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Minutes of the  
Board of Water and Natural Resources Meeting  
In-Person or On-Line  
Matthew Training Center  
523 East Capitol  
Pierre, South Dakota

January 4, 2024  
1:00 p.m. Central Time

CALL MEETING TO ORDER: Chairman Jerry Soholt called the meeting to order. The roll was called, and a quorum was present.

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

Motion by Jones, seconded by Lanning, to appoint Gary Drewes as temporary secretary for the purpose of signing documents after the meeting. Motion carried unanimously.

BOARD MEMBERS PRESENT: Gary Drewes participated in person. Jerry Soholt, Jackie Lanning, Todd Bernhard, and Gene Jones, Jr. participated remotely.

BOARD MEMBERS ABSENT: Paul Gnirk and Vance Newman.

LEGISLATIVE OVERSIGHT COMMITTEE: Senator Randy Deibert participated remotely.

OTHERS: See attached attendance sheets.

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

Chairman Soholt declared the agenda approved.

APPROVE MINUTES FROM NOVEMBER 8, 2023, MEETING: Motion by Drewes, seconded by Jones, to approve the minutes from the November 8, 2023, Board of Water and Natural Resources meeting. Motion carried unanimously.

PUBLIC COMMENT PERIOD: Julie M. Johnson, representing the WEB Water and WINS projects, commented that she is in favor of the board adopting a resolution supporting Governor Noem's proposed American Rescue Plan Act funding for water and wastewater infrastructure (Agenda Item 17).

SECTION 319 APPLICATIONS: Kris Dozark, Section 319 Implementation Coordinator, DANR Watershed Protection Program, reported that 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 recommendations from the Nonpoint Source (NPS) Task Force as part of its selection process. Two applications requesting \$2,199,000 in Section 319 funding were received and reviewed by DANR and the NPS Task Force.

The 2024 Clean Water SRF Intended Use Plan authorized the use of \$200,000 in administrative surcharge fees for Water Quality grants to supplement the Section 319 programs for TMDL implementation projects. Staff anticipates receiving \$2,756,000 in Section 319 funds, which is at the same level as last year’s allocation.

The DANR and NPS Task Force recommendations summarized in the table included in the board packet reflect both the anticipated FFY 2024 Section 319 federal funding allocation and \$200,000 in Clean Water SRF Water Quality grant awards. If a decrease in Section 319 funding occurs, all pass through grants will be reduced proportionately.

The two applications and recommended funding levels are as follows:

**Belle Fourche River Watershed Management and Project Implementation Plan – Segment 10 (Amendment)**

Sponsor: Belle Fourche River Watershed Partnership

Total Cost: \$5,229,000

319 Grant Request: \$899,000

This is the tenth segment that addresses seven TMDLs. Activities planned for this segment would continue implementing Best Management Practices (BMPs) that reduce E. coli and TSS pollutants. These BMPs include: 1) installing irrigation sprinkler systems, 2) implementing riparian and range grazing management systems, 3) installing riparian/bank stability improvements, 4) implementing improved cropping systems, and 5) improving and/or relocating livestock feeding areas. The Segment 10 amendment proposes additional funds to increase BMP installment in the watershed.

DANR and the NPS Task Force recommended \$699,000 in Section 319 funds and a \$200,000 Clean Water State Revolving Fund Water Quality grant for a total funding amount of \$899,000.

**South Central Watershed Implementation Project – Segment 2 (Amendment)**

Sponsor: James River Water Development District

Total Cost: \$25,760,340

319 Grant Request: \$1,300,000

The goal of the South-Central Watershed Implementation Project is to restore or protect the beneficial uses in the Lower and Upper James River Watershed, Lewis and Clark Lake, and the watersheds of Geddes, Academy, Platte Lake, Lake Andes Lake, and Vermillion Watershed. This will be accomplished through the installation of BMPs in the watersheds that target sources of sediment, nutrients, and fecal coliform bacteria. Segment 2 of this project will address and target BMP installation in the entire South Dakota portion of the Lewis and Clark Lake Watershed consisting of 1.9 million acres, the James River Watershed and its tributaries

consisting of 9.4 million acres, and the Vermillion River Watershed consisting of 1.43 million acres. It will also provide technical and financial assistance to the watershed activities in the Lake Andes, Geddes, Academy and Platte Lake Watersheds. These additional four watersheds add up to 560,000 additional acres and are tributaries of the Missouri River and Lake Francis Case, which lies upriver and borders the Lewis and Clark Lake Watershed. The total project area acreage is 13,360,800 acres.

DANR recommended a \$1,215,000 in Section 319 funds for this project.

Jay Gilbertson, chairman of the NPS Task Force, stated that the Nonpoint Source Task Force met on December 5, 2023, to review the applications. The task force voted to concur with DANR's funding recommendations.

Mr. Dozark requested that the board authorize the department to enter into a grant agreement with the Belle Fourche River Watershed Partnership in the amount of \$200,000 from Clean Water SRF administrative surcharge fees pursuant to the 2024 Clean Water SRF Intended Use Plan, contingent upon the 2024 Legislature authorizing the required budget authority for the awards. Mr. Dozark noted that this will allow the department to prepare and execute one agreement with this entity for both the Section 319 funds and Clean Water administrative surcharge fee funds and not have to bring this back before you for approval of a separate Water Quality grant.

Motion by Drewes, seconded by Jones, to authorize the department to enter into a grant agreement with the Belle Fourche River Watershed Partnership in the amount of \$200,000 from Clean Water SRF administrative surcharge fees pursuant to the 2024 Clean Water SRF Intended Use Plan, contingent upon the 2024 Legislature authorizing the required budget authority for the awards. Motion carried unanimously.

Mr. Dozark also requested that the board pass a motion to concur with the funding recommendations of the department and the Nonpoint Source Task Force and authorize the department to forward the FFY 2024 Section 319 funding recommendations to EPA with adjustments to final federal funding level.

Motion by Jones, seconded by Lanning, to concur with the funding recommendations of the department and the Nonpoint Source Task Force and authorize the department to forward the FFY 2024 Section 319 funding recommendations to EPA with adjustments to the final federal funding level. Motion carried unanimously.

AMENDMENT TO THE 2023 DRINKING WATER SRF INTENDED USE PLAN (IUP):  
Andy Bruels reported that the FFY 2024 Drinking Water State Revolving Fund IUP was approved by the Board of Water and Natural Resources in November 2023.

A project that was provided funding in a prior year and is requesting additional funding must be on the current year Intended Use Plan. Staff proposed amending Attachment I - Project Priority List of the FY 2024 Drinking Water Intended Use Plan by adding the following:

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
101	Davison Rural Water System	\$1,250,000	2.125%, 30 years
101	Hanson Rural Water System	\$3,700,000	1.625%, 30 years

Staff recommended that the board approve the proposed amendments to the FFY 2024 Drinking Water SRF IUP.

Motion by Lanning, seconded by Drewes, to approve the amendments to the FFY 2024 Drinking Water SRF Intended Use Plan. Motion carried unanimously.

DRINKING WATER FACILITIES FUNDING APPLICATIONS: Mr. Bruels provided an overview of available funds. He then presented the funding applications and staff recommendations.

**Lead** requested funding to replace an existing 6-inch water line which serves the city of Deadwood, the Sanford Underground Research Facility, and existing residential users. The line has reached the end of its useful life, and the city must repair leaks an average of four to five times a year. The 2,600-feet of 6-inch water line will be replaced and upsized with a 16-inch water line to accommodate flow demands.

The estimated total project amount is \$1,368,047, and the amount requested is \$841,425. The Lead-Deadwood Sanitary District is contributing \$526,622 for the main upsizing.

The city qualifies as a disadvantaged community based on the community’s MHI and would qualify for a reduced loan interest rate. By rule, for a system to qualify as a disadvantaged system it must also have minimum rates of \$45.00 per 5,000 gallons. Lead’s current water rates and rates required for this loan would not be at that level.

Staff recommended awarding a \$841,425 Drinking Water SRF loan, at 2.75 percent interest for 20 years. The staff recommendation for funding and the interest rate is based on the city being required to raise rates to a minimum of \$45.00.

The city is pledging system revenue for repayment of the loan. Rates in Lead are \$40.25 for 5,000 gallons. Staff analysis indicates Lead would need to increase rates \$0.25 to generate the required 110 percent coverage. To qualify for the disadvantaged interest rate Lead must raise rates to \$45.00 per 5,000 gallons.

Staff recommended the loan being contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage, and contingent upon the borrower establishing a minimum rate of \$45.00 per 5,000 gallons, which is required to qualify for the disadvantaged interest rate.

Jennifer Sietsema, Black Hills Council of Local Governments, thanked the board for consider Lead’s application for funding.

Motion by Jones, seconded by Bernhard, to adopt **Resolution No. 2024-01** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$841,425 at 2.75 percent interest for 20 years to the **city of Lead** to replace a water supply line, 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 rates at a level sufficient to provide the required debt coverage, and contingent upon the borrower establishing a minimum rate of \$45.00 per 5,000 gallons. Motion carried unanimously.

**Spring Creek/Cow Creek Sanitary District** requested additional funding to construct a new elevated water storage tank near the location of the current water tank that provides water to the district. The additional funding will be used to cover a shortfall in the total project funding.

The estimated total project amount is \$3,012,000, and the amount requested is \$792,000. The sanitary district was previously awarded a \$440,000 SRF loan and \$1,776,000 ARPA grant for this project.

Staff recommended awarding a \$300,000 Drinking Water SRF loan at 3.25 percent interest for 30 years and a Consolidated grant at 62.2 percent of approved project costs not to exceed \$492,000.

Spring Creek/Cow Creek Sanitary District has pledged a project surcharge for repayment of the loan. Rates are \$64.69 for 5,000 gallons or \$74.83 for 7,000 gallons. Staff analysis indicates a surcharge of \$5.20 is needed for repayment of the loan, which would result in total rates of approximately \$80.00 per 7,000 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. Staff also recommended a special condition on the Consolidated grant that grant funds for reimbursement of project costs must be drawn concurrently with the Drinking Water SRF loan funds.

Kathleen Schuh, president of the sanitary district, thanked the board for consideration of funding. Lyle Schumacher, Bartlett & West, discussed the project and thanked the board for considering approval of additional funding.

Motion by Bernhard, seconded by Lanning, to adopt **Resolution No. 2024-02** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$300,000 at 3.25 percent interest for 30 years to the **Spring Creek/Cow Creek Sanitary District** for an elevated water storage tank, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon

the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and to adopt **Resolution No. 2024-03** approving a South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the **Spring Creek/Cow Creek Sanitary District** for up to 62.2 percent of approved total project costs not to exceed \$492,000 for an elevated water storage tanks with the special condition that grant funds will be drawn concurrently with the Drinking Water State Revolving Fund loan awarded for this project. Motion carried with Bernhard, Drewes, Lanning, and Soholt voting aye. Jones abstained.

**Valley Springs** requested additional funding for construction of new well houses and appurtenances. The additional funding will be used to cover a shortfall in the total project funding.

The estimated total project amount is \$4,289,000, and the amount requested is \$684,000. Valley Springs was previously awarded a \$521,168 SRF loan and a \$3,018,560 ARPA grant. The city is also providing \$65,272 in local ARPA funds for the project.

Staff recommended awarding a \$452,000 Drinking Water SRF loan at 3.25 percent interest for 30 years and a Consolidated grant at 34.0 percent of approved project costs not to exceed \$232,000.

The city has pledged a project surcharge for repayment of the loan. Rates in Valley Springs are \$56.50 for 5,000 gallons. Staff analysis indicates a surcharge of \$6.00 is needed for repayment of the loan, which would result in total rates of approximately \$62.50 per 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. Staff also recommended a special condition on the Consolidated grant that grant funds for reimbursement of project costs must be drawn concurrently with the Drinking Water SRF loan funds.

Gabe Laber, HDR, thanked the board for consideration of additional funding for the project.

Motion by Jones, seconded by Lanning, to adopt **Resolution No. 2024-04** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$452,000 at 3.25 percent interest for 30 years to the **city of Valley Springs** for drinking water improvements, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and to adopt **Resolution No. 2024-05** approving a South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the **city of Valley Springs** for up to 34.0 percent of approved total project costs not to exceed

\$232,000 for drinking water improvements with the special condition that grant funds will be drawn concurrently with the Drinking Water State Revolving Fund loan awarded for this project. Motion carried unanimously.

**Humboldt** requested additional funding for improvements to water utilities concurrent with a separate wastewater improvements project. The watermain project will replace approximately 4,150 feet of watermain that is beyond its useful life. The additional funding will be used to cover a shortfall in the total project funding.

The estimated total project amount is \$1,361,000, and the amount requested is \$415,000. The city was previously awarded a \$425,700 SRF loan and a \$520,300 ARPA grant for this project.

Staff recommended awarding a \$270,000 Drinking Water SRF loan at 3.25 percent interest for 30 years and a Consolidated grant at 35.0 percent of approved project costs not to exceed \$145,000.

Humboldt pledged a project surcharge for repayment of the loan. Rates are \$55.23 for 5,000 gallons. Staff analysis indicates a surcharge of \$4.75 is needed for repayment of the loan, which would result in total rates of approximately \$60.00 per 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. Staff also recommended a special condition on the Consolidated grant that grant funds for reimbursement of project costs must be drawn concurrently with the Drinking Water SRF loan funds.

Motion by Drewes, seconded by Jones, to adopt **Resolution No. 2024-06** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$270,000 at 3.25 percent interest for 30 years to the **town Humboldt** for water distribution improvements, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and to adopt **Resolution No. 2024-07** approving a South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the **town of Humboldt** for up to 35.0 percent of approved total project costs not to exceed \$145,000 for drinking water improvements with the special condition that grant funds will be drawn concurrently with the Drinking Water State Revolving Fund loan awarded for this project. Motion carried unanimously.

SANITARY/STORM SEWER FUNDING APPLICATIONS: Tina McFarling presented the applications and staff recommendations for funding.

**Watertown** requested funding for improvements to its wastewater collection and treatment systems to properly convey and treat wastewater to meet projected permit limits. The city was previously awarded funding in April 2022 for this project. This application is requesting an additional \$25,000,000 for the original project due to increased costs.

The city proposes improvements to the collection systems by upgrading the current lift stations and replacing and lining existing pipes. The wastewater treatment facility upgrades include improvements to the primary clarifier, sludge pumps, tanks and storage, recirculation pumps, effluent pumping, replacing the final clarifier, biosolids dewatering, and plant-wide electrical and HVAC improvements.

The estimated total project amount is \$60,714,000, and the amount requested is \$25,000,000. Other funding for the project includes \$3,700,000 in local ARPA funds, \$12,194,200 in state ARPA funds, and a \$19,819,800 Clean Water SRF Loan.

Staff recommended awarding a \$25,000,000 Clean Water SRF loan at 3.25 percent interest for 30 years.

Watertown pledged a project surcharge for repayment of the loan. Current rates are \$32.30 per month, and beginning February 1, 2024, rates will be raised to \$39.85 per month. Staff analysis indicates a surcharge of \$11.00 is needed for repayment of the recommended loan. However, staff believes that rates can be restructured and remain at \$39.85 and still provide sufficient debt coverage.

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.

Robert Dari, wastewater superintendent for the city of Watertown, discussed the project and thanked the board for considering approval of additional funding.

Motion by Bernhard, seconded by Lanning, to adopt **Resolution No. 2024-08** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$25,000,000 at 3.25 percent interest for 30 years to the **city of Watertown** for wastewater collection and treatment 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 resolutions and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

**Sioux Falls** requested funding for upgrades to increase capacity to Pump Station 240. This project is being conducted over multiple phases, and this application is for Phase 2 of the project.

Phase 2 of the project, scheduled for construction in 2024 through 2025, consists of installing approximately nine miles of 30-inch force main from the pump station to the city's water reclamation facility. By the end of this phase, the project will have increased capacity from 3.06 MGD to 7 MGD.

The estimated total project amount is \$69,800,000, and the amount requested is \$61,000,000. Other funding for the project includes \$5,200,000 in local cash and \$3,600,000 from the city of Brandon.

Staff recommended awarding a \$61,000,000 Clean Water SRF loan at 3.00 percent interest for 20 years.

Sioux Falls pledged system revenue for repayment of the loan. Rates at the time the application was submitted were \$41.06 for 5,000 gallons with an approved rate of up to \$43.55 for 5,000 gallons for 2024. Staff analysis indicates that anticipated revenues will provide 138 percent coverage.

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

Chad Comes, city of Sioux Falls engineer, discussed the project and thanked the board for considering approval of funding.

Motion by Drewes, seconded by Bernhard, to adopt **Resolution No. 2024-09** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$61,000,000 at 3.00 percent interest for 20 years to the **city of Sioux Falls** for Pump Station 240 capacity 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 resolutions and the resolution becoming effective. Motion carried unanimously.

**Hecla** requested funding to clean and televise the wastewater lines and reconstruct the existing sanitary sewer collection system. This includes replacing vitrified clay, asbestos-cement, and cast-iron sewer piping with new PVC piping and replacing the manholes. The original application was presented to the board at the September 2023 meeting.

The application requested \$4,000,000 for a larger replacement area of the existing wastewater system. Staff recommended that the project be deferred to look at the phasing options for the project to allow user rates and subsidy to be kept at realistic levels. The board deferred the application to its January 4, 2024, for further action.

Since the September 2023 meeting, the city's engineer has divided the project into smaller phases. The cost estimate for the first phase is \$2,500,000. Phase 1 of the project will replace

approximately 4,940 linear feet of the existing wastewater collection system with 8-inch PVC sewer pipe and replace 18 manholes. The project will be located on the east side of the city.

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

Staff recommended awarding a \$2,500,000 Clean Water SRF loan at 3.25 percent interest for 30 years with principal forgiveness of 67.3 percent not to exceed \$1,682,000.

Hecla pledged a project surcharge for repayment of the loan. Rates are \$48.00 for 5,000 gallons. Staff analysis indicates that a surcharge of \$21.80 is needed for repayment of the loan. However, staff believes that rates could be restructured and a total rate of \$60.00 for 5,000 gallons usage will provide the necessary debt coverage.

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.

Motion by Lanning, seconded by Jones, to adopt **Resolution No. 2024-10** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$2,500,000 at 3.25 percent interest for 30 years with 67.3 percent as principal forgiveness not to exceed \$1,682,000 to the **city of Hecla** for wastewater system improvements, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolutions and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

**Humboldt** requested funding for improvements to its sanitary sewer collection system. The town was previously awarded funding in April 2022 for this project. This application is for an additional \$720,000 due to increased costs.

The project consists of replacing 7,000 feet of vitrified clay sanitary sewer, 3,000 feet of service pipe and installing 1,200 feet of Cured in Place Pipe (CIPP) liner. The improvements will address issues with infiltration, sags, and damaged pipe.

The estimated total project amount is \$3,521,000, and the amount requested is \$720,000. Other funding for the project includes \$2,380,850 in state ARPA funds and a \$420,150 Clean Water SRF loan.

Staff recommended awarding a \$330,000 Clean Water SRF loan at 3.25 percent interest for 30 years and a Consolidated grant at 54.2 percent of approved project costs not to exceed \$390,000.

Humboldt pledged a project surcharge for repayment of the loan. Current rates are \$58.94 for 5,000 gallons. Staff analysis indicates that a surcharge of \$6.00 is needed for repayment of the loan bringing the rates to \$64.94 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. Staff also recommended a special condition on the Consolidated grant that grant funds for reimbursement of project costs must be drawn concurrently with the Clean Water SRF loan funds.

Jon Fischer, Stockwell Engineers, thanked the board for consideration of additional funding for Humboldt.

Motion by Jones, seconded by Bernhard, to adopt **Resolution No. 2024-11** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$330,000 at 3.25 percent interest for 30 years to the **town of Humboldt** for sanitary sewer improvements, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolutions and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and to adopt **Resolution No. 2024-12** approving a South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the **town of Humboldt** for up to 54.2 percent of approved total project costs not to exceed \$390,000 for sanitary sewer improvements with the special condition that grant funds will be drawn concurrently with the Clean Water State Revolving Fund loan awarded for this project. Motion carried unanimously.

**Geddes** requested funding for stormwater upgrades. The project includes removal and replacement of the current ditch and culvert system with an underground stormwater system. The new stormwater system will begin upstream at the detention pond south of 6th Street. It will flow north along Michigan Ave. until reaching 5th Street. It will then flow east along 5th Street to Iowa Avenue where it will again flow north until outflowing north of Jackson Street.

The estimated total project amount is \$1,236,000, and the amount requested is \$1,186,000. Other funding for the project includes \$50,000 in local cash.

Staff recommended awarding a \$1,186,000 Clean Water SRF loan at 3.25 percent interest for 30 years.

Geddes pledged sales tax revenue for repayment of the loan. Staff analysis indicates sales tax would provide 189 percent coverage.

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

Mike Perkovich, Brosz Engineering, discussed the project and thanked the board for consideration of funding.

Motion by Bernhard, seconded by Jones, to adopt **Resolution No. 2024-13** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,186,000 at 3.25 percent interest for 30 years to the **city of Geddes** for stormwater 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. Motion carried unanimously.

SOLID WASTE MANAGEMENT PROGRAM FUNDING APPLICATION:

Mr. Bruels discussed available funding and presented the Solid Waste Management Program funding application.

**South Eastern Council of Governments** requested funding is requesting funds to recapitalize the South Eastern Development Foundation revolving loan fund program. The fund is used to originate loans for eligible purposes as defined under the Department of Agriculture and Natural Resources Solid Waste Management Program to for-profit businesses in Clay, Lincoln, McCook, Minnehaha, Turner, and Union Counties.

The estimated total project amount is \$125,000, and the amount requested is \$100,000.

Staff recommended awarding a Solid Waste Management Program grant at 80.0 percent of approved project costs not to exceed \$100,000.

Lynne Keller-Forbes, Executive Director of the South Eastern Council of Governments thanked the board for consideration of funding.

Motion by Lanning, seconded by Bernhard, to adopt **Resolution No. 2024-14** approving the Solid Waste Management Program grant agreement with **South Eastern Council of Governments** for up to 80.0 percent of approved total project costs not to exceed \$100,000 for the Regional Revolving Loan Fund Recapitalization 2024 project. Motion carried unanimously.

DAVISON RURAL WATER SYSTEM ADDITIONAL FUNDING REQUEST FOR

DRINKING WATER SRF LOAN C462490-01: Casey Kahler reported that on April 13, 2022, Davison Rural Water System was awarded a \$810,385 Drinking Water SRF loan and a \$439,615 ARPA grant for an internal distribution improvements and automatic meter reading capacity project.

On November 13, 2023, DANR received a letter from Davison Rural Water System stating that a revised engineer's opinion of the estimated project cost had been prepared, and project costs would be higher than originally expected. Davison Rural Water System requested an additional \$1,250,000 to cover the remainder of the project costs. This increase will bring the project total to \$2,507,000.

Staff recommended that the board rescind Resolution No. 2022-73, which awarded the original Drinking Water SRF loan, and award a \$1,810,385 Drinking Water SRF loan at 2.125 percent interest for 30 years contingent on the borrower adopting a resolution approving the form of the loan agreement, the promissory note, the pledge of revenues for repayment of the loan, contingent upon the borrower approving a security agreement and a mortgage, contingent upon an Intercreditor Agreement being approved and executed by Rural Utilities Service, Davison Rural Water System and the Conservancy District.

Staff also recommended awarding a Consolidated grant at 10.2 percent of approved total project costs not to exceed \$250,000 contingent on the grant funds being drawn concurrently with the Drinking Water SRF loan.

At the recommended funding level, the anticipated system revenue is sufficient to meet the required 110 percent debt coverage.

Motion by Jones, seconded by Lanning, to rescind Resolution No. 2022-73, and adopt **Resolution No. 2024-15** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$1,810,385 at 2.125 percent interest for 30 years to **Davison Rural Water System** for system improvements and automatic meter reading equipment, 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 on the borrower adopting a resolution approving the form of the loan agreement, the promissory note, the pledge of revenues for repayment of the loan, contingent upon the borrower approving a security agreement and a mortgage, contingent upon an Intercreditor Agreement being approved and executed by Rural Utilities Service, Davison Rural Water System and the Conservancy District, and to adopt **Resolution No. 2024-16** approving a South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and **Davison Rural Water System** for up to 10.2 percent of approved total project costs not to exceed \$250,000 for system improvements and automatic meter reading equipment with the special condition that grant funds will be drawn concurrently with the Drinking Water State Revolving Fund loan. Motion carried unanimously.

HANSON RURAL WATER SYSTEM ADDITIONAL FUNDING REQUEST FOR DRINKING WATER SRF LOAN C462458-02: Megan Briggs reported that on April 13, 2022, Hanson Rural Water System was awarded a \$2,356,165 Drinking Water SRF loan and a \$1,273,835 ARPA grant for water distribution improvements and a meter upgrade project.

On November 20, 2023, DANR received a letter from Hanson Rural Water System requesting that Drinking Water SRF loan C462458-02 be amended to include an additional \$3,700,000. The additional funding is to cover the revised cost estimate and any cost overages. This increase will bring the project total to \$7,340,000.

Staff analysis indicates that Hanson Rural Water System will need to increase rates by \$2.10 to meet the projected 110 percent debt coverage, bring overall rates to \$79.35 for 7,000 gallons.

Staff recommended the board rescind Resolution No. 2022-89, which awarded the original Drinking Water SRF loan, and award a \$6,065,165 Drinking Water SRF loan at 1.625 percent interest for 30 years contingent on the borrower establishing rates at a level sufficient to provide the required debt coverage, 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 an Intercreditor Agreement being approved and executed by Rural Utilities Service, CoBank, Hanson Rural Water System and the Conservancy District.

Jake Jones, general manager of Hanson Rural Water System, thanked the board for consideration of awarding additional funds.

Motion by Bernhard, seconded by Lanning, to rescind Resolution No. 2022-89, and adopt **Resolution No. 2024-17** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$6,065,165 at 1.625 percent interest for 30 years to **Hanson Rural Water System** for water distribution improvements and a meter upgrade 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 on the borrower establishing rates at a level sufficient to provide the required debt coverage, 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 an Intercreditor Agreement being approved and executed by Rural Utilities Service, CoBank, Hanson Rural Water System and the Conservancy District. Motion carried unanimously.

FFY 2023 CLEAN WATER SRF ANNUAL REPORT: Holly Briggs presented the FFY 2023 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 2023 report follows the same format as previous years and discusses activities from October 1, 2022, to September 30, 2023.

In FFY 2023 the board awarded 25 Clean Water SRF loans totaling \$107,636,659. Six loans of the loans received principal forgiveness in the aggregate amount of \$1,473,200. Loan repayments for the year totaled \$45,500,000, with \$36,900,000 in principle, \$6,500,000 in interest, and \$2,100,000 in administrative surcharge.

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

Motion by Drewes, seconded by Jones, to approve the FFY 2023 Clean Water SRF program annual report and authorize staff to finalize and distribute the report. Motion carried unanimously.

FFY 2023 DRINKING WATER SRF ANNUAL REPORT: Megan Briggs presented the FFY 2023 Drinking Water SRF annual report.

The South Dakota Conservancy District is required to submit an annual report to the Environmental Protection Agency for the Drinking Water SRF. The FFY 2023 report follows the same format as previous years and discusses activity from October 1, 2022, to September 30, 2023.

In FFY 2023 the board awarded 28 Drinking Water SRF loans and approved six loan amendments for total amount of \$137,743,625. Fourteen of those loans received principal forgiveness in the aggregate total of \$13,538,038. Loan repayments totaled just over \$20,200,000, with \$14,400,000 in principle, \$4,600,000 in interest, and \$1,200,000 in administrative surcharge.

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

Motion by Lanning, seconded by Drewes, to approve the FFY 2023 Drinking Water SRF program annual report and authorize staff to finalize and distribute the report. Motion carried unanimously.

RESCIND DELL RAPIDS DRINKING WATER SRF LOAN C462064-10, CLEAN WATER SRF LOAN C461064-12, AND CONSOLIDATED WATER FACILITIES CONSTRUCTION PROGRAM GRANT 2024G-104: Ms. McFarling reported that on March 30, 2023, the Board of Water and Natural Resources awarded the city of Dell Rapids a \$845,000 Clean Water SRF loan, an \$800,000 Drinking Water SRF loan, and a \$455,000 Consolidated grant as additional funding for the 3<sup>rd</sup> Street improvements project.

On December 5, 2023, DANR staff received a letter from the city requesting to de-obligate the additional funding for the 3<sup>rd</sup> Street improvements project. The letter stated that bids came in lower than expected.

Staff recommended that the board rescind Resolution No. 2023-32, which awarded the Drinking Water SRF, rescind Resolution No. 2023-47, which awarded the Clean Water SRF loan, and rescind Resolution No. 2023-48, which awarded the Consolidated grant for this project.

Motion by Jones, seconded by Drewes, to rescind Resolution No. 2023-32, which awarded the Drinking Water SRF, rescind Resolution No. 2023-47, which awarded the Clean Water SRF loan, and rescind Resolution No. 2023-48, which awarded the Consolidated grant for the city of Dell Rapids' 3<sup>rd</sup> Street improvements project. Motion carried unanimously.

Ms. McFarling provided an overview of available funding the next meeting.

SELECTION OF CONTRACTOR FOR CAPACITY DEVELOPMENT FOR PUBLIC WATER AND WASTEWATER SYSTEMS: Ms. McFarling stated that SDCL 5-18D-17 provides that state agencies may not award or renew a contract for professional services exceeding \$50,000 without complying with the procedures set forth in Sections 5-18D-17 to 5-18D-22, inclusive.

On September 28, 2023, the Board of Water and Natural Resources authorized the distribution of a Request for Proposals to provide capacity development for public water and wastewater systems. The Request for Proposals was released on October 2, 2023, with a response deadline of November 17, 2023.

Proposals were received from Midwest Assistance Program, Inc. (MAP) and Project Solutions, Inc.

Staff reviewed the proposals and evaluated each based on the criteria outlined in the Request for Proposals. Staff also sought assistance from DANR's Drinking Water Program in reviewing the proposals. The Drinking Water Program oversees the capacity development program.

Based on the evaluation, staff recommended that the board select MAP as the Capacity Development for Public Water and Wastewater Systems Provider and authorize the Secretary of the Department of Agriculture and Natural Resources to execute the contract contingent upon the review and approval of contract terms by the board's legal counsel.

Mr. Jones asked what criteria staff used to evaluate the proposals.

Ms. McFarling stated that the criteria were set out in the RFP. Some of these included costs and familiarity with water and wastewater systems, access to communities around South Dakota, information regarding financial capacity, and capacity development. She noted that staff believes MAP will be able to provide the services that are needed.

Motion by Drewes, seconded by Lanning, to adopt **Resolution No. 2024-18** approving a consulting contract not to exceed \$375,000 with **Midwest Assistance Program** to provide water and wastewater capacity development services and to authorize the Secretary of the Department of Agriculture and Natural Resources to execute the contract contingent upon the review and approval of contract terms by the board's legal counsel. Motion carried unanimously.

CONTINGENCY AMENDMENT TO SHARED RESOURCES DRINKING WATER SRF LOAN C462498-01: Megan Briggs reported that on April 13, 2022, Shared Resources was awarded a \$69,983,400 Drinking Water SRF loan and a \$38,226,600 ARPA grant for a water treatment plant, storage, and distribution project.

On October 10, 2023, DANR was made aware that Shared Resources will be the owner of the real property being used. Due to this change in ownership plan, the contingency requiring a lease agreement be established is no longer applicable.

Staff recommended the board rescind Resolution No. 2022-198, which awarded the original Drinking Water SRF loan and adopt a resolution awarding a \$69,983,400 Drinking Water SRF loan at 2.125 percent interest for 30 years contingent on 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, the borrower approving a security agreement and mortgage, a signed water purchase agreement, and the borrower establishing rates at a level sufficient to provide the required debt coverage.

In response to a questions from Mr. Drewes, Mr. Bruels stated that Shared Resources is a recently formed entity which is a joint effort between Minnehaha Community Water Corporation and the Big Sioux Community Water System in the southeastern portion of the state. The two water systems will work together to construct a joint water treatment plant and install distribution systems to better serve their users.

Motion by Lanning, seconded by Drewes, to rescind Resolution No. 2022-198 and adopt **Resolution No. 2024-19** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$69,983,400 at 2.125 percent interest for 30 years to **Shared Resources** for a water treatment plant, storage, and distribution 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 on 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, the borrower approving a security agreement and mortgage, a signed water purchase agreement, and the borrower establishing rates at a level sufficient to provide the required debt coverage. Motion carried unanimously.

ADOPT RESOLUTION OF SUPPORT FOR GOVERNOR NOEM'S PROPOSED AMERICAN RESCUE PLAN ACT FUNDS FOR WATER AND WASTEWATER INFRASTRUCTURE: Mr. Bruels stated that the American Rescue Plan Act (ARPA) includes water and wastewater infrastructure projects as an eligible use of the funds. In 2022, \$600,000,000 was appropriated to the Board of Water and Natural Resources to fund water and wastewater infrastructure projects for systems across the state.

Governor Noem's recommended budget during the 2024 legislative session includes an additional \$95,384,221 in one-time ARPA funding to support eligible improvements to water and wastewater infrastructure projects throughout the state.

In anticipation of the legislature approving the recommended funding, DANR staff has developed a resolution for the Board in support of the Governor's proposed use of ARPA funds. Staff recommended the board adopt the resolution in support of Governor Noem's proposed use of ARPA funds for water and wastewater infrastructure.

Motion by Drewes, seconded by Jones, to adopt **Resolution No. 2024-20** supporting Governor Noem's proposed appropriation of an additional \$95,384,221 in ARPA funds for water and wastewater infrastructure. Motion carried unanimously.

MARCH 2024, MEETING: The next meeting is March 28, 2024, at the Matthew Training Center in Pierre.

Ms. McFarling discussed possible agenda items for the March board meeting.

Ms. McFarling read a note from Dr. Gnirk to the board members.

ADJOURN: Motion by Jones, seconded by Lanning, to adjourn. Motion carried unanimously.

Approved this 28<sup>th</sup> day of March 2024.

(SEAL)

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Chairman, Board of Water and Natural Resources

ATTEST:

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Secretary, Board of Water and Natural Resources

