

Minutes of the
Board of Water and Natural Resources Meeting

January 8, 2015
1:00 p.m. CST

Via Digital Dakota Network

Capitol Building
Pierre, SD

South Dakota School of Mines and Technology
Rapid City, SD

SD Department of Labor
Watertown, SD

USD School of Medicine
Sioux Falls, SD

South Dakota State University
Brookings, SD

Northern State University
Aberdeen

CALL MEETING TO ORDER: The meeting was called to order by Chairman Brad Johnson. The roll was called, and a quorum was present.

BOARD MEMBERS PRESENT: Brad Johnson, Gene Jones, Paul Goldhammer, Todd Bernhard, Dr. Paul Gnirk, and Jerry Sohlt.

BOARD MEMBER ABSENT: Jackie Lanning.

OTHERS PRESENT: See attached attendance sheets.

APPROVE AGENDA: There were no additions or corrections to the posted agenda.

APPROVAL OF MINUTES FROM NOVEMBER 6, 2014, MEETING: Motion by Gnirk, seconded by Bernhard, to approve the minutes from the November 6, 2014, Board of Water and Natural Resources meeting. A roll call vote was taken, and the motion carried unanimously.

AMENDMENT TO FFY 2010 DRINKING WATER SRF INTENDED USE PLAN: Andy Bruels reported that the FFY 2010 Drinking Water State Revolving Fund (SRF) Intended Use Plan (IUP) was approved by the Board of Water and Natural Resources in November 2009 and amended in March, May and September 2010 and in January 2012.

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

Staff proposed amending Attachment I - Project Priority List of the FFY 2010 Drinking Water SRF IUP by adding the following:

Priority Points	Loan Recipient	Project Description	Est. Loan Amount	Expected Loan Rate & Term
210	Rapid City	<i>Problem:</i> there are several small water systems adjacent to Rapid City that have water quality (primarily concerning radionuclides) and water quantity issues, as well as distribution systems that are in poor condition. <i>Project:</i> connect the small systems as part of a project that Rapid City is undertaking to extend a second water line to the regional airport, and reconstruct distribution systems where needed.	\$5,626,000	3.0%, 20 years

Mr. Bruels answered questions from the board.

Motion by Gnirk, seconded by Soholt, to approve amendments to the FFY 2010 Drinking Water State Revolving Fund Intended Use Plan, as presented. A roll call vote was taken, and the motion carried unanimously.

AMENDMENT TO FFY 2014 DRINKING WATER SRF IUP: Mr. Bruels stated that the FFY 2014 Drinking Water SRF IUP was approved by the board in March 2014 and amended in June and September 2014.

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

Staff proposed amending Attachment I - Project Priority List of the FFY 2014 Drinking Water SRF IUP by adding the following:

Priority Points	Loan Recipient	Project Description	Est. Loan Amount	Expected Loan Rate & Term
4	Hoven	<i>Problem:</i> the distribution system consists primarily of cast iron pipe that is old and is in need of repair. <i>Project:</i> replace cast iron pipe with PVC pipe.	\$353,000	3.0%, 30 years

Motion by Goldhammer, seconded by Jones, to approve amendments to the FFY 2014 Drinking Water State Revolving Fund Intended Use Plan, as presented. A roll call vote was taken, and the motion carried unanimously.

SECTION 319 APPLICATIONS: Barry McLaury reported that the Board of Water and Natural Resources is the designated entity that provides the state's Section 319 nonpoint source pollution project funding recommendations to EPA. The board considers recommendations from the Nonpoint Source (NPS) Task Force as part of its selection process.

Six applications for 319 funding were received and reviewed by DENR and the NPS Task Force.

The FFY 2015 Clean Water SRF Intended Use Plan authorized the use of \$1,000,000 in administrative fee funds to supplement the Consolidated and Section 319 programs for wastewater treatment and TMDL implementation projects. The funding allocation from EPA for federal fiscal year 2015 has not been received, but staff anticipates receiving \$2,487,000 in 319 funds, which is the level of last year's allocation. DENR and the NPS Task Force recommendations reflect both the anticipated FFY 2015 Section 319 federal funding allocation and \$400,000 in Clean Water SRF Water Quality grant funds.

Mr. McLaury noted that prior to the meeting copies of the funding applications were made available to the board. He presented the six 319 funding applications, which total \$2,968,926 in requests, and the department recommendations.

The department proposed using \$600,000 in Section 319 grant funds for administration of the program, which leaves \$1,887,000 for pass through grants. With the \$400,000 Clean Water SRF Water Quality grant funds, the total amount for pass through grants is \$2,287,000. Based on the final allocation of 319 funds, whether it is an increase or decrease, awards will be adjusted on a proportional basis.

Belle Fourche River Watershed Management and Project Implementation Plan - Segment 7

Total Cost: \$3,787,900

319 Grant Request: \$1,135,000

The Belle Fourche River Watershed Partnership is the project sponsor for this two-year project. This is the seventh segment of seven planned project segments that address a cluster of seven total maximum daily loads. Completion of the activities planned for this segment will begin implementing best management practices (BMP) that reduce E. coli and advance the BMP implementation for total suspended solid pollutants to 73 percent complete. The BMPs include: (1) installing irrigation sprinkler systems, (2) implementing grazing management systems, (3) installing riparian vegetation improvements, (4) clean water diversion, and (5) relocating livestock feeding grounds.

Staff recommended \$793,000 in 319 funds. The reduction from the requested \$1,135,000 to \$793,000 is based on limited 319 funds available. To date, over \$5.8 million in 319 and state grant funds have been provided for this project. DENR recommended the Belle Fourche River Watershed Partnership consider a reduction in program management and water quality monitoring to help make up the shortfall in funding.

Big Sioux River Watershed Implementation Project - Segment 3

Total Cost: \$9,160,400

319 Grant Request: \$600,000

The Big Sioux River Watershed Project is a 10-year total maximum daily load implementation strategy that will be completed in multiple segments and parts. The project will restore and/or maintain the water quality of the Big Sioux River and its tributaries to meet the designated beneficial uses. The Lower Big Sioux River, Central Big Sioux River, and the North-Central Big Sioux River/Oakwood Lakes Watershed Assessments identified various segments of the Big Sioux River and certain tributaries between the Brookings/Hamlin County line and Sioux City, Iowa as failing to meet designated uses due to impairments from total suspended solids, dissolved oxygen and/or bacteria. The current project (Segment 3) is focused on further reducing loadings from animal feeding operations, overland sediment transport, and expanding ongoing past project activities. It also extends water quality monitoring through 2018.

Staff recommended \$600,000 as requested (\$500,000 319 grant and \$100,000 Water Quality grant).

Grassland Management & Planning Segment 4 – Amendment

Total Cost: \$953,507

319 Grant Request: \$462,077

The project is a two-year continuation of the current statewide Grassland Management and Planning project. This segment of the project will continue the South Dakota Grassland Coalition’s leadership in providing South Dakota livestock producers with practices that reduce nonpoint source (NPS) pollution from grasslands and promote sustainable agriculture.

Staff recommended \$279,000 (\$179,000 319 grant and \$100,000 Water Quality grant). The reduction from the requested \$462,077 to \$279,000 is based on no funding for the Grassland Mapping and Watershed modeling projects, which is an SDSU/The Nature Conservancy effort to quantify the benefits of natural sod. It was determined that the grassland mapping and watershed modeling projects do not provide water quality benefits to justify consideration of 319 funding.

Lewis & Clark Watershed Implementation Project - Segment 4 Amendment

Total Cost: \$4,336,750

319 Grant Request: \$400,000

The project sponsor is the Randall Resource Conservation Development District (RC&D). The proposal is the fourth segment of a locally-planned multi-year (10-15 years) effort to implement BMPs for sediment, nutrients, and fecal coliform bacteria in the Lewis and Clark Lake watershed, to include Lake Andes, Geddes, Academy and Platte Lake watersheds. This effort is aimed at restoring water quality to meet designated beneficial uses and address total maximum daily loads, established and to be established, for waterbodies in these watersheds.

Staff recommended \$400,000 as requested (\$300,000 319 grant and \$100,000 Water Quality grant). In addition to these funds, Randall RC&D requested \$275,000 in Consolidated grant funding for the project. The board considered this request - under Agenda item #9 later in the

meeting. The project sponsor proposed utilizing Consolidated funds to provide up to 15 percent cost share for the construction of animal waste systems. The total cost for the Segment 4 project is more than \$4 million with \$1,119,000 in producer contributions.

SDSM&T Bacteria Project

Total Cost: \$261,414

319 Grant Request: \$156,849

This project will help guide future BMPs, establish a temporal baseline of pathogenic potential of the bacterial profiles of Rapid Creek and Spring Creek, and link these estimates with total suspended solids. Although fecal coliforms and E. coli are commonly quantified in the monitoring of water systems by local, state, and federal agencies, the level of pathogenicity is often overlooked. The project will work to create a new monitoring metric for pathogenic potential of the contaminated water by screening the bacteria for harmful traits that can be passed even among harmless bacteria, creating the possibility for severe public health risks.

Staff recommended no 319 funding. The recommendation is based on the fact that the South Dakota Surface Water Quality Standards do not distinguish between E. coli gene types. Mr. McLaury noted that it would appear this research may be appropriate for another funding source, but it does not provide water quality benefits to justify consideration for 319 funding. He stated that following submittal of the 319 application, the project received funding through USGS.

Spring Creek Watershed Management & Implementation Project - Segment 3

Total Cost: \$397,000

319 Grant Request: \$215,000

Pennington County is the project sponsor for this two-year project. This is the third of six planned segments. The project will continue implementation of the BMPs identified in the total maximum daily load reports for the Spring Creek Watershed, the storm water management plan and on-site wastewater management plan. Completion of the activities planned for this segment will advance the BMP implementation to reduce fecal coliform bacteria, E. coli, and total suspended solids. These BMPs include management of riparian zones, storm water, forestry, grazing, lake improvement, and on-site wastewater treatment systems.

Staff recommended \$215,000 as requested (\$115,000 319 grant and \$100,000 Water Quality grant).

Mr. Jay Gilbertson, chairman of the Nonpoint Source Task Force, reported that the 319 Nonpoint Source Task Force met on December 9, 2014, to hear presentations from the applications. The task force agreed with the DENR staff funding recommendations.

Mr. Gilbertson noted that the School of Mines bacteria project is not the kind of project that would normally be funded through the 319 program. He stated that the project did receive funding for a scaled-down version of that activity through the USGS 104 funding process.

Mr. McLaury, Mr. Feeney, and Mr. Gilbertson answered question from the board.

Chairman Johnson requested board action.

Motion by Bernhard, seconded by Gnirk, to concur with the funding recommendations of department and the Nonpoint Source Task Force and authorize the department to forward Section 319 funding recommendations to EPA with adjustments to final available federal funding levels. A roll call vote was taken, and the motion carried unanimously.

Motion by Bernhard, seconded by Jones, to authorize the Department of Environment and Natural Resources to enter into grant agreements with the project sponsors recommended for FFY 2015 Section 319 grant assistance in the aggregate amount of up to \$400,000 from Clean Water SRF administrative surcharge fees pursuant to the FFY 2015 Clean Water SRF Intended Use Plan, contingent upon the 2015 Legislature authorizing the required budget authority for the awards. A roll call vote was taken, and the motion carried unanimously.

RECAP OF AVAILABLE FUNDS: Mike Perkovich presented a summary of available funds for the Consolidated Water Facilities Construction Program, Drinking Water SRF principal forgiveness, Drinking Water SRF loan funds, Clean Water SRF Water Quality Grants, Clean Water SRF principal forgiveness, and Clean Water SRF loan funds.

DRINKING WATER FACILITIES FUNDING APPLICATIONS: Mr. Perkovich presented four Drinking Water Facilities applications and the staff recommendations for funding. The board packet included a map showing the location of the projects.

Mid-Dakota Rural Water System requested \$2,535,000 for an automatic meter reading-advanced meter infrastructure project. The estimated total project cost is \$2,600,000.

Mid-Dakota proposes to install an automatic meter system by installing meter transmission units on existing water meters. Antennas will be constructed throughout the service area or installed on existing water towers where available to collect meter readings transmitted from the meter transmission units. The readings will be relayed to the base station located at the Mid-Dakota office. Mid-Dakota anticipates purchasing the units and bidding the installation in 2015 with a project completion in 2016.

Mid-Dakota's water rate was increased to \$66.65 per 7,000 gallons as of the first of the year.

Staff recommended awarding a \$2,535,000 Drinking Water SRF loan at 3 percent interest for 15 years.

Mr. Perkovich noted that generally loan terms for meter projects have not exceeded ten years. However, in certain instances, longer terms will be allowed if the meter manufacturer provides a warranty on the meters for the length of the loan. Mid-Dakota prefers a 15-year loan and has provided the necessary warranty documentation.

Mid-Dakota pledged system revenues toward repayment of the loan. Staff analysis indicated the current rate of \$66.65 for 7,000 gallons provides 135 percent coverage on the loan.

Staff recommended the loan be 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, and contingent upon a parity agreement being approved and executed.

Motion by Gnirk, seconded by Goldhammer, to adopt Resolution #2015-01 approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$2,535,000 at 3 percent interest for 15 years to the Mid-Dakota Rural Water System for an automatic meter reading/advanced meter infrastructure 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. The loan is 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, and contingent upon a parity agreement being approved and executed. A roll call vote was taken, and the motion carried unanimously.

Dakota Dunes Community Improvement District requested \$1,600,000 for clear well expansion and high service pump addition. The estimated total project cost is \$1,600,000.

The project involves constructing an additional 500,000-gallon clear well to double the existing clear well capacity and the installation of a third high service pump at the water treatment plant.

Dakota Dunes anticipates bidding the project in the spring of 2015 with project completion in the fall of 2015.

The water rate for residents of Dakota Dunes is \$19.25 per 7,000 gallons.

Staff recommended awarding a \$1,600,000 Drinking Water SRF loan at 3 percent interest for 20 years.

Dakota Dunes has pledged system revenues toward repayment of the loan. Staff analysis indicates that the current rate provides 221 percent coverage.

Jeff Dooley, manager of Dakota Dunes Community Improvement District, answered questions from the board.

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

Motion by Jones, seconded by Goldhammer, to adopt Resolution #2015-02 approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$1,600,000 at 3 percent interest for 20 years to the Dakota Dunes Community Improvement District for a clear well expansion and high service pump addition 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. The loan is contingent upon the borrower adopting a bond resolution and the resolution becoming effective. A roll call vote was taken, and the motion carried unanimously.

Colonial Pine Hills Sanitary District requested \$400,000 for the Croyle/Nonanna wells filtration system. The estimated total project cost is \$1,476,000.

The project involves the installation of a new microfiltration water treatment unit at the Croyle well house and construction of an 8-inch water main along Pinewood Drive.

Colonial Pine Hills received a \$705,000 SRF loan for this project in June 2012. Since that loan was awarded, project costs have increased and the project scope has changed. As a result, additional funding is required to complete the project. Colonial Pine Hills has requested an additional \$400,000 to complete the project. If approved, the total Drinking Water SRF loan would be \$1,105,000. Colonial Pine Hills is contributing \$371,000 in local cash toward the project.

Bids for the project were opened on December 16, 2014, and will be awarded soon. Completion is expected in early 2016.

The current water rate is \$53.75 based on 5,000 gallons usage.

Staff recommended awarding a \$400,000 Drinking Water SRF loan at 3 percent interest for 20 years.

Colonial Pine Hills has pledged project surcharge toward repayment of the loan. Staff analysis indicates a \$5.80 surcharge will be needed in order to provide the 110 percent required coverage on the loan, resulting in overall rates of \$59.55 per month. Mr. Perkovich noted that based upon rates for other developments in the Rapid City area, this would be on the low end of the rates.

Ted Schultz, AE2S Engineering, discussed the project.

Staff recommended the loan be 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 by Gnirk, seconded by Soholt, to adopt Resolution #2015-03 approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$400,000 at 3 percent interest for 20 years to Colonial Pine Hills Sanitary District for the Croyle/Nonanna wells filtration system, 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. The loan is 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. A roll call vote was taken, and the motion carried unanimously.

Hoven requested \$353,000 for a waterline replacement project. The estimated total project cost is \$353,000.

Hoven proposes to replace the deteriorating water main that runs under South Dakota Highway 47. The construction will be done in conjunction with a SD Department of Transportation roadway reconstruction project planned for 2015. Hoven received a \$656,000 Clean Water SRF loan in June 2014 for the sewer line portion of this project.

The city anticipates bidding the project in March 2015 with a project completion date in November 2015.

Hoven recently increased its monthly rates for 5,000 gallons from \$35.00 to \$45.00. This \$10 increase was intended to establish a surcharge to repay a Rural Development (RD) loan that will go into repayment soon. DENR staff does not believe this surcharge amount will be sufficient to repay the loan, and that an additional \$3.55 will be needed. This will result in rates of \$48.55 per month to cover the RD loan and operation and maintenance of the system.

Staff recommended awarding a \$264,750 Drinking Water SRF loan with 100 percent principal forgiveness, and awarding a Consolidated grant for 25 percent of eligible costs not to exceed \$88,250. Mr. Perkovich noted that with monthly rates for Hoven potentially approaching \$50 for 5,000 gallons, staff believes 100 percent subsidy is appropriate.

Terry Helms, Helms & Associates, answered questions from the board.

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

Motion by Gnirk, seconded by Bernhard, to adopt Resolution #2015-04 approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$264,750 with 100 percent principal forgiveness to the city of Hoven 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. The loan is contingent upon the borrower adopting a bond resolution and the resolution becoming effective. A roll call vote was taken, and the motion carried unanimously.

Motion by Gnirk, seconded by Bernhard, to adopt Resolution #2015-05 approving a Consolidated Water Facilities Construction Program grant to the city of Hoven for up to 25 percent of approved total project costs not to exceed \$88,250 for a waterline replacement project. A roll call vote was taken, and the motion carried unanimously.

SANITARY/STORM SEWER FACILITIES FUNDING APPLICATIONS: Andy Bruels noted that included in the board packet was a map showing the location of the projects. He presented the funding applications and staff recommendations.

Dupree requested \$240,000 for wastewater system improvements. The estimated total project cost is \$1,117,450.

The project includes rehabilitation of the main lift station and installing riprap at the wastewater treatment facility cells to correct erosion problems. The city's collection system is 90 years old and many of the lines need to be replaced. The project includes televising the collection system to determine which lines to replace in the future.

In June 2013, the board awarded a \$450,000 Clean Water SRF loan to Dupree. The city has also received \$427,450 in Community Development Block Grant funding for the project.

Dupree bid the project in September 2014 with a project completion date of August 2015. Project costs have come in above the original project funding provided. The additional funds being requested will allow the city to complete the entire project.

Dupree's rate is \$25.55 for sewer service regardless of usage amounts.

Staff recommended awarding a \$192,000 Clean Water SRF loan at 3.25 percent for 30 years, and awarding a Consolidated grant for 4.3 percent of approved total project costs not to exceed \$48,000.

The city has pledged a project surcharge for repayment of the loan. Staff analysis indicates that in order for Dupree to provide the required 110 percent coverage, a surcharge of \$4.47 will need to be established. This will bring the city's total charge for wastewater to just over \$30.

Staff recommended the loan be 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.

Maurice Lemke, Dupree finance officer, answered questions from the board.

Motion by Gnirk, seconded by Jones, to adopt Resolution #2015-06 approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$192,000 at 3.25 percent interest for 30 years to the city of Dupree for a 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. The loan is 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. A roll call vote was taken, and the motion carried unanimously.

Motion by Goldhammer, seconded by Bernhard, to adopt Resolution #2015-07 approving a Consolidated Water Facilities Construction Program grant to the city of Dupree for up to 4.3 percent of approved total project costs not to exceed \$48,000 for a wastewater system improvements project. A roll call vote was taken, and the motion carried unanimously.

Mobridge requested \$1,475,000 for wastewater improvements. The estimated total project cost is \$2,690,000.

Mobridge proposes to upgrade and rehabilitate its wastewater treatment facility. The project includes construction of a new primary clarifier, bio-filter pump station, ultraviolet disinfection system, and disinfection basin drain, and rehabilitation of the existing primary clarifier. These upgrades and improvements will allow the city to remain in compliance with its surface water discharge permit.

The city anticipates bidding the project in February 2015 with project completion in July 2016.

At the time of the application, Mobridge had a \$17.00 flat rate for wastewater. The city has since established a new wastewater rate of \$23.00 for 5,000 gallons. Based on the financial information supplied by the city, the \$23.00 rate, not including any debt surcharges, is not sufficient to cover operation and maintenance expenses.

Staff recommended awarding a \$1,475,000 Clean Water SRF loan at 3 percent for 20 years.

The city has pledged a project surcharge for repayment of the loan. Staff analysis indicates that in order for Mobridge to provide the required 110 percent coverage, a surcharge of approximately \$5.15 will need to be established.

Staff recommended the loan be 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 by Soholt, seconded by Bernhard, to adopt Resolution #2015-08 approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,475,000 at 3 percent interest for 20 years to the city of Mobridge for a wastewater 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. The loan is 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. A roll call vote was taken, and the motion carried unanimously.

WATERSHED RESTORATION PROJECT FUNDING APPLICATIONS: Mr. Perkovich presented the applications and staff recommendations. He noted that a map showing the location of the projects was included in the board packet.

Randall Resource Conservation and Development (RC&D) Association, Inc. requested \$275,000 for the Lewis and Clark Watershed Implementation Project, Segment IV. The estimated total project cost is \$4,330,000. Mr. Perkovich noted that the \$3,069,160 total project cost shown on the application includes only the first two years of the project scope.

The Lewis and Clark Watershed Implementation Project is a multi-year effort to implement Best Management Practices (BMPs) in four watersheds that encompass 2.5 million acres in south central South Dakota.

Consolidated funds will be used to provide up to 15 percent cost share for construction of animal waste management systems.

Other proposed funding for the project includes \$900,000 in Section 319 funds, \$1,175,000 million in EQIP and other federal funds, and \$718,000 in local match.

Staff recommended awarding a Consolidated grant for 15 percent of approved total project costs not to exceed \$275,000 for the construction of animal waste management systems.

Mr. Feeney answered questions from the board.

Motion by Gnirk, seconded by Jones, to adopt Resolution #2015-09 approving a Consolidated Water Facilities Construction Program grant to the Randall Resource Conservation and Development Association, Inc. for up to 15 percent of approved total project costs not to exceed \$275,000 for the construction of animal waste management systems. A roll call vote was taken, and the motion carried unanimously.

Rapid City requested \$155,000 for the Canyon Lake restoration project. The estimated total project cost is \$415,000.

The project includes the removal of sediment while the lake is drained for a dam restoration project. The project seeks to improve flood control, water quality and recreational opportunities. The project will be completed during the 2015 construction season.

Other proposed funding for the project includes \$100,000 from the city of Rapid City, \$150,000 from the West Dakota Water Development District, and \$10,000 from the Black Hills Flyfishers. Mr. Perkovich noted that Rapid City has indicated that it may not be able to provide the full \$100,000 due to overruns on the actual dam project itself.

Staff recommended awarding a Consolidated grant for 37.4 percent of approved total project costs not to exceed \$155,000 with the special condition that Consolidated funds are drawn concurrently with the other funding.

Keith Johnson, Rapid City engineering department, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt Resolution #2015-10 approving a Consolidated Water Facilities Construction Program grant to the city of Rapid City for up to 37.4 percent of approved total project costs not to exceed \$155,000 for the Canyon Lake restoration project with the special condition that Consolidated funds are drawn concurrently with the other funding. A roll call vote was taken, and the motion carried unanimously.

Mr. Perkovich provided a recap of funds anticipated to be available for the next funding round for the Consolidated Water Facilities Construction Program, 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.

SOLID WASTE MANAGEMENT PROGRAM FUNDING APPLICATIONS: Andy Bruels provided an update on available funds for the Solid Waste Management Program. He noted that the board packet included a map showing the location of the Solid Waste Management Program applicants.

The board may award grant and loan funds for the purpose of solid waste planning and management under the program. In accordance with the administrative rules, the board must make its funding decisions within 120 days after the applications are presented.

The Department received two new applications for solid waste management program funding by the October 1, 2014, deadline that will be presented at this time.

Northwest South Dakota Regional Landfill requested \$412,000 for equipment and facility upgrades. The estimated total project cost is \$412,000.

The Northwest Regional Landfill proposes to purchase a new roll-off container trailer and 14 new roll-off containers, which will allow the landfill to replace equipment that is past its useful life and improve the efficiency of garbage collection. The landfill is also planning to purchase additional litter fence and an ATV to help collect litter around the site. A new onsite restroom and septic system will also be installed. These equipment purchases will help improve the operation of the landfill.

Northwest's rate for municipal solid waste disposal is approximately \$56.55 per ton. Northwest does not charge a flat tipping fee to haulers, but instead charges a \$6.89 per person fee. The approximate per ton fee is based on the revenue collected divided by the number of tons disposed of from the previous year.

Staff recommended awarding a Solid Waste Management Program grant for 60 percent of approved total project costs not to exceed \$247,200. The grant will be contingent on grant funds being drawn concurrently with the Solid Waste Management Program loan awarded for this project.

Staff also recommended awarding a Solid Waste Management Program loan in the amount of \$164,800 at 2.25 percent interest for 10 years contingent upon the borrower approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan and contingent upon the borrower approving a security agreement and mortgage.

Mr. Bruels noted that the user fee revenues will provide the security for the loan. The recommendation for grant percentage is higher than many recent awards; however, due to the landfill tipping fees being some of the highest in the state and staff's communication with Northwest Regional Landfill about an upcoming new landfill cell project, staff believes this level of subsidy is appropriate.

Mr. Bruels stated that no increase to the user rates is anticipated in order for the landfill to provide the required 100 percent coverage for the recommended loan amount.

Garland Erbele, engineer for the landfill, answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to adopt Resolution #2015-11 approving a South Dakota Solid Waste Management Program grant to the Northwest South Dakota Regional Landfill for up to 60 percent of approved total project costs not to exceed \$247,200 for equipment and facility upgrades with the contingency that grant funds are drawn concurrently with the Solid Waste Management Program loan awarded for this project. A roll call vote was taken, and the motion carried unanimously.

Motion by Jones, seconded by Goldhammer, to adopt Resolution #2015-12 approving a South Dakota Solid Waste Management Program loan to Northwest South Dakota Regional Landfill not to exceed \$164,800 at 2.25 percent for 10 years for equipment and facility upgrades. The loan is contingent upon the borrower approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan and contingent upon the borrower approving a security agreement and mortgage. A roll call vote was taken, and the motion carried unanimously.

Tri County Landfill Association requested \$167,200 for the construction of a vehicle cold storage building and the purchase of equipment. The estimated total project cost is \$167,200.

The Tri County Landfill Association is proposing to construct a cold storage building to store landfill vehicles and equipment. The building will be approximately 60 by 120 feet and have half the floor area concrete surfaced. The landfill currently stores most equipment and vehicles outdoors making maintenance difficult, contributing to wear and shorter useful life.

Tri-County's municipal solid waste disposal rate is \$41.50 per ton.

Staff recommended awarding a Regional Landfill Assistance grant for 20 percent of the approved total project costs not to exceed \$33,440 with the contingency that grant funds are drawn concurrently with the Solid Waste Management Program loan awarded for this project

Staff also recommended awarding a Solid Waste Management Program loan in the amount of \$133,760 at 2.25 percent interest for seven years contingent upon the borrower approving the form of the loan agreement, the promissory note and the pledge of revenues for repayment of the loan and contingent upon the borrower approving a security agreement and mortgage.

Mr. Bruels noted that no increase to the user rate is anticipated in order for the landfill to provide the required 100 percent coverage for the recommended loan amount.

Larry McManus, Tri County Landfill Association, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Soholt, to adopt Resolution #2015-13 approving a South Dakota Solid Waste Management Program grant to the Tri County Landfill Association for up to 20

percent of approved total project costs not to exceed \$33,440 for the construction of a vehicle cold storage building and the purchase of equipment with the contingency that grant funds are drawn concurrently with the Solid Waste Management Program loan awarded for this project. A roll call vote was taken, and the motion carried unanimously.

Motion by Goldhammer, seconded by Gnirk, to adopt Resolution #2015-14 approving a South Dakota Solid Waste Management Program loan to the Tri County Landfill Association not to exceed \$133,760 at 2.25 percent for seven years for the construction of a vehicle cold storage building and the purchase of equipment. The loan is contingent upon the borrower approving the form of the loan agreement, the promissory note and the pledge of revenues for repayment of the loan and contingent upon the borrower approving a security agreement and mortgage. A roll call vote was taken, and the motion carried unanimously.

Mr. Bruels provided a recap of available funds for the next funding round.

FFY 2014 CLEAN WATER AND DRINKING WATER SRF ANNUAL REPORTS: Elayne Lande presented the federal fiscal year 2014 Clean Water and Drinking Water SRF annual reports.

The South Dakota Conservancy District is required to submit annual reports to EPA for both the Clean Water and Drinking Water SRF programs. The annual reports follow the same format as previous years and discuss activities from October 1, 2013 to September 30, 2014.

Ms. Lande reported that 20 Clean Water SRF loans were awarded in FFY 2014 for total funding of \$18,421,200. One loan received principal forgiveness in the amount of \$100,000.

Loan repayments totaled more than \$24.4 million dollars, with \$19.1 million in principal, \$4.1 million in interest, and \$1.2 million in administrative surcharge.

Ms. Lande requested the board approve the FFY 2014 Clean Water SRF annual report, authorize staff to make the final edits, and authorize staff to distribute the report to the EPA and other interested parties.

Motion by Gnirk, seconded by Bernhard, to approve the FFY 2014 Clean Water SRF annual report, to authorize staff to make final edits, and to distribute the report to EPA and other interested parties. A roll call vote was taken, and the motion carried unanimously.

Ms. Lande reported that 13 Drinking Water SRF loans and one amendment were awarded in FFY 2014 for total funding of \$26,113,000. Six loans received principal forgiveness in the aggregate total of \$6,920,000.

Loan repayments totaled more than \$16.6 million dollars, with \$12.2 million in principal, \$3.5 million in interest, and \$933,000 in administrative surcharge.

Ms. Lande requested the board approve the FFY 2014 Drinking Water SRF annual report, authorize staff to make the final edits, and authorize staff to distribute the report to the EPA and other interested parties.

Motion by Jones, seconded by Gnirk, to approve the FFY 2014 Drinking Water SRF annual report, to authorize staff to make final edits, and to distribute the report to EPA and other interested parties. A roll call vote was taken, and the motion carried unanimously.

FIRST AMENDMENT TO FIFTH AMENDED AND RESTATED MASTER TRUST INDENTURE AND AMENDMENT TO THE CONSERVANCY DISTRICT'S INVESTMENT POLICY: Jon Peschong reported that an inconsistency has been identified between the Fifth Amended and Restated Master Trust Indenture which defines "Investment Obligations" that are permitted investments for the funds on deposit with the State Revolving Fund programs and the Investment Policy regarding investments in government sponsored entities.

The Master Trust Indenture states "any agency or instrumentality of the United States of America which is backed by the full faith and credit of the United States of America" and the Investment Policy states "government sponsored entities or federally related institutions that are guaranteed directly or indirectly by the U.S. Government."

Upon request from PFM Asset Management, the board's investment firm, Bruce Bonjour, the board's Bond Counsel, and Harold Deering, the board's legal counsel, drafted the proposed amendments which were included in the board packet.

The amendments to both the Master Trust Indenture and the Investment Policy would make clear that investment in indebtedness issued by agencies and instrumentalities of the United States government is permissible even if not guaranteed or backed by the full faith and credit of the United States of America, including those issued by government sponsored enterprises such as Ginnie Mae (Government National Mortgage Association), Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation). These amendments will update exhibits in the investment policy; revise the definition of "Investment Obligations" for both the Master Trust Indenture and the Investment Policy by inserting a new bullet under (c) and changing subsequent bullets and references.

The following is the proposed definition:

"To the extent not included within the scope of clause (b) above, such other bonds, debentures, notes or other evidences of indebtedness issued by agencies and instrumentalities of the United States government, including without limitation those issued by government sponsored enterprises such as Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation;" (Otherwise known as Ginnie Mae, Fannie Mae, and Freddie Mac respectively).

Mr. Peschong noted that Section 11.01 (h) of the Master Trust Indenture states that this type of amendment to the Indenture may be made if, in the judgment of an Authorized Representative of the District, the rating of the District's bonds will remain the same. Further, "the Authorized Representative must certify its judgment to the Trustee, and such judgment will be based upon written ratings report or other written evidence provided by each Rating Agency (Moody's and S&P)."

Mr. Peschong stated that at this point there has been verbal confirmation that the proposed amendments would not affect the ratings and written confirmation from the ratings agencies should be received by the end of month.

Staff recommended the board adopt a resolution approving the form of the First Amendment to the Fifth Amended and Restated Master Trust Indenture and approving the form of the Amended Investment Policy presented to the board, but with all such changes and revisions as the Chairman and Secretary may approve following any input provided by any Rating Agency and that the resolution is effective immediately and the First Amendment and Amended Investment Policy shall become effective upon satisfaction of the Amendment Requirement set forth in Section 11.01(h) of the Restated Master Trust Indenture and the filing thereof with the Trustee.

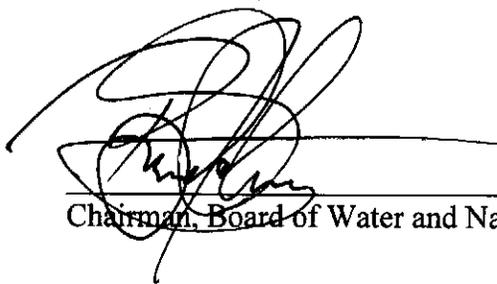
Motion by Bernhard, seconded by Goldhammer, to adopt Resolution #2015-15 approving the First Amendment to Fifth Amended and Restated Master Trust Indenture and Amendment to the Conservancy District's Investment Policy to provide consistency and allow the Conservancy District to invest in government sponsored entities. A roll call vote was taken, and the motion carried unanimously.

MARCH 26-27, 2015, BOARD MEETING: Mr. Perkovich noted that the next meeting is scheduled for March 26-27, 2015, at the Matthew Training Center in Pierre. At this time the agenda includes a public hearing to consider adoption of proposed amendments to rules, consideration of funding applications, State Water Plan amendment requests, and several other items.

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

Approved this 26th day of March, 2015.

(SEAL)



Chairman, Board of Water and Natural Resources

ATTEST:



Secretary, Board of Water and Natural Resources

ATTENDANCE SHEET
BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

JANUARY 8, 2015

PIERRE
CAPITOL BUILDING

<u>NAME (PLEASE PRINT)</u>	<u>ADDRESS</u>	<u>REPRESENTING</u>
Bob Mercer	Pierre	News Paper
Kurt Pfeiffer	Miller	Mid-Dakota RWS
Craig Lunde	Miller	Mid-Dakota RWS
Jon Peschong	Pierre	DENR
Eric Meintsma	Pierre	SD DENR
Larry McManis	Pokwan A	Tri Co Landfill
Elayne Lande	Pierre	DENR
Nick Nelson	PIERRE	DENR
Anne Rosse	Pierre	DENR
Barry McLaury	Pierre	DENR
James Feeney	Pierre	DENR
Mike Perkonich	Pierre	DENR
Sandy Lemke	Dupree	City Council
MAURICE LEMKE	DUPREE	FINANCE OFFICER
Andy Bruels	Pierre	SD DENR
Maulene Kautson	Pierre	CSBED
PAUL GNIERK	New Underwood	BWNR

ATTENDANCE SHEET
BOARD OF WATER AND NATURAL RESOURCES MEETING
CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

JANUARY 8, 2015

PIERRE
CAPITOL BUILDING

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

Paul Goldhammer

WALL SD

BWNR

TOOD BERNHARD

FORT PIERRE, SD

BWNR

Drew Huisker

DENR - Pierre

DENR

Mary Duvall

Pierre

Oversight Committee

GARLAND EEBELE

Pierre

NW SD Regional Landfill

ATTENDANCE SHEET
BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

JANUARY 8, 2015

SIOUX FALLS
USD SCHOOL OF MEDICINE

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

Jerry Scholt

SF

SD BSNR

Gene Jones Jr.

SF

SD BSNR

Lois Brown

6007 Johnson

EDWDD

Kevin Burnisi

SF

SECOB

Jeff Dooley

Dakota Dunes

Dakota Dunes CTO

ATTENDANCE SHEET

BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

JANUARY 8, 2015

WATERTOWN
SD DEPARTMENT OF HEALTH

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

BRAD JOHNSON
ANDREW KOPP

Watertown
Watertown

BANNR
DENR