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

September 26, 2019
1:00 p.m. CT

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

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

BOARD MEMBERS PRESENT: Jerry Soholt, Gene Jones, Todd Bernhard, Paul Gnirk, and Karl Adam.

BOARD MEMBERS ABSENT: Jackie Lanning and Kathy Johnson.

OTHERS PRESENT: See attached attendance sheets.

APPROVE AGENDA: Andy Bruels noted that Dave Ruhnke would present Item 7, Investment Broker Agreements.

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

APPROVE MINUTES OF JUNE 27 AND JULY 22, 2019, MEETINGS: Motion by Gnirk, seconded by Bernhard, to approve the minutes of the June 27 and July 22, 2019, Board of Water and Natural Resources meetings. Motion carried unanimously.

INTRODUCTIONS: Andy Bruels introduced new board member Karl Adam, Pierre, who was appointed by Governor Noem to replace Brad Johnson.

Mr. Bruels introduced new DENR secretary Hunter Roberts, Pierre, who was appointed by Governor Noem to replace Steve Pirner who retired.

The board welcomed Mr. Adam and Secretary Roberts.

PUBLIC COMMENT PERIOD: There were no public comments.

PUBLIC HEARING TO ADOPT 2020 BROWNFIELDS REVITALIZATION AND ECONOMIC DEVELOPMENT PROGRAM WORK PLAN: Chairman Soholt opened the hearing at 1:10 p.m. Central Time.

The purpose of the hearing was to receive public input and adopt the FFY 2020 Brownfields Revitalization and Economic Development Program work plan. The primary purpose of the work plan is to identify Brownfields projects to be funded through the Brownfields Revolving Loan Subfund and Brownfields Assessment and Cleanup Subfund and amounts available to fund such projects.

Nayyer Syed, DENR Ground Water Quality Program, presented and discussed the proposed FFY 2020 Brownfields Revitalization and Economic Development work plan.

Each year the department receives funds from EPA for the development and enhancement of the state Brownfields Program.

Limited funding is available for the Assessment and Cleanup Subfund. The funds will be used by the department to hire contractors to perform assessment and cleanup work on eligible Brownfields sites. The work plan includes a list of Brownfields assessment and cleanup projects to be funded.

Notice of the public hearing was published in the Aberdeen American News, Rapid City Journal, and Pierre Capital Journal on August 16, 2019. The notice is also available on the Department of Environment and Natural Resources' website.

Mr. Syed noted that no public comments were received after publication of the notice. He requested approval of the workplan.

Chairman Soholt requested public testimony regarding the proposed work plan. There was no public testimony.

Motion by Bernhard, seconded by Gnirk, to adopt the FFY 2020 Brownfields Revitalization and Economic Development Program work plan. Motion carried unanimously.

INVESTMENT BROKER AGREEMENTS: Dave Ruhnke reported that at the January 2019 meeting, the board approved the request for proposals for an investment manager since the contract with PFM Asset Management was expiring on March 31, 2019. Staff and the board subcommittee reviewed five proposals that were submitted, and it was decided not to retain an investment manager. It was determined that through an investment broker, staff could direct the purchase or sale of securities, saving the Conservancy District an estimated \$40,000 to \$50,000 annually.

Staff and legal counsel have been working with investment brokers to serve as brokers on fixed income trading of U.S. Government and Agency securities for the South Dakota Conservancy District.

Mr. Ruhnke noted that included in the board packet were the investment broker agreements from Wells Fargo Securities, LLC and U.S. Bank Money Center, as negotiated. Legal counsel has reviewed and approved each of the investment broker agreements. The agreements do not have a specific timeframe, or a cost associated with them, but will allow designated staff members to buy and sell fixed income U.S. Government and Agency securities.

Staff recommended the board approve both agreements.

Motion by Bernhard, seconded by Gnirk, to approve the investment broker agreement with Wells Fargo Securities LLC. Motion carried unanimously.

Motion by Jones, seconded by Bernhard, to approve the investment broker agreement with U.S. Bank Money Center. Motion carried unanimously.

STATE FISCAL YEAR 2019 STATE REVOLVING FUNDS REPORT TO THE INTERIM BOND REVIEW COMMITTEE: Andy Bruels reported that the South Dakota Conservancy District is required to report to the Legislative Bonding Review Committee annually on its bond-related activities. A draft report was included in the board packet. The report covers State fiscal year 2019 (July 1, 2018 – June 30, 2019).

The report consists of six sections. The Executive Summary summarizes the programs and the board's authority and discusses the 2018 bond issue, which was closed in December 2018. It also provides a summary of previous bond activity and SFY 2019 program activity. In SFY 2019, the board awarded 16 Clean Water SRF loans and one amendment totaling \$82,148,775 and 16 Drinking Water SRF loans and one amendment totaling \$58,507,000.

Section 2 contains the unaudited financial statements for both SRF programs.

Sections 3 and 4 of the report include overviews and history of the Clean Water and Drinking Water SRF programs. The board has awarded nearly \$852.8 million in Clean Water SRF loans and \$590.8 million in Drinking Water SRF loans. The two programs have awarded more than \$1.44 billion to South Dakota communities beginning in November 1989 with a Clean Water SRF loan to Huron. The first Drinking Water SRF loan was to Sturgis in January 1998.

Section 5 includes the Bond Issue Summaries. A summary for the 2018 bond issue was added to this report.

Section 6 show the statutes governing the South Dakota Conservancy District and the SRF programs.

Staff recommended that the board approve the 2019 Legislative Bond Review Committee Report and to authorize the staff to print and distribute the report on behalf of the board.

Mr. Bruels answered questions from the board.

Motion by Bernhard, seconded by Gnirk to approve and authorize staff to distribute the SFY 2019 State Revolving Fund report to the Interim Bond Review Committee. Motion carried unanimously.

AMENDMENTS TO THE STATE WATER PLAN, 2019 CLEAN WATER SRF INTENDED USE PLAN, AND 2019 DRINKING WATER SRF 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 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 2020.

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

Four State Water Plan applications were received by the August 1, 2019, deadline. As he presented the State Water Plan applications, Mr. Bruels identified those projects to be placed on the Clean Water SRF and Drinking Water SRF project priority lists.

Clay Rural Water System requested placement onto the facilities plan to install nine miles of distribution line to better serve customers, install a new booster station, and to upgrade their SCADA and other electronic communication systems. The estimated total project cost is \$2,158,500. The project will be placed on the Drinking Water IUP with 17 priority points and an estimated loan amount of \$2,158,500 at 2.75 percent interest for 30 years.

Huron requested placement onto the facilities plan to construct a new Sequencing Batch Reactor (SBR) system near their existing SBR site. The project will also rehabilitate the existing pretreatment facility. The estimated total project cost is \$14,945,500. The project will be placed on the Clean Water IUP with 24 priority points and an estimated loan amount of \$14,945,500 at 2.75 percent interest for 30 years.

Sioux Falls requested amendment onto the facilities plan to improve and upgrade the storm water piping in three existing developed areas in the city to include Basin 95 near 53rd Street and West Mesa Pass, Basin 104 near 49th Street and Oxbow avenue, and Basin 371 near Sertoma and Theodore Avenues. The total funding also includes \$457,466 of nonpoint source improvements to the Big Sioux watershed project. The estimated total project cost is \$9,457,466. The project will be placed on the Clean Water IUP with 12 priority points and an estimated loan amount of \$9,457,466 at 1.25 percent interest for 10 years.

Volga requested amendment onto the facilities plan to construct a new 750,000-gallon elevated water storage tower. The existing water tower does not have adequate capacity to meet the average day demand of the city. The estimated total project cost is \$2,790,000. The project will be placed on the Drinking Water IUP with 20 priority points and an estimated loan amount of \$2,790,000 at 2.75 percent interest for 30 years.

Staff recommended amending the four projects onto the State Water Facilities Plan.

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

Amendments to Clean Water SRF IUP

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

Lennox will complete the Phase III replacement of storm and sanitary sewer pipes in the city's central basin project. The city previously received funding for Phases II and III; however, after bids were opened it was determined that additional funds would be necessary to complete the Phase III portion of the work. The project will be placed on the Clean Water IUP with 10 priority points and an estimated loan amount of \$1,000,000 at 2.75 percent interest for 30 years.

Staff recommended the addition of the Huron, Sioux Falls, and Lennox projects onto the 2019 Clean Water SRF IUP.

Motion by Jones, seconded by Adam, to accept the staff recommendation regarding amendments to the 2019 Clean Water SRF IUP. Motion carried unanimously.

Amendments to Drinking Water SRF IUP

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

Lennox will complete the Phase III replacement of water distribution pipes in the city's central basin project. The city previously received funding for Phases II and III; however, after bids were opened it was determined additional funds would be necessary to complete the Phase III portion of the work. The project will be placed on the Drinking Water IUP with 10 priority points and an estimated loan amount of \$375,000 at 2.50 percent interest for 30 years.

Ree Heights will replace the meters and water distribution system. After completion, the system will be turned over to Mid-Dakota Rural Water System with Ree Heights customers becoming individual users of Mid-Dakota. The city previously received funding for this project, however, after changes from the original project scope were made and bids were opened it was determined that additional funds would be necessary to complete the project. The project will be placed on the Drinking Water IUP with 67 priority points and an estimated loan amount of \$590,000 at 2.50 percent interest for 30 years.

Staff recommended the addition of the Ree Heights, Volga, Clay Rural Water System, and Lennox projects onto the 2019 Drinking Water SRF IUP.

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

AVAILABLE FUNDING: Mr. Bruels reviewed available funds for the Consolidated Water Facilities Construction Program, 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.

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

Ree Heights requested funding to replace the water distribution system. Upon completion of the project, Mid-Dakota Rural Water System (RWS) will take over all operational and maintenance requirements of the system and serve Ree Heights users as individual users.

Ree Heights anticipates bidding the project in the fall of 2019 with project completion in the summer 2020.

The estimated total project amount is \$1,020,000, and the amount requested is \$590,000.

Rates in Ree Heights are \$23.00 per 5,000 gallons.

Mr. Bruels reported that in March 2018 Ree Heights received a \$509,000 Drinking Water SRF loan with 84.5 percent principal forgiveness not to exceed \$430,000 to replace its water distribution system. Mid-Dakota RWS agreed to assume ownership of the water system and provide individual service to the town's users once the distribution system was replaced. The loan was later amended to \$430,000 with 100 percent principal forgiveness. Mid-Dakota RWS agreed to pay for the remaining \$79,000. The project was bid in early 2019, and the bids were much higher than the estimates. This was attributed largely to a mistake in the original cost estimate and a significant increase in the number of services to be replaced. As a result, Ree Heights is now requesting an additional \$590,000.

Staff recommended awarding a \$432,000 Drinking Water SRF loan with 100 percent as principal forgiveness.

The loan amount was determined by subtracting the \$79,000 Mid-Dakota RWS contribution, which was not considered in the new application, from the request and multiplying the result by 84.5 percent as provided in the original award. After a meeting with the town and Mid-Dakota RWS, it was decided that Ree Heights will use funds from its cash reserves to pay the remaining project costs. Current water rates for Mid-Dakota customers are \$65.75 per 5,000 gallons usage, which is similar to recent system consolidation projects approved by the board.

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

Lyle Schumack, Bartlett & West, Inc., Scott Gross, Mid-Dakota Rural Water System, and Renea Phinney, town of Ree Heights, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution No. 2019-65** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$432,000 with 100 percent principal forgiveness to **Ree Heights** for water system improvements, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the

performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution and the resolution becoming effective. Motion carried unanimously.

Pierpont requested funding to replace 80 old and non-functioning water meters throughout town with a new electronic read water meter system.

Pierpont anticipates bidding the project in February of 2020 with project completion in August 2020.

The estimated total project amount is \$132,000, and the amount requested is \$132,000.

Rates in Pierpont are \$58.00 per 5,000 gallons.

Mr. Bruels noted that water conservation projects, to include water meters, are eligible for Clean Water SRF funding. This project can be used to meet the Green Project Reserve requirements on current and prior year Clean Water capitalization grants. There are no Green Project Reserve requirements associated with recent Drinking Water capitalization grants.

Staff recommended awarding a \$132,000 Clean Water SRF loan at 2.25 percent interest for 10 years with 89.4 percent principal forgiveness not to exceed \$118,000.

Pierpont has pledged a project surcharge for repayment of the loan. Staff analysis shows that a \$2.00 surcharge is required for repayment of the \$14,000 net loan. The town has established an \$11.00 surcharge to repay a previous Drinking Water SRF loan. A surcharge of only \$9.00 is required for repayment of the previous loan, leaving the extra \$2.00 being collected available for repayment of this new loan. Staff also expects Pierpont will realize an increase in revenues once functioning water meters are installed.

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.

Audry Johnson, Town President, and Leif Redinger, Helms & Associates, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt **Resolution No. 2019-66** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$132,000 at 2.25 percent interest for 10 years with 89.4 percent principal forgiveness not to exceed \$118,000 to **Pierpont** 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 sufficient to provide the required debt coverage. Motion carried unanimously.

Lennox requested funding to replace, extend, and loop 2,400 feet of water main in the central part of the city. A portion of the work was bid in the spring of 2019, and costs exceeded the engineer's estimate. The engineer projects a shortfall of \$375,000 between current funding and actual costs to complete the water main portion of the project.

The city bid Phase 2 of the project in the spring of 2019 and anticipates bidding Phase 3 in the spring of 2020 with project completion of October 2020.

The estimated total project amount is \$1,282,000, and the amount requested is \$375,000.

Rates in Lennox are \$53.42 per 5,000 gallons.

Lennox previously received a \$921,000 Drinking Water SRF loan to fund this project.

Staff recommended awarding a \$375,000 Drinking Water SRF loan at 2.75 percent interest for 30 years.

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

Lennox received no subsidy when the original award was made in 2017. At that time the city's rates were \$49.00 for 5,000 gallons. Due to a substantial savings that Lennox was to realize by using the Lewis and Clark Regional Water System as its sole source of water, a rate increase was not necessary to cover the \$921,000 Drinking Water SRF loan. A surcharge of \$1.65 is needed to provide the required 110 percent debt coverage on the additional \$375,000 being requested. Staff analysis indicates that by restructuring current rates to include the new surcharge amount, Lennox can repay this loan without a rate increase.

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.

Denise Hanson, finance officer, read a letter from Mayor Tracy West.

Motion by Jones, seconded by Adam, to adopt **Resolution No. 2019-67** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$375,000 at 2.75 percent interest for 30 years to **Lennox** for the Central Basin water improvements Phases 2 and 3 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 sufficient to provide the required debt coverage. Motion carried unanimously.

Lincoln County Rural Water System requested funding to install 20,400 feet of parallel transmission mainline in Springdale Township to provide redundancy within the system and increase water quantity and system pressures.

The Rural Water System anticipates bidding the project in December 2019 with project completion in the winter of 2020.

The estimated total project amount is \$2,090,000, and the amount requested is \$750,000. Lincoln County Rural Water System will contribute \$1,340,000 in local cash.

Rates are \$64.75 per 7,000 gallons.

Staff recommended awarding a \$750,000 Drinking Water SRF loan at 2.75 percent interest for 30 years.

Lincoln County Rural Water System has pledged system revenue for repayment of the loan. Staff analysis indicates that the current rates generate 815 percent coverage, which exceeds the 110 percent requirement.

Staff recommended the loan being contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan, contingent upon the borrower approving a security agreement and mortgage, and contingent upon an Intercreditor Agreement being approved and executed by Rural Utilities Service, Lincoln County Rural Water System, and the District.

Robin Dykstra, manager of the rural water system, and Nathan Brandenburg, DGR, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution No. 2019-68** approving a Drinking Water State Revolving Fund loan up to a maximum committed amount of \$750,000 at 2.75 percent interest for 30 years to **Lincoln County Rural Water System** for main transmission line improvements, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust, contingent upon the borrower adopting a bond resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan, contingent upon the borrower approving a security agreement and mortgage, and contingent upon an Intercreditor Agreement being approved and executed by Rural Utilities Service, Lincoln County Rural Water System, and the District. Motion carried unanimously.

SANITARY/STORM SEWER FACILITIES FUNDING APPLICATIONS: Mr. Bruels presented the applications and staff funding recommendations. A map showing the location of the projects was included in the board packet.

Sioux Falls requested funding for the expansion of the Water Reclamation Facility estimated to cost \$159,000,000. This \$41,625,000 funding application is the first of four loans anticipated to fund the project over the next three to four years. The project includes improvements to the Water Reclamation Facility to address the need to improve reliability due to age and condition to avert a

risk of failure, increase existing and future hydraulic and organic capacity to accommodate growth, meet potential future regulations, and improve treatment operation.

Work will include improvements to the influent flow equalization, headworks facilities, primary clarifier facilities, aeration basin, final clarifiers, return activated sludge and waste activated sludge pumps, tertiary filter, disinfection, effluent flow meter, solids handling and thickening, new generator, site piping and site work, as well as Phase 1 high priority items and Phase 1 medium priority items discussed in the engineering report.

Sioux Falls anticipates bidding the project in the winter of 2021 with project completion in the fall of 2024.

The estimated total project amount is \$159,000,000, and the amount requested is \$41,625,000.

Rates in Sioux Falls are \$34.47 per 5,000 gallons.

Staff recommended awarding a \$41,625,000 Clean Water SRF loan at 2.50 percent interest for 20 years.

Sioux Falls has pledged system revenues for repayment of the loan. Staff analysis indicates Sioux Falls would have 144 percent coverage based on estimated wastewater revenue and expenses projected in 2022. The city has enacted an ordinance that will increase rates each year through the year 2023 when rates will be \$41.06 per for 5,000 gallons.

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

Ryan Johnson, city of Sioux Falls engineer, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Adam, to adopt **Resolution No. 2019-69** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$41,625,000 at 2.5 percent interest for 20 years to **Sioux Falls** for the Phase 1 Water Reclamation Facility 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. Motion carried unanimously.

Viborg requested funding to for sanitary and storm sewer improvements along and adjacent to Park Avenue. Sanitary sewer improvements include replacing approximately 3,200 feet of sanitary sewer main and related appurtenances. Storm sewer improvements include replacing and upsizing approximately 1,100 feet of storm sewer main, installing 550 feet of new storm sewer main and related appurtenances.

The city anticipates bidding the project in the spring of 2020 with project completion in November 2020.

The estimated total project amount is \$2,862,000, and the amount requested is \$1,833,000.

Rates in Viborg are \$26.10 per 5,000 gallons.

Viborg is also seeking a \$600,000 DOT Community Access Grant and \$429,000 Community Development Block Grant to complete the funding package. Decisions on both these requests have not been made and are not anticipated until November or December. If either of these grants are not awarded, additional funds from this board would likely be needed to complete the project.

Staff recommended that the board defer the application until the January 2020 Board of Water and Natural Resources meeting.

Mr. Bruels noted that, by rule, the board is allowed to defer action on funding applications up to 120 days from the original presentation to the board, so a decision for funding in January will be necessary.

Motion by Gnirk, seconded by Jones, to defer the Viborg funding application until January 2020. Motion carried unanimously.

Lennox requested funding to replace 4,900 feet of aging sanitary sewer and nearly 4,200 feet of storm sewer in the central part of the city of Lennox. A portion of the work was bid in the spring of 2019, and costs exceeded the engineer's estimate. The engineer projects a shortfall of \$1,000,000 between current funding and actual costs to complete the sanitary and storm sewer portion of the project.

The city of Lennox bid Phase 2 of the project in the spring of 2019 and anticipates bidding Phase 3 in the spring of 2020 with project completion in October 2020.

The estimated total project cost is \$4,766,000, and the amount requested is \$1,000,000.

Lennox has a \$54.46 flat fee per month.

Lennox previously received a \$1,496,000 Clean Water SRF loan, a \$2,000,000 Consolidated grant, and a \$270,000 Clean Water SRF Water Quality grant to fund this project. The \$2,000,000 Consolidated grant award is the maximum allowed by law for any one project without specific legislative approval.

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

Lennox pledged a project surcharge for repayment of the loan. The surcharge required on the loan is \$4.35; however, staff analysis indicates the city can restructure its rates to establish the surcharge and keep rates at the current level.

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.

Denise Hanson, finance officer, answered questions from the board.

Motion by Adam, seconded by Jones, to adopt **Resolution No. 2019-70** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,000,000 at 2.75 percent interest for 30 years to **Lennox** for the Central Basin water improvements Phases 2 and 3 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.

Hartford requested funding to install 7,700 feet of sanitary sewer and related appurtenances along Western Avenue to add service to the city's industrial park and residences along the new service route.

The city anticipates bidding the project in March 2020 with project completion in October 2020.

The estimated total project amount is \$1,334,000, and the amount requested is \$1,334,000.

Rates in Hartford are \$43.52 per 5,000 gallons.

Staff recommended awarding a \$1,334,000 Clean Water SRF loan at 2.75 percent interest for 30 years.

Hartford is pledging system revenue for repayment of the loan. Staff analysis indicates that the revenue generated at current rates will provide 190 percent coverage, which exceeds the required 110 percent for the loan.

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

Teresa Sidel, city administrator, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Gnirk, to adopt **Resolution No. 2019-71** approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,334,000 at 2.75 percent interest for 30 years to **Hartford** for the Western Avenue sewer 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. Motion carried unanimously.

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

James River Water Development District requested funding for the first segment of a locally planned 10- to 15-year effort to implement Best Management Practices in the Lewis and Clark Lake watershed, Lake Andes, Geddes, Academy 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 Total Maximum Daily Loads established, and to be established, for water bodies in these watersheds.

The water development district anticipates project implementation upon funding availability to August 31, 2021.

The estimated total project amount is \$19.4 million, and the amount requested is \$500,000.

Since January 2016, James River has been awarded six Consolidated or Water Quality grants totaling \$1,568,000 for this project. The additional funds will provide funding for this component of the South Central Watershed Project.

Staff recommended awarding a \$500,000 Consolidated grant for up to 15 percent of total project costs.

Rocky Knippling, James River Water Development District, discussed the project and answered questions from the board.

Motion by Jones, seconded by Bernhard, to adopt **Resolution No. 2019-72** approving the South Dakota Consolidated Water Facilities Construction Program grant agreement to the **James River Water Development District** for up to 15 percent of approved total project costs not to exceed \$500,000 for the South Central Watershed Implementation project, Segment 1. Motion carried unanimously.

Mr. Bruels provided an overview of available funding.

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

Mr. Huisken presented the Solid Waste Management Program funding applications and the staff funding recommendations. A map showing the location of the projects was included in the board packet.

Belle Fourche requested funding for a project to replace and relocate the scale at its landfill facility due to age, size, and safety issues. The current scale is beyond its useful life and is also too short, which leads to traffic backups along 8th Avenue. The new scale will be relocated to ease traffic and accommodate longer incoming loads. Improvements to the scale house and the access road are also included in this project.

The estimated total project amount is \$525,000, and the amount requested is \$262,000.

Current tipping fees at the Belle Fourche landfill are \$59.27 per ton of municipal solid waste.

Belle Fourche is anticipating bidding the project in late Fall 2019 with completion in the summer 2020.

Staff recommended awarding a Solid Waste Management Program grant for up to 20 percent of total project costs not to exceed \$105,000.

For landfill projects and equipment purchases, grant awards have historically been between 15-25 percent of total project costs. The city indicated that it is not interested in a Solid Waste Management Program loan to fund the remainder of the project cost.

Steve Nafus, Belle Fourche engineer, discussed the project and answered questions from the board.

Motion by Jones, seconded by Gnirk, to adopt **Resolution No. 2019-73** approving the South Dakota Solid Waste Management Program grant agreement to **Belle Fourche** for up to 20 percent of approved total project costs not to exceed \$105,000 for landfill scale replacement. Motion carried unanimously.

Custer-Fall River Waste Management District requested funding to purchase a landfill compactor. The current compactor was purchased in 2008 and is beyond its useful life. The compactor has become inefficient to maintain and operate.

The estimated total project amount is \$397,190, and the amount requested is \$198,595.

Current tipping fees at the landfill are \$52.00 per ton of municipal solid waste, which are comparable to the state average.

The district intends to purchase the new compactor in the fall of 2019.

Staff recommended awarding a Solid Waste Management Program grant for up to 20.2 percent of the total project costs not to exceed \$80,000.

Mr. Huisken noted that for landfill projects and equipment purchases, grant awards have historically been between 15 percent and 25 percent of total project costs. Custer-Fall River Waste Management District indicated they are not interested in a Solid Waste Management Program loan to fund the remainder of the project costs.

Motion by Jones, seconded by Gnirk, to adopt **Resolution No. 2019-74** approving the South Dakota Solid Waste Management Program grant agreement to **Custer Fall-River Waste Management District** for up to 20.2 percent of approved total project costs not to exceed \$80,000 for the purchase of a compactor. Motion carried unanimously.

CyberWorx requested funding for an eWaste Recovery: Cleaning up South Dakota and North Dakota project.

Mr. Huisken stated that CyberWorx is a private, for-profit entity. In accordance with SDCL 46A-1-98 any documentary material or data made or received by the board or DENR for the purpose of furnishing financial assistance to a business to the extent that the material or data consists of trade secrets or commercial or financial information regarding the operation of such business is not public record and is exempt from disclosure. Any discussion or consideration of such trade secrets or commercial or financial information by the board may be done in executive session.

CyberWorx, is a recycling company based out of Eureka, SD, that specializes in the recovery, refurbishment, and resale of electronic waste (eWaste). The company is seeking funding to expand their business through several improvements.

Improvements in the proposed project include the purchase and development of existing and new business property, a backup generator, purchasing capital equipment for use in processing and repairing eWaste, and working capital for small tools and equipment.

Heavy equipment purchases include a box truck, trailers, and forklift. Technological equipment includes computers, servers, 3D printers, and software. Various tools and light equipment include a lawnmower, snowblower, workbench, and specialized tools for dismantling, refurbishing, and repairing electronics.

The estimated total project amount is \$1,271,000, and the amount requested is \$997,000. The application contains \$400,000 in items ineligible for funding

Mr. Huisken stated that according to the project narrative, CyberWorx deals with approximately 10,000 lbs. of eWaste each month. The proposed improvements would allow CyberWorx to deal with an estimated 30,000 lbs. of eWaste.

CyberWorx intends to complete the improvements within three years from the date of funding.

Mr. Huisken noted that the Solid Waste Management Program has not recommended a grant award, nor has the board awarded grants to private-for-profit businesses that have other competitors in South Dakota as subsidizing one business would offer a competitive advantage.

Staff recommended no funding for this project.

James Fish, owner of CyberWorx, was there to answer questions.

Mr. Huisken reminded the board that any discussion of trade secrets or commercial or financial information must be done in an executive session in accordance with South Dakota Codified Law.

Motion by Gnirk, seconded by Bernhard, to deny funding to CyberWorx. Motion carried unanimously.

Tri-County Landfill Association requested funding to construct Phase 2 of its landfill Cell #3. At current capacity, the landfill will run out of space in less than two years. The expansion of Cell #3

will be approximately 44,000 square feet with a depth of 53 feet and will provide approximately ten years of life expectancy to the landfill.

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

Current tipping fees at the landfill are \$44.00 per ton of municipal solid waste.

Tri-County Landfill Association intends to bid the project in the spring of 2020 with project completion in August 2020.

Staff recommended awarding a Solid Waste Management Program grant for up to 40 percent of total project costs not to exceed \$240,000 and a \$360,000 Solid Waste Management Program loan at 2.25 percent interest for 7 years.

Staff recommended that the Solid Waste Management Program loan be 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 and contingent upon the borrower approving a security agreement and mortgage.

The Tri-County Landfill Association is pledging landfill fees for repayment of the loan. Staff analysis indicates that revenues generated will provide approximately 125 percent debt coverage on the loan.

Larry McManus, manager of the Tri-County Landfill Association discussed the project and answered questions from the board.

Motion by Jones, seconded by Adam, to adopt **Resolution No. 2019-75** approving the South Dakota Solid Waste Management Program loan agreement up to a maximum committed amount of \$360,000 a 2.25 percent interest for seven years to **Tri-County Landfill Association** for landfill Cell 3 Phase 2 construction 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 and contingent upon the borrower approving a security agreement and mortgage; and to adopt **Resolution No. 2019-76** approving the South Dakota Solid Waste Management Program grant agreement to **Tri-County Landfill Association** for up to 40 percent of approved total project costs not to exceed \$240,000 for landfill Cell 3 Phase 2 construction. Motion carried unanimously.

Mr. Huisken provided an overview of the remaining funds in the Solid Waste Management Program.

NOVEMBER 2019 MEETING: The next meeting is scheduled on November 7, 2019, via the Digital Dakota Network at sites in Pierre, Rapid City, Sioux Falls, and Brookings. Mr. Bruels highlighted some possible agenda items for that meeting.

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

Approved this 7th day of November 2019.

(SEAL)

Chairman, Board of Water and Natural Resources

ATTEST:

Secretary, Board of Water and Natural Resources

DRAFT

BOARD OF WATER AND NATURAL RESOURCES
ATTENDANCE SHEET

DATE 9-26-19

LOCATION Matthew Training Center- Pierre

Name (PLEASE PRINT)	Address	Representing
<u>PAUL GNIRK</u>	<u>NEW UNDERWOOD</u>	<u>BWNR</u>
<u>Jerry Scholt</u>	<u>Sioux Falls</u>	<u>BWNR</u>
<u>Jay Gilbertson</u>	<u>Brookings</u>	<u>East Dakota WTD</u>
<u>Scott Gross</u>	<u>Miller</u>	<u>Mid-Dakota Rural Water</u>
<u>Lyle Schumack</u>	<u>mellette</u>	<u>Bortlett + West Inc</u>
<u>J E PUTNAM</u>	<u>ARMOUR</u>	<u>SCWPD</u>
<u>Audrey JOHNSON</u>	<u>Pierpont</u>	<u>Town of Pierpont</u>
<u>Nathan Brandenburg</u>	<u>Rock Rapids, IA</u>	<u>DGR Engineering / CRWS</u>
<u>Robin Dykstra</u>	<u>Lincoln County Rural Water</u>	<u>' ' '</u>
<u>Teresa Sidel</u>	<u>Hartford, SD</u>	<u>City of Hartford</u>
<u>Gene Jones Jr.</u>	<u>SF, SD</u>	<u>BWNR</u>
<u>Drew Huishon</u>	<u>DENR</u>	<u>DENR</u>
<u>Denise Hanson</u>	<u>1075 Main St Lennox SD 57039</u>	<u>City of Lennox</u>
<u>BOB MERCER</u>	<u>Keloland</u>	<u>Pierre</u>
<u>Deve Ruhnke</u>	<u>Pierre</u>	<u>DENR</u>
<u>TOO BERNHARD</u>	<u>FORT PIERRE</u>	<u>BWNR</u>
<u>Rocky Knipping</u>	<u>Chamberlain</u>	<u>JRWDD</u>
<u>LEIF REDINGER</u>	<u>ABERDEEN</u>	<u>Helm & Assoc.</u>
<u>Steph Riggle</u>	<u>Pierre</u>	<u>DENR</u>
<u>Steve Nafus</u>	<u>Belle Fourche</u>	<u>Belle Fourche</u>
<u>Jim Anderson</u>	<u>Pierre</u>	<u>DENR</u>

