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

September 27, 2018
9:00 a.m. CDT

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

BOARD MEMBERS PRESENT: Brad Johnson, Todd Bernhard, Jackie Lanning, and Dr. Paul Gnirk.

BOARD MEMBERS ABSENT: Gene Jones, Jr., Jerry Soholt, and Paul Goldhammer.

OTHERS: See attached attendance sheets.

TOUR: From 9:00 a.m. to 11:30 a.m., the board toured the Mni Wiconi water treatment plant near Fort Pierre. Following the tour Chairman Johnson called a recess.

At 1:00 p.m., Chairman Johnson called the meeting back to order in the Matthew Training Center.

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

APPROVE AGENDA: Mike Perkovich noted that item 15 would be presented before item 14.1. Chairman Johnson approved the agenda.

APPROVE MINUTES OF THE JUNE 28, 2018, MEETING: Motion by Gnirk, seconded by Bernhard, to approve the minutes of the June 28, 2018, Board of Water and Natural Resources meetings. Motion carried unanimously.

PUBLIC COMMENT PERIOD: There were no public comments.

Mr. Perkovich introduced Stephanie Riggle who replaced Lukus Leidholdt. He also announced that Abbey Larson was leaving the department.

CODE OF CONDUCT POLICY: Mr. Perkovich reported that in 2016, the Legislature created the State Board of Internal Control and tasked that board with developing a set of ethical principles and guidelines to address what constitutes appropriate behavior for board members when acting as a board within their official public service capacity. The Code of Conduct was

approved by the Board of Internal Control at its June 2018 meeting. Mr. Perkovich noted that a copy of the Code of Conduct was included in the board packet.

The Code of Conduct sets out conflicts of interest principles and guidelines governing both official board actions and contracts involving board members. The Code of Conduct also sets out principles and guidelines to prevent board members from engaging in conduct that may constitute harassment or discriminatory or offensive behavior based on race, color, creed, religion, national origin, sex, pregnancy, age, ancestry, genetic information, disability or any other legally protected status or characteristic.

Mr. Perkovich stated that legal counsel has advised that the Board of Water and Natural Resources needs to approve the Code of Conduct to implement these principles and guidelines.

Motion by Lanning, seconded by Bernhard, to approved the Code of Conduct policy. 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

Andy Bruels reported that water projects which will require state funding or need state support for categorical grant or loan funding need to be on the State Water Plan. The Board of Water and Natural Resources annually approves projects for placement onto State Water Facilities Plan and provides for amendments 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 onto 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 Project Priority Lists.

Four State Water Plan applications received by the August 1, 2018, deadline. The location of the projects was shown on a map included in the board packet. As Mr. Bruels presented the State Water Plan applications, he also identified those projects to be placed on the Clean Water SRF and Drinking Water SRF project priority lists.

Pierre requested placement on the facilities plan to construct a Missouri River surface water intake system for supply and a centralized 8.8 MGD ultrafiltration water treatment plant. The estimated total project cost is \$36,800,000. The project will be placed on the Drinking Water SRF IUP with 79 priority points and an estimated loan amount of \$36,800,000 at 2.5 percent interest for 30 years.

Springfield requested placement on the facilities plan to construct additional wastewater treatment ponds, rehabilitate one lift station, replace another lift station, and clean and televise

the collection system for determination of future replacement needs. The city also plans to replace the existing water treatment facility, construct a new transmission line from the tower to the Mike Durfee State Prison, install water meters, and rehabilitate an existing water tower. The estimated total project cost is \$11,162,000. The project will be placed on the Clean Water SRF IUP with 15 priority points and an estimated loan amount of \$2,891,068 at 2.5 percent interest for 30 years. The project will be placed on the Drinking Water SRF IUP with 145 priority points and an estimated loan amount of \$7,615,880 at 2.0 percent interest for 30 years.

Tulare requested placement on the facilities plan to cap and plug two existing unused wells, construct a new booster pump station, and construct a new 80,000-gallon elevated storage tank. The estimated total project cost is \$2,124,800. The project will be placed on the Drinking Water SRF IUP with three priority points and an estimated loan amount of \$1,374,800 at 2.25 percent interest for 30 years.

Watertown requested placement on the facilities plan to construct a new wastewater treatment administration and operations building. The estimated total project cost is \$5,665,000. The project will be placed on the Clean Water SRF IUP with 10 priority points and an estimated loan amount of \$5,665,000 at 2.5 percent interest for 30 years.

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

Motion by Gnirk, seconded by Bernhard, to amend the four projects onto the facilities plan. Motion carried unanimously.

Amendments to 2018 Clean Water SRF IUP

Staff recommended the addition of the Springfield and Watertown projects onto the project priority list of the Clean Water SRF IUP.

Motion by Lanning, seconded by Bernhard, to amend the Springfield and Watertown projects onto the project priority list of the Clean Water SRF IUP. Motion carried unanimously.

Amendments to 2018 Drinking Water SRF IUP

Staff recommended the addition of all the Pierre, Springfield, and Tulare projects onto the project priority list of the Drinking Water SRF IUP.

Motion by Bernhard, seconded by Gnirk, to amend the Pierre, Springfield, and Tulare projects onto the project priority list of the Drinking Water SRF IUP. Motion carried unanimously.

AVAILABLE FUNDING: Mr. Perkovich provided a summary of 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.

SANITARY STORM SEWER FUNDING APPLICATIONS: Mr. Perkovich presented the Sanitary/Storm Sewer Facilities funding applications and the staff recommendations for funding. A map showing the location of the projects was included in the board packet.

Raymond requested funding to replace a lift station and install an emergency generator for the lift station. The project also includes improvements to the existing lagoons with the installation of a new clay liner, bank riprap, and other miscellaneous site improvements.

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

The estimated total project amount is \$1,011,225, and the amount requested is \$1,011,225

Raymond has a \$34.35 flat rate.

Staff recommended awarding a \$951,225 Clean Water SRF loan with 100 percent as principal forgiveness and awarding a \$60,000 Consolidated loan at 2.5 percent interest for 30 years.

Raymond has pledged a project surcharge for repayment of the loan. The surcharge required for repayment of the \$60,000 loan is \$7.00, which will bring rates to \$41.35. Staff recommended a Consolidated loan because these loans require 100 percent coverage rather than the 110 percent coverage required for SRF loans.

Raymond has an existing Consolidated loan that requires 100 percent coverage. If an SRF loan were awarded at this time, 110 percent coverage would be required on both loans, which would result in higher rates.

Staff recommended the award being contingent upon the borrower adopting two bond resolutions and the resolutions becoming effective and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage.

Brandon Smid, Helms & Associates, discussed the project and answered questions from the board regarding the clay liner for the lagoon.

Motion by Lanning, seconded by Bernhard, to adopt **Resolution No. 2018-59** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$951,225 with 100 percent principal forgiveness to the **Town of Raymond** for a wastewater improvements 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 to adopt **Resolution No. 2018-60** approving the South Dakota Consolidated Water Facilities Construction Program loan agreement between the Board of Water and Natural Resources and the **Town of Raymond** for a loan not to exceed \$60,000 at 2.5 percent interest for 30 years for a wastewater improvements project 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.

Harrisburg requested funding to construct a new mechanical wastewater treatment facility. Harrisburg's wastewater is currently pumped to the Sioux Falls water reclamation facility for final treatment. The city believes that while the capital cost of a new facility is high, it outweighs the long-term cost to continue sending wastewater to Sioux Falls. The new facility will utilize a return activated sludge process for treatment.

The city anticipates bidding the project in March 2019 with project completion in June 2021.

The estimated total project amount is \$27,737,000, and the amount requested is \$24,487,000. The city will use \$3,250,000 in private financing for land purchase.

Harrisburg recently raised rates to \$99.67 based on 5,000 gallons usage

Staff recommended awarding a \$24,487,000 Clean Water SRF loan at 2.5 percent interest for 30 years.

The city has pledged a project surcharge for repayment of the loan. The city expects rates to be \$106 per month based on 5,000 gallons usage when the loan goes into repayment in 2021. Based on the current rate resolution, the projected users and flow rates, and established surcharges on existing loans, staff believes rates will need to be \$123 per month based on 5,000 gallons usage. Staff is working with the city to develop rates and surcharges that provide sufficient coverage for the loan.

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.

Jim Housiax, Stockwell Engineers, and Andrew Pietrus, city administrator, discussed the project and answered questions from the board regarding the benefits of this project compared to pumping the wastewater to Sioux Falls.

Motion by Bernhard, seconded by Lanning, to adopt **Resolution No. 2018-61** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$24,487,000 at 2.5 percent interest for 30 years to the **City of Harrisburg** for a wastewater treatment facility construction 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.

Mitchell requested funding to upgrade the storm water and sanitary sewer system along Sanborn Boulevard between 1st and 15th Avenues and install nonpoint source best management practices

within the Firesteel Creek Watershed. The nonpoint improvements include such things as stream bank stabilization, grazing management, agricultural waste management systems, and vegetative buffers.

The city anticipates bidding the project in December 2018 with project completion in December 2020.

The estimated total project amount is \$7,606,150 and the amount requested is \$7,524,000. The remaining \$82,150 is local cash.

Staff recommended awarding a \$7,524,000 Clean Water SRF loan, at the NPS incentive rate of 1.25 percent interest for 20 years, which will consist of two bond series – one for \$6,842,000 for the sanitary sewer and storm water improvements and one for \$682,000 for the non-point source component.

Mitchell has pledged a project surcharge for repayment of the loan.

Rates in Mitchell are \$24.77 based on 5,000 gallons usage. Staff analysis indicates Mitchell will need to establish a surcharge of \$7.05. This will result in rates of \$31.82 per 5,000 gallons.

Staff recommended the award being contingent upon the borrower adopting two bond resolutions and the resolutions 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: The borrower may not draw funds from the proceeds of the Series NPS Borrower Bond until EPA approves the revised budget for the Firesteel Creek Watershed Implementation Project.

Jeff McCormick, SPN & Associates, discussed the project and answered questions from the board.

Mr. Bruels answered questions from the board regarding the Firesteel Creek project.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution No. 2018-62** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$7,524,000 at 1.25 percent interest for 20 years with A Series A Borrower Bond in the amount of \$6,842,000 and a Series NPS Borrower Bond in the amount of \$682,000 to the **City of Mitchell** for the North Sanborn Boulevard storm water and sanitary sewer improvements 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 may not draw funds from the proceeds of the Series NPS Borrower Bond until EPA approves the revised budget for the Fire Steel Creek Project Implementation Plan. Motion carried unanimously.

DRINKING WATER FACILITIES FUNDING APPLICATION: Mr. Bruels presented the Drinking Water Facilities funding application and the staff recommendation for funding. A map showing the location of the project was included in the board packet.

Mitchell requested funding to replace water main along Sanborn Boulevard between 1st and 15th Avenues. The existing pipe is 4-inch sand cast and is deteriorated, causing water main breaks. The purpose of this project is to replace the existing pipe with 8-inch PVC pipe to improve pressure and prevent future breaks.

The city anticipates bidding the project in December 2018 with project completion in December 2020.

The estimated total project amount is \$903,250, and the amount requested is \$821,000. The project will also be funded with \$82,250 in local cash.

Rates in Mitchell are \$29.15 per 5,000 gallons usage.

Staff recommended awarding an \$821,000 Drinking Water SRF loan, at 2.25 percent for 20 years.

The city has pledged system revenues for repayment of the loan.

Staff analysis indicates that at current rates Mitchell will have over 300 percent coverage for repayment of the loan.

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

Jeff McCormick, SPN & Associates, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Lanning, to adopt **Resolution No. 2018-63** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$821,000 at 2.25 percent interest for 20 years to the **city of Mitchell** for the North Sanborn Boulevard water system improvements 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. Motion carried unanimously.

Mr. Bruels provided an overview of available funds for the next funding round.

SOLID WASTE MANAGEMENT PROGRAM FUNDING APPLICATION: Drew Huisken provided a summary of 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.

Burke requested funding to increase the recycling capacity in the community. Burke recently introduced a small recycling program in the city, which was met with overwhelming success. The recycling program needs to increase the size of available recycling collection containers to meet the increasing demand and allow for a more reasonable amount of time for hauling to a larger collection facility.

The city proposes to use Solid Waste Management Program funding in conjunction with city funds and funds from other community organizations to purchase a 25-cubic yard recycling trailer to meet the recycling capacity needs of the community. The recycling program is estimated to serve just under 600 people.

The estimated total project cost is \$14,125, and the funding amount requested is \$7,000.

Mr. Huisken stated that the recycling program is voluntary and has no fees associated with it. When containers are full, recyclables will be transported by various community organizations when the need arises at no cost to the residents.

Burke plans to purchase the trailer as soon as funds become available. Following receipt of funding, miscellaneous improvements and educational outreach will be done to enhance the recycling program and further increase community participation.

Staff recommended awarding a Solid Waste Management Program grant up to 49.6 percent of eligible project costs not to exceed \$7,000.

The city of Burke has indicated that the remaining costs for the trailer are being covered by various community organizations and donations.

Mr. Huisken answered questions from the board.

Motion by Lanning, seconded by Bernhard, to adopt **Resolution No. 2018-64** approving the South Dakota Solid Waste Management Program grant agreement to the **city of Burke** for up to 49.6 percent of approved total project costs not to exceed \$7,000 for a recycling program expansion project. Motion carried unanimously.

Mr. Huisken provided an overview of available funds for the next funding round.

ONIDA'S REQUEST TO AMEND CONSOLIDATED GRANT 2015G-301: Jim Anderson reported that on September 26, 2014, the city of Onida received a \$900,000 Consolidated Water Facilities Construction Fund Grant (2015G-301) for water system improvements. The grant was based on 39.1% of total project costs of \$2,305,000. The project included a 200,000-gallon water storage tank, an automatic meter reading system, looping to eliminate dead end lines, and additional hydrants and valves for better operational control of the system.

On March 30, 2017, the city received approval for a grant amendment to change the project description. The new project consists of the replacement of approximately 9,100 feet of asbestos cement water lines, approximately 4,700 feet of services lines, hydrants, valves, and other appurtenances.

On September 4, 2018, the Department received a request from the city to increase the grant percentage from 39.1 percent to 45.0 percent. The request was made to allow Onida to utilize the remaining grant funds before the grant period expires.

Staff recommended approval of the second amendment to Consolidated Program Grant Agreement (2015G-301) for up to 45.0 percent of approved total project costs not to exceed \$900,000.

LaJena Gruis, city commission, answered questions from the board about the automatic meter reading system.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution No 2018-65** approving the second amendment to the **city of Onida** Consolidated Water Facilities Construction Program grant agreement 2015G-301 with the for up to 45.0 percent of approved total project costs not to exceed \$900,000. Motion carried unanimously.

AUDIT REQUIREMENTS FOR PRIVATE NON-PROFIT AND FOR-PROFIT ENTITIES:

Jon Peschong reported that on November 5, 2004, the Board of Water and Natural Resources adopted revised standard loan documents for audit requirements for public and private non-profit and for-profit entities.

The Consolidated, Solid Waste Management, Clean Water SRF and Drinking Water SRF loan agreements for public entities were changed to require borrowers to forward copies of audits required by state law within 15 days of issuance or acceptance by Legislative Audit and deleted the requirement for an audit if for any two consecutive fiscal years the borrower is not required by state law to have its financial statements audited. SDCL 4-11-4 requires municipalities and counties to conduct audits if they receive over \$600,000 in revenue in a fiscal year.

For private non-profit and for-profit entities the audit requirements were retained and clarified that the borrower must have its annual financial statements and the financial condition of the system audited and reviewed by an accountant on at least a biennial basis and forward the audit report to the Board of Water and Natural Resources.

Since January of 2016, the board has made awards to private non-profit and for-profit entities to include the following:

Consolidated Program

Viewfield Rural Water Association - \$50,000

Sheridan Lake Highlands HOA - \$211,700

Drinking Water SRF

Brookings-Deuel RWS - \$250,000

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Perkins County RWS \$ - 1,722,000
Kingbrook RWS \$9,000,000
Clark RWS - \$2,950,000
Pine Cliff Park Water & Maintenance - \$348,000
Sioux RWS - \$9,821,000

Solid Waste Program

AGRAT2 LLC - \$ 209,300
Northwest SD Regional Landfill - \$315,200
Balcon Enterprises - \$954,000

In January 2018, Balcon Enterprises requested the Board of Water and Natural Resources deobligate its loan award citing the costs of hiring a firm to conduct an audit of their financials every two years negated the savings it would save from the low interest loan. Estimates to hire a firm to complete an audit vary based on the entities size and complexity, but are estimated to cost between \$7,500 and \$15,000.

Mr. Peschong provided the board with a copy of an email he received from Sheridan Lake Highlands HOA, who indicated the association would be required to conduct 15 audits over the 30-year term of its loan. The association estimated the cost of each audit to be \$8,500, which, over the term of the loan, would equal \$127,000. They also cited in the email the federal Single Audit Act, which for all non-federal entities that receive federal awards greater than \$750,000 in a fiscal year would be required to conduct an audit. The association also estimates the cost of conducting these audits per user, which for this small entity would be \$15 per person per month.

Staff has been evaluating the costs verses the benefit of having the current audit requirement for private non-profit and for-profit entities. Staff believes that the biennial audit requirement is negating the costs savings of low-interest loans and creating hardship for small private non-profit and for-profit entities.

Staff has been working with legal counsel, and proposes to revise the standard loan agreement for private non-profit and for-profit entities. Below is the proposed language, which would require a project audit, not a full entity-wide audit, be completed once the project is complete on all loan awards that exceed \$250,000.

“(f) The Borrower will furnish to the Board an unaudited statement of the financial position of the Borrower as of the close of the fiscal year and the related statements of revenues and expenses, cash flows, fund balances and changes in fund balances for such fiscal year in accordance with financial and reporting standards as promulgated by the Financial Accounting Standards Board, or an Other Comprehensive Basis of Accounting as appropriate, and certified by a responsible official of the Borrower. Such statements shall be prepared and submitted by the Borrower within 120 days of the end of the Borrower’s fiscal year.

If the loan exceeds \$250,000, the Borrower must have a project audit performed by a qualified independent accountant duly licensed in the State of South Dakota and submitted to the Board within 120 days of the date of the Certificate of Acceptance. The

project audit will include a review of its documentation of all sources of revenue and costs associated with the project. The project audit will also include a review that the Borrower has complied with all applicable federal, state, and local laws, regulations, ordinances and permits applicable to the construction, operation, and maintenance of the Project.

If the Borrower has an annual or biennial audit completed that covers the project period, no project audit is required. The Borrower will submit a copy of all financial and compliance audits completed to the Board within 15 days after it has been issued.

The Borrower agrees to comply with the Single Audit Act of 1984 as amended.”

Staff recommended the board approve the change to the audit requirements in the standard loan agreements for private non-profit and for-profit entities.

Mr. Peschong answered questions from the board

Motion by Bernhard, seconded by Lanning, to approve the change to the audit requirements in the standard loan agreements for private non-profit and for-profit entities. Motion carried unanimously.

CERTIFY BELLE FOURCHE IRRIGATION DISTRICT STATE WATER RESOURCES MANAGEMENT SYSTEM PROJECT COMPLETE: Mr. Peschong reported that the South Dakota Legislature authorized the Board of Water and Natural Resources to provide loans in an amount not to exceed \$2,500,000 from the Water and Environment Fund to the local project sponsor to be used for the upgrades of the Belle Fourche irrigation project.

Since 1995, the Board of Water and Natural Resources has provided \$6,470,000 in grants and \$2,477,693.57 in loans to provide for the Belle Fourche irrigation upgrade project, including replacement of the Indian Creek siphon, the Horse Creek siphon, the north canal control house, and the south canal control house, repair of the Belle Fourche River siphon, and removal of sediment from the south canal intake.

The legislature authorized the project for the purpose of stabilizing crop and forage production in central western South Dakota to offset the effects of drought conditions, which naturally devastate South Dakota's economic viability.

Pursuant to SDCL 46A-1-13.12, no interest may accrue until the Board of Water and Natural Resources certifies the completion of the construction of the project as authorized.

The loan is pledged with special assessment revenue with a 40-year term with payments due in May 1 and November 1.

Mr. Peschong noted that staff had contacted the Belle Fourche Irrigation District to let them know this matter would be on the agenda for today's Board of Water and Natural Resources meeting.

Staff recommended the board approve a resolution authorizing the chairman to certify the completion of the Belle Fourche Irrigation District State Water Resources Management System project as of November 1, 2018, and that the initial loan repayment as described in the loan agreement shall be due and payable on November 1, 2019.

Motion by Gnirk, seconded by Lanning, to adopt **Resolution No. 2018-66** certifying completion of the **Belle Fourche Irrigation Upgrade Project** effective November 1, 2018, and that the first loan payment date shall be due and payable on November 1, 2019. Motion carried unanimously.

HUMBOLDT'S REQUEST TO AMEND CLEAN WATER LOANS C461254-03 AND C461254-04: Mr. Huisken reported that on March 27, 2018, the town of Humboldt received a \$1,876,000 Clean Water State Revolving Fund loan at 2.5 percent interest for 30 years and a \$2,000,000 Consolidated Water Facilities Construction Program grant for the second phase of improvements to the town's wastewater collection system. This Clean Water SRF loan was pledged to be repaid with wastewater revenues.

Also on March 27, 2018, Humboldt received a \$290,000 Clean Water SRF loan at 2.0 percent interest for 10 years for replacement of the town's water meters. This Clean Water SRF loan was pledged to be repaid with water revenues.

On July 12, 2018, the department received a request from the town of Humboldt to change the pledge for repayment on both loans from a revenue pledge to a surcharge.

Staff analysis indicates that a surcharge of \$32.40 will be necessary to provide debt coverage for the \$1,876,000 Clean Water SRF loan (C461254-03). Analysis also indicates that a surcharge of \$11.70 will be necessary to provide debt coverage for the \$290,000 Clean Water SRF loan (C461254-04).

Staff recommended the board rescind Resolution No. 2018-21 approving Clean Water SRF Loan C461254-03, and adopt a resolution changing the debt repayment pledge to project surcharge, with the previous rate, term and the following contingencies: contingent upon borrower adopting a bond resolution and the resolution becoming effective and contingent upon borrower establishing a surcharge sufficient to provide the required debt coverage.

Staff recommended the board rescind Resolution No. 2018-32 approving Clean Water SRF Loan C461254-04, and adopt a resolution changing the debt repayment pledge to project surcharge, with the previous rate, term and the following contingencies: contingent upon borrower adopting a bond resolution and the resolution becoming effective and contingent upon borrower establishing a surcharge sufficient to provide the required debt coverage.

Motion by Lanning, seconded by Bernhard, to adopt **Resolution No. 2018-67** rescinding Resolution No. 2018-21 and approving Clean Water SRF loan C461254-03 to be secured by special charges or surcharges to the **town of Humboldt** up to a maximum committed amount of \$1,876,000 at 2.5 percent interest for 30 years contingent upon borrower adopting a bond resolution and the resolution becoming effective and contingent upon borrower establishing a surcharge sufficient to provide the required debt coverage. Motion carried unanimously.

Motion by Bernhard, seconded by Lanning, to adopt **Resolution No. 2018-68** rescinding Resolution No. 2018-32 and approving Clean Water SRF loan C461254-04 to be secured by special charges or surcharges to the **town of Humboldt** up to a maximum committed amount of \$290,000 at 2.0 percent interest for 10 years contingent upon borrower adopting a bond resolution and the resolution becoming effective and contingent upon borrower establishing a surcharge sufficient to provide the required debt coverage. Motion carried unanimously.

CONSULTING CONTRACT WITH PERKINS COIE LLP FOR BOND COUNSEL SERVICES FOR STATE REVOLVING FUND PROGRAMS SERIES 2018 BOND ISSUE:

Mr. Perkovich reported that Bruce Bonjour, Perkins Coie, LLP in Chicago, has served as bond counsel for the South Dakota Conservancy District since 1994. Mr. Bonjour proposed fees of up to \$85,000 for bond counsel services for the 2018 bond issue. The services to be provided will be similar to past issues and will consist of the following:

The Attorney will perform services as bond counsel for all initial services in connection with the proposed Series 2018 Bonds (“Bonds”) described below for the Clean Water State Revolving Fund Program and the Drinking Water State Revolving Fund Program. The Bonds will be issued in one or more tax exempt series of fixed interest rate bonds to finance State Match and/or provide funds for Leveraged Loans for each Program. Services to be provided by Attorney will include the preparation of an official statement for the Series 2018 Bonds, any initial SEC rule 15c2-12 continuing disclosure undertakings, as well as all advice and opinions on other matters customarily provided by bond counsel related to the proposed Series 2018 Bonds.

It is anticipated that the 2018 bond issue will be a tax-exempt series to provide funds for leveraged loans.

Working with the legal counsel and the Office of Attorney General, staff prepared the contract for bond counsel services for the 2018 bond series. The contract runs through June 30, 2019.

Staff recommended the board approve a resolution authorizing the execution of the bond counsel contract.

Motion by Bernhard, seconded by Lanning, to adopt **Resolution No. 2018-69** approving an agreement for legal services with Bruce Bonjour to serve as Bond Counsel for the South Dakota Conservancy District for the 2018 Bond Issue, and for the preparation of program documents to allow for the issuance of bonds. Motion carried unanimously.

SELECTION OF INVESTMENT BANKING FIRM(S) FOR STATE REVOLVING FUND PROGRAM: Mr. Perkovich reported that the Board of Water and Natural Resources, acting as the South Dakota Conservancy District, requested proposals from qualified firms to provide investment banking, underwriting and additional services, such as remarketing, related to negotiated issuances of bonds and notes for a period of three years. The request for proposals was released on July 18, 2018.

Investment banking firms could submit a proposal to serve as senior manager or co-manager.

The following fourteen proposals were received by the August 13, 2018, submission deadline.

1. Bank of America Merrill Lynch
2. Citigroup Global Markets Inc.
3. FTN Financial
4. Hilltop Securities
5. JP Morgan
6. Morgan Stanley
7. Piper Jaffray
8. Ramirez & Co.
9. RBC Capital Markets
10. Robert W. Baird & Co., Inc.
11. RSA - co-manager
12. Stifel - co-manager
13. UBS
14. Wells Fargo Securities

A board subcommittee comprised of Brad Johnson, Gene Jones, Jr., and Todd Bernhard reviewed the proposals. The subcommittee worked with staff and SRF financial consultants to provide a recommendation to the full board regarding the selection of firm(s) to provide investment banking services.

Staff and subcommittee recommended the board select the investment banking firms of Bank of America Merrill Lynch, Citigroup Global Markets Inc., and JP Morgan. The subcommittee also recommended that Citigroup act as senior manager with the other two firms acting as co-managers on the upcoming 2018 bond issue.

Staff recommended the board approve the selection of the three investment banking firms and authorize the negotiation and execution of multi-year consultant services contracts for investment banking services.

Motion by Bernhard, seconded by Lanning, to approve the selection of Citigroup as senior manager, and Bank of America Merrill Lynch and JP Morgan as co-managers, and to authorize the negotiation and execution of multi-year consultant services contracts for investment banking services. Motion carried unanimously.

PERKINS COIE LLP CONFLICT WAIVER REQUEST FOR SIMULTANEOUS REPRESENTATION OF SOUTH DAKOTA CONSERVANCY DISTRICT AND CITIGROUP GLOBAL MARKETS INC.: Mr. Perkovich stated that Bruce Bonjour, Perkins Coie, has served as bond counsel for the Clean Water State Revolving Fund program since 1993 and the Drinking Water SRF program since 1997. Perkins Coie currently has a contract with the district to serve as bond counsel for the State Revolving Fund programs through December 31, 2018.

Citigroup Global Markets Inc. will enter into a contract with South Dakota Conservancy District for underwriting services related to the issuance of bonds.

Mr. Bonjour submitted a letter requesting the state and the district sign a waiver of a conflict of interest that will allow Mr. Bonjour to continue to represent the district, even though his firm has represented, and is currently representing, Citigroup Global Markets Inc. with respect to a variety of unrelated work, including financing and lending transaction matters.

Because there is a theoretical conflict here, the district needs to waive the conflict in order to proceed. Additionally, the district's legal services contract requires consent of the Attorney General. Mr. Bonjour does not believe the work his firm does for Citigroup Global Markets Inc. will adversely affect the work he does for the district. The district's legal counsel, Mr. Harold Deering, agrees with the conclusion of no adverse effect. Attorney General Marty Jackley will also need to sign the waiver on behalf of the State of South Dakota.

Staff recommended the board authorize the chairman to execute the Perkins Coie LLP Conflict Waiver Request for Simultaneous Representation of South Dakota Conservancy District and Citigroup Global Markets, Inc.

Motion by Bernhard, seconded by Lanning, to authorize the board chairman to execute the Perkins Coie LLP Conflict Waiver Request for Simultaneous Representation of South Dakota Conservancy District and Citigroup Global Markets, Inc. Motion carried.

STATE FISCAL YEAR 2018 STATE REVOLVING FUND REPORT TO THE INTERIM BOND REVIEW COMMITTEE: Mr. Perkovich presented the draft SFY 2018 South Dakota Conservancy District Report to the Interim Bond Review Committee.

The South Dakota Conservancy District is required to present an annual report to the Legislative Interim Bond Review Committee annually on its bond-related activities. A combined report for both SRF programs was developed for this purpose. The report covers SFY 2018 (July 1, 2017 – June 30, 2018). A copy of the draft report was included in the board packet.

Information in the report includes program activity and the unaudited financial statements on a state fiscal year basis, and contains additional information on the district's bond issues.

Staff recommended the board approve the SFY 2018 State Revolving Fund report to the Interim Bond Review Committee and authorize distribution of the report.

Mr. Perkovich answered questions from the board.

Motion by Lanning, seconded by Bernhard, to approve the State Fiscal Year 2018 South Dakota Conservancy District State Revolving Fund report to the Interim Bond Review Committee, and to authorize distribution of the final report. Motion carried unanimously.

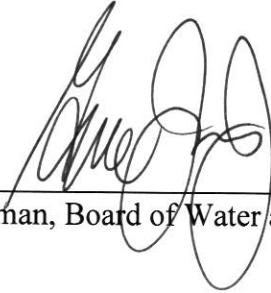
NOVEMBER 8, 2018 MEETING: The next board meeting is November 8, 2018, via the Digital Dakota Network. Mr. Perkovich discussed possible agenda items for this meeting.

ADJOURN: Motion by Bernhard, seconded by Lanning, to adjourn the meeting. Motion carried unanimously.

Board of Water and Natural Resources
September 27, 2018 meeting minutes

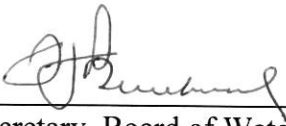
Approved this 8th day of November, 2018.

(SEAL)



Chairman, Board of Water and Natural Resources

ATTEST:



Secretary, Board of Water and Natural Resources

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE 9-27-18

LOCATION Matthew Training Center- Pierre

Name (PLEASE PRINT)	Address	Representing
Mary Duvall	Pierre	Legislative Oversight
Jackie Lanning	Brookings	BWNR
Jon Peschery	Pierre	DENR Staff
J E PUTNAM	RR MOU	SCWOP
Mike Perkovich	Pierre	DENR
Andy Brvels	Pierre	DENR
PAUL GNIRK	NEW UNDERWOOD	BWNR
Stacy Myhre	Pierre	BOR
Jake Fitzgerald	Philip	WR/LJ
Jim Housrux	Stockwell Engrs.	Harrisburg
Andrew Pietrus	Harrisburg	City of Harrisburg
Jim Anderson	Pierre	DENR
Brandon Smith	Aberdeen	Helm & Associates
Stephanie Riggle	Pierre	DENR
David Ruhnke	Pierre	DENR
TODD BEARNARD	FOAT Pierre	BWNR
Lalena Cris	Pine/Orinda	City of Orinda/GOES
JEFF McCremore	Mitchell	SPN / City of Mitchell
Abbey Larson	Pierre	DENR
Drew Heisben	Pierre	DENR