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Minutes of the
Board of Water and Natural Resources Meeting
Matthew Training Center
523 East Capitol
Pierre, South Dakota

June 27, 2019
1:00 p.m. CDT

CALL MEETING TO ORDER: The meeting was called to order by Chairman Brad Johnson. A quorum was present.

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

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

BOARD MEMBERS ABSENT: None.

LEGISLATIVE OVERSIGHT COMMITTEE MEMBERS PRESENT: Representative Mary Duvall, Pierre.

OTHERS PRESENT: See attached attendance sheets.

Mike Perkovich introduced new staff engineers Aaron Pietsch and Tyler Zettl.

APPROVE AGENDA: Mr. Perkovich noted that Kim McIntosh was not available, so Nayyer Syed would present the Brownfields work plan.

Chairman Johnson approved the amended agenda.

APPROVE MINUTES OF MARCH 28-29 AND MAY 15, 2019, MEETINGS: Motion by Gnirk, seconded by Bernhard, to approve the minutes of the March 28-29 and May 15, 2019, Board of Water and Natural Resources meetings. Motion carried unanimously.

PUBLIC COMMENT PERIOD: There were no public comments.

AMEND FFY 2019 BROWNFIELDS REVITALIZATION AND ECONOMIC DEVELOPMENT PROGRAM WORK PLAN: Nayyer Syed requested that the board amend the Brownfields Revitalization and Economic Development Program Work Plan for federal fiscal year 2019. The primary purpose of amending the work plan is to identify Brownfields projects that are added to the FY 2019 work plan after the board's approval during the November 2018 hearing. The

proposed work plan is available on the department's web page at https://denr.sd.gov/des/gw/brownfields/workplan_for_board_2019-amended.pdf.

The amended work plan provides a list of projects and the work being performed on each project by the department. In addition, the department may supplement Brownfields Assessment and Cleanup funds with other available funds such as Leaking Underground Storage Tank (LUST) Trust Funds and other appropriate funds. The department estimates that \$100,000 in LUST Trust funds will be used through the Assessment and Cleanup Subfund on LUST-eligible activities at Brownfields sites in calendar years 2019-2020. The funds will be used to assess and cleanup petroleum contaminated properties that meet the requirements of both the Brownfields Program and the Leaking Underground Storage Tank Program.

Mr. Syed answered questions from the board.

Motion by Gnirk, seconded by Soholt, to approve amendments to the FFY 2019 Brownfields Revitalization and Economic Development Program Work Plan. Motion carried.

AMENDMENTS TO THE FFY 2018 DRINKING WATER SRF INTENDED USE PLAN: Andy Bruels reported that the 2018 Drinking Water SRF IUP was approved by the Board of Water and Natural Resources in November 2017 and amended in March, June, and September 2018.

For a project to utilize principal forgiveness allowed by a specific capitalization grant it must be on the IUP associated with that capitalization grant. In order to maximize the use of each year's capitalization grant, it is necessary to amend projects to prior years' IUP.

Staff recommended the board amend Attachment I - Project Priority List of the 2018 Drinking Water IUP by adding the following entries:

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
88	Kingbrook Rural Water System	\$1,245,000	2.25%, 30 years
88	Randall Community Water District	\$4,6000,000	2.25%, 30 years

Motion by Lanning, seconded by Jones, to accept the staff recommendation regarding amendments to the 2018 Drinking Water SRF IUP. Motion carried unanimously.

AMENDMENTS TO STATE WATER PLAN, 2019 CLEAN WATER STATE REVOLVING FUND INTENDED USE PLAN, AND 2019 DRINKING WATER STATE REVOLVING FUND INTENDED USE PLAN

Amendments to State Water 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 Board of Water and Natural Resources annually approves projects for placement on State Water Facilities Plan and provides for amendment of projects onto the plan on a quarterly basis. Placement of a project on

the State Water Plan provides no guarantee of funding. The projects placed on the plan at this meeting will remain on the facilities plan through December 2020.

Projects seeking a Clean Water or Drinking Water State Revolving Fund loan must be included on the project priority list of the Intended Use Plan. The State Water Plan applications are used to determine which projects should be amended onto the State Revolving Fund Project Priority Lists.

The department received nine State Water Plan applications by the May 1, 2019, deadline. Mr. Bruels provided a map showing the location of the applications. He noted that the map included in the board packet had a point shown as Piedmont mistakenly; it should instead be Pierpont. Mr. Bruels identified the projects to be placed on the Clean Water SRF and Drinking Water SRF project priority lists as he presented the State Water Plan applications.

Brookings requested amendment onto the facilities plan to make upgrades to the existing storm sewer conveyance systems and pipes along Jefferson Avenue, State Avenue, and Morningside Drive to adequately convey the five-year storm event. The estimated total project cost is \$850,000. The project will be placed on the Clean Water IUP with 10 priority points and an estimated loan amount of \$850,000 at 2.75 percent interest for 30 years.

Green Valley Sanitary District requested amendment onto the facilities plan to construct a centralized collection system and remove failing septic systems. Wastewater will be conveyed to the city of Rapid City collection system and treated at the water reclamation facility. The estimated total project cost is \$9,470,000. The project will be placed on the Clean Water IUP with 28 priority points and an estimated loan amount of \$9,470,000 at 2.75 percent interest for 30 years.

Hartford requested amendment onto the facilities plan to install approximately 7,700 feet of sanitary sewer along Western Avenue to serve an industrial park. The estimated total project cost is \$964,000. The project will be placed on the Clean Water IUP with 8 priority points and an estimated loan amount of \$964,000 at 2.75 percent interest for 30 years.

Lincoln County Rural Water System requested amendment onto the facilities plan to construct 3.8 miles of 16- and 12- inch distribution line to provide system redundancy and increased capacity for current and expected users. The estimated total project cost is \$2,170,000. The project will be placed on the Drinking Water IUP with 6 priority points and an estimated loan amount of \$750,000 at 2.75 percent interest for 30 years.

Pierpont requested amendment onto the facilities plan to replace existing water meters with new meters. The estimated total project cost is \$127,000. The project will be placed on the Clean Water IUP with 4 priority points and an estimated loan amount of \$127,000 at 2.25 percent interest for 10 years, and the Drinking Water IUP with 12 priority points and an estimated loan amount of \$127,000 at 2.25 percent interest for 10 years.

Sioux Falls requested amendment onto the facilities plan for major replacement and upgrades to the city's water reclamation facility to improve the treatment process and expand the current treatment capacity to meet future growth needs. The estimated total project cost is \$159,000,000.

The project will be placed on the Clean Water IUP with 20 priority points and an estimated loan amount of \$159,000,000 at 2.5 percent interest for 20 years.

Viborg requested amendment onto the facilities plan to replace sanitary sewer main and storm sewer pipe along Park Avenue, and to install an outlet structure and piping to an existing storm water retention pond that has experienced over topping. The estimated total project cost is \$2,762,090. The project will be placed on the Clean Water IUP with 10 priority points and an estimated loan amount of \$2,762,090 at 2.75 percent interest for 30 years.

Whitewood requested amendment onto the facilities plan to replace existing water, wastewater, and storm water pipe under Laurel Street, extensive road improvements will also be done in conjunction with the project. The estimated total project cost is \$1,600,625. This project will not be placed on either intended use plan because the city does not intend to apply for SRF funds. Placement on the State Water Plan is necessary for the city to be able to apply for Community Development Block Grant (CDBG) funds through the Governor’s Office of Economic Development.

Wonderland Homes Water & Service Co. requested amendment onto the facilities plan to drill a well to increase capacity and redundancy for the system and to install distribution pipe and a well house to connect to the rest of the distribution system. The estimated total project cost is \$795,275. The project will be placed on the Drinking Water IUP with 19 priority points and an estimated loan amount of \$795,275 at 2.75 percent interest for 30 years.

Staff recommended amending all nine of the projects onto the facilities plan.

Motion by Bernhard, seconded by Gnirk, to amend the nine projects onto the State Water Facilities Plan. Motion carried unanimously.

Amendments to 2019 Clean Water SRF IUP

Mr. Bruels noted that staff recently learned of the 2019 SRF capitalization grant allocations from EPA. Numbers throughout the Clean Water SRF IUP narrative section have been updated to reflect the actual amount the state will receive. The 2019 Clean Water SRF amount will be \$7,779,000, which is \$80,000 less than in 2018.

Staff recommended approval of changes to the narrative section and that the following projects be added to *Attachment I – Project Priority* list of the 2019 Clean Water SRF Intended Use Plan:

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
28	Green Valley Sanitary District	\$9,470,000	2.75%, 30 years
20	Sioux Falls	\$159,000,000	2.50%, 20 years
10	Brookings	\$850,000	2.75%, 30 years
10	Viborg	\$2,762,090	2.75%, 30 years
8	Hartford	\$964,000	2.75%, 30 years
4	Pierpont	\$127,000	2.25%, 10 years

Motion by Jones, seconded by Lanning, to accept the staff recommendation regarding amendments to the Clean Water SRF IUP. Motion carried unanimously.

Amendments to 2019 Drinking Water SRF IUP

Staff recently learned of the 2019 SRF capitalization grant allocations from EPA. Numbers throughout the IUP narrative section have been updated to reflect the actual amount the state will receive. The 2019 Drinking Water SRF amount is \$11,004,000, which is approximately \$100,000 less than in 2018.

The American Water Infrastructure Act (AWIA) of 2018 changed the requirements for loan terms to allow all borrowers to be eligible for up to 30-year terms. Previously, the board could only offer 30-year terms to those who qualified as a disadvantaged borrower or for any political subdivision. These new requirements will allow the board to offer 30-year terms to Rural Water Systems, Homeowners Associations, or other private non-profit borrowers who are eligible for Drinking Water SRF funding.

In addition to the drinking water projects that were placed on the 2019 State Water Plan, there was one additional project to be placed onto the Drinking Water SRF Project Priority List.

Kingbrook Rural Water System – This project is to replace the town of Oldham water distribution system, and at completion, the users will become individual users of Kingbrook RWS. Oldham submitted the State Water Plan application and was placed on the IUP as the potential borrower for the project. It was then determined that Kingbrook RWS would be the applicant for funding. The project will be placed on the Drinking Water IUP with 88 priority points and an estimated loan amount of \$1,245,000 at 2.25 percent interest for 30 years.

Staff recommended approval of the changes to the narrative section and that the following projects be added to *Attachment I – Project Priority* list of the 2019 Drinking Water SRF Intended Use Plan:

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
88	Kingbrook Rural Water System	\$1,245,000	2.25%, 30 years
19	Wonderland Homes Water & Service Co.	\$795,275	2.75%, 30 years
12	Pierpont	\$127,000	2.25%, 10 years
6	Lincoln County RWS, Inc.	\$750,000	2.75%, 30 years

Motion by Gnirk, seconded by Soholt, to accept the staff recommendation regarding amendments to the 2019 Drinking Water SRF IUP. Motion carried unanimously.

SIOUX FALLS CLEAN WATER SRF UPDATE: The update was presented to the board later in the meeting.

AVAILABLE FUNDING: Mike Perkovich reviewed available funds for the Consolidated Water Facilities Construction Program, Drinking Water SRF Water Construction Grants, Drinking Water SRF Principal Forgiveness, Drinking Water SRF Loans, Clean Water SRF Water Quality Grants, Clean Water SRF Principal Forgiveness, and Clean Water SRF loans.

FUNDING APPLICATIONS DEFERRED FROM MARCH 28-29, 2019: At the March meeting, two funding applications from the city of Onida and two funding applications from the city of Irene were presented to the board. The board deferred the applications until the June board meeting.

Onida requested funding to replace approximately 17,400 feet of 8- and 12-inch sewer lines and 47 manholes and appurtenances. This is the second of two phases to replace the city's wastewater collection system.

Onida anticipates bidding the project in January 2020 with project completion in July 2021.

The estimated total project amount is \$5,700,000, and the amount requested is \$5,700,000.

The Onida application was deferred because the city was also seeking grant funding from USDA Rural Development. An announcement regarding funding from this source had not been made prior to the March meeting. Since then, Onida received word that Rural Development has offered a \$954,000 grant if the city provides \$1,000,000 in local cash towards the project.

Onida has a flat rate of \$44.90.

Staff recommended awarding a \$1,426,000 Clean Water SRF loan at 2.75 percent interest for 30 years, award a Consolidated grant for 35.1 percent of eligible costs not to exceed \$2,000,000, and award a Water Quality Grant for 5.7 percent of eligible costs not to exceed \$320,000.

The city has pledged a project surcharge for repayment of the loan. Financial analysis shows that a surcharge \$15.65 is needed to meet the 110 percent coverage requirement; however, staff analysis indicates the city can restructure its rates to establish the surcharge with rates of \$49.00 for 5,000 gallons usage.

Staff recommended the 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 that the following special condition be placed on the Consolidated grant and Water Quality grant: Grant funds for reimbursement of project costs must be drawn concurrently with the Clean Water SRF loan funds.

LaJena Gruis, Onida city council member, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Jones, to adopt **Resolution No. 2019-52** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,426,000 at 2.75

percent interest for 30 years to the city of **Onida** for Phase II wastewater system improvements, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage; adopt **Resolution No. 2019-53** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement for the city of **Onida** for up to 35.1 percent of approved total project costs not to exceed \$2,000,000 for Phase II wastewater system improvements with the special condition that grant funds will be drawn concurrently with the Clean Water State Revolving Fund loan awarded for this project, and to adopt **Resolution No. 2019-54** approving the State Revolving Fund Program Water Quality grant agreement to the city of **Onida** for Phase II wastewater system improvements for up to 5.7 percent of approved total project costs not to exceed \$320,000 with the special condition that grant funds will be drawn concurrently with the Clean Water State Revolving Fund loan awarded for this project. Motion carried unanimously.

Irene requested funding for Phase II of a project to replace the wastewater collection system and to install storm sewer. The project will address deficiencies in the sanitary and storm sewer systems north of Main Street (Highway 46). The collection system in this area is in poor condition and experiences excessive inflow and infiltration.

Irene anticipates bidding the project in the spring of 2020 with project completion in the fall of 2021.

The estimated total project amount is \$3,776,534, and the amount requested is \$3,437,000. The city has secured a \$339,500 DOT Community Access Grant.

Rates in Irene are \$45.06 based on 5,000 gallons usage.

The application was deferred because Irene is seeking a \$750,000 Community Development Block Grant (CDBG), and an announcement regarding the funding had not been made prior to the March meeting. Mr. Perkovich stated that the CDBG funding has still not been announced because the state has not yet received its federal allotment, and an announcement is not expected until August. In accordance with the rules, the board must make a funding decision sooner than August.

Staff recommended awarding a \$3,062,000 Clean Water SRF loan at 2.75 percent interest for 30 years with 75.2 percent as principal forgiveness not to exceed \$2,300,000. The staff recommendation assumes Irene receives the \$750,000, as requested, with half going toward the wastewater portion of the project and half going toward the water portion.

Irene pledged a project surcharge for repayment of the loan. A financial analysis shows that a surcharge of \$15.55 is required to provide 110 percent coverage on the net loan of \$762,000. Staff analysis indicates the city can restructure its rates to establish the surcharge with rates of \$48.95 for 5,000 gallons usage.

Staff recommended the loan being 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, and contingent upon receipt of the 2019 Clean Water State Revolving Fund capitalization grant.

Craig Larson, DGR Engineering, discussed the project and answered questions from the board.

Motion by Jones, seconded by Gnirk, to adopt **Resolution No. 2019-55** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$3,062,000 at 2.75 percent interest for 30 years with 75.2 percent as principal forgiveness not to exceed \$2,300,000 to the city of **Irene** for the wastewater and storm sewer portion of the Phase II utility 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, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon receipt of the 2019 Clean Water State Revolving Fund capitalization grant. Motion carried unanimously.

Irene requested funding to construct Phase II of its water and wastewater utility project north of Main Street. The utilities in this area are in poor condition, are largely made of cast iron pipe, and will be replaced with PVC. Phase II will replace 7,200 feet of water main, hydrants, valves, and other necessary appurtenances. This project will be completed in conjunction with the sanitary sewer project.

Irene anticipates bidding the project in the spring of 2020 with project completion in the fall of 2020.

The estimated total project amount is \$1,566,000, and the amount requested is \$1,566,000.

Rates in Irene are \$52.64 per 5,000 gallons.

Mr. Bruels stated that this application was deferred in March due to the uncertainty of CDBG funding levels and their potential involvement in the project. The CDBG funding has still not been announced because the state has not received its federal allotment, and an announcement is not expected until August. In accordance with the rules, the board must make a funding decision sooner than August.

Staff recommended awarding a \$1,191,000 Drinking Water SRF loan at 2.25 percent interest for 30 years with 66.3 percent as principal forgiveness not to exceed \$789,000.

Irene has pledged a project surcharge for repayment of the loan. The surcharge required on the net loan of \$402,000 is \$7.70. Staff analysis indicates the city could restructure its rates to keep rates as is at \$52.64.

Staff recommended the 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.

Craig Larson, DGR Engineering, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by K. Johnson, to adopt **Resolution No. 2019-56** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$1,191,000 at 2.25 percent interest for 30 years with 66.3 percent as principal forgiveness not to exceed \$789,000 to the city of **Irene** for the drinking water portion of the Phase II utility 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 required debt coverage. Motion carried unanimously.

Onida requested funding for replacement of asbestos cement water lines with 9,100 feet of PVC water lines, hydrants, valves, and other appurtenances. This project will be completed in conjunction with a sanitary sewer project.

The city anticipates bidding the project in January 2020 with project completion in July 2021.

The estimated total project amount is \$2,000,000, and the amount requested is \$2,000,000.

Rates in Onida are \$45.70 per 5,000 gallons.

This application was deferred in March due to the uncertainty of USDA Rural Development funding levels and their potential involvement in the project.

Staff recommended awarding a \$1,250,000 Consolidated grant and a \$750,000 Drinking Water SRF loan at 2.75 percent interest for 30 years with 46.0 percent as principal forgiveness not to exceed \$345,000.

Onida has pledged a project surcharge for repayment of the loan. The surcharge required on the net loan of \$405,000 is \$4.45, resulting in rates of \$50.15 for 5,000 gallons. The total subsidy of \$1,595,000 is 79.8 percent of the project costs.

Staff recommended the 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 placing the following special condition on the Consolidated grant: Grant funds for reimbursement of project costs must be drawn concurrently with the Drinking Water SRF loan funds.

LaJena Gruis, city of Onida, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution No. 2019-57** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$750,000 at 2.75 percent interest for 30 years with 46 percent principal forgiveness not to exceed \$345,000 to the

city of **Onida** for water distribution improvements – Phase II, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage; and to adopt **Resolution No. 2019-58** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement for the city of **Onida** for up to 62.5 percent of approved total project costs not to exceed \$1,250,000 for water distribution improvements – Phase II with the special condition that grant funds will be drawn concurrently with the Drinking Water State Revolving Fund loan awarded for this project

DRINKING WATER FACILITIES FUNDING APPLICATIONS: Mr. Bruels presented the applications and the staff recommendations for funding. A map showing the location of the applications was included in the board packet.

Kingbrook Rural Water System requested funding for water service to Oldham, SD. The project will consolidate the town of Oldham users into individual service customers of Kingbrook RWS. This involves replacing the water distribution system in the town with new PVC water lines, meter pits, and service lines. The project also includes recoating the interior and exterior of the existing water tower in Oldham. Kingbrook will then be responsible for all operation and maintenance of the system going forward.

Kingbrook RWS anticipates bidding the project in October 2019 with project completion in July 2020.

The estimated total project amount is \$1,289,000, and the amount requested is \$1,245,000. Kingbrook will provide \$44,000 in local cash for the project.

Rates are \$53.50 per 5,000 gallons or \$61.70 per 7,000 gallons.

Mr. Bruels noted that Kingbrook RWS is the applicant for the funds and is ultimately responsible for any loan repayment; however, all of the work involved is solely to benefit the residents of Oldham, and that should be the focus when considering how to fund this project. Based on conversations with Kingbrook RWS, any debt taken on specifically for Oldham will be assessed back to those users since they are the only ones to benefit from the project.

For this project, since all of the costs are related to serving Oldham, Kingbrook RWS is eligible for the disadvantaged rate and term that Oldham is eligible for, which is 2.25 percent interest for 30 years.

Staff recommended awarding a \$1,245,000 Drinking Water SRF loan at 2.25 percent interest for 30 years with 76.0 percent as principal forgiveness not to exceed \$945,000.

Kingbrook pledged system revenue for repayment of the loan. Kingbrook's existing revenues will provide in excess of the required 110% debt coverage requirement. Staff focused the financial analysis on the 88 users of the Oldham system and what rate impact they will have from the net

loan of \$300,000. Based on Oldham's users being Kingbrook RWS individual users, the rates will be \$53.50 for 5,000 gallons usage plus an additional \$14.40 for debt service. This will bring total rates to \$67.90. While this rate is higher than in many communities, Oldham will no longer have any responsibilities for operation and maintenance of the system and will realize a cost savings based on that. Mr. Bruels stated that a project on its own for Oldham would have been greater cost and they would still need to provide for ongoing operation and maintenance. This rate is similar to funding awarded to Clark RWS in March 2018 to provide individual service to the town of Bradley users.

Staff recommended the loan being contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan, contingent upon the borrower approving a security agreement and mortgage, contingent upon an Inter-creditor Agreement being approved and executed by Rural Utilities Service, USDA, CoBank, ACB, Kingbrook Rural Water System, and the District, and contingent upon receipt of the 2019 Capitalization Grant.

Randy Jencks, Kingbrook RWS, discussed the project and answered questions from the board.

Motion by Soholt, seconded by Lanning, to adopt **Resolution No. 2019-59** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$1,245,000 at 2.25 percent interest for 30 years with 76.0 percent principal forgiveness not to exceed \$945,000 to **Kingbrook Rural Water System** for water service to Oldham, SD, 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 resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan, contingent upon the borrower approving a security agreement and mortgage, contingent upon an Inter-creditor Agreement being approved and executed by Rural Utilities Service, USDA, CoBank, ACB, Kingbrook Rural Water System, and the District, and contingent upon receipt of the 2019 Capitalization Grant. Motion carried with Bernhard, Soholt, Lanning, Gnirk, K. Johnson, and B. Johnson voting aye. Jones abstained.

Randall Community Water District requested funding to provide individual service to residents of Geddes. The project involves replacing a portion of the water distribution system in Geddes with new PVC water lines, meter pits, and service lines. Improvements to the Randall Community Water system will also be necessary to provide adequate service to the residents of Geddes. The improvements include installing 61,000 feet of water main and constructing a 2.7 million-gallon ground storage reservoir. Once these improvements are completed, customers in Geddes will be metered and become Randall Community Water District customers.

Randall Community Water District anticipates bidding the project in October 2019 with project completion in December 2020.

The estimated total project amount is \$4,628,749, and the amount requested is \$4,600,000. Randall Community Water District will provide \$28,749 in local cash for the project.

Rates are \$40.50 per 5,000 gallons or \$45.10 per 7,000 gallons.

Randall Community Water District is the applicant for the funds, and this is one project in total. Mr. Bruels stated that two distinct portions of the project should be viewed separately when considering how to fund this project. The town of Geddes components of the project to become individual users of Randall CWD and have the needed improvements made is \$3,023,000 of the total cost. The remaining \$1,577,000 in cost is for improvements specific to the Randall CWD. Based on conversations with Randall CWD, the portions of any debt taken on specifically for Geddes will be assessed back to those users since they are the ones to benefit from those costs.

For this project, since a large portion of the costs are related to serving Geddes, Randall CWD qualifies for the disadvantaged rate and term that Geddes is eligible for, which is 2.25 percent interest for 30 years. This offers additional savings for the Randall CWD portion of the project, which would otherwise not be available.

Staff recommended awarding a \$4,600,000 Drinking Water SRF loan at 2.25 percent interest for 30 years with 49.2 percent principal forgiveness not to exceed \$2,263,000.

System revenue was pledged as repayment of the loan. Overall, the funding package provides \$2,263,000 in subsidy and leaves a \$2,337,000 loan, but the repayment of the loan dollars is not proposed to be spread out over all users. It will be broken down into the two distinct projects described earlier. Randall is planning future rate increases, and the projected revenue in 2021 when the loan goes into repayment will be sufficient to provide the 110 percent coverage.

With Geddes' portion of the project at \$3,023,000, staff proposed providing \$2,023,000 of principal forgiveness leaving a remaining loan balance of \$1,000,000. Based on Geddes' users being Randall CWD individual users, the rates will be \$40.50 for 5,000 gallons usage plus an additional \$27.20 for debt service. This will bring total rates to just under \$67.70. While this is higher than many communities, Geddes will no longer have any responsibilities for operation and maintenance of the system and, based on that, will realize a cost savings. A project on its own for Geddes would have been greater cost, and they would still need to provide for ongoing operation and maintenance. This rate is similar to funding awarded to Clark RWS in March 2018 to provide individual service to the town of Bradley users and to Kingbrook for service to Oldham.

The Randall CWD portion of the project is \$1,577,000. Staff proposed providing \$240,000 of principal forgiveness leaving a loan balance of \$1,337,000. The rates are lower than many other rural household rates that have received subsidy in previous funding rounds, but with a large portion of this project being to help benefit Geddes, staff believes it is a good idea to help encourage the regionalization and consolidation aspects of this project by providing the additional subsidy.

Staff recommended the awarding being contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage, contingent upon the borrower approving a security agreement and mortgage, contingent upon an Inter-creditor Agreement being approved and executed by the Rural Utilities Service, USDA, CoBank, ACB, First National Bank in Sioux

Falls, as trustee for the Borrower's Water System Revenue Bonds, Randall Community Water District and the District, and contingent upon receipt of the 2019 Capitalization Grant.

Chancy Shrake, Brosz Engineering, and Scott Pick, Randall Community Water District, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution No. 2019-60** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$4,600,000 at 2.25 percent interest for 30 years with 49.2 percent principal forgiveness not to exceed \$2,263,000 to **Randall Community Water District** for water service to Geddes, SD, and system 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, contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage, contingent upon the borrower approving a security agreement and mortgage, contingent upon an Inter-creditor Agreement being approved and executed by the Rural Utilities Service, USDA, CoBank, ACB, First National Bank in Sioux Falls, as trustee for the Borrower's Water System Revenue Bonds, Randall Community Water District and the District, and contingent upon receipt of the 2019 Capitalization Grant. Motion carried with Bernhard, Soholt, Lanning, Gnirk, K. Johnson, and B. Johnson voting aye. Jones abstained.

Black Hawk Water User District requested funding for a project to replace 4,500 feet of undersized and obsolete water main. Construction also includes a well house, pump, and controls. Improvements include construction of a 500,000-gallon water storage tank and installation of approximately 3,750 feet of 12-inch water main to connect the newly constructed well house and storage tank into the water system.

Black Hawk WUD anticipates bidding the project in the spring of 2020 with project completion in the fall of 2021.

The estimated total project amount is \$4,810,656, and the amount requested is \$3,810,656. Black Hawk WUD will provide \$1,000,000 in local cash for the project.

Rates are \$31.00 per 7,000 gallons.

Staff recommended awarding a \$3,810,000 Drinking Water SRF loan at 2.50 percent interest for 20 years.

The water user district pledged system revenue for repayment of the loan. Staff analysis indicates that a 40 percent increase in revenues would provide 110% coverage on the loan, bringing rates to \$43.40 for 7,000 gallons usage if the increase is applied to the minimum base rate.

Staff recommended the loan being contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage.

Ken LeBon, manager of the Black Hawk Water User District, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by K. Johnson, to adopt **Resolution No. 2019-61** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$3,810,000 2.50 percent interest for 20 years to **Black Hawk Water User District** for Phase I water system improvements, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing rates at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Box Elder requested funding to develop a Madison aquifer well and to install lines to connect the well to the distribution system. Box Elder does not currently have sufficient water supply to provide all users with the needed water during high demand periods. Water restrictions were implemented in previous years.

Box Elder anticipates bidding the project in the fall of 2019 with project completion in the late Spring of 2020.

The estimated total project amount is \$2,912,000, and the amount requested is \$1,742,000. Box Elder received \$770,000 in CDBG funding and will contribute \$400,000 in local cash for the project.

Rates in Box Elder are \$26.50 per 5,000 gallons.

Box Elder has requested the disadvantaged rate and term of 2.25 percent interest for 20 years, which they qualify for based on their median house income levels; however, the administrative rules also require that communities meet the minimum rate of \$30.00 for 5,000 gallon to receive that assistance. The city will be required to raise and maintain the rates at or above the \$30.00 minimum to receive the funds.

Staff recommended awarding a \$1,742,000 Drinking Water SRF loan at 2.25 percent interest for 20 years.

The city pledged a project surcharge for repayment of the loan. The surcharge required on the loan is \$4.55, which will bring the overall rates to \$31.05.

Staff recommended the 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.

Bob Kaufman, public works director, and Mike Towey, KTM Design Solutions, discussed the project and answered questions from the board.

Motion by Jones, seconded by Gnirk, to adopt **Resolution No. 2019-62** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$1,742,000 at 2.25 percent interest for 20 years to the city of **Box Elder** for water system improvements, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

SANITARY/STORM SEWER FACILITIES FUNDING APPLICATIONS: Mike Perkovich presented the Sanitary/Storm Sewer Facilities funding application and the staff recommendation. A map showing the location of the application was included in the board packet.

Springfield requested funding for improvements to its sanitary sewer and storm sewer infrastructure. Proposed improvements include the rehabilitation of the main sewage lift station and replacement of the southwest lift station and sanitary sewer force main from the main lift station to the wastewater treatment facility. The project also involves installing storm sewer lines and replacing old sanitary and storm sewer.

Springfield anticipates bidding the project in late 2019 with project completion in 2020.

The estimated total project amount is \$2,720,000, and the amount requested is \$1,950,000. Springfield has secured a \$770,000 Community Development Block Grant to complete the project.

Springfield has a flat rate of \$18.00 per month.

Staff recommended awarding a \$1,950,000 Clean Water SRF loan at 2.75 percent interest for 30 years.

The city pledged a project surcharge for repayment of the loan. A surcharge of \$25.10 per user would be required to satisfy the 110 percent coverage requirement; however, the amount of wastewater generated at the Mike Durfee State Prison is the equivalent of 775 residential users. Assuming the prison pays a surcharge commensurate to the wastewater it produces, the surcharge required for the residential users would be about \$8.00. This results in a monthly flat rate of \$26.00 for Springfield residents.

Staff recommended the award 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.

Terry Aaker, SPN & Associates, discussed the project and answered questions from the board.

Motion by Lanning, seconded by Soholt, to adopt **Resolution No. 2019-63** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,950,000 at 2.75

percent interest for 30 years to the city of **Springfield** for sanitary sewer and storm sewer infrastructure improvements, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

SOLID WASTE MANAGEMENT PROGRAM FUNDING APPLICATION: Drew Huisken discussed available funds for this funding round.

Mr. Huisken presented the Solid Waste Management Program funding application and the staff recommendation for funding. A map showing the location of the project was included in the board packet.

Rapid City requested funding to purchase a compost windrow turner, a baler for recyclable materials, and a wheel loader at its Municipal Recycling Facility (MRF). The existing equipment is more than 20 years old and has exceeded its useful life. The city also proposes to upgrade 648 of its current residential recycling containers from 35-gallon to 65-gallon receptacles.

The estimated total project cost is \$1,499,119, and the amount requested is \$1,499,119.

The city plans to purchase the equipment by September 2019.

Staff recommended awarding a Solid Waste Management Program grant up to 50.1 percent of eligible project costs not to exceed \$750,000.

Mr. Huisken noted that for recycling projects, grant awards have historically been awarded at 35 to 50 percent of total project costs. Rapid City has confirmed that the city is not interested in receiving a Solid Waste Management Program loan and would use local cash to fund the remainder of the project.

Steve Pauli, solid waste manager, discussed the project and answered questions from the board.

Motion by Jones, seconded by Gnirk, to adopt **Resolution No. 2019-64** approving the Solid Waste Management Program grant agreement (2020G-SW-200) to the city of **Rapid City** for up to 50.1 percent of all approved total project costs not to exceed \$750,000 for the purchase of machinery and recycling containers. Motion carried unanimously.

Following approval of the grant, Mr. Huisken provided an update on available funding.

SIoux FALLS CLEAN WATER SRF UPDATE: Ryan Johnson and Mark Perry, city of Sioux Falls, offered a slide presentation and discussed the Sioux Falls water reclamation facility improvements and expansion project. The city will apply for State Revolving Fund loans for this project. Construction is expected begin in late 2020 and be completed in 2024.

Mr. Johnson and Mr. Perry answered questions from the board.

Mr. Perkovich reported that during the next couple of years, Sioux Falls intends to request funding for several projects totaling more than \$200,000,000. Staff has been working with the board's financial advisor and the city of Sioux Falls regarding funding for these projects.

Mr. Perkovich stated that late this year or early in 2020, staff will be requesting board approval of a leveraged bond issue that will be dedicated solely to the city of Sioux Falls for these projects. Depending on when and how much the drawdowns are, another bond issue will be in late 2020 or early 2021. The advantage to doing a Sioux Falls only bond issue is that by identifying Sioux Falls projects in the bond issue, the Tax Increment Prevention and Reconciliation Act requirements do not have to be met.

TRIPP COUNTY WATER USER DISTRICT REQUEST TO AMEND INTER-CREDITOR AGREEMENT: Jon Peschong reported that on June 19, 2019, staff was notified that Tripp County Water User District was refinancing certain obligations with USDA-Rural Development and requesting parity with the district on the refinancing debt. Currently, Tripp County Water User District has three outstanding loans with a balance of \$13,200,000 with the Conservancy District. The most recent rate covenant for 2017 showed that Tripp County Water User District had 170 percent debt coverage.

Tripp County Water User District is going out to the bond market to refinance four of the five obligations with USDA-Rural Development. The refinancing debt will have a lower interest rate and shorter term. Mr. Peschong provided a debt comparison sheet, which shows Tripp County Water User District will be saving approximately \$855,000.

Staff and legal counsel reviewed the draft Inter-creditor agreement.

Staff recommended the board authorize the chairman to approve and execute the Inter-creditor agreement once it is finalized.

Motion by Bernhard, seconded by Jones, to authorize the chairman of the Board of Water and Natural Resources to approve and execute the amended Inter-creditor agreement with Tripp County Water User District.

DENR WATER QUALITY MONITORING ACCESS PORTAL DEMONSTRATION: Jesse Wilkens, Watershed Protection Program, demonstrated the use and function of the Water Quality Monitoring Access Portal. The online map shares water quality data from DENR's internal database and fish flesh contaminant data from DENR's fish flesh database. It also provides information from the South Dakota Integrated Report for Surface Water Quality Assessment and links to water quality documents such as TMDLs and other water quality related documents. The various functions of the web application were demonstrated, and an explanation of how water quality advocacy groups are using the map to share their water quality data was provided.

Mr. Wilkens answered questions from the board.

ELECTION OF BOARD OFFICERS: Chairman Johnson announced that he was stepping down after serving for 16 years on the board.

Mr. Perkovich read a letter from Secretary Pirner to Chairman Johnson thanking him for serving on the board and highlighting some of the accomplishments during the last 16 years.

Motion by Gnirk, seconded by Bernhard, to thank Chairman Johnson for serving on the board and to endorse Secretary Pirner's letter. Motion carried.

Motion by Gnirk seconded by B. Johnson, to nominate Jerry Soholt as chairman, Gene Jones as vice chairman, and Todd Bernhard as secretary. Motion carried.

Motion by Gnirk, seconded by Lanning, that the nominations cease and a unanimous ballot be cast for the following slate of offices: Jerry Soholt, chairman, Gene Jones, vice chairman, and Todd Bernhard, secretary. A roll call vote was taken, and the motion carried unanimously.

SEPTEMBER 26-27, 2019 MEETING: The next meeting is scheduled for September 26-27, 2019, at the Matthew Training Center, Foss Building, in Pierre. Mr. Perkovich highlighted some possible agenda items for that meeting.

ADJOURN: Motion by Jones, seconded by Gnirk, that the meeting be adjourned. Motion carried unanimously.

Approved this ____ day of June, 2019.

(SEAL)

ATTEST:

Chairman, Board of Water and Natural Resources

Secretary, Board of Water and Natural Resources

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE June 27, 2019

LOCATION Matthew Training Center, Pierre

Name (PLEASE PRINT)	Address	Representing
PAUL GNIRK	New Underwood	BWNR
Joe Dvorak	Pickstown	S.C. Water Dev. Dist.
Craig Lauritzen	Sioux Falls	DBR Engineering
Jackie Lanning	Brookings	BWNR
Jerry Scholt	Sioux Falls	BWNR
Kathryn Johnson	Hill City	BWNR
Steve Pauli	—	Rapid City
Tavia Fields	—	Rapid City
Garth Wadsworth	BHC LLC	BHCO LLC
Bill Lass	Rapid City	"
Mike Towers	Rapid City	KTM DESIGN SOL.
Bob Kaufman	Box Elder	City of Box Elder
Gene Tom Jr	SF, SD	BWNR
Mike Perkovick	Pierre	DENR
Drew Huisken	Pierre	DENR
Andy Bruels	Pierre	DENR
Terry Aaki	Mitchell	SPN
Jon Pechony	Pierre	DENR
Lafina R Gruis	Pierre	GOED / CDBG
Dustin Dace	Rapid	BHWLD - AERS
Ken LeBon	Rapid city	BHWLD

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE 6/27/2019

LOCATION Matthew Training Center

Name (PLEASE PRINT)	Address	Representing
Jim Anderson	Pierre	DENR
Jay Gilbertson	Brookings	East Dakota (WTD)
Bob Mercer	Pierre	Keloland
NAYYER SYED	Pierre	SD DENR
TODD BERNHARD	FORT PIERRE	BWNR
Aaron Peltch	Pierre	DENR
Tyler Zettl	Pierre	DENR
David Ruhnke	Pierre	DENR
Mary Auvall	Pierre	Regis Oversight
Stephanie Reggle	Pierre	DENR
Randy Jenks	ARLINGTON	Kingbrook/Oldham
Charley Snake	Fossil Eng	RCWD / Giddes
SCOTT PICK	LAKE ANDES	RCWD
Chad Anderson	Lake Andes	RCWD
Mark Perry	CITY OF SIOUX FALLS	→
REAN JOHNSON	CITY OF SIOUX FALLS	→
Barry A. McLaury	SD DENR	Pierre