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Minutes of the
Board of Water and Natural Resources Meeting

November 9, 2017

Conducted via the Digital Dakota Network

Aberdeen, SD
Northern State University

Brookings, SD
South Dakota Department of Transportation

Mitchell, SD
Mitchell Technical Institute

Pierre, SD
Capitol Building

Rapid City, SD
Rapid City Emergency Operations Center

Sioux Falls, SD
University Center

Vermillion, SD
University of South Dakota

Watertown, SD
Department of Environment and Natural Resources

CALL MEETING TO ORDER: The meeting was called to order by Chairman Brad Johnson at 1:00 p.m. Central Standard Time. The roll was called, and a quorum was present.

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

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

BOARD MEMBERS ABSENT: None.

OTHERS: See attached attendance sheets.

APPROVE AGENDA: Chairman Johnson approved the agenda.

APPROVE MINUTES OF SEPTEMBER 28-29, 2017, MEETING: Motion by Gnirk, seconded by Bernhard, to approve the minutes of the September 28-29, 2017, Board of Water and Natural Resources meeting. A roll call vote was taken, and the motion carried unanimously.

2018 STATE WATER PLAN APPLICATIONS: 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. 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. Placement of a project on the State Water Plan provides no guarantee of funding. The projects placed on the plan at this meeting will remain on the facilities plan through December 2019.

Andy Bruels presented and discussed the 27 State Water Plan applications that were received by the October 1, 2017, deadline.

Project Sponsor	Description	Estimated Total Project (\$)	Recommendation
Aurora-Brule Rural Water System	System Capacity Improvements	\$4,500,000	Place on Facilities Plan
Blunt	Water System Improvements	\$645,000	Place on Facilities Plan
Bridgewater	Storm Sewer Collection and Water Meter Replacement	\$2,583,000	Place on Facilities Plan
Clark Rural Water System	System Improvements, Connections to Bradley and Willow Lake	\$3,000,000	Place on Facilities Plan
Crooks	Palmira Sanitary Sewer and Watermain Replacement	\$3,264,300	Place on Facilities Plan
Elk Point	Douglas Street Utility Improvements	\$788,000	Place on Facilities Plan
Fort Pierre	Wastewater Treatment Facility Improvements	\$3,930,000	Place on Facilities Plan
Frederick	Wastewater Improvements	\$2,988,000	Place on Facilities Plan
Hot Springs	Water System Supply and Storage	\$3,850,000	Place on Facilities Plan
Hot Springs	Houston Avenue Sewer Replacement	\$197,000	Place on Facilities Plan
Humboldt	Wastewater Improvements Phase 2 and Water Meter Replacement	\$3,959,000	Place on Facilities Plan
Huron	Wastewater Treatment Facility Improvements	\$5,706,000	Place on Facilities Plan
Lake Norden	Water System Improvements	\$3,000,000	Place on Facilities Plan

Project Sponsor	Description	Estimated Total Project (\$)	Recommendation
Lake Poinsett Sanitary District	Sanitary Sewer Collection and Treatment Extension	\$10,000,000	Place on Facilities Plan
Lake Preston	Wastewater Collection System Improvements	\$4,200,000	Place on Facilities Plan
McIntosh	Wastewater System Improvements	\$2,005,000	Place on Facilities Plan
Oelrichs	Water System Improvements	\$412,470	Place on Facilities Plan
Philip	Wastewater and Storm Sewer Improvements	\$1,850,000	Place on Facilities Plan
Piedmont	Water Tower and Well Construction	\$2,200,000	Place on Facilities Plan
Piedmont	Wastewater Collection and Treatment System Construction	\$4,500,000	Place on Facilities Plan
Presho	Main Street Utility Improvements	\$1,968,535	Place on Facilities Plan
Pukwana	Sanitary Sewer Improvements	\$1,742,555	Place on Facilities Plan
Ree Heights	Water System Improvements	\$509,000	Place on Facilities Plan
Sioux Rural Water System	2018 System Improvements	\$11,321,000	Place on Facilities Plan
Tea	First Street and Ceylon Water and Sewer Extension	\$1,653,000	Place on Facilities Plan
Tea	Brian Street Water and Sewer Extension	\$3,042,000	Place on Facilities Plan
Wessington Springs	Water Meter Replacement	\$568,000	Place on Facilities Plan

Staff recommended placing all of the projects listed above on the 2018 State Water Facilities Plan.

Mr. Bruels answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to accept the staff recommendations to place the 27 projects on the 2018 State Water Facilities Plan. A roll call vote was taken, and the motion carried unanimously.

PUBLIC HEARING TO ADOPT THE FY 2018 CLEAN WATER STATE REVOLVING FUND INTENDED USE PLAN: Chairman Johnson opened the public hearing at 1:20 p.m. CST.

The hearing was public noticed in accordance with applicable state and federal requirements.

The purpose of the hearing was to receive public input and adopt the FFY 2018 Clean Water State Revolving Fund (SRF) Intended Use Plan (IUP).

The IUP 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 IUP. Projects seeking a Clean Water SRF loan must be included on the priority list.

Andy Bruels presented the FFY 2018 Clean Water SRF IUP and discussed changes from previous years. He and Mr. Feeney answered questions from the board.

Chairman Johnson requested public comments regarding the Clean Water SRF IUP. No one offered comments, and no written comments were received.

Motion by Jones, seconded by Goldhammer, to approve the FFY 2018 Clean Water State Revolving Fund Intended Use Plan as presented. A roll call vote was taken, and the motion carried unanimously.

PUBLIC HEARING TO ADOPT FFY 2018 DRINKING WATER STATE REVOLVING FUND INTENDED USE PLAN: Chairman Johnson opened the public hearing at 1:35 p.m. CST.

The hearing was public noticed in accordance with applicable state and federal requirements.

The purpose of the hearing was to receive public input and adopt the FFY 2018 IUP for the Drinking Water SRF program.

The IUP describes how the board intends to use available funds to meet the objectives of the Safe Drinking Water Act. The IUP 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 IUP. Projects seeking a Drinking Water SRF loan must be included on the priority list.

Mr. Bruels presented the FFY 2018 Drinking Water SRF IUP and discussed changes from previous years. He answered questions from the board.

Chairman Johnson requested public comments regarding the Drinking Water SRF IUP. No one offered comments, and no written comments were received.

Motion by Lanning, seconded by Soholt, to approve the FFY 2018 Drinking Water State Revolving Fund Intended Use Plan as presented. A roll call vote was taken, and the motion carried unanimously.

Chairman Johnson closed the hearings at 1:55 p.m. CST.

REVIEW OF CONSERVANCY DISTRICT INVESTMENT POLICY AND SFY 2017 STATE REVOLVING FUND INVESTMENTS AND RETURNS: Jon Peschong reported that Section 15 of the Investment Policy states that the board will annually review the policy. 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.

Part of that policy allowed investments in the SD Cash Flow Fund. The SD Cash Flow Fund is an unrated internal investment pool for the State of South Dakota.

Mr. Peschong stated that after discussions among staff, the Successor Trustee U.S. Bank National Association, and the District's financial advisor and counsel, it was determined, from a credit perspective, it would be in the best interest of the District to liquidate the investments in the SD Cash Flow Fund. On March 31, 2017, the funds in the SD Cash Flow Fund were liquidated.

The Second Amendment removes the references to the SD Cash Flow Fund in the Investment Policy as an "Investment Obligation".

Mr. Peschong provided an overview of the various SRF investments and investment returns for SFY17.

Staff recommended the board approve the Second Amendment to the District's Investment Policy removing the SD Cash Flow Fund as an eligible investment.

Motion by Bernhard, seconded by Jones, to adopt **Resolution #2017-96** approving the South Dakota Conservancy District Investment Policy for the State Revolving Fund Programs with the Second Amendment to the District's Investment Policy removing the SD Cash Flow Fund as an eligible investment. A roll call vote was taken, and the motion carried unanimously.

LEWIS & CLARK REGIONAL WATER SYSTEM STATE WATER RESOURCES MANAGEMENT SYSTEM LOAN SCOPE AMENDMENT: Andy 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 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.

On August 13, 2015, the \$7.7 million loan was placed under agreement for engineering, easements, construction and other costs associated with completion of Segment 1 and Segment 5 of the Madison service line. Segment 1 provided a connection for Minnehaha Community Water Corporation near Crooks, and Segment 5 was used as part of an interim connection so Madison can receive water from Big Sioux Community Water System. That project was completed, and Madison has access to the allotted amount of water. The project came in under budget.

In September 2016, the board approved an amendment to the loan agreement expanding the project scope to include engineering and easement acquisition of Segments 2, 3, and 4 along the Madison service line.

Included in the board packet were two letters from Lewis & Clark requesting the current project scope be amended to include the purchase of a backup generator station for the Tea pump station. Mr. Bruels noted that the Tea pump station is a significant part of Lewis & Clark's infrastructure. Lewis & Clark estimates there will be roughly \$300,000 to \$600,000 remaining from the state's \$7.7 million federal funding advance after finalizing the engineering and acquiring easements for the middle three segments of the Madison service line. Lewis & Clark has also pledged to use remaining FY18 federal funds towards the balance of the generator station which is estimated to cost \$1.28 million.

Mr. Bruels stated that a Second Amendment to the Loan Agreement amending the scope of the project has been prepared with assistance from the department's legal counsel and the Attorney General's office.

Staff recommended the board approve the Second Amendment to the Lewis & Clark Regional Water System State Water Resources Management System Loan Agreement for a change in project scope.

Troy Larsen, Executive Director of Lewis & Clark Regional Water System, discussed the project and requested board approval of the Second Amendment. He thanked the board for supporting the project.

Motion by Goldhammer, seconded by Bernhard, to adopt **Resolution #2017-97** approving the Second Amendment to the loan agreement with Lewis & Clark Rural Water System revising the project scope to include the purchase of a generator station at the Tea pump station. A roll call vote was taken, and the motion carried unanimously.

OMNIBUS BILL FUNDING RECOMMENDATIONS: Mr. Peschong reported that the board annually conducts a public meeting to take statements from interested parties regarding water and waste funding needs. A board resolution is developed to recommend funding levels to the Governor and Legislature for individual State Water Resources Management System projects, the consolidated program, the solid waste program, and other special appropriations for water development.

Mr. Peschong discussed the process for estimating the funding levels available for the appropriation recommendations.

Since the dedicated funding sources were established in the early 1990s, this process has provided more than \$275,000,000 for water and waste projects throughout South Dakota.

Mr. Peschong provided a summary of dedicated funding deposited into the Water and Environment Fund (WEF), the dedicated funding revenue sources, and the projected funds available for appropriation in the 2018 Omnibus Bill.

Mr. Feeney discussed the proposed appropriation levels from the WEF and the WEF State Revolving Fund subfunds.

The department recommended an appropriation level of \$7,500,000 for the Consolidated Water Facilities Construction Program and \$2,500,000 for the Solid Waste Management Program.

The department also recommended the following Water and Environment Fund Subfund appropriation levels:

State Revolving Fund Administrative Surcharge Fees	
CWSRF Water Quality Grants	\$1,000,000
CWSRF Application and Administration Assistance	\$150,000
DWSRF Application and Administration Assistance and Small System Technical Assistance	\$200,000
DWSRF Drinking Water SRF Construction Grants	\$1,500,000
Federal DWSRF Set-Aside Funds	
Small System Technical Assistance	\$150,000
WEF Subfund Total:	\$3,000,000

Mr. Feeney answered questions from the board.

Motion by Gnirk, seconded by Soholt, to adopt **Resolution #2017-98** recommending to the Governor and State Legislature Water and Environment Fund Fiscal Year 2019 appropriation levels of \$7,500,000 for the Consolidated Water Facilities Construction Program, \$2,500,000 for the Solid Waste Management Program, \$1,000,000 for Clean Water SRF Water Quality Grants, \$150,000 for Clean Water SRF Application and Administration Assistance, \$200,000 for Drinking Water SRF Application and Administration Assistance and Small System Technical Assistance, \$1,500,000 for Drinking Water SRF Construction Grants, and \$150,000 Federal Drinking Water Set-Aside Funds for Small System Technical Assistance. A roll call vote was taken, and the motion carried unanimously.

STATE WATER RESOURCES MANAGEMENT SYSTEM RECOMMENDATIONS: SDCL 46A-1-2.1 designates the water resource projects included on the State Water Resources Management System (SWRMS) component of the State Water Plan that serve as the preferred priority water development objectives of the state.

Mr. Feeney reported that the Board of Water and Natural Resources annually reviews the projects included on the SWRMS component and makes recommendations to the Governor and State Legislature regarding any deletions, additions, or retention of projects on the SWRMS component.

The following projects are currently included on the SWRMS list:

- Belle Fourche Irrigation Upgrade Project
- Big Sioux Flood Control Study
- Cendak Irrigation Project

Gregory County Pumped Storage Site
Hydrology and Water Management Studies
Lake Andes-Wagner/Marty II Irrigation Unit
Lewis and Clark Rural Water System
Sioux Falls Flood Control Project
Southern Black Hills Water System
Vermillion Basin Flood Control Project

Staff recommended that the board adopt a resolution recommending that all projects currently on the SWRMS component of the State Water Plan be retained as preferred, priority objectives of the state.

Mr. Feeney answered questions from the board.

Motion by Gnirk, seconded by Jones, to adopt **Resolution #2017-99** recommending to the Governor and the State Legislature that all water resource projects currently on the State Water Resources Management System be retained as preferred, priority objectives of the state. A roll call vote was taken, and the motion carried unanimously.

DISTRIBUTION OF REQUEST FOR PROPOSALS FOR CAPACITY DEVELOPMENT FOR PUBLIC WATER AND WASTEWATER SYSTEMS: Jon Peschong stated that on June 22, 2017, the board approved two contracts totaling \$49,500 with Midwest Assistance Program to conduct capacity developments for public water and wastewater systems. At that time, staff recommended that a Request for Proposals (RFP) process be used for these services in the near future. The RFP is needed because it is anticipated that these professional service will require a contract that exceeds the \$50,000 threshold stated in SDCL 5-18D-17.

The draft RFP to provide capacity development for public water and wastewater systems was provided in the board packet. The RFP is for a three-year contract with the option to renew the contract for an additional three years.

Funding for the contract will come from the Drinking Water capitalization grant local assistance set-aside to cover water capacity development services and administrative fees from Clean Water SRF loan repayments to cover wastewater capacity development services. Standard contract terms and conditions and proposed work plans for both water and wastewater systems are also included.

Mr. Peschong noted that staff is proposing to advertise the RFP on Monday, November 13, 2017, with the deadline for submittal of proposals on Friday, December 8, 2017.

Staff recommended the board authorize the distribution of the RFP to provide capacity development for public water and wastewater systems and that Chairman Johnson appoint a three-member board committee to review the proposals and to assist with making a recommendation to the full board at the January 4, 2018, Board of Water and Natural Resources meeting.

Motion by Soholt, seconded by Lanning, to authorize distribution of the Request for Proposal to provide capacity development for public water and wastewater systems and appoint the three-member board committee to review the submitted proposals. A roll call vote was taken, and the motion carried unanimously.

Chairman Johnson appointed Soholt, Jones, and Lanning as the board committee to review the proposals.

APPROVAL OF THE 2017 ANNUAL REPORT AND 2018 STATE WATER PLAN: 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 the Governor by the first day of the legislative session.

Andy Bruels presented the annual report, which provides a description of the activities that were undertaken by the Board of Water and Natural Resources during calendar year 2017. The report includes tables detailing the funding awards approved by the board throughout the year.

The board has awarded more than \$128.4 million dollars in grant and loaning funding for planning, design, and construction of municipal drinking water, wastewater, lake and watershed restoration, rural water, solid waste disposal and recycling projects. These awards were critical in having environmental projects being completed across the state.

The State Water Plan identifies the projects approved for placement on the 2018 facilities plan and provides information for projects on the State Water Resources Management System (SWRMS).

There are 173 projects on the 2018 water facilities plan. Projects that have received funding from the board remain on the facilities plan until project completion, and they remain eligible to request additional funding if costs increase. The SWRMS component of the State Water plan includes the ten existing projects on the list and the recommendation that all projects be retained as preferred, priority objectives of the state.

The final version of the report will provide the recommendations in the Omnibus bill and submits those to the Governor and Legislature on the funding levels for various water and solid waste projects, the programs, and activities. The board's recommendations for the SWRMS list designations, the funding levels for projects, programs and activities, and the Water and Environment Fund special condition statement are provided as appendices to the report.

Staff recommended the board approve the 2017 Annual Report and 2018 State Water Plan, and that the board authorize the staff to print and distribute the report to the State Legislature, Governor and other interested parties on behalf of the board.

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

Motion by Bernhard, seconded by Jones, to approve the 2017 Annual Report and 2018 State Water Plan for distribution to the State Legislature and the Governor. A roll call vote was taken, and the motion carried unanimously.

AQUIFER DELINEATION UPDATE BY EAST DAKOTA WATER DEVELOPMENT

DISTRICT: Jay Gilbertson provided a slide presentation and discussed updating groundwater protection for shallow aquifers. Funding for this project was provided through the 2013 Omnibus Bill.

Shallow aquifers supply most of the drinking water, public and private, in the I-29 corridor in eastern South Dakota. Shallow aquifers are particularly sensitive to contamination. Fourteen counties have adopted groundwater protection ordinances.

Project activities include evaluating the existing observation well network, installing new wells as needed, measuring water levels to establish groundwater flow direction, recalculating wellhead protection areas using present-day information, and working with local county planning and zoning boards to update aquifer protection ordinances.

Mr. Gilbertson answered questions from the board.

JANUARY 4, 2018, MEETING: The next board meeting will be via the Digital Dakota Network on January 4, 2018, at 1:00 p.m. Central Time.

Mike Perkovich discussed possible agenda items for the next meeting.

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

Approved this 4th day of January, 2018.

(SEAL)

ATTEST:

Chairman, Board of Water and Natural Resources

Secretary, Board of Water and Natural Resources

ATTENDANCE SHEET

BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

NOVEMBER 9, 2017

ABERDEEN
NORTHERN STATE UNIVERSITY

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

Jordan Hintz

Aberdeen

NECOG

DRAFT

ATTENDANCE SHEET
BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

NOVEMBER 9, 2017

RAPID CITY EMERGENCY OPERATIONS CENTER
RAPID CITY, SD

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

Robert L. Smith

2050 v. main site 1 RC

SD DENR

Terri Hawerly

SD Senate

DRAFT

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