

Lewis & Clark Regional Water System

*Iowa
Legislature*

February 17, 2015



Project 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
- ◆ Addresses common water quantity and quality problems in a more efficient and cost effective way than if each member went out on their own
- ◆ Started in 1990 and Congress authorized in 2000
- ◆ 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

Project Background

- ◆ The five IA members have reserved a combined 3.5 million gallons a day (MGD), with the ability to secure another 1.9 MGD in the future
- ◆ Rock Rapids is selling L&C water to Lyon-Sioux RWS and the other four IA communities have connections with neighboring rural water systems, so the impacts of L&C are/will be felt well beyond the five IA communities
- ◆ Federal funding comes from the Bureau of Reclamation (BoR), which only operates in the 17 most western states with SD being the eastern edge of their territory
- ◆ L&C is the first BoR project in IA or MN

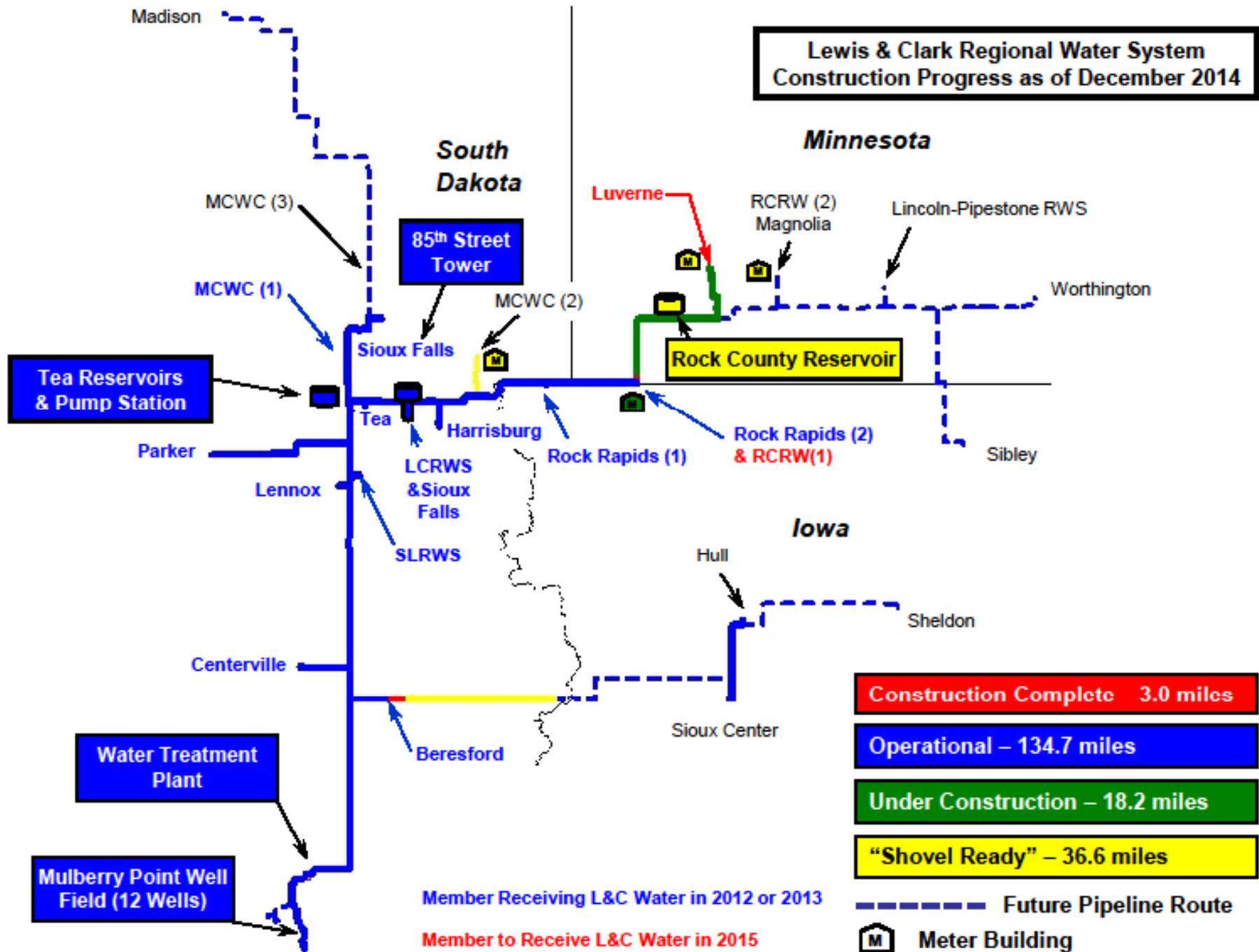
Operations Status

- ◆ Treatment plant near Vermillion, SD started up in July 2012 – 11 of 20 members receiving water
- ◆ 10 connected members are in SD and one is in IA (Rock Rapids)
- ◆ Delivered 3.607 billion gallons in 2014 – average of 9.88 MGD (24% increase from '13)
- ◆ The plant has current capacity of 36 MGD, but build out is 45 MGD with future expansion to 60 MGD
- ◆ Water rates cover operational costs, so due to fixed expenses the connected members are paying more for water than if all members were connected

Construction Status

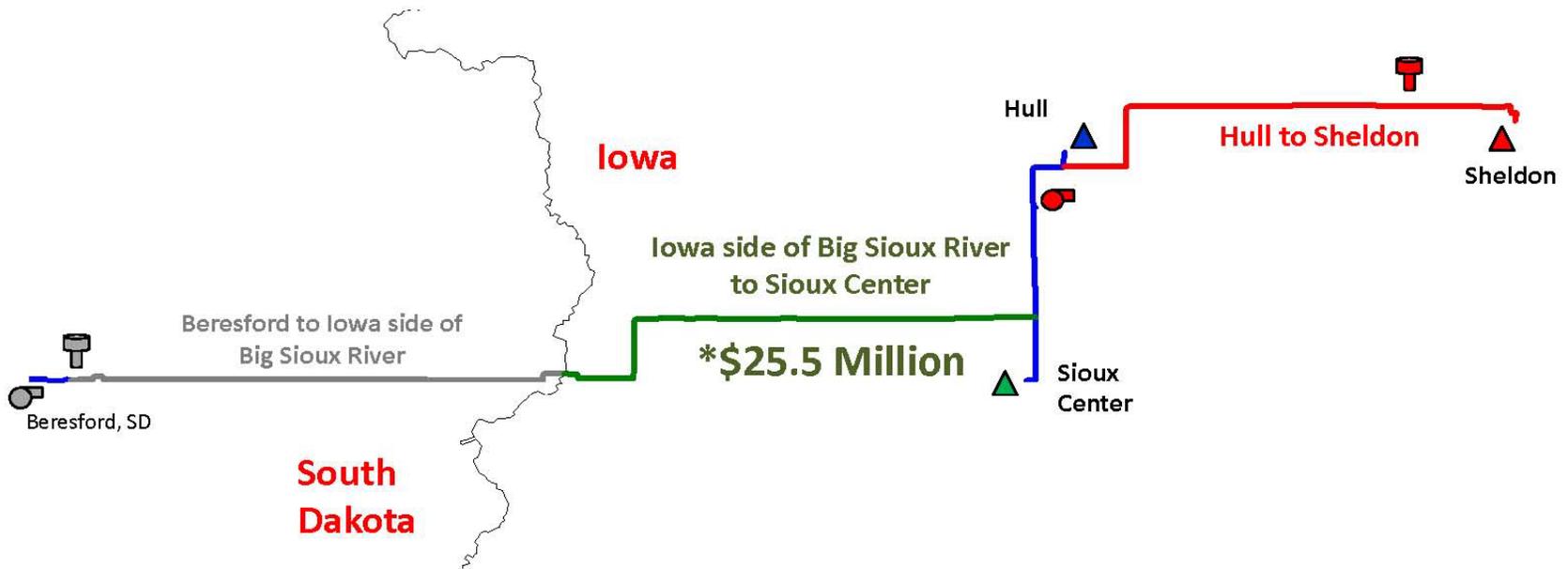
- ◆ L&C is 65% complete & six years behind schedule
- ◆ Rock County RWD & Luverne in MN will receive water in 2015 (13 members then connected)
- ◆ Due to the lack of federal funding, no construction contracts were awarded in FY13 and easement acquisition and engineering were also halted
- ◆ Three states and 20 members have pre-paid 100% of their non-federal cost share – combined \$154M
- ◆ Pre-paid funds have all been used, so schedule to finish the project depends upon federal funding
- ◆ Delay getting water has forced the IA members to spend an additional \$7.2M, which does not replace the need for L&C, just buys them time

**Lewis & Clark Regional Water System
Construction Progress as of December 2014**





Lewis & Clark Regional Water System Iowa Projects (excluding Sibley)



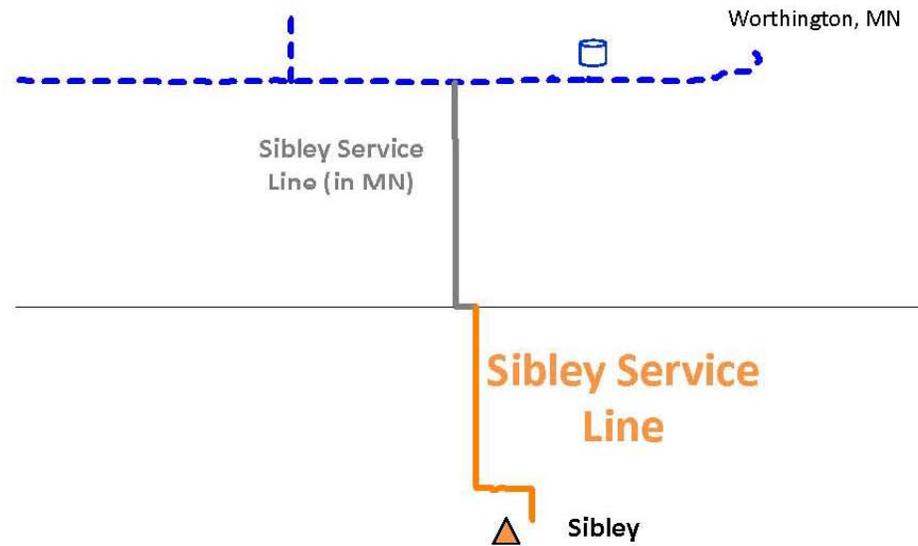
- Meter Building (some include booster pumping)
- Water Tower
- Main Line Booster Pump Station

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

*Estimated cost listed above is indexed for inflation to the mid-point of construction.



Lewis & Clark Regional Water System Sibley Service Line



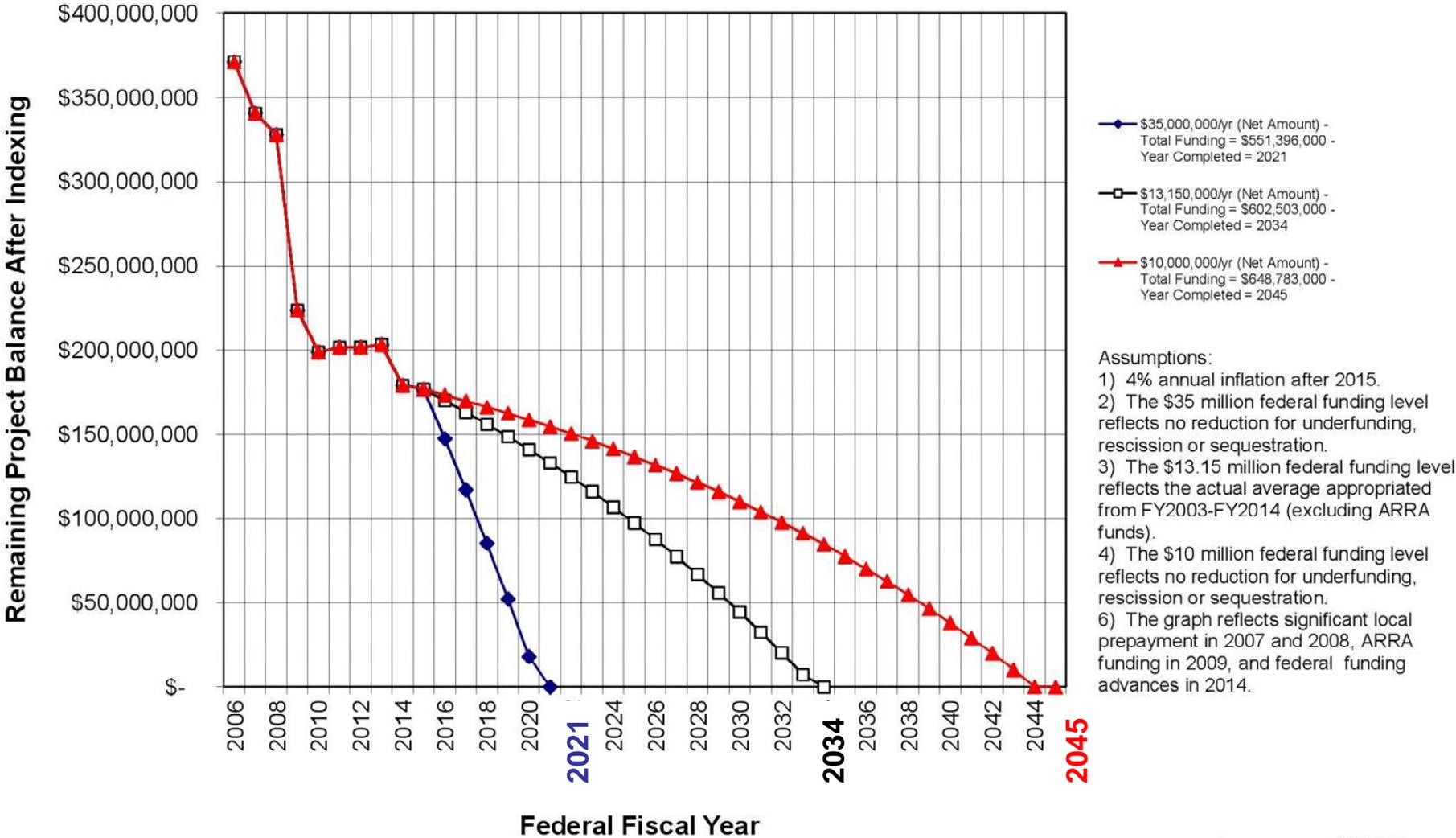
- Meter Building (some include booster pumping)
- Water Reservoir (Future)

- Future L&C Pipeline Facilities
- Sibley Service Line (located in Minnesota)
- Sibley Service Line & Facilities (located in Iowa)

Funding Status

- ◆ Current overall price tag for project is \$573M
- ◆ Total spent to date is \$370M
- ◆ Recent federal funding: \$26.5M in FY08, \$27M in FY09 (plus \$59.5M in stimulus funding), \$10M in FY10, \$2M in FY11, \$5.5M in FY12, \$4.5M in FY13, \$8.3M in FY14, \$9M in FY15 & \$2.77M proposed for FY16
- ◆ Funding drop coincided with earmark ban in 2010
- ◆ Through FY13 the feds have paid \$212M (51% of its share) & have a remaining cost share of \$203M
- ◆ Remaining federal cost share increased \$8.7M in three years (\$194.3M in FY11), so funding is not even covering inflation (“on the path to infinity”)

Lewis & Clark Regional Water System Effects of Inflation vs. Federal Funding Level



January 2015

Funding Status

- ◆ L&C is one of six BoR rural water projects
- ◆ Administration's FY15 Budget only included \$16.3M for rural water construction (\$2.4M of that amount for L&C), even though the combined remaining federal cost share for these six projects is \$1.4B
- ◆ Congress added \$31M in FY15 for construction, bringing the total to \$47.3M (BoR allocated \$6.6M of the \$31M to L&C, bringing L&C's total to \$9M)
- ◆ By comparison rural water construction funding was \$49M in FY14 and \$51M in FY13
- ◆ According to BoR, if \$50M a year for construction and 4% inflation, in 2065 the remaining federal cost share for the six projects would increase to \$1.8B

Funding Status

- ◆ Very strong bi-partisan support from the tri-state congressional delegation but the Administration is not making rural water a priority and the earmark ban wrongly includes authorized projects
- ◆ The longer it takes to complete the more expensive the project becomes and the longer it takes to realize the economic development benefits – “double whammy” for the taxpayers
- ◆ L&C really hated to go back to the states for help but the Feds left the members no choice

Funding Status

- ◆ L&C seeking “federal funding advances” from the three states to keep construction moving forward
- ◆ These are zero interest unsecured loans that would be paid back using future federal funds to the degree they are made available
- ◆ Payback would occur once all 20 members are connected but before the project is finished – members deferring an estimated \$33M in construction so the states are not “last in line”
- ◆ Annual payback divided proportionally among the states based on the advances they provided
- ◆ Feds have never reneged on a rural water project – strong assurances of repayment but no timeframe

South Dakota

- ◆ Approved a \$1M federal funding advance last session, which is being used for engineering and easement acquisition on two of the five segments of the Madison service line
- ◆ \$7.7M advance this session to construct these two segments is in the Governor's Omnibus Water Bill, which will allow L&C to "wheel" water to Madison with the help of two neighboring water systems
- ◆ Only a handful of votes against the annual Omnibus Water Bill during the last several years ("The closest thing we have to a sure thing in the legislature," according to the Gov.'s senior advisor)
- ◆ No future advances needed from the State

Minnesota

- ◆ Approved a \$22M federal funding advance in the 2014 session to construct the line from the IA/MN border to Luverne and then over to Magnolia where Rock County RWD has a second connection
- ◆ As a non-state cost share, L&C applied its \$8.3M in FY14 federal funding to the infrastructure between the IA/MN border and Luverne
- ◆ Estimated \$48M needed to finish the MN line
- ◆ Gov. Dayton, local legislators and legislative leaders support another advance this session
- ◆ Close to two hour joint Senate/House hearing held on Feb. 3

Iowa

- ◆ Met three times with the Governor, Lt. Governor, staff and legislative leaders regarding a \$25M advance for the line from Sioux Center to the Big Sioux River, which could be paid over four years
- ◆ L&C Board has committed to applying \$9M in FY15 as a non-state cost share if \$25M is approved
- ◆ \$9M builds half the line between Beresford and the river, with the other half being completed with future federal funding (likely by FY17 or FY18)
- ◆ If less than \$25M is approved, L&C Board would need to decide how to utilize the \$9M (reminder that Sibley is served from the MN line)
- ◆ Thank you very much for your consideration!