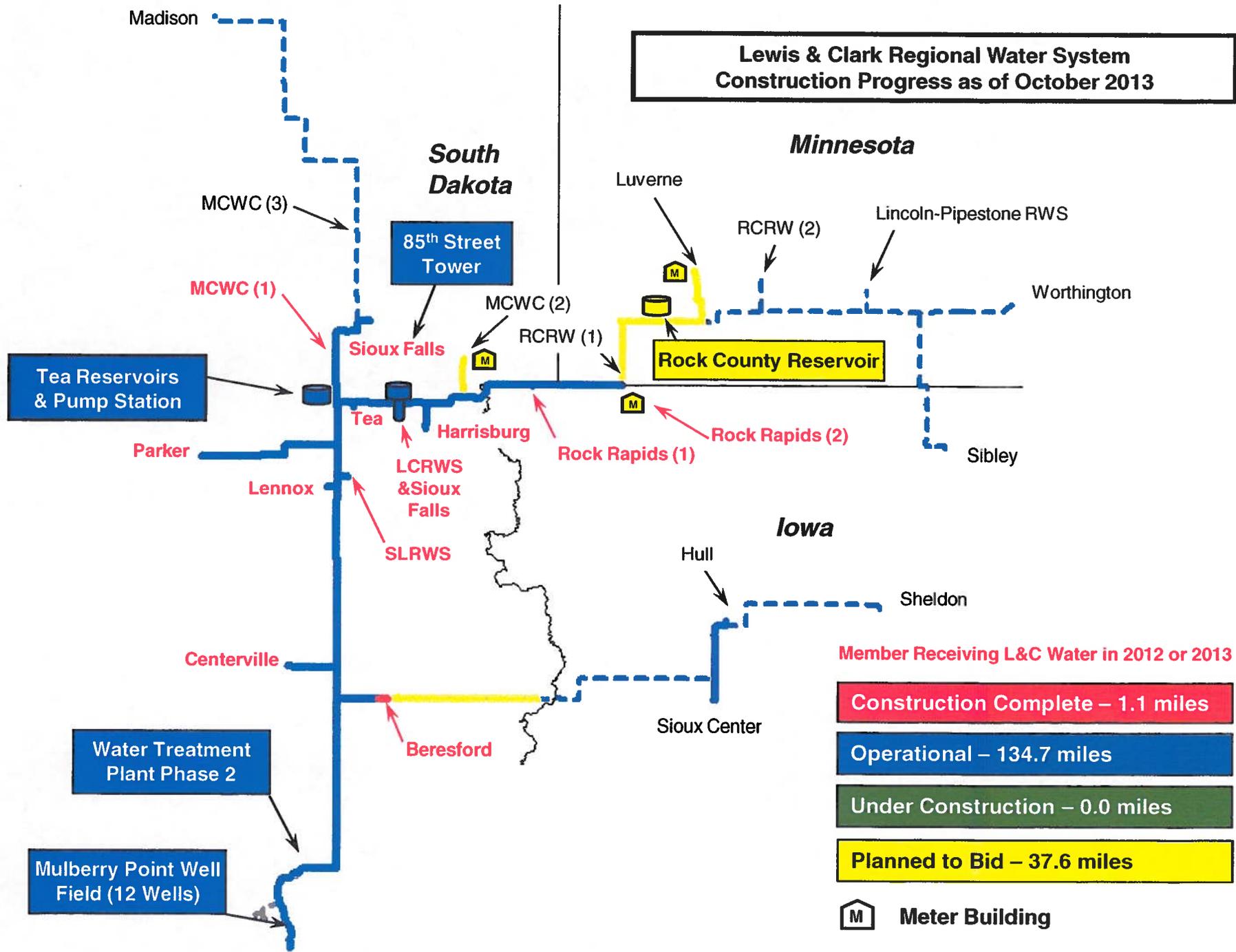
Operations Status

- ◆ Treatment plant near Vermillion began operating in July 2012 – 11 of 20 members receiving water
- ◆ Connected: Beresford, Centerville, Harrisburg, Lennox, Lincoln County RWS, MCWC (1 of 3 connections), Parker, SF (2 of 3 connections), South Lincoln RWS , Tea and Rock Rapids, IA
- ◆ Timing couldn't have been better with drought
- ◆ The most water L&C delivered so far is 16 MGD but the plant has capacity of 36 MGD (full build out is 45 MGD with future expansion to 60 MGD)
- ◆ Connected members paying more for water than if all members were connected (e.g. \$400,000/yr. for Sioux Falls and \$32,000/yr. for Beresford)

Construction Status

- ◆ L&C is 65% complete and six years behind
- ◆ Pipeline construction at a standstill since FY13, and easement acquisition and engineering also halted
- ◆ Three states and 20 members have pre-paid 100% of their non-federal cost share – combined \$153.9M
- ◆ State of SD paid \$31.9M and the 11 SD members paid \$93.6M (members paid 100% of the cost to upsize the system from 23.5 MGD to 45 MGD)
- ◆ Pre-paid funds have all been used, so schedule to connect the other nine members, including Madison and the other connections for MCWC and SF, depends entirely upon federal funding
- ◆ \$36M worth of construction projects “shovel ready”

**Lewis & Clark Regional Water System
Construction Progress as of October 2013**



Madison

**South
Dakota**

Minnesota

Iowa

MCWC (3)

MCWC (1)

Tea Reservoirs
& Pump Station

Parker

Lennox

Centerville

Water Treatment
Plant Phase 2

Mulberry Point Well
Field (12 Wells)

85th Street
Tower

Sioux Falls

Tea

Harrisburg

LCRWS
& Sioux
Falls

SLRWS

Beresford

MCWC (2)

RCRW (1)

Rock Rapids (1)

Hull

Sioux Center

Luverne

RCRW (2)

Lincoln-Pipestone RWS

Rock County Reservoir

Rock Rapids (2)

Worthington

Sibley

Sheldon

Construction Status

- ◆ L&C's congressional authorization includes the amount owed by the feds (indexed annually for inflation), but no timeline to receive those funds
- ◆ Delay receiving water has forced members to spend or soon spend \$17.5M in unplanned short-term infrastructure fixes and upgrades which do not eliminate the need for L&C water – so far has only impacted the IA and MN members, but the impacts could be felt in SD in the near future
- ◆ Fact: Nobody would be receiving water today if not for the \$28.4M prepaid by IA, MN and the eight non-connected members in those states (we'd be about \$8M short of completing the treatment plant)

Funding Status

- ◆ Current overall price tag for project is \$573M
- ◆ Total spent to date is \$370M
- ◆ After receiving \$26.5M in FY08 and \$27M in FY09 (plus \$59.5 in stimulus funding), federal funding has dropped to \$10M in FY10, \$2M in FY11, \$5.5M in FY12, \$4.5M in FY13 and \$3.2M proposed in FY14
- ◆ Funding drop coincided with earmark ban
- ◆ Through FY13 the feds have paid \$212M and have a remaining cost share close to \$203M (paid 51% of their cost share)
- ◆ Remaining federal cost share has increased \$9M over the last three years, demonstrating how federal funding is not even enough to cover inflation

Funding Status

- ◆ L&C is one of six BoR water projects
- ◆ Proposed FY14 Budget only included \$22M for construction of these six projects, which is \$29M less than FY13 (Congress restored \$27M of cuts)
- ◆ The combined remaining federal cost share for these six projects is **\$1.2B**
- ◆ Administration not making L&C a priority and earmark ban wrongly includes authorized projects
- ◆ The federal government has never reneged on a rural water project, but the longer it takes to complete the more expensive it becomes and the longer it takes to realize the economic development benefits – a double-whammy to the taxpayers

Funding Status

- ◆ Covers the “checklist” for being a funding priority:
 - ◆ Creates jobs on the front end through construction and manufacturing & many more long-term jobs through expanded economic development (repays the gov't)
 - ◆ Members have pre-paid their share of the project
 - ◆ Critical and basic infrastructure
 - ◆ Federally authorized project
 - ◆ Is only getting more expensive
 - ◆ Strong bi-partisan political support – non-controversial
- ◆ As Rep. Tim Walz of MN exclaimed, “Why is this so damn hard?!...L&C is like a Greek tragedy.”
- ◆ Outrageous how the federal government is leaving the members high and dry when they need water more than ever

Funding Status

- ◆ Project is currently on the path to infinity
- ◆ Administration and Congress need to honor their commitment to this critically needed project, but in the meantime L&C needs help from the states to keep construction moving forward

State of Minnesota

- ◆ Governor Dayton included \$20.2M in his bonding bill this year to keep construction moving in MN
- ◆ This would be an “advance on federal funding”
- ◆ If approved by the Legislature, this would construct the pipeline from the IA border to Luverne, MN and secure easements for the next segment
- ◆ Money would be re-paid using future federal funds once all the members are connected (L&C is prevented from using federal funds to pay interest)
- ◆ Strong assurances money will be repaid but L&C cannot control federal funding or timeline
- ◆ Use MN funds to leverage more federal funding that can be used for construction in MN

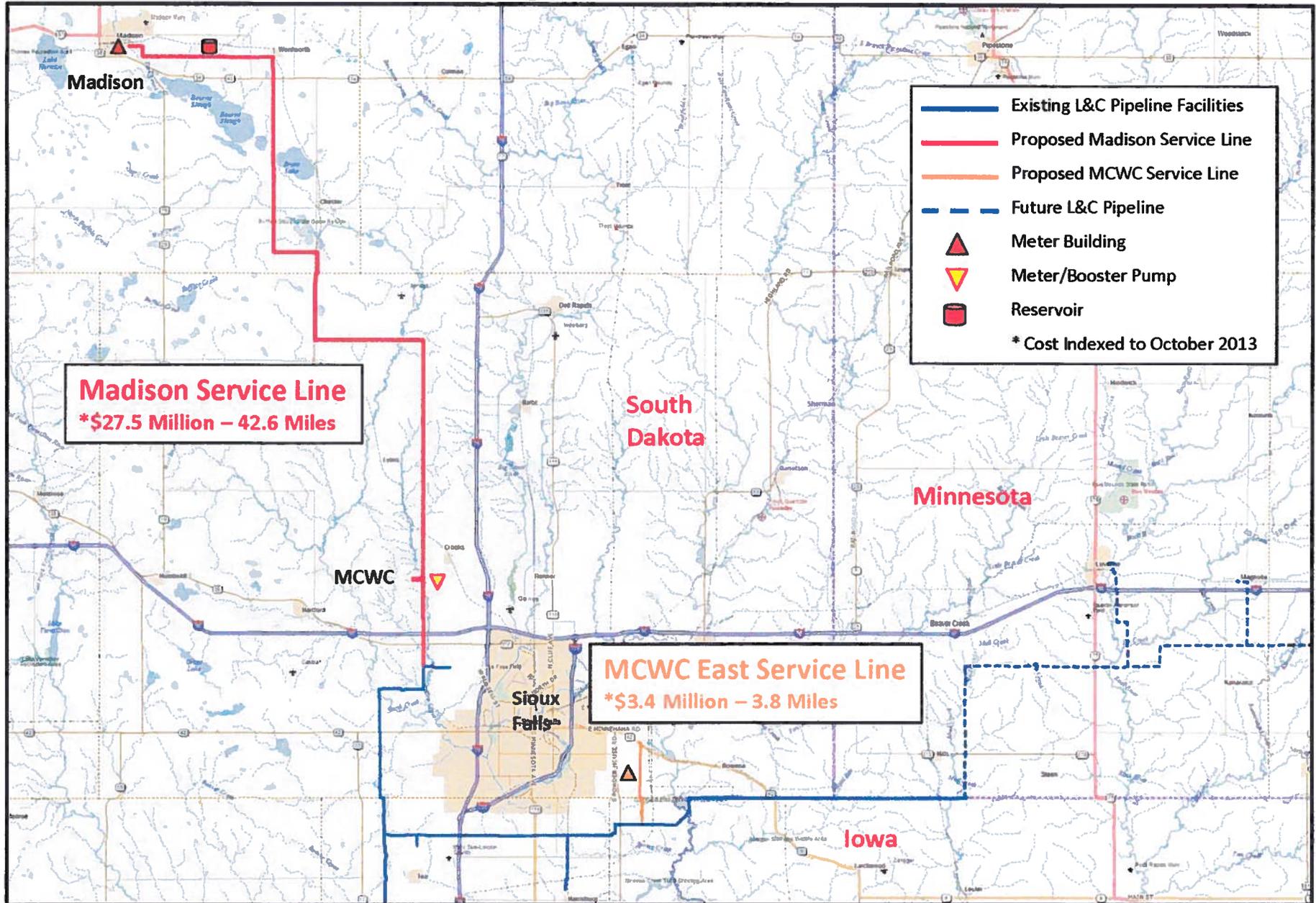
State of Iowa

- ◆ Requesting \$20M to keep construction moving forward in IA (could be divided over three+ years)
- ◆ Hoping funding stream will begin this year but next year is more likely since Gov. Branstad has already released his budget
- ◆ Joint hearing before the House and Senate Appropriations Committees in Des Moines is being re-scheduled (was set for 2/26)
- ◆ This would also be an “advance on federal funding” paid back using future federal funding once all the members are connected (no interest)
- ◆ We will continue to work hard to ensure the federal government honors its funding commitments

State of South Dakota

- ◆ L&C will be requesting a similar “advance on federal funding” from the State of SD in 2015
- ◆ Estimated \$31M needed in today’s dollars to connect Madison and provide more connections for MCWC and SF
- ◆ Construction can be divided into phases and over a period of years depending on available funding
- ◆ Once all 20 members are connected, an estimated \$68M in today’s dollars still needs to be spent in SD to ensure all members receive their full capacity (e.g. wells, pipeline and treatment capacity), but the timing for this construction is not critical at this time

Lewis & Clark Regional Water System Remaining Work in South Dakota



State of South Dakota

- ◆ L&C has a tremendous economic impact on SD
- ◆ Department of Revenue estimates \$5.2M has been paid in contractor's excise tax for L&C construction
- ◆ Estimated \$13.5M has been paid to date in sales tax related to L&C for construction, administration, engineering, legal and operations
- ◆ SD's net L&C investment to date is about \$13M, which will continue to decline as L&C pays an estimated \$100,000/yr. in sales tax on operations
- ◆ In addition, economic impact to the State from the 10 SD members receiving L&C water, employment of 13 employees and future tax revenue from the estimated \$99M of construction still needed in SD

State of South Dakota

- ◆ In addition to the connected members paying more for L&C water than they would be if all 20 members were connected, Madison has one arm tied behind their back when it comes to economic development
- ◆ Reminder no SD members would be receiving L&C water today were it not for the pre-payment by IA, MN and the members in those states
- ◆ The longer it takes to complete construction, the more expensive it becomes due to inflation and the longer it takes to realize the full economic impacts
- ◆ Thank you in advance for your consideration next year of an “advance on federal funding”



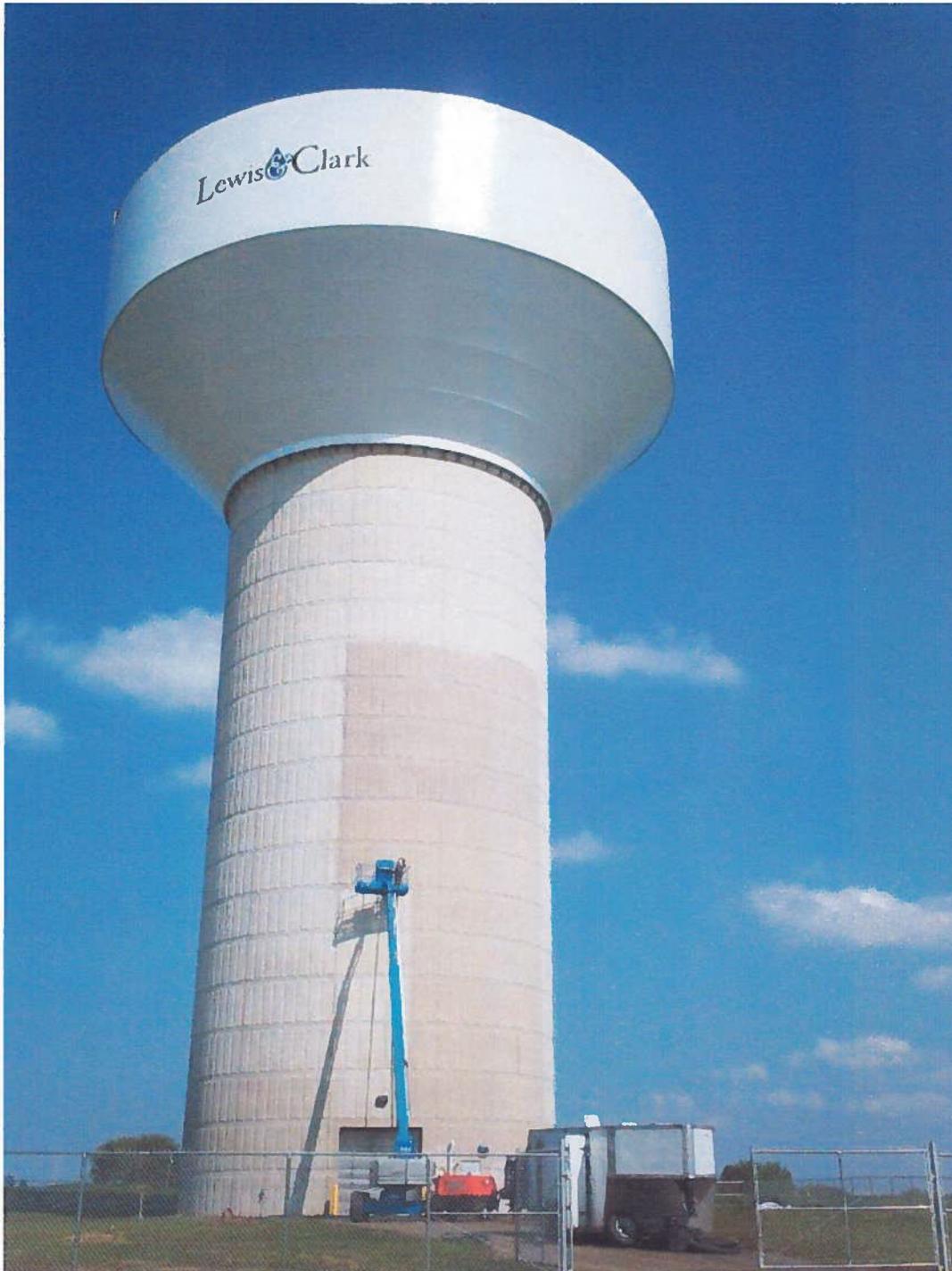
Lewis & Clark's Water Treatment Plant



One of four solids contact basins



7.5 million gallon reservoirs & pump station near Sioux Falls



3.5 million gallon water tower in southern Sioux Falls – will be used to deliver water to MN members



The 54" main trunk line between the treatment plant and Sioux Falls holds 33 million gallons of water.