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

June 22, 2017
10:00 a.m. Central Time

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

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

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

BOARD MEMBERS ABSENT: Paul Goldhammer and Jerry Soholt.

OTHERS PRESENT: See attached attendance sheets.

APPROVE AGENDA: Chairman Johnson approved the agenda.

APPROVE MINUTES OF MARCH 30-31, 2017, MEETING: Mr. Perkovich pointed out that in the fourth paragraph on page 37 “SRF” should be changed to “SFY.”

Motion by Jones, seconded by Lanning, to approve the minutes of the March 30-31, 2017, Board of Water and Natural Resources meeting, with the change on page 37. Motion carried unanimously.

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

Amendments to State Water Plan

Andy Bruels reported that water projects which will require state funding or need state support for categorical grant or loan funding need to be on the State Water Plan. The Board of Water and Natural Resources annually approves projects for placement 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 2018.

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

Two State Water Plan applications were received by the May 1, 2017, deadline. While presenting the State Water Plan applications, Mr. Bruels identified those projects to be placed on the Clean Water SRF and Drinking Water SRF project priority lists.

Cavour requested amendment on the facilities plan to replace clay sanitary sewer collection pipes in various locations throughout the community that are beyond their useful life. The estimated total project cost is \$877,300.

The project will be placed on the Clean Water IUP with six priority points and an estimated loan amount of \$600,000 at 2.5 percent interest for 30 years.

McIntosh requested placement on the facilities plan to replace existing water meters with new automatic read meters and to construct a booster station to increase system pressures to acceptable service levels. The estimated total project cost is \$840,000.

The project will be placed on the Drinking Water IUP with 87 priority points and an estimated loan amount of \$840,000 at 2.0 percent interest for 20 years.

Staff recommended amending both of the projects onto the facilities plan.

Motion by Gnirk, seconded by Bernhard, to amend the two projects onto the facilities plan.
Motion carried unanimously.

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

Mr. Bruels stated that staff has noticed recently that some of the communities applying for wastewater project funding have issues with managerial and financial capacity for their systems. Unlike the Drinking Water SRF where there is a set-aside amount of the capitalization grant and requirement for borrowers to meet capacity requirements, these issues have largely gone unaddressed in the Clean Water SRF program.

Mr. Bruels stated that assistance would address primarily financial issues to include basic accounting, rate setting, account separation, and possibly board training. Staff believes utilizing a portion of the Clean Water SRF administrative fees to contract with Midwest Assistance Program, who currently has a contract for similar work under the Drinking Water SRF, would be beneficial to borrowers and help provide for better debt security on the loans.

Staff proposed using up to \$4,500 of Clean Water SRF Administrative fees for the period from July 1, 2017 – June 30, 2018. Staff suggested making the following change to the IUP narrative:

Administrative Surcharge Uses in FY 2017:

Effective July 1, 2017, \$4,500 of administrative surcharge funds will be allocated to provide for the improvement of financial or managerial capacity of SRF applicants. DENR will contract with the Midwest Assistance Program to provide these services.

In addition to the Cavour sanitary sewer project that was placed on the 2017 State Water Plan, there is one additional project to be placed on the Clean Water SRF Project Priority List.

Eagle Butte received a previous Clean Water SRF loan in the amount of \$2,410,000 with 18.2 percent principal forgiveness not to exceed \$436,500. The city has completed upgrades to its wastewater treatment ponds. The project also included construction of gravity and force main wastewater collection pipe, and some of that work has been completed. There have been issues concerning ownership between the city and the Cheyenne River Sioux Tribe, which have slowed progress. Eagle Butte believes the remaining work to be completed will not face the same issues as previous work. Due to the additional time as well as some adjustments to alignment, the cost of the project has increased. Eagle Butte has submitted a new funding application, which will be presented later in the meeting, to complete the project funding. Total project costs for the new work are estimated at \$670,000.

The project will be placed on the Clean Water IUP with 15 priority points and an estimated loan amount of \$670,000 at 2.5 percent interest for 30 years.

Mr. Bruels noted that changes were made to Attachments 2 and 3 to reflect the changes made earlier to the IUP.

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

Motion by Jones, seconded by Gnirk, to approve the addition of the Cavour and Eagle Butte projects to the 2017 Clean Water SRF IUP Project Priority List, and to approve the addition to the IUP narrative, as presented. Motion carried unanimously.

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

In addition to the McIntosh drinking water project that was placed on the 2017 State Water Plan, there is one additional project to be placed on the Drinking Water SRF Project Priority List.

Edgemont received a previous Drinking Water SRF loan in the amount of \$1,890,000 with 63.9 percent as principal forgiveness not to exceed \$1,206,890 and a Consolidated grant of up to \$2,000,000. The project originally included construction of a new water treatment plant for radionuclide removal, a 250,000-gallon elevated storage tank, demolition of existing storage tanks, installation of 3,500 feet of new water main to connect the treatment system to the rest of the community, and rehabilitation of two existing wells.

In March 2017, the board amended the scope of the loan to include construction of a new well instead of rehabilitation after work on the first well was more difficult than anticipated. The drilling of a new well has caused the project costs to increase from the original amount and

Edgemont has submitted a new funding application for the increased total costs, which will be presented later in the meeting. The total project costs, including the new well, are estimated at \$4,337,000.

The project will be placed on the Drinking Water IUP with 270 priority points and an estimated loan amount of \$447,000 at 0 percent interest for 30 years.

Staff recommended the addition of both projects onto the Project Priority list of the Drinking Water SRF IUP.

Motion by Bernhard, seconded by Gnirk, to approve the addition of the McIntosh and Edgemont projects to the 2017 Drinking Water SRF IUP Project Priority List. Motion carried unanimously.

AMENDMENT TO THE 2015 CLEAN WATER SRF IUP: Mr. Bruels reported that the FY 2015 Clean Water SRF IUP was approved by the Board of Water and Natural Resources in November 2014 and amended in March, June, and September 2015 and March 2016.

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

Staff proposed amending Attachment I - Project Priority List of the FY 2015 Clean Water IUP by adding the following:

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
25	Sturgis	\$16,247,000	2.5%, 30 years

Motion by Gnirk, seconded by Jones, to approve the addition of the Sturgis project to the 2015 Clean Water SRF IUP Project Priority List. Motion carried unanimously.

AMENDMENT TO THE 2016 CLEAN WATER SRF IUP: Mr. Bruels reported that the FY 2016 Clean Water State Revolving Fund IUP was approved by the Board of Water and Natural Resources in November 2015 and amended in March, June, and September 2016.

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

It is proposed to amend Attachment I - Project Priority List of the FY 2016 Clean Water IUP by adding the following:

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
25	Sturgis	\$16,247,000	2.5%, 30 years

Motion by Gnirk, seconded by Lanning, to approve the addition of the Sturgis project to the 2016 Clean Water SRF IUP Project Priority List. Motion carried unanimously.

AMENDMENT TO THE 2016 DRINKING WATER SRF IUP: Mr. Bruels stated that the FY 2016 Drinking Water State Revolving Fund IUP was approved by the Board of Water and Natural Resources in November 2015 and amended in March, June, and September 2016.

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

It is proposed to amend Attachment I - Project Priority List of the FY 2016 Drinking Water IUP by adding the following:

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
24	Onida	\$950,000	2.25%, 20 years

Motion by Gnirk, seconded by Bernhard, to approve the addition of the Onida project to the 2016 Drinking Water SRF IUP Project Priority List. Motion carried unanimously.

HUMBOLDT REQUEST TO RESCIND CLEAN WATER SRF LOAN C461254-02: Drew Huisken reported that on March 31, 2017, the board approved Resolution #2017-50, awarding the town of Humboldt a \$272,000 Clean Water SRF loan for its water meter replacement project. This project would replace all 262 of the town's water meters as well as purchase the necessary hardware and software associated with the automatic reading system.

On May 11, 2017, the department received a letter from the town of Humboldt declining the Clean Water SRF loan. The town stated the replacement of the water meters remains a priority, but is not being pursued at this time.

Staff recommended the board rescind Resolution #2017-50, which approved the Clean Water SRF loan.

Motion by Jones, seconded by Lanning, to adopt **Resolution #2017-61** rescinding Resolution #2017-50, which approved Clean Water SRF loan C461254-02 to the **town of Humboldt** up to a maximum committed amount of \$272,000. Motion carried unanimously.

YALE REQUEST TO RESCIND CLEAN WATER SRF LOAN C461096-02: Jim Anderson reported that in March 2016 the town of Yale was awarded an \$84,000 Clean Water SRF loan and a \$243,000 Water Quality Grant to riprap the town's wastewater ponds. The project has been completed. Due to excellent bids, the town will only utilize the Water Quality Grant and a grant from the James River Water Development District.

A letter was received in March 2017 from the town requesting the board rescind Clean Water State Revolving Fund Loan C461096-02.

Staff recommended the board rescind Resolution #2016-23, which approved the Clean Water SRF loan.

Motion by Lanning, seconded by Bernhard, to adopt **Resolution #2017-62** rescinding Resolution #2016-23 which approved Clean SRF loan C461096-02 to the **town of Yale** up to a maximum committed amount of \$84,000. Motion carried unanimously.

BRITTON REQUEST TO RESCIND DRINKING WATER SRF LOAN C462188-02: Mr. Bruels reported that in March 2016 the city of Britton was awarded a \$3,212,000 Drinking Water SRF loan and \$1,444,000 Consolidated grant for a major water system improvements project.

A letter was received in March 2017 from the city requesting the board rescind Drinking Water State Revolving Fund Loan C462188-02. Britton received funding from another source, but plans on using the Consolidated grant.

Staff recommended the board rescind Resolution #2016-32, which approved the Drinking Water SRF loan.

Motion by Lanning, seconded by Jones, to adopt **Resolution #2017-63** rescinding Resolution #2016-32, which approved Drinking Water SRF loan C462188-02 to the **city of Britton** up to a maximum committed amount of \$3,212,000. Motion carried unanimously.

HOVEN REQUEST TO RESCIND CONSOLIDATED WATER FACILITIES

CONSTRUCTION PROGRAM LOAN 2017L-204: Jon Peschong reported that in June 2016 Hoven was awarded a \$50,000 Consolidated loan for an expected funding shortfall on its South Dakota Highway 47 project. Hoven went to bid and bids came in below the projected cost of the project. Subsequently on March 30, 2017, the department received a letter from the city of Hoven declining the loan.

Staff recommended the board rescind Resolution #2016-62, which approved the Consolidated Water Facilities Construction Program loan.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution #2017-64** rescinding Resolution #2016-62, which awarded Consolidated Water Facilities Construction Program Loan 2017L-204 to the **city of Hoven** up to a maximum committed amount of \$50,000. Motion carried unanimously.

MIDWEST ASSISTANCE PROGRAM DRINKING WATER STATE REVOLVING FUND SET- ASIDE CONTRACT AND MIDWEST ASSISTANCE PROGRAM WASTEWATER CAPACITY CONTRACT:

Jon Peschong stated that the Board of Water and Natural Resources has a current contract with Midwest Assistance Program (MAP) to provide technical assistance and complete capacity assessment reviews for technical, financial and managerial capacity for drinking water applicants. During the first three quarters of state fiscal year 2017, MAP assisted 28 communities and provided over 562 hours of technical assistance and training for drinking water applicants. The current contract ends June 30, 2017, and MAP has requested a new contract at an increased hourly rate of \$75 per hour not to exceed 660 hours for a total contract

amount of \$49,500. Mr. Peschong noted that the last rate increase was in 2012 when the hourly rate went from \$65 to \$71.

Staff recommended the contracts be at the \$75 per hour rate.

Mr. Peschong stated that since MAP has submitted its proposal, staff has been working with them and the board's legal counsel to expand the work scope that MAP does to include capacity work for wastewater applicants.

Staff believes that a separate contract for wastewater applicants is needed to address financial and managerial capacities. This would involve finance officer training and possible board training. The need arises when the department receives a wastewater application but does not receive a drinking water application. Since the current contract is funded with federal funds from the Drinking Water Capitalization grant, it is specific for just drinking water capacity, and work specific for wastewater capacity is not allowed when staff believes the wastewater applicant needs financial or managerial assistance.

Staff recommended the board approve two separate contracts that begin on July 1, 2017, and go through June 30, 2018. The first contract will be funded with the federal Local Assistance 15 percent set-aside from the Drinking Water Capitalization grant for the drinking water capacity developments, which is what has been done in the past. The second contract will be funded by non-federal administrative loan fees from clean water loans for the wastewater capacity assistance contract, as Mr. Bruels discussed in his presentation to amend the Clean Water SRF Intended Use Plan.

Harrold Deering has noted that since the work is similar in nature, the combined contracts cannot exceed \$50,000 without going through the Request For Proposal (RFP) process. Mr. Peschong noted that staff still needs to discuss the timeline, but because of the increased work scope staff believes it would be beneficial to do a RFP, which will allow the board to approve a contract above the \$50,000 limit and extend the contract three years with an option to renew for an additional three years. Staff anticipates the RFP will be advertised either later this year or early next year.

Mr. Peschong stated that throughout this process staff has been in contact with MAP and has provided them with the draft contracts and revised work plans. MAP agrees with the changes and understands the need for the RFP process.

Staff recommended the board approve a resolution authorizing the chairman to sign a contract with Midwest Assistance Program to provide technical assistance and complete capacity assessments to improve technical, financial, or managerial capacity for drinking water systems in South Dakota at a rate of \$75.00 per hour not to exceed 600 hours for a total contract amount of \$45,000.

Motion by Gnirk, seconded by Jones, to adopt **Resolution #2017-65** approving a consulting contract with **Midwest Assistance Program** not to exceed \$45,000 to provide Drinking Water SRF local assistance set-aside services. Motion carried unanimously.

Staff recommended the board approve a resolution authorizing the chairman to sign a contract with Midwest Assistance Program to provide technical assistance to improve financial and managerial capacity of wastewater systems in South Dakota at a rate of \$75.00 per hour not to exceed 60 hours for a total contract \$4,500.

Motion by Gnirk, seconded by Lanning, to adopt **Resolution #2017-66** approving a consulting Contract with **Midwest Assistance Program** not to exceed \$4,500 to provide wastewater capacity assessment. Motion carried unanimously.

PERKINS COIE LLP CONFLICT WAIVER REQUEST FOR SIMULTANEOUS REPRESENTATION OF SOUTH DAKOTA CONSERVANCY DISTRICT AND U.S. BANK

N.A.: Mike Perkovich reported that Bruce Bonjour, Perkins Coie, has served as bond counsel for the Clean Water State Revolving Fund program since 1993 and the Drinking Water SRF program since 1997. Perkins Coie currently has a contract with the Conservancy District to serve as bond counsel for the SRF programs through December 31, 2018.

Effective April 24, 2017, U.S. Bank N.A succeeded The First National Bank in Sioux Falls as Trustee, Loan Servicer, and Paying Agent/Registrar for the SRF programs.

Bruce Bonjour submitted a letter requesting the state and the Conservancy District sign a waiver of a conflict of interest that will allow Mr. Bonjour to continue to represent the Conservancy District even though his firm has represented, and is currently representing, US Bank with respect to a variety of unrelated work, including financing and lending transaction matters.

Mr. Perkovich stated that because there is a theoretical conflict, the Conservancy District needs to waive the conflict in order to proceed. Additionally, the legal services contract requires consent of the Attorney General.

Mr. Bonjour stated in his letter that he does not believe the work his firm does for U.S. Bank N.A. will adversely affect the work he does for the Conservancy District. The Conservancy District's legal counsel, Mr. Harold Deering, agrees with the conclusion of no adverse effect. Attorney General Marty Jackley has signed the waiver on behalf of the State of South Dakota.

Staff recommended the board authorize the chairman to execute the Perkins Coie LLP Conflict Waiver Request for Simultaneous Representation of the South Dakota Conservancy District and U.S. Bank N.A.

Motion by Bernhard, seconded by Jones, to authorize the chairman to execute the Perkins Coie LLP conflict waiver request for simultaneous representation of the South Dakota Conservancy District and U.S. Bank N.A. Motion carried unanimously.

PERKINS COIE LLP CONFLICT WAIVER REQUEST FOR SIMULTANEOUS REPRESENTATION OF SOUTH DAKOTA CONSERVANCY DISTRICT AND WELLS

FARGO BANK, N.A.: Bruce Bonjour, Perkins Coie, has served as bond counsel for the Clean Water State Revolving Fund program since 1993 and the Drinking Water SRF program since 1997. Perkins Coie currently has a contract with the Conservancy District to serve as bond counsel for the State Revolving Fund programs through December 31, 2018.

Wells Fargo Bank is under contract with South Dakota Conservancy District for underwriting services related to the issuance of bonds.

Bruce Bonjour submitted a letter requesting the state and the Conservancy District to sign a waiver of a conflict of interest that will allow Mr. Bonjour to continue to represent the Conservancy District even though his firm has represented, and is currently representing, Wells Fargo Bank with respect to a variety of unrelated work, including financing and lending transaction matters.

Because there is a theoretical conflict, the Conservancy District needs to waive the conflict in order to proceed. Additionally, the legal services contract requires consent of the Attorney General.

Mr. Bonjour stated in his letter that he does not believe the work his firm does for Wells Fargo. will adversely affect the work he does for the Conservancy District. The Conservancy District's legal counsel, Mr. Harold Deering, agrees with the conclusion of no adverse effect. Attorney General Marty Jackley has signed the waiver on behalf of the State of South Dakota.

Staff recommended the board authorize the chairman to execute the Perkins Coie LLP Conflict Waiver Request for Simultaneous Representation of the South Dakota Conservancy District and Wells Fargo Bank N.A.

Motion by Bernhard, seconded by Lanning, to authorize the chairman to execute the Perkins Coie LLP conflict waiver request for simultaneous representation of the South Dakota Conservancy District and Wells Fargo Bank N.A. Motion carried unanimously.

2017 BOND ISSUE: Mr. Perkovich reported that staff has been in contact with the Trustee, financial advisor, Wells Fargo, and JP Morgan, regarding an upcoming bond issue. The bond issue will be approximately \$68,500,000, subject to change, as time goes on. There will be two series. There will be a taxable series for the state match, which will have a five-year term with \$6,500,000 for the Clean Water SRF program and \$8,500,000 for the Drinking Water SRF program. The taxable series is done primarily because of the Tax Increase Prevention and Reconciliation Act that requires the state to spend 30 percent of tax-exempt bond proceeds in one year and 95 percent of it in three years. Getting the state match spent at that pace can be difficult and the spend-down requirements do not apply to taxable series.

There will be a tax-exempt series for leveraged funds which will be on a 20-year term. It is expected that about \$43,500,000 will be for the Clean Water SRF program and \$11,000,000 for the Drinking Water SRF program. There are discussions regarding refunding some prior year's bond issues. The underwriter and the district's financial advisor will determine if the refunding provides any savings. If some prior year's bond issues are refunded, that \$68,500,000 will increase.

Wells Fargo is acting as the lead underwriter and JP Morgan is the co-underwriter.

In 2014, the district issued a Request For Proposals for underwriter services. The current underwriters' contracts had a three-year contract period that runs through December of this year.

It is anticipated that this issue will get done in late July or early August. Because that does not coincide with any of the regular board meetings, there will be several special board meetings. Perkins Coie was requested to submit a fee proposal for their services on this bond issue. That has been received and will have to be acted upon sometime in the future.

Mr. Perkovich answered questions from the board.

SIoux FALLS REQUEST TO AMEND CLEAN WATER STATE REVOLVING FUND

LOAN C461232-35A, C461232-35NPS, C461232-36A, C461232-36NPS, C461232- 37, C461232-37NPS: Dave Ruhnke stated that the city of Sioux Falls has requested that the board approve an amendment to CW-35, CW-36, and CW-37 loans, which will change the scheduled repayments.

The city of Sioux Falls currently has 12 Clean Water State Revolving Fund loans in repayment. The repayment schedules for these loans require quarterly payments in January, April, July, and October. The city has three additional loans (CW-35, CW-36, and CW-37) that are not yet in repayment. These loans are scheduled to have quarterly repayments in February, May, August, and November. Sioux Falls has requested that the Board approve an amendment to CW-35, CW-36, and CW-37 loans changing the scheduled repayments to correspond with the repayment schedule of the 12 loans currently in repayment.

Staff recommended the board approve Sioux Falls' request to amend the CW-35, CW-36, and CW-37 loan agreements to provide quarterly loan payments in January, April, July, and October.

Motion by Lanning, seconded by Bernhard, to adopt **Resolution #2017-67** approving amendments to the **city of Sioux Falls'** CW-35, CW-36, and CW-37 loan agreements to provide quarterly loan payments in January, April, July, and October, and authorizing the board chairman to execute the amendments. Motion carried unanimously.

PIPE LINING VIDEO: Andy Bruels presented two videos demonstrating pipe lining for sanitary sewer and waterlines.

The videos can be found at the following links:
<https://www.youtube.com/watch?v=0DNC50Y0T8A>
<https://www.youtube.com/watch?v=I9CUcF-r6Us>.

Mr. Bruels, Mr. Perkovich, Brandon Smid, Helms and Associates, and Dustin Dale, AE2S, answered questions from the board.

ELECTION OF BOARD OFFICERS: Dr. Gnirk nominated Brad Johnson as chair, Gene Jones as vice chair, and Todd Bernhard as secretary.

Motion by Gnirk, seconded by Lanning, that the nominations cease and a unanimous ballot be cast for the following slate of offices: Brad Johnson, chair, Gene Jones, vice chair, and Todd Bernhard, secretary. Motion carried unanimously.

SEPTEMBER 2017 MEETING: Mr. Perkovich stated that the September 28-29, 2017, board meeting will be held in Vermillion. On September 28, a tour of the area will take place and the business meeting will be held via the Digital Dakota Network on September 29. Jay Gilbertson discussed possible sites to tour, and Mr. Perkovich discussed agenda items.

BREAK: Chairman Johnson called a recess for lunch. He called the meeting back to order at 1:00 p.m. Central Time.

AVAILABLE FUNDING: Mr. Perkovich provided a summary of available funds for the Consolidated Water Facilities Construction Program, Drinking Water SRF Principal Forgiveness, Drinking Water SRF loans, Clean Water SRF Water Quality Grants, Clean Water SRF Principal Forgiveness, and Clean Water SRF loans.

SANITARY/STORM SEWER FACILITIES FUNDING APPLICATIONS: Mr. Perkovich presented the Sanitary/Storm Sewer Facilities funding applications and the staff recommendations for funding. 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.

Blunt requested funding to refurbish its three-cell wastewater lagoon treatment system and rehabilitation of both lift stations. The lagoon system is experiencing odor issues, and the city has been receiving complaints about leakage from the lagoons. The city anticipates bidding the project this year with a project completion date in 2018.

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

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

The city received a \$500,000 Community Development Block Grant for construction activities.

Staff recommended awarding a \$710,000 Clean Water SRF loan at 2.5 percent interest for 30 years.

The city has pledged a project surcharge for repayment of the loan. A surcharge of \$21.95 is needed for repayment of the loan; however staff analysis indicates that the current rate of \$30.00 can be restructured to cover the debt service and operating expenses with no increase needed.

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.

Dawn Tassler, Blunt city council, and Chancy Schrake, Brosz Engineering, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution #2017-68** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$710,000 at 2.5 percent interest for 30 years to the **city of Blunt** 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. Motion carried unanimously.

Volga requested funding to implement phase 1 of a two-phase project to make improvements to its wastewater treatment process. The wastewater treatment system has had BOD₅ and Total Coliform permit violations in the past and is near being hydraulically overloaded. phase 1 involves improvements to the blower building to include installing new blowers, a new pretreatment building to house a mechanical bar screen system with a washer, compactor, and screenings conveyor, and the installation of an ultra-violet disinfection system. The city anticipates bidding the project in December 2017 with a project completion date of June 2019.

The total project cost is \$2,819,600, and the amount requested is \$2,819,600.

Rates in Volga are \$19.63 per month based on 5,000 gallons usage.

Staff recommended awarding a \$2,819,000 Clean Water SRF loan at 2.25 percent interest for 20 years.

The city is pledging a project surcharge for repayment of the loan. Staff analysis indicates that a surcharge of \$18.00 is required to provide the necessary coverage, bringing overall rates to \$37.63.

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.

Jameson Berreth, city administrator, and Mayor Randy Santema, discussed the project and answered questions from the board.

Motion by Jones, seconded by Lanning, to adopt **Resolution #2017-69** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$2,819,000 at 2.25 percent interest for 20 years to the **city of Volga** for a wastewater treatment facilities 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.

Eagle Butte requested additional funds for a sewer line replacement project that began in 2015 and has been delayed due to conflicts between the city and the Cheyenne River Sioux Tribe. Additional funds are needed to cover cost over-runs and legal expenses. A \$2,410,000 Clean Water SRF loan with \$436,500 principal forgiveness (18.2 percent) was awarded previously for this project. Work is scheduled to commence this summer and be completed by year's end.

The estimated total project cost is \$3,080,000, and the additional amount requested is \$670,000.

Eagle Butte has a \$30.85 flat rate, which includes the surcharge for the previous loan.

Staff recommended awarding a \$670,000 Clean Water SRF loan at 2.5 percent interest for 30 years.

Eagle Butte has pledged a project surcharge for repayment of the loan. The surcharge required on the loan is \$2.50, which brings overall rates to \$33.35.

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

Mr. Perkovich and Emeline Hoblick, Central South Dakota Enhancement District, answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution #2017-70** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$670,000 at 2.5 percent interest for 30 years to the **city of Eagle Butte** for sanitary and storm sewer improvements; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Garretson requested funding to replace sanitary sewer lines on 3rd Street, Main Avenue, and the Truck Route. Garretson plans to bid this project in August 2017 with construction completed in November 2018.

The estimated total project cost is \$1,160,304, and the amount requested is \$1,160,304.

Rates in Garretson are \$30.00 based on 5,000 gallons usage.

Staff recommended awarding a \$1,160,000 Clean Water SRF loan at 2.5 percent interest for 30 years.

The city is pledging a project surcharge for repayment of the loan. A surcharge of \$10.50 is required to provide the necessary coverage; however, staff analysis indicates that the current rate of \$30.00 can be restructured so that total rates of about \$35.00 per month will cover the debt service and operating expenses.

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.

Craig Nussbaum, utilities superintendent, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Jones, to adopt **Resolution #2017-71** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,160,000 at 2.5 percent interest for 30 years to the **city of Garretson** for a sewer replacement project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Lennox requested funding to replace approximately 4,900 feet of aging sanitary sewer and construct nearly 4,200 feet of storm sewer in the central part of the city.

The estimated total project cost is \$3,766,000, and the amount requested is \$3,766,000.

Rates in Lennox are \$46.79 per month based on 5,000 gallons usage.

Staff recommended awarding a \$1,496,000 Clean Water SRF loan at 2.5 percent interest for 30 years, award a Consolidated grant for 53.2 percent of eligible costs not to exceed \$2,000,000, and award a Water Quality grant for 7.2 percent of eligible costs not to exceed \$270,000.

The city has pledged a project surcharge for repayment the loan. A surcharge of \$6.30 is required to provide the necessary coverage. Staff analysis indicates that not much relief can be realized by restructuring rates; therefore, overall rates in Lennox will be \$53.09.

Mr. Perkovich noted that the \$2,000,000 Consolidated grant is the maximum amount allowable without legislative approval, and the Water Quality grant award leaves all but a few hundred dollars remaining.

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.

Staff also recommended the following Special Condition to the Consolidated and Water Quality Grants: Grant Funds will be drawn concurrently with the Clean Water State Revolving Fund loan awarded for this project.

Amanda Anglin, city administrator, and Jerry Jones, finance officer, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution #2017-72** approving the Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,496,000 at 2.5 percent interest for 30 years to the **city of Lennox** for central basin improvements phases 2&3; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage; to adopt **Resolution #2017-73** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the **city of Lennox** for up to 53.2 percent of eligible costs not to exceed \$2,000,000 for central basin improvements phases 2&3, with the special condition that grant funds for reimbursement of project costs must be drawn concurrently with the Clean Water SRF loan funds; and to adopt **Resolution #2017-74** approving the Clean Water State Revolving Fund Program Water Quality grant agreement between the Board of Water and Natural Resources and the **city of Lennox** for up to 7.2 percent of eligible costs not to exceed \$270,000 for central basin improvements phases 2&3, with the special condition that grant funds for reimbursement of project costs must be drawn concurrently with the Clean Water SRF loan funds. Motion carried unanimously.

Parker requested funding to replace several blocks of clay sewer lines with PVC pipes beneath Sanborn Street. The city anticipates bidding the project in February 2018 with a project completion date of September 2018.

The estimated total project cost is \$731,000, and the amount requested is \$731,000.

Rates in Parker are \$34.59 per month based on 5,000 gallons usage.

Staff recommended awarding a \$731,000 Clean Water SRF loan at 2.5 percent interest for 30 years.

The city has pledged a project surcharge for repayment of the loan. A surcharge of \$6.60 is required to provide the necessary coverage, bringing overall rates to \$41.19.

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

Gregg Jorgenson, Banner Associates, answered questions from the board.

Motion by Jones, seconded by Lanning, to adopt **Resolution #2017-75** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$731,000 at 2.5 percent interest for 30 years to the **city of Parker** for a phase 5 utility 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.

Platte requested funding to rehabilitate 17,500 feet of clay sewer lines ranging from 8 to 15 inches using cast in place pipe methods, replace approximately 500 feet of 8-inch line, and rehabilitate 26 manholes. Platte anticipates bidding the project in fall 2017 with a project completion date of June 2018.

The estimated total project cost is \$2,300,000, and the amount requested is \$2,300,000.

Rates in Platte are \$37.00 per month based on 5,000 gallons usage.

Staff recommended awarding a \$2,300,000 Clean Water SRF loan at 2.5 percent interest for 30 years.

The city has pledged a project surcharge for repayment of the loan. A surcharge of \$15.25 is required to provide the necessary coverage. Staff analysis indicates Platte can restructure its rates to provide the surcharge and keep rates at or below \$40.00.

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

Shauna Meyerink, finance officer, and Mayor Steve Christensen, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution #2017-76** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$2,300,000 at 2.5 percent interest for 30 years to the **city of Platte** for wastewater system improvements; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Hartford requested funding for the sanitary sewer portion of a project to accommodate growth in the southeast portion of the city. The project involves installing sewer and storm sewer lines,

a new lift station, and force main. Hartford anticipates bidding the project in January 2018 with a project completion date of November 2018.

The estimated total project cost is \$6.5 million and the amount requested is \$1,482,000. The total project amount includes ineligible road construction and drainage work.

Rates in Hartford are \$41.90 per month based on 5,000 gallons usage.

Staff recommended awarding a \$1,482,000 Clean Water SRF loan at 2.5 percent interest for 30 years.

The city has pledged system revenues for repayment of the loan. Staff analysis indicates that the existing rates provide 249 percent coverage, so no rate increase would be needed.

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

Teresa Sidel, city administrator, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Jones, to adopt **Resolution #2017-77** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,482,000 at 2.5 percent interest for 30 years to the **city of Hartford** for a sanitary sewer 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.

Veblen requested funding to make improvements to its wastewater collection and treatment systems. Collection improvements involve cleaning and televising lines to determine which can be lined and which must be replaced and proceeding accordingly and replacing a lift station lid. Improvements at the wastewater treatment facility involve placing riprap on the stabilization pond berms and making improvement to the access road. The city anticipates bidding the project in September 2017 with a project completion date of July 2018.

The estimated total project cost is \$2,137,000, and the amount requested is \$2,137,000.

As of January 1, 2017, rates in Veblen were raised from an \$18.00 per month flat fee to a \$30.00 per month flat fee.

Veblen has received a \$750,000 Community Development Block Grant for construction activities.

Staff recommended awarding a \$1,387,000 Clean Water SRF loan at 2.5 percent interest for 30 years.

The city has pledged a project surcharge for repayment of the loan. A surcharge of \$35.30 is required to provide the necessary coverage. Staff analysis indicates that rates of \$44.00 will cover the debt service and operating expenses, and still allow the wastewater utility to provide approximately \$12,500 per year for repair and replacement expenses.

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.

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

Motion by Lanning, seconded by Bernhard, to adopt **Resolution #2017-78** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,387,000 at 2.5 percent interest for 30 years to the **city of Veblen** for a wastewater improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, 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. The projects were presented in priority points order as identified in the Drinking Water SRF IUP. A map showing the location of the applications was included in the board packet.

Edgemont requested funding to develop a water well and abandon an existing well. The city plans to bid the project in July 2017 with construction completed in October 2017.

The estimated total project cost is \$4,337,000, and the amount requested is \$447,000.

Rates in Edgemont are \$59.30 per 5,000 gallons based on usage.

Edgemont originally received funding to rehabilitate the existing well, but rehabilitation was found to be an unviable option, and there was not enough money in the previously awarded funding package to develop another water source. The funding package for the original project consisted of a \$1,890,000 Drinking Water SRF loan with \$1,206,890 principal forgiveness and a \$2,000,000 Consolidated grant, which amounts to 82 percent subsidy.

Staff recommended awarding a \$447,000 Drinking Water SRF loan at 0 percent interest for 30 years with 35.2 percent as principal forgiveness not to exceed \$157,000.

The city is pledging a project surcharge for repayment of the project. Staff analysis indicates a surcharge of \$2.25 is needed to provide the required 110 percent coverage. Included in the city's current rate is a \$10.00 repair and replacement fee. If Edgemont uses \$2.25 of this fee to cover

the surcharge, \$7.75 will still be available to put in the repair and replacement fund. The \$7.75 monthly fee will generate nearly \$37,300 per year with the current number of users.

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

Mayor Jerry Dibble and Dustin Dale, AE2S, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution #2017-79** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$447,000 at 0 percent interest for 30 years with up to 35.2 percent principal forgiveness not to exceed \$157,000 to the **city of Edgemont** to develop a new water well and abandon an existing well; 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.

Langford requested funding to construct a 75,000-gallon elevated storage tank and a pump house building to house a 4,000-gallon ground storage tank along with pumps and controls to supply the elevated tank. The project also involves replacing approximately 4,200 feet of 4-inch asbestos cement water main with 6-inch PVC main. All of the town's water meters will also be replaced with new radio read meters. The town anticipates bidding a portion of the project in 2017 with a project completion date of 2018.

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

Rates in Langford are \$48.00 per 5,000 gallons based on usage.

Langford was awarded a \$550,000 CDBG grant, which lowers the amount of funds needed to complete the project.

Staff recommended awarding a \$386,000 Drinking Water SRF loan at 0 percent interest for 30 years and a Consolidated grant for up to 51.3 percent of the total project cost not to exceed \$985,000.

Langford has pledged a project surcharge for repayment of the loan. With the CDBG funds already provided, this funding package would provide an overall grant percentage of 78 percent. Staff analysis indicates that a surcharge of \$6.00 per user would be needed to provide 110 percent coverage.

Staff believes the current \$48.00 rate could be restructured and will cover the debt service and operating expenses while still allowing the water utility to provide approximately \$14,000 per year for repair and replacement expenses.

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

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

Blair Healy, utilities manager, and Gabe Laber, DGR Engineering, discussed the project and answered questions from the board.

Motion by Lanning, seconded by Bernhard, to adopt **Resolution #2017-80** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$386,000 at 0 percent interest for 30 years to the **town of Langford** for drinking water improvements; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage; and to adopt **Resolution #2017-81** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the **town of Langford** for up to 51.3 percent of approved total project costs not to exceed \$985,000 for drinking water improvements with the special condition that grant funds for reimbursement of project costs must be drawn concurrently with the Drinking Water SRF loan funds. Motion carried with Bernhard, Gnirk, Lanning, and Johnson voting aye. Jones abstained.

Garretson requested funding to replace water main on 3rd Street, Main Avenue, and the Truck Route. There have been reports of deficiencies in the water system including low water pressure, and rusty water affecting in-house filters. Approximately 6,000 feet of 4-inch cast iron pipe will be replaced with 6-inch PVC pipe. The project will be done in conjunction with sanitary sewer replacement project. The city plans to bid the project in August 2017 with construction completed in November 2018.

The estimated total project cost is \$1,279,114, and the amount requested is \$1,279,114.

Rates in Garretson are \$40.00 per 5,000 gallons based on usage.

Staff recommended awarding a \$639,500 Drinking Water SRF loan at 2.5 percent interest for 30 years and awarding a Consolidated grant at 50 percent of the total project cost not to exceed \$639,500.

The city has pledged a project surcharge for repayment of the loan. The surcharge required on the loan is \$5.45, which brings overall rates to \$45.45 per 5,000 gallons.

Staff recommended the loan 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 adequate technical, managerial and financial capacity.

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

Anna Uhl, finance officer, and Craig Nussbaum, utilities superintendent, discussed the project and answered question from the board.

Motion by Jones, seconded by Lanning, to adopt **Resolution #2017-82** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$639,500 at 2.5 percent interest for 30 years to the **city of Garretson** for a water main replacement project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective, 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; and to adopt **Resolution #2017-83** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the **city of Garretson** for up to 50 percent of approved total project costs not to exceed \$639,500 for a water main replacement project with the special condition that grant funds for reimbursement of project costs must be drawn concurrently with the Drinking Water SRF loan funds. Motion carried unanimously.

Lennox requested funding to replace, extend, and loop 2,400 feet of water main in the central part of the city. The project will be done in conjunction with sanitary sewer replacement project. The city anticipates bidding the project in December 2017 with a project completion date of October 2018.

The estimated total project cost is \$912,000, and the amount requested is \$912,000.

Rates in Lennox are \$49.00 per 5,000 gallons based on usage.

Staff recommended awarding a \$912,000 Drinking Water SRF loan at 2.25 percent interest for 30 years.

The city has pledged a project surcharge for repayment of the loan. Staff analysis indicates a surcharge of \$3.75 is needed to provide the required coverage, which would bring overall rates to \$52.75. Staff believes that Lennox will have capacity for the loan repayment within its existing rate structure because of a recent switch in water department operations. For the first few years Lennox received water from Lewis and Clark RWS, the city used only the minimum 25 percent of its Lewis and Clark allocation and used its wells and treatment plant to make up the

difference. Over a year ago, Lennox discontinued using its wells and treatment plant and now receives 100 percent of its water from Lewis and Clark. After one year of this arrangement, the Lennox utility manager noted a savings of \$130,000. Since the city needs to generate \$46,100 per year for repayment of the loan, the rates can be restructured, and no increase is necessary.

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 adequate technical, managerial and financial capacity.

Amanda Anglin, city administrator, and Jerry Jones, finance officer, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution #2017-84** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$912,000 at 2.25 percent interest for 30 years to the **city of Lennox** for central basin improvements phases 2 and 3; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective, 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.

Parker requested funding to begin phase 5 of its utility improvements project. This project includes replacement of approximately 3,600 feet of aging water main on Sanborn Street. The project will also include minor piping and valve modifications in the vicinity of the new water tower. The project will be done in conjunction with sanitary sewer replacement project. The city anticipates bidding the project in February 2018 with a project completion date of September 2018.

The estimated total project cost is \$697,000, and the amount requested is \$697,000.

Parker's rates are \$54.18 per 5,000 gallons based on usage.

Staff recommended awarding a \$697,000 Drinking Water SRF loan at 2.25 percent interest for 30 years.

The city has pledged a project surcharge for repayment of the loan. The surcharge needed for repayment of the loan is \$5.85. Staff analysis indicates that Parker can restructure its rates and establish the surcharge with no rate increase. The water fund has been making about \$100,000 per year. Annual debt service on the loan would be approximately \$32,000.

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 adequate technical, managerial and financial capacity.

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

Motion by Lanning, seconded by Jones, to adopt **Resolution #2017-85** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$697,000 at 2.25 percent interest for 30 years to the **city of Parker** for utility improvements phase 5; 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 demonstrating financial, managerial, and technical capacity. Motion carried unanimously.

EAGLE BUTTE REQUEST TO AMEND DRINKING WATER STATE REVOLVING FUND LOAN C462148-03: In March 2013 Eagle Butte was awarded the Drinking Water SRF 03 loan for \$490,000 with 80 percent principal forgiveness to replace water lines on Willow Street. The project did not proceed due to legal issues regarding the ownership of Willow Street.

At the request of the city, the Board of Water and Natural Resources reduced the amount of the loan from \$490,000 to \$250,000 with 80 percent principal forgiveness not to exceed \$200,000. The project description was changed to match the Drinking Water 02 and 04 loan descriptions to allow the loan to be used for another drinking water line replacement project. The 03 loan has not yet been closed.

The city submitted a letter in April 2017 requesting that the loan amount be increased from \$250,000 to \$520,000. The additional funds are needed to cover cost over-runs and legal expenses. The city has completed a significant portion of the project; however, due to legal issues, the project did not proceed during the 2016 construction season. The city is hopeful that construction can be completed on the already started projects yet this year.

The estimated total project cost is \$2,489,000, and the amount requested is \$270,000, making the DW-03 loan total \$520,000.

Rates in Eagle Butte are \$41.40 per 5,000 gallons based on usage.

Eagle Butte has already received two Drinking Water SRF loans for this project – one for \$1,244,000 with \$995,000 principal forgiveness (80 percent); another for \$725,000 with \$362,500 principal forgiveness (50 percent). Additionally, Eagle Butte received a \$588,581 loan with \$470,864 principal forgiveness (80 percent) for a water meter project. Based on the current loan amounts and subsidy amounts for all four drinking water loans Eagle Butte has received subsidy of 72 percent.

Staff recommended the board rescind Resolution #2015-67, which reduced the Drinking Water SRF 03 loan from \$490,000 to \$250,000, and approve a new resolution to increase the loan amount from \$250,000 to \$520,000 at 0 percent interest for 30 years with 38.5 percent principal forgiveness not to exceed \$200,000, and retain the amended project description.

Eagle Butte has pledged a project surcharge for repayment of the loan. The surcharge required on the \$320,000 net loan amount is \$1.10. This would bring total rates to \$42.50. If approved by the board, the overall subsidy from the Board of Water and Natural Resources for all of the city's water projects will be nearly 66 percent.

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.

Emeline Hoblick, Central South Dakota Enhancement District, answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to rescind Resolution #2015-67, and to adopt **Resolution #2017-86** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$520,000 at 0 percent interest for 30 years with up to 38.5 percent principal forgiveness not to exceed \$200,000 to the **city of Eagle Butte** for water distribution system improvements; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Mr. Bruels provided an update on available funds.

REVISION TO STATE BOARDS AND COMMISSIONS CONFLICT OF INTEREST

STATUTES: The 2017 Legislature enacted HB 1170 which amended the 2016 conflict of interest laws (HB 1214) applicable to members of the Board of Water and Natural Resources. The amendments are effective July 1, 2017.

Harold Deering explained the revisions to the law. Under the amended law, current and certain former members of the board cannot have an interest in certain contracts, without disclosure of the interest, and may not receive a direct benefit from certain contracts without a waiver from the board.

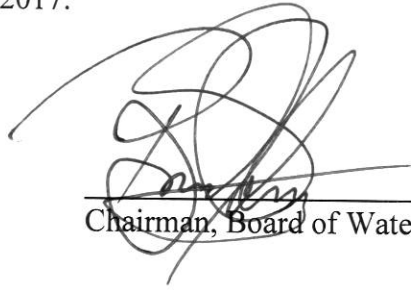
Mr. Deering answered questions from the board.

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

Board of Water and Natural Resources
June 22, 2017, Meeting Minutes

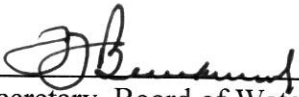
Approved this 29th day of September, 2017.

(SEAL)

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and flourishes, positioned above a horizontal line.

Chairman, Board of Water and Natural Resources

ATTEST:

A handwritten signature in black ink, appearing to be 'J. B. ...', positioned above a horizontal line.

Secretary, Board of Water and Natural Resources

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE June 22, 2017

LOCATION Matthew Training Center, Pierre, SD

Name (PLEASE PRINT)	Address	Representing
PAUL GNIRK	NEW UNDERWOOD	BWNR
Dustin Dale	RAPID CITY	EDGEMONT / AERS
JACKIE LANNING	BROOKINGS	BWNR
Gene Jones Jr.	SF	BWNR
J & S "Jim" Remon	ARMOUR	SCWDD
Brad Johnson	WATERLOO	BWNR
Jon Peschong	Pierre	DENR
TED HAESEL	WATERTOWN	FIRST DISTRICT
James Feeney	Pierre	DENR
Andy Bruels	Pierre	DENR
David Ruhnke	Pierre	DENR
Mike Perkovich	Pierre	DENR
Jay Gilbertson	Brookings	First District WND
Jim Anderson	Pierre	DENR
Brandon Suiel	Abundeen	Helms + Associates
Mary Duvall	Pierre	Legislative Oversight
Drew Haisten	Pierre	DENR
Jameson Berreth	Volga	Volga
Randy Sentens	Volga	Volga
Gregg Torgenson	Brookings	Banner Assoc.
Harold Deering	Brookings	DENR

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE 6-22-17 LOCATION Matthew Training Center, Pierre

Name (PLEASE PRINT)	Address	Representing
<u>Amanda Anglen</u>	<u>Lennox SD</u>	<u>City of Lennox</u>
<u>Jerry Jones</u>	<u>Lennox SD</u>	<u>City of Lennox</u>
<u>Teresa Sidel</u>	<u>Hartford, SD</u>	<u>City of Hartford</u>
<u>Jerry Dibble</u>	<u>Edgemont SD</u>	
<u>Jennifer Sietsma</u>	<u>Aberdeen SD</u>	<u>NECOG</u>
<u>Blair Healy</u>	<u>Langford</u>	<u>City of Langford</u>
<u>Anna Wni</u>	<u>GARRETSON, SD</u>	<u>City of Garretson</u>
<u>Craig Nussbaum</u>	<u>Garretson SD</u>	<u>City of Garretson</u>
<u>Gabe Labor</u>	<u>Sioux Falls</u>	<u>DGR</u>
<u>Emeline Hobbick</u>	<u>Pierre, SD</u>	<u>CSDCD</u>
<u>Dawn Tassler</u>	<u>Blunt, SD</u>	<u>City of Blunt</u>
<u>Chancy Snake</u>	<u>Pierre SD</u>	<u>Brosz Engineering</u>
<u>Chris Van Sclagen</u>	<u>Pierre, SD</u>	<u>Brosz Engineering</u>
<u>TODD BERNHARD</u>	<u>FORT PIERRE, SD</u>	<u>BWNR</u>
<u>Shauna Meyerink</u>	<u>Platte, SD</u>	<u>City of Platte</u>
<u>Steve Christensen</u>	<u>Platte, SD</u>	<u>City of Platte</u>
<u>Jarrod Lang</u>	<u>Platte, SD</u>	<u>City of Platte</u>
<u>Dana Woodward</u>	<u>Edgemont</u>	<u>City of Edgemont</u>