

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

MEMBERS PRESENT: Jerry Cope, Chairman
Steve Scharnweber, Secretary
Gary Doering, Member

**MEMBER PRESENT
VIA CONFERENCE CALL:** Greg Carmon, Member

DOT STAFF PRESENT: Joel Jundt, Karla Engle, Jack Dokken, Misty Siedschlaw, Perry Griffith, Rayleen Rathbun, Dave Huft, Ben Orsbon, Katherine Anderson, Bonnie Olson, and Kari Kroll

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

OTHERS PRESENT: Heath Haden – Dakota Southern Railway Company (DSRC); Dick Huff; Alex Huff; Bruce Lindholm – Grant Solutions; Hollie Stalder – Belle Fourche Development Corp (BFDC); Tub Harrington and spouse – Napa to Platte Regional Railroad Authority; Dean Krogman – Rapid City Pierre & Eastern Railroad (RCP&E); Mark Wegner – Sisseton Milbank Railroad Company (SMRR); Chris Brozik – Civil Design, Inc. (CDI); Philip Deal – WDCE/ SMRR; Dan Nigg – WDCE/SMRR; Ralph Schmidt – SMRR; Richard Laber – Rosebud Concrete; Carey Bretsch – CDI; Scott Peterson – BFDC; Renae Schaffer – BFDC; Daniel Dalton – RCP&E; Rod Wiseman – RCP&E; Toby Morris; and Chuck Jepson

**OTHERS PRESENT
VIA CONFERENCE CALL:** Jack Parliament – D & I Railroad Co.; Susan Kahlen, and Jeff Cooley (CDI)

Chairman Jerry Cope called the meeting of the South Dakota State Railroad Board (the “Board”) to order at 11:00 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.

Board Member Doering declared a conflict of interest concerning the consideration of East Central Regional Railroad Authority lease and sublease. Doering has previously made a written disclosure of this conflict of interest to the Board. When this item is addressed, Doering will recuse himself from the discussion and the vote.

Cope called for roll call to be taken. A quorum was determined.

Cope asked for a motion to approve the minutes of the February 20, 2019, Board meeting.

A MOTION WAS MADE by Scharnweber and seconded by Doering to approve the February 20, 2019, 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.

Jundt shared information on the flooding situation in southeastern South Dakota. On the D & I Railroad Co. ("D&I") line, the bridge on the south end of Canton has been lost. There has been communication with D&I and Federal Railroad Administration ("FRA") regarding the loss of this bridge. Other areas have also been impacted by the rising waters of the James River and Big Sioux River.

Jack Dokken, Program Manager for the Office of Air, Rail, and Transit provided information to the Board on the role of the Federal Emergency Management Agency (FEMA) and its process and how that could be expected to play out in South Dakota regarding the flooding in the state.

Jack Parliament, D&I, shared additional information regarding the damage on the D&I rail lines and additional upcoming flooding concerns.

Jundt distributed handouts on the State Railroad Trust fund balance and railroad property management loans to the Board members as requested by Chairman Cope. The two handouts were also provided to members of the audience during the meeting and posted on the Boards and Commissions page of the OpenSD website after the meeting.

Doering recused himself from the discussion and vote on the East Central Regional Railroad Authority consideration.

Dokken presented the East Central Regional Railroad Authority lease and sublease for Board consideration. Dokken indicated this is a follow-up request to change the reporting period to sync up with the payment requirements that were approved at the October 17, 2018, meeting. The request is to amend the reporting period to be July 1 through June 30.

Karla Engle, Office of Legal Counsel, provided guidance to the Board explaining that this item will need to be placed on next month's agenda due to Doering's recusal. By administrative rule, action on an item requires a majority vote of the board. Because of Doering's recusal, a majority vote of the Board would not be possible with the remaining three Board members.

The Chair tabled this item until the next Board meeting.

Dokken presented RCP&E CRISI grant for Board consideration for FRA grants approved in February 2019.

A MOTION WAS MADE by Scharnweber and seconded by Doering to approve the request to authorize the Department to execute and enter into funding and grant agreements with the FRA and Rapid City, Pierre & Eastern Railroad, Inc., (“RCP&E”) regarding the approved CRISI grant. All present voted aye by roll call vote. The motion carried.

Dokken presented the proposed sale of property in Presho, SD, for Board consideration.

Rich Laber, general manager of Rosebud Concrete, addressed the Board and discussed Rosebud Concrete’s request to purchase the parcel of land currently leased from the Department of Transportation (the “Department”) and the potential improvements planned for the cement plant.

A MOTION WAS MADE by Doering and seconded by Carmon to authorize the Department to sell the lot at the appraised price subject to appraised price being acceptable to the Department. Rosebud Concrete would be responsible for obtaining an appraisal by an appraiser certified in the state of South Dakota. The motion carried.

Dokken opened the discussion to coordinate the Board member’s observation of the state-owned rail lines in South Dakota. The Board elected to divide the teams at the April Board meeting and conduct the observations in May.

Jundt provided a brief history regarding the State Rail Plan. The previous State Rail Plan was approved in September 2014 for approximately \$400,000.00. Jundt indicated that the State Rail Plan needs to be updated and the next step is to proceed with a Request for Proposal (RFP) and then execution of an agreement with a consultant firm.

Jundt recommended including an Asset Management Plan for the state-owned railroads only with the State Rail Plan RFP. Jundt indicated he would be organizing an advisory team which includes Department staff as well as members of State Railroad Board and rail industry.

The Department will begin preparations from a documentation standpoint and establish a list of potential individuals and organizations to include on the advisory team.

Jundt presented a Special Transportation Circumstances (“STC”) grant summary, including funding balances and the requirements necessary to be qualified to receive the STC grant funding.

The following entities submitted proposals for the STC funding and provided a presentation to the Board:

Belle Fourche Development Corporation

Representatives Holly Stalder, Scott Peterson, and Renae Schaffer, provided information on the Belle Fourche Industrial & Rail Park application submitted by the Belle Fourche Development Corporation. Bruce Lindholm, a representative of Grant Solutions, outlined the benefit cost analysis (BCA) for this project. The project is to construct an additional 3,975 feet of siding in the Belle Fouche Industrial Park.

Total costs are estimated to be \$2,397,137.00, of which 20% would be local funding. The Belle Fourche Development Corporation would develop and pay for the cost of the application.

D & I Railroad Co.

Jack Parliament, president of D & I Railroad Co., provided information on the application submitted by D&I. The project will replace 7 miles of 100 lb./yard continuously welded rail and 80-foot sections of rail on a segment of the D & I Railroad between Sioux Falls, South Dakota, and Dell Rapids, South Dakota. The project also includes upgrades to existing at-grade crossing components. Total costs are estimated to be \$4,990,948.00, of which 20% or \$998,190.00 would be from the private sector. D&I would develop and pay for the cost of the application.

Dakota Southern Railway Company

Bruce Lindholm, Grant Solutions, provided information on the Mitchell to Rapid City (“MRC”) Meet and Pass Siding application submitted by Dakota Southern Railway Company (“DSRC”). Heath Haden, DSRC, shared additional information on specific rail service/business. The project will construct a new 10,000-foot siding east of Highway 45 near the Gavilon Elevator. The siding would be located south of the track on extra width property, half which is currently owned by the State of South Dakota. Total costs are estimated to be \$2,500,000.00 including land acquisition, of which 8.9% of the match being made by DSRC and 11.1% of the required 20% match being requested to be paid using State funds. DSRC is requesting the State develop and pay for the cost of the application.

Yankton Energy

Lindholm provided information on the Napa-Platte Mainline Rail Rehabilitation application submitted by Chuck Jepson on behalf of Yankton Energy. The project will replace the first four (4) miles of mainline track starting west of Dakota Plains elevator at the wye. The improvement would be installation of heavy rail, replacement of 90% of the ties, addition of 5,000 tons of ballast per mile, and construction of a 6,000-foot siding yard track at Janousek. Total costs are estimated to be \$4,500,000.00, of which the 20% match would be from private funds. Yankton Energy would develop and pay for the cost of the application. At the conclusion of the project, the proposal requests the Board sell the Napa-Platte rail line for \$1,500,000.00. As an alternative to purchase of the line, Yankton Energy might consider going forward with the grant application and project if the State paid the 20% local match.

Tub Harrington, Chairman of the Napa to Platte Regional Railroad Authority, shared with the Board a document, dated April 30, 2014, stating the authority’s position on the future of the Napa to Platte Rail Line and addressing an October 31, 2012, letter sent by former Governor Daugaard to the South Dakota State Railroad Board. Harrington indicated he felt the last three points made by the Governor were important statements to be considered regarding the sale of the rail line. Copies of the document was shared with the Board and members of the audience. The position paper is also available on the Boards and Commissions page of the OpenSD website.

Sisseton-Milbank Railroad Company

Mark Wegner, President and CEO of Sisseton-Milbank Railroad Company, provided information on the application submitted by the Sisseton-Milbank Railroad Company for the Sisseton-Milbank Railroad Modernization Project – Phase 1. The project will replace bridge 0-900 over Lake Farley in Milbank, South Dakota. Total costs are estimated to be \$1,937,000.00, of which 20% would be from funds from the private sector. Sisseton-Milbank Railroad Company would develop and pay for the application. Wegner provided letters of support from local businesses. The letters were shared with the Board,

members of the audience, and were also made available on the Board and Commissions page of the OpenSD website. Lindholm, presented the benefit cost analysis. Philip Deal, Wheaton Dumont Co-Op Elevator (WDCE) provided WDCE's support of this project.

Jundt summarized the next steps in the review process. The Board will make a decision at the April 17, 2019, Board meeting. The Board recommended that all the applicants be at the April Board meeting.

Dick Huff addressed the Board to congratulate RCP&E on its recent award received from Railway Age, a trade publication, for the Class 2 Regional Railroad of the Year.

With no other business to come before the Board, the meeting was adjourned by the Chair at 1:58 p.m. after a motion by Doering and a second by Scharnweber.

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