

**SOUTH DAKOTA STATE RAILROAD BOARD CONFERENCE CALL MEETING MINUTES
FEBRUARY 20, 2019 AT 11:00 A.M.
BECKER-HANSEN BUILDING – 700 EAST BROADWAY
PIERRE, SOUTH DAKOTA**

MEMBERS PRESENT

VIA CONFERENCE CALL: Jerry Cope, Chairman
Jeff Burket, Vice Chair
Gary Doering, Member
Steve Scharnweber, Secretary
Jack Nelson, Member
Harlan Quenzer, Member

DOT STAFF PRESENT: Joel Jundt, Karla Engle, Jack Dokken, Misty Siedschlaw,
Perry Griffith, Jan Talley, Katherine Anderson, Kari Kroll,
and Bonnie Olson

OTHERS PRESENT

VIA CONFERENCE CALL: Heath Haden – Dakota Southern Railway Company
(DSRC); Dick Huff; Alex Huff; Scott Van Den Top – D & I
Railroad Co. (D&I); Jack Parliament – D&I; Nicole Teska –
Bowers & Company; Chad Roob – Rapid City, Pierre &
Eastern Railroad, Inc. (RCP&E); Jerry Vest – RCP&E; Bruce
Lindholm

Chairman Jerry Cope called the meeting of the South Dakota State Railroad Board (the
“Board”) to order at 11:02 a.m.

Chairman Cope 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.

Gary Doering declared a conflict of interest with an item on the agenda for the Board’s
consideration of the pipeline replacement on the Yale line. Doering has previously made a
written annual disclosure of this conflict of interest to the Board. When the consideration is
addressed, Doering will recuse himself from the discussion and the vote.

Cope asked for a motion to approve the minutes of the December 19, 2018, Board meeting.

A MOTION WAS MADE by Burket and seconded by Scharnweber to approve the December
19, 2018, meeting minutes. All present voted aye by roll call vote. The motion carried.

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

Deputy Secretary Joel Jundt presented the Secretary's Report. The proposals for Special Transportation Circumstances (STC) funding are due from operators of the state-owned rail lines on Friday, February 22, 2019. The Department of Transportation (the "Department") has received three proposals to date. The Board requested any entities who submitted a proposal by the deadline, to provide a presentation to the Board and prepare to answer questions at the March 20, 2019 meeting. The Department will send correspondence to the applicants advising them of the required presentation and opportunity for the Board to ask questions.

Jundt reminded the Board of the letter received and presented by Dick Huff during public input at the December meeting requesting the state take control of the tax credits received on the Mitchell to Rapid City ("MRC") rail line and the Napa to Platte rail line. Jundt asked Karla Engle, Office of Legal Counsel, to provide follow-up information that was found since the last meeting. Engle indicated her office reviewed notes from prior meetings. This was a topic during the August 20, 2014 meeting, with the same request that the state attempt to claim railroad track maintenance credits. At that time the Board invited outside rail counsel Bill Sippel to provide input, who provided a presentation on the tax credits. Engle shared what her research has led to and her review of those notes to the Board. If the Board would like to pursue this further, Engle suggested referring the matter to outside counsel, John LeSuer.

Jerry Vest, Jack Parliament, and Heath Haden participated in the discussion, sharing their knowledge and understanding about the tax credits.

The Board elected to take no action relating to the current process for railroad track maintenance credits.

Nicole Teska from Bowers & Company provided the Board with a report of the results and findings from the financial review conducted by Bowers & Company of leases, subleases and loan repayments of the state-owned rail line. The Department will be meeting with the operators to resolve the adjustments in the revenues as found by the financial review.

A MOTION WAS MADE by Doering and seconded by Nelson to accept the report submitted by Bowers & Company and approve the adjustments recommended in Exhibit 1. All present voted aye by roll call vote. The motion carried.

Jack Dokken, Program Manager for the Office of Air, Rail, and Transit presented consideration of the Belvidere crossing.

A MOTION WAS MADE by Doering and seconded by Burket to approve removal and disposal of this railroad crossing. In the event this section of rail line becomes usable, this crossing would be constructed using funds other than railroad funds. All present voted aye by roll call vote. The motion carried.

Dokken presented consideration of the Reliance Siding crossing.

A MOTION WAS MADE by Scharnweber and seconded by Nelson to approve the removal and disposal of this old siding crossing. Funding for removal would be from funds other than railroad funds. All present voted aye by roll call vote. The motion carried.

Gary Doering presented on behalf of the Yale Line in consideration of pipe replacement request at mileage reference marker (MRM) 153.7. Doering requested another culvert be built to prevent wash-out of the railroad line.

Doering recused himself from Board discussion and any potential vote regarding the consideration of the pipe replacement request for the Yale line.

Steve Scharnweber left the call at 12:10 p.m. and rejoined at 12:12 p.m.

The Board concluded further research is needed and deferred taking any action on the Yale Line pipe replacement request.

No other business came before the Board.

A MOTION WAS MADE by Doering and seconded by Scharnweber to adjourn the meeting. All present voted aye by roll call vote. The motion carried, and the meeting was adjourned at 12:13 p.m.