

South Dakota Science and Technology Authority Board of Directors
Meeting Minutes
Friday, March 20, 2015
Lead, South Dakota

The Board of Directors of the South Dakota Science and Technology Authority (SDSTA) convened at 9:06 AM Mountain Time (MT) on Friday, March 20, 2015 in the 2nd Floor Vault Conference Room at the South Dakota Science and Technology Authority, 630 East Summit Street, Lead, South Dakota.

MEMBERS OF THE BOARD IN ATTENDANCE FOR SOME OR ALL OF THE MEETING

Mr. Paul Christen (by telephone)
Secretary/Treasurer Patricia Lebrun (by telephone)
Dr. Heather Wilson (by telephone)
Chairperson Casey Peterson
Vice Chairperson Ron Wheeler

MEMBERS OF THE BOARD NOT IN ATTENDANCE

Mr. Thomas Adam
Dr. Ani Aprahamian
Vice Chairperson Dana Dykhouse

SDSTA STAFF

Mr. Tim Engel, Legal Counsel
Ms. Nancy Geary, Chief Financial Officer
Mr. Mike Headley, Executive Director
Ms. Sharon Hemmingson, Business Services and Contracts Manager
Ms. Mandy Knight, User Support Office Manager
Ms. Leatta Mathis, Contracts Specialist
Mr. Noel A. Schroeder, Environment, Health and Safety (EHS) Director
Ms. Constance Walter, Communications Director
Mr. Joshua Willhite, Engineering Director

MEDIA PRESENT DURING ALL OR PART OF THE MEETING

Mr. Adam Hurlburt, Black Hills Pioneer

ITEM 1. – CALL TO ORDER

Chairperson Peterson called the meeting to order at 9:06 AM (MT). Roll call was held. All members were present in person or by telephone except Mr. Adam, Dr. Aprahamian, and Vice Chairperson Dykhouse. Dr. Wilson joined later by phone.

Chairperson Peterson asked audience members to introduce themselves.

ITEM 2. – APPROVE AGENDA. Chairperson Peterson requested that “Item 7 Gilt Edge Agreement Update” be removed and the agenda be approved as modified.

Motion by Mr. Christen and second by Mr. Wheeler to approve the agenda as modified. By roll call vote, the motion passed unanimously.

ITEM 3. – APPROVE MINUTES

Chairperson Peterson asked if there were questions before requesting a motion to approve the Minutes of the December 18, 2014 meeting. There were none.

Motion by Mr. Wheeler and second by Mr. Christen to approve the Minutes of the December 18, 2014 meeting as presented. By roll call vote, the motion passed unanimously.

ITEM 4. – APPROVE AUDIT REPORT

Audit Committee Chairperson Ms. Lebrun requested a motion to approve the Audit Report for the Fiscal Year (FY) Ended June 30, 2014 completed by South Dakota Legislative Audit and discussed by the board at the December 18, 2014 meeting.

Motion by Mr. Wheeler and second by Mr. Christen to accept the Audit Report for the Fiscal Year Ended June 30, 2014, as received. By roll call vote, the motion passed unanimously.

ITEM 5. – FINANCIAL REPORT

Chief Financial Officer Ms. Nancy Geary said the SDSTA is gearing up to begin the FY2016 Lawrence Berkeley National Laboratory (LBNL) budget process. She said this year's submission will be for a five year, approximately \$70 million cost-reimbursable subcontract, with estimated escalation rates for each of the remaining four years based on Department of Energy (DOE) guidelines. She stated that although extra effort will be expended up front, overall this is a very positive change as it assures SDSTA is in the federal budget for this timeframe.

Executive Director Mr. Mike Headley said the SDSTA funding is on track. Both DOE and Sanford funds are slightly over budget, but should be back on target by the end of the year. Overages are due to the quarterly Lewis-Burke Associates payment, Center for Theoretical Underground Physics and Related Areas (CETUP) donation, and increased travel expenditures.

Ms. Geary noted the Staff Services budget is over due to the increased number of hours SDSTA staff has been spending on the Fermilab project; charges are being closely monitored and additional funds will be requested, if needed. She also advised Arup did not present an invoice last month because of changes to their billing procedure.

In response to a question from Chairperson Peterson, Ms. Geary responded that Inventory Supplies decreased because the Tsurumi pumps were declared surplus and removed from inventory.

Ms. Geary said SDSTA is awaiting a proposal from Hydro Resources for a longer-term operating lease rather than the current capital lease with option to purchase at the end of the lease. Mr. Headley explained the initial pump worked very well for several years, but the two subsequent replacement pumps used a different type of metal that did not operate as well. He said the SDSTA is looking at a replacement pump with a lower horsepower and trying to determine the correct configuration so the monthly cost is less than the present \$35,000 per month. In any event, it is in our best interest to lease rather than purchase the pumps.

Motion by Mr. Wheeler and second by Mr. Christen to accept the financial report as presented. By roll call vote, the motion passed unanimously.

ITEM 6. – REPORT FROM EXECUTIVE DIRECTOR

Mr. Headley extended his thanks to Legal Counsel Mr. Tim Engel and all others who played a role in a very successful legislative session this year. He noted SDSTA is another step closer in the process to establish a captive insurance company, and is pleased with the \$3.95 million approved for the Ross Shaft rehabilitation. Mr. Headley recognized Governor Dennis Daugaard, Bureau of Finance and Management (BFM) Commissioner Jason Dilges, leadership of the House and Senate, and local legislators for their efforts in securing this appropriation.

Mr. Headley reported the Sanford Laboratory's year-to-date safety performance is off to a great start and recognized EHS Director Mr. Noel A. Schroeder for his efforts in making this happen. There have been no recordable injuries for staff and researchers; there was one contractor recordable for an injury at the Sanford Lab Homestake Visitor Center (SLHVC) construction site.

Mr. Headley gave a brief overview of progress made by existing and future experiments. The MAJORANA DEMONSTRATOR (MJD) project has invested an incredible amount of effort assembling their detectors; data collection is expected no later than this summer. The Large Underground Xenon (LUX) experiment had collected about 90 days' data by the end of February since initiation of its 300-day run last October. LUX is presently working through some issues with its xenon circulation pumps as it continues to move forward. The Compact Accelerator System for Performing Astrophysical Research (CASPAR) project is poised to deploy this year. The contractor recently mobilized and both CASPAR and the Black Hills State University Underground Campus (BHUC) projects should be completed in August, with science installations scheduled for late 2015.

Sanford Laboratory averaged 40.3 trips underground per day on weekdays with science access. An additional 25 trips per day are expected due to CASPAR and BHUC construction. SDSTA staff are working on a plan to double the current 72 person head count in anticipation of the Long Baseline Neutrino Facility (LBNF) construction; installation of additional equipment in the refuge chamber and installation of a double decker cage in the Yates are being considered.

Mr. Headley announced the LUX-ZEPLIN (LZ) Dark Matter Experiment Critical Decision One (CD-1) review in Berkeley last week went very well. The LZ leadership team is mostly comprised of senior people from the LUX collaboration, including Dr. Murdock Gilchriese. DOE approval is expected in the near future; that approval is expected to include funds for early construction.

Mr. Headley said the pace of the LBNF is accelerating. The Long-Baseline Neutrino Experiment (LBNE) Collaboration officially dissolved in January. The experiment portion of the project formed a new collaboration named the Deep Underground Neutrino Experiment (DUNE), with leadership and spokespersons from Europe. The facility portion of the project will continue to be called LBNF. A CD-1 "Refresh" review on conceptual design will be held at Fermilab in July, and the CD-2/3a to establish the cost and schedule baseline for South Dakota-based work and cryogen system is expected this November. The Neutrino Cavity Advisory Board (NCAB) held a meeting at Sanford Laboratory earlier this week to review the geotechnical design for LBNF.

Mr. Headley reported that the Ross Shaft Refurbishment is nearly 50 percent complete, having advanced another 337 feet to 2483 total feet since the last meeting, despite the break in work resulting from the failure of the deep well pump. Mr. Headley recognized SDSTA staff for their efficiency and hard work in removing old material and debris, and putting in new bolting and lacing. Fermilab management onsite in mid-February were incredibly impressed with this effort.

Mr. Headley reported the initial 90 feet of the Yates Tunnel has been rehabilitated; the remaining 120 feet remains stable. While the cost exceeded initial estimates, installation of the 3-piece culvert assembly designed by True North Steel which is backfilled with light-weight concrete product requires significantly less time and is far superior to rock bolting and mesh installation. He said the SDSTA is working with the South Dakota School of Mines and Technology and True North to conduct additional research to determine how this process may be used in other areas.

Mr. Headley briefly discussed projected science laboratories for Generation 3 Dark Matter and Double Beta Decay experiments at the 4850L and the worldwide effort of science here today.

Mr. Headley advised that the Governor's Education and Outreach (E&O) Challenge goals had been exceeded for Year 1. Since June 2014, E&O has served 1,888 students, 364 educators and 3,040 community members. He said selections for this summer's Davis Bahcall scholars and six intern positions will be announced soon.

Mr. Headley announced that staffing changes to E&O were underway, transitioning leadership from current BHSU E&O Director Dr. Ben Sayler to Dr. June Apaza by July. Mr. Headley advised the

changes were made primarily to provide financial sustainability of the program into the future and provide a demonstrable effect on Science, Technology, Engineering and Mathematics (STEM) education throughout the state, citing Dr. Apaza's strong experience in developing curriculum. Dr. Sayler was commended for his efforts in establishing SDSTA's E&O program; his focus will now be concentrated on securing funding to expand and enhance the program. Mr. Headley said science curriculum kits would be developed and marketed to school districts across the state by July 1. Chairman Peterson suggested a less parochial approach, suggesting that reaching out beyond South Dakota borders would increase participation and funding. Mr. Wheeler noted that current staff has done an excellent job of reaching out with limited staff and has built a strong foundation upon which to build.

Dr. Heather Wilson joined the meeting by telephone at 10:08 AM.

Engineering Director Josh Willhite was introduced by Mr. Headley and provided updates on construction of the SLHVC and status of the CASPAR and BHUC. Mr. Willhite noted work on the Visitor Center is progressing on schedule, with a soft opening slated for June 1 and grand opening scheduled for June 30, 2015. He said exhibits are coming along; delivery of the final content package to the fabricator last week was a major milestone.

Mr. Willhite reported that Dean Kurtz Construction mobilized to begin work on CASPAR/BHUC last week. Construction is planned to be completed August 4.

Chairperson Peterson asked for a motion to accept the Executive Director's report.

Motion by Mr. Wheeler and second by Ms. Lebrun to accept the Executive Director's report. By roll call vote, the motion passed unanimously.

ITEM 7. – GILT EDGE AGREEMENT UPDATE

This item was removed from the Agenda.

ITEM 8. – 2015 LEGISLATIVE UPDATE

Mr. Engel stated several bills were monitored on behalf of the SDSTA. HB 1048 revises certain provisions regarding state hosting and employee reimbursement policies. The Board of Finance (BOF) will address additional reimbursement on a case-by-case basis, which may affect the board.

HB 1064 amends the State's conflict laws. All Authorities were specifically exempted; SDSTA has its own, more stringent policies.

HB 1091 requires the minutes of meetings of any state board or commission include a record of how each member voted for roll call votes; SDSTA already records "nay" roll call votes.

HB 1125 clarifies that the 24-hour notice of meeting requirement be continuous; again, SDSTA is already in compliance.

HB 1186 authorizing the \$3.95 million appropriation for rehabilitation of the Ross Shaft passed March 12; it contains an emergency clause stating funds are from the FY2015 budget. Mr. Engel thanked the Governor and his staff, Commissioner Dilges and the Bureau of Finance and Management (BFM) staff, the leadership of both houses, and the local delegation for their roles in securing this funding. He cited Rep. Fred Romkema, who serves on the Appropriations Committee, as an especially strong advocate.

Mr. Wheeler commended Mr. Engel on his excellent job working with the Legislature and the Governor's office, in addition to his exemplary work as our attorney. Chairperson Peterson reiterated Mr. Wheeler's comments.

ITEM 9. – CAPTIVE INSURANCE UPDATE

Mr. Engel noted that captive insurance has long been one of SDSTA's priorities and this year three bills were introduced, passed both houses, and signed into law. The first bill funds and creates an administrative mechanism for a property and casualty captive company to insure state-owned buildings.

He said the second bill more directly relates to the SDSTA as it provides the administrative mechanism to create a second liability captive of which SDSTA will become a member, and provides an appropriation to fund the initial capital for other members of the captive.

HB 1186 is the third bill; it allows the SDSTA to repurpose \$2.5 million of the \$10 million Indemnity Fund to provide the initial capital for the captive. The captive will issue a series of low deductible liability insurance policies, including Directors and Officers, Employment Practices and the General Liability required by the Property Donation Agreement (PDA). Homestake has agreed in principle to this proposal; the next step will be to negotiate changes to the PDA to accommodate the capitalization of the captive out of the Indemnification Fund.

This program will be a partnership among the SDSTA, both captives and the Office of Risk Management. The Office of Risk Management will administer the Captives. He said while the cost would not change for SDSTA in the short-term, it should be substantially lower in the long term. Eventually we hope to be able to use this captive to offer insurance to the individual members of our science collaborations.

Mr. Engel expressed the SDSTA's thanks to Lt. Governor Matt Michels for his initiative in getting the overall program in place. He explained that all Authorities in the Captive would have intergovernmental agreements or joint powers agreements, and anticipates a joint powers agreement establishing the structure and rules for how the Authorities will govern the Captives will be ready for approval within 90 – 120 days. A five person Board of Directors is envisioned, consisting of two members from the SDSTA, two from the other Authority members, and one from Office of Risk Management (ORM)/BFM.

Chairman Peterson asked whether SDSTA would recover the cost or provide coverage to collaborators gratis. Mr. Headley advised the cost would be recovered as part of the SDSTA overhead. When asked whether any of that money would go back to the Captive, Mr. Wheeler replied yes, it is hoped the Captive will retain that money in reserve and ultimately have a greater capacity to provide more coverage and/or higher limits.

ITEM 10. – SELECT NOMINATING COMMITTEE

Chairman Peterson advised the board that Dr. Ani Aprahamian and Vice Chairperson Dana Dykhouse had agreed to serve as the Nominating Committee. They will bring a slate of candidates to the June meeting for election of officers.

ITEM 11. – REVIEW OF SDSTA POLICIES

Mr. Headley noted that the new, updated and retired policies are part of the ongoing clean-up work of SDSTA policies and procedures; Mr. Engel has reviewed all. He expressed appreciation for the board's support of the personnel benefit policy change to provide affordable insurance premiums for families, which has been extremely well received.

New and Updated Policies recommended for approval:

- Manual Contents Page (*updated*)
- Section 3 Finance (*retitled title page*)
- Policy 3:1 Accounting and Audit Policy (*updated and incorporated policies 3:1:1, 3:1:2, 3:1:3, 3:1:4, 3:3, 3:18, 3:19 and 3:25*)

- Policy 3:2 Receiving State Contract Money and Reporting Bank Statement to the State Policy (*updated*)
- Policy 3:8 Salary and Hourly Payroll Policy (*retitled and incorporated policies 3:8:1, 3:10, 3:11 and 3:11:1*)
- Policy 3:20 Non-Reimbursement of Alcohol Policy (*retitled and updated*)
- Policy 3:22 Event Expenditure Policy (*retitled and incorporated policy 3:23*)
- Policy 3:24 Telephone Expenditure Policy (*retitled and incorporated policy 3:24:1*)
- Policy 3:26 Management and Control of Certain Funds Policy (*updated*)
- Policy 3:27 Conflict of Interest Policy (*updated “SDSTA” only*)
- Policy 3:29 Public Information Policy (*updated “SDSTA” only*)
- Policy 3:32 Federal Awards: Cost Principles for State & Local Governments Policy (*retitled and updated*)
- Policy 3:33 Personal Protective Equipment Reimbursement Policy (*updated “SDSTA” only*)
- Policy 4:1 Personnel Benefits Policy (*updated*)

Policies recommended for retirement:

- Policy 3:1:1 Interest Earned
- Policy 3:1:2 Capitalization Policy for Capital Assets
- Policy 3:1:3 Use of Net Assets
- Policy 3:1:4 Definition of Operating Revenues and Expenses
- Policy 3:3 Petty Cash
- Policy 3:4 Invoice and Receipt Policy
- Policy 3:5 Check Writing and ACH Transfer
- Policy 3:5:1 Check and Cash Deposits
- Policy 3:6 Vendor ACH
- Policy 3:7 Monthly Account Reconciliation
- Policy 3.8.1 Overtime Pay
- Policy 3:9 Quarterly and Yearly Employer Tax Report (new Procedure 3:8B; retire policy)
- Policy 3:10 Effort Report
- Policy 3:11 Time Sheet – Hourly Employees
- Policy 3:11:1 Inconvenience – Call-Out Pay
- Policy 3:18 Credit Card Use
- Policy 3:19 Reimbursement and Incidental-Related Expenses
- Policy 3:23 Event and Record Keeping
- Policy 3:24:1 Cell Phone
- Policy 3:25 Fixed Asset Inventory

Chairperson Peterson asked if there were any questions or comments. There were none.

Motion by Mr. Wheeler and second by Mr. Christen to approve the above new, updated and retired policies as presented. By roll call vote, the motion passed unanimously.

ITEM 12. – EXECUTIVE SESSION

Motion by Mr. Wheeler and second by Ms. Lebrun to enter into executive session to consult with legal counsel concerning legal and contractual matters. By roll call vote, the motion passed unanimously.

The board recessed at 10:52 AM for Executive Session and reconvened at 11:43 AM.

ITEM 13. – REPORT FROM EXECUTIVE SESSION

Chairperson Peterson reported that the board consulted with legal counsel concerning legal and contractual matters. No action was taken.

Motion by Mr. Christen and second by Mr. Wheeler to approve the executive session report. By roll call vote, the motion passed unanimously.

ITEM 14. – DISCUSS DATE AND TIME OF NEXT MEETING

Chairperson Peterson confirmed the next board meeting would be held on Tuesday, June 30, 2015, at 8:30 AM, followed by the Sanford Lab Homestake Visitor Center Grand Opening at 11:00 AM.

ITEM 15. – BOARD COMMENTS

Ms. Lebrun commented this had been an interesting meeting. She said she prefers attending in person rather than via technology, however, and looks forward to seeing everyone at the next meeting.

Mr. Christen noted he was very encouraged with the progress being made with Fermilab and the new experiments. He was especially pleased by our success in the Legislature this year.

Dr. Wilson reminded everyone of the jointly-sponsored Underground Science Conference to be hosted at SDSM&T May 18-19 with the goal of involving more South Dakota and regional faculty and staff in actual research. She invited board members and staff to attend the reception at the President's residence May 17. Organizers hope to hold conferences every two years and extend participation to regional states. Chairman Peterson thanked Dr. Wilson for her leadership in making this conference a reality.

Mr. Wheeler noted Sanford Laboratory's future is more positive than it's ever been. He complimented Mr. Engel on his work at the Legislature and Mr. Headley on his excellent work at the lab and at the Legislative Session. Mr. Wheeler said he looks forward to the opening of the Visitor Center.

Mr. Headley thanked User Support Office Manager Ms. Mandy Knight and Contract Specialist Ms. Lea Mathis for their support of the board meeting. He noted there are many chances to drop the ball with everything that is going on, but the team is doing a great job of supporting one another and keeping everything moving forward. He said he shares the board's optimism and thanked members for their support.

Mr. Engel expressed his appreciation of the board's kind words. He noted the project has a tremendous amount of support from the Governor and his staff, from Commissioner Dilges and his staff, and on both sides of aisle. Everyone wants to see Sanford Laboratory succeed.

Chairman Peterson extended his thanks to the SDSTA team and all those who made the 2015 Legislative Session a success. He observed the money situation looks very positive and is much more comfortable than it was a year ago. He said it is exciting to have the resources for the job. Chairman Peterson is very pleased with how everyone pulls together to keep the ball moving forward, whether it's Pierre, DOE, Rapid City, or Lead. He added that it's a lot of fun to be a part of such a comprehensive effort.

ITEM 16. – ADJOURN

Chairperson Peterson asked if anyone had any other questions or comments and then called for a motion to adjourn.

Motion by Mr. Wheeler and second by Ms. Lebrun to adjourn. By roll call vote, the motion passed unanimously.

Meeting adjourned at 11:52 AM.