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Minutes of the
Board of Water and Natural Resources Meeting

January 3, 2020
1:00 p.m. CST

Conducted via the Digital Dakota Network

Northern State University
Aberdeen, SD

Department of Transportation
Brookings, SD

Mitchell Technical Institute
Mitchell, SD

Capitol Building
Pierre, SD

Rapid City Emergency Operations Center
Rapid City, SD

University Center
Sioux Falls, SD

Department of Environment and Natural Resources
Watertown, SD

CALL MEETING TO ORDER: The meeting was called to order by Vice Chairman Gene Jones, Jr. The roll was called, and a quorum was present.

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

BOARD MEMBERS PRESENT: Gene Jones, Jr., Todd Bernhard, Jackie Lanning, Dr. Paul Gnirk, Dr. Kathryn Johnson, and Karl Adam.

BOARD MEMBERS ABSENT: Jerry Soholt.

OTHERS: See attached attendance sheets.

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

APPROVE MINUTES OF THE NOVEMBER 7, 2019, MEETING: Motion by Gnirk, seconded by Bernhard, to approve the minutes of the November 7, 2019, Board of Water and Natural Resources meeting. A roll call vote was taken, and the motion carried unanimously.

PUBLIC COMMENT PERIOD: No public comments were offered.

SECTION 319 APPLICATIONS: Kris Dozark, DENR Watershed Protection Program, provided background information on the Section 319 Program and the amount anticipated for FFY 2020 funding.

The Board of Water and Natural Resources is the designated entity that provides the state's Section 319 nonpoint source project funding recommendations to EPA. The board considers the funding recommendations of the Nonpoint Source (NPS) Task Force and DENR staff. Six applications requesting \$3,463,242 in Section 319 funding were received by DENR and reviewed by the NPS Task Force.

The 2020 Clean Water SRF Intended Use Plan authorized the use of \$1,150,000 in administrative surcharge fees for Water Quality grants to supplement the Consolidated and Section 319 programs for wastewater treatment and TMDL implementation projects. DENR anticipates receiving \$2,574,000 in Section 319 funds, which is at the same level as last year's allocation. The DENR and NPS Task Force recommendations summarized in the table in the board packet reflect both the anticipated FFY 2020 Section 319 federal funding allocation and \$200,000 in Clean Water SRF Water Quality grant awards. The department proposes to use \$744,000 for administration of the NPS program, which leaves \$2,030,000 for pass-through grants.

With final FFY 2020 appropriation levels being delayed until the new budget is in place, DENR recommended that up to \$200,000 in Water Quality grant funding be allocated for these projects. If a decrease in Section 319 funding occurs, all pass-through grants will be reduced proportionately.

Mr. Dozark presented the six applications and the DENR and NPS Task Force recommended funding levels.

Belle Fourche River Watershed Implementation Project - Segment 9 (Amendment)
Sponsor: Belle Fourche River Watershed Partnership

Total Cost: \$3,466,500

319 Grant Request: \$829,000

The Belle Fourche River Watershed Partnership is the project sponsor for this two-year project. This is the ninth Segment that addresses seven TMDLs. Activities planned for this segment will continue implementing BMPs that reduce E. coli and TSS pollutants. These BMPs include installing irrigation sprinkler systems, implementing grazing management systems, installing

riparian /bank stability improvements, implementing improved cropping systems, and improving and/or relocating livestock feeding areas. The Segment 9 amendment proposes additional funds to increase BMP installment in the watershed.

DENR and NPS Task Force Recommendation: \$200,000 in Section 319 funds.

The recommendation is based on limited Section 319 funds available and leftover funds in the project budget from previous Section 319 grant awards. It is also recommended future project segments be three-years in length. The sponsor should submit future applications for 319 funds and continue to work with other potential funding partners to help make up the shortfall in Section 319 funds awarded.

Big Sioux River Watershed Implementation Project - Segment 4

Sponsor: Minnehaha County Conservation District

Total Cost: \$14,258,375

319 Grant Request: \$950,000

The Big Sioux River Watershed Project is a multi-year TMDL implementation strategy that will be completed in multiple segments. The project will restore and/or maintain the water quality of the Big Sioux River and its tributaries to meet the designated beneficial uses. The Lower Big Sioux River, Central Big Sioux River and the North-Central Big Sioux River/Oakwood Lakes Watershed Assessments identified various segments of the Big Sioux River and certain tributaries between Estelline, South Dakota and Sioux City, Iowa as failing to meet designated uses due to impairments from TSS, dissolved oxygen and/or bacteria. The current project (Segment 4) is focused on further reducing loadings from soil erosion, animal feeding operations, damaged riparian areas, and expanding ongoing project activities. It also extends water quality monitoring through 2025.

DENR and NPS Task Force Recommendation: \$605,000 in Section 319 funds.

The recommendation is based on limited Section 319 funds available. Since this segment is the beginning of a new proposed five-year project, DENR and the NPS Task Force recommend funding this project substantially. The sponsor should submit future applications for 319 funds and continue to work with other potential funding partners to help make up the shortfall in Section 319 funds awarded.

E. coli in Stream Sediments as a Potential Source to the Water Column – Segment 2

Sponsor: South Dakota State University

Total Cost: \$498,352

319 Grant Request: \$298,942

This project will use detailed spatial sampling during the beginning, middle, and end of the recreation season to quantify sediment sources of E. coli from streams with varying levels of anthropogenic influences. Sediment and site characteristics will be evaluated to compare with E. coli concentrations. The potential load from sediment sources will be estimated from streams with varying levels of anthropogenic influences. This will provide foundational understanding

of sediments as a source of E. coli that can be utilized in TMDL development. The detailed spatial monitoring that will be completed by this study will inform sampling design given different site characteristics.

DENR and NPS Task Force Recommendation: \$295,000 in Section 319 funds.

The recommendation is based on limited Section 319 funds available. With E. coli being the primary cause of impairment for immersion and limited contact recreation, this project will help answer some questions about E. coli storage in stream sediments as a pollutant source. The information gained from this project will help with TMDL development and implementation strategies for E. coli related impairments.

Soil Health Improvement and Planning Project – Segment 2

Sponsor: South Dakota Soil Health Coalition

Total Cost: \$512,500

319 Grant Request: \$285,300

The goal of this two-year project is to improve water quality through planning and implementation of soil health agricultural best management practices (BMPs) and outreach to producers in selected 303(d) listed waterbodies in South Dakota. Implementing and promoting best management practices in the watershed that reduce sediment loading and prevent bacterial contamination working to attain total maximum daily loads (TMDLs) developed for the rivers, tributaries, and lakes and meet the designated beneficial uses. Outreach will include planning and holding workshops and field demonstration tours to educate and inform producers of ways to manage land to reduce runoff and improve nutrient cycling which will ultimately improve water quality. The project will also provide information and education to local landowners and the general public to provide a better understanding of water quality and its relationship to soil health benefits.

DENR and NPS Task Force Recommendation: \$230,000 (\$130,000 in Section 319 funds and \$100,000 WQ Grant).

The project sponsor followed the recommendations from last year and removed Section 319 funding from the proposed I&E objectives and focused on planning and installation of BMPs. The recommendations for this project are geared toward improving water quality when using Section 319 funds for BMPs. Therefore, removing Section 319 funds from Objective 1, Product 1: Crop Rotation, Product 4: Cropland Grazing, Product 5: Soil Health Bundle, and Product 7: Pollinator Planting are recommended. DENR and the NPS Task Force also recommend not using 319 funds to pay for the SDSU Extension Outreach Coordinator (\$12,000) and in turn, use Section 319 funds to pay for the SDSHC portion of coordinator's travel, salary and audit (\$10,200). Communication between and with other 319 projects is an important aspect of the success of this project, as stated in the Proposal under Objective 4, Task 1 on page 10. DENR and the NPS Task Force want to stress the importance of this task to help implement on-the-ground soil health practices.

South Central Watershed Implementation Project - Segment 1 (Amendment)

Sponsor: James River Water Development District

Total Cost: \$21,505,542

319 Grant Request: \$800,000

This proposal is the first segment of a locally planned multi-year (10-15 year) effort to implement best management practices (BMPs) in the Lewis and Clark Lake watershed, Lake Andes, Geddes, Academy and Platte Lake watersheds, impaired stretches of the Lower James River tributaries, and impaired reaches in the Vermillion watershed. This effort is aimed at restoring water quality to meet designated beneficial uses and address TMDLs established, and to be established, for waterbodies in these watersheds.

DENR and NPS Task Force Recommendation: \$400,000 in Section 319 funds.

The recommendation is based on limited Section 319 funds available and leftover funds in the project budget from previous Section 319 grant awards. The sponsor should submit future applications for 319 funds and continue to work with other potential funding partners to help make up the shortfall in Section 319 funds awarded.

SD Nonpoint Source I&E Project - Segment 6

Sponsor: South Dakota Discovery Center

Total Cost: \$513,125

319 Grant Request: \$300,000

The 2020 South Dakota Nonpoint Source Information and Education Project is designed to continue providing South Dakota's citizens information and education opportunities about nonpoint source pollution to in order to gain their support for and participation in nonpoint source pollution prevention and reduction practices. This three-year project will focus on outreach to South Dakota's adults using a combination of traditional and innovative methods, support local and regional activities through a competitive Mini-grants Program, and increase teacher, student and adult awareness of and proficiency in watersheds and watershed protection.

DENR and NPS Task Force Recommendation: \$300,000 (\$200,000 in Section 319 funds and \$100,000 WQ Grant).

The recommendation is to provide full funding.

Dr. Gnirk asked whether Section 319 projects are coordinated with other states that border South Dakota.

Mr. Dozark answered that some work in the Belle Fourche watershed is being done in Wyoming, but he does not believe that most activities in South Dakota overlap with those in Wyoming. In the Big Sioux Project, Skunk Creek is the main area of focus for the project at this time. As far as coordinating between states, Mr. Dozark does not believe there is a lot of coordination.

Dr. Gnirk said he believes there should be some coordination between states on these projects.

Mr. Dozark stated that he will determine which projects are coordinating efforts with bordering states, and he will report back to the board at a future meeting.

Mr. Dozark requested separate board actions to provide for the awards from the Water Quality grant funding and to provide the state Section 319 funding recommendations to EPA.

Motion by Adam, seconded by Gnirk, to authorize the department to enter into a grant agreement with the South Dakota Discovery Center and South Dakota Soil Health Coalition in the total amount of \$200,000 from Clean Water SRF administrative surcharge fees pursuant to the 2020 Clean Water SRF Intended Use Plan, contingent upon the 2020 Legislature authorizing the required budget authority for the awards. A roll call vote was taken, and the motion carried unanimously.

Motion by Gnirk, seconded by Bernhard, to concur with the funding recommendations of the department and the NPS Task Force and authorize the department to forward the FFY 2020 Section 319 funding recommendations to EPA with adjustments to final federal funding level. A roll call vote was taken, and the motion carried unanimously.

AVAILABLE FUNDING: Andy Bruels reviewed available funds for the Consolidated Water Facilities Construction Program, Drinking Water SRF Water Construction Grants, Drinking Water SRF Principal Forgiveness, Drinking Water SRF Loans, Clean Water SRF Water Quality Grants, Clean Water SRF Principal Forgiveness, and Clean Water SRF loans.

DRINKING WATER FACILITIES FUNDING APPLICATIONS: Mr. Bruels presented the Drinking Water Facilities applications and staff recommendations. A map showing the location of the projects was included in the board packet.

Langford requested funding to construct a new 75,000-gallon elevated storage tank and a pump house building to house a 4,000-gallon ground storage tank, along with pumps and controls to supply the elevated tank. The project also involves replacing approximately 4,200 feet of 4-inch asbestos cement water main with 6-inch PVC main. The water main portion of the project is currently under construction. All of the town's water meters were also replaced.

The tower project was bid in the spring of 2019 and costs exceeded the engineers estimate. The town decided not to award the project and will rebid at a later date. The engineer now projects a shortfall of \$570,000 between current funding and actual costs to complete the project due to tower costs being higher than anticipated and additional project costs associated with constructing the tower at a later date.

Langford anticipates bidding the project in the spring of 2020 with project completion by the end of the 2020 construction season.

The estimated total project amount is \$2,654,000, and the amount requested is \$570,000.

Rates in Langford are \$56.50 per 5,000 gallons.

Langford received a \$386,000 Drinking Water SRF loan and a \$985,000 Consolidated grant in June 2017. The town has also received a \$550,000 Community Development Block Grant and a \$163,000 grant from the James River Water Development District.

Staff recommended awarding a \$570,000 Drinking Water SRF loan at 0 percent interest for 30 years with 82.5 percent as principal forgiveness not to exceed \$470,000.

Langford has pledged a project surcharge for repayment of the loan. Financial analysis shows that the surcharge required on the net loan of \$100,000 is \$1.65 bringing total rates to \$58.15 for 5,000 gallons.

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

Melody Swearington and Joe Keough, town of Langford, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution No. 2020-01** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$570,000 at 0 percent interest for 30 years with 82.5 percent as principal forgiveness not to exceed \$470,000 to the **town of Langford** for a drinking 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 at a level sufficient to provide the required debt coverage. A roll call vote was taken, and the motion carried unanimously.

Elk Point requested funding to replace the utilities under Washington and Douglas Streets, which includes replacing 1,700 feet of water main and appurtenances. The project will be completed in conjunction with a sanitary sewer project.

Elk Point anticipates bidding the project in the spring of 2020 with project completion in November 2020.

The estimated total project amount is \$513,575, and the amount requested is \$495,000. Elk Point is providing \$18,575 in local cash for the project.

Rates in Elk Point are \$34.80 per 5,000 gallons.

Staff recommended awarding a \$495,000 Drinking Water SRF loan at 2.50 percent interest for 30 years.

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The city has pledged water revenue for repayment of the loan. Staff analysis indicates that the projected revenue at current rates provides 137 percent coverage, meeting the required 110 percent coverage requirement.

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

Motion by Lanning, seconded by Adam, to adopt **Resolution No. 2020-02** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$495,000 at 2.50 percent interest for 30 years to the **city of Elk Point** for Washington and Douglas Street utility improvements; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective. A roll call vote was taken, and the motion carried unanimously.

Blunt requested funding to replace 144 water meters, including installing new meter pits and an automatic meter reading system. The city will also replace water valves and curb stops, install 6-inch pipe to 4 hydrants currently served by 4-inch pipe, and install an additional fire hydrant at a dead end for flushing.

Blunt anticipates bidding the project in the spring of 2020 with a project completion date of December 2020.

The estimated total project amount is \$657,080, and the amount requested is \$657,080.

Blunt has a \$30.00 flat rate.

Staff recommended awarding a \$657,000 Drinking Water SRF loan at 2.25 percent interest for 20 years with 31.6 percent as principal forgiveness not to exceed \$207,000.

Blunt has pledged a project surcharge for repayment of the loan. Financial analysis shows that a surcharge of \$14.05 is required for repayment of the net loan of \$450,000. Staff believes a slight increase to the base water rates may be necessary to cover operating expenses resulting in overall rates of approximately \$45.00 for 5,000 gallons usage.

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

Dawn Tassler and Trudie Feldman, city of Blunt, David Reiss, Central South Dakota Enhancement District, and Camden Hofer, SPN, were present to explain the project and answer questions.

Dr. Gnirk stated that he highly endorses the installation of automatic meter reading systems.

Motion by Adam, seconded by Gnirk, to adopt **Resolution No. 2020-03** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$657,000 at 2.25 percent interest for 20 years with 31.6 percent as principal forgiveness not to exceed \$207,000 to the **city of Blunt** for water system improvements; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon the borrower demonstrating financial capacity. A roll call vote was taken, and the motion carried unanimously.

SANITARY/STORM SEWER FACILITIES FUNDING APPLICATION: Mike Perkovich presented the Sanitary/Storm Sewer Facilities applications and staff recommendations for funding. A map showing the location of the applicants requesting funding was included in the board packet.

Sioux Falls requested funding for improvements to better manage storm water in three different drainage basins in the southwest portion of the city. The proposed improvements will reduce overland flows, replace and upsize storm water infrastructure to meet current design standards and improve conveyance through each basin.

The application also includes a nonpoint source component to make improvements within the Big Sioux River Basin. The nonpoint improvements include stream bank stabilization, grazing management, agricultural waste management, and vegetative buffers.

Project design and property acquisition will begin in 2020 with construction planned for 2021.

The estimated total project amount is \$9,457,400, and the amount requested is \$9,457,400, which includes \$457,400 for nonpoint source activities and \$9,000,000 for storm water improvements.

The loan will be secured by storm sewer fees. For an average residential lot, the annual fee will be approximately \$51.00.

Staff recommended awarding a \$9,457,400 Clean Water SRF loan at the non-point source incentive rate of 1.00 percent interest for 10 years, which will consist of two bond series – one in the amount of \$9,000,000 for the storm water improvements and one in the amount of \$457,400 for the non-point source component.

The city pledged storm sewer fees for repayment of the loan. Staff analysis indicates that the revenue generated by the storm sewer fees will provide 421 percent coverage, which exceeds the required 110 percent coverage.

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Staff recommended the award being contingent upon the borrower adopting two bond resolutions and the resolutions becoming effective. Staff also recommended the following special condition: The Borrower may not draw funds from the proceeds of the Series NPS-A Borrower Bond until EPA approves the revised budget for the Big Sioux Watershed Implementation Project.

Gabe Laber and TJ Yerson, HDR Engineering, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution No. 2020-04** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$9,457,000 at 1.00 percent interest for 10 years to the **city of Sioux Falls** for the east central drainage basin storm water and sanitary sewer improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting two bond ordinances and the ordinances becoming effective, and the special condition that the borrower may not draw funds from the proceeds of the Series NPS Borrower Bond until EPA approves the revised budget for the Big Sioux Watershed Implementation Project. A roll call vote was taken, and the motion carried unanimously.

Brookings requested funding to make improvements to the storm water infrastructure in the Morningside Addition. This will involve installing storm sewer pipe, curb and gutter, and a new channel for excess flow.

Brookings anticipates bidding the project in the spring of 2020 with project completion in October 2020.

The estimated total project amount is \$850,000, and the amount requested is \$850,000.

The loan will be secured by storm sewer fees. For a 10,000 square foot residential lot, the annual fee amounts to approximately \$49.00.

Staff recommended awarding an \$850,000 Clean Water SRF loan, at 2.25 percent interest for 20 years.

Brookings has pledged storm sewer fees for repayment of the loan. Staff analysis indicates that the revenue generated by the storm sewer fees will provide 289 percent coverage, which exceeds the required 110 percent coverage.

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

Jackie Lanning stated that should would be abstaining from voting on this application. She explained the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution No. 2020-05** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$850,000 at 2.25 percent interest for 20 years to the **city of Brookings** for the State Avenue stormwater 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. A roll call vote was taken, and the motion carried with Adam, Bernhard, Gnirk, Johnson, and Jones voting aye. Lanning abstained from voting.

Viborg requested funding to replace sanitary and storm sewer along Park Avenue and make improvements to the storm water system in other areas of the city.

The city of Viborg anticipates bidding the project in the spring of 2020 with project completion in November 2020.

The estimated total project amount is \$3,141,000, and the amount requested is \$1,771,000.

Rates in Viborg are \$26.10 for 5,000 gallons usage.

This application was deferred at the September 2019 meeting due to pending applications for a DOT Community Access Grant and Community Development Block Grant needed to complete the funding package. Viborg received a \$770,000 Community Development Block Grant and \$600,000 Community Access Grant. A revised application with revised project costs was submitted. Viborg is now requesting \$1,771,000 on a \$3,141,000 project.

Staff recommended awarding a \$1,771,000 Clean Water SRF loan at 2.25 percent interest for 30 years.

The city has pledged a project surcharge for repayment of the loan. Financial analysis indicates that the surcharge required on the loan is \$19.50, bringing overall rates to \$45.60.

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

Craig Rothschadl, city of Viborg, and Rich Uckert, Banner Associates, discussed the project and answered questions from the board.

Mr. Uckert noted that the project will be bid and constructed in 2021.

Mr. Perkovich noted that the staff recommendation should be to award a \$1,771,000 loan at 2.50 percent interest for 30 years, rather than 2.25 percent interest, because the application was received prior to the interest rate changes the board approved in November 2019.

Motion by Adam, seconded by Lanning, to adopt **Resolution No. 2020-06** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,771,000 at 2.50 percent interest for 30 years to the **city of Viborg** for the Park Avenue storm and sanitary sewer improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. A roll call vote was taken, and the motion carried unanimously.

Mr. Perkovich stated that staff informed him that the recommendation should be to award a loan of \$1,771,000 at 2.75 percent interest for 30 years; not 2.50 percent interest.

Motion by Adam, seconded by Lanning, to amend the previous motion to state that the board adopts **Resolution No. 2020-06** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,771,000 at 2.75 percent interest for 30 years to the **city of Viborg** for the Park Avenue storm and sanitary sewer improvements project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. A roll call vote was taken, and the motion carried unanimously.

Watertown requested funding to construct a combination administration/garage building to replace the existing facilities that serve the wastewater treatment facility. Both the existing administration building and the garage structure are outdated, do not meet building codes, and present safety concerns.

Watertown anticipates bidding the project in February of 2020 with project completion in July 2021.

The estimated total project amount is \$5,570,000, and the amount requested is \$5,000,000.

Rates in Watertown are \$21.50 for 5,000 gallons usage.

Staff recommended awarding a \$5,000,000 Clean Water SRF loan at 2.25 interest for 20 years.

The city has pledged a project surcharge for repayment of the loan. Financial analysis indicates that a surcharge of \$2.70 is required for repayment of the loan, bringing overall rates to \$24.20.

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

Mike Boerger, Watertown wastewater superintendent, discussed the project.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution No. 2020-07** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$5,000,000 at 2.25 percent interest for 20 years to the **city of Watertown** for a wastewater administration building replacement project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. A roll call vote was taken, and the motion carried unanimously.

Elk Point requested funding to replace wastewater lines beneath Douglas and Washington Streets. This is being done in conjunction with water and road improvements.

Elk Point anticipates bidding the project in the spring of 2020 with project completion in November 2020.

The estimated total project amount is \$611,575, and the amount requested is \$593,000.

Rates in Elk Point are \$31.47 for 5,000 gallons

Staff recommended awarding a \$593,000 Clean Water SRF loan at 2.50 percent for 30 years.

The city has pledged system revenues for repayment of the loan. Staff analysis indicates the revenue generated by current rates provides only 96 percent coverage, and total revenues need to increase approximately \$11,000 to meet the required 110 percent coverage. If applied to the base rate for all users, this would equate to a \$1.00 per user increase, bringing total rates to \$32.47

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

Mr. Perkovich answered questions from the board.

Motion by Gnirk, seconded by Adam, to adopt **Resolution No. 2020-08** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$593,000 at 2.50 percent interest for 30 years to the **city of Elk Point** for a Washington and Douglas Street utilities improvements; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent

upon the borrower establishing rates at a level sufficient to provide the required debt coverage. A roll call vote was taken, and the motion carried unanimously.

Mr. Perkovich provided an overview of available funds for the March funding round.

SOLID WASTE MANAGEMENT PROGRAM FUNDING APPLICATIONS: Drew Huiskens provided an overview of available funds for the Solid Waste Management Program.

Mr. Huiskens presented the Solid Waste Management Program applications and the staff recommendations for funding. A map showing the location of the projects was included in the board packet.

Mitchell requested funding for a compactor to use at its regional landfill facility. The existing compactor is beyond its useful life and requires frequent repairs and extensive downtime.

The estimated total project cost is \$590,126, and the amount requested is \$250,000.

Current tipping fees at the Mitchell landfill are \$39.00 per ton of municipal solid waste.

Mitchell anticipates purchasing the compactor in February of 2020 with delivery and utilization to occur in June 2020.

Staff recommended awarding a Solid Waste Management Program grant for up to 20 percent of the total project cost not to exceed \$118,000.

For landfill projects and equipment purchases, grant awards have historically been between 15 and 25 percent of total project costs. The City of Mitchell indicated they are not interested in a Solid Waste Management Program loan to fund the remainder of the project costs.

Kevin Roth, Mitchell Sanitation Superintendent, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution No. 2020-09** approving the South Dakota Solid Waste Management Program grant agreement to the **city of Mitchell** for up to 20 percent of approved total project costs not to exceed \$118,000 for the purchase of a landfill compactor. A roll call vote was taken, and the motion carried unanimously.

Mitchell requested funding to purchase equipment to implement a single-stream recycling program for its residential users. Mitchell had been contracting for residential recycling. That contract terminated at the end of 2019, and the city plans to operate a comingled curb side recycling program. The city wishes to purchase 90-gallon recycling containers at each residence and modify recycling operations at the landfill to accommodate the single-stream recycling.

The estimated total project cost is \$1,095,000, and the amount requested is \$545,000.

The city currently has a \$4.00 recycling fee that is mandatory for all residential properties.

Mitchell anticipates purchasing the containers and upgrades in February 2020 and delivery and implementation in April 2020.

Staff recommended award a Solid Waste Management Program grant of up to 50 percent of the total project cost not to exceed \$545,000.

For recycling projects, grant awards have historically been approximately 50 percent of total project costs. The city of Mitchell believes that with the \$4.00 recycling fee and the grant funds the program can be successfully implemented.

Kyle Croce, Mitchell Public Works Director, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Adam, to adopt **Resolution No. 2020-10** approving the South Dakota Solid Waste Management Program grant agreement to the **city of Mitchell** for up to 50 percent of approved total project costs not to exceed \$545,000 for the purchase of single stream recycling equipment. A roll call vote was taken, and the motion carried unanimously.

Rapid City requested funding to assist in the construction and the preliminary design of several projects at its regional landfill facility. Rapid City originally applied for \$3,500,000 in Solid Waste Manage Program Funds; however, the balance of the program is insufficient to fund the amount requested.

On December 16, 2019, DENR received a letter requesting amending the application amount to \$740,000. The proposed improvements include the engineering design costs for the Cell 16 final cover and the Cell 16 gas collection and control system, the design and construction of a litter control netting system around Landfill Cell 18, and engineering analysis of potential improvements to Cell 15. It is anticipated that Rapid City will apply for either Solid Waste Management Program Funding or a Clean Water State Revolving Fund loan to fund the remainder of the originally identified projects in 2020.

The estimated total project cost is \$740,000, and the amount requested is \$740,000.

The tipping fees at the Rapid City landfill are \$59 per ton of municipal solid waste.

Rapid City anticipates beginning the engineering work and the construction of the Cell 18 litter control netting in March 2020 with completion in the fall of 2020.

Staff recommended awarding a Solid Waste Management Program grant for up to 20 percent of the total project costs not to exceed \$148,000.

For landfill projects and equipment purchases, grant awards have historically been between 15 and 25 percent of total project costs. Rapid City indicated they are not interested in a Solid Waste Management Program loan to fund the remainder of the project costs.

Stacy Titus, city of Rapid City, discussed the project.

Motion by Gnirk, seconded by Lanning, to adopt **Resolution No. 2020-11** approving the South Dakota Solid Waste Management Program grant agreement to the **city of Rapid City** for up to 20 percent of approved total project costs not to exceed \$148,000 for the construction and the preliminary design of several projects at its regional landfill facility. A roll call vote was taken, and the motion carried unanimously.

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

Secure Enterprise Assess Management, Inc. (SEAM) and ESCRAP Properties, LLC requested funding to move its operation to a property in Sioux Falls to house operations. SEAM's current space is constrained operationally and lacks the necessary space for growth. The proposed facility that will be purchased has approximately 60 percent more space for operations.

The new property will be upgraded with additional loading docks and a renovated office space, among other improvements.

ESCRAP Properties, LLC, which has the same ownership as SEAM, will become the owner of the property and will also be the holder of the Solid Waste Management Program funding if it is awarded.

The estimated total project cost is \$1,698,400, and the amount requested is \$1,398,400.

SEAM's application indicates that the company processes approximately 3,000,000 pounds of consumer electronics per year and provides several other asset management and security options.

Acquisition of the property and construction are scheduled to begin in the winter of 2019-2020 with completion in April 2020.

Staff recommended awarding a \$1,398,400 Solid Waste Management Program loan at 2.25 percent interest for 20 years.

The security pledged for repayment of the loan are rental revenues paid by SEAM, Inc. to ESCRAP properties, LLC.

Staff recommended the award being contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan, contingent upon the borrower approving a security agreement and mortgage, and contingent upon the borrower approving a personal guaranty agreement and

providing a key man life insurance policy not less than the face value of the promissory note naming the borrower as the beneficiary with the proceeds payable to the Board of Water and Natural Resources to the extent of the outstanding balance of the loan.

Jake Anderson, owner of both SEAM, Inc. and ESCRAP Properties, LLC discussed the project and answered questions. As a reminder, any discussion of trade secrets or commercial or financial information must be done in an executive session in accordance with South Dakota Codified Law.

Motion by Lanning, seconded by Bernhard, to adopt **Resolution No. 2020-12** approving the South Dakota Solid Waste Management Program loan agreement between the Board of Water and Natural Resources and **ESCRAP Properties, LLC** for a loan not to exceed \$1,398,400 at 2.25 percent interest for 20 years contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan, contingent upon the borrower approving a security agreement and mortgage, and contingent upon the borrower approving a personal guaranty agreement and providing a key man life insurance policy not less than the face value of the promissory note naming the borrower as the beneficiary with the proceeds payable to the Board of Water and Natural Resources to the extent of the outstanding balance of the loan. A roll call vote was taken, and the motion carried unanimously.

Yankton requested funding to purchase a skid loader, mini excavator, lawn mower, and walking floor trailer for use at its transfer station. The existing equipment is beyond its useful life and new equipment is necessary to continue operations at this facility.

The estimated total project cost is \$332,000, and the amount requested is \$150,000.

A \$25,000 lawn mower was included in the cost estimate. Staff determined that this expense is not eligible for funding as it does not adhere to the Solid Waste Management Hierarchy as established in SDCL 34A-6-1.2. Therefore, the eligible total project cost is \$297,000.

Current tipping fees at the landfill are \$54.00 per ton of municipal solid waste.

Yankton intends to purchase the new equipment in February of 2020.

Staff recommended awarding a Solid Waste Management Program grant of up to 20.3 percent of the eligible project costs of \$297,000, not to exceed \$60,000.

For landfill projects and equipment purchases, grant awards have historically been between 15 and 25 percent of total project costs. Yankton indicated they are not interested in a Solid Waste Management Program loan to fund the remainder of the project costs.

Adam Haberman, city of Yankton, discussed the project.

Motion by Adam, seconded by Bernhard, to adopt **Resolution No. 2020-13** approving the South Dakota Solid Waste Management Program grant agreement to the **city of Yankton** for up to 20.3

percent of approved total project costs not to exceed \$60,000 for a transfer station equipment purchase. A roll call vote was taken, and the motion carried unanimously.

Mr. Huisken provided an overview of remaining funds in the Solid Waste Management Program for the next funding round.

FFY 2019 CLEAN WATER SRF ANNUAL REPORT: Stephanie Riggle presented the FFY 2019 Clean Water SRF annual report. The South Dakota Conservancy District is required to submit an annual report to the Environmental Protection Agency for the Clean Water State Revolving Fund. The FFY 2019 report discusses activities from October 1, 2018 to September 30, 2019. The report is in the same format as in previous years.

Highlights for FFY 2019 include the board awarding 17 Clean Water SRF loans and approving two amendments for total funding of just over \$93.2 million. Of these 17 loans, four received principal forgiveness in the aggregate amount of \$4 million dollars. Loan repayments for the year totaled more than \$30.6 million, with \$22.9 million in principal, \$5.5 million in interest, and \$1.7 million in administrative surcharge.

Staff recommended the board approve the draft annual report for the Clean Water SRF program and authorize staff to finalize and distribute the report.

Motion by Gnirk, seconded by Adam, to approve the FFY 2019 Clean Water SRF program annual report and to authorize staff to finalize and distribute the report. A roll call vote was taken, and the motion carried unanimously.

FFY 2019 DRINKING WATER SRF ANNUAL REPORT: Ms. Riggle presented the FFY 2019 Drinking Water SRF annual report. The South Dakota Conservancy District is also required to submit an annual report to the Environmental Protection Agency for the Drinking Water State Revolving Fund. The FFY 2019 report discusses activities from October 1, 2018 to September 30, 2019. The report is in the same format as in previous years.

In FFY 2019, the board awarded 18 Drinking Water SRF loans and two loan amendments for a total amount of \$59.2 million. Of those loans, seven received principal forgiveness in the aggregate total of \$7.1 million. Loan repayments totaled more than \$18.5 million with \$13.7 million in principal, \$3.8 million in interest, and nearly 1 million in administrative surcharge.

Staff recommend the board approve the draft annual report for the Drinking Water SRF program and authorize staff to finalize and distribute the report.

Motion by Bernhard, seconded by Gnirk, to approve the FFY 2019 Drinking Water SRF program annual report and to authorize staff to finalize and distribute the report. A roll call vote was taken, and the motion carried unanimously.

Dr. Gnirk thanked the staff for all of the work they put into preparing these reports.

RESCIND BRANDON DRINKING WATER SRF LOAN C462032-02: Jim Anderson reported that in March 2015, Brandon was awarded a \$12,425,000 Drinking Water SRF loan with \$500,000 in principal forgiveness for construction of two new elevated storage tanks and watermain to connect to the distribution system.

The city submitted a letter to the department in October 2019 requesting the board rescind Drinking Water SRF loan C462032-02. The city has changed the scope of the project since the loan was awarded. A new State Water Plan and funding application will be submitted in early 2020.

Staff recommended the board rescind Resolution No. 2015-47, which approved Drinking Water SRF loan C462032-02 to the city of Brandon.

Motion by Gnirk, seconded by Adam, to rescind Resolution No. 2015-47, which approved Drinking Water SRF loan C462032-02 to the city of Brandon. A roll call vote was taken, and the motion carried unanimously.

PRAIRIE MEADOWS SANITARY DISTRICT REQUEST TO CHANGE THE SCOPE OF CONSOLIDATED WATER FACILITIES CONSTRUCTION PROGRAM GRANT 2017G-103 AND RESCIND CLEAN WATER SRF LOAN C461379-02: Mr. Perkovich reported that in March 2013, the Board awarded a \$788,000 Clean Water SRF loan with \$200,000 in principal forgiveness and a \$600,000 Consolidated grant to Prairie Meadows Sanitary District to replace or rehabilitate the district's wastewater collection system and service lines.

The project did not commence prior to the grant termination date. In March 2016, the Board re-awarded a funding package consisting of a \$588,000 Clean Water SRF loan and a \$800,000 Consolidated grant to Prairie Meadows for the same project.

Again, no progress toward replacing the lines was made, and the grant will expire on March 31, 2020.

Last year, the district began having discussion with the city of Sioux Falls about taking ownership of the district's collection system.

On December 9, 2019, the department received a letter from Prairie Meadows requesting to amend the scope of the current Consolidated grant to allow for the district to pay Sioux Falls a \$1,000,000 connection fee to take ownership of the collection system, to raise the grant percentage from 57.7 percent to 80 percent, and to rescind the Clean Water SRF loan. Staff recommended the board approve the change of scope to Consolidated Water Facilities Construction Program Grant 2017G-103, as requested, and rescind Resolution 2016-21 that approved Clean Water State Revolving Fund Loan C461379-02.

Motion by Bernhard, seconded by Adam, to approve the change of scope of the project and to adopt **Resolution No. 2020-14** approving the first amendment to Consolidated Program Grant Agreement 2017G-103 for up to 80 percent of approved total project costs not to exceed \$800,000. A roll call vote was taken, and the motion carried unanimously.

Motion by Adam, seconded by Bernhard, to rescind Resolution No. 2016-21. A roll call vote was taken, and the motion carried unanimously.

AMENDMENT TO THE FFY CLEAN WATER SRF INTENDED USE PLAN: Mr. Bruels reported that the FFY 2020 Clean Water SRF IUP was approved by the Board of Water and Natural Resources in November 2019.

For a project to receive Clean Water SRF funds the project must be included on the current year's project priority list.

Staff recommended amending Attachment I – Project Priority List of the FFY 2020 Clean Water IUP by adding the following:

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
9	Irene	\$330,000	2.75%, 30 years

Motion by Gnirk, seconded by Lanning, to accept the staff recommendation regarding amending the FFY 2020 Clean Water Intended Use Plan. A roll call vote was taken, and the motion carried unanimously.

IRENE REQUEST CLEAN WATER SRF LOAN C461255-02: Mr. Huisken reported that on June 27, 2019, the city of Irene received a \$3,062,000 Clean Water State Revolving Fund loan at 2.75 percent interest for 30 years, with 75.2 percent principal forgiveness, not to exceed \$2,300,000 to complete Phase II of a project to replace sanitary and storm sewer utilities throughout the city.

In December 2019, the city identified that proposed improvements to a lift station could not be completed due to its location in the county highway right-of-way. Irene has identified an adjacent parcel of land that is outside the right-of-way and at an elevation that is less susceptible to flooding.

On December 12, 2019, the department received a request from the city of Irene to increase the Clean Water SRF loan by \$330,000, for a total loan amount of \$3,392,000.

Irene has pledged a surcharge for repayment of the net loan of \$844,000. A surcharge of \$17.20 is required to provide the required 110% debt coverage.

Staff recommended the board rescind Resolution No. 2019-55 which awarded the original Clean Water SRF loan, and award a \$3,392,000 Clean Water SRF loan at 2.75 percent interest for 30 years, with 75.2 percent principal forgiveness, not to exceed \$2,548,000.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution No. 2020-15** rescinding Resolution No. 2019-55 and approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$3,392,000 at 2.75 percent interest for 30 years with up to 75.2

Board of Water and Natural Resources
January 3, 2020, Meeting Minutes

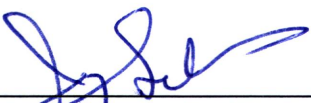
percent principal forgiveness not to exceed \$2,548,000-to the **city of Irene** for a sanitary and storm sewer utilities project; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. A roll call vote was taken, and the motion carried unanimously.

NEXT MEETING: The next regularly scheduled board meeting is March 26-27, 2020 in Pierre. Mr. Perkovich discussed possible agenda items for that meeting.

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

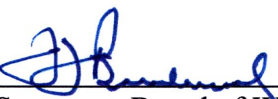
Approved this 23 day of April 2020.

(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

PIERRE
CAPITOL BUILDING

JANUARY 3, 2020

<u>NAME (PLEASE PRINT)</u>	<u>ADDRESS</u>	<u>REPRESENTING</u>
Mike Perkovich	Pierre	DENR
Kris Dozark	Pierre	DENR
Stephanie Riggle	Pierre	DENR
David Fuhner	Pierre	DENR
Trudie Feldman	Burt	City of Burt
Andy Bruehl	Pierre	DENR
David Reiss	Pierre	CSDER
Mary Duvall	Pierre	Legis Oversight
Jim Anderson	Pierre	DENR
Kyle Croci	Mitchell	City
Bob Everson	Mitchell	City
NAL Putnam	Mitchell	City
Kevin Roth	Mitchell	City
Barry McLaury	SD DENR - Pierre	DENR WAP
Drew Huisken	DENR	DENR

==ATTENDANCE LIST==

DATE: 1/3/2020

LOCATION: Aberdeen

[illegible]

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

JANUARY 3, 2020

REPRESENTING

S.C. Water Dev. Dist.
SPN

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ATTENDANCE SHEET

BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

WATERTOWN

DEPARTMENT OF ENVIRONMENT & NATURAL RESOURCES

JANUARY 3, 2020

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

Mike Berger

Pe Box 910

Waterben Waterwobler