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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

November 5, 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: Todd Bernhard participated in person. Jerry Soholt, Cameron Becker, Gary Drewes, Bruce Jennings, and Jackie Lanning participated remotely.

BOARD MEMBERS ABSENT: Gene Jones Jr.

LEGISLATIVE OVERSIGHT COMMITTEE: Representative Nicole Uhre-Balk.

OTHERS: See attached attendance sheet.

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

Motion by Bernhard, seconded by Drewes, to approve the agenda. The motion carried unanimously.

APPROVE MINUTES FROM SEPTEMBER 24, 2026, MEETING: Motion by Jennings, seconded by Lanning, to approve the minutes from the September 24, 2026, Board of Water and Natural Resources meeting. The motion carried unanimously.

PUBLIC COMMENT PERIOD: There were no public comments.

Tina McFarling introduced Ben Titus, Assistant Attorney General. Mr. Titus will serve as board counsel.

ARPA GRANT AMENDMENTS: Mr. Bruels reported that Senate Bill 53 was passed during the 2024 Legislative Session. Section 1 of the bill appropriated an additional $89,384,221 in 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.

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In October 2026, DANR was informed by the Bureau of Finance and Management that an additional $6,079,593.14 in ARPA funds would be transferred to the board to allocate to existing ARPA projects.

The projects on the agenda were selected by DANR staff. These projects all have remaining eligible project costs to incur and utilize the funding to be recommended. The following prior funded projects were contacted by DANR, and each project sponsor submitted a request for additional ARPA grant fund consideration.

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 and January 2026, the ARPA grant was amended to award an additional $6,000,000 in grant funds bringing the total ARPA grant to $7,000,000.

These funds are being used for DANR's Riparian Buffer Initiative (RBI), which provides payments to landowners to implement non-point source best management practices for water quality improvements.

DANR has requested an additional $3,500,000 in ARPA funds based on the current demands. DANR believes all funds will be expended prior to the deadline and that the project will have meaningful impacts towards water quality protection.

Staff recommended awarding an additional $3,500,000 in ARPA grant funds, bringing the total ARPA grant to $10,500,000.

Paul Lorenzen, DANR Watershed Protection Program, discussed the project and thanked the board for consideration of additional funding.

Motion by Bernhard, seconded by Lanning, to adopt **Resolution No. 2026-107** approving the Third Amendment to American Rescue Plan Act Grant Agreement 2022G-ARP-134 increasing the total grant amount to $10,500,000 for the **Department of Agriculture and Natural Resources**. The motion carried unanimously.

Randall Community Water District: On June 23, 2022, the Randall Community Water District was awarded a $38,734,175 Drinking Water SRF loan and an $11,256,825 ARPA grant. The project has received three Drinking Water SRF loans totaling $55,000,000, which were needed for the full project costs. In June 2024, May 2025, March 2026, and September 2026 the ARPA grant was amended to award an additional $12,715,890.60 bringing the total ARPA grant to $23,972,715.60.

All prior ARPA grant funds have been fully expended, and there remains sufficient eligible costs to draw additional ARPA funds in advance of the deadline.

This project is to address increasing demand among existing customers as well as supply water to the City of Mitchell, rural Davison County RWS, and the Aurora-Brule RWS. The ARPA funded project will consist of 38 miles of HDPE pipe from the storage facility near Platte to the existing tank near Stickney. The proposed improvements will provide enough capacity to the system to

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allow Mitchell to connect its redundant water line. Booster stations, storage facilities, and an upgrade to the Platte water treatment plant will be necessary to complete the proposed improvements.

Staff recommended awarding an additional $1,289,800.00 in ARPA grant funds, bringing the total ARPA grant to $25,262,515.60.

Greg Powell, Pinpoint Corp., discussed the project and thanked the board for consideration of additional funding.

Motion by Drewes, seconded by Becker, to adopt **Resolution No. 2026-108** approving the Fifth Amendment to American Rescue Plan Act Grant Agreement 2022G-ARP-439 increasing the total grant amount to $25,262,515.60 for **Randall Community Water District**. 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, May 2025, January 2026, June 2026, and September 2026 the ARPA grant was amended to award an additional $13,877,638.84 in ARPA grant funds, bringing the total ARPA grant to $52,154,238.84, which includes $100,000 of over obligation contingency if any other projects fail to submit full reimbursement. Staff worked with legal counsel and the Bureau of Finance and Management to include that provision.

All allowable prior ARPA grant funds have been fully expended and there remains sufficient eligible costs to draw additional ARPA funds in advance of the deadline.

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.

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

Staff recommended awarding an additional $1,289,793.14 in ARPA grant funds, bringing the total ARPA grant to an amount not to exceed $53,444,031.98.

Motion by Drewes, seconded by Lanning, to adopt **Resolution No. 2026-109** approving the Sixth Amendment to American Rescue Plan Act Grant Agreement 2022G-ARP-192 increasing the total grant amount to $53,444,031.98 for **Shared Resources, Inc**. The motion carried unanimously.

Mr. Bruels reported that a total of $13,739,238.19 in ARPA authority has been transferred to the board for reallocation to projects from the allowable amount of 2024 Senate Bill 53, Section 2. These funds, combined with the $89,384,221 from 2024 Senate Bill 53, Section 1 and the original $600,000,000 from 2022 Senate Bill 62, have provided a total of $703,123,459.19 in ARPA fund authority to the board for award. With the action just taken by the board all ARPA funds have been fully obligated to eligible projects for use.

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A total of 199 projects throughout the state received some level of ARPA support from this total. The projects included $395,373,324.37 for drinking water, $292,038,134.82 for wastewater and storm water, and $15,712,000 for non-point source related projects. In total the ARPA funds assisted in leveraging infrastructure project investments of approximately $1,700,000,000.

Mr. Bruels noted that as of today, there are 11 projects with ARPA funds remaining to be expended, and a total of $2,440,000 left, not including the awards just made. DANR staff is working diligently with these remaining projects to assure full expenditure of all ARPA funds is completed by the December 31, 2026, deadline.

REVIEW INTEREST RATES FOR THE CLEAN WATER STATE REVOLVING FUND, DRINKING WATER STATE REVOLVING FUND, CONSOLIDATED WATER FACILITIES CONSTRUCTION PROGRAM, AND SOLID WASTE MANAGEMENT PROGRAM: Pursuant to ARSD 74:05:08:18, 74:05:11:17, 74:05:07:15.01, and 74:05:10:12.02, the Board of Water and Natural Resources shall set the interest rates for the Clean Water State Revolving Fund, Drinking Water State Revolving Fund, Consolidated Water Facilities Construction Program, and Solid Waste Management Program respectively. Interest rates shall be based on the following criteria: 1) current market rates, 2) rates secured on state-issued matching funds, and 3) current demand for program funds.

Tina McFarling presented slides that show the history of the different USDA Rural Development rates versus the State Revolving Fund 30-year interest rates. The October 2026 USDA interest rates are a market rate of 4.750 percent, an intermediate rate of 3.750 percent, and a poverty rate of 2.875 percent. The state has tried to stay between Rural Development's market rate and intermediate rate. The 30-year SRF rates compared to the municipal bond market shows what interest rates going to the bond market vs. the interest rates being applied to borrowers.

Looking at the markets rates, the rates secured on the state-issued matching bonds and the current demand for program funds, staff proposes raising the interest rates by 0.50 percent, except for the Clean Water SRF Non-point Source rate, which is increasing 0.75 percent, but still provides a 0.50 percent incentive, and the Drinking Water SRF Lead Service Line Replacement rate, which will stay at 0.0 percent interest.

Ms. McFarling discussed the staff recommendations for new rates, which were included in the board packet. She requested that the board adopt separate resolutions approving the new interest rates for the Consolidated Water Facilities Construction Program, Solid Waste Management Program, Clean Water State Revolving Fund, and Drinking Water State Revolving Fund.

Motion by Jennings, seconded by Drewes, to adopt **Resolution No. 2026-110** setting the **Consolidated Water Facilities Construction Program** interest rates at 4.00 percent for a term not to exceed the useful life of the project or ten years, whichever is less, 4.25 percent for a term greater than ten years, or the useful life of the project, up to a maximum of twenty years, and 4.50 percent for a term greater than twenty years, or the useful life of the project, up to a maximum of thirty years; and that the interest rates established above apply to loans awarded after October 1, 2026. The motion carried unanimously.

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Motion by Lanning, seconded by Bernhard, to adopt **Resolution No. 2026-111** setting the **Solid Waste Management Program** interest rates at 4.00 percent for a term not to exceed the useful life of the project or ten years, whichever is less, and 4.25 percent for a term greater than ten years, or the useful life of the project, up to a maximum of twenty years; and that the interest rates established above apply to loans awarded after October 1, 2026. The motion carried unanimously.

Motion by Drewes, seconded by Becker, to adopt **Resolution No. 2026-112** setting the **Clean Water State Revolving Fund** interest rates for **conventional loans** at 4.00 percent (consisting of 3.75 percent interest rate and 0.25 percent administrative surcharge) for loans with a term up to 10 years, 4.25 percent (consisting of 4.00 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 10 years up to a maximum of 20 years, and 4.50 percent (consisting of 4.25 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 20 years up to a maximum of 30 years; the interest rate for **interim financing** at 2.50 percent (with no administrative surcharge component) for a term up to 5 years; and the interest rate for **NPS Watershed Incentive loans** at 3.50 percent (consisting of 3.25 percent interest rate and 0.25 percent administrative surcharge) for loans with a term up to 10 years, 3.75 percent (consisting of 3.50 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 10 years up to a maximum of 20 years, and 4.00 percent (consisting of 3.75 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 20 years up to a maximum of 30 years; and that the interest rates established above apply to loans awarded after October 1, 2026. The motion carried unanimously.

Ms. McFarling reported that in 2021, the Infrastructure Investment and Jobs Act (IIJA) was signed into law and Build America, Buy America (BABA) requirements were enacted. BABA requires that construction materials be produced and manufactured in the United States. This requirement has increased the costs of projects and also caused some delays due to the availability of BABA compliant products.

Program staff has been identifying BABA friendly projects, such as water and sewer line replacements, water reservoirs, and lagoon projects, to certify as BABA compliant projects. To assist projects that will be subject to BABA, in November 2023, the board implemented a 0.25 percent reduction in the loan interest rates for projects selected for BABA and continued the incentive at the September 2025 rate adjustment.

Eventually as BABA requirements become more mainstream, staff will likely recommend dissolving this extra incentive, but there are still a lot of unknowns and materials that do not meet the BABA requirements that staff believes the incentive is still warranted. The BABA incentive will only be on conventional loans and will not be combined with the NPS incentive, nor will there be an interim financing BABA incentive.

Motion by Jennings, seconded by Lanning, to adopt **Resolution No. 2026-113** setting the **Clean Water State Revolving Fund** interest rates for **conventional loans subject to the Build America, Buy America, Public Law 117-58 provisions** at 3.75 percent (consisting of 3.50 percent interest rate and 0.25 percent administrative surcharge) for loans with a term up to 10 years, 4.00 percent (consisting of 3.75 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 10 years up to a maximum of 20 years, and 4.25 percent (consisting of 4.00 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 20

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years up to a maximum of 30 years; and that the interest rates established above apply to loans awarded after October 1, 2026. The motion carried unanimously.

Motion by Becker, seconded by Bernhard, to adopt **Resolution No. 2026-114** setting the **Drinking Water State Revolving Fund** interest rates for **public entity borrowers of conventional loans** at 4.00 percent (consisting of 3.75 percent interest rate and 0.25 percent administrative surcharge) for loans with a term up to 10 years, 4.25 percent (consisting of 4.00 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 10 years up to a maximum of 20 years, and 4.50 percent (consisting of 4.25 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 20 years up to a maximum of 30 years; the interest rate for **disadvantaged communities** at 4.25 percent (consisting of a 4.00 percent interest rate and 0.25 percent administrative surcharge) for loans up to 30 years for communities with a median household income (MHI) between 80 percent to 100 percent of the statewide MHI, and 4.00 percent (consisting of a 3.75 percent interest rate and 0.25 percent administrative surcharge) for loans up to 30 years and 3.25 percent (consisting of a 3.00 percent interest rate and 0.25 percent administrative surcharge) for loans up to 10 years for communities with an MHI between 60 percent to 80 percent of the statewide MHI, and 3.75 percent (consisting of 3.75 percent interest rate and 0.0 percent administrative surcharge) for loans with a term up to 30 years and 3.00 percent (consisting of a 3.00 percent interest rate and 0.00 percent administrative surcharge) for loans with a term up to 10 years for communities with an MHI less than 60 percent of the statewide MHI; and the interest rate for **interim financing** at 2.50 percent (with no administrative surcharge component) for a term up to 5 years; and that the interest rates established above apply to loans sponsored by public entity borrowers awarded after October 1, 2026. The motion carried unanimously.

Motion by Jennings, seconded by Drewes, to adopt **Resolution No. 2026-115** setting the **Drinking Water State Revolving Fund** interest rates for **conventional loans to public entities subject to Build America, Buy America Public Law 117-58 provisions** at 3.75 percent (consisting of 3.50 percent interest rate and 0.25 percent administrative surcharge) for loans with a term up to 10 years, 4.00 percent (consisting of 3.75 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 10 years up to a maximum of 20 years, and 4.25 percent (consisting of 4.00 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 20 years up to a maximum of 30 years; the interest rate for **disadvantaged communities subject to the Build America, Buy America, Public Law 117-58, provisions** at 4.00 percent (consisting of a 3.75 percent interest rate and 0.25 percent administrative surcharge) for loans up to 30 years for communities with a median household income (MHI) between 80 percent to 100 percent of the statewide MHI, and 3.75 percent (consisting of a 3.50 percent interest rate and 0.25 percent administrative surcharge) for loans up to 30 years and 3.00 percent (consisting of a 2.75 percent interest rate and 0.25 percent administrative surcharge) for loans up to 10 years for communities with an MHI between 60 percent to 80 percent of the statewide MHI, and 3.50 percent (consisting of a 3.50 percent interest rate and 0.00 percent administrative surcharge) for loans up to 30 years and 2.75 percent (consisting of a 2.75 percent interest rate and 0.00 percent administrative surcharge) for loans up to 10 years for communities with an MHI less than 60 percent of the statewide MHI; and that the interest rates established above apply to loans sponsored by public entity borrowers awarded after October 1, 2026. The motion carried unanimously.

Ms. McFarling noted that in June 2024 the board approved a higher interest rate for private non-profit borrowers. As was explained when the higher interest rates were established, when funds are

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loaned to private non-profit borrowers, the loans require the use of taxable bonds or federal capitalization grants. When the Conservancy District goes to the bond market for leverage bonds, taxable bonds are about 1.0 percent higher than the tax-exempt bonds. Due to this difference, the board approved the higher rates for private non-profit borrowers.

The higher interest rates were continued in the September 2025 rate adjustment and the spread between the taxable and tax-exempt bonds is still around 1.0 percent. Therefore, staff recommended continuation of the 1.0 percent adjustment for private non-profit borrowers. As with the public entity borrowers, staff recommended continuing the BABA incentive for the private non-profit borrowers.

Motion by Lanning, seconded by Becker, to adopt **Resolution No. 2026-116** setting the **Drinking Water SRF** interest rates for **non-profit corporation or cooperative borrowers** at 5.00 percent (consisting of 4.75 percent interest rate and 0.25 percent administrative surcharge) for loans with a term up to 10 years, 5.25 percent (consisting of 5.00 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 10 years up to a maximum of 20 years, and 5.50 percent (consisting of 5.25 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 20 years up to a maximum of 30 years; the interest rate for loans to borrowers subject to the **Build America, Buy America, Public Law 117-58, provisions** at 4.75 percent (consisting of 4.50 percent interest rate and 0.25 percent administrative surcharge) for loans with a term up to 10 years, 5.00 percent (consisting of 4.75 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 10 years up to a maximum of 20 years, and 5.25 percent (consisting of 5.00 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 20 years up to a maximum of 30 years; and that the interest rates established above apply to loans sponsored by nonprofit corporation or cooperative borrowers awarded after October 1, 2026. The motion carried unanimously.

2027 STATE WATER PLAN APPLICATIONS: Water projects which will require state funding or need state support for categorical grant or loan funding must be included on the State Water Plan. At its November planning meeting, the Board of Water and Natural Resources approves projects for placement onto the next year's State Water Facilities Plan. Placement of a project on the State Water Plan by the board provides no guarantee of funding. The projects placed on the facilities plan at this meeting will remain on the plan through December 2028.

Andy Bruels presented the 56 State Water Plan applications received by the October 1, 2026, deadline. A map showing the location of these projects was included in the board packet.

Project Sponsor	Description	Projected State Funding ($)
Aberdeen	Water Reclamation Facility Improvements - Phase 2	$40,539,000
Aberdeen	Lead Service Line Replacements	$16,484,962
Bear Butte Valley Water, Inc.	Elk Creek Valley Expansion	$11,760,000
Bear Butte Valley Water, Inc.	Hereford Area and Internal System Expansion	$8,728,000
Black Hawk Sanitary District	Lift Station Improvements	$648,000
Bryant	Wastewater System Improvements - Phase 3A	$2,340,000

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Bryant	Drinking Water System Improvements - Phase 3A	$1,958,000
Burke	Wastewater Treatment and Collection Improvements	$8,981,000
Burke	Drinking Water Distribution Improvements	$7,846,000
Canton	Sanborn Street Sanitary and Storm Sewer Improvements	$1,484,000
Canton	Sanborn Street Drinking Water Improvements	$797,000
Castlewood	Wastewater System Improvements - Phase 2	$3,825,000
Columbia	Wastewater and Storm Water Improvements	$4,898,484
Custer	Highway 385 Sanitary Sewer Extension	$686,000
Custer	Water System Improvements	$11,820,000
Davison Rural Water System	Elevated Storage Tank and Connecting Pipeline	$12,400,000
Dell Rapids	Drainage Channel Improvements - Phase 1	$1,800,000
Dell Rapids	Northeast Area Sanitary and Storm Sewer Improvements	$3,580,000
Dell Rapids	Northeast Area Drinking Water Improvements	$1,692,000
Edgemont	New Well and Distribution System Improvements	$4,000,000
Fort Pierre	Bad River Forcemain Bore	$1,669,980
Fort Pierre	New Storage Tank, Booster Station, and Transmission Line	$2,418,600
Golden Hills Homeowner's Association	Drinking Water System Improvements	$437,000
Hartford	2nd Street Sanitary Sewer Extension	$459,600
Hartford	Kelly Avenue Sanitary Sewer Replacement	$585,130
Hartford	2nd Street Drinking Water Extension	$728,450
Hartford	Kelly Avenue Drinking Water Replacement	$475,650
Hill City	Wastewater Treatment Improvements and Expansion - Phase 3	$4,485,000
Hisega Meadows Water, Inc.	Drinking Water Treatment Improvements	$1,890,000
Iroquois	Wastewater Treatment Facility Improvements	$1,223,000
Java	Wastewater Collection Improvements - Phase 2	$1,293,080
Java	Water Meter Replacement and Storage Tank Painting	$508,870
Martin	Drinking Water System Improvements	$4,532,000
Mellette	Drinking Water Distribution Improvements	$870,000
Mitchell	Wastewater Collection Improvements	$55,000,000
Mitchell	Water Distribution Improvements	$57,000,000
Murdo	Sanitary Sewer Improvements	$6,315,000
North Sioux City	North Shore Bypass Lift Station	$3,686,000
Parker	Wastewater System Improvements - Phase 1	$3,197,000
Parker	Drinking Water Distribution Improvements	$1,886,200
Philip	Myrtle Avenue Sewer Improvements	$2,129,100
Pine Grove Community Water Association	Drinking Water System Improvements	$3,006,793
Pringle	Drinking Water System Improvements	$5,496,000
Reliance	Wastewater Collection and Treatment System Improvements	$2,760,000
Sioux Falls	Southeast Basins Sanitary Sewer Phases 2-5	$29,958,000
Sioux Rural Water System	2027 User Expansion	$3,134,000

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Tyndall	Wastewater System Improvements	$22,690,861
Tyndall	Water Storage and Distribution Improvements	$5,212,109
Utica	Sanitary Sewer Improvements - Phases 1 and 2	$2,600,000
Utica	Drinking Water Improvements - Phases 1 and 2	$1,150,000
Veblen	Collection System Improvements	$4,585,000
White	Wastewater Collection and Treatment System Improvements - Phase 3	$3,312,200
White	Drinking Water Distribution Improvements - Phase 3	$2,616,110
White River	Wastewater Collection and Treatment System Improvements	$1,366,780
White River	Drinking Water System Improvements	$5,681,530
Willow Lake	Wastewater Collection and Treatment System Improvements	$7,077,421

Staff recommended placement of the 56 projects on the 2027 State Water Facilities Plan.

Motion by Jennings, seconded by Bernhard, to accept the staff recommendations for placement of the 56 projects on the 2027 State Water Facilities Plan. The motion carried unanimously.

PUBLIC HEARING TO ADOPT FFY 2027 CLEAN WATER STATE REVOLVING FUND INTENDED USE PLAN AND PROJECT PRIORITY LIST: Chairman Soholt opened the public hearing.

The purpose of the hearing was to receive public input and adopt the FFY 2027 Clean Water State Revolving Fund (SRF) Intended Use Plan and Project Priority List. Copies of the draft documents were included in the board packet.

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

The Intended Use Plan (IUP) consists of two components. One component describes how the state intends to use available funds from the standard program allocation for the year to meet the objectives of the Clean Water Act and further the goal of protecting public health. This includes the amount of funds to be allocated to set-aside activities such as administration and technical assistance.

The second component of the IUP is a priority list of projects that will be eligible to receive funding. Projects seeking a Clean Water State Revolving Fund loan must be on the priority list.

Mr. Bruels presented the FFY 2027 Clean Water SRF IUP and discussed changes from previous years.

No written comments regarding the FFY 2027 Clean Water SRF IUP were submitted.

Chairman Soholt requested public comments regarding the Clean Water SRF IUP. There were no public comments.

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Staff recommended the board approve the Federal Fiscal Year 2027 Intended Use Plan and Project Priority List.

Motion by Jennings, seconded by Becker, to approve the Federal Fiscal Year 2027 Clean Water SRF Intended Use Plan and Project Priority List, as presented. The motion carried unanimously.

Chairman Soholt closed the hearing.

PUBLIC HEARING TO ADOPT FFY 2027 DRINKING WATER STATE REVOLVING FUND INTENDED USE PLAN AND PROJECT PRIORITY LIST: Chairman Soholt opened the public hearing.

The purpose of the hearing was to receive public input and adopt the FFY 2027 Drinking Water SRF Intended Use Plan and Project Priority List. Copies of the draft documents were included in the board packet.

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

Mr. Bruels presented the FFY 2027 Drinking Water SRF Intended Use Plan (IUP) and discussed changes from previous years.

The Drinking Water SRF IUP consists of two components. One component describes how the state intends to use available funds from the standard program allocation for the year to meet the objectives of the Safe Drinking Water Act and further the goal of protecting public health. This includes the amount of funds to be allocated to set-aside activities such as administration, state program management, small system technical assistance, and local assistance and other state programs.

The second component of the IUP is a priority list of projects that will be eligible to receive funding. Projects seeking a Drinking Water State Revolving Fund loan must be on the priority list.

No written comments regarding the FFY 2027 Drinking Water SRF IUP were submitted.

Chairman Soholt requested public comments regarding the Drinking Water SRF IUP. There were no public comments.

Staff recommended the board approve the FFY 2027 Drinking Water IUP and Project Priority List.

Motion by Lanning, seconded by Bernhard, to approve the Federal Fiscal Year 2027 Drinking Water SRF Intended Use Plan and Project Priority List, as presented. The motion carried unanimously.

Chairman Soholt closed the hearing.

STATE WATER RESOURCES MANAGEMENT SYSTEM RECOMMENDATIONS: SDCL 46A-1-2.1 designates the water resource projects included on the State Water Resources

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Management System (SWRMS) component of the State Water Plan that serve as the preferred priority water development objectives of the state.

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

The following projects are currently included on the SWRMS list:

Belle Fourche Irrigation Upgrade Project
Big Sioux Flood Control Study
Cendak Irrigation Project
Dakota Mainstem Regional Water System Study
Hydrology and Water Management Studies
Lake Andes-Wagner/Marty II Irrigation Unit
Lewis and Clark Rural Water System
Sioux Falls Flood Control Project
Vermillion Basin Flood Control Project
Water Investment in Northern South Dakota (WINS) Project
Western Dakota Regional Water System Study

The following projects requested SWRMS funding. The slide presentations for these projects are available at https://boardsandcommissions.sd.gov/Meetings.aspx?BoardID=108

Dakota Mainstem Regional Water System Study: Gabe Laber, HDR Engineering, and Brent Hoffman, Grant Roberts RWS, discussed the project.

Dakota Mainstem Regional Water System is a collaboration of 59 municipal and regional public water systems that will provide alternative and supplemental water supplies to areas in central and southern portions of eastern South Dakota, southwest Minnesota, northwest Iowa, and the Santee Sioux Tribe in northeast Nebraska.

The project requested $750,000 in SWRMS funding for a feasibility study.

DANR Water Rights Program: Adam Mathiowetz, Chief Engineer, DANR Water Rights Program provided information on the observation network.

The Water Rights Program maintains the observation well network of 1,626 wells to monitor and provide historic data on water levels in aquifers throughout South Dakota. The observation well network is the backbone for management of the groundwater resources in the state to ensure aquifers are not over appropriated and the resource is preserved into perpetuity for future generations.

DANR Water Rights Program requested $500,000 in SWRMS funding for the project.

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WEB Water (WINS Project): Shane Phillips, WEB, Dave McNeil, City of Aberdeen, and Tom Jones, BDM, provided information on the project.

The Water Investment in Northern South Dakota (WINS) project is a collaborative effort between WEB Water, the city of Aberdeen, and BDM Rural Water that will provide water throughout northeast South Dakota to meet current user needs and provide for future growth.

The project requested $5,000,000 in SWRMS funding for continued engineering design, preconstruction and construction activities.

Western Dakota Regional Water System: Kristin Conzet, Executive Director, Miranda Kleven, and Cory Chorne, AE2S, provided information on the project.

Western Dakota Regional Water System requested $1,000,000 for continued project development, regional coordination, administrative support, and technical advancement activities associated with the long-term development of a supplemental Missouri River Water Supply for western South Dakota.

The four funding requests were considered during the next agenda item, which is the Omnibus Bill funding presentation.

Staff recommended the board adopt a resolution recommending retention of all current projects on the SWRMS list as preferred, priority objectives of the state.

Motion by Bernhard, seconded by Drewes, to adopt **Resolution No. 2026-117** recommending to the Governor and the State Legislature that all projects currently identified on the State Water Resources Management System be retained as preferred, priority objectives of the state. The motion carried unanimously.

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

Included in the board packet were the Water and Environment Flow Chart, the Lotto Distribution Flow Chart, and the Petroleum Release Compensation and Tank Inspection Fee Flow Chart. Staff prepared the documents based on the history of actual revenues and expected future revenues for State Fiscal Years 2027 and 2028.

Ms. McFarling provided a slide presentation discussing the process for estimating the funding levels available for the appropriation recommendations.

The presentation included a pie chart that represents $359,200,000 that has been appropriated into the dedicated water funding account. The chart also shows the breakout of awards by categories since 1993. South Dakota Codified Law 46A-1-93 prioritizes the award of dedicated water funding

for development of public water systems. The percentage of awards for regional drinking water projects is 43.1 percent while the awards to municipal drinking water projects is 13.7 percent.

Since 1993, $73,600,000 has been appropriated from solid waste fees for the Solid Waste Management program with 60.6 percent of those fees being awarded to solid waste disposal projects, 15.0 percent to waste tire disposal projects, and 24.4 percent to recycling projects.

Since the dedicated funding sources were established in the early 1990s, the combined dedicated water funding and solid waste fees have provided more than $432,000,000 for water and wastewater projects throughout South Dakota.

The Omnibus bill authorizes special appropriations for State Fiscal Year 2028 and includes an emergency clause which allows the funds to become immediately available to the board once the bill is signed by the Governor. The funds will be available for four fiscal years or through June 30, 2031. Available funds are based on actual revenues received through June 30, 2026, and include revenue projections for both State Fiscal Years 2027 and 2028.

Ms. McFarling discussed the flow charts providing a summary of dedicated funding deposited into the Water and Environment Fund (WEF), the dedicated funding revenue sources, and the projected funds available for appropriation in the 2027 Omnibus Bill. She also discussed the proposed appropriation levels from the WEF and the WEF State Revolving Fund subfunds. The projected Water and Environment Fund deposits are $11,400,000 for state FY 2027.

Ms. McFarling discussed the remaining funds available for appropriation and break down of the revenue between water and solid waste funding.

Going into FY 2027, staff is estimating an overall surplus of $4,125,000. It is estimated that there will be $11,400,000 in transfers to the dedicated water fund from the Capital Construction Fund and $450,000 in Contractor's Excise tax is expected. Loan repayments and interest revenues deposited to the water and solid waste funds are estimated at $1,950,000 and the dedicated solid waste fees coming from Tipping Fees and Tire Fees total an estimated $2,025,000.

Adding all the estimated revenue brings the total amount available for appropriation to $19,950,000 with more than $3,500,000 available for solid waste funding and $16,400,000 for dedicated water funding.

The department recommended that the board recommend to the Governor and State Legislature the following line-item appropriation levels for projects on the State Water Resources Management System:

Dakota Mainstem Regional Water System Study	$750,000
DANR Hydrology and Water Management Studies	$500,000
Water Investment in Northern South Dakota	$2,000,000
Western Dakota Regional Water System Study	$200,000
Total	$3,450,000

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The department recommended an appropriation level of $13,000,000 for the Consolidated Water Facilities Construction Program and $3,500,000 for the Solid Waste Management Program, for a total of $19,950,000.

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

State Revolving Fund Administrative Surcharge Fees

Clean Water SRF Water Quality Grants	$200,000
Clean Water SRF Application and Administration Assistance	$450,000
Drinking Water SRF Application and Administration Assistance	$400,000

Federal Set-Aside Funds and Federal Subsidy Payments

Drinking Water SRF Technical Assistance and Local Assistance	$200,000
Clean Water SRF Small System Technical Assistance	$50,000
Drinking Water Grants for Emerging Contaminants	$17,285,000
WEF Subfund and Federal Fund Total:	$18,585,000

Ms. McFarling stated that as part of the Infrastructure Investment and Jobs Act (IIJA), a grant program was established to address PFAS and other emerging contaminants. The IIJA Emerging Contaminants for Small or Disadvantaged Communities provides 100 percent grant for eligible project costs, and $17,285,000 in federal fund expenditure authority will cover the amounts allocated to South Dakota for 2025 and 2026. The 2022-2024 allocation expenditure authority was part of the 2025 Omnibus bill.

Motion by Jennings, seconded by Drewes, to adopt **Resolution No. 2026-118** recommending to the Governor and State Legislature Water and Environment Fund Fiscal Year 2028 appropriation levels of $750,000 for the Dakota Mainstem Regional Water Study, $500,000 for DANR Hydrology and Water Management Studies, $2,000,000 for the Water Investment in Northern South Dakota project, $200,000 for the Western Dakota Regional Water System study, $13,000,000 for the Consolidated Water Facilities Construction Program, $3,500,000 for the Solid Waste Management Program, $200,000 for Clean Water SRF Water Quality Grants, $450,000 for Clean Water SRF Application and Administration Assistance, $400,000 for Drinking Water SRF Application and Administration Assistance, $200,000 for Drinking Water SRF Technical Assistance and Local Assistance, $50,000 for Clean Water SRF Small System Technical Assistance, and $17,285,000 for Drinking Water Grants for Emerging Contaminants. The motion carried unanimously.

STATE FISCAL YEAR 2026 INVESTMENT REVIEW AND UPDATE: Jon Peschong discussed the Investment Policy, which governs the investment of Trust Funds under the Master Trust Indenture and relevant Tax Documents, ensuring that all funds are managed with a focus on security, liquidity, and competitive returns while remaining compliant with statutory and indenture requirements.

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The Trust Funds currently maintain an average maturity of approximately 45 days, reflecting their primary investment in Federated Funds to ensure strong liquidity. Given the Conservancy District's ongoing and anticipated cash flow needs for loan obligation, staff does not recommend rebalancing the portfolio at this time. The current short-term structure is appropriate and intentional to support operational liquidity.

Mr. Peschong stated that the policy continues to support the Conservancy District's objectives of capital preservation, liquidity management, and competitive investment performance while maintaining compliance with governing documents and state law. At this time, staff does not recommend any changes to the Investment Policy.

No action was taken by the board.

Mr. Peschong provided a slide presentation discussing the SRF investments and investment returns for SFY 2026.

The last Guaranteed Investment Contract (GIC) was negotiated in 2005 for 4.41 percent with a maximum investment of $80,000,000 that had a little less than $51,300,000 invested as of June 30, 2026. This contract terminated on August 1, 2026, and the Conservancy District did have another Guaranteed Investment Contract that was negotiated in 2004, that terminated August 1, 2025.

The Federated Hermes Government Obligations Fund or Federated Fund, meets the definition of a government money market fund that invests primary in short-term US Treasury and government securities, and repurchase agreements. The Federated Fund is rated in the triple A category by S&P, Moody's, and Fitch. It has a weighted average to maturity of 45 days and its one-year return as of June 30, 2026, was 2.82 percent.

The GICs balance was $51,200,000 and the Federated Fund was $245,900,000, bringing the total amount on hand to $297,100,000 dollars at the Trustee as of June 30, 2026.

For SFY 2026, interest deposits from the GICs totaled $4,200,000 while the Federated Fund generated nearly $8,100,000. Combined, total interest deposits were $12,300,000, representing a decrease of nearly $2,700,000 from the prior year. This decrease was primarily due to a reduction of Trustee balances, which decreased by approximately $100,000,000.

Mr. Peschong provided a slide showing a summary of the Investment balances and the Investment income deposits. The middle column is the yield on investments held as of June 30, 2026. The Guaranteed Investment Contracts had yields of 5.07 and 4.41 percent respectively, while the Federated Funds was 3.82 percent.

The district had approximately $724,200,000 in remaining loan obligations for loans that have been closed as of June 30, 2026, demonstrating the continued need for future bond issuances.

Mr. Peschong's presentation included a slide showing loan portfolio information. Loans in repayment increased by 23.7 percent to 652 loans. The combined loan receivable balance for the Drinking Water and Clean Water SRF Programs increased by 34.2 percent to just shy of $1,400,000,000. Principal loan repayments for the state fiscal year increased 9.2 percent to

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$44,800,000. Loan interest repayments increased 50.3 percent to $20,600,000. This increase is attributed to the number of loans going into repayment and accrued interest being collected on disbursements during the two-year construction phase. Administrative surcharge fees increased 19.7 percent to $4,900,000.

There were no questions from the board.

2026 ANNUAL REPORT AND 2027 STATE WATER PLAN: In accordance with South Dakota Codified Laws 46A-2-2, 46A-1-10 and 46A-1-14, an Annual Report and State Water Plan is to be presented to the Legislature and the Governor by the first day of the legislative session.

Mr. Bruels noted that the report is similar in format to the report that was presented in previous years. The annual report provides a brief description of the activities that have been undertaken by the board during calendar year 2026 and includes tables detailing the funding awards approved by the board throughout the year.

The board awarded more than $306,100,000 in grant and loan funding for planning, design, and construction of municipal drinking water, wastewater, lake and watershed restoration, rural water, solid waste disposal, and recycling projects. These awards were critical in having environmental projects being completed across the state.

The State Water Plan identifies the projects approved for placement on the 2027 facilities plan and provides information for projects on the State Water Resources Management System. Earlier in the meeting the board placed 56 projects on the facilities plan, bringing the total number of projects on the 2027 Facilities Plan to 316. Projects that have received funding from the board remain on the Facilities Plan until project completion and remain eligible to request additional funding if costs increase.

The SWRMS component of the State Water plan includes the 11 existing projects on the list and general information regarding those projects. The final version of the report will provide the recommendations in the Omnibus Bill and submits those to the Governor and legislature on the funding levels for various water and solid waste projects, the programs, and activities. The board's recommendations for the SWRMS list designations, the funding levels for projects, programs and activities, and the Water and Environment Fund special condition statement are provided as appendices to the report.

Staff recommended approval of the 2026 Annual Report and the 2027 State Water Plan and to authorize the staff to print and distribute the report to the State Legislature, Governor, and other interested parties on behalf of the board.

Motion by Bernhard, seconded by Jennings, to approve the 2026 Annual Report and 2027 State Water Plan, and to authorize the staff to print and distribute the report to the state legislature, the governor, and other interested parties. The motion carried unanimously.

HOWARD REQUEST TO DEOBLIGATE CLEAN WATER SRF LOAN C461127-03: Ms. McFarling reported that on March 26, 2026, the Board of Water and Natural Resources awarded the

City of Howard a $2,816,000 Clean Water SRF Loan for a wastewater treatment facility improvements project.

On October 1, 2026, DANR received a letter from the city requesting to deobligate the Clean Water SRF loan.

Staff recommended that the board rescind Resolution No. 2026-45, which awarded Clean Water SRF loan C461127-03.

Motion by Lanning, seconded by Drewes, to rescind Resolution No. 2026-45, which awarded Clean Water SRF loan C461127-03 to the City of Howard. The motion carried unanimously.

JANUARY 7, 2027, MEETING: Ms. McFarling discussed possible agenda items for the January board meeting.

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

Approved this 7th day of January 2027.

(SEAL)

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Chairman, Board of Water and Natural Resources

ATTEST:

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Secretary, Board of Water and Natural Resources

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BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE Nov. 5, 2026 LOCATION Matthew Training Center, Pierre

Name *(PLEASE PRINT)*	Address	Representing
Andy Bruels	Pierre, SD	DANR
Greg Powell	Chamberlain SD	Pinpoint Corp
Jon Peschong	Pierre, SD	DANR
Leander Austin	Pierre, SD	DANR
Tina McFarling	Pierre, SD	DANR
TODD BERNHARD	FORT PIERRE, SD	BWNR
Travis Steffensen	Watertown	DANR
Shane Phillips	~~WEB~~ Aberdeen	WEB
Chloe Ryan	Pierre, SD	DANR
Adarsh Nair	Pierre, SD	DANR
Meghan O'Brien	Pierre, SD	SD Searchlights
DAN GERHARDT	PIERRE	DANR
Adam Mathiowetz	Pierre	DANR
MARK MAYER	"	"
Sam Sayler	Pierre	DANR