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Minutes of the
Board of Water and Natural Resources Meeting

Conducted via the Digital Dakota Network

Northern State University
Aberdeen, SD

Department of Transportation
Brookings, SD

Mitchell Technical Institute
Mitchell, SD

Capitol Building
Pierre, SD

University Center
Rapid City, SD

University Center
Sioux Falls, SD

University of South Dakota
Vermillion, SD

Department of Environment and Natural Resources
Watertown, SD

January 5, 2017
1:00 p.m. CST

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

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

BOARD MEMBERS PRESENT: Brad Johnson, Gene Jones, Jr., Todd Bernhard, Jackie Lanning, Paul Goldhammer, and Dr. Paul Gnirk.

BOARD MEMBERS ABSENT: Jerry Soholt

OTHERS: See attached sign-in sheets.

APPROVE AGENDA: There were no changes to the posted agenda. Chairman Johnson approved the agenda.

APPROVE MINUTES OF NOVEMBER 9 AND DECEMBER 7, 2016, MEETINGS: Motion by Gnirk, seconded by Bernhard, to approve the minutes of the November 9, 2016 and December 7, 2016, Board of Water and Natural Resources meetings. 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 project funding recommendations to EPA. The board considers recommendations from the Nonpoint Source (NPS) Task Force as part of its selection process.

Nine applications requesting \$3,500,000 in 319 funding were received by DENR and reviewed by the NPS Task Force.

The 2017 Clean Water SRF Intended Use Plan authorized the use of \$1,000,000 in administrative surcharge fees for Water Quality grants to supplement the Consolidated and Section 319 programs for wastewater treatment and TMDL implementation projects. Staff anticipates receiving \$2,544,000 in 319 funds, which is at the same level as last year's allocation.

Mr. McLaury noted that the DENR and NPS Task Force recommendations summarized in the table included in the board packet reflect both the anticipated FFY 2017 Section 319 federal funding allocation and \$150,000 in Clean Water SRF Water Quality grant awards. The department proposes to use \$680,000 for administration of the NPS program, which leaves \$2,014,000 for pass through grants.

With final FFY 2017 appropriation levels being delayed until the new administration and congress are in place, DENR recommended that up to \$250,000 in Water Quality grant funding be allocated for these projects. The additional \$100,000 would be used to address up to a four percent decrease in federal 319 funding. If the decrease is more than four percent, all pass through grants will be reduced proportionately.

Mr. McLaury presented the nine applications and recommended funding levels.

Belle Fourche River Watershed Implementation Project - Segment 8

The project is sponsored by the Belle Fourche River Watershed Partnership. This segment of the Belle Fourche River project is the 16th year under contract as a watershed project. Best Management Practices (BMPs) to be implemented include irrigation sprinkler systems, grazing management systems, riparian vegetation improvements, improved cropping systems, and relocating livestock feeding grounds. DENR asked the sponsor to make Horse Creek, a Belle

Fourche river tributary not meeting the total suspended solids standard, a priority area for implementation and monitoring efforts.

Total Cost: \$3,130,900

319 Grant Request: \$1,144,000

DENR Funding Recommendation: \$650,000 in Section 319 funds for two years and that \$200,000 of the \$600,000 requested for irrigation be provided for conversion to sprinkler irrigation, and the use of these funds be limited to the priority Horse Creek Watershed, \$150,000 for riparian improvement, \$39,000 for water quality monitoring, and the balance for project management and administration.

Northeast Glacial Lakes Watershed Project - Segment 4

This project is sponsored by the Day County Conservation District. The two-year project will continue to protect and improve the water quality of northeast South Dakota glacial lakes, streams and rivers by implementing BMPs that reduce fecal coliform bacteria, nutrients, and sediment loads entering water bodies.

Total Cost: \$676,260

319 Grant Request: \$309,800

DENR Funding Recommendation: \$250,000 in Section 319 funds for two years, and that the 319 funds will provide match for 1.5 FTE instead of the 2 FTEs proposed in the work plan.

South Dakota Nonpoint Source I&E Project - Segment 5

This project is sponsored by the South Dakota Discovery Center and will focus on public outreach to adults, and support local and regional activities through a competitive Mini-grants Program and increase teacher, student, and adult awareness of and proficiency in watersheds and watershed protection.

Total Cost: \$511,508

319 Grant Request: \$300,000

DENR Funding Recommendation: \$250,000, which includes \$200,000 in Section 319 funds and \$50,000 Clean Water SRF Water Quality funds, for two years to help make up the shortfall in available funding, and that up to \$50,000 of the 319 funds be dedicated to Envirothon at \$25,000 per year.

South Central Watershed Implementation Project - Segment 1 Amendment (previously awarded \$931,335 in 2016)

The project is sponsored by the James River Water Development District. This three-year project is aimed at restoring water quality in the Lewis and Clark Lake, Lake Andes, Geddes, and Platte Lake watersheds, impaired reaches of the Lower James River tributaries, and the Vermillion River watershed.

Total Cost: \$9,000,000

319 Grant Request: \$650,000

DENR Funding Recommendation: \$464,000 in Section 319 funds.

Water Quality Planning Project

This project is sponsored by the South Dakota Association of Conservation Districts. The two-year project will continue to provide planning and implementation of agricultural BMPs in select 303(d) listed waterbodies in South Dakota.

Total Cost: \$943,848

319 Grant Request: \$351,848

DENR Funding Recommendation: No funding. The 303d planning effort initiated in 2003 is winding down and no new ideas or direction have been developed.

Assessing the Effectiveness of Dredging as a BMP to Improve Lake Water Quality

This project is sponsored by the South Dakota School of Mines and Technology. The two-year project will evaluate the effectiveness of dredging Black Hills lakes on water quality. Outcomes from this project will provide insight into the effectiveness of dredging as a BMP and broader insight into future implementation of BMPs incorporating chlorophyll a.

Total Cost: \$234,506

319 Grant Request: \$140,699

DENR Funding Recommendation: No funding. Dredging is not promoted as a BMP by the Nonpoint Source program.

Soil Health Improvement and Planning Project

This project is sponsored by the newly formed South Dakota Soil Health Coalition with the goal of improving soil health through planning and implementation of agricultural BMPs and outreach to local landowners and the general public to provide a better understanding of soil health and its relationship to water quality benefits.

Total Cost: \$301,800

319 Grant Request: \$168,000

DENR Funding Recommendation: \$150,000 (\$100,000 in 319 funds and \$50,000 in Clean Water SRF Water Quality funds) for two years. This new initiative will complement, coordinate and expand soil health efforts already started by 319 implementation projects, NRCS, SDSU, and producer groups in the state. It also supports efforts between NRCS and EPA on the national level.

South Dakota Envirothon

The project is sponsored by the Belle Fourche River Watershed Partnership. This two-year project will build natural resources literacy through a hands-on, environmental education program and team competition for high school-aged students. Teams are formed from associated

high schools, home school groups, 4-H, and FFA, and study through the year with their coach in preparation for a statewide competition in late spring.

Total Cost: \$227,840

319 Grant Request: \$60,000

DENR Funding Recommendation: No funding. The South Dakota Envirothon project previously leveraged \$20,000 through the South Dakota Discovery Center, and it makes sense to continue in this manner since the process for them to receive funds through the Discovery Center is already in place.

Grassland Management & Planning Project – Segment 5

This project is sponsored by the South Dakota Grasslands Coalition. The project will continue to provide grassland managers with accelerated technical assistance to plan and implement 100,000 acres of intensive grassland management systems and transfer grassland management information to ranchers, researchers, agency specialists and the public.

Total Cost: \$824,380

319 Grant Request: \$368,880

DENR Funding Recommendation: \$250,000 (\$200,000 in Section 319 funds and \$50,000 in Clean Water SRF Water Quality funds) for two years, and that the 319 and Water Quality funds will provide match for 1 FTE instead of the 2 FTEs listed in the work plan. Funds will continue to be provided for range consultants for the on the ground work developing grazing plans.

This concluded Mr. McLaury's presentation of the funding applications.

Jay Gilbertson, chairman of the NPS Task Force, stated that on December 13, 2016, the NPS Task Force met and voted to concur with the DENR funding recommendations.

Mr. McLaury and Mr. Feeney answered questions from the board members.

Mr. McLaury requested separate board actions to provide for the awards from the Clean Water SRF Water Quality grant funding source and to provide the state 319 funding recommendations to EPA.

Motion by Gnirk, seconded by Lanning, to concur with the funding recommendations of the Department of Environment and Natural Resources and the Nonpoint Source Task Force, and to authorize the department to forward the FFY 2017 Section 319 funding recommendations to EPA with adjustments to final federal funding levels. A roll call vote was taken, and the motion carried unanimously.

Motion by Goldhammer, seconded by Jones, to authorize the Department of Environment and Natural Resources to enter into grant agreements with the South Dakota Discovery Center, South Dakota Soil Health Coalition, and the South Dakota Grasslands Coalition in the total amount of up to \$250,000 from Clean Water SRF administrative surcharge fees pursuant to the 2017 Clean

Water SRF Intended Use Plan, contingent upon the 2017 Legislature authorizing the required budget authority for the awards. A roll call vote was taken, and the motion carried unanimously.

RESCISSION OF DEPENDABLE SANITATION, INC. SOLID WASTE MANAGEMENT PROGRAM LOAN 2015L-REC-105 AND SOLID WASTE MANAGEMENT PROGRAM GRANT 2015G-REC-101:

Drew Huisken reported that in March 2014, the Board of Water and Natural Resources adopted Resolution No. 2014-53 awarding a \$290,000 Solid Waste Management Program (SWMP) loan and Resolution No. 2014-54 awarding a \$50,000 SWMP grant to Dependable Sanitation, Inc. for the purchase of equipment to separate cardboard and paper products from other materials at its single-stream recycling facility in Watertown.

Mr. Huisken noted that the grant will expire on March 28, 2017. Dependable Sanitation has previously indicated that the project is unlikely to be completed without the availability of grant funding.

On December 14, 2016, the department received a letter from Dependable Sanitation, Inc. requesting that the Board of Water and Natural Resources rescind SWMP loan 2015L-REC-105 and SWMP grant 2015G-REC-101.

Mr. Huisken stated that Dependable Sanitation, Inc. has indicated that it is still committed to completing the project at a later date and anticipates seeking a funding package when market conditions are more favorable.

Staff recommended rescinding the Solid Waste Management Program loan and grant awarded to Dependable Sanitation, Inc. in March 2014.

Mr. Huisken answered questions from the board.

Motion by Bernhard, seconded by Lanning, to adopt **Resolution #2017-01** rescinding Resolution #2014-53 which approved Solid Waste Management Program Loan agreement 2015L-REC-105 not to exceed \$290,000 at 2.25 percent interest for ten years for Dependable Sanitation, Inc., and rescinding Resolution #2014-54 which approved Solid Waste Management Program Grant agreement 2015G-REC-101 for up to 14.8 percent of approved total project costs not to exceed \$50,000 for Dependable Sanitation, Inc., for upgrades to the Watertown recycling facility. A roll call vote was taken, and the motion carried unanimously.

SANITARY/STORM SEWER FACILITIES FUNDING APPLICATION: Mike Perkovich discussed available funds for the Consolidated Water Facilities Construction Program and State Revolving Fund programs.

Maps showing the location of the all of funding applicants were included in the board packet.

Mr. Perkovich presented the Sanitary/Storm Sewer Facilities application and staff recommendation for funding.

Belle Fourche proposes to install 7,200 feet of sanitary sewer on 8th Avenue. The new sewer lines will be larger than the existing lines to alleviate issues with surcharging and to accommodate future capacity.

The city anticipates bidding the project in February 2017 with project completion in April 2018.

The total project amount is \$2,125,000, and the amount requested is \$2,125,000.

Rates that became effective January 1, 2017 are a flat rate of \$22.11.

Staff recommended awarding a \$2,125,000 Clean Water SRF loan at 2.25 percent interest for 20 years.

Belle Fourche has pledged a project surcharge for repayment of the loan. Staff analysis indicates Belle Fourche will have to establish a surcharge of \$5.10 per user per month. The surcharge will increase the monthly rate to \$27.21 per user. Mr. Perkovich noted that in order to qualify for either grants or principal forgiveness, the rates must be \$30 or more or the project must bring the rate above that \$30, which isn't the case for Belle Fourche, so the city isn't eligible for any subsidy.

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.

Mr. Perkovich answered questions from the board.

Motion by Gnirk, seconded by Jones, to adopt **Resolution #2017-02** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$2,125,000 at 2.25 percent interest for 20 years to the **city of Belle Fourche** for sanitary sewer 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. A roll call vote was taken, and the motion carried unanimously.

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

Terry Trojan Water Project District proposes to construct an additional well and SCADA upgrades at the existing well. The project will also replace existing faulty water lines with 6-inch PVC pipe throughout the district and includes other distribution system improvements.

The Terry Trojan Water District anticipates bidding the project in May 2017 with project completion in October 2017.

The total project amount is \$812,000, and the amount requested is \$812,000.

Eighty percent of the users on the Terry Trojan system are vacation homes. Monthly rates for these homes are a base rate of \$50 plus \$4 per 1,000 gallons used. This equates to \$78 per 7,000 gallons; however, these users pay only the base charge most of the time. Rates for the permanent residences and businesses are a base rate of \$47 plus \$4 per 1,000 gallons used. This equates to \$75 per 7,000 gallons.

Staff recommended awarding a \$812,000 Drinking Water SRF loan at 2.25 percent interest for 20 years with 9.9 percent as principal forgiveness not to exceed \$80,000.

Terry Trojan Water Project District has pledged system revenue for repayment of the loan.

Repayment of a \$732,000 loan would require system revenues to increase by approximately 26 percent. If the increase was applied only to the base rate, it would result in a charge of approximately \$66 for the vacation homes and \$63 for the full-time homes. The rate per 7,000 gallons would be to \$94 for the vacation homes and \$91 for the full-time homes.

Mr. Bruels noted that there are opportunities for the district to reduce the rates. The district has two outstanding loans and has enough available cash to pay one of them off. This could reduce rates by as much as \$4.50 per user. Additionally, the district has \$105,000 set aside for capital improvements that could be used on this project. Another possibility to reduce rates is to take the loan at a rate and term of 2.5 percent interest for 30 years, which would reduce the monthly debt by another \$5. This option was offered to the district by staff, and staff was informed of the district's preference for the 20-year loan.

Staff recommended the loan be contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower raising water rates to a level sufficient to provide the required debt coverage, and contingent upon the borrower demonstrating financial, managerial and technical capacity.

Mr. Bruels and Dustin Dale, consulting engineer with AE2S, answered questions from the board.

Motion by Goldhammer, seconded by Gnirk, to adopt **Resolution #2017-03** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$812,000 at 2.25 percent interest for 20 years with up to 9.9 percent principal forgiveness not to exceed \$80,000 to the **Terry Trojan Water Project District** for a water system rehabilitation 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 raising rates to a level sufficient to provide the required debt coverage, and contingent upon the borrower demonstrating financial, managerial and technical capacity. A roll call vote was taken, and the motion carried unanimously.

Belle Fourche will replace approximately 1,500 feet of water main along 8th Avenue between Indian Street and Lincoln Street. The existing cast iron main is past its useful life and conflicts with the proposed location of new sanitary sewer lines.

The city anticipates bidding the project in February 2017 with project completion in April 2018.

The total project amount is \$265,000, and the amount requested is \$265,000.

Rates in Belle Fourche are \$22.66 per 5,000 gallons based on usage.

Staff recommended awarding a \$265,000 Drinking Water SRF loan, at 2.25 percent interest for 20 years.

Belle Fourche has pledged water revenues for repayment of the loan. Staff analysis indicates the debt coverage is 1,714 percent based on the rate of \$22.66 per 5,000 gallons, which exceeds the 110 percent requirement.

Staff recommended the loan be contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower demonstrating financial, managerial and technical capacity.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution #2017-04** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$265,000 at 2.25 percent interest for 20 years to the **city of Belle Fourche** 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 demonstrating financial, managerial and technical capacity. A roll call vote was taken, and the motion carried unanimously.

WATERSHED RESTORATION PROJECT FUNDING APPLICATION: Mr. Perkovich presented the application and staff recommendation for funding.

James River Water Development District is the sponsor of the South Central Watershed Implementation Project - Segment 1 that Mr. McLaury described earlier in the Section 319 NPS presentations. This effort is aimed at restoring water quality to meet designated beneficial uses and address TMDLs established, and to be established, for water bodies in these watersheds.

The amount requested is \$275,000.

Staff recommended awarding a Consolidated grant up to 15 percent of the approved total project costs (based on a project cost of \$1,833,333) not to exceed \$275,000.

Mr. Perkovich noted that this Consolidated award will leverage more than \$1,500,000 from the USDA Regional Conservation Partnership Program, which is another source of funding for this project. The Consolidated grant will provide 15 percent of the cost share for grassed waterway practices, shoreline and streambank restoration, and the design and construction of up to eight animal waste management systems.

Mr. McLaury and Jeremy Schelhaas with DENR and Rocky Knippling with the James River Water Development District, answered questions from the board.

Motion by Jones, seconded by Lanning, to adopt **Resolution #2017-05** approving the South Dakota Consolidated Water Facilities Construction Program Grant Agreement to the **James River Water Development District** for up to 15 percent of approved total project costs not to exceed \$275,000 for the South Central Watershed Implementation – Segment I project. A roll call vote was taken, and the motion carried unanimously.

SOLID WASTE MANAGEMENT PROGRAM FUNDING APPLICATIONS: Drew Huisken discussed available funding for the Solid Waste Management Program.

Mr. Huisken presented the Solid Waste Management Program applications and the staff recommendations for funding. A map showing the location of the projects was included in the board packet.

Huron is proposing to purchase a new or lightly used mini-excavator to assist in loading recyclables for transport to a recycling facility in Sioux Falls. The equipment would allow the city to increase the tonnage per load from seven to nine tons to 10 to 14 tons. The excavator will also include a grapple thumb to remove unwanted items from the recycling trailer, which will result in a more efficient operation.

The total project amount is \$70,000, and the amount requested is \$35,000.

Staff recommended awarding a Solid Waste Management Program Grant up to 30 percent of eligible costs not to exceed \$21,000.

Mr. Huisken noted that staff analysis indicates that the city of Huron has sufficient funds to cover the remaining project costs.

Motion by Lanning, seconded by Goldhammer, to adopt **Resolution #2017-06** approving the Solid Waste Management Program grant agreement (2017G-REC-400) to the **city of Huron** for up to 30 percent of approved total project costs not to exceed \$21,000 for the purchase of equipment. A roll call vote was taken, and the motion carried unanimously.

Vermillion proposes to purchase a new landfill dozer for the regional landfill. The existing dozer is reaching the end of its useful life and has required more maintenance costs recently. The new dozer will be slightly larger and will have GPS capabilities, which will allow the landfill to more efficiently compact and cover solid waste and move construction debris.

The city anticipates receiving bids for the equipment in January of 2017 and acquisition of the dozer in June of 2017.

The total project amount is \$500,000, and the amount requested is \$300,000.

Current fees at the Vermillion landfill are \$46.50 per ton for commercial users and \$52.00 per ton for public users.

Staff recommended awarding a \$150,000 Solid Waste Management Program loan at 2 percent interest for seven years and awarding a Solid Waste Management Program grant for up to 30 percent of approved total project costs not to exceed \$150,000.

Vermillion is pledging revenues for repayment of the loan. Staff analysis indicates that revenues will be sufficient to provide the required debt coverage of 100 percent.

Staff recommended the loan be contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower executing a revised Joint Powers Agreement.

Bob Iverson, solid waste director for the city of Vermillion, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution #2017-07** approving a Solid Waste Management Program loan (2017L-SW-401) to the **city of Vermillion** in an amount not exceeding \$150,000 at 2 percent interest for seven years for the purchase of equipment; and to adopt **Resolution #2017-08** approving the Solid Waste Management Program grant (2017G-SW-401) to the **city of Vermillion** for up to 30 percent of approved total project costs not to exceed \$150,000 for the purchase of equipment. A roll call vote was taken, and the motion carried unanimously.

Walworth County proposes to construct a new cell at the Walworth County landfill. The existing cell is nearly full, and the county needs to construct an additional cell.

The total project amount is \$862,268, and the amount requested is \$712,000.

Current fees are \$35.00 per ton for municipal solid waste. Mr. Huisken noted that this fee is one of the lowest in the state.

Staff recommended awarding a \$462,000 Solid Waste Management Program loan at 2.25 percent interest for 14 years and to award a Solid Waste Management Program grant for up to 29 percent of approved total project costs not to exceed \$250,000.

Walworth County is pledging revenues for repayment of the loan. Staff analysis indicates that revenues will be sufficient to provide the required debt coverage of 100 percent.

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

Ryan Badten, Walworth County Landfill, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution #2017-09** approving a Solid Waste Management Program loan (2017L-SW-402) to the **Walworth County Landfill** in an amount not exceeding \$462,000 at 2.25 percent interest for 14 years for the construction of a new solid waste cell; and to adopt **Resolution #2017-10** approving the Solid Waste Management Program grant (2017G-SW-402) to the **Walworth County Landfill** for up to 29 percent of approved total project costs not to exceed \$250,000 for the construction of a new solid waste cell. A roll call vote was taken, and the motion carried unanimously.

Yankton is proposing to convert to single stream recycling, which requires new containers and tipping arms on collection vehicles. With the conversion to new recycling containers, the city will need to purchase similar size solid waste containers to be compatible with the new tipping arms. The city will also need to purchase a semi-tractor and trailer to transport the collected recyclable materials to Sioux Falls for processing.

The city has received several quotes from suppliers for the containers, and the city plans to acquire the containers and other equipment after funding is awarded.

The total project amount is \$856,000, and the amount requested is \$850,000.

Current curbside collection fees are \$20.18 plus sales tax per month for residential users and \$20.18 plus sales tax per unit for commercial users.

In past projects, the board has awarded Solid Waste Management Program grants at 50 percent for curbside recycling collection containers. The board also typically does not award grant funding for solid waste collection containers. Given that this is a combined project, the recommended grant funding is approximately 50 percent of the cost of the recycling-related components.

Staff recommended awarding a \$574,500 Solid Waste Management Program loan at 2 percent interest for 10 years and awarding a Solid Waste Management Program grant for up to 32.2 percent of approved total project costs not to exceed \$275,500.

Yankton is pledging revenues from the city's Solid Waste Collection program for repayment of the loan. Staff analysis indicates that revenues will be sufficient to provide the required debt coverage of 100 percent.

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

Motion by Goldhammer, seconded by Bernhard, to adopt **Resolution #2017-11** approving a Solid Waste Management Program loan (2017L-REC-403) to the **city of Yankton** in an amount not exceeding \$574,500 at 2 percent interest for 10 years for the purchase of equipment for single stream recycling; and to adopt **Resolution #2017-12** approving the Solid Waste Management Program grant (2017G-REC-403) to the **city of Yankton** for up to 32.2 percent of approved total project costs not to exceed \$275,500 for the purchase of equipment for single stream recycling. A roll call vote was taken, and the motion carried unanimously.

FFY 2016 CLEAN WATER SRF ANNUAL REPORT: Mr. Perkovich reported that the South Dakota Conservancy District is required to submit an annual report to the Environmental Protection Agency for the Clean Water State Revolving Fund. The FFY 2016 report discusses activities from October 1, 2015 to September 30, 2016. The report is in the same format as in previous years.

In FFY 2016, the board awarded 21 Clean Water SRF loans and approved one amendment for total funding of \$32,812,000. Of these 21 loans, three received principal forgiveness in the aggregate amount of \$1,203,700. Loan repayments for the year totaled more than \$30,400,000, with \$23,600,000 in principal, \$5,500,000 in interest, and \$1,400,000 in administrative surcharge.

Staff recommended the board approve the draft annual report for the Clean Water SRF program and authorize staff to finalize and distribute the report.

Motion by Bernhard, seconded by Gnirk, to approve the draft annual report for the Clean Water SRF program and authorize staff to finalize and distribute the report. A roll call vote was taken, and the motion carried unanimously.

FFY 2016 DRINKING WATER SRF ANNUAL REPORT: Mr. Perkovich reported that the South Dakota Conservancy District is required to submit an annual report to the Environmental Protection Agency for the Drinking Water State Revolving Fund. The Federal Fiscal Year 2016 report discusses activities from October 1, 2015 to September 30, 2016. The report is in the same format as in previous years.

In FFY 2016, the board awarded 15 Drinking Water SRF loans for a total amount of \$23,584,000. Of those loans, four received principal forgiveness in the aggregate total of \$4,506,200. Loan repayments totaled more than \$18,800,000 with \$14,700,000 in principal, \$3,300,000 in interest, and \$856,645 in administrative surcharge.

Staff recommended the board approve the draft annual report for the Drinking Water SRF program and authorize staff to finalize and distribute the report.

Mr. Perkovich answered questions from the board.

Motion by Jones, seconded by Lanning, to approve the draft annual report for the Drinking Water SRF program and authorize staff to finalize and distribute the report. A roll call vote was taken, and the motion carried unanimously.

ASSIGNMENT OF RAPID CITY CONSOLIDATED GRANT 2015G-403 TO SOUTH DAKOTA GAME, FISH AND PARKS:

Mr. Perkovich reported that Rapid City submitted a grant application for a project to remove sediment from Canyon Lake. This was planned to be done at the same time the lake was being lowered for renovations of the dam. As presented in Rapid City's application, funding for the project was to come from the following sources:

- \$155,000 from a Consolidated or Water Quality grant;
- \$100,000 from Rapid City;
- \$150,000 from West Dakota Water Development District; and
- \$10,000 from the Black Hills Fly Fisherman

On January 8, 2015, the Board of Water and Natural Resources awarded a \$155,000 Consolidated Program grant to the city of Rapid City for the project. The award is for 37.4 percent based on a project cost of \$415,000.

Due to extraordinarily high flows in Rapid Creek throughout 2015, the sediment removal could not be accomplished as planned. Through the efforts of the West Dakota Water Development District, an alternative plan was developed. The plan was that the moneys dedicated to the project would be used to purchase a dredge that would be owned, operated, and maintained by the SD Game, Fish and Parks and used to remove sediment from Canyon Lake. Once this was accomplished, Game, Fish and Parks could use the dredge, at its own expense, to remove sediment from other Black Hills lakes.

Rapid City has submitted a letter requesting that the grant be transferred to Game, Fish and Parks for the purchase of the dredge and dredging of Canyon Lake.

Mr. Perkovich stated that to accomplish this, legal counsel has concluded that two steps are required. First, the existing grant agreement must be amended to include the purchase of the dredge and appurtenances in the project description. Then, the board must consent to assign the amended grant agreement to Game, Fish and Parks and the Assignment of Grant Agreement must be executed by Rapid City and Game, Fish and Parks.

Staff recommended the board amend the Consolidated grant to include the purchase of the dredge and appurtenances in the project description, and make no changes to the grant percentage or total project cost.

Mr. Perkovich stated that a recent article in the Rapid City Journal indicated Rapid City's contribution towards the project would be \$13,740. Leaving the grant percentage unchanged will require additional contributions from the city, or some other sponsor, to access the full \$155,000 state grant. If the board approves the amendment, the staff recommendation is to approve the assignment of amended grant to Game, Fish and Parks.

Mr. Perkovich and Mr. Feeney answered questions from the board regarding the Consolidated grant.

Dale Tech, public works director for Rapid City, Tim Rogers, West Dakota Water Development District, and John Carreiro, Game, Fish and Parks, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution #2017-13** approving the First Amendment to Consolidated Water Facilities Construction Program grant 2015G-403 for the **city of Rapid City** for up to 37.4 percent of all approved total project costs not to exceed \$155,000 to include the purchase of the dredge and appurtenances in the project description. A roll call vote was taken, and the motion carried unanimously.

Motion by Goldhammer, seconded by Gnirk, to adopt **Resolution #2017-14** approving the assignment of Consolidated Water Facilities Construction Program grant 2015G-403, as amended on January 5, 2017, from the city of Rapid City to the South Dakota Game, Fish and Parks. A roll call vote was taken, and the motion carried unanimously.

TC&G WATER ASSOCIATION REQUEST TO AMEND PROJECT SCOPE OF CONSOLIDATED GRANT 2016G-201: Mr. Huisken reported that in June 2015, TC&G Water Association Inc. received a \$1,390,000 Consolidated Water Facilities Construction Program grant and a \$210,000 Drinking Water State Revolving Fund loan to install new meters, a booster station, and 94,000 feet of water main. TC&G recently discovered that the system's water supply was not sufficient to keep up with demand and emergency repairs to some of TC&G's wells needed to be done. The cost estimate for these repairs is approximately \$46,500.

On December 21, 2016, the department received a letter from TC&G requesting that the Board of Water and Natural Resources amend the scope of the Consolidated grant to include rehabilitation work on the system's wells.

Staff recommended the board approve amendment of the project scope of Consolidated Water Facilities Construction Program Grant 2016G-201 to include rehabilitation work on the wells in TC&G's system.

Motion by Goldhammer, seconded by Bernhard, to adopt **Resolution #2017-15** approving the First Amendment to **TC&G Water Association, Inc.** Consolidated Water Facilities Construction Program grant agreement 2016G-201 for up to 66.2 percent of all approved total project costs not to exceed \$1,390,000 to include work needed to rehabilitate the system's wells. A roll call vote was taken, and the motion carried unanimously.

RESCISSION OF KINGBROOK DRINKING WATER SRF LOAN C462432-06: Andy Bruels reported that on March 31, 2016, Kingbrook Rural Water System was awarded a Drinking Water SRF loan in the amount of \$9,000,000. Soon after the award, Kingbrook informed staff that they were also seeking funding from USDA Rural Development. The two main reasons for this are that due to eligibility issues DENR had not been able to recommend funding for the entire project Kingbrook was considering; and Kingbrook was hoping for a more favorable grant and loan award than was provided by the board.

Board of Water and Natural Resources
January 5, 2017, Meeting Minutes

Mr. Bruels stated that Kingbrook has been working for several months with Rural Development to finalize a funding package and just received official notification of the amounts and terms earlier this week. Kingbrook believes the funding package presented by Rural Development is more advantageous.

Kingbrook submitted a letter to the department requesting the loan be rescinded.

Staff recommended the board rescind Resolution #2016-39 authorizing the Drinking Water SRF loan to Kingbrook Rural Water System.

Mr. Bruels and Mr. Feeney answered questions from the board.

Motion by Bernhard, seconded by Lanning, to adopt **Resolution #2017-16** rescinding Resolution #2016-39 which approved the Drinking Water SRF loan up to a maximum committed amount of \$9,000,000 to Kingbrook Rural Water System. A roll call vote was taken, and the motion carried unanimously.

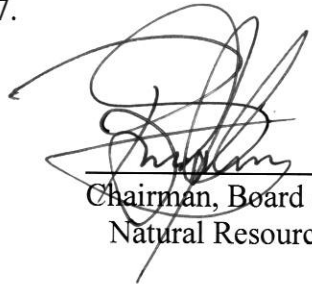
NEXT MEETING: The next regularly scheduled board meeting will be March 30-31, 2017 in Pierre. Mr. Perkovich discussed possible agenda items.

Mr. Perkovich noted that the board would hold a telephone conference call on January 11, 2017, to consider two conflict of interest waiver requests submitted by Gene Jones, Jr.

ADJOURN: Motion by Lanning, seconded by Goldhammer, that the meeting be adjourned. A roll call vote was taken, and the motion carried unanimously.

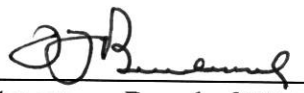
Approved this 30th day of March, 2017.

(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 5, 2017

PIERRE
CAPITOL BUILDING

<u>NAME (PLEASE PRINT)</u>	<u>ADDRESS</u>	<u>REPRESENTING</u>
Jim Feeney	Pierre	DENR
Mary Duvall	Pierre	legislative Oversight
Barry McLaury	Pierre	DENR
Andy Bruels	Pierre	DENR
Allen Prince	Pierre	DENR
Mike Perkovich	Pierre	DENR
Bob Jensen	Vermillion	City of Vermillion
TOOD BERNHARDT	FORT PIERRE	BWNR
Marlene Knutson	Pierre	CS&D
PAUL GNIRK	NEW UNDERWOOD	BWNR
Paul Blonhammer	WAZZ	BWNR
Drew Huisken	Pierre	DENR
John Carreiro	Rapid City GFP	SD GFP

ATTENDANCE SHEET

BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

JANUARY 5, 2017

MITCHELL
MITCHELL TECHNICAL INSTITUTE

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

J.S. "Jim" Pyram

Armour

SEWARD

Rocky K. Hoffing

Chamberlain

SEWARD

