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Minutes of the
Board of Water and Natural Resources Meeting
Matthew Training Center
523 East Capitol
Pierre, South Dakota

March 27, 2018
1:00 p.m. CDT

CALL MEETING TO ORDER: Due to the absence of Chairman Johnson and Vice Chairman Jones, the meeting was called to order by Secretary Bernhard. A quorum was present.

Mr. Bernhard requested a motion from the board appointing a chairman pro tem for this meeting.

Motion by Gnirk, seconded by Goldhammer, to appoint Jerry Soholt as chairman pro tem.
Motion carried unanimously.

Mr. Soholt announced that the meeting was streaming live on SD.net, a service of South Dakota Public Broadcasting.

BOARD MEMBERS PRESENT: Jerry Soholt, Todd Bernhard, Paul Goldhammer, and Paul Gnirk.

BOARD MEMBERS ABSENT: Brad Johnson, Jackie Lanning, and Gene Jones.

LEGISLATIVE OVERSIGHT COMMITTEE MEMBERS PRESENT: None.

OTHERS PRESENT: See attached attendance sheets.

APPROVE AGENDA: Motion by Bernhard, seconded by Gnirk, to approve the meeting agenda. Motion carried unanimously.

APPROVE MINUTES OF JANUARY 4, 2018, MEETING: Motion by Goldhammer, seconded by Gnirk, to approve the minutes of the January 4, 2018, Board of Water and Natural Resources meeting. Motion carried unanimously.

PERKINS COIE LLP CONFLICT WAIVER REQUEST FOR SIMULTANEOUS REPRESENTATION OF SOUTH DAKOTA CONSERVANCY DISTRICT AND CITY OF SIOUX FALLS: Mike Perkovich reported that Bruce Bonjour, Perkins Coie, serves as bond counsel for the Clean Water and Drinking Water State Revolving Fund programs. Mr. Bonjour is working with the city of Sioux Falls on a bond issue.

Because Sioux Falls has several outstanding Clean Water and Drinking Water State Revolving Fund loans, Mr. Bonjour has requested the consent of the South Dakota Conservancy District to

undertake representation of the city of Sioux Falls, in a matter in which the interests of the district and the city are potentially adverse, while continuing its representation of the district in other matters related to Clean Water and Drinking Water State Revolving Fund programs.

Mr. Perkovich stated that legal counsel recommended that the board, in its capacity as the district's governing body, consider the request and decide whether to authorize the chairman to sign the consent for simultaneous representation. Independently, the South Dakota Attorney General has consented to this.

Staff recommended the board authorize the chairman to execute the consent letter for Perkins Coie's simultaneous representation of the South Dakota Conservancy District and the city of Sioux Falls.

Motion by Bernhard, seconded by Gnirk, to authorize the chairman to execute the consent letter for Perkins Coie's simultaneous representation of the South Dakota Conservancy District and the city of Sioux Falls. Motion carried unanimously.

Mr. Perkovich announced the Jim Feeney has taken a position with South Eastern Council of Governments in Sioux Falls. He thanked Mr. Feeney for his mentorship and guidance throughout his time at DENR. Mr. Perkovich noted that through Mr. Feeney's guidance, the funding programs and the procedures that were developed have gone well.

Mr. Soholt thanked Mr. Feeney for his service to the state.

AMENDMENTS TO STATE WATER PLAN, 2018 CLEAN WATER STATE REVOLVING FUND INTENDED USE PLAN, AND 2018 DRINKING WATER STATE REVOLVING FUND INTENDED USE PLAN

Amendments to State Water Plan

Andy Bruels reported that water projects which will require state funding or need state support for categorical grant or loan funding need to be on the State Water Plan. The Board of Water and Natural Resources annually approves projects for placement onto the State Water Facilities Plan and provides for amendment of projects onto the plan on a quarterly basis. Placement of a project on the State Water Plan by the board provides no guarantee of funding. The projects placed on the plan at this meeting will remain on the facilities plan through December 2019.

Projects seeking a Clean Water or Drinking Water State Revolving Fund loan must be included on the project priority list of the Intended Use Plan. The State Water Plan applications are used to determine which projects should be amended onto the State Revolving Fund Project Priority Lists.

Fourteen State Water Plan applications were received by the February 1, 2018, deadline. Mr. Bruels identified the projects to be placed on the Clean Water SRF and Drinking Water SRF project priority lists as he presented the State Water Plan applications.

Bowdle requested amendment onto the facilities plan to replace drinking water pipes on Main Street that are beyond their useful life. The estimated total project cost is \$395,000. The project will also be placed on the Clean Water IUP with nine priority points and an estimated loan of \$395,000 at 2.25 percent interest for 30 years.

Bowdle requested amendment onto the facilities plan to replace sanitary sewer collection pipes on Main Street that are beyond their useful life. The estimated total project cost is \$355,000. The project will be placed on the Clean Water IUP with eight priority points and an estimated loan of \$355,000 at 2.5 percent interest for 30 years.

Butte Meade Sanitary Water District requested amendment onto the facilities plan to replace 2.5 miles of asbestos cement water main with PVC pipe. This portion of the system is experiencing excessive breaks and is beyond its useful life. The estimated total project cost is \$413,000. The project will be placed on the Drinking Water IUP with 10 priority points and an estimated loan of \$413,000 at 2.25 percent interest for 30 years.

Colome requested amendment onto the facilities plan to replace water meters with a radio read system and to install an elevated water storage tank. The estimated total project cost is \$1,220,360. The storage tank portion of the project will be placed on the Drinking Water IUP with 28 priority points and an estimated loan of \$1,220,360 at 2.25 percent interest for 30 years. The meter portion of the project will be placed on the Clean Water IUP with five priority points and an estimated loan of \$345,000 at 2.0 percent interest for 10 years.

Gayville requested amendment onto the facilities plan to replace water meters with a radio read system. The estimated total project cost is \$46,000. The project will be placed on the Drinking Water IUP with 13 priority points and an estimated loan of \$46,000 at 2.0 percent interest for 10 years. The project will also be placed on the Clean Water IUP with five priority points and an estimated loan of \$46,000 at 2.0 percent interest for 10 years.

Geddes requested amendment onto the facilities plan to replace water meters with a radio read system and to install an elevated water storage tank. The estimated total project cost is \$1,927,488. The project will be placed on the Drinking Water IUP with 88 priority points and an estimated loan of \$1,927,488 at 2.0 percent interest for 30 years.

Grenville requested amendment onto the facilities plan to replace water meters with a radio read system and to replace curb stops, distribution valves, and hydrants that are no longer operational. The estimated total project cost is \$351,415. The project will be placed on the Drinking Water IUP with 12 priority points and an estimated loan of \$351,415 at 2.0 percent interest for 30 years.

Leola requested amendment onto the facilities plan to replace water meters with a radio read system, to install a pump house and booster pumps to fill the storage tank, and to install 14,000 feet of PVC water main to remove old lines and loop the system. The estimated total project cost is \$2,642,000. The project will be placed on the Drinking Water IUP with 33 priority points and an estimated loan of \$2,642,000 at 2.0 percent interest for 30 years.

Marion requested amendment onto the facilities plan to replace water meters with a radio read system. The estimated total project cost is \$512,000. The project will be placed on the Drinking

Water IUP with 14 priority points and an estimated loan of \$512,000 at 2.0 percent interest for 10 years. The project will also be placed on the Clean Water IUP with six priority points and an estimated loan of \$512,000 at 2.0 percent interest for 10 years.

Mitchell requested amendment onto the facilities plan to abandon the existing water treatment plant and cost share with B-Y Water District to make improvements to the B-Y system to allow Mitchell to receive adequate water supply to meet peak day demands. The existing water towers will be painted and have mixers installed to improve water quality, and a water storage tower will be constructed to replace an aging tower. The city will replace approximately 14,000 feet of aging water main with PVC. The estimated total project cost is \$16,800,232. The project will be placed on the Drinking Water IUP with 38 priority points and an estimated loan of \$14,300,232 at 2.25 percent interest for 30 years.

Presho requested amendment onto the facilities plan to replace sanitary sewer collection pipes throughout the community that are beyond their useful life. The estimated total project cost is \$3,787,000. The project will be placed on the Clean Water IUP with seven priority points and an estimated loan of \$3,787,000 at 2.5 percent interest for 30 years.

Sheridan Lake Highlands Homeowners Association requested amendment onto the facilities plan to refinance a local bank loan in order to provide a longer term for manageable debt repayment. The local bank loan was used to purchase the system from the original developer. The association will also drill a new well, construct a well house, make improvements to the storage tank, and construct a booster station to increase pressures. The estimated total project cost is \$617,700. The project will be placed on the Drinking Water IUP with 17 priority points and an estimated loan of \$617,700 at 2.25 percent interest for 20 years.

Tea requested amendment onto the facilities plan to construct a new meter building on 85th Street and provide a second connection to Lewis & Clark Regional Water System. The meter building and pumps are to serve a sparsely developed area currently outside of the city. The few current users are being served by Lincoln Rural Water System. The estimated total project cost is \$1,155,000. This project will not be placed on the Drinking Water IUP since the project is for future development and is not eligible for Drinking Water SRF funding.

Tea requested amendment onto the facilities plan to install sanitary sewer lines on 93rd Street to provide for future development in that area of the city. The estimated total project cost is \$2,285,000. The project will be placed on the Clean Water IUP with eight priority points and an estimated loan of \$2,285,000 at 2.5 percent interest for 30 years.

Staff recommended amending all 14 projects onto the State Water Facilities Plan.

Motion by Gnirk, seconded by Bernhard, to amend all 14 projects onto the State Water Facilities Plan. Motion carried unanimously.

Amendments to 2018 Clean Water SRF IUP

Mr. Bruels stated that changes were made to Attachments 2 and 3 of the Clean Water SRF IUP to reflect the amendments presented earlier.

Staff recommended amending all six projects to the Project Priority list of the Clean Water SRF IUP.

Motion by Goldhammer, seconded by Gnirk, to accept the staff recommendations regarding amendments to the Clean Water SRF IUP. Motion carried unanimously.

Amendments to 2018 Drinking Water SRF IUP

Mr. Bruels stated that changes were made to Attachments 2 and 3 to reflect the amendments presented earlier.

Mr. Bruels noted that the Tea 85th Street water meter building project is not recommended for amendment onto the Drinking Water SRF IUP. This project is primarily for future growth of undeveloped area, which is not Drinking Water SRF-eligible, and the project does not help to address a health and safety concern for the city's users.

Staff recommended the addition of the projects presented earlier, with the exception of the Tea 85th Street water meter building project, onto the Project Priority list of the Drinking Water SRF IUP.

Motion by Goldhammer, seconded by Bernhard, to accept the staff recommendation regarding amendments to the 2018 Drinking Water SRF IUP. Motion carried unanimously.

AMENDMENTS TO 2017 DRINKING WATER SRF IUP: Mr. Bruels stated that the FY 2017 Drinking Water State Revolving Fund IUP was approved by the Board of Water and Natural Resources in November 2016 and amended in March, June, July, and September 2017.

For a project to utilize principal forgiveness allowed by a specific capitalization grant, it must be on the IUP associated with that year's capitalization grant. In order to maximize the use of each year's capitalization grant principal forgiveness allocation, it is necessary to amend projects to prior years' IUPs.

Staff recommended the board amend Attachment I - Project Priority List of the FY 2017 Drinking Water IUP by adding the following entries:

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
137	Clark Rural Water System	\$2,950,000	2.00%, 30 years
87	Oelrichs	\$447,000	2.25%, 30 years
67	Ree Heights	\$509,000	2.25%, 30 years

Motion by Bernhard, seconded by Goldhammer, to accept the staff recommendation regarding amendments to the 2017 Drinking Water SRF IUP. Motion carried unanimously.

AMENDMENTS TO 2016 DRINKING WATER SRF IUP: Mr. Bruels stated that the FY 2016 Drinking Water State Revolving Fund IUP was approved by the Board of Water and Natural

Resources in November 2015 and amended in March, June, and September 2016 and in June 2017.

For a project to utilize principal forgiveness allowed by a specific capitalization grant, it must be on the IUP associated with that year's capitalization grant. In order to maximize the use of each year's capitalization grant principal forgiveness allocation, it is necessary to amend projects to prior years' IUPs.

Staff recommended amending Attachment I - Project Priority List of the FY 2016 Drinking Water IUP by adding the following entries:

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
137	Clark Rural Water System	\$2,950,000	2.00%, 30 years
87	Oelrichs	\$447,000	2.25%, 30 years
67	Ree Heights	\$509,000	2.25%, 30 years

Motion by Goldhammer, seconded by Bernhard, to accept the staff recommendation regarding amendments to the 2016 Clean Water SRF IUP. Motion carried unanimously.

AVAILABLE FUNDING: Mr. Perkovich reviewed available funds for the Consolidated Water Facilities Construction Program, Drinking Water SRF Water Construction Grants, Drinking Water SRF Principal Forgiveness, Drinking Water SRF Loans, Clean Water SRF Water Quality Grants, Clean Water SRF Principal Forgiveness, and Clean Water SRF loans.

SANITARY/STORM SEWER FACILITIES FUNDING APPLICATIONS: Mike Perkovich presented the Sanitary/Storm Sewer Facilities funding applications and the staff recommendations. The projects were presented in priority points order as identified in the Clean Water SRF IUP. A map showing the location of the applications was included in the board packet.

Lake Byron Sanitary District requested funding to install a centralized wastewater collection and treatment system to serve the residents at Lake Byron. The wastewater collection system will consist of grinder pumps and force main. Treatment will be accomplished with an artificial wetland system.

The district anticipates bidding the project in the spring of 2019 with project completion in the fall of 2020.

The estimated total project amount is \$5,475,000, and the amount requested is \$5,475,000

The district recently began charging landowners within the district \$30.00 per month to generate funds for the project.

In March 2014, Lake Byron received a \$1,843,000 Clean Water SRF loan and \$500,000 Consolidated grant for the same project. The project languished, and after staff met with the Lake Byron Sanitary District board in June 2015, it was apparent that the sanitary district board

was unlikely to proceed as planned. The board rescinded the funding in March 2016. Staff met with the Lake Byron Sanitary District board on February 16, 2018. There is a new board in place that seems much more prepared to carry the project forward.

Staff recommended awarding a \$3,475,000 Clean Water SRF loan at 2.5 percent interest for 30 years and awarding a Consolidated grant for 36.6 percent of eligible costs not to exceed \$2,000,000. The Consolidated grant amount is the maximum allowable amount that can be awarded without legislative approval.

The district has pledged project surcharge for repayment of the loan. The financial analysis determined that a surcharge of \$79.20 is required to provide the necessary coverage. Residents will be paying an additional \$18.00 per month to cover the projected operating and maintenance costs, bringing overall rates to \$97.20 per month.

Staff recommended awarding the loan contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage.

Mike Hofer, Lake Byron Sanitary District, and Terry Aaker, SPN & Associates, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution No. 2018-16** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$3,475,000 at 2.5 percent interest for 30 years to the **Lake Byron Sanitary District** for a wastewater collection and treatment system project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage; and to adopt **Resolution No. 2018-17** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the **Lake Byron Sanitary District** for up to 36.6 percent of approved total project costs not to exceed \$2,000,000 for a wastewater collection and treatment system project. Motion carried unanimously.

Crooks requested funding to replace 4,000 feet of sanitary sewer and install 2,100 feet of storm sewer in the Palmira neighborhood in the city.

The city anticipates bidding the project in June 2018 with a project completion date of November 2018.

The estimated total project amount is \$2,052,000, and the amount requested is \$2,052,000.

Rates in Crooks are \$34.34 based on 5,000 gallons water usage.

Staff recommended awarding a \$2,052,000 Clean Water SRF loan at 2.5 percent interest for 30 years.

The city has pledged system revenues for repayment of the loan. Staff analysis indicates that a \$7.50 rate increase is needed to provide the 110 percent coverage, resulting in rates of approximately \$41.85 for 5,000 gallons usage.

Staff recommended awarding the loan contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage.

Jamison Rounds, Mayor of Crooks, and Gabe Laber, DGR Engineering, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution No. 2018-18** approving the Clean Water State Revolving Fund loan up to a maximum committed amount of \$2,052,000 at 2.5 percent interest for 30 years to the **city of Crooks** for the Palmira utility improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing rates sufficient to provide the required debt coverage. Motion carried unanimously.

Dell Rapids requested funding to replace portions of the wastewater and storm water collection systems. This is the first phase of several phases. The request also includes a nonpoint source component. These funds will be used to install nonpoint source best management practices in the Big Sioux River basin, such as stream stabilization, grazing management, agricultural waste management, and creating vegetative buffers.

The city anticipates bidding the project in February 2019 with a project completion date of October 2020.

The estimated total project amount is \$5,602,000, and the amount requested is \$4,953,000 with \$4,324,000 for a wastewater and storm water collection project and \$629,000 for nonpoint source activities.

Rates in Dell Rapids are \$54.40 per 5,000 gallons usage.

Staff recommended awarding a \$2,661,700 Clean Water SRF loan at the nonpoint source incentive rate of 1.5 percent interest for 30 years and awarding a Consolidated grant for 46.3 percent of eligible costs not to exceed \$2,000,000. The loan will consist of two bond series – one in the amount of \$2,324,000 for the wastewater and storm water improvements and one in the amount of \$337,700 for the nonpoint source component.

Because the loan amount for the wastewater and storm water portion of the project was reduced with the award of the Consolidated grant, the nonpoint source amount was subsequently reduced as well. The Consolidated grant amount is the maximum allowable amount that can be awarded without legislative approval.

Dell Rapids has pledged a project surcharge for repayment of the loan. The financial analysis determined that a surcharge of \$7.20 is required to provide the necessary coverage, which will bring the rates to \$61.60.

Staff recommended awarding the loan contingent upon the borrower adopting two bond resolutions and the resolutions becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and with the special condition that the borrower may not draw funds from the proceeds of the Series NPS-A Borrower Bond until EPA approves the revised budget for the Big Sioux Watershed Implementation Project.

Staff also recommended awarding the Consolidated grant with the special condition that grant funds will be drawn concurrently with the Clean Water State Revolving Fund loan awarded for this project.

Justin Wyland, city administrator, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Goldhammer, to adopt **Resolution No. 2018-19** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$2,661,700 at 1.5 percent interest for 30 years to the **city of Dell Rapids** for the southeast Phase 1 and railroad utility improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting two bond resolutions and the resolutions becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and with the special condition that the borrower may not draw funds from the proceeds of the Series NPS-A Borrower Bond until EPA approves the revised budget for the Big Sioux Watershed Implementation Project; and to adopt **Resolution No. 2018-20** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the **city of Dell Rapids** for up to 46.3 percent of approved total project costs not to exceed \$2,000,000 for the southeast Phase 1 and railroad utility improvements project with the special condition that grant funds will be drawn concurrently with the Clean Water State Revolving Fund loan awarded for this project. Motion carried unanimously.

Humboldt requested funding to replace 6,400 feet of vitrified clay pipe and 3,000 feet of sewer services. This is the second phase of a multi-phase project to make improvement to the wastewater system.

The town of Humboldt anticipates bidding the project in February 2019 with a project completion date of October 2019.

The estimated total project amount is \$3,876,000, and the amount requested is \$3,876,000.

Humboldt's rates are \$33.00 per month based on 5,000 gallons usage.

Staff recommended awarding a \$1,876,000 Clean Water SRF loan, at 2.5 percent for 30 years and awarding a Consolidated grant for 51.6 percent of eligible costs not to exceed \$2,000,000. The \$2,000,000 Consolidated grant award is the maximum allowable amount that can be awarded without legislative approval.

Humboldt has pledged system revenue for repayment of the loan. Staff analysis indicates rates of approximately \$50.00 will provide the required 110 percent coverage.

Staff recommended the awarding the loan contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage.

Staff also recommended awarding the Consolidated grant with the special condition that grant funds will be drawn concurrently with the Clean Water State Revolving Fund loan awarded for this project.

Jon Fischer, Stockwell Engineers, and Laura Schultz, finance officer, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Goldhammer, to adopt **Resolution No. 2018-21** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,876,000 at 2.5 percent interest for 30 years to the **town of Humboldt** for the Phase 2 wastewater collection improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage; and to adopt **Resolution No. 2018-22** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the **town of Humboldt** for up to 51.6 percent of approved total project costs not to exceed \$2,000,000 with the special condition that grant funds will be drawn concurrently with the Clean Water State Revolving Fund loan awarded for the Phase 2 wastewater collection improvements project. Motion carried unanimously.

Philip requested funding to make storm sewer improvements in the southwest area of town as part of a utility and street improvements project. The project will replace 5,350 feet of curb and gutter and install 1,900 feet of reinforced concrete pipe.

Philip anticipates bidding the project in May of 2018 with a project completion date of November 2018.

The estimated total project amount is \$536,000, and the amount requested is \$536,000.

Staff recommended awarding a \$536,000 Clean Water SRF loan at 2.5 percent for 30 years.

The city has pledged sales tax revenue for repayment of the loan. Staff analysis indicates this source of funds will provide 99.8 percent debt coverage.

Staff recommended awarding the loan contingent upon the borrower adopting a bond resolution and the resolution becoming effective.

Mike Vetter, mayor, and Jeff McCormick, SPN and Associates, discussed the project and answered questions from the board.

Motion by Goldhammer, seconded by Gnirk, to adopt **Resolution No. 2018-23** approving the Clean Water State Revolving Fund loan up to a maximum committed amount of \$536,000 at 2.5 percent interest for 30 years to the **city of Philip** for the southwest storm water system improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective. Motion carried unanimously.

Philip requested funding to replace 4,300 feet of sanitary sewer lines in the southwest area of town as part of the utility and street improvements project.

Philip anticipates bidding the project in May of 2018 with a project completion date of November 2018.

The estimated total project amount is \$1,370,000, and the amount requested is \$605,000. The city has been awarded a \$765,000 Community Development Block Grant to cover the remaining project costs.

Rates in Philip are \$30.00 based on 5,000 gallons usage.

Staff recommended awarding a \$605,000 Clean Water SRF loan at 2.5 percent for 30 years.

The city has pledged a project surcharge for repayment of the loan. Staff analysis indicates that a surcharge of \$5.75 is needed to provide the necessary coverage on the loan. Wastewater rates in Philip were raised from \$24.50 based on 5,000 gallons usage to \$30.00 in September 2017. Staff analysis indicates the new rate would cover the surcharge if the rate was restructured.

Staff recommended awarding the loan contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage.

Mike Vetter, mayor, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution No. 2018-24** approving the Clean Water State Revolving Fund loan up to a maximum committed amount of \$605,000 at 2.5 percent interest for 30 years to the **city of Philip** for the southwest wastewater system improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Presho requested funding to replace sewer mains along Main Street in conjunction with a paving and sidewalk project.

The city anticipates bidding the project in March 2019 with a project completion date of December 2019.

The estimated total project amount is \$1,968,535, and the amount requested is \$1,198,000.

Presho has a \$30.00 flat rate.

Staff recommended awarding a \$1,198,000 Clean Water SRF loan at 2.5 percent for 30 years.

The city has pledged a project surcharge for repayment of the loan. Wastewater rates in Presho were raised from a flat rate of \$23.00 to a flat rate of \$30.00 effective January 1, 2018. A surcharge of \$17.40 is required to provide the necessary coverage on a loan of \$1,198,000; however, staff analysis indicates the new rate would cover the surcharge if the rate was restructured.

Staff recommended awarding the loan contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage.

Angela Ehlers, city council president, and Terry Aaker, SPN and Associates, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution No. 2018-25** approving the Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,198,000 at 2.5 percent interest for 30 years to the **city of Presho** for the sewer main replacement project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Cavour requested funding to replace a portion of its wastewater collection system using conventional open-trench construction. These sewer lines were identified to be in severe condition as part of a 2014 televising report and were identified as too structurally damaged to be suitable for Cured-In-Place Pipe (CIPP) relining.

The town of Cavour anticipates bidding the project in June 2018 with a project completion date of September 2019.

The estimated total project amount is \$1,056,000, and the amount requested is \$956,000. The city intends to apply to the James River Water Development District for a \$100,000 grant for this project.

Cavour has a flat rate of \$31.00.

Staff recommended deferring the funding decision on this application until the June 2018 Board of Water and Natural Resources meeting.

Mr. Perkovich explained that in order to preserve the Consolidated funds, staff tries to maximize the use of principal forgiveness. There were no applicants this funding round that met the eligibility requirements for Clean Water SRF principal forgiveness. Specifically, most were unable to meet the median household income criteria. Median household income data provided by the American Community Survey is used; however, community income surveys can be used in lieu of American Community Survey median household income data.

After reviewing the median household income data of the applicants, Cavour appeared to be a likely candidate to become eligible for principal forgiveness through the income survey route. Staff worked with Northeast Council of Governments to initiate the income survey. The survey was not complete prior to the board meeting. Deferring the application will give the community additional time to complete the survey.

Motion by Goldhammer, seconded by Bernhard, to defer the funding application for the town of Cavour to the June 2018 Board of Water and Natural Resources meeting. Motion carried unanimously.

DRINKING WATER FACILITIES FUNDING APPLICATIONS: Mr. Bruels presented the applications and the staff recommendations for funding.

Clark Rural Water System requested funding for a project that will improve water quality and system pressures throughout Clark Rural Water System's distribution system. The system is near or at capacity and is extremely strained during peak demands. The project also proposes to connect the city of Willow Lake as a bulk water user as well as provide individual service to the town of Bradley residents.

In order to provide service to Willow Lake, improvements will need to be made to the system to increase capacity. The project includes looping of lines and installation of parallel pipe to

increase pressure and redundancy in the system, as well as construction of a 6-inch PVC service to Willow Lake.

Bradley's existing distribution system is experiencing excessive leaks, low pressures, and poor water quality and needs to be replaced. The project will install new distribution system piping, valves and meters. Once these improvements are completed, customers in Bradley will be metered and become Clark RWS customers.

Improvements will also be made in the northwest portion of the system to help convey water to the Crocker Booster Pump Station and minimize pressure losses in that region. These improvements include installing parallel lines on the north and south sides of the Crocker station.

Clark RWS anticipates opening bids in August of 2018 and final completion of improvements by June 2019.

The estimated total project amount is \$2,950,000, and the amount requested is \$2,950,000.

The rural water system's rates are \$64.50 per 7,000 gallons usage.

Clark RWS is the applicant for the funds and this is one project in total; however, there are three distinct projects that should be viewed somewhat separately when considering how to fund this project. The town of Bradley components of the project to become individual users of Clark RWS and have the needed improvements made is \$900,000 of the total cost. The cost for Clark RWS to provide bulk service to Willow Lake is \$600,000. The remaining \$1,450,000 is for Clark RWS as a system. Based on conversations with Clark RWS, the portions of any debt taken on specifically for Bradley and Willow Lake will be assessed back to those users since they are the only ones to benefit from those costs.

In most cases, rural water systems are limited to 20-year loan terms unless the entire system qualifies as disadvantaged for reduced rates and a 30-year term. For this project, since a large portion of the costs are related to serving Bradley and Willow Lake, the disadvantaged rate and term of 2.0 percent for 30 years can be applied to the loan to Clark RWS. This offers additional savings for the Clark RWS's portion of the project, which would otherwise not be available.

Staff recommended awarding a \$2,950,000 Drinking Water SRF loan at 2.0 percent interest for 30 years with 43.1 percent principal forgiveness not to exceed \$1,270,000.

Clark RWS has pledged system revenue for repayment of the loan.

Staff recommended awarding the loan contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan, contingent upon the borrower approving a security agreement and mortgage, contingent upon an Intercreditor Agreement being approved and executed by Cobank, Clark Rural Water System, and the District, and contingent upon an Intercreditor Agreement being approved and executed by Rural Utilities Service USDA, Clark Rural Water System, and the District.

Joe Munson, Banner Associates, and Jim O'Hara, Willow Lake city council vice president, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Goldhammer, to adopt **Resolution No. 2018-26** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$2,950,000 at 2.0 percent interest for 30 years with 43.1 percent principal forgiveness not to exceed \$1,270,000 to **Clark Rural Water System** for connection to Willow Lake and Bradley and for 2018 system improvements; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan, contingent upon the borrower approving a security agreement and mortgage, contingent upon an Intercreditor Agreement being approved and executed by Cobank, Clark Rural Water System, and the District, and contingent upon an Intercreditor Agreement being approved and executed by Rural Utilities Service USDA, Clark Rural Water System, and the District. Motion carried unanimously.

Sioux Rural Water System requested funding for well field improvements to include rehabilitation of existing wells, raw water pipeline, and meter pits. Treatment improvements are for the expansion of the Castlewood water treatment plant and improvements to the Sioux RWS water treatment plant. The project also includes additional pipeline and pumping facilities in the distribution system and installation of radio meter reading infrastructure and customer meters. Work associated with the residents of the city of Hazel becoming individual customers of Sioux RWS is also part of this project.

Sioux RWS anticipates bidding the first project in September 2018 with all projects being completed by December 2020.

The estimated total project amount is \$11,321,000, and the amount requested is \$10,921,000.

Sioux RWS rates are \$64.23 per 7,000 gallons usage.

Staff recommended awarding a \$9,821,000 Drinking Water SRF loan at 2.25 percent interest for 20 years and awarding a Drinking Water SRF Construction grant for 9.8 percent of project costs not to exceed \$1,100,000.

Sioux RWS has pledged system revenue for repayment of the loan. Staff analysis indicates that a 15 percent increase in base revenues would provide 110 percent coverage on the loan bringing rural residential rates to \$73.90 for 7,000 gallons usage if applied equally among all users.

Staff recommended awarding the loan contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan., contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage, contingent upon the borrower approving a security agreement and mortgage, and contingent upon an Intercreditor Agreement being approved and executed by Cobank, Rural Utilities Service USDA, Sioux Rural Water System, and the District.

Staff also recommended awarding the Drinking Water SRF Construction grant with the special condition that grant funds for reimbursement of project costs must be drawn concurrently with the Drinking Water SRF loan funds.

Heath Thompson, manager of the rural water system, discussed the project and answered questions from the board.

Motion by Goldhammer, seconded by Bernhard, to adopt **Resolution No. 2018-27** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$9,821,000 at 2.25 percent interest for 20 years to **Sioux Rural Water System** for 2018 water system improvements; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan, contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage, contingent upon the borrower approving a security agreement and mortgage, and contingent upon an Intercreditor Agreement being approved and executed by Cobank, Rural Utilities Service USDA, Sioux Rural Water System, and the District, and to adopt **Resolution No. 2018-28** approving the Drinking Water SRF Construction grant agreement to **Sioux Rural Water System** for up to 9.8 percent of approved total project costs not to exceed \$1,100,000 with the special condition that grant funds for reimbursement of project costs must be drawn concurrently with the Drinking Water SRF loan funds. Motion carried unanimously.

Oelrichs requested funding for water tower rehabilitation, fire hydrant replacement, installation of meter setters, and backflow prevention valves.

Oelrichs anticipates bidding the project in September of 2018 with a project completion date of April 2019.

The estimated total project amount is \$447,370, and the amount requested is \$447,370.

Rates in Oelrichs are \$75.00 per 5,000 gallons usage.

Staff recommended awarding a \$447,000 Drinking Water SRF loan at 2.25 percent for 30 years with 80 percent principal forgiveness not to exceed \$357,600.

Oelrichs pledged a project surcharge for repayment of the loan. The surcharge required to provide 110 percent coverage on the net loan of \$89,400 is \$5.20; however, staff analysis indicates that Oelrichs can restructure its rates and establish the surcharge with no raise in rates.

Staff recommended the loan being contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage.

Joe Messinio, town board president, and Terry Aaker, SPN and Associates, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Goldhammer, to adopt **Resolution No. 2018-29** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$447,000 at 2.25 percent interest for 30 years with 80 percent principal forgiveness not to exceed \$357,600 to the **town of Oelrichs** for water system and meter improvements; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Ree Heights requested funding to replace the water distribution system. Upon completion of the project, Mid-Dakota Rural Water System will take over all operational and maintenance requirements of the system and serve Ree Heights as individual users.

The town of Ree Heights anticipates bidding the project during the summer of 2018 with project completion in the spring of 2019.

The estimated total project amount is \$509,470, and the amount requested is \$509,000.

Rates in Ree Heights are \$23.00 per 5,000 gallons usage.

Staff recommended awarding a \$509,000 Drinking Water SRF loan at 2.25 percent interest for 30 years with 84.5 percent principal forgiveness not to exceed \$430,000.

Ree Heights pledged a project surcharge for repayment of the loan. Once connected to Mid-Dakota RWS, Ree Heights residents will pay \$64.50 per 5,000 gallons usage plus a surcharge to pay for the debt associated with the SRF loan. A surcharge of \$7.50 is needed to provide the required coverage on the net loan of \$79,000, bringing rates for Ree Heights residents to \$72.00 for 5,000 gallons usage.

Staff recommended the award being contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, contingent upon the borrower demonstrating adequate technical, managerial, and financial capacity, and contingent on the borrower entering into an agreement with Mid-Dakota RWS acceptable to the District and Bond Counsel to, among other things, maintain and operate the system and collect the surcharge for a term not less than the term of the loan agreement.

Lyle Schumacher, Bartlett & West, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution No. 2018-30** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$509,000 at 2.25 percent interest for 30 years with 84.5 percent principal forgiveness not to exceed \$430,000 to

the **town of Ree Heights** for a waterline replacement project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, contingent upon the borrower demonstrating adequate technical, managerial, and financial capacity, and contingent on the borrower entering into an agreement with Mid-Dakota RWS acceptable to the District and Bond Counsel to, among other things, maintain and operate the system and collect the surcharge for a term not less than the term of the loan agreement. Motion carried unanimously.

Lake Norden requested funding to improve the drinking water system by replacing the leaking filter in the water treatment facility and the outdated controls. The city will also develop water wells with higher quality water to blend with the existing raw water, which is high in iron and manganese. In addition, the city will construct a raw water line to the existing water treatment facility to connect to the well field.

Lake Norden anticipates bidding the project in January of 2019 with project completion in October 2019.

The estimated total project amount is \$2,446,000, and the amount requested is \$2,446,000.

Lake Norden's rates are \$24.31 per 5,000 gallons usage.

At the time of application, Lake Norden had applied for a \$969,000 Federal Economic Development Authority grant. They were unsure if these grant funds would be received, and requested the full project amount from the board. In March, the city was informed they did receive the grant and, therefore, staff's recommendation is for the project amount less the grant funds received.

Staff recommended awarding a \$1,477,000 Drinking Water SRF loan at 2.0 percent interest for 20 years.

Lake Norden has pledged a project surcharge for repayment of the loan. The surcharge needed for repayment of the loan would be \$33.20 per user if charged equally to all users. The Agropur cheese factory accounts for at least 75 percent of the water system revenues. Assuming Agropur's contribution to the upcoming surcharge remains at this level, the other users would be assessed an \$8.35 surcharge, bringing monthly residential rates to \$32.70 for 5,000 gallons usage.

Lake Norden would typically be eligible for a loan term of 30 years for this project; however, with Agropur currently undergoing a large expansion project, a tax increment financing (TIF) district has been formed, and a TIF is only allowed to exist for 20 years. With a large portion of the water use and debt service coming directly from Agropur, the loan term needs to match the term of the TIF district for debt security. To ensure that funds are available for the debt repayment, an agreement will need to be executed between Agropur, the city, and Hamlin

County to ensure that if Agropur chooses to cease operations in Lake Norden, the TIF district funds will still be available for the city to ensure repayment of the debt.

Staff recommended the award being contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon the borrower entering into an agreement among Agropur, Inc., Hamlin County, and the District that provides additional security for the loan.

Jason Aho, mayor, discussed the project and answered questions from the board.

Motion by Goldhammer, seconded by Gnirk, to adopt **Resolution No. 2018-31** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$1,477,000 at 2.0 percent interest for 20 years to the **city of Lake Norden** for water system improvements; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon the borrower entering into an agreement among Agropur, Inc., Hamlin County, and the District that provides additional security for the loan. Motion carried unanimously.

Humboldt requested funding to upgrade to an automatic meter reading system by replacing existing water meters.

The town of Humboldt anticipates bidding the project in October 2018 with project completion in March 2019.

The estimated total project amount is \$290,000, and the amount requested is \$290,000.

Humboldt's rates are \$35.00 per 5,000 gallons usage.

Water conservation projects, to include water meters, are eligible for Clean Water SRF funding. This project can also be used to meet the Green Project Reserve requirements included in the 2015 through 2017 Clean Water capitalization grants. Providing funding for this project with a Clean Water SRF loan helps meet the reporting requirements for green project reserve. This will not adversely affect the Drinking Water SRF Program as there were no Green Project Reserve requirements associated with any of the recent Drinking Water SRF capitalization grants.

Staff recommended awarding a \$290,000 Clean Water SRF loan at 2.0 percent interest for 10 years.

Humboldt has pledged system revenue for repayment of the loan. Staff analysis indicates that a rate increase of \$5.95 is needed to provide the required debt coverage, which will result in rates of \$40.95 for 5,000 gallons usage.

Staff recommended the loan being contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage.

Jon Fischer, Stockwell Engineers, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Goldhammer, to adopt **Resolution No. 2018-32** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$290,000 at 2.0 percent interest for 10 years to the **city of Humboldt** for a water meter replacement project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Bridgewater requested funding to replace water meters in the city and install equipment that will allow meters to be read remotely.

The city of Bridgewater anticipates bidding the project in August 2018 with project completion in October 2018.

The estimated total project amount is \$243,000, and the amount requested is \$243,000.

Bridgewater's rates are \$40.00 per 5,000 gallons usage.

Staff recommended awarding a \$243,000 Drinking Water SRF loan at 1.0 percent interest for 10 years.

Bridgewater has pledged system revenue for repayment of the loan. Staff analysis indicates a rate increase of approximately \$1.75 will provide the required 110 percent debt coverage, bringing total rates to \$41.75 for 5,000 gallons usage.

Staff recommended the award being contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage.

Gabe Laber, DGR Engineering, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Goldhammer, to adopt **Resolution No. 2018-33** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$243,000 at 1.0 percent interest for 10 years to the **city of Bridgewater** for a water meter replacement project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the

borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Dell Rapids requested funding to replace ductile iron and asbestos cement water main in the southeast area of the city with 10,200 feet of 6- and 8-inch PVC water main. The current water main is past its useful life, and the city is experiencing issues with water loss. This project will be done in conjunction with the sanitary sewer replacement project. Two railroad crossings will also be replaced in conjunction with the railroad rebuilding the crossing.

The city of Dell Rapids anticipates bidding the project in February 2019 with project completion in October 2020.

The estimated total project amount is \$3,135,000, and the amount requested is \$2,486,000. Dell Rapids intends to contribute \$649,000 in local cash for the project.

Rates in Dell Rapids are \$38.20 per 5,000 gallons usage.

Staff recommended awarding a \$2,486,000 Drinking Water SRF loan, at 2.5 percent interest for 30 years.

The city has pledged a project surcharge for repayment of the loan. The surcharge required on the loan is \$7.70; however, staff analysis indicates that Dell Rapids can restructure its rates and establish the surcharge and keep rates at approximately \$40.00 for 5,000 gallons usage.

Staff recommended the award being contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage.

Justin Wyland, city administrator, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution No. 2018-34** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$2,486,000 at 2.5 percent interest for 30 years to the **city of Dell Rapids** for a water main replacement project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Crooks requested funding to replace 5,000 feet of PVC water main in the Palmira development. Water services, fire hydrants, and valves throughout the development will also be replaced. The existing water main was installed over 40 years ago and has reached the end of its useful life.

The city anticipates bidding the project in June 2018 with project completion in November 2018.

The estimated total project amount is \$1,214,000, and the amount requested is \$1,214,000.

Rates in Crooks are \$34.34 per 5,000 gallons usage.

Staff recommended awarding a \$1,214,000 Drinking Water SRF loan at 2.5 percent interest for 30 years.

Crooks has pledged system revenue for repayment of the loan. Staff analysis indicates that a \$4.00 rate increase is needed to provide the 110 percent coverage with a pledge of system revenues resulting in rates of about \$38.35 for 5,000 gallons usage.

Staff recommended the award being contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage.

Jamison Rounds, Mayor, discussed the project.

Motion by Gnirk, seconded by Goldhammer, to adopt **Resolution No. 2018-35** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$1,214,000 at 2.5 percent interest for 30 years to the **city of Crooks** for the Palimira utility improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage. Motion carried unanimously.

SOLID WASTE MANAGEMENT PROGRAM FUNDING APPLICATION: Andy Bruels discussed available funds for this funding round.

Mr. Bruels presented the Solid Waste Management Program funding application and the staff recommendation for funding. A map showing the location of the project was included in the board packet.

Black Gold Biochar, LLC is a private for profit entity. In accordance with SDCL 46A-1-98, any documentary material or data made or received by the board or DENR for the purpose of furnishing financial assistance to a business to the extent that the material or data consists of trade secrets or commercial or financial information regarding the operation of such business is not public record and is exempt from disclosure. Any discussion or consideration of such trade secrets or commercial or financial information by the board may be done in executive session.

Black Gold Biochar proposes to use its gasification process to eliminate large green waste piles that have accumulated at the Hot Springs maintenance facility. Black Gold Biochar's gasification machine is currently set up in Custer, and is requesting financial assistance to transport and set up at the site in Hot Springs.

The gasification machine has the capability to process several cubic yards of woody biomass per hour, but first the wood waste will need to be chipped. This project proposes rental of an industrial-sized wood chipper for use in the gasification machine.

Project expenses will include travel, other equipment rental, transportation, set-up, and recurring labor costs. The project is anticipated for a one-year cleanup of the current green waste and an ongoing five-year cleanup of newly produced waste, with an opportunity for renewal.

The estimated total project amount is \$420,000, and the amount requested is \$250,000.

Staff recommended no funding for this project. Wood waste is typically not sent to a landfill for disposal; it is usually burned at the receiving facility or chipped. Chips can be used for livestock bedding, landscaping within a community, or composted for use as soil amendments. It has been staff's policy to not provide any grant funding to for-profit entities for projects that do not remove waste from being sent to a landfill, therefore, the project does not address the state's solid waste management hierarchy.

Based on the overall project information provided in the application, and after review, staff does not believe the project should be awarded a loan.

Staff believes that funding from the board would provide a benefit to the city of Hot Springs residents if funding were provided directly to the city. The city could apply for funding to help process the wood waste. If a local use for the wood waste or a business cannot be found to take the waste at its own cost, the city can use the funds to pay for removal and disposal of the wood waste.

Mr. Bruels answered questions from the board.

Motion by Bernhard, seconded by Goldhammer, to deny funding to Black Gold Biochar, LLC.
Motion carried unanimously.

COLMAN REQUEST TO AMEND CONSOLIDATED WATER FACILITIES

CONSTRUCTION PROGRAM GRANT 2017G-105: Mr. Bruels reported that in March 2016, the board awarded a \$500,000 Drinking Water SRF loan and a \$700,000 Consolidated Water Facilities Construction Program grant to the city of Colman for replacement of water main adjacent to Highway 34 and to address a funding shortfall in a previous water tower replacement project. The project represents the third and final phase of a multi-phase project to replace the majority of both the water and wastewater systems with PVC pipe. The Highway 34 water main replacement project was completed in October of 2017, and the total eligible costs have exceeded the available funding by approximately \$46,000.

On January 22, 2018, the department received a letter from the city of Colman requesting \$46,000 in additional funding from the Board of Water and Natural Resources to address the funding shortfall. Construction costs exceeded the estimates at the time of the original award.

The city has since contacted the East Dakota Water Development District for assistance in the \$46,000 shortfall. East Dakota agreed to fund 50 percent of the shortfall, which is \$23,000, leaving a remaining shortfall of \$23,000.

Staff recommended the board approve the First Amendment to Consolidated Water Facilities Construction Program Grant 2017G-105, increasing the total project amount to \$1,223,000, and adjusting the grant percentage to 59.2 percent of total eligible project costs, not to exceed \$723,000.

Motion by Bernhard, seconded by Goldhammer, to adopt **Resolution No. 2018-36** approving the First Amendment to Consolidated Program Grant Agreement 2017G-105 to the **city of Colman** increasing the total project amount to \$1,223,000 and adjusting the grant percentage to up to 59.2 percent of approved total project costs not to exceed \$723,000. Motion carried unanimously.

SIoux RURAL WATER SYSTEM REQUEST TO AMEND THE SCOPE OF DRINKING WATER SRF LOAN C462433-01 AND CONSOLIDATED WATER FACILITIES

CONSTRUCTION PROGRAM GRANT 2016G-106: Eric Meintsma reported that in March 2015, the board awarded a \$2,515,000 Drinking Water SRF loan and a \$2,000,000 Consolidated grant to Sioux Rural Water System for construction of improvements to its water system. Construction for the projects associated with this loan and grant are nearly complete, and Sioux Rural Water is anticipating having approximately \$600,000 in excess funding.

The department received a letter from Sioux Rural Water requesting to amend the scope of the current SRF loan and Consolidated grant to include projects established in the 2018 water system improvements facility plan. The 2018 water system improvements facility plan establishes the projects associated with the funding application addressed by the board earlier today. This amendment will allow Sioux Rural Water to use the excess funds from the first funding package on those projects as well.

Staff recommended the board approve the First Amendment changing the project scope of Drinking Water SRF Loan C462433-01 contingent upon Sioux Rural Water adopting a resolution approving the form of the amended loan agreement, and that the board approve the First Amendment to Consolidated Water Facilities Construction Program Grant 2016G-106 to include the projects proposed in the 2018 Water Systems Improvements facility plan.

Motion by Bernhard, seconded by Goldhammer, to adopt **Resolution No. 2018-37** approving the first amendment to the **Sioux Rural Water System** Drinking Water SRF loan for a change in project scope to include projects established in the 2018 water system improvements facility plan contingent upon Sioux Rural Water adopting a resolution approving the form of the amended loan agreement; and to adopt **Resolution No. 2018-38** approving the first amendment to the **Sioux Rural Water System** Consolidated Program grant agreement 2016G-106 for a change in project scope to include projects established in the 2018 water system improvements facility plan. Motion carried unanimously.

WESTPORT REQUEST TO AMEND FUNDING AND SCOPE OF CLEAN WATER SRF LOAN C461409-01 AND CONSOLIDATED WATER FACILITIES CONSTRUCTION PROGRAM GRANT 2017G-101: Mr. Meintsma reported that in March 2016, the board

awarded a \$445,000 Clean Water SRF loan at 3.25 percent interest for 30 years and a \$172,000 Consolidated grant to the town of Westport to replace a sanitary sewer lift station and to construct storm sewers. The estimated total project cost was \$617,000.

Westport recently contacted the department with a request to reduce the project scope and eliminate the storm sewer construction from the project. This will reduce the estimated project cost to \$300,000.

Staff determined that the lift station only project is not eligible for a loan with a 30 year term, so amending the current loan is not an option, and a new funding package will be necessary.

Staff recommended the board approve the request to reduce the current funding package to \$300,000 and revise the project scope to only include the replacement of a sewer lift station by rescinding Resolution No 2016-69, which approved the Clean Water SRF loan, and approve a \$270,000 Consolidated Water Facilities Construction Program loan at 3.0 percent interest for 20 years contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Staff also recommended the board approve the First Amendment to Consolidated grant 2017G-101 to 10 percent of approved costs not to exceed a maximum grant of \$30,000.

Staff analysis indicated that a surcharge of \$26.00 will be necessary to cover the debt service. With operation and maintenance costs estimated at \$6.25, staff determined that rates could be restructured to \$32.25.

Ted Dickey, Northeast Council of Governments, answered questions from the board.

Motion by Goldhammer, seconded by Bernhard, to rescind Resolution No. 2016-69 and to adopt **Resolution No. 2018-39** approving a Consolidated Water Facilities Construction Program loan to the **town of Westport** not to exceed \$270,000 at 3.0 percent interest for 20 years to replace the sanitary sewer lift station contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage; and to adopt **Resolution No. 2018-40** approving the First Amendment to Consolidated Program Grant Agreement 2017G-101 to the **town of Westport** for up to 10 percent of approved total project costs not to exceed \$30,000 to replace the sanitary sewer lift station. Motion carried unanimously.

Andy Bruels provided an overview of available funds for the June funding round.

LEGISLATIVE UPDATE: Jim Feeney reported on bills of interest to the department and the board that were passed during the 2018 legislative session.

BOARD OF WATER AND NATURAL RESOURCES SFY 2019 MEETING SCHEDULE:
Mr. Perkovich presented the proposed SFY 2019 board meeting schedule.

Motion by Bernhard, seconded by Goldhammer, to adopt the following meeting schedule for SFY 2019:

Board of Water and Natural Resources
March 27, 2018, Meeting Minutes

September 27-28, 2018
November 8, 2018
January 3, 2019
March 28-29, 2019
June 27-28, 2019

Motion carried unanimously.

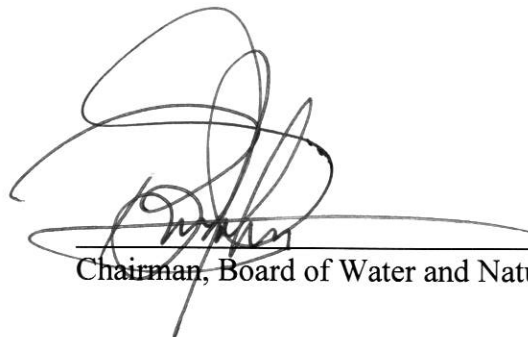
Jay Gilbertson, East Dakota Water Development District, offered to set up a tour of projects in the Pierre area during the September meeting.

JUNE MEETING: The next meeting is scheduled for June 28-29, 2018, at the Matthew Training Center, Foss Building, in Pierre. Mr. Perkovich highlighted some possible agenda items for that meeting.

ADJOURN: Motion by Gnirk, seconded by Bernhard, that the meeting be adjourned. Motion carried unanimously.


Approved this 28th day of June, 2018.

(SEAL)



Chairman, Board of Water and Natural Resources

ATTEST:



Secretary, Board of Water and Natural Resources

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE 3-27-18

LOCATION Matthew Training Center - Pierre

Name (PLEASE PRINT)	Address	Representing
PAUL GNIRK	NEW Underwood	BWNR
Jim O'Hara	Willow Lake	WL City Council
Terry Aaker	Mitchell	SPN
TED HADGER	WATER TOWN	FIRST DISTRICT
Gabe Haber	Sioux Falls	DGR
JEFF McCORMICK	Mitchell	SPN
Abbey Larson	Pierre	DENR
Paul Adhaman	Wall	BWNR
Jerry Scholt	Sioux Falls	BWNR
Michael Vetter	Philip	City of Philip
Andy Brvels	Pierre	DENR
David Rubinke	Pierre	DENR
Mike Perkovich	Pierre	DENR
Jim Anderson	Pierre	DENR
Angela Ehlers	Presho	Presho
Bill Lass	Rapid City	BHOLG's
Joe Moore	ORRICKS	BOARD
Katie + Roy Merdanic	Oelrichs	Board + Water Dept
Laura Schultz		Town of Humboldt
Jon Fischer	Sioux Falls	Stockwell/Humboldt
Maureen Krause	PO Box 220	CSDER

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE 3-27-18

LOCATION Matthew Training Center

Name (PLEASE PRINT)	Address	Representing
<u>KATHY SMITH</u>	<u>Philip</u>	<u>City of Philip</u>
<u>MARTY BARTNER</u>	<u>Philip</u>	<u>city of Philip</u>
<u>JUSTIN WELAND</u>	<u>DELL RAPIDS</u>	<u>CITY OF DELL RAPID</u>
<u>Chire Baertman</u>	<u>Dell Rapids</u>	<u>City of Dell Rapids</u>
<u>Ronae Phinney</u>	<u>PO Box 103</u>	<u>Ree Heights</u>
<u>Mike Holer</u>	<u>Haran</u>	<u>Lake Byron SSD</u>
<u>Scott Gross</u>	<u>Miller</u>	<u>Mid Dakota Rural Water</u>
<u>Heath Thompson</u>	<u>SAWS</u>	<u>manager@stourruralwater.co</u>
<u>Kent Roe</u>	<u>"</u>	<u>Board member</u>
<u>Jason Aho</u>	<u>Lake Norden</u>	<u>City of Lake Norden</u>
<u>Lyle Schumack</u>	<u>Stouy Falls</u>	<u>Bartlett + West</u>
<u>TODD BEAUMARD</u>	<u>FORT PIERRE</u>	<u>BWNR</u>
<u>Brandon Smil</u>	<u>Helms + Associates</u>	<u>Aberdeen SD</u>
<u>Joe Munson</u>	<u>Banner Assoc SF</u>	<u>Banner</u>
<u>Emeline Hablick</u>	<u>Pierre</u>	<u>CSD&D</u>
<u>BOB MERCER</u>	<u>Pierre</u>	<u>Newspaper-</u>
<u>Jim Feeney</u>	<u>Pierre</u>	<u>DENR</u>
<u>Gregg Jorgenson</u>	<u>Brookings</u>	<u>Banner Assoc.</u>
<u>Jamison Rouns</u>	<u>Croski</u>	<u>City of Croski</u>
<u>Ted Dickey</u>	<u>Aberdeen</u>	<u>NECO &</u>
<u>Jay Gilbertson</u>	<u>Brookings</u>	<u>East Dakota WDD</u>