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Minutes of the
Board of Water and Natural Resources Meeting
Matthew Training Center
523 East Capitol
Pierre, South Dakota

March 30-31, 2016

MARCH 30, 2015 – 1:00 P.M. CT

CALL MEETING TO ORDER: Chairman Brad Johnson called the meeting to order. A quorum was present.

BOARD MEMBERS PRESENT: Brad Johnson, Todd Bernhard, Paul Goldhammer, Jerry Soholt, and Paul Gnirk (March 30).

BOARD MEMBERS ABSENT: Jackie Lanning, Gene Jones, Paul Gnirk (March 31).

LEGISLATIVE OVERSIGHT COMMITTEE MEMBERS PRESENT: Representative Mary Duvall and Senator Jim White.

OTHERS PRESENT: See attached attendance sheets.

APPROVE AGENDA: Mike Perkovich noted that the only change to the posted agenda was that due to a scheduling conflict, Secretary Pirner would be presenting the Legislative Update on March 30, rather than March 31. Chairman Johnson approved the agenda with the change.

APPROVE MINUTES OF JANUARY 8, 2016, MEETING: Motion by Goldhammer, seconded by Bernhard, to approve the minutes of the January 8, 2016, Board of Water and Natural Resources meeting. Motion carried unanimously.

Mr. Perkovich reported that Harold Deering was previously the department's legal counsel with the Attorney General's Office. Mr. Deering retired from the Attorney General's Office in January 2016, and will serve as the department's temporary staff attorney for the next year.

Mr. Perkovich introduced Katie Mallory, assistant Attorney General, who is taking over Mr. Deering's areas of responsibilities in the Attorney General's Office.

AMENDMENT TO STATE WATER PLAN, 2016 CLEAN WATER STATE REVOLVING FUND INTENDED USE PLAN, AND 2016 DRINKING WATER STATE REVOLVING FUND INTENDED USE PLAN

Amendments to State Water Plan

Andy Bruels reported that water projects which will require state funding or need state support for categorical grant or loan funding need to be on the State Water Plan. The Board of Water and Natural Resources annually approves projects for placement on the State Water Facilities Plan and provides for amendment of projects onto the plan on a quarterly basis. Placement of a project on the State Water Plan by the board provides no guarantee of funding. The projects placed on the plan at this meeting will remain on the facilities plan through December 2017.

Projects seeking a Clean Water or Drinking Water State Revolving Fund loan must be included on the project priority list of the Intended Use Plan (IUP). The State Water Plan applications are used to determine which projects should be amended onto the State Revolving Fund project priority lists.

Fourteen State Water Plan applications were submitted by the February 1, 2016 deadline. While presenting the State Water Plan applications, Mr. Bruels identified the projects to be placed on the Clean Water SRF IUP and Drinking Water SRF IUP project priority lists.

Big Stone City requested amendment onto the facilities plan to install nearly 13 miles of water pipe to connect to the Grant-Roberts Rural Water System and change the city's water supply. The city currently receives water from Ortonville, MN, and is concerned that water rates may be increasing significantly. The estimated total project cost is \$2,000,000.

This project will not be placed on the Drinking Water SRF IUP as there is no health and safety component because Big Stone City currently has a reliable water source; therefore, the project is not eligible for SRF funding.

Canistota requested amendment onto the facilities plan to replace existing sewer and water service connections and install additional storm sewer under the Main Street. The estimated total project cost is \$2,060,000.

The project will be placed on the Clean Water SRF IUP with six priority points and an estimated loan amount of \$431,000 at 3.25 percent interest for 30 years. The project will also be placed on the Drinking Water SRF IUP with four priority points and an estimated loan amount of \$99,000 at 3 percent interest for 30 years.

James River Water Development District requested amendment onto the facilities plan to provide additional funding for the new South Central Watershed 319 project, which is a combination of the Lower James and Lewis and Clark watersheds. Funds would be used to help install best management practices for agricultural waste management systems in the watershed. The estimated total project cost is \$9,071,287 and the projected state funding is \$275,000.

This project will not be placed on the Clean Water SRF IUP since the project is not eligible for SRF funding.

Keystone requested amendment onto the facilities plan to rehabilitate an existing well and move the piping from a below-grade vault into an above grade well house to help prevent possible contamination from a nearby stream. The estimated total project cost is \$98,000.

The project will be placed on the Drinking Water SRF IUP with 53 priority points and an estimated loan amount of \$98,000 at 2.25 percent interest for 30 years.

Keystone requested amendment onto the facilities plan to make upgrades to the wastewater treatment facility, which include installation of an influent screen, replacement of aeration diffusers, aeration basin isolation valves, UV disinfection equipment replacement, and cleaning and televising the collection system to prioritize future projects. The estimated total project cost is \$630,555.

The project will be placed on the Clean Water SRF IUP with 21 priority points and an estimated loan amount of \$630,555 at 3 percent interest for 20 years.

Lebanon requested amendment onto the facilities plan to replace or reline approximately 11,000 feet of sanitary sewer. The estimated total project cost is \$1,270,641.

The project will be placed on the Clean Water SRF IUP with six priority points and an estimated loan amount of \$1,270,641 at 3.25 percent interest for 30 years.

Northwest South Dakota Regional Landfill Association, Inc. requested amendment onto the facilities plan to construct a new solid waste disposal cell at the regional landfill to provide additional capacity for solid waste. The estimated total project cost is \$604,000.

The project will be placed on the Clean Water SRF IUP with 15 priority points and an estimated loan amount of \$604,000 at 2.25 percent interest for 10 years.

Pierre requested amendment onto the facilities plan to extend a sanitary sewer trunk line to serve an undeveloped area for future business and residential growth. A lift station and force main will be installed to convey the wastewater to the existing collection system. The estimated total project cost is \$1,250,000.

The project will be placed on the Clean Water SRF IUP with 10 priority points and an estimated loan amount of \$1,250,000 at 3.25 percent interest for 30 years.

Raymond requested amendment onto the facilities plan to upgrade the wastewater treatment ponds to total retention, including installation of a synthetic liner and other upgrades to improve pond operation, replacement of sanitary sewer collection pipe, cleaning and televising the collection system, and improvements to the lift station. The estimated total project cost is \$1,465,850.

The project will be placed on the Clean Water IUP with 22 priority points and an estimated loan amount of \$1,465,850 at 3.25 percent interest for 30 years.

Sioux Falls requested amendment onto the facilities plan to extend an 8-inch sanitary sewer collection line to serve an undeveloped area for future business and industrial growth. A lift station and force main will be installed to convey the wastewater to the existing collection system. The estimated total project cost is \$7,700,000.

The project will be placed on the Clean Water SRF IUP with 14 priority points and an estimated loan amount of \$7,700,000 at 2.25 percent interest for 10 years.

Sioux Falls requested amendment onto the facilities plan to replace the mixing system for primary digesters #1, #2, and #3 and replacement of the floating covers for each digester with a fixed steel cover. The estimated total project cost is \$8,115,000.

The project will be placed on the Clean Water SRF IUP with 20 priority points and an estimated loan amount of \$8,115,000 at 2.25 percent interest for 10 years.

Vermillion requested amendment onto the facilities plan to replace an existing lift station that is undersized for current flows and to replace 2,400 feet of undersized downstream sanitary sewer. Brick manholes will also be replaced. The estimated total project cost is \$1,309,000.

The project will be placed on the Clean Water SRF IUP with 12 priority points and an estimated loan amount of \$1,309,000 at 3 percent interest for 20 years.

Viborg requested amendment onto the facilities plan to replace 500 feet of clay sanitary sewer with 8-inch PVC pipe. The estimated total project cost is \$135,000.

The project will be placed on the Clean Water SRF IUP with 10 priority points and an estimated loan amount of \$135,000 at 3.25 percent interest for 30 years.

Viewfield Rural Water Association, Inc. requested amendment onto the facilities plan to install treatment equipment for two well sites to remove Radium 226/228 prior to distribution. The system has had compliance issues with the radium levels being above the EPA maximum contaminant levels for drinking water. The estimated total project cost is \$250,000.

The project will be placed on the Drinking Water SRF IUP with 227 priority points and an estimated loan amount of \$250,000 at 3 percent interest for 30 years.

Mr. Bruels stated that the staff recommended amending all 14 of the projects onto the facilities plan.

Motion by Bernhard, seconded by Soholt, to amend the 14 projects onto the facilities plan. Motion carried unanimously.

Amendments to 2016 Clean Water SRF IUP

Mr. Bruels stated that in order to comply with the provisions of the Water Resources Reform and Development Act of 2014, the narrative portion of the Clean Water SRF IUP concerning procurement of architectural and engineering services is proposed to be amended as follows:

Section 602(b)(14) – Procurement of Architectural and Engineering Services – The state will not provide Clean Water SRF assistance to projects for architectural or engineering services that are identified as an equivalency project in the annual report, unless the project has complied with the architectural and engineering procurement procedures identified in 40 U.S.C. 1101 et seq.

Mr. Bruels stated that South Dakota does not have any requirements for engineering and architectural procurement to be based on a competitive process. The Water Resources Reform and Development Act of 2014 now requires this for certain SRF projects. Mr. Bruels noted that this change is a way to help staff have reporting flexibility if a project sponsor is going through a competitive procurement process.

Mr. Bruels stated that in addition to the 10 sanitary and storm sewer projects that were placed on the 2016 State Water Plan, there is one additional project to be placed onto the Clean Water SRF Project Priority List.

Astoria previously received a \$235,000 Clean Water SRF loan and a \$368,700 Consolidated Water Facilities Construction Program grant. The community has not moved forward with the project as they were attempting to replace some sewer lines and disconnect sump pumps from the sanitary sewer. The city would like to move forward with the project to construct an additional wastewater treatment pond and regrade the diversion channel around the ponds to prevent overtopping due to large storm events. Mr. Bruels noted that Astoria submitted an application for funding, which will be presented to the board later today. The total project costs are now estimated at \$744,400. The project will be placed on the Clean Water SRF IUP with 12 priority points and an estimated loan amount of \$744,400 at 3.25 percent interest for 30 years.

Changes were made to Attachments 2 and 3 to reflect the proposed changes to the IUP.

Staff recommended the board accept the proposed changes to the narrative section and the addition of the following 11 projects onto the Project Priority list of the 2016 Clean Water SRF IUP.

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
22	Raymond	\$1,465,850	3.25%, 30 years
21	Keystone	\$630,555	3.00%, 20 years
20	Sioux Falls – Primary Digester	\$8,115,000	2.25%, 10 years
15	Northwest SD Reg. Landfill	\$604,000	2.25%, 10 years
14	Sioux Falls – Basin 14D	\$7,700,000	2.25%, 10 years
12	Astoria	\$744,400	3.25%, 30 years
12	Vermillion	\$1,309,000	3.00%, 20 years
10	Pierre	\$1,250,000	3.25%, 30 years
10	Viborg	\$135,000	3.25%, 30 years
6	Canistota	\$431,000	3.25%, 30 years
6	Lebanon	\$1,270,641	3.25%, 30 years

Motion by Soholt, seconded by Goldhammer, to accept the staff recommendations regarding amendment of the Clean Water SRF IUP.

Terry Helms, Helms and Associates, expressed concern regarding the proposed addition of project compliance with the architectural and engineering procurement procedures. He noted that the

meeting agenda does not address this change, and he requested that the board defer amending this portion of the IUP.

Mr. Bruels stated that this change was included on the title page of the board packet that was sent to board members. The packet is also on the department's website.

Mr. Helms stated that the public received this information approximately four days before the board meeting.

Mr. Bruels stated that this change will not impact the engineers for projects. For example, the city of Sioux Falls sometimes goes through a procurement process for engineering services. This proposed amendment will allow DENR to utilize that specific loan for reporting on federal requirements.

Mr. Helms asked if the word "competitive" is based on qualifications.

Mr. Bruels answered that it is up to whoever is submitting the Request for Proposals, but in the federal regulations, price cannot factor into a decision on selection. In general, for most communities this will not be required. No rules or laws are being changed to require this procedure to take place. The intent of the change is to allow the department to use it for reporting purposes if it is done by a community.

Mr. Helms asked if the entire United States Code listing the procurement procedures is shown on the board's title page. Mr. Bruels answered it is not.

In response to a question from Chairman Johnson, Mr. Bruels stated that deferring approval of this amendment to the narrative section of the IUP would not have any impact on funding applications.

Chairman Johnson requested an amended motion.

Amended motion by Soholt, seconded by Bernhard, to approve the amendments to Clean Water SRF IUP, with the exception of the proposed amendment requiring projects to comply with the architectural and engineering procurement procedures.

Mr. Perkovich stated that the Water Resources Reform and Development Act stated that an amount equivalent to the capitalization grant has to comply with the architectural and engineering services, procurement requirements, which means either the Board of Water and Natural Resources has to not use any SRF funds for architectural and engineering services up to an amount equal to the capitalization grant, which is approximately \$6.8 million or the board has to comply with this set of requirements. Last year staff utilized Consolidated funds for architectural and engineering services.

Mr. Perkovich stated that staff has been working with the city of Sioux Falls regarding the procurement process. Sioux Falls has sent the department a copy of a Request for Proposals, which staff believes complies with the federal guidelines.

This proposed amendment to the Clean Water SRF IUP narrative was an attempt by the staff to be able to recommend providing an SRF loan to those communities that voluntarily chose to go

through a procurement process without having to worry about where the architectural and engineering fees are being paid from.

Mr. Bruels stated that the competitive process selection is not in state law and so it will not be required by the department.

Chairman Johnson requested that the proposed amendment regarding the compliance with procurement procedures be placed on the agenda for consideration at the June 23-24, 2016, board meeting.

The amended motion carried unanimously.

Amendments to the 2016 Drinking Water SRF IUP

Mr. Bruels stated that in order to allow continued assistance for SRF loan applicants in the coming year to complete the technical, financial or managerial component of their system's Capacity Assessment, the following changes to the narrative portion of the Drinking Water SRF IUP are proposed:

Local assistance and other state programs. Up to \$75,000 will be allocated for the capacity development activities described below.

The state can fund other activities to assist development and implementation of local drinking water protection activities. Up to 15 percent of the capitalization grant may be used for the activities specified below, but not more than 10 percent can be used for any one activity. The allowable activities for this set-aside are: (1) assistance to a public water system to acquire land or a conservation easement for source water protection; (2) assistance to a community water system to implement voluntary, incentive-based source water quality protection measures; (3) to provide funding to delineate and assess source water protection areas; (4) to support the establishment and implementation of a wellhead protection program; and (5) to provide funding to a community water system to implement a project under the capacity development strategy.

~~No funds will be set aside for these activities in federal fiscal year 2016.~~ There remains \$160,402 from prior years' allocations. It is anticipated that a portion of these funds will be used by the Midwest Assistance Program (MAP) in FY 2016. Since 2008, MAP has been assisting communities that received an SRF loan and recommendations were made in the capacity assessment to improve the technical, financial, or managerial capacity of the system. In addition, the Midwest Assistance Program has assisted in the review of capacity assessments required as part of the Drinking Water SRF loan applications. The DENR and the Midwest Assistance Program will continue the partnership as needed in FY 2016.

In response to an EPA directive to expend prior year's federal funds, any remaining balance from prior set aside funds will be transferred to the SRF loan account at the end of June 2016. A total of \$75,000 will be set aside from the 2016 capitalization grant for the activities described above.

Mr. Bruels stated that in order to provide some additional principal forgiveness because of the high demand for projects and lower than average Consolidated grant funding, staff is proposing to utilize

a provision of the Drinking Water SRF disadvantaged community program and would propose the following changes to the narrative portion of the Drinking Water Intended Use Plan in the Disadvantaged section:

Amount of capitalization grant to be made available for providing additional subsidies. Additional subsidy as mandated under recent capitalization grants is provided as described previously. Disadvantaged communities are eligible for additional subsidy in the form of principal forgiveness. South Dakota will utilize the option to provide 30 percent of the 2016 capitalization grant as additional subsidy in the form of principal forgiveness to disadvantaged communities. This will provide an additional \$2,493,600 of principal forgiveness funds for disadvantaged communities in FY 2016. Disadvantaged communities below 80 percent of the statewide median household income will be given priority for this subsidy.

Mr. Bruels noted that the three drinking water projects that were placed on the 2016 State Water Plan will be placed on the Drinking Water SRF Project Priority List.

Changes were also made to Attachments 2 and 3 to reflect the changes made earlier in the IUP.

Staff recommended the board accept the proposed changes to the narrative section and the addition of the following three projects onto the Project Priority list of the Drinking Water SRF IUP.

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
227	Viewfield Rural Water Assc.	\$250,000	3.00%, 30 years
53	Keystone	\$98,000	2.25%, 30 years
4	Canistota	\$99,000	3.00%, 30 years

Motion by Bernhard, seconded by Soholt, to approve the amendments to the 2016 Drinking Water SRF IUP as presented. Motion carried unanimously.

AMENDMENT TO THE FY 2015 CLEAN WATER SRF INTENDED USE PLAN: Mr. Bruels reported that the FY 2015 Clean Water State Revolving Fund Intended Use Plan was approved by the Board of Water and Natural Resources in November 2014 and amended in March, June, and September 2015.

For a project to utilize principal forgiveness allowed by a specific capitalization grant it must be on the Intended Use Plan 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’ Intended Use Plans.

It is proposed to amend Attachment I - Project Priority List of the FY 2015 Clean Water Intended Use Plan by adding the following entry:

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
12	Astoria	\$744,400	3.25%, 30 years

Staff recommended the board approve the proposed amendment to the 2015 Clean Water SRF Intended Use Plan

Motion by Goldhammer, seconded by Sohlt, to approve amendment of the FY 2015 Clean Water SRF IUP as presented. Motion carried unanimously.

TRIPP COUNTY WATER USER DISTRICT REQUEST TO AMEND SCOPE FOR DRINKING WATER STATE REVOLVING LOAN C462434-04: Eric Meintsma reported that the Tripp County Water User District was awarded a Drinking Water State Revolving Fund loan in March 2014 for a system expansion and improvements project. The loan was for \$11,750,000 at 2.25 percent interest for 30 years. The original project is nearing completion, and the water user district anticipates that there is approximately \$1,600,000 of unused funds still remaining.

The user district requested an amendment to the project scope to expand the project with similar type work in other parts of the service area. The user district will use the remaining Drinking Water SRF funds plus an estimated \$427,000 in local funds to make the additional improvements to the system.

The staff recommended approval of the project scope amendment.

Motion by Gnirk, seconded by Bernhard, to approve the amendment to the project scope for Tripp County Water User District, as requested. Motion carried unanimously.

ELLSWORTH DEVELOPMENT AUTHORITY REQUEST TO AMEND SCOPE FOR CONSOLIDATED LOAN 2014L-107: Jim Anderson reported that in August 2012, the Ellsworth Development Authority received a \$16,000,000 Clean Water State Revolving Fund loan for the construction of a regional wastewater treatment facility. In March 2013, the Authority received another Clean Water State Revolving Fund loan for \$6,812,000 for a sanitary sewer interceptor and outfall line. The Authority also received a Consolidated Water Facilities Construction Program loan for \$1,469,000 for water system improvements.

The department recently received a request from the Ellsworth Development Authority to utilize approximately \$55,500 remaining in the Consolidated loan for costs incurred on the treatment facility project. The Authority requested approval of amending the project description for the Consolidated loan (2014L-107) by adding the following description:

South Dakota Ellsworth Development Authority Regional Wastewater Treat Facility to meet the needs of both Box Elder and Ellsworth Air Force Base as outlined in the facilities plan dated March 2008.

Staff recommended approval of the project description change to Consolidated loan 2014L-107.

Motion by Gnirk, seconded by Sohlt, to approve the project description amendment to Ellsworth Development Authority Consolidated Water Facilities Construction Program loan 2014L-107, as presented. Motion carried unanimously.

LAKE POINSETT SANITARY DISTRICT REQUEST TO AMEND SCOPE FOR CLEAN WATER STATE REVOLVING FUND LOAN C461027-04: Claire Peschong reported that in March 2014, the Lake Poinsett Sanitary District received a \$1,917,000 State Revolving Fund loan. The loan has not been closed.

In January 2016, the department received a request from the Lake Poinsett Sanitary District to change the project description from a grey-water sewer system to a conventional sewer system. The conventional sewer system will not incorporate septic tanks and will use an 8-inch main line pipe instead of 6-inch.

The original system was designed as a grey-water system in order to qualify for “Innovative Technology” grants in the 1980’s. Each subsequent project has constructed a grey-water system. The Northeast and East Lake Drive project will be the first conventional sewer system for the sanitary district.

Staff recommended approval of the request to amend the scope of the Northeast and East Lake Drive project from a grey-water system to a conventional sewer system.

Ms. Peschong answered questions from the board.

Motion by Goldhammer, seconded by Bernhard, to approve Lake Poinsett Sanitary District’s request to amend the scope of the Northeast and East Lake Drive project from a grey-water system to a conventional sewer system. Motion carried unanimously.

PIERRE REQUEST TO AMEND SOLID WASTE MANAGEMENT LOAN 2016L-RLA-201: Mr. Bruels reported that in June 2015, the city received a Regional Landfill Assistance (RLA) loan for \$245,000 and a RLA grant for 40 percent of approved total project costs not to exceed \$330,000 to replace the baler at the regional landfill. The city has had a decrease in their available cash to finance the remainder of the project and has requested the \$250,000 originally identified as local cash to be funded by the board. The total project amount is \$825,000.

Staff recommended the board rescind Resolution #2015-91, which approved the original RLA loan, and to award a new Solid Waste Management Program loan for \$495,000 at 2.25 percent interest for 10 years.

The city has pledged sales tax revenues for repayment of the loan. Staff analysis indicates the sales tax revenues will provide 213 percent debt coverage.

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

Mr. Bruels noted that since this is an amendment request, the board may take action to provide the recommended funding immediately or wait until the following day to make its decision along with the other funding requests.

Motion by Bernhard, seconded by Gnirk, to rescind Resolution #2015-91 and adopt **Resolution #2016-02** approving the South Dakota Solid Waste Management Program loan agreement between

the Board of Water and Natural Resources and the city of **Pierre** for an amount not to exceed \$495,000 at 2.25 percent interest for 10 years for the purchase of a baler, concrete around the baler area, and improvements to the conveyor system. The loan is contingent upon the borrower adopting a bond resolution and the resolution becoming effective. Motion carried unanimously.

RESCISSION OF BRANDON CLEAN WATER STATE REVOLVING FUND LOAN

C461032-05: Mike Perkovich reported that in March 2015, the city of Brandon requested \$27,800,000 for the construction of a new wastewater facility and to make major improvements to the collection system. The board awarded a \$3,000,000 Clean Water SRF loan to address environmental concerns and continue with design and land acquisition for these projects.

The city of Brandon has abandoned the plan to construct its own wastewater treatment facility and the collection system improvements have been put on hold for the time being. The city has requested that the board rescind Clean Water State Revolving Fund Loan C461032-05. A letter from the city requesting that the loan be rescinded was included in the board packet.

Staff recommended the board rescind Resolution #2015-30 approving Clean Water State Revolving Fund Loan C461032-05 to the city of Brandon.

Mr. Perkovich answered questions from the board regarding Brandon's future plans.

Motion by Soholt, seconded by Gnirk, to rescind Resolution #2015-30 approving Clean Water State Revolving Fund loan C461032-05 to the city of Brandon. Motion carried unanimously.

WAUBAY REQUEST TO AMEND CLEAN WATER STATE REVOLVING FUND LOAN

C461025-03 AND/OR CONSOLIDATED GRANT 2016G-100: Mr. Perkovich stated that in March 2015, Waubay was awarded a \$1,080,000 Clean Water SRF loan and a Consolidated grant for \$700,000 to construct a new wastewater treatment facility. The total project cost was estimated to be \$2,200,000 and the balance of the funding was from a FEMA grant. The town is under a compliance order to construct a total retention treatment facility. A portion of the existing facility was inundated by Bitter Lake and is no longer functional.

The department was notified in January 2016 that the project cost had increased dramatically and Waubay was requesting additional funding.

The landowner was no longer willing to sell the land originally identified for the expansion. The city was also looking into changing the treatment process from a total retention facility using artificial treatment processes to more of a conventional total lagoon-type system. The cost of the new project went from \$2,200,000 to \$4,235,000.

Mr. Perkovich noted that the department has requested the engineer for the city of Waubay to reevaluate the use of the artificial wetland systems to potentially lower the cost of the project.

Staff has learned that the landowner of the original site may have reconsidered and may now be willing to sell the land.

Waubay has applied for a Community Development Block Grant to help cover some of the cost overruns.

Mr. Perkovich stated that with all of the new developments that are taking place, the staff recommendation was to take no action at this time and reconsider the request at the June 2016 board meeting.

Jennifer Sietsema, Northeast Council of Local Governments, answered questions from the board regarding the siting of the facility.

Motion by Gnirk, seconded by Bernhard, to defer board action on the Waubay request to amend Clean Water SRF Loan C461025-03 and/or Consolidated Water Facilities Construction Program grant 2016G-100. Motion carried unanimously.

RESCISSION OF LAKE BYRON CLEAN WATER STATE REVOLVING FUND LOAN
C461052-01 AND CONSOLIDATED WATER FACILITIES CONSTRUCTION PROGRAM

GRANT 2015G-103: Mr. Perkovich reported that in March 2014, the Lake Byron Watershed District was awarded a \$1,843,000 Clean Water SRF loan and a \$500,000 Consolidated Water Facilities Construction Program grant to construct a centralized wastewater collection and treatment facility. The total project cost was \$3,693,000, and the remaining \$1,350,000 was to come from assessments placed on landowners in the district. The awards were contingent upon the Lake Byron Watershed District amending its general improvement plan and holding an election to approve the loan and the levying of a special assessment of \$6,000 per landowner by April 1, 2015.

In March 2014, staff recommended that, due to the unique challenges involving the powers and authorities of a watershed district, consideration be given to forming a sanitary district. The Lake Byron Sanitary District was incorporated in April 2015. With the formation of the sanitary district, the elections needed to satisfy the contingencies were not conducted. Staff has contacted the sanitary district regarding the department working with them to transfer the funding from the watershed district to the sanitary district.

Mr. Perkovich noted that since the formation of the sanitary district, little progress has been made to move the project forward. Due to the limited grant funds available for the upcoming year and the fact that no progress has been made on the project, staff recommended the board rescind the award to Lake Byron.

Mr. Perkovich also noted that the department sent a letter (included in the board packet) to the Lake Byron Watershed District and the Lake Byron Sanitary District informing them that this action would be taken. The department has not heard from the either the watershed district or the sanitary district.

Motion by Gnirk, seconded by Goldhammer, to rescind Resolution #2014-24, which approved Clean Water State Revolving Fund loan C461052-01, and to rescind Resolution #2014-25, which approved Consolidated Water Facilities Construction Program grant 2015G-103 to Lake Byron Watershed District. Motion carried unanimously.

AVAILABLE FUNDING: Mr. Perkovich reviewed available funds for the Consolidated Water Facilities Construction Program, Drinking Water Facility Grants (Build America Bonds (BABs) Federal Subsidy Payments), Drinking Water SRF Principal Forgiveness, Drinking Water SRF Loans, Clean Water SRF Water Quality Grants, Wastewater Facility Grants (Build America Bonds (BABs) Federal Subsidy Payments), Clean Water SRF Principal Forgiveness, and Clean Water SRF Loans.

EMERY REQUEST TO AMEND DRINKING WATER STATE REVOLVING FUND LOAN C462248-01: Mr. Bruels reported that on June 25, 2015, the city of Emery received a \$1,585,000 Drinking Water SRF loan (DW-01) and a \$615,000 Consolidated grant. The project will replace much of the existing water main in the city and install looping sections to improve pressure and water quality.

At the time of the previous award, staff was aware that the recommended funding package would result in rates being high for the city; however Emery was the lowest ranked drinking water project at that meeting. In order to fund the higher ranking projects at reasonable rates, there was not enough subsidy available at the time to provide a reasonable funding package to Emery.

The original loan amount would require a \$34.20 surcharge to provide the coverage, bringing total rates to \$75.40. Staff encouraged the city to request an amendment at this meeting to seek additional grant or principal forgiveness funding for the project.

An updated cost estimate of the project by Johnson Engineering has indicated that the current drinking water funding package will have a project shortfall of approximately \$155,000. To account for this shortfall, the city has requested an increase in the drinking water funding package for an additional \$155,000, and additional subsidy consideration.

The city of Emery anticipates bidding the project in early 2017 with a project completion date of November 2018.

The total project amount is \$2,355,000.

Emery's rates are \$41.00 per 5,000 gallons based on usage.

Staff recommended the board rescind resolution #2015-87, which awarded the original loan, and to award a new \$490,000 Drinking Water SRF loan at 3 percent interest for 30 years. Staff also recommended awarding a Drinking Water Facility Build America Bond grant for 53.1 percent of approved project costs not to exceed \$1,250,000.

Mr. Bruels stated that the Consolidated grant originally awarded also needs to be amended to reflect the new project cost and grant percentage. Staff recommended amending the consolidated grant to 26.2 percent of approved total project costs not to exceed \$615,000, based on total project costs of \$2,355,000.

Emery has pledged a project surcharge for repayment of the loan. The total subsidy included in this funding package, including the previously awarded Consolidated grant, is 79.2 percent of the

increased project cost. Staff analysis indicated that the surcharge required on a \$490,000 loan is \$10.50 per user per month, which will result in overall user rates of \$51.50 for 5,000 gallons.

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. Bruels stated that since this is an amendment request, the board may take action to provide the recommended funding immediately or wait until the following day to make a final decision along with the other awards.

Josh Kayser, mayor of Emery, discussed the project and requested approval of the funding request.

Motion by Bernhard, seconded by Soholt, to rescind Resolution #2015-87, which approved the original loan, and to adopt **Resolution #2016-03** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$490,000 at 3 percent interest for 30 years to the city of **Emery** for a water distribution system upgrade and 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 establishing a surcharge at a level sufficient to provide the required debt coverage; and to adopt **Resolution #2016-04** approving the State Revolving Fund Program Drinking Water Facility grant agreement between the Board of Water and Natural Resources and the city of **Emery** for up to 53.1 percent of approved total project costs not to exceed \$1,250,000 for the water distribution system upgrade and replacement project; and to adopt **Resolution #2016-05** approving an amendment to Consolidated Water Facilities Construction Program grant agreement 2016G-203 between the Board of Water and Natural Resources and the city of **Emery** for up to 26.2 percent of approved total project costs not to exceed \$615,000 for the water distribution system upgrade and replacement project. Motion carried unanimously.

SANITARY/STORM SEWER FACILITIES FUNDING APPLICATIONS: Mike Perkovich presented the Sanitary/Storm Sewer Facilities funding applications and the staff recommendations. The projects were presented in priority points order as identified in the Clean Water SRF IUP. The board made funding decisions the following day.

Dell Rapids proposes to construct a sequencing batch reactor (SBR) system on the site of the existing wastewater treatment facility. The city has had numerous ammonia limit violations. As a result of the violations, the city has been issued a compliance schedule by DENR to meet effluent limits.

Design of the project will begin in the summer of 2016 with construction starting in the fall of 2016 and continuing through 2017.

The total project amount is \$5,758,000, and the amount requested is \$5,758,000.

Rates in Dell Rapids are \$43.64 based on 5,000 gallons usage. The rates went into effect on January 1, 2016.

The staff recommendation was to award a \$2,386,000 Clean Water SRF loan at 3.25 percent interest for 30 years, award a Consolidated grant for 26.8 percent of eligible costs not to exceed \$1,540,000, and award a Wastewater Facility Build America Bond grant for 31.9 percent of eligible costs not to exceed \$1,832,000.

Dell Rapids has pledged a project surcharge for repayment of the loan. Staff analysis indicates that a surcharge of \$8.60 per user is needed to provide the required 110 percent coverage, bring rates up to \$52.20.

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.

Justin Wyland, city administrator for Dell Rapids, discussed the project and requested approval of funding. He answered questions from the board.

Lake Poinsett Sanitary District requested funding to complete the third and final phase of its effort to construct a sewer system to serve all lake residences and businesses.

The total project amount is \$8,585,000, and the amount requested is \$8,585,000.

The sanitary district currently has a monthly flat rate of \$59.33 per user.

Lake Poinsett received funding in 2007, 2010, and 2014 totaling \$7,537,000 for projects to construct portions of the wastewater collection and treatment system. Of this amount, \$3,370,000, or 45 percent, was awarded as grants or principal forgiveness. Mr. Perkovich noted that the loan awarded in March of 2014 has not yet closed, and construction will not likely be completed until 2017 or later.

Staff recommendation was to offer the district an \$8,585,000 loan with formal board action being deferred until the June 2016, board meeting. Mr. Perkovich stated that Lake Poinsett will have until June 1, 2016, to notify the board in writing if the loan is wanted. If staff does not hear from the district by that time, a recommendation of denial will be presented to the board at the June meeting.

Staff analysis indicates that rates of nearly \$100 would be needed to provide coverage on the \$8,585,000 loan and the prior loans. With the needs to be addressed today, and amount of available subsidy, staff did not believe it appropriate to provide a grant when the project funded two years ago has not yet begun. With a \$2,000,000 Consolidated grant limit and restrictions on the Clean Water SRF principal forgiveness, providing meaningful subsidy on a project this large is unrealistic.

Mr. Perkovich stated that Phase 3 of the project consists of five segments that could be constructed separately. If the district does not take the full \$8,585,000, staff would encourage the district to resubmit a funding application at a later date that identifies a smaller project scope. This provides a better opportunity to develop a workable funding package.

Larry Furney, board president of the Lake Poinsett Sanitary District, stated that he will take the staff's recommendation back to the sanitary district board.

Westport is proposing to address deficiencies with its lift station by replacing it with a duplex submersible lift station. The project also involves installing 2,800 feet of PVC storm sewer line to improve storm water management.

Westport intends to advertise bids for the project in August 2016 with a 2017 completion date.

The total project amount is \$617,000, and the amount requested is \$617,000.

Westport has a monthly flat rate of \$30.

The staff recommendation was to award a \$445,000 Clean Water SRF loan at 3.25 percent interest for 30 years and award a Consolidated grant for 27.9 percent of eligible costs not to exceed \$172,000.

Westport has pledged a project surcharge for repayment of the loan. Staff analysis indicates the system can be operated on \$6.25 per month per user, leaving \$23.75 per month available for debt service. The surcharge required on the loan is \$39.55 per user per month. By restructuring its rates so \$6.25 goes towards operation and maintenance, and by enacting a \$39.55 surcharge for repayment of the loan, Westport residents would have overall rates of \$45.80 per month.

Staff recommended the awarding 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.

Mike Wilson, Westport town board vice president, thanked the board for considering the funding request. Doreen Hertel, finance officer, discussed the project and the rates. They answered questions from the board.

Pierre requested funding to make improvements to the wastewater treatment facility. The improvements involve rehabilitation of the grit removal system and primary clarifier, replacing an air line serving an air lift station and replacing the chlorine-based disinfection process with an ultraviolet disinfection system.

The Pierre wastewater treatment facility has experienced a significant number of chlorine residual and coliform violations. As a result, DENR issued an enforcement action requiring Pierre to address the violations. Replacing the existing disinfection system with an ultraviolet disinfection is the city's proposed corrective action.

The total project amount is \$3,821,100, and the amount requested is \$3,821,100.

The city's current rates, which became effective on January 1, 2016, are \$40.84 based on 5,000 gallons usage.

The staff recommendation was to award a \$3,821,000 Clean Water SRF loan at 3 percent interest for 20 years.

Pierre has pledged a project surcharge for repayment of the loan. Staff analysis indicated that a surcharge of \$3.60 is needed to provide coverage on the loan. If added to the current rate, the overall rate would be \$44.44 based on 5,000 gallons usage; however, the staff analysis does show that it appears the existing rate could be restructured to include the surcharge and remain at \$40.84.

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.

Leon Schochenmaier, city administrator, discussed the project and requested approval of funding.

Jim Housiaux, Banner Associates, answered questions from the board.

Miller requested funding for the first phase of a three-phase project to replace about 45 percent of the lines in Miller's wastewater collection system and make improvements to its storm water collection system.

The city plans to advertise bids for this project in January 2017 with a November 2017 completion date.

The total project amount is \$6,500,000 - the wastewater collection system improvements amount to \$4,542,000, and the storm water improvements amount to \$1,958,000. The amount requested is \$6,499,000.

Miller has a flat rate of \$31.65 per month.

The city has pledged a wastewater surcharge for repayment of the wastewater collection improvements and storm water fees for repayment of the storm water improvements. Mr. Perkovich noted that this will require two loans be awarded.

The staff recommendation for the wastewater collection system improvements was to award a \$3,541,000 Clean Water SRF loan at 3.25 percent interest for 30 years and award a Water Quality grant for 22.1 percent of eligible costs not to exceed \$1,000,000.

A surcharge of \$20.45 is needed to provide coverage on the loan. Staff analysis also indicates that only \$18.00 of the \$31.65 flat rate is needed for operation and maintenance, leaving \$13.65 available for debt service. By restructuring its rates so \$18.00 goes towards operating the system and establishing a \$20.45 surcharge for repayment of the loan, Miller residents would have overall rates of \$38.45 per month. This would result in rates lower than other applicants, but it will leave capacity for rate increases to address future phases.

Staff recommended the award 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.

For the storm water system improvements, staff recommended awarding a \$1,958,000 Clean Water SRF loan at 3.25 percent interest for 30 years.

Miller is planning to establish a storm water fee to pay for this project. Staff analysis indicates the city will have to establish a storm water fee of \$0.69 per 100 square feet to meet the 110 percent debt coverage requirement. For illustrative purposes, a 9,000 square foot lot would have an annual payment of \$62.10 or \$5.18 per month.

Staff recommended the award 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.

Jim Bonebright, water superintendent for the city of Miller, discussed the project and requested approval of funding.

Astoria requested funding to expand its wastewater treatment facility, rehabilitate a diversion channel at the wastewater treatment facility, and clean and televise the town's wastewater collection system.

This project was awarded a \$235,000 Clean Water SRF loan and a \$368,700 consolidated grant in January 2013. The grant has since expired, and the town is reapplying for funding.

The total project amount is \$744,400, and the amount requested is \$744,400

Astoria has a flat rate of \$22.20 per month.

The staff recommendation was to rescind Resolution #2013-05 approving the previous Clean Water SRF loan and award a \$744,000 Clean Water SRF loan at 3.25 percent interest for 30 years with 49.6 percent as principal forgiveness not to exceed \$368,700

Astoria has pledged a project surcharge for repayment of the loan. A surcharge of \$26.90 per user is needed to provide coverage on a \$375,300 loan. Staff analysis indicates that \$10.00 of the flat rate is needed to operate the system, leaving \$12.20 available for debt service. By restructuring its rates so \$10.00 goes towards operation and maintenance and establishing a \$26.90 surcharge for repayment of the loan, Astoria residents would have overall rates of \$36.90 per month.

Staff recommended the award be contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon receipt of the 2016 Clean Water State Revolving Fund capitalization grant from EPA.

Harlan Quenzer, SPN and Associates, engineer for the town of Astoria, discussed the project and answered questions from the board.

Brandon - Brandon's wastewater treatment system consists of lagoons that partially treat the city's wastewater. The partially treated wastewater is pumped to the Sioux Falls water reclamation

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facility for final treatment. The city wishes to eliminate the lagoons and proposes to construct a new lift station to pump raw wastewater to Sioux Falls. The project includes the construction of a wet/dry well lift station, pump building, standby generator, and SCADA system.

The total project amount is \$2,598,400, and the amount requested is \$2,598,400.

Brandon's current rates are \$51.50 per 5,000 gallons usage.

The staff recommendation was to award a \$2,598,000 Clean Water SRF loan at 3 percent interest for 20 years.

Brandon has pledged a project surcharge for repayment of the loan. The surcharge needed for the loan is \$4.95. Staff analysis indicates that \$46.10 is needed for operating expenses and debt service on an existing loan, leaving \$5.40 available for the surcharge. Therefore, Brandon could avoid raising its rates by restructuring its current rates.

Staff recommended the award 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.

Mitch Mergen, Stockwell Engineering, discussed the project and answered questions from the board.

Canton is replacing sanitary and storm sewer as part of the Dakota Street Reconstruction project. The new sanitary sewer collection system will involve replacing 2,700 feet of 8-inch PVC mains and eight manholes, and lowering the depth of the collection system. The storm sewer improvements involve replacing 3,100 feet of reinforced concrete pipe, 11 junction boxes and 33 inlets.

The city plans to advertise bids for this project in January of 2017 with a November 2017 completion date.

The total project amount is \$1,848,000, and the amount requested is \$1,648,000.

Canton's current rates are \$39.30 for 5,000 gallons usage.

The staff recommendation was to award a \$1,648,000 Clean Water SRF loan at 3.25 percent interest for 30 years.

Canton originally pledged a project surcharge for repayment of the loan; however, bond counsel has determined that the proposed surcharge cannot be used since this project will not benefit all users of the system. Therefore, the city decided to use system revenues for repayment of the loan.

Staff analysis indicates that the existing rate provides 119 percent coverage on the loan, so no rate increase is needed.

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

Jeff Fossum, city of Canton, discussed the project and requested approval of funding. He answered questions from the board.

Dell Rapids proposes improvements to the sanitary and storm sewer system at two locations in the community; at the intersection of SD Highway 115, Old Highway 77 and 4th Street and on a portion of 10th Street. Approximately 2,400 feet of sanitary sewer will be replaced and 600 feet of storm sewer will be installed in these two areas.

Design of the project will begin in the summer of 2016 with construction starting later in 2016 and continuing through 2017.

The total project amount is \$1,037,000, and the amount requested is \$1,037,000.

Dell Rapids' rates are \$43.64 based on 5,000 gallons usage.

The city had originally pledged a project surcharge as the security pledge in the application. Bond counsel determined that the proposed surcharge cannot be used because the project will not benefit all users of the system. Therefore, Dell Rapids decided to use system revenues for the repayment of a loan.

The staff recommendation was to award a Consolidated grant for 59.7 percent of eligible costs not to exceed \$619,000, and award a Build America Bond grant for 40.4 percent of eligible costs not to exceed \$418,000.

Effective January 1, 2016, the city's rates increased by 20 percent, going from \$36.38 to \$43.64 based on 5,000 gallons usage. This rate is sufficient to cover current operating expenses, the existing debt service on five prior SRF loans, and a \$1,037,000 loan for this project. However, the city will need to establish an \$8.60 monthly surcharge for repayment of the wastewater treatment facility loan that was recommended earlier. This brings the overall rate to \$52.24 per month.

When the new treatment facility comes on-line in two years, operating expenses will increase significantly, and another rate increase is anticipated at that time. Another consideration in providing 100 percent grant assistance for this project and concentrating the loan funding on the treatment project is to maximize Dell Rapids' available constitutional debt for future capital construction projects.

Justin Wyland, Dell Rapids city administrator, discussed the project and answered questions from the board.

Faulkton proposes to address storm water infiltration into the sanitary sewer by replacing its aging sanitary sewer collection system. This will consist of replacing 17,000 feet of clay tile pipe using open trench methods and lining an additional 7,400 feet of pipe using the cast in place pipe lining method.

The total project amount is \$5,151,000, and the amount requested is \$2,000,000.

Mr. Perkovich noted that Faulkton has received a \$515,000 Community Development Block Grant and is seeking the remaining \$2,636,000 from USDA Rural Development.

Faulkton has a flat rate of \$26.20 per month.

The staff recommendation was to award a Wastewater Facility Build America Bond grant for 9.8 percent of eligible costs not to exceed \$500,000.

Mr. Perkovich stated that Faulkton's flat rate of \$26.20 per month is below the \$30 threshold required for grant or principal forgiveness. With the limited subsidy available and Faulkton's low rates, substantial subsidy was ruled out. Additionally, a loan award was not considered since the administration of two loans from two sources is undesirable. Mr. Perkovich noted that staff is hopeful that the state grant assistance will help leverage a viable Rural Development funding package.

Staff recommended the award be contingent upon the recipient establishing the minimum rate required to receive grant assistance.

Slade Roseland, mayor of Faulkton, discussed the project and answered questions from the board.

Prairie Meadows Sanitary District - Prairie Meadows Sanitary District is located on the southwest edge of Sioux Falls and contains 73 homes. The district owns and maintains its own wastewater collection system, which discharges into the city of Sioux Falls' collection system. The district's collection system is in poor shape and experiencing excessive infiltration.

In March 2013, Prairie Meadows received a \$788,000 Clean Water SRF loan with \$200,000 as principal forgiveness and a \$600,000 Consolidated grant to replace or reline its entire collection system. The grant expired on March 28, 2016. The sanitary district is again requesting funding for the project. Prairie Meadows and Sioux Falls have had extensive discussions regarding annexing into the city. The collection system must be constructed to Sioux Falls standards prior to an annexation.

The total project amount is \$1,388,000, and the amount requested is \$1,388,000.

The sanitary district has a flat rate of \$100 per month.

Mr. Perkovich stated that if the district is annexed into Sioux Falls, it is expected that residents will be paying the current residential rate, which is expected to be approximately \$35 per month.

The staff recommendation was to rescind Resolution #2013-46, which approved the previous Clean Water SRF loan, and to award a \$588,000 Clean Water SRF loan at 3.25 percent interest for 30 years and a Consolidated grant for 57.7 percent of eligible costs not to exceed \$800,000.

The sanitary district has pledged system revenues for repayment of the loan. Staff analysis indicates that about \$40 per user per month user will be needed to provide the 110 percent debt

coverage. Staff analysis also indicates that the current rates will provide a 192 percent debt coverage if the district's collection system is taken over by Sioux Falls. If the district is not annexed, it will need to raise rates to \$140 per user per month to provide the required debt coverage.

Staff recommended the award be contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage.

Mitch Mergen, Stockwell Engineering, discussed the project and answered questions from the board.

Yale requested funding to place rip rap on the lagoon berms at the wastewater treatment facility. Yale received nearly \$1.5 million in 2011 for the rehabilitation of the collection system and to construct a two-cell, total retention treatment system. Rip rap was included in the original project scope, but was eliminated when the cost of the project came in over budget. Considerable erosion has occurred on the cells since the facility was constructed.

The total project amount is \$443,570, and the amount requested is \$327,000.

Mr. Perkovich noted that the James River Water Development District is providing a \$100,000 grant, and the remaining funds will come from a prior Clean Water SRF loan awarded to Yale.

Yale currently has a flat rate of \$40.00 per month.

The staff recommendation was to award an \$84,000 Clean Water SRF loan at 3.25 percent interest for 30 years, and to award a Water Quality grant for 54.8 percent of eligible costs not to exceed \$243,000.

Yale is pledging a project surcharge for repayment of the loan. Staff analysis indicated that a surcharge of \$7.50 per month is needed to repay the \$84,000 loan, which will bring overall rates to \$47.50 per month.

Staff recommended the award 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.

This concluded Mr. Perkovich's presentation of the Sanitary/Storm Sewer Facilities funding applications.

Chairman Johnson commended the staff and the applicants for the amount of work they put into submitting and reviewing all of the funding applications.

Terry Helms, Helms and Associates, expressed concern with the staff recommendations to deferring some of the funding requests to other agencies. He questioned whether the State of South Dakota interacted with Rural Development and the city of Faulkton. He noted that the staff recommendation was to defer \$4.1 million worth of funding back to another agency. Mr. Helms

asked the board to keep in mind that rural communities try to keep their wastewater fees at \$45.00 per month.

Mr. Perkovich stated that the staff had discussions with Rural Development. Generally, for every dollar the board puts into a project is a dollar less that Rural Development will put in. Last year, staff believed they put together some reasonable funding packages and Rural Development ended up funding all of them. Mr. Perkovich said staff has communicated with Rural Development, however, those communications have not been overly productive. He stated that the maximum amount for a Consolidated grant is \$2,000,000. In the case of the Faulkton application, \$2,000,000 of grant funds were simply not available to award.

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

Midland has had haloacetic acid (HAA5) violations. The town intends to install a new 53,000-gallon water storage tank with a mixing system, and to construct 3,220 feet of 6-inch main to loop the system, which will help correct the water quality issues.

The town anticipates bidding the project in June 2016 with a project completion date of November 2016.

The total project amount is \$715,000, and the amount requested is \$715,000.

Mr. Bruels noted that Midland also intends to apply for a Community Development Block Grant (CDBG). In some cases, if the project has been fully funded by the Board of Water and Natural Resources, CDBG may choose to not participate, which could limit the grant funds available for the project.

Midland's rates are \$25.00 per 5,000 gallons based on usage. Midland's current rates are below the minimum rate of \$30.00 for 5,000 gallons, which is the minimum to be eligible to receive subsidy; however after project completion the town's rates will be well above the minimum.

The staff recommendation was to award a Consolidated grant for 38.5 percent of project costs not to exceed \$275,000. The grant would include two special conditions:

Contingent upon the recipient establishing the minimum rate required to receive grant assistance; and

If a Community Development Block Grant is awarded to Midland for this project, the Consolidated Water Facilities Construction Program grant will be reduced such that the total amount of the Community Development Block Grant and the Consolidated Water Facilities Construction Program grant will not exceed 60 percent of the total eligible project cost. If the Community Development Block Grant equals or exceeds \$429,000, the Consolidated Water Facilities Construction Program grant will be rescinded.

Mr. Bruels stated that at this time staff is recommending the board defer action for a loan. If no CDBG funding is awarded, at a future board meeting, staff would likely recommend awarding a \$440,000 Drinking Water SRF loan, at 2.25 percent interest for 30 years.

Midland would be pledging a project surcharge for repayment of the loan. Based on a \$440,000 loan, a monthly surcharge of \$18.55 per user would be required for debt coverage. Mr. Bruels stated that staff believes that based on the financial information supplied, Midland will need to raise its current rates from \$25.00 up to \$34.00 to cover operation and maintenance costs. This would result in overall rates of \$52.55 if no additional grant funds are received.

Diana Baeza, Midland town president, discussed the project and requested approval of funding. She and Mr. Bruels answered questions from the board regarding the cause of the haloacetic acid (HAA5) violations.

Perkins County Rural Water System - the rural water system must change the vertical alignment or insulate existing water main along Highways 12 and 73 near the city of Lemmon due to grade elevation changes as a result of an upcoming Department of Transportation project. The grade changes would eliminate minimum cover over the pipe. Without this cover water mains are susceptible to freezing or breaking. Approximately two miles of water main will be realigned and an additional two miles will be insulated as a result of this project. A SCADA system will also be added to the Highway 20 booster station.

Perkins County Rural Water System opened bids for the project on March 29, 2016, and the project is planned for completion in October 2016.

The total project amount is \$1,722,000, and the amount requested is \$1,722,000.

The rural water system's rates are \$108.03 per 7,000 gallons usage.

The staff recommendation was to award a \$1,722,000 Drinking Water SRF loan, at 2.25 percent interest for 30 years with 60.0 percent as principal forgiveness not to exceed \$1,033,200.

The rural water system has pledged system revenues for repayment of the loan. Currently, Perkins County Rural Water System is paying only interest on its existing State Water Resources Management System loan, and will begin paying principal in 2020, which will require an additional \$85,000 for debt repayment, or approximately \$8.10 per connection.

The current rates provide 116 percent debt coverage on the State Water Resources Management System loan and a Dacotah bank loan. The Dacotah bank loan will be repaid in 2017, at approximately the same time that this loan will go into repayment. With annual rate increases of 3.25 percent, the rates expected in 2018 and 2019 will provide required 110 percent coverage for all debt. Staff projections indicate that Perkins County Rural Water System will need rates of \$122.77 for 7,000 gallons to cover operating expenses and debt service in 2020.

Staff recommended the award 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, contingent upon

an Inter-creditor Agreement being approved and executed by Dacotah Bank, Perkins County Rural Water System, and the Conservancy District, and principal forgiveness is contingent upon receipt of the 2016 Drinking Water State Revolving Fund capitalization grant from EPA.

Larry Thelen, Advanced Engineering and Environmental Services, discussed the project and answered questions from the board.

Conde proposes to replace existing 6-inch ductile iron pipe and 4-inch PVC pipe throughout the town with 6-inch PVC pipe. New pipe would be installed to loop the system and increase pressures. The project includes replacing the existing water tower with a 50,000-gallon ground storage tank and booster pumps. New automatic read water meters will also be installed.

The town of Conde anticipates bidding the project in July 2016 with a project completion date of October 2017.

The total project amount is \$2,795,000, and the amount requested is \$2,795,000.

Conde's rates are \$30.50 per 5,000 gallons usage.

Mr. Bruels stated that staff does not believe funding the entire project is a viable option. To reduce the funding necessary for this project, the looping portion of the water main work was eliminated lowering the total cost to \$2,333,000. If Conde receives favorable bids, staff would allow looping work to be added back into the project as funding allowed.

Staff recommended awarding a \$2,333,000 Drinking Water SRF loan, at 2.25 percent interest for 30 years with 78.6 percent as principal forgiveness not to exceed \$1,833,000.

Conde has pledged a project surcharge for repayment of the loan. The surcharge required on a \$500,000 loan is \$20.25, resulting in overall rates of \$50.75 per 5,000 gallons usage.

Staff recommended the award be contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon receipt of the 2016 Drinking Water State Revolving Fund capitalization grant from EPA.

Cindy Smith, town president, discussed the project and requested approval of funding. She answered questions from the board.

Colman is proposing to replace 4,430 feet of water main along Highway 34. This phase of construction is a continuation of line replacement work that has been completed in the community and funded by the board. The cost of this work is estimated at \$730,000. The requested funding also includes an additional \$400,000 to address a funding shortfall on the current project and \$70,000 from an emergency repair on the Highway 34 water main.

Mr. Bruels stated that the city would utilize some funding almost immediately after award to address the funding shortfall on phase 2. The Highway 34 water main work is anticipated to be bid in the spring of 2016 with completion in the fall of 2016.

The total project amount is \$1,200,000, and the amount requested is \$1,200,000.

Colman's current rates are \$42.42 per 5,000 gallons usage.

Staff recommended awarding a \$500,000 Drinking Water SRF loan at 3 percent for 30 years and a Consolidated grant for 58.4 percent of project costs not to exceed \$700,000.

The city is pledging a project surcharge for repayment of the loan. The surcharge required on the loan is \$7.75, which would bring the overall rates in Colman to \$50.17.

Staff recommended the award 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.

Russ May, Colman city commission, discussed the project and requested approval of funding. He answered questions from the board.

Wakonda is proposing to rehabilitate the existing meter pit and water tower, abandon three unused wells, replace cast iron lines accounting for 42 percent of the water distribution system, replace undersized water mains, and install new lines to loop the system in various locations.

Wakonda plans to advertise bids for this project in July of 2016 with a completion date of December 2017.

The total project amount is \$2,836,710, and the amount requested is \$2,836,710.

Wakonda's rates are \$38.25 per 5,000 gallons usage.

Staff does not believe funding the entire project is a viable option, and to reduce the scope and cost of the project, the well abandonment, water main looping, and replacement of small diameter lines was eliminated from the project for funding consideration. This will lower the estimated cost to \$1,930,000. If Wakonda does receive favorable bids, staff would allow some of the eliminated items to be added back into the project as funding allowed.

The staff recommendation was to award a \$1,378,000 Drinking Water SRF loan at 3 percent interest for 30 years with 68.8 percent as principal forgiveness not to exceed \$948,000, and to award a Consolidated grant for 28.7 percent of project costs not to exceed \$552,000.

Wakonda has pledged a project surcharge for repayment of the loan. The funding package includes 77.8 percent grant funding overall for the reduced project cost. The surcharge required on a \$430,000 loan is \$12.30 per user per month; however staff believes Wakonda will also need to raise its base rates by \$3.00 to cover their operation and maintenance expenses. Increasing the rate to \$41.25 for operating expenses and adding the loan surcharge will result in overall user rates of \$53.55 for 5,000 gallons.

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Staff recommended the award be contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon receipt of the 2016 Drinking Water State Revolving Fund capitalization grant from EPA.

Terry Hackett, town of Wakonda, and Terry Aaker, SPN and Associates, discussed the project and answered questions from the board.

Britton is proposing to replace all 4-inch cast iron, asbestos cement, PVC and 6-inch cast iron pipes with 6-inch PVC lines and additional valves. The city is also proposing to paint and update the existing 250,000-gallon ground level and 150,000-gallon elevated storage tanks and construct a new pump house.

Design of the project will begin in the summer of 2016 with construction starting in the spring of 2017 and continuing through the fall of 2017.

The total project amount is \$4,656,000, and the amount requested is \$4,656,000.

Britton's rates are \$34.50 per 5,000 gallons usage.

Staff recommendation was to award a \$3,212,000 Drinking Water SRF loan at 3 percent interest for 30 years, and to award a Consolidated grant for 31.1 percent of project costs not to exceed \$1,444,000.

Britton has pledged a project surcharge for repayment of the loan. Mr. Bruels noted that Britton has sufficient cash on hand to repay the balance remaining on the existing SRF loan, and staff would encourage them to request to repay that loan in full. The surcharge required on this new loan is \$21.85. If Britton opts to repay the existing loan, the overall rate will be \$53.10 per 5,000 gallons.

Staff recommended the award 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.

Clyde Frederickson, mayor of Britton, discussed the project and answered questions from the board.

Brookings-Deuel Rural Water System intends to install meter data transmission units on existing water meters. These will store and transmit meter readings to the Brookings-Deuel office.

Brookings-Deuel anticipates purchasing the units and beginning installation in 2016 with a project completion in 2017.

The total project amount is \$250,000, and the amount requested is \$250,000.

The rural water system's rates are \$55.40 per 7,000 gallons usage.

Mr. Bruels noted that Brookings-Deuel's current rates are only slightly above the minimum rates of \$55.00 for 7,000 gallons to be eligible to receive subsidy.

Staff recommended awarding a \$250,000 Drinking Water SRF loan at 2.25 percent interest for 10 years.

The rural water system is pledging system revenues for repayment of the loan. Staff analysis indicates that a loan of this amount equates to approximately \$1.00 per user; however, existing rates produce sufficient revenue so no increase will be needed to provide the required coverage. Staff analysis shows Brookings-Deuel has approximately 1,400 percent coverage for the loan at current rates.

Staff recommended the award 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, contingent upon an Inter-creditor Agreement being approved and executed by CoBank, First Bank and Trust, Rural Utilities Service, Brookings-Deuel Rural Water System, and the Conservancy District.

Matt Odekoven, DGR Engineering, answered questions from the board.

Chancellor intends to replace 131 existing water meters that are over 20 years old with an automatic meter reading system.

Chancellor anticipates bidding the project in July 2016 with a project completion date of October 2016.

The total project amount is \$180,415, and the amount requested is \$180,415.

Chancellor's rates are \$37.00 per 5000 gallons usage.

Mr. Bruels stated that water conservation projects, to include water meters, are eligible for Clean Water SRF funding. This project can also be used to meet the Green Project Reserve requirements included in the 2015 Clean Water capitalization grant. Providing funding for this project with Clean Water SRF helps meet the department's reporting requirements for Green Project Reserve. This will not adversely affect the Drinking Water program as there were no Green Project Reserve requirements associated with either the 2015 or 2016 Drinking Water capitalization grants.

The staff recommendation was to award a \$180,000 Clean Water SRF loan at 2.25 percent interest for 10 years with 50 percent as principal forgiveness not to exceed \$90,000.

Chancellor is pledging a project surcharge for repayment of the loan. Staff analysis indicates that a surcharge of \$7.70 is needed to provide coverage on the loan, which would bring overall rates to \$44.70.

Staff recommended the award be contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, contingent upon receipt of the 2016 Clean Water State Revolving Fund capitalization grant from EPA.

Dennis Wieker, town board president, discussed the project and answered questions from the board.

Canton intends to reconstruct Dakota Street to improve the underground utility infrastructure. The water distribution system replacement will occur in conjunction with the sanitary sewer and storm sewer replacement project presented earlier. Approximately 2,840 feet of new 12-inch PVC main will be installed.

Canton plans to advertise bids for this project in January of 2017 with a completion date of November 2017.

The total project amount is \$960,000, and the amount requested is \$760,000. Canton has received a \$200,000 Department of Transportation Community Access grant for the project.

The city's rates are \$31.20 per 5,000 gallons usage.

Staff recommended awarding a \$760,000 Drinking Water SRF loan at 3 percent interest for 30 years.

Canton has pledged a project surcharge for repayment of the loan. Canton originally pledged system revenues; however, bond counsel has determined that a surcharge can be used since the project will provide benefit to all users of the system.

Mr. Bruels stated that Canton received a \$1,550,000 Drinking Water SRF loan in March 2015, but the loan has not yet been closed. The monthly surcharge required to repay this loan is \$5.45 per user.

Staff analysis indicates that a surcharge of \$2.65 is needed to provide coverage on this new loan. With the surcharge for this loan and the surcharge from the unclosed loan, Canton users will have overall rates of \$39.30 per 5,000 gallons.

Staff recommended the award 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.

Jeff Fossum, city of Canton, discussed the project and answered questions from the board.

Due to a prior engagement, board member Todd Bernhard left the meeting at 4:00 p.m.

Dell Rapids is proposing to replace cast iron water mains at the intersection of Highway 115, Old Highway 77 and 4th Street with 1,900 feet of 6- and 8-inch PVC lines. The city is also proposing to replace just over 800 feet of cast iron water main with 6- and 8-inch PVC waterline on a portion of 10th Street near the hospital. This project will be completed in conjunction with the sanitary sewer project presented earlier.

Design of the project would begin in the summer of 2016 with construction starting in the fall of 2016 and continuing through 2017.

The total project amount is \$705,000, and the amount requested is \$705,000.

The city's rates are \$34.85 per 5,000 gallons usage.

The staff recommendation was to award a \$705,000 Drinking Water SRF loan at 3.25 percent interest for 30 years.

Dell Rapids has pledged water revenue for repayment of the loan. Bond counsel has determined that the proposed surcharge cannot be used since the project will not benefit all users of the system.

Staff analysis indicates that the current rate will not provide coverage for the loan, and that an additional \$2.25 per user needs to be added to the base rate to provide the 110 percent coverage. This will bring the overall rate to \$37.10 for 5,000 gallons usage.

Staff recommended the award be contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage.

Justin Wyland, city administrator for Dell Rapids, discussed the project and requested approval of funding. He answered questions from the board.

Miller is experiencing problems with its water distribution system this is the first phase of a three-phase project. This phase will replace 7,300 feet of 6-inch water main, 1,000 feet of 8-inch water main and 850 feet of 10-inch water main. This project will be completed in conjunction with the sanitary sewer project presented earlier.

Miller plans to advertise bids for this project in January of 2017 with a completion date of November 2017.

The total project amount is \$2,200,000, and the amount requested is \$2,199,000. The city is also applying for funding from USDA RD.

Miller's rates are \$50.00 per 5,000 gallons usage.

Staff has determined that \$87,000 of the project costs is not eligible for funding. These costs are associated with resurfacing an alley where a water main break occurred in 2010 and was repaired at that time.

The staff recommendation was to award a \$2,112,000 Drinking Water SRF loan at 3 percent interest for 30 years with 32.8 percent as principal forgiveness not to exceed \$692,000.

The city has pledged a project surcharge for repayment of the loan. The surcharge needed for a \$1,420,000 loan is \$8.00 per user per month. Staff analysis indicates only \$45.00 of the existing rates are needed for operational expenses and existing debt, this leaves \$5.00 from current rates available for debt service on this loan. If Miller restructured its current rates, overall rates would be \$53.00 per month.

Staff recommended the award be contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon receipt of the 2016 Drinking Water State Revolving Fund capitalization grant from EPA.

Jim Bonebright, water superintendent for the city of Miller, discussed the project and requested approval of funding. He answered questions from the board.

Kingbrook Rural Water System intends to install new water lines to connect about 220 new users. The new users are primarily existing residences and livestock pasture taps within the service area, but currently use other water sources. The project also includes new mainline to improve capacity and reliability in the service area. This project will include about 6.5 miles of 14- and 16-inch PVC pipe and about 125 miles of 2- to 6-inch PVC pipe. The construction will also include some new booster pumps.

The rural water system anticipates bidding the project in July of 2016 with a project completion date of October 2017.

The total project amount is \$9,550,400, and the amount requested is \$9,000,400. The rural water system is contributing in \$550,000 in local cash from hookup fees for the project.

The rural water system's rates are \$56.55 per 7,000 gallons usage for rural households.

Mr. Bruels noted that that Kingbrook's current rates are only slightly above the minimum rates eligible to receive subsidy of \$55.00 for 7,000 gallons.

The staff recommendation was to award a \$9,000,000 Drinking Water SRF loan at 3 percent interest for 20 years.

The rural water system is pledging system revenues for repayment of the loan. Staff analysis indicates revenues will need to be increased by 11.8 percent to provide the required coverage on the loan. If Kingbrook chooses to apply this revenue increase to both the base and usage rate and across all user classes, the domestic rate for rural households would increase to \$63.25 for 7,000 gallons usage.

Staff recommended the award 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 establishing rates at a level sufficient to provide the required debt coverage, contingent upon the borrower approving a security agreement and mortgage, and contingent upon an Inter-creditor Agreement being approved and executed by CoBank, Rural Utilities Service, Kingbrook Rural Water System, and the Conservancy District.

Randy Jencks, general manager for the rural water system, discussed the project and answered questions from the board.

This concluded presentation of the Drinking Water Facilities funding applications.

Chairman Johnson recognized Legislative Oversight Committee members Representative Mary Duvall and Senator Jim White. He thanked them for attending the meeting.

SMALL WATER FACILITIES FUNDING APPLICATION: Jim Feeney presented the one Small Water Facilities funding application and the staff recommendation.

Delmont requested \$138,000 in funding to refinance the current balance on DW-01.

On June 26, 2008, the city of Delmont was awarded a \$185,000 Drinking Water State Revolving Fund loan (DW-01) and \$158,460 was disbursed to complete its drinking water project.

On May 10, 2015, a tornado struck Delmont damaging or destroying more than 40 homes and businesses. As required by the loan documents, Delmont provided notice to the board in May of its inability to meet its debt service obligations due to this act of God.

At the June meeting, the Board of Water and Natural Resources converted Delmont's Consolidated loan balance of approximately \$19,000 to a grant, and concurred that Delmont's inability to make the July 15, 2015, Drinking Water SRF payment was deemed not to constitute a default by reason of force majeure.

The board directed the staff to explore options for debt forgiveness of Delmont's remaining loan. Chairman Johnson referred to his and others experience with natural disasters and the related financial impacts and indicated his support to forgive as much principal as reasonably possible. That sentiment was also expressed by several other board members and by state legislators from the Delmont area.

Staff discussed with EPA the option of providing principal forgiveness for DW-01. As reported at the board's September meeting, it was determined that the current capitalization grant restrictions do not permit the use of principal forgiveness to refinance an existing debt and debt relief would have to be deferred until additional Consolidated funding was available this year.

Also, at the September meeting, the board concurred that Delmont's inability to make its October 15, 2015, and January 15, 2016 payments were deemed not to constitute a default by reason of force majeure.

Mr. Feeney stated that the next payment on DW-01 is due April 15, 2016. The principal balance is \$138,086.75. While payments have not been made because of the act of God, interest has been accruing so there is an additional accrued interest of just over \$3,400.

Staff recommendation was to award a \$126,768 Consolidated grant, which is the maximum Consolidated grant the board can award. Mr. Feeney noted that pursuant to SDCL 46A-1-61, a grant from the Water and Environment Fund cannot exceed 80 percent of the nonfederal share of expenditures based on the original project cost.

If the Consolidated grant is approved by the board, there will be a principal balance of \$11,318.75 plus \$3,410.20 in accrued interest with a payoff date of April 15, 2016.

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Mr. Feeney stated that in March the department awarded a \$14,759.95 grant to Delmont to cover the principal balance and accrued interest. This is money from the Department of Environment and Natural Resources Fee Fund, utilizing the department's operating budget. This funding source and the budget authority are limited, but the department, to include Secretary Pirner, supported providing full funding to refinance DW-01. Delmont has been impacted with significant decreases to its tax base and utility income. With the elimination of the SRF surcharge, Delmont has a water rate of \$42.00 per 5,000 gallons. USDA Rural Development has not taken any steps to write down its loans, which includes about \$138,000 on a sewer project and additional smaller loan of more than \$10,000 on a pay loader.

Mr. Feeney stated that while Delmont could provide debt service on a small Consolidated loan, the value of repayments to the Water and Environment Fund over the next decade or two would be minimal. The debt relief provided in 2016 is significant to the town of Delmont, and their financial recovery from the May 2015 tornado. In addition to the Fee Fund grant, DENR agreed to use waste tire and statewide cleanup grant funds that are provided through the Board of Water and Natural Resources under the Solid Waste Management Program to clean up the Delmont tornado debris pile which was located on a site owned by Douglas County. The debris pile was directly over a shallow aquifer, and neither Delmont nor Douglas County had the funds for cleanup. DENR put the removal out for bids through the Office of State Procurement. The low bidder was Robert Johnson Construction from Mitchell at \$59.90 per ton. The tonnage removed to the Mitchell Regional Landfill totaled 4,430 tons, bringing the cleanup cost to \$265,401.

Mr. Feeney reiterated that the staff recommended approving a \$126,768 Consolidated grant to pay off the Drinking Water SRF loan.

Mae Gunnare, mayor of Delmont, thanked the board for past assistance and future assistance. She discussed progress being made in Delmont and the need for funds.

AVAILABLE FUNDING UPDATE: Mr. Perkovich provided an overview of funds that will be remaining if the board accepts the staff recommendations for funding.

SOLID WASTE MANAGEMENT PROGRAM FUNDING APPLICATION: Mr. Bruels discussed available funding for the Solid Waste Management Program.

He presented the Solid Waste Management Program funding application and the staff recommendation.

Freeman requested funding to expand its existing restricted use site located northwest of the city. The project includes the purchase of five acres of land, excavation, erosion control, and fencing.

The total project amount is \$319,384, and the amount requested is \$191,000. Mr. Bruels noted that local cash will be used to fund the remaining \$128,384.

Mr. Bruels stated that Freeman did not indicate a proposed repayment source or rate and term on the funding application. Staff checked on this missing information and was informed that the city was not interested in receiving a loan for the project.

Based on staff review of the financial information submitted, the city has sufficient funds in its general fund to pay for any portion of the project not funded by the board.

The staff recommendation was to award a Solid Waste Management Program grant for 31.4 percent of total project costs not to exceed \$100,000.

Mr. Bruels provided a recap of available funding for the Solid Waste Management Program.

LEGISLATIVE UPDATE: DENR Secretary Steve Pirner reported on bills that were passed during the 2016 legislative session.

RECESS: Chairman Johnson declared a recess until 8:15 the following morning.

MARCH 31, 2016, 8:15 A.M. CT

Chairman Johnson called the meeting to order at 8:15 a.m. A quorum was present.

SANITARY/STORM SEWER FACILITIES FUNDING DECISIONS: Mr. Perkovich reviewed the applications and staff recommendations for funding.

Motion by Bernhard, seconded by Soholt, to adopt **Resolution #2016-06** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$2,386,000 at 3.25 percent interest for 30 years to the city of **Dell Rapids** for a wastewater treatment facility 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 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; to adopt **Resolution #2016-07** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the city of **Dell Rapids** for up to 26.8 percent of approved total project costs not to exceed \$1,540,000 for a wastewater treatment facility improvements project; and to adopt **Resolution #2016-08** approving the State Revolving Fund Program Drinking Water Facility grant agreement between the Board of Water and Natural Resources and the city of **Dell Rapids** for up to 31.9 percent of approved total project costs not to exceed \$1,832,000 for a wastewater treatment facility improvements project. Motion carried unanimously.

Motion by Goldhammer, seconded by Bernhard, to offer the **Lake Poinsett Sanitary District** a \$8,585,000 Clean Water SRF loan, but to defer formal board action until the June 2016, board meeting. Motion carried unanimously.

Motion by Soholt , seconded by Bernhard, to adopt **Resolution #2016-09** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$445,000 at 3.25 percent interest for 30 years to the town of **Westport** for a wastewater and storm sewer 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 the 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; and to adopt **Resolution #2016-10** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the town of **Westport** for up to 27.9 percent of approved total project costs not to exceed \$172,000 for a wastewater and storm sewer improvements project. Motion carried unanimously.

Motion by Bernhard, seconded by Soholt, to adopt **Resolution #2016-11** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$3,821,000 at 3 percent interest for 20 years to the city of **Pierre** for a wastewater treatment facility 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 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 carried unanimously.

Motion by Goldhammer, seconded by Soholt, to adopt **Resolution #2016-12** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$3,541,000 at 3.25 percent interest for 30 years to the city of **Miller** 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 the 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; and to adopt **Resolution #2016-13** approving the State Revolving Fund Program Water Quality grant agreement between the Board of Water and Natural Resources and the city of **Miller** for up to 22.1 percent of approved total project costs not to exceed \$1,000,000 for wastewater improvements. Motion carried unanimously.

Motion by Soholt, seconded by Bernhard, to adopt **Resolution #2016-14** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,958,000 at 3.25 percent interest for 30 years to the **city of Miller** for storm water 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 the 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. Motion carried unanimously.

Motion by Bernhard, seconded by Goldhammer, to rescind Resolution #2013-05, which approved the previous loan, and to adopt **Resolution #2016-15** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$744,000 at 3.25 percent interest for 30 years with up to 49.6 percent as principal forgiveness not to exceed \$368,700 to the town of **Astoria** 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 contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon receipt of the 2016 Clean Water State Revolving Fund capitalization grant from EPA. Motion carried unanimously.

Motion by Bernhard, seconded by Soholt, to adopt **Resolution #2016-16** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$2,598,000 at 3 percent interest for 20 years to the city of **Brandon** for a lift station 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 establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Motion by Soholt, seconded by Bernhard, to adopt **Resolution #2016-17** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,648,000 at 3.25 percent interest for 30 years to the city of **Canton** for improvements to the sanitary and storm sewer 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 contingent upon the borrower adopting a bond resolution and the resolution becoming effective. Motion carried unanimously.

Motion by Goldhammer, seconded by Soholt, to adopt **Resolution #2016-18** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the city of **Dell Rapids** for up to 59.7 percent of approved total project costs not to exceed \$619,000 for a 10th Street and Highway 115 sewer improvements project; and to adopt **Resolution #2016-19** approving the State Revolving Fund Wastewater Facility grant agreement between the Board of Water and Natural Resources and the city of **Dell Rapids** for up to 40.4 percent of project costs not to exceed \$418,000 for a 10th Street and Highway 115 sanitary and storm sewer improvements project. Motion carried unanimously.

Motion by Bernhard, seconded by Soholt, to adopt **Resolution #2016-20** approving the State Revolving Fund Wastewater Facility grant agreement between the Board of Water and Natural Resources and the city of **Faulton** for up to 9.8 percent of approved total project costs not to exceed \$500,000 for wastewater system improvements contingent upon the recipient establishing the minimum rate required to receive grant assistance. Motion carried unanimously.

Motion by Soholt, seconded by Bernhard, to rescind Resolution #2013-46, which approved the previous loan, and to adopt **Resolution #2016-21** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$588,000 at 3.25 percent interest for 30 years to **Prairie Meadows Sanitary District** for a wastewater collection 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 contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing wastewater rates at a level sufficient to provide the required debt coverage; and to adopt **Resolution #2016-22** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and **Prairie Meadows Sanitary District** for up to 57.7 percent of approved total project costs not to exceed \$800,000 for wastewater collection system improvements. Motion carried unanimously.

Motion by Bernhard, seconded by Goldhammer, to adopt **Resolution #2016-23** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$84,000 at 3.25 percent interest for 30 years to the town of **Yale** for a wastewater lagoon 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 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; and to adopt **Resolution #2016-24** approving the State Revolving Fund Program Water Quality grant agreement between the Board of Water and Natural Resources and the town of **Yale** for up to 54.8 percent of approved total project costs not to exceed \$243,000 for wastewater lagoon improvements. Motion carried unanimously.

DRINKING WATER FACILITIES FUNDING DECISIONS: Mr. Bruels reviewed the applications and the staff recommendations for funding.

Motion by Bernhard, seconded by Goldhammer, to defer formal action on a Drinking Water State Revolving Fund award to the town of Midland for a drinking water system improvements project; and to adopt **Resolution #2016-25** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the town of **Midland** for up to 38.5 percent of approved total project costs not to exceed \$275,000 for drinking water system improvements contingent upon the recipient establishing the minimum rate required to receive grant assistance and with the following Special Condition: If a Community Development Block Grant is awarded to Midland for this project, the Consolidated Water Facilities Construction Program grant will be reduced such that the total amount of the Community Development Block Grant and the Consolidated Water Facilities Construction Program grant will not exceed 60 percent of the total eligible project cost. If the Community Development Block Grant equals or exceeds \$429,000, the Consolidated Water Facilities Construction Program grant will be rescinded. Motion carried unanimously.

Motion by Soholt, seconded by Goldhammer, to adopt **Resolution #2016-26** approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$1,722,000 at 2.25 percent interest for 30 years with up to 60 percent as principal forgiveness not to exceed \$1,033,200 to **Perkins County Rural Water System** for a water line realignment and booster station 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 contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for the repayment of the loan, contingent upon the borrower approving a security agreement and mortgage, contingent upon an Inter-creditor Agreement being approved and executed by Dacotah Bank, Perkins County Rural Water System, and the Conservancy District, and principal forgiveness is contingent upon receipt of the 2016 Drinking Water State Revolving Fund capitalization grant from EPA. Motion carried unanimously.

Motion by Bernhard, seconded by Soholt, to adopt **Resolution #2016-27** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$2,333,000 at 2.25 percent interest for 30 years with up to 78.6 percent as principal forgiveness not to exceed \$1,833,000 to the town of **Conde** for a water distribution and storage 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 contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon receipt of the 2016 Drinking Water State Revolving Fund capitalization grant from EPA. Motion carried unanimously.

Motion by Soholt, seconded by Goldhammer, to adopt **Resolution #2016-28** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$500,000 at 3 percent interest for 30 years to the city of **Colman** for the Highway 34 water main replacement project - Phase 3; 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; and to adopt **Resolution #2016-29** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the city of **Colman** for up to 58.4 percent of approved total project costs not to exceed \$700,000 for water main replacement. Motion carried unanimously.

Motion by Bernhard, seconded by Soholt, to adopt **Resolution #2016-30** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$1,378,000 at 3 percent interest for 30 years with up to 68.8 percent as principal forgiveness not to exceed \$948,000 to the town of **Wakonda** for drinking water system 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, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon receipt of the 2016 Drinking Water State Revolving

Fund capitalization grant from EPA; and to adopt **Resolution #2016-31** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the town of **Wakonda** for up to 28.7 percent of approved total project costs not to exceed \$552,000 for drinking water system improvements. Motion carried unanimously.

Motion by Soholt, seconded by Bernhard, to adopt **Resolution #2016-32** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$3,212,000 at 3 percent interest for 30 years to the city of **Britton** for water system 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; and to adopt **Resolution #2016-33** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the city of **Britton** for up to 31.1 percent of approved total project costs not to exceed \$1,444,000 for water system improvements. Motion carried unanimously.

Motion by Goldhammer, seconded by Soholt, to adopt **Resolution #2016-34** approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$250,000 at 2.25 percent interest for 10 years to the **Brookings-Deuel Rural Water System** for an automatic meter reading 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 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 an Inter-creditor Agreement being approved and executed by CoBank, First Bank and Trust, Rural Utility Service, Brookings-Deuel Rural Water System, and the Conservancy District. Motion carried unanimously.

Motion by Soholt seconded by Bernhard, to adopt **Resolution #2016-35** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$180,000 at 2.25 percent interest for 10 years with up to 50 percent as principal forgiveness not to exceed \$90,000 to the town of **Chancellor** for water meters 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 the Trust contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon receipt of the 2016 Clean Water State Revolving Fund capitalization grant from EPA. Motion carried unanimously.

Motion by Bernhard, seconded by Soholt, to adopt **Resolution #2016-36** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$760,000 at 3 percent

interest for 30 years to the city of **Canton** for improvements to the water distribution 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 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 carried unanimously.

Motion by Goldhammer, seconded by Bernhard, to adopt **Resolution #2016-37** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$705,000 at 3.25 percent interest for 30 years to the city of **Dell Rapids** for a 10th Street and Highway 115 water distribution 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 contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower raising rates to a level sufficient to provide the required debt coverage. Motion carried unanimously.

Motion by Soholt, seconded by Goldhammer, to adopt **Resolution #2016-38** approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$2,112,000 at 3 percent interest for 30 years with up to 32.8 percent as principal forgiveness not to exceed \$692,000 to the city of **Miller** for a water distribution 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 establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon receipt of the 2016 Drinking Water State Revolving Fund capitalization grant from EPA. Motion carried unanimously.

Motion by Bernhard, seconded by Goldhammer, to adopt **Resolution #2016-39** approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$9,000,000 at 3 percent interest for 20 years to **Kingbrook Rural Water System** for a 2017 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 contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for the repayment of the loan, contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage, contingent upon the borrower approving a security agreement and mortgage, and contingent upon an Inter-creditor Agreement being approved and executed by Rural Utility Service, CoBank, Kingbrook Rural Water System, and the Conservancy District. Motion carried unanimously.

SMALL WATER FACILITIES FUNDING DECISIONS: Mr. Feeney reviewed the application and staff recommendation for funding.

Motion by Bernhard, seconded by Soholt, to adopt **Resolution #2016-40** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the city of **Delmont** for up to 80 percent of approved total project costs not to exceed \$126,768 for refinancing Drinking Water State Revolving Fund loan C462083-01. Motion carried unanimously.

SOLID WASTE MANAGEMENT FUNDING: Mr. Bruels reviewed the application and staff recommendation for funding.

Motion by Soholt, seconded by Bernhard, to adopt **Resolution #2016-41** approving the South Dakota Solid Waste Management Program grant agreement between the Board of Water and Natural Resources and the city of **Freeman** for up to 31.4 percent of approved total project costs not to exceed \$100,000 to expand the restricted use site. Motion carried unanimously.

WATERTOWN STATE WATER RESOURCES MANAGEMENT SYSTEM GRANT AGREEMENT: Mr. Feeney reported that agenda items #19, #20, and #21 are grant awards for three State Water Resources Management projects dealing with Big Sioux River flood issues.

In November 2015, the Board of Water and Natural Resources recommended funding levels for these projects, as requested by the sponsors. These recommended amounts were included in the Governor's 2016 Omnibus Bill and appropriated by the 2016 Legislature.

Senate Bill 68 was passed out of the Joint Appropriations Committee on a 16 to 0 vote. It passed the Senate 34 to 0 and passed the House 63 to 6, and it was signed by the Governor on February 19, 2016.

The city of Watertown requested to place the \$225,125 grant appropriated by the 2016 Legislature under agreement for the Watertown and Vicinity Big Sioux Flood Control Study. This amount will provide half of the required nonfederal cost share. The Corps of Engineers has proposed a \$1,050,000 update of the Watertown and Vicinity Big Sioux Flood Control Study. This would prepare an integrated feasibility and environmental assessment to evaluate alternatives, identify the national economic development plan and alternatives, and recommend a project plan.

Staff recommended approval of the \$225,125 SWRMS grant to the city of Watertown.

Motion by Bernhard, seconded by Soholt, to adopt **Resolution #2016-42** approving the State Water Resources Management grant agreement between the Board of Water and Natural Resources and the city of **Watertown** for an amount not to exceed \$225,125 for the purpose of a feasibility level study update of the Watertown and Vicinity Big Sioux Flood Control Study to be completed by the United States Army Corps of Engineers. Motion carried unanimously.

SIOUX FALLS STATE WATER RESOURCES MANAGEMENT SYSTEM GRANT AGREEMENT: Mr. Feeney stated that this project received its SWRMS designation in 1989. Construction was authorized by the State of South Dakota in 1992. At that time the Corps' estimate of the project was just under \$27,000,000. Federal authorization was in the Water Resource

Development of 1996 at approximately \$35,000,000 at that time. However, construction did not start until 2000, and the project was completed in 2013.

The project scope being revised and indexed, which is allowed under the state authorization, has seen the federal project cost of the completed project increase to \$65,971,000. The cost share is 75 percent federal and 25 percent nonfederal. The state and the city split the nonfederal cost share at 12.5 percent, or \$8,246,375 being paid by each. Previously, \$6,210,000 in SWRMS grant assistance has been provided to Sioux Falls, leaving the requested balance of \$2,036,375.

Mr. Feeney stated that the project is completed. In December of 2009, the city of Sioux Falls issued \$31,500,000 in taxable revenue bonds. Just over \$18,000,000 of that total was advanced to the Corps to accelerate the levee and dam construction for this project.

The state's cost share commitment for this project will be complete by providing this \$2,036,375 to the city of Sioux Falls.

Staff recommended awarding the \$2,036,375 SWRMS grant to the city of Sioux Falls.

Motion by Sohlt, seconded by Goldhammer, to adopt **Resolution #2016-43** approving the State Water Resources Management grant agreement between the Board of Water and Natural Resources and the **Sioux Falls** for an amount not to exceed \$2,036,375 for the Sioux Falls Flood Control project. Motion carried unanimously.

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES STATE WATER RESOURCES MANAGEMENT SYSTEM GRANT AGREEMENT: Mr. Feeney reported that the department held a public meeting on March 22, 2016, in North Sioux City with approximately 40 people in attendance. Staff discussed the need for a new hydrologic and hydraulic model for the Big Sioux River basin to develop more accurate predictions of river stages during a flood event so that the state and residents can better respond to flood events. The project will produce a user-friendly website that authorities can use to more accurately predict areas that will be inundated during a flood. The data, model and website generated from this study will predict impacted areas for a range of flood scenarios.

The Legislature appropriated \$750,000 for the modeling effort as part of the Governor's Omnibus Water Funding Bill. DENR will release a Request for Proposal in April or May for an engineering and hydrologic consulting firm to develop the model.

The staff recommended approval of the \$750,000 SWRMS grant to the Department of Environment and Natural Resources.

Motion by Goldhammer, seconded by Bernhard, to adopt **Resolution #2016-44** approving the State Water Resources Management grant agreement between the Board of Water and Natural Resources and the **Department of Environment and Natural Resources** for an amount not to exceed \$750,000 for the purpose of contracting for the development of a hydrologic model of the Big Sioux River Basin. Motion carried unanimously.

RETENTION OF FUTURE USE WATER PERMIT NO. 2472-2 FOR THE GREGORY COUNTY PUMPED STORAGE PROJECT: Mr. Feeney stated that in March 2002, the Board of Water and Natural Resources, acting in its capacity as the South Dakota Conservancy District, applied for and received a Future Use Permit for the Gregory County Hydroelectric Pumped Storage (GCPS) project from the South Dakota Water Management Board. This is a proposed pumped storage hydroelectric facility to be located along Lake Francis Case in Gregory County. Water from Lake Francis Case would be pumped to an upper reservoir during lower cost, off-peak energy demand periods and then released to generate high value peak energy.

Future Use Permit No. 2472-2 is up for a seven year review by the Water Management Board to determine whether a reasonable need exists for the reserved water. Permit No. 2472-2 is for 24,000 acre-feet of water from Lake Francis Case to accommodate the weekly cycle of drawdown and refill of the project's upper storage reservoir.

Future Use Permit No. 2472-2 was last reviewed in March of 2009 and allowed to remain in effect. At the time of the 2002 application and the 2009 seven year review, SDCL 46-2-13 exempted state agencies from paying fees for permit applications.

Legislation that went into effect July 1, 2009, removed this exemption; and state agencies are now required to pay filing fees. The fee to continue to reserve 24,000 acre-feet for this non-consumptive use is \$2,055.

Staff recommended the board adopt a motion to not retain Future Use Permit No. 2477-2 and allow the permit to expire.

Mr. Feeney stated that he met with the South Central Water Development District to explain this action. The water development district board voted to support the action not to retain the future use permit and a director from the water development district had contacted the Gregory County Commission. The department has received no indication from the locals not to proceed as recommended and allow that future use permit to lapse.

Chairman Johnson asked if there has been any activity on this permit during the last nine years.

Mr. Feeney answered that currently the Western Minnesota Public Power Agency holds a Federal Energy Regulatory Commission preliminary permit that will run through the end of this year. In the past, other competing entities have filed for preliminary permits so it continues to be a site being evaluated. As the department views it, pairing pumped storage with wind and solar energy has potential, but transmission seems to be the biggest hurdle as far as the Gregory County site to get that peak power to urban areas where it is needed.

Motion by Soholt, seconded by Goldhammer, not to retain Future User Permit No. 2477-2 . Motion carried unanimously.

AMENDMENT TO SRF PROGRAM INVESTMENT ADVISOR AGREEMENT: Jon Peschong reported that on January 4, 2013, the Board of Water and Natural Resources authorized the distribution of a Request for Proposal for an investment manager for the State Revolving Fund Programs. The Request for Proposal provided that, "The board reserves the right to renew the

contract to be awarded to the successful respondent for an additional three-year period if the board considers any contract adjustment to be reasonable, and justified.”

There were nine respondents to the Request for Proposal, and PFM Asset Management was selected as the successful respondent.

At its March 2013, meeting the board approved an agreement with PFM Asset Management from April 1, 2013 to March 31, 2016, with a total contract amount of \$175,000.

PFM Asset Management submitted a letter requesting that the Investment Advisor agreement be extended to March 31, 2019, under the same terms and conditions and the same fees as set forth in the agreement. Mr. Peschong noted that a copy of the request was provided in the board packet.

Through January 2016, approximately \$76,000 had been disbursed to PFM Asset Management, leaving \$99,000 available for disbursement. With the possibility that the Conservancy District will receive future bond proceeds, staff believes a \$50,000 increase to the total contract amount is needed to cover any possible future increase in compensation from the increase of managed funds during the three-year period.

Staff recommended the board approve the First Amendment to the Investment Advisor agreement with PFM Asset Management to serve as investment advisor to the South Dakota Conservancy District for the Clean Water and Drinking Water SRF programs with the new total contract amount not to exceed \$225,000 and an end date of March 31, 2019, and authorize the Chairman to execute the First Amendment to the Investment Advisor agreement.

Motion by Bernhard, seconded by Soholt, to approve the First Amendment to the Investment Advisor agreement with PFM Asset Management to serve as investment advisor to the South Dakota Conservancy District for the Clean Water and Drinking Water State Revolving Fund programs with an amended total contract amount not to exceed \$225,000, a new end date of March 31, 2019, and authorizing the execution of the contract. Motion carried unanimously.

SECOND AMENDMENT TO JOINT POWERS AGREEMENT WITH EAST DAKOTA WATER DEVELOPMENT DISTRICT FOR AQUIFER DELINEATION TECHNICAL ASSISTANCE TO COMMUNITY WATER SYSTEMS: Mr. Peschong reported that in March 2013, the Board of Water and Natural Resources approved a \$65,000 Joint Powers Agreement with East Dakota Water Development District to undertake and complete the updating and implementation of Comprehensive Local Groundwater Protection for Shallow Aquifers in eastern South Dakota.

In March 2015, the board approved the First Amendment to the Joint Powers Agreement extending the agreement until April 2016 because work was delayed due to the Department’s Geological Survey Program investigation of the Upper Vermillion-Missouri aquifer for priority pending water permit applications.

With the agreement ending and work still not finalized for the project, East Dakota Water Development District has submitted a letter requesting to extend the Joint Powers Agreement to June 30, 2017. A copy of the letter was included in the board packet.

Mr. Peschong noted that the authority for this agreement is from the 2013 Omnibus Bill, which ends on June 30, 2017.

Staff recommended the board approve the Second Amendment to the Joint Powers Agreement with East Dakota Water Development District to extend the term to June 1, 2017. This will allow enough time for DENR to process payment requests before the authority lapses.

Motion by Goldhammer, seconded by Bernhard, to adopt **Resolution #2016-45** approving the Second Amendment to the Joint Powers agreement with **East Dakota Water Development District** for aquifer delineation technical assistance to community water systems with an amended end date of June 1, 2017, and authorizing the execution of the contract. Motion carried unanimously.

THIRD AMENDMENT TO JOINT POWERS AGREEMENT WITH CENTRAL SOUTH DAKOTA ENHANCEMENT DISTRICT FOR SRF APPLICATION AND ADMINISTRATION AND DAVIS-BACON MONITORING: Derek Lankford reported that the board has contacted with the planning districts since 2005 to assist entities with State Revolving Fund loan applications and administration, and since 2009 for Davis-Bacon monitoring.

The Central South Dakota Enhancement District has requested an amendment to the Joint Powers agreement by adding \$39,900, bringing the total amount to \$110,700.

Since the second amendment at the June 2015 board meeting, Central South Dakota Enhancement District has prepared more loan applications than anticipated. Costs for SRF application and administration has also gone up since the November 2014 meeting.

Staff recommended the board approve the third amendment to the Joint Powers agreement with the Central South Dakota Enhancement District for SRF loan application and administration and Davis-Bacon monitoring.

Motion by Bernhard, seconded by Soholt, to adopt **Resolution #2016-46** approving the Third Amendment to Joint Powers Agreement in an amount not to exceed \$110,700 to contract for financial services with the Central South Dakota Enhancement District until June 30, 2017, for preparation of SRF applications, administration of loans, and monitoring Davis-Bacon requirements. Motion carried unanimously.

LEAD AND COPPER MONITORING IN SOUTH DAKOTA: Mark Mayer, DENR Drinking Water Program, provided an informational update on South Dakota's monitoring of lead and copper in public water distribution systems. He answered questions from the board.

BOARD OF WATER AND NATURAL RESOURCES SFY 2017 MEETING SCHEDULE: Mr. Perkovich presented the proposed SRF 2017 board meeting schedule.

Jay Gilbertson suggested the board hold its September meeting in the Black Hills to tour nonpoint source projects in the area.

Board of Water and Natural Resources
March 30-31, 2016, Meeting Minutes

Motion by Soholt, seconded by Goldhammer, to adopt the following meeting schedule for FY 2017:

- September 22-23, 2016 (possibly in Spearfish)
- November 9, 2016
- January 5, 2017
- March 30-31, 2017
- June 23-24, 2017

Motion carried unanimously.

JUNE MEETING: The next meeting is scheduled for June 23-24, 2016, at the Matthew Training Center, Foss Building, in Pierre. Mr. Perkovich highlighted some of the agenda items for that meeting.

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

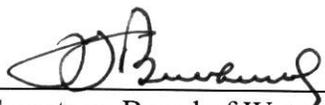
Approved this 23rd day of June, 2016.

(SEAL)



Chairman, Board of Water and Natural Resources

ATTEST:



Secretary, Board of Water and Natural Resources

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE 3-30-16

LOCATION Matthew Training Center - Pierre

Name (PLEASE PRINT)	Address	Representing
Mike Perkovich	Pierre	DENR
Andy Brvels	Pierre	DENR
TAUL GNIRK	New Underwood	BWNR
Jim Putnam	Ammoun	CSEWD
Jeff Fossum	Sioux Falls	City of Canton
Terry Helms	Aberdeen	Helms & Assoc.
Brandan Smil	Aberdeen	Helms + Associates
Larry Thelen	Bismarck, ND	Perkins Co. Rural Wat.
Kristi Waus	Rapid City	Perkins Co RW/AECS
Jean Scholt	Sioux Falls	BWNR
TED HAEDER	WATER TOWN	1 ST DISTRICT
Markus Krutka	Pierre	CSDSD
Doreen Hertz	Westport	Westport
MICHAEL WILSON	WESTPORT	WESTPORT
Diana Baeza	Midland	Midland
Lawrence Stroppel	Midland	Midland
Mae Gunnare	Delmont	Delmont
Robald Blackford	Miller	Miller
Dennis L. Wain	PO Box 106 Chancellor	Chancellor
Linda Laid	Delmont	Delmont
Jim Houston	Brookings	Banner Assoc.

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE 3-30-16

LOCATION Matthew Training Center - Pierre

Name (PLEASE PRINT)	Address	Representing
David Ruhnke	Pierre	DENR
Paul Goldhammer	WALL	BWNR
TERDY HACKETT	WAKONDA	TOWN OF WAKONDA
James Buebright	Miller	City of Miller
Terry Aaker	Mitchell	SPN
Cabe Ansh	Miller	City of Miller
Cabe Laber	Sioux Falls	DGR
Slade Roseland	Faulkton	City of Faulkton
CUREY HANUS	Aberdeen	Helms? ASSOC.
Jedd Reethr	Faulkton	City of Faulkton
DAVID HARRICK	Faulkton	City of Faulkton
Harold Jeering	Aberdeen	Jeering
JUSTIN WELAND	DELL RAPAS	CITY OF DELL RAPAS
Mitch Mergen	stockwell	city of chancellor
Twila Hight	PIERRE	City of PIERRE
HARLAN Quenzer	SPN	mitchel
TODD BERNHARD	FORT PIERRE	BWNR
Jim Auelm	PIERRE	DENR
Jay Gilbertson	Brookings	East Dakota WTD
Jim Feeney	Pierre	DENR
Drew Huisben	Pierre	DENR

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE 3-30-16

LOCATION Matthew Training Center - Pierre

Name (PLEASE PRINT)	Address	Representing
<u>Rob J. Babcock</u>	<u>Aberdeen</u>	<u>Helms & Associates</u>
<u>Matt Odehoren</u>	<u>Rock Rapids, IA</u>	<u>NAR Engineering</u>
<u>Jason Simmons</u>	<u>Pierre</u>	<u>LRC</u>
<u>Val Keller</u>	<u>Pierre</u>	<u>City of Pierre</u>
<u>Bob Mercer</u>	<u>"</u>	<u>Newspapers</u>
<u>Mary Durall</u>	<u>Pierre</u>	<u>Legis Oversight</u>
<u>Larry Furney</u>	<u>Arlington Lake</u>	<u>Lake Poinsett Sanit</u>
<u>Bredya McGeough</u>	<u>Estelline, Lake Poinsett</u>	<u>Lake Poinsett Sanitary District</u>
<u>Leon Schochenmaier</u>	<u>City of Pierre</u>	<u>City of Pierre</u>
<u>Jennifer Stetzema</u>	<u>NECOA</u>	<u>NECOA</u>
<u>Jordan Hintz</u>	<u>NECOG</u>	<u>NECOG</u>
<u>Randy Jencks</u>	<u>ARLINGTON</u>	<u>Kingbrook Rural Water</u>
<u>Jim White</u>	<u>Huron S.D.</u>	<u>Serra Low</u>
<u>Julie Bruchner</u>	<u>Conde</u>	<u>City of Conde</u>
<u>Cindy Smith</u>	<u>Conde</u>	<u>City of Conde</u>
<u>Ted Dickey</u>	<u>Aberdeen</u>	<u>NECOA</u>
<u>Josh Kayser</u>	<u>Emery</u>	<u>City of Emery</u>
<u>Brad Palmer</u>	<u>Pierre</u>	<u>City of Pierre</u>
<u>LYNN TATTON</u>	<u>City of Pierre</u>	<u>City</u>
<u>Clyde FREDRICKSON</u>	<u>CITY OF BRITTON</u>	<u>BRITTON CITY</u>
<u>BRIAN BOCK</u>	<u>City of Britton</u>	<u>Britton City</u>

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE 3-31-16

LOCATION Matthew Training Center

Name (PLEASE PRINT)	Address	Representing
Andy Bruels	Pierre	DENR
Arnold Jeering	Breadon	DENR
LeAnn Kerzman	Dell Rapids	MAP
Jim Putnam	ARMOUR	SEWD
Derek Lankford	Pierre	DENR
Mary Duvall	Pierre	legis Oversight
Jon Paschong	Pierre	DENR
TODD BERNHARD	FORT PIERRE	BWNR
Mike Perkovich	Pierre	DENR
Jeff Fossum	210 N Dakota	Canton
Jerry Schelt	Scan Falls	BWNR
Drew Heisler	Pierre	DENR
Marlene Kautz	Pierre	CSDED
Dave Ruhmke	Pierre	DENR
Bob Moran	"	Newspapers
Jay Gilbertson	Brookings	East Dakota WTD
MARK MAYOR	Pierre	DENR