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

June 23, 2016
10:00 a.m. Central Time

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

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

BOARD MEMBERS ABSENT: Jackie Lanning.

OTHERS PRESENT: See attached attendance sheets.

APPROVE AGENDA: Mike Perkovich noted he would present agenda item No. 16, rather than Nick Nelson, and if there is time before the lunch break, agenda item No. 25 will be moved up on the agenda. Chairman Johnson approved the agenda with the changes.

APPROVE MINUTES OF MARCH 30-31, 2016, MEETING: Motion by Bernhard, seconded by Jones, to approve the minutes of the March 30-31, 2016, Board of Water and Natural Resources meeting. Motion carried unanimously.

APPROVE MINUTES OF MAY 11, 2016, MEETING: Motion by Jones, seconded by Soholt, to approve the minutes of the May 11, 2016, Board of Water and Natural Resources meeting. Motion carried unanimously.

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

Amendments to State Water Plan

Andy Bruels reported that water projects which will require state funding or need state support for categorical grant or loan funding must 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 amendments 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 onto the plan at this meeting will remain on the facilities plan through December 2017.

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

Seven State Water Plan applications were received by the May 1, 2016, deadline. While presenting the State Water Plan applications, Mr. Bruels identified those projects to be amended on the Clean Water SRF and Drinking Water SRF IUP project priority lists.

Blunt requested amendment onto the facilities plan to replace 180 water meters with radio read meters, and to replace several valves and curb stops on the distribution lines that are inoperable. The estimated total project cost is \$645,000.

The project will be placed on the Drinking Water SRF IUP with two separate projects; one with 13 priority points for meters and an estimated loan amount of \$530,000 at 2.25 percent interest for 10 years and one for a distribution system with 13 priority points and an estimated loan amount of \$115,000 at 3.25 percent interest for 30 years. The water meter project will also be placed onto the Clean Water IUP with five priority points and an estimated loan amount of \$530,000 at 2.25 percent interest for 10 years.

Lake Norden requested amendment onto the facilities plan to replace a water filter at the water treatment plant that removes iron and manganese from the community's water. The estimated total project cost is \$500,000.

This project will be placed on the Drinking Water IUP with 53 priority points and an estimated loan amount of \$500,000 at 2.25 percent interest for 20 years.

Lead requested amendment onto the facilities plan to install storm sewer along a portion of Prospect Avenue. The estimated total project cost of \$96,385.

The project will be placed on the Clean Water IUP with eight priority points and an estimated loan amount of \$48,905 at 3.25 percent interest for 30 years.

Veblen (Water) requested amendment onto the facilities plan to replace water main and loop the distribution system, replace water meters with radio read meters, and construct a water storage tank. The estimated total project cost is \$2,976,100.

The project will be placed on the Drinking Water IUP with 134 priority points and an estimated loan amount of \$2,976,100 at 0 percent interest for 30 years.

Veblen (Wastewater) requested amendment onto the facilities plan to replace or reline the existing sanitary sewer collection system and to install riprap at the treatment ponds. The estimated total project cost is \$2,137,000.

The project will be placed on the Clean Water IUP with 8 priority points and an estimated loan amount of \$2,137,000 at 3.25 percent interest for 30 years.

Walworth County requested amendment onto the facilities plan to construct a solid waste disposal cell at the regional landfill to provide needed capacity for solid waste. The estimated total project cost is \$750,000.

The project will be placed on the Clean Water IUP with 15 priority points and an estimated loan amount of \$500,000 at 2.25 percent interest for 10 years.

Yankton requested amendment onto the facilities plan to construct a new water treatment facility and make improvements to an existing treatment plant. The project will install new reverse osmosis treatment units and increase the overall capacity of the city’s water supply. The estimated total project cost is \$34,500,000.

The project will be placed on the Drinking Water IUP with 73 priority points and an estimated loan amount of \$34,500,000 at 3 percent interest for 20 years.

Staff recommended amending all seven of the projects onto the facilities plan.

Motion by Gnirk, seconded by Jones, to amend the seven projects onto the facilities plan. Motion carried unanimously.

Amendments to the Clean Water SRF Intended Use Plan Project Priority List

Staff recommended the addition of the following projects to the Project Priority List of the Clean Water SRF IUP.

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
15	Walworth County	\$500,000	2.25%, 10 years
8	Lead	\$48,905	3.25%, 30 years
8	Veblen	\$2,137,000	3.25%, 30 years
5	Blunt	\$530,000	2.25%, 10 years

Motion by Gnirk, seconded by Jones, to approve the addition of the four projects to the 2016 Clean Water SRF IUP Project Priority List. Motion carried unanimously.

Amendments to the Drinking Water SRF Intended Use Plan Project Priority List

Staff recommended the addition of the following projects to the Project Priority List of the Drinking Water SRF IUP.

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
134	Veblen	\$2,976,100	0%, 30 years
73	Yankton	\$34,500,000	3.0%, 20 years
53	Lake Norden	\$500,000	2.25%, 20 years
13	Blunt – Water Meters	\$530,000	2.25%, 10 years
13	Blunt – Distribution	\$115,000	3.25%, 30 years

Motion by Gnirk, seconded by Soholt, to approve the addition of the five projects to the 2016 Drinking Water SRF IUP Project Priority List. Motion carried unanimously.

AMENDMENT TO THE NARRATIVE OF THE 2016 CLEAN WATER SRF INTENDED USE PLAN: Mr. Bruels reported that at the March meeting staff brought this proposed change to the narrative of the Clean Water IUP to the board; however, Terry Helms with Helms & Associates expressed concerns with the proposed change and requested the board not take action until he or other members of the public reviewed the information in more detail.

Mr. Bruels stated that to comply with provisions of the Water Resources Reform and Development Act (WRRDA) of 2014, the narrative portion of the Clean Water Intended Use Plan concerning procurement of architectural and engineering services is proposed to be amended. WRRDA requires that any project to be considered an equivalency project for an amount equal to each year's capitalization grant comply with the federal regulations for procurement of architectural and engineering services or that no funds are disbursed for those services as a part of the loan.

The federal procurement procedures require a request for proposals and negotiations between a loan recipient and a consulting firm prior to any work beginning. The proposal may not include cost as a part of the selection procedures. Currently, no state laws in South Dakota require a procedure similar to this, and in most cases by the time a project is brought to the board for funding, an engineering contract has been signed that would not be in compliance with these requirements.

In the past, sufficient consolidated funding was provided to projects to allow those funds to pay for the architectural and engineering costs and the SRF funds to pay for the construction costs. This is difficult and, with limited consolidated funding, can limit the board's flexibility in funding projects.

The proposed change to the IUP will not require a recipient to follow the federal procedure for procurement of engineering services. It will, however, allow DENR to utilize a project for reporting purpose if the recipient follows the procurement process voluntarily.

At an upcoming board meeting, the city of Sioux Falls will be requesting funding for a project that the city has worked with DENR staff on to make sure the request for proposals comply with the federal procurement procedures. This was something DENR staff asked Sioux Falls to consider doing since it did not change the city's procedures greatly, and it will allow a large loan to be counted for reporting to EPA. DENR staff would like to have the ability to work with other communities, if the opportunity presents itself, to work with them in a similar manner.

The change to the IUP narrative will read as follows, with the new section underscored:

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

Mr. Bruels stated that he provided Mr. Helms with some additional information and explanation on what the changes meant. On May 20, 2016, DENR received a letter addressed to Chairman Johnson

from Mr. Helms indicating that he had no further objections to the amendment and encouraging the Board to approve it. A copy of this letter was included as a part of the board packet.

Mr. Bruels noted that making this change will have no impact on most of the applicants, and it is essentially to provide staff some flexibility to comply with EPA regulations. At this time, staff anticipates any borrowers participating in following the federal procurement procedures will be done on a voluntary basis.

Mr. Bruels stated that other minor changes were made to sections of the IUP to reflect the actual capitalization grant award amounts and update information.

Staff recommended the acceptance of the proposed changes to the narrative of the 2016 Clean Water SRF Intended Use Plan as presented.

Motion by Gnirk, seconded by Jones, to approve the changes to the narrative of the 2016 Clean Water SRF IUP. Motion carried unanimously.

AMENDMENT TO THE NARRATIVE OF THE 2016 DRINKING WATER SRF INTENDED USE PLAN: Mr. Bruels stated that the majority of funding for federal regulatory programs delegated to DENR is awarded by EPA through a Performance Partnership Agreement (PPA). This agreement includes federal regulatory program funds awarded under the Clean Water, Clean Air, Drinking Water, and Resource Conservation and Recovery acts.

Mr. Bruels presented a graph showing the total amount of federal funds awarded to DENR through the agreement during the last eight years. The trend during the last three years has been down. Consequently, federal EPA funding has not kept up with state salary policies and other operating costs, which have been increasing as well. In order for the department's regulatory programs to continue meeting all federal requirements, additional funds are needed.

The Drinking Water SRF program has several different amounts, known as set-asides, that can be taken from the capitalization grant. These set-asides are identified in the IUP that was approved in November 2015. The proposed change is to utilize an option in the State Program Management set-aside. This set-aside allows for up to 10 percent of the capitalization grant to be used to administer the Public Water System Supervision (PWSS) program and requires a dollar-for-dollar match from the state. South Dakota is one of only six Drinking Water SRF programs nationwide not to have utilized this set-aside for PWSS funding. The others are Alabama, Illinois, Pennsylvania, Puerto Rico, and Wyoming (does not have primacy).

Staff proposed to set aside \$400,000 from the 2016 capitalization grant to maintain PWSS funding at sufficient levels. Currently, federal PPG funds cover approximately 75 percent of PWSS activities with the remaining 25 percent being provided by PWSS fees. In order to maintain the current PWSS fee structure, it is proposed to use \$200,000 in Drinking Water SRF administrative surcharge fees to provide half of the required dollar-for-dollar match. Changes to several sections of the Drinking Water SRF IUP narrative have been made to reflect this amendment, which are shown on the title page for the item.

Mr. Bruels noted that while this is the first time using the funds for this purpose, staff does anticipate that this will become an ongoing occurrence unless funding levels from EPA for the PWSS program are increased.

Mr. Bruels noted that a few other minor updates and adjustments to values were made to the IUP as well.

Staff recommended approval of the changes to the narrative of the 2016 Drinking Water Intended Use Plan, as presented.

Motion by Sohlt, seconded by Gnirk, to approve the changes to the narrative of the 2016 Drinking Water SRF IUP. Motion carried unanimously.

AMENDMENT TO FY 2012 DRINKING WATER SRF INTENDED USE PLAN: Mr. Bruels reported that the FY 2012 Drinking Water State Revolving Fund Intended Use Plan was approved by the Board of Water and Natural Resources in November 2011 and amended in March and June 2012, September 2013, and January and March 2014.

The Local Assistance and Other State Programs set-aside in the 2012 Capitalization grant allows for up to 15 percent of the capitalization grant to be used to assist development and implementation of local drinking water protection activities. Funds used from this set-aside have been used to conduct energy audits and to help small communities that receive an SRF loan to complete the capacity assessment and improve technical, managerial or financial capacity.

A recent directive from EPA has been to get all older capitalization grants fully expended to include set-aside funds, and in turn, reduce the amount of unliquidated obligations in the Drinking Water SRF program. The amendment to the IUP will allow the department to meet the spend-down goals established by EPA.

Below is the section within the narrative portion of the Intended Use Plan that will be changed shown as underlined:

Description and Amount of Non-Project Activities (Set-Asides)

Local assistance and other state programs. Up to \$550,000 will be allocated for the capacity development activities described below.

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

Energy audits for several small systems were conducted using the two percent small system technical assistance set-aside available from the Drinking Water ARRA allocation. It is intended to use the local assistance set-aside to conduct additional energy audits for systems serving more than 10,000.

The Board of Water and Natural Resources and the department encourage regional approaches to address small system compliance. To encourage the consolidation of systems, local assistance set-aside funds will be reserved to study the feasibility of consolidation where such potential exists.

In 2008, the Midwest Assistance Program (MAP) began assisting small communities that received an SRF loan and recommendations were made in the capacity assessment to improve the technical, financial, or managerial capacity of the system. In addition, the Midwest Assistance Program has assisted in the review of capacity assessments required as part of the Drinking Water SRF loan applications. The DENR and the Midwest Assistance Program will continue the partnership in FY 2012.

A total of \$550,000 will be set-aside for the activities described above in federal fiscal year 2012.

To comply with unliquidated obligation spend down requirements, up to \$180,000 in excess local assistance funds from the 2012 capitalization grant will be transferred back to the loan fund.

Staff recommended approval of the proposed amendments to the 2012 Drinking Water SRF Intended Use Plan.

Motion by Jones, seconded by Bernhard, to approve the amendments to the narrative of the 2012 Drinking Water SRF IUP. Motion carried unanimously.

MIDWEST ASSISTANCE PROGRAM DRINKING WATER SRF SET-ASIDE CONTRACT:

Jon Peschong reported that the board has a current contract with Midwest Assistance Program (MAP) for providing technical assistance and completing capacity assessment reviews for technical, financial and managerial capacity for drinking water applications. During the current contract MAP has assisted 12 communities and provided over 271 hours for these activities.

MAP has requested a new contract at an hourly rate of \$71.00 per hour not to exceed 700 hours for a total contract amount of \$49,700. The contract period will be from July 1, 2016, through June 30, 2017.

Staff recommended the board adopt a resolution authorizing the chairman to execute a contract with Midwest Assistance Program to provide assistance in capacity assessments to improve technical, financial, or managerial capacity for small systems in South Dakota.

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

Motion by Soholt, seconded by Gnirk, to adopt **Resolution #2016-49** approving the consulting contract in an amount not to exceed \$49,700 between the Board of Water and Natural Resources and **Midwest Assistance Program** to provide Drinking Water SRF local assistance set-aside services, and authorizing execution of the contract. Motion carried unanimously.

PLANNING DISTRICTS' JOINT POWERS AGREEMENTS: Derek Lankford reported that the board has contracted with the planning districts to assist communities with State Revolving Fund (SRF) applications and administration since 2005 and with Davis-Bacon monitoring since 2009. Pursuant to Intended Use Plans and Omnibus bills, the board has allocated funds to each of the planning districts to continue to provide this assistance to recipients of SRF funding.

The agreements limit the SRF application/administration reimbursement rate to either \$7,500 for loans before March 27, 2015, or \$9,000 per loan application after that date, subject to three installment payments: (1) approval of loan by BWNR, (2) first disbursement of funds to borrower, and (3) final disbursement of funds to borrower.

The agreements limit the Davis-Bacon reimbursement rate to either \$1,000 per loan before March 27, 2015, or \$1,100 per loan applications after that date, subject to two installment payments: (1) first disbursement of funds to borrower and (2) upon receipt of the contractor's payrolls and employee interviews.

Staff proposed to enter into Joint Powers Agreements with each of the planning districts for SRF application and administration and Davis-Bacon monitoring in the following amounts:

Black Hills Council of Local Governments	\$291,000
Central South Dakota Enhancement District	\$219,000
First District Assn of Local Governments	\$243,000
Northeast Council of Governments	\$379,000
South Eastern Council of Governments	\$589,000
Planning and Development District III	\$315,000

Staff recommended approval of the Joint Powers Agreements with the planning districts for SRF loan application and administration and Davis-Bacon monitoring.

Motion by Jones, seconded by Bernhard, to adopt the following:

Resolution #2016-50 approving a Joint Powers Agreement for the preparation of applications and the administration of SRF loans and for the completion of Davis-Bacon wage rate verification and certification between the state and **Black Hills Council of Local Governments** in an amount not to exceed \$291,000, and authorizing the chairman of the Board of Water and Natural Resources to execute the agreement; **Resolution #2016-51** approving a Joint Powers Agreement for the preparation of applications and the administration of SRF loans and for the completion of Davis-Bacon wage rate verification and certification between the state and **Central South Dakota Enhancement District** in an amount not to exceed \$219,000, and authorizing the chairman of the Board of Water and Natural Resources to execute the agreement; **Resolution #2016-52** approving a Joint Powers Agreement for the preparation of applications and the administration of SRF loans and for the completion of Davis-Bacon wage rate verification and certification between the state and **First District Association of Local Governments** in an amount not to exceed \$243,000, and authorizing the chairman of the Board of Water and Natural Resources to execute the agreement; **Resolution #2016-53** approving a Joint Powers Agreement for the preparation of applications and the administration of SRF loans and for the completion of Davis-Bacon wage rate verification and

certification between the state and **Northeast Council of Governments** in an amount not to exceed \$379,000, and authorizing the chairman of the Board of Water and Natural Resources to execute the agreement; **Resolution #2016-54** approving a Joint Powers Agreement for the preparation of applications and the administration of SRF loans and for the completion of Davis-Bacon wage rate verification and certification between the state and **South Eastern Council of Governments** in an amount not to exceed \$589,000, and authorizing the chairman of the Board of Water and Natural Resources to execute the agreement; and **Resolution #2016-55** approving a Joint Powers Agreement for the preparation of applications and the administration of SRF loans and for the completion of Davis-Bacon wage rate verification and certification between the state and **Planning and Development District III** in an amount not to exceed \$315,000, and authorizing the chairman of the Board of Water and Natural Resources to execute the agreement.

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

Motion carried unanimously.

BELLE FOURCHE IRRIGATION DISTRICT REQUEST TO AMEND GRANT 2014-68: SDCL 46A-1-13.12 authorizes the construction of the \$5,000,000 Belle Fourche Irrigation District upgrade project and authorized the Board of Water and Natural Resources to provide \$2,500,000 in grants and \$2,500,000 in loans for the upgrade project. The 2012, 2013, and 2014 Legislatures made appropriations as part of each session's Omnibus Bill to appropriate the full \$5,000,000, and these funds have been placed under agreement by the board to the district.

Mr. Bruels stated that the original grant agreement will end on June 30, 2016; however, the district still has over \$657,000 in grant funds remaining, and the work is not yet complete. Three major projects were identified as part of the overall upgrade project. These include replacing the gate control houses, replacing and upgrading the Indian Creek and Horse Creek siphons, and dredging of the reservoir. The gate control house work is completed. The work on the siphons is nearly complete, and they are in use; however, some minor items still need to be finished. The dredging of the reservoir has experienced difficulties resulting in delays in finishing the project.

The department received a letter from the district requesting that the board extend the grant period for an additional two years to June 30, 2018. To extend the grant agreement, a Third Amendment to the Grant Agreement has been prepared with assistance from the department's legal counsel and the Attorney General's office.

Staff recommended the board approve the Third Amendment to the Grant Agreement for a time extension to the Belle Fourche Irrigation District State Water Resources Management System grant agreement through June 30, 2018.

Motion by Gnirk, seconded by Soholt, to adopt **Resolution #2016-56** approving the Third Amendment to South Dakota Water and Environment Fund Grant Agreement between the Board of Water and Natural Resources and **Belle Fourche Irrigation District** extending the time period until June 30, 2018. Motion carried unanimously.

SOUTHERN BLACK HILLS WATER SYSTEM REQUEST TO AMEND GRANT 2012-75: SDCL 46A-1-13.11 authorized the construction of the Southern Black Hills Water System and

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\$12,000,000 in state match grant assistance for the project. The 2006 through 2013 Legislatures made appropriations as part of each session's Omnibus Bill to appropriate the full \$12,000,000. These funds have been placed under agreement by the board to Southern Black Hills Water System.

Mr. Bruels reported that the current grant agreement will end on June 30, 2016; however, Southern Black Hills still has nearly \$1,700,000 in grant funds remaining, and the work is not yet complete.

To date 57 miles of distribution pipe, 39 miles of service line pipe, a 125,000 gallon storage tank, booster stations, and over 350 users have been connected to the system and are receiving water. The service area is currently located primarily one to two miles north of Hot Springs between Highway 79 and Highway 89, especially along Argyle Road and adjacent areas. Southern Black Hills is currently working a potential project to provide water to the town of Hermosa and other users in that area. There are several other locations being considered for future expansion as well.

The department received a letter from Southern Black Hills Water System requesting that the Board extend the grant period for an additional three years. To extend the grant agreement, a Seventh Amendment to the Grant Agreement has been prepared with assistance from the department's legal counsel and the Attorney General's office.

Staff recommended the board approve the Seventh Amendment to the Grant Agreement for a time extension to the Southern Black Hills Water System State Water Resources Management System grant agreement through May 1, 2019.

Motion by Gnirk, seconded by Jones, to adopt **Resolution #2016-57** approving the Seventh Amendment to South Dakota Water and Environment Fund Grant Agreement between the Board of Water and Natural Resources and **Southern Black Hills Water System, Inc.** extending the time period until May 1, 2019. Motion carried unanimously.

MONTROSE REQUEST TO RESCIND CLEAN WATER SRF LOAN C461025-03: Jim Anderson reported that in June 2015 Montrose was awarded a \$545,000 Clean Water SRF loan with up to 18.4 percent principle forgiveness not to exceed \$100,000 to replace undersized storm drainage infrastructure. The project consisted of storm sewers and curb and gutter construction on Elder Street, 2nd Avenue, Clark Street, and Church Avenue.

Montrose has decided not to move forward with the project at this time and has requested the board rescind Clean Water State Revolving Fund Loan C461075-03.

Staff recommended the board rescind the loan.

Mr. Anderson answered questions from the board.

Motion by Jones, seconded by Soholt, to adopt **Resolution #2016-58** rescinding Resolution #2015-78, which approved the SRF loan for the **city of Montrose** up to a maximum committed amount of \$545,000 with up to 18.4 percent principal forgiveness not to exceed \$100,000. Motion carried unanimously.

NORTHVILLE REQUEST TO RESCIND CONSOLIDATED LOAN 2016L-110: Jon Peschong reported that on March 27, 2015, the board approved Resolution #2015-55, which awarded a Consolidated Water Facilities Construction Program loan to the town of Northville in an amount not to exceed \$140,000 at 3.25 percent interest for 30 years for a storm sewer improvements project. Subsequently, on May 19, 2015, the James River Water Development District awarded the town of Northville a \$70,000 grant for the project. After bids came in lower than expected, Northville decided to rescind the loan package and fund the remaining portion of the project on their own.

Staff recommended the board rescind the consolidated loan.

Motion by Bernhard, seconded by Jones, to adopt **Resolution #2016-59** rescinding board Resolution #2015-55, which approved the South Dakota Consolidated Water Facilities Construction Program loan agreement between the Board of Water and Natural Resources and the **town of Northville** for a loan not to exceed \$140,000 at 3.25 percent interest for 30 years for a storm sewer improvements project. Motion carried unanimously.

WAUBAY REQUEST TO AMEND CLEAN WATER SRF GRANT/LOAN C461025-03 Mike Perkovich reported that in March 2015, Waubay received \$1,780,000 in funding from the board on a \$2,195,820 project to construct a new wastewater treatment facility to replace the Infiltration/Percolation (I/P) system that is non-functional due to the I/P basins being in Bitter Lake. The city is under a compliance order to construct a total retention treatment system.

Funding consisted of a \$1,080,000 Clean Water SRF loan with \$500,000 in principal forgiveness and a \$700,000 Consolidated grant. Waubay also received a \$415,820 FEMA grant to complete the funding package.

In March 2016 staff was informed that the project cost had increased to \$4,235,000 due largely to relocating the facility. Since then another site has been found and the project cost is now estimated at \$3,344,400.

The community was recently awarded a Community Development Block Grant of \$515,000, with the likelihood that it will be increased to \$760,000 later. This will leave a shortfall of about \$390,000.

Staff recommended increasing the Clean Water SRF loan amount by \$390,000 to \$1,470,000 with \$500,000 principal forgiveness, and reawarding the \$700,000 Consolidated grant at a different percentage. Mr. Perkovich said this would provide the same amount of subsidy as was provided last year.

Waubay is pledging a project surcharge for repayment of the loan.

Last year rates in Waubay were \$30 per month, and staff believed that was sufficient to cover operating expenses. The surcharge required on the \$970,000 loan is \$15.05, which would bring rates up to \$45.05.

Mr. Perkovich said if the CDBG grant does not get increased, Waubay can be allowed to proceed using the Consolidated grant for engineering expenses to at least get them started on engineering

and the land purchase, and an increase to the Clean Water SRF loan would then be considered at a future board meeting.

Staff recommended the board rescind Resolution #2015-20, which approved last year's Clean Water SRF loan and adopt a new resolution awarding a \$1,470,000 Clean Water SRF loan at 3.25 percent interest for 30 years with 34.1 percent principal forgiveness not to exceed \$500,000 contingent upon the borrower adopting a bond resolution and the becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage.

Erin Stever, Banner Associates, and Kevin Jens, Mayor of Waubay, answered questions from the board.

Motion by Bernhard, seconded by Goldhammer, to adopt **Resolution #2016-60** rescinding Resolution #2015-20 and approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,470,000 at 3.25 percent interest for 30 years with up to 34.1 percent principal forgiveness not to exceed \$500,000 to the **city of Waubay** for wastewater treatment facility 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.

Staff recommended the board rescind Resolution #2015-21, which approved last year's Consolidated grant, and adopt a new resolution awarding a Consolidated grant for 21 percent of eligible costs not to exceed \$700,000.

Motion by Goldhammer, seconded by Gnirk, to adopt **Resolution #2016-61A** rescinding Resolution #2015-21 which awarded the South Dakota Consolidated Water Facilities Construction Program Grant Agreement 2016G-100 to the **city of Waubay** for up to 31.9 percent of all approved total project costs not to exceed \$700,000 for a wastewater treatment facility improvements project; and to adopt **Resolution 2016-61B** approving South Dakota Consolidated Water Facilities Construction Program Grant Agreement 2017G-203 between the Board of Water and Natural Resources and the **city of Waubay** for up to 21 percent of all approved total project costs not to exceed \$700,000 for a wastewater treatment facility improvements project. Motion carried unanimously.

HOVEN REQUEST TO AMEND DRINKING WATER SRF LOAN C462253-02: Mr. Perkovich reported that in January 2015, the city of Hoven received a \$264,750 Drinking Water SRF loan with 100 percent principal forgiveness, and an \$88,250 Consolidated grant to replace water mains along South Dakota Highway 47, which is being done in conjunction with a DOT highway reconstruction project.

A review of the funding package has indicated a shortfall of \$50,000. To account for this shortfall, the city requested to amending the funding package for an additional \$50,000.

Mr. Perkovich noted that when the January 2015 application was reviewed, Hoven had a base rate of \$35 per 5,000 gallons. In addition, the city had initiated a \$10 per month surcharge for repayment of a Rural Development loan, which brought the overall monthly rate to \$45 per 5,000 gallons. Staff believed the surcharge was insufficient and needed to be increased to \$13.55 per month resulting in a monthly overall rate of \$48.55 per 5,000 gallons.

Staff recommended awarding a \$50,000 consolidated loan, at 3 percent interest for 20 years.

Hoven has pledged a project surcharge for repayment of the loan. Based on information provided in the 2015 application, staff analysis indicates that a \$1.20 surcharge is needed to provide the required debt coverage. This would bring overall rates to \$49.75 per 5,000 gallons.

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

Motion by Sohlt, seconded by Jones, to adopt **Resolution #2016-62** approving the South Dakota Consolidated Water Facilities Construction Program loan agreement between the Board of Water and Natural Resources and the **city of Hoven** for a loan not to exceed \$50,000 at 3 percent interest for 20 years for a water main replacement project along South Dakota Highway 47, 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.

HAAKON COUNTY SCHOOL DISTRICT REQUEST TO AMEND GRANT 2016G-204: Eric Meintsma reported that the Haakon County School District is requesting additional funding to construct a new treatment building and chemical mixing system to treat geothermal wastewater.

The original estimated cost for this project was \$647,000 and was funded with an 80 percent Consolidated grant not to exceed \$517,600. The project was bid in May 2016, and bids exceeded the engineers estimate by about \$120,000. The school district anticipates a \$100,000 funding shortfall after accounting for the contingencies built into the original project cost.

The school district is requesting additional funding to assist in offsetting the shortfall.

Staff recommended amending existing Consolidated grant number 2016G-204 by adjusting the project cost to \$747,000 and a grant amount not to exceed \$597,600. The grant percentage will remain at 80 percent.

Mr. Meintsma and Kevin Morehart, Haakon County School District Superintendent, answered questions from the board.

Motion by Gnirk, seconded by Sohlt, to adopt **Resolution #2016-63** approving the First Amendment to the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and **Haakon County School District** for up to 80 percent of all approved total project costs not to exceed \$597,600 for the geothermal wastewater treatment system improvements project. Motion carried unanimously.

TRANSCANADA PIPELINE FREEMAN SPILL UPDATE: Brian Walsh, DENR Ground Water Quality Program, provided background information and an update on the spill near Freeman.

On April 2, 2016, TransCanada responded to a landowner report of surfacing crude oil near its pipeline south of Freeman. TransCanada shut down the pipeline and sent responders to the scene. On April 3 and April 7, Mr. Walsh, who is with the DENR Ground Water Quality Program, went to the site to observe TransCanada's response actions. TransCanada estimates lost crude oil at approximately 400 barrels (16,800 gallons). Approximately 7,000 yards of contaminated soil have been excavated and are being temporarily stored pending final characterization and disposal.

The leak location was identified as a girth weld anomaly at the 6:00 position on a transition weld. The leak was repaired and the pipeline operations restarted at a reduced pressure with approval from the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA). PHMSA continues to work with TransCanada to identify the cause of the failure.

Mr. Walsh answered questions from the board.

Chairman Johnson called a recess at 11:25 a.m. At 1:00 p.m. Chairman Johnson called the meeting back to order.

AVAILABLE FUNDING: Mr. Perkovich provided a summary of available funds for Consolidated Water Facilities Construction Program, Drinking Water Facility Grants (Build America Bonds Federal Subsidy Payments), Drinking Water SRF Principal Forgiveness, Drinking Water SRF loans, Clean Water SRF Water Quality Grants, Wastewater Facility Grants (Build America Bonds Federal Subsidy Payments), Clean Water SRF Principal Forgiveness, and Clean Water SRF loans. .

SANITARY/STORM SEWER FACILITIES FUNDING APPLICATIONS: Mr. 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.

Mina Lake Sanitary District requested funding to make improvements to its wastewater treatment facility by adding an artificial wetland cell. DENR has issued the district a construction schedule to make improvements and come into compliance with its Surface Water Discharge permit. The project also involves replacing pumps at a lift station.

Mina Lake anticipates bidding the project in February 2017 with a project completion date of November 2017.

The total project amount is \$579,000, and the amount requested is \$559,000. The funding package also includes \$20,000 local cash and a \$25,000 grant from the James River Water Development District.

Rates at Mina Lake are \$55.00 per 5,000 gallons usage.

Staff recommendation was to award a \$559,000 Clean Water SRF loan at 3.25 percent interest for 30 years.

The sanitary district has pledged a project surcharge for repayment of the loan. Staff analysis indicates that a surcharge of approximately \$8.15 is needed for repayment of the loan. Staff believes the rates could be restructured such that only a \$1.50 to \$2.00 rate increase would be needed.

Staff recommended the loan be awarded 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 establishing and maintaining separate fund balances for the water and sewer accounts.

Brandon Smid, Helms & Associates, discussed the project and answered questions from the board.

Motion by Jones, seconded by Soholt, to adopt **Resolution #2016-64** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$559,000 at 3.25 percent interest for 30 years to **Mina Lake Sanitary District** for a wastewater system improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective, and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon the borrower establishing and maintaining separate fund balances for the water and sewer funds. Motion carried unanimously.

Lake Poinsett Sanitary District requested \$8,580,000 last quarter to complete its effort to construct a sewer system to serve all lake residences and businesses. Staff did not believe sufficient subsidy could be provided to make the project feasible. Additionally, the district had not yet closed a loan that was awarded in March 2014. To avoid tying up a large amount of loan funds, staff informed the district at the March 2016 meeting that it would recommend an \$8,580,000 loan with no subsidy. The board took no formal action, but gave Lake Poinsett until June 1 to notify the board in writing if the district would accept the loan. The department received notification that the district does not want the loan. A resolution from Lake Poinsett stating that was included in the board packet.

Staff recommended no funding for Lake Poinsett Sanitary District.

Motion by Goldhammer, seconded by Bernhard, to provide no funding to Lake Poinsett Sanitary District. Motion carried unanimously.

Raymond requested funding to make several improvements to its wastewater system. The improvements involve televising the collection system to determine which lines can be lined and which lines need to be excavated and replaced.

Raymond is also proposing to make improvements to a lift station and to the wastewater treatment facility. The wastewater treatment facility is permitted as a no discharge facility. There is evidence of leakage from the facility. The berms on two sides of Cell #2 have eroded away allowing wastewater to flow freely into an adjacent wetland. The current discharge permit expires September 2016. Surface Water Quality staff confirmed that a construction schedule will be included in the new permit.

The town anticipates bidding the project in December 2016 with a project completion date of October 2018.

The total project amount is \$1,465,850, and the amount requested is \$1,465,850.

Raymond has a flat rate of \$22.75.

Staff believes the collection system deficiencies should be addressed first so an accurate flow rate can be determined to size the wastewater treatment facility. The staff recommendation provides funding for televising the collection system, sewer line rehabilitation, and lift station improvements.

The staff recommendation was to award a \$745,000 a Clean Water SRF with 100 percent principal forgiveness loan, award a Consolidated grant for 7.3 percent based on eligible project costs of \$900,000 not to exceed \$65,000, and Consolidated loan of \$90,000 at 3.25 percent interest for 30 years.

The sewer rehabilitation cost is based on an estimate of lining 50 percent of the collection system and replacing the other 50 percent. The cost is subject to change based on the findings of the televising and could increase if fewer pipes can be lined. This recommendation exceeds the cost of televising, sewer line rehabilitation, and lift station improvements by approximately \$82,000 to provide some cushion, if needed.

Raymond has pledged a project surcharge for repayment of the loan. Staff analysis indicated that the surcharge needed to repay a \$90,000 loan is \$11.60. This would result in overall rates of \$34.35. It is estimated that when the wastewater treatment improvements are completed that rates in Raymond will be \$40 to \$45.

Staff recommended the awards being contingent upon the borrower adopting two bond resolutions and the resolutions becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon receipt of the 2016 Clean Water capitalization grant from EPA.

Motion by Soholt, seconded by Jones, to adopt **Resolution #2016-65** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$745,000 with 100 percent principal forgiveness to the **town of Raymond** for a wastewater system improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon receipt of the 2016 Clean

Water capitalization grant from EPA, and to adopt **Resolution # 2016-66** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the **town of Raymond** for up to 7.3 percent of approved total project costs not to exceed \$65,000 for a wastewater system improvements project, and to adopt **Resolution # 2016-67** approving the South Dakota Consolidated Water Facilities Construction Program loan agreement between the Board of Water and Natural Resources and the **town of Raymond** up to a maximum committed amount of \$90,000 at 3.25 percent interest for 30 years for a wastewater system improvements project contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge sufficient to provide the required debt coverage. Motion carried unanimously.

Keystone requested funding to upgrade the wastewater treatment facility due to numerous effluent violations of its Surface Water Discharge permit. Improvements include installing a new influent fine screen, replacing the ultraviolet disinfection equipment and other items necessary to improve the quality of the wastewater effluent. **Keystone** will also televise its system to identify pipes for possible future replacement.

The town anticipates bidding the project in February 2017 with a project completion date of December 2017

The total project amount is \$631,000 and the amount requested is \$631,000.

Keystone's rates are \$49 based on 5,000 gallons usage.

Keystone received a \$375,200 Community Development Block Grant that can be used for this project and the water project that will be presented later.

Staff recommendation was to award a \$431,000 Clean Water SRF loan at 3 percent interest for 20 years. This recommendation will overfund the project, but it provides a cushion if bids come in over the estimate.

Keystone has pledged system revenues for repayment of the loan. Staff analysis indicates that the system revenues will provide 111 percent debt coverage on a \$431,000 loan.

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

Kwinn Neff, town board president, and Dave Holland, AE2S, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Soholt, to adopt **Resolution #2016-68** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$431,000 at 3 percent interest for 20 years to the **town of Keystone** a wastewater system improvements – Phase I 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.

Sioux Falls requested funding to install gravity sewer, force main, and a lift station to serve Foundation Park, an 800-acre business park located north of I-90 and west of I-29. The request also includes a nonpoint source component to make improvements within the Big Sioux River Basin.

Sioux Falls anticipates bidding the gravity sewer, force main, and a lift station in August 2016 with a project completion date of May 2018.

The total project amount is \$9,287,000 and the amount requested is \$9,287,000. The two components include \$449,000 for the nonpoint source activities and \$8,838,000 for the wastewater conveyance project.

Rates in Sioux Falls are \$30.42 for 5,000 gallons usage.

Staff recommendation was to award a \$9,287,000 Clean Water SRF loan, at 1.25 percent interest for 10 years, which will consist of two bonds – one in the amount of \$8,838,000 for the sanitary sewer project and one in the amount of \$449,000 for the non-point source project .

Sioux Falls has pledged system revenues for repayment of the loan. Staff analysis indicates that the system revenues will provide 126 percent debt coverage on the \$9,287,000 loan.

Staff recommended the award being contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon EPA approval of the Big Sioux Watershed Project Implementation Plan.

Mr. Feeney answered questions from the board.

Motion by Bernhard, seconded by Jones, to adopt **Resolution #2016-69** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$9,287,000 at 1.25 percent interest for 10 years to the **city of Sioux Falls** for the Basin 14D sanitary sewer extension and Big Sioux River Basin non-point source 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 EPA approval of the Big Sioux Watershed Project Implementation Plan. Motion carried unanimously.

Vermillion requested funding to replace a lift station that is undersized and the equipment within the dry well that has reached its useful life. The project will also replace several manholes and 2,000 feet of sewer line with inadequate capacity due to growth in the area.

The city anticipates bidding the project in January 2017 with a project completion date of June 2018.

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The total project amount is \$1,327,000 and the amount requested is \$812,000. The city of Vermillion has received \$515,000 from the Community Development Block Grant program to cover the remainder of the project.

Vermillion's rates are \$37.17 based on 5,000 gallons usage.

Staff recommendation was to award an \$812,000 Clean Water SRF loan at 3 percent interest for 20 years.

Vermillion has pledged system revenues for repayment of the loan. Staff analysis indicates that the system revenues will provide 125 percent debt coverage on the \$812,000 loan.

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

Mike Carlson, finance officer, discussed the project and answered questions from the board.

Motion by Goldhammer, seconded by Jones, to adopt **Resolution #2016-70** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$812,000 at 3 percent interest for 20 years to the **city of Vermillion** for the Prentis Street lift station project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective. Motion carried unanimously.

Pierre requested funding to extend sewer service to an undeveloped area in the northeast corner of the city. The project involves installing a lift station, force main, and gravity sewer.

Pierre anticipates bidding the project in July 2016 with a project completion date of June 2017.

The total project amount is \$1,450,000 and the amount requested is \$1,450,000.

Staff recommendation was to award a \$1,450,000 Clean Water SRF loan, at 2.25 percent interest for 10 years.

Pierre has pledged sales tax for repayment of the loan. Staff analysis shows that the sales tax revenue will provide 363 percent coverage.

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

Leon Schochenmaier, city administrator, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution #2016-71** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,450,000 at 2.25 percent

interest for 10 years to the **city of Pierre** for the Hilger's Gulch sanitary sewer – Phase I 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.

Viborg requested funding to replace 480 feet of sewer mains, 220 feet of service lines, and three manholes to address excessive infiltration into the collection system.

The city anticipates bidding the project in August 2016 with a project completion date of August 2017.

The total project amount is \$179,000 and the amount requested is \$105,000. Viborg has received a \$515,000 Community Development Block Grant for water and wastewater improvements that can be used to cover the \$74,000 difference between the project cost and amount requested.

Viborg's rates are \$23.83 per 5,000 gallons usage.

Staff recommendation was to award a \$105,000 Clean Water SRF loan at 3.25 percent for 30 years.

The city has pledged system revenues for repayment of the loan. Staff analysis shows that the system revenue will provide 175 percent coverage.

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

Motion by Gnirk, seconded by Jones, to adopt Resolution #2016-72 approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$105,000 at 3.25 percent interest for 30 years to the **city of Viborg** for a wastewater and storm sewer improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of the Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective. Motion carried unanimously.

Elk Point requested funding to rehabilitate sewer lines as part of the Rose Street reconstruction project. This will be accomplished by lining pipes and manholes.

Elk Point anticipates bidding the project in February 2017 with a project completion date of December 2018.

The total project amount is \$440,000 and the amount requested \$440,000.

Elk Point's rates are \$27.48 per 5,000 gallons usage.

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Mr. Perkovich stated that since the rehabilitation consists entirely of lining the pipes and manholes there will be no disturbance to the overlying road. The cost of sewer rehabilitation is \$235,000. The remaining \$205,000 is for road reconstruction that is ineligible since the road will not be disturbed during the lining process.

Staff recommendation was awarding a \$235,000 Clean Water SRF loan at 3.25 percent interest for 30 years.

The city has pledged system revenue for repayment of the loan. Staff analysis shows that the system revenue will provide 255 percent coverage.

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

Dennis Nelson and Jerry Buum, city of Elk Point, discussed the project and answered questions from the board.

Motion by Goldhammer, seconded by Jones, to adopt **Resolution #2016-73** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$235,000 at 3.25 percent interest for 30 years to the **city of Elk Point** for a wastewater and water improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of the Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective; Motion carried unanimously.

Canistota requested funding to replace sanitary sewer service lines and install storm sewer on Main Street in conjunction with a road reconstruction project. The wastewater lines were replaced in 2001 but the service lines were not.

The city anticipates bidding the project in January 2017 with a project completion date of August 2017.

The total project amount is \$378,000 and the amount requested is \$378,000.

Canistota's rates are \$33.77 based on 5,000 gallons usage.

Canistota received a \$396,550 Community Development Block Grant that can be used on both the wastewater and water portions of the Main Street project.

Staff recommendation was to award a \$378,000 Clean Water SRF loan at 3.25 percent interest for 30 years. Mr. Perkovich noted that this is another instance where the recommendation will overfund the project significantly. In this instance, the Community Development Block Grant can be used to fund some of the road reconstruction. Staff would rather have too much money up front than not enough.

The city pledged a project surcharge for repayment of the loan. Staff analysis indicates that a surcharge of \$5.90 is needed to provide the required 110 percent debt coverage. This would result in overall rates of \$39.67 per 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.

Motion by Bernhard, seconded by Gnirk, to adopt Resolution #2016-74 approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$378,000 at 3.25 percent interest for 30 years to the **city of Canistota** for a Main Street sewer improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of the Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective, and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

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

Midland This application was presented to the board in March. The board awarded a \$275,000 Consolidated grant, but deferred action on an SRF loan. At that time, staff was aware Midland would be applying for CDBG funding. In some cases, if a project has been fully funded by the board, CDBG has chosen not to provide funds, which could limit the grant funds available for the project.

The town of Midland has had haloacetic acid (HAA5) violations. Installing a new water storage facility with a new mixing system and looping the water mains will help correct the water quality issues. The project consists of a new 53,000-gallon water storage tank with a mixing system as well as the construction of 3,220 feet of 6-inch main to loop the system.

The town of Midland anticipates bidding the project later this summer with a project completion date of early 2017.

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

Midland recently increased its rates from \$25.00 to \$34.00 per 5,000 gallons usage.

A contingency on the Consolidated grant that was awarded in March stated that if grant funds above 60 percent were provided by CDBG or another entity, the Consolidated grant would be rescinded. CDBG recently provided the town with a \$515,000 grant, which is 72 percent of the project costs.

Staff recommendation was to rescind Resolution #2016-25, which approved a \$275,000 Consolidated grant based on the contingency that the grant would be rescinded if more than 60 percent grant funding was received from CDBG. Staff also recommended the board award a \$225,000 Drinking Water SRF loan at 2.25 percent interest for 30 years.

Midland has pledged a project surcharge for repayment of the loan. Based on the \$225,000 loan, a monthly surcharge of \$9.50 per user is required for debt coverage. This results in overall rates of \$43.50. The \$225,000 loan is higher than the amount required to complete the project funding; however, it will give some room if bids are higher than anticipated.

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

Lawrence Stoppel, utility manager, discussed the project and answered questions from the board.

Motion by Jones, seconded by Gnirk, to adopt **Resolution #2016-75** rescinding Resolution #2016-25, which awarded Consolidated Water Facilities Construction Program Grant Agreement 2017G-104 to the **town of Midland**. Motion carried unanimously.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution #2016-76** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$225,000 at 2.25 percent interest for 30 years to the **town of Midland** for a water system improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Viborg requested funding to replace a portion of its water distribution system. The project includes the replacement of 2,900 feet of water main, fire hydrants, and other related infrastructure.

The city anticipates bidding the project in August 2016 with a project completion date of August 2017

The total project amount is \$1,047,000 and the amount requested is \$606,000. The remaining \$441,000 in project funding will come from the \$515,000 CDBG grant the city recently received and will also be used for a portion of the wastewater project presented earlier.

Viborg's rates are \$40.24 per 5,000 gallons usage.

Staff recommendation was to award a \$606,000 Drinking Water SRF loan at 0 percent interest for 30 years.

Viborg has pledged system revenues for repayment of the loan. Staff analysis indicates debt coverage of 117 percent with no increase in rates.

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

Motion by Sohlt, seconded by Goldhammer, to adopt **Resolution #2016-77** approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$606,000 at 0 percent interest for 30 years to the **city of Viborg** for a wastewater and water improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower demonstrating financial, managerial, and technical capacity. Motion carried unanimously.

Lead requested funding to install new water meters and an automatic meter reading system.

The city anticipates bidding the project in July 2016 with a project completion date in late September 2016.

The total project amount is \$704,000 and the amount requested is \$704,000.

Lead's rates are \$37.15 per 5,000 gallons usage.

The city was recently awarded a \$411,465 CDBG grant for this project that will also be used for a portion of a storm water project. Staff has discussed the necessary funding to complete the project with the city and is in agreement that \$427,000 would be an appropriate funding level.

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

Staff recommendation was to award a \$427,000 Clean Water SRF loan at 2.25 percent interest for 10 years.

The city has pledged a project surcharge for repayment of the loan. Staff analysis indicates the surcharge required for this loan will be \$3.10, which will bring the overall rates to \$40.25 for 5,000 gallons usage.

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 demonstrating financial, managerial, and technical capacity.

Mike Stahl, city administrator, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Jones, to adopt **Resolution #2016-78** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$427,000 at 2.25 percent interest for

10 years to the **city of Lead** 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, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon the borrower demonstrating financial, managerial and technical capacity. Motion carried unanimously.

Elk Point requested funding to replace 3,400 feet of ductile iron water main as part of the Rose Street reconstruction project. The project will be done at the same time as the sanitary sewer relining project presented earlier.

Elk Point anticipates bidding the project in February 2017 with a project completion date of December 2018.

The total project amount is \$721,000 and the amount requested is \$721,000.

The city's rates are \$32.39 per 5,000 gallons usage.

The line replacement project will occur primarily outside of the street and require limited disturbance to the road surface, primarily for service line installation. This is similar to the wastewater application presented earlier and staff has determined that most of the costs associated with the road surface replacement are ineligible. The eligible cost for water line replacement is \$564,000.

Staff recommendation was to award a \$564,000 Drinking Water SRF loan at 3.25 percent interest for 30 years.

The city has pledged system revenue for repayment of the loan. Staff analysis of the system revenues indicates coverage of 182 percent at current rates.

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

Motion by Gnirk, seconded by Sohlt, to adopt **Resolution #2016-79** approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$564,000 at 3.25 percent interest for 30 years to the **city of Elk Point** for a wastewater and water improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower demonstrating financial, managerial, and technical capacity. Motion carried unanimously.

Bridgewater requested funding to replace cast iron water mains on two blocks of Main Avenue between Second and Fourth streets. Water services and curb stops will also be replaced.

Bridgewater anticipates bidding the project in August 2016 with a project completion date of November 2016.

The total project amount is \$239,200 and the amount requested is \$121,700. The remaining \$117,500 in project funding will come from a CDBG grant the city was recently awarded.

Rates in Bridgewater are \$40.00 per 5,000 gallons usage.

Staff recommendation was to award a \$121,000 Drinking Water SRF loan at 2.25 percent interest for 30 years.

The application indicated a pledge of project surcharge to repay the loan. Bond counsel has determined that a surcharge cannot be used since the project will not benefit all users of the system; therefore, system revenue will be used for loan repayment. Staff analysis of the current system revenues indicates coverage of 165 percent at current rates.

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

Michael Damm, mayor, discussed the project.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution #2016-80** approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$121,000 at 2.25 percent interest for 30 years to the **city of Bridgewater** for a water distribution improvement project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower demonstrating financial, managerial, and technical capacity. Motion carried unanimously.

Canistota requested funding to replace water service lines in conjunction with a project to reconstruct approximately 1,000 feet of Main Street. The water distribution lines were replaced in 2001 but the service lines were not addressed at that time.

The city anticipates bidding the project in January 2017 with a project completion date of August 2017.

The total project amount is \$96,000 and the amount requested is \$96,000.

Canistota has recently been awarded a \$396,550 CDBG grant for this project, which can also be used for a portion of the waste water and street reconstruction projects on Main Street. Staff

believes providing the full requested amount is appropriate since the CDBG funds can also be used for the road project and the exact amount of funds from the grant for this project could change.

Rates in Canistota are \$49.84 per 5,000 gallons usage.

Staff recommendation was to award a \$96,000 Drinking Water SRF loan, at 3.00 percent interest for 30 years.

The city has pledged a project surcharge for repayment of the loan. Staff analysis indicates a surcharge of \$1.45 is needed to provide the 110 coverage, which will bring the rates to \$51.30.

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 demonstrating financial, managerial, and technical capacity.

Kathy Townsend, finance officer, discussed the project.

Motion by Jones, seconded by Goldhammer, to adopt **Resolution #2016- 81** approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$96,000 at 3 percent interest for 30 years to the **city of Canistota** for a main street sewer improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon the borrower demonstrating financial, managerial, and technical capacity. Motion carried unanimously.

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

James River Water Development District requested funding for the first segment of the South Central Watershed Implementation Project. This project is a locally planned 10- to 15-year effort to implement Best Management Practices in the Lewis and Clark Lake, Lake Andes, Geddes Lake, and Platte Lake watersheds, and the impaired reaches of the lower James River watershed and its tributaries. This effort is aimed at restoring water quality to meet designated beneficial uses and address TMDLs that have been established and those yet to be established for water bodies in these watersheds.

The total project amount is \$7,290,118 and the amount requested is \$275,000.

Other funding sources for this project include \$1,588,444 in local funds, \$1,619,856 – USDA EQIP (Environmental Quality Incentive Program), \$1,524,483 – USDA RCPP (Resource Conservation Partnership Program), \$988,335 – US EPA Section 319, \$901,000 – James River Water

Development District, \$300,000 – South Dakota Conservation Commission, and \$437,500 – Consolidated & SRF Water Quality.

Staff recommendation was to award a Consolidated grant for 15 percent not to exceed \$275,000, based on a project cost of \$1,833,333. The funds will provide 15 percent of the cost share for the design and construction of animal waste management systems.

Rocky Knippling, watershed coordinator, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution #2016-82** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the **James River Water Development District** for up to 15 percent of approved total project costs not to exceed \$275,000 for the South Central Watershed Implementation project. Motion carried unanimously.

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

Viewfield Rural Water Association In 2015, the Viewfield Rural Water Association found Radium 226/228 levels in its water supply had exceeded the EPA maximum contaminant level of 5 pCi/L and needs to be brought back into compliance.

Viewfield will install two alternating water softeners at each well pump house to reduce radium levels. Evaporation ponds will also be installed at each site to treat the backwash water from the softening systems. Viewfield anticipates bidding the project in August 2016 with completion of the project in late October 2016.

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

Viewfield's rates are \$120.00 per 9,000 gallons minimum fee.

Mr. Bruels noted that while this project is being considered under the Small Water Facilities Funding Application, the project was scored for priority points. Based on the compliance issues and the high rates, this is the top ranked project on the current Drinking Water priority list with 227 points.

Staff recommendation was to award a \$50,000 Consolidated loan at 3.25 percent interest for 30 years and to award a Consolidated grant for 80 percent of project costs not to exceed \$200,000.

Viewfield has pledged system revenue for repayment of the loan. Staff analysis of system revenues indicates Viewfield users will need to raise rates \$3.25 per month for repayment of the loan. An additional increase in rates may be needed for the operation and maintenance of the new treatment systems.

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 establishing rates at a level sufficient to provide the required debt coverage, and contingent upon the borrower approving a security agreement and mortgage.

Mr. Bruels stated that Viewfield does have a significant amount of debt with USDA Rural Development. In most cases, any loans awarded by this board attempt to gain the best position available with regards to debt security and typically requires a parity agreement with Rural Development. In this case, due to the small principal of the loan for this project, the need to get the project under way quickly, and get the system into compliance, staff is not including the contingency for a Rural Development parity agreement.

Motion by Goldhammer, seconded by Jones, to adopt **Resolution #2016-83** approving the South Dakota Consolidated Water Facilities Construction Program loan agreement between the Board of Water and Natural Resources and **Viewfield Rural Water Association** for a loan not to exceed \$50,000 at 3.25 percent interest for 30 years, contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan, contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage, and contingent upon the borrower approving a security agreement and mortgage; and to adopt **Resolution #2016-84** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and **Viewfield Rural Water Association** for up to 80 percent of approved total project costs not to exceed \$200,000 for a Radium 226/228 mitigation project. Motion carried. Gnirk abstained from voting.

Keystone requested funding to retrofit a well house from an existing below-grade vault to an above-grade structure to prevent possible flooding and contamination to the water system.

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

The total project amount is \$98,000 and the amount requested is \$98,000.

Keystone was recently awarded a \$375,000 CDBG grant for this project that will also be used for a portion of the wastewater project presented earlier. Staff believes that providing the full requested amount is appropriate since the CDBG funds can be used for both projects, and this will leave some contingency funds available if bids were to come in higher than estimated.

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

Staff recommended awarding a \$98,000 Consolidated loan at 3 percent interest for 20 years.

Keystone pledged system revenue for repayment of the loan. Staff analysis of the system revenues indicates coverage of 135 percent at current rates.

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

Dave Holland, AE2S, discussed the project and answered questions from the board.

Motion by Jones, seconded by Soholt, to adopt **Resolution #2016-85** approving the South Dakota Consolidated Water Facilities Construction Program loan agreement between the Board of Water and Natural Resources and the **town of Keystone** for a loan not to exceed \$98,000 at 3 percent interest for 20 years for a well retrofit project, contingent upon the borrower adopting a bond resolution and the resolution becoming effective. Motion carried unanimously.

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

SOLID WASTE MANAGEMENT PROGRAM FUNDING APPLICATIONS: Mr. Bruels discussed available funding for solid waste projects. He presented the funding applications and the staff recommendations for funding.

AGRAT2, LLC is a private for-profit entity. In accordance with SDCL 46A-1-98, any documentary material or data made or received by the board or DENR for the purpose of furnishing financial assistance to a business to the extent that the material or data consists of trade secrets or commercial or financial information regarding the operation of such business is not public record and is exempt from disclosure. Any discussion or consideration of such trade secrets or commercial or financial information by the board may be done in executive session.

AGRAT2 LLC is the only mattress and box spring recycling company in South Dakota and has been receiving mattresses and box springs from the Sioux Falls landfill and area retailers since 2011. The metal baler currently being used is not capable of compacting mattress springs and can only handle the metal from box springs. AGRAT2 LLC is requesting funding to assist in the purchase of a new baler that can compact springs quicker and more efficiently as well as be compatible with mattress springs. The company would also like to expand its service area beyond Sioux Falls. To do this, additional rolling stock to include enclosed trailers and a semi cab is needed as a part of the expansion.

The total project amount is \$322,000 and the amount requested is \$322,000.

The company charges \$8 per mattress or box spring.

Mr. Bruels stated that recycling of mattresses and box springs instead of landfilling is beneficial not just because of the recycling aspects; mattresses are especially problematic for landfills to handle. The springs are hard to compact using traditional landfill compaction methods, which reduces the overall landfill compaction rates and takes up more room. The city of Sioux Falls has submitted a letter in support of the application from AGRAT2. Mr. Bruels showed a video that explains how mattress recycling works.

Staff recommended awarding a Solid Waste Management Program grant up to 35 percent of the project cost not to exceed \$112,700 and to award a Solid Waste Management Program loan in the amount of \$209,300 at 2.25 percent interest for 10 years.

The company has pledged revenues for repayment of the loan. Staff analysis indicates that revenues will be sufficient to provide the required debt coverage of 100 percent.

Staff recommended a special condition that the grant funds shall be drawn concurrently with the Solid Waste Management Program loan awarded for this project. Staff also recommended that the loan be contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, the pledge of revenues for repayment of the loan, contingent upon the borrower approving a security agreement and mortgage, and contingent upon the borrower approving a personal guaranty agreement and providing a key man life insurance policy not less than the face value of the promissory note naming the borrower as the beneficiary with the proceeds payable to the Board of Water and Natural Resources to the extent of the outstanding balance of the loan.

Travis Hewett, owner, discussed the project and answered questions from the board.

Motion by Goldhammer, seconded by Gnirk, to adopt **Resolution #2016-86** approving the South Dakota Solid Waste Management Program grant agreement between the Board of Water and Natural Resources and **AGRAT2 LLC** for up to 35 percent of approved total project costs not to exceed \$112,700, for a mattress and box spring recycling expansion project, with a special condition that the grant funds shall be drawn concurrently with the Solid Waste Management Program loan agreement, and to adopt **Resolution #2016-87** approving the South Dakota Solid Waste Management Program loan agreement between the Board of Water and Natural Resources and **AGRAT2 LLC** for a loan not to exceed \$209,300 at 2.25 percent interest for 10 years, contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan, contingent upon the borrower approving a security agreement and mortgage, and contingent upon the borrower approving a personal guaranty agreement and providing a key man life insurance policy not less than the face value of the promissory note naming the borrower as the beneficiary with the proceeds payable to the Board of Water and Natural Resources to the extent of the outstanding balance of the loan. Motion carried unanimously.

Roberts County requested funding to construct an expansion to Waste Cell #2 at the landfill. This expansion will add 79,400 cubic yards of disposal space. The proposed project involves stripping and stockpiling the top soil, excavation of the disposal area, installation of a 24-inch clay liner, installation of leachate piping, replacement of top soil, and other necessary appurtenances.

Roberts County anticipates bidding the project in July of 2016 and completing the project in 2017.

The total project amount is \$270,833 and the amount requested is \$135,000.

Landfill rates are \$47 per ton for municipal solid waste, which is just above the average for many landfills in the state

Mr. Bruels stated that Roberts County has indicated it is not interested in a loan.

Staff recommendation was to award a Solid Waste Management Program grant at 27.7 percent of total project costs not to exceed \$75,000. Mr. Bruels noted that grant awards for this type of project typically range from 20 to 40 percent of total project cost. The 27.7 percent grant award is consistent with other awards for similar projects.

Staff analysis indicates Roberts County has sufficient funds in its solid waste account to cover the remaining project costs.

Randy Deutsch, Roberts County Landfill, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Jones, to adopt **Resolution #2016-88** approving the South Dakota Solid Waste Management Program grant agreement between the Board of Water and Natural Resources and **Roberts County** for up to 27.7 percent of approved total project costs not to exceed \$75,000 for the construction of stage 5 of the Waste Cell #2 project. Motion carried unanimously.

SD Solid Waste Management Association hosts a joint conference with the North Dakota Solid Waste and Recycling Association once every three years and needs speakers to provide a quality educational and growth experience for attendees. Finding local speakers with broad experience and expertise for the solid waste field can be difficult, and bringing in speakers on a more regional or national scale requires compensation for their attendance. Any awarded funds will cover speaker fees, conference registration, and accommodations. Matching funds will come from registration fees paid by attendees of \$215 each. The conference will be held in Deadwood in September 2016.

The total project amount is \$58,000 and the amount requested is \$15,000.

Agencies from North Dakota have also pledged up to \$3,000 of support for the conference. The last time the conference was held in North Dakota, the state helped to secure an \$18,000 USDA grant to help offset conference expenses. Montana is also participating in the upcoming conference and has provided a \$5,000 sponsorship to help pay for costs.

Staff recommendation was to award a Solid Waste Management Program grant at 35 percent not to exceed \$15,000.

Mr. Bruels noted that this grant is a little different than most; however, staff recognizes the importance of having well trained operators and managers at the states solid waste facilities and this conference will help to keep our state's solid waste industry well trained. Based on the support from other states for current and previous conferences, staff believes the requested funds are well supported, especially with this year's conference being held in South Dakota.

Carolyn Trautman, executive director of the association, and Fred Snoderly, president of the association, discussed the conference and answered questions from the board.

Motion by Goldhammer, seconded by Bernhard, to adopt **Resolution #2016-89** approving the South Dakota Solid Waste Management Program grant agreement between the Board of Water and Natural Resources and **South Dakota Solid Waste Management Association** for up to 35 percent of approved total project costs not to exceed \$15,000 for the joint annual conference speakers. Motion carried unanimously.

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

STATE BOARDS AND COMMISSIONS CONFLICT OF INTEREST NOTIFICATION: Harold Deering, board attorney, discussed the provisions of House Bill 1214 and the Conflict Waiver Instructions and Waiver forms and the Conflict of Interest Waiver Decision Matrix. The 2016 Legislature enacted new conflict of interest laws (HB 1214) applicable to Board of Water and Natural Resources members effective July 1, 2016. Absent a waiver, these new conflict laws prohibit current and certain former members of the Board of Water and Natural Resources from contracting with, or from deriving direct benefits from a contract with, a state agency if the contract is within the jurisdiction or related to the subject matter of the board. Absent a waiver, the conflict laws also prohibit board members from contracting with, or deriving direct benefits from contracts with, political subdivisions of the State that administer or execute similar subject matter programs as the board. These prohibitions also apply to direct benefits derived from a State or political subdivision contract by a spouse or other person living with the board member and commingling assets with the board member.

Mr. Feeney provided a copy of a June 22 letter from the Government Operations and Audit Committee regarding implementation of HB 1214.

Mr. Deering answered questions from the board.

SOUTH DAKOTA WATER QUALITY STANDARDS, MONITORING AND DATA: Mr. Feeney reported that a recent publication by the Izaak Walton League of America gave South Dakota a D grade for the state's assessment of water quality. Half of the final grade was based on Volunteer Engagement. Chairman Johnson requested time on the agenda for the department to discuss the Izaak Walton League report and the use of data collected by volunteers.

Prior to the meeting, the board members were provided with a copy of the Izaak Walton League report and the department's response to the report's fact checks, discussion and conclusions.

Paul Lorenzen, DENR Watershed Protection Program, and Patrick Snyder, DENR Surface Water Quality Program, provided an overview of the preparation and submission of the 2016 Integrated Report. Required under the federal Clean Water Act, this report is used by the state to identify impaired water bodies in South Dakota. They also provide an overview of water quality standards, state and volunteer monitoring, and use of data.

The draft 2016 Integrated Report contains an assessment of the surface water quality of South Dakota's waters, a description of South Dakota's water quality monitoring programs, pollutants causing impairments of the water bodies and identification of waters targeted for total maximum daily load development. A total maximum daily load (TMDL) is a determination of the amount of pollution a waterbody can receive and still maintain water quality standards.

The draft 2016 report lists 143 waterbodies or waterbody segments needing a total maximum daily load. Of those listed, 88 are stream or river segments and 55 are lakes that periodically do not meet water quality standards.

Mr. Lorenzen and Jay Gilbertson answered questions from the board regarding water quality monitoring and data collection by volunteers.

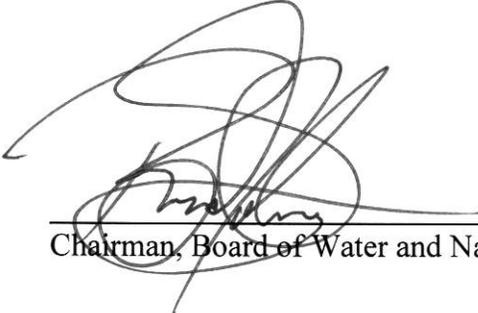
Board of Water and Natural Resources
June 23, 2016, Meeting Minutes

SEPTEMBER 22-23, 2016, MEETING: The next meeting is scheduled for September 22-23, 2016, in Spearfish. On September 22, the board will tour several areas in the Belle Fourche Watershed. The board meeting will be held on September 23 via Digital Dakota Network.

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

Approved this 23rd day of September, 2016.

(SEAL)



Chairman, Board of Water and Natural Resources

ATTEST:



Secretary, Board of Water and Natural Resources

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE 6-23-16

LOCATION Matthew Training Center, Pierre

Name (PLEASE PRINT)	Address	Representing
<u>Jim Putnam</u>	<u>ARMOUR</u>	<u>SCWDD</u>
<u>PAUL GNIRK</u>	<u>NEW UNDERWOOD</u>	<u>BWNR</u>
<u>Jerry Scholt</u>	<u>Sioux Falls</u>	<u>BWNR</u>
<u>Kevin Jews</u>	<u>Waubay</u>	<u>City of Waubay</u>
<u>Mike Perkovich</u>	<u>Pierre</u>	<u>DENR</u>
<u>Derek Lankford</u>	<u>Pierre</u>	<u>DENR</u>
<u>Andrew Brick</u>	<u>Pierre</u>	<u>CSDDED</u>
<u>Andy Bruels</u>	<u>Pierre</u>	<u>DENR</u>
<u>TODD BERNHARD</u>	<u>FORT PIERRE</u>	<u>BWNR</u>
<u>David Ruhnke</u>	<u>Pierre</u>	<u>DENR</u>
<u>Jon PESCHONG</u>	<u>Pierre</u>	<u>DENR</u>
<u>Drew Huisben</u>	<u>Pierre</u>	<u>DENR</u>
<u>Jim Feeney</u>	<u>Pierre</u>	<u>DENR</u>
<u>Mark McIntire</u>	<u>Pierre</u>	<u>DENR</u>
<u>Harold Deering</u>	<u>Brandon</u>	<u>DEIR</u>
<u>Jay Gilbertson</u>	<u>Brookings</u>	<u>East Dakota WSD</u>
<u>Kevin Morehart</u>	<u>Philip</u>	<u>Haakon School Dist</u>
<u>Britni Boss</u>	<u>Philip</u>	<u>Haakon School Dist</u>
<u>Jennifer Sietsmas</u>	<u>NECOG</u>	
<u>Jim Auden</u>	<u>Pierre</u>	<u>DENR</u>
<u>Erin Steever</u>	<u>Banner - Sioux Falls</u>	<u>Waubay</u>

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE 6-23-16

LOCATION Pierre

Name (PLEASE PRINT)	Address	Representing
Brian Walsh	Pierre	DENR
Kwinn Aliff	Keystone	Town of Keystone
Kathy Townsend	Conistota	Conistota
Steven Bendt	Viborg	Viborg
José Dominguez	Vermillion	Vermillion
Michael Carlson	Vermillion	City of Vermillion
MIKE STAHZ	LEAD	LEAD
Michael Damm	BRIDGEWATER	BRIDGEWATER
Randy Deutsch	Sisseton	Roberts County
LAWRENCE STROPP	MIDLAND	TOWN OF MIDLAND
Andrew Brick	Pierre	CSD 10
Dennis Nelson	ELK Point	City of Elk Point
Jerry A Bruun	ELK Point	City of Elk Point
Paul Gulhammer	WALL	DWDR
Rocky Krippner	Chamberlain	South Central 319
Fred Sudbery	MADISON	SDSWMA
Gabe Luber	Sioux Falls	DGR
Carolyn Thautman	Aberdeen	SDSWMA
Vernon Arms	Yankton	Bridgewater
David Hottle	Pierre	DENR
Rob Babcock	Aberdeen	Helms & Associates

