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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 8, 2026
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.

The meeting was streaming live on SD.net, a service of South Dakota Public Broadcasting.

BOARD MEMBERS PRESENT: Jerry Soholt, Cameron Becker, Todd Bernhard, Gary Drewes, Bruce Jennings, and Jackie Lanning.

BOARD MEMBERS ABSENT: Gene Jones, Jr.

LEGISLATIVE OVERSIGHT COMMITTEE: Senator Jim Mehlhaff.

OTHERS: See attached attendance sheets.

APPROVE AGENDA: Motion by Drewes, seconded by Bernhard, to approve the agenda as posted. The motion carried unanimously.

APPROVE MINUTES OF NOVEMBER 6, 2025, MEETING: Motion by Jennings, seconded by Bernhard, to approve the minutes of the November 6, 2025, Board of Water and Natural Resources meeting. The motion carried unanimously.

PUBLIC COMMENT PERIOD: There were no public comments.

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.

Four applications requesting \$3,351,500 in 319 funding were received by DANR, reviewed by the NPS Task Force, and presented to the board.

The 2026 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. DANR anticipates receiving \$2,242,300 in 319 funds, which is a 15 percent reduction from last year's allocation. The DANR and NPS Task Force recommendations summarized in a table that was included in the board packet reflect both the anticipated FFY 2026 Section 319 federal funding allocation and \$200,000 in Clean Water SRF Water Quality grant awards. The Department proposes to use \$842,000 for administration of the NPS program which leaves \$1,600,300 for pass through grants.

With final FFY 2026 appropriation levels being delayed until the new budget is in place, DANR recommended that up to \$200,000 in Water Quality grant funding be allocated for these projects. If a change in Section 319 funding occurs, all pass-through grants will be adjusted proportionately.

Mr. Dozark presented the four applications and recommended funding levels as follows:

Belle Fourche River Watershed Management and Project Implementation Plan – Segment 11 (Amendment)

Sponsor: Belle Fourche River Watershed Partnership

Total Cost: \$4,579,000

319 Grant Request: \$735,000

The original project goal was to bring the Belle Fourche River into compliance with total suspended solids (TSS) and *Escherichia coli* (*E. coli*) by implementing the recommended best management practices (BMPs) by 2014 and implementing additional BMP recommendations from other Total Maximum Daily Load (TMDL) studies for waterbodies within the watershed as they became available. This project exceeded the 2014 timeline, and new project implementation plans were developed to evaluate the effectiveness of installed BMPs and focus future projects to achieve full support of assigned beneficial uses on the Belle Fourche River and its tributaries. Progress has been made on affected waterbodies; however, the Belle Fourche River and certain tributaries continue to remain in nonsupport of TSS and *E. coli* which supports additional implementation work. Future work would be prioritized in targeted areas, such as Horse Creek and along the Belle Fourche River, in the watershed where measurable water-quality improvements could be attained.

DANR Staff and NPS Task Force Recommendations: \$230,000 of FY26 319 funds. The recommendation is based on previous awards, available funds and the sponsor's ability to successfully leverage funds from other partners. The sponsor is encouraged to keep leveraging funds from multiple sources including RCPP and the Conservation Commission grants.

South Dakota Nonpoint Source Information and Education Project – Segment 8

Sponsor: South Dakota Discovery Center

Total Cost: \$678,500

319 Grant Request: \$407,500

The 2026 Segment 8 South Dakota Nonpoint Source Information and Education Project (the Project) is designed to continue providing South Dakota citizens with information and education

opportunities about nonpoint source pollution to increase their understanding of, support for, and participation in nonpoint source pollution prevention and reduction practices. To achieve the goal, this project will focus on:

1. Outreach to South Dakota's adults using a combination of traditional and innovative methods.
2. A volunteer monitoring program to support water quality monitoring by the state.
3. Support of local and regional activities through a competitive mini grants program.
4. Increased student and adult awareness of watersheds and proficiency in watershed protection through education.

The Project will continue many of the program activities begun during 2004 and continue in subsequent segments with program improvements being made by incorporating lessons learned. The South Dakota Discovery Center will coordinate work plan activities and administrate the grant. The NPS Task Force will provide oversight through its Information and Education Subcommittee. Activities contained within this project are consistent with the SD Nonpoint Source Information and Education Strategy, adopted by the NPS Task Force during July 2000.

DANR Staff and NPS Task Force Recommendations: \$77,000 of FY26 319 funds and \$200,000 of FY26 CWSRF-WQ funds. The recommendation is based on the available funding. The sponsor submitted a plan for a three-year project, and staff essentially removed a year from the PIP. The sponsor is encouraged to reapply for more funding in subsequent years.

Soil Health Improvement and Planning Project – Segment 3 (Amendment)
Sponsor: South Dakota Soil Health Coalition

Total Cost: \$3,422,700

319 Grant Request: \$800,000

The goal of this three-year project is to improve water quality through planning and implementation of soil health agricultural BMPs and outreach to producers in selected 303(d) listed water bodies in South Dakota. Implementing and promoting BMPs in the watershed that reduce sediment loading and prevent bacterial contamination working to attain 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 public to provide a better understanding of water quality and its relationship to soil health benefits.

DANR Staff and NPS Task Force Recommendations: \$300,000 of FY26 319 funds. The recommendation is based on previous expenditures, funding remaining in the current segment, and the sponsor's ability to successfully leverage funds from other partners. Similar to the I&E project, the sponsor submitted a plan for a two-year extension, and we essentially removed a year from the PIP. The sponsor is also encouraged to continue seeking funding and reapply for funding in subsequent years.

South Central Watershed Implementation Project – Segment 3
Sponsor: James River Water Development District

Total Cost: \$44,394,430

319 Grant Request: \$1,409,500

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. This project, Segment 3, will address and target BMP installation in the entire South Dakota portion of the Lewis and Clark Lake Watershed (1.9 million acres), the James River Watershed and its tributaries (9.4 million acres), and Vermillion River Watershed (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 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. This proposal is the third segment of a locally planned multi-year (10-15 year) effort to implement BMPs in the Lewis and Clark Lake watershed, Lake Andes, Geddes, Academy and Platte Lake watersheds, impaired stretches of the 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 water bodies in these watersheds.

DANR Staff and NPS Task Force Recommendations: Total of \$793,300 of FY26 319 funds. The recommendation is based on previous expenditures in segments and funds available. The project is very good at leveraging funds from multiple sources and works with many other groups and organizations to help get conservation on the ground. All of these projects have done a tremendous job of collaborating with other groups and organizations to leverage the 319 funds. The sponsor is encouraged to continue seeking funding and to reapply for funding in subsequent years.

Angela Ehlers, Chair of the NPS Task Force, reported that on December 8, 2025, the task force met to review the projects, and voted to concur with the DANR funding recommendations.

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

Mr. Dozark requested that first the board authorize DANR to enter into a grant agreement with the South Dakota Discovery Center in the amount of \$200,000 from Clean Water SRF administrative surcharge fees pursuant to the 2026 Clean Water SRF Intended Use Plan contingent upon the 2026 Legislature authorizing the required budget authority for the awards. This will allow the department to prepare and execute one agreement with this entity for both the Section 319 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 Bernhard, to authorize the department to enter into a grant agreement with the South Dakota Discovery Center in the amount of \$200,000 from Clean Water SRF administrative surcharge fees pursuant to the 2026 Clean Water SRF Intended Use Plan contingent upon the 2026 Legislature authorizing the required budget authority for the awards. The motion carried unanimously.

Mr. Dozark also requested that the board concur with the funding recommendations of the department and the Nonpoint Source Task Force and authorize the department to forward the FFY 2026 Section 319 funding recommendations to EPA with adjustments to final federal funding level.

Motion by Jennings, 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 2026 Section 319 funding recommendations to EPA with adjustments to the final federal funding level. The motion carried unanimously.

DRINKING WATER FACILITIES FUNDING APPLICATIONS: Andy Bruels provided an overview of available funds, and he presented the funding applications and staff recommendations.

Sioux Falls requested funding for transmission system improvements. The City of Sioux Falls has previously identified PFAS impacted wells near the Sioux Falls Regional Airport. These wells have been taken out of service to remove the source of contamination in drinking water. However, with these wells out of service, Sioux Falls has less source water capacity available to meet user demand. The city has identified a project to make a third connection to the Lewis & Clark Regional Water System to provide for the replacement of portions of the source water capacity from those wells that were removed from service.

The work funded through this request includes the construction of nearly 6,400 feet of 24-inch transmission main, construction of a new connection meter building with controls and chemical feed system, and control valve improvements at the existing West Reservoir to properly manage flows into the city's central pressure zone.

The estimated total project amount is \$7,648,000, and the amount requested is \$7,648,000.

The additional connection to Lewis & Clark will primarily serve water to residents located within the Minnehaha County portion of the city which, based on the Median Household Incomes for that portion of the city's population, is considered disadvantaged.

The need for additional water capacity and third connection at this time is driven by a PFAS contamination issue. By providing an alternative source of water and needed capacity to serve current users it is eligible for funding through the new Emerging Contaminants for Small or Disadvantaged Communities grant program. This is a federal grant that is separate from the SRF program but was also passed as part of the overall IJA funding programs. South Dakota has not previously awarded any funding from this federal grant but authority for the use of funds was included in the 2025 Omnibus bill to allow eligible projects to be awarded these dollars. These

funds are to be provided at 100 percent grant and must be provided to small or disadvantaged communities which, based on the population to primarily be served by this water, the city qualifies as disadvantaged for this portion of the work. EPA has given approval to DANR that the project is allowable and that the City of Sioux Falls is eligible to receive these grants.

Staff recommended awarding a \$7,648,000 Drinking Water grant from the Emerging Contaminants for Small or Disadvantaged Communities federal grant program.

Shannon Ausen, Sioux Falls city engineering staff, discussed the project and requested consideration of funding.

Motion by Lanning, seconded by Bernhard, to adopt **Resolution No. 2026-01** approving the Emerging Contaminants in Small or Disadvantaged Communities Sub-Recipient grant agreement (2026G-EC-400) between the Board of Water and Natural Resources and the **City of Sioux Falls** for all approved project costs not to exceed \$7,648,000 for water transmission improvements-third Lewis & Clark Connection and authorizing the execution of the Emerging Contaminants in Small or Disadvantaged Communities grant agreement. The motion carried unanimously.

Rapid City requested funding for improvements to an existing well and construction of two new wells. A new pump, motor, and drop well will be installed at Well #13. A new well will be drilled and a well house constructed at the Well #12 site to fill the existing Red Rock Reservoir. Well #14 will be drilled at a new site and will include installation of a well pump and motor, pitless adapter unit, well house, and pipeline.

The estimated total project amount is \$14,512,000, and the amount requested is \$14,512,000.

Staff recommended awarding a \$14,512,000 Drinking Water SRF loan at 3.75 percent interest for 30 years.

The city pledged a project surcharge for repayment of the loan. Rates are \$51.81 for 5,000 gallons. Staff analysis indicates a surcharge of \$3.17 is needed for repayment of the loan, which would bring overall rates to \$54.98.

Staff recommended approval of loan 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.

Brandon Quiett, City of Rapid City, discussed the project and thanked the board for consideration of funding.

Motion by Bernhard, seconded by Drewes, to adopt **Resolution No. 2026-02** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$14,512,000 at 3.75 percent interest for 30 years to the **City of Rapid City** for Well #13 and Well #14 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. The motion carried unanimously.

Toronto requested funding to replace water main that is beyond its useful life under SD Highway 28 in conjunction with a proposed South Dakota Department of Transportation project to improve SD Highway 28 through Toronto. The project will replace 2,640 feet of water main and install 6 fire hydrants and 17 gate valves.

The estimated total project amount is \$800,000, and the amount requested is \$770,000. Toronto will contribute \$30,000 from local funds.

Staff recommended awarding a \$770,000 Drinking Water SRF loan at 3.50 percent interest for 30 years with 55.2 percent as principal forgiveness not to exceed \$425,000.

Toronto pledged a project surcharge for repayment of the loan. Rates are \$51.50 for 5,000 gallons. Staff analysis indicates a surcharge of \$13.50 is needed for repayment of the loan, which would bring overall rates to \$65.00. This total rate is similar to other systems awarded funding in the previous year with a MHI less than 80 percent of the statewide.

Staff recommended approval of the loan 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.

Frank James, Town Board President, discussed the project and thanked the board for consideration of funding.

Motion by Jennings, seconded by Lanning, to adopt **Resolution No. 2026-03** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$770,000 at 3.50 percent interest for 30 years with 55.2 percent as principal forgiveness not to exceed \$425,000 to the **Town of Toronto** for water main replacement under Highway 28, 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. The motion carried unanimously.

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

Mitchell requested funding for utility infrastructure along North Ohlman Street from 23rd Avenue to Kemper Avenue. The city proposes sanitary sewer improvements which will include the replacement of old clay sewer lines with approximately 3,250 linear feet of new PVC lines,

along with the installation of eight sewer manholes. Storm sewer upgrades will include the installation of approximately 2,200 linear feet of storm sewer main and inlet piping, 20 storm sewer inlets, and approximately 9,400 linear feet of curb and gutter.

The estimated total project amount is \$3,930,000, and the amount requested is \$3,930,000.

Staff recommended awarding a \$3,930,000 Clean Water SRF loan at 4.00 percent interest for 30 years.

The city pledged a project surcharge for repayment of the loan. Rates are \$61.43 for 5,000 gallons. Staff analysis indicates a surcharge of \$3.55 is needed for repayment of the loan bringing rates to \$64.98.

Staff recommended approval of the loan 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.

Jacob Sonne, SPN, discussed the project and thanked the board for consideration of funding.

Motion by Drewes, seconded by Lanning, to adopt **Resolution No. 2026-04** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$3,930,000 at 4.00 percent interest for 30 years to the **City of Mitchell** 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. The motion carried unanimously.

Sioux Falls requested funding for a project in the southeast region of the city to accommodate future growth. This has been identified as a need in various long-range master plans.

As the city is coordinating with the SD Department of Transportation with the construction of South Veterans Parkway from Interstate 29 to 57th Street, there is also a need for sanitary sewer infrastructure. The project will be constructed in phases and will serve 4,650 acres over the next 20 years. This application will address Phase 1 from Western Avenue to nearly Southeastern Avenue along the north side of Lincoln County Highway 106. The need includes new sanitary sewer forcemain and gravity trunk lines, lift stations, equalization basins, and gravity extensions.

The estimated total project amount is \$ 17,746,000, and the amount requested is \$ 17,746,000.

Staff recommended awarding a \$17,746,000 Clean Water SRF loan at 3.50 percent interest for 20 years.

Sioux Falls pledged system revenue for repayment of the loan. Rates are \$46.12 for 5,000 gallons usage.

The City of Sioux Falls has approved annual rate increases through 2027 which will bring rates to \$48.44 for 5,000 gallons usage. Staff analysis indicates that with the already approved increases, the city's anticipated revenues will provide 120 percent debt coverage.

Ms. McFarling noted that the 3.50% interest rate is 0.25% lower than the standard rate and term. This project has been selected for compliance with Build American, Buy American material procurement requirements. The board adopted rates in September 2025 to allow for projects meeting this requirement to receive a 0.25 percent interest rate reduction.

Staff recommended approval of the loan 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 consideration of funding.

Motion by Bernhard, seconded by Lanning, to adopt **Resolution No. 2025-05** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$17,746,000 at 3.50 percent interest for 20 years to the **City of Sioux Falls** for Southeast Basins 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. The motion carried unanimously.

Ms. McFarling provided a recap of available funds.

ARPA GRANT AMENDMENTS: Senate Bill 53 was passed during the 2024 Legislative Session. Section 1 of the bill appropriated an additional \$89,384,221 of American Rescue Plan Act (ARPA) funds for water and wastewater infrastructure. These funds were awarded to eligible projects by the Board of Water and Natural Resources in June 2024. Section 2 of the bill included up to \$28,000,000 of additional ARPA fund authority to the board. This was included in case other state agency-funded ARPA efforts were not able to utilize all funding.

In October 2025, DANR was informed by the Bureau of Finance and Management that an additional \$1,206,528.36 of ARPA funds would be transferred to the board to allocate to existing ARPA projects.

Some projects originally funded through the \$600,000,000 of ARPA funds provided by 2022 Senate Bill 62 have deobligated portions of the funding. In the 2023 Legislative Session Senate Bill 20 was passed to provide the board discretion on the reallocation of those funds. This is currently \$3,106,779.49, bringing the total currently available to re-award to \$4,313,307.85.

The group of projects for board consideration were selected by DANR staff. The projects are regional or statewide in impact, will improve systems for current users and future growth, and most have higher than average user rates. These projects also all have remaining eligible project costs to incur and utilize the funding to be recommended.

Mr. Bruels presented the prior funded projects that submitted requests for additional ARPA grant funding consideration.

BDM Rural Water System

On April 13, 2022, the BDM Rural Water System was awarded a \$7,499,150 Drinking Water SRF loan with \$507,867 principal forgiveness and a \$3,530,083 ARPA grant. In June 2024 the ARPA grant was amended to award an additional \$1,738,345 in ARPA grant funds, bringing the total ARPA grant to \$5,268,428. This project is to construct a new water treatment plant, install a 400,000-gallon water reservoir, install 18 miles of pipe to expand the water system and loop lines for added redundancy, and replace 382 water meters.

Staff recommended awarding an additional \$233,450 in ARPA grant funds, bringing the total ARPA grant to \$5,501,878.

Rod Kappes, former manager of BDM, discussed the project and thanked the board for consideration of additional funding.

Motion by Jennings, seconded by Lanning, to adopt **Resolution No. 2026-06** approving the Second Amendment to American Rescue Plan Act Grant Agreement 2022G-ARP-110 to increase the total grant amount to \$5,501,878 for **BDM Rural Water System**. The motion carried unanimously.

Clay Rural Water System

On April 13, 2022, the Clay Rural Water System was awarded a \$10,736,050 Drinking Water SRF loan, a \$825,850 Consolidated grant, and a \$4,955,100 ARPA grant. In June 2024 the ARPA grant was amended to award an additional \$2,488,710 in ARPA grant funds, bringing the total ARPA grant to \$7,443,810. This project was to construct a 1,000,000-gallon ground storage reservoir near the existing Greenfield reservoir and a 750,000-gallon ground storage tank near the Wakonda water treatment plant. A new booster station at the Greenfield reservoir is also included. This project also proposes four distribution line improvements to provide additional capacity and accommodate a Highway 46 construction project. Approximately 20.6 miles of watermain of varying size will be installed.

Staff recommended awarding an additional \$334,250 in ARPA grant funds, bringing the total ARPA grant to \$7,778,060.

Steve Muilenburg, general manager of the rural water system, discussed the project and thanked the board for consideration of funding for the project.

Motion by Bernhard, seconded by Drewes to adopt **Resolution No. 2026-07** approving the Second Amendment to American Rescue Plan Act Grant Agreement 2022G-ARP-125 to

increase the total grant amount to \$7,778,060 for **Clay Rural Water System**. The motion carried unanimously.

Department of Agriculture and Natural Resources

On April 13, 2022, the Department of Agriculture and Natural Resources was awarded a \$1,000,000 ARPA grant. In June 2024 the ARPA grant was amended to award an additional \$5,000,000 in ARPA grant funds, bringing the total ARPA grant to \$6,000,000. These funds are being used for DANR's Riparian Buffer Initiative (RBI), which provides payments to landowners to implement buffer strips along property bordering waterbodies. The buffer strips provide the ability for natural filtration and improve the water quality within the watershed. DANR has currently implemented 42 buffer contracts worth \$2,944,830.46, buffering 123.6 miles of shoreline. An additional 64 potential contracts are under consideration currently with more than \$3,030,768.25 in known costs, which will buffer an additional 116 miles of shoreline. DANR staff has additional potential contracts being discussed and continues to see a strong interest in the program and funds. DANR requested an additional \$1,000,000 of ARPA funds. Based on the current demands, DANR believes it can expend all funds prior to the 2026 deadline and make meaningful impacts toward water quality protection.

Staff recommended awarding an additional \$1,000,000 in ARPA grant funds, bringing the total ARPA grant to \$7,000,000.

Paul Lorenzen, administrator of the DANR Watershed Protection Program, discussed the project and thanked the board for consideration of additional funding. He answered questions about the project from the board.

Motion by Drewes, seconded by Lanning, to adopt **Resolution No. 2026-08** approving the Second Amendment to American Rescue Plan Act Grant Agreement 2022G-ARP-134 to increase the total grant amount to \$7,000,000 for the **Department of Agriculture and Natural Resources**. The motion carried unanimously.

Mid-Dakota Rural Water System

On April 13, 2022, the Mid-Dakota Rural Water System was awarded a \$29,467,750 Drinking Water SRF loan, a \$2,000,000 Consolidated grant, and a \$13,867,250 ARPA grant. In June 2024 the ARPA grant was amended to award an additional \$6,830,882, bringing the total ARPA grant to \$20,698,132. This project is to update the existing water system by installing an advanced metering infrastructure system for water meters, paralleling of pipe, addition of a new backwash recovery system and additional membrane capacity.

Staff recommended awarding an additional \$917,357.85 in ARPA grant funds, bringing the total ARPA grant to \$21,615,489.85.

Scott Gross, general manager of the rural water system, discussed the project and thanked the board for consideration of additional funding.

Motion by Jennings, seconded by Bernhard, to adopt **Resolution No. 2026-09** approving the Second Amendment to American Rescue Plan Act Grant Agreement 2022G-ARP-165 to

increase the total grant amount to \$21,615,489.85 for **Mid-Dakota Rural Water System**. The motion carried unanimously.

Shared Resources

On April 13, 2022, Shared Resources was awarded a \$69,983,400 Drinking Water SRF loan and a \$38,276,600 ARPA grant. In June 2024 and May 2025, the ARPA grant was amended to award an additional \$11,165,548 in ARPA grant funds, bringing the total ARPA grant to \$49,442,148. Shared Resources is a joint effort between Minnehaha Community Water Corporation and the Big Sioux Community Water System. The project includes an 8-MGD treatment plant, well field, distribution pipeline, and two storage tanks. Shared Resources will treat and deliver water to both systems and will then distribute water to the existing customer base.

Staff recommended awarding an additional \$1,500,000 in ARPA grant funds, bringing the total ARPA grant to \$50,942,148.

Scott Buss, Minnehaha Community Water Corporation, discussed the project and thanked the board for consideration of additional funding.

Motion by Lanning, seconded by Bernhard, to adopt **Resolution No. 2026-10** approving the Third Amendment to American Rescue Plan Act Grant Agreement 2022G-ARP-192 to increasing the total grant amount to \$50,942,148 for **Shared Resources**. The motion carried unanimously.

South Lincoln Rural Water System

On April 13, 2022, the South Lincoln Rural Water System was awarded a \$10,384,082 Drinking Water SRF loan and a \$5,677,918 ARPA grant. On September 29, 2022, an additional \$11,502,000 Drinking Water SRF loan was awarded. In June 2024 the ARPA grant was amended to award an additional \$2,444,355 in ARPA grant funds, bringing the total ARPA grant to \$8,122,273. The project is for system wide improvements including the installation of an elevated water tank, a new pump station and a new water treatment plant. This project addresses capacity issues in portions of the distribution system and increasing demand within the existing service area.

Staff recommended awarding an additional \$328,250 in ARPA grant funds, bringing the total ARPA grant to \$8,450,523.

John Stearns, manager of the South Lincoln Rural Water System, discussed the project and thanked the board for consideration of additional funding.

Motion by Bernhard, seconded by Drewes, to adopt **Resolution No. 2026-11** approving the Second Amendment to American Rescue Plan Act Grant Agreement 2022G-ARP-194 to increase the total grant amount to \$8,450,523 for **South Lincoln Rural Water System**. The motion carried unanimously.

CONSOLIDATED WATER FACILITIES CONSTRUCTION PROGRAM GRANT

PERCENTAGE AMENDMENTS: Mr. Bruels reported that on April 13, 2022, several projects were awarded Consolidated grants by the board. These Consolidated grants were awarded instead of ARPA funds the recipients were otherwise eligible to receive. At the time, this allowed additional ARPA funds to be available for other projects and utilize the Consolidated funding available to the board.

Consolidated grants, by Administrative Rule, are limited to a four-year award, which may not be amended. Consolidated grants, by State Law, are also limited to a maximum of 80 percent of the eligible project costs. When the current grants were awarded, it was not anticipated that construction would extend beyond the four-year period. However, the projects requesting grant percentage amendments are all large projects which, due to the significant number of other water infrastructure projects, have experienced delays in completing in the grant period. The projects were awarded grants at a percentage of the estimated original total project costs, which would not allow the funds to be drawn in advance of full project completion. This is different than ARPA grants, which were disbursed for eligible costs incurred in full, with no grant percentage limitation. These projects also have remaining eligible project costs to incur and utilize the funding already awarded.

The board is allowed to increase Consolidated grant percentages to increase the allowable reimbursement, based on prior costs incurred. The grant percentage increase must remain below the maximum.

Mr. Bruels answered questions from the board members.

The following prior funded projects were contacted and submitted requests for increased grant percentage amendments.

Clay Rural Water System

On April 13, 2022, the Clay Rural Water System was awarded a Consolidated grant at 5 percent of approved project costs not to exceed \$825,850, which was part of an original estimated total project of \$16,517,000. Clay RWS has incurred eligible costs of \$11,300,000 to date and has ongoing eligible costs to utilize the funding provided. This project is to construct a 1,000,000-gallon ground storage reservoir near the existing Greenfield reservoir and a 750,000-gallon ground storage tank near the Wakonda water treatment plant. A new booster station at the Greenfield reservoir is also included. This project also proposes four distribution line improvements to provide additional capacity and accommodate a Highway 46 construction project. Approximately 20.6 miles of watermain of varying size will be installed.

Staff recommended the board amend Consolidated grant 2023G-101 to increase the eligible grant percentage from 5.0 percent to 10 percent.

Motion by Bernhard, seconded by Lanning, to adopt **Resolution No. 2026-12** approving the First Amendment to Consolidated Water Facilities Construction Program Grant Agreement 2023G-101 to **Clay Rural Water System** for up to 10 percent of all approved total project costs not to exceed \$825,850. The motion carried unanimously.

Mid-Dakota Rural Water System

On April 13, 2022, the Mid-Dakota Rural Water System was awarded a Consolidated grant at 4.5 percent of approved total project costs not to exceed \$2,000,000, which was part of an original estimated total project of \$45,335,000. Mid-Dakota RWS has incurred eligible costs of \$30,300,000 to date and has ongoing eligible costs to utilize the funding provided. This project is to update the existing water system by installing an advanced metering infrastructure system for water meters, paralleling of pipe, addition of a new backwash recovery system and additional membrane capacity.

Staff recommended the board amend Consolidated grant 2023G-104 to increase the eligible grant percentage from 4.5 percent to 10.0 percent.

Motion by Jenings, seconded by Lanning, to adopt **Resolution No. 2026-13** approving the First Amendment to Consolidated Water Facilities Construction Program Grant Agreement 2023G-104 to **Mid-Dakota Rural Water System** for up to 10 percent of all approved total project costs not to exceed \$2,000,000. The motion carried unanimously.

Mitchell

On April 13, 2022, the City of Mitchell was awarded a Consolidated grant at 5.1 percent of approved total project costs not to exceed \$1,519,868, which was part of an original estimated total project of \$30,000,000. Mitchell has incurred eligible costs of \$14,200,000 to date and has ongoing eligible costs to utilize the funding provided. This project consists of major upgrades to the North plant of the wastewater treatment facility including construction of a new headworks facility for screening and grit removal, construction of a new equalization basin, improvements to the facility's septage receiving structure, upgrades to the plant's electrical system, improvement to the existing equalization basin, and miscellaneous other site improvements.

Staff recommended the board amend Consolidated grant 2023G-100 to increase the eligible grant percentage from 5.1 percent to 10 percent.

Motion by Lanning, seconded by Bernhard, to adopt **Resolution No. 2026-14** approving the First Amendment to Consolidated Water Facilities Construction Program Grant Agreement 2023G-100 to the **City of Mitchell** for up to 10 percent of all approved total project costs not to exceed \$1,519,868. The motion carried unanimously.

Yankton

On April 13, 2022, the City of Yankton was awarded a Consolidated grant at 4.5 percent of approved total project costs not to exceed \$2,000,000, which was part of an original estimated total project of \$44,565,600. Yankton has incurred eligible costs of \$23,000,000 to date and has ongoing eligible costs to utilize the funding provided. This project consists of improvements to its existing wastewater treatment plant. The improvements will allow the treatment plant to meet existing and future flows and anticipated regulatory requirements. The proposed projects include several components including a new inlet building with grit removal, new 70-foot diameter secondary clarifier, new UV equipment, mixing systems, structural repairs, replacement of

outdated equipment, electrical improvements, and nutrient removal facilities including anoxic basins, aerobic polishing basins, and a mixed liquor recycle pump station.

Staff recommended the board amend Consolidated grant 2023G-113 to increase the eligible grant percentage from 4.5 percent to 10.0 percent.

Motion by Drewes, seconded by Jennings, to adopt **Resolution No. 2026-15** approving the First Amendment to Consolidated Water Facilities Construction Program Grant Agreement 2023G-113 to the **City of Yankton** for up to 10 percent of all approved total project costs not to exceed \$2,000,000. The motion carried unanimously.

FFY 2025 CLEAN WATER SRF ANNUAL REPORT: Ms. McFarling presented the FFY 2025 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 (SRF). The Federal Fiscal Year 2025 report follows the same format as previous years and discusses activity from October 1, 2024, to September 30, 2025.

In FFY 2025 the board awarded 28 Clean Water SRF loans totaling \$141,006,000. Five of the loans received principal forgiveness in the aggregate amount of \$7,400,000. Loan repayments for the year totaled just over \$38,800,000 with \$26,800,000 in principle, \$9,000,000 in interest, and \$2,900,000 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 Bernhard, seconded by Drewes, to approve the FFY 2025 Clean Water SRF program annual report and authorize staff to finalize and distribute the report. The motion carried unanimously.

FFY 2025 DRINKING WATER SRF ANNUAL REPORT: Megan Briggs presented the FFY 2025 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 State Revolving Fund (SRF). The Federal Fiscal Year 2025 report follows the same format as previous years and discusses activity from October 1, 2024, to September 30, 2025.

In FFY 2025 the board awarded 18 Drinking Water SRF loans and approved two loan amendments for total amount of \$48,787,000. Ten of those loans received principal forgiveness in the aggregate total of \$23,541,000. Loan repayments totaled just over \$21,400,000, with \$13,900,000 in principle, \$6,100,000 in interest, and \$1,400,000 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 Jennings, seconded by Drewes, to approve the FFY 2025 Drinking Water SRF program annual report and authorize staff to finalize and distribute the report. The motion carried unanimously.

NEXT MEETING: There will be a special meeting on February 26, 2026, regarding the Bond Issue. The next regular meeting is March 26, 2025, at the Matthew Training Center in Pierre.

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

ADJOURN: Motion by Jennings, seconded by Bernhard, to adjourn. The motion carried unanimously.

Approved this 26th day of March 2026.

(SEAL)

Chairman, Board of Water and Natural Resources

ATTEST:

Secretary, Board of Water and Natural Resources

