

**SOUTH DAKOTA STATE RAILROAD BOARD MEETING MINUTES
FEBRUARY 28, 2017 – 10:00 A.M.
BECKER-HANSEN BUILDING – 700 EAST BROADWAY
PIERRE, SOUTH DAKOTA**

MEMBERS PRESENT: Todd Yeaton, Chair
Sheldon Cotton, Vice Chair
Jeff Burket, Member
Jerry Cope, Member
Gary Doering, Member
Harlan Quenzer, Member

DOT STAFF PRESENT: Joel Jundt, Jack Dokken, Karla Engle, Bonnie Olson, Ben Orsbon, Bill Nevin, Misty Siedschlaw, Lynn Kennison, and Tessa Wenner

OTHERS PRESENT

VIA CONFERENCE CALL: Tom Miller

OTHERS PRESENT: Randy England, Dustin Buntrock, Andy Rankin, Blake Jones, Chris Brozik, Greg Christenson, Jack Parliament, Steve Mousel, Blake Jones, Russ Hazel, Jerry Helerson, Tim Lukew, Heath Haden, Rep. James Schaefer, Gary Wickenshon, Hollie Stadler, Rick Jalery, Walter Wendland, Bart Banks, Tobin Morris, John Zaiko, Brian Hammerback, and Erin Heupel

Chair Yeaton called the meeting of the South Dakota State Railroad Board (the "Board") to order at 10:00 a.m. Roll call was taken and a quorum was determined with four members present (Yeaton, Burket, Cope, Quenzer).

Chair Yeaton opened the floor to Board members to disclose potential conflicts of interest and to present requests for waivers pursuant to South Dakota Codified Law (SDCL) chapter 3-23.

Cope disclosed a potential conflict in the consideration of the Presho property listed on the agenda. Cope previously provided a written letter of disclosure, dated June 16, 2016, to the Board requesting a waiver. At the Board's regular meeting held on July 20, 2016, the Board determined the matter underlying the conflict was fair, reasonable, and not contrary to the public interest, but required that Cope disclose the details of any specific contracts or other conflicts of which he becomes aware for the Board's particular consideration. Cope explained that he is employed by Dakota, Mill & Grain, Inc. Cope will abstain from the discussion and vote on the consideration of the Presho property.

A MOTION WAS MADE by Burket and seconded by Quenzer that the essential terms of the contract or transaction is fair, reasonable, and not contrary to the public interest. All present voted aye by roll call vote, except Cope, who abstained from the Board discussion and vote. The motion carried.

Deputy Secretary Jundt provided the Board with an update on the current and projected State Rail Trust Fund balances.

Jundt requested the Board to consider the Presho property first then proceed to the remaining proposals based on the order in which they signed the log to present. These requests are for informational purposes so that the Board can obtain an understanding of the pending requests for funding that were previously tabled by the Board as well as any new funding requests for the Board to consider.

Sheldon Cotton and Gary Doering joined the meeting at 10:20 a.m.

Chair Yeaton, with the consensus of the Board, proceeded to the discussion of the Presho property.

Cope recused himself from the discussion and any potential vote on the consideration of the Presho property.

Bart Banks, General Counsel, and Brian Hammerback, President, representatives from Dakota Mill & Grain, Inc. ("DM&G") presented the Board with DM&G's Presho land purchase proposal. Included in the presentation was preliminary design of the infrastructure DM&G proposes to build if DM&G is approved to purchase the state-owned land.

Erin Heupel, presented a proposal to the Board to purchase approximately 0.75 acres (32,670 square feet) of state-owned railroad right of way property in Presho, South Dakota. Ms Heupel made the proposal on behalf of her parents, Dallas and Judith Brost. The Board previously authorized Heupel and the Brosts to obtain a survey and appraisal of the land where the Brosts' house and driveway encroach onto railroad right of way. The purchase of this property, if approved by the Board, would allow their home and driveway to be clear of encroaching on state-owned property, and would allow continued use of land they have occupied and maintained for 33 years. The Brosts request to continue with the survey and have the land platted. They are also requesting approval to obtain an official easement for the rail crossing that is used to access their home.

A preliminary land appraisal was completed by Randy Vance of DVI Appraisal Services; which indicated a proposed purchase price of \$0.16 per square foot.

The Board would like to hear from the City of Presho regarding this item.

No action was taken.

Cope returned to the meeting.

Dustin Buntrock, representative of South Dakota Wheat Growers Association, reminded the Board that South Dakota Wheat Growers Association previously submitted a loan application to the Board in the amount of \$4.3 million for a loop track at Kennebec and would still like to be considered for funding. The loan application submitted by South Dakota Wheat Growers Association was previously tabled by the Board.

No action was taken.

Andy Rankin, Chairman of Rails to the Future, presented to the Board an idea to expand the Mitchell to Rapid City ("MRC") line from Presho to Murdo. His organization would be requesting a grant for this project.

No action was taken.

Blake Jones, representative of Rapid City, Pierre & Eastern Railroad, Inc. ("RCP&E"), updated the Board on current RCP&E projects. Jones presented the Board with a proposal to replace five miles of 90 and 100 lb. jointed rail that is 80 to 100 years old. The proposed project would begin in the area of Wendte, Stanley County, and progress west. The rail would be replaced with new 115lb. continuous welded rail.

Project cost:

- State grant request: \$1.8 million
- RCP&E match: \$1.2 million

No action was taken.

Heath Haden, representative of Dakota Southern Railway Company ("DSRC") presented three separate proposals to the Board:

1) Presho to Vivian

DSRC proposes a 50/50 cost share with the State to reconstruct the MRC line from Presho to US Highway 83 at Vivian. The total length would be approximately 13 miles and is estimated to cost \$7.8 million.

2) Locomotive and rail car repair facility

The Williams Group of Companies recently purchased property at the northwest corner of the intersection of old South Dakota Highway 16 and US 281. The property was purchased with the intention of constructing a facility to store and repair rail cars and locomotives. The proposed project consists of a 6,000-square foot addition to the existing building, installation of a switch to the MRC mainline, and grading, ballast, rail, ties, and yard switches for four miles of track. DSRC is requesting the Board provide a loan in an amount not to exceed \$1.3 million. The terms of the loan would be 2% interest, 20 year amortization, 7 year balloon payment for 50% of the cost of the track construction. The remainder of the cost will be covered by the Williams Group of Companies.

3) NAPA Junction Rail Park feasibility study

DSRC is looking at conducting a feasibility study of the Napa Junction location to construct a rail serviced industrial park at Napa junction.

No action was taken.

Walt Wendland, President/CEO of Ringneck Energy, presented a proposal to the Board for funds to complete the ethanol plant project in Onida, SD. Ringneck Energy previously submitted an application for a loan to the Board in the amount of \$5.2 million. Ringneck Energy is now requesting \$3.55 million loan with a 2% interest rate.

No action was taken.

Hollie Stalder, representative of Belle Fourche Development Group, presented the Board with the current status of the Belle Fourche Industrial and Rail Park. The park is currently operational with two tenants. Belle Fourche Development Group is requesting a grant or loan in the amount of \$500,000.00. This request is to fund an additional 2,500 feet of rail.

No action was taken.

Jack Parliament, President of D & I Railroad Co., presented the Board with three separate proposals.

- 1) D&I is requesting the Board to increase the current Sioux Valley Regional Railroad Authority bridge loan and grant agreement to \$2.53 million to cover the work completed to date.
- 2) D&I is requesting the funding for Sioux Valley Subdivision Bridge T480 reconstruction. The projected cost is estimated at \$5.3 million. D&I requests splitting the costs in some fashion between a grant and a loan from the Board.
- 3) D&I is requesting funds to stabilize the mainline grade at approximately 3.5 miles south of Hawarden, IA. There is currently a slide at this location and slope stability issues must be corrected. The Board previously authorized a loan and Federal Railroad Administration funds have been secured but the current estimate is above the previously-approved funding package. The current estimate is \$6.4 million.

The Board requested a breakdown of project expenses for the proposals.

No action was taken.

Chris Brozik, representative of Civil Design Inc., presented a proposal on behalf of Twin Cities and Western Railroad to reconstruct and repair the rail line from Sisseton to Milbank.

No action was taken.

Wipf & Cotton LLC

Ken Cotton, attorney for Wipf & Cotton, LLC submitted a letter to Jack Dokken to be forwarded to the Board. The letter supported the expansion of the MRC railroad from Presho to Murdo.

No action was taken.

With no other business to come before the Board, the meeting was adjourned at 1:55 p.m.

There were several supporting documents that were referenced during this meeting. These documents can be found on the South Dakota Boards and Commissions website:

<http://boardsandcommissions.sd.gov/Meetings.aspx?BoardID=88>