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

November 3, 2022  
10:30 a.m. Central Time

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

Chairman Soholt appointed Karl Adam as acting secretary.

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

BOARD MEMBERS PRESENT: Jerry Soholt and Paul Gnirk participated in person. Karl Adam and Jackie Lanning participated remotely.

BOARD MEMBERS ABSENT: Todd Bernhard, Gene Jones, Jr., and Vance Newman.

LEGISLATIVE OVERSIGHT COMMITTEE: Senator Mary Duvall and Representative Mike Weisgram.

OTHERS: See attached attendance sheet.

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

Motion by Gnirk, seconded by Adam, to approve the agenda. Motion carried unanimously.

APPROVE MINUTES FROM SEPTEMBER 29, 2022, MEETING: Motion by Gnirk, seconded by Lanning, to approve the minutes from the September 29, 2022, Board of Water and Natural Resources meeting. A roll call vote was taken, and the motion carried unanimously.

PUBLIC COMMENT PERIOD: There were no public comments.

REMOVAL OF PROJECTS FROM THE STATE WATER FACILITIES PLAN: Andy Bruels reported that water projects that will require state funding or need state support for categorical grant or loan funding must be on the State Water Plan. The State Water Plan consists of two components as described in SDCL 46A-1-2; the State Water Resources Management System List and the State Water Facilities Plan.

SDCL 46A-1-10 provides that no project may be listed on both the State Water Resources Management System List and the State Water Facilities Plan. The Water Investment in Northern South Dakota (WINS) project and the Western Dakota Regional Water System study are currently included on the State Water Facilities Plan, and both have submitted requests for consideration by the board for listing on the State Water Resources Management System list and appropriation of funds for their projects.

To allow for the upcoming board items related to amendment of projects onto the State Water Resources Management System list and Omnibus bill funding recommendations, these projects must be removed from the State Water Facilities Plan to be compliant with statute.

Mr. Bruels noted that he has spoken to representatives from both the WINS project and the Western Dakota Regional Water System project. Both projects are aware and supportive of board action to remove the projects from the State Water Facilities Plan.

Staff recommended removal of both projects from the 2023 State Water Facilities Plan.

In response to a question from Dr. Gnirk, Mr. Bruels stated that removal of these projects from the State Water Facilities Plan has no impact on any previous funding. If the board places a project on the State Water Resources Management (SWRMS) list, it still provides the project the opportunity to receive Drinking Water SRF loan funding and specific legislative appropriations for SWRMS projects. A project is not allowed to receive Consolidated Water Facilities Construction Program grant funds once it is included on the SWRMS list.

Motion by Gnirk, seconded by Adam, to remove the Water Investment in Northern South Dakota project and the Western Dakota Regional Water System study from the 2023 State Water Facilities Plan. A roll call vote was taken, and the motion carried unanimously.

2023 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 2024.

Andy Bruels presented the following 22 State Water Plan applications that were received by the October 1, 2022, deadline. A map showing the location of these projects was included in the board packet.

| <b>Project Sponsor</b> | <b>Description</b>        | <b>Projected State Funding</b> |
|------------------------|---------------------------|--------------------------------|
| Copper Oaks 1          | Water System Improvements | \$91,652                       |
| Emery                  | Water Meter Replacement   | \$68,000                       |

Board of Water and Natural Resources  
November 3, 2022, Meeting Minutes

|   |   |              |
|---|---|--------------|
| Harrisburg                                  | Westside Trunk Sewer - Phase 2  | \$11,611,147 |
| Hot Springs                                 | North River Street Sewer Replacement                                      | \$800,000    |
| Hot Springs                                 | North River Street Water Replacement                                      | \$1,054,025  |
| Howard                                      | Water Distribution System Improvements                                    | \$3,652,600  |
| Humboldt                                    | Water Storage Improvements  | \$2,085,638  |
| Kimball                                     | Main Street Water and Sewer Improvements                                  | \$1,139,840  |
| Lake Preston                                | Elevated Water Storage Tower  | \$2,000,000  |
| Lennox                                      | Trunk Sewer Installation and Lift Station Replacement                     | \$16,802,280 |
| Mitchell                                    | Lake Mitchell Dredging and Restoration                                    | \$38,465,000 |
| New Underwood                               | Drinking Water System Improvements  | \$7,580,000  |
| Reliance                                    | Drainage Improvements   | \$146,230    |
| Salem                                       | Sanitary and Storm Sewer Improvements - Phase 2                           | \$6,833,000  |
| Salem                                       | Watermain Improvements - Phase 2  | \$3,521,000  |
| South Dakota<br>Bureau of<br>Administration | Capitol Lake Water Quality Improvements and Potable<br>Water Conservation | \$2,500,000  |
| Vermillion                                  | Wastewater Treatment Facility Upgrades                                    | \$21,960,000 |
| Vermillion                                  | Water Treatment Facility Upgrades and Line<br>Replacement                 | \$6,637,142  |
| Wessington                                  | Drinking Water System Improvements  | \$673,000    |
| Wessington Springs                          | Wastewater Treatment Facility Upgrades                                    | \$575,000    |
| Whitewood                                   | Wastewater Treatment Facility Upgrades                                    | \$3,758,000  |
| Wolsey                                      | Wastewater Outfall Line Replacement                                       | \$255,725    |

Staff recommended placement of all 22 projects on the State Water Facilities Plan.

Dr. Gnirk suggested that DANR staff encourage project sponsors to install automated metering when replacing water meters.

Motion by Gnirk, seconded by Lanning, to accept the staff recommendations to place the 22 projects on the 2023 State Water Facilities Plan. A roll call vote was taken, and the motion carried unanimously.

LINCOLN COUNTY RURAL WATER SYSTEM'S REQUEST FOR PARTIAL RELEASE OF MORTGAGE: Stephanie Riggle reported that Lincoln County Rural Water System is preparing to sell a portion of its land which was mortgaged to the South Dakota Conservancy District in January 2003 as a contingency of Drinking Water SRF loan C462445-01. The system no longer uses the lot in its operations and has requested that the board allow the release of the mortgage on the plot of land so the property can be sold.

Staff recommended the board authorize the chairman to sign the partial release of mortgage.

Motion by Gnirk, seconded by Adam, to authorize Chairman Soholt to execute the Partial Release of Mortgage for Lincoln County Rural Water System, Inc. A roll call vote was taken, and the motion carried unanimously.

LAKE POINSETT SANITARY DISTRICT CLEAN WATER SRF LOAN C461027-05 CHANGE OF LOAN PLEDGE: Ms. Riggle reported that on May 17, 2022, the Board of Water and Natural Resources awarded a \$1,809,749 Clean Water SRF loan to Lake Poinsett Sanitary District. The pledge of the original application was a project surcharge.

On October 16, 2022, DANR received a letter from Lake Poinsett Sanitary District requesting to change the pledge of repayment from a project surcharge to system revenue.

Staff recommended the board rescind Resolution No. 2022-279 and adopt a new resolution awarding a \$1,809,749 Clean Water SRF loan at 2.125 percent interest for 30 years to the Lake Poinsett Sanitary District with a pledge of revenues for repayment of the loan.

Motion by Gnirk, seconded by Adam, to rescind Resolution No. 2022-279 and adopt **Resolution No. 2022-454** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,809,749 Clean Water SRF loan at 2.125 percent interest for 30 years with a pledge of system revenue for repayment of the loan to the **Lake Poinsett Sanitary District** for system rehabilitation, 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 rates at a level sufficient to provide the required debt coverage. 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 FUND, AND SOLID WASTE MANAGEMENT PROGRAMS: Mike Perkovich reported that periodically, the board reviews and adjusts interest rates based on the following criteria: (1) current market rates, (2) rates secured on state issued matching funds, and

(3) current demand for program funds. The board may adjust interest rates at any board meeting if the proposed action is included on the board agenda posted for the meeting.

The current and proposed rates were included in the board packet. The overall current interest rates were adopted on April 17, 2020. Revisions to the administrative surcharge component of the Clean Water SRF and Drinking Water SRF rates were made at the March 2022 board meeting.

Mr. Perkovich discussed the current rates for the Clean Water SRF Program, Drinking Water SRF Program, Consolidated Water Facilities Construction Program, and Solid Waste Management Program. He then presented the staff recommendations for new interest rates for the Clean Water State Revolving Fund Program.

Motion by Gnirk, seconded by Lanning, to adopt **Resolution No. 2022-455** setting the **Clean Water State Revolving Fund** interest rates as follows:

1. The interest rate for conventional loans at 2.75 percent (consisting of 2.50 percent interest rate and 0.25 percent administrative surcharge) for loans with a term up to 10 years, 3.00 percent (consisting of 2.75 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 3.25 percent (consisting of 3.00 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;
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 2.00 percent (consisting of 1.75 percent interest rate and 0.25 percent administrative surcharge) for loans with a term up to 10 years, 2.25 percent (consisting of 2.00 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 2.50 percent (consisting of 0.25 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; and

The interest rates established above apply only to loans awarded after November 2, 2022, pursuant to applications submitted after October 1, 2022.

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

Motion by Gnirk, seconded by Adam, to adopt **Resolution No. 2022-456** setting the **Drinking Water State Revolving Fund** interest rates as follows:

1. The interest rate for conventional loans at 2.75 percent (consisting of 0.25 percent interest rate and 2.50 percent administrative surcharge) for loans with a term up to 10 years, 3.00 percent (consisting of 2.75 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 3.25 percent (consisting of 0.25 percent interest rate and 3.00 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 3.00 percent (consisting of a 2.75 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 2.75 percent (consisting of a 2.50 percent interest rate and 0.25 percent administrative surcharge) for loans up to 30 years and 2.00 percent (consisting of a 1.75 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 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 2.50 percent (with no administrative surcharge component) for a term up to 5 years; and

The interest rates established above apply only to loans awarded after November 3, 2022, pursuant to applications submitted after October 1, 2022.

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

Motion by Adam, seconded by Gnirk, to adopt **Resolution No. 2022-457** setting the **Consolidated Water Facilities Construction Program** interest rates at 2.75 percent for a term not to exceed the useful life of the project or ten years, whichever is less, 3.00 percent for a term greater than ten years, or the useful life of the project, up to a maximum of twenty years, and 3.25 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 only to loans awarded after November 3, 2022, pursuant to applications submitted after October 1, 2022.

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

Motion by Gnirk, seconded by Adam, to adopt **Resolution No. 2022-458** setting the **Solid Waste Management Program** interest rates at 2.75 percent for a term not to exceed the useful life of the project or ten years, whichever is less, and 3.00 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 only to loans awarded after November 3, 2022, pursuant to applications submitted after October 1, 2022.

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

DRINKING WATER STATE REVOLVING FUND PROGRAM LEAD SERVICE LINE INVENTORY REQUEST FOR PROPOSALS: Andy Bruels reported that SDCL 5-18D-17 provides that state agencies may not award or renew a contract for professional services exceeding \$50,000 without complying with the procedures set forth in SDCL 5-18D-17 to 5-18D-22, inclusive.

A draft Request for Proposal (RFP) for Lead Service Line Inventory for the Drinking Water State Revolving Fund Program was included in the board packet for the board's review. The following is a list of activities and estimated timelines relevant to the RFP process:

- RFP advertisement – November 4, 2022
- Proposals due – December 5, 2022
- Technical Assistance provider selection – January 5, 2023
- Contract execution – January 31, 2023

Staff will review the submitted proposals and be prepared to make a consultant selection recommendation to the board at its meeting on January 5, 2023.

Mark Mayer, DANR Drinking Water Program Administrator, stated that the Safe Drinking Water Act requires that the state do lead and copper testing. In December 2021, EPA published the Lead and Copper rule revisions. Part of the new rule requires early implementation activities. Systems are required to conduct and submit a complete service line inventory to determine which service lines require replacing and systems must submit a lead service line replacement plan.

Mr. Mayer stated that the proposed statewide project will assist all community water systems in completing the required inventories and replacement plans. The project will be broken up into four phases: 1) public engagement, 2) initial service line inventory campaign, 3) statewide data compilation and cost estimates, and 4) final service line inventories and replacement plans. The final inventories and replacement plans are to be submitted to DANR by October 16, 2024. Mr. Mayer discussed each phase.

Mr. Mayer and Mr. Bruels answered questions from the board.

Staff recommended the board authorize distribution of the Request for Proposals for Lead Service Line Inventory for the Drinking Water State Revolving Fund Program.

Motion by Adam, seconded by Lanning, to authorize distribution of the Request for Proposals for Lead Service Line Inventory for the Drinking Water State Revolving Fund Program. A roll call vote was taken, and the motion carried with Adam, Lanning and Soholt voting aye. Gnirk abstained.

SERIES 2022AB BOND ISSUE UPDATE: Mr. Perkovich reported that the 2022 Bond Issue was for a total par amount of \$156,675,000 and consisted of two series - Series A is a taxable series with a par amount of \$58,845,000 and a Series B tax-exempt series with a par amount of \$97,830,000. This was a competitive sale. Bids were received on October 12, 2022, and the bond closed on October 27, 2022.

For the Series A bond, \$7,695,000 is for Clean Water state match, \$12,925,000 is for Drinking state match, and the remaining \$38,225,000 a Drinking Water leveraged fund, which can be used for private activity borrowers, such as rural water systems and homeowner associations. There were six bidders on the Series A bonds. Citigroup was the low bidder with a true interest cost of 5.143 percent.

The Series B bond with a par amount of \$97,830,000 included a premium of \$10,231,000. After the cost of issuance, \$72,400,000 will be deposited into the Clean Water SRF Program and \$34,900,000 into the Drinking Water SRF Program. There were ten bidders on the Series B bonds. RBC Capital was the low bidder with a true interest cost of 4.1048 percent.

Chairman Soholt declared a recess for lunch. He called the meeting back to order at 1:00 p.m. A quorum was present.

PUBLIC HEARING TO ADOPT FFY 2023 CLEAN WATER STATE REVOLVING FUND INTENDED USE PLAN: Chairman Soholt 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 2023 Clean Water State Revolving Fund (SRF) Intended Use Plan (IUP).

Andy Bruels presented the FFY 2023 Clean Water SRF IUP and discussed changes from previous years.

Copies of the draft Intended Use and the Bipartisan Infrastructure Law (BIL) addendum were included in the board packet.

The IUP consists of three 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 for 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.

The third component of the IUP is an Addendum to specifically address the allocation of funds and proposed uses, to include set-aside activities, for the funds provided through the (BIL).

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

No written comments were received regarding the draft Clean Water SRF IUP. Mr. Bruels noted that South Dakota Association of Rural Water Systems contacted him with questions on the proposed IUP.

Motion by Gnirk, seconded by Lanning, to approve the Federal Fiscal Year 2023 Clean Water SRF Intended Use Plan, Project Priority List, and Bipartisan Infrastructure Law Addendum as presented. A roll call vote was taken, and the motion carried unanimously.

Chairman Soholt closed the hearing.



PUBLIC HEARING TO ADOPT FFY 2023 DRINKING WATER STATE REVOLVING FUND INTENDED USE PLAN: Chairman Soholt 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 2023 Intended Use Plan (IUP) for the Drinking Water SRF program.

Mr. Bruels presented the FFY 2023 Drinking Water SRF IUP and discussed changes from previous years.

Copies of the draft Intended Use and the Bipartisan Infrastructure Law (BIL) addendum were included in the board packet.

The IUP consists of three 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.

The third component of the IUP is an Addendum to specifically address the allocation of funds and proposed uses, to include set-aside activities, for the funds provided through the BIL.

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

No written comments were received. Mr. Bruels noted that South Dakota Association of Rural Water Systems contacted him with questions on the proposed IUP.

Motion by Gnirk, seconded by Adam, to approve the Federal Fiscal Year 2023 Drinking Water SRF Intended Use Plan, Project Priority List, and Bipartisan Infrastructure Law Addendum as presented. A roll call vote was taken, and 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 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 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  
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  
Vermillion Basin Flood Control Project

Mr. Perkovich noted that the Water Investment in Northern South Dakota (WINS) and Western Dakota Regional Water System projects are proposed as additions to the SWRMS list.

WINS is a joint project between WEB Water, city of Aberdeen, and BDM Rural Water System to provide 42,000,000 gallons of water to the north northeastern portion of South Dakota.

Western Dakota Regional Water System is undertaking a study to determine the viability and cost to provide Missouri River water to western South Dakota.

Representatives of WINS and Western Dakota Regional Water System provided presentations on their respective projects.

Staff recommended the board approve a resolution recommending retention of all current projects on the SWRMS list and the addition of the Water Investment in Northern South Dakota (WINS) and Western Dakota Regional Water System projects to the SWRMS list.

Motion by Gnirk, seconded by Lanning, to adopt **Resolution No. 2022-459** recommending to the Governor and the State Legislature that the Water Investment in Northern South Dakota (WINS) and Western Dakota Regional Water System projects be added to the list of projects on the State Water Resources Management System and be identified as preferred, priority objectives of the state and that all projects currently identified 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: Stephanie Riggle provided a slide presentation discussing the Omnibus Bill funding recommendations.

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 board resolution, Water and Environment Fund Flow Chart, the Lotto Distribution Flow Chart, and the Petroleum Release Compensation and Tank Inspection Fee Flow Chart. Staff prepared these documents based on the history of actual revenues and expected future revenues for state Fiscal Year 2023 and Fiscal Year 2024.

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

The slide presentation is available on the SD Boards and Commissions portal at [https://boardsandcommissions.sd.gov/bcuploads/Board%20Presentation%20Slides%20\(02\)%2011\\_3\\_22.pdf](https://boardsandcommissions.sd.gov/bcuploads/Board%20Presentation%20Slides%20(02)%2011_3_22.pdf).

The presentation included a pie chart that represents \$286,500,000 that has been appropriated into the dedicated water funding account. The pie chart also shows the breakout of awards by categories since 1993. SDCL 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 43.6 percent while the awards to municipal drinking water projects is 14.1 percent.

Since 1993 nearly \$63,000,000 has been appropriated from solid waste fees for the Solid Waste Management program with 58.4 percent of those fees being awarded to solid waste disposal projects, 18.8 percent to waste tire disposal projects, and 22.8 percent to recycling projects.

Since dedicated funding sources were established in the early 1990s, the combined dedicated water funding and solid waste funding have provided more than \$349,000,000 for water and wastewater throughout South Dakota.

Ms. Riggle 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 2023 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 total \$16,115,000 for state FY 2024.

Ms. Riggle presented the funding requests and staff recommendations for SWRMS funding.

**Big Sioux Flood Control Study Watertown and Vicinity:** The State Legislature placed the study on the State Water Resources Management System in 1989. The Corps of Engineers completed a feasibility report and cost-benefit study in the early 1990s. The state provided \$150,000 to cost share the study.

The 2022 Omnibus bill appropriated \$249,727 to Watertown for half of the estimated \$1.15 million cost to update the feasibility study.

During 2022 the Corps of Engineers formally revised the study cost estimate to be \$1,800,000 with a 50/50 cost share of federal/non-federal funds. Historically the board has provided 50 percent of the non-federal cost share for these flood control projects.

Staff recommended a \$200,273 Water and Environment Fund grant appropriation to provide the remaining half of the required nonfederal cost share.

John Peterson, engineer for the city of Watertown, discussed the project.

**Water Investment in Northern South Dakota (WINS):** This is a joint project between the city of Aberdeen, BDM Rural Water System, and WEB Water Development Association to provide over 42,000,000 gallons of water per day throughout northeast South Dakota to meet current user needs and provide for future growth.

The total anticipated project amount in 2022 dollars is \$755,860,000. The project sponsors plan to seek federal funding appropriations for portions of the project.

In 2022 the board provided ARPA grants and Drinking Water SRF loans totaling \$78,880,000 which leveraged \$99,350,000 in total project activities. These funds were provided to WEB for the initial phases of the work necessary for the total project.

Staff recommended a \$5,000,000 Water and Environment Fund grant appropriation to assist in completion of this project.

Representatives of the project thanked the board for consideration of a recommendation of funding for the project. The representatives discussed explained the project earlier in the meeting.

**Western Dakota Regional Water System Study:** This is a recently formed entity consisting of over 15 water systems in western South Dakota. Members include municipalities, rural water systems, water associations, water districts, tribal systems, and others. Final membership has not yet been set and canvassing of interested members is currently ongoing.

The purpose of the project is to conduct a feasibility study to determine the viability and costs to provide over 58,000,000 gallons of water per day throughout western South Dakota to assure water availability in case of a long-term drought, meet current user needs, and provide for future growth.

The anticipated study cost is \$13,000,000. Project construction estimates are in excess of \$2,000,000,000. The project sponsors plan to seek federal funding appropriations for portions of the project.

In 2022 the board provided an ARPA grant of \$8,000,000. These funds were provided for ARPA eligible portions of the feasibility study.

Staff recommended a \$1,000,000 Water and Environment Fund grant appropriation to assist in completion of the feasibility study.

This project was explained earlier in the meeting by a representative of the project.

**Lewis & Clark Regional Water System Study:** In 2022 the board awarded Lewis & Clark a \$13,136,100 ARPA grant. These funds were to be used for certain project components of the

Phase 2 expansion to 60,000,000 gallons per day and serve to offset costs to South Dakota member systems.

Special conditions were included in the grant that as part of the award the board would recommend the existing \$7,700,000 loan provided to Lewis & Clark in 2015 for the initial Phase 1 project be converted to a grant in the 2023 Omnibus Bill. If the conversion of the loan to a grant is approved by the legislature the ARPA grant will be reduced to \$7,300,000 and the remaining over \$5,800,000 of ARPA grant funds will be deobligated and be available for other projects.

The net result will be that Lewis & Clark will receive total grant funding of \$15,000,000 providing additional funds that can be used for the expansion work. The board will receive over \$5,800,000 to reallocate immediately instead of from loan repayments that may not begin for several years.

To accomplish this conversion staff recommended that Section 2 of Chapter 224 of the 2015 Session Laws be amended to convert the \$7,700,000 SWRMS loan to a grant.

Troy Larson provided a slide presentation explaining the project.

Ms. Riggle stated that 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:

|   |             |
|---|-------------|
| Watertown Big Sioux Flood Control Study           | \$200,273   |
| Water Investment in Northern South Dakota project | \$5,000,000 |
| Western Dakota Regional Water Study               | \$1,000,000 |

The department recommended amending Section 2 of Chapter 224 of the 2015 Session Laws to amended to convert the Lewis & Clark Regional Water System \$7,700,000 SWRMS loan to a grant.

The department recommended an appropriation level of \$7,425,000 for the Consolidated Water Facilities Construction Program and \$2,450,000 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                           | \$2,200,000 |
| DWSRF Construction Grants                            | \$2,000,000 |
| CWSRF Application and Administration Assistance      | \$750,000   |
| DWSRF Application and Administration Assistance      | \$750,000   |
| Federal Set-Aside Funds and Federal Subsidy Payments |             |

|   |             |
|---|-------------|
| DWSRF Small System Technical Assistance | \$485,000   |
| CWSRF Small System Technical Assistance | \$200,000   |
| WEF Subfund Total:                      | \$6,385,000 |

Ms. Riggle stated that in the summer of 2022 EPA informed states of new grant programs funded through the Bipartisan Infrastructure Law. These are Water Infrastructure Improvements for the Nation or WIIN grants, and the newest grant program is for Emerging Contaminants funding.

DANR staff submitted a letter of intent for grant funding consideration in early August 2022 with anticipation of additional information and funding allotments in mid-September. To date EPA has not released any additional information, so staff has not been able to take any steps towards inclusion of the funding authority in the Omnibus bill. If EPA releases information in the coming months staff may ask the board to take action to amend the Omnibus bill recommendations and include funding authority for these grant activities.

Motion by Gnirk, seconded by Lanning, to adopt **Resolution No. 2022-460** recommending to the Governor and State Legislature Water and Environment Fund Fiscal Year 2024 appropriation levels of \$200,273 for the Watertown Big Sioux Flood Control Study, \$5,000,000 for the Water Investment in Northern South Dakota project, \$1,000,000 for the Western Dakota Regional Water Study, amendment of Section 2 of Chapter 224 of the 2015 Session Laws to amended to convert the Lewis & Clark Regional Water System \$7,700,000 SWRMS loan to a grant, \$7,425,000 for the Consolidated Water Facilities Construction Program, \$2,450,000 for the Solid Waste Management Program, \$2,200,000 for Clean Water SRF Water Quality Grants, \$2,000,000 for Drinking Water Construction Grants, \$750,000 for Clean Water SRF Application and Administration Assistance, \$750,000 for Drinking Water SRF Application and Administration Assistance, \$485,000 for Drinking Water SRF Small System Technical Assistance, and \$200,000 for Clean Water SRF Small System Technical Assistance. A roll call vote was taken, and the motion carried unanimously.

UPDATE ON SFY 2022 SRF INVESTMENTS AND INVESTMENT RETURNS: Ms. Riggle provided a slide presentation discussing the SRF investments and investment returns for SFY2022. The slide presentation is available on the SD Boards and Commissions portal at [https://boardsandcommissions.sd.gov/bcuploads/Board%20Presentation%20Slides%20\(02\)%2011\\_3\\_22.pdf](https://boardsandcommissions.sd.gov/bcuploads/Board%20Presentation%20Slides%20(02)%2011_3_22.pdf).

There are two SRF Guaranteed Investment Contracts. The first one contracted in 2001 and 2004 with AIG Matched Funding Corporation (guaranteed by American International Group, Inc.) for 5.07 percent with a maximum investment amount \$60,000,000 in the Revenue Fund. This Guaranteed Investment Contract had approximately \$62,700,000 invested as of June 30, 2022. The additional amount above the \$60,000,000 are funds in the bond account that are set aside to make the next bond payment, which is allowable under the contract.

The seconded Guaranteed Investment Contract, which is also with AIG Matched Funding Corporation, was negotiated in 2005 for 4.41 percent with a maximum investment amount of

\$80,000,000. The revenue fund was maxed out with approximately \$83,400,000. The additional amount above the \$80,000,000 are funds in the bond account that are set aside to make the next bond payment.

The total amount invested in the Guaranteed Investment Contracts is approximately \$146,200,000.

Other investment balances as of June 30, 2022, include \$15,300,000 in U.S. Treasury Bonds, \$50,600,000 in Agency Bonds, and \$103,400,000 in the Federated Money Market Fund account, for a total investment balance of \$315,500,000.

For SFY 2022 the Guaranteed Investment Contracts investment deposits totaled \$6,800,000, US. Treasury Bonds totaled \$832,000 in investment deposits, Agency Bond investment deposits totaled \$674,000, and investment deposits for the Federated Fund totaled nearly \$100,000. The total interest deposits for SFY 2022 were \$8,400,000, which is similar to last year, but down by approximately \$1,800,000 from SFY 2020.

Ms. Riggle presented a slide showing a summary of the SFY 2022 SRF Investments, including balances as of June 30, 2022, current interest yield, and SFY 2022 interest deposits. She noted that the department has chosen not to reinvest the Federated Fund dollars after they matured due to the lower interest rates. As of June 30, 2022, the Conservancy District had approximately \$2,000,000,000 in SRF obligations and over \$800,000,000 of that dollar amount was awarded between January and June 2022.

As of June 30, 2022, there were 470 SRF loans in repayment with an outstanding principal balance of just over \$576,000,000. In SRF 2022 the Conservancy District received nearly \$62,700,000 in loan repayments of which \$49,400,000 was principal, \$10,000,000 in interest, and nearly \$3,200,000 in Administrative Surcharge fees.

Ms. Riggle reported that the board is required to do a periodic review of the investment policy. DANR staff and PFM have done the periodic review of the investment, and it was determined that no changes are needed. No board action was required.

2022 ANNUAL REPORT AND 2023 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 stated that the report is similar in format to the report that was presented last year, with the addition of the American Rescue Plan Act funding as the first section in the report. The annual report provides a brief description of the activities that have been undertaken by the board during calendar year 2022 and includes tables detailing the funding awards approved by the board throughout the year.

The Board awarded nearly \$1,600,000,000 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 onto the 2023 facilities plan and provides information for projects on the State Water Resources Management System. The Board placed 22 projects on the facilities plan bringing the total number of projects on the 2023 water facilities plan to 411.

Projects that have received funding from the board remain on the facilities plan until project completion and the projects remain eligible to request additional funding if costs increase.

The SWRMS component of the State Water Plan includes the nine 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 the recommendations will be submitted 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 2022 Annual Report and the 2023 State Water Plan and that the board 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 Gnirk, seconded by Lanning, to approve the 2022 Annual Report and 2023 State Water Plan, and to authorize the staff to print and distribute the report to the State Legislature and the Governor. A roll call vote was taken, and the motion carried.

JANUARY 5, 2023, MEETING: Mr. Perkovich discussed possible agenda items for the January board meeting.

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

Approved this 5<sup>th</sup> day of January 2023.

(SEAL)

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Chairman, Board of Water and Natural Resources

ATTEST:

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Secretary, Board of Water and Natural Resources



