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Minutes of the
Board of Water and Natural Resources Meeting
Via Digital Dakota Network

Northern State University
Aberdeen, SD

Department of Transportation
Brookings, SD

Department of Transportation
Huron, SD

Mitchell Technical Institute
Mitchell, SD

Capitol Building
Pierre, SD

Rapid City Emergency Operations Center
Rapid City, SD

University Center
Sioux Falls, SD

University of South Dakota
Vermillion, SD

Department of Environment and Natural Resources
Watertown, SD

November 8, 2018
1:00 p.m. Central Time

CALL MEETING TO ORDER: Vice Chairman Gene Jones, Jr. called the meeting to order. A quorum was present.

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

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

BOARD MEMBERS ABSENT: Brad Johnson.

OTHERS PRESENT: See attached attendance sheets for the DDN sites. Also participating via telephone conference call were Rob Mellinger, Bruce Bonjour, Jessica Cameron, Harold Deering, and David McVey.

APPROVE AGENDA: Mike Perkovich noted that Kim McIntosh, rather than Nayyer Syed, would present the Brownfields Revitalization and Economic Development Program work plan.

Motion by Bernhard, seconded by Gnirk, to approve the amended agenda. A roll call vote was taken, and the motion carried unanimously.

APPROVE MINUTES FROM SEPTEMBER 27, 2018, MEETING: Motion by Gnirk, seconded by Bernhard, to approve the minutes from the September 27, 2018, Board of Water and Natural Resources meeting. A roll call vote was taken, and the motion carried unanimously.

PUBLIC COMMENT PERIOD: No one offered comments.

PUBLIC HEARING TO ADOPT BROWNFIELDS REVITALIZATION AND ECONOMIC DEVELOPMENT PROGRAM WORK PLAN: Vice Chairman Jones opened the public hearing at 1:08 p.m.

The purpose of the hearing was to receive public input and adopt the FFY 2019 Brownfields Revitalization and Economic Development Program work plan. The primary purpose of the work plan is to identify Brownfields projects to be funded through the Brownfields Revolving Loan Subfund and Brownfields Assessment and Cleanup Subfund and amounts available to fund such projects.

Kim McIntosh, DENR Ground Water Quality Program, presented and discussed the proposed FFY 2019 Brownfields Revitalization and Economic Development work plan.

Each year the department receives funds from EPA for the development and enhancement of a state Brownfields program.

DENR currently has no funds available to capitalize the Revolving Loan Subfund.

Limited funding is available for the Assessment and Cleanup Subfund. The funds will be used by the department to hire contractors to perform assessment and cleanup work on eligible Brownfields sites. The work plan includes a list of Brownfields assessment and cleanup projects to be funded.

For FFY 2019, the department received \$475,600 in funds for the Brownfields Program. EPA limited the state's ability to apply for additional funds based on the amount of unexpended funds that each state has remaining. The department will prioritize the work performed in the next year to insure that remaining funds are used to complete the projects that are already in progress.

Notice of the public hearing was published in the Aberdeen American News and Rapid City Journal on September 20, 2018, and the Pierre Capital Journal on October 5, 2018. The notice is also available on the Department of Environment and Natural Resources' website. Copies of the work plan were provided to those parties requesting a copy.

Ms. McIntosh noted that no public comments were received after publication of the notice.

Ms. McIntosh answered questions from the board and requested adoption of the work plan.

Vice Chairman Jones requested public testimony regarding the proposed work plan. There were no public testimony.

Motion by Gnirk, seconded by Lanning, to adopt the FFY 2019 Brownfields Revitalization and Economic Development Program work plan. A roll call vote was taken, and the motion carried unanimously.

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: The current interest rates were adopted in 2016. The board may adjust interest rates at any meeting if the proposed action is included on the board agenda posted for the meeting.

Mike Perkovich reviewed the following current interest rates for each program:

Current Clean Water State Revolving Fund Loan Rates

	<u>Interest</u>	<u>Admin</u>	<u>Total</u>
Term Up to 30 Years	1.75%	0.75%	2.50%
Term Up to 20 Years	1.50%	0.75%	2.25%
Term Up to 10 Years	1.25%	0.75%	2.00%
Interim Financing (5 years)	2.00%	0.00%	2.00%
NPS--Watershed Incentive Rate (Up to 30 Years)	0.75%	0.75%	1.50%
NPS--Watershed Incentive Rate (Up to 20 Years)	0.75%	0.50%	1.25%
NPS--Watershed Incentive Rate (Up to 10 Years)	0.50%	0.50%	1.00%

Current Drinking Water State Revolving Fund Loan Rates

	<u>Interest</u>	<u>Admin</u>	<u>Total</u>
Term Up to 30 Years **	2.00%	0.50%	2.50%
Term Up to 20 Years	1.75%	0.50%	2.25%
Term Up to 10 Years	1.50%	0.50%	2.00%
Interim Financing (5 Years)	2.00%	0.00%	2.00%

Disadvantaged Community* Loans Up To 30 Years

Median Household Income (MHI) between 80% of MHI and the MHI	1.75%	0.50%	2.25%
MHI between 60% and 80% of MHI	1.50%	0.50%	2.00%
MHI Income less than 60% of MHI	0.00%	0.00%	0.00%

Disadvantaged Community* Loans Up To 10 Years

MHI between 60% and 80% of MHI	1.00%	0.00%	1.00%
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* Disadvantaged community must meet a MHI and water rate criteria as per ARSD 74:05:11:01(11)

** Must be a municipality or special purpose governmental entities to receive 30-year non-disadvantaged loan

Current Consolidated Water Facilities Construction Fund Loan Rates

Term Up to 30 Years	2.50%
Term Up to 20 Years	2.25%
Term Up to 10 Years	2.00%

Current Solid Waste Management Program Loan Rates

Term Up to 20 Years	2.25%
Term Up to 10 Years	2.00%

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, based on the following criteria: (1) current market rates, (2) rates secured on state issued matching funds, and (3) current demand for program funds.

Mr. Perkovich discussed interest rate trends for the USDA Rural Development Program, the board's State Revolving Fund rates for past years, and the current interest rates from other states' State Revolving Fund Programs. He presented the staff recommendations for setting interest rates for the four programs and answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution No 2018-70** setting the Clean Water State Revolving Fund interest rates as follows:

1. The interest rate for conventional loans at 2.25 percent (consisting of 1.50 percent interest rate and 0.75 percent administrative surcharge) for loans with a term up to 10 years, 2.50 percent (consisting of 1.75 percent interest rate and 0.75 percent administrative surcharge) for loans with a term greater than 10 years up to a maximum of 20 years, and 2.75 percent (consisting of 2.00 percent interest rate and 0.75 percent administrative surcharge) for loans with a term greater than 20 years up to a maximum of 30 years;
2. The interest rate for interim financing at 2.00 percent (with no administrative surcharge component) for a term up to 5 years; and
3. The interest rate for NPS-Watershed Incentive loans at 1.25 percent (consisting of 0.75 percent interest rate and 0.50 percent administrative surcharge) for loans with a term up to 10 years, 1.50 percent (consisting of 1.00 percent interest rate and 0.50 percent administrative surcharge) for loans with a term greater than 10 years up to a maximum of 20 years, and 1.75 percent (consisting of 1.00 percent interest rate and 0.75 percent administrative surcharge) for loans with a term greater than 20 years up to a maximum of 30 years; and
4. The interest rates established above apply only to loans awarded after November 8, 2018, pursuant to applications submitted after October 1, 2018.

A roll call vote was taken, and the motion carried unanimously.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution No 2018-71** setting the Drinking Water State Revolving Fund interest rates as follows:

1. The interest rate for conventional loans at 2.25 percent (consisting of 1.75 percent interest rate and 0.50 percent administrative surcharge) for loans with a term up to 10 years, 2.50 percent (consisting of 2.00 percent interest rate and 0.50 percent administrative surcharge) for loans with a term greater than 10 years up to a maximum of 20 years, and 2.75 percent (consisting of 2.25 percent interest rate and 0.50 percent administrative surcharge) for loans with a term greater than 20 years up to a maximum of 30 years;
2. The interest rate for disadvantaged communities at 2.50 percent (consisting of a 2.00 percent interest rate and 0.50 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 2.25 percent (consisting of a 1.75 percent interest rate and 0.50 percent administrative surcharge) for loans up to 30 years and 1.25 percent (with no administrative surcharge component) for loans up to 10 years for communities with an MHI between 60 percent to 80 percent of the statewide MHI, and loans with zero percent interest up to 30 years for communities with an MHI less than 60 percent of the statewide MHI; and
3. The interest rate for interim financing at 2.00 percent (with no administrative surcharge component) for a term up to 5 years; and
4. The interest rates established above apply only to loans awarded after November 8, 2018 pursuant to applications submitted after October 1, 2018.

A roll call vote was taken, and the motion carried unanimously.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution No 2018-72** setting the Consolidated Water Facilities Construction Fund interest rates at 2.25 percent for a term not to exceed the useful life of the project or ten years, whichever is less, 2.50 percent for a term greater than ten years, or the useful life of the project, up to a maximum of twenty years, and 2.75 percent for a term greater than twenty years, or the useful life of the project, up to a maximum of thirty years; and the interest rates established above apply only to loans awarded after November 8, 2018 pursuant to applications submitted after October 1, 2018. A roll call vote was taken, and the motion carried unanimously.

Motion by Sohlt, seconded by Lanning, to adopt **Resolution No 2018-73** setting the Solid Waste Management Program interest rates at 2.25 percent for a term not to exceed the useful life of the project or ten years, whichever is less, and 2.50 percent for a term greater than ten years, or the useful life of the project, up to a maximum of twenty years; and the interest rates established above apply only to loans awarded after November 8, 2018 pursuant to applications submitted after October 1, 2018. A roll call vote was taken, and the motion carried unanimously.

2019 STATE WATER PLAN APPLICATIONS: Water projects which will require state funding or need state support for categorical grant or loan funding need to be on the State Water Plan. At its November planning meeting, the Board of Water and Natural Resources approves projects for placement 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 onto the plan at this meeting will remain on the facilities plan through December 2020.

Andy Bruels presented and discussed the 31 State Water Plan applications that were received by the October 1, 2018, deadline.

Project Sponsor	Description	Estimated Total Project (\$)	Recommendation
Alexandria	Water System Improvements	\$1,453,970	Place on Facilities Plan
Aurora	Wastewater Treatment Improvements	\$4,200,000	Place on Facilities Plan
Avon	Main Street Infrastructure Improvements	\$1,425,226	Place on Facilities Plan
Belle Fourche	Day Street Lift Station Replacement	\$1,836,000	Place on Facilities Plan
Blunt	Storm Water Drainage Improvements	\$920,000	Place on Facilities Plan
Box Elder	Well #10 Construction	\$2,911,681	Place on Facilities Plan
Claremont	Wastewater System Improvements	\$1,831,446	Place on Facilities Plan
Eagle Butte	Water Tower Rehabilitation	\$350,000	Place on Facilities Plan
Elkton	Water System Improvements	\$4,600,000	Place on Facilities Plan
Elkton	Wastewater System Improvements	\$8,412,000	Place on Facilities Plan
Faith	Wastewater System Improvements	\$1,830,821	Place on Facilities Plan
Fort Pierre	Wastewater Treatment Facility Improvements	\$3,930,000	Place on Facilities Plan
Groton	Water System Improvements	\$2,077,700	Place on Facilities Plan
Harrisburg	Highway 115 Water Main Loop	\$1,340,088	Place on Facilities Plan
Hot Springs	North 24 th Street Sewer	\$638,525	Place on Facilities Plan
Hot Springs	North River Street Utility Replacement	\$1,091,950	Place on Facilities Plan
Irene	Phase II Utility Improvements	\$5,323,801	Place on Facilities Plan
Lake Norden	Wastewater Lagoon Improvements	\$1,723,700	Place on Facilities Plan
Lake Preston	Water Distribution System Improvements	\$8,405,000	Place on Facilities Plan
Lead	Houston Street Utility Improvements	\$208,091	Place on Facilities Plan
Marion	Broadway Avenue Utility Improvements Phase I	\$3,843,218	Place on Facilities Plan
Montrose	Water Storage Improvements	\$338,500	Place on Facilities Plan
Newell	Water Main Replacement	\$629,847	Place on Facilities Plan

Oldham	Water Distribution System Improvements	\$1,289,000	Place on Facilities Plan
Philip	Water Meter Replacement	\$340,000	Place on Facilities Plan
Pierpont	Wastewater System Improvements	\$1,933,000	Place on Facilities Plan
Pierre	Wastewater Treatment Facility Improvements	\$11,300,000	Place on Facilities Plan
Randall Community Water District	System Improvements and Geddes Consolidation	\$4,628,749	Place on Facilities Plan
Roscoe	Sanitary Sewer Improvements	\$4,334,469	Place on Facilities Plan
Roscoe	Water System Improvements	\$2,261,790	Place on Facilities Plan
Watertown	Kittelson Addition Sanitary Sewer Extension	\$832,896	Place on Facilities Plan

Mr. Bruels answered questions from the board and recommended placing all of the projects listed above on the 2019 State Water Facilities Plan.

Motion by Gnirk, seconded by Lanning, to accept the staff recommendations to place the projects on the 2019 State Water Facilities Plan. A roll call vote was taken, and the motion carried with Gnirk, Lanning, Soholt, and Lanning voting yes. Bernhard abstained

PUBLIC HEARING TO ADOPT FFY 2019 CLEAN WATER STATE REVOLVING FUND INTENDED USE PLAN: Vice Chairman Jones opened the public hearing.

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

The purpose of the hearing was to receive public input and adopt the FFY 2019 Clean Water State Revolving Fund (SRF) Intended Use Plan (IUP).

The IUP describes how the board intends to use available funds to meet the objectives of the Clean Water Act. A prioritized list of projects is included in the IUP. Projects seeking a Clean Water SRF loan must be included on the priority list.

Andy Bruels presented the FFY 2019 Clean Water SRF IUP and discussed changes from previous years. He answered questions from the board.

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

Motion by Lanning, seconded by Gnirk, to approve the FFY 2019 Clean Water State Revolving Fund Intended Use Plan as presented. A roll call vote was taken, and the motion carried unanimously.

Vice Chairman Jones closed the hearing.

PUBLIC HEARING TO ADOPT FFY 2019 DRINKING WATER STATE REVOLVING FUND INTENDED USE PLAN: Vice Chairman Jones opened the public hearing.

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

The purpose of the hearing was to receive public input and adopt the FFY 2019 IUP for the Drinking Water SRF program.

The IUP describes how the board intends to use available funds to meet the objectives of the Safe Drinking Water Act. The IUP describes the set-aside activities to be performed and amount of funding allocated to these. A prioritized list of potential drinking water projects is also included in the IUP. Projects seeking a Drinking Water SRF loan must be included on the priority list.

Mr. Bruels presented the FFY 2019 Drinking Water SRF IUP and discussed changes from previous years. He answered questions from the board.

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

Motion by Gnirk, seconded by Bernhard, to approve the FFY 2019 Drinking Water State Revolving Fund Intended Use Plan as presented. A roll call vote was taken, and the motion carried unanimously.

Vice Chairman Jones closed the hearing.

APPROVAL OF AGREEMENTS FOR INVESTMENT BANKING SERVICES: The Board of Water and Natural Resources, acting as the South Dakota Conservancy District, requested proposals from qualified firms to provide investment banking, underwriting, and additional services for the Series 2018 Bond Issue and other negotiated issuances for a period of three years.

Mr. Perkovich reported that in September, the District selected Bank of America Merrill Lynch, JP Morgan Securities LLC, and Citigroup Global Markets Inc. to provide investment banking services. For the Series 2018 Bond Issue, Citigroup Global Markets Inc. was selected as senior underwriter and Bank of America Merrill Lynch and JP Morgan Securities LLC as co-managers.

Working with legal counsel and the office of the Attorney General, staff prepared contracts for these firms to provide investment banking services from October 1, 2018, through September 30, 2021. The agreements were also reviewed and signed by the three banking firms.

Staff recommended the board authorize the chairman to execute the agreements for investment banking services with Bank of America Merrill Lynch, Citigroup Global Markets Inc., and JP Morgan Securities LLC.

Rob Mellinger, Citigroup Global Markets, Inc. stated that he appreciates the opportunity to work with the board on the upcoming bond issue.

Motion by Bernhard, seconded by Soholt, to authorize the execution of the agreements for investment banking services with Bank of America Merrill Lynch, Citigroup Global Markets Inc., and JP Morgan Securities LLC. A roll call vote was taken, and the motion carried unanimously.

BOND COUNSEL CONTRACT FOR THE SOUTH DAKOTA CONSERVANCY DISTRICT'S STATE REVOLVING FUND LOAN PROGRAMS: Mr. Perkovich stated that Bruce Bonjour, Perkins Coie LLP, has served as bond counsel for the Clean Water State Revolving Fund program since 1993 and the Drinking Water State Revolving Fund program since its inception in 1997.

The current contract expires December 31, 2018. Staff proposed that the board contract with Mr. Bonjour to provide continued services for 2019 through 2021. The proposed contract will provide legal services on the eligibility of loans and the flow of funds within the Master Trust Indenture of both State Revolving Fund programs, the filing of secondary market disclosure information on existing bonds within both programs, and preparing, or cause for preparing, arbitrage rebate reports on existing bonds.

The contract was prepared with the assistance of legal counsel and the Office of the Attorney General. The contract will begin upon execution by all parties and end on December 31, 2021.

Staff recommended the board authorize the chairman to execute the contract for bond counsel services for 2019-2021.

Motion by Bernhard, seconded by Lanning, to authorize the chairman to execute the contract with Bruce Bonjour, Perkins Coie, LLP for bond counsel services for 2019-2021. A roll call vote was taken, and the motion carried unanimously.

SERIES RESOLUTION AUTHORIZING STATE REVOLVING FUND PROGRAM BONDS, SERIES 2018: Mr. Perkovich reported that staff and the SRF financial team have been preparing documents for the Series 2018 bond issue. The issue is expected to provide \$111,000,000 in leverage funds for the Clean Water and Drinking State Revolving Fund Programs. Sale of the bonds is scheduled for December 4 and 5, 2018.

The draft Series Resolution for the Series 2018 Bonds was included in the board packet. The resolution was prepared by SRF bond counsel, Bruce Bonjour, Perkins Coie.

Mr. Bonjour discussed the specifics of the Series Resolution, which provides board approval of the Preliminary Official Statement, the Bond Purchase Agreement, the Bond Order, and the Continuing Disclosure Agreement.

Series 2018 bonds are tax exempt bonds being issued to provide funds sufficient, together with other available moneys, (a) to provide funds in the approximate amount of \$66,000,000 to be deposited to the Clean Water Leveraged Loan Account established with respect to the Series 2018 Bonds which funds are to be loaned to borrowers, (b) to provide funds in the approximate amount of \$45,000,000 to be deposited to the Drinking Water Leveraged Loan Account established with respect to the Series 2018 Bonds which funds are to be loaned to borrowers, and (c) to pay associated costs of issuance.

The Series Resolution authorizes the chairman and/or secretary to file a Coverage Certificate for each program with the Trustee and to do all acts and to execute or accept all documents as may be necessary to carry out and comply with the provisions of the resolution and the documents approved by the resolution.

Jessica Cameron discussed the structure of the bond issue, current market conditions, and coverage requirement.

Staff recommended approval of the Series Resolution authorizing State Revolving Fund Program Bonds, Series 2018.

Motion by Lanning, seconded by Soholt, to adopt **Resolution No. 2018-74** authorizing the State Revolving Fund Program Bonds, Series 2018. A roll call vote was taken, and the motion carried unanimously.

AMEND THE CONSERVANCY DISTRICT INVESTMENT POLICY AND SFY 2018 STATE REVOLVING FUND INVESTMENTS AND INVESTMENT RETURNS: Jon Peschong provided an overview of investment earnings for SFY 2018.

The Investment Policy with the proposed changes was included in the board's packet. Mr. Peschong stated that the current Investment Policy was approved pursuant to Resolution 2017-96 adopted by the Board of Water and Natural Resources acting as the South Dakota Conservancy District on November 9, 2017.

Section 1 was changed to update the language for U.S. Bank as the successor Trustee. Staff also proposed that Section 15 be changed to allow for review of the investment policy from annual to periodically. Staff believes no need to review the policy annually, but to keep the board apprised if any changes need to be address periodically. The remaining proposed changes are updating dates and amounts as of September 30, 2018.

Staff recommended the board approve the Investment policy with the proposed changes.

Motion by Lanning, seconded by Bernhard, to adopt **Resolution No. 2018-75** approving the South Dakota Conservancy District Investment Policy for the State Revolving Fund Programs with the amendments proposed by staff. A roll call vote was taken, and the motion carried unanimously.

SOUTH DAKOTA ASSOCIATION OF RURAL WATER SYSTEMS CONTRACT EXTENSION REQUEST: Mr. Peschong reported that the board has a contract, which ends on December 31, 2018, with South Dakota Association of Rural Water Systems to provide small system technical assistance.

Included in the board packet was letter from South Dakota Association of Rural Water Systems requesting to extend the contract for three additional years. The contract includes a provision that the contract may be extended for a three-year period with a mutually agreed upon annual inflation.

South Dakota Association of Rural Water Systems has requested to continue to do the work at the same hourly rate of \$84.74. Over the past three years, South Dakota Association of Rural Water Systems has provided over 3,500 hours of support to more than 100 public water systems in South Dakota.

With assistance from the Office of Attorney General, a contract extension for small system technical assistance services has been prepared. The contract extends the agreement to December 31, 2021, and maintains the maximum monthly billing hours to 118 at an hourly rate of \$84.74. The total contract amount for the additional three-year period shall not exceed \$360,000.

Staff recommended the board approve a resolution authorizing the chairman to execute the First Amendment to the South Dakota Association of Rural Water Systems contract for small system technical assistance.

Motion by Gnirk, seconded by Lanning, to adopt **Resolution No. 2018-76** authorizing the board chairman to execute the First Amendment to the consulting contract with South Dakota Association of Rural Water Systems. A roll call vote was taken, and the motion carried unanimously.

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

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

The following projects are currently included on the SWRMS list:

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

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

Mr. Perkovich answered questions from the board.

Motion by Lanning, seconded by Sohlt, to adopt **Resolution No. 2018-77** recommending to the Governor and the State Legislature that all water resource projects currently on the State Water Resources Management System be retained as preferred, priority objectives of the state. A roll call vote was taken, and the motion carried unanimously.

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

Included in the board packet were a draft of the board resolution, the 2019 Omnibus Water Funding Bill exhibit, a 2019 Water and Environment Fund flow chart, a projected SFY 2020 South Dakota lotto distribution flow chart, and a projected SFY 2020 Petroleum Release Compensation and Tank Inspection Fee distribution flow chart.

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

Since the dedicated funding sources were established in the early 1990s, this process has provided more than \$295,000,000 for water and waste projects throughout South Dakota.

Mr. Peschong 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 2019 Omnibus Bill.

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

The department recommended an appropriation level of \$10,500,000 for the Consolidated Water Facilities Construction Program and \$2,400,000 for the Solid Waste Management Program.

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

State Revolving Fund Administrative Surcharge Fees	
CWSRF Water Quality Grants	\$1,000,000
CWSRF Application and Administration Assistance	\$ 200,000
DWSRF Application and Administration Assistance and Small System Technical Assistance	\$ 50,000
DWSRF Very Small System Compliance and Health Assistance	\$ 200,000
Federal DWSRF Set-Aside Funds	
Small System Technical Assistance	\$ 150,000
WEF Subfund Total: \$1,600,000	

Mr. Peschong Mr. Bruels answered questions from Dr. Gnirk regarding the flow charts.

Dr. Gnirk commented that the flow charts are confusing. Mr. Peschong stated that staff would take Dr. Gnirk's comments under advisement and work to improve the flow charts for next year's presentation.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution No. 2018-78** recommending to the Governor and State Legislature Water and Environment Fund Fiscal Year 2020 appropriation levels of \$10,500,000 for the Consolidated Water Facilities Construction Program, \$2,400,000 for the Solid Waste Management Program, \$1,000,000 for Clean Water SRF Water Quality Grants, \$200,000 for Clean Water SRF Application and Administration Assistance, \$50,000 for Drinking Water SRF Application and Administration Assistance and Small System Technical Assistance, \$200,000 for

Drinking Water SRF Very Small System Compliance and Health Assistance, and \$150,000 for Small System Technical Assistance. A roll call vote was taken, and the motion carried unanimously.

2018 ANNUAL REPORT AND 2019 STATE WATER PLAN: In accordance with South Dakota Codified Laws 46A-2-2, 46A-1-10 and 46A-1-14, an Annual Report and State Water Plan is to be presented to the Legislature and the Governor by the first day of the legislative session.

Andy Bruels presented the annual report, which provides a description of the activities that were undertaken by the Board of Water and Natural Resources during calendar year 2018. The report includes tables detailing the funding awards approved by the board throughout the year.

The board has awarded more than \$100,400,000 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. The awards were critical in having environmental projects being completed across the state.

The State Water Plan identified the projects approved for placement on the 2019 facilities plan and provides information for projects on the State Water Resources Management System. The board placed 31 projects on the facilities plan, bringing the total number of projects on the 2019 water facilities plan to 177. 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 10 existing projects on the list and the recommendation for them to remain. The final version of the report will provide the recommendations in the Omnibus Bill and submits those to the Governor and Legislature on the funding levels for various water and solid waste projects, the programs, and activities. The board's recommendations for the SWRMS list designations, the funding levels for projects, programs and activities, and the Water and Environment Fund special condition statement are provided as appendices to the report.

Staff recommended the board approve the 2018 Annual Report and the 2019 State Water Plan and authorize the staff to print and distribute the report to the State Legislature, Governor and other interested parties on behalf of the board.

Mr. Bruels answered questions from the board.

Motion by Gnirk, seconded by Soholt, to approve the 2018 Annual Report and 2019 State Water Plan for distribution to the State Legislature and the Governor. A roll call vote was taken, and the motion carried unanimously.

NEXT MEETING: The next meeting is January 3, 2019, via the DDN. Mr. Perkovich discussed possible agenda items for the meeting.

ADJOURN: Motion by Lanning, seconded by Soholt, to adjourn the meeting. A roll call vote was taken, and the motion carried unanimously.

Board of Water and Natural Resources
November 8, 2018, Meeting Minutes

Approved this 3rd day of January, 2019.

(SEAL)

Chairman, Board of Water and Natural Resources

ATTEST:

Secretary, Board of Water and Natural Resources

DRAFT