

**SOUTH DAKOTA DEPARTMENT OF AGRICULTURE
VALUE ADDED FINANCE AUTHORITY
MINUTES OF THE PUBLIC MEETING
July 30, 2015**

Value Added Finance Authority (VAFA) board held its regular meeting and a public hearing on Thursday, July 30, 2015, 8:00 a.m. CT, in the SDDA Conference Room, Third Floor, Foss Building, 523 East Capitol Avenue, Pierre, South Dakota.

Board Members Present:

Bob Hull, Chairman
Mark Gross
Jim Doolittle
Bill Hansen
Marcia Hendrickson
Nathan Jensen
Chuck Jepson

Staff Present:

Paul Kostboth, Director, Div. Agricultural Development
Terri LaBrie, VAFA Executive Director
Paula Gregg, SDDA Finance Specialist

Others Present: none

Call to Order. Chairman Hull opened the public hearing and meeting at 8:00 a.m. CT and asked for roll call. A quorum was present.

Agenda. Terri LaBrie informed the Chairman that agenda item 7 will be changed to a briefing report and not a formal VASF request. A motion to approve the revised agenda was made by Jim Doolittle and seconded by Bill Hansen. Motion prevailed by unanimous roll call vote.

Minutes. A motion to approve the minutes dated May 28, 2015 was made by Mark Gross and seconded by Bill Hansen. Motion prevailed by unanimous roll call vote.

Bond discussion – opportunities and update. Terri LaBrie and Nathan Jensen led a discussion on improving the marketability for VAFA private activity bonds. Ms. LaBrie and Mr. Jensen recently met with some investment banking firms about the opportunities for financing using the VAFA bond programs. The fees associated with the issuance of the Livestock Nutrient Management Bonds (LNMB) were considered burdensome and make VAFA non-competitive in the LNMB market. VAFA charges a bond issuance fee at the time of closing. The fee is a tiered scale based upon the size of the bond issue. The fee collected by VAFA is split with VAFA's bond counsel.

The board held a discussion and directed staff to proceed with developing options to change the fee structure, negotiate bond counsel fees or explore other contracts for bond counsel.

County Site Analysis Summary (CSAP) SFY15. Paul Kostboth presented an update on the county site analysis program (CSAP) for state fiscal year 2015. Fifteen counties have completed a site analysis. Due to a growing concern about aquifer and rural water system capacity, the CSAP further developed a scale for high and low water use to determine sites for agricultural industrial development and concentrated animal feeding operations based upon the size of the unit and water need requirements. It was asked if the CSAP could also consider the environmental impact.

The educational function of the CSAP has become the most beneficial value of the program. County boards and landowners are becoming educated on the potential opportunities for economic growth from the agriculture sector within their respective county.

Several new laws became effective July 1st that will benefit landowners who want to explore the development of a site using the Site Certification Study.

VASF Commissioned Study Briefing. Mr. Kostboth briefed the board about rural water issues uncovered during the CSAP. Several potential agricultural industrial development and concentrated animal feeding operation projects are confronted with water quality and infrastructure issues which make a proposed building site undesirable. Mr. Kostboth inquired about VAFA's interest to commission a VASF study for SFY 16 covering the capacity, distribution, infrastructure, ground water quality, and strategic use and growth of aquifer and rural water systems. The maximum amount allowed by rule for a commissioned study is \$100,000. The cost for the study is approximately \$50,000, which falls within the limit.

An additional 19 counties have signed up for the CSAP at an estimated cost of \$160,000. The cost exceeds the maximum commissioned study limit; however, there may be an opportunity to ask for Governor Future Funds to cover the total cost of the CSAP.

A motion to support the staff in submitting a request for a VASF commissioned study on rural water capacity and distribution issues and to pursue the funding of the future CSAP through the Governor Future Fund was made by Jim Doolittle and seconded by Mark Gross. Motion prevailed by unanimous roll call vote (6-0-1). Bill Hansen was absent.

Other Business.

The VAFA annual report for SFY15 is being updated and will be distributed to VAFA board members in September.

The next VAFA meeting will be August 27, 2015 via teleconference.

A motion to adjourn was made by Marcia Hendrickson and seconded by Jim Doolittle. Motion prevailed by unanimous roll call vote and the meeting adjourned at 8:43 a.m. CT.

Bob Hull, Chairman
Value Added Finance Authority

Date