

SOUTH DAKOTA STATE RAILROAD BOARD MEETING MINUTES
SEPTEMBER 21, 2016 @ 11:00 A.M.
BECKER-HANSEN BUILDING, 700 EAST BROADWAY
PIERRE, SD 57501

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

STAFF: Darin Bergquist, Joel Jundt, Bonnie Olson, Karla Engle, Misty Siedschlaw, Lynn Kennison, and Tessa Wenner

OTHERS: Alex Huff, Dick Huff, John Hauck, Mike Williams, Ralph Marquardt, Jack Parliament, Rick Vallery, Steven Brown, Tub Harrington, Bob Mercer, and Matt Konenkamp (via phone)

Agenda Items:

Call to order

- 1) Consideration of Conflicts of Interest
- 2) Consideration of August 17, 2016 Minutes
- 3) Secretary's Report
- 4) Consideration of amending Hughes County RR Authority loan
- 5) Consideration of Sioux Valley RRA & D&I Railroad Company grant agreement
- 6) Consideration of Dakota Southern's MRC maintenance efforts and long term plan
- 7) Consideration of Rail Service from Napa to Tabor
- 8) Consideration of Napa Platte lease agreement
- 9) Consideration of MRC TIGER Grant (Chamberlain to Presho) funding

- Updates
 - MRC TIGER project
 - Britton line project
 - RCP&E Tiger project
 - Sioux Valley Slide project

Chair Yeaton called the regular meeting of the South Dakota State Railroad Board (the "Board") to order at 11:05 a.m. with a quorum present.

Chair Yeaton notified the Board that Carl Anderson resigned from the Board after the August meeting. Chair Yeaton acknowledged Anderson's long and distinguished service to the Board and to the State of South Dakota.

1) Consideration of Conflicts of Interest

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.

There were no waivers to address.

2) Consideration of August 17, 2016 Minutes

Motion by Burket, second by Quenzer, to approve the August 17, 2016, Railroad Board meeting minutes. Motion carried by voice vote (all aye).

3) Secretary's Report

Secretary Bergquist requested the Board enter into an executive session to discuss pending legal matters with legal counsel.

Motion by Cope, second by Cotton, to enter into executive session at 11:10 a.m. pursuant to SDCL 1-25-2(3) to consult with legal counsel or review communications from legal counsel about proposed or pending litigation or contractual matters. Motion carried by roll call vote (all aye).

The Board reconvened at 11:48 a.m.

4) Consideration of amending Hughes County Regional Railroad Authority loan

Steven Brown, CEO of South Dakota Pulse Processors LLC, asked the Board to amend the current loan to the Hughes County Regional Railroad Authority to include engineering costs that were incurred prior to the effective date of the loan agreement.

Motion by Cotton, second by Burket, to authorize the Department of Transportation ("Department") to enter into an amendment of the current loan agreement with Hughes County Regional Railroad Authority and South Dakota Pulse Processors, LLC to disburse loan funds for engineering services provided prior to the loan effective date of July 15, 2015. Motion carried by roll call vote (all aye).

Resolution 2016-B29 was adopted.

5) Consideration of Sioux Valley RRA & D&I Railroad Company grant agreement

Deputy Secretary Jundt provided information to the Board regarding previous approval received from the Board to obligate funds in the amount of \$1,950,888.50 from the railroad trust fund for rehabilitation of twelve bridges on the state-owned Elk Point to Canton line. This obligation of funds was in addition to the previous authorization for a loan from the railroad trust fund in the amount of \$1,950,888.50. The loan funds have been disbursed and now the Department is requesting authorization from the Board to enter into an agreement with Sioux Valley Regional Railroad Authority and D & I Railroad Co., to expend the previously authorized funds in the amount of \$1,950,888.50 from the railroad trust fund for rehabilitation of twelve bridges on the state-owned Elk Point to Canton line.

Motion by Cotton, second by Doering, to authorize the Department to enter into an agreement with Sioux Valley Regional Railroad Authority and D & I Railroad Co., to expend \$1,950,888.50 from the railroad trust fund for rehabilitation of twelve bridges on the state-owned Elk Point to Canton line.

Motion carried by roll call vote (all aye).

Resolution 2016-B28 was adopted.

6) Consideration of Dakota Southern's MRC maintenance efforts and long term plan

Mike Williams, representative of Dakota Southern Railway Company ("DSRC"), described continuing progress on completing the necessary maintenance on the state-owned Mitchell to Rapid City ("MRC") rail line.

Williams provided, for the Board's review, an updated maintenance plan for the MRC line that describes DSRC's proposed maintenance activities over the next three (3) years.

No action was taken.

7) Consideration of Rail Service from Napa to Tabor

Ralph Marquardt submitted a letter of request to the Board regarding coordinating rail service on the Napa to Tabor portion of the state-owned Napa to Platte rail line.

No action was taken.

8) Consideration of Napa Platte lease agreement

Secretary Bergquist requested that the Board revisit the lease arrangement on the Napa to Platte rail line and requests the Board take some form of action to move forward with having an operator on the rail line.

Motion by Cope, second by Cotton, to authorize the Department to negotiate with Dakota Southern Railway Company a 10 year lease agreement for the Napa to Platte rail line with performance provisions and a maintenance plan. The Department will submit the negotiated agreement to the Board for final approval.

Cope withdrew the motion with the consent of the second, Cotton.

The Board instructed the Department to work with DSRC to negotiate a lease agreement for the Napa to Platte line. The Department will provide the Board with a status update on the lease agreement negotiations at the October meeting.

9) Consideration of MRC TIGER Grant (Chamberlain to Presho) funding

Deputy Secretary Jundt provided the Board with an update on the funding for the MRC TIGER Grant for the rehabilitation of the Chamberlain to Presho portion of the rail line. Construction change orders have been necessary for the project, including design changes for environmental and contract administration which has resulted in the need for an additional

\$1,300,000.00 to be obligated from the Railroad Trust Fund to cover the expenses. The Department is still waiting for the completion of the project in order to sell the salvaged materials from the project for an anticipated \$1,000,000.00.

Motion by Quenzer, second by Burket, to authorize the Department to expend an additional \$1,300,000.00 from the Railroad Trust Fund for rehabilitation of the Chamberlain to Presho portion of the MRC line.

Motion carried by roll call vote (all aye).

Resolution 2016-B30 was adopted.

UPDATES

Deputy Secretary Jundt provided updates to the Board on the following projects:

MRC TIGER project

- Contractor is complete with installation of rail and ties, including the transition rail at the end of the project.
- The west turnout in Presho is being installed this week with the east turnout in Presho having already been completed.
- There are only three crossings left to complete and they should be finished by September 27, 2016.
- Tamping is west of mile post 474.5 with ballast being dumped to mile post 477.9.
- Surfacing should be complete to the end of the project by October 3, 2016. The Quality Control Crew should be between mile post 469 and mile post 472.
- The current schedule should have the project winding up by late October.

Britton line project

- The north rail installation is complete with the south rail relay restarting this week.
- There seems to be a shortage of rail for the project and rail is in route to allow for completion of the relay by the end of September.

RCP&E Tiger project

- The Department is still waiting for an environmental decision to be completed for the Huron relay as well as for completion of the funding agreement. With completion of these two elements the project can proceed.
- A meeting was held with Federal Railroad Administration ("FRA") and the consultant performing the environmental assessment. Additional information is needed for the noise review and analysis.

Sioux Valley Slide project

- The Department is waiting for a confirmation that the wetland mitigation and environmental requirements are met. That should be forthcoming from the governmental entities involved.
- There is an issue with the wetland mitigation site due to proximity of a cultural resources site. The exact limits of the site are being reviewed by the Iowa State Historic Preservation Office and FRA. As a condition of mitigation – we may need to have a

tribal monitor on site during construction. The project cannot move forward until these issues are resolved.

- One last item is the need for an option borrow source to be secured based on the amount of fill material needed for the realignment. The Department will work with the consultant to pursue getting this set up for the contract.

Adjourn

Motion to adjourn by Cotton, second by Burket. Motion carried. Meeting adjourned at 1:34 PM.

Next meeting to be held October 19, 2016.