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

Northern State University
Aberdeen, SD

Department of Transportation
Brookings, SD

Department of Transportation
Huron, SD

Mitchell Technical Institute
Mitchell, SD

Capitol Building
Pierre, SD

Rapid City Emergency Operations Center
Rapid City, SD

University Center
Sioux Falls, SD

University of South Dakota
Vermillion, SD

Department of Environment and Natural Resources
Watertown, SD

June 28, 2018
1:00 p.m. Central Time

CALL MEETING TO ORDER: Chairman Brad Johnson called the meeting to order. 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, Todd Bernhard, Jerry Soholt, Gene Jones, Jr., and Paul Gnirk.

BOARD MEMBERS ABSENT: Paul Goldhammer and Jackie Lanning.

OTHERS PRESENT: See attached attendance sheets.

APPROVE AGENDA: Chairman Johnson approved the agenda.

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

AMENDMENT TO STATE WATER PLAN, 2018 CLEAN WATER STATE REVOLVING FUND INTENDED USE PLAN, AND 2018 DRINKING WATER STATE REVOLVING FUND INTENDED USE PLAN

Amendments to State Water Plan

Mike Perkovich reported that water projects that will require state funding or need state support for categorical grant or loan funding need to 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 by the board provides no guarantee of funding. The projects placed on the plan at this meeting will remain on the facilities plan through December 2019.

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

Five State Water Plan applications from three communities were received by the May 1, 2018, deadline. The projects were shown on the map provided to the board. While presenting the State Water Plan applications, Mr. Perkovich identified the projects to be placed on the Clean Water SRF and Drinking Water SRF IUP project priority lists.

Bryant requested amendment onto the facilities plan to replace sanitary sewer and storm water pipes throughout the community. The estimated total project cost is \$5,582,000. The project will be placed on the Clean Water IUP with five priority points and an estimated loan amount of \$4,612,000 at 2.5 percent interest for 30 years.

Bryant requested amendment onto the facilities plan to replace drinking water pipes throughout the community. The estimated total project cost is \$1,921,000. The project will be placed on the Drinking Water IUP with eight priority points and an estimated loan amount of \$1,051,000 at 2.0 percent interest for 30 years.

Mitchell requested amendment onto the facilities plan to replace water, sanitary sewer, and storm water pipes on Sanborn Boulevard from 1st to 15th Avenue. The estimated total project

cost is \$7,782,000. The project will be placed on the Clean Water IUP with 10 priority points and an estimated loan amount of \$6,077,000 at 2.5 percent interest for 30 years. The project will also be placed on the Drinking Water IUP with 33 priority points and an estimated loan amount of \$1,705,000 at 2.25 percent interest for 30 years.

Mitchell requested amendment onto the facilities plan to replace water, sanitary sewer, and storm water pipes within a one square mile area known as the East Central Drainage system. The estimated total project cost is \$2,998,470. The project will be placed on the Clean Water IUP with 10 priority points and an estimated loan amount of \$2,223,000 at 2.5 percent interest for 30 years. The project will also be placed on the Drinking Water IUP with 33 priority points and an estimated loan amount of \$475,000 at 2.25 percent interest for 30 years.

Salem requested amendment onto the facilities plan to replace and upgrade equipment at its water treatment facility. The estimated total project cost is \$1,144,000. The project will be placed on the Drinking Water IUP with 55 priority points and an estimated loan amount of \$1,144,000 at 2.25 percent interest for 30 years.

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

Motion by Bernhard, seconded by Gnirk, to amend the five projects onto the facilities plan. A roll call vote was taken, and the motion carried unanimously.

Amendments to the Clean Water SRF Intended Use Plan Project Priority List

Mr. Perkovich noted that the narrative portion of the IUP was updated to reflect the actual 2018 Capitalization Grant allocations, which were received from EPA in late May.

Changes were made to Attachments 2 and 3 to reflect the changes made earlier in the IUP.

Staff recommended that the board accept the proposed changes to the narrative section and add the three projects to the Clean Water SRF IUP Project Priority list.

Motion by Gnirk, seconded by Jones, to approve the addition of the Bryant and two Mitchell projects to the 2018 Clean Water SRF IUP Project Priority List and to approve the addition to the IUP narrative, as presented. A roll call vote was taken, and the motion carried unanimously.

Amendments to the Drinking Water SRF Intended Use Plan Project Priority List

In addition to the drinking water projects that were placed on the 2018 State Water Plan, there was one additional project to be placed onto the Drinking Water SRF IUP Project Priority List.

Rapid City – In 2014, Rapid City received funding for a project to expand the city's water distribution system to serve users located east of the city limits. Homes within this area were served by systems that provided substandard water quality and were often in violation of drinking water standards. Others in the area were not served by a water system. Project costs have increased from the original estimate, and Rapid City has submitted a new funding

application to cover the shortfall. That funding application was presented to the board later in the meeting. The estimated total project cost is \$8,076,000. The project will be added to the Drinking Water IUP with 150 priority points and an estimated loan amount of \$950,000 at 2.0 percent interest for 20 years.

The narrative portion of the IUP was updated to reflect the actual 2018 Capitalization Grant allocations, which were received from EPA in late May.

Changes were made to Attachments 2 and 3 to reflect the changes made earlier in the IUP.

Staff recommended the addition of all five projects onto the Project Priority list of the Drinking Water SRF IUP.

Motion by Gnirk, seconded by Soholt, to approve the addition of the Rapid City, Salem, Bryant, and two Mitchell projects to the 2018 Drinking Water SRF IUP Project Priority List and to approve the addition to the IUP narrative, as presented. A roll call vote was taken, and the motion carried unanimously.

AMENDMENT TO THE 2017 CLEAN WATER SRF IUP: Mr. Perkovich reported that the FY 2017 Clean Water SRF IUP was approved by the Board of Water and Natural Resources in November 2016 and amended in March, June, and September 2017.

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' IUPs.

Staff recommended amending Attachment I – Project Priority List of the FY 2017 Clean Water IUP by adding the following:

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
7	Presho	\$3,787,000	2.5%, 30 years
6	Marion	\$512,000	2.0%, 10 years

Motion by Soholt, seconded by Jones, to approve the amendments to the 2017 Clean Water SRF IUP Project Priority List. A roll call vote was taken, and the motion carried unanimously.

AMENDMENT TO THE 2016 CLEAN WATER SRF IUP: Mr. Perkovich reported that the FY 2016 Clean Water State Revolving Fund IUP was approved by the Board of Water and Natural Resources in November 2015 and amended in March, June, September 2016, and June 2017.

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' IUPs.

Staff recommended amending Attachment I – Project Priority List of the FY 2016 Clean Water IUP by adding the following:

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
7	Presho	\$3,787,000	2.5%, 30 years
6	Marion	\$512,000	2.0%, 10 years

Motion by Bernhard, seconded by Gnirk, to approve the amendments to the 2016 Clean Water SRF IUP Project Priority List. A roll call vote was taken, and the motion carried unanimously.

AMENDMENT TO THE 2017 DRINKING WATER SRF IUP: Mr. Perkovich stated that the FY 2017 Drinking Water State Revolving Fund IUP was approved by the Board of Water and Natural Resources in November 2016 and amended in March, June, September 2017, and March 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’ IUPs.

Staff recommended amending Attachment I – Project Priority List of the FY 2017 Drinking Water IUP by adding the following:

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
150	Rapid City	\$950,000	2.0%, 20 years
33	Leola	\$2,642,000	2.0%, 30 years
12	Grenville	\$351,415	2.0%, 30 years

Motion by Gnirk, seconded by Jones, to approve the amendments to the 2017 Drinking Water SRF IUP Project Priority List. A roll call vote was taken, and the motion carried unanimously.

AVAILABLE FUNDING: Mr. Perkovich provided a summary of available funds for the Consolidated Water Facilities Construction Program, Clean Water SRF Water Quality Grants, Clean Water SRF Principal Forgiveness, Clean Water SRF loans, Drinking Water SRF Water Construction Grants, Drinking Water SRF Principal Forgiveness, and Drinking Water SRF loans.

SANITARY/STORM SEWER FACILITIES FUNDING APPLICATIONS: Mr. Perkovich presented the Sanitary/Storm Sewer Facilities funding applications and the staff recommendations for funding. The projects were presented in priority points order as identified in the Clean Water SRF IUP. A map showing the location of the applications was included in the board packet.

Presho requested funding to replace the majority of the sewer lines in town.

The city anticipates bidding the project in March 2019 with project completion in December 2019.

The estimated total project amount is \$3,600,000, and the amount requested is \$3,600,000.

Presho has a flat rate of \$30.00 per month.

Presho received a \$1,198,000 Clean Water SRF loan in March 2018 to replace sewer mains along Main Street as part of a paving and sidewalk project. That portion of the project will be bid in conjunction with this larger line replacement project. Presho also received a Community Development Block Grant, which provides \$750,000 for construction of the project.

Staff recommended rescinding Resolution 2018-25, which authorized the previously awarded \$1,198,000 SRF loan, and awarding a \$4,048,000 Clean Water SRF loan at 2.5 percent interest for 30 years with up to 34.6 percent principal forgiveness not to exceed \$1,400,000.

Presho has pledged a project surcharge for repayment of the loan. The surcharge required on a net loan of \$2,648,000 is \$38.42; however, staff analysis indicated the city could restructure its rates to establish the surcharge and keep rates at \$46.85.

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.

Mayor Mike Sprenger, Angela Ehlers, city commission, and Terry Aaker, SPN, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Jones, to adopt Resolution **No. 2018-41** rescinding Resolution No. 2018-25 and approving a Clean Water State Revolving Fund loan up to a maximum committed amount of a \$4,048,000 at 2.5 percent interest for 30 years with up to 34.6 percent principal forgiveness not to exceed \$1,400,000 to the city of **Presho** for a sewer line replacement 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. A roll call vote was taken, and the motion carried unanimously.

Cavour requested funding to replace a portion of its wastewater collection system using conventional open trench methods to address significant infiltration entering the collection system.

The town anticipates bidding the project later this year with project completion in September 2019.

The estimated total project amount is \$956,000 and the amount requested is \$956,000. The total project cost on the application was increased by \$100,000 due to uncertainty of receiving a grant from the James River Water Development District.

Cavour has a \$31.00 per month flat rate.

Staff recommended awarding a \$192,000 Clean Water SRF loan at 2.5 percent interest for 30 years and awarding a Consolidated grant for 80 percent of eligible costs not to exceed \$764,000.

Cavour has pledged a project surcharge for repayment of the loan. The surcharge required on the loan is \$15.20, which will bring the overall rates to \$46.20.

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.

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

Lisa Gogolin, town of Cavour, discussed the project.

Motion by Jones, seconded by Soholt, to adopt **Resolution No. 2018-42** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of a \$192,000 at 2.5 percent interest for 30 years to the town of **Cavour** for a wastewater line replacement 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; and to adopt **Resolution No. 2018-43** approving a South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the city of **Cavour** for up to 80 percent of approved total project costs not to exceed \$764,000 for a wastewater line replacement project with the special condition that grant funds for reimbursement of project costs must be drawn concurrently with the Clean Water SRF loan funds. A roll call vote was taken, and the motion carried unanimously.

DRINKING WATER FACILITIES FUNDING APPLICATIONS: Mr. Perkovich presented the applications and the staff recommendations for funding. The projects were presented in priority points order as identified in the Drinking Water SRF IUP. A map showing the location of the applications was included in the board packet.

Rapid City – Mr. Perkovich reported that the city of Rapid City is nearing completion of the East Rapid City Water System Expansion project.

In June 2014, the project was awarded a \$1,000,000 Consolidated grant and a \$4,626,000 Drinking Water SRF loan with up to \$3,000,000 in principal forgiveness. The existing Consolidated grant expired earlier this week, and the city was not able to draw all of the Consolidated grant funds.

This project expanded the city's water distribution system to serve several developments and individual users located east of the city. At the time the application was submitted, the city had bid six of the eight contracts needed to complete the project. After reviewing the actual costs to date and projected costs of the remaining two construction contracts, it was determined that a funding shortfall existed.

The city of Rapid City has bid and completed most of this project. The final two contracts will be completed later this year.

The estimated total project amount is \$8,076,000 and the amount requested is \$950,000.

The users being connected by this project pay \$31.37 per 5,000 gallons usage plus an additional \$65.00 per month surcharge to repay the loan portion of the project. This brings rates for these users to \$96.37.

Mr. Perkovich noted that the last two contracts were bid after the city submitted the funding application. As a result, the city needs less money than originally anticipated.

Staff recommended awarding a \$500,000 Drinking Water SRF loan at 2.0 percent interest for 20 years with up to 75 percent principal forgiveness not to exceed \$375,000.

Rapid City has pledged system revenue for repayment of the loan. The city's coverage on the \$125,000 net loan exceeds the 110 percent debt coverage requirement.

When taking into account the amount of the Consolidated grant expected to be reverted, the staff recommendation will provide approximately the same level of subsidy as provided in the original funding package. Since repayment of the loan for this project comes from approximately 200 users, any loss in subsidy funds has a large impact on the rates. Staff does not anticipate any change to the rates currently being paid.

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

Morgan Falcone, city of Rapid City, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution No. 2018-44** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$500,000 at 2.0 percent interest for 20 years with up to 75 percent principal forgiveness not to exceed \$375,000 to the city of **Rapid City** for the East Rapid City water system expansion 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. A roll call vote was taken, and the motion carried unanimously.

Leola requested funding to replace all water meters in the city, construct a new booster pump house to increase system pressure, and replace and loop water main throughout the community.

The city anticipates bidding the project in January of 2019 with project completion in November 2019.

The estimated total project amount is \$2,641,000, and the amount requested is \$2,641,000.

Rates in Leola are \$46.00 per 5,000 gallons usage.

Staff recommended awarding a \$1,891,000 Drinking Water SRF loan at 2.0 percent interest for 30 years with up to 85.5 percent principal forgiveness not to exceed \$1,615,000.

Leola was awarded a \$770,000 CDBG grant with \$750,000 for construction. These grant funds were factored into the funding recommendation, and the overall award has been reduced accordingly.

The city has pledged a project surcharge for repayment of the loan. A surcharge of \$4.55 is needed to provide the debt coverage on the \$276,000 net loan amount. This would result in rates of \$50.55 for 5,000 gallons usage.

Staff recommended the award 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 2018 Drinking Water State Revolving Fund capitalization grant from EPA.

Richard Reis, Leola city council, and Lucas Hoover, Helms & Associates, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Jones, to adopt **Resolution No. 2018-45** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$1,891,000 at 2.0 percent interest for 30 years with up to 85.5 percent principal forgiveness not to exceed \$1,615,000 to the city of **Leola** for 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, contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage, and contingent upon receipt of the 2018

Drinking Water State Revolving Fund capitalization grant from EPA. A roll call vote was taken, and the motion carried unanimously.

Sheridan Lake Highlands Homeowners Association, Inc. requested funding to refinance the purchase of their water system from the developer, drill a new well, and make improvements to the existing well house.

Sheridan Lake Highlands Homeowners Association purchased the water system from the original developer last year and has a short-term private financing that becomes due in August 2018. The homeowners association is seeking funding to extend the finance terms. The system currently has only one well, and the new well will provide redundancy for the system.

The well and well house improvements are anticipated to be bid in January 2019 with project completion in September 2019.

The estimated total project amount is \$301,700, and the amount requested is \$301,700

The rates for the homeowners association are \$110.00 per 10,000 gallons usage.

Staff recommended awarding a \$211,700 Consolidated loan at 2.5 percent interest for 30 years and awarding a Consolidated grant at 29.9 percent of total project costs not to exceed \$90,000. Mr. Perkovich noted that Consolidated funding is being recommended due to uncertainties with using an SRF loan for refinancing the existing debt.

The homeowners association has pledged system revenue for repayment of the loan. A \$34.90 base charge is needed for repayment of the loan. Staff analysis indicates the rates could be restructured and sufficient coverage could be provided with base rates of \$133.00 for 10,000 gallons usage.

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 establishing rates at a level sufficient to provide the required debt coverage; and contingent upon the borrower approving a security agreement and mortgage.

Lysann Zeller, Black Hills Council of Local Governments, Angela Vancas, Sheridan Lake Highlands Homeowners Association, and Dustin Dale, AE2S, discussed the project and answered questions from the board.

Motion by Jones, seconded by Gnirk, to adopt **Resolution No. 2018-46** approving the South Dakota Consolidated Water Facilities Construction Program loan agreement between the Board of Water and Natural Resources and the **Sheridan Lake Highlands Homeowners Association** for a loan not to exceed \$211,700 at 2.5 percent interest for 30 years for a water system financing and improvements project 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 establishing rates at a level sufficient to provide the required

debt coverage; and contingent upon the borrower approving a security agreement and mortgage, and to adopt **Resolution No. 2018-47** approving a South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the **Sheridan Lake Highlands Homeowners Association** for up to 29.9 percent of approved total project costs not to exceed \$90,000 for a water system financing and improvements project. A roll call vote was taken, and the motion carried unanimously.

Marion requested funding to replace water meters in the city with radio read units. The current meters are more than 20 years old and have reached their useful life.

The city anticipates bidding the project in September 2018 with project completion in January 2019.

The estimated total project amount is \$522,000, and the amount requested is \$522,000.

Rates in Marion are \$40.00 per 5,000 gallons usage.

Mr. Perkovich stated that water conservation projects, including water meters, are eligible for Clean Water SRF funding. This project can be used to meet the Green Project Reserve requirements included in the 2016 through 2018 Clean Water Capitalization Grants. Providing funding for this project with Clean Water SRF helps meet the reporting requirements for Green Project Reserve. This will not adversely affect the Drinking Water SRF Program as there were no Green Project Reserve requirements associated with any of the recent Drinking Water capitalization grants.

Staff recommended awarding a \$522,000 Clean Water SRF loan at 2.0 percent interest for 10 years with up to 19.0 percent principal forgiveness not to exceed \$99,000.

Marion has pledged a project surcharge for repayment of the loan. The surcharge required on the net loan of \$423,000 is \$11.10; however, staff analysis indicates the city could restructure its rates to establish the surcharge with rates of \$45.80 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.

Jon Fischer, Stockwell Engineers, and Dustin Sulzle, city of Marion, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Soholt, to adopt **Resolution No. 2018-48** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$522,000 at 2.0 percent interest for 10 years with up to 19.0 percent principal forgiveness not to exceed \$99,000 to the city of **Marion** to for a water meter replacement 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. A roll call vote was taken, and the motion carried unanimously.

Grenville requested funding to replace water meters with a radio read system and to replace non-operational valves in the distribution system.

The town of Grenville anticipates bidding the project in November 2018 with project completion in July 2019.

The estimated total project amount is \$352,000, and the amount requested is \$352,000.

Rates in Grenville are \$42.00 per 5,000 gallons usage.

Staff recommended awarding a \$352,000 Drinking Water SRF loan at 2.0 percent interest for 30 years with up to 80.2 percent principal forgiveness not to exceed \$282,000.

Grenville has pledged a project surcharge for repayment of the loan. A surcharge of \$5.75 is needed to provide the debt coverage on the \$70,000 net loan amount, which will result in rates of \$47.75 for 5,000 gallons usage.

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.

Staff also recommended the following Special Condition: It shall be a condition of the loan that the borrower complete board training, as outlined on the Department's capacity assessment letter, prior to drawing over 50 percent of the loan.

Ron Grajczyk, Trustee, and Brandon Smid, Helms & Associates, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Jones, to adopt **Resolution No. 2018-49** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$352,000 at 2.0 percent interest for 30 years with up to 80.2 percent principal forgiveness not to exceed \$282,000 to the town of **Grenville** for a water meter and valve replacement 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 the special condition that the borrower complete board training, as outlined on the Department's capacity assessment letter, prior to drawing over 50 percent of the loan. A roll call vote was taken, and the motion carried unanimously.

Butte Meade Sanitary Water District requested funding to replace 2.7 miles of pipe in the service area. The majority of the project involves replacing 6- and 8-inch asbestos cement pipe that will be affected by a South Dakota Department of Transportation project on Highway 212. That project is expected to commence in 2020. The asbestos cement pipe in this area has had problems with leaks, and several segments have already been replaced. This project also includes a 3-inch water line that extends south from Highway 212 to serve existing users in the area.

Butte Meade Sanitary Water District anticipates bidding the project in February 2019 with completion in September 2019.

The estimated total project amount is \$413,000, and the amount requested is \$413,000.

The district's rates are \$53.00 per 5,000 gallons usage.

Staff recommended awarding a \$413,000 Drinking Water SRF loan at 2.25 percent interest for 20 years.

The district has pledged system revenues for repayment of the loan. Staff analysis indicates the current rate provides 177 percent debt coverage, so no rate increase is required.

Staff recommended the award being contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon a parity agreement being secured with the First National Bank of Newell.

Jason Pettyjohn, FMG Engineering, discussed the project and answered questions from the board.

Motion by Jones, seconded by Gnirk, to adopt **Resolution No. 2018-50** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$413,000 at 2.5 percent interest for 20 years to the **Butte Meade Sanitary Water District** for a water line replacement 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 a parity agreement being secured with the First National Bank of Newell. A roll call vote was taken, and the motion carried unanimously.

SOLID WASTE MANAGEMENT FUNDING APPLICATION: Drew Huisken provided a summary of available funds for the Solid Waste Management Program.

Mr. Huisken reported that the department received two applications for Solid Waste Management Program Funding by the April 1 deadline. Of those applications, only Rapid City

was considered complete. Mr. Huisken presented the funding application and the staff recommendation.

A map showing the location of the project was included in the board packet.

Rapid City requested funding to assist with the costs associated with the construction of a new landfill cell as part of the continuing operation of its regional landfill facility. The existing cells are nearing capacity. Cell #18 will be constructed with a synthetic liner, leachate collection system and holding pond, and a discharge line to the municipal sanitary sewer. The Rapid City Landfill currently serves over 118,000 people. No new areas will be served as a result of this project.

The estimated total project cost is \$4,556,944, and the amount requested is \$1,000,000.

Current fees for the Rapid City Regional Landfill are \$59.00 per ton for municipal solid waste.

Construction of the new cell began in March 2018 and has a project completion date of September 30, 2018.

Staff recommended awarding a Solid Waste Management Program grant up to 22.0 percent of the total project cost not to exceed \$1,000,000. Mr. Huisken noted that the grant award is consistent with the percentages of other landfill expansion projects, which are typically 15-25 percent of the project cost.

Staff analysis indicates that Rapid City has sufficient funds to pay for the remainder of the project.

Karl Merbach, superintendent of the Rapid City Solid Waste Division, discussed the project.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution No. 2018-51** approving the South Dakota Solid Waste Management Program grant agreement between the Board of Water and Natural Resources and the city of **Rapid City** for up to 22.0 percent of all approved total project costs not to exceed \$1,000,000 for the Cell 18 line and leachate collection system project. A roll call vote was taken, and the motion carried unanimously.

WATERSHED RESTORATION PROJECT FUNDING APPLICATION: Mr. Perkovich presented the funding application and staff recommendation. A map showing the location of the project was included in the board packet.

James River Water Development District requested an additional \$500,000 for Segment I of the \$15.8 million South Central Watershed Project. This project is a locally planned 10-to 15-year effort to implement Best Management Practices in the Lewis and Clark Lake watershed, Lake Andes, Geddes, and Platte Lake Watersheds, and the impaired reaches of the lower James River watershed and its tributaries. This effort is aimed at restoring water quality to meet designated beneficial uses and address TMDLs established, and to be established, for water bodies in these watersheds.

Staff recommended awarding a Clean Water SRF Water Quality grant for 15 percent, based on project costs of \$3,333,333, not to exceed \$500,000.

The grant will provide 15 percent cost share for the design and construction of up to twelve animal waste management systems. The consolidated award will continue leveraging a \$1.5 million USDA Regional Conservation Partnership Program grant that requires 50 percent nonfederal cost share.

Rocky Knippling, watershed coordinator for the South Central 319 Program, discussed the projected and answered questions from the board.

Motion by Jones, seconded by Soholt, to adopt **Resolution No. 2018-52** approving the State Revolving Fund Program Water Quality grant agreement between the Board of Water and Natural Resources and the **James River Water Development District** for up to 15.0 percent of approved total project costs not to exceed \$500,000 for the South Central Watershed Implementation Project – Segment I. A roll call vote was taken, and the motion carried unanimously.

Mr. Perkovich provided an overview of available funds for the September 2018 funding round.

SALEM REQUEST TO AMEND THE SCOPE OF DRINKING WATER SRF LOAN

C462057-04 AND CONSOLIDATED GRANT 2018G-109: Abbey Larsen reported that in March 2017, the Board of Water and Natural Resources awarded a \$302,000 Drinking Water SRF loan and a \$500,000 Consolidated Water Facilities Construction Program grant to the city of Salem for improvements to the water distribution system. Construction for the project associated with this loan and grant has begun, and the city is anticipating having an excess of \$36,000.

On March 7, 2018, the department received a letter from the city of Salem requesting to amend the scope of the project to include a pilot study of their current water treatment plant.

The city has been experiencing problems with its water treatment plant including the failure of nine out of 14 ultrafiltration modules, broken PVC piping, failed pumps, and plugged cartridge filters on the nano filtration skid. The city's engineer has reviewed the system and decided that a pilot study would help determine the best treatment options for the city.

Staff recommended approving the First Amendment to the Drinking Water SRF Loan C462057-04 and Consolidated Water Facilities Construction Program Grant 2018G-109 changing the scope of the loan and grant to include the proposed pilot study.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution No. 2018-53** approving the First Amendment to the city of **Salem** Drinking Water SRF Loan C462057-04 changing the scope of the loan to include the proposed pilot study, and to adopt **Resolution No. 2018-54** approving the First Amendment to the city of **Salem** Consolidated Water Facilities Construction Program Grant

2018G-109 changing the scope of the grant to include the proposed pilot study. A roll call vote was taken, and the motion carried unanimously.

REE HEIGHTS REQUEST TO AMEND DRINKING WATER STATE REVOLVING FUND LOAN C462386-01: Jim Anderson reported that on March 27, 2018, the Board of Water and Natural Resources awarded the town of Ree Heights a \$509,000 Drinking Water State Revolving Fund loan with 84.5 percent principal forgiveness not to exceed \$430,000 to replace the town's water system. Upon completion of the project, Mid-Dakota Rural Water System will take over ownership and all operational and maintenance requirements of the system and serve Ree Heights users as individual users. Mid-Dakota RWS has since offered to provide financial assistance for all project costs exceeding \$430,000.

On June 1, 2018, the Board of Water and Natural Resources received a letter from Ree Heights requesting that the loan amount be reduced from \$509,000 to \$430,000 with 100 percent principal forgiveness.

Staff recommended the board rescind Resolution #2018-30 and adopt a resolution approving a \$430,000 Drinking Water SRF loan with 100 percent principal forgiveness.

Scott Gross, Mid-Dakota Rural Water System, stated that in March the board approved the loan and principal forgiveness based on Ree Heights doing a bond issue. Mid-Dakota has offered to provide the additional funding above \$430,000 for this project, rather than going through a bond issue.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution No. 2018-55** rescinding Resolution No. 2018-30 and approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$430,000 with 100 percent principal forgiveness to the town of **Ree Heights** for a water distribution system upgrade 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. A roll call vote was taken, and the motion carried unanimously.

SOUTH EASTERN COUNCIL OF GOVERNMENTS PRIVATE ENTITY SWMP LOAN REVIEW JOINT POWERS AGREEMENT: Mr. Perkovich reported that in 2014, the board entered into a \$7,500 Joint Powers Agreement with the South Eastern Council of Governments to provide private entity loan review services for the Solid Waste Management Program. This contract expires on July 1, 2018, and the contract cannot be extended.

Section 2 of this past legislative session's Omnibus Bill (HB 1098) appropriated \$2.5 million from the Water and Environment Fund to the board's Solid Waste Management Program. SDCL Chapter 46A-1, which authorizes the Solid Waste Management Program, allows the board to use funds from the appropriation to contract for services to administer the program including processing and reviewing private entity solid waste loan applications.

Staff prepared a Joint Powers Agreement to place \$7,500 of the 2018 appropriation to the Solid Waste Management Program under agreement with the South Eastern Council of Governments effective July 1, 2018, through June 30, 2022. The agreement will limit the reimbursement rate to \$70.00 per hour and caps the review of each application at 15 hours without prior written approval.

Staff recommended the board approve the Joint Powers Agreement with the South Eastern Council of Governments.

Motion by Jones, seconded by Soholt, to adopt **Resolution No. 2018-56** approving a Joint Powers Agreement between the state and **South Eastern Council of Governments** in an amount not to exceed \$7,500 for the completion of private entity loan reviews until June 30, 2022. A roll call vote was taken, and the motion carried unanimously.

AMENDMENT TO PUBLIC FINANCIAL MANAGEMENT, INC. CONTRACT: Mr. Perkovich stated that Public Financial Management has served as the SRF Financial Advisor since 2003. The Board's current contract with Public Financial Management terminates on June 30, 2018.

The primary purpose of the amendment is to extend the contract period to June 30, 2021, and increase the total contract amount to an amount not to exceed \$275,000. The amendment also reflects a name change from Public Financial Management to PFM Financial Advisors, LLC and adds sections dealing with consultant's responsibilities as a registered municipal advisor pursuant to the Securities Exchange Act of 1934 Rule 15Ba1-2.

The amendment has been prepared with assistance from the Office of Attorney General and legal counsel and reviewed by PFM Financial Advisors, LLC and the Department of Environment and Natural Resources.

Staff recommended the board approve a resolution authorizing the amendments to the Financial Advisor contract.

Staff answered questions from the board.

Motion by Bernhard, seconded by Soholt, to adopt **Resolution No. 2018-57** approving amendment to the June 25, 2015, consultant contract with Public Financial Management, Inc., to reflect the consultant's name change to **PFM Financial Advisors LLC**, to extend the term until June 30, 2021, to increase the total contract amount to an amount not to exceed \$275,000 for the period July 1, 2018, to June 30, 2021, and to add sections dealing with consultant's responsibilities as a registered municipal advisor pursuant to the Security Exchange Act of 1934 Rule 15Ba1-2. A roll call vote was taken, and the motion carried unanimously.

MID-DAKOTA RURAL WATER SYSTEM, INC. REQUEST TO AMEND ITS PARITY AGREEMENT AMONG BUREAU OF RECLAMATION, USDA RURAL DEVELOPMENT, THE SOUTH DAKOTA CONSERVANCY DISTRICT, AND COBANK: Jon Peschong stated

that the department received notification that Mid-Dakota Rural Water System was awarded a funding package with USDA Rural Development who is requesting parity on the new debt.

The \$35,072,000 dollar funding package is to expand and make improvements to Mid-Dakota's distribution system east of Highmore and refinance certain debt currently owed to the US Bureau of Reclamation. The funding package includes a \$3.8 million Guaranteed Loan from CoBank for 30 years at a fixed rate of 5.25 percent and a USDA Rural Development loan (\$31,272,000) for 40 years at a rate of 2.75 percent. Mid-Dakota Rural Water System will be utilizing approximately \$16.2 million dollars for refinancing nine previous loans from the US Bureau of Reclamation that have a combined average interest rate of 5.23 percent.

An analysis of Mid-Dakota's new debt service based upon projected operating revenue and expenses indicates 121 percent debt coverage, which exceeds the 110 percent coverage requirement on the SRF loan.

Staff recommended that the board authorize the chairman to execute the Third Amended and Restated Inter-creditor Agreement among the Bureau of Reclamation, CoBank, USDA Rural Development, and the South Dakota Conservancy District.

Motion by Soholt, seconded by Jones, to authorize the chairman to execute the Third Amended and Restated Inter-creditor Agreement among the Bureau of Reclamation, CoBank, USDA Rural Development, and the South Dakota Conservancy District. A roll call vote was taken, and the motion carried unanimously.

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES STATE WATER RESOURCES MANAGEMENT SYSTEM GRANT AGREEMENT: Jon Peschong reported that the Department of Environment and Natural Resources' Geological Survey Program submitted a request for a \$10,000 grant to help fund a United States Geological Survey, high resolution, hydrographic mapping study in the lower Big Sioux River Basin. The primary goal of the project will be to determine more accurate flow routes for flood waters and runoff from heavy precipitation events. The area includes the communities of Elk Point, Jefferson, Dakota Dunes, and North Sioux City. The project will give state and local authorities better understandings of potential impacts from severe terrific drainage events in the area.

Total funding of \$60,000 will be needed for the full project implementation. Planned funding will include \$20,000 from the SD Department of Transportation, \$10,000 from the communities of North Sioux City, Dakota Dunes and Union County, \$10,000 from SD Department of Environment and Natural Resources and \$20,000 from US Geological Survey.

The Board was appropriated \$450,000 by the 2017 Legislature through Senate Bill 70, Section 1 to fund Hydrology and Water Management Studies. There remains approximately \$100,000 of this authority to obligate.

Staff recommended the board approve a resolution, authorizing the chairman to execute the State Water Resources Management Grant agreement with the Department of Environment and

Natural Resources for \$10,000 to assist in funding a high resolution hydrographic study in the Lower Big Sioux River Basin in South Dakota.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution No. 2018-58** approving the State Water Resources Management System grant agreement between the Board of Water and Natural Resources and the **Department of Environment and Natural Resources** in an amount not to exceed \$10,000 for a high resolution hydrographic study in the Lower Big Sioux River Basin in South Dakota. A roll call vote was taken, and the motion carried unanimously.

2018 BOND ISSUE: Mr. Perkovich requested authorization to distribute a Request for Proposals (RFP) for investment banking services for the SRF Programs. The Board of Water and Natural Resources, acting as the South Dakota Conservancy District, will seek proposals from qualified firms to provide investment banking, underwriting and additional services, such as remarketing, related to negotiated issuances for a period of three years.

It is anticipated that the District will issue State Revolving Fund Program Bonds Series 2018. Proceeds of the 2018 Bonds will be used to provide additional leverage proceeds in an amount to be determined. The proceeds will be issued on a tax-exempt basis with a final maturity of 20 years. The District may issue additional series in the future to leverage the SRF Programs, provide state match for capitalization grants, and refinance outstanding bonds, as needed.

Mr. Perkovich discussed several proposed projects that will be requesting SRF funding.

Mr. Perkovich also requested that Chairman Johnson appoint a BWNR committee to work with the SRF financial team in the review and ranking of proposals. At the committee's option, interviews of candidates may be conducted.

Finally, Mr. Perkovich requested authorization to negotiate a contract with Bruce Bonjour, Perkins Coie, for bond counsel services.

The following is the anticipated schedule for the selection process:

Release of RFP: July 9
Proposal Deadline: August 1
Rank Proposals: by August 15
Interviews: Week of August 20
Selection of Underwriting Team: September 28

Mr. Perkovich recommended the board authorize staff to distribute the Request for Proposals for Investment Banking services and to negotiate a contract with Bruce Bonjour, Perkins Coie for bond counsel service related services to the 2018 Bond Issue.

Motion by Bernhard, seconded by Gnirk, to authorize staff to distribute the Request for Proposals for Investment Banking services and negotiate a contract with Bruce Bonjour, Perkins Coie for bond counsel service related services to the 2018 Bond Issue. A roll call vote was taken, and the motion carried unanimously.

Chairman Johnson appointed himself, Todd Bernhard, and Gene Jones as the subcommittee to work with the SRF financial team in the review and ranking of proposals.

DISCUSSION OF HB 1172, PUBLIC COMMENT PERIOD: Mr. Perkovich reported that HB 1172 added the following language to SDCL 1-25-1:

The chair of the public body shall reserve at every official meeting by the public body a period for public comment, limited at the chair's discretion, but not so limited as to provide for no public comment.

The Office of the Attorney General has advised that the board chair, with input from the board members, needs to determine how long to designate the public comment period and whether it will be at the beginning or the end of the meeting.

Mr. Perkovich requested that the board advise staff as to when to schedule the public comment period within the agenda and establish the duration of the comment period. He noted that Harold Deering has advised that this is not a question and answer period; it is strictly a period of time for the board to receive comments from the public.

Chairman Johnson recommended that the public comment period be placed on the agenda at the beginning of the meeting for a maximum of 15 minutes unless the chair decides to let it go longer based on the topic. The board members concurred.

Mr. Perkovich stated that the public comment period will be added to the meeting agenda following board adoption of minutes.

ELECTION OF BOARD OFFICERS: Dr. Gnirk nominated Brad Johnson as chair, Gene Jones as vice chair, and Todd Bernhard as secretary.

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

SEPTEMBER 2018 MEETING: Mr. Perkovich stated that the September 27-28, 2018, board meeting will be held in Pierre. Mr. Perkovich discussed possible agenda items.

Jay Gilbertson and Mr. Perkovich will make plans for a board tour of projects in the Pierre area during the September meeting.

Mr. Gilbertson talked about the Big Sioux Flood control model.

Mr. Perkovich noted that the department received a letter from the IRS stating that the audit conducted on the Build America Bond Issue was complete and it has been closed with no change.

Board of Water and Natural Resources
June 28, 2018, Meeting Minutes

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

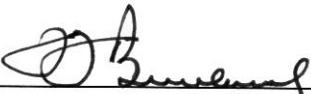
Approved this 27 day of September, 2018.

(SEAL)



Chairman, Board of Water and Natural Resources

ATTEST:



Secretary, Board of Water and Natural Resources

ATTENDANCE SHEET
BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

JUNE 28, 2018

PIERRE
CAPITOL BUILDING

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

Drew Huisken

Pierre

DENR

TODD BERNHARD

FORT PIERRE

BWNR

PAUL GNIRK

New Underwood

BWNR

Mike Sprenger

Presho

City of Presho

Angela Ehlers

Presho

City of Presho

Levy Aaker

Mitchell

SPN

Jim Anderson

Pierre

DENR

Jan Reschong

Pierre

DENR

Allen Prince

Pierre

DENR

Abbey Larson

Pierre

DENR

David Ruhnke

Pierre

DENR

Scott Gross

Miller

Mid-Dakota Rural Water

Lyle Schomack

Sioux Falls

Bartlett & West Engineers

Ronae Phinney

Ree Heights

City of Ree Heights

ERIC AMBROSON

YANKTON

DISTRICT III

Lucas Ledwith

PIERRE

DENR

David Phinney

Ree Heights

City of Ree Heights

ATTENDANCE SHEET
BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

JUNE 28, 2018

RAPID CITY EMERGENCY OPERATIONS CENTER
RAPID CITY, SD

NAME (PLEASE PRINT)	ADDRESS	REPRESENTING
DUSTIN DALE		AEZS SHERIDAN LAKE HIGHLANDS
MIKE WOLFF	Newell	BMSWD
MORGAN FALCONE	CITY OF RAPID CITY	CITY OF RAPID CITY
Ted Johnson	City of Rapid City	City of Rapid City
Angela Vancas		Sheridan Lake Highlands
Lysann Zeller	Black Hills Council	BLACK HILLS COUNCIL
Beth Anne Ferley	Rapid City Solid Waste	RC Solid Waste.
Karl Merbach	City of Rapid City	Solid waste
JASON PETTYJOHN	FMG ENGINEERING	BUTTE - MEADE SWD
Jeff Barber	Rapid City Solid Waste	City of Rapid City
Bob Lewis	Newell	BMSWP
Elaine Karsky		Sheridan Lake Highlands
Robert Smith	DENR Rapid City	DENR

