

**SOUTH DAKOTA STATE RAILROAD BOARD MEETING MINUTES
AUGUST 15, 2018 – 11:00 A.M.
BECKER-HANSEN BUILDING – 700 EAST BROADWAY
PIERRE, SOUTH DAKOTA**

MEMBERS PRESENT: Harlan Quenzer, Chair
Jerry Cope, Vice Chair
Jeff Burket, Secretary
Greg Carmon, Member
Steve Scharnweber, Member
Jack Nelson, Member
Gary Doering, Member

DOT STAFF PRESENT: Darin Bergquist, Karla Engle, Bonnie Olson, Misty Siedschlaw, Jack Dokken, and Katherine Anderson

OTHERS PRESENT: Alex Huff; Dick Huff; Blake Jones – Rapid City, Pierre & Eastern, Inc. (RCP&E); Dean Krogman – RCP&E; Scott Van Den Top – D & I Railroad Co. (D&I)/L.G. Everist; Jack Parliament – D&I; Bob Mercer – Associated Press; Jeff Tschetter – East Central Regional Railroad Authority; Larry Mattke – East Central Regional Railroad Authority

**DOT STAFF PRESENT
VIA CONFERENCE CALL:** Becky Janssen

Chairman Harlan Quenzer called the meeting of the South Dakota State Railroad Board (the “Board”) to order at 11:09 a.m.

Greg Carmon, newly appointed Board member, introduced himself to the Board and provided a brief background.

Quenzer opened the floor to Board members to disclose potential conflicts of interest and to present requests for waivers pursuant to South Dakota Codified Law (SDCL) chapter 3-23.

The Board acknowledged receipt of Cope’s written annual disclosure of potential conflict of interest, which will be filed with the required state agencies. A copy of the written annual disclosure form is attached to and incorporated into these minutes as **Exhibit A**.

Quenzer asked for a motion to approve the minutes of the June 20, 2018, Board meeting.

A MOTION WAS MADE by Cope and seconded by Nelson to approve the June 20, 2018, meeting minutes. All present voted aye by roll call vote. The motion carried.

Quenzer opened the floor for public input. No members of the public addressed the Board or offered input.

Secretary Bergquist informed the Board that the Notice of Funding Availability (“NOFA”) came out August 10, 2018, for the Special Transportation Circumstances (“STC”) grant funds that are available to the Department of Transportation (the “Department”). The Department had almost \$1,000,000.00 in grant funds available last year that were able to be carried forward to this year. The combined total of STC grant funds available this year is \$9,100,000.00. The deadline for submission of the STC grant applications is October 5, 2018.

Bergquist distributed to the Board Members a letter the Department received from the First Iowa Division of North American Rail Car Operators Association (“NARCOA”).

Bergquist discussed with the Board the issue of how to handle late payments for the main line leases.

A MOTION WAS MADE by Burket and seconded by Scharnweber to direct the Department to amend the current main line leases with the regional railroad authorities to provide that there will be a 30-day difference between the date when rent is due under the sub-lease and the date when rent is owed to the Department under the lease, with a 1.5% pro-rated late fee. All present voted aye by roll call vote. The motion carried.

A MOTION WAS MADE by Cope and seconded by Doering that upon amendment of the main line lease agreement, any prior late payments would not be subject to a late payment penalty fee. All present voted aye by roll call vote. The motion carried.

A MOTION WAS MADE by Cope to amend the funding of the grant application for the D & I Railroad Co., request to consist of \$4,000,000.00 in CRISI funds; \$1,200,000.00 grant from the State Railroad Trust Fund; \$1,000,000.00 loan from the State Railroad Trust Fund; and \$1,850,000.00 from private sources.

The motion failed due to lack of a second.

A MOTION WAS MADE by Burket and seconded by Scharnweber to submit a CRISI grant application for D & I Railroad Co. (“D&I”). The funding package would consist of CRISI grant funds in the amount of \$3,700,000.00; a loan to Sioux Valley Regional Railroad Authority from the State Railroad Trust Fund in the amount of \$2,200,000.00; a grant from the State Railroad Trust Fund in the amount of \$1,200,000.00; and funds from SVRRA or private sources in the amount of \$1,000,000.00. THE MOTION WAS AMENDED by Burket with the consent of the second (Scharnweber) to include that the grant application would be written by AECComm and the cost for writing the grant application would be paid for equally by D&I and the Department. All present voted aye by roll call vote. The motion as amended carried.

Cope and Burket both abstained from the discussion and vote on the Rapid City, Pierre & Eastern Railroad, Inc. ("RCP&E") CRISI grant application.

A MOTION WAS MADE by Nelson and seconded by Doering to submit a CRISI grant application for Rapid City, Pierre & Eastern Railroad, Inc. ("RCP&E"). The funding package would consist of CRISI grant funds in the amount of \$10,000,000.00; RCP&E match in the amount of \$10,000,000.00; and a supplemental grant from the State Railroad Trust Fund in the amount of \$2,500,000.00. The CRISI grant application would be prepared by RCP&E management and a consulting firm. RCP&E would pay for the consultant. All present voted aye by roll call vote, except Burket and Cope who abstained from the discussion and vote. The motion carried.

The Board scheduled a special meeting for Tuesday, August 21, 2018, at 11 a.m.

Bergquist presented a request for the Board to set a hearing date for consideration of revised property management guidelines.

A MOTION WAS MADE by Doering and seconded by Carmon to set the Board's September 19, 2018, meeting as the hearing date for consideration of revised property management guidelines. All present voted aye by roll call vote. The motion carried.

Jack Dokken, Program Manager for the Office of Air, Rail, and Transit, provided the Board with the following project updates:

- RCP&E TIGER VII project – Dokken showed the Board pictures of the project so far. RCP&E is tracking to do about a \$4,000,000.00 underrun. RCP&E is talking about proposing an expanded scope of work to use up those additional funds. We'll hear from RCP&E about the expanded scope of work in the near future. RCP&E is tracking to complete the project on time. On August 21 and 22, 2018, the Department has a desk review and an on-site review with FRA.
- GIS Mapping of rail lines – Last summer, the Board approved the purchase of a GIS map for the Department's Office of Air, Rail, and Transit to use. Due to technical difficulties, the GIS presentation was postponed There will be a public version of this map.
- MRC & Britton salvage – The MRC salvage has been removed and stockpiled at the Iron Horse siding. Cars are being loaded to be shipped to Chicago for their final destination. MRC is done, and the salvaged material is expected to be shipped to Chicago by the end of the week. Next week, salvage on the Britton line will begin, so cars are moving into Britton this week. The project should be complete by the deadline, which is September 15, 2018.

With no other business to come before the Board, the meeting was adjourned at 1:05 p.m.

ANNUAL DISCLOSURE FOR AUTHORITY/BOARD/COMMISSION MEMBER
PURSUANT TO SDCL CHAPTER 3-23

THIS IS A PUBLIC DOCUMENT

Name of Member: Jerry Cope
Name of Board, Authority or Commission: State Rail Board / State Rail Authority

The Member shall disclose below any contract in which the Member has an interest or from which the Member derives a direct benefit if the contract is:

- 1) With the state agency to which the Member's board, authority or commission is attached for reporting or oversight purposes and which contract requires the expenditure of government funds;
- 2) With the state and which contract requires the approval of the Member's board, authority or commission and the expenditure of government funds; or
- 3) With a political subdivision of the state if the political subdivision approves the contract and:
 - a. Is under the regulatory oversight of the authority, board, or commission, or
 - b. Is under the regulatory oversight of the agency to which the Member's board, authority or commission is attached.

The Member shall disclose the contract even though no additional authorization is needed from the Member's board, authority or commission to have an interest or derive a benefit from the contract.

The Member shall also identify every entity in which the Member possesses an ownership interest of five percent or greater if:

- 1) The entity receives grant money from the State, either directly or by a pass-through grant or
- 2) The entity contracts with the State or any political subdivision for services.

1. Contracts in which you have an interest pursuant to SDCL Chapter 3-23 and which do not violate any other provision of law - Provide the following for each contract in which you have, or will have, an interest. For further information see SDCL 3-23-2.1 and 3-23-3.1.

Description of the contract	Parties	Description of your interest/role in the contract	Date contract was previously disclosed, if applicable
* Presho land purchase east of Presho	Dakota Mill & Grain Inc. ↓	Employed by Dakota Mill & Grain Inc.	* Presho - 7/5/17 land sale preliminary agreement was approved by the Rail Board Land Sale Finalized July 2018.
* Murdo land lease			* Murdo land lease - ongoing
* Presho land lease			* Presho in town land lease - ongoing

Attach additional pages, if necessary.

2. Contracts in which you have a direct benefit pursuant to SDCL Chapter 3-23 - Provide the following for each contract from which you derive, or will derive, a direct benefit. For more information see SDCL 3-23-2, 3-23-2.2 and 3-23-3.1.

Description of the contract	Parties	Description of the direct benefit	Date contract was authorized
* Presho land lease east of Presho	Dakota Mill & Grain Inc.	Employed by Dakota Mill & Grain Inc.	* Presho 7/5/17 land sale preliminary agreement was approved by the Rail Board Land Sale finalized July 2018
* Murdo land lease			* Murdo land lease - ongoing
* Presho in town land lease			* Presho in town land lease - ongoing

Attach additional pages, if necessary.

3. Entities in which you possess an ownership interest of five percent or more that receive grant money from the State, either directly or by a pass-through grant, or that contract with the State or any political subdivision for services – Provide the following for each such entity. See SDCL 3-23-3.1.

Description of the contract or grant	Party in which you possess the interest	State agency or subdivision

Attach additional pages, if necessary.

The member shall complete a separate authorization request for any contract identified above that requires authorization from the Member's board, authority or commission in order for the Member to legally derive a direct benefit.

Signature of Member:  Date: 7/31/18