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Minutes of the
Board of Water and Natural Resources
Telephone Conference Call Meeting

May 4, 2021
2:00 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.

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

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

BOARD MEMBERS ABSENT: None.

APPROVE AGENDA: Motion by Gnirk, seconded by Jones, to approve the agenda. A roll call vote was taken, and the motion carried unanimously.

PUBLIC COMMENT PERIOD: There were no public comments.

AMENDMENT TO SOUTH EASTERN COUNCIL OF GOVERNMENT'S JOINT POWERS AGREEMENT FOR SRF APPLICATION AND ADMINISTRATION AND DAVIS-BACON MONITORING: Mike Perkovich reported that the Board of Water and Natural Resources has contracted with the six planning districts to assist entities with State Revolving Fund (SRF) applications and administration since 2005 and with Davis-Bacon monitoring since 2009. Pursuant to Intended Use Plans and Omnibus Bills, the board has allocated funds to each of the planning districts to continue to provide this assistance to recipients of SRF funding.

In June 2016 the board entered into a Joint Powers Agreement with the South Eastern Council of Governments (SECOG) that put \$589,000 under agreement to provide for SRF application and administration and Davis-Bacon monitoring. Mr. Perkovich stated that due to the number of recent and future applications, it is necessary to amend the Joint Powers Agreement to increase the funding by \$54,600.

Staff recommended the board approve the First Amendment to the Joint Powers Agreement with the South Eastern Council of Governments to put an additional \$54,600 under agreement, increasing the Joint Powers Agreement to \$643,600.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution No. 2021-60** approving the First Amendment to the Joint Powers Agreement with the **South Eastern Council of Governments** for SRF loan application and administration and Davis-Bacon monitoring. A roll call vote was taken, and the motion carried unanimously.

VOLGA'S REQUEST TO AMEND DRINKING WATER SRF LOAN C462046-01: Tyler Zettl reported that on April 27, 2020, the city of Volga was awarded a \$2,790,000 Drinking Water SRF loan to construct a 750,000-gallon water tower. Due to increased costs of materials, the loan was not sufficient to cover the actual project costs when bids were opened.

On March 30, 2021, the Department of Agriculture and Natural Resources (DANR) received a letter from the city of Volga requesting that Drinking Water SRF loan C462046-01 be amended to include an additional \$910,000 to cover the increased project cost. This increase will bring the total of the Drinking Water SRF loan to \$3,700,000. Volga is establishing a usage surcharge of \$0.926 per 1,000 gallons, which will bring rates up to \$24.10 for 5,000 gallons. Volga also requested to adjust the term of the loan from 20 years to 30 years.

Staff recommended that the board rescind Resolution No. 2020-52, which awarded the original Drinking Water SRF loan, and award a \$3,700,000 Drinking Water SRF loan at 2.125 percent interest for 30 years.

Jameson Berreth, Volga city administrator, answered questions from the board regarding the water rates and the usage surcharge.

Motion by Gnirk, seconded by Lanning, to adopt **Resolution No. 2021-61** rescinding Resolution No. 2020-52 and approving a Drinking State Revolving Fund loan up to a maximum committed amount of \$3,700,000 at 2.125 percent interest for 30 years to the **city of Volga** for construction of a water tower, and assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. A roll call vote was taken, and the motion carried with Adam, Bernhard, Gnirk, Johnson, Lanning and Soholt voting aye. Jones abstained.

YANKTON'S REQUEST TO AMEND CLEAN WATER SRF LOAN C461038-08: Drew Huisken reported that on March 25, 2021, the city of Yankton was awarded a \$3,500,000 Clean Water SRF loan to make improvements to its wastewater treatment facility. The project includes eleven construction projects and the development of a collection system and wastewater treatment system master plan. Due to increased costs of materials and rising cost estimates, it is anticipated that additional funding will be necessary to complete the project.

On March 31, 2021, DANR received a letter from the city of Yankton requesting that Clean Water SRF loan C461038-05 be amended to include an additional \$1,000,000 to cover rising costs. The increase will bring the total of the Clean Water SRF loan to \$4,500,000. Yankton has also received a \$6,458,400 Economic Development Authority grant to fund this project.

Staff recommended that the board rescind Resolution No. 2021-39, which awarded the original Clean Water SRF loan, and award a \$4,500,000 Clean Water SRF loan at 2.0 percent interest for 20 years.

Staff analysis indicates a debt coverage of 230 percent based on the current rate of \$45.22 per 5,000 gallons.

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

Motion by Gnirk, seconded by Jones, to adopt **Resolution No. 2021-62** rescinding Resolution No. 2021-39 and approving a Clean State Revolving Fund Loan up to a maximum committed amount of \$4,500,000 at 2.0 percent interest for 20 years to the **city of Yankton** for wastewater treatment facility improvements, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective. A roll call vote was taken, and the motion carried unanimously.

CHANCELLOR DRINKING WATER SRF LOAN RE-AWARD: Mr. Perkovich reported that in March 2021, the Board of Water and Natural Resources awarded Chancellor a \$2,288,000 Drinking Water State Revolving Fund loan that included \$2,050,000 in principal forgiveness to replace water lines. The award was contingent upon receipt of the 2021 Drinking Water State Revolving Fund capitalization grant.

Staff expects that the 2021 capitalization grant will be awarded in July, at the earliest. Chancellor would like to close the loan in May so the project can get underway but cannot do so because of the contingency and the lack of principal forgiveness from prior year grants.

Staff recommended that the board rescind Resolution No. 2021-15, adopt a resolution awarding Chancellor a \$2,188,000 Drinking Water State Revolving Fund loan at 1.875 percent interest for 30 years with 89.2 percent principal forgiveness not to exceed \$1,950,000, and adopt a resolution awarding a Consolidated grant for 4.4 percent of eligible project costs not to exceed \$100,000.

Staff recommended the SRF loan being contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Staff also recommended a special condition of the Consolidated grant that reimbursement of project costs must be drawn concurrently with the Drinking Water SRF loan funds.

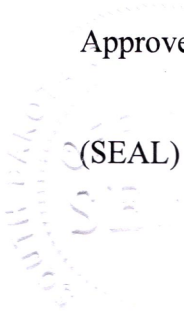
Motion by Gnirk, seconded by Bernhard, to rescind Resolution No. 2021-15 and to adopt **Resolution No. 2021-63** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$2,188,000 at 1.875 percent interest for 30 years with up 89.2 percent principal forgiveness not to exceed \$1,950,000 to the **city of Chancellor** for Phase 1 of a drinking water improvement project, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the

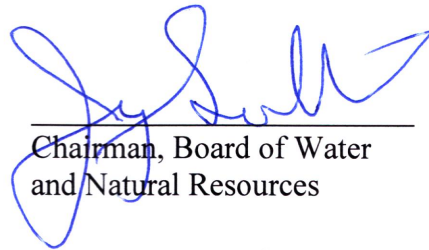
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required debt coverage; and to adopt **Resolution No. 2021-64** approving a South Dakota Consolidated Water Facilities Construction Program grant agreement for the **city of Chancellor** for up to 4.4 percent of eligible costs not to exceed \$100,000 for Phase 1 of a drinking water improvement project with the special condition that grant reimbursement of project costs must be drawn concurrently with the Drinking Water SRF loan funds. A roll call vote was taken, and the motion carried unanimously.

ADJOURN: Motion by Jones, seconded by Johnson, to adjourn the meeting. Motion carried.


Approved on June 24, 2021.





Chairman, Board of Water
and Natural Resources

ATTEST:



Secretary, Board of Water
and Natural Resources