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Minutes of the
Board of Water and Natural Resources Meeting

September 22, 2016 – Tour of Projects in the Belle Fourche Watershed
and
September 23, 2016 – Conducted via the Digital Dakota Network

Aberdeen
Northern State University

Brookings
Department of Transportation

Huron
Department of Transportation

Mitchell
Mitchell Technical Institute

Pierre
Capitol Building

Spearfish
Black Hills State University

Sioux Falls
University Center

Watertown
Department of Environment and Natural Resources

SEPTEMBER 22, 2016

Chairman Johnson called the meeting to order at 9:00 a.m. MDT. A quorum was present.

RESPEC and East Dakota Water Development District hosted a tour of the following areas:

Little Spearfish Falls and Roughlock Falls
City of Spearfish Hydro Plant
Lunch at Spearfish City Park/DC Booth Fish Hatchery
Orman Dam interpretive site and gatehouse
Belle Fourche Irrigation District Indian Creek lateral automation

Following the tour, RESPEC hosted a social and dinner at the Elk Horn Country Club and Resort. The board then recessed until the following day.

SEPTEMBER 23, 2016

CALL MEETING TO ORDER: Chairman Brad Johnson called the meeting to order at 8:30 a.m. MDT. A quorum was present.

BOARD MEMBERS PRESENT: Brad Johnson, Todd Bernhard, Gene Jones, Paul Gnirk, and Paul Goldhammer were present September 22 and 23, 2016, in Spearfish. Jackie Lanning was present on September 23, 2016, at the Brookings DDN site.

BOARD MEMBERS ABSENT: Jerry Soholt.

OTHERS: See attached attendance sheets.

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

APPROVE MINUTES OF THE JUNE 23, 2016, MEETING: Motion by Jones, seconded by Gnirk, to approve the minutes of the June 23, 2016, Board of Water and Natural Resources meeting. A roll call vote was taken, and the motion carried unanimously.

CONFLICT OF INTEREST WAIVER REQUESTS: With the passage of House Bill 1214, the Disclosure Laws (SDCL 3-23-1 through 3-23-5) became effective July 1, 2016.

Absent a waiver, the Disclosure Laws prohibit current and certain former members of certain state boards, commissions, and authorities 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 Disclosure 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 member's 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.

Mike Perkovich presented the following conflict of interest waiver requests.

Todd Bernhard requested a general waiver as a Fort Pierre city commissioner.

Mr. Bernhard left the room while the other board members acted on the waiver request.

Motion by Jones, seconded by Gnirk, that the board finds that the request for a waiver by board member Todd Bernhard be approved and that the board hereby determines that the transaction for which the waiver is requested is fair, reasonable, and not contrary to the public interest. A roll call vote was taken, and the motion carried unanimously.

Paul Goldhammer requested a general waiver as a member of the West Dakota/Lyman-Jones Rural Water System Board of Directors, a waiver for spouse doing business with political subdivisions, and a waiver for Presho's Small Community Planning Grant.

Mr. Goldhammer left the room while the other board members acted on the waiver requests.

Motion by Gnirk, seconded by Lanning, that the board finds that the request for three waivers by board member Paul Goldhammer be approved and that the board hereby determines that the transaction for which the waiver is requested is fair, reasonable, and not contrary to the public interest. A roll call vote was taken, and the motion carried unanimously.

Jackie Lanning requested a general waiver as a city of Brookings employee.

Ms. Lanning left the room while the other board members acted on the waiver request.

Motion by Goldhammer, seconded by Jones, that the board finds that the request for a waiver by board member Jackie Lanning be approved and that the board hereby determines that the transaction for which the waiver is requested is fair, reasonable, and not contrary to the public interest. A roll call vote was taken, and the motion carried unanimously.

Jerry Soholt requested a general waiver as a member of the East Dakota Water Development District Board of Directors, a waiver for Crooks' Small Community Planning Grant, and a waiver for Chester Sanitary District's Small Community Planning Grant.

Motion by Jones, seconded by Gnirk, that the board finds that the request for three waivers by board member Jerry Soholt be approved and that the board hereby determines that the transaction for which the waiver is requested is fair, reasonable, and not contrary to the public interest. A roll call vote was taken, and the motion carried unanimously.

Brad Johnson requested a general waiver as a member of the Lake Kampeska Water Project District Board of Directors.

Chairman Johnson turned the gavel over to Vice Chairman Gene Jones and left the room while the other board members acted on the waiver request.

Motion by Gnirk, seconded by Bernhard, that the board finds that the request for a waiver by board member Brad Johnson be approved and that the board hereby determines that the transaction for which the waiver is requested is fair, reasonable, and not contrary to the public interest. A roll call vote was taken, and the motion carried unanimously.

Vice Chairman Jones turned the gavel back over to Chairman Johnson.

Mr. Perkovich noted that Chairman Johnson will sign all of the waiver authorization forms, except for his own, and the waiver authorizations will be sent to Legislative Audit and they will be posted on the website.

Chairman Johnson stated that in all his years as board chairman he does not recall any instance of any board member voting on any issue that had any personal gain to it. This board has always operated very ethically and will always continue to do so.

AMENDMENTS TO 2016 STATE WATER FACILITIES PLAN, 2016 CLEAN WATER STATE REVOLVING FUND INTENDED USE PLAN, AND 2016 DRINKING WATER STATE REVOLVING FUND INTENDED USE PLAN (IUP): 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 2017.

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

Mr. Bruels presented the four State Water Plan applications that were submitted by the August 1, 2016, deadline.

The board packet contained a map showing the location of the projects requesting amendment onto the facilities plan.

Gregory requested amendment onto the facilities plan to replace 800 feet of sanitary sewer pipe on Felton Street. The total project cost is estimated at \$334,000. Staff recommended amending the project onto the facilities plan.

Staff recommended the project be placed on the Clean Water SRF IUP with nine priority points and an estimated loan amount of \$334,000 at 3.25 percent interest for 30 years.

Martin requested amendment onto the facilities plan to replace 1,825 feet of cast iron water main on 4th and 5th Avenues and to replace 21 water meters that are beyond their useful life. The total project cost is estimated at \$633,000. Staff recommended amending the project onto the facilities plan.

Staff recommended the project be placed on the Drinking Water IUP with 20 priority points and an estimated loan amount of \$633,000 at 2.25 percent interest for 30 years.

Sioux Falls requested amendment onto the facilities plan to install new storm water conveyance and storage infrastructure to adequately convey storm water flows in the area of 43rd Street and Terry Avenue. Sioux Falls has indicated its intent to apply for non-point source funds as a part of this project and the SRF interest rate reflects that potential. The total project cost is estimated at \$5,649,000. Staff recommended amending the project onto the facilities plan.

Staff also recommended the project be placed on the Clean Water IUP with 12 priority points and an estimated loan amount of \$5,649,000 at 1.25 percent interest for 10 years.

Terry Trojan Water Project District requested amendment onto the facilities plan to replace existing distribution lines, construct a water storage tank, install new water meters for some users, and install a new well to provide redundant water supply. The total project cost is estimated at \$1,087,377. Staff recommended amending the project onto the facilities plan.

Staff also recommended the project be placed on the Drinking Water IUP with 48 priority points and an estimated loan amount of \$1,087,377 at 3.25 percent interest for 30 years.

Motion by Gnirk, seconded by Lanning, to amend Gregory, Martin, Sioux Falls, and Terry Trojan Water Project District onto the State Water Facilities Plan. A roll call vote was taken, and the motion carried unanimously.

Motion by Gnirk, seconded by Goldhammer, to amend Sioux Falls and Gregory onto the 2016 Clean Water State Revolving Fund Project Priority List. A roll call vote was taken, and the motion carried unanimously.

Motion by Goldhammer, seconded by Gnirk, to amend Martin and Terry Trojan Water Project District onto the 2016 Drinking Water State Revolving Fund Project Priority List. A roll call vote was taken, and the motion carried unanimously.

SOLID WASTE MANAGEMENT PROGRAM FUNDING APPLICATIONS: Andy Bruels asked the board to consider the adoption of amended grant terms to comply with Senate Bill 162. The 2016 legislation provides that all recipients of new grants from state agencies must attest to certain requirements when receiving a grant. To ensure that all of the board's grant agreements are in compliance with the new laws, staff, with the assistance of legal counsel, prepared amended Assurances, Terms, and Conditions for new Solid Waste Management Program grants. The Assurances, Terms, and Conditions include Section 19, which includes all requirements for grant recipients to comply with SB 162. The remaining portion of the document has had minor grammatical and numbering changes for correct references. Section 19 reads as follows:

Grantee certifies, by signing this agreement, that:

- a. A conflict of interest policy is enforced within the Grantee's organization;
- b. Internal Revenue Service Form 990 has been or will be filed, if applicable, in compliance with federal law, and will be displayed immediately after filing on the Grantee's website or if Grantee does not maintain a website a copy of the form will be sent to the State;
- c. An effective internal control system is employed by the Grantee's organization; and
- d. Grantee is in compliance with the federal Single Audit Act, if applicable, in compliance with SDCL 4-11-2.1, and that audits are displayed on the Grantee's website or if Grantee does not maintain a website copies of the audits will be sent to the State.

Mr. Bruels noted that a similar presentation and changes will be given to the board regarding the Consolidated grant Assurances, Terms, and Conditions at a future board meeting. Changes to individual Clean Water SRF Water Quality grants and State Water Resources Management System grants will be addressed in the individual agreements going forward.

Staff recommended board approval of the amended Assurances, Terms, and Conditions for all new Solid Waste Management Program grants.

Mr. Bruels answered questions from the board regarding internal controls.

Motion by Gnirk, seconded by Jones, to approve the amended Assurances, Terms, and Conditions for all new Solid Waste Management Program grants. A roll call vote was taken, and the motion carried unanimously.

Drew Huisken reported that \$2,405,505 is available for award from the Solid Waste Management Program. He presented the six applications received by the July 1, 2016, deadline. The board packet included a map showing the location of the applicants.

Ecomaniacs

Ecomaniacs is a non-profit corporation whose aim is to educate the public on the eastern side of South Dakota to recycle often and recycle correctly. This effort hopes to increase recycling rates in the region and lengthen the lifetime of the area's landfills.

Ecomaniacs is requesting funds to update and expand its education exhibit. The exhibit will be showcased at various outlets including festivals, churches, schools, and camps in an effort to increase the recycling rate in the Sioux Falls region. The exhibit will include an interactive display, games, and informational kiosks aimed at reaching a large audience. Ecomaniacs included a letter of support for the proposed project from the city of Sioux Falls. Ecomaniacs plans to implement the improvements within one month of receiving funding.

The total project amount is \$7,000 and the amount requested is \$4,000.

Ecomaniacs received a \$1,500 donation from First National Bank and a \$1,500 grant from the South Dakota Discovery Center for the project.

Staff recommended awarding a Solid Waste Management Program Grant for up to 57.2 percent of approved project costs not to exceed \$4,000.

Motion by Jones, seconded by Bernhard, to adopt **Resolution #2016-90** approving the South Dakota Solid Waste Management Program grant agreement between the Board of Water and Natural Resources and **Ecomaniacs** for up to 57.2 percent of all approved total project costs not to exceed \$4,000 for the update and expansion of its education exhibit project. A roll call vote was taken, and the motion carried unanimously.

Madison

The city of Madison operates a restricted use site two miles west and one-half mile north of the town of Junius. The city of Madison is proposing to construct an additional cell at this restricted use site. Excavated materials from the proposed cell will be used to cap the majority of an existing cell. A small portion of the existing cell will continue to receive waste until the proposed cell is completed. The city anticipates beginning construction in late September 2016 and completion of the project in July 2017.

The total project amount is \$84,784 and the amount requested is \$42,392.

Madison's current fees are \$10 per pickup load or trailer, otherwise it's \$7.50 per cubic yard.

The city of Madison has indicated that it is not interested in a loan.

Staff recommended awarding a Solid Waste Management Program Grant for up to 20.1 percent of approved project costs not to exceed \$17,000. The 20.1 percent grant award is consistent with other awards for similar projects.

Staff analysis indicates that the city has sufficient funds to cover the remaining project costs.

Fred Snoderly, public works director for the city of Madison, answered questions from the board.

Motion by Gnirk, seconded by Goldhammer, to adopt **Resolution #2016-91** approving the South Dakota Solid Waste Management Program grant agreement between the Board of Water and Natural Resources and the **city of Madison** for up to 20.1 percent of all approved total project costs not to exceed \$17,000 for the construction of an additional cell at its restricted use site. A roll call vote was taken, and the motion carried unanimously.

Naples

The town of Naples is proposing to clean up its tree dump facility. Municipal solid waste has been illegally dumped at the site, and the facility is now out of compliance with its permit. Naples wishes to return its facility to compliance by removing the illegal waste and disposing of it at a regional landfill. The town intends to continue operating the tree dump and increase vigilance against future illegal dumping.

The town of Naples anticipates beginning the project in October 2016 with completion in December 2016.

The total project amount is \$29,800 and the amount requested is \$23,840.

The town of Naples began operation of the tree dump facility in 1993. Since that time, the dump has experienced illegal dumping and has accumulated metals, household goods, plastics, and other unauthorized materials. Naples desires to dispose of this waste and continue diversion of tree debris from regional landfill facilities.

Staff recommended awarding a Solid Waste Management Program grant for up to 80 percent of approved project costs not to exceed \$23,840.

Staff analysis indicates that the town of Naples has sufficient funds to cover the remaining 20 percent cost of the project.

Motion by Bernhard, seconded by Jones, to adopt **Resolution #2016-92** approving the South Dakota Solid Waste Management Program grant agreement between the Board of Water and Natural Resources and the **town of Naples** for up to 80 percent of all approved total project costs not to exceed \$23,840 to clean up its tree dump facility. A roll call vote was taken, and the motion carried unanimously.

Northwest South Dakota Regional Landfill Association, Inc.

The Northwest SD Regional Landfill Association is proposing to construct an additional cell in order to meet future demand. The landfill is located approximately 12 miles southwest of Bison, South Dakota, and serves the communities of Bison, Buffalo, Lemmon, Isabel, McIntosh, and McLaughlin as well as Hettinger, North Dakota. It is anticipated that throughout the life of the landfill, construction of cell #3 will add more than 10 years of useful life.

The Northwest South Dakota Regional Landfill Association anticipates bidding the project in the spring of 2017 with completion in the fall of 2017.

The total project amount is \$788,000 and the amount requested is \$788,000.

Staff recommended awarding a \$315,200 Solid Waste Management Program loan at 2.25 percent interest for 10 years and awarding a Solid Waste Management Program grant for up to 60 percent of approved project costs not to exceed \$472,800.

The regional landfill is pledging revenues for repayment of the loan. Staff analysis indicates that revenues will be sufficient to provide the 100 percent debt coverage requirement.

Staff recommended the loan 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 and contingent upon the borrower approving a security agreement and mortgage.

Staff also recommended placing the following special condition on the grant: Grant funds shall be drawn concurrently with the Solid Waste Management Program loan that was awarded for this project.

Randy Hanson, Wenck Associates, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Goldhammer, to adopt **Resolution #2016-93** approving the South Dakota Solid Waste Management Program loan agreement between the Board of Water and Natural Resources and **Northwest South Dakota Regional Landfill** for a loan not to exceed \$315,200 at 2.25 percent interest for 10 years for the construction of a new landfill cell 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 and contingent upon the borrower approving a security agreement and mortgage; and to adopt **Resolution #2016-94** approving the South Dakota Solid Waste Management Program grant agreement between the Board of Water and Natural Resources and **Northwest South Dakota Regional Landfill** for up to 60 percent of approved total project costs not to exceed \$472,800 for the construction of a new landfill cell with the special condition that the grant funds shall be drawn concurrently with the Solid Waste Management Program loan agreement. Motion carried unanimously.

Seneca

The town of Seneca is proposing to permanently close its municipal waste landfill site. The site no longer accepts waste materials and does not have the capacity to operate the site. Closure of the site is desired by both the town of Seneca and the Department of Environment and Natural Resources.

The town of Seneca originally intended to close the site by September 1, 2016, but now anticipates closure shortly after funding is awarded.

The total project amount is \$29,880 and the amount requested is \$23,904.

The population of Seneca is approximately 38 people. Seneca is actively working with staff from the Department of Environment and Natural Resources' Waste Management Program to close the site.

Staff recommended awarding a Solid Waste Management Program for up to 80 percent of approved project costs not to exceed \$23,900.

Staff analysis indicates that the town of Seneca has sufficient funds to cover the remaining 20 percent of the project.

Motion by Bernhard, seconded by Jones, to adopt **Resolution #2016-95** approving the South Dakota Solid Waste Management Program grant agreement between the Board of Water and Natural Resources and the **town of Seneca** for up to 80 percent of all approved total project costs not to exceed \$23,900 for the municipal waste landfill closure project. A roll call vote was taken, and the motion carried unanimously.

Tri-County Landfill Association, Inc.

The Tri-County Landfill Association is proposing to utilize a geothermal heating system in its recently constructed cold storage building. The floor piping is already in place and the association proposes utilizing energy created by decomposing solid waste in the landfill cells to heat a glycol solution in the pipes. The heated solution will be connected to the existing floor piping to heat the building. The proposed improvements will assist in daily operations and further the landfill's goal of safe and environmentally sound waste disposal and management.

The Tri-County Landfill Association anticipates beginning the project in October of 2016 with completion in November of 2016.

The total project amount is \$18,150 and the amount requested is \$14,400.

Staff recommended awarding a Solid Waste Management Program grant for up to 20 percent of approved project costs not to exceed \$3,630. The landfill association received a 20 percent grant for the cold storage building in January of 2015. This award would be consistent with grants for similar projects.

Staff analysis indicates that Tri-County Landfill Association has sufficient funds to cover the remainder of the project.

Motion by Lanning, seconded by Bernhard, to adopt **Resolution #2016-96** approving the South Dakota Solid Waste Management Program grant agreement between the Board of Water and Natural Resources and **Tri-County Landfill Association** for up to 20 percent of all approved total project costs not to exceed \$3,630 for a geothermal piping system to heat the equipment and vehicle storage building project. A roll call vote was taken, and the motion carried unanimously.

MILLER REQUEST TO RESCIND CLEAN WATER SRF LOANS C461128-01 AND C461128-02: Mike Perkovich reported that in March 2016, Miller was awarded a \$3,541,000 Clean Water SRF loan to replace aging sanitary sewer infrastructure and a \$1,958,000 Clean Water SRF loan to replace aging storm sewer infrastructure.

In August 2016, the department received a letter from the city of Miller declining the loans. The city has received funding from USDA Rural Development and has requested the board rescind Clean Water State Revolving Fund Loans C461128-01 and C461128-02.

Staff recommended the board rescind Resolutions #2016-12 and #2016-14 approving Clean Water State Revolving Fund Loans C461128-01 and C461128-02 to the city of Miller.

Mr. Perkovich answered questions from the board.

Motion by Gnirk, seconded by Jones, to adopt **Resolution #2016-97** rescinding Board of Water and Natural Resources Resolution #2016-12 which awarded a Clean Water State Revolving Fund loan up to a maximum amount of \$3,541,000 and rescinding Resolution #2016-14, which awarded a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,958,000 to the **city of Miller**. A roll call vote was taken, and the motion carried unanimously.

BROOKINGS-DEUEL RURAL WATER SYSTEM AMENDMENT TO DRINKING WATER SRF LOAN C462453-03: Derek Lankford reported that in March 2016, the Board of Water and Natural Resources approved Drinking Water State Revolving Fund loan C462453-03 to Brookings-Deuel Rural Water System in the amount of \$250,000 for an automatic meter system. The award was contingent upon an inter-creditor agreement being approved and executed by CoBank, Rural Utilities Service, First Bank and Trust, Brookings-Deuel Rural Water System, and the Conservancy District.

The Rural Utilities Service USDA Rural Development indicated that it will not sign an inter-creditor agreement.

Brookings-Deuel Rural Water System requested that the board amend the contingency requirements by removing the parity agreement contingency.

Staff recommended the board rescind Resolution # 2016-34 and approve a new loan to Brookings-Deuel Rural Water System without the parity agreement contingency.

Motion by Goldhammer, seconded by Jones, to adopt **Resolution #2016-98** rescinding Resolution #2016-34 and approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$250,000 at 2.25 percent interest for 10 years to the **Brookings-Deuel Rural Water System** for an automatic meter system; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan and contingent upon the borrower approving a security agreement and mortgage. A roll call vote was taken, and the motion carried unanimously.

VIBORG REQUEST TO AMEND CLEAN WATER SRF LOAN C461240-02 AND DRINKING WATER SRF LOAN C462240-03: Mr. Lankford reported that in July 2016, the Board of Water and Natural Resources approved Clean Water State Revolving Fund loan C461240-02 in the amount of \$105,000 and Drinking Water State Revolving Fund loan C462240-03 in the amount of \$606,000 for system improvements.

Viborg originally pledged system revenue for repayment of both loans. Viborg has requested board approval of amending the pledge to a project surcharge as security for repayment of the loan.

Staff recommended the board rescind Resolution #2016-72 and Resolution #2016-77 and approve the approve a Clean Water SRF loan in the amount of \$105,000 and a Drinking Water SRF loan in the amount of \$606,000 and that both loans be 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 by Jones, seconded by Gnirk, to adopt Resolution **#2016-99** rescinding Resolution #2016-72 and 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 and contingent upon the borrower establishing a surcharge sufficient to provide the required debt coverage; and to adopt **Resolution #2016-100** rescinding Resolution #2016-77 and 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 establishing a surcharge sufficient to provide the required debt coverage. A roll call vote was taken, and the motion carried unanimously.

BIG SIOUX RURAL WATER SYSTEM SWRMS LOAN AGREEMENT SCOPE

AMENDMENT: Andy Bruels reported that in March 2015, the board awarded a \$1,014,000 Drinking Water SRF loan and a \$2,000,000 Consolidated grant to Big Sioux Community Water System. These funds were to provide a connection to Minnehaha Community Water Corporation to Big Sioux and construct a pipeline north to then connect with a Lewis & Clark water line as part of the overall Madison Wheeling project.

Big Sioux Community Water System began construction of the needed improvements in July 2016, and the work is nearing completion. The bids received for the pipeline and booster station construction were favorable and will result in approximately \$350,000 in remaining funds. Big Sioux Community Water System would like to amend the scope of the funding package to include additional work to the system and add new users.

Big Sioux Community Water System requested that the board amend the scope of the loan and grant to include a bulk water supply connection to the Chester Sanitary District to provide a new water source for the community. The new line to Madison is within one mile of Chester, which makes the connection very feasible. The water system would also like to install new ammonia feed equipment at the treatment plants so that all water sources in the system use the same type of disinfectants. This will help to eliminate taste or odor issues. The water system would also like to construct a direct connection between the existing Big Sioux Community Water System pipeline and the new pipeline to Madison to improve overall capacity and redundancy of the supply to all users.

The First Amendments have been prepared, with assistance from the department's legal counsel and the Attorney General's office, amending the scope of the grant and loan agreements.

Staff recommended the board approve the First Amendments to the Big Sioux Community Water System Drinking Water SRF Loan and Consolidated grant agreements for a change in project scope.

Martin Jarrett, general manager of the Big Sioux Community Water System, discussed the project. Mr. Jarrett, Mr. Bruels, and Mr. Feeney answered questions from the board.

Motion by Gnirk, seconded by Lanning, to adopt **Resolution #2016-101** approving the First Amendment changing the project scope for the **Big Sioux Rural Water System** Drinking Water State Revolving Fund loan agreement for up to a maximum committed amount of \$1,041,000 at 3.0 percent for 20 years contingent upon the amended borrower resolution becoming effective, and to adopt **Resolution #2016-102** approving the First Amendment changing the project scope for the **Big Sioux Rural Water System** Consolidated Water Facilities Construction Program grant

agreement (2016G-107) for up to 66.4 percent of all approved total project costs not to exceed \$2,000,000 for a system interconnection project, with the original grant assurances, terms and conditions. A roll call vote was taken, and the motion carried unanimously.

LEWIS & CLARK REGIONAL WATER SYSTEM SWRMS LOAN AGREEMENT SCOPE

AMENDMENT: Mr. Bruels reported that SDCL 46A-1-13.10 authorizes the construction of the Lewis & Clark Regional Water System and authorized the Board of Water and Natural Resources (the board) to provide grants and loans for the project.

In the 2015 Omnibus Bill, the legislature appropriated \$7.7 million in loan funds for Lewis & Clark. The \$7.7 million loan was placed under agreement by the board for engineering, easements, construction and other costs associated with completion of Segment 1 and Segment 5 of the Madison Service Line.

Segment 1 will provide a connection for Minnehaha Community Water Corporation near Crooks, and Segment 5 will be used as part of an interim connection so Madison can receive water from Big Sioux Community Water System.

Due to the positive bidding environment, lower construction costs for the project will result in nearly \$2,500,000 in loan funds being available for additional work.

Lewis & Clark requested that the board amend the scope of the loan to include engineering and easement acquisition of Segments 2, 3, and 4 of the Madison Service line.

The First Amendment to the loan agreement has been prepared with assistance from the department's legal counsel and the Attorney General's office.

Staff recommended the board approve the First Amendment to the Lewis & Clark Regional Water System State Water Resources Management System loan agreement for a change in project scope.

Troy Larson, executive director of the Lewis & Clark Regional Water System, discussed the project.

Motion by Bernhard, seconded by Lanning, to adopt **Resolution #2016-103** approving the First Amendment changing the scope of the project to include engineering and easement acquisition for Segments 2, 3, and 4 of the Madison service line for the loan agreement with **Lewis & Clark Rural Water System, Inc.** for up to a maximum committed amount of \$7,700,000. A roll call vote was taken, and the motion carried unanimously.

AGRAT2, LLC SOLID WASTE MANAGEMENT PROGRAM GRANT 2017G-REC-202
SCOPE AMENDMENT AND LOAN 2017L-REC-202 SCOPE AMENDMENT:

Mr. Bruels reported that in June 2016, the board awarded a \$209,300 Solid Waste Management Program loan and a \$112,700 Solid Waste Management Program grant to AGRAT2, LLC. These funds were to allow AGRAT2 to purchase equipment for expansion of their mattress recycling business to handle additional service area and volume.

The original equipment proposed to be purchased included three enclosed semi-trailers, a dump trailer, a truck cab, a forklift, a box spring dismantler, and a coil spring compactor.

The recent merger of baler equipment manufacturers resulted in lower equipment prices, especially for the coil spring compactor. As a result, AGRAT2 is requesting to purchase a shredder to process more materials onsite and at a faster speed.

AGRAT2 has requested that the board amend the scope of the loan and grant to include the purchase of a material shredder and conveyor with a magnet within the existing project budget.

The First Amendment to the grant agreement has been prepared with assistance from the department's legal counsel and the Attorney General's office. The loan agreement has not yet been signed, therefore, loan documents will be adjusted to reflect the inclusion of the additional equipment in the project scope.

Staff recommended board approval of the First Amendment to the AGRAT2 LLC Solid Waste Management Program grant agreement, and board approval of the adjustment to the loan agreement document for a change in project scope.

Motion by Jones, seconded by Lanning, to adopt **Resolution #2016-104** approving the First Amendment to the South Dakota Solid Waste Management Program grant agreement between the Board of Water and Natural Resources and **AGRAT2, LLC** for up to 35.0 percent of all approved total project costs not to exceed \$112,700 for a mattress and box spring recycling expansion project, with the original grant assurances, terms and conditions and approving the adjustment of the loan agreement document for a change in project scope. A roll call vote was taken, and the motion carried unanimously.

HYDROLOGIC AND HYDRAULIC MODEL OF THE BIG SIOUX BASIN STATUS

UPDATE: Jim Feeney reported that this is an information item with no action from the board required.

The 2016 State Legislature appropriated \$750,000 for the development of a hydrologic model of the Big Sioux River basin. The funding was placed under agreement with Department of Environment and Natural Resources at the board's March 2016 meeting. The appropriation language and grant authorizes the grant funding to provide 100 percent of the model development costs.

In early May 2016, the department formally requested proposals from qualified firms to produce a hydrologic and hydraulic model and an inundation mapping tool for the Big Sioux River basin. Nine proposals were received by the June 3, 2016, deadline from engineering firms in Rapid City, Sioux Falls, North Dakota, Colorado, Missouri, and California.

A review committee made up of staff from the Department of Environment and Natural Resources, the Department of Transportation, the Bureau of Information and Telecommunications, and the Office of Emergency Management reviewed the proposals and selected five firms to make presentations to the committee in July 2016. RESPEC was selected to develop the model and

inundation mapping tool. Contract terms and scope of work based on the available \$750,000 were negotiated, and the agreement was signed August 25, 2016.

The contract and scope of work are structured to adjust the time and dollars to refine and finish the model and inundation mapping tools based on input from scoping meetings with federal, state, and local entities during the next quarter.

Mr. Feeney stated that it is anticipated that additional funding will be requested and that all tasks will be completed by the end of calendar year 2018.

Jason Love, RESPEC, provided a slide presentation discussing the Hydrologic and Hydraulic Model of the Big Sioux River Basin. Mr. Love and Mr. Feeney answered questions from the board.

STATE FISCAL YEAR 2016 STATE REVOLVING FUNDS REPORT TO THE INTERIM BONDING REVIEW COMMITTEE: Mr. Perkovich presented the draft SFY 2016 South Dakota Conservancy District Report to the Interim Bond Review Committee.

The South Dakota Conservancy District is required to present an annual report to the Legislature's Interim Bonding Review committee at its meeting in November 2016. A combined report for both SRF programs for the legislative committee's review was developed for this purpose.

Information in the report presents program activity and financial statements on a state fiscal year basis and contains additional information on the district's bond issues.

Staff recommended the board approve the SFY 2016 State Revolving Fund report to the Interim Bond Review Committee and authorize distribution of the report.

Mr. Perkovich answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to approve the State Fiscal Year 2016 South Dakota Conservancy District State Revolving Fund report to the Interim Bond Review Committee and to authorize distribution of the final report. A roll call vote was taken, and the motion carried unanimously.

TRUSTEE, LOAN SERVICER, AND PAYING AGENT/REGISTRAR SERVICES FOR THE SOUTH DAKOTA CONSERVANCY DISTRICT'S STATE REVOLVING FUND LOAN PROGRAMS: Mr. Feeney reported that The First National Bank in Sioux Falls has served as the Conservancy District's trustee, loan servicer, and paying agent/registrar since 1989.

On September 2, 2016, The First National Bank in Sioux Falls submitted written notice of its resignation as the State Revolving Fund programs' trustee and loan servicing agent. Section 8.15 of the Fifth Amended and Restated Master Trust Indenture addresses the resignation of the Trustee. The First National Bank in Sioux Falls will continue to act as Trustee and loan servicing agent until such time as these duties are turned over to a successor.

A request for proposals (RFP) to serve as trustee, loan servicer, and paying agent/registrar has been prepared by staff and reviewed by the SRF programs' legal and bond counsel and financial advisor. A copy of the RFP was provided to the board prior to the meeting.

Proposals will be requested for services for the three year period from December 1, 2016, through December 31, 2019. The RFP also provides for the board to renew the contract awarded to the successful respondent for an additional three-year period if the board considers any contract adjustment to be reasonable and justified.

Mr. Feeney requested that the board authorize release of the Trustee, Loan Servicer, and Paying Agent/Registrar Services Request for Proposal and that Chairman Johnson appoint a subcommittee to review the proposals and make a recommendation to the full board.

Chairman Johnson appointed himself, Gene Jones, and Todd Bernhard to serve as the subcommittee.

Motion by Jones, seconded by Goldhammer, to authorize release of the Trustee, Loan Servicer, and Paying Agent/Registrar Services Request for Proposal. A roll call vote was taken, and the motion carried unanimously.

ELECTION OF OFFICERS: Gnirk nominated the following slate of officers Brad Johnson as chairman, Gene Jones as vice chairman, and Todd Bernhard as secretary.

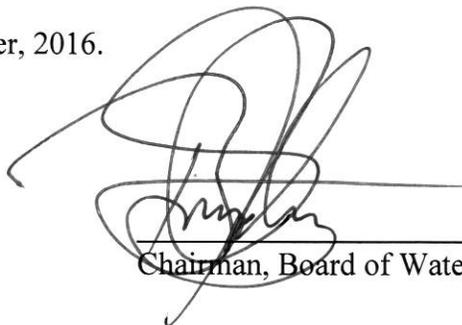
Motion by Gnirk, seconded by Goldhammer, that nominations cease and a unanimous ballot be cast for the following slate of offices - Brad Johnson, chairman, Gene Jones, vice chairman, and Todd Bernhard, secretary. A roll call vote was taken, and the motion carried unanimously.

NOVEMBER 9, 2016, MEETING: The next meeting is scheduled for November 9, 2016, in Pierre. Mr. Perkovich discussed possible agenda items.

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

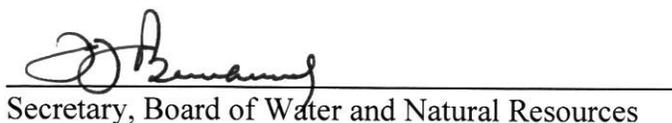
Approved this 9th day of November, 2016.

(SEAL)



Chairman, Board of Water and Natural Resources

ATTEST:



Secretary, Board of Water and Natural Resources

ATTENDANCE SHEET

BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

SEPTEMBER 23, 2016

SPEARFISH
BLACK HILLS STATE UNIVERSITY

NAME (PLEASE PRINT)	ADDRESS	REPRESENTING
Bob Mercer	Pierre	Newspaper
Jay Gilbertson	Brookings	East Dakota WTD
Connie Bortz	Lemmon SD	NW SD Landfill
Randy Hensen	ND	NW SD Landfill
Andy Bruels	Pierre	DENR
James Feeney	Pierre	DENR
PAUL GNIRK	NEW UNDERWOOD	BWNR
BRAD JOHNSON	Watertown	BWNR
Gene Jong Jr.	Siox Falls	BWNR
Paul Oldham	Box 35 Wall SD	BWNR
TODD BERNHARD	FORT PIERRE	BWNR
Mike Perkovich		
Bill Lass	Rapid City	BHCOLG's
Jared Oswald	Rapid City	Spearfish
JASON HARRIS	" "	RESPEC
Mike Perkovich	Pierre	DENR

ATTENDANCE SHEET
BOARD OF WATER AND NATURAL RESOURCES MEETING
CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

SEPTEMBER 23, 2016

SIOUX FALLS
UNIVERSITY CENTER

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

Arnold Jeering

Brandon, SD

DENR

Katie Mallery

Sioux Falls, SD

DENR

JAKE ANDERSON

SF, SD

ECONOMIACS

TROY LARSON

TEA, SD

LTC RWS

