

Lewis & Clark Regional Water System

*Project Update
for Iowa
Legislature*

February 26, 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
- ◆ 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
- ◆ Once-in-a-lifetime opportunity for IA to benefit from a Bureau of Reclamation (BoR) project

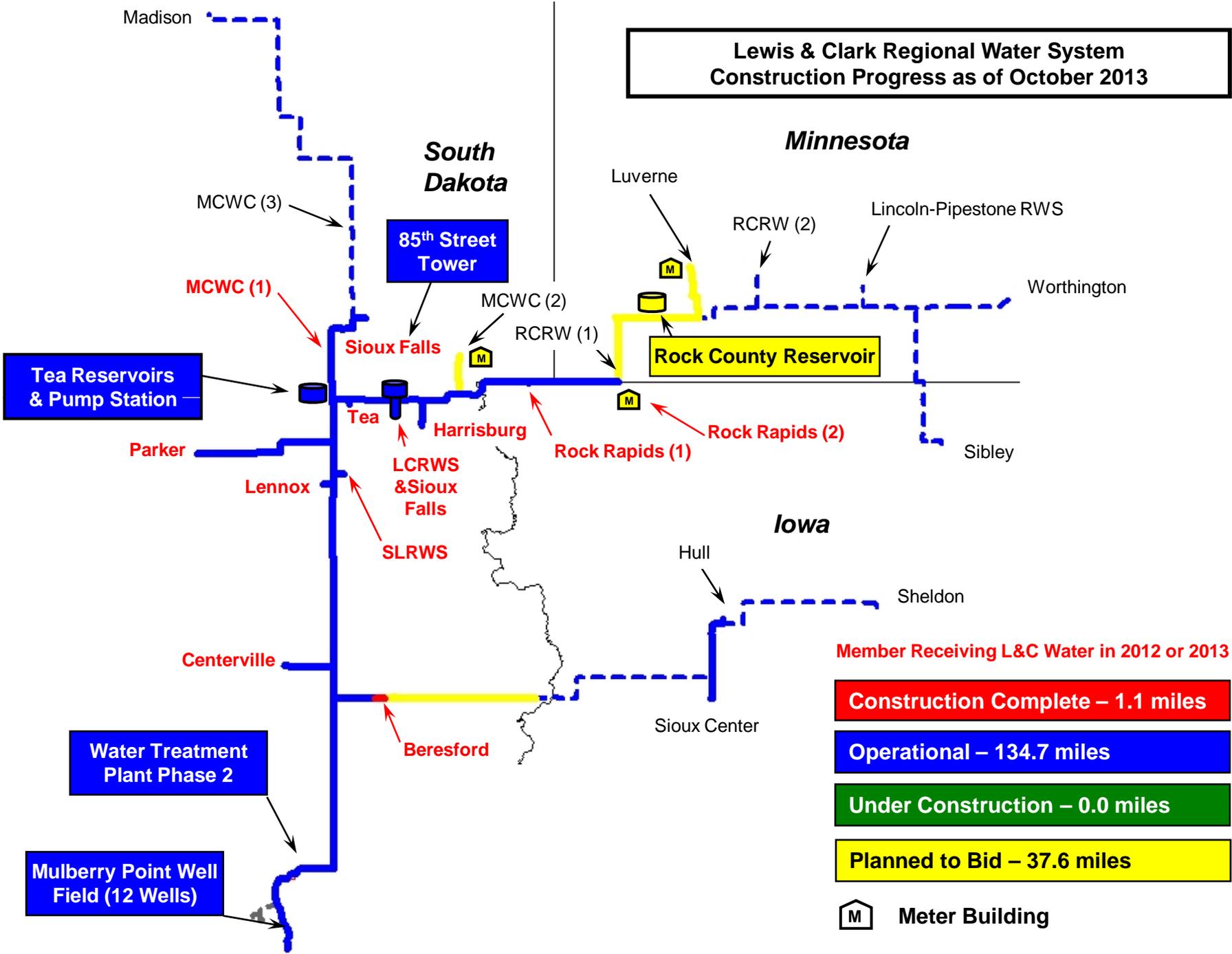
Operations Status

- ◆ Treatment plant near Vermillion, SD began operating in July 2012 – 11 members are receiving water (10 in SD and Rock Rapids, IA)
- ◆ Timing couldn't have been better with drought
- ◆ Members paying more for water than if all members were connected (\$400,000/yr. for Sioux Falls)
- ◆ Peak production to date of 16 million gallons per day (MGD) but the treatment plant has capacity of 45 MGD with the ability to expand to 60 MGD
- ◆ When eventually connected Hull will receive 400,000 gallons a day, Sheldon 1.3 MGD, Sibley 650,000 gallons and Sioux Center 600,000 gallons. Rock Rapids has reserved 550,000 gallons.

Construction Status

- ◆ L&C is 65% completed and soon to be six years behind schedule
- ◆ Project is currently “dead in the water” – no new pipeline contracts in FY13 or FY14, and easement acquisition and engineering have also been halted
- ◆ Three states and 20 members have pre-paid 100% of their non-federal cost share – combined \$153.8M
- ◆ Of this amount, State of IA paid \$7M and the five IA members paid \$7M
- ◆ Those pre-paid funds have all been used, so the schedule to connect the other nine members is entirely dependent upon federal funding
- ◆ No timeline in authorization for receiving fed. funds

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



Construction Status

- ◆ 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
- ◆ \$7.3M of that amount has been or will soon be incurred by the IA members:
 - \$4,300,000. Hull. Connection with neighboring rural water system. Construction in 2014.
 - \$2,450,000. Sioux Center. New deep well, exploratory drilling for additional two more wells, water plant expansion and new filters. \$400,000 of this already has been spent and the rest will be spent in the next two to five years.
 - \$520,000. Sheldon. Dig another deep well (poor quality). Construction in 2014.

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

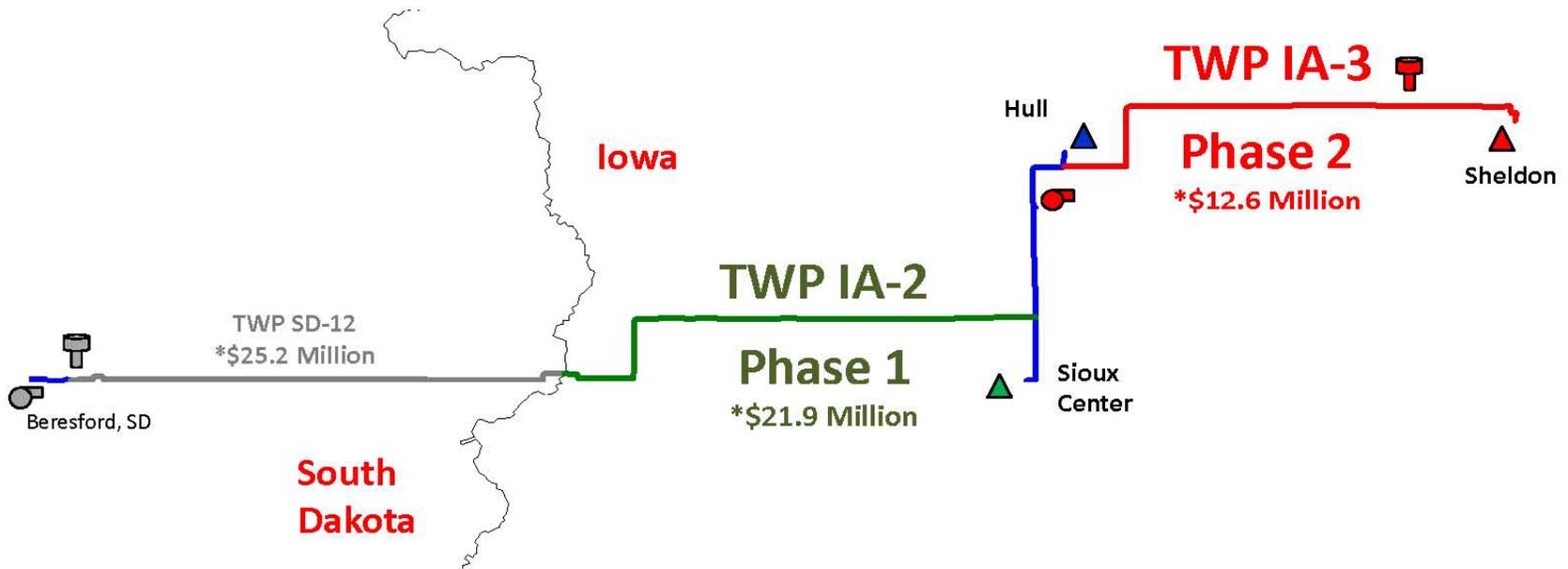
- ◆ Covers the “checklist” for being a funding priority:
 - ◆ Creates jobs on the front end through construction and manufacturing & many more long-term jobs through expanded economic development (repays the gov’t)
 - ◆ Members have pre-paid their share of the project
 - ◆ Critical and basic infrastructure
 - ◆ Federally authorized project
 - ◆ Is only getting more expensive
 - ◆ Strong bi-partisan political support – non-controversial
- ◆ As Rep. King said, “Lewis & Clark is an example of good government and is the type of cooperative effort we should be encouraging.”
- ◆ Administration and Congress need to honor their commitment to this critically needed water project

Funding Status

- ◆ Project currently on the path to infinity
- ◆ Outrageous how the federal government is leaving the IA members high and dry when they need water more than ever
- ◆ Estimated \$67.2M needed in today's dollars to connect the other four IA members
- ◆ Of this amount, estimated \$38.8M is construction within the State borders, with the remaining construction taking place in SD and MN
- ◆ Construction can be divided into phases depending on available funding



Iowa Phases of the Lewis & Clark Regional Water System



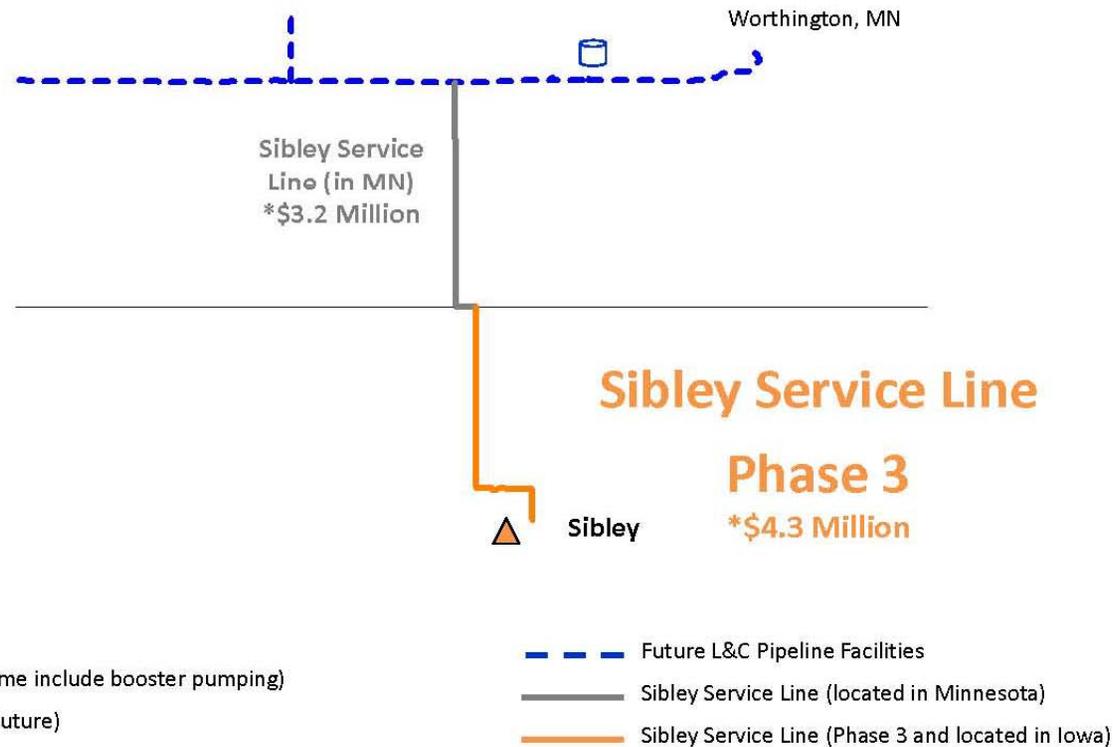
- Meter Building (some include booster pumping)
- Water Tower
- Main Line Booster Pump Station

- Existing L&C Pipeline Facilities
- TWP SD-12 (and other projects located in South Dakota)
- TWP IA-2 (Phase 1 and located in Iowa)
- TWP IA-3 (Phase 2)

*Estimated cost for the various phases does not include indexing for inflation.



Iowa Phases of the Lewis & Clark Regional Water System



*Estimated cost for the various phases does not include indexing for inflation.

Funding Status

- ◆ 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 not be paid back until all the members are connected (no interest)
- ◆ Strong assurances money will be repaid but we cannot control federal funding or timeline
- ◆ Use MN funds to leverage more federal funding that can be used for construction in MN (construction of the “MN Line” benefits Sibley)

Funding Status

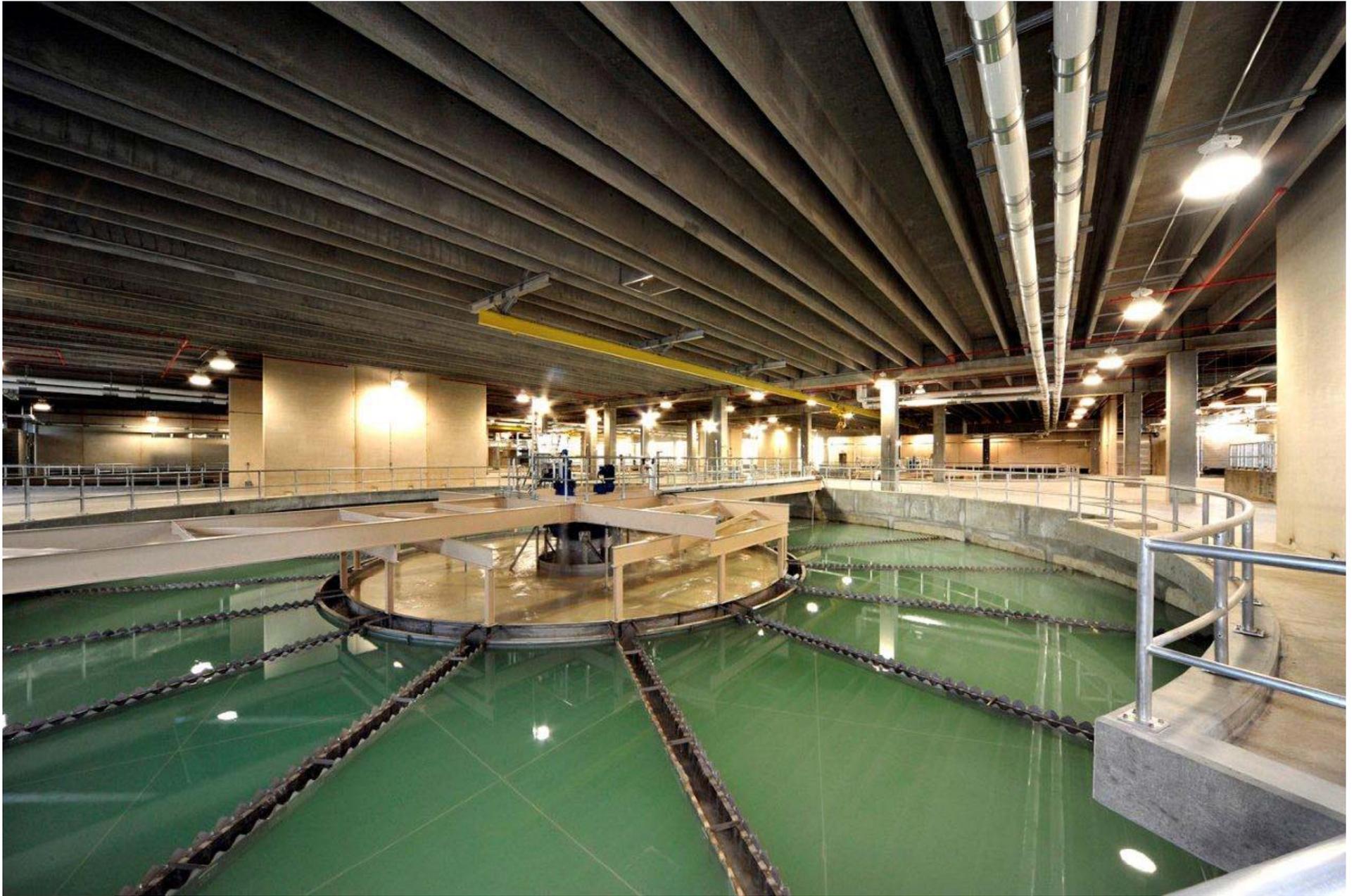
- ◆ Requesting \$20M from the State of IA to keep construction moving forward in IA, which could be divided over three years
- ◆ This would be an “advance on federal funding”
- ◆ Money would be paid back using future federal funding once all the members are connected (prevented from using fed. funds to repay interest)
- ◆ We will continue to work hard to ensure the federal government honors its funding commitments
- ◆ Of course the longer construction takes, the more expensive it becomes due to inflation
- ◆ Similar request will be made of the SD Legislature in 2015 (Approps. hearing in Pierre on March 4)

Economic Impact

- ◆ The lack of water in northwest IA is having an adverse impact on the regional economy, with value-added agriculture being hit particularly hard
- ◆ Cheese factory located in Hull because of the emergency connection L&C has between Sioux Center and Hull -- enormous economic impact
- ◆ Plant processes 50 trucks of milk a day and wants to double expansion but needs more water
- ◆ Ethanol plant was turned away near Rock Rapids because of the lack of water
- ◆ 100% of the water being used from Grand Falls Casino near Larchwood comes from L&C via Rock Rapids



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.

Construction on the Emergency Connection for Hull

