

Protecting South Dakota's Tomorrow ... Today

BOARD OF WATER AND NATURAL RESOURCES

November 9, 2016

1:00 p.m. CST

DIGITAL DAKOTA NETWORK

Via Digital Dakota Network (DDN)

Wednesday, November 9, 2016

1:00 p.m. – 4:00 p.m. CST

AGENDA

November 9, 2016

1:00 p.m. CST

1. Call meeting to order
2. Approve agenda
3. Approve minutes of the September 22-23 and October 19, 2016 meetings
4. Public Hearing to Adopt Brownfields Revitalization and Economic Development Program Work Plan — Kim McIntosh
5. Review Interest Rates for the Clean Water State Revolving Fund, Drinking Water State Revolving Fund, Consolidated Water Facilities Construction Program, and Solid Waste Management Programs — Mike Perkovich
6. State Water Plan Applications — Andy Bruels
 - a) Avon
 - b) Blunt (Wastewater)
 - c) Blunt (Storm Water)
 - d) B-Y Water District
 - e) Canova
 - f) Centerville
 - g) Colton
 - h) Dell Rapids
 - i) Doland
 - j) Elk Point
 - k) Faith
 - l) Fort Pierre
 - m) Harrisburg
 - n) Hermosa
 - o) Hot Springs
 - p) Humboldt
 - q) Lake Norden
 - r) Langford
 - s) Lead-Deadwood Sanitary District
 - t) Lesterville
 - u) North Sioux City
 - v) Onida
 - w) Philip
 - x) Pine Cliff Park Water & Maintenance, Inc.
 - y) Salem
 - z) South Shore
 - aa) Summerset
 - bb) Sturgis
 - cc) Tea
 - dd) Valley Springs
 - ee) Volga
 - ff) Watertown
 - gg) WEB Water Development Assoc. Inc
 - hh) Worthing

Notice is given to individuals with disabilities that this meeting is being held in a physically accessible location. Please notify the Department of Environment and Natural Resources at least 48 hours before the meeting if you have a disability for which special arrangements must be made. The telephone number for making arrangements is (605) 773-4216.

7. Public Hearing to Adopt the FFY 2017 Clean Water State Revolving Fund Intended Use Plan — Andy Bruels
8. Public Hearing to Adopt the FFY 2017 Drinking Water State Revolving Fund Intended Use Plan — Andy Bruels
9. Review of Conservancy District Investment Policy and Investment Returns — Jon Peschong
10. Assurances, Terms and Conditions for the Consolidated Water Facilities Construction Program — Mike Perkovich
11. State Water Resources Management System List Recommendations — Jim Feeney
12. Omnibus Bill Funding Recommendations — Jon Peschong and Jim Feeney
13. Approval of the 2016 Annual Report and the 2017 State Water Plan — Andy Bruels
14. Update on Request for Proposals for Trustee, Loan Servicer, and Paying Agent/Registrar Services for the State Revolving Fund Loan Programs — Mike Perkovich
15. Canton Request to Amend Scope of Drinking Water SRF Loan C462039-02 — Drew Huisken
16. Lennox Request to Amend Revenue Pledge for Clean Water SRF Loan C461105-06 — Dave Ruhnke
17. January 5, 2017 Meeting
18. Adjourn

Digital Dakota Network Sites

Board of Water and Natural Resources

November 9, 2016

1:00 p.m. Central Time

ABERDEEN

Northern State University
1200 S. Jay
Beulah Williams Library, Room 117

BROOKINGS

Department of Transportation
2131 34th Avenue

HURON

Department of Transportation
901 Dakota Avenue North

MITCHELL

Mitchell Technical Institute
1800 E. Spruce Street
MTI Technology Center, Room 155

PIERRE

Capitol Building
500 E. Capitol Avenue
Room B12, Studio A

RAPID CITY

Rapid City Emergency Operations Center
130 Kansas City Street
Pennington County Administration Building – 1st Floor Conference Room

SIOUX FALLS

University Center
4801 N. Career Avenue
Room FADM 145

WATERTOWN

Department of Environment and Natural Resources
2001 9th Avenue SW
Suite 500

The audio recording for this meeting is available on the South Dakota Boards and Commissions Portal at <http://boardsandcommissions.sd.gov/Meetings.aspx?BoardID=108>.

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/registrars 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 OLHAMMER	Box 35 Wall SD	BWNR
TODD BERNHARD	FORT PIERRE	BWNR
Mike Perkovich		
Bill Lass	Rapid City	BHCOLG'S
Jared Oswald	Rapid City	Spearfish
JASON HARR	" "	RESPEC
Mike Perkovich	Pierre	DENR

ATTENDANCE SHEET

BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

SEPTEMBER 23, 2016

HURON
DEPARTMENT OF TRANSPORTATION

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

TED HEDER

WATERTOWN

FIRST DISTRICT

DRAFT

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 Deering

Brandon, SD

DENR

Katie Mallery

Sioux Falls, SD

DENR

JAKE ANDERSON

SF, SD

ECONOMICS

TROY LARSON

TEA, SD

LTC RWS

DRAFT

The audio recording for this meeting is available on the South Dakota Boards and Commissions Portal at <http://boardsandcommissions.sd.gov/Meetings.aspx?BoardID=108>.

Minutes of the
Board of Water and Natural Resources
Telephone Conference Call Meeting
523 East Capitol
Pierre, South Dakota

October 19, 2016
10:00 a.m. CDT

CALL TO ORDER: The meeting was called to order by Chairman Brad Johnson. A quorum of the board participated.

BOARD MEMBERS PRESENT: Brad Johnson, Gene Jones, Jr., Jackie Lanning, Dr. Paul Gnirk, Paul Goldhammer.

BOARD MEMBERS ABSENT: Todd Bernhard and Jerry Soholt.

OTHERS: Jim Feeney, Mike Perkovich, Andy Bruels, DENR; Jay Gilbertson, East Dakota Water Development District.

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

CONFLICT OF INTEREST WAIVER REQUEST: With the passage of House Bill 1214, SDCL 3-23-1 through 3-23-5, the Disclosure Laws, 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 conflict of interest waiver request submitted by Jerry Soholt.

Mr. Soholt requested a waiver as a member of the East Dakota Water Development District Board of Directors. Dr. Rachel McDaniel has requested funding assistance from the East Dakota Water Development District for a bacteria in sediment transport research project. Dr. McDaniel also has a 319 grant for her bacteria research, and the Board of Water and Natural Resources makes funding recommendations to EPA on the 319 funding applications.

Staff recommended the board approve the conflict of interest waiver.

Board of Water and Natural Resources
October 19, 2016, telephone conference call meeting minutes

Motion by Lanning, seconded by Jones, that the board finds that the request for a conflict of interest waiver 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.

ADJOURN: Chairman Johnson declared the meeting adjourned at 10:04 a.m.

Approved this 9th day of November, 2016.

(SEAL)

Chairman, Board of Water and
Natural Resources

ATTEST:

Secretary, Board of Water and
Natural Resources

DRAFT

**SOUTH DAKOTA
BROWNFIELDS REVITALIZATION AND ECONOMIC DEVELOPMENT
PROGRAM
FY 2017 WORK PLAN**

INTRODUCTION

The state of South Dakota proposes to adopt the following Work Plan for federal fiscal year 2017 as required under ARSD 74:05:12:02. The primary purpose of the Work Plan is to identify proposed annual Brownfields projects to be funded through the Brownfields Revolving Loan Subfund and Brownfields Assessment and Cleanup Subfund and amounts available to fund such projects. The Board of Water and Natural Resource's intent to adopt the Work Plan has been publicly noticed in three state papers: Aberdeen, Rapid City Journal and the Pierre Capitol Journal. Copies of the Work Plan have been provided to those parties requesting a copy. This Work Plan reflects the results of the public's review.

The Department of Environment and Natural Resources (DENR) currently has no funds available to capitalize the revolving loan fund.

The department does however have limited funding for the Assessment and Cleanup Subfund. These funds will be used by the department to hire contractors to perform assessment and cleanup work on eligible Brownfields sites. The work plan provides a list of projects and the work that is being performed on each project by the department. In addition, the department may supplement Brownfields Assessment and Cleanup funds with other available funds such as Leaking Underground Storage Tank (LUST) Trust Funds and other appropriate funds. The department estimates that \$100,000 in LUST Trust funds will be used through the Assessment and Cleanup Subfund on LUST eligible activities at Brownfields sites in 2017. These funds will be used to assess and cleanup petroleum contaminated properties that meet the requirements of both the Brownfields Program and the Leaking Underground Storage Tank Program.

WORK PLAN ELEMENTS:

1. Information on the Assessment and Cleanup Subfund
2. Table 1 - List of projects being assessed or cleaned up using the Brownfields Assessment and Cleanup Subfund.
3. Board approval of the annual work plan.
4. Information on the Brownfields Revolving Loan Subfund.

Brownfields Assessment and Cleanup Subfund

The department has received funds from EPA for the development and enhancement of a state Brownfields program. DENR has the ability to use a portion of these funds (up to 50%) to perform assessment and cleanup activities at eligible Brownfields sites.

The department has been using these funds to assist eligible entities with work to assist in the redevelopment of Brownfields sites. Table 1 lists projects that have been funded or are being funded with Brownfields Assessment and Cleanup sub-funds. Each year the department prepares a work plan and budget which is submitted to EPA. Funding to the states fluctuates each year and is not guaranteed. For federal fiscal year 2017, the department will receive \$499,700 in funds for the Brownfields Program. EPA limited states ability to apply for additional funds based on the amount of unexpended funds that each state has remaining. The department will prioritize the work that is performed in the next year to insure that remaining funds are used to complete the projects that are already in progress. Table 1 contains a list of qualifying projects where assessment and cleanup actions are currently being conducted.

The department currently has selected projects based on the qualifying applicant/project, availability of funds, environmental merits of the project, and public benefit. All projects have been funded based on a first come basis. Due to the increased awareness of the program and the limited funds available, the department will prioritize assessment activities over cleanup activities. Property held by public entities (cities or counties) or non-profit organizations will receive priority over privately held properties. Assessment work will only be performed on privately owned property if the project can be shown to provide a significant public benefit to the community. If funds are available, cleanup activities will be performed on those projects where the cleanup provides a clear public benefit and provides significant protection to human health or the environment.

DENR typically hires a contractor to perform the necessary work. The department can contract or grant funds directly with a City or County to fund assessment and cleanup activities under certain circumstances.

To be eligible for Assessment or Cleanup assistance from the department, the following must occur:

- Assessment and Cleanup funds must be available
- An application must be submitted to DENR.
- DENR must review the application and determine that both the project and the applicant are eligible to receive funding under the federal act.
- The applicant must have a letter of support from the Mayor or City Commission or if the site is located in a rural area, the County Commission.
- EPA must approve of each applicant, project, and the work plans for each phase of the work performed if the property is owned by the State of South Dakota.
- DENR must meet or have a conference call with the applicant to discuss the work needed and to discuss prospective redevelopment plans.
- The Department and its designees must have access to the property to perform the necessary work.
- The work plan and budget for each project must be approved and signed by the Secretary of the Department of Environment and Natural Resources, or the Secretary's designee.

- The applicant must agree to comply with the cleanup requirements of the department.

Board Approval of the Annual Brownfields Work Plan

It is anticipated that the department will provide Assessment and Cleanup Subfund assistance in those circumstances where the costs of performing the project are low, cleanup could be completed with available funds, and there is strong community support of the project.

With the approval of the annual work plan, the Board grants approval to the department to proceed with the expenditure of the funds to perform work that is eligible under federal and state laws. Projects that meet the eligibility requirements of the state and federal law may be added at any time to Table 1: *List of Brownfields Assessment and Cleanup Projects*. The addition of projects to Table 1 allows the department to proceed with the expenditure of funds to perform the assessment and cleanup work as necessary at each site. This work may be initiated prior to the next board hearing as long as the project expenditures are within the guidelines established by EPA. The department will provide the Board with an updated list of projects at each scheduled board hearing when new projects are listed.

Table 1

List of Brownfields Assessment and Cleanup Projects 09/12/2016

Start Date	Applicant	Site Name/Location	Assessment, Cleanup, or Other Funds Requested	Amount Anticipated / the Amount Spent as of 9/23/2016*
2005	City of Pierre	Pierre VOC (BETX) Investigation	Leaking Underground Storage Tank Funds	\$400,000/ -\$474,917 complete
2011	Harding County	Airport project	Leaking Underground Storage Tank Trust Funds	\$80,000 -31,528 complete
2013	Stanley County School District	Fort Pierre Elementary School	Leaking Underground Storage Tank Trust Funds	\$30,000 -21,428 complete
2013	City of Miller	Street Project	Leaking Underground Storage Tank Trust Funds	\$20,000 -0.00
2014	City of Colman	Street Project	Leaking Underground Storage Tank Trust Funds	\$30,000 -4,657 complete

2014	DENR	Former Baltic Service	Leaking Underground Storage Tank Trust Funds	\$35,000 -0.00
2015	City of Highmore	Street Project	Leaking Underground Storage Tank Trust Funds	\$80,000 -0.00
2015	Madison Economic Development	Former Wenk Foods	Assessment	\$30,000 -21,788 complete
2015	Northern State University	Former Madison Community Hospital	Assessment	\$45,900 - 16,499 complete
2015	Belle Fourche Economic Development	Former Airport Property	Assessment	\$55,000 -0.00
2016	City of Brandon	Peterson Property	Assessment	\$35,000 -30,333 complete
2016	Volga Economic Development Corp.	Former Volga Power Plant	Assessment	\$35,000 -20,371 complete
2016	City of Highmore	Hyde County Auditorium	Assessment	\$10,000 -3,169.00 complete
2016	Charles Mix County	Former Mercantile Building	Assessment	\$30,000 -0.00
2017	Sturgis Economic Development Corporation	New Industrial Redevelopment Park	Assessment	\$50,000 -0.00
2017	Sturgis Economic Development Corporation	School Redevelopment Area	Assessment	\$40,000 -0.00
2017	City of Madison	Former Wenk Foods	Cleanup	\$30,000 -0.00

Bold = new projects

Strike through = projects that have been removed or withdrawn

* = projects completed with other funds

Public Review and Comment

In accordance with ARSD 74:05:12:02 the department shall develop an annual work plan which will be provided to the Board of Water and Natural Resources within 30 days of the effective date of the rules and prior to January 1st each year thereafter. Upon completion of the work plan by the department, the board shall conduct a public hearing and receive comments from the public. The Board shall provide notice of the public hearing prior to adoption of the work plan. This work plan has been provided to the public at least 20 days prior to the Board hearing. Comments to the work plan, if any were provided, will be attached. See Attachment 1.

Brownfields Revolving Loan Subfund

The Department of Environment and Natural Resources (DENR) currently has no funds available to capitalize the revolving loan fund. If the department would receive Brownfields Revolving Loan Funds, the Work Plan will be modified to clearly outline the following details:

1. Goals and objectives of the program;
2. Eligible activities as outlined in ARSD 74:05:12:06; and
3. Criteria and method for distribution of the Revolving Loan Subfund.

Attachment

Public Comments on the Annual Work Plan

TITLE: Brownfields Revitalization and Economic Development Program

EXPLANATION: In accordance with ARSD 74:05:12:02, the Board of Water and Natural Resources adopts the annual work plan including a list of projects being funded this year.

**RECOMMENDED
ACTION:** Adoption of FFY 2017 Brownfields Work Plan.

CONTACT: Kim McIntosh
Ground Water Quality Program
773-5091

November 9, 2016

Item 5

TITLE: Review Interest Rates for the Clean Water State Revolving Fund, Drinking Water State Revolving Fund, Consolidated Water Facilities Construction Program, and Solid Waste Management Programs.

EXPLANATION: Pursuant to ARSD 74:05:08:18, 74:05:11:17, 74:05:07:15.01, and 74:05:10:12.02, the Board of Water and Natural Resources shall set the interest rates for the Clean Water State Revolving Fund, Drinking Water State Revolving Fund, Consolidated Water Facilities Construction Fund, and Solid Waste Management programs, respectively, based on the following criteria: (1) current market rates, (2) rates secured on state-issued matching funds, and (3) current demand for program funds. The board may adjust interest rates at any meeting if the proposed action is included on the board agenda posted for the meeting.

The current interest rates for each program are shown on Attachment I.

Also attached for your reference are a historical recap of the Board's State Revolving Fund rates (Attachment II), a compilation of current interest rates from other states' State Revolving Fund programs (Attachment III) and the interest rate trends for the USDA Rural Development program (Attachment IV).

RECOMMENDED ACTION: Review and adjust, as necessary, the interest rates for the Clean Water State Revolving Fund, Drinking Water State Revolving Fund, Consolidated Water Facilities Construction Fund, and Solid Waste Management programs.

CONTACT: Mike Perkovich
773-4216

Current Interest Rates

Clean Water State Revolving Fund Loan Rates

	Interest	Admin	Total
Term Up to 30 Years	2.50%	0.75%	3.25%
Term Up to 20 Years	2.25%	0.75%	3.00%
Term Up to 10 Years	1.50%	0.75%	2.25%
Interim Financing (5 years)	2.00%	0.00%	2.00%
NPS--Watershed Incentive Rate (Up to 30 Years)	1.50%	0.75%	2.25%
NPS--Watershed Incentive Rate (Up to 20 Years)	1.25%	0.75%	2.00%
NPS--Watershed Incentive Rate (Up to 10 Years)	0.75%	0.50%	1.25%

Drinking Water State Revolving Fund Loan Rates

	Interest	Admin	Total
Term Up to 30 Years **	2.75%	0.50%	3.25%
Term Up to 20 Years	2.50%	0.50%	3.00%
Term Up to 10 Years	1.75%	0.50%	2.25%
Interim Financing (5 Years)	2.00%	0.00%	2.00%
<u>Disadvantaged Community* Loans Up To 30 Years</u>			
Median Household Income (MHI) between 80% of MHI and the MHI	2.50%	0.50%	3.00%
MHI between 60% and 80% of MHI	1.75%	0.50%	2.25%
MHI Income less than 60% of MHI	0.00%	0.00%	0.00%
<u>Disadvantaged Community* Loans Up To 10 Years</u>			
MHI between 60% and 80% of MHI	1.00%	0.25%	1.25%

* Disadvantaged community must meet a MHI and water rate criteria as per ARSD 74:05:11:01(11)

** Must be a municipality or special purpose governmental entities to receive 30-year non-disadvantaged loan

Consolidated Water Facilities Construction Fund Loan Rates

Term Up to 30 Years	3.25%
Term Up to 20 Years	3.00%
Term Up to 10 Years	2.25%

Solid Waste Management Program Loan Rates

Term Up to 20 Years	3.00%
Term Up to 10 Years	2.25%

SRF Base Program Interest Rates

From	To	5 Yrs	10 Yrs	15 Yrs	20 Yrs	30 Yrs		
Nov-89	Aug-90	3.00%	3.00%	3.00%	3.00%			
Admin. Surcharge		0.75%	0.75%	0.75%	0.75%			
Debt Service		2.25%	2.25%	2.25%	2.25%			
Nov-90	Nov-94		3.00%	4.00%	5.00%			
Admin. Surcharge			0.75%	1.00%	1.25%			
Debt Service			2.25%	3.00%	3.75%			
Mar-95	Jun-98		4.500%	5.000%	5.250%			
Admin. Surcharge			1.125%	1.250%	1.313%			
Debt Service			3.375%	3.750%	3.938%			
Oct-98	Dec-00		4.50%	4.75%	5.00%			
Admin. Surcharge			1.00%	1.00%	1.00%			
Debt Service			3.50%	3.75%	4.00%			
					<u>Up to 20 Yrs</u>			
Jan-01	Jul-01				4.50%			
Admin. Surcharge					1.00%			
Debt Service					3.50%			
					<u>Up to 20 Yrs</u>			
Jul-01	Mar-04				3.50%			
Admin. Surcharge					1.00%			
Debt Service					2.50%			
			<u>Up to 10 Yrs</u>		<u>Up to 20 Yrs</u>			
Mar-04	Apr-07		2.50%		3.25%			
Admin. Surcharge			0.50%		0.75%			
Debt Service			2.00%		2.50%			
			<u>Up to 10 Yrs</u>		<u>Up to 20 Yrs</u>	<u>Up to 30 Yrs</u>		
Apr-07	Feb-09		2.50%		3.25%	3.50%		
Admin. Surcharge			0.50%		0.75%	0.75%		
Debt Service			2.00%		2.50%	2.75%		
			<u>Up to 10 Yrs</u>		<u>Up to 20 Yrs</u>	<u>Up to 30 Yrs</u>		
Feb-09	Nov-14		2.25%		3.00%	3.25%		
Admin. Surcharge			0.50%		0.50%	0.50%		
Debt Service			1.75%		2.50%	2.75%		
			<u>Up to 10 Yrs</u>		<u>DW SRF</u> <u>Up to 20 Yrs</u>	<u>CW SRF</u> <u>Up to 20 Yrs</u>	<u>CW SRF</u> <u>Up to 30 Yrs</u>	
Nov-14	May-15		2.25%		3.00%	3.00%	3.25%	
Admin. Surcharge			0.50%		0.50%	0.75%	0.75%	
Debt Service			1.75%		2.50%	2.25%	2.50%	
			<u>Up to 10 Yrs</u>		<u>DW SRF</u> <u>Up to 20 Yrs</u>	<u>DW SRF</u> <u>Up to 30 Yrs</u>	<u>CW SRF</u> <u>Up to 20 Yrs</u>	<u>CW SRF</u> <u>Up to 30 Yrs</u>
May-15	Present		2.25%		3.00%	3.25%	3.00%	3.25%
Admin. Surcharge			0.50%		0.50%	0.50%	0.75%	0.75%
Debt Service			1.75%		2.50%	2.75%	2.25%	2.50%

Colorado Water Resources and Power Development Authority

Clean Water and Drinking Water SRF Loan Rates

	Interest*
Term Up To 20 Years (under \$2,500,000)	2.0%
Projects that qualify as "Green" and the "Green" requirement has not been met	0%
<u>DAC-Disadvantaged Community Loans Up to 30 Years (Population of 10,000 or less)</u>	
Median Household Income (MHI) levels that range from 61% to 80% of the statewide MHI and	1.0%
Median Household Income (MHI) levels that are less than 61% of the statewide MHI	0%
Leveraged Loans (over \$2,500,000)	70% of the Market Rate on the Authority's AAA rated Bonds

*Admin fees are built into the interest rates listed above.

Iowa Finance Authority

DW/CW SRF borrowers are charged a 0.5% loan origination fee

	Interest
Term Up To 20 Years	1.75% *
Term Up To 30 Years (Clean Water only)	2.75% *
Term Up To 30 Years (CW/DW Disadvantaged Communities)	1.75% *

* Includes .25% annual servicing fee

Planning & Design Loans are at 0% interest (no payments) up to 3 years. These are either rolled into an SRF loan or paid in full if they get other financing.

Source Water Protection loans are offered at a 0% interest rate

Iowa allows all loans over 10-years old to refinance down to the new interest rate. Borrowers are notified on the loan anniversary date.

Minnesota Public Facilities Authority

Minnesota sets SRF loan rates based on discounts from a daily market index. All borrowers get a base 1.5% discount from the AAA scale. Small borrowers under 2,500 population can get additional discounts up to 2.5% based on average residential system costs as a percentage of MHI. Minnesota has set a minimum rate of 1%.

Loans are amortized up to a maximum of 20 years, or up to 30 years if the average annual residential cost would exceed 1.4 percent of median household income.

With current market rates at or near historic lows, most loans are at or near the 1% minimum.

Montana Department of Natural Resources and Conservation

Clean Water and Drinking Water SRF programs

Up To 20 years / 30 years if Hardship	Up To 3 years
Interest rate: 2.00%	Short term rate: 1.25%
Administration: 0.25%	
Loan Loss Reserve: <u>0.25%</u>	
Total loan rate: 2.50%	

North Dakota Public Finance Authority

Clean Water and Drinking Water SRF Tax Exempt Loan Rates

20 or 30-year terms: Interest 2% + Admin 0.5% = Total 2.5%

Clean Water and Drinking Water SRF Taxable Loan Rates

20 or 30-year terms: Interest 3% + Admin 0.5% = Total 3.5%
(Taxable loans are uncommon)

Wyoming Water Quality Division

SRF core program rate is 2.5% for up to 20 years.

Green Project components are eligible for a 0% for up to 20 year loan.

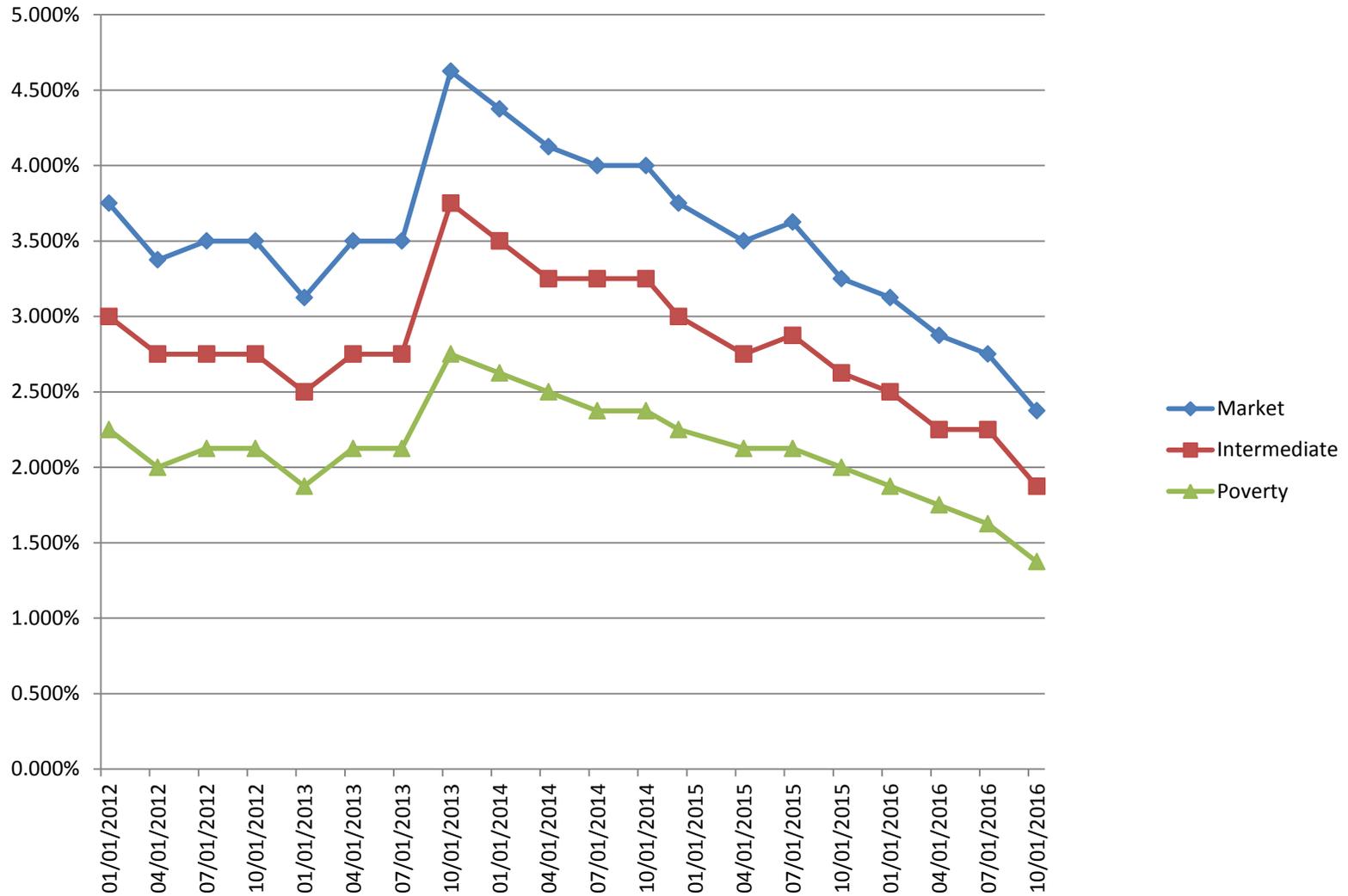
Under special program incentives (aka additional subsidization), the rate is 0% for 20 years, with principal forgiveness.

Summary of Select SRF Loan Rates and Fees

Issuer / Program	Loan Rate Formula	Subject to Affordability	Current Annual Loan Rate	Annual Admin. Fee	Upfront Fee	Annualized Upfront Fee ⁴	Annual All-In Fee (Loan Rate + Admin Fee + Upfront Fee)
South Dakota Conservancy District – Clean Water	Up to 10 Yrs= 2.25% Up to 20 Yrs= 3.00% Up to 30 Yrs= 3.25%	No	2.25% ¹	0.75%	0.00%	0.00%	3.00%
South Dakota Conservancy District – Drinking Water	Up to 10 Yrs= 2.25% Up to 20 Yrs= 3.00% Up to 30 Yrs= 3.25%	No	2.50% ¹	0.50%	0.00%	0.00%	3.00%
Michigan Finance Authority	2.50% (through FY 2016)	No	2.50%	0.00%	0.00%	0.00%	2.50%
Oklahoma Water Resources Board – Drinking Water	70% of AAA MMD 13-Year Spot Rate + 70 bps	No	1.87%	0.50%	0.00%	0.00%	2.37%
Oklahoma Water Resources Board – Clean Water	60% of AAA MMD 13-Year Spot Rate + 70 bps	No	1.70%	0.50%	0.00%	0.00%	2.20%
Massachusetts Clean Water Trust	2.00%	No	2.00%	0.15%	0.08%	0.01%	2.16%
State of Wisconsin – Clean Water	70% of market rate (3.00% - set quarterly)	No	2.10%	0.00%	0.00%	0.00%	2.10%
Iowa Finance Authority	1.75%	No	1.75%	0.25%	0.50%	0.05%	2.05%
Indiana Finance Authority	Set quarterly; Base rate is equal to 90% of most recent 1-month average of 20-year “AAA” MMD ²	Yes	2.00%	0.00%	0.00%	0.00%	2.00%
Missouri State Environmental Improvement and Energy Resources Authority – Clean Water	30% of Revenue Bond 25-Index	No	0.92%	1.00%	0.00%	0.00%	1.92%
Kansas Development Finance Authority – Drinking Water	60% of 3-month average of Bond Buyer 20-Index	No	1.86% ³	0.35%	0.25%	0.03%	1.89%
Kansas Development Finance Authority – Clean Water	60% of 3-month average of Bond Buyer 20-Index	No	1.86% ³	0.35%	0.25%	0.00%	1.86%
Illinois Finance Authority	50% of mean of Bond Buyer 20-Index for preceding fiscal year; set annually	No	1.75% ³	0.93%	0.00%	0.00%	1.75%
State of Wisconsin – Drinking Water	55% of market rate (3.00% - set quarterly)	Yes	1.65%	0.00%	0.00%	0.00%	1.65%
Missouri State Environmental Improvement and Energy Resources Authority – Drinking Water	30% of Revenue Bond 25-Index	No	0.92%	0.50%	0.00%	0.00%	1.42%
Ohio Water Development Authority – Drinking Water	Set monthly; 8-week average of Bond Buyer 20-Index less 125 basis points, with 0.50% floor	Yes	1.26% ¹	0.00%	1.35%	0.14%	1.40%
Ohio Water Development Authority – Clean Water	Set monthly; 8-week average of Bond Buyer 20-Index less 125 basis points, with no floor	Yes	1.26% ¹	0.00%	0.35%	0.04%	1.30%
Texas Water Development Board - Drinking Water	Market Less 1.25% ⁵	Yes	0.80%	0.00%	2.25%	0.23%	1.03%
Texas Water Development Board – Clean Water	Market less 1.55% ⁵ for loans funded from capitalization grants; market less 1.20% for other loans	Yes	0.50%	0.00%	1.85%	0.19%	0.69%

Note: Rates as of 9/2/2016; 1. Rate for construction loan term up to 20 years shown; extended loan terms available. 2. For July – September 2016, no MHI adjustments are made to base rate. 3. Annual Admin Fee is included in Current Annual Loan rate. 4. Annualized Upfront Fee based on a 20-year loan term. 5. Market rate dependent on borrower rating; indicated market rates assume AA rated borrower.

Rural Development Interest Rates



TITLE: 2017 State Water Plan Applications

EXPLANATION: Water projects that will require state funding or need state support for categorical grant or loan funding must be on the State Water Plan. At its November planning meeting, the Board of Water and Natural Resources approves projects for placement on the next year's State Water Facilities Plan. The projects placed on the plan at this meeting will remain on the facilities plan through December 2018.

Placement of a project on the State Water Plan by the board provides no guarantee of funding. The following applications have been received for placement on the 2017 State Water Plan.

- | | |
|------------------------|--|
| a) Avon | r) Lake Norden |
| b) Blunt (Wastewater) | s) Lead-Deadwood Sanitary District |
| c) Blunt (Storm Water) | t) Lesterville |
| d) B-Y Water District | u) North Sioux City |
| e) Canova | v) Onida |
| f) Centerville | w) Philip |
| g) Colton | x) Pine Cliff Park Water & Maintenance, Inc. |
| h) Dell Rapids | y) Salem |
| i) Doland | z) South Shore |
| j) Elk Point | aa) Summerset |
| k) Faith | bb) Sturgis |
| l) Fort Pierre | cc) Tea |
| m) Harrisburg | dd) Valley Springs |
| n) Hermosa | ee) Volga |
| o) Hot Springs | ff) Watertown |
| p) Humboldt | gg) WEB Water Development Assoc. Inc |
| q) Langford | hh) Worthing |

RECOMMENDED ACTION: Approve staff recommendations for amendment of projects on 2017 State Water Facilities Plan

CONTACT: Andy Bruels, 773-4216

RECEIVED

SEP 13 2016

State Water Plan Application

Applicant: City of Avon Address: PO Box 207 Avon, SD 57315 Phone Number: 605 286-3694	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Proposed Funding Package</td> <td style="width: 20%; text-align: right;">Division of Financial & Technical Assistance</td> </tr> <tr> <td style="text-align: right;">Projected State Funding</td> <td style="text-align: right; border-bottom: 1px solid black;">\$469,860</td> </tr> <tr> <td style="text-align: right;">Local Cash</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">Other: _____</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">Other: _____</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td style="text-align: right; border-bottom: 3px double black;">\$469,860</td> </tr> </table>	Proposed Funding Package	Division of Financial & Technical Assistance	Projected State Funding	\$469,860	Local Cash	_____	Other: _____	_____	Other: _____	_____	TOTAL	\$469,860
Proposed Funding Package	Division of Financial & Technical Assistance												
Projected State Funding	\$469,860												
Local Cash	_____												
Other: _____	_____												
Other: _____	_____												
TOTAL	\$469,860												

Project Title:

Description: (Include present monthly utility rate.)

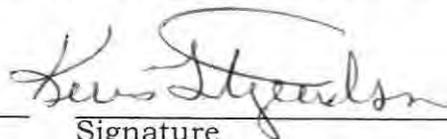
The water meters in Avon are in need of replacement. They are anywhere from 30 to 50 years old, there are nine different brands of meters in use (acquiring new parts for most of them is impossible), and they are self-reading, which causes inaccuracies in water use when the meters are read improperly or not read at all. The City's water loss rate is very high, due in part to the meters, which are under-reading the flow.

The proposed project includes new meters to replace all of the existing meters, and the installation of a fixed-network radio reading system to remotely read the meters. The new water meter reading system will make meter reading and billing easier, and will help the City more accurately monitor water sales and evaluate possible water losses.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Kevin Tjeerdsma, Mayor



September 06, 2016

 Name & Title of Authorized Signatory
 (Typed)

 Signature

 Date

State Water Plan Application

Applicant: City of Blunt Address: PO Box 127 Blunt, South Dakota 57522-127 Phone Number: 605-962-6262	Proposed Funding Package <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Projected State Funding</td> <td style="text-align: right; border-bottom: 1px solid black;">\$1,310,000</td> </tr> <tr> <td style="text-align: right;">Local Cash</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td style="text-align: right; border-bottom: 1px solid black;">\$1,310,000</td> </tr> </table>	Projected State Funding	\$1,310,000	Local Cash	_____	Other:	_____	Other:	_____	TOTAL	\$1,310,000
Projected State Funding	\$1,310,000										
Local Cash	_____										
Other:	_____										
Other:	_____										
TOTAL	\$1,310,000										

Project Title: Blunt Wastewater System Improvements Project

Description: (Include present monthly utility rate.)

The City of Blunt proposes to undertake wastewater system improvements including rehabilitation of the wastewater treatment system to come into compliance with the city's no discharge NPDES permit and the seepage/leakage of the WWTF. The city also experiences odor issues. The existing three cell system is approximately 26.2 acres and was originally oversized. Thus, it cannot maintain the recommended water depth to operate properly for today's population. Further, the system experiences erosion problems due to animals and heavy rains as the ponds are not riprapped. The proposed treatment improvements include the splitting of current cell #1 into two ponds and the current cell #2 will become the evaporation pond. The project will involve installing riprap, fencing, seeding, and necessary appurtenances. Other sanitary sewer improvements proposed are at the two lift stations to include, but not limited to, replacing iron piping, check valves, gates valves, coating the wetwell, manhole lining, replacement and all necessary appurtenances. The city will also need to smoke test, clean and televise to further determine the worst needs of the collection system lines as the current

CONTINUED ADDITIONAL COMMENTS SECTION

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Bryce Chambers, Mayor

 Name & Title of Authorized Signatory
 (Typed)

Bryce Chambers

 Signature

9/26/2016

 Date

Additional Comments:

system was built in the mid 1970's. The collection lines and manholes are all original and the "useful design life of the collection system is nearing its end" according to the engineering report. Current wastewater rates for the city are \$23 flat fee/user/month which was raised from \$17/month/user in July. The city will further need to review rates. The city has a reserve fund.

The engineering facility plan is on file with SDDENR.

State Water Plan Application

Applicant: City of Blunt Address: PO Box 127 Blunt, South Dakota 57522-127 Phone Number: 605-962-6262	Proposed Funding Package <table style="width: 100%; border: none;"> <tr> <td style="text-align: right;">Projected State Funding</td> <td style="text-align: right;">_____ \$920,000</td> </tr> <tr> <td style="text-align: right;">Local Cash</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td style="text-align: right;">_____ \$920,000</td> </tr> </table>	Projected State Funding	_____ \$920,000	Local Cash	_____	Other:	_____	Other:	_____	TOTAL	_____ \$920,000
Projected State Funding	_____ \$920,000										
Local Cash	_____										
Other:	_____										
Other:	_____										
TOTAL	_____ \$920,000										

Project Title: City of Blunt Storm Drainage System Improvements

Description: (Include present monthly utility rate.)

The City of Blunt proposes to undertake stormwater drainage improvements as the city is located within a floodplain and within the Medicine Knoll Creek drainage area. During periods of heavy rainfall and rapid snowmelts, the city experiences flooding issues and periods of standing water. Over the years, the city has made several improvements including \$200,000+ of diversion ditch improvements in 2012. Standing water is also a health concern for diseases caused from mosquitos, etc. The city continues to see flood damage to homes as well as the street and wastewater system infrastructure. The city does not have an underground storm water system, but rather relies on a series of 138 culverts and valley gutters. The proposed improvements to help alleviate flooding and standing water include: (1) removing and replacing all culverts that are in fair and poor condition (salvaging as many as possible) plus all necessary appurtenances in order to handle water flow; (2) undertaking improvement on the drainage channel that goes around the city including cleaning and reshaping of the channel, the replacement of the box culvert, riprapping, seeding, etc.; and

CONTINUE "ADDITIONAL COMMENTS" BLOCK

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Bryce Chambers, Mayor

 Name & Title of Authorized Signatory
 (Typed)



 Signature

9/26/2016

 Date

Additional Comments:

(3) constructing a drainage system around the school which involves a culvert and valley gutter system, inlets, grates, street work, etc.

The city will most likely have to phase in the improvements and has established a flood control budget within their general fund. In addition, the city is considering various options in order to implement a storm drainage fee.

The stormwater drainage improvement facility plan is on file with SDDENR.

OCT 03 2016

SD EForm 0487LD-V3
Division of Financial
& Technical Assistance

State Water Plan Application

Applicant: B-Y Water District	Proposed Funding Package
Address: PO Box 248 Tabor, SD 57063	Projected State Funding <u>\$4,300,000</u>
Phone Number: 605-463-2531	Local Cash <u>\$72,488</u>
	Other: _____
	Other: _____
	TOTAL <u>\$4,372,488</u>

Project Title: Water Treatment Plant Reservoir

Description: (Include present monthly utility rate.)

The Bon Homme-Yankton Water District (B-Y) is seeking funding assistance for a 3.0 to 3.4 million gallon ground storage reservoir. Said reservoir will complement the existing system infrastructure while ensuring adequate storage in times of high use or unplanned interruption of plant operations. The project area can be further defined as a four (4) acre parcel lying north of the treatment plant and immediately northeast of the two (2) existing reservoirs. B-Y's water treatment and supporting storage facilities abut Lewis and Clark Lake effectively placing these facilities at the end of the local power grid. The entire area is powered with overhead electric lines subject to adverse weather conditions such as wind and freezing rain or snow. In 2014, the B-Y Board of Directors requested Johnson Engineering Company Inc. to examine the possibility of increasing on site storage to offset unexpected plant shutdowns due to natural events or mechanical issues. The result of Johnson's study is the project before you.

B-Y's water rate is \$73.25 for 7,000 gallons

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Terry Hacecky, Chairman

 Name & Title of Authorized Signatory
 (Typed)

Terry Hacecky

 Signature Date 9-22-16

RECEIVED

OCT 03 2016

Division of Financial
SD EForm - 048 Technical Assistance

State Water Plan Application

Applicant: City of Centerville	Proposed Funding Package	
Address: PO Box C Centerville, South Dakota 57014	Projected State Funding	\$214,000
Phone Number: (605) 563-2302	Local Cash	
	Other:	
	Other:	
	TOTAL	\$214,000

Project Title: Main Street Improvements Project

Description: (Include present monthly utility rate.)

The Main Street Improvements Project will consist of storm sewer and surfacing improvements. The existing storm sewer system is undersized and needs more capacity. Large rainfall events cause flooding at the intersection of Main Street and Iowa Street, making the intersection impassible for vehicles and unsafe for pedestrians. Over the past 12 years, the City has improved the sanitary sewer and water main systems along this street. The City of Centerville will now be increasing the capacity of the storm sewer along Main Street from 300 feet west of Nebraska Street extending 1,850 feet to the Iowa Street intersection. The City will be installing 1,820 linear feet of 24-inch Storm Sewer along with seven junction boxes.

The project will also include full width asphalt surfacing from Nebraska Street to Idaho Street.

The City of Centerville does not have a reserve fund established for its utility. Its current sewer rate is \$35.89 per month for 5,000 gallons.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Jackie Krebs, City Council President
Name & Title of Authorized Signatory
(Typed)

Jackie Krebs 9/29/2016
Signature Date

State Water Plan Application

Applicant: City of Colton Address: PO Box 66 Colton, South Dakota 57018 Phone Number: 605-446-3811	Proposed Funding Package <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Projected State Funding</td> <td style="text-align: right; border-bottom: 1px solid black;">\$2,668,759</td> </tr> <tr> <td style="text-align: right;">Local Cash</td> <td style="text-align: right; border-bottom: 1px solid black;">0</td> </tr> <tr> <td>Other: _____</td> <td>_____</td> </tr> <tr> <td>Other: _____</td> <td>_____</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td style="text-align: right; border-bottom: 1px solid black;">\$2,668,759</td> </tr> </table>	Projected State Funding	\$2,668,759	Local Cash	0	Other: _____	_____	Other: _____	_____	TOTAL	\$2,668,759
Projected State Funding	\$2,668,759										
Local Cash	0										
Other: _____	_____										
Other: _____	_____										
TOTAL	\$2,668,759										

Project Title: Sanitary Sewer and Water Distribution Improvements

Description: (Include present monthly utility rate.)

The City of Colton is proposing a phased water and sewer improvement project over the next two years. The project will replace approximately 5,500 LF of Vitrified Clay Pipe (VCP) with eight-inch Polyvinyl Chloride (PVC), approximately 2,880 LF of sanitary sewer service piping and 20 sewer manholes. Substandard water distribution will be addressed with the replacement of over 7,000 LF of AC Transite pipe with eight-inch PVC and establish an eight-inch central loop through the City of Colton.

All utility work will take place concurrently using open cut installation. The project is focused on First Street from the Colton city limits to Cemetery Drive, Main Street from the Colton city limits to Main Street, and a small section of Sherman Avenue between Fourth and Fifth Streets to complete the loop.

Current water rates for 5,000 gallons of usage are \$44.95 with an established reserve fund. Current sewer rates are \$25.50 for 5,000 gallons of water used. There is not a sewer reserve fund.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Ryan Fods, Mayor
Name & Title of Authorized Signatory
(Typed)


Signature
9/23/16
Date

State Water Plan Application

Applicant: City of Dell Rapids	Proposed Funding Package	
Address: PO Box 10 Dell Rapids, South Dakota 57022	Projected State Funding	\$14,427,000
Phone Number: 605-428-3595	Local Cash	0
	Other: _____	_____
	Other: _____	_____
	TOTAL	\$14,427,000

Project Title: Dell Rapids Water and Sewer Improvement Project

Description: (Include present monthly utility rate.)

The City of Dell Rapids is proposing a water and sewer improvement project that addresses deficiencies in the core of the City (a location map is attached). The project will divide the core area into five phases. All the existing sanitary sewer that is Vitrified Clay Pipe (VCP) will be replaced with Polyvinyl Chloride (PVC). All the existing water main that is Cast Iron Pipe (CIP) and Asbestos Cement (AC) will be replaced with PVC. All the water and sewer services will be replaced to the property line. Storm sewer will also be added to address drainage issues, and the streets will be reconstructed.

The City also has a potential new industry moving to the City. The location of this industry would require water and sewer utilities to be extended to the site along with a new road designed to handle truck traffic.

Current water rate for 5,000 gallons of usage is \$37.10 with an established reserve fund. Current sewer rate is \$43.64 for 5,000 gallons of water used with an established reserve fund. The City Council is planning to increase sewer rates in early 2017.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Tom Early, Mayor
Name & Title of Authorized Signatory
(Typed)

Thomas J. Early 9/30/16
Signature Date

State Water Plan Application

Applicant: City of Doland Address: PO Box 326 Doland, SD 57436 Phone Number: 605-635-6590	Proposed Funding Package Projected State Funding \$104,300 Local Cash _____ Other: _____ Other: _____ <div style="text-align: right;">TOTAL \$104,300</div>
---	--

Project Title: Doland Water Meter Replacement

Description: (Include present monthly utility rate.)

The City of Doland hired Helms and Associates to complete a drinking water study in 2010 to determine deficiencies in their drinking water system and to outline alternatives to correct those deficiencies. At that time, the water meters were not part of the study, however, the City has asked Helms and Associates to complete an amendment to the engineering study to address the issues they are now experiencing with their water meters. The City has an outdated system and can no longer get replacement water meters for the system. The City also recently discovered the meters they currently have have lead in them that shows up in water tests.

The City's current rate for drinking water is \$39.00 per user per month for 5,000 gallons. The rate is going to increase in January to \$42.50 per 5,000 gallons. The rate structure includes a base fee of \$1.50, plus existing surcharge of \$12.50 for the water tower, and \$5.00 per 1,000 gallons.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Craig Schroeder, Mayor

 Name & Title of Authorized Signatory
 (Typed)

 September 28, 2016

 Signature Date

State Water Plan Application

Applicant: City of Faith Address: PO Box 368 Faith, SD 576526 Phone Number: 605-967-2261	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center;">Proposed Funding Package</td> </tr> <tr> <td style="text-align: right;">Projected State Funding</td> <td style="text-align: right; border-bottom: 1px solid black;">\$1,472,814</td> </tr> <tr> <td style="text-align: right;">Local Cash</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td style="text-align: right; border-bottom: 1px solid black;">\$1,472,814</td> </tr> </table>	Proposed Funding Package		Projected State Funding	\$1,472,814	Local Cash	_____	Other:	_____	Other:	_____	TOTAL	\$1,472,814
Proposed Funding Package													
Projected State Funding	\$1,472,814												
Local Cash	_____												
Other:	_____												
Other:	_____												
TOTAL	\$1,472,814												

Project Title: Wastewater System Improvements

Description: (Include present monthly utility rate.)

Faith is proposing a project to refurbish the city's entire wastewater collection system in order to address significant inflow and infiltration problems within the system. The city's collection system is comprised of approximately 25,980 feet of 8 and 10-inch sewer main and an estimated 11,800 feet of 4-inch service connection lines. Installation of the original sewer system occurred in the early 1920s. There are short segments of newer pipe throughout the system, but over 80 percent of the system is still original. The proposed project includes cleaning and televising the collection system to determine the condition of the infrastructure and then refurbishing the system via Cured in Place Pipe (CIPP).

Faith provides sanitary sewer service to 236 connections (172 residential and 64 commercial). The monthly utility rate is \$15.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Glen Haines, Mayor

 Name & Title of Authorized Signatory
 (Typed)

Glen Haines

 Signature

8-26-16

 Date

Additional Comments:

Additionally, the city will also need televise the gravity collection system to further determine the worst needs of the collection system lines. Current wastewater rates for the city are \$22.15 base fee/user/month plus an \$0.85 surcharge, with an additional \$1.50 per 1,000 gallons water use. The city will further need to review rates. The city has a reserve fund.

The engineering facility plan is on file with SDDENR.

State Water Plan Application

Applicant: City of Harrisburg Address: PO Box 26 Harrisburg, South Dakota 57032 Phone Number: (605) 743-5872	Proposed Funding Package <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Projected State Funding</td> <td style="width: 30%; text-align: right;">\$23,917,000</td> </tr> <tr> <td>Local Cash</td> <td style="text-align: right;">_____</td> </tr> <tr> <td>Other: _____</td> <td style="text-align: right;">_____</td> </tr> <tr> <td>Other: _____</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td style="text-align: right;">\$23,917,000</td> </tr> </table>	Projected State Funding	\$23,917,000	Local Cash	_____	Other: _____	_____	Other: _____	_____	TOTAL	\$23,917,000
Projected State Funding	\$23,917,000										
Local Cash	_____										
Other: _____	_____										
Other: _____	_____										
TOTAL	\$23,917,000										

Project Title: Wastewater Treatment Facility Construction Project

Description: (Include present monthly utility rate.)

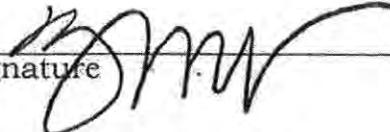
The City of Harrisburg has outgrown its existing wastewater collection system (\$3,155,000) and wastewater treatment facility, and the City is formulating a plan to treat the wastewater of its growing population. The decision must be made before the current agreement with the City of Sioux Falls expires in 2018. The following deficiencies have developed in the current wastewater treatment facility: (1) Hydraulically overloaded, (2) Organically overloaded, (3) Pond smell complaints, and (4) Sludge build up. There are currently six wastewater treatment alternatives being considered, which includes: (1) Complete Pumping to Sioux Falls (\$8,044,125), (2) Partial Pumping to Sioux Falls (\$11,413,000), (3) Sequencing Batch Reactor (SBR) (\$19,220,000), (4) Oxidation Ditch (\$20,762,000), (5) SEQUOX by Aeromod (\$19,804,000), and (6) Submerged Attach Growth Reactor (SAGR) (\$20,215,000).

The City of Harrisburg's current sewer rate is \$57.88 per month for 5,000 gallons, and the City does not have a reserve fund established for this project.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Julie Bowen, Mayor, City of Harrisburg
 Name & Title of Authorized Signatory
 (Typed)


 Signature _____ Date 9-28-2016

State Water Plan Application

Applicant: Town of Hermosa Address: PO Box 298 Hermosa, SD 57744-0298 Phone Number: 605-255-4291	Proposed Funding Package <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Projected State Funding</td> <td style="text-align: right;">\$199,000</td> </tr> <tr> <td style="text-align: right;">Local Cash</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td style="text-align: right;">\$199,000</td> </tr> </table>	Projected State Funding	\$199,000	Local Cash	_____	Other:	_____	Other:	_____	TOTAL	\$199,000
Projected State Funding	\$199,000										
Local Cash	_____										
Other:	_____										
Other:	_____										
TOTAL	\$199,000										

Project Title: Hermosa Water Source and Distribution Project

Description: (Include present monthly utility rate.)

Hermosa is proposing a project to fix water supply and distribution system problems. SUPPLY: The Town's newest of 2 wells has been shut down due to water that does not meet the MCL for radiological contaminants. This leaves the Town reliant upon just one well and leaves the water supply inadequate and vulnerable during the summer or in emergencies. This newer well also produces excess iron scale which plugs the screen in the well discharge. DISTRIBUTION: Recent development west of Hwy. 79 has a lack of insufficient water volume and excessive water pressure. A booster station was proposed in 2013 to remedy this but was not constructed due to a lack of funding. THE PROJECT: For supply, the engineering report discusses different alternatives. The selected alternative is "Rehabilitate Existing Well" which will involve identifying and permanent sealing of the well production zone responsible for the contamination. (The Town reserves the right to switch to one of the other project alternatives if necessary). Additionally, the iron scale problem will be fixed by installing a new stainless steel drop pipe. The distribution problem will be corrected by constructing either a new booster station or a secondary pressure main as part of this project. Current water rate is \$28.50 per 5,000 gal's/month.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Linda Kramer, Town President

Name & Title of Authorized Signatory
(Typed)



Signature

09-22-16
Date

SEP 12 2016

Division of Financial & Technical Assistance

State Water Plan Application

Applicant: <i>City of Hot Springs</i>	Proposed Funding Package
Address: <i>303 N. River St. Hot Springs, SD 57747-1626</i>	Projected State Funding <u>\$248,205.00</u>
Phone Number: <i>605-745-3135</i>	Local Cash _____
	Other: <i>CWFCP (for service lines)</i> <u>\$21,795.00</u>
	Other: _____
	TOTAL <u>\$270,000.00</u>

Project Title: *North 24th Street Sewer Project*

Description: (Include present monthly utility rate.)

The proposed project is to extend city sewer main to homes in the N. 24th St. area that currently have septic systems.

This project is considered a priority for the following reasons:

- (1) The septic tanks are upstream of the SD Veterans Home well, so there is concern with potential contamination issues.*
- (2) The N. 24th St. area is one of few areas without city sewer.*
- (3) The State Veterans Home recently completed construction of its new facility and is also proposing expansion plans for additional housing. This will increase future sewer service needs in this area.*
- (4) A new subdivision is currently being developed just to the east and could be served by the North 24th St. sewer extension.*

The sewer extension will tie into the existing manhole at the intersection of 23rd St. and Minnekahta Ave., and then extend north along an unimproved right-of-way to Hampton Rd., and then west along Hampton Rd. to N. 24th Street. The project will include approximately: 1,050' of 8-inch sewer main, six manholes, service wyes, service line pipe, clean outs, a large amount of necessary rock excavation, bedding material, street repair, vegetation removal, seeding and mulching, traffic control, project administration, contingencies, etc. (see attached engineering summary). Service lines are proposed as part of the project due to the large amount of rock excavation costs which would be a hardship for homeowners.

Existing residential sewer rates are a flat \$28.46 per month. There is an established sewer reserve fund.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Cindy Donnell, Mayor
Name & Title of Authorized Signatory
(Typed)

Cindy Donnell 9/7/2016
Signature Date

RECEIVED

OCT 03 2016

SD EForm - 0487LD V3
Division of Financial
& Technical Assistance

State Water Plan Application

Applicant: Town of Humboldt	Proposed Funding Package
Address: PO Box 72 Humboldt, South Dakota 57035-0072	Projected State Funding <u>\$3,049,030</u>
Phone Number: 605-363-3789	Local Cash _____
	Other: _____
	Other: _____
	TOTAL <u>\$3,049,030</u>

Project Title: Humboldt Wastewater Phase 2 and Water Meter Replacement Project

Description: (Include present monthly utility rate.)

The City of Humboldt is proposing the second and third phases of a multi- phase sewer improvement project. The project will replace approximately 1,200 LF of Vitrified Clay Pipe (VCP) with ten-inch Polyvinyl Chloride (PVC), approximately 5,200 LF of VCP with eight-inch PVC, and 3,000 LF of sanitary sewer service piping. Additionally, the City of Humboldt is also proposing to replace approximately 252 water meters. This proposal includes accompanying software and equipment.

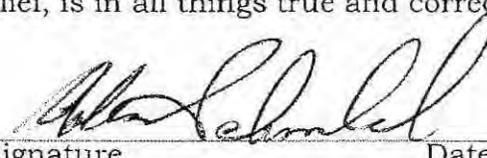
The City is in the process of completing phase one of the city-wide sanitary sewer project. A map with detailed locations of phases two and three is attached.

Current water rate for 5,000 gallons of usage is \$29.25. Current sewer rate is \$25.00 for 5,000 gallons of water used. There are reserve funds for both water and sewer.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Allen Schmeichel, President
Name & Title of Authorized Signatory
(Typed)


Signature _____ Date 9/28/16

State Water Plan Application

Applicant: Town of Langford Address: PO Box 191 Langford, SD 57454-0191 Phone Number: 605-493-6610	Proposed Funding Package <table style="width: 100%; border: none;"> <tr> <td style="text-align: right;">Projected State Funding</td> <td style="text-align: right; border-bottom: 1px solid black;">\$1,922,000</td> </tr> <tr> <td style="text-align: right;">Local Cash</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right; font-weight: bold;">TOTAL</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> </table>	Projected State Funding	\$1,922,000	Local Cash	_____	Other:	_____	Other:	_____	TOTAL	_____
Projected State Funding	\$1,922,000										
Local Cash	_____										
Other:	_____										
Other:	_____										
TOTAL	_____										

Project Title: Langford Water Line and Storage Improvements

Description: (Include present monthly utility rate.)

The Town of Langford hired Helms and Associates to complete a drinking water study to determine deficiencies in the system and outline alternatives to correct those deficiencies. The engineer's recommendation includes replacing the existing water tower with a new 75,000 gallon elevated storage tank with a pump house as well as replacing all of the four inch AC pipe with 6-inch PVC pipe and replacing the water meters.

The City's current rate for residential users is \$38.00 per 5,000 gallons and \$44.50 per 5,000 gallons for commercial users.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Todd Sell, President

 Name & Title of Authorized Signatory
 (Typed)



 Signature

September 7, 2016

 Date

OCT 03 2016

Division of Financial & Technical Assistance

State Water Plan Application

<p>Applicant: Town of Lesterville</p> <p>Address: 210 Main Avenue Lesterville, South Dakota</p> <p>Phone Number: 605-364-7793</p>	<p>Proposed Funding Package</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Projected State Funding</td> <td style="text-align: right; border-bottom: 1px solid black;">\$448,000</td> </tr> <tr> <td style="text-align: right;">Local Cash</td> <td style="text-align: right; border-bottom: 1px solid black;">\$500</td> </tr> <tr> <td>Other: _____</td> <td>_____</td> </tr> <tr> <td>Other: _____</td> <td>_____</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td style="text-align: right; border-bottom: 1px solid black;">\$448,500</td> </tr> </table>	Projected State Funding	\$448,000	Local Cash	\$500	Other: _____	_____	Other: _____	_____	TOTAL	\$448,500
Projected State Funding	\$448,000										
Local Cash	\$500										
Other: _____	_____										
Other: _____	_____										
TOTAL	\$448,500										

Project Title: Water Main Replacement and Looping

Description: (Include present monthly utility rate.)

The Town's water distribution system was installed in the early 1900's and consists primarily of 4"-6" cast iron pipe (CIP). In 1986, immediately prior to connecting to B-Y Water District as a bulk customer, a portion of the distribution system was upgraded to PVC piping. At this time, the Town's distribution system includes one block of 8" PVC and 12 blocks of 6" PVC. The balance of the distribution infrastructure is comprised of nine blocks of 4"-6" CIP and two blocks of asbestos cement (AC) main. In addition to the antiquated lines, approximately 6 blocks are served via dead ended mains.

The Town recently upgraded its water meters and is now proposing to upgrade the remainder of its distribution system. Proposed work includes replacing the CIP and AC mains with 6' PVC and elimination of the dead ended loops by installation of PVC main. New mains to facilitate system looping will be constructed along a the southern edge of the community (Railway Street) and one block of Kappel Avenue on the eastern edge of town.

The Town's water rate for 5,000 gallons is \$45.00

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Daryl Bierle, Board President

 Name & Title of Authorized Signatory
 (Typed)

Daryl Bierle

 Signature

9-27-2016

 Date

State Water Plan Application

Applicant: City of Onida Address: PO Box 72 Onida, SD 57564-0072 Phone Number: 605-258-2441	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center;">Proposed Funding Package</td> </tr> <tr> <td style="text-align: right;">Projected State Funding</td> <td style="text-align: right;">\$7,900,000</td> </tr> <tr> <td style="text-align: right;">Local Cash</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td style="text-align: right;">\$7,900,000</td> </tr> </table>	Proposed Funding Package		Projected State Funding	\$7,900,000	Local Cash	_____	Other:	_____	Other:	_____	TOTAL	\$7,900,000
Proposed Funding Package													
Projected State Funding	\$7,900,000												
Local Cash	_____												
Other:	_____												
Other:	_____												
TOTAL	\$7,900,000												

Project Title: City of Onida Wastewater Improvements Project

Description: (Include present monthly utility rate.)

The City of Onida has been experiencing inflow and infiltration levels in excess of EPA standards, and therefore, the city recently completed smoke testing and cleaned and televised the collection lines. From these test it was determined that there are approximately 84 manholes and 38,594 feet of collection line of which 59% is vcp, 267 feet of concrete pipe, and the remaining. The testing found there were numerous deficiencies including broken pipe, sag, fractures, separated joints, tree roots and, in fact, sewer service connections to the sewer main were improperly installed throughout the city. Lines needing replacement were prioritized 1, 2, and 3 with 1 being in need of replacement due to a major threat of collapse or line block and 2 being in need of replacement due to sags, offset or separated joints, major pipe fractures, etc. Priority 3 was given to clay pipe in good condition or pipe with small cracks, etc. The televising report also indicated that 52 of the manholes require repair and could be lined or rehabilitated for continued use, plus 8 need to be completely replaced due to their condition. It was also determined that there is a need for an additional 21 manholes. Sanitary sewer collection

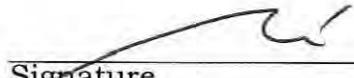
"CONTINUE ADDITIONAL COMMENTS"

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Gary Wickersham, Mayor

 Name & Title of Authorized Signatory
 (Typed)


 Signature

9-27-16
 Date

Additional Comments:

improvements Include:

- a. Replacement of approximately 11,200 feet of 4 and 8 inch sanitary sewer collection main, replacement, lining, or installation of approximately 85 manholes, wyes, seeding, street repair and other necessary appurtenances. It is anticipated this work will be completed in conjunction with the replacement of adjacent to water asbestos cement mains.
- b. Replacement of approximately 25,100 feet of 4 and 8 inch sanitary sewer collection main, wyes, seeding and erosion control, bypass pumping, street repair, plus all necessary appurtenances.
- c. Replacement of approximately 6,232 feet of 4, 8 and 12 inch clay pipe, wyes, manholes, seeding and erosion control, street repair and other necessary appurtenances.

The city will also need to replace the existing lift station due to its condition—lacks trash screen, building and door on the wet well are in poor condition, one base below needs replacement, control panel needs to be updated, no working ventilation in the wet well building, pipe, fittings and valves in the vault are severely corroded, etc. Accessibility will not allow all necessary rehabilitation work so it is recommended a new lift station be constructed—preferably a steel dry pit/concrete wet well design.

Sewer rates are currently \$15/month/up to 20,000 gallons/inside city limits and \$20/month/up to 20,000 gallons/out of city limits.

The full facility report is on file with SDDENR—the updated amendment is attached.

State Water Plan Application

Applicant: City of Philip Address: PO Box 408 Philip, South Dakota 57567-0408 Phone Number: 605-859-2175	Proposed Funding Package <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Projected State Funding</td> <td style="text-align: right; border-bottom: 1px solid black;">\$340,000</td> </tr> <tr> <td style="text-align: right;">Local Cash</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td style="text-align: right; border-bottom: 1px solid black;">\$340,000</td> </tr> </table>	Projected State Funding	\$340,000	Local Cash	_____	Other:	_____	Other:	_____	TOTAL	\$340,000
Projected State Funding	\$340,000										
Local Cash	_____										
Other:	_____										
Other:	_____										
TOTAL	\$340,000										

Project Title: Philip Water Meter Project

Description: (Include present monthly utility rate.)

The City of Philip has been experiencing water loss on a monthly basis ranging from 4.65% to 11.03% in 2016 and was as high as 16% in 2014. Over the years, the city has replaced several of its water meters, but approximately 47% of the meters still have more than 500,000 gallons of cumulative flow. Studies have shown worn meters generally under-read actual flow. Therefore, it can be easily concluded that some of the city's water loss is due to old, worn meters that no longer accurately meter water flow. Thus, the city proposes to replace approximately 220 meters, plus install new radio transmitters on the remaining meters to allow for an entirely Automated Reading System. The project also involves all necessary appurtenances for the project. The city currently has water rates of \$35/5000 gallons for inside city limit users and \$55/5000 gallons for outside city limit users. The city does have a reserve fund. The city is in the process of paying off a Rural Development Water Loan in order to restructure the city's debt and free up debt limit capacity. This will enable the city to undertake other projects and thus, the city wishes to have the meter project stay on the State Water Plan. The facility plan is on file with SDDENR.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Michael Vetter, Mayor

 Name & Title of Authorized Signatory
 (Typed)



 Signature

09/28/16

 Date

State Water Plan Application

<p>Applicant: City of Salem</p> <p>Address: PO Box 249 Salem, South Dakota 57058</p> <p>Phone Number: 605-425-2301</p>	<p>Proposed Funding Package</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Projected State Funding</td> <td style="text-align: right; border-bottom: 1px solid black;">\$3,357,424</td> </tr> <tr> <td style="text-align: right;">Local Cash</td> <td style="text-align: right; border-bottom: 1px solid black;">\$11,566</td> </tr> <tr> <td>Other: Pending Grant</td> <td style="text-align: right; border-bottom: 1px solid black;">\$400,000</td> </tr> <tr> <td>Other: _____</td> <td style="border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td style="text-align: right; border-bottom: 3px double black;">\$3,768,990</td> </tr> </table>	Projected State Funding	\$3,357,424	Local Cash	\$11,566	Other: Pending Grant	\$400,000	Other: _____	_____	TOTAL	\$3,768,990
Projected State Funding	\$3,357,424										
Local Cash	\$11,566										
Other: Pending Grant	\$400,000										
Other: _____	_____										
TOTAL	\$3,768,990										

Project Title:

Description: (Include present monthly utility rate.)

The City of Salem is proposing a water and sewer improvement project that addresses deficiencies in the core of the City, namely a portion of Essex, Vermont, and Norton Avenues and a portion of Main and Dakota Streets (a location map is attached). The project will replace approximately 5,000 LF of Vitrified Clay Pipe (VCP) with eight-inch Polyvinyl Chloride (PVC), approximately 2,300 LF of sanitary sewer service piping and 14 sewer manholes. Substandard water distribution will be addressed with the replacement of over 1,400 LF of Cast Iron Pipe (CIP) with eight-inch PVC; 1,600 LF of CIP with six-inch PVC; and 1,400 LF of one-inch service line.

All utility work will take place concurrently and in conjunction with a street replacement project, pending Community Access Grant approval.

Water rate for 5,000 gallons of usage is \$51.40 with an established reserve fund. Sewer rate is \$23.50 for 5,000 gallons of water used. There is no sewer reserve fund. Rates are effective December 2016.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Robin Rayman, Mayor
 Name & Title of Authorized Signatory
 (Typed)

Robin Rayman
Signature

9/23/2016
Date

State Water Plan Application

Applicant: City of Sturgis Address: 1040 Harley-Davidson Way Sturgis, SD 57785 Phone Number: 605-347-4422	Proposed Funding Package <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Projected State Funding</td> <td style="text-align: right; border-bottom: 1px solid black;">19,256,000</td> </tr> <tr> <td style="text-align: right;">Local Cash</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td style="text-align: right; border-bottom: 1px solid black;">19,256,000</td> </tr> </table>	Projected State Funding	19,256,000	Local Cash	_____	Other:	_____	Other:	_____	TOTAL	19,256,000
Projected State Funding	19,256,000										
Local Cash	_____										
Other:	_____										
Other:	_____										
TOTAL	19,256,000										

Project Title: Wastewater Treatment System Improvements

Description: (Include present monthly utility rate.)

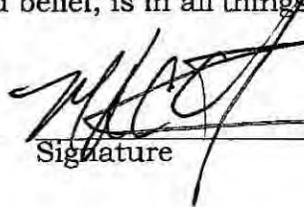
The City of Sturgis is proposing a number of improvements to its wastewater treatment system. The City's wastewater system is facing challenges in terms infiltration and inflow within the collection system, treatment capacity, infrastructure decline, and regulatory changes. Therefore, a number of projects are proposed to address these challenges: slip lining approximately 31,500 lineal feet of the system's remaining clay tile piping; replacement of the main 15-inch influent pipe with a 21-inch pipe that will provide adequate capacity to serve projected flows; removal and disposal of biosolids that have accumulated in lagoon cell #1; a new liquid treatment system to meet current and projected permit limits; and, biosolids treatment improvements.

The current monthly residential sewer rate is \$25.88 per month.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Mark Carstensen, Mayor
 Name & Title of Authorized Signatory
 (Typed)


 Signature

9/23/2016
 Date

RECEIVED

OCT 03 2016

SD EForm - 0487LD V3
Division of Financial
& Technical Assistance

State Water Plan Application

Applicant: City of Tea	Proposed Funding Package										
Address: PO Box 128 Tea, SD 57064-0128											
Phone Number: (605) 498-5191	<table> <tr> <td>Projected State Funding</td> <td>\$1,563,000</td> </tr> <tr> <td>Local Cash</td> <td>_____</td> </tr> <tr> <td>Other: _____</td> <td>_____</td> </tr> <tr> <td>Other: _____</td> <td>_____</td> </tr> <tr> <td>TOTAL</td> <td>\$1,563,000</td> </tr> </table>	Projected State Funding	\$1,563,000	Local Cash	_____	Other: _____	_____	Other: _____	_____	TOTAL	\$1,563,000
Projected State Funding	\$1,563,000										
Local Cash	_____										
Other: _____	_____										
Other: _____	_____										
TOTAL	\$1,563,000										

Project Title: 271st Street Water Main and Sanitary Sewer Extension

Description: (Include present monthly utility rate.)

The City of Tea is planning the reconstruction of 271st Street (County Road 106) from west of Devin Avenue to Gateway Lane. The City is planning to install water mains and sanitary sewers to serve existing development along the 271st Street project. The water main and sanitary sewer extensions will connect to the existing utilities at Heritage Parkway and Main Avenue and provide service to approximately 10 existing residential and commercial properties west of Heritage Parkway. Approximately 5,405 linear feet of 12-inch water main and 474 linear feet of 8-inch water main will be constructed as part of this project. Hydrants will be located at approximately 400 feet spacing, and fittings and isolation valves will be located at the quarter section lines and street intersections for extension of future water main. The water main will be buried at a depth of approximately 7 feet. The total estimated project cost for the water main improvements is \$830,000. Current Water Rate = \$31.00/5,000 gallons. The City of Tea has a water reserve fund established.

Please see "Additional Comments" for Sanitary Sewer information.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

John Lawler, Mayor, City of Tea

 Name & Title of Authorized Signatory
 (Typed)



 Signature

9-28-16

 Date

Additional Comments:

Approximately 72 linear feet of 8-inch sanitary sewer, 3,632 linear feet of 12-inch sanitary sewer, 664 linear feet of 18-inch sanitary sewer, and 11,717 linear feet of 6-inch force main will be constructed along 271st Street. The sanitary sewer extension will provide service for sewer sub-basins primarily included the area immediately north of 271st Street from Heritage Parkway to 468th Avenue. An area south of 271st Street between 468th Avenue and N. Cole Avenue will also be served by the force main extension. The total estimated project cost for the sanitary sewer improvements is \$733,000. Current Sewer Rate = \$20.00/5,000 gallons. The City of Tea has a sewer reserve fund established.

State Water Plan Application

<p>Applicant: City of Valley Springs</p> <p>Address: PO Box 118 Valley Springs, South Dakota 57068</p> <p>Phone Number: 605-757-6555</p>	<p>Proposed Funding Package</p> <p>Projected State Funding <u>\$15,324,000</u></p> <p>Local Cash _____</p> <p>Other: _____</p> <p>Other: _____</p> <p style="text-align: right;">TOTAL <u>\$15,324,000</u></p>
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Project Title: Water and Sewer System Improvements

Description: (Include present monthly utility rate.)

The City of Valley Springs is proposing a phased water and sewer improvement project, beginning with water meter replacement in phase one. The project will replace approximately 20,500 feet of cracked and broken sewer pipe with Polyvinyl Chloride (PVC). A portion of the system could utilize trenchless repair methods such as sewer and manhole lining. Substandard water distribution will be addressed with the replacement of over 23,000 feet of cement asbestos watermain with PVC pipe. The City of Valley Springs also proposes replacing all water meters. See attachment for locations of the proposed activities.

The current water rate for 5,000 gallons of usage is \$22.50 per month with an annual charge of \$5.00 per meter. Current sewer rates are \$30.00 per month as a flat fee. There is no water or sewer reserve fund. Water and sewer are billed quarterly.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Carl Moss, Mayor

 Name & Title of Authorized Signatory
 (Typed)

Carl Moss

 Signature

9/23/16

 Date

State Water Plan Application

Applicant: City of Watertown Address: PO Box 910 Watertown, SD 57201 Phone Number: (605) 882-6200	Proposed Funding Package <table style="width: 100%; border: none;"> <tr> <td style="text-align: right;">Projected State Funding</td> <td style="text-align: right; border-bottom: 1px solid black;">\$832,896</td> </tr> <tr> <td style="text-align: right;">Local Cash</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">Other: _____</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">Other: _____</td> <td style="text-align: right; border-bottom: 1px solid black;">_____</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td style="text-align: right; border-bottom: 1px solid black;">\$832,896</td> </tr> </table>	Projected State Funding	\$832,896	Local Cash	_____	Other: _____	_____	Other: _____	_____	TOTAL	\$832,896
Projected State Funding	\$832,896										
Local Cash	_____										
Other: _____	_____										
Other: _____	_____										
TOTAL	\$832,896										

Project Title: Kittelson Addition Sanitary Sewer Extension

Description: (Include present monthly utility rate.)

The City of Watertown plans to provide sanitary sewer service to 30 homes on the north shore of Lake Pelican as part of a voluntary annexation project initiated by the homeowners in the project area. Homes in the impacted area are currently served by septic tanks and many of the lots are less than an acre in size. If the project is completed 11 of the lots will be served with a gravity system and 19 of the lots will be served by a pressure system.

Present monthly sanitary sewer rate: \$21.50/MONTH

A reserve fund for the sanitary sewer system HAS been established.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Steve Thorson, Mayor

 Name & Title of Authorized Signatory
 (Typed)



 Signature

9-25-16

 Date

State Water Plan Application

<p>Applicant: WEB Water Development Association, Inc</p> <p>Address: 38456 W HWY US 12 PO BOX 51 ABERDEEN, SD 57401-0051</p> <p>Phone Number: 605-229-4749</p>	<p>Proposed Funding Package</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Projected State Funding</td> <td style="text-align: right; border-bottom: 1px solid black;">\$22,504,300</td> </tr> <tr> <td style="text-align: right;">Local Cash</td> <td style="text-align: right; border-bottom: 1px solid black;">0</td> </tr> <tr> <td style="text-align: right;">Other: Federal Loan</td> <td style="text-align: right; border-bottom: 1px solid black;">\$7,040,300</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right; border-bottom: 1px solid black;"> </td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td style="text-align: right; border-bottom: 1px solid black;">\$29,544,600</td> </tr> </table>	Projected State Funding	\$22,504,300	Local Cash	0	Other: Federal Loan	\$7,040,300	Other:		TOTAL	\$29,544,600
Projected State Funding	\$22,504,300										
Local Cash	0										
Other: Federal Loan	\$7,040,300										
Other:											
TOTAL	\$29,544,600										

Project Title: WEB Water Development Association, Inc Mainline Improvements Project

Description: (Include present monthly utility rate.)

The demands of WEB's existing customers have exceeded the design capacity of the system, and costs for improvements are too prohibitive to fund through rate increases alone. The average residential monthly water rate is \$57.75. As a previous United States Department of Agriculture (USDA) loan recipient, WEB has a fully funded reserve fund in place to cover existing debt requirements. WEB is working with USDA Rural Development to start construction on Phase 1 in February of 2017. Phase 1 includes paralleling 41,545 feet of 24" pipe and constructing a mainline booster station, which will increase maximum flow rate from the Main Reservoirs to the Mina Reservoirs by approximately 1,500 gallons per minute (gpm). Phase 1 estimated project cost is \$7,040,300. Phase 2 includes paralleling 110,880 feet of 24" mainline allowing WEB to: 1) increase capacity from the WEB Intake to the Water Treatment Plant (WTP) by 6,600 gpm; and 2) increase capacity from the WTP to WEB Main Reservoirs by 6,000 gpm. Phase 2 estimated project cost is \$22,504,300. Total Phase 1 and 2 project costs are estimated to be \$29,544,600. Goals of this project are to provide WEB additional flexibility to transfer water from the WTP and Main Reservoirs to system storage at Mina and to increase capacity to the Mina Reservoirs.

The Applicant Certifies That:

I declare and affirm under the penalties of perjury that this application has been examined by me and, to the best of my knowledge and belief, is in all things true and correct.

Angela L. Hammrich, General Manager
 Name & Title of Authorized Signatory
 (Typed)



September 28, 2016
 Date

Additional Comments:

The proposed improvements would deliver significantly more water to the Mina Reservoirs and enhance the reliability of WEB's system. Between 2004 and 2016 there was an increase in water production of nearly 27% due to an increase in the number of customers and in usage per customer. During periods of hot weather in 2012 and 2016, WEB's water demand exceeded capacity, and WEB was forced to use as much as 50% of their storage volume. If hot weather had persisted, WEB may not have been able to provide water service to all of their customers.

Because of capacity limitations, WEB has had to reject approximately 200 requests for water service since 2007. In 2015, WEB has had to decline 15 livestock, agricultural, and industrial requests totaling 4.98 million gallons per day. Agriculture is South Dakota's #1 industry with a \$25.6 billion economic impact each year (South Dakota Agriculture - Facts & Impact. (2012). Retrieved September 13, 2016, from <https://sdda.sd.gov/office-of-the-secretary/agriculture-industry/>). According to the USDA, in South Dakota livestock production and processing contributes nearly \$8.6 billion to the economy while sustaining 30,303 jobs. The same study concluded agriculture and ag-related industries contribute to 1 in 2 jobs in 37 counties in South Dakota (D., & U. (2014, September). (2014 South Dakota Ag Economic Contribution Study. 2014 South Dakota Ag Economic Contribution Study, 7. Retrieved September 13, 2016, from <https://sdda.sd.gov/office-of-the-secretary/publications/pdf.south.dakota.ag.economic.contribution.study.pdf>). These jobs are especially important in rural areas where there are limited opportunities. According to figures based on U.S. Census estimates, 10 of the 14 South Dakota counties WEB serves earn less than the median household income (Kids Count Data Center (2016, January 6). Median household income (estimate) | KIDS COUNT Data Center. Retrieved August 29, 2016, from <http://datacenter.kidscount.org/data/tables/2946-median-household-income-estimate?loc=43>).

The economic growth of these communities will be impacted if WEB cannot provide water service to new customers and industries. The Aberdeen American News quoted Grow Spink executive director Lisa Zens regarding WEB's newly imposed moratorium in Spink County: "for most folks who are building a small business or a house, the lone option of digging a private well is not financially feasible. Many projects will have to wait indefinitely until WEB can build new infrastructure." (Marvel, S. (2016, July 3). WEB Water moratorium stunts development in Spink County. Aberdeen American News. Retrieved July 5, 2016, from http://www.aberdeennews.com/news/local/web-water-moratorium-stunts-development-in-spink-county/article_9fef7fcc-4119-11e6-8716-232b990720e3.html). If we want northeast South Dakota to continue economic development, we have to upgrade and expand the water infrastructure of this area. WEB Water is committed to economic development and growth in this region- help us help South Dakota.

TITLE: Public Hearing to Adopt Federal Fiscal Year 2017 Clean Water State Revolving Fund Intended Use Plan.

EXPLANATION: The Intended Use Plan describes how the Board intends to use available funds to meet the objectives of the Clean Water Act. A prioritized list of projects is included in the Intended Use Plan. Projects seeking a Clean Water State Revolving Fund loan must be included on the priority list. The hearing has been advertised in accordance with applicable State and Federal requirements.

RECOMMENDED ACTION: Conduct the public hearing, receive testimony, and approve the Federal Fiscal Year 2017 Intended Use Plan.

CONTACT: Andy Bruels (773-4216)

SOUTH DAKOTA CLEAN WATER STATE REVOLVING FUND FISCAL YEAR 2017 INTENDED USE PLAN

INTRODUCTION

The state of South Dakota proposes to adopt the following Intended Use Plan (IUP) for federal fiscal year 2017 as required under Section 606(c) of the Clean Water Act.

The primary purpose of the IUP is to identify the proposed annual intended use of the amounts available to the Clean Water State Revolving Fund (SRF). The IUP has been reviewed by the public and reflects the results of that review.

The IUP includes the following:

1. List of projects and activities;
2. Goals, objectives, and environmental results;
3. Amount of funds transferred between the Clean Water SRF and the Drinking Water SRF;
4. Information on the activities to be supported;
5. Assurances and specific proposals;
6. Criteria and method for distribution of funds; and
7. Sources and uses of funds (the 2017 capitalization grant estimate used in the IUP is based on last year's allocation).

LIST OF PROJECTS AND ACTIVITIES

The IUP identifies potential municipal wastewater, storm water, and nonpoint source

projects. A project must be on the project priority list, Attachment I, to be eligible for a loan. This list was developed from the State Water Plan and includes projects that did not designate Clean Water SRF loans as a funding source.

Projects may be added to the project priority list by the Board of Water and Natural Resources if the action is included on the meeting agenda at the time it is posted.

Priority ratings are based on the integrated project priority system established in ARSD 74:05:08:03.01. The general objective of the integrated priority system is to ensure that projects funded through the Clean Water SRF program address high priority water quality problems. This is accomplished with a priority system that ranks both municipal wastewater and nonpoint source pollution control projects on an equal basis. Projects and activities utilizing administrative surcharge funds are not required to be ranked and included on the project priority list.

The Clean Water SRF may be used for the following purposes:

1. Low-interest loans for secondary or more stringent treatment of any cost-effective alternatives, new interceptors and appurtenances, infiltration/inflow correction, new collectors, sewer system rehabilitation, expansion and correction of combined sewer overflows, decentralized wastewater treatment systems, and construction of new storm sewers. The low-interest loans can be made for up to 100 percent of the total project cost;

2. Refinancing of existing debt obligations for municipal wastewater facilities if the debt was incurred and construction initiated after March 7, 1985; or
3. Nonpoint source pollution control projects and programs, including non-traditional projects (projects with a primary purpose other than water quality).

A determination of which projects are funded from the above mentioned lists, the amount of assistance, and the financing terms and conditions will be made by the Board of Water and Natural Resources during federal fiscal year 2017.

GOALS, OBJECTIVES, AND ENVIRONMENTAL RESULTS

Long-term Goals and Objectives:

The long-term goals of the State Water Pollution Control Revolving Fund are to fully capitalize the Clean Water SRF, maintain or restore and enhance the chemical, physical, and biological integrity of the state's waters for the benefit of the overall environment, protect public health, and promote economic well-being.

Objectives:

1. Maintain a permanent, self-sustaining Clean Water SRF program that will serve in perpetuity as a financing source for wastewater treatment works projects and nonpoint source pollution control projects; and
2. Fulfill the requirements of pertinent federal, state, and local laws and regulations governing water pollution control activities while providing the

state and local project sponsors with maximum flexibility and decision-making authority regarding such activities.

Short-term Goal and Objectives:

The short-term goal of the Clean Water SRF is to fully capitalize the fund.

Objectives:

1. Ensure the technical integrity of Clean Water SRF projects through the review of planning, design plans and specifications, and construction activities;
2. Ensure compliance with all pertinent federal, state, and local water pollution control laws and regulations; and
3. Obtain maximum capitalization of the funds for the state in the shortest time possible.

Environmental Results:

Beginning January 1, 2005, states are required to quantify and report the environmental benefits being realized through the Clean Water SRF loan program. The reporting requirement is being satisfied using an on-line environmental benefits assessment developed by EPA in cooperation with the States and other organizations. A summary of the fiscal year 2017 loans and the resulting benefits will be provided in the end-of-year-annual report.

AMOUNT OF FUNDS TRANSFERRED BETWEEN THE CLEAN WATER SRF AND THE DRINKING WATER SRF

The Safe Drinking Water Act Amendments of 1996 and subsequent Congressional action allows states to transfer an amount equal to

33 percent of its Drinking Water SRF capitalization grant to the Clean Water SRF or an equivalent amount from the Clean Water SRF to the Drinking Water SRF. States can also transfer state match, investment earnings, or principal and interest repayments between SRF programs and may transfer a previous year's allocation at any time.

South Dakota has transferred \$15,574,320 from the Clean Water SRF program to the Drinking Water SRF program in past years. In fiscal year 2006 and 2011, \$7.5 million in leveraged bond proceeds and \$10 million of repayments, respectively, were transferred from the Drinking Water SRF program to the Clean Water SRF program. With the 2017 capitalization grant, the ability exists to transfer over \$44.7 million from the Clean Water SRF program to the Drinking Water SRF program. More than \$42.8 million could be transferred from the Drinking Water Program to the Clean Water SRF program. The table on page 10 details the amount of funds transferred between the programs and the amount of funds available to be transferred.

No transfers are expected in fiscal year 2017.

INFORMATION ON THE ACTIVITIES TO BE SUPPORTED

The primary type of assistance to be provided by the Clean Water SRF is direct loans including refinancing of existing debts where eligible. Loan assistance will be provided to municipalities, sanitary districts, counties, or other units of government for publicly owned wastewater treatment facilities, storm sewers, and nonpoint source pollution control programs in accordance with the Clean Water SRF administrative rules adopted by the Board of Water and Natural Resources. With the adoption of the amended and restated

Master Indenture in 2004, the Clean Water and Drinking Water SRF programs are cross-collateralized. This allows the board to pledge excess revenues on deposit in the Drinking Water SRF program to act as additional security for bonds secured by excess revenues on deposit in the Clean Water SRF program, and vice versa.

Sources of Loan Funds

Loan funds are derived from various sources and include federal capitalization grants, state match, leveraged bonds, borrowers' principal repayments, and interest earnings.

Capitalization Grants/State Match: Federal capitalization grants are provided to the state annually. These funds must be matched by the state at a ratio of 5 to 1. The fiscal year 2017 capitalization grant is expected to be \$6,525,000 which requires \$1,305,000 in state match. Bond proceeds will be used to match 2017 capitalization grant funds.

For purposes of meeting fiscal year 2017 proportionality requirements, the South Dakota Clean Water SRF program will document the expenditure of repayments and bond proceeds in an amount equivalent to the entire required state match.

Leveraged Bonds: The South Dakota Conservancy District has the ability to issue additional bonds above that required for state match, known as leveraged bonds. It is anticipated that up to \$55.0 million in leveraged bonds will be required in 2017.

Borrowers' Principal Repayments: The principal repaid by the loan borrowers is used to make semi-annual leveraged bond payments. Any excess principal is available for loans. It is estimated that \$10,500,000 in principal repayments will become available for loans in fiscal year 2017.

Interest Earnings: The interest repaid by the loan borrowers, as well as interest earned on investments, is dedicated to make semi-annual state match bond payments. Any excess interest is available for loans. It is estimated that \$7,000,000 in interest earnings will become available for loans in fiscal year 2017.

Additional Subsidy - Principal Forgiveness

The 2010 and 2011 Clean Water SRF appropriation mandated that not less than 30 percent of the funds made available for Clean Water SRF capitalization grants be used by the State to provide additional subsidy to eligible recipients and shall only apply to the portion of the national allocation that exceeds \$1,000,000,000. The 2012 through 2014 capitalization grants mandated additional subsidy be provided in an amount not less than 20 percent, but not more than 30 percent, of that portion of the national allocation that exceeds \$1,000,000,000. Additional subsidy may be in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these).

Additional subsidy will be provided in the form of principal forgiveness. Municipalities and sanitary districts must have a minimum rate of \$30 per month based on 5,000 gallons usage or a flat rate to qualify for principal forgiveness. Other applicants must have a minimum rate of \$40 per month based on 5,000 gallons usage or a flat rate to qualify for principal forgiveness.

With the passage of the Water Resources Reform and Development Act (WRRDA) in June 2014, states may provide additional subsidization when the total amount appropriated for capitalization grants exceeds \$1,000,000,000. Additional subsidization

can be provided to a municipality only if it meets the affordability requirements established by the state or to projects that implement a process, material, technique, or technology with water efficiency, energy efficiency, mitigation of stormwater runoff or sustainability benefits.

The 2016 appropriation act required an additional 10 percent of the capitalization grant be used for additional subsidy and is available for any eligible borrower. At this time South Dakota will only provide this 10 percent to borrowers who meet the state's affordability criteria.

When determining the amount of principal forgiveness, the Board of Water and Natural Resources may consider the following decision-making factors, which are set forth in alphabetical order:

- (1) Annual utility operating budgets;
- (2) Available local cash and in-kind contributions;
- (3) Available program funds;
- (4) Compliance with permits and regulations;
- (5) Debt service capability;
- (6) Economic impact;
- (7) Other funding sources;
- (8) Readiness to proceed;
- (9) Regionalization or consolidation of facilities;
- (10) Technical feasibility;
- (11) Utility rates; and
- (12) Water quality benefits.

Table 1 summarizes the amounts of principal forgiveness provided with the 2010 – 2016 capitalization grants.

Table 1 – Principal Forgiveness Status

FFY	Principal Forgiveness	
	Minimum	Maximum
2010	\$1,497,892	\$4,993,274
2011	\$669,233	\$2,230,777
2012	\$383,922	\$575,882
2013	\$307,120	\$460,680
2014	\$372,924	\$559,386
2015	\$0	\$2,045,100
2016	\$652,500	\$2,610,000
2017 (est)	\$0	\$1,957,500
	\$3,883,681	\$15,432,599
Awarded from 2010 grant		\$4,993,274
Awarded from 2011 grant		\$2,230,777
Awarded from 2012 grant		\$575,882
Awarded from 2013 grant		\$460,680
Awarded from 2014 grant		\$559,836
Awarded from 2015 grant		\$2,045,100
Awarded from 2016 grant		\$838,291

In compliance with the WRRDA provisions South Dakota has adopted the affordability criteria below.

1. All applicants will be awarded points to determine principal forgiveness eligibility as follows:
 - a. Five points if an applicant’s median household income is equal to or less than 80 percent of the statewide median household income;
 - b. Three points if an applicant’s median household income is equal to or less than the statewide median household income and greater than 80 percent of the statewide median household income;
 - c. One point if the applicant’s 2010 census population is less than the

applicant’s 2000 census population; and

- d. One point if an applicant’s county unemployment rate is greater than the statewide unemployment rate.
2. If the boundaries of an applicant are located in more than one county, the unemployment rate of the county with the largest percentage of the applicant’s population will be used.
3. Applicants must receive a minimum of five points to be eligible for principal forgiveness in the upcoming fiscal year.

The source of median household income statistics will be the American Community Survey or other statistically valid income data supplied by the applicant and acceptable to the board.

The source of unemployment rates will be the 2013 average unemployment rates as determined by the South Dakota Department of Labor and Regulation, Labor Force Statistics.

Systems that are eligible to receive principal forgiveness are identified in Attachment I and Attachment II. Attachment II - List of Projects to be Funded in FY 2017 identifies \$2,972,000 in potential principal forgiveness.

Green Project Reserve

Recent Clean Water SRF appropriations mandated that to the extent there are sufficient eligible project applications, a portion of the funds made available for each year’s Clean Water SRF capitalization grant shall be used by the State for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. These

four categories of projects are the components of the Green Project Reserve.

Sufficient funds have been awarded to qualifying projects to meet the 2010 – 2014 capitalization grants Green Project Reserve requirements.

The Green Project Reserve requirement was included in the 2015 and 2016 capitalization grant, and required that not less than 10 percent be made available for Green Project Reserve eligible projects. It is assumed that 2017 capitalization grant will include a requirement that not less than 10 percent be made available for Green Project Reserve eligible projects. Attachment II – List of Projects to be Funded in FY 2017 identifies eight projects with \$2,243,680 of Green Project Reserve eligible project components. This amount will exceed the 10 percent requirement of the 2015-2017 capitalization grants.

Interest Rates

Interest rates are reviewed periodically in comparison to established bond rating indexes to assure rates are at or below market rates as required. The SRF rates are then set to be competitive with other funding agencies.

The interest rates for fiscal year 2017 are summarized in Table 2. The rates were adjusted in November 2016.

Projects for traditional wastewater or stormwater projects that include a nonpoint source component may receive the nonpoint source rate. The annual principal and interest payments are calculated for a loan at the higher base interest rate. Using the lower interest incentive rate, a loan is sized using the annual payment previously calculated. The difference in the two loan amounts is the

amount of funding available for the nonpoint source component of the project.

	Up to 5 Yrs	Up to 10 Yrs	Up to 20 Yrs	Up to 30 Yrs*
<u>Interim Rate</u>				
Interest Rate				
Admin. Surcharge				
Total				
<u>Base Rate</u>				
Interest Rate				
Admin. Surcharge				
Total				
<u>Nonpoint Source Incentive Rate</u>				
Interest Rate				
Admin. Surcharge				
Total				

Clean Water SRF loan interest rates will be reviewed by the Board of Water and Natural Resources at its November 9, 2016 Board meeting prior to the IUP public hearing.

* Term cannot exceed useful life of the project.

Administrative Surcharge Activities

The interest rate includes an administrative surcharge as identified in Table 2. The surcharge was established to provide a pool of funds to be used for administrative purposes after the state ceases to receive capitalization grants. The administrative surcharge is also available for other purposes, as determined eligible by EPA and at the discretion of the Board of Water and Natural Resources and department. Recent emphasis has been on using the surcharge for purposes other than reserves for future program administration.

In fiscal year 2001, the board initiated the Small Community Planning Grant program to encourage proactive planning by small communities. The planning grants reimburse 80 percent of the cost of the study. Planning grants are available only to communities of 2,500 or less. Communities are reimbursed 80 percent of the cost of an engineering

study, with the maximum grant amount for any project being \$10,000.

The board provides additional grants for studies incorporating a rate analysis using Rate Maker software. Reimbursement for performing a rate analysis is 80 percent of costs up to a maximum of \$1,600.

Administrative surcharges are being used for non-federal cost share for Total Maximum Daily Load (TMDL) assessment and implementation projects.

Additionally, administrative surcharges have been allocated to supplement the Consolidated program by providing water quality grants to Clean Water SRF eligible projects.

Beginning in fiscal year 2005, administrative surcharge funds were also provided to the planning districts to defray the cost of SRF application preparation and project administration. Reimbursement is \$9,000 per approved loan with payments made in \$3,000 increments as certain milestones are met. Future allocations for this activity are anticipated and will be based on expected loan demand.

The American Recovery and Reinvestment Act (ARRA) of 2009 and subsequent capitalization grants have mandated implementation of Davis-Bacon prevailing wage rules. The WRRDA of 2014 included Davis-Bacon prevailing wage requirements for all capitalization grants going forward. Under joint powers agreements between the planning districts and the department, the planning districts are reimbursed \$1,100 per project to oversee compliance with the Davis-Bacon wage rate verification and certification.

Administrative Surcharge Uses in FY 2017

As of September 30, 2016, \$27,006 of unobligated administrative surcharge funds is available. It is anticipated that the administrative surcharge will generate an additional \$1,400,000 in the upcoming fiscal year.

In fiscal year 2017, \$1,000,000 of administrative surcharge funds will be allocated. It is proposed to allocate \$100,000 for planning grants and \$900,000 to supplement the Consolidated and Section 319 programs with grants for wastewater treatment and TMDL implementation projects. An additional \$50,000 from the 2016 allocation was transferred from grant supplement funds into the funds available for small community planning grants to meet demand.

Administrative surcharge funds will again be provided to the planning districts to defray the cost of SRF application preparation and project administration, which includes Davis-Bacon wage rate verification and certification. The 2017 allocation for these activities will be \$150,000.

Build America Bond Activities and Uses

The Series 2010A bonds that were issued in December 2010 were designated as Build America Bonds. As a result the District receives subsidy payments from the U.S. Treasury equal to 35% of the interest payable on its Series 2010A Bonds.

In fiscal year 2017, approximately \$250,000 of Build America Bond funds will be allocated to supplement the Consolidated program with grants for wastewater or stormwater projects.

Capitalization Grant Administrative Allowance

The WRRDA of 2014 provides three options to states to calculate the administrative fees available from each year's capitalization grant. States may use the larger of 1) an amount equal to four percent of the annual capitalization grant, 2) \$400,000 per year or 3) 1/5 of a percent of the current valuation of the Clean Water SRF fund based on the most recent previous year's audited financial statements.

Four percent of the expected fiscal year 2017 capitalization grant is \$261,000, and 1/5 of a percent of the current fund valuation of \$218,802,332 results in \$436,164 available for administrative fees. As a result, an administrative allowance of \$436,164 will be reserved for administrative purposes in fiscal year 2017.

ASSURANCES AND SPECIFIC PROPOSALS

The state has assured compliance with the following sections of the law in the State/EPA Operating Agreement – XI Certification Procedures. In addition, the state has developed specific proposals on implementation of those assurances in the administrative rules promulgated by the Board of Water and Natural Resources.

Section 602(a) – Environmental Reviews – The state certifies that it will conduct environmental reviews of each project on Attachment II receiving assistance from the Clean Water SRF, as applicable. The state will follow EPA-approved National Environmental Policy Act (NEPA) procedures in conjunction with such environmental reviews.

Section 602(b)(3) – Binding Commitments – The state certifies that it will enter into binding commitments equal to at least 120 percent of each quarterly grant payment within one year after receipt.

Section 602(b)(4) – Timely Expenditures of Funds – The state is committed to obligate Clean Water SRF moneys to eligible applicants as quickly and efficiently as possible to facilitate the financing of eligible projects and to initiate construction with a minimum of delay.

Section 602(b)(5) – First Use Enforceable Requirements – The state certifies that all major and minor wastewater treatment facilities identified as part of the National Municipal Policy (NMP) universe are:

1. in compliance, or
2. have received funding through various state and federal assistance programs and constructed a facility designed to produce an effluent capable of meeting the appropriate permit limits and achieve compliance with its discharge permit, or
3. have upgraded existing facilities or constructed new facilities through its own means to achieve compliance with its discharge permit.

Section 602(b)(6) – Compliance with Title II Requirements – The state certifies that it will comply as applicable.

Section 602(b)(13) – Cost Effectiveness Certification – The state will require Clean Water SRF assistance recipients and their consulting engineer to certify that they have studied and evaluated the cost effectiveness of the proposed project, and to the maximum extent practicable, have selected the alternative that maximizes the potential for

efficient water use, reuse, and recapture, and conservation and energy conservation.

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

Section 608 – American Iron and Steel Provisions – The state certifies that it will require American Iron and Steel products to be utilized for all treatment works projects receiving assistance from the Clean Water SRF, as applicable.

CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

The Clean Water SRF funds are distributed using the following criteria:

1. the availability of funds in the Clean Water SRF program;
2. the applicant's need;
3. violation of health and safety standards; and
4. the applicant's ability to repay.

The methods and criteria used are designed to provide the maximum flexibility and assistance that is affordable to the borrower while providing for the long-term viability of the fund.

Public Review and Comment – On May 25, 1988, a public hearing was held to review the initial Clean Water SRF rules and to receive comments. The Board of Water and Natural

Resources approved the rules following the hearing. Revisions to the Clean Water SRF rules have been made periodically to reflect the needs of the program.

A formal public hearing was held for the South Dakota fiscal year 2017 Clean Water SRF Intended Use Plan on November 9, 2016.

Table 3 – Amounts Available to Transfer between State Revolving Fund Programs

Year	DWSRF Capitalization Grant	Amount Available for Transfer	Banked Transfer Ceiling	Amount Transferred from CWSRF to DWSRF	Amount Transferred from DWSRF to CWSRF	Transfer Description	CWSRF Funds Available to Transfer	DWSRF Funds Available to Transfer
1997	\$12,558,800	\$4,144,404	\$4,144,404				\$4,144,404	\$4,144,404
1998	\$7,121,300	\$2,350,029	\$6,494,433				\$6,494,433	\$6,494,433
1999	\$7,463,800	\$2,463,054	\$8,957,487				\$8,957,487	\$8,957,487
2000	\$7,757,000	\$2,559,810	\$11,517,297				\$11,517,297	\$11,517,297
2001	\$7,789,100	\$2,570,403	\$14,087,700				\$14,087,700	\$14,087,700
2002	\$8,052,500	\$2,657,325	\$16,745,025	\$7,812,960		CW Cap Grant/Match	\$8,932,065	\$16,745,025
2003	\$8,004,100	\$2,641,353	\$19,386,378	\$7,761,360		CW Cap Grant/Match	\$3,812,058	\$19,386,378
2004	\$8,303,100	\$2,740,023	\$22,126,401				\$6,552,081	\$22,126,401
2005	\$8,285,500	\$2,734,215	\$24,860,616				\$9,286,296	\$24,860,616
2006	\$8,229,300	\$2,715,669	\$27,576,285		\$7,500,000	Leveraged Bonds	\$12,001,965	\$20,076,285
2007	\$8,229,000	\$2,715,570	\$30,291,855				\$14,717,535	\$22,791,855
2008	\$8,146,000	\$2,688,180	\$32,980,035				\$17,405,715	\$25,480,035
2009	\$8,146,000	\$2,688,180	\$35,668,215				\$20,093,895	\$28,168,215
2010	\$13,573,000	\$4,479,090	\$40,147,305				\$24,572,985	\$32,647,305
2011	\$9,418,000	\$3,107,940	\$43,255,245		\$10,000,000	Repayments	\$27,680,925	\$25,755,245
2012	\$8,975,000	\$2,961,750	\$46,216,995				\$30,642,675	\$28,716,995
2013	\$8,421,000	\$2,788,930	\$48,995,925				\$33,421,605	\$31,495,925
2014	\$8,845,000	\$2,918,850	\$51,914,775				\$36,340,455	\$34,414,775
2015	\$8,787,000	\$2,899,710	\$54,814,485				\$39,240,165	\$37,314,485
2016	\$8,312,000	\$2,742,960	\$57,557,445				\$41,983,125	\$40,057,445
2017 (est.)	\$8,312,000	\$2,742,960	\$60,300,405				\$44,726,085	\$42,800,405

ATTACHMENT I

PROJECT PRIORITY LIST

Attachment I is a comprehensive list of projects that are eligible for Clean Water SRF loans. This list was developed from State Water Plan applications. Inclusion on the list carries no obligations to the Clean Water SRF program. Attachment II lists those projects expected to be funded in fiscal year 2017.

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term ¹	Principal Forgiveness Eligible
31	Fort Pierre	C461049-07	Construction of an additional 20-acre wastewater treatment pond to provide additional treatment in order to help meet NPDES compliance, forcemain and gravity sewer to convey the wastewater, and depth indicators in existing ponds. The collection system will be cleaned and televised to prioritize future line replacement.	\$2,229,300	3.25%, 30 yrs	
31	Summerset	C461448-02	Installation of an effluent filter to lower Total Suspended Solids and Biochemical Oxygen Demand to meet NPDES permit requirements, as well as installation of covers over portions of the treatment system to increase treatment capability.	\$2,769,000	3.00%, 20 yrs	
28	Watertown	C461029-12	Construction of new gravity and low pressure sewer main to connect a development on the edge of the city currently utilizing on-site septic systems to the city's wastewater treatment system.	\$832,896	3.25%, 30 yrs	

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term¹	Principal Forgiveness Eligible
25	Sturgis	C461068-06	Construction of a Membrane Bioreactor wastewater treatment facility to allow the wastewater facility to discharge and maintain compliance and upgrades to the existing biosolids treatment system. The project will also include relining approximately 31,500 feet of sewer main, replacement of the current influent line to the treatment facility, and removal of biosolids that have accumulated in an existing wastewater pond.	\$19,256,000	3.00%, 20 yrs	Yes (Pending rate increase)
23	Lake Poinsett Sanitary District	C461027-05	Extension of the sanitary sewer collection system to serve additional residences and the construction of a total retention wastewater treatment lagoon system.	\$10,000,000	3.25%, 30 yrs	
22	Raymond	C461385-01	Upgrade the wastewater treatment ponds to total retention including installation of a synthetic liner and other upgrades to improve pond operation.	\$565,000	3.25%, 30 yrs	Yes (Pending rate increase)
21	Blunt	C461265-01	Rehabilitation of the wastewater treatment ponds to include liner replacement, riprap and other improvements. Two lift stations will also be rehabilitated, and the collection system will be cleaned and televised to prioritize future line replacement.	\$1,310,000	3.25%, 30 yrs	
21	Piedmont	C461462-01	Construction of a centralized collection system and activated sludge treatment facility to replace on-site septic systems within the municipality.	\$4,500,000	3.00%, 20 yrs	Yes (Pending rate increase)

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term ¹	Principal Forgiveness Eligible
20	Sioux Falls	C461232-38	Replacement of the mixing system for primary digesters #1, #2, and #3, as well as the replacement of the floating covers for each digester with a fixed steel cover.	\$8,115,000	2.25%, 10 yrs	
17	Harrisburg	C461065-07	Construction of a new wastewater treatment facility or payment of a system regionalization development charge implemented by the city of Sioux Falls to be a regional user.	\$23,917,000	3.00%, 20 yrs	
16	Hot Springs	C461040-03	Construction of new gravity sewer main to connect users currently utilizing on-site septic systems to the city's wastewater treatment system.	\$270,000	3.25%, 30 yrs	Yes (Pending rate increase)
15	Elk Point	C461059-08	Reconditioning Cell #3 to include relining and replacing inter-pond piping and valves and installing riprap and other appurtenances.	\$283,000	3.25%, 30 yrs	
13	Belle Fourche	C461012-03	Replacement of approximately 7,300 feet of sewer and storm sewer lines, 25 manholes, and other appurtenances as part of the reconstruction of 8 th Avenue.	\$2,070,000	3.25%, 30 yrs	Yes (Pending rate increase)
12	Sioux Falls	C461232-39	Installation of new stormwater conveyance and storage infrastructure to adequately convey storm water flows in the area of 43 rd Street and Terry Avenue.	\$5,649,000	1.25%, 10 yrs	
11	Brandon	C461032-07	Installation of new trunk sewers to eliminate lift stations and convey wastewater to the main lift station to Sioux Falls.	\$10,123,000	3.25%, 30 yrs	
11	Salem	C461057-03	Replacement of approximately 5,000 feet of sewer lines, 14 manholes and related appurtenances throughout the city.	\$2,555,748	3.25%, 30 yrs	

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term¹	Principal Forgiveness Eligible
10	Dell Rapids	C461064-09	Installation of approximately 20,600 feet of new forcemain, 2 lift stations, 5,900 feet of gravity sewer, and related appurtenances to serve an undeveloped area near Interstate 29. The project would also include replacement of approximately 12,500 feet of sanitary sewer, 34 manholes and related appurtenances in the eastern portion of the city.	\$10,098,900	3.25%, 30 yrs	
10	Hot Springs	C461040-04	Replacement of approximately 1,425 feet of sewer lines and manholes.	\$197,000	3.25%, 30 yrs	Yes (Pending rate increase)
10	Humboldt	C461254-02	Replacement of approximately 6,400 feet of sewer lines, 24 manholes and related appurtenances throughout the city.	\$2,784,450	3.25%, 30 yrs	
10	North Sioux City	C461009-03	Installation of approximately 3,900 feet of forcemain to convey wastewater from the lift station on North Shore Drive eliminating a gravity sewer line that has reached capacity.	\$557,000	3.25%, 30 yrs	
10	Onida	C461234-01	Replacement of approximately 31,900 feet of sewer lines, 83 manholes and related appurtenances throughout the city. An existing lift station will be replaced that is beyond its useful life.	\$7,900,000	3.25%, 30 yrs	
10	Valley Springs	C461239-04	Replacement or relining of approximately 20,500 feet of sewer lines and manholes and replacement of an existing lift station and related appurtenances throughout the city.	\$7,849,000	3.25%, 30 yrs	

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term¹	Principal Forgiveness Eligible
9	Faith	C461249-01	Cleaning and televising the entire collection system, replacement or relining of approximately 15,000 feet of sewer lines, 34 manholes, and related appurtenances throughout the city.	\$1,472,814	3.25%, 30 yrs	Yes (Pending rate increase)
9	Gregory	C461126-03	Replacement of 800 feet of clay sanitary sewer with 8-inch PVC pipe that is experiencing excessive inflow and infiltration and related appurtenances under Felton Street.	\$334,000	3.25%, 30 yrs	Yes
9	Platte	C461130-02	Cleaning and televising the entire collection system, relining of approximately 14,565 feet of sewer lines, manhole rehabilitation, and installation of an influent flow meter at the treatment facility.	\$1,075,000	3.25%, 30 yrs	Yes
8	Colton	C461135-03	Replacement of approximately 5,500 feet of sewer lines and manholes.	\$1,371,600	3.25%, 30 yrs	
8	Tea	C461028-08	Replacement of approximately 4,350 feet of sewer lines and manholes as part of the reconstruction of Ceylon Avenue.	\$745,000	3.25%, 30 yrs	
8	Tea	C461028-09	Replacement of approximately 5,100 feet of sewer lines and manholes as part of the reconstruction of Brian Street.	\$749,000	3.25%, 30 yrs	
8	Tea	C461028-10	Installation of approximately 4,400 feet of gravity sewer lines, 11,800 feet of forcemain to provide for service for future development along and adjacent to 271 st Street.	\$733,000	3.25%, 30 yrs	

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term ¹	Principal Forgiveness Eligible
8	Veblen	C461186-01	Replacement or relining of approximately 19,700 feet of sewer line and 40 manholes. The project will also install riprap on the wastewater treatment lagoon.	\$2,137,000	3.25%, 30 yrs	Yes (Pending rate increase)
7	Lake Norden	C461256-01	Cleaning and televising and potential relining of the entire collection system.	\$510,000	3.25%, 30 yrs	Yes (Pending rate increase)
7	Volga	C461046-01	Installation of a lift station to serve a currently undeveloped area of town.	\$619,000	3.00%, 20 yrs	
6	Avon	C461242-01	Replacement of approximately 330 water meters and installation of an automatic meter reading system.	\$469,800	2.25%, 10 yrs	Yes (Green Project)
6	Cavour	C461043-01	Replacement of approximately 7,000 feet of sanitary sewer and appurtenances, cleaning and televising of collection system, and upgrades to the wastewater treatment ponds.	\$2,390,000	3.25%, 30 yrs	
6	Centerville	C461215-03	Installation of over 1,800 feet of parallel storm sewer pipe to increase capacity of the existing system to handle flows on Nebraska Street.	\$214,000	3.25%, 30 yrs	
6	Humboldt	C461254-03	Replacement of approximately 260 water meters and installation of an automatic meter reading system.	\$264,580	2.25%, 10 yrs	Yes (Green Project, Pending rate increase)
6	Lebanon	C461356-01	Replacement of approximately 6,800 feet of sanitary sewer, relining of 4,100 feet of sanitary sewer, and replacement of 18 manholes and related appurtenances,	\$1,270,641	3.25%, 30 yrs	Yes

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term¹	Principal Forgiveness Eligible
6	Philip	C461205-06	Replacement of approximately 220 water meters and installation of an automatic meter reading system and transmitters for all other meters not being replaced.	\$340,000	2.25%, 10 yrs	Yes (Green Project)
6	Plankinton	C461110-02	Replacement of approximately 380 water meters and installation of an automatic meter reading system.	\$240,000	2.25%, 10 yrs	Yes (Green Project)
6	Valley Springs	C461239-04	Replacement of approximately 350 water meters and installation of an automatic meter reading system.	\$175,000	2.25%, 10 yrs	Yes (Green Project, Pending rate increase)
6	Worthing	C461047-04	Replacement of approximately 360 water meters and installation of an automatic meter reading system.	\$120,000	2.25%, 10 yrs	Yes (Green Project)
5	Blunt	C461265-02	Replacement of approximately 180 water meters and installation of an automatic meter reading system.	\$530,000	2.25%, 10 yrs	Yes (Green Project, Pending rate increase)
4	Doland	C461050-01	Replacement of approximately 100 water meters and installation of an automatic meter reading system.	\$104,300	2.25%, 10 yrs	Yes (Green Project)

1. Expected loan interest rates are based on current available rates and will be adjusted after the Board of Water and Natural Resources adopts new interest rates at its November 9, 2016 meeting.

ATTACHMENT II – LIST OF PROJECTS TO BE FUNDED IN FY2017

Priority Points	Loan Recipient	Project Number	Assistance Amount	Principal Forgiveness ¹	Funding Date	Expected Funding Source ²
	<i>Green Project Reserve Information</i>					
Loans Expected						
13	Belle Fourche	C461012-03	\$2,070,000	\$200,000	Jan. 2017	2015
31	Fort Pierre	C461049-07	\$2,229,300	\$0	March 2017	2016
31	Summerset	C461448-02	\$2,769,000	\$0	March 2017	2016
25	Sturgis	C461068-06	\$19,256,000	\$2,000,000	March 2017	2016/2017/Repay
21	Blunt	C461265-01	\$1,310,000	\$0	March 2017	Repayments
20	Sioux Falls	C461232-38	\$8,115,000	\$0	March 2017	Repayments
11	Salem	C461057-03	\$2,555,748	\$0	March 2017	Repayments
10	Humboldt	C461254-02	\$2,784,450	\$0	March 2017	Repayments
10	North Sioux City	C461009-03	\$557,000	\$0	March 2017	Repayments
10	Onida	C461234-01	\$7,900,000	\$0	March 2017	Repayments
9	Faith	C461249-01	\$1,472,814	\$150,000	March 2017	Repayments
9	Gregory	C461126-03	\$334,000	\$35,000	March 2017	Repayments
8	Colton	C461135-03	\$1,075,000	\$0	March 2017	Repayments
6	Avon	C461242-01	\$469,800	\$47,000	March 2017	Repayments
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$469,800</i>					
6	Centerville	C461215-03	\$214,000	\$0	March 2017	Repayments
6	Humboldt	C461254-03	\$264,580	\$26,000	March 2017	Repayments
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$264,580</i>					
6	Valley Springs	C461239-04	\$175,000	\$17,000	March 2017	Repayments
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$175,000</i>					
6	Worthing	C461047-04	\$120,000	\$12,000	March 2017	Repayments
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$120,000</i>					
5	Blunt	C461265-02	\$530,000	\$53,000	March 2017	Repayments
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$530,000</i>					

1. Principal forgiveness amounts shown for loans expected are estimates for planning purposes only.

2. Projects identified using capitalization grant funds are for equivalency requirements planning purposes only, actual projects used for capitalization grant equivalency will be identified on the fiscal year 2017 annual report.

ATTACHMENT II – LIST OF PROJECTS TO BE FUNDED IN FY2017 (Continued)

Priority Points	Loan Recipient	Project Number	Assistance Amount	Principal Forgiveness ¹	Funding Date	Expected Funding Source ²
	<i>Green Project Reserve Information</i>					
Loans Expected						
15	Elk Point	C461059-08	\$283,000	\$0	June 2017	Repayments
12	Sioux Falls	C461232-39	\$5,649,000	\$0	June 2017	Repayments
10	Dell Rapids	C461064-09	\$10,098,900	\$0	June 2017	Repayments
8	Tea	C461028-08	\$745,000	\$0	June 2017	Repayments
8	Veblen	C461186-01	\$2,137,000	\$210,000	June 2017	Repayments
6	Lebanon	C461356-01	\$1,270,641	\$127,000	June 2017	Repay/Lev. Funds
6	Philip	C461205-06	\$340,000	\$34,000	June 2017	Lev. Funds
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$469,800</i>					
6	Plankinton	C461110-02	\$240,000	\$24,000	June 2017	Lev. Funds
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$469,800</i>					
4	Doland	C461050-01	\$104,300	\$10,000	June 2017	Lev. Funds
	<i>GPR Project Type: Water Efficiency (Categorical) GPR Amount: \$469,800</i>					
28	Watertown	C461029-12	\$832,896	\$0	Sept. 2017	Lev. Funds
16	Hot Springs	C461040-03	\$270,000	\$27,000	Sept. 2017	Lev. Funds
10	Dell Rapids	C461064-09	\$10,098,900	\$0	Sept. 2017	Lev. Funds
8	Tea	C461028-09	\$749,000	\$0	Sept. 2017	Lev. Funds

1. Principal forgiveness amounts shown for loans expected are estimates for planning purposes only.

2. Projects identified using capitalization grant funds are for equivalency requirements planning purposes only, actual projects used for capitalization grant equivalency will be identified on the fiscal year 2017 annual report.

**ATTACHMENT III
PROGRAM FUNDING STATUS**

Fiscal Years 1989 – 2016

Capitalization Grants	\$180,818,200	
State Match	\$33,567,920	
ARRA Grant	\$19,239,100	
Program Administration Allowance	(\$7,768,458)	
Leveraged Funds	\$207,246,266	
Transfer of FY 2002 & 2003 Capitalization Grant and State Match to DWSRF	(\$15,574,320)	
Transfer of DWSRF Repayments	\$10,000,000	
Excess Interest as of September 30, 2016	\$82,211,733	
Excess Principal as of September 30, 2016	<u>\$160,835,053</u>	
 Total Funds Dedicated to Loan		 \$663,171,214
 Loans made through September 30, 2016		 <u>(\$614,450,975)</u>
 Balance of funds as of September 30, 2016		 \$48,720,239

Fiscal Year 2017 Projections

Capitalization Grants	\$6,525,000	
State Match	\$1,305,000	
Program Administration Allowance	(\$436,164)	
Projected Excess Principal Repayments	\$10,500,000	
Projected Unrestricted Interest Earnings	\$7,000,000	
Leveraged Bonds	<u>\$55,000,000</u>	
Projected Fiscal Year 2017 Loan Subtotal		\$79,893,836
 Total Funds Available for Loans		 <u><u>\$128,614,075</u></u>
 Loan Amount Identified on Attachment II - List of Projects to be Funded in Fiscal Year 2017		 <u><u>\$87,020,329</u></u>

Administrative Surcharge Funds Available as of September 30, 2016	
Restricted Account (Administrative Purposes Only)	\$9,182
Discretionary Account (Available for Water Quality Grants)	<u>\$17,824</u>
Total	<u>\$27,006</u>

November 9, 2016

Item 8

TITLE: Public Hearing to Adopt Federal Fiscal Year 2017 Drinking Water State Revolving Fund Intended Use Plan.

EXPLANATION: The Intended Use Plan describes how the Board intends to use available funds to meet the objectives of the Safe Drinking Water Act. The Intended Use Plan describes the set-aside activities to be performed and amount of funding allocated to these. A prioritized list of potential drinking water projects is also included in the Intended Use Plan. Projects seeking a Drinking Water State Revolving Fund loan must be included on the priority list. The hearing has been advertised in accordance with applicable State and Federal requirements.

RECOMMENDED ACTION: Conduct the public hearing, receive testimony, and approve the Federal Fiscal Year 2017 Intended Use Plan.

CONTACT: Andy Bruels (773-4216)

**SOUTH DAKOTA
DRINKING WATER STATE REVOLVING FUND
FISCAL YEAR 2017 INTENDED USE PLAN**

INTRODUCTION

The Safe Drinking Water Act Amendments of 1996 and South Dakota Codified Law 46A-1-60.1 to 46A-1-60.3, inclusive, authorize the South Dakota Drinking Water State Revolving Fund (SRF) program. Program rules are established in Administrative Rules of South Dakota chapter 74:05:11.

The state of South Dakota proposes to adopt the following Intended Use Plan (IUP) for the federal fiscal year 2017 as required under Section 1452(b) of the Safe Drinking Water Act and ARSD 74:05:11:03. The IUP describes how the state intends to use the Drinking Water SRF to meet the objectives of the Safe Drinking Water Act and further the goal of protecting public health. A public hearing was held on November 9, 2016, to review the 2017 Intended Use Plan and receive comments. The IUP reflects the results of this review.

The 2017 capitalization grant estimate used in the IUP is based on last year's allocation.

The IUP includes the following:

- Priority list of projects;
- Short- and long-term goals;
- Criteria and method of fund distribution;
- Funds transferred between the Drinking Water SRF and the Clean Water SRF;
- Financial status;

- Description and amount of non-Drinking Water SRF (set-aside) activities; and
- Disadvantaged community subsidies.

PRIORITY LIST OF PROJECTS

A project must be on the project priority list, Attachment I, to be eligible for a loan. This list was developed from the State Water Plan and includes projects that did not designate Drinking Water SRF loans as a funding source.

Projects may be added to the project priority list at any meeting of the Board of Water and Natural Resources if the action is included on the agenda at the time it is posted.

Priority ratings are based on the project priority system established in ARSD 74:05:11:06. The general objective of the priority system is to assure projects that address compliance or health concerns, meet certain affordability criteria, or regionalize facilities receive priority for funding.

GOALS, OBJECTIVES, AND ENVIRONMENTAL RESULTS

The long-term goals of the Drinking Water SRF are to fully capitalize the fund, ensure that the state's drinking water supplies remain safe and affordable, ensure that systems are operated and maintained, and promote economic well-being.

The specific long-term objectives of the program are:

1. To maintain a permanent, self-sustaining SRF program that will serve in perpetuity as a financing source for drinking water projects and source water quality protection measures. This will necessitate that the amount of capitalization grant funds for non-Drinking Water SRF activities are reviewed annually to assure adequate cash flow to maintain the fund.
2. To fulfill the requirements of pertinent federal, state, and local laws and regulations governing safe drinking water activities, while providing the state and local project sponsors with maximum flexibility and decision making authority regarding such activities.

The short-term goal of the SRF is to fully capitalize the fund.

The specific short-term objectives of the program are:

1. To assist systems in replacing aging infrastructure.
2. To assist systems in maintaining and upgrading its water treatment capabilities to ensure compliance with the Safe Drinking Water Act.
3. To promote regionalization and consolidations of water systems, where mutually beneficial, as a practical means of addressing financial, managerial, and technical capacity.
4. To ensure the technical integrity of Drinking Water SRF projects through the

review of planning, design plans and specifications, and construction activities.

5. To ensure the financial integrity of the Drinking Water SRF program through the review of the financial impacts of the set-asides and disadvantaged subsidies and individual loan applications and the ability for repayment.
6. To obtain maximum capitalization of the funds for the state in the shortest time possible while taking advantage of the provisions for disadvantaged communities and supporting the non-Drinking Water SRF activities.

Environmental Results

Beginning January 1, 2005, states were required to establish program activity measures (outcomes) in its Intended Use Plan to receive the federal capitalization grant. Progress related to the measures is to be reported in the following annual report.

For fiscal year 2017, the specific measures are:

1. In fiscal year 2016, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 94.6 percent, which exceeded the target goal of 90 percent. For fiscal year 2017, the goal of the Drinking Water SRF program is to maintain the fund utilization rate at or above 90 percent.
2. In fiscal year 2016, the rate at which projects progressed as measured by disbursements as a percent of assistance provided was 84.7 percent, which met the goal of 80 percent. For fiscal year 2017, the goal is to maintain the construction pace at 80 percent or higher.

3. For fiscal year 2017, the goal of the Drinking Water SRF program is to fund 21 loans, totaling \$81.4 million.
4. For fiscal year 2017, it is estimated that 29 projects will initiate operations.
5. For fiscal year 2017, it is estimated that 10 Small Community Planning Grants will be awarded to small systems to evaluate the system's infrastructure needs.
6. For fiscal year 2017, it is estimated that the South Dakota Association of Rural Water Systems will provide 1,500 hours of technical assistance to small systems.

CRITERIA AND METHOD OF FUND DISTRIBUTION

Projects will be funded based on their assigned priority as set forth on the Project Priority list. Projects with the highest ranking that have submitted a complete State Revolving Fund loan application and demonstrated adequate financial, managerial, and technical capacity to receive the loan shall be funded before any lower ranked projects. Projects on the priority list may be bypassed if they have not demonstrated readiness to proceed by submitting a loan application. "Readiness to Proceed" is defined by EPA as the applicant being prepared to begin construction and is immediately ready, or poised to be ready, to enter into assistance agreements. The next highest priority project that has submitted an application will be funded. The state shall exert reasonable effort to assure that the higher priority projects on the priority list are funded.

Interest rates are reviewed periodically in comparison to established bond rating indexes to assure rates are at or below market rates as required. The SRF rates are then set to be competitive with other funding agencies.

The interest rates for fiscal year 2017 are summarized in Table 1. Information regarding disadvantaged eligibility and subsidy level criteria can be found in the disadvantaged community subsidies section. The interest rates were adjusted in November 2016.

Table 1 - Drinking Water SRF Interest Rates				
	Up to 5 Yrs	Up to 10 Yrs	Up to 20 Yrs	Up to 30 Yrs*
<u>Interim Rate</u>				
Interest Rate				
Admin. Surcharge				
Total				
Drinking Water SRF loan interest rates will be reviewed by the Board of Water and Natural Resources at its November 9, 2016 Board meeting prior to the IUP public hearing.				
<u>Base Rate</u>				
Interest Rate				
Admin. Surcharge				
Total				**
<u>Disadvantaged Rate - 100% of MHI</u>				
Interest Rate				
Admin. Surcharge				
Total				
<u>Disadvantaged Rate - 80% of MHI</u>				
Interest Rate				
Admin. Surcharge				
Total				
<u>Disadvantaged Rate - 60% of MHI</u>				
Interest Rate				
Admin. Surcharge				
Total				
* Term cannot exceed useful life of the project				
** Non-Profit Borrowers are not eligible to receive this loan rate and term.				

ADMINISTRATIVE SURCHARGE FEES

The interest rate includes an administrative surcharge as identified in Table 1. The primary purpose of the surcharge is to provide a pool of funds to be used for administrative purposes after the state ceases to receive capitalization grants. The administrative surcharge is also available for other purposes,

as determined eligible by EPA and at the discretion of the Board of Water and Natural Resources and the department.

As of September 30, 2016, nearly \$4.02 million of administrative surcharge funds are available.

Beginning in fiscal year 2005, administrative surcharge funds were provided to the planning districts to defray expenses resulting from SRF application preparation and project administration. Reimbursement is \$9,000 per approved loan with payments made in \$3,000 increments as certain milestones are met.

The American Recovery and Reinvestment Act (ARRA) of 2009 and subsequent capitalization grants have mandated implementation of Davis-Bacon prevailing wage rules. Under joint powers agreements between the planning districts and the department, the planning districts are to be reimbursed \$1,100 per project to oversee compliance with the Davis-Bacon wage rate verification and certification.

Administrative surcharge funds will again be provided to the planning districts to defray the cost of SRF application preparation and project administration, which includes Davis-Bacon wage rate verification and certification. The 2017 allocation for these activities will be \$150,000.

In fiscal year 2017, \$75,000 of administrative surcharge funds will be used for operator certification training.

In federal fiscal year 2015, \$250,000 of administrative surcharge funds were allocated to provide grants to assist very small systems in violation of the Safe Drinking Water Act excluding the Total Coliform Rule. These funds are limited to community systems with 50 or less connections and not-for-profit, non-transient non-community water systems.

Funds will be provided for infrastructure projects as 100 percent grants up to a maximum of \$50,000 and for total project costs less than \$100,000. No additional funds will be allocated for these activities in federal fiscal year 2017.

In fiscal year 2017, \$200,000 of administrative surcharge funds will be used to provide part of the dollar-for-dollar match for the state program management set-aside. These set-aside funds and the administrative surcharge funds will be used to provide funding for South Dakota's Public Water System Supervision (PWSS) program management. The remaining set-aside match will come from PWSS fees.

SMALL SYSTEM FUNDING

A requirement of the program is that a minimum of 15 percent of all dollars credited to the fund be used to provide loan assistance to small systems that serve fewer than 10,000 persons. Since the inception of the program, loans totaling over \$206.1 million have been made to systems meeting this population threshold, or 48.1 percent of the \$428.6 million of total funds available for loan. Attachment II – List of Projects to be funded in Fiscal Year 2017 identifies more than \$81.4 million in projects, of which approximately \$20.1 million is for systems serving less than 10,000; therefore, the state expects to continue to exceed the 15 percent threshold.

Water systems must demonstrate the technical, managerial, and financial capability to operate a water utility before it can receive a loan.

The distribution methods and criteria are designed to provide affordable assistance to the borrower with maximum flexibility while providing for the long-term viability of the fund.

AMOUNT OF FUNDS TRANSFERRED BETWEEN THE DRINKING WATER SRF AND THE CLEAN WATER SRF

The Safe Drinking Water Act Amendments of 1996 and subsequent Congressional action allows states to transfer an amount equal to 33 percent of its Drinking Water SRF capitalization grant to the Clean Water SRF or an equivalent amount from the Clean Water SRF to the Drinking Water SRF. States can also transfer state match, investment earnings, or principal and interest repayments between SRF programs and may transfer a previous year's allocation at any time.

South Dakota transferred \$15,574,320 from the Clean Water SRF to the Drinking Water SRF program in past years. In fiscal year 2006 and 2011, \$7.5 million of leveraged bond proceeds and \$10 million of repayments, respectively were transferred from the Drinking Water SRF program to the Clean Water SRF program. With the 2017 capitalization grant, the ability exists to transfer over \$44.7 million from the Clean Water SRF program to the Drinking Water SRF program. More than \$42.8 million could be transferred from the Drinking Water SRF Program to the Clean Water SRF program. Table 4 (page 11) itemizes the amount of funds transferred between the programs and the amount of funds available to be transferred.

No transfers are expected in fiscal year 2017.

FINANCIAL STATUS

Loan funds are derived from various sources and include federal capitalization grants, state match, leveraged bonds, borrowers' principal repayments, and interest earnings.

Capitalization Grants/State Match: Federal capitalization grants are provided to the state annually. These funds must be matched by the state at a ratio of 5 to 1. The fiscal year 2017 capitalization grant is \$8,312,000 which requires \$1,662,400 in state match. Bond proceeds will be used to match 2017 capitalization grant funds.

For purposes of meeting fiscal year 2017 proportionality requirements, the South Dakota Drinking Water SRF program will document the expenditure of repayments and bond proceeds in an amount equivalent to the entire required state match.

Leveraged Bonds: The South Dakota Conservancy District has the ability to issue additional bonds above that required for state match, known as leveraged bonds. To date, \$67.7 million in leveraged bonds have been issued for the Drinking Water SRF program. It is anticipated that up to \$45.0 million in leveraged bonds will be required in 2017.

Borrowers' Principal Repayments: The principal repaid by the loan borrowers is used to make semi-annual leveraged bond payments. Any excess principal is available for loans. It is estimated that \$9.5 million in principal repayments will become available for loans in fiscal year 2017.

Interest Earnings: The interest repaid by the loan borrowers, as well as interest earned on investments, is dedicated to make semi-annual state match bond payments. Any excess interest is available for loans. It is estimated that \$3.0 million in interest earnings will become available for loans in fiscal year 2017.

As of September 30, 2016, 284 loans totaling \$405,210,361 have been made.

At the beginning of fiscal year 2017, \$23,400,190 is available for loan. With the 2017 capitalization grant, state match, leveraged bonds, excess interest earnings, and repayments, approximately \$89.9 million will be available to loan. This information is provided in Attachment III, Drinking Water SRF Funding Status.

Funds will be allocated to the set-aside activities in the amounts indicated below. All remaining funds will be used to fund projects on the project priority list. A more detailed description of the activities can be found in the section pertaining to set-asides and the attachments.

Administration	\$332,480
Small System Technical Assistance	\$166,240
Local Assistance	\$75,000
State Program Management	\$400,000
Total for set-asides	\$973,720

A conservative approach to set-asides has been taken to assure achieving the goals of developing a permanent, self-sustaining SRF program. Future demand on the program will influence the allocation of funds to set-asides and loan subsidies.

With the adoption of the amended and restated Master Indenture in 2004, the Clean Water and Drinking Water SRF programs are cross-collateralized. This allows the board to pledge excess revenues on deposit in the Drinking Water SRF program to act as additional security for bonds secured by excess revenues on deposit in the Clean Water SRF program, and vice versa.

The Safe Drinking Water Act included three provisions that call for a withholding of Drinking Water SRF grant funds where states fail to implement three necessary programmatic requirements. These provisions were assuring the technical,

financial and managerial capacity of new water systems, developing a strategy to address the capacity of existing systems, and developing an operator certification program that complies with EPA guidelines. The State of South Dakota continues to meet the requirements of these provisions and will not be subject to withholding of funds.

Additional Subsidy - Principal Forgiveness

The 2010 and 2011 Drinking Water SRF appropriations mandated that not less than 30 percent of the funds made available for Drinking Water SRF capitalization grants shall be used by the State to provide additional subsidy to eligible recipients. The 2012 through 2015 capitalization grants mandated additional subsidy be provided in an amount not less than 20 percent, but not more than 30 percent, of the capitalization grants. The 2016 capitalization grant mandated additional subsidy of exactly 20 percent of the total grant be provided to recipients. Additional subsidy may be in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these).

Additional subsidy will be provided in the form of principal forgiveness. Municipalities and sanitary districts must have a minimum rate of \$30 per month based on 5,000 gallons usage or to qualify for principal forgiveness. Other applicants must have a minimum rate of \$55 per month based on 7,000 gallons usage to qualify for principal forgiveness.

When determining the amount of principal forgiveness, the Board of Water and Natural Resources may consider the following decision-making factors, which are set forth in alphabetical order:

- (1) Annual utility operating budgets;
- (2) Available local cash and in-kind contributions;

- (3) Available program funds;
- (4) Compliance with permits and regulations;
- (5) Debt service capability;
- (6) Economic impact;
- (7) Other funding sources;
- (8) Readiness to proceed;
- (9) Regionalization or consolidation of facilities;
- (10) Technical feasibility;
- (11) Utility rates; and
- (12) Water quality benefits.

Table 2 summarizes the amounts of principal forgiveness provided to date.

Table 2 – Principal Forgiveness Status

FFY	Principal Forgiveness	
	Minimum	Maximum
2010	\$4,071,900	\$13,573,000
2011	\$2,825,400	\$9,418,000
2012	\$1,795,000	\$2,692,500
2013	\$1,684,200	\$2,526,300
2014	\$1,769,000	\$2,653,500
2015	\$1,757,400	\$2,636,100
2016	\$1,662,400	\$1,662,400
2017 (est)	\$1,662,400	\$2,493,600
	\$17,227,700	\$35,161,800
Awarded from 2010 grant		\$13,504,075
Awarded from 2011 grant		\$9,418,000
Awarded from 2012 grant		\$2,692,000
Awarded from 2013 grant		\$2,526,300
Awarded from 2014 grant		\$2,653,500
Awarded from 2015 grant		\$2,636,100
Awarded from 2016 grant		\$1,582,378

It is anticipated that the 2017 capitalization grant will include the ability to award principal forgiveness for any borrower between 20 and 30 percent of the total grant award.

Additional principal forgiveness can also be provided to disadvantaged communities. Further discussion can be found in the Disadvantaged Community Subsidy section beginning on page 9.

Attachment II - List of Projects to be Funded in FY 2017 identifies \$2,573,600 in potential principal forgiveness for communities not eligible for the additional disadvantaged community principal forgiveness.

Green Project Reserve

The 2010 and 2011 Drinking Water SRF appropriations mandate that to the extent there are sufficient eligible project applications, not less than 20 percent of the funds made available for each year's Drinking Water SRF capitalization grant shall be used by the State for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. These four categories of projects are the components of the Green Project Reserve.

Sufficient funds have been awarded to qualifying projects to meet the 2010 and 2011 Green Project Reserve requirement. The 2012 - 2016 capitalization grants were not subject to the Green Project Reserve requirement.

The Green Project Reserve requirement is not expected to be reinstated in with the 2017 capitalization grant.

Build America Bond Activities and Uses

The Series 2010A bonds that were issued in December 2010 were designated as Build America Bonds. As a result the District receives subsidy payments from the U.S. Treasury equal to 35% of the interest payable on its Series 2010A Bonds.

In fiscal year 2017, approximately \$50,000 of Build America Bond funds will be allocated to supplement the Consolidated program with grants for water projects.

DESCRIPTION AND AMOUNT OF NON-PROJECT ACTIVITIES (SET-ASIDES)

The Safe Drinking Water Act authorizes states to provide funding for certain non-project activities provided that the amount of that funding does not exceed certain ceilings. Unused funds in the non-Drinking Water SRF will be banked for future use, where allowable, or transferred to the project loan account at the discretion of the State and with concurrence from the EPA Regional Administrator.

The following sections identify what portions of the capitalization grant will be used for non-Drinking Water SRF activities and describe how the funds will be used.

Administration. Four percent of the fiscal year capitalization grant (\$332,480) will be allocated to administer the Drinking Water SRF program. This is the maximum allowed for this purpose.

Specific activities to be funded are: staff salary, benefits, travel, and overhead; retaining of bond counsel, bond underwriter, financial advisor, and trustee; and other costs to administer the program.

Unused administrative funds will be banked to assure a source of funds not dependent on state general funds.

Small system technical assistance. Two percent of the capitalization grant (\$166,240) will be allocated to provide

technical assistance to public water systems serving 10,000 or fewer. This is the maximum allowed for this purpose.

The objective of this set-aside is to bring non-complying systems into compliance and improve operations of water systems.

In fiscal year 1997, the board contracted with the South Dakota Association of Rural Water Systems to help communities evaluate the technical, managerial, and financial capability of its water utilities. These contracts have been renewed periodically to allow the continuation of assistance activities. The Rural Water Association provides such on-site assistance as leak detection, consumer confidence reports, water audits, board oversight and review, treatment plant operations, operator certification, and rate analysis.

To promote proactive planning within small communities, the Small Community Planning Grant program was initiated in fiscal year 2001. Communities are reimbursed 80 percent of the cost of an engineering study, with the maximum grant amount for any study being \$8,000.

The board also provides additional grants for studies incorporating a rate analysis using Rate Maker software. Reimbursement for performing a rate analysis is 80 percent of costs up to a maximum of \$1,600.

To assure available funds to support the existing small system technical assistance endeavors, \$166,240 from the fiscal year 2017 capitalization grant will be allocated to this set-aside. Unused funds from previous years' set-aside for small system technical assistance are banked for use in future years. Currently, \$180,378 remains from previous years' allocations to be used for the purposes described above.

State program management. \$400,000 will be allocated for the administration of the state's Public Water System Supervision program.

The state may use up to 10 percent of its allotment to (1) administer the state PWSS program; (2) administer or provide technical assistance through water protection programs, including the Class V portion of the Underground Injection Control program; (3) develop and implement a capacity development strategy; and (4) develop and implement an operator certification program. A dollar-for-dollar match of capitalization funds must be provided for these activities.

Insufficient federal funds have been allocated from the Performance Partnership Grant for South Dakota's PWSS program to complete all tasks and activities identified in the workplan. A total of \$400,000 will be set-aside for these activities in federal fiscal year 2017. The required dollar-for-dollar match for the set aside funds will be provided from \$200,000 in DWSRF administrative surcharge fees and \$200,000 in PWSS fees.

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

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

source water protection areas; (4) to support the establishment and implementation of a wellhead protection program; and (5) to provide funding to a community water system to implement a project under the capacity development strategy.

There remains \$25,300 from prior years' allocations. It is anticipated that a portion of these funds will be used by the Midwest Assistance Program (MAP) in FY 2017. Since 2008, MAP has been assisting communities that received an SRF loan and recommendations were made in the capacity assessment to improve the technical, financial, or managerial capacity of the system. In addition, the Midwest Assistance Program has assisted in the review of capacity assessments required as part of the Drinking Water SRF loan applications. The DENR and the Midwest Assistance Program will continue the partnership in FY 2017.

DISADVANTAGED COMMUNITY SUBSIDIES

Communities that meet the disadvantaged eligibility criteria described below may receive additional subsidies. This includes communities that will meet the disadvantaged criteria as a result of the project.

Definition. To be eligible for loan subsidies a community must meet the following criteria:

- (1) for municipalities and sanitary districts:
 - (a) the median household income is below the state-wide median household income; and
 - (b) the monthly residential water bill is \$30 or more for 5,000 gallons usage; or
- (2) for other community water systems:

- (a) the median household income is below the state-wide median household income; and
- (b) the monthly water bill for rural households is \$55 or more for 7,000 gallons usage.

The source of median household income statistics will be the American Community Survey or other statistically valid income data supplied by the applicant and acceptable to the board.

Affordability criteria used to determine subsidy amount. Loans given to disadvantaged communities may have a term up to 30 years or the expected life of the project, whichever is less. Disadvantaged communities below the statewide median household income, but at or greater than 80 percent, are eligible to extend the term of the loan up to 30 years. Disadvantaged communities below 80 percent of the statewide median household income, but at or greater than 60 percent may receive up to a two percentage point reduction in interest rates. Disadvantaged communities with a median household income less than 60 percent of the statewide median household income may receive a zero percent loan. See Table 1 for the disadvantaged interest rate for fiscal year 2017.

Amount of capitalization grant to be made available for providing additional subsidies to disadvantaged communities. Disadvantaged communities are eligible for additional subsidy in the form of principal forgiveness, in an amount equal to 30 percent of the annual capitalization grant. South Dakota utilized the option to provide additional subsidy in the form of principal forgiveness to disadvantaged communities in federal fiscal year 2016. Table 3 summarizes the amounts of disadvantaged principal forgiveness provided to date. Disadvantaged communities below 80 percent of the

statewide median household income will be given priority for this subsidy.

Table 3 – Disadvantaged Principal Forgiveness

FFY	Principal Forgiveness	
	Minimum	Maximum
2016	\$0	\$2,493,600
2017 (est)	\$0	\$2,493,600

Awarded from 2016 grant \$2,493,600

In FY 2017 South Dakota will plan to again provide additional principal forgiveness to disadvantaged communities, for up to 30 percent of the capitalization grant. Attachment II - List of Projects to be Funded in FY 2017 identifies \$1,884,000 in potential principal forgiveness.

Identification of systems to receive subsidies and the amount. Systems that are eligible to receive disadvantaged community rates and terms are identified in Attachment I and Attachment II.

Table 4 - Amounts Available to Transfer between State Revolving Fund Programs

Year	DWSRF Capitalization Grant	Amount Available for Transfer	Banked Transfer Ceiling	Amount Transferred from CWSRF to DWSRF	Amount Transferred from DWSRF to CWSRF	Transfer Description	CWSRF Funds Available to Transfer	DWSRF Funds Available to Transfer
1997	\$12,558,800	\$4,144,404	\$4,144,404				\$4,144,404	\$4,144,404
1998	\$7,121,300	\$2,350,029	\$6,494,433				\$6,494,433	\$6,494,433
1999	\$7,463,800	\$2,463,054	\$8,957,487				\$8,957,487	\$8,957,487
2000	\$7,757,000	\$2,559,810	\$11,517,297				\$11,517,297	\$11,517,297
2001	\$7,789,100	\$2,570,403	\$14,087,700				\$14,087,700	\$14,087,700
2002	\$8,052,500	\$2,657,325	\$16,745,025	\$7,812,960		CW Cap Grant/Match	\$8,932,065	\$16,745,025
2003	\$8,004,100	\$2,641,353	\$19,386,378	\$7,761,360		CW Cap Grant/Match	\$3,812,058	\$19,386,378
2004	\$8,303,100	\$2,740,023	\$22,126,401				\$6,552,081	\$22,126,401
2005	\$8,352,500	\$2,756,325	\$24,882,726				\$9,308,406	\$24,882,726
2006	\$8,229,300	\$2,715,669	\$27,598,395		\$7,500,000	Leveraged Bonds	\$12,024,075	\$20,098,395
2007	\$8,229,000	\$2,715,570	\$30,313,965				\$14,739,645	\$22,813,965
2008	\$8,146,000	\$2,688,180	\$33,002,145				\$17,427,825	\$25,502,145
2009	\$8,146,000	\$2,688,180	\$35,690,325				\$20,116,005	\$28,190,325
2010	\$13,573,000	\$4,479,090	\$40,169,415				\$24,595,095	\$32,669,415
2011	\$9,418,000	\$3,107,940	\$43,277,355		\$10,000,000	Repayments	\$27,703,035	\$25,777,355
2012	\$8,975,000	\$2,961,750	\$46,239,105				\$30,664,785	\$28,739,105
2013	\$8,421,000	\$2,788,930	\$49,018,035				\$33,443,715	\$31,518,035
2014	\$8,845,000	\$2,918,850	\$51,936,885				\$36,362,565	\$34,436,885
2015	\$8,787,000	\$2,899,710	\$54,814,485				\$39,240,165	\$37,314,485
2016	\$8,312,000	\$2,742,960	\$57,557,445				\$41,983,125	\$40,057,445
2017 (est)	\$8,312,000	\$2,742,960	\$60,300,405				\$44,726,085	\$42,800,405

ATTACHMENT I

PROJECT PRIORITY LIST

Attachment I is a comprehensive list of projects that are eligible for Drinking Water SRF loans. This list was developed from State Water Plan applications. Inclusion on the list carries no obligations to the Drinking Water SRF program. Attachment II lists those projects expected to be funded in fiscal year 2017.

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term ¹	Pop. Served	Dis-advan- taged
145	Hermosa	C462278-02	<i>Problem:</i> the town does not have sufficient water supply from its wells as one has exceeded the maximum contaminant level for radionuclides and is not in use. <i>Project:</i> attempt to rehabilitate an existing well to provide better water quality and needed supply or install a new well and distribution line to supply the community or connect to a regional supplier to purchase water.	\$199,000	2.25%, 30 years	398	Yes (Pending rate Increase)
134	Veblen	C462186-01	<i>Problem:</i> the existing 4-inch distribution mains are undersized and experiencing excessive breaks and include dead end lines, water meters are old and some locations are unmetered so the town does not accurately bill for water, and the town does not have adequate storage capacity or pressure. <i>Project:</i> install 14,150-feet of new PVC water mains and loop the system, install 198 water meters, and construct a 125,000-gallon water storage tank.	\$2,976,100	0%, 30 years	531	Yes
110	South Shore	C462294-01	<i>Problem:</i> the existing distribution mains are poor quality PVC and experiencing excessive breaks and include dead end lines, no water meters are currently installed so the town does not accurately bill for water, the town does not have adequate storage capacity, and the existing wells cannot supply the necessary water to meet demands. <i>Project:</i> install 17,300-feet of new PVC water mains and loop the system, install 85 water meters, construct a 50,000-gallon water storage tank, and install a new well.	\$2,650,000	3.00%, 30 years	225	Yes (Pending rate increase)

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term ¹	Pop. Served	Dis-advan- tagged
108	Langford	C462285-01	<i>Problem:</i> the existing 4-inch asbestos cement distribution mains are undersized and experiencing excessive leakage, water meters are old and some locations are unmetered so the town does not accurately bill for water, and the town does not have adequate storage capacity or pressure. <i>Project:</i> install 3,400 feet of new PVC water mains and loop the system, install 184 water meters, and construct a 75,000-gallon water storage tank.	\$1,922,000	0%, 30 years	313	Yes
96	Hot Springs	C462040-02	<i>Problem:</i> the city's raw water pumping system does not have capacity to provide adequate water in the event one of the two pumping stations is out of commission, the storage capacity is less than a peak day, and the system does not have adequate well supply. <i>Project:</i> install a new well and pump house, construct a new 3-million gallon water tower, and develop a new Madison well.	\$3,850,000	0%, 30 years	3,711	Yes (Pending rate increase)
73	Yankton	C462038-06	<i>Problem:</i> The city does not have adequate treatment capacity for current water system demands and the installation of a new well requires a new treatment system. <i>Project:</i> construction of a new reverse osmosis water treatment system by expanding and upgrading the existing treatment plant.	\$34,500,000	3.00%, 30 years	14,454	Yes
53	Lake Norden	C462256-01	<i>Problem:</i> one of the existing water treatment filters has begun to leak and is in need of replacement. <i>Project:</i> install a new stainless steel water filter.	\$500,000	2.25%, 20 years	467	Yes (Pending rate increase)
52	Lesterville	C462357-01	<i>Problem:</i> the existing 4- and 6-inch cast iron distribution mains are undersized and experiencing excessive breaks and include dead end lines. <i>Project:</i> install 5,400 feet of new PVC water mains and loop the system.	\$448,500	3.00%, 30 years	127	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term ¹	Pop. Served	Dis-advan- taged
48	Terry Trojan Water Project District	C462455-01	<i>Problem:</i> the existing distribution mains are poor quality PVC and experiencing excessive breaks and includes dead end lines, the existing storage tank is in poor condition, the system only has one existing well which would leave the system without water if it were to fail for even limited time, and the existing electrical and SCADA systems for the well and treatment plant need to be upgraded <i>Project:</i> install 3,400-feet of new PVC water mains and loop the system, install 31 water meters, construct a 150,000-gallon water storage tank, make improvements to the electrical and SCADA systems, and install a new well.	\$1,087,377	3.25%, 30 years	475	
26	Lead-Deadwood Sanitary District	C462002-02	<i>Problem:</i> the Peake Ditch raw water source has limited use due to a landslide that damaged a portion of the water line. <i>Project:</i> abandon approximately 17,200 feet of the existing line and replace it with approximately 16,600 feet of new HDPE line.	\$1,061,000	3.00%, 30 years	4,556	Yes (Pending rate increase)
23	B-Y Water District	C462431-01	<i>Problem:</i> the district's water treatment plant is at the end of the electrical power system serving it and the system lacks the storage capacity to supply its users if adverse weather causes an outage at the treatment plant. <i>Project:</i> construct a 3-million gallon water storage reservoir to provide additional storage for the district's users.	\$4,300,000	3.25%, 30 years	15,000	
20	Martin	C462203-02	<i>Problem:</i> the distribution system on 4 th and 5 th Avenue consists of old cast iron lines that are old and undersized, and water meters in this area are beyond their useful life also. <i>Project:</i> installation of approximately 1,825 feet of new PVC water main to replace the cast iron lines and installation of 21 new water meters.	\$633,000	2.25%, 30 years	1,071	Yes (Pending rate increase)

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term ¹	Pop. Served	Dis-advan-taged
19	Colton	C462135-04	<i>Problem:</i> a portion of the city's distribution system consists of asbestos cement pipe that is beyond its useful life. <i>Project:</i> replace approximately 7,000 feet of asbestos cement pipe with PVC pipe.	\$1,247,159	3.25%, 30 years	687	
17	Canova	C462321-01	<i>Problem:</i> the town is experiencing significant water loss due to outdated meters and a section of deteriorating asbestos cement pipe. <i>Project:</i> replace approximately 55 water meters and install an automatic meter reading system, replace the existing asbestos cement watermain with 950 feet of PVC pipe, and conduct a leak detection study.	\$225,920	3.25%, 30 years	105	
17	Pine Cliff Park Water and Maintenance, Inc.	C462452-01	<i>Problem:</i> the system has been experiencing excessive watermain breaks and water loss attributed to poor installation of the original pipe, and the pipe is also difficult to access for maintenance because of the original alignment. <i>Project:</i> replacement of approximately 2,700 feet of watermain with new PVC pipe to correct deficiencies.	\$398,000	3.00%, 20 years	175	
16	Tea	C462028-02	<i>Problem:</i> currently the city's airport is not served by the distribution system, and homes along Christine Ave are served by a long dead end line. <i>Project:</i> installation of approximately 5,300 feet of PVC watermain to connect the airport to the system and to provide looping to remove dead ends.	\$941,000	3.25%, 30 years	3,806	
16	Tea	C462028-03	<i>Problem:</i> homes north of 271 st St on Devin Ave are served by a long un-looped line which is also a mainline into the city from a water storage reservoir. <i>Project:</i> installation of approximately 5,900 feet of PVC watermain to provide a northern loop to the city's distribution system to improve water quality and system redundancy.	\$830,000	3.25%, 30 years	3,806	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term ¹	Pop. Served	Dis-advan- taged
14	Avon	C462242-01	<i>Problem:</i> the city's meters are obsolete and unserviceable. <i>Project:</i> replace approximately 330 water meters and install an automatic meter reading system.	\$469,800	2.25%, 10 years	590	Yes
14	Humboldt	C462254-02	<i>Problem:</i> the city's meters are obsolete and unserviceable. <i>Project:</i> replace approximately 350 water meters and install an automatic meter reading system.	\$264,580	2.25%, 10 years	581	
14	Philip	C462205-01	<i>Problem:</i> many of the city's meters are obsolete and unserviceable or require manual reading. <i>Project:</i> replace approximately 220 water meters and install an automatic meter reading system and transmitters for the meters not being replaced.	\$340,000	2.25%, 10 years	779	Yes
14	Plankinton	C462110-02	<i>Problem:</i> the city's meters are old and in need of replacement. <i>Project:</i> replace approximately 380 water meters and install a drive-by meter reading system.	\$240,000	2.25%, 10 years	707	Yes
14	Valley Springs	C462239-01	<i>Problem:</i> the city's meters are old and in need of replacement. <i>Project:</i> replace approximately 350 water meters and install a drive-by meter reading system.	\$175,000	2.25%, 10 years	759	
14	Wessington Springs	C462210-02	<i>Problem:</i> the city's meters are old and in need of replacement. <i>Project:</i> replace approximately 540 water meters and install an automatic meter reading system.	\$568,000	1.25%, 10 years	956	Yes
14	Worthing	C462047-03	<i>Problem:</i> the city's meters are old and in need of replacement. <i>Project:</i> replace approximately 540 water meters and install an automatic meter reading system.	\$120,000	2.25%, 10 years	877	
13	Blunt	C462265-01	<i>Problem:</i> the city's meters are old and in need of replacement. <i>Project:</i> replace approximately 360 water meters and install an automatic meter reading system.	\$530,000	2.25%, 10 years	354	
13	Blunt	C462265-02	<i>Problem:</i> the city's water main valves and several curb stops are old and in need of replacement. <i>Project:</i> replace approximately 10 water valves and 18 curb stops.	\$115,000	3.25%, 30 years	354	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term ¹	Pop. Served	Dis-advantaged
12	Belle Fourche	C462012-01	<i>Problem:</i> the water line under 8 th Avenue consists of old cast iron pipe that is susceptible to corrosion. <i>Project:</i> replace the cast line with approximately 1,500 feet of PVC pipe.	\$230,000	2.25%, 30 years	5,594	Yes (Pending rate increase)
12	Doland	C462050-01	<i>Problem:</i> the city's meters are old and in need of replacement. <i>Project:</i> replace approximately 100 water meters and install an automatic meter reading system.	\$104,300	2.25%, 10 years	180	
11	Dell Rapids	C462064-07	<i>Problem:</i> a portion of the city's distribution system consists of asbestos cement and cast iron pipe that is beyond its useful life. <i>Project:</i> replace approximately 11,700 feet of water main with PVC pipe.	\$4,328,100	3.25%, 30 years	3,633	
10	Miller	C462128-02	<i>Problem:</i> a portion of the city's distribution system consists of asbestos cement pipe that is experiencing excessive breaks. <i>Project:</i> replace approximately 53,000 feet of asbestos cement pipe with PVC pipe.	\$6,318,460	3.00%, 30 years	1,489	Yes
10	Salem	C462057-04	<i>Problem:</i> the existing cast iron distribution mains are old and beginning to experience excessive breaks. <i>Project:</i> install 3,000 feet of new PVC water mains.	\$801,676	3.00%, 30 years	1,347	Yes
10	WEB Water Development Association, Inc.	C462426-04	<i>Problem:</i> increased demand within the system's service area has resulted in insufficient flows within the system. <i>Project:</i> install approximately 21 miles of 24-inch ductile iron mainline pipe and install an additional high service pump at the treatment plant.	\$22,504,300	3.00%, 30 years	45,000	Yes
9	Valley Springs	C462239-01	<i>Problem:</i> the existing asbestos cement distribution mains are old and beginning to experience excessive breaks. <i>Project:</i> install 23,000 feet of new PVC water mains.	\$7,300,000	3.25%, 30 years	759	
6	Tea	C462028-04	<i>Problem:</i> there are eight existing homes that are currently unserved by the city's distribution system. <i>Project:</i> installation of approximately 4,335 feet of PVC watermain to connect these users to the City's distribution system.	\$808,000	3.25%, 30 years	3,806	

1. Expected loan interest rates are based on current available rates and will be adjusted after the Board of Water and Natural Resources adopts new interest rates at its November 9, 2016 meeting.

ATTACHMENT II – LIST OF PROJECTS TO BE FUNDED IN FISCAL YEAR 2017

Priority Points	Loan Recipient	Project Number	Assistance Amount	Principal Forgiveness ¹	Funding Date	Expected Funding Source²
LOANS EXPECTED						
48	Terry Trojan Water Project District	C462455-01	\$1,087,377	\$80,022	Jan. 2017	Repayments
12	Belle Fourche	C462012-01	\$230,000	\$0	Jan. 2017	Repayments
134	Veblen	C462186-01	\$2,976,100	\$900,000 ³	March 2017	Repayments
108	Langford	C462285-01	\$1,922,000	\$570,000 ³	March 2017	Repayments
73	Yankton	C462038-06	\$34,500,000	\$1,000,000	March 2017	Repayments
52	Lesterville	C462357-01	\$448,500	\$45,000	March 2017	Repayments
23	B-Y Water District	C462431-01	\$4,300,000	\$430,000	March 2017	Repay/Lev. Funds
20	Martin	C462203-02	\$633,000	\$189,000 ³	March 2017	Lev. Funds
19	Colton	C462135-04	\$1,247,159	\$125,000	March 2017	Lev. Funds
17	Canova	C462321-01	\$225,920	\$25,000	March 2017	Lev. Funds
17	Pine Cliff Park Water and Maintenance, Inc.	C462452-01	\$398,000	\$40,000	March 2017	2017
14	Wessington Springs	C462210-02	\$568,000	\$165,000 ³	March 2017	Lev. Funds
13	Blunt	C462265-02	\$115,000	\$10,000	March 2017	Lev. Funds
10	Salem	C462057-04	\$801,676	\$80,000	March 2017	Lev. Funds
110	South Shore	C462294-01	\$2,650,000	\$265,000	June 2017	Lev. Funds
16	Tea	C462028-02	\$941,000	\$94,000	June 2017	Lev. Funds
11	Dell Rapids	C462064-07	\$4,328,100	\$379,600	June 2017	Lev. Funds
145	Hermosa	C462278-02	\$199,000	\$60,000 ³	Sept. 2017	Lev. Funds
53	Lake Norden	C462256-01	\$500,000	\$0	Sept. 2017	Lev. Funds
16	Tea	C462028-03	\$830,000	\$0	Sept. 2017	Lev. Funds
10	WEB Water Development Association, Inc.	C462426-04	\$22,504,300	\$0	Sept. 2017	2017/Lev. Funds

1. Principal forgiveness amounts shown for loans expected are estimates for planning purposes only.

2. Projects identified using 2017 capitalization grant funds are for equivalency requirements planning purposes only, actual projects used for capitalization grant equivalency will be identified on the fiscal year 2017 annual report.

3. Projects are anticipated to be funded in part utilizing the additional up to 30 percent of the capitalization grant for principal forgiveness to disadvantaged communities.

**ATTACHMENT III
PROGRAM FUNDING STATUS**

Fiscal Years 1997 - 2016

Capitalization Grants	\$174,724,698	
State Match	\$37,540,660	
ARRA Grant	\$19,500,000	
Set-Asides	(\$11,560,104)	
Transfer of FY 2002 & 2003 Clean Water Capitalization Grant and State Match	\$15,574,320	
Transfer of DWSRF Repayments	(\$10,000,000)	
Leveraged Bonds	\$67,725,699	
Excess Interest as of September 30, 2016	\$39,443,572	
Excess Principal as of Sept. 30, 2016	\$88,257,426	
		<hr/>
Total Funds Dedicated to Loan		\$428,610,551
Loans made through September 30, 2016		<u>(\$405,210,361)</u>
Balance of funds as of September 30, 2016		\$23,400,190

Fiscal Year 2017 Projections

Capitalization Grants	\$8,312,000	
State Match	\$1,662,400	
Set-Asides	(\$973,720)	
Projected Excess Principal Repayments	\$9,500,000	
Projected Unrestricted Interest Earnings	\$3,000,000	
Leveraged Bonds	\$45,000,000	
Projected Fiscal Year 2017 Loan Sub-total		<u>\$66,500,680</u>
Total Funds Available for Loans		<u>\$89,900,870</u>
Loan Amount Identified on Attachment II - List of Projects to be Funded in Fiscal Year 2017		<u><u>\$81,405,132</u></u>

Administrative Surcharge Funds Available as of September 30, 2016	
Program Income	\$935,515
Non-Program Income	\$3,082,801
Total	<u>\$4,018,316</u>

TITLE: Review of Conservancy District Investment Policy and Investment Returns

EXPLANATION: The current Investment Policy was approved pursuant to Resolution 2015-15 adopted by the Board of Water and Natural Resources acting as the South Dakota Conservancy District on January 8, 2015 and made effective February 17, 2015. Section 15 of the Investment Policy states that the Board will annually review the policy.

A key aspect of the policy is the method for determining what minimum portion of the amounts on deposit should be in investments rated in the highest short-term rating category or two highest long-term rating categories by the Rating Agencies in order to ensure maintenance of the District's outstanding bond ratings.

The SRF financial advisor, Public Financial Management, Inc. (PFM), recommended and the Board adopted a method using the amount not required to be deposited into the guaranteed investment contracts or, if less, a designated percentage of the total balance of the Trust Funds to determine the minimum portion.

The designated percentage provides a lower amount and requires an annual update to the percentage utilized to ensure the District is not unduly limiting its investment options while accounting for the current methodology utilized by the Rating Agencies in providing ratings on the Bonds.

In consultation with bond and tax counsel, PFM has determined that the restriction of "15% of the Total Trust Funds will be invested in Investment Obligations rated in one of the two highest long-term rating categories or the highest short-term rating category by the Rating Agencies" does not need to be adjusted for the upcoming program year.

RECOMMENDED ACTION: Retain the South Dakota Conservancy District Investment Policy adopted on January 8, 2015 and made effective February 17, 2015.

CONTACT: Jon Peschong (773-4216)

SOUTH DAKOTA CONSERVANCY DISTRICT
INVESTMENT POLICY

1. Background.

The South Dakota Conservancy District (the "*District*") will enter into that certain Fifth Amended and Restated Master Trust Indenture (as hereafter amended or supplemented from time to time, the "Master Trust Indenture") with The First National Bank in Sioux Falls, as trustee (together with any successor trustee, the "*Trustee*") on or about September 1, 2010 . The Master Trust Indenture is supplemented from time to time by Series Supplemental Resolutions or supplemental indentures relating to individual Series of Bonds or Notes (as defined in the Master Trust Indenture). The Master Trust Indenture, as so supplemented, is herein defined as the "*Indenture*." In addition, from time to time, the District has entered into or will in the future enter into tax regulatory or similar agreements with the Trustee governing various matters relating to the investment of funds on deposit with the Trustee (herein, such tax regulatory and similar agreements, as entered into and effective from time to time, the "*Tax Documents*"). Terms not defined herein shall have the meaning assigned thereto by the Indenture or Tax Documents, as applicable.

Reference is hereby made to the definition of "Investment Obligations" in the Master Trust Indenture. *Exhibit A* to this Policy contains a list of the Investment Obligations as set forth in the Master Trust Indenture, and if and when such term is amended, Exhibit A shall automatically be revised to conform with any such amendments. *Exhibit B* to this Policy contains a list of the investment agreements and other contracts (herein, the "*Investment Agreements*"), all of which qualify within clause (g) of the definition of "Investment Obligations", which have heretofore been entered into by the District or the Trustee through the date hereof, other than those which have expired prior to the date hereof. If and when the District or the Trustee enter into additional agreements described in clause (g) of the definition of "Investment Obligations", Exhibit B shall automatically be revised to conform with any such amendments.

2. Policy.

It is the policy of the District to invest amounts on deposit in the various Funds, Accounts and Subaccounts under the Indenture (the "**Trust Funds**") in a manner which will provide the maximum security, sufficient liquidity, and a competitive investment return to meet the daily cash flow demands of the Programs pending application of the funds to make loans or otherwise disburse funds for Program purposes. This policy must conform with all applicable laws and procedures governing the investment of public funds.

3. Scope.

This policy supplements the provisions of the Indenture and the Tax Documents, and in the event of a conflict between the Indenture or Tax Documents on the one hand and this Policy on the other, then the provisions of the Indenture or Tax Documents, as applicable, shall prevail.

4. Standard of Care.

The standard of care to be observed by the Trustee in the investment of Trust Funds shall be as provided in the Indenture.

5. Objectives.

The primary objectives, in priority order, of the District's investment activities shall be:

A. Safety of Principal

Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall Trust Funds. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the Trust Funds. The District has determined that diversification will primarily be addressed by the investment of Trust Funds associated with each Series of Bonds or Notes, where feasible, in Investment Agreements.

The Trust Funds shall also be invested to control interest rate risk. Interest rate risk is the risk that the market value of investments purchased with Trust Funds will fall due to changes in interest rates. The District has determined that interest rate risk will primarily be addressed by the investment of Trust Funds associated with each Series of Bonds or Notes, where feasible, in Investment Agreements.

B. Liquidity

The District Program Trust Funds will remain sufficiently liquid to enable the District to meet all requirements which might be reasonably anticipated. The Trust Funds shall be invested so that securities mature to meet cash requirements for ongoing operations, including loan originations and debt service payments, thereby avoiding the need to sell securities on the open market prior to maturity except when liquidity needs require.

C. Return on Investments

The District's Trust Funds shall be invested with the objective of attaining a competitive rate of return commensurate with the District's investment risk constraints and the cash flow requirements of the Programs, and subject in all events to the requirements of safety of principal and liquidity outlined above.

6. Management of Investments.

Authority to manage the investment of Trust Funds has been granted to the Trustee pursuant to the Indenture.

The Trustee shall carry out established written procedures and internal controls for the operation of the investment program consistent with this investment policy. The Trustee shall have in place procedures for: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral depository agreements, and banking services contracts.

7. Ethics and Conflicts of Interest.

The employees of the Trustee involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees of the Trustee shall disclose any material interests in financial institutions with which they conduct business and any personal financial investment positions that could be related to the performance of the investment Trust Funds.

8. Certain Security Transactions.

All security transactions, including collateral for repurchase agreements, entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian approved by the Trustee and evidenced by safekeeping receipts. If repurchase agreements are utilized, a Master Repurchase Agreement will be signed with the bank or dealer.

9. Authorized and Suitable Investments.

The District is empowered by statute to invest only in the Investment Obligations listed in Exhibit A which include the Investment Agreements listed on Exhibit B, and subject in all events to changes in law or amendments or supplements to the Indenture.

10. Collateralization.

In accordance with SDCL 4-6A, 51-10-9, and 52-5-20, Qualified Public Depositories will furnish collateral in the sum equal to one hundred ten percent (110%) of the public deposit accounts which exceed deposit insurance.

SDCL 4-6A-3 requires that collateral be segregated by each depository in such manner as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve.

11. Diversification.

The District has pursued diversification of the investment of its Trust Funds primarily by selecting different Investment Agreements on a series by series basis.

The balance of funds not invested in Investment Agreements is referred to herein as the "**Remaining Balance**". Investment of the Remaining Balance is subject to the following restrictions for the purpose of achieving diversification:

- a. The Remaining Balance or, if less, 15% of the Total Trust Funds will be invested in Investment Obligations rated in one of the two highest long-term rating categories or the highest or short-term rating category by the Rating Agencies.
- b. Subject to the exception of securities issued by the U.S. Treasury or guaranteed directly or indirectly by the U.S. Government, no more than 25 percent of the

aggregate of the Remaining Balance will be invested in the deposits of a single financial institution, provided, however, this limitation shall not apply to any money market fund or other investment described in clause (e) of the definition of "Investment Obligations" if such investment directly or indirectly involves solely securities described in clauses (a) or (b) of the definition of "Investment Obligations" or is rated in one of the two-highest long-term rating categories or the highest short-term rating category by the Rating Agencies (herein, each a "*Qualified Fund*").

- c. In addition, no more than 40 percent of the aggregate total of funds on deposit in the Revenue Fund, including all accounts and subaccounts therein, will be invested in the South Dakota Cash Flow Fund described in clause (i) of the definition of "Investment Obligations".
- d. The District will limit its investment in securities issued by government sponsored entities described in clause (c) of the definition of "Investment Obligations (a/k/a "*GSEs*)", or federally related institutions that are guaranteed directly or indirectly by, or backed by the full faith and credit of the U.S. Government to no greater than 40 percent of the total Trust Funds.
- e. Amounts credited to the Bond Fund, including any account or subaccount therein, shall only be invested in (i) Investment Agreements (if applicable), (ii) investments described in clauses (a) or (b) of the definition of "Investment Obligations", or (iii) Qualified Funds.

12. Maturity Constraints.

Maximum Maturity — To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. The District may invest in individual securities with maturities of 5 years or less from the date of purchase, and mutual and money market funds holding securities with maturities of 5 years or less. Securities shall be redeemable at the option of the District in the open market. Mutual and money market fund investments shall be redeemable at the option of the District.

Average Maturity — The average dollar-weighted maturity target of the Trust Funds is 1.5 years, and for such purposes, amounts invested in Trust Funds shall be assigned a weighted average maturity of no more than 30 days. The Trust Funds shall be reviewed by the Trustee for rebalancing if the average maturity moves to either less than one (1) year or greater than two (2) years.

13. Internal Controls.

The Trustee is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

14. Reporting.

The investment of the Trust Funds will be managed in accordance with the parameters specified within this policy. The Trustee shall prepare investment reports as required by the Indenture.

15. Annual Review.

The Board intends to review this policy annually.

This Investment Policy was hereby approved and established pursuant to the authority of Resolution 2012-152 adopted by the Board of Water and Natural Resources acting as the South Dakota Conservancy District on November 8, 2012. This Investment Policy was hereby amended pursuant to the authority of Resolution 2015-15 on January 8, 2015, adopted by the Board of Water and Natural Resources acting as the South Dakota Conservancy District and made effective February 17, 2015.

Exhibit A

Investment Obligations as of February 17, 2015

“Investment Obligations” means and includes any of the following, if and to the extent the same are authorized as permitted investments for the District’s moneys in the Funds and Accounts created and maintained under this Indenture:

(a) Direct obligations of, or obligations the prompt payment of principal and interest on which are fully guaranteed by, the United States of America; or

(b) Bonds, debentures, notes or other evidences of indebtedness issued or fully insured or guaranteed by any agency or instrumentality of the United States of America which is backed by the full faith and credit of the United States of America; or

(c) To the extent not included within the scope of clause (b) above, such other bonds, debentures, notes or other evidences of indebtedness issued by agencies and instrumentalities of the United States government, including without limitation those issued by government sponsored enterprises such as Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation;

(d) Interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with any Depository (including the Trustee), provided that such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation or secured by obligations described in clauses (a) or (b) of this definition, or a combination thereof; or

(e) Money market funds or similar funds which invest exclusively in obligations described in clauses (a), (b), (f) or (g) of this definition, or a combination thereof; or

(f) Bonds, debentures, notes or other evidences of indebtedness issued by any state of the United States of America or any political subdivision thereof or any public authority or body or instrumentality therein which constitute obligations described in Section 103(a) of the Code and which are assigned a long-term rating by the Rating Agency which is no lower than the long-term rating assigned by the Rating Agency to the Outstanding Bonds (without taking into account any higher rating assigned to the Bonds by virtue of Credit Enhancement); or

(g) Any repurchase agreement or similar financial transaction with a national banking association or a bank or trust company organized under the laws of any state (including the Trustee), or with a government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement satisfies the following requirements: (1) it is secured, in the opinion of counsel, by a perfected security interest in any one or more of the securities described in clause (a) or (b); (2) provides that the collateral must be valued at least weekly and must

be maintained at a value of at least 103% of the amount invested plus accrued interest (with a no more than one-week cure period, if the value of collateral falls below this amount); (3) is entered into with a primary reporting dealer that reports to the Federal Reserve Bank of New York or one of the 100 largest United States commercial banks, as measured by domestic deposits; and (4) the securities which are the subject of the repurchase agreement must be held by the Trustee or by an agent or custodian on its behalf, provided that the requirements of clauses (3) and (4) shall apply only if and to the extent that South Dakota law so requires; or

(h) Any investment agreement, guaranteed investment contract or similar debt obligation which in the opinion of counsel is permitted by South Dakota law and the issuer or guarantor of such obligation is assigned, or such agreement, contract or obligation is assigned, the highest short-term debt rating by the Rating Agency or which is assigned a long-term rating by the Rating Agency which is no lower than the two highest long-term rating categories (without regard to numeric or other modifiers) at the time such investment is acquired or which agreement is approved by each Rating Agency then rating Outstanding Bonds as of the date the agreement is entered into by the District; or

(i) The South Dakota Cash Flow Fund provided the District determines that such fund invests solely in investments authorized by SDCL 4-5-26 or other investments which the District is authorized to acquire and hold.

Exhibit B

Investment Agreements as of February 17, 2015

<u>Bond Issue</u>	<u>Provider</u>	<u>Interest Rate</u>	<u>Cap on Investment</u>	<u>Amount Invested</u>	<u>Termination Date</u>
1996 ⁽¹⁾	MBIA Inc.	6.22	15,000,000	\$ 1,126,451	8/1/17
2001& 2004 ⁽¹⁾⁽²⁾	AIG Matched Funding Corp. (guaranteed by American International Group, Inc.)	5.07	60,000,000 ⁽³⁾	\$60,091,570	8/1/25
2005 ⁽¹⁾⁽²⁾	AIG Matched Funding Corp. (guaranteed by American International Group, Inc.)	4.41	\$80,000,000 ⁽³⁾	\$75,660,017	8/1/26

⁽¹⁾ Clean Water.

⁽²⁾ Drinking Water.

⁽³⁾ Cap solely on Revenue Fund portion of total investment.

TITLE: Assurances, Terms and Conditions for the Consolidated Water Facilities Construction Program

EXPLANATION: Senate Bill 162, passed by the 2016 legislature, requires that recipients of new grants from state agencies must attest to certain requirements when receiving a grant. To make sure future grant agreements are in compliance with the new legislation, a new set of Assurances, Terms, and Conditions for the Consolidated Water Facilities Construction Program has been prepared with the help of legal counsel. The primary change is the addition of section 17 which addresses the requirements set forth in SB 162. Other revisions involved minor grammatical changes and updating section references.

RECOMMENDED ACTION: Adopt the new Assurances, Terms and Conditions for the Consolidated Water Facilities Construction Program

CONTACT: Mike Perkovich
773-4216

CONSOLIDATED WATER FACILITIES CONSTRUCTION PROGRAM
GRANT AGREEMENT
ASSURANCES, TERMS AND CONDITIONS

In consideration of the approval of the Grant described above by the State of South Dakota, acting through its Board of Water and Natural Resources, and Department of Environment and Natural Resources (“DENR”), 523 East Capitol Avenue, Pierre, SD 57501 (collectively the “State”), the Grantee covenants and agrees to comply with the following assurances, terms, and conditions.

1. Grantee will comply with those federal, state and local laws, regulations, ordinances and permits applicable to the construction, operation, and maintenance of the Project.
2. Grantee will cause its contractors, sub-contractors, agents, and employees to comply with the applicable federal, state and local laws, regulations, ordinance, guidelines, permits and requirements and will adopt such review and inspection procedures as are necessary to assure such compliance. In the event of conflict between federal, state and local laws and regulations, compliance with the more restrictive laws and regulations shall be deemed compliance with less restrictive laws and regulations.
3. Grantee will submit all changes that would alter the purpose, scope, or the functional layout of the Project to the State for approval and no such changes or modifications may be made without such prior approval in writing. It is agreed that the Application of the Grantee, including those materials attached in support thereof, are by this reference incorporated herein as if set out in full. Grantee will not substantially depart from the description of the Project as set forth therein without the prior written approval of the State.
4. Grantee will construct the Project, or cause it to be constructed, to final completion with reasonable diligence in accordance with the approved plans and specifications and the approved Project scope for the grant; construction will be completed and funds expended within four years after Grantee’s request for grant funds has been approved.
5. Grantee will ensure that construction administration and inspection is done by or under the supervision of a professional engineer or architect licensed and registered in the State of South Dakota to help assure that the construction contractor’s work conforms with the approved plans and specifications, and to furnish inspection and material testing reports, recommendations and such other information as the State may require. It is recognized and understood that the final responsibility of conformance with the plans and specifications is that of the construction contractor. The State has the right to monitor facility and design through on-site inspections from time to time.
6. Grantee warrants and represents as follows:
 - a. The Grantee is duly organized and existing under the laws of the State of South Dakota; has taken all proper action to authorize the execution, delivery and performance of its obligations under this Grant Agreement; and has the power and

authority to enter into and consummate all transactions contemplated by this Grant Agreement, and to carry out its obligations hereunder.

b. There is no action, suit, proceeding, inquiry or investigation at law or equity, by or before any judicial or administrative court, agency or body, pending or threatened against the Grantee wherein an unfavorable decision, ruling, or finding would materially and adversely affect the validity or enforceability of this Grant Agreement.

c. As of the date of this Grant Agreement, the Grantee has obtained or made all permits, findings and approvals required by any governmental body or officer concerning the Project or the financing thereof, except as otherwise set forth in this Grant Agreement or disclosed in writing to the State prior to the execution hereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental authority (other than those, if any, already obtained) is required on the part of the Grantee as a condition to entering into this Grant Agreement and the performance of the Grantee's obligations hereunder.

d. This Grant Agreement is a legal, valid and binding obligation and agreement of the Grantee, enforceable against the Grantee according to its terms, except as the enforceability thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally and general principles of equity.

e. The Project consists of the facilities, improvements and activities described in the Project Title/Description of the Funding Agreement, as the same may be from time to time amended pursuant to section 26 hereof.

f. There is no fact that the Grantee has not specifically disclosed in writing to the State that materially and adversely affects or will materially and adversely affect the properties, operations and finances of the Grantee, its legal status, or its ability to perform its obligations hereunder.

g. The Grantee certifies that there has been no material adverse change since the date of the Application in the financial condition, organization, operation, property, or the personnel of the Grantee; and that the information contained in the Application, and other information the Grantee provided to the State does not contain any material misrepresentations or misstatements of fact.

h. The Grantee further certifies that it:

(1) has not received any notice or otherwise learned of any Environmental Liability which would individually or in the aggregate constitute a Material Adverse Occurrence arising in connection with (i) any non-compliance with or violation of the requirements of any Environmental Law or (ii) the release or threatened release of any toxic or hazardous waste or other substance into the environment;

(2) does not have any knowledge of any threatened or actual liability in connection with the release or threatened release of any toxic or hazardous

waste, substance or constituent, or other substance in the environment which would individually or in the aggregate constitute a Material Adverse Occurrence; or

(3) has not received any notice or otherwise learned of any federal or state investigation evaluating whether any remedial action is needed to respond to a material release or threatened release on any toxic or hazardous waste, substance or constituent into the environment for which the Grantee is or may be liable. The Grantee is in substantial compliance with all Environmental Laws in the respective jurisdictions where it is presently doing business or conducting operations.

(4) Material Adverse Occurrence shall mean any occurrence of any nature whatsoever, including without limitation, any adverse determination in any litigation, arbitration or government investigation or proceeding, which the State shall reasonably determine materially adversely affects the present or prospective financial condition or operations of the Grantee, or impairs the ability of the Grantee to perform its obligations.

7. Grantee agrees to maintain the necessary and appropriate accounts, records and books in which full and correct entries are made, capable of allowing the preparation of annual financial statements prepared in accordance with generally accepted financial and reporting standards as promulgated by the Governmental Accounting Standards Board, or the Financial Accounting Standards Board, as appropriate, or an Other Comprehensive Basis of Accounting as defined by the American Institute of Certified Public Accountants. The State and its authorized representatives shall have the right to inspect such books and accounts upon reasonable notice, during normal business hours. Grantee will retain all books and records, including any audit required pursuant to this Grant Agreement, for a period of not less than three years following the issuance of the final grant close-out letter.
8. Grantee will establish safeguards to prevent employees from using their positions for a purpose that is, or gives the appearance of being, motivated by a desire for private gain unrelated to the public benefits from the Project, for themselves or others, particularly those with whom they have family, business, or other ties.
9. Grant proceeds will be kept in the state treasury, in the Water and Environment Fund, and shall be disbursed based upon the Grantee's request for disbursements. Grantee will submit signed requests for disbursements using a form prescribed by the State, together with all attachments required by such form. The request for disbursement will be submitted to such person or persons as the State may designate for approval. Disbursements may be obtained only for those Project costs which have been legally incurred, and which are due and payable, or have been paid by the Grantee. The Grantee will designate, by duly adopted resolution, an official to certify on Grantee's behalf that the request submitted is correct and is a valid expenditure for the Project. The Grantee is required to submit a W-9 form with the "Required Direct Deposit Information" completed which will authorize electronic payments by direct deposit and provide electronic payment notification to the Borrower. This form is available through the DENR Fiscal Office or it

can be downloaded directly from <http://denr.sd.gov/dfta/wwf/VendorACHW-9Form.pdf>. The Borrower must fax the completed form to (605) 773-4068 or scan and email to DENRINTERNET@state.sd.us with “Attn: Fiscal Office” in the subject line or mail it to:

DENR Fiscal Office
523 East Capitol
Pierre, SD 57501-3182

All requests for disbursement for eligible costs under this Grant Agreement not presented within ninety (90) days after the completion of the term hereof are barred from payment. The State reserves the right, at its option, to disburse the funds directly to the contractor or sub-contractor supplying the service or material for which the payment is sought. Disbursements for travel and subsistence may not exceed the rates established in the rules and regulations of the State Board of Finance relating to travel and subsistence expenses for state employees. No funds will be disbursed until all fees owed by the Grantee to DENR are paid.

10. Prior to the drawdown of grant funds, Grantee will supply the State with evidence, in a form satisfactory to the State, of the commitment of funds from other sources for use, together with the funds granted hereby, in the construction of the Project.
11. Grantee will submit, if requested, within ten (10) working days of the end of a quarter, on a form provided by the State, a status report detailing the progress, operations, and financial condition of the Project and its facilities, which reports may include the entire construction and operation of the Project and all revenues and expenditures of the Project.
12. If the Grantee’s financial statements for the grant period are not audited and the grant is for more than \$250,000 dollars, the Grantee agrees to have a final project audit performed. The final project audit or audited financial statements covering the grant period shall be submitted to the Department of Environment and Natural Resources within 15 days of issuance or acceptance by either the Department of Legislative Audit or issuance by a qualified independent accountant duly licensed in the State of South Dakota. The scope of the required final project audit is detailed in Exhibit A.
13. Grantee will insure that all land surveys are conducted by a land surveyor registered in the State of South Dakota, and that the final plans and specifications are prepared under the supervision of and approved by a professional architect or engineer licensed and registered in the State of South Dakota.
14. Grantee will maintain an acceptance certificate completed by the architect or engineer in charge of the Project in the Grantee’s files.
15. The Grantee shall at all times during the term of this Grant Agreement keep and maintain property and casualty insurance, workers compensation, and liability insurance with insurers licensed to do business in the State, or risk pool coverage programs described in SDCL chapter 3-22, against such risks and in such amounts as are customary in the State

for entities of the same or similar size and type as the Grantee, and similarly situated with facilities of the Project's type, and provide proof of such coverage to the State. In the event of cancellation of coverage the Grantee will promptly obtain replacement insurance with the same or substantially similar coverage and provide proof of such coverage to the State. In the event of a substantial change in insurance, issuance of a new policy, renewal, replacement, or changes in coverage, the Grantee will promptly provide written notice of such changes to the State and provide a new certificate of insurance showing continuous coverage in the amounts required.

16. Grantee agrees to indemnify and hold the State, its officers, agents, employees, assigns and successors in interest harmless from any and all claims or liability of any kind or character whatsoever arising from or connected with the construction, operation, or maintenance of the Project funded herein, provided that nothing herein requires the Grantee to indemnify the State for its own acts or omissions.
17. 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.
18. Prior to the disbursement of funds, Grantee will provide the State with the written opinion of an attorney duly licensed to practice law in the State of South Dakota, said opinion certifying that, if applicable:
 - a. The Grantee is a duly organized and existing legal entity under State law, has the legal power to enter into this Grant Agreement both as a matter of State law and according to its enabling documents, and its governing board has duly authorized these transactions by appropriate resolutions;
 - b. The Grantee, has acquired or will acquire the real property necessary for the construction of the Project, together with those rights-of-way, easements, permits, and licenses necessary for the construction, operation and maintenance of the Project; the legal instruments evidencing that acquisition are in appropriate and due legal form and adequately confer upon the Grantee the necessary rights for the construction, operation and maintenance of the Project; such omissions or defects as may exist will in no substantial way or manner endanger the value or operation of

the Project and its facilities; and those legal instruments have been duly and properly recorded in the appropriate public land records of each county in which any land affected thereby is situated; and,

c. There is no action, suit, proceeding, inquiry or investigation at law or in equity, by or before any judicial or administrative court, agency or body, pending or threatened against the Grantee or the Project, wherein an unfavorable decision, ruling, or finding would materially adversely affect the validity or enforceability of this Grant Agreement, or would materially adversely affect the ability of the Grantee to comply with its obligations under this Grant Agreement.

19. In the event the Grantee fails or refuses to perform any covenants or agreements hereunder on Grantee's part made and entered into, or in the event of an improper use of grant funds hereunder, or in the event of the failure of the Grantee to promptly pay, when due, any taxes, charges, liens, assessments, or encumbrances, or in the event of the insolvency of the Grantee, the State may at its option declare this Agreement to be in default and shall provide Grantee with written notice of such default. If such default has not been cured, or if a written plan to correct such default acceptable to the State has not been submitted to the State within thirty (30) days of Grantee's receipt of written notice thereof, the State at its sole option, may cancel this Agreement, and Grantee shall be obligated to reimburse the State for any grant funds therefore expended by or for the benefit of Grantee, or any part thereof, and if not promptly paid the State may pursue any rights and remedies under any applicable laws or regulations. Grantee agrees to pay the State an amount equal to the costs and expenses, including reasonable expert and attorney's fees, incurred by the State in enforcing its rights under this Grant Agreement.
20. The rights and remedies herein conferred upon the State shall be cumulative and not alternative and shall be in addition and not in substitution of or in derogation of rights and remedies conferred by any other agreements between the parties hereto or by any applicable law. The failure of the State to enforce strict performance of any covenant, promise, or condition herein contained, including timely payments due hereunder, shall not operate as a waiver of the right of the State thereafter to require that the terms hereof be strictly performed according to the tenor thereof.
21. This Grant Agreement, or any part thereof, or the benefits to be received hereunder, shall not be assigned, transferred, or otherwise disposed of to any person, firm, corporation, or other entity by Grantee without the express prior written consent of the State.
22. Any notice or other communication required under this Grant Agreement shall be in writing and sent to the address set forth in this Grant Agreement. Notices shall be given by and to the Secretary, DENR, on behalf of the State, and by and to the Designated Official executing the Funding Agreement on behalf of the Grantee, or such authorized designees as either party may from time to time designate in writing. Notices or communications to or between the parties shall be deemed to have been delivered when mailed by first class mail, provided that notice of default or termination shall be sent by registered or certified mail, or, if personally delivered, when received by such party.

23. In the event that any provision of this Grant Agreement shall be held unenforceable or invalid by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.
24. All other prior discussions, communications and representations concerning the subject matter of the Grant are superseded by the terms of this Grant Agreement, and except as specifically provided herein, this Grant Agreement constitutes the entire agreement with respect to the subject matter hereof.
25. This Grant Agreement shall be governed by and construed in accordance with the laws of the State of South Dakota. Any lawsuit pertaining to or affecting this Grant Agreement shall be venued in Circuit Court, Sixth Judicial Circuit, Hughes County, South Dakota.
26. This Grant Agreement may not be amended except in writing, which writing shall be expressly identified as a part hereof or thereof, and which writing will be signed by an authorized representative of each of the parties. No provision stated herein shall be waived without the prior written consent of the State.
27. Time is of the essence in the performance of the covenants, terms and conditions contained in this Grant Agreement. This Grant Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective transferees, successors and assigns.

EXHIBIT A

CONSOLIDATED WATER FACILITIES CONSTRUCTION PROGRAM

All recipients of a grant of more than \$250,000 who do not have their financial statements audited during the grant period must have a final Project audit performed by a qualified independent accountant duly licensed in the State of South Dakota. The final project audit or audited financial statements covering the grant period shall be submitted to the Department of Environment and Natural Resources within 15 days of issuance or acceptance by either the Department of Legislative Audit or issuance by a qualified independent accountant duly licensed in the State of South Dakota.

The scope of the audit will include:

- 1) Compliance with federal, state and local laws, regulations, ordinances and permits applicable to the construction, operation, and maintenance of the Project;
- 2) Documentation of all sources of revenue for the Project and all Project costs to include allocation of costs by revenue source; and
- 3) An Acceptance Certificate completed by the architect or engineer of the Project.

TITLE: State Water Resources Management System Recommendations

EXPLANATION: The Board of Water and Natural Resources annually provides recommendations to the State Legislature and Governor regarding deletions, additions, and retention of projects on the State Water Resources Management System (SWRMS) component of the State Water Plan. The following projects are currently included on the State Water Resources Management System list:

1. Belle Fourche Irrigation Upgrade Project
2. Big Sioux Flood Control Study
3. Cendak Irrigation Project
4. Gregory County Pumped Storage Site
5. Hydrology and Water Management Studies
6. Lake Andes-Wagner/Marty II Irrigation Unit
7. Lewis and Clark Rural Water System
8. Sioux Falls Flood Control Project
9. Southern Black Hills Water System
10. Vermillion Basin Flood Control Project

There are no proposed revisions to the SWRMS list.

RECOMMENDED ACTION: Approve a resolution recommending the retention of all projects on the State Water Resources Management System list.

CONTACT: Jim Feeney, 773-4216

STATE OF SOUTH DAKOTA
BOARD OF WATER AND NATURAL RESOURCES
RESOLUTION NO. 2016-__

PROVIDING TO THE SOUTH DAKOTA LEGISLATURE AND GOVERNOR, THE BOARD OF WATER AND NATURAL RESOURCES' RECOMMENDATIONS FOR STATE WATER RESOURCES MANAGEMENT SYSTEM DESIGNATION.

WHEREAS, the Board of Water and Natural Resources ("the board") pursuant to SDCL 46A-1-2, annually provides recommendations to the State Legislature and Governor regarding deletions and additions to the State Water Resources Management System component of the State Water Plan; and

WHEREAS, SDCL 46A-1-2.1 designates the water resource projects included on the State Water Resources Management System component of the State Water Plan that serve as the preferred, priority objectives of the State; and

WHEREAS, the board has reviewed the list of projects currently included on the State Water Resources Management System component of the State Water Plan; and

WHEREAS, the board has reviewed the applications submitted from various South Dakota water resource projects for inclusion onto the State Water Plan.

NOW THEREFORE BE IT RESOLVED, that the board recommends that all water resource projects on the State Water Resources Management System be retained as preferred, priority objectives of the State.

Dated this 9th day of November, 2016

(SEAL)

ATTEST:

BY: _____
Chairman, Board of Water and
Natural Resources

BY: _____
Secretary, Board of Water and
Natural Resources

TITLE: Omnibus Bill Funding Recommendations

EXPLANATION: The Board of Water and Natural Resources, under the authority provided in SDCL 46A-1-12 and 46A-1-13, may recommend state funding and cost share levels to the Governor and Legislature.

The Board annually reviews applications from projects wishing to be placed on the State Water Facilities Plan and the projected funding needs of projects on the State Water Resources Management System (SWRMS) component of the State Water Plan.

The Board conducts a public meeting to take statements from all interested parties regarding water development funding needs. A resolution is developed to make specific recommendations to the Governor and State Legislature on funding levels for individual SWRMS projects, the Consolidated program, and the Solid Waste Management program, and for appropriations from specific state revolving fund subfunds.

The Board's recommendations developed through this public process provide the basis for the Governor's preparation and the Legislature's consideration of the annual Omnibus Funding bill.

RECOMMENDED ACTION: Approve a resolution providing recommendations to the Governor and the State Legislature on Water & Environment Fund fiscal year 2018 funding levels for the State Water Resources Management System projects, the Consolidated program, and the Solid Waste Management program, and for appropriations from specific state revolving fund subfunds.

CONTACT: Jim Feeney, 773-4216

STATE OF SOUTH DAKOTA
BOARD OF WATER AND NATURAL RESOURCES
RESOLUTION NO. 2016-

PROVIDING TO THE SOUTH DAKOTA LEGISLATURE AND GOVERNOR, THE BOARD OF WATER AND NATURAL RESOURCES' RECOMMENDATIONS FOR WATER AND ENVIRONMENT FUND FISCAL YEAR 2018 APPROPRIATION LEVELS.

WHEREAS, SDCL 46A-1-2 provides the means for the planning, funding, and construction of a state water plan and creates the State Water Resources Management System component and the State Water Facilities Plan components of the State Water Plan; and

WHEREAS, pursuant to the authority provided in SDCL 46A-1-7, the Board of Water and Natural Resources ("the Board") is responsible for approving all projects placed onto the State Water Facilities Plan component of the State Water Plan, an annual listing of potential water related projects; and

WHEREAS, pursuant to the authority provided in SDCL 46A-1-10, the Board annually provides recommendations to the Governor and the State Legislature regarding deletions and additions to the State Water Resources Management System component of the State Water Plan; and

WHEREAS, pursuant to the authority provided in SDCL 46A-1-12 and 46A-1-13, the Board may recommend state funding levels to the Governor and the State Legislature; and

WHEREAS, the Board has reviewed the projected funding needs of projects on the State Water Resources Management System component of the State Water Plan; and

WHEREAS, the Board has reviewed the projected funding needs of projects on the State Water Facilities Plan component of the State Water Plan; and

WHEREAS, the Board has reviewed potential funding needs of solid waste disposal, recycling, and waste tire projects that may require funding from dedicated fees deposited in the Water and Environment Fund; and

WHEREAS, the Board has reviewed potential financial and technical assistance needs of projects that may require funding from the Clean Water State Revolving Fund Administrative Surcharge fees, Drinking Water State Revolving Fund Set-Asides, and Drinking Water State Revolving Fund Administrative Surcharge fees deposited in the Water and Environment Fund Subfunds; and

WHEREAS, the Board conducted a public hearing and adopted an Intended Use Plan that includes projects that require funding from the Clean Water State Revolving Fund

Administrative Surcharge fees, Drinking Water State Revolving Fund Set-Asides, and Drinking Water State Revolving Fund Administrative Surcharge fees deposited in Water and Environment Fund Subfunds; and

WHEREAS, the Board conducted a public meeting on November 9, 2016, to take statements from all interested parties regarding water development and solid waste funding needs.

NOW THEREFORE BE IT RESOLVED, that the Board recommends to the Governor and the State Legislature a Water and Environment Fund fiscal year 2018 line-item appropriation level of _____ for the Hydrology and Water Management Studies project on the State Water Resources Management System; and

IT IS FURTHER RESOLVED, that the Board recommends to the Governor and the State Legislature a Water and Environment Fund fiscal year 2018 appropriation level of _____ for the Consolidated Water Facilities Construction Program; and

IT IS FURTHER RESOLVED, that the Board recommends to the Governor and the State Legislature the Water and Environment Fund fiscal year 2018 appropriation level of _____ for the Solid Waste Management Program and that _____ of these funds may be used for the statewide cleanup of waste tires and solid waste; and

IT IS FURTHER RESOLVED, that the Board recommends to the Governor and the State Legislature the following Water and Environment Fund Subfund fiscal year 2018 appropriation levels for the Drinking Water State Revolving Fund Set-Asides, the Clean Water State Revolving Fund Administrative Surcharge fees, and the Drinking Water State Revolving Fund Administrative Surcharge fees approved in the respective 2017 Intended Use Plans for the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF) programs:

State Revolving Fund Administrative Surcharge Fees

CWSRF Water Quality Grants	\$ _____
CWSRF Application and Administration Assistance	\$ _____
DWSRF Application and Administration Assistance	\$ _____

Federal DWSRF Set-Aside Funds

Small System Technical Assistance	\$ _____
-----------------------------------	----------

WEF Subfund Total:

IT IS FURTHER RESOLVED, that the Board recommends that SDCL 1-40-32 be amended to increase the amount transferred from the Water and Environment Fund to the Environment and Natural Resources Fee Fund from \$500,000 or all of the interest deposited, whichever is less, to \$_____ per year, or all of the interest, whichever is less.

Dated this 9th day of November, 2016

(SEAL)

BY: _____

Chairman, Board of Water and
Natural Resources

ATTEST:

BY: _____
Secretary, Board of Water and
Natural Resources

TITLE: 2016 Annual Report and the 2017 State Water Plan

EXPLANATION: In accordance with South Dakota Codified Laws § 46A-2-2, § 46A-1-10, and § 46A-1-14, an Annual Report and State Water Plan is to be presented to the Legislature and Governor by the first day of the legislative session.

The Annual Report provides a brief description of activities undertaken in calendar year 2016 and includes tables detailing funding awards approved by the board throughout the year. The State Water Plan identifies the projects approved for placement on the 2017 State Water Facilities Plan and provides information on the State Water Resources Management System projects. The report also provides recommendations to the Governor and Legislature on funding levels for various water and solid waste projects, programs, and activities. The board's recommendations for State Water Resources Management System designation; funding levels for projects, programs, and activities; and a Water and Environment Fund Special Condition Statement are provided as appendices to the report.

RECOMMENDED ACTION: Approve the 2016 Annual Report and 2017 State Water Plan for distribution to the State Legislature, Governor, and other interested parties

CONTACT: Andy Bruels, 773-4216

2016 ANNUAL REPORT
~~and~~
2017 STATE WATER PLAN



South Dakota

Board of
Water and Natural Resources

DRAFT



**DEPARTMENT OF ENVIRONMENT
and NATURAL RESOURCES**

JOE FOSS BUILDING
523 EAST CAPITOL
PIERRE, SOUTH DAKOTA 57501-3182
denr.sd.gov

Governor Dennis Daugaard
and Members of the Ninety-Second
Legislative Session

As required by state law, transmitted herewith is the 2016 Annual Report/2017 State Water Plan of the Board of Water and Natural Resources (the Board). The Annual Report describes water development and waste management activities during the past year. The State Water Plan outlines the projects on the State Water Facilities Plan and State Water Resources Management System (SWRMS).

Throughout this document, you will see the on-going needs for water, wastewater, and solid waste projects statewide and how critical state assistance is to construct these projects. During the past year, the board awarded more than \$83.1 million in grant and loan funds for the planning, design, and construction of municipal drinking water, wastewater, watershed restoration, rural water, solid waste disposal, and recycling projects. These awards were a critical link in having environmental projects totaling more than \$131.6 million moving forward last year. The 2017 State Water Facilities Plan currently includes 59 projects with projected state funding needs of more than \$224.6 million.

The Department of Environment and Natural Resources (DENR) sincerely appreciates the interest and help of all who have contributed to the success of the State Water Plan. The DENR will continue to work together with the Governor, the Legislature, the Board of Water and Natural Resources and local project sponsors to make the State Water Plan the road map leading to a better environmental future for South Dakota.

Sincerely,

Steven M. Pirner, P.E.
Secretary

DRAFT

BOARD OF WATER AND NATURAL RESOURCES

BRAD JOHNSON, CHAIRMAN
Watertown
Member since 2003

GENE JONES, JR., VICE CHAIRMAN
Sioux Falls
Member since 2002

TODD BERNHARD, SECRETARY
Ft. Pierre
Member since 2010

DR. PAUL GNIRK
New Underwood
Member since 2009

PAUL GOLDHAMMER
Wall
Member since 2010

JACKIE LANNING
Brookings
Member since 2011

JERRY SOHOLT
Sioux Falls
Member since 2014

2016 LEGISLATIVE OVERSIGHT COMMITTEE

Senator Jason Frerichs
Senator Jim White
Representative Mary Duvall
Representative Steve McCleery

Wilmont
Huron
Pierre
Sisseton

DRAFT

**To
Governor Dennis Daugaard
and the
Ninety-Second Session, Legislative Assembly
2017**

**2016 ANNUAL REPORT
~~and~~
2017 STATE WATER PLAN**

Board of Water and Natural Resources

January 2017

DRAFT

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Preface

The purpose of this document is to fulfill the statutory requirements placed on the Board of Water and Natural Resources. These requirements are generally outlined as follows:

SDCL 46A-2-2. *To prepare and submit to the Governor and Legislature a yearly progress report on the State Water Plan*

SDCL 46A-1-10. *To make recommendations to the Governor and Legislature concerning projects for the State Water Resources Management System*

SDCL 46A-1-14. *To make an annual report on all activities during the preceding year and funding recommendations necessary to implement the water plan*

This report consists of two principal sections – the 2016 Annual Report and the 2017 State Water Plan. The annual report provides progress reports on each funding program and other board activities during calendar year 2016.

The water plan section sets forth the projects included on the State Water Facilities Plan and the State Water Resources Management System. A Water and Environment Fund Special Condition Statement that projects the status of the Water and Environment Fund at the end of fiscal year 2017 is included in Appendix A. A copy of the resolutions approved by the Board of Water and Natural Resources that provide recommendations to the Governor and the Legislature for the designation of projects on the State Water Resources Management System and the recommended Water and Environment Fund fiscal year 2018 appropriation levels are included in Appendix B.

2016 Annual Report

Board of Water and Natural Resources

Overview

South Dakota Codified Law 46A-1-14 requires an annual report of the Board of Water and Natural Resources (the board). The report summarizes the board's 2016 activities, including a detailed account of Water and Environment Fund grant and loan awards.

In November 2015, the board placed 25 projects on the 2016 State Water Facilities Plan. This made the projects eligible for financial assistance from a variety of federal and state sources. During the year, the board amended an additional 25 projects onto the plan.

The board awarded more than \$83.1 million in grant and loan funds to finance municipal drinking water systems, rural water systems, wastewater facilities, watershed restoration, solid waste disposal, and recycling activities. These awards resulted in more than \$131.6 million in total activity. The loan and grant funds helped provide South Dakotans with safe and dependable environmental infrastructure.

Clean Water State Revolving Fund Loan Program

In 1989, the Clean Water State Revolving Fund (SRF) loan program began providing low-interest loans to governmental entities including municipalities, sanitary districts, and other special purpose districts. The loans are used for construction of wastewater facilities, storm sewers, and nonpoint source pollution control projects. During 2016, the board approved 21 loans and one amendment totaling more than \$32.8 million (Table 1).

The base interest rates for the Clean Water SRF program were 2.25 percent for loans up to 10 years, 3.0 percent for up to 20 years, 3.25 percent for up to 30 years, and an interim financing rate of 2.0 percent for up to five years. The program's nonpoint source incentive rates are 1.25 percent for loans with a term of 10 years or less, 2.0 percent for loans with a term up to 20 years, and 2.25 percent for loans with a term up to 30 years. Projects for traditional wastewater or stormwater projects that include a nonpoint source component may receive the nonpoint source rate. The annual principal and interest payments are calculated for a loan at the higher base interest rate. Using the lower nonpoint source interest rate, a loan is sized using the annual payment previously calculated. The difference in the two loan amounts is the amount of funding available for the nonpoint source component of the project.

The federal fiscal year 2016 appropriations bill for the Clean Water SRF program included the requirements set forth in the Water Resources Reform and Development Act of 2014 along with some specific requirements for the current year. These requirements involve 1) applying Davis-Bacon wage rates to all projects awarded in fiscal year 2016; 2) requiring that not less

than 10 percent of the 2016 capitalization grant be utilized for “green” projects; 3) requiring that a portion of the capitalization grant be made available as additional subsidy; 4) requirements for American Iron and Steel products to be used for all projects awarded on or after January 17, 2014; 5) adoption of affordability criteria by the state for principal forgiveness eligibility; and 6) requirements for procurement of architectural and engineering services.

The board uses principal forgiveness as the method to provide the additional subsidy. Municipalities and sanitary districts with monthly residential wastewater rates of \$30 per month (based on 5,000 gallons usage or a flat rate) are eligible to receive principal forgiveness. Other applicants are required to have residential wastewater rates of \$40 per month (based on 5,000 gallons usage or a flat rate) to be eligible to receive principal forgiveness. Applicants must also meet the state’s affordability criteria to be eligible to receive principal forgiveness.

Table 1 – 2016 Clean Water State Revolving Fund Loan Awards

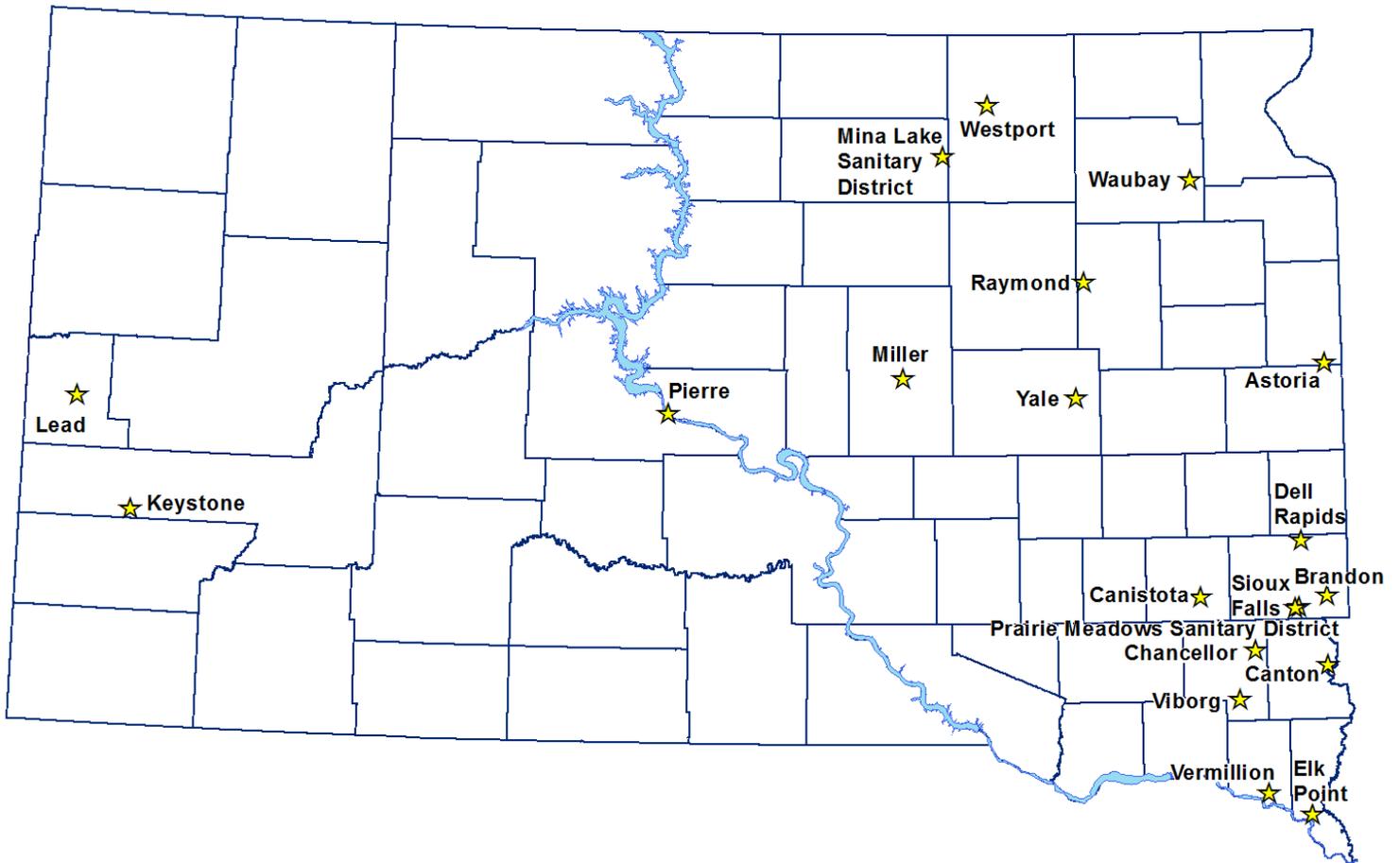
<u>Sponsor</u>	<u>Description</u>	<u>Total Award</u>	<u>Principal Forgiveness</u>	<u>Interest Rate</u>	<u>Term</u>
Astoria (CW-02)	Wastewater Treatment Facility Expansion	\$744,000	\$368,700	3.25%	30
Brandon (CW-06)	Lift Station and Force Main to Sioux Falls	\$2,598,000		3.0%	20
Canistota (CW-04)	Main Street Utility Improvements	\$378,000		3.25%	30
Canton (CW-05)	Dakota Street Utility Improvements	\$1,648,000		3.25%	30
Chancellor (CW-02)	Water Meter Replacement	\$180,000	\$90,000	2.25%	10
Dell Rapids (CW-08)	New Wastewater Treatment Facility	\$2,386,000		3.25%	30
Elk Point (CW-07)	Rose Street Utility Improvements	\$235,000		3.25%	30
Keystone (CW-01)	Wastewater System Improvements	\$431,000		3.0%	20
Lead (CW-09)	Water Meter Replacement	\$427,000		2.25%	10
Miller (CW-01)*	Wastewater Infrastructure Improvements	\$3,541,000		3.25%	30

<u>Sponsor</u>	<u>Description</u>	<u>Total Award</u>	<u>Principal Forgiveness</u>	<u>Interest Rate</u>	<u>Term</u>
Miller (CW-02)*	Stormwater Infrastructure Improvements	\$1,958,000		3.25%	30
Mina Lake Sanitary District (CW-01)	Wastewater Improvements	\$559,000		3.25%	30
Pierre (CW-07)	Wastewater Treatment Facility Improvements	\$3,821,000		3.0%	20
Pierre (CW-08)	Hilger's Gulch Sanitary Sewer	\$1,450,000		2.25%	10
Prairie Meadows Sanitary District (CW-02)	Wastewater Collection System Rehabilitation	\$588,000		3.25%	30
Raymond (CW-01)	Wastewater Improvements	\$745,000	\$745,000	0%	0
Sioux Falls (CW-37)	Basin 14D Sanitary Sewer Extension	\$8,838,000		1.25%	10
Sioux Falls (CW-37NPS)	Big Sioux Watershed Restoration	\$449,000		1.25%	10
Vermillion (CW-08)	Prentis Street Lift Station Replacement	\$812,000		3.0%	20
Viborg (CW-02)	Sanitary Sewer Replacement	\$105,000		3.25%	30
Waubay (CW-03)**	Wastewater Treatment Facility Improvements	\$390,000		3.25%	30
Westport (CW-01)	Lift Station Replacement and Storm Sewer Upgrades	\$445,000		3.25%	30
Yale (CW-02)	Wastewater Treatment Pond Rip-Rap	\$84,000		3.25%	30
		Total	\$32,812,000	\$1,203,700	

* Deobligated prior to December 31, 2016

**Amendment to prior year Clean Water SRF Award

Map 1 – Clean Water State Revolving Fund Recipients



Drinking Water State Revolving Fund Loan Program

In 1998, the Drinking Water State Revolving Fund (SRF) loan program began providing low-interest loans to nonprofit corporations and governmental entities including municipalities, sanitary districts, and other special districts for the construction of drinking water facilities. In 2016, 15 loans were approved totaling more than \$23.5 million (Table 2).

The base interest rates for the Drinking Water SRF program were 2.25 percent for terms up to 10 years, 3.0 percent for up to 20 years, 3.25 percent for up to 30 years, and an interim financing rate of 2.0 percent for up to five years.

Disadvantaged communities are eligible to receive an interest rate below the base rate. To qualify as disadvantaged, the water system's monthly residential water bill must be at least \$30 per 5,000 gallons usage for municipalities and sanitary districts or \$55 per 7,000 gallons usage for all other community water systems.

Additionally, the median household income of a disadvantaged community must be below the statewide median household income (MHI). Communities with a median household income less than the MHI but greater than 80 percent of the MHI are eligible for a 30-year term loan at 3.0 percent interest. Communities with a household income between 60 percent and 80 percent of the MHI are eligible for a 30-year term loan at 2.25 percent interest and a 10-year loan at 1.25 percent interest. An average household income less than 60 percent of the MHI is necessary to be eligible for a 30-year term loan at zero percent interest.

The federal fiscal year 2016 appropriations bills for the SRF programs extended several of the requirements set forth in the American Recovery and Reinvestment Act and subsequent SRF appropriation bills. These requirements involve 1) applying Davis-Bacon wage rates to all projects awarded in fiscal year 2016; 2) requiring that a portion of the 2016 capitalization grant be made available as additional subsidy; and 3) requirements for American Iron and Steel products to be used for all projects awarded on or after January 17, 2014.

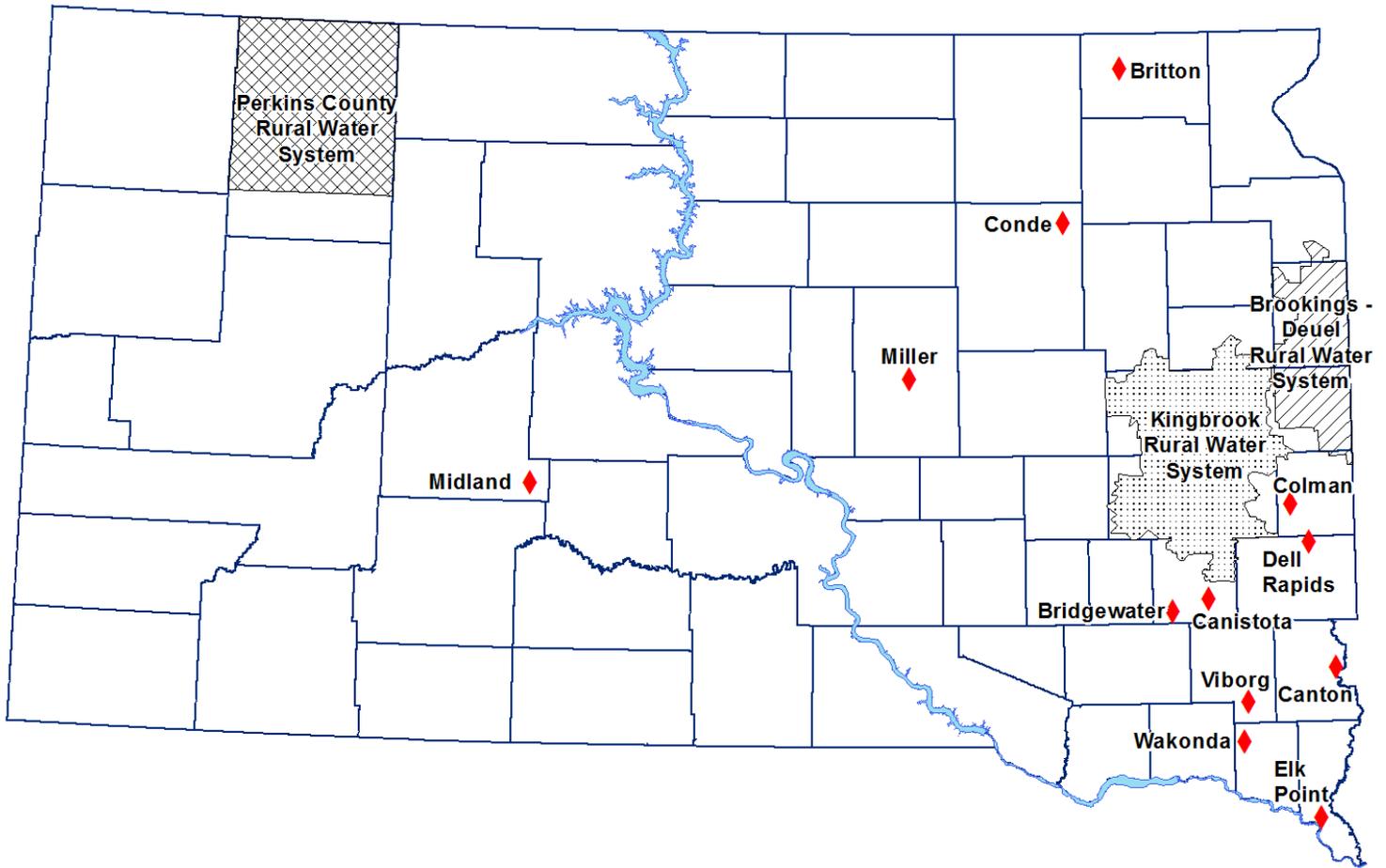
The board uses principal forgiveness as the method to provide the additional subsidy. Municipalities and sanitary districts with monthly residential water rates of \$30 per month (based on 5,000 gallons usage) are eligible to receive principal forgiveness. Other applicants are required to have residential water rates of \$55 per month (based on 7,000 gallons usage) to be eligible to receive principal forgiveness.

Table 2 – 2016 Drinking Water State Revolving Fund Loans Awards

<u>Sponsor</u>	<u>Description</u>	<u>Total Award</u>	<u>Principal Forgiveness</u>	<u>Interest Rate</u>	<u>Term</u>
Bridgewater (DW-01)	Main Street Water Distribution Improvements	\$121,000		2.25%	30
Britton (DW-02)	Water Distribution System Improvements	\$3,212,000		3.0%	30
Brookings-Deuel Rural Water System (DW-03)	Automatic Meter System	\$250,000		2.25%	10
Canistota (DW-03)	Main Street Utility Improvements	\$96,000		3.0%	30
Canton (DW-03)	Dakota Street Utility Improvements	\$760,000		3.0%	30
Colman (DW-04)	Water Mains and Tower Replacement	\$500,000		3.0%	30
Conde (DW-01)	Water Distribution and Storage Improvements	\$2,333,000	\$1,833,000	2.25%	30
Dell Rapids (DW-06)	Water Utility Improvements	\$705,000		3.25%	30

<u>Sponsor</u>	<u>Description</u>	<u>Total Award</u>	<u>Principal Forgiveness</u>	<u>Interest Rate</u>	<u>Term</u>
Elk Point (DW-06)	Rose Street Utility Improvements	\$564,000		3.25%	30
Kingbrook Rural Water System (DW-06)	Water System Improvements	\$9,000,000		3.0%	20
Midland (DW-01)	Storage Tank and Distribution System Looping	\$225,000		2.25%	30
Miller (DW-02)	Drinking Water Infrastructure Improvements	\$2,112,000	\$692,000	3.0%	30
Perkins County Rural Water System (DW-02)	Highways 12 and 73 Water Main Realignment	\$1,722,000	\$1,033,000	2.25%	30
Viborg (DW-03)	Water Distribution System Replacement	\$606,000		0%	30
Wakonda (DW-01)	Distribution System Upgrades & Water Tower Rehabilitation	\$1,378,000	\$948,000	3.00%	30
		Total	\$23,584,000	\$4,506,000	

Map 2 – Drinking Water State Revolving Fund Recipients



Consolidated Water Facilities Construction Program

The 2016 State Legislature appropriated \$5.25 million for the Consolidated Water Facilities Construction Program to provide grants and loans for water development projects on the State Water Facilities Plan. Additionally, prior year funding and reversions were available for award in 2016.

The board awarded 13 grants, 1 grant amendment and 4 loans totaling more than \$7.8 million (Table 3). The 2016 awards leveraged more than \$25.0 million in total project activities.

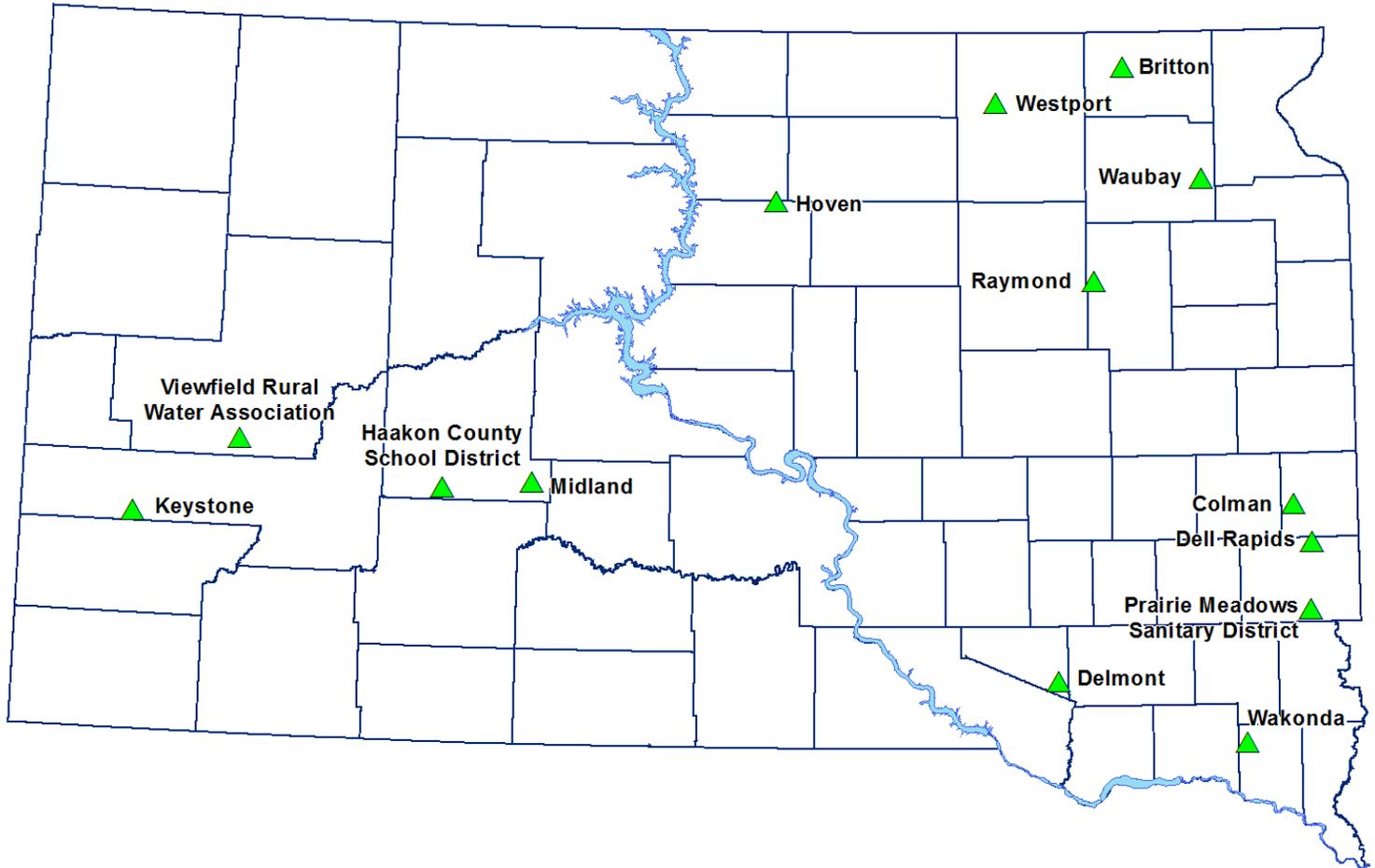
Table 3 – 2016 Consolidated Awards

<u>Sponsor</u>	<u>Description</u>	<u>Grant Amount</u>	<u>Loan Amount</u>	<u>Total Project</u>
Britton	Water Distribution System Improvements	\$1,444,000		\$4,656,000
Colman	Water Mains and Tower Replacement	\$700,000		\$1,200,000
Dell Rapids	Wastewater Utilities Improvements	\$619,000		\$1,037,000
Dell Rapids	New Wastewater Treatment Facility	\$1,540,000		\$5,758,000
Delmont	Refinancing of Drinking Water SRF loan (DW-01)	\$126,768		\$158,460
Haakon County School District*	Geothermal Wastewater Treatment System	\$80,000		\$747,000
Hoven	Highway 47 Utilities Replacement		\$50,000	\$403,000
James River WDD	South Central Watershed Implementation	\$275,000		\$1,833,333
Keystone	Well Retrofit Project		\$98,000	\$98,000
Midland**	Storage Tank and Distribution System Looping	\$275,000		\$715,000
Prairie Meadows Sanitary District	Wastewater Collection System Rehabilitation	\$800,000		\$1,388,000
Raymond	Wastewater Improvements	\$65,000	\$90,000	\$900,000
Viewfield Rural Water Association Inc.	Water Treatment Improvements	\$200,000	\$50,000	\$250,000
Wakonda	Distribution System Upgrades & Water Tower Rehabilitation	\$552,000		\$1,930,000
Waubay	Wastewater Treatment Facility Improvements	\$700,000		\$3,344,400
Westport	Lift Station Replacement and Storm Sewer Upgrades	\$172,000		\$617,000
Totals		\$7,548,768	\$288,000	\$25,035,193

* Amendment to prior year Consolidated award

**Rescinded prior to December 31, 2016

Map 3 – Consolidated Program Grant/Loan Recipients



State Revolving Fund Programs – Grant Assistance

In 2016, the board allocated additional funds under both the Clean Water and Drinking Water state revolving fund programs for planning, technical assistance, construction activities, and management of the regulatory Public Water System Supervision program. The board’s 2016 intended use plans approved the use of \$6,341,240 in Clean Water and Drinking Water funds for grants (Table 4).

Table 4 – 2016 State Revolving Fund Grant Allocations

<u>Activity</u>	<u>Source</u>	<u>Amount</u>
Wastewater Facility Grants	Build America Bonds Federal Subsidy Payments (CW BABS)	\$2,750,000

<u>Activity</u>	<u>Source</u>	<u>Amount</u>
Drinking Water Facility Grants	Build America Bonds Federal Subsidy Payments (DW BABS)	\$1,250,000
Water Quality Grants	Clean Water SRF Admin Surcharge (CWSRF WQ)	\$1,300,000
Public Water System Supervision Program	Drinking Water SRF Set-Aside	\$600,000
Small System Technical Assistance Grants	Drinking Water SRF Set-Aside	\$166,240
SRF Application Preparation and Administration	Clean Water SRF & Drinking Water SRF Admin Surcharge	\$200,000
Drinking Water Operator Certification Training	Drinking Water SRF Admin Surcharge	\$75,000
Total		\$6,341,240

During 2016, the board approved 40 Water Quality or Technical Assistance awards totaling more than \$7.88 million (Table 5). The narrative sections below describe the general categories of the state revolving fund programs assistance and provide updates for on-going activities supported by this funding.

Wastewater and Drinking Water Facility Grants: The board provided additional grant assistance from Build America Bond Federal subsidy payments to supplement the Consolidated and Water Quality Construction grant awards. The Series 2010A bonds that were issued by the board for the State Revolving fund programs in December 2010 were designated as Build America Bonds. As a result the board receives subsidy payments from the U.S. Treasury equal to 35% of the interest payable on its Series 2010A Bonds. The construction of wastewater, drinking water and stormwater facilities projects are eligible uses for these funds, and their use allows additional projects to be completed.

Water Quality Watershed/Construction Grants: The board provided additional grant assistance from Clean Water Administrative Surcharge fees to supplement the Consolidated and Section 319 grant awards. The construction of wastewater treatment, collection, or conveyance projects and watershed restoration projects are eligible uses for these fees, and its use allows additional projects to be completed.

Water Quality Planning Grants: The Small Community Planning Grant Program was established to encourage proactive planning by small communities and systems. Grants are available for the preparation of a wastewater or stormwater engineering study or rate analysis for systems serving populations of 2,500 or less. For engineering studies, participating systems are

reimbursed 80 percent of the cost, up to \$10,000. For wastewater utility rate analysis reviews, participating systems are reimbursed 80 percent of the cost, up to \$1,600.

Public Water System Supervision Program: Insufficient federal funds have been allocated from the Performance Partnership Grant for South Dakota's Public Water System Supervision (PWSS) program to complete all tasks and activities identified in DENR's workplan with EPA. The PWSS program is managed by DENR's Drinking Water program and ensures all public water systems in the state are maintaining compliance with the requirements of the Safe Drinking Water Act. A total of \$400,000 was allocated from the State Program Management set-aside in federal fiscal year 2016. The required dollar-for-dollar match for the set-aside funds will be provided from \$200,000 in DWSRF administrative surcharge fees and \$200,000 in PWSS fees.

Technical Assistance Grants: Small Community Planning Grants are also available for the preparation of a drinking water engineering study or rate analysis for systems serving populations of 2,500 or less. Participating systems are reimbursed 80 percent of the cost, up to \$8,000, for engineering studies. For drinking water utility rate analysis reviews, participating systems are reimbursed 80 percent of the cost, up to \$1,600.

The board continued its technical assistance contract with the South Dakota Association of Rural Water Systems (Rural Water) in 2016. Rural Water provides assistance to small drinking water systems serving populations of 10,000 or less with compliance, permitting, and operational issues. In 2016, the Midwest Assistance Program conducted capacity assessments and follow-up reviews to assist the department in ensuring that all borrowers demonstrate the required technical, financial, or managerial capacity to access Drinking Water SRF loan assistance.

In 2016, the board provided \$75,000 for operator certification training. These funds are provided to South Dakota Association of Rural Water Systems and used for operator certification training of drinking water system operators. During state fiscal year 2016, 476 operators were provided training.

The board continued to offer grants to assist very small systems in violation of the Safe Drinking Water Act, excluding the Total Coliform Rule, to come into compliance. These funds will be limited to community systems with 50 or less connections and not-for-profit, non-transient, non-community water systems. Funds will be provided for infrastructure projects as 100 percent grants up to a maximum of \$50,000 and for total project costs less than \$100,000. No very small system compliance grants were awarded in 2016.

The board continued to provide assistance to the state's six planning districts for preparation of applications and ongoing loan administration activities to include Davis-Bacon wage rate compliance. The planning districts all received new joint powers agreements to receive up to \$9,000 per loan for application and loan administration duties and up to \$1,100 per loan for Davis-Bacon wage rate compliance. An additional \$2,075,900 was placed under agreement with the planning districts in 2016.

In 2016, East Dakota Water Development District (EDWDD) continued its work with the South Dakota Association of Rural Water Systems and the South Dakota Geological Survey to reassess and update existing well head protection areas previously delineated for public water supply well fields utilizing shallow aquifers. The study area includes the ten counties in the EDWDD, Marshall County, and Clay County. The project will collect current data on all functioning well fields, install observation wells as needed and collect current water table elevation information, update the well head protection area delineations to reflect current conditions, and promote the adoption/updating of local groundwater protection ordinances by the individual counties.

Table 5 – 2016 State Revolving Fund Programs Grant Awards
Watershed /Wastewater and Drinking Water Construction Grant Awards

<u>Sponsor</u>	<u>Project</u>	<u>Grant Amount</u>	<u>Source of Funds</u>
Dell Rapids	Wastewater Utilities Improvements	\$418,000	CW BABS
Dell Rapids	New Wastewater Treatment Facility	\$1,832,000	CW BABS
Emery	Watermain Replacement	\$1,250,000	DW BABS
Faulkton	Wastewater System Improvements	\$500,000	CW BABS
James River Water Development District	South Central Watershed Implementation	\$93,000	CWSRF WQ
Miller	Wastewater Infrastructure Improvements	\$1,000,000	CWSRF WQ
Yale	Wastewater Treatment Pond Rip-Rap	\$243,000	CWSRF WQ
	Total	\$5,336,000	

Map 4 –Watershed/Construction Grant Recipients

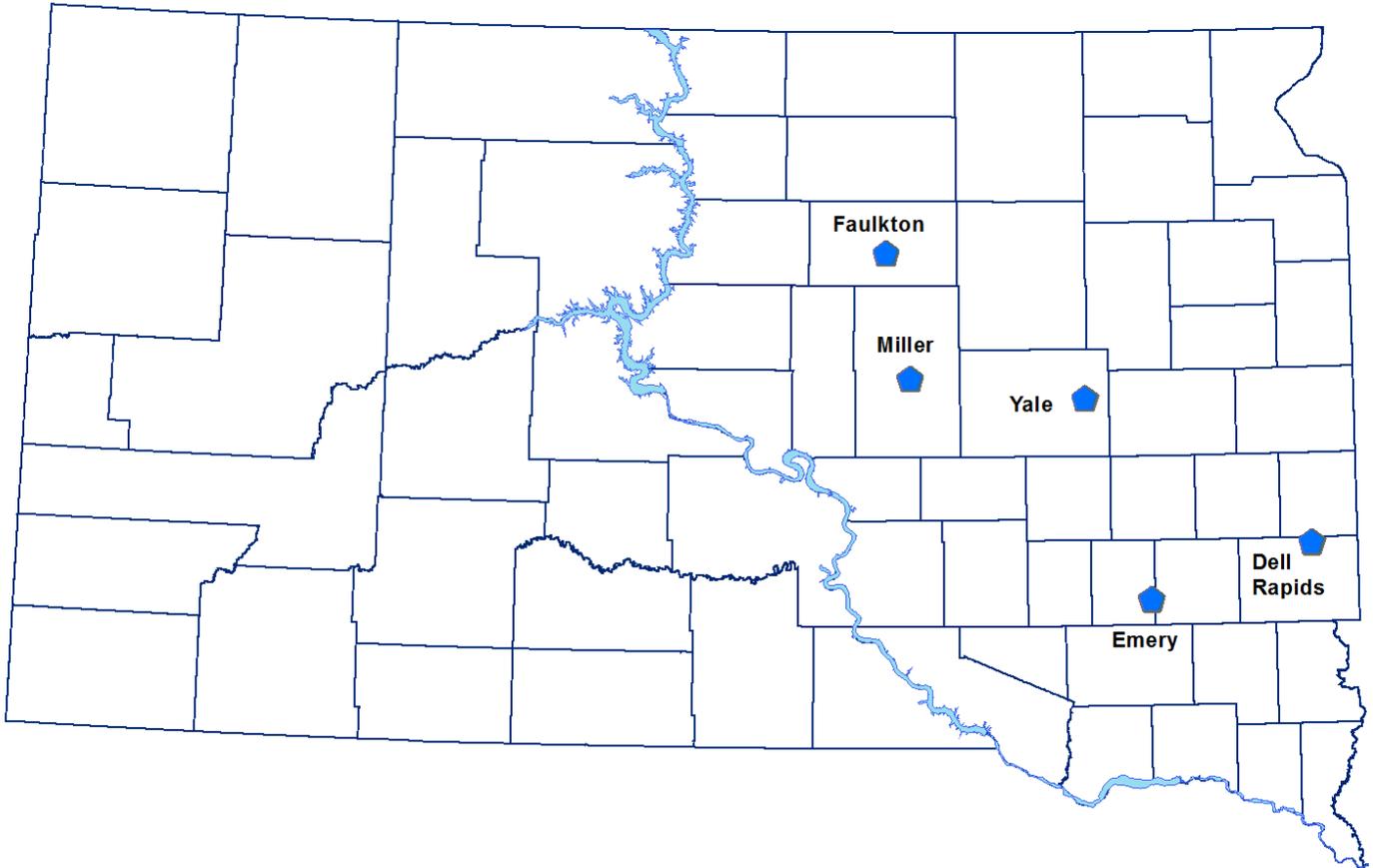


Table 5 (continued)

Small Community Planning Grant Awards

<u>Sponsor</u>	<u>Project</u>	<u>Grant Amount</u>
Blunt	Storm Water Management Study	\$10,000
Blunt	Wastewater System Improvements Study	\$7,120
Bradley	Drinking Water System Improvements Study	\$8,000
Burke	Wastewater System Improvements Study	\$10,000
Burke	Drinking Water System Improvements Study	\$8,000
Canova	Drinking Water System Improvements Study	\$8,000

<u>Sponsor</u>	<u>Project</u>	<u>Grant Amount</u>
Chester Sanitary District	Drinking Water System Improvements Study	\$8,000
Colton	Wastewater System Improvements Study	\$10,000
Colton	Storm Water Management Study	\$10,000
Colton	Drinking Water System Improvements Study	\$8,000
Crooks	Drinking Water and Wastewater Systems Improvements Study	\$17,600
Fort Pierre	Wastewater System Improvements Study	\$10,000
Frederick	Wastewater System Improvements Study	\$10,000
Hitchcock	Wastewater and Storm Water Systems Improvements Study	\$20,000
Lake Norden	Wastewater System Improvements Study	\$10,000
Lake Preston	Wastewater System Improvements Study	\$10,000
McIntosh	Wastewater System Improvements Study	\$10,000
McIntosh	Drinking Water System Improvements Study	\$8,000
Pine Cliff Park Water and Maintenance, Inc.	Drinking Water System Improvements Study	\$3,600
Presho	Storm Water Management Study	\$10,000
Redfield	Wastewater System Improvements Study	\$10,000
Redfield	Drinking Water System Improvements Study	\$8,000
Volga	Wastewater System Improvements Study	\$10,000
	Total	\$224,320

Table 5 (continued)*Technical Assistance Awards*

<u>Sponsor</u>	<u>Project</u>	<u>Award</u>
Black Hills Council of Local Governments	Preparation of SRF Applications, Project Administration and Davis-Bacon Wage Rate Monitoring	\$291,000
Central South Dakota Enhancement District*	Amendment to SRF Application, Project Administration and Davis-Bacon Wage Rate Monitoring	\$39,900
Central South Dakota Enhancement District	Preparation of SRF Applications, Project Administration and Davis-Bacon Wage Rate Monitoring	\$219,000
Department of Environment and Natural Resources	Drinking Water Operator Certification Training	\$75,000
First District Association of Local Governments	Preparation of SRF Applications, Project Administration and Davis-Bacon Wage Rate Monitoring	\$243,000
Midwest Assistance Program	Small Systems Capacity Assessments	\$49,700
Northeast Council of Governments	Preparation of SRF Applications, Project Administration and Davis-Bacon Wage Rate Monitoring	\$379,000
Planning & Development District III	Preparation of SRF Applications, Project Administration and Davis-Bacon Wage Rate Monitoring	\$315,000
SD Association of Rural Water Systems	Small System Technical Assistance	\$120,000
South Eastern Council of Governments	Preparation of SRF Applications, Project Administration and Davis-Bacon Wage Rate Monitoring	\$589,000
Total		\$2,320,600

* Amendment to prior year Technical Assistance award.

State Water Resources Management System

On February 18, 2016, Governor Dugaard signed the 2016 Omnibus Bill (Senate Bill 68) which appropriated \$2,036,375 million for the Sioux Falls Flood Control project, \$750,000 for Big Sioux Basin Hydrologic and Hydraulic Model development and \$225,125 for the Big Sioux Flood Control study in the Watertown vicinity, which are projects on the State Water Resources Management System (SWRMS) list. Information on individual SWRMS project accomplishments and activities is provided in the State Water Plan section (pages 38-53). During the year, the board placed the following amounts under agreement (Table 6).

Table 6 – 2016 State Water Resources Management System Awards

<u>Sponsor</u>	<u>Project</u>	<u>Amount</u>	<u>Type</u>
City of Sioux Falls	Sioux Falls Flood Control	\$2,036,375	Grant
Department of Environment and Natural Resources	Big Sioux Basin Hydrologic Model	\$750,000	Grant
City of Watertown	Big Sioux Flood Control Study – Watertown Vicinity	\$225,125	Grant
		Total	
		\$3,011,500	

Watershed Protection – EPA Section 319 Grants

The South Dakota Watershed Protection Program is designed to assess nonpoint water pollution sources and to reduce or eliminate their impact on water quality throughout the state. Nonpoint source refers to the polluted run-off from urban, agriculture, and forest lands. The program provides technical and financial assistance to local watershed project sponsors in the planning and management of assessment and implementation projects. Additionally, the program administers state and federal grants, monitors the effectiveness of implementation projects, and funds information and education activities. Applications for Section 319 grants must be approved by the board prior to submission to EPA. In 2016, the board recommended that EPA award \$1.864 million in federal fiscal year 2016 funding to watershed projects (Table 7).

Table 7 - 2016 EPA Section 319 Grants

<u>Sponsor</u>	<u>Project</u>	<u>Amount</u>	<u>Total Project</u>
Belle Fourche Watershed Partnership*	Belle Fourche River Watershed Implementation	\$400,000	\$3,546,900
South Dakota Discovery Center*	South Dakota Non-Point Source Information and Education	\$86,700	\$561,166
James River Water Development District	South Central Watershed Implementation	\$988,335	\$7,634,618
South Dakota State University	Bacteria in Sediment Study	\$188,965	\$314,942
Watertown	Upper Big Sioux River Watershed Implementation	\$200,000	\$823,070
		Total	
		\$1,864,000	\$12,880,696

<u>Sponsor</u>	<u>Project</u>	<u>Amount</u>	<u>Total Project</u>
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* Amendment to prior year 319 award

Throughout the year, the department works with EPA to reallocate deobligated prior year funds. Table 8 contains a list of grants that were awarded to existing project sponsors during the calendar year 2016.

Table 8 - 2016 EPA Section 319 Grant Amendments

<u>Sponsor</u>	<u>Project</u>	<u>Amount</u>	<u>Total Project</u>
Day Conservation District	Northeast Glacial Lakes Watershed Protection	\$100,000	\$1,180,070
James River Water Development District	Lewis & Clark Implementation	\$150,000	\$3,069,160
Pennington County	Spring Creek Watershed Implementation	\$99,480	\$397,000
Total		\$349,480	\$4,646,230

Solid Waste Management Program

The 2016 State Legislature appropriated \$2,400,000 for the Solid Waste Management Program (SWMP). These appropriations, combined with reverted and unobligated prior year funding, resulted in more than \$3.64 million being available for grants and loans for recycling, waste tire, and solid waste disposal projects.

These programs are supported by three funding sources – a \$0.75 per ton landfill surcharge on municipal solid waste, a \$0.25 per tire vehicle registration fee, and principal and interest payments from past solid waste loan awards. On February 18, 2016, Governor Daugaard signed Senate Bill 68. Section 5 of the bill amended SDCL 34A-6-85 to delete the waste tire preference and limitations and the preference for landfill projects with volume based fees and to replace the requirement to award a minimum of fifty percent of solid waste fees for recycling with a general preference for grant and loan awards to recycling projects.

The board awarded thirteen grants, two loans and one loan amendment in 2016, totaling more than \$2.3 million (Table 9). Of these awards, two were for recycling and twelve were for solid waste disposal. SWMP awards helped leverage more than \$3.5 million in total project activities.

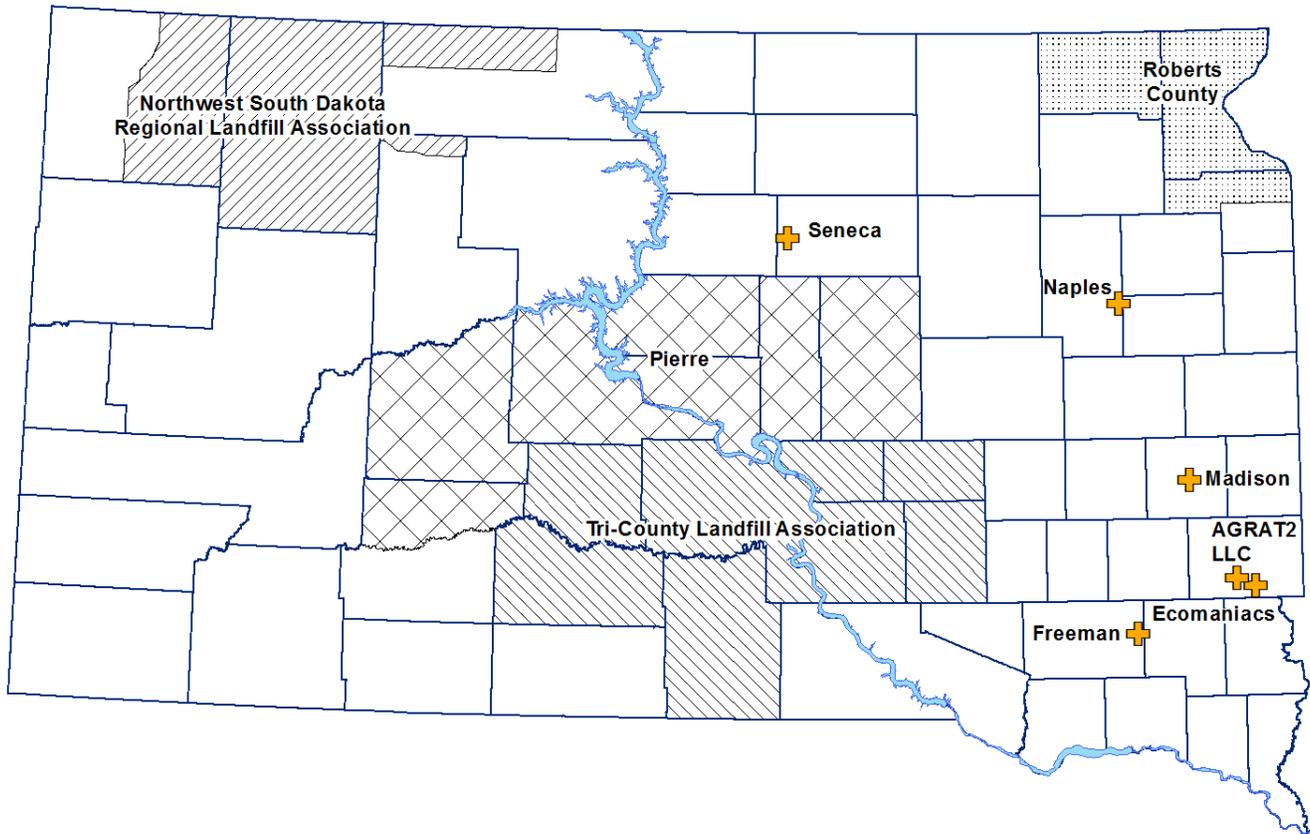
Table 9 - 2016 Solid Waste Management and Regional Landfill Assistance Awards

<i>Disposal</i>				
<u>Sponsor</u>	<u>Description</u>	<u>Loan Amount</u>	<u>Grant Amount</u>	<u>Total Project</u>
DENR	Waste Tire and Other Solid Waste Cleanups 100% Grant Funds		\$250,000	\$250,000
DENR	Waste Tire and Other Solid Waste Cleanups 80% Grant Funds		\$400,000	\$500,000
Freeman	Restricted Use Facility Expansion Project		\$100,000	\$319,384
Madison	Restricted Use Site Expansion		\$17,000	\$84,784
Naples	Dump Site Clean-up and Remediation		\$23,840	\$29,800
Northwest South Dakota Regional Landfill Association	Construction of Landfill Cell #3	\$315,200	\$472,800	\$788,000
Pierre*	Landfill Baler Replacement	\$250,000		\$825,000
Roberts County	Construction of Waste Cell #2		\$75,000	\$270,833
SD Solid Waste Management Association	Manager of Landfill Operations Training		\$39,000	\$48,000
SD Solid Waste Management Association	Joint Solid Waste Management Conference Funding		\$15,000	\$58,000
Seneca	Dump Site Clean-up and Remediation		\$23,900	\$29,880
Tri-County Landfill Association	Geothermal Piping System for Storage Building Heat		\$3,630	\$18,150
Total		\$565,200	\$1,420,170	\$3,221,831

* Amendment to prior year SWMP loan award

<i>Recycling</i>				
<u>Sponsor</u>	<u>Description</u>	<u>Loan Amount</u>	<u>Grant Amount</u>	<u>Total Project</u>
AGRAT2 LLC	Mattress and Box Spring Recycling Expansion	\$209,300	\$112,700	\$322,000
Ecomaniacs	Recycling Education Equipment		\$4,000	\$7,000
Total		\$209,300	\$116,700	\$329,000

Map 5 - Solid Waste Management Program Grant/Loan Recipients



Brownfields Revitalization and Economic Development Program

The 2003 South Dakota Legislature followed the federal Brownfields Act and established a state Brownfields Revitalization and Economic Development Program within the Department of Environment and Natural Resources (the department). The purpose of the Brownfields program is to complete environmental assessments and cleanups so that local governments can put contaminated lands back into productive, beneficial use and complete projects that are necessary to revitalize local economies. The 2003 bill created two subfunds: a Brownfields revolving loan subfund and a Brownfields assessment and cleanup subfund. The board approves annual work plans for both subfunds. The department agreed to use existing staff to administer this program.

While the department has made application for federal funding, the U.S. Environmental Protection Agency has not awarded South Dakota any federal funds for the Brownfields revolving loan subfund. Therefore, there has been no activity in this subfund. EPA has advised the department that until potential applicants are identified, the department will not be eligible for federal revolving loan funds.

The department has used both federal Brownfields grants and federal Leaking Underground Storage Tank Trust Funds to complete environmental assessments and cleanups of Brownfields projects statewide. Projects are limited by federal Brownfields law to \$200,000 for assessment and \$200,000 for clean up unless a waiver is granted by EPA. Brownfields projects are nominated by local project sponsors and approved by the board. Table 10 contains a list of all the Brownfields projects approved by the board in calendar year 2016. The Brownfields process is an extremely useful tool to help assess and clean up contaminated lands statewide and move forward with economic development projects that are a high local priority.

Table 10 - 2016 Brownfields Assessment and Cleanup Projects

<u>Applicant</u>	<u>Site Name and Location</u>	<u>Activity</u>	<u>Land After Clean Up</u>	<u>Amount*</u>
Brandon	Peterson Property	Assessment	Public	\$30,333
Charles Mix County	Former Mercantile Building, Wagner	Assessment	Private	\$3,575
Highmore	Hyde County Auditorium	Assessment	Public	\$3,169
Madison Economic Development	Former Wenk Foods	Assessment	Public	\$21,788
Northern State University	Former Madison Community Hospital	Assessment	Public	\$16,499
Volga Economic Development Corp.	Former Volga Power Plant	Assessment	Public	\$20,371
			Total	\$95,735

* Accumulative costs as of September 30, 2016

2016 State Water Development Legislation

On February 18, 2016, Governor Dugaard signed Senate Bill 68, the Omnibus Water Funding Bill. The 2016 Omnibus Bill contained the following appropriations:

Appropriations from the Water and Environment Fund

- Sioux Falls Flood Control – \$2,036,375 grant to complete the state’s cost share commitment for one half of the nonfederal costs of the project. Construction of flood control infrastructure to remove 1,200 homes from the floodplain in Sioux Falls;

- Big Sioux River Basin Hydrologic Model - \$750,000 grant to provide funding for the department to hire a consultant to develop a hydrologic model for the Big Sioux River basin to help predict impacts of potential future flood events;
- Big Sioux Flood Control Study – \$225,125 grant to provide one half of the nonfederal costs for an update to the US Army Corps of Engineers study for flood control in the Watertown area;
- Consolidated Water Facilities Construction Program – \$5,250,000 to provide grants and loans for community drinking water, wastewater, and watershed improvement projects;
- Solid Waste Management Program – \$2,400,000 to provide grants and loans for recycling, solid waste disposal, and waste tire projects.

Appropriations from WEF Subfunds and Other Sources

- Section 8 of the bill appropriated \$1,300,000 from the Clean Water State Revolving Fund program subfund for the purpose of providing water quality grants;
- Section 9 of the bill appropriated \$150,000 from the Clean Water State Revolving Fund program subfund for the preparation of loan applications and administration of loans;
- Section 10 of the bill appropriated \$50,000 from the Drinking Water State Revolving Fund program subfund for the preparation of loan applications and administration of loans;
- Section 11 of the bill appropriated \$150,000 from the Drinking Water State Revolving Fund program subfund for small system technical assistance grants;
- Section 12 of the bill appropriated \$2,750,000 from the Clean Water State Revolving Fund program subfund using Build America Bond subsidy payments for the purpose of providing wastewater facility grants;
- Section 13 of the bill appropriated \$1,250,000 from the Drinking Water State Revolving Fund program subfund using Build America Bond subsidy payments for the purpose of providing drinking water facility grants.

Section 5 of the bill amended SDCL 34A-6-85 to delete the waste tire preference and limitations and the preference for landfill projects with volume based fees and to replace the requirement to award a minimum of fifty percent of solid waste fees for recycling with a general preference for grant and loan awards to recycling projects.

Section 6 of the bill amended SDCL 46A-1-67 to provide for Water and Environment Fund loan terms of up to forty years for construction loans, for the useful life of the equipment for equipment loans, or seven years for other purposes.

2017 State Water Plan

2017 State Water Plan

Overview

The 1972 State Legislature established the State Water Plan to ensure the optimum overall benefits of the state's water resources for the general health, welfare, safety, and economic well-being of the people of South Dakota through the conservation, development, management, and use of those resources. The Legislature placed the responsibility for this plan with the Board of Water and Natural Resources (the board).

The State Water Plan, as established in SDCL 46A-1-2, consists of two components – the State Water Facilities Plan and the State Water Resources Management System. To be considered for the State Water Facilities Plan, projects must meet criteria established by the board. These eligibility criteria are used as guidelines by the board and the Department of Environment and Natural Resources (the department) when considering a project for inclusion on the State Water Facilities Plan. Additions to or deletions from the State Water Resources Management System can only be made by the State Legislature.

State Water Facilities Plan

The State Water Facilities Plan (Facilities Plan) is a list of potential water projects. The Facilities Plan includes projects such as rural, municipal, and industrial water supply, wastewater collection and treatment facilities, storm sewers, groundwater protection, and watershed restoration. The board is responsible for approving the placement of projects on the Facilities Plan. The board can provide direct assistance to projects on the plan and placement on the plan may influence federal and other state agency funding decisions.

In November 2016, the board considered 34 applications requesting placement on the State Water Plan. The board placed 34 projects on the Facilities Plan, bringing the total number of projects on the 2017 State Water Facilities Plan to 176 (Table 11 and Table 12).

The projects in Table 11 have received either partial or full funding. Projects that have received funding from the board remain on the Facilities Plan until project completion and remain eligible to request additional funding.

The projects in Table 12 have not received funding as of December 31, 2016. Projects placed on the plan in November 2015 or that were amended onto the plan during calendar year 2016 remain on the Facilities Plan through December 2017. The 34 projects placed on the plan in November 2016 remain on the Facilities Plan through December 2018.

Additional projects may be placed on the Facilities Plan during the year. Projects placed on the Facilities Plan through the amendment process remain on the plan for the balance of the calendar year and the following year. Once a project is removed from the Facilities Plan, the project sponsor must submit a new state water plan application to be eligible to seek assistance.

Table 11 - 2017 State Water Facilities Plan Funded Projects

<u>Sponsor</u>	<u>Project Description</u>	<u>Amount Funded</u>	<u>Total Project</u>
Andover	Wastewater Treatment Facility Improvements	\$305,000	\$305,000
Astoria	Wastewater Treatment Facility Expansion & Diversion Channel Rehabilitation	\$744,000	\$744,000
Beresford	SD Highway 46 Water Improvements	\$605,000	\$605,000
Beresford	SD Highway 46 Wastewater Improvements	\$745,000	\$745,000
Big Sioux Community Water System	Water Meters	\$900,000	\$900,000
Big Sioux Community Water System	Connection to Minnehaha Community Water Corporation and the City of Madison	\$3,014,000	\$3,014,700
Bison	Wastewater Treatment and Sanitary Sewer Collection	\$419,000	\$419,000
Box Elder	Ghere Reservoir and Well Project	\$3,562,950	\$3,562,950
Brandon	Drinking Water System Improvements	\$12,425,000	\$12,425,000
Brandon	Lift Station to Sioux Falls	\$2,598,000	\$2,598,000
Bridgewater	Main Street Water Distribution Improvements	\$121,000	\$121,000
Bristol	Wastewater and Storm Sewer Improvements	\$1,343,000	\$1,343,000
Bristol	Water Improvements	\$1,979,000	\$1,979,000
Britton	Wastewater Collection Improvements	\$2,500,000	\$2,500,000
Britton	Water Distribution System Improvements	\$4,656,000	\$4,656,000
Brookings	Wastewater Treatment System Improvements	\$30,600,000	\$30,600,000

<u>Sponsor</u>	<u>Project Description</u>	<u>Amount Funded</u>	<u>Total Project</u>
Brookings-Deuel Rural Water System	Automatic Meter System	\$250,000	\$250,000
Buffalo	Water Distribution System Improvements	\$1,695,000	\$1,695,000
Canistota	Main Street Wastewater Improvements	\$378,000	\$378,000
Canistota	Main Street Water Improvements	\$96,000	\$96,000
Canton	Well Replacement Project	\$1,550,000	\$1,550,000
Canton	Dakota Street Wastewater Improvements	\$1,648,000	\$1,648,000
Canton	Dakota Street Water Improvements	\$760,000	\$760,000
Cavour	Wastewater Improvements	\$795,000	\$845,000
Chancellor	Sanitary Sewer Improvements	\$574,000	\$574,000
Chancellor	Water Meter Replacement	\$180,000	\$180,000
Clark	Total Retention Wastewater Treatment Facility Construction	\$6,485,000	\$7,000,000
Clear Lake	Sanitary Sewer Line Improvements	\$700,000	\$3,200,000
Colman	Phase 2 - Sewer Line Replacement	\$1,800,000	\$1,800,000
Colman	Phase 2 and 3 - Water Mains and Tower Replacement	\$2,800,000	\$2,800,000
Conde	Water Distribution and Storage Improvements	\$2,333,000	\$2,333,000
Day Conservation District	Northeast Glacial Lakes Implementation	\$115,000	\$1,585,420
Dell Rapids	Sequencing Batch Reactor Wastewater Treatment Facility Construction	\$5,758,000	\$5,758,000
Dell Rapids	2016 Wastewater Improvements	\$1,037,000	\$1,037,000
Dell Rapids	2016 Water Improvements	\$705,000	\$705,000
Dimock	Wastewater Improvements	\$528,000	\$568,000
Dupree	Wastewater Treatment and Lift Station Improvements	\$240,000	\$1,117,450

<u>Sponsor</u>	<u>Project Description</u>	<u>Amount Funded</u>	<u>Total Project</u>
Eagle Butte	Willow Street Water System Improvements	\$250,000	\$490,000
Eagle Butte	Sanitary and Storm Sewer Improvements	\$2,410,000	\$2,410,000
Eagle Butte	Water Distribution System Improvements	\$725,000	\$725,000
Edgemont	Water System Upgrades	\$3,890,000	\$3,890,000
Elk Point	Rose Street Wastewater Improvements	\$235,000	\$235,000
Elk Point	Rose Street Water Improvements	\$564,000	\$564,000
Emery	Citywide Wastewater Collection Replacement	\$3,084,000	\$3,084,000
Emery	Citywide Watermain Replacement	\$2,355,000	\$2,355,000
Ethan	Water Meter Project	\$178,000	\$178,000
Faulkton	Wastewater System Improvements	\$500,000	\$5,151,000
Florence	Water System Improvements	\$2,255,000	\$2,355,000
Grant-Roberts Rural Water System	Milbank Service Area Improvements	\$4,500,000	\$4,500,000
Haakon County School District	Geothermal Wastewater Treatment System	\$597,600	\$747,000
Harrisburg	Wastewater Regionalization Development Charge	\$3,177,000	\$3,677,000
Hisega Meadows Water, Inc.	Acquisition of and Improvements to Water System	\$546,000	\$546,000
Hoven	Highway 47 Wastewater Replacement	\$656,000	\$656,000
Hoven	Highway 47 Water Replacement	\$403,000	\$403,000
Howard	Wastewater Televising and Lagoon Expansion	\$979,000	\$1,764,000
Humboldt	Wastewater Collection Improvements	\$2,086,000	\$2,086,000
Irene	Wastewater Improvements	\$1,656,000	\$1,913,500
Irene	Water Improvements	\$1,546,000	\$1,546,000

<u>Sponsor</u>	<u>Project Description</u>	<u>Amount Funded</u>	<u>Total Project</u>
James River Water Development District	South Central Watershed Implementation	\$275,000	\$1,833,333
Kennebec	Wastewater Collection and Treatment Improvements	\$1,160,000	\$1,160,000
Keystone	Wastewater System Improvements	\$431,000	\$431,000
Keystone	Well Retrofit Project	\$98,000	\$98,000
Kingbrook Rural Water System	Water Service to Sinai	\$1,290,000	\$1,569,000
Kingbrook Rural Water System	2017 Water System Improvements	\$9,000,000	\$9,000,000
Lake Madison Sanitary District	Lift Station and Forcemain Replacement	\$428,000	\$428,000
Lake Poinsett Sanitary District	Wastewater Collection and Treatment Expansion	\$3,729,000	\$3,729,000
Lead	Sewer Separation and Replacement	\$937,000	\$937,000
Lead	Water Replacement	\$939,000	\$939,000
Lead	Water Meter Replacement	\$427,000	\$427,000
Lennox	2016 Storm and Sanitary Sewer Improvements	\$2,433,000	\$2,733,000
Lesterville	Water Meter Replacement	\$53,000	\$53,000
Letcher	Collection System Replacement and Lagoon Riprap	\$775,000	\$775,000
Mid-Dakota Rural Water System	Automatic Meter Reading Project	\$2,535,000	\$2,535,000
Midland	Ground Storage and Looping	\$225,000	\$715,000
Miller	2016 Wastewater Infrastructure Improvements	\$1,000,000	\$4,541,000
Miller	2016 Water Infrastructure Improvements	\$2,112,000	\$2,112,000
Miller	Wastewater Improvements	\$242,000	\$242,041
Mina Lake Sanitary District	Wastewater Improvements	\$559,000	\$559,000

<u>Sponsor</u>	<u>Project Description</u>	<u>Amount Funded</u>	<u>Total Project</u>
Minnehaha Community Water Corporation	Connection to Big Sioux Community Water System and the City of Madison	\$900,000	\$1,800,000
Mobridge	Wastewater Treatment Facility Improvements	\$1,475,000	\$1,475,000
Onida	Water System Improvements	\$1,805,000	\$2,305,000
Perkins County Rural Water System	Highways 12 and 73 Water Main Realignment	\$1,722,000	\$1,722,000
Pierre	2016 Wastewater Treatment Facility Improvements	\$3,821,000	\$3,821,000
Pierre	Hilger's Gulch Sanitary Sewer	\$1,450,000	\$1,450,000
Powder House Pass Community Improvement District	Wastewater Treatment and Collection System Construction	\$2,575,218	\$2,575,218
Prairie Meadows Sanitary District	Wastewater Collection System Rehabilitation	\$1,388,000	\$1,388,000
Pukwana	Water Meter Project	\$227,000	\$227,000
Rapid City	East Rapid City Water Expansion	\$5,626,000	\$7,126,000
Rapid City	Canyon Lake Sediment Removal	\$155,000	\$415,000
Raymond	Wastewater Collection Improvements	\$900,000	\$900,000
Sinai	Total Retention Treatment Facility	\$1,500,000	\$1,500,000
Sioux Falls	Brandon Road Lift Station Parallel Force Main	\$11,979,457	\$11,979,457
Sioux Falls	Outfall Sewer Replacement	\$26,060,000	\$26,060,000
Sioux Falls	Basin 14D Sanitary Sewer Extension	\$9,287,000	\$9,287,000
Sioux Falls	East Side Sanitary Sewer System Improvements	\$20,108,000	\$21,608,000
Sioux Falls	Sioux River South Interceptor Phase 2	\$12,464,000	\$12,464,000
Sioux Falls	Sioux River South Interceptor Phase 1	\$14,711,614	\$14,711,614
Sioux Rural Water System	Water System Improvements and System Expansion	\$4,515,000	\$4,564,600
Tabor	Water System Improvements	\$1,530,000	\$1,530,000

<u>Sponsor</u>	<u>Project Description</u>	<u>Amount Funded</u>	<u>Total Project</u>
TC&G Water Association	Water System Improvements	\$1,600,000	\$2,100,000
Tripp County Water User District	Internal Improvements and Expansion	\$11,750,000	\$11,750,000
Turton	Wastewater Improvements	\$596,000	\$596,000
Tyndall	Water Distribution and Storage Upgrades	\$1,570,000	\$1,570,000
Vermillion	Prentis Street Lift Station	\$812,000	\$812,000
Viborg	Sanitary Sewer Replacement	\$105,000	\$105,000
Viborg	Water Distribution System Replacement	\$606,000	\$606,000
Viewfield Rural Water Association Inc.	Water Treatment Improvements	\$250,000	\$250,000
Wakonda	Water System Upgrades and Water Tower Rehabilitation	\$1,930,000	\$1,930,000
Waubay	Wastewater Treatment Facility Improvements	\$2,170,000	\$3,344,400
Wessington Springs	Wastewater Improvements	\$443,000	\$443,000
Wessington Springs	Water Improvements	\$259,000	\$259,600
Westport	Water Meter Project	\$100,000	\$100,000
Westport	Lift Station Replacement and Storm Sewer Upgrades	\$617,000	\$617,000
Woodland Hills Sanitary District	Water System Improvements	\$481,000	\$481,000
Yale	Wastewater Treatment Facility Expansion and Rip-Rap	\$1,826,300	\$1,942,869
Yankton	East Highway 50 Lift Station	\$3,330,000	\$3,330,000
Yankton	New Collector Well	\$12,850,000	\$12,850,000
Total		\$323,679,139	\$348,485,152

Table 12 - 2017 State Water Facilities Plan Unfunded Projects

<u>Sponsor</u>	<u>Project Description</u>	<u>On Plan Through</u>	<u>Projected State Funding</u>	<u>Total Project</u>
Avon	Water Meter Replacement	2018	\$469,860	\$469,860
Belle Fourche	8th Avenue Utility Improvements	2017	\$2,300,000	\$4,000,000
Big Stone City	Connection to Grant-Roberts Rural Water System	2017	\$2,000,000	\$2,000,000
Blunt	Water System Improvements	2017	\$645,000	\$645,000
Blunt	Wastewater System Improvements	2018	\$1,310,000	\$1,310,000
Blunt	Storm Water Improvements	2018	\$920,000	\$920,000
B-Y Water District	Water Treatment Plant Reservoir	2018	\$4,300,000	\$4,372,488
Canova	Drinking Water Improvements	2018	\$225,920	\$225,920
Centerville	Main Street Storm Sewer Improvements	2018	\$214,000	\$214,000
Colton	Sanitary Sewer and Watermain Improvements	2018	\$2,668,759	\$2,668,759
Dell Rapids	Water and Sewer Improvements - Phase I	2018	\$14,427,000	\$14,427,000
Doland	Water Meter Replacement	2018	\$104,300	\$104,300
Elk Point	Lagoon Cell Number 3 Rehabilitation	2018	\$283,000	\$283,000
Faith	Wastewater System Improvements	2018	\$1,472,814	\$1,472,814
Fort Pierre	Wastewater System Improvements	2018	\$2,229,300	\$2,229,300
Gregory	Felton Street Improvements	2017	\$334,000	\$334,000
Harrisburg	Wastewater Treatment Facility Construction	2018	\$23,917,000	\$23,917,000
Hermosa	New Well/Water Source	2018	\$199,000	\$199,000
Hot Springs	Houston Avenue Sewer Main Replacement	2017	\$197,000	\$197,000
Hot Springs	North 24th Street Sewer	2018	\$270,000	\$270,000

<u>Sponsor</u>	<u>Project Description</u>	<u>On Plan Through</u>	<u>Projected State Funding</u>	<u>Total Project</u>
Hot Springs	Water System Supply and Storage	2017	\$3,850,000	\$3,850,000
Humboldt	Water Meters and Phase 2 Wastewater Replacement	2018	\$3,049,030	\$3,049,030
Lake Norden	Wastewater Collection System Improvements	2018	\$510,000	\$510,000
Lake Norden	Water Filter Replacement	2017	\$500,000	\$500,000
Lake Poinsett Sanitary District	Wastewater System Expansion	2017	\$10,000,000	\$10,000,000
Langford	Water Distribution and Storage Improvements	2018	\$1,922,000	\$1,922,000
Lead	Prospect Avenue Storm Sewer Installation	2017	\$48,905	\$48,905
Lead-Deadwood Sanitary District	Peake Ditch Pipeline Rehabilitation	2018	\$1,061,000	\$1,061,000
Lebanon	Sanitary Sewer Replacement	2017	\$1,270,641	\$1,270,641
Lesterville	Watermain Replacement and Looping	2018	\$448,000	\$448,500
Martin	Water Main Improvements 4th and 5th Avenue	2017	\$633,000	\$633,000
North Sioux City	Northshore Forcemain	2018	\$557,000	\$557,000
Onida	Wastewater Collection Improvements	2018	\$7,900,000	\$7,900,000
Philip	Water Meter	2018	\$340,000	\$340,000
Piedmont	Central Wastewater System	2017	\$4,500,000	\$4,500,000
Piedmont	Water Tower and Well	2017	\$2,200,000	\$2,200,000
Pine Cliff Park Water and Maintenance, Inc.	Water System Improvements	2018	\$398,000	\$398,000
Plankinton	Water Meter Replacement	2017	\$240,000	\$240,000
Platte	Wastewater Collection Improvements	2017	\$1,075,000	\$1,130,000

<u>Sponsor</u>	<u>Project Description</u>	<u>On Plan Through</u>	<u>Projected State Funding</u>	<u>Total Project</u>
Salem	Sanitary Sewer and Watermain Improvements	2018	\$3,357,424	\$3,768,990
Sioux Falls	Primary Digester Mixing Improvements	2017	\$8,115,000	\$8,115,000
Sioux Falls	Terry Avenue and 43rd Street Drainage Improvements	2017	\$5,646,000	\$5,646,000
South Shore	Water System Improvements	2018	\$500,000	\$2,650,000
Summerset	Wastewater Treatment Improvements	2018	\$2,769,000	\$2,769,000
Sturgis	Wastewater Treatment Improvements	2018	\$19,256,000	\$19,256,000
Tea	Brian Street Water and Sewer Extension	2017	\$1,691,000	\$1,691,000
Tea	Ceylon Avenue Water and Sewer Extension	2017	\$1,550,000	\$1,550,000
Tea	271st Street Watermain and Sanitary Sewer Extension	2018	\$1,563,000	\$1,563,000
Terry Trojan Water Project District	Water System Rehabilitation	2017	\$1,087,377	\$1,087,377
Valley Springs	Water and Sewer System Improvements	2018	\$15,324,000	\$15,324,000
Veblen	Drinking Water System Improvements	2017	\$2,976,100	\$2,976,100
Veblen	Wastewater System Improvements	2017	\$2,137,000	\$2,137,000
Volga	Lift Station Construction	2018	\$619,200	\$619,200
Walworth County	Landfill Expansion	2017	\$500,000	\$500,000
Watertown	Kittelsohn Addition Sanitary Sewer Extension	2018	\$832,896	\$832,896
WEB Water Development Association, Inc.	Mainline Improvements	2018	\$22,504,300	\$22,504,300
Wessington Springs	Water Meter Replacement	2017	\$568,000	\$568,000

<u>Sponsor</u>	<u>Project Description</u>	<u>On Plan Through</u>	<u>Projected State Funding</u>	<u>Total Project</u>
Worthing	Water Meter Replacement	2018	\$120,000	\$120,000
Yankton	Water Treatment Plant Construction	2017	\$34,500,000	\$34,500,000
		Total	\$224,605,826	\$228,995,380

State Water Resources Management System

The State Water Resources Management System (SWRMS) identifies large, costly water projects that require specific state or federal authorization and financing. These projects are placed on the list when recommended by the board and approved by the Governor and the Legislature. The SWRMS list (Table 13) serves as the preferred priority list to optimize water resources management in the state. Once a project is placed on the SWRMS list, it remains on the list until removed by legislative action.

The current SWRMS list is shown on Table 13:

Table 13 – State Water Resources Management System Projects

<u>Project</u>	<u>Description</u>
Belle Fourche Irrigation	Upgrade Project
Big Sioux Flood Control Study	Watertown Flood Control
CENDAK Irrigation Project	Irrigation Project - Central SD
Gregory County Pumped Storage Site	Multi-Purpose Water Utilization
Hydrology and Water Management Studies	Statewide Water Resources
Lake Andes-Wagner/Marty II Irrigation Unit	Irrigation - Charles Mix County
Lewis & Clark Rural Water System	Bulk Water System - Southeastern SD
Sioux Falls Flood Control Project	Increased Flood Protection
Southern Black Hills Water System	Rural Water System - Southern Hills
Vermillion Basin Flood Control Project	Flood Control on Vermillion River

SWRMS Project Status

A brief summary of each project and its status is presented on the following pages. The year in the title indicates when the project was placed on the State Water Resources Management System (SWRMS).

Belle Fourche Irrigation Upgrade Project - 2012

- The 2012 Omnibus Bill added the Belle Fourche Irrigation Upgrade project to the SWRMS list. The project is for the construction of a \$5,000,000 Belle Fourche Irrigation Upgrade Project to include replacement of the Indian Creek siphon, the Horse Creek siphon, the north canal control house, and the south canal control house, repair of the Belle Fourche River siphon, and removal of sediment from the south canal intake for the purpose of stabilizing crop and forage production in central western South Dakota to offset the effects of drought conditions which naturally devastate South Dakota's economic viability.
- South Dakota Codified Law 46A-1-13.12 authorized a state cost share commitment of up to \$2,500,000 of grant and \$2,500,000 of loan assistance, to provide funding for the Belle Fourche Irrigation District Upgrade Project.
- The appropriations for 2012 included a \$1,250,000 grant and a \$1,250,000 loan for engineering design, preconstruction, and construction of the facilities associated with the Belle Fourche irrigation upgrade project.
- During calendar years 2012 and 2013, engineering design of siphons and the canal gatehouse was ongoing.
- The appropriations for 2013 included a \$750,000 grant and a \$750,000 loan for engineering design, preconstruction, and construction of the facilities associated with Belle Fourche irrigation upgrade project.
- The appropriations for 2014 included a \$500,000 grant and a \$500,000 loan for engineering design, preconstruction, and construction of the facilities associated with the Belle Fourche irrigation upgrade project. This completed the state cost share commitment to the upgrade project.
- Bids were opened and awarded for the Indian Creek and Horse Creek siphons in 2013, and construction started in October of 2013. The Indian Creek siphon was completed in 2014 and was operational for the 2014 irrigation season. The Horse Creek siphon was completed in 2015 and was operational for the 2015 irrigation season.
- Bids were opened and awarded for the canal gatehouse upgrade in 2015, and construction started in the fall of 2015. The canal gatehouse upgrade was completed in the spring of 2016 and was operational for the 2016 irrigation season.
- In May 2014, bids were opened for dredging of the reservoir intake structure. Dredging operations were approximately 10 percent complete prior to 2016 when the contractor experienced difficulties with their methods to hydraulically dredge the reservoir. The dredging contractor returned to the site in late summer of 2016 with larger equipment to

resume dredging operations. Dredging completion for the intake is scheduled to be completed the spring of 2017.

Big Sioux Flood Control Study (Watertown & Vicinity) – 1989

- The Corps of Engineers completed a reconnaissance report titled “Flood Control for Watertown and Vicinity.” The study concluded the best alternative for flood protection for Watertown, Lake Kampeska, and Pelican Lake was a \$16 million dry dam on the Big Sioux River at the Mahoney Creek site.
- The Corps of Engineers, in cooperation with Watertown, East Dakota Water Development District, Codington County, Lake Kampeska Water Project District, and the Department of Environment and Natural Resources, initiated a feasibility study in 1988. State appropriations of \$150,000 were provided to help meet the non-federal cost share.
- The final draft feasibility report was distributed in June 1994 for public review and comment. A public hearing in July 1994 in Watertown presented findings of the report and gathered comments. City and county elections were held, and residents voted against further local participation in the project.
- The project regained momentum after severe spring flooding in 1997 forced 5,000 residents from their homes. The Watertown City Council scheduled an election in February 1998, calling for a citywide vote on the proposed Mahoney Creek Dam. The record turnout of voters again rejected the proposed dam.
- In June 2001, the residents of Watertown called for a citywide vote on the proposed Mahoney Creek Dam project. The voters approved the project. City officials proceeded with updating the original Corps of Engineers feasibility study and obtaining support and financing for the project.
- After the affirmative vote, Watertown began negotiations with the Corps of Engineers to complete a General Re-evaluation Report of the city’s flood control alternatives. Negotiations continued in 2003, and the scope of work to be reviewed by the report continued to be evaluated. The cost of the re-evaluation report was estimated at \$2.8 million.
- In 2003, Watertown returned \$450,000 of state funds appropriated in 2003 for local participation during the General Re-evaluation process. Because of cost share and scope of work issues, Watertown decided to step back from participation in the re-evaluation and turned over all work to the Corps of Engineers.
- The Corps of Engineers received \$246,000 in 2003, \$473,000 in 2004, \$176,000 in 2005, and \$344,000 in 2008 to continue with the General Re-evaluation Report. Alternatives to be considered included the Mahoney Creek Dry Dam, three to five medium sized dams, 800 small dams, and a diversion between Lake Kampeska and Lake Pelican.
- A stakeholder’s group consisting of representatives from the Lake Pelican and Kampeska water project districts, the Corps of Engineers, the city of Watertown, Codington County

Commissioners, and landowners was created in 2010. The group held several public meetings to discuss and develop a flood control plan.

- U.S. Army Corps of Engineers have indicated that the most cost-effective solution is the Mahoney Creek Dry Dam. The city of Watertown voted to support the Mahoney Creek Dry Dam for flood protection. The cost-benefit study of the dam is anticipated to take two years, and the total project cost is estimated at \$40 million dollars.
- In 2015, the city of Watertown indicated its intent to partner with the Corps of Engineers to conduct a feasibility level study update to investigate flood risk management solutions for Watertown.
- In 2016, the \$225,125 in grant funds appropriated by the 2016 legislature was placed under agreement with the city of Watertown. This grant will fund half of the nonfederal cost share for the flood control feasibility study to be completed by the Corps of Engineers.

CENDAK Irrigation Project – 1982

- This proposed irrigation project would supply Missouri River water to 474,000 acres in Hughes, Hyde, Hand, Spink, Beadle, and Faulk counties in central South Dakota. South Dakota will pursue development of the project when federal policies are more supportive of large-scale irrigation projects. No activity occurred on the project in 2016.

Gregory County Pumped Storage Project – 1981

- The Gregory County Pumped Storage Project is a proposed peak generation hydroelectric facility in northern Gregory County. The Water Resources Development Act of 1986 (Public Law 99-662) authorized the construction of a \$1.3 billion hydroelectric pumped storage facility by the Corps of Engineers. The Act also authorized up to \$100 million for construction of the associated Gregory Unit of the Pick-Sloan Missouri Basin Program.
- After extensive geotechnical and environmental studies of the site, the Corps was forced to abandon the investigation when its mission was altered and hydroelectric development projects were no longer federally funded.
- Hydroelectric Component – The South Dakota Conservancy District authorized a feasibility study to determine if the state of South Dakota should sponsor a continuation of the project with nonfederal funding. To protect the site during these studies, the District applied for and received a 3 year Preliminary Permit from the Federal Energy Regulatory Commission (FERC) effective August 1, 1988. The state's preliminary permit expired August 1, 1991.
- Water Supply Component – The project has the potential to provide water for irrigation and municipal, rural, and industrial purposes using the hydroelectric project's upper bay as a water supply source. The Bureau of Reclamation completed a *Special Report on the Gregory Unit of the Pick-Sloan Missouri Basin Program, South Dakota* in 1992.
- On June 20, 2001, Dakota Pumped Storage, LLC, a Minnesota corporation, filed a FERC Preliminary Permit application for a pumped storage hydroelectric facility in Gregory County. On September 25, 2001, South Dakota filed a Motion to Intervene and a Notice of Intent to File Competing Application for Preliminary Permit by the State of South Dakota.

An Application for Preliminary Permit for the Gregory County Pumped Storage Hydroelectric Facility was filed with FERC by the South Dakota Conservancy District on October 12, 2001.

- The FERC issued a 3-year Preliminary Permit to the South Dakota Conservancy District on August 12, 2002. FERC denied the application by Dakota Pumped Storage, LLC.
- The 2002 Omnibus Bill appropriated \$100,000 to the South Dakota Department of Environment and Natural Resources to complete preliminary permit and full permit applications to FERC. The department solicited Requests for Proposals from firms interested in providing the research to support the FERC permit. Four proposals were received. Black & Veatch was selected.
- The Black & Veatch study was completed in 2004 and determined that it was not cost-effective to pursue the pumped storage project at that time. These findings were presented to the Board of Water and Natural Resources in June 2004. The state's preliminary permit expired in 2005.
- In 2010, South Dakota Energy, LLC submitted a preliminary permit application prepared by Symbiotics, LLC to FERC to study the feasibility of the South Dakota Energy Hydroelectric Project located on the Missouri River in Gregory County, South Dakota. On July 21, 2010, the Commission issued a preliminary permit to South Dakota Energy. The preliminary permit issued to South Dakota Energy expired on July 1, 2013.
- On July 3, 2013, Gregory County with Schulte Associates, LLC as its designated agent filed a preliminary permit application to study the feasibility of the proposed Gregory County Energy Project.
- On July 30, 2013, Western Minnesota Municipal Power Agency, a municipal corporation and political subdivision of the state of Minnesota filed a preliminary permit application to study the feasibility of the proposed Gregory County Pumped Storage Project. Western Minnesota MPA finances the construction and acquisition of the generation and transmission facilities for members of Missouri River Energy Services.
- On December 19, 2013, FERC released an order issuing a Preliminary Permit and Granting Priority to File License Application for the project to Western Minnesota Municipal Power Agency. The preliminary permit expires in December 2016.
- In March 2016, the BWNR adopted a resolution to not retain Future Use Permit No. 2472-2 and to allow the permit to expire. The Future Use Permit was up for a seven-year review by the Water Management Board to determine whether a reasonable need exists for the reserved water. The permit was for 24,000 acre-feet of water from Lake Francis Case to accommodate the weekly cycle of drawdown and refill of the project's upper storage reservoir. Legislation that went into effect July 1, 2009, requires state agencies to pay filing fees to retain future use permits. The fee to continue to reserve 24,000 acre-feet for this non-consumptive use would have been \$2,055.

Hydrology and Water Management Studies – (2015 - Present)

Black Hills Hydrology and Water Management Study – (1982 – 2015)

- The hydrology study compiled water resource data to assess the quantity, quality, and distribution of surface and groundwater resources in the Black Hills area. These resources have been stressed by increasing population, periodic drought, and developments related to expansion of mineral, timber, agricultural, recreational, municipal and urban needs. The U.S. Geological Survey provided \$3.4 million from federal fiscal years 1988 through 2001 to establish the hydrologic monitoring system, collect the data, and complete data analysis.
- The hydrology study entered Phase II in federal fiscal year 1997 and was completed in 2002. The study emphasis during Phase I was data collection. The emphasis shifted to analytical activities and publication of maps and reports during Phase II.
- The hydrology study produced 31 technical reports including a lay reader summary, a comprehensive report on the hydrology of the Black Hills area, and a comprehensive lay reader atlas of water resources in the Black Hills area.
- The water management study provided interested parties with the tools needed to assist in making informed management decisions about development of water resources. Data gathered during the hydrology study was used in the water management study. Congress appropriated funds in federal fiscal year 1991 to initiate the Federal Black Hills Water Management Study by the Bureau of Reclamation.
- The Black Hills Water Management Study was completed in federal fiscal year 2003. The study focused on needs assessment, management alternatives, and a final report.
- The 2004 Omnibus Bill appropriated \$100,000 for the development, evaluation, and review of studies related to development of regional water supply systems in or near the Black Hills. The Fall River Water User District sponsored a regional water supply study for an area that included all of Custer and portions of Fall River and southern Pennington counties.
- The 2005 Omnibus Bill appropriated \$100,000 for the development, evaluation, and review of studies related to development of regional water supply systems in or near the Black Hills. The Southern Black Hills Water System, Inc., a nonprofit corporation, was formed to continue the feasibility study of a regional water system in Custer, Fall River, and southern Pennington counties. The Southern Black Hills Water System requested additional funds to continue activities begun by the Fall River Water User District. In June 2005, the board awarded \$50,000 for these activities.
- The 2006 Omnibus Bill amended the State Water Resources Management System to add the Southern Black Hills Water System to its list of preferred, priority objectives for South Dakota. The bill also provided an initial appropriation of \$125,000 to allow the Southern Black Hills Water System to continue activities begun by the Fall River Water User District.
- In December 2006, the Lead-Deadwood Sanitary District submitted a request to have the remaining \$50,000 of SFY 2006 Black Hills Water Management Study funding placed under agreement with the district to conduct a regional water study in the Lead, Deadwood, and

Central City area. The funding was awarded in January 2007, and the sanitary district selected an engineer in June 2007. The Lead-Deadwood Area Water Study Final Report was issued on July 18, 2008. The study provided an analysis of the Lead-Deadwood Sanitary District intake and water treatment plant, a review of the Lead and Deadwood distribution systems, an analysis of the development in the surrounding area, and analyzed the ability of the Lead-Deadwood Sanitary District to serve them.

- The 2009 Omnibus Bill appropriated \$65,000 for hydrology studies. These funds were awarded to West Dakota Water Development District to cost share the United States Geological Survey groundwater aquifer study in the Black Hills.
- Several microgravity surveys were completed during 2010 and 2011 at three study sites in the Black Hills. Collected data was analyzed spatially to help characterize the heterogeneity of the Madison and Minnelusa aquifers and possibly the transition zone between the two aquifers. Time-series data was analyzed at each of the three study sites and correlated with water levels in Madison aquifer wells. This analysis helps characterize vertical heterogeneity and effective porosity at selected sites.
- A report entitled “Microgravity Methods for Characterization of Groundwater-Storage Changes and Aquifer Properties in the Karstic Madison Aquifer in the Black Hills of South Dakota” was completed in 2012.
- The 2015 Omnibus Bill appropriated \$250,000 for statewide hydrology and water management studies. In June 2015, the Department of Environment and Natural Resources was awarded a \$47,000 grant to conduct aquifer isotope analysis in eastern South Dakota. The department’s Geological Survey program will be conducting this work.
- The 2016 Omnibus Bill appropriated \$750,000 for the development of a Big Sioux River Basin Hydrologic model. In March 2016, the appropriation was placed under agreement with the Department of Environment and Natural Resources to hire a consulting firm to develop the hydrologic model for the Lower Big Sioux River Basin.
- In May 2016, DENR issued a Request for Proposals to consulting firms to develop the hydrologic and hydraulic model. Nine firms submitted proposals for review. In August 2016, after review by all involved state agencies and interviews of several firms, RESPEC was selected as the consulting firm to complete the hydrologic and hydraulic model. Completion of the model is anticipated by December 2018.

Lake Andes-Wagner/Marty II Irrigation Unit – 1975

- The 45,000-acre Lake Andes-Wagner Irrigation project and 3,000-acre Marty II Irrigation project are federally authorized Pick-Sloan Missouri Basin Units in Charles Mix County (Public Law 102-575). Estimated construction costs are \$175 million and \$24 million, respectively.
- In 1990, a plan of study was developed for a 5,000-acre research demonstration program to determine best management practices for irrigating glacial till soils containing selenium.

- The 1992 State Legislature authorized the construction of the Lake Andes-Wagner/Marty II project and provided a state loan cost share commitment of \$7 million. Both the state and federal project authorizations are contingent upon the successful completion of the 5,000-acre research demonstration program.
- In 1995, Congress approved \$250,000 for the research program. State and federal agencies revised the 1990 plan of study to re-scope the demonstration program and identify the specific issues and research components that are of national significance. A nine-year, \$11.3 million effort was projected.
- In 1999, the Bureau of Reclamation (BoR) received \$150,000 to prepare an environmental assessment for the demonstration program.
- The BoR completed the environmental assessment and issued a Finding of No Significant Impact for the demonstration program in 2000. Significant federal funding must be secured before the demonstration program can proceed.
- The Board of Water and Natural Resources placed \$15,000 in 2002 and \$50,000 in 2003 under agreement. The Lake Andes-Wagner Irrigation district continued to seek federal funding for the demonstration program.
- The 2009 Omnibus Bill appropriated \$35,000 for the Lake Andes-Wagner/Marty II research demonstration program. These funds were awarded to the project sponsor to continue its efforts to get this project moving forward.
- During 2010, the sponsor worked to assemble information and research data from multiple resources. Discussions with BoR continued regarding the possibility of funding and placing the project into the BoR's program proposal.
- The 2011 Omnibus Bill appropriated \$55,500 for the Lake Andes-Wagner/Marty II research demonstration program. However, these funds will not be awarded unless the federal government makes the decision to begin funding the project at levels that will ensure project completion in a reasonable timeframe.
- In June 2012, a portion of South Central Water Development District's future use permit reserving water from the Missouri River was transferred to the Lake Andes-Wagner Irrigation District. The Irrigation District's transfer was for the reservation of 96,000 acre-feet of water annually from the Missouri River for future development including irrigation, municipal, stock watering, fire protection, industrial and public recreation use. The seven-year review of this permit as required by statute was conducted in October 2013 before the Water Management Board, and the permit was allowed to remain in effect for 96,000 acre-feet annually, subject to the required fee being submitted. No activity occurred on the project in 2016.

Lewis & Clark Regional Water System – 1989

- The Lewis & Clark Regional Water System is a bulk delivery system providing treated Missouri River water to communities and existing rural water systems in southeastern South Dakota, northwestern Iowa, and southwestern Minnesota. South Dakota

membership includes eight communities and three rural water systems. Approximately 155,000 South Dakotans will receive water from Lewis and Clark.

- President Clinton signed Public Law 106-246 on July 13, 2000, authorizing the federal construction of the Lewis & Clark Regional Water System. The federal legislation also approved a federal appropriation of \$600,000 to continue project engineering and begin construction. The Board of Water and Natural Resources placed \$200,000 of state funding under agreement in 2000 to assist with these same project activities.
- Iowa and Minnesota sponsors provided funding support for project development in proportion to their service capacity needs. The Iowa and Minnesota State Legislatures authorized the project for construction and completed their cost share commitments.
- The South Dakota Legislature authorized Lewis and Clark's South Dakota project features (\$200 million) in 1993. In 2002, the state cost share commitment of \$18,585,540 in 1993 dollars was established for the Lewis & Clark Regional Water System.
- The 2002 Omnibus Bill appropriated \$750,000 for the project. These funds, combined with federal and other local sources, completed the federal environmental review, the final engineering report and initiated construction. Lewis & Clark Regional Water System's final engineering report completed its initial required 90-day congressional review on September 8, 2002. The federal Office of Management and Budget (OMB) determined that Lewis & Clark could not submit its final engineering report to Congress until OMB had approved it. Lewis & Clark worked with OMB to get its final engineering report approved and resubmitted to Congress. Lewis & Clark held its groundbreaking on August 21, 2003.
- In 2005, Lewis & Clark agreed to provide Sioux Falls an additional 17 million gallons of water per day, bringing the total delivered capacity to 45 million gallons per day. Sioux Falls financed the cost of the additional capacity.
- In May 2007, Lewis & Clark elected to change the project's name from "Rural" to "Regional". The project will be doing business as the Lewis & Clark Regional Water System.
- Through June 30, 2008, the South Dakota Legislature had appropriated and the Board of Water and Natural Resources had placed under agreement \$19,275,000 toward South Dakota's cost share commitment.
- In May 2008, Lewis & Clark began operating its first segment of pipeline – a nine-mile emergency connection between Sioux Center and Hull, Iowa. Until Lewis & Clark water arrives, Lewis & Clark is purchasing water from Sioux Center and reselling it to Hull.
- In July 2008, a \$20.8 million contract was awarded for the first phase of the water treatment plant, which included a three million gallon underground reservoir, high capacity pumps, electrical building and two standby generators. This infrastructure is separate from the main treatment plant building.
- In July 2008, work was completed on a \$5.5 million contract that included one mile of river bank stabilization southwest of Vermillion to protect Lewis & Clark's main well field from erosion, as well as two well houses, four valve vaults and various piping. Utilizing a

permanent easement, Lewis & Clark's main well field is located on land owned by the SD Department of Game, Fish & Parks (Frost Game Production Area).

- In September 2008, Lewis & Clark began operating its second segment of pipeline – a 12 mile emergency connection for Tea and Harrisburg. Until Lewis & Clark water arrived, Lewis & Clark purchased water from Sioux Falls and re-sold it to Tea and Harrisburg.
- The 2009 Omnibus Bill appropriated \$6.3 million for the engineering design, preconstruction activities, and construction.
- In April 2009, Lewis & Clark was approved to receive \$56.5 million from the Bureau of Reclamation as part of the American Recovery and Reinvestment Act.
- In May 2009, a \$64.1 million contract was awarded for Phase II of the water treatment plant. In July 2009, Phase II construction of the water treatment plant commenced.
- In July 2009, a \$5.04 million contract was awarded for the construction of the 85th Street Tower, which has a three-million gallon storage capacity, located in Sioux Falls.
- In August 2009, a \$9.5 million dollar contract was awarded for the construction of two above ground reservoirs to be built near Tea. These two reservoirs along with the 85th Street tower serve as Lewis & Clark's primary storage facilities.
- In September 2009, a \$3.7 million contract was awarded for the first segment of the "Minnesota Transmission Line." This segment is a five-mile pipeline constructed in South Dakota and serves Minnehaha Community Water Corporation, all Minnesota users, and Rock Rapids, Iowa.
- In September 2009, a \$2.8 million contract was awarded for construction of the Parker and Centerville service lines. These service lines included almost fourteen miles for the Parker service line and five miles for the Centerville service line.
- Lewis & Clark received \$10 million in federal funding in 2009 under the 2010 Energy and Water Appropriation bill.
- In November 2009, the last section of the Treated Water Pipeline, which is the main trunk between the water treatment plant and the city of Sioux Falls, was completed.
- In June 2010, the \$6.3M approved by the 2010 Legislature was put under agreement. This completed the State's cost share commitment to the project.
- A contract for five new wells was awarded in April 2010 for \$6.8 million. The five new wells will provide Lewis & Clark with an estimated 10 million gallons a day of additional capacity. Including the six previously drilled wells, Lewis & Clark's total well capacity will be 28 million gallons per day.
- A \$4.2 million bid was awarded in May 2010 for the Treated Water Pipeline - segment 11. This five mile segment connected Beresford to the main truck line. This is the first segment of the "Iowa Transmission Line." Eventually this line will connect to Sioux Center, Hull and Sheldon.

- In October 2010, Lewis & Clark was awarded approximately \$3.5 million in reprogrammed American Recovery & Reinvestment Act funding through the Bureau of Reclamation.
- In October 2010, a \$7.55 million contract was awarded for the Minnesota – segment 1, which runs along the South Dakota - Iowa border from just west of the Big Sioux River to a point six miles west of Rock Rapids.
- Lewis & Clark received \$1,996,000 in federal funding, through the Bureau of Reclamation in FFY 2011. Lewis & Clark was also allocated an additional \$306,000 in funding for FFY 2011 in reprogrammed funds.
- In May 2011, Lewis & Clark awarded a \$1.6 million dollar contract for the Pipeline Commissioning. This contract provided for testing, disinfecting, and cleaning 85 miles of pipes from the water treatment plant near Vermillion to Sioux Falls.
- Lewis & Clark received \$5.5 million in federal funds for FY 2012. Lewis & Clark initiated operation of its water treatment plant and began to serve water to eleven of its twenty members in July 2012.
- The 20 members and three states have prepaid 100 percent of the non-federal cost share. Because the prepayments made by the 20 members and three States, which totals just under \$154 million, have been fully utilized, the schedule to connect the remaining nine members is entirely dependent upon future federal funding.
- In 2014, Lewis & Clark was provided \$22 million in advance federal funding from Minnesota. These funds will be used to construct transmission lines to Luverne and Magnolia.
- In 2014, Lewis & Clark received a \$1 million reimbursable grant for advance federal funding from South Dakota. These funds were made available by the joint appropriations committee in Senate Bill 53. These funds will be used to acquire easements and pay for engineering costs for two of the five segments of the Madison service line.
- In 2014, Lewis & Clark delivered water to 11 of the 20 members. The system provided an average of 9 million gallons per day to the connected members and a peak day production of 19.6 million gallons. Water demand increased by 20 percent from 2013 production numbers.
- In 2015, Lewis & Clark was provided \$19 million in advance federal funding from Minnesota. These funds will be used to connect the Lincoln Pipestone Rural Water System, construct a 4 million-gallon storage reservoir southwest of Luverne, install a booster station southeast of Luverne, acquire easements, and complete design for the pipeline between Adrian and Worthington.
- In 2015, Lewis & Clark received a \$7.7 million loan for advance federal funding from South Dakota. These funds were made available by Senate Bill 173. These funds will be used to construct segments one and five of the Madison service line. Madison is the only South Dakota member system not yet connected; however, construction of segments 1 and 5 does not get a drop of water to Madison. In 2016, the agreement was amended to include Construction of segments 2 through 4 is estimated to cost more than \$22 million.

- DENR worked with three regional water systems and the city of Madison to develop a wheeling option as an alternative to providing federal fund advances to construct the balance of the Madison service line. The wheeling option builds on the construction of segments 1 and 5. Segment 1 provides Minnehaha Community Water Corporation (MCWC) with its second Lewis & Clark connection a mile west of Crooks. That connection increases the delivery of Lewis & Clark water to Minnehaha to 1.1 million gallons per day (mgd) and with \$1.8 million in wheeling upgrades, and frees up water from MCWC's water treatment plants to feed its Tower 3B near Colton. Tower 3B will then feed water into a new 12-inch Big Sioux Community Water line going north and west to connect with Lewis & Clark's segment 5 to deliver 1 mgd of water to Madison costing \$3 million to construct. The wheeling option saves the state more than \$17 million in federal fund advances and gets Madison its needed 1 mgd of water from a regional system supplier as early as November 2016.
- In 2015, Lewis & Clark delivered water to 12 of the 20 members. The system provided an average of 12.7 million gallons per day to the connected members and a peak day production of 21 million gallons. Water demand has increased by 44 percent from 2014 production numbers.
- In January 2016, the first of several contracts for the wheeling option to provide water to Madison was awarded. The contract was awarded by MCWC, and construction of the additional lines to free capacity elsewhere within MCWC's distribution system was completed in the fall of 2016. This work was funded partially by a \$900,000 Consolidated grant.
- In May and July of 2016, the Big Sioux Community Water System awarded bids for their portion of the Madison wheeling option. The work includes construction of new water distribution line to connect MCWC to a new Lewis & Clark line east of Madison and a new pump station to provide the pressure needed to move the water. Construction will be completed in late 2016. This work was funded by a \$2,000,000 Consolidated grant and a \$1,014,000 Drinking Water SRF loan.
- In April 2016, Lewis & Clark awarded the contract for construction of the Madison meter building and Crooks meter building/pump station. These buildings will supply metering and pressure for water to get to Madison. Construction will be completed in late 2016.
- In June 2016, the final bids for the Madison wheeling project were awarded by Lewis & Clark for construction of segments 1 and 5 of the Lewis & Clark lines and connections to Minnehaha CWC and Big Sioux CWS. Construction of this work is anticipated in June 2017.
- In 2016, Lewis & Clark delivered water to 13 of the 20 members, with Luverne being connected in March 2016. The system provided an average of 13.4 million gallons per day to the connected members and a peak day production of 21.67 million gallons. Water demand has increased by 25 percent from 2015 production numbers and the treatment plant is now staffed 24 hours per day 7 days a week.

- Through FY15, the federal government has appropriated \$229 million to the project. Recent federal funding levels include \$9.54 million in FY16 and \$2.775 million proposed for FY17.

Sioux Falls Flood Control Project – 1989

- In 1961, the Corps of Engineers completed a channelization, levee, and diversion system to provide 100 year flood protection on the Big Sioux River and Skunk Creek.
- Because of subsequent flooding events on the Big Sioux River and Skunk Creek, the Corps of Engineers reanalyzed the flood criteria in the early 1980s and determined that the 1 percent chance of flood occurrence was greater than previously established. The Corps then recommended that the levee system be upgraded so that it would continue to provide Sioux Falls with 100-year flood protection on the Big Sioux River and Skunk Creek. Project upgrades included constructing a dam on the Big Sioux River just above the confluence of Skunk Creek as well as raising the levees along the Big Sioux River from Skunk Creek to Interstate 229, raising the levees along Skunk Creek from Marion Road to the Big Sioux River, raising the levees above and along the diversion channel, modifying the spillway chute, replacing the stilling basin, and modifying some bridges.
- The 1992 State Legislature authorized project construction and a state cost share commitment of \$4.55 million. Federal authorization was completed as part of the 1996 Water Resources Development Act on October 12, 1996 (Public Law 104-303). The Act authorizes a \$34.6 million construction project under the Corps of Engineers.
- In 1999, a \$2.2 million federal appropriation was provided to the Corps of Engineers. A Project Cooperation Agreement between the Department of the Army and the city of Sioux Falls for final design work was executed.
- Construction of Phase 1A of the Big Sioux River/Skunk Creek Flood Control Project was completed in 2001 and addressed the spillway and stilling basin area at the outfall of the diversion channel. Later that year bids were accepted on Phase 1B of the project addressing the levies adjacent to Morrell’s downstream to Cliff Avenue.
- Sioux Falls continued to work with the Corps of Engineers on final design and construction of the project from 2001 to 2007. Sioux Falls continued to secure required easements and properties for the project.
- Construction of Phase 2A of the project continued in 2007. Phase 2A work included improvements to the levees on the Big Sioux River from 49th Street to Interstate 229.
- Phase 2B of the project was completed in 2008. This work included the levee and associated structures on the east side of the Big Sioux River from 41st Street to 49th Street. The city advanced sufficient funds to the US Army Corps of Engineers to complete Phase 2 work in the next two years. This was an ambitious schedule, but reduced the high cost of flood insurance for many properties now being placed in Flood Zone A of the National Flood Insurance Program.

- Phase 2C raised two miles of existing levees approximately two to five feet in order to provide 100-year flood protection along the Big Sioux River within the city of Sioux Falls. In October 2009, the Corps of Engineers accepted proposals for this phase of the project. Phase 2C of the Sioux Falls Flood Control project was awarded in February 2011 for approximately \$12 million. The project was completed by the end of calendar year 2011.
- In December 2009, the city issued \$27 million in taxable revenue bonds; \$17 million of the total was advanced to the Corps of Engineers for levee and dam construction. The balance was to pay for the 41st Street Bridge project.
- As part of the 2010 Energy and Water Appropriation bill, \$1.84 million was appropriated to the Corps of Engineers for the Sioux Falls Flood Control Project.
- In March 2010, the city of Sioux Falls reconstructed the existing 41st Street bridge in order to raise the levee system. The project was substantially completed in September 2010.
- The 2011 Omnibus Bill appropriated \$3.31 million for project design and construction.
- Phase 3 was awarded at \$8.8 million, and work began above the diversion dam and on the diversion channel, where the levees were raised about two to four feet. Phase 3 was completed by the end of calendar year 2012 and is the final phase of construction.
- The Corps of Engineers is in the process of preparing documents for certification of the remaining uncertified levees within the city. Once these documents are complete, FEMA will begin the process of revisiting the flood insurance rate maps within the city limits. Upon completion of the new rate maps, the Sioux Falls Flood Control Project will be complete.
- In 2013, the project reached substantial completion. The new levee system building was built, and all of the gates and posts for the closure structures were received. Testing of the controls for the dam was conducted, and the operation of the gates was successfully completed. The Corps of Engineers has awarded and is completing a new project to replace a deficient drainage structure through the levee next to the Sioux Falls zoo.
- The major work on the levee system has been completed; the Corps of Engineers has submitted the application to FEMA for a physical map revision. The FEMA review and eventual issuing of new flood insurance rate maps should result in 1,500 properties in Sioux Falls being taken out of the floodplain.
- In 2016, the \$2,036,375 in grant funds appropriated by the 2016 legislature was placed under agreement with the city of Sioux Falls. This funding provides the final portion of the state's cost share commitment to provide half of the non-federal cost share to the city, and all necessary work has been completed.

Southern Black Hills Water System – 2006

- The 2006 Omnibus Bill amended the State Water Resources Management System to add the Southern Black Hills Water System to the list of preferred, priority objectives for South Dakota. The bill also provided an initial appropriation of \$125,000 to allow the Southern

Black Hills Water System to continue activities begun under the Black Hills Hydrology and Water Management Study.

- The project objective is to construct a rural regional water system capable of delivering quality drinking water to rural residents and area communities in Custer, western Fall River, and southern Pennington counties. Communities involved include Custer, Edgemont, Hermosa, Hill City, Hot Springs, Keystone, and Pringle.
- Project sponsors worked with representatives from the Department of Agriculture, Rural Development Program to secure funding for the construction of the North Hot Springs service area. In 2007, negotiations with the city of Hot Springs for a permanent water source failed to produce a contract.
- Local support continued to be strong for the project with area-wide rural signups near 500 individual homes. Additionally, strong interest continues to be expressed by the Custer State Park, the Mount Rushmore National Park, the Crazy Horse Foundation, and the various area communities for water service from the system.
- In 2009, Southern Black Hills Water System secured an initial water source and received a water permit for a future well site. Southern Black Hills Water Systems secured easements for construction of pipeline and a storage reservoir.
- In 2009, Southern Black Hills Water System secured funding through Department of Agriculture, Rural Development Program for Phase I construction.
- The 2010 Omnibus Bill appropriated \$350,000 for the engineering design, preconstruction activities, and construction. The 2010 Omnibus bill established the state cost share commitment at \$12 million.
- In 2010, Southern Black Hills opened bids and awarded three contracts for Phase I of the project. Phase I consisted of a water treatment plant, an underground reservoir, and approximately 30 miles of distribution pipeline. Southern Black Hills received more than \$4.5 million in Rural Development loan and grant funding to assist with Phase I.
- The 2011 Omnibus Bill appropriated \$2,000,000 for the engineering design, preconstruction activities, and construction. These funds were awarded to the project sponsor to continue Phase I construction, Phase II engineering design and preconstruction, and the Cascade Area engineering design and preconstruction.
- In September 2011, Phase I was completed and approximately 200 customers received water.
- The 2012 Omnibus Bill appropriated \$4,000,000 for the engineering design, preconstruction activities, and construction. These funds were awarded to the project sponsor to continue Phase I construction, Phase II engineering design and preconstruction, and the Cascade Area engineering design and preconstruction.
- Final plans and specifications for Phase II of the project were completed in 2012. Phase II will serve approximately 230 customers, consist of 72 miles of pipes, a booster station, and a water storage tank.

- Southern Black Hills was issued a Forest Service Special Use Permit in September 2012. This allows construction and installation of the water transmission pipeline associated with Phase II to cross 2.7 miles of National Forest System lands in the Black Hills National Forest.
- The 2013 Omnibus Bill appropriated \$3,800,000 for the engineering design, preconstruction activities, and construction. These funds were awarded to the project sponsor to continue Phase II engineering design, preconstruction and construction, and the Cascade Area engineering design and preconstruction.
- In May 2013, bids were opened for the Phase II distribution project and the Junction storage tank. The bids were awarded in June of 2013 with construction on both projects starting in September 2013.
- Construction continued in 2014 for both the Phase II distribution project and the Junction storage tank. The original portions of these projects were scheduled for completion in the fall of 2014. The Phase II distribution project added the Red Canyon sub-development to the project. This portion of the project was completed in August of 2015.
- In 2016, Southern Black Hills continued efforts to acquire wells and provide regional water to the town of Hermosa and surrounding developments. Discussions of providing water in the Cascade Road area south of Hot Springs have also taken place with local residents to gauge interest levels in a potential project.

Vermillion Basin Flood Control Project – 1987

- The project objective is to address the severe flooding problems in the Vermillion River Basin. The basin covers 2,697 square miles in parts of 14 counties and is about 150 miles long with an average width of about 20 miles.
- In 1993, the Corps of Engineers completed The *Vermillion Basin Flood Control Reconnaissance Report* but failed to identify a feasible federal project. The project sponsors re-evaluated project alternatives for non-federal development. Local project sponsors submitted a pre-application notification for a Federal Emergency Management Agency (FEMA) Hazard Mitigation grant for a *Feasibility Study of Flood Control Alternatives* for the basin. In 1994, more than 70 technical experts met to develop a multi-objective plan to reduce flooding impacts in the Vermillion River Basin. The National Park Service compiled the group's issues and suggestions and formulated the multi-objective plan.
- The Vermillion River Watershed Authority was incorporated in December 1997 and is comprised of representatives from the Clay, Miner, Turner, McCook, and Lake county commissions.
- The Vermillion River Watershed Authority proposed to use FEMA Hazard Mitigation grant funds to widen the channel at the outlet of Lake Thompson and construct a control structure to retain the natural outlet elevation, channel maintenance along 19 miles of the Vermillion River and its tributaries, and wetland restoration and development throughout the basin. The cost benefit ratio for the outlet of Lake Thompson was found to be in error. The ratio was actually less than one; consequently, all FEMA Hazard Mitigation funds were withdrawn. The Authority withdrew its request to set the outlet elevation on Lake

Thompson and moved to dissolve after financial records are completed. No activity occurred on the project in 2016.

Recommendations to the Governor and State Legislature

In November 2016, the board conducted a public meeting on the State Water Resources Management System (SWRMS) projects. The board adopted Resolution #2016-XXX recommending that all current projects be retained on the SWRMS list. The board also adopted Resolution #2016-XXX providing its recommendations to the Governor and the Legislature for the Water and Environment Fund (WEF) and WEF subfunds fiscal year 2018 appropriation levels. A summary of the board's recommendations are summarized below. Full resolutions are in Appendix B.

Table 14 – Board of Water and Natural Resources Funding Recommendations

Appendix A

Water and Environment Fund Special Condition Statement

WATER AND ENVIRONMENT FUND
Special Condition Statement
As of 7-1-16

Cash Balance from MSA 6-30-2016		33,863,479
Projected SFY 2017 Revenues		
Capital Construction Fund	10,250,000	
Contractors' Excise Tax	250,000	
Investment Interest (Earned '16 deposited '17)	350,000	
Loan Principal & Interest Payments (Water)	234,000	
Loan Principal & Interest Payments (Solid Waste)	541,000	
Solid Waste Fees	<u>1,750,000</u>	
		<u>13,375,000</u>
Projected Fund Balance Available for Expenditure		<u><u>47,238,479</u></u>
SFY 2017 Transfer (Per SDCL 1-40-32)		
Environment & Natural Resources Fee Fund	<u>(500,000)</u>	
		(500,000)
Obligations (Signed contract by 7/1/16)		
Consolidated	(27,038,498)	
Solid Waste & RLA Grants/Loans	(3,524,572)	
SWRMS Grants/Loans - Major Projects		
Belle Fourche Irrigation District	(1,314,807)	
DENR-Isotope Analysis/BSR H&H Model	(770,082)	
Lewis & Clark Regional Water System	(7,360,623)	
Sioux Falls Flood Control	(2,036,375)	
Southern Black Hills Water System	(1,684,533)	
Watertown Big Sioux Flood Control Study	<u>(225,125)</u>	
		(43,954,615)
Expenditures Authorized by the Legislature - No agreement signed		
Consolidated Program Available Authority	(298,139)	
SWMP/RLA Available Authority	(2,232,068)	
SWRMS Grants/Loans - Major Projects		
Hydrology and Water Management Studies	<u>(203,000)</u>	
		<u>(2,733,208)</u>
Surplus/(Deficit) Funds Available (as of 6/30/17)		<u><u>50,657</u></u>

Appendix B

Board of Water and Natural Resources Resolutions

STATE OF SOUTH DAKOTA
BOARD OF WATER AND NATURAL RESOURCES
RESOLUTION NO. 2016-___

PROVIDING TO THE SOUTH DAKOTA LEGISLATURE AND GOVERNOR, THE BOARD OF WATER AND NATURAL RESOURCES' RECOMMENDATIONS FOR STATE WATER RESOURCES MANAGEMENT SYSTEM DESIGNATION.

STATE OF SOUTH DAKOTA
BOARD OF WATER AND NATURAL RESOURCES
RESOLUTION NO. 2016-___

PROVIDING TO THE SOUTH DAKOTA LEGISLATURE AND GOVERNOR, THE BOARD OF WATER AND NATURAL RESOURCES' RECOMMENDATIONS FOR WATER AND ENVIRONMENT FUND FISCAL YEAR 2018 APPROPRIATION LEVELS.

180 copies of this document were printed
by the Department of Environment and Natural Resources
at a cost of \$XXX per copy.



100 South Phillips Avenue
P.O. Box 5186
Sioux Falls, SD 57117-5186

P 605.335.5180
www.fnbsf.com

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SEP 28 2016

Division of Financial
& Technical Assistance

September 27, 2016

South Dakota Conservancy District
c/o South Dakota Department of Environment and
Natural Resources – SRF Program
523 East Capitol Avenue
Joe Foss Building
Pierre, SD 57501
Attention: SRF Section

Moody's Investors Service, Inc.
99 Church Street
New York, New York 10007
Attention: Public Finance Group

Standard & Poor's
a Division of the McGraw-Hill Companies, Inc. .
55 Water Street
New York, New York 10041
Attention: Public Finance Group

Standard & Poor's
a Division of the McGraw-Hill Companies, Inc.
Attn.: Muni Structured Finance
55 Water Street, 38th Floor
New York, NY 10041

Cede & Co. (as nominee for The Depository Trust Company), as registered Holder of the following outstanding bonds of the South Dakota Conservancy District:

State Revolving Fund Revenue Bonds, Series 1996A, issued in the original principal amount of \$2,770,000,

State Revolving Fund Program, Taxable Revenue Bonds, Series 2010A (Build America Bonds), issued in the original principal amount of \$38,695,000,

State Revolving Fund Program, Revenue Bonds, Series 2010B, issued in the original principal amount of \$53,685,000,

State Revolving Fund Program, Taxable Revenue Bonds, Series 2012A, issued in the original principal amount of \$69,775,000,

State Revolving Fund Program, Revenue Bonds, Series 2012B, issued in the original principal amount of \$53,530,000,



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State Revolving Fund Program, Taxable Revenue Bonds, Series 2014A, issued in the original principal amount of \$9,060,000, and

State Revolving Fund Program, Revenue Bonds, Series 2014B, issued in the original principal amount of \$50,755,000,

all bearing the 6-digit CUSIP number 837545 (collectively, the "Bonds")

Please be advised that The First National Bank in Sioux Falls (the "Bank") has announced its intention to resign as Trustee with respect to the Bonds of the South Dakota Conservancy District (the "District") listed above, in accordance with the terms of the Fifth Amended and Restated Master Trust Indenture, dated as of September 1, 2010, between the District and the Bank, as Trustee (the "Master Indenture").

In accordance with Section 8.15 of the Master Indenture, such resignation (i) shall not be effective until a Successor Trustee has been appointed, has accepted the duties of Trustee, and all funds, property (including any credit enhancement instrument and liquidity facilities) have been transferred to the Successor Trustee and (ii) shall in no event be effective until 30 days after the date of this Notice.

THE FIRST NATIONAL BANK IN SIOUX FALLS, as Trustee

By 
F. Bert Olson, Vice President and Trust Officer

TITLE: Canton Request to Amend Scope of Drinking Water SRF Loan C462039-02

EXPLANATION: In March 2015, Canton was awarded a \$1,550,000 Drinking Water SRF loan for the installation of two new wells and upgrades to the existing pumps and control system. At this time, the city is proceeding with only the upgrades to the pumps. The city of Canton is still evaluating alternatives for water supply.

On October 5, 2016, the department received an updated project scope and a letter from the city of Canton requesting to amend the scope of the loan to include additional improvements to the pump building. Several deficiencies have been found that were not included in the original facility plan. The updated project scope includes recommended improvements to address these issues as well as a cost estimate of the proposed work.

RECOMMENDED ACTION: Amend the scope of Drinking Water SRF Loan C462039-02 to include the improvements that are proposed in Scope Update for the August 2013 Facility Plan, Phase 2 – Existing High Service Pumps Upgrade.

CONTACT: Drew Huisken
605-773-5092



October 4, 2016

South Dakota DENR
Andy Bruels, P.E., Engineering Manager
Water & Waste Funding Program
Joe Foss Building
523 E Capitol
Pierre, SD 57501
Phone: (605) 773-4216

RECEIVED

OCT 05 2016

Division of Financial
& Technical Assistance

RE: City of Canton Water Supply Facilities Plan Scope Update to the August 2013 Facility Plan Phase 2 – Existing High Service Pumps Upgrade

Dear Mr. Bruels and Members of the Board:

A City of Canton Water Supply Facilities Plan Scope Update to the August 2013 Facility Plan Phase 2 – Existing High Service Pumps Upgrade was prepared by JSA Engineers/Land Surveyors & HDR Engineering, Inc. with a submittal date of September 23, 2016.

The city has received a \$1,550,000 DWSRF loan to construct additional water supply and replace the existing high service pumps. At this time, the city is proceeding with only the high service pump portion of Alt No.1 with an anticipated cost of approximately \$982,000. The updated scope reflects required improvements for Phase 2 – Existing High Service Pumps Upgrade Scope that the City would be constructing prior to Phase 1.

The city is still evaluating alternatives for water supply, wells versus South Lincoln Rural Water, and an environmental review for this portion will be submitted once the final project selection has been determined.

The scope update submitted presents the recommended improvements along with a preliminary capital improvements cost that reflects the age and condition, capacity, and operational and regulatory related needs.

Sincerely,

Amanda Mack
City Manager
City of Canton
amanda.mack@cantonsd.org
605-987-2881



November 9, 2016

Item 16

TITLE: Lennox Request to Amend Clean Water State Revolving Fund Loan C461105-06

EXPLANATION: In March 2015 the Board of Water and Natural Resources approved a \$1,873,000 Clean Water State Revolving Fund loan (C461105-06) for the city of Lennox. Lennox pledged surcharge revenue for repayment of the loan. The loan has not closed.

Lennox has requested that the Board approve an amendment to the revenue pledged as security for repayment of the loan. The city has requested that the Board approve amending the surcharge revenue pledge and that the loan be secured by storm drainage fee revenue.

RECOMMENDED ACTION: Approve Lennox's request to amend the revenue pledged for repayment for loan #C461105-06 from a pledge of project surcharge revenue to a pledge of storm drainage fee revenue.

CONTACT: David Ruhnke (773-4583)

September 29, 2016

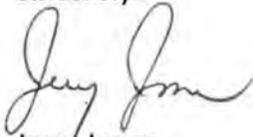
Eric Meintsma, P.E.
DENR
Joë Foss Building
523 East Capitol Ave.
Pierre, SD 57501-3182

Dear Eric,

I am respectfully requesting, upon the Lennox City Council decision on August 22, 2016 special council meeting, to pledge the City of Lennox storm sewer assessment revenue for repayment of the Clean Water SRF C461105-06, Main Street Sanitary and Storm Sewer Improvements Project scheduled for 2017.

If there is any other information needed upon this request, please contact myself at 605-647-2286 or City Engineer Mitch Mergen at Stockwell Engineers at 605-338-6688. Thank you.

Sincerely:



Jerry Jones
Finance Officer