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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, 2017

MARCH 30, 2017 – 1:00 P.M. CT

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

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

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

BOARD MEMBERS ABSENT: Jackie Lanning.

LEGISLATIVE OVERSIGHT COMMITTEE MEMBER PRESENT: Representative Mary Duvall, Pierre.

OTHERS PRESENT: See attached attendance sheets.

APPROVE AGENDA: Mr. Perkovich noted that there were no changes to the posted agenda. Chairman Johnson approved the agenda.

APPROVE MINUTES OF JANUARY 5 and 11, 2017, MEETINGS: Motion by Gnirk, seconded by Bernhard, to approve the minutes of the January 5, 2017, and January 11, 2017, Board of Water and Natural Resources meetings. Motion carried unanimously.

INTRODUCTIONS: Mr. Perkovich announced that the 2017 Legislative Water Development Oversight Committee has been appointed. The members are Representative Mary Duvall, Pierre, Representative Steve McCleerey, Sisseton, Senator Jason Frerichs, Wilmot, and Senator Terri Haverly, Rapid City. Senator Haverly replaces Senator Jim White.

Mr. Perkovich introduced new employee Abbey Larson, an engineer who replaces Nick Nelson. Mr. Perkovich also introduced Lukus Leidholt, a grant and loan specialist who replaces Derek Lankford.

Mr. Perkovich introduced U.S. Bank National Association representatives Greg Skutnik and Dyan Huhta. Mr. Skutnik is the Assistant Vice President, Global Corporate Trust Services, Seattle, WA. He will be the account manager for the district and the primary contact for the SRF borrowers. Ms.

Huhta is Senior Vice President and Manager of the Relationship Manager Units in the Seattle, Denver, Salt Lake City, Houston, and Dallas offices of U.S. Bank.

APPROVAL OF DOCUMENTS FOR U.S. BANK TRUSTEE TRANSITION: Harold Deering and Katie Mallory, legal counsel for the board, and Bruce Bonjour, bond counsel, Perkins Coie, joined the meeting via telephone conference call.

Mr. Perkovich reported that on September 2, 2016, The First National Bank in Sioux Falls submitted written notice of its resignation as the state revolving funds programs Trustee, Loan Servicer, and Paying Agent/Registrar.

At its September 22-23, 2016, meeting the board authorized the release of a Request for Proposal for Trustee, Loan Servicer, and Paying Agent/Registrar services.

On a teleconference on December 7, 2016, the board approved U.S. Bank National Association to succeed The First National Bank in Sioux Falls as Trustee, Loan Servicer, and Paying Agent/Registrar.

Mr. Perkovich stated that legal staff, bond counsel, and the Office of the Attorney General prepared the following documents as part of the transition:

- Tri-Party Agreement among the Conservancy District, U.S. Bank, and The First National Bank in Sioux Falls for the orderly transition of trust assets and duties;
- Trustee Contract between the Conservancy District and U.S. Bank for services as Trustee, Loan Servicer, and Paying Agent/Registrar; and
- Filing Agent Agreement between the Conservancy District and U.S. Bank for the purpose of obtaining from the Internal Revenue Service on a semiannual basis, the federal subsidy in relation to the Conservancy District's 2010 Build America Bonds.

Harold Deering pointed out that the resolution does authorize the chairman of the Board of Water and Natural Resources to execute those agreements with such changes as the chairman deems necessary.

Staff recommended the board approve a resolution authorizing the Chairman to execute the Tri-Party Agreement, the Trustee Contract, and the Filing Agent Agreement.

Motion by Goldhammer, seconded by Soholt, to adopt **Resolution #2017-17** approving selection of U.S. Bank National Association (U.S. Bank) to provide services as successor Trustee, Loan Servicer, and Paying Agent/Registrar for the Clean Water and Drinking Water State Revolving Fund programs; approving the contract between the board and U.S. Bank, approving the Tri-Party Agreement among the Conservancy District, U.S. Bank, and The First National Bank in Sioux Falls for the transfer of the Trust Estate and duties as Trustee under the Master Trust Indenture to U.S. Bank; approving the Filing Agent Agreement between the Conservancy District and U.S. Bank; and authorizing the secretary of the Department of Environment and Natural Resources to act on its behalf. Motion carried unanimously.

AMENDMENTS TO STATE WATER PLAN, 2017 CLEAN WATER STATE REVOLVING FUND INTENDED USE PLAN, AND 2017 DRINKING WATER STATE REVOLVING FUND INTENDED USE PLAN

Amendments to State Water Plan

Andy Bruels reported that water projects that 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 onto 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 2018.

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.

Eighteen State Water Plan applications were received by the February 1, 2017, deadline. A map showing the location of each project was included in the board packet. While presenting the State Water Plan applications, Mr. Bruels also identified those projects to be placed on the Clean Water SRF and Drinking Water SRF project priority lists.

Chamberlain requested amendment onto the facilities plan to replace approximately 200 water meters and upgrade the automatic meter reading system and transmitters for another 800 meters not being replaced. The estimated total project cost is \$300,000.

The project will be placed on the Drinking Water IUP with 15 priority points and an estimated loan amount of \$250,000 at 2.0 percent interest for 10 years. The project will also be placed onto the Clean Water IUP with eight priority points and an estimated loan amount of \$250,000 at 2.0 percent interest for 10 years.

Garretson requested amendment onto the facilities plan to replace sanitary sewer collection and drinking water pipes within the community. The estimated total project cost is \$3,184,128.

The project will be placed on the Clean Water IUP with nine priority nine points and an estimated loan amount of \$1,160,305 at 2.5 percent interest for 30 years. The project will also be placed on the Drinking Water IUP with 10 priority points and an estimated loan amount of \$1,279,114 at 2.5 percent interest for 30 years.

Hartford requested amendment onto the facilities plan to install sanitary and storm sewer to allow for future development in the southeastern part of the community. The project also includes installation of water lines and upgrading roads to asphalt; however, state funding is not being requested for those portions of the project. The estimated total project cost is \$6,142,037.

The project will be placed on the Clean Water IUP with eight priority points and an estimated loan amount of \$3,908,723 at 2.5 percent interest for 30 years. Mr. Bruels noted that the project will not be placed on the Drinking Water IUP since the project is for future development and not eligible for SRF funding.

Lake Byron Sanitary District requested amendment onto the facilities plan to construct a central wastewater collection and treatment system. The estimated total project cost is \$3,770,504.

The project will be placed on the Clean Water IUP with 12 priority points and an estimated loan amount of \$3,770,504 at 2.5 percent interest for 30 years.

Lake Norden requested amendment onto the facilities plan for upgrades to the wastewater treatment facility to include bank stabilization and rip-rapping of the two oldest treatment ponds and replacement of control valves. The main lift station will also be replaced as a part of the project. The estimated total project cost is \$1,541,000.

The project will be placed on the Clean Water IUP with 13 priority points and an estimated loan amount of \$1,541,000 at 2.5 percent interest for 30 years.

Lennox requested amendment onto the facilities plan to install sanitary and storm sewer to allow for future development in the southern part of the community (Main Street Extension). The project also includes installation of water lines and upgrading roads to asphalt; however, state funding is not being requested for those portions of the project. The estimated total project cost is \$1,164,000.

The project will be placed on the Clean Water IUP with seven priority points and an estimated loan amount of \$727,164 at 2.5 percent interest for 30 years. Mr. Bruels noted that this project will not be placed on the Drinking Water IUP since the project is for future development and not eligible for SRF funding.

Lennox requested amendment onto the facilities plan to replace sanitary sewer collection and drinking water pipes along and adjacent to Cedar and Elm Streets (Central Basin Phase 2). The estimated total project cost is \$2,501,000.

The project will be placed on the Clean Water IUP with nine priority points and an estimated loan amount of \$2,164,768 at 2.5 percent interest for 30 years. The project will also be placed on the Drinking Water IUP with 10 priority points and an estimated loan amount of \$468,061 at 2.25 percent interest for 30 years.

Lennox requested amendment onto the facilities plan to replace sanitary sewer collection and drinking water pipes along and adjacent to Juniper Street (Central Basin Phase 3). The estimated total project cost is \$1,846,000.

The project will be placed on the Clean Water IUP with nine priority points and an estimated loan amount of \$1,563,126 at 2.5 percent interest for 30 years. The project will also be placed on the Drinking Water IUP with 10 priority points and an estimated loan amount of \$434,569 at 2.25 percent interest for 30 years.

Newell requested amendment onto the facilities plan to replace transite drinking water pipes in several locations throughout the community. The estimated total project cost is \$629,847.

The project will be placed on the Drinking Water IUP with 84 priority points and an estimated loan amount of \$314,924 at 2.0 percent interest for 30 years.

Parker requested amendment onto the facilities plan to replace sanitary sewer collection and drinking water pipes along and adjacent to Sanborn Avenue. The estimated total project cost is \$1,405,472.

The project will be placed on the Clean Water IUP with nine priority points and an estimated loan amount of \$717,564 at 2.5 percent interest for 30 years. The project will also be placed on the Drinking Water IUP with 10 priority points and an estimated loan amount of \$687,909 at 2.25 percent interest for 30 years.

Randall Community Water District requested amendment onto the facilities plan to increase the capacity for the system by installing approximately nine miles of mainline distribution and raw water transmission mains. The estimated total project cost is \$7,000,000.

The project will be placed on the Drinking Water IUP with eight priority points and an estimated loan amount of \$7,000,000 at 2.25 percent interest for 30 years.

Sioux Falls requested amendment onto the facilities plan to replace the existing generators at the wastewater treatment facility with energy efficient micro-turbines (Energy Recovery). The estimated total project cost is \$4,929,560.

The project will be placed on the Clean Water IUP with 12 priority points and an estimated loan amount of \$4,929,560 at 1.0 percent interest for 10 years. Mr. Bruels noted that this is the nonpoint source incentive rate as Sioux Falls plans to continue its efforts to implement Best Management Practices along the Big Sioux River. The rate and term will be the same for the remaining three Sioux Falls applications.

Sioux Falls requested amendment onto the facilities plan to construct a 19.3 million-gallon equalization basin adjacent to an existing basin at the city's street campus, which will help provide additional treatment capacity (Equalization Basin Expansion). The estimated total project cost is \$4,988,420.

The project will be placed on the Clean Water IUP with 20 priority points and an estimated loan amount of \$4,988,420 at 1.0 percent interest for 10 years.

Sioux Falls requested amendment onto the facilities plan to replace the city's main wastewater pump station to ensure adequate capacity in the system to handle all sanitary sewer flows (Main Pump Station Replacement). The estimated total project cost is \$25,646,324.

The project will be placed on the Clean Water IUP with 20 priority points and an estimated loan amount of \$25,646,324 at 1.0 percent interest for 10 years.

Sioux Falls had requested amendment onto the facilities plan for construction of storm water management and flood control infrastructure in the southwest portion of the city (Regional Storm Water Improvements).

Mr. Bruels stated that after discussions with the city's engineering staff regarding potential eligibility issues due to the projects flood control aspects, the city decided to withdraw the application and use local funds for the work. Therefore, the project will not be amended onto the State Water Plan or the Clean Water Intended Use Plan.

Tabor requested amendment onto the facilities plan to replace clay sanitary sewer pipes throughout the community. The estimated total project cost is \$4,069,371.

The project will be placed on the Clean Water IUP with nine priority points and an estimated loan amount of \$4,069,371 at 2.5 percent interest for 30 years.

Tyndall requested amendment onto the facilities plan to replace clay sanitary sewer pipes under Maple Street. The estimated total project cost is \$365,300.

The project will be placed on the Clean Water IUP with nine priority points with an estimated loan amount of \$365,300 at 2.5 percent interest for 30 years.

Volga requested amendment onto the facilities plan to install final clarifiers to allow conversion to an activated sludge process and construct sludge drying beds at the wastewater treatment facility to allow the city to continue discharging and maintain compliance. The project includes other upgrades at the wastewater treatment facility and relining or replacement of sanitary sewer main. The estimated total project cost is \$7,766,000.

The project will be placed on the Clean Water IUP with 21 priority points and an estimated loan amount of \$7,766,000 at 2.25 percent interest for 20 years.

Mr. Bruels noted that staff recommended amending all of the projects, with the exception of the Sioux Falls regional storm water improvements project, onto the facilities plan.

Motion by Jones, seconded by Gnirk, to amend all of the projects, except the Sioux Falls regional storm water improvements project, onto the facilities plan. Motion carried unanimously.

Amendments to 2017 Clean Water SRF IUP

Mr. Bruels stated that in addition to the sanitary and storm sewer projects that were placed on the 2017 State Water Plan, staff recommended placing the following project on the Clean Water SRF IUP Project Priority List:

Miller is currently on the State Water Plan for this project, however when preparing the 2017 IUP, the project was inadvertently left off of the project priority list. This is Phase 2 of a project that received funding last year. However, the city chose to use USDA Rural Development to finance the sanitary and storm sewer portion of the project. Miller has submitted a current application for additional sanitary sewer replacement, and that application will be presented later today.

Staff recommended the project be placed on the Clean Water IUP with 11 priority points and an estimated loan amount of \$3,875,000 at 2.5 percent interest for 30 years.

Changes were made to Attachments - II and III to reflect the changes made earlier in the IUP.

Staff recommended the addition of the following 16 projects onto the Project Priority list of the 2017 Clean Water SRF IUP.

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
21	Volga	\$7,766,000	2.25%, 20 years
20	Sioux Falls – EQ Basin	\$4,988,420	1.0%, 10 years
20	Sioux Falls – Main Pump	\$25,646,324	1.0%, 10 years
13	Lake Norden	\$1,541,000	2.5%, 30 years
12	Lake Byron Sanitary District	\$3,770,504	2.5%, 30 years
12	Sioux Falls – Energy Recovery	\$4,929,560	1.0%, 10 years
11	Miller	\$3,875,000	2.5%, 30 years
9	Garretson	\$1,160,305	2.5%, 30 years
9	Lennox – Central Basin Ph. 2	\$2,164,768	2.5%, 30 years
9	Lennox – Central Basin Ph. 3	\$1,563,126	2.5%, 30 years
9	Parker	\$717,564	2.5%, 30 years
9	Tabor	\$4,069,371	2.5%, 30 years
9	Tyndall	\$365,300	2.5%, 30 years
8	Hartford	\$3,908,723	2.5%, 30 years
8	Chamberlain	\$250,000	2.0%, 10 years
7	Lennox – Main Street	\$727,164	2.5%, 30 years

Motion by Gnirk, seconded by Bernhard, to accept the staff recommendations regarding amendments to the Clean Water SRF IUP. Motion carried unanimously.

Amendments to 2017 Drinking Water SRF IUP

Mr. Bruels stated that in addition to the drinking water projects that were placed on the 2017 State Water Plan, staff recommended placing one additional project on the Drinking Water SRF Project Priority List.

Onida previously received a \$905,000 Drinking Water SRF loan and a \$900,000 Consolidated grant. The city constructed a water storage tower and installed meters with the existing funding. The city originally planned to replace several valves and loop lines in locations throughout the city. In the past year, Onida also completed a sanitary sewer analysis, and it was determined that improvements in some locations are needed immediately. With the street being open, it makes sense to replace the water main at the same time since it would be needed in the near future. Onida submitted a request to amend the existing funding awards for this new water main work and has submitted a new funding application for the increased total costs. Both of these requests will be presented later in the meeting. The estimated total project cost for the new work is \$1,996,000.

Staff recommended placing the project on the Drinking Water IUP with 24 priority points and an estimated loan amount of \$950,000 at 2.25 percent interest for 20 years.

Mr. Bruels noted that changes were made to Attachments - II and III to reflect the changes made earlier in the IUP.

Staff recommends the addition of the following eight projects onto the Project Priority list of the Drinking Water SRF IUP.

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
84	Newell	\$314,924	2.0%, 30 years
24	Onida	\$950,000	2.25%, 20 years
15	Chamberlain	\$250,000	2.0%, 10 years
10	Garretson	\$1,279,114	2.5%, 30 years
10	Lennox – Central Basin Ph. 2	\$468,061	2.25%, 30 years
10	Lennox – Central Basin Ph. 3	\$434,569	2.25%, 30 years
10	Parker	\$687,909	2.25%, 30 years
8	Randall CWD	\$7,000,000	2.25%, 30 years

Motion by Gnirk, seconded by Soholt, to accept the staff recommendation regarding amendments to the 2017 Drinking Water SRF IUP. Motion carried unanimously.

EDGEMONT REQUEST TO AMEND DRINKING WATER STATE REVOLVING FUND LOAN C462216-01 AND CONSOLIDATED WATER FACILITIES CONSTRUCTION PROGRAM GRANT 2016G-200:

Drew Huisken reported that in June 2015, the board awarded a \$1,890,000 Drinking Water SRF loan and a \$2,000,000 Consolidated Water Facilities Construction Program grant to the city of Edgemont. These funds were to construct a water treatment plant and elevated storage tank, replace distribution lines, and rehabilitate city wells No. 2 and No. 4.

During the rehabilitation of city well No. 4, the casing was found to be in worse condition than expected. The condition of well No. 2 was anticipated to be even worse, and it was concluded that project would most likely be unsuccessful. Therefore, the rehabilitation project for well No.2 was abandoned and the contract dissolved.

Without well No. 2, the city of Edgemont will need an additional water supply. Edgemont is proposing to construct a well adjacent to well No. 2 to provide another viable water source. Preliminary cost estimates for the well are \$550,000, which, in combination with the costs of the other proposed projects, exceed the amount of funding currently in the project. The city of Edgemont is planning to submit a Drinking Water SRF loan application for the additional funds but also wishes to use any surplus in the existing funding to pay for construction of the well.

On February 13, 2017, the department received a letter from the city of Edgemont requesting that the scope of the existing funding be amended to include expenses associated with construction of the well. Plugging of well No. 2 will also be included in this project.

Staff recommended approving the amendments to the Edgemont Drinking Water SRF Loan and Consolidated Grant Agreement for a change in project scope.

Motion by Goldhammer, seconded by Gnirk, to adopt **Resolution #2017-18** approving the first amendment to the city of **Edgemont** Drinking Water SRF loan for a change in project scope to include the construction of a well to provide water supply and plugging of well No. 2.; and to adopt **Resolution #2017-19** approving the first amendment to the city of **Edgemont** Consolidated Program grant agreement 2016G-200 for a change in project scope to include the construction of a well to provide water supply and plugging of well No. 2. Motion carried with Bernhard, Goldhammer, Gnirk, Soholt, and Johnson voting yes. Jones abstained.

TC&G WATER ASSOCIATION, INC. REQUEST TO AMEND DRINKING WATER STATE REVOLVING FUND LOAN C462479-01: Drew Huisken reported that in June 2015, the board awarded a \$210,000 Drinking Water SRF loan and a \$1,390,000 Consolidated Water Facilities Construction Program grant to TC&G Water Association. The funds were for the replacement of 140 water meters, installation of a booster station, and replacement of 94,000 feet of two-inch to five-inch PVC and six-inch ductile iron pipe throughout the system with six-inch PVC water main.

On March 3, 2017, the department received a letter from TC&G Water Association requesting additional funding assistance from the Board of Water and Natural Resources in the amount of \$775,000. TC&G Water Association received requests from 10 users to be added to the water system. In order to add these users to the system, approximately 40,000 feet of additional line is needed as well as improvements to the east booster station, an upsize from six-inch to eight-inch water main in some locations to achieve sufficient capacity, meter and meter pit installations, and other necessary appurtenances. The estimated cost of this work is \$775,000, bringing total project costs to \$2,890,000.

Staff recommended the board rescind Resolution #2015-82, effectively deobligating the \$210,000 Drinking Water SRF loan and award TC&G Water Association a \$985,000 Drinking Water State Revolving Fund Loan at 2.25 percent interest for 30 years. Staff recommended that the loan be contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of system revenues as repayment for the loan and contingent upon the borrower approving a security agreement and mortgage.

Chancey Shrake, Brosz Engineering, discussed the project and answered questions from the board.

Dave Ruhnke noted that TC&G has a small loan from Moreau-Grand Electric and a small loan from Western Dakota Bank of Timber Lake. TC&G requested a waiver of the loan parity agreement SRF requirements so the SRF loan can be closed quickly. Mr. Ruhnke stated that the recommended SRF loan agreement does not provide for a parity agreement.

Motion by Soholt, seconded by Jones, to rescind Resolution #2015-82, and to adopt **Resolution #2017-20** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$985,000 at 2.25 percent interest for 30 years to the **TC&G Water Association** for system upgrades; 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 system revenues as repayment for the loan and contingent upon the borrower approving a security agreement and mortgage. Motion carried unanimously.

ONIDA REQUEST TO AMEND DRINKING WATER STATE REVOLVING FUND LOAN C462234-01 AND CONSOLIDATED WATER FACILITIES CONSTRUCTION PROGRAM

GRANT 2015G-301: Andy Bruels reported that in September 2014 the board awarded a \$905,000 Drinking Water SRF loan and a \$900,000 Consolidated grant to the city of Onida. The funds were to construct a water storage tank, install automatic read meters, install lines to loop the system, and install additional hydrants and valves.

Onida has completed construction of the water storage tower and has installed the water meters. The city recently completed a wastewater system study which identified several areas with severe deficiencies in the sanitary sewer collection system in need of replacement. Under the same streets as the deficient sanitary sewer collection pipes are primarily asbestos cement water main, which is beyond its useful life and in need of replacement. It makes economic sense to replace both water and wastewater lines at the same time. Looping of the water system and additional hydrants and valves are not critical issues and will be planned for a future project.

The city has requested that the board amend the scope of the current grant and loan to include replacement of the water distribution main under the identified streets so that all underground utility upgrades can be completed at the same time. To amend the scope of the grant and loan agreements, first amendments to the Loan Agreement and Grant Agreement have been prepared with assistance from the department's legal counsel and the Attorney General's office.

Staff recommended the board approve the first amendments to the Onida Drinking Water SRF Loan and Consolidated grant agreements for a change in project scope.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution #2017-21** approving the first amendment to the city of **Onida** Drinking Water SRF loan for a change in project scope to include the replacement of the water main distribution pipe; and to adopt **Resolution #2017-22** approving the first amendment to city of **Onida** Consolidated Program grant agreement 2015G-301 for a change in project scope to include the replacement of the water main distribution pipe. Motion carried unanimously.

DENR REQUEST TO AMEND SOLID WASTE MANAGEMENT PROGRAM GRANT 2017G-

SW-201: Drew Huisken reported that on May 11, 2016, the Board of Water and Natural Resources awarded the Department of Environment of Natural Resources a \$250,000 Solid Waste Management Program grant for up to 100 percent of eligible project costs and a \$400,000 Solid Waste Management Program grant for up to 80 percent of eligible project costs. The funds will be used for projects associated waste tire and other solid waste cleanups throughout the state.

In 2016, the department used Solid Waste funding to assist with the disposal of 3,025 tons of waste tires in southeast South Dakota. Solid Waste funding has also assisted with cleanup of expired chemicals in thirty school districts across the state since 2011.

In a March 7, 2017 letter, the department requested an additional \$250,000 at 80 percent cost share for eligible expenses to continue efforts to cost share school chemical disposal projects throughout the state and to assist with up to four regional waste tire cleanups.

The additional funds will allow the department to aid local residents with proper disposal of waste tires and school districts with hazardous chemical waste. Tire cleanups are anticipated to begin in the spring and summer of 2017, and school chemical cleanup sub-grants will be awarded as they are received.

Staff recommended approving the first amendment to Solid Waste Management Program Grant 2017G-SW-201 for an additional \$250,000 in grant funding.

Motion by Goldhammer, seconded by Jones, to adopt **Resolution #2017-23** approving the amendment of Solid Waste Management Program grant agreement 2017G-SW-201 to the **South Dakota Department of Environment and Natural Resources** for up to 80 percent of approved total project costs not to exceed \$650,000 for waste tire and other solid waste cleanup projects. Motion carried unanimously.

AVAILABLE FUNDING: Mr. Perkovich reviewed available funds for the Consolidated Water Facilities Construction Program, Drinking Water SRF Principal Forgiveness, Drinking Water SRF Loans, Clean Water SRF Water Quality Grants, Clean Water SRF Principal Forgiveness, and Clean Water SRF Loans.

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. A map showing the location of the applications was included in the board packet. The board made funding decisions the following day.

Summerset requested funding to construct an equalization basin for incoming wastewater, an effluent filter, and a building to enclose exterior treatment processes. The current facility has problems consistently meeting discharge permit limits and is under a compliance order by the department to take corrective action.

Summerset anticipates bidding the project in June 2017 with project completion in February 2018.

The estimated total project cost is \$2,769,000, and the amount requested is \$2,769,000.

Summerset has a flat rate of \$42.70.

Staff recommended awarding a \$1,769,000 Clean Water SRF loan at 2.5 percent interest for 30 years, awarding a Water Quality grant for 27.5 percent of eligible costs not to exceed \$760,000, and awarding a Consolidated grant for 8.7 percent of eligible costs not to exceed \$240,000.

Summerset has pledged a project surcharge for repayment of the loan. The surcharge required for repayment of the loan is \$7.90, which would bring overall rates to \$50.60. Staff analysis indicates the city should be able to restructure and keep rates at or below \$45.00.

Staff recommended the SRF loan being 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.

Staff also recommended that the following special condition be included on the Consolidated and Water Quality grant agreements: Grant Funds will be drawn concurrently with the Clean Water State Revolving Fund loan awarded for this project.

Chris Robinson, HDR Engineering, discussed the project and answered questions from the board.

Sturgis requested funding for improvements to its wastewater collection and treatment systems. The collection system work involves slip lining approximately 31,500 feet of clay tile pipe and replacing the interceptor line that carries the majority of wastewater from Sturgis to the wastewater treatment facility. The existing line is 15 inches in diameter and will be replaced with a 21-inch line to increase capacity. The city is proposing to replace its existing stabilization ponds and irrigation system with a membrane bio-reactor system. The project also involves removing and disposing the bio solids that have accumulated in the existing treatment stabilization ponds. Those ponds will be converted to an aerated pond system for handling future bio solids.

The city anticipates bidding the project in June 2018 with completion in September 2020.

The estimated total project cost is \$16,647,000, and the amount requested is \$16,647,000.

Sturgis has a flat rate of \$26.66.

The cost to operate the membrane reactor system is significantly higher than operating the existing treatment system. The increased operation cost is \$617,000 per year, which equates to \$13.50 per user per month.

Staff recommended awarding a \$16,247,000 Clean Water SRF loan at 2.5 percent interest for 30 years with 9.9 percent as principal forgiveness not to exceed \$1,600,000. Staff also recommended awarding a Consolidated grant for 2.5 percent of eligible costs not to exceed \$400,000.

Sturgis is pledging a project surcharge for repayment of the loan. A surcharge of approximately \$16.80 is needed for repayment of the \$14,647,000 net loan. If the surcharge and the \$13.50 needed for additional operating costs are added to the existing rates, an overall rate of nearly \$57.00 would be expected. In the past, Sturgis has made inter-fund loans to other funds and transferred funds out of the wastewater fund. Staff believes the city can operate the system and repay debt with rates of about \$50.00 if these transfers are discontinued.

Staff recommended the loan being 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.

Ted Schultz, AE2S Engineering, answered questions from the board.

Blunt requested funding to refurbish its existing three-cell wastewater lagoon treatment system and rehabilitate both existing lift stations. The lagoon system is experiencing odor issues, and the city has been receiving complaints about leakage from the lagoons.

The city anticipated bidding the project in April 2017 with project completion in November 2017.

The estimated total project cost is \$1,210,000, and the amount requested is \$1,210,000.

Rates in Blunt were raised from a flat rate of \$23.00 to \$30.00 effective January 1, 2017.

Mr. Perkovich stated that staff just became aware that Blunt has applied for a \$515,000 Community Development Block Grant (CDBG). In the past, if a project was funded by the Board of Water and Natural Resources, CDBG may decline to provide grant funds. Also, without knowing the amount of funds CDBG may provide, it makes it difficult for staff to develop a viable grant and loan package. Staff believes that it would be best to wait until after CDBG has announced its funding awards to determine the staff recommendation for funding. CDBG applications are due April 1 and awards are made sometime in late May or early June. Staff recommended deferring the application until the June 2017, Board of Water and Natural Resources meeting.

Marlene Knutson, Central South Dakota Enhancement District, answered questions from the board.

Sioux Falls requested funding for improvements to the mixing system of three primary digesters and to replace the existing floating covers. The project also includes a nonpoint source component to install best management practices in the Big Sioux River Basin.

Sioux Falls anticipates bidding the digester improvements in April or May of 2017 with completion in May 2019.

The estimated total project cost is \$11,559,125, and the amount requested is \$11,559,125.

Rates in Sioux Falls are \$30.67 for 5,000 gallons usage.

Staff recommended awarding an \$11,559,125 Clean Water SRF loan at the Nonpoint Source incentive rate of 1.0 percent interest for 10 years, which will consist of two bond series – one in the amount of \$11,000,000 for the digester improvements and one in the amount of \$559,125 for the nonpoint source component.

The city has pledged system revenues for repayment of the loan. Staff analysis originally indicated that a rate increase would be needed to meet the required 110 percent debt coverage. However, after recent discussions with the city and further analysis, staff believes Sioux Falls can restructure its existing surcharges, and no rate increase will be needed.

Staff recommended the loan being contingent upon the borrower adopting two bond resolutions and the resolutions becoming effective and contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage.

Staff also recommended including the following special condition: It shall be a condition of the loan that the borrower may not draw funds from the proceeds of the Series NPS-A Borrower Bond until EPA approves the revised budget for the Big Sioux Watershed Implementation Project.

Miller requested funding for Phase II of its effort to replace sanitary sewer throughout the city. The project will replace approximately 9,700 feet of eight-inch sewer main, 2,300 feet of 12-inch sewer main, and 400 feet of 18-inch sewer main, as well as several manholes and other appurtenances.

Miller anticipates bidding the project in November 2017 with project completion in November 2018.

The estimated total project cost is \$3,876,886 and the amount requested is \$3,875,000

Miller has a flat rate of \$40.40.

Staff recommended awarding a \$1,875,000 Clean Water SRF loan at 2.5 percent interest for 30 years and awarding a Consolidated grant for 51.6 percent of eligible costs not to exceed \$2,000,000.

Miller has pledged a project surcharge for repayment of the loan. A \$10.60 surcharge is required to meet the 110 percent coverage requirement. This would bring overall rates to \$51.00. Mr. Perkovich noted that the \$2,000,000 Consolidated grant is the maximum amount allowable without legislative approval, and Miller does not meet the eligibility criteria to receive Clean Water SRF principal forgiveness.

Staff recommended the loan being 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.

Staff also recommended that the following special condition be placed on the Consolidated grant: Grant funds will be drawn concurrently with the Clean Water State Revolving Fund loan awarded for this project.

Camden Hofer, SPN and Associates, answered questions from the board.

Salem requested funding to replace of approximately 7,500 feet of aged and deteriorating clay pipe.

The city anticipates bidding the project in January 2018 with project completion in November 2018.

The estimated total project cost is \$2,556,000 and the amount requested is \$2,556,000.

Rates in Salem were raised from a flat rate of \$23.50 to \$30.00 effective January 1, 2017.

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Staff recommended awarding a \$2,556,000 Clean Water SRF loan at 2.5 percent interest for 30 years.

The city has pledged a project surcharge for repayment of the loan. A surcharge of \$17.75 is required for repayment of the loan. Staff analysis indicates rates can be restructured, and an overall rate of \$40.00 or less will cover debt service and operating expenses.

Staff recommended the loan being 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.

Onida requested funding to replace approximately 8,200 feet of clay sewer lines that can be replaced in conjunction with asbestos cement water lines and approximately 3,000 feet of services lines. The city is also replacing the existing submersible lift station with a wet well/dry well lift station.

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

The estimated total project cost is \$2,900,000, and the amount requested is \$2,400,000. Onida has pledged \$500,000 in local cash towards the project.

Onida has a flat rate of \$17.00.

Staff recommended awarding a \$2,400,000 Clean Water SRF loan at 2.5 percent interest for 30 years.

The city has pledged a project surcharge for repayment of the loan. A surcharge of \$27.90 is required for repayment of the loan. Staff analysis indicates the rates can be restructured, and an overall rate of \$40.00 or less will cover debt service and operating expenses.

Staff recommended the loan being 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.

Camden Hofer, SPN and Associates and Bob Porter, city council, answered questions from the board.

Gregory requested funding to replace the clay pipe along Felton Street between 4th Street and 2nd Street. This location has experienced structural deficiencies and excess infiltration.

The city anticipates bidding the project in June 2017 with completion in October 2017.

The estimated total project cost is \$334,000, and the amount requested is \$260,000. Gregory has pledged \$74,000 in local cash towards the project.

Rates in Gregory are \$32.00 based on 5,000 gallons usage.

Staff recommended awarding a \$260,000 Clean Water SRF loan at 2.25 percent interest for 20 years.

Gregory has pledged a project surcharge for repayment of the loan. A surcharge of \$2.15 will provide the required coverage, raising rates to \$34.15.

Staff recommended the award being 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.

Eric Ambrosion, Planning and Development District III, answered questions from the board.

Colton requested funding to replace approximately 5,500 feet of clay sanitary sewer on Main and First Streets to address infiltration issues.

Colton anticipates bidding the project in July 2017 with project completion in December 2017.

The estimated total project cost is \$1,385,000, and the amount requested is \$1,385,000.

Rates in Colton are \$25.50 based on 5,000 gallons usage.

The city has a system-wide problem with infiltration and inflow and has identified an additional \$3,000,000 of work to be undertaken to address this problem.

Staff recommended awarding a \$1,385,000 Clean Water SRF loan at 2.5 percent interest for 30 years.

Colton has pledged a project surcharge for repayment of the loan. A surcharge of \$19.45 is needed to provide the required coverage. Staff analysis indicates the existing rates can be restructured and that overall rates of approximately \$40.00 would be needed to cover debt service on the loan and operating expenses.

Staff recommended the award being 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 on the borrower submitting the annual documentation required for loans currently in repayment to the district.

Heather Madison, city administrator, and Gregg Jorgenson, Banner Associates, answered questions from the board.

Lake Norden requested funding to slip line approximately 8,500 feet of sanitary sewer collection pipe and line 188 manholes to rehabilitate areas within the collection system that have been identified to have severe or moderate deficiencies. The project also includes cleaning and televising an additional 8,900 feet of the system to determine if additional rehabilitation is necessary.

Lake Norden anticipates bidding the project in July 2017 with project completion in December 2017.

The estimated total project cost is \$1,606,800, and the amount requested is \$1,606,800.

Lake Norden's rates are \$19.80 based on 5,000 gallons usage.

Staff recommended awarding a \$1,285,000 Clean Water SRF loan at 2.5 percent interest for 30 years and awarding a Consolidated grant for 20 percent of eligible costs not to exceed \$321,000.

Lake Norden has pledged a project surcharge for repayment of the loan. A surcharge of \$22.00 is needed for the required coverage on a \$1,285,000 loan. This would result in overall rates of about \$41.80. Lake Norden has identified an upcoming \$1,500,000 project to address deficiencies at its wastewater treatment facility and replace a lift station. The upcoming televising could detect additional lines to be replaced. For these reasons, staff believes it is reasonable to provide this level of subsidy.

Staff recommended the award being 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.

Gregg Jorgenson, Banner Associates, and Mayor Jason Aho, discussed the project and answered questions from the board.

Centerville requested funding to replace storm sewer on Main Street. The storm sewer will increase capacity and alleviate flooding problems that occur during large storm events.

Centerville anticipates bidding the project in April 2017 with project completion in December 2017.

The estimated total project cost is \$346,000, and the amount requested is \$240,000. Centerville has received a Department of Transportation Community Access Grant for the balance of the project cost.

Rates in Centerville are \$36.50 based on 5,000 gallons usage.

Staff recommended awarding a \$240,000 Clean Water SRF loan at 2.5 percent interest for 30 years.

Centerville has pledged system revenues for repayment of the loan. Staff analysis indicates that current rates provide 130 percent coverage.

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

Jared Hybertson, Centerville Development Corporation, answered questions from the board.

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

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

Hermosa has two wells to supply the community with water. One of the wells has experienced radionuclide violations. Due to these compliance violations, the well has been taken out of operation, and the town is currently unable to supply enough water to meet peak day demand. With only one well in service, the town does not have a redundant water supply. This project would investigate the different well production zones of the noncompliant well to isolate and plug off zones negatively impacting the water quality to provide the town with a second source of water. A portion of the community on the western edge is experiencing low pressure problems. This project would alleviate those pressure issues by installing a booster station to increase pressures to this area.

Hermosa anticipates bidding the project in June 2017 with project completion in August 2017.

The estimated total project cost is \$199,000, and the amount requested is \$199,000.

Hermosa's rates are \$30.00 per 5,000 gallons usage.

In developing alternatives for ways to provide a quality water source for the community, several options were reviewed to include blending of both of the town's existing wells, purchasing a private well, drilling a well several miles from town, treatment of the existing well, or regional water supply from the Southern Black Hills Water System.

Mr. Bruels reported that staff attended meetings and discussed alternatives with the town and has encouraged the regionalization alternative specifically. Southern Black Hills has given the town a proposal to serve them from a nearby well. The town has made the decision to apply for funding for the proposed project.

Staff recommended awarding a \$199,000 Drinking Water SRF loan at 2.0 percent interest for 30 years.

Hermosa has pledged a project surcharge for repayment of the loan. Staff analysis indicates a surcharge of \$3.50 is needed to provide the required 110 percent coverage. This would raise the overall rates in Hermosa to \$33.50 based on 5,000 gallons usage.

Staff recommended the award being 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.

Linda Cramer, town board president, Dan Holzworth, board trustee, and Keith Andersen, Andersen Engineering, discussed the project and answered questions from the board.

Langford requested funding to construct a 75,000-gallon elevated storage tank and a pump house building to house a 4,000-gallon ground storage tank, along with pumps and controls to supply the elevated tank. The project also involves replacing approximately 4,200 feet of four-inch asbestos cement water main with six-inch PVC main. All of the town's water meters will also be replaced. Langford does not have adequate equalization and emergency storage available with its current

30,000-gallon elevated tank. Frequent line breaks in the existing pipe, which is past its design life, contribute to water loss in the system.

The town of Langford anticipates bidding the project in June 2017 with project completion in December 2017.

The estimated total project cost is \$1,921,000, and the amount requested is \$1,921,000.

Langford's rates are \$48.00 per 5,000 gallons usage.

Mr. Bruels stated that Langford has applied for Community Development Block Grant (CDBG) funding. In the past if a project is fully funded by the Board, CDBG may decline to provide any grant funds. Also, without knowing the amount of funds CDBG may be able to provide it makes it difficult for staff to develop a viable grant and loan package to ensure rates in Langford remain affordable. Staff believes that it would be best to wait until after CDBG has announced their funding awards, likely in early June, to determine our funding recommendation.

Mr. Bruels said staff understands that Langford has indicated a construction start of June 2017, however with unknown CDBG funding and the time it would take to close an SRF loan it is more likely that it will be a 2018 construction project.

Staff recommended deferring action on Langford's funding application until the June 2017 meeting.

Gabe Laber, DGR Engineering, answered questions from the board.

Yankton requested funding for the construction of a five-million gallon per day water treatment facility using reverse osmosis. The newest existing treatment plant will be directly connected as a part of this project to have all treatment in one location. The older of the two existing water treatment facilities will be decommissioned after the treatment facility is operational.

The city opened bids for the project on March 24, 2017. Five bids were received, and the bids were very close to the engineer's project estimate. Yankton anticipates project completion in August 2019.

The estimated total project cost is \$39,274,540, and the amount requested is \$37,000,000.

Yankton's rates are \$45.76 per 5,000 gallons usage.

Staff recommended awarding a \$37,000,000 Drinking Water SRF loan at 2.25 percent interest for 30 years.

Yankton has pledged a project surcharge as repayment of the loan. The city has implemented a surcharge that is being increased incrementally each year. They have already begun collecting a portion of the needed surcharge. The overall rates will be \$54.50 based on 5,000 gallons usage upon project completion. Of this amount, about \$27.50 will be surcharges used for repayment of this loan and prior debt.

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

Kyle Goodmanson, city of Yankton, and Steve Quail, HDR Engineering, answered questions from the board.

Lesterville requested funding to replace 4,050 feet of four-inch and six-inch cast iron and asbestos cement pipe with six-inch PVC water main. The project will also loop the distribution system by installing approximately 1,350 feet of six-inch PVC main on the east and south sides of town. Lead service lines from the cast-iron main will also be replaced. Lesterville has water losses in excess of 37 percent and dead end lines.

The town anticipates bidding the project in May 2017 with project completion in October 2017.

The estimated total project cost is \$453,000, and the amount requested is \$453,000.

Lesterville's rates are \$40.00 per 5,000 gallons usage.

Staff recommended awarding a Consolidated grant for 78 percent of the approved total project costs not to exceed \$353,000 and awarding a \$100,000 Consolidated loan at 2.5 percent interest for 30 years.

Lesterville is pledging a project surcharge for repayment of the loan. Staff analysis indicates a surcharge of \$6.40 is needed to provide the required coverage, which will bring overall rates to \$46.40. Consolidated loans require 100 percent debt coverage rather than the 110 percent required for SRF loans. Lesterville has an existing Consolidated loan. If Lesterville was awarded a SRF loan, the surcharge on the existing loan would have to be raised to meet the 110 percent requirement. Because of this, and the fact that there are only 62 users, staff believes a Consolidated loan is a better option.

Staff recommended the award being 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.

Vern Arens, DGR Engineering, and representatives of Lesterville, discussed the project and answered questions from the board.

Onida requested funding to replace 9,100 feet of asbestos cement water lines, 4,700 feet of services lines, hydrants, valves, and other appurtenances. The project will be done in conjunction with the sanitary sewer replacement project presented earlier.

Onida anticipates bidding the project in October 2017 with project completion in October 2018.

The estimated total project cost is \$1,996,000, and the amount requested is \$950,000. The remainder of the funding package includes \$480,000 in local cash and \$566,000 from a previous funding package.

Onida's rates are \$35.55 per 5,000 gallons usage.

Mr. Bruels noted that earlier in the meeting, the Board approved a request by Onida to amend the scope of its existing grant and loan funding package to include the work on this project and reduce the amount needed in additional funds. The city is also considering an additional phase after this project to replace additional water lines and complete the original looping.

Staff recommended awarding a \$950,000 Drinking Water SRF loan at 2.25 percent interest for 20 years with 26.4 percent as principal forgiveness not to exceed \$250,000.

Onida has pledged a project surcharge for repayment of the loan. A surcharge of \$10.15 is needed to provide the required coverage on a \$700,000 loan, which will bring overall rates to \$45.70 for 5,000 gallons. While this would keep rates below \$50.00, subsidy was provided recognizing that rates of over \$50.00 will be needed to complete the second phase of the distribution system replacement project.

Another possibility to reduce rates would have been to take the loan at a rate/term of 2.5 percent interest for 30 years which would reduce the monthly debt by another \$2.40 and total rates to \$43.30. This option was offered to the city, and DENR staff was informed of the city's preference for the 20 year loan.

Staff recommended the award being 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.

Camden Hofer, SPN and Associates, and Bob Porter, city council, answered questions from the board.

B-Y Water District requested funding to construct a 3,400,000-gallon pre-stressed concrete ground storage reservoir. This will supply additional storage to increase system reliability by reducing the impact of unexpected plant shutdowns due to natural events or mechanical issues.

B-Y Water District anticipates bidding the project in June 2017 with project completion in September 2018.

The estimated total project cost is \$4,795,747, and the amount requested is \$4,700,000. The water district will contribute \$95,747 in local cash.

The water district's rates are \$73.25 per 7,000 gallons usage.

Staff recommended awarding a \$4,700,000 Drinking Water SRF loan at 2.5 percent interest for 30 years.

B-Y Water District has pledged system revenue for repayment of the loan. Staff analysis indicates existing revenues will provide coverage of 114 percent.

Staff recommended the award being contingent upon the borrower adopting a bond resolution and the resolution becoming effective, 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, the borrower, and the district.

Terry Hacecky and Terry Wooten, B-Y Water District, answered questions from the board.

Martin requested funding to complete the first phase of a multi-phase project to replace and install water main throughout the city. This project will replace existing two-inch water main on 4th Avenue, replace water main on Dorothy Street between Fourth and Fifth Avenues, and install water main on 5th Avenue where none currently exists. Water meters for services on these streets will also be replaced as part of this project.

The city anticipates bidding the project in January 2018 with completion in August 2018.

The estimated total project cost is \$633,000, and the amount requested is \$633,000.

Martin's rates are \$27.00 per 5,000 gallons usage.

Staff recommended awarding a \$633,000 Drinking Water SRF loan at 2.0 percent interest for 30 years.

The city has pledged a project surcharge for repayment of the loan. Staff analysis indicates a surcharge of \$5.75 is needed to provide the 110 percent coverage. This would raise the overall rates in Martin to \$32.75 based on 5,000 gallons usage.

Staff recommended the award being 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.

Dana Foreman, KLJ Engineering, and Paul Noel, city of Martin, answered questions from the board.

Colton requested funding to replace ductile iron and asbestos concrete water main on Main, First, and Sherman Streets with approximately 7,000 feet of eight-inch PVC water main. The new main will complete a loop on the north side of town. The current water main is past its useful life, and the city is experiencing issues with water loss. This project will be done in conjunction with the sanitary sewer replacement project.

Colton anticipates bidding the project in July 2017 with project completion in December 2017.

The estimated total project cost is \$1,315,000, and the amount requested is \$1,315,000.

Rates in Colton are \$44.95 per 5,000 gallons usage.

Staff recommended awarding a Consolidated grant at 62 percent of approved total project costs not to exceed \$815,000 and awarding a \$500,000 Drinking Water SRF loan at 2.5 percent interest for 30 years.

The city is pledging a project surcharge for repayment of the loan. A \$7.00 surcharge is required to provide coverage on the loan. Staff analysis indicates Colton could restructure its rates and cover existing debt obligations, operating expenses, and the surcharge without a rate increase. Colton has identified other areas within the community where water lines need to be replaced, and rates will likely be at or above \$50.00 when that additional work is funded.

Staff recommended the award being 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 on the borrower submitting the annual documentation required for loans currently in repayment to the District.

Staff recommended the loan include the following Special Condition: It shall be a condition of the loan that the borrower complete an O&M manual and required board training as outlined in the department's capacity letter prior to drawing more than 50 percent of the loan.

Staff also recommended the following Special Condition being included on the grant agreement: Grant funds for reimbursement of project costs must be drawn concurrently with the Drinking Water SRF loan funds.

Heather Madison, city administrator, answered questions from the board.

Pine Cliff Park Water and Maintenance, Inc. requested funding to replace approximately 1,750 feet of six-inch water main between the system's wells and the existing storage reservoir. Pine Cliff Park is also proposing to replace and re-route another 950 feet of six-inch water main from the storage reservoir to Pine Cliff Drive. The lines to be replaced have experienced numerous breaks recently, the cause of which is attributed to insufficient bedding.

Pine Cliff Park anticipates bidding the project in June 2017 with completion in September 2017.

The estimated total project cost is \$463,607, and the amount requested is \$463,607.

Pine Cliff Park's rates are \$69.00 per 7,000 gallons usage. Pine Cliff Water and Maintenance, Inc. serves a 70 home subdivision located west of Rapid City near Johnson Siding.

Staff recommended awarding a Consolidated grant at 24.9 percent of approved total project costs not to exceed \$115,000 and awarding a \$348,000 Drinking Water SRF loan at 2.25 percent interest for 20 years.

Pine Cliff Park has pledged system revenue for repayment of the loan. Staff analysis indicates a rate increase of approximately \$28.40 is needed to provide the required debt coverage. If added to the existing rates, overall rates would be \$97.40 for 7,000 gallons usage. With the recent rate increase, staff believes that rates of \$90.00 or less would be sufficient to operate the system and provide the required debt coverage.

Staff recommended the award being 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 the borrower establishing rates at a level sufficient to provide the required debt coverage, and contingent upon an Inter-creditor Agreement being approved and executed by Rural Utilities Service, the borrower, and the district.

Staff also recommended the following Loan Special Condition: It shall be a condition of the Loan that the borrower complete an O&M manual and required board training as outlined in the department's capacity letter prior to drawing more than 50 percent of the loan.

Sally Kelts, Pine Cliff Park Water and Maintenance, Inc. and Lysann Zeller, Black Hills Council of Local Governments, answered questions from the board.

Humboldt requested funding to upgrade to an automatic meter reading system by replacing all 262 water meters. The water meters are more than 20 years old and beyond their useful life. The town of Humboldt also proposes to purchase the required computer system and software associated with the automatic reading system.

Humboldt anticipates bidding the project in September 2017 with completion in March 2018.

The estimated total project cost is \$272,000, and the amount requested is \$272,000.

Humboldt's rates are \$29.25 per 5,000 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 for the 2015 and 2016 Clean Water Capitalization Grants. Providing funding for this project with Clean Water SRF helps meet the 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.

Staff recommended awarding a \$272,000 Clean Water SRF loan at 2.0 percent interest for 10 years.

Humboldt is pledging a project surcharge for repayment of the loan. A \$10.65 surcharge is required to provide 110 percent coverage on the loan. This will bring overall rates in Humboldt to \$39.90.

Staff recommended the award being 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 answered questions from the board.

Plankinton requested funding to install digital water meters to enable accurate determination of water sales. The city has water loss in excess of 20 percent, and most of the water meters were installed in 1991.

Plankinton anticipates bidding the project in July 2017 with project completion in April 2018.

The estimated total project cost is \$240,000, and the amount requested is \$240,000.

Plankinton's rates are \$33.00 per 5,000 gallons usage.

The project can be used to help meet the Green Project Reserve requirements for the 2015 and 2016 Clean Water Capitalization Grants.

Staff recommended awarding a \$240,000 Clean Water SRF loan at 2.0 percent interest for 10 years.

Plankinton has pledged a project surcharge for repayment of the loan. A surcharge of \$6.90 is needed to provide the required coverage resulting in overall rates of \$39.90 for 5,000 gallons.

Staff recommended the award being 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.

Mayor Joe Staller and Vern Hill, city of Plankinton, answered questions from the board.

Worthing requested funding to replace its existing self-read water meters with remote read meters. In recent years, the city has averaged water loss of 24 percent with some months as high as 35 percent loss. Due to the age of the existing meters, the city does not accurately account for all water especially when combined with the potential for mistakes of self-read meters. The new meters are expected to help to lower the water loss and simplify the reading of meters and billing for water use.

Worthing anticipates bidding the project in October 2017 with project completion in March 2018.

The estimated total project cost is \$120,000, and the amount requested is \$120,000.

Rates in Worthing are \$52.50 per 5,000 gallons usage.

This project can be used to help meet the Green Project Reserve requirements for the 2015 and 2016 Clean Water Capitalization Grants.

Staff recommended awarding a \$120,000 Clean Water SRF loan at 2.0 percent interest for 10 years with 75 percent as principal forgiveness not to exceed \$90,000.

Worthing has pledged system revenue for repayment of the loan. Current rates of \$52.50 will provide 166 percent debt coverage.

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

Mr. Bruels answered questions from the board.

Doland requested funding to upgrade to an automatic meter reading system by replacing all water meters. The water meters are old and beyond their useful life. The town also proposes to purchase the required computer system and software associated with the automatic reading system.

Doland anticipates bidding the project in June 2017 with project completion in December 2017.

The estimated total project cost is \$150,000, and the amount requested is \$150,000.

Rates in Doland are \$41.50 per 5,000 gallons usage.

This project can be used to help meet the Green Project Reserve requirements for the 2015 and 2016 Clean Water Capitalization Grants.

Staff recommended awarding a \$150,000 Clean Water SRF loan at 2.0 percent interest for 10 years with 50 percent as principal forgiveness not to exceed \$75,000.

Doland has pledged a project surcharge for repayment of the loan. A \$4.50 surcharge is required to provide 110 percent coverage on a \$75,000 loan. This will bring overall rates in Doland to \$46.00.

Staff recommended the award being 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.

Mayor Craig Schroeder answered questions from the board.

Miller requested funding to replace water main throughout the city to address problems with its distribution system. This project, Phase II, will replace 13,500 of six-inch water main, 1,650 feet of eight-inch water main, and other necessary appurtenances.

Miller anticipates bidding this project in November 2017 with completion in November 2018.

The estimated total project cost is \$2,400,000, and the amount requested is \$2,399,000.

Rates in Miller are \$53.00 per 5,000 gallons.

Staff recommended awarding a Consolidated grant at 54.2 percent of approved total project costs not to exceed \$1,300,000 and awarding a \$1,099,000 Drinking Water SRF loan at 2.25 percent interest for 30 years.

Miller has pledged a project surcharge for repayment of the loan. A \$5.45 surcharge would be required to meet the 110 percent coverage requirement. Staff analysis indicates that by restructuring its rates, a \$1.00 increase would be needed at that loan amount. This would bring total rates in Miller to \$54.00.

Staff recommended the award being 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.

Staff recommended the loan include the following Special Condition: It shall be a condition of the loan that the borrower complete an O&M manual as outlined in the department's capacity letter prior to drawing more than 50 percent of the loan.

Staff also recommended including the following Special Condition on the grant agreement: Grant funds for reimbursement of project costs must be drawn concurrently with the Drinking Water SRF loan funds.

Camden Hofer, SPN, answered questions from the board.

Salem requested funding to replace 5,000 feet of deteriorating cast iron pipe. The project will be done in conjunction with the sanitary sewer replacement project.

Salem anticipates bidding the project in January 2018 with project completion in November 2018.

The estimated total project cost is \$802,000, and the amount requested is \$802,000.

Rates in Salem are \$55.40 per 5,000 gallons usage.

Staff recommended awarding a Consolidated grant at 62.4 percent of approved total project costs not to exceed \$500,000 and awarding a \$302,000 Drinking Water SRF loan at 2.25 percent interest for 30 years.

Salem has pledged a project surcharge for repayment of the loan. The surcharge required to repay the loan is approximately \$2.00. Staff analysis indicates that Salem can restructure its rates and establish the surcharge with no rate increase.

Staff recommended the award being 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.

Lori Heumiller, finance officer, and George Eichacker, city council president, answered questions from the board.

SMALL WATER FACILITIES FUNDING APPLICATION: Mr. Bruels presented the Small Water Facilities funding application and staff recommendation.

Canova requested funding to replace all 58 existing water meters in town and install several more at unmetered locations.

Canova anticipates a project completion date of October 2017.

The estimated total project cost is \$52,590, and the amount requested is \$52,590.

Canova's rates are \$31.00 per 5,000 gallons usage.

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Staff recommended awarding a Consolidated grant at 60.9 percent of approved total project costs not to exceed \$32,000 and awarding a \$20,000 Consolidated loan at 2.0 percent interest for 10 years.

Canova is pledging a project surcharge for repayment of the loan. The surcharge required on the loan is \$3.50. Canova does not have separate utility accounts. This makes it difficult to determine the exact amounts being used for the water system. Staff believes rates will need to be raised to approximately \$45.00 to cover operating expenses and the surcharge to repay this loan. Mr. Bruels noted that the staff recommendation is contingent upon the community going to a fund accounting system.

Staff recommended the award being 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 the borrower engaging Midwest Assistance Program to improve financial capacity by adopting fund accounting principles.

Gabe Laber, DGR Engineering, and Ted Haeder, First District Association of Local Governments, answered questions from the board.

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

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

MARCH 31, 2017, 8:15 A.M. CT

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

LEGISLATIVE UPDATE: Jim Feeney reported on bills of interest to the department and the board that were passed during the 2017 legislative session.

Representative Duvall provided additional comments on the legislative session.

SOUTH DAKOTA LAKE CONDITIONS: Sean Kruger provided information on South Dakota lake conditions.

Over the years, EPA has been asked what the condition of the nation's water bodies is and whether water quality is improving or declining. Although there are decades of monitoring data nationwide, the question could not be accurately answered with existing data due to variable designs and methods. As a result, the National Aquatic Resource Survey (NARS) was developed.

Beginning in 2006, a random statistical design was employed that selected 1,000 lakes nationwide. In 2007, all of these waters were sampled through a collaborative effort between EPA, states, tribes, and contractors. The resulting data provided a baseline for the overall condition of U.S. lakes. This design was repeated again in 2012 and is scheduled for a third cycle during the summer of 2017. Similar designs have been employed for streams, coastlines, and wetlands. Through survey repetition, information on whether and how the nation's waters are changing will begin to emerge.

At the completion of the 2007 survey, staff at DENR determined that a similar design within South Dakota would provide important data on its lakes. To coincide with the biennial Integrated Report (IR), a survey design was initiated that would collect data over a two-year period and could be reported on in each of these reports. The 2010 IR was the first to include this information, and the survey effort has been continued and results reported in the IRs since then.

The importance of the data was highlighted during the 2016 IR. EPA establishes reporting elements to be included in the integrated reports. Metrics which include the percent of impaired waters may reflect changes in water quality standards. This provides the appearance of changing water quality in the absence of real change. The 2016 IR included a substantial increase in the percent of impaired lakes as a result of the state adopting a lower standard for mercury in fish tissue. Statistical data for the 2016 IR indicated that no significant changes had occurred in the water quality of lakes.

Prior to the meeting, the board received summary sheets for both the national and state surveys. The survey designs are the same; however, the South Dakota survey focuses on the water quality parameters that are most important to determining the condition of our lakes.

Mr. Kruger answered questions from the board.

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

Motion by Jones, seconded by Goldhammer, to adopt **Resolution #2017-24** approving the Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,769,000 at 2.5 percent interest for 30 years to the city of **Summerset** for wastewater treatment plant 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; to adopt **Resolution #2017-25** approving the State Revolving Fund Program Water Quality grant agreement between the Board of Water and Natural Resources and the city of **Summerset** for up to 27.5 percent of approved total project costs not to exceed \$760,000 for wastewater treatment plant improvements, with the special condition that grant funds for reimbursement of project costs must be drawn concurrently with the Clean Water SRF loan funds; and to adopt **Resolution #2017-26** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the city of **Summerset** for up to 8.7 percent of approved total project costs not to exceed \$240,000 for wastewater treatment plant improvements, with the special condition that grant funds for reimbursement of project costs must be drawn concurrently with the Clean Water SRF loan funds. Motion carried unanimously.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution #2017-27** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$16,247,000 at 2.5 percent interest for 30 years with 9.9 percent principal forgiveness not to exceed \$1,600,000 to the city of

Sturgis for wastewater treatment 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 #2017-28** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the city of **Sturgis** for up to 2.5 percent of approved total project costs not to exceed \$400,000 for wastewater treatment system improvements. Motion carried unanimously.

Motion by Gnirk, seconded by Jones, to defer the **Blunt** funding application until the June 2017, Board of Water and Natural Resources meeting. Motion carried unanimously.

Motion by Sohlt, seconded by Goldhammer, to adopt **Resolution #2017-29** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$11,559,125 at 1.0 percent interest for 10 years to the city of **Sioux Falls** for primary digester cover and mixer improvements and nonpoint source best management practices; 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 two bond resolutions and the resolutions becoming effective, and with the special condition that the borrower may not draw funds from the proceeds of the Series NPS-A Borrower Bond until EPA approves the revised budget for the Big Sioux Watershed Implementation Project. Motion carried unanimously.

Motion by Jones, seconded by Gnirk, to adopt **Resolution #2017-30** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,875,000 at 2.5 percent interest for 30 years to the city of **Miller** for wastewater collection replacement; 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 #2017-31** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the city of **Miller** for up to 51.6 percent of approved total project costs not to exceed \$2,000,000 for wastewater collection replacement with the special condition that grant funds will be drawn concurrently with the Clean Water State Revolving Fund loan awarded for this project. Motion carried unanimously.

Motion by Goldhammer, seconded by Bernhard, to adopt **Resolution #2017-32** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$2,556,000 at 2.5 percent interest for 30 years to the city of **Salem** for wastewater collection 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. Motion carried unanimously.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution #2017-33** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$2,400,000 at 2.5 percent interest for 30 years to the city of **Onida** for wastewater 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. Motion carried unanimously.

Motion by Gnirk, seconded by Jones, to adopt **Resolution #2017-34** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$260,000 at 2.25 percent interest for 20 years to the city of **Gregory** for Felton Street sewer replacement; 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 #2017-35** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,385,000 at 2.5 percent interest for 30 years to the city of **Colton** for First and Main Street sanitary sewer replacement; 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 contingent upon the borrower submitting the annual documentation required for loans currently in repayment to the district. Motion carried unanimously.

Motion by Sohlt, seconded by Bernhard, to adopt **Resolution #2017-36** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,285,000 at 2.5 percent interest for 30 years to the city of **Lake Norden** for wastewater collection system relining; 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 #2017-37** approving the South Dakota Consolidated Water Facilities Construction Program grant

agreement between the Board of Water and Natural Resources and the city of **Lake Norden** for up to 20 percent of approved total project costs not to exceed \$321,000 for wastewater collection system relining. Motion carried unanimously.

Motion by Jones, seconded by Goldhammer, to adopt **Resolution #2017-38** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$240,000 at 2.5 percent interest for 30 years to the city of **Centerville** for Main Street storm sewer improvements; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective. Motion carried unanimously.

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

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution #2017-39** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$199,000 at 2.0 percent interest for 30 years to the town of **Hermosa** for well rehabilitation and system pressure 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 with the Board of Water and Natural Resources' recommendation that at the outset of the project the upper horizon of the Inyan Kara formation be evaluated for water productivity and water quality, and those data be considered in the conduct of the subsequent aspects of the project. Motion carried unanimously.

Motion by Gnirk, seconded by Soholt, to defer the **Langford** funding application until the June 2017 Board of Water and Natural Resources meeting. Motion carried with Bernhard, Goldhammer, Gnirk, Soholt, and Johnson voting yes. Jones abstained.

Motion by Bernhard, seconded by Jones, to adopt **Resolution #2017-40** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$37,000,000 at 2.25 percent interest for 30 years to the city of **Yankton** for water treatment plant 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. Motion carried unanimously.

Motion by Goldhammer, seconded by Soholt, to adopt **Resolution #2017-41** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the town of **Lesterville** for up to 78 percent of approved total project costs not to exceed \$353,000 for water main replacement and looping; and to adopt

Resolution #2017-42 approving the South Dakota Consolidated Water Facilities Construction Program loan agreement between the Board of Water and Natural Resources and the town of **Lesterville** for a loan not to exceed \$100,000 at 2.5 percent interest for 30 years 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 Gnirk, to adopt **Resolution #2017-43** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$950,000 at 2.25 percent interest for 20 years with 26.4 percent principal forgiveness not to exceed \$250,000 to the city of **Onida** for a water main replacement project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Motion by Gnirk, seconded by Goldhammer, to adopt **Resolution #2017-44** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$4,700,000 at 2.5 percent interest for 30 years to the **B-Y Water District** for a ground storage reservoir; 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 approving a security agreement and mortgage, and contingent upon an Inter-creditor Agreement being approved and executed by Cobank, Rural Utilities Service, the borrower and the district. Motion carried unanimously.

Motion by Gnirk, seconded by Jones, to adopt **Resolution #2017-45** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$633,000 at 2.0 percent interest for 30 years to the city of **Martin** for Fourth and Fifth Avenue water main 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. Motion carried unanimously.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution #2017-46** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the city of **Colton** for up to 62 percent of approved total project costs not to exceed \$815,000 for First and Main Street water main replacement with the special condition that grant funds for reimbursement of other project costs must be drawn concurrently with the Drinking Water SRF loan funds; and to adopt **Resolution #2017-47** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$500,000 at 2.5 percent interest for 30 years to the city of **Colton** for First and Main Street water main replacement; 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, contingent upon the borrower submitting the annual documentation required for loans currently in repayment to the district, and with the special condition that the borrower complete an O&M manual and board training as outlined on the Department of Environment and Natural Resources' capacity letter prior to drawing over 50 percent of the loan. Motion carried unanimously.

Motion by Gnirk, seconded by Jones, to adopt **Resolution #2017-48** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and **Pine Cliff Park Water and Maintenance, Inc.** for up to 24.9 percent of approved total project costs not to exceed \$115,000 for water system improvements; and to adopt **Resolution #2017-49** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$348,000 at 2.25 percent interest for 20 years to **Pine Cliff Park Water and Maintenance, Inc.** 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 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 the borrower establishing rates at a level sufficient to provide the required debt coverage, contingent upon an Inter-creditor Agreement being approved and executed by Rural Utilities Service, the borrower, and the district, and with the special condition that that the borrower complete an O&M manual and required board training as outlined on the department's capacity letter prior to drawing over 50 percent of the loan. Motion carried unanimously.

Motion by Jones, seconded by Goldhammer, to adopt **Resolution #2017-50** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$272,000 at 2.0 percent interest for 10 years to the city of **Humboldt** for a water meter 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. Motion carried unanimously.

Motion by Sohlt, seconded by Bernhard, to adopt **Resolution #2017-51** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$240,000 at 2.0 percent interest for 10 years to the city of **Plankinton** for a water meter 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. Motion carried unanimously.

Motion by Goldhammer, seconded by Soholt, to adopt **Resolution #2017-52** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$120,000 at 2.0 percent interest for 10 years with 75 percent principal forgiveness not to exceed \$90,000 to the city of **Worthing** for a water meter 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. Motion carried unanimously.

Motion by Jones, seconded by Bernhard, to adopt **Resolution #2017-53** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$150,000 at 2.0 percent interest for 10 years with 50 percent principal forgiveness not to exceed \$75,000 to the city of **Doland** for a water meter 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. Motion carried unanimously.

Motion by Gnirk, seconded by Soholt, to adopt **Resolution #2017-54** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the city of **Miller** for up to 54.2 percent of approved total project costs not to exceed \$1,300,000 for 2017 water distribution improvements with the special condition that grant funds for reimbursement of other project costs must be drawn concurrently with the Drinking Water SRF loan funds; and to adopt **Resolution #2017-55** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$1,099,000 at 2.25 percent interest for 30 years to the city of **Miller** for 2017 water distribution 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 with the special condition that the borrower complete an O&M manual and board training as outlined on the Department of Environment and Natural Resources' capacity letter prior to drawing over 50 percent of the loan. Motion carried unanimously.

Motion by Bernhard, seconded by Soholt, to adopt **Resolution #2017-56** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the city of **Salem** for up to 62.4 percent of approved total project costs not to exceed \$500,000 for water distribution improvements; and to adopt **Resolution**

#2017-57 approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$302,000 at 2.25 percent interest for 30 years to the city of **Salem** for water distribution 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. Motion carried unanimously.

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

Motion by Jones, seconded by Goldhammer, to adopt **Resolution #2017-58** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the town of **Canova** for up to 60.9 percent of approved total project costs not to exceed \$32,000 for a water meter replacement project, and to adopt **Resolution #2017-59** approving the South Dakota Consolidated Water Facilities Construction Program loan agreement between the Board of Water and Natural Resources and the town of **Canova** for a loan not to exceed \$20,000 at 2.0 percent interest for 10 years 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 the borrower engaging Midwest Assistance Program to improve financial capacity by adopting fund accounting principles. Motion carried unanimously.

DENR REQUEST TO AMEND STATE WATER RESOURCES MANAGEMENT SYSTEM GRANT 2016-64: Jim Feeney presented the State Water Resources Management amendment request.

At its March 2016 meeting, the Board of Water and Natural Resources placed \$750,000 appropriated by the 2016 State Legislature under agreement with Department of Environment and Natural Resources for development of a hydrologic and hydraulic model of the Big Sioux River Basin. RESPEC Consulting was selected through a request for proposals process to develop the model and inundation mapping tools. Contract terms and scope of work based on the available \$750,000 were negotiated, and the agreement was signed August 25, 2016.

The contract and scope of work were structured to adjust the time and dollars to refine and finish the model and inundation mapping tools based on input from scoping meetings with federal, state, and local entities. The department has submitted a request to place under agreement an additional \$550,000 of the funding appropriated for statewide hydrology and water management studies. The requested funding completes the funding package for the Big Sioux River Basin hydrologic and hydraulic model. Development of the model and inundation mapping tools are on schedule and will be completed in 2018.

Approximately \$200,000 remains available from the funds appropriated by the 2015 State Legislature in Senate Bill 178, and the balance of requested funding would be provided from funds appropriated by the 2017 State Legislature in Senate Bill 70 which was signed by Governor

Daugaard on March 8, 2017. The First Amendment to the grant agreement has been drafted with the assistance of DENR legal counsel, and the DENR review process has been completed.

Mr. Feeney answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution #2017-60** approving the first amendment to the State Water Resources Management System grant agreement between the Board of Water and Natural Resources and the Department of Environment and Natural Resources for an amount not to exceed \$1,300,000. Motion carried unanimously.

BOARD OF WATER AND NATURAL RESOURCES SFY 2018 MEETING SCHEDULE: Mr. Perkovich presented the proposed SFY 2018 board meeting schedule.

Jay Gilbertson suggested the board consider holding the September meeting in Vermillion and that the board tour projects in the area.

Motion by Gnirk, seconded by Jones, to adopt the following meeting schedule for SFY 2018:

September 28-29, 2017 (in Vermillion)
November 9, 2017
January 4, 2018
March 28-29, 2018
June 28-29, 2018

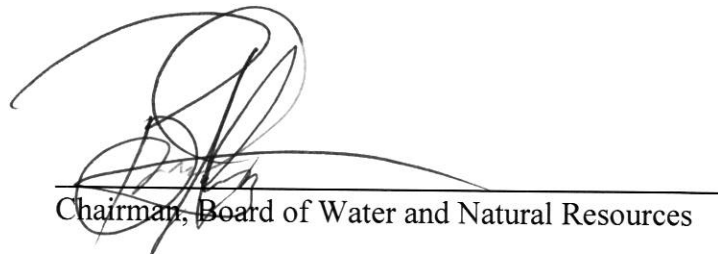
Motion carried unanimously.

JUNE MEETING: The next meeting is scheduled for June 22-23, 2017, at the Matthew Training Center, Foss Building, in Pierre. Mr. Perkovich highlighted some of the agenda items for that meeting.

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

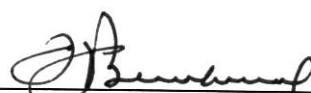
Approved this 22nd day of June, 2017.

(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 3-30-17

LOCATION Matthew Training Centers Pierre

Name (PLEASE PRINT)	Address	Representing
<u>Maureen Knutson</u>	<u>Pierre</u>	<u>CSD ED</u>
<u>TODD BEAUMOND</u>	<u>FORT PIERRE</u>	<u>BWNR</u>
<u>Lycann Zeller</u>	<u>Rapid City</u>	<u>Black Hills Council</u>
<u>Ted Schultz</u>	<u>Rapid City</u>	<u>AE2S</u>
<u>Gregg Torgerson</u>	<u>Brookings</u>	<u>Banner Assoc.</u>
<u>Chris Robinson</u>	<u>Rapid City</u>	<u>Summerset / HDR</u>
<u>Terry Wootton</u>	<u>B-Y Water</u>	<u>B-Y Water</u>
<u>Terry Haeckly</u>	<u>Bankton</u>	<u>B-Y Water</u>
<u>Heather Madison</u>	<u>Colton</u>	<u>Colton</u>
<u>Jared Hybertson</u>	<u>Centerville, SD</u>	<u>Centerville</u>
<u>Jason Aho</u>	<u>Lake Norden</u>	<u>Lake Norden</u>
<u>TEN HAEDER</u>	<u>FIRST DISTRICT</u>	<u>FIRST DISTRICT</u>
<u>Vernon Arens</u>	<u>Yorktown</u>	<u>Lesterville</u>
<u>Mary Duvall</u>	<u>Pierre</u>	<u>Legis Oversight</u>
<u>Roy Blackford</u>	<u>Miller</u>	<u>Miller</u>
<u>Jeff Swartz</u>	<u>Miller</u>	<u>Miller</u>
<u>Janelle Munkvold</u>	<u>Lesterville</u>	<u>Town of Lesterville</u>
<u>Kerina Frangenberg</u>	<u>Lesterville</u>	<u>Town of Lesterville</u>
<u>Danyl Bizerle</u>	<u>Lesterville</u>	<u>Town of Lesterville</u>
<u>Prair Munkvold</u>	<u>Lesterville</u>	<u>Town of Lesterville</u>
<u>Kyle Godronson</u>	<u>City of Yorktown</u>	<u>City of Yorktown</u>

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE 3-30-17

LOCATION Matthew Training Center, Pierre

Name (PLEASE PRINT)	Address	Representing
Jim Putnam	Armour	SEWARD
PAUL GNIRK	NEW UNDERWOOD	BWNR
Dan Holsworth	HERMOST	Town Board
Linda Kramer	HERMOST	Town of Hermost Board
Paul Goldhammer	WALL, SD	BWNR
Jerry Scholt	Sioux Falls	BWNR
Craig Schroeder	Doland	City of Doland
Andy Bruels	Pierre	DENR
David Ruhnke	Pierre	DENR
Drew Huisken	Pierre	DENR
Allen Prince	Pierre	DENR
Jon Peschery	Pierre	DENR
Sally Kelts	Rapid City	PCPWAM
Abbey Larson	Pierre	DENR
Mike Perkovich	Pierre	DENR
Gabe Laber	Sioux Falls	DBR
ERIC AMBROSON	VANKTON	DISTRICT III
Vern Hill	Plankinton	City
JOE STALLER	PLANKINTON	CITY
Rick Bush	Sturgis	CITY
RON WATERLAND	Sturgis	CITY

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE 3-30-17

LOCATION Matthew Training Center, Pierre

Name (PLEASE PRINT)	Address	Representing
Jay Gilbertson	Brookings	East Dakota (WA)
Terry Manning	Miller	City of Miller
AL VIERECK	YAWIKTOW	CITY
Jeff Hines	Yankton	city
Lori Heumiller	Salem	City
George Eichacker	Salem	City
STEVEN QUAIL	Sioux Falls	garkter
L Echert	Pawi	CPWDD
DYAN HORTA	SEATTLE	U.S. BANK
GREG SKOTNIK	SEATTLE	U.S. BANK
Jim Feeney	Pierre	DENR
Jim Anderson	Pierre	DENR
Ted Dietay	Aberdeen	NECOG
Dana Foreman	Rapid City	KLS
Bob Porter	Onida	City of Onida
Paul Noel	Martin	City of Martin
Chanoey Shrake	Pierre Pierre	Bross Engineering
Keith Anderson	Edgemont	Anderson Engineers

