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

June 25, 2015
10:00 a.m. CDT

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

BOARD MEMBERS PRESENT: Brad Johnson, Todd Bernhard, Paul Gnirk, Paul Goldhammer, Gene Jones, Jerry Soholt, and Jackie Lanning.

BOARD MEMBERS ABSENT: None.

OTHERS: See attached attendance sheets.

APPROVE AGENDA: Mike Perkovich noted that Item 24 was deleted from the original agenda. Chairman Johnson approved the agenda.

APPROVE MINUTES OF MARCH 26-27, 2015, MEETING: Motion by Gnirk, seconded by Jones, to approve the minutes of the March 26-27, 2015, Board of Water and Natural Resources meeting. Motion carried unanimously.

Mike Perkovich reported that Elayne Lande retired and Derek Lankford was hired to fill her position.

AMENDMENTS TO 2015 STATE WATER FACILITIES PLAN: The board packet contained a map showing the location of the projects requesting amendment onto the 2015 facilities plan.

Water projects that will require state funding or need state support for categorical grant or loan funding must be on the State Water Facilities Plan. The Board of Water and Natural Resources annually approves projects for placement onto State Water Facilities Plan and provides for amendment of projects onto the plan on a quarterly basis. Placement of a project on the facilities 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 2016.

Andy Bruels presented the five applications, which were received by the May 1, 2015, deadline.

Dimock requested amendment onto the facilities plan to convert its bi-level wastewater treatment pond to a single cell and wetland to provide total retention, repair the outfall line trestle and pipe over Twelve Mile Creek, and install 1,400 feet of PVC sewer main and 1,050 feet of PVC water main to serve an undeveloped area. The estimated total project cost is $579,425.

Hecla requested amendment onto the facilities plan to replace cast iron and asbestos cement water main and replace water meters. The estimated total project cost is $554,000.
Lake Madison Sanitary District requested amendment onto the facilities plan to upgrade three lift stations and replace 7,800 feet of force main with new 6-inch PVC force main. The estimated total project cost is $428,000.

Perkins County Rural Water System requested amendment onto the facilities plan to relocate 50,650 feet of water main to provide proper burial depth to prevent freezing and damage to the pipes due to a DOT project changing the grade and width of Highways 73 and 12. The total estimated project cost is $1,516,700.

Pierre requested amendment onto the facilities plan to replace grit removal equipment, the primary clarifier drive mechanism and scrapers, and to replace an air lift station and line at the wastewater treatment facility. The estimated total project cost is $1,772,100.

Staff recommended amending all five projects onto the 2015 facilities plan.

Motion by Gnirk, seconded by Goldhammer, to amend the five projects onto the 2015 State Water Facilities Plan. Motion carried unanimously.

AMEND 2015 CLEAN WATER STATE REVOLVING FUND (SRF) INTENDED USE PLAN (IUP): Mr. Bruels reported that at its March 2015 meeting, the board approved amendments to the administrative rules, which became effective May 11, 2015. As a result of the amendments, changes to the narrative section of the IUP are needed to be consistent with the new rules. The changes include removing repealed sections, updating new requirements, and adding information for affordability criteria for principal forgiveness eligibility.

A section was added to include green project reserve amounts for the 2015 capitalization grant. While the Water Resources Reform and Development Act removed the green project funding requirements, the 2015 capitalization grant was approved as part of a continuing resolution, so that particular change did not go into effect this year. The green project reserve required amount will be 10 percent of the FY 2015 SRF capitalization grant.

The following was added to address the need for additional administrative surcharge funds to provide funding for small community planning grants.

The $99,000 of prior years’ allocations for planning grants is not expected to be sufficient to meet demand for planning grants in FFY 2015. As a result, $53,093 of the $1,000,000 allocated to supplement the Consolidated and 319 programs will be shifted to the Small Community Planning Grant program.

The following was added to address the need for state match for the program administration portion of the capitalization grant.

Administrative surcharge funds in the amount of $136,000 will be used to match that portion of 2015 and 2016 capitalization grants reserved for program administration. The 2014 bond issue did not differentiate between state match funds needed to match program administration and funds needed to match loan disbursements. Due to tax and accounting issues, restructuring the 2014 bond issue was not viable.
Staff recommended several projects added to the State Water Plan at the March meeting and the projects the board placed on the State Water Plan earlier today be placed on the Clean Water SRF Project Priority List. The projects were not added in March primarily due to the rule changes and resulting priority point and eligibility changes that would occur.

The following is the list of projects recommended for placement on the Clean Water SRF Project Priority List:

<table>
<thead>
<tr>
<th>Priority Points</th>
<th>Loan Recipient</th>
<th>Project Description</th>
<th>Estimated Loan Amount</th>
<th>Expected Loan Rate &amp; Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>28</td>
<td>Watertown</td>
<td>Install new sanitary sewer collection lines to serve residents currently utilizing septic systems and connect them to the city sanitary sewer system.</td>
<td>$832,896</td>
<td>3.25%, 30 yrs.</td>
</tr>
<tr>
<td>18</td>
<td>Pierre</td>
<td>Replace grit removal equipment, primary clarifier drive mechanism and scrapers, and an air lift station and line at the wastewater treatment facility.</td>
<td>$1,772,100</td>
<td>3.00%, 20 yrs.</td>
</tr>
<tr>
<td>16</td>
<td>Hot Springs</td>
<td>Install new sanitary sewer collection lines to serve residents currently utilizing septic systems and connect them to the city sanitary sewer system.</td>
<td>$270,000</td>
<td>3.25%, 30 yrs.</td>
</tr>
<tr>
<td>13</td>
<td>Florence</td>
<td>Replace clay sanitary sewer and rehabilitate a wastewater treatment lagoon.</td>
<td>$2,318,750</td>
<td>3.25%, 30 yrs.</td>
</tr>
<tr>
<td>12</td>
<td>Dimock</td>
<td>Convert bi-level wastewater treatment pond to a single cell and wetland to provide total retention, repair outfall line trestle and pipe over Twelve Mile Creek, install PVC sewer main and PVC water main to serve an undeveloped area.</td>
<td>$529,475</td>
<td>3.25%, 30 yrs.</td>
</tr>
<tr>
<td>11</td>
<td>Lemmon</td>
<td>Replace or reline clay sanitary sewer in various locations.</td>
<td>$9,515,948</td>
<td>3.25%, 30 yrs.</td>
</tr>
<tr>
<td>10</td>
<td>Dell Rapids</td>
<td>Replace clay sanitary sewer pipe in various locations.</td>
<td>$2,312,000</td>
<td>3.25%, 30 yrs.</td>
</tr>
<tr>
<td>7</td>
<td>Lake Madison Sanitary Dist.</td>
<td>Upgrade three lift stations and replace force main with PVC.</td>
<td>$428,000</td>
<td>3.25%, 30 yrs.</td>
</tr>
<tr>
<td>6</td>
<td>Avon</td>
<td>Replace water meters with automatic meter reading system.</td>
<td>$469,800</td>
<td>2.25%, 10 yrs.</td>
</tr>
<tr>
<td>6</td>
<td>Humboldt</td>
<td>Replace water meters with automatic meter reading system.</td>
<td>$240,000</td>
<td>2.25%, 10 yrs.</td>
</tr>
<tr>
<td>6</td>
<td>Philip</td>
<td>Replace water meters with automatic meter reading system.</td>
<td>$340,000</td>
<td>2.25%, 10 yrs.</td>
</tr>
<tr>
<td>6</td>
<td>Plankinton</td>
<td>Replace water meters with automatic meter reading system.</td>
<td>$196,000</td>
<td>2.25%, 10 yrs.</td>
</tr>
<tr>
<td>5</td>
<td>Montrose</td>
<td>Install storm sewer collection pipe and drains to manage storm water flows.</td>
<td>$913,000</td>
<td>3.25%, 30 yrs.</td>
</tr>
</tbody>
</table>
The four water meter projects to upgrade to remote read systems are considered categorically green and are eligible to receive funds from both the Clean Water and Drinking Water SRF programs. In order to meet the green project reserve amount, it may be necessary to provide Clean Water SRF funding for these projects. The projects will remain on the Drinking Water SRF IUP to allow the flexibility that may be needed to fund these projects.

Mr. Bruels noted that changes were made to Attachment I to reflect new priority points and principal forgiveness eligibility due to rule changes. Changes were also made to Attachments II and III to reflect the changes made earlier in the IUP.

Staff recommended the board accept the proposed changes to the narrative section and the addition of the 13 projects to the Clean Water SRF IUP Project Priority List.

Motion by Soholt, seconded by Gnirk, to accept the changes to the narrative section and the addition of the 13 projects to the Clean Water SRF Intended Use Plan Project Priority List. Motion carried unanimously.

AMEND 2015 DRINKING WATER SRF IUP: Due to the administrative rule changes approved by the board in March 2015, changes to the narrative section of the IUP are needed to be consistent with the new rules. The changes include removing repealed sections, updating requirements, and adding 30-year loan rates and terms.

In the project priority rankings, many of the communities changed priority points due to the new affordability criteria for drinking water projects and the removal of the green project points; however this will not affect the ability to fund a project. With the new median household income data, some community’s eligibility for disadvantaged rates changed.

Staff recommended several projects added to the State Water Plan at the March meeting and projects the board placed on the State Water Plan earlier today be placed on the Drinking Water SRF Project Priority List. The projects were not added in March primarily due to the rule changes and resulting priority point and eligibility changes that would occur.

The following is the list of projects recommended for placement on the Drinking Water SRF Project Priority List:

<table>
<thead>
<tr>
<th>Priority Points</th>
<th>Loan Recipient</th>
<th>Project Description</th>
<th>Estimated Loan Amount</th>
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</tr>
</thead>
<tbody>
<tr>
<td>145</td>
<td>Hermosa</td>
<td>Construct new well or connect to the Southern Black Hills Water System to supply additional water.</td>
<td>$1,471,875</td>
<td>2.25%, 30 yrs.</td>
</tr>
<tr>
<td>110</td>
<td>South Shore</td>
<td>Replace cast iron water main, replace water meters, construct a new water storage tank and install a new well.</td>
<td>$2,400,000</td>
<td>3.00%, 30 yrs.</td>
</tr>
<tr>
<td>108</td>
<td>Hecla</td>
<td>Replace cast iron and asbestos cement water main and replace water meters.</td>
<td>$554,000</td>
<td>2.25%, 30 yrs.</td>
</tr>
<tr>
<td>Project ID</td>
<td>Location</td>
<td>Description</td>
<td>Cost</td>
<td>Interest Rate, Repayment Period</td>
</tr>
<tr>
<td>------------</td>
<td>--------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------</td>
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<td>---------------------------------</td>
</tr>
<tr>
<td>98</td>
<td>TC&amp;G Water Association</td>
<td>Replace an undersized water main, replace water meters, and construct a booster pump station.</td>
<td>$2,100,000</td>
<td>2.25%, 30 yrs.</td>
</tr>
<tr>
<td>81</td>
<td>Perkins County Rural Water System</td>
<td>Relocate water main to provide proper burial depth to prevent freezing and damage to the pipes due to a DOT project changing the grade and width of Highways 73 and 12.</td>
<td>$1,516,700</td>
<td>2.25%, 30 yrs.</td>
</tr>
<tr>
<td>53</td>
<td>Florence</td>
<td>Replace cast iron water mains, replace water meters, construct a new ground storage tank and booster pump station.</td>
<td>$2,354,375</td>
<td>2.25%, 30 yrs.</td>
</tr>
<tr>
<td>39</td>
<td>Colman</td>
<td>Replace water main distribution pipe and construct a new water tower.</td>
<td>$925,000</td>
<td>3.00%, 30 yrs.</td>
</tr>
<tr>
<td>14</td>
<td>Philip</td>
<td>Replace water meters with remote read meters.</td>
<td>$340,000</td>
<td>2.25%, 10 yrs.</td>
</tr>
<tr>
<td>11</td>
<td>Dell Rapids</td>
<td>Replace cast iron water main pipe in various locations.</td>
<td>$1,883,000</td>
<td>3.25%, 30 yrs.</td>
</tr>
</tbody>
</table>

Mr. Bruels noted that Colman has received two Drinking Water SRF loans totaling $2,039,000 with principal forgiveness not to exceed $968,000 for phases 1, 2 and 3 of their water system upgrades project. Bids for the portions of the project were higher than the original estimate. A portion of the project has not yet opened bids. Staff anticipates the city will be submitting an application for additional funding in the future.

Changes were made to Attachment I to reflect new priority points and disadvantaged assistance eligibility due to rule changes. Changes were also made to Attachments II and III to reflect the changes made earlier in the IUP.

Staff recommended the board accept the proposed changes to the narrative section and the addition of the nine projects to the Drinking Water SRF IUP Project Priority list.

Mr. Bruels answered questions from the board.

Motion by Goldhammer, seconded by Lanning, to approve changes to the narrative section and the addition of nine projects to the Drinking Water SRF Intended Use Plan Project Priority List. Motion carried unanimously.

**AMEND 2014 CLEAN WATER SRF IUP:** Mr. Bruels stated that the FY 2014 Clean Water SRF IUP was approved by the Board of Water and Natural Resources in November 2013 and amended in March, June, and September 2014 and in March 2015.

For a project to utilize principal forgiveness allowed by a specific capitalization grant it must be on the IUP associated with that capitalization grant year. In order to maximize the use of each year’s capitalization grant, it is necessary to amend projects to prior years’ Intended Use Plans.

Staff proposed amending Attachment I - Project Priority List of the FY 2014 Clean Water Intended Use Plan by adding the following project.
<table>
<thead>
<tr>
<th>Priority Points</th>
<th>Loan Recipient</th>
<th>Project Description</th>
<th>Estimated Loan Amount</th>
<th>Expected Loan Rate &amp; Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>Waubay</td>
<td>Construct new wastewater treatment ponds to provide total retention.</td>
<td>$1,779,000</td>
<td>3.25%, 30 yrs.</td>
</tr>
</tbody>
</table>

Staff recommended the board approve the proposed amendment to the 2014 Clean Water SRF IUP.

Motion by Jones, seconded by Lanning, to add the Waubay project to the 2014 Clean Water SRF IUP. Motion carried unanimously.

HOSMER REQUEST TO RESCIND CLEAN WATER SRF LOAN C461279-01 AND CONSOLIDATED WATER FACILITIES CONSTRUCTION PROGRAM (CWFCP) GRANT 2016G-103: Mike Perkovich reported that in March 2015, the board approved a Clean Water SRF loan (C461279-01) in the amount of $968,000 with $714,400 of principal forgiveness and a Consolidated grant (2016G-103) in the amount of $300,000 for the city of Hosmer.

In March, the city requested $4,122,000 to construct additional cells to provide for a total retention wastewater treatment facility, televise the collection system, and replace or reline the lines. The funding award of $1,268,000 was intended to fund the wastewater treatment facility upgrade and the televising of the collection system.

Hosmer had also submitted applications to Rural Development and the Community Development Block Grant program to fund the project. The city received sufficient funding from these two sources to fund the project in its entirety. Therefore, Hosmer has submitted a letter requesting the loan and grant awarded by the Board be rescinded.

Staff recommended the board rescind the Clean Water SRF loan and the Consolidated grant.

Motion by Lanning, seconded by Soholt, to adopt Resolution #2015-61 rescinding Resolution #2015-28 which awarded a Clean Water SRF loan up to a maximum committed amount of $968,000 with up to 73.9 percent principal forgiveness not to exceed $714,400 to the city of Hosmer; and to adopt Resolution #2015-62 rescinding Resolution #2015-29 which awarded the Consolidated Water Facilities Construction Program grant to the city of Hosmer for up to 23.7 percent of approved total project costs not to exceed $300,000. Motion carried unanimously.

IPSWICH REQUEST TO RESCIND CLEAN WATER SRF LOAN C461133-01 AND CWFCP GRANT 2016G-104: Mr. Perkovich stated that in March 2015, the board approved a Clean Water SRF loan (C461279-01) in the amount of $1,951,000 and a Consolidated grant (2016G-103) in the amount of $2,000,000 to the city of Ipswich.

In March, Ipswich had requested $5,459,000 to replace or line the wastewater collection system, upgrade lift stations, and make minor upgrades at the wastewater treatment facility. The funding award of $3,951,000 was intended to fund the lift station improvements and the most critical collection system rehabilitation, as identified in the facilities plan.
Ipswich had also submitted applications to Rural Development to fund the project. The city received sufficient funding from Rural Development to fund the project in its entirety. Therefore, the city has submitted a letter requesting that the loan and grant awarded by the board be rescinded.

Staff recommended the board rescind the Clean Water SRF loan and the Consolidated grant to the city of Ipswich.

Mr. Perkovich answered questions from the board.

Motion by Goldhammer, seconded by Soholt, to adopt Resolution #2015-63 rescinding Resolution #2015-34 which awarded a Clean Water SRF loan up to a maximum committed amount of $1,951,000 to the city of Ipswich, and to adopt Resolution #2015-64 rescinding Resolution #2015-35 which awarded the Consolidated Water Facilities Construction Program grant to the city of Ipswich for up to 50.7 percent of approved total project costs not to exceed $2,000,000. Motion carried unanimously.

MINNEHAHA COMMUNITY WATER CORPORATION REQUEST TO RESCIND DRINKING WATER SRF LOAN C462440-02: Mr. Bruels reported that in March 2015, Minnehaha Community Water Corporation (MCWC) received a Drinking Water SRF loan (C462440-02) in the amount of $900,000 and a Consolidated grant (2016G-108) in the amount of $900,000. Funds were provided as part of the Lewis & Clark/Madison “wheeling” option. The funds were to make improvements to the distribution system to provide for the ability to receive additional water from Lewis & Clark Regional Water System and free up capacity to provide up to one million gallons per day to Big Sioux Community Water System with the end use of providing water to the city of Madison.

MCWC has determined that they have sufficient local funds to provide the loan portion of the funding and submitted a letter requesting the loan be rescinded.

Staff recommended the board rescind Resolution #2015-49 authorizing the Drinking Water SRF loan to Minnehaha Community Water Corporation.

Motion by Soholt, seconded by Lanning, to adopt Resolution #2015-65 rescinding Resolution #2015-49 which awarded a Drinking Water SRF loan to the Minnehaha Community Water Corporation up to a maximum committed amount of $900,000. Motion carried unanimously.

HOWARD REQUEST TO AMEND CLEAN WATER SRF LOAN C461127-01: Drew Huisken reported that on March 27, 2015, the Board approved Resolution #2015-31 awarding the city of Howard a $1,764,000 Clean Water SRF loan at 3.25 percent for 30 years for its wastewater televising and lagoon expansion project. This project would provide additional storage and treatment of wastewater flows and also televise the entire wastewater collection system to prioritize future repairs.

To provide coverage for this loan amount, the city would need to establish a surcharge of $17.10. The current wastewater rates in Howard are $23.90 per 5,000 gallons. Mr. Huisken stated that the proposed surcharge would increase the rates to $41.00 per 5,000 gallons, however by restructuring
the domestic rates, a charge of $26.10 per customer per month would cover both operation and maintenance expenses and the surcharge for repayment of this debt.

The original loan amount was based on the assumption of a population increase and additional hydraulic loading due to a beef plant beginning operation in the city. The city of Howard is requesting to amend the loan to reflect a smaller population increase and a smaller necessary hydraulic capacity.

The city has also decided to pursue different methods of implementation for its wastewater treatment facility. The original project proposed increasing the size of the stabilization pond to provide the necessary treatment. The city is now proposing to modify the treatment system to a venturi aeration system and construct an artificial wetland for additional treatment. This method of treatment has a lower capital cost and can meet the anticipated requirements of future Surface Water Discharge permits. The city believes this is the most appropriate alternative based on current information.

The city of Howard has considered the previously mentioned information and has requested to reduce the amount of its Clean Water State Revolving Fund Loan to $979,000.

Staff recommended the board rescind Resolution #2015-31, which approved the previous loan, and award the city of Howard a $979,000 Clean Water State Revolving Fund Loan at 3.25 percent for 30 years for improvements to the wastewater collection and treatment system.

Mr. Huisken noted that staff analysis showed that the city would need to establish a surcharge of $9.50 in order to provide coverage for this loan amount. The current rate of $23.90 could be restructured to include the surcharge, and the city would not need to raise rates.

Staff recommended the loan be 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.

Mr. Huisken and Mr. Bruels answered questions from the board.

Motion by Goldhammer, seconded by Gnirk, to adopt Resolution #2015-66 rescinding Resolution #2015-31 and approving a Clean Water State Revolving Fund loan up to a maximum committed amount of $979,000 at 3.25 percent interest for 30 years to the city of Howard; 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. The loan is 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.

EAGLE BUTTE REQUEST TO AMEND DRINKING WATER SRF LOAN C462148-03: Jim Anderson reported that on March 28, 2013, the city of Eagle Butte was awarded a $490,000 Drinking Water SRF loan at 0 percent interest for 30 years with 80 percent principal forgiveness. The project, as presented to the board, involved construction of water mains on Willow Street in
conjunction with a road resurfacing project. Due to legal issues regarding the ownership of Willow Street the loan was not closed and the project has not proceeded.

The city recently opened bids for a project to install water and sanitary sewer lines. The water portion of the project was intended to be funded by two Drinking Water SRF loans (C462148-02 and C462148-04). The construction cost for the water portion is approximately $2,200,000, which is higher than anticipated. There are insufficient funds in the two loans to cover the water costs.

In May 2015, Eagle Butte submitted a letter to the Board of Water and Natural Resources requesting that the loan intended for the Willow Street project be used to cover the funding shortfall on the other project. The request involves reducing the loan amount to $250,000 and changing the project scope. The project description for Eagle Butte’s DW-03 loan will be changed to the project description in the city’s DW-04 loan. The Drinking Water 04 loan description is, “A new water line constructed on the north side of the city to loop the system and provide water service to residences and businesses that are not currently served by the city. A water line will also be constructed on the west side of the city to provide a loop in the distribution system.”

Staff recommended the board rescind Resolution #2013-52 and approve changes to the project scope and award a Drinking Water SRF loan for $250,000 at 0 percent interest for 30 years with up to 80 percent principal forgiveness not to exceed $200,000 for the city of Eagle Butte 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 by Gnirk, seconded by Lanning, to adopt Resolution #2015-67 rescinding Resolution #2013-52 and approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of $250,000 at 0 percent interest for 30 years with up to 80 percent principal forgiveness not to exceed $200,000 to the city of Eagle Butte 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 REQUEST TO AMEND CWFCP GRANT 2013G-205: Mr. Anderson stated that on June 29, 2012, Lincoln County was awarded a Consolidated Water Facilities Construction Fund grant of $100,000 for the Spring Creek Drainage Project. The grant was based on 5.1 percent of total project costs of $1,997,000. The project included replacement of drainage culverts with higher capacity culverts and stream channel improvements to alleviate recurring water backup, ponding, flooding and erosion that damages homes, property and infrastructure in the project area.

Due to flooding in 2014, Lincoln County had to repair some of the project components that were just put in place, which has prolonged the project. The project will not be complete before the grant terminates on June 29, 2015.

Lincoln County submitted a letter requesting a grant percentage increase from 5.1 percent to 13 percent to draw the total $100,000 grant based on the $1,300,000 in project costs incurred to date.
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Staff recommended approval of the grant percentage increase for Lincoln County.

Motion by Jones, seconded by Lanning, to adopt Resolution #2015-68 approving amendment of Lincoln County’s Consolidated Water Facilities Construction Program Grant Agreement 2013G-205 for up to 13 percent of approved incurred total project costs not to exceed $100,000. Motion carried unanimously.

BEAR BUTTE VALLEY WATER, INC. REQUEST TO AMEND CWFCP GRANT 2013G-401:
Mr. Bruels reported that Bear Butte Water, Inc. (BBV) has requested a second amendment to its Consolidated program funding agreement.

BBV was awarded two consolidated grants for the construction of a new rural water system. Grant 2011G-102 was awarded on March 26, 2010, for $500,000, and grant 2013G-401 was awarded on January 4, 2013, for $500,000.

Section 5 of the 2013 Omnibus Bill provided legislative authorization for the Board of Water and Natural Resources to award up to $1,500,000 in Consolidated assistance to the BBV.

In March 2013, the board amended Consolidated grant 2013G-401 to provide an additional $500,000 in funding along with the re-award of the remaining balance of $265,000 from consolidated grant 2011G-102. This increased the total amount of Consolidated funding awarded to $1,500,000. At this time the cost for the total project was estimated at $7,000,000.

In 2014, BBV successfully constructed a well at a cost of $760,000 to provide the water supply for the system. In April 2015, BBV opened bids to construct the remaining components of the system. The bids were favorable and overall within the engineers estimate; however, with the sign up of additional users, BBV is facing a funding shortfall of $500,000. Users who have prepaid a connection fee will need to be removed from this project if additional funding cannot be secured.

BBV has requested an additional $500,000 in funding to cover this shortfall. Total project costs are now anticipated to be $11,000,000. Even with the additional grant funds BBV is projected to have rates of $112.15 for 7,000 gallons. A large portion of the rates are needed to repay the $3,117,000 Rural Development loan for system construction.

The existing grant will end in January 2016, and final project costs will be higher than the original estimates. In order for the system to be able to draw all of the funds prior to the grant end date, an increase in the grant percentage is also needed.

The 2015 Legislature amended SDCL 46A-1-64 giving the board discretionary authority to award a project up to $2,000,000 in Consolidated funding.

Staff recommended board approval of the second amendment to Consolidated grant 2013G-501 increasing the amount by $500,000 and increasing the grant percentage to 40.0 percent of total project costs not to exceed $1,765,000.

Representatives of Bear Butte Valley Water discussed the project and thanked the board for considering the grant amendment. They answered questions from the board.
Motion by Gnirk, seconded by Jones, to adopt Resolution #2015-69 approving the second amendment to the Bear Butte Valley Water, Inc. Consolidated Water Facilities Construction Program Grant Agreement 2013-G-401 for up to 40 percent of approved total project costs not to exceed $1,765,000. Motion carried unanimously.

**HISEGA MEADOWS WATER, INC. REQUEST TO AMEND CWFCP GRANT 2015G-302:** Claire Peschong reported that in September 2014, Hisega Meadows Water Inc. was awarded additional funding to complete the water system improvements project which had previously been separated into two phases when the bids came in higher than estimated and the original funding fell short.

Phase 1 included replacing 5,520 feet of 4-inch and 8-inch PVC water line in 2014. Phase 2 will replace about 900 feet of 1-inch service line and 3,075 feet of 6-inch PVC water line this summer.

The scope of the Consolidated grant only includes work identified in Phase 2, and Hisega Meadows Water Inc. has requested that the scope of this grant be changed to include both Phase 1 and Phase 2 of the water line replacement project.

Staff recommended approval of the request to amend the scope of Consolidated grant 2015G-302.

Motion by Soholt, seconded by Goldhammer, to adopt Resolution #2015-70 amending the project scope for the Hisega Meadows Water, Inc. Consolidated Water Facilities Construction Program grant agreement 2015G-302 for up to 50 percent of approved total project costs not to exceed $273,000. Motion carried unanimously.

**TRANSFER OF CLEAN WATER SRF LOAN C461052-01 AND CONSOLIDATED GRANT 2015G-103 FROM THE LAKE BYRON WATERSHED DISTRICT TO THE LAKE BYRON SANITARY DISTRICT:** Mr. Perkovich reported that in March 2014, the Lake Byron Watershed District received Clean Water SRF loan C461052-01 in the amount of $1,843,000 and Consolidated grant 2016G-103 in the amount of $500,000.

The Lake Byron Watershed District requested $3,693,000 to construct a centralized wastewater collection and treatment system to serve the lake community. The reduced funding award of $2,343,000 was based on the district’s intent to assess each landowner in the district $6,000, which DENR recommended be used to help lower the amount of loan funds needed by $1,350,000. Funding was contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower establishing a special assessment sufficient to provide the required debt coverage, contingent upon the borrower amending its General Improvement Plan by April 1, 2015, and contingent upon the borrower holding an election to approve the loan and the levying of a special assessment of $6,000 per landowner by April 1, 2015.

Due to the unique challenges involving the powers and authorities of a watershed district, DENR staff recommended consideration be given to forming a sanitary district. Subsequently, a decision was made to form a sanitary district at Lake Byron. The Lake Byron Sanitary District was incorporated in April 2015.
With the formation of the sanitary district, the elections needed to satisfy the contingencies were not satisfied. Staff is working with the new sanitary district board to transfer the funding from the Lake Byron Watershed District to the Lake Byron Sanitary District.

Mr. Perkovich noted that this presentation was for informational purposes only. Staff will continue to work with the sanitary district board with regard to the transfer of funds from the watershed district to the sanitary district.

Mr. Perkovich answered questions from the board.

**SELECTION OF SRF FINANCIAL ADVISOR:** Mr. Perkovich stated that in March 2015, the board approved the release of a “Request For Proposal (RFP) to Serve as Financial Advisor for the State Revolving Fund Programs.”

The RFP was advertised on April 1, 2015, and proposals were due by May 1, 2015.

Public Financial Management (PFM) was the only firm to submit a proposal to serve as the SRF Financial Advisor. PFM has served as the SRF Financial Advisor since 2003. The Board’s current contract with PFM terminates on June 30, 2015.

With assistance from the Office of Attorney General, a contract for financial advisor services was prepared and reviewed by PFM and DENR. The contract period is from July 1, 2015, to June 30, 2018.

Staff recommended the board authorize the execution of the financial advisor contract with PFM.

Motion by Goldhammer, seconded by Jones, to adopt Resolution #2015-71 approving a consultant contract with Public Financial Management, Inc. to serve as financial advisor to the South Dakota Conservancy District for the Clean Water and Drinking Water SRF programs with a total contract amount not to exceed $225,000 and authorizing the execution of the contract. Motion carried unanimously.

**MIDWEST ASSISTANCE PROGRAM DRINKING WATER SRF SET-ASIDE CONTRACT:** Jon Peschong reported that the board has a current contract with Midwest Assistance Program (MAP) for providing technical assistance and completing capacity assessment reviews for technical, financial and managerial capacity for drinking water applicants. During the current contract MAP has assisted 37 communities and provided over 640 hours for these activities.

MAP has requested a new contract at an hourly rate of $71.00 per hour not to exceed 700 hours for a total contract amount of $49,700. The contract period will be from July 1, 2015, through June 30, 2016.

Staff recommended the board adopt a resolution authorizing the chairman to execute a contract with Midwest Assistance Program to provide assistance in capacity assessments to improve technical, financial, or managerial capacity for small systems in South Dakota.

Motion by Lanning, seconded by Soholt, to adopt Resolution #2015-72 approving the consulting contract in an amount not to exceed $49,700 between the Board of Water and Natural Resources
and Midwest Assistance Program to provide Drinking Water SRF local assistance set-aside services and authorizing execution of the contract. Motion carried unanimously.

ASSIGNMENT OF RANDALL RESOURCE CONSERVATION AND DEVELOPMENT DISTRICT CONSOLIDATED GRANT 2015G-402 TO THE JAMES RIVER WATER DEVELOPMENT DISTRICT: Barry McLaury reported that on January 8, 2015, the Board of Water and Natural Resources approved a $275,000 Consolidated program grant 2015G-402 to the Randall Resource Conservation and Development District (RC&D) for implementation of Best Management Practices in the Lewis and Clark Watershed.

Randall RC&D has concluded that transferring sponsorship of the Lewis and Clark Watershed project to the James River Water Development District (JRWDD) would result in improved operational efficiencies and better utilization of grant resources as well as JRWDD’s financial and staff resources. Earlier this month, DENR approved the assignment between the two entities, and the Section 319 grant award has been transferred to the JRWDD.

Watershed Protection Program staff was involved in the discussions that lead to the transfer of sponsorship. Under Randall RC&Ds sponsorship, the Lewis and Clark Watershed Implementation Project has been an ongoing success since it started installing Best Management Practices in 2006. Recently, the Keya Paha River was delisted from the State’s 303(d) Impaired Waterbodies list due to water quality improvements in the watershed.

Staff recommended that the Board approve the assignment of Consolidated Grant 2015G-402 to the JRWDD.

Mr. McLaury, Mr. Feeney, and Dave Bartel, James River Water Development District, answered questions from the board.

Motion by Lanning, seconded by Bernhard, to adopt Resolution #2015-73 approving the assignment of Consolidated Water Facilities Construction Program grant 2015G-402 from Randall Conservation and Development District to James River Water Development District. Motion carried unanimously.

CENTRAL SOUTH DAKOTA ENHANCEMENT DISTRICT REQUEST TO AMEND JOINT POWERS AGREEMENT FOR SRF APPLICATION AND ADMINISTRATION AND DAVIS-BACON MONITORING: Derek Lankford stated that the board has contracted with the planning districts since 2005 to assist entities with SRF applications and administration and since 2009 for Davis-Bacon monitoring.

Central South Dakota Enhancement District has requested amendment to its Joint Powers Agreement by adding $22,000. Since the first amendment at the November 2014 meeting, Central South Dakota Enhancement District has prepared more loan applications than anticipated and costs per SRF application administration has also gone up since the November 2014 meeting.

Staff recommended the board approve the second amendment to the Joint Powers Agreement with Central South Dakota Enhancement District for SRF loan application and administration and Davis-Bacon monitoring.
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Marlene Knutson, executive director of the Central South Dakota Enhancement District, discussed the need for the contract amendment and requested board approval of the amendment.

Motion by Goldhammer, seconded by Jones, to adopt Resolution #2015-74 approving the second amendment to the Joint Powers Agreement with Central South Dakota Enhancement District not to exceed $72,090 for preparation of applications, administration of loans, and Davis-Bacon monitoring requirements. Motion carried unanimously.

PUBLIC HEARING TO AMEND ADMINISTRATIVE RULES CHAPTER 74:05:05:16 – JAMES RIVER WATER DEVELOPMENT DISTRICT DIRECTOR AREAS: Chairman Johnson opened the hearing at 1:00 p.m. CDT.

The purpose of the hearing was to consider amendments to ARSD 74:05:05:16, Director Areas of the James River Water Development District.

The reason for amending the rules is to make changes to director area 3 due to legislation enacted by the 2015 Legislature eliminating the portion of Marshall County outside of the James River Watershed boundary and to adjust director areas 8 and 9 to minimize the population variance among director areas.

Notice of the public hearing was published in accordance with applicable rules and regulations. Affidavits of Publication were received and are included in the file. Notice of the hearing was also sent to the Board of Water and Natural Resources interested parties’ mailing list and placed on the Department of Environment and Natural Resources’ website.

No written comments regarding the proposed amendments to ARSD 74:05:05:16 were submitted after publication of the notice.

Pete Jahraus presented the proposed amendments to Chapter 74:05:05:16, Director Areas of the James River Water Development District.

Mr. Jahraus reported that the James River Water Development District board of directors and the executive director have reviewed the rules and concur with the proposed amendments.

The Legislative Research Council (LRC) reviewed the proposed rules for style and form and approved for legality. LRC’s changes were incorporated into the final version of the rules.

The department recommended approval of the proposed amendments.

Chairman Johnson requested public comments regarding the proposed amendments. No one offered comments on the proposed amendments.

Chairman Johnson requested board action.

Motion by Jones, seconded by Lanning, to adopt amendments to ARSD 74:05:05:16, Director Areas of the James River Water Development District. Motion carried unanimously.

Chairman Johnson closed the hearing at 1:10 p.m. CDT.
AVAILABLE FUNDING: Mr. Perkovich provided a summary of available funds for the Consolidated Water Facilities Construction program, Drinking Water SRF program, and Clean Water SRF program.

SANITARY/STORM SEWER FACILITIES FUNDING APPLICATIONS: Mike Perkovich presented the sanitary/storm sewer facilities funding applications and staff recommendations. A map showing the location of the applications was included in the board packet.

Emery requested $2,890,000 for a wastewater collection system upgrade and replacement project. The estimated total project cost is $2,894,127. Emery is contributing $4,127 in local cash.

Emery is proposing to replace the majority of its collection system to reduce the infiltration of groundwater entering the system. The city anticipates bidding the project next year with project completion in 2018.

Emery currently has a $30 flat rate.

Staff recommended awarding a $2,890,000 Clean Water SRF loan at 3.25 percent for 30 years with 58.1 percent principal forgiveness not to exceed $1,677,000.

The city has pledged a project surcharge for repayment of the loan. Staff analysis shows that a $26.80 surcharge is needed to provide the required debt coverage on the $1,213,000 loan. Staff analysis also indicates that $14 of the city’s existing rate is needed for operating expenses, leaving $16 available for debt service. Overall rates of $40.80 are needed for this funding package.

Staff recommended the award be 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.

Josh Kayser, Mayor of Emery, discussed the project and requested approval of funding. He answered questions from the board.

Motion by Goldhammer, seconded by Jones to adopt Resolution #2015-75 approving the Clean Water State Revolving Fund loan up to a maximum committed amount of $2,890,000 at 3.25 percent interest for 30 years with 58.1 percent principal forgiveness not to exceed $1,677,000 to the city of Emery for a wastewater collection system upgrade and 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 at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Cavour requested $1,652,000 for a wastewater system improvements project. The estimated total project cost is $1,702,000. The project received $50,000 grant from the James River Water Development District for the project.
Cavour intends to replace 3,700 feet of the 6,500 feet of collection line in the town, the majority of which was installed in 1964. The project also involves replacing the lift station and force main that conveys wastewater to the treatment facility.

Cavour has a $17.00 flat rate.

The facility plan also identifies a second phase of line replacement that is estimated at approximately $900,000.

Mr. Perkovich noted that Cavour is not eligible for Clean Water SRF principal forgiveness and there are not sufficient grant funds available to put together a viable funding package for the entire project.

Staff recommended awarding a $150,000 Clean Water SRF loan at 3.25 percent for 30 years and awarding a Water Quality grant for 76.4 percent of eligible costs not to exceed $645,000 based on a project cost of $845,000.

The proposed funding, along with a $50,000 grant from the James River Water Development District, will cover the lift station and force main replacement. This approach is acceptable to the town and its engineers with the understanding that the town will apply for additional funding for the line rehabilitation work in January.

The current wastewater rates of $17.00 are below the $30 minimum needed for additional subsidy. A $13.10 surcharge is needed to provide the coverage on the $150,000 loan, which will bring rates slightly above the $30 subsidy threshold.

Mr. Perkovich noted that with the subsequent line replacement that is needed, Cavour’s rates will be more than $40.

Staff recommended the award be 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.

Lisa Goglin, Mayor of Cavour, discussed the project and answered questions from the board.

Motion by Goldhammer, seconded by Jones to adopt Resolution #2015-76 approving State Revolving Fund Water Quality grant agreement 2016G-WQ-200 to the town of Cavour for up to 76.4 percent of approved total project costs not to exceed $645,000 for wastewater system improvements; and to adopt Resolution #2015-77 approving the Clean Water State Revolving Fund loan up to a maximum committed amount of $150,000 at 3.25 percent interest for 30 years to the town of Cavour for wastewater 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 and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.
Montrose requested $913,000 for storm water management improvements. The estimated total project cost is $913,000.

Mr. Perkovich noted that since the application was submitted, Montrose was awarded a $515,000 Community Development Block Grant for the project.

Montrose anticipates bidding the project in January 2016 with project completion in 2017.

Montrose pledged wastewater revenues for repayment of the loan. The city has a $27 flat rate.

The project, as originally proposed, would collect storm water that would ultimately be discharged directly into the Vermillion River. This raised concerns with DENR because sections of the Vermillion River, the East Fork of the Vermillion River, and Lake Vermillion are classified as impaired. Staff requested that the facilities plan be updated to include an alternative that utilizes some type of catchment basin or other “green” storm water management techniques to control sediments.

Montrose’s engineer indicated challenges with catch basins due to the location of the flood plain. As a result, rain garden systems will be incorporated to better control sediments. This increased the project cost by $132,000.

Staff recommended awarding a $545,000 Clean Water SRF loan, at 3.25 percent for 30 years with 18.4 percent principal forgiveness not to exceed $100,000.

Montrose pledged wastewater revenues for repayment of the loan. Staff analysis indicates that rates will have to be increased $9.90 to provide the required 110 percent coverage.

Staff recommended the loan be contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower raising its wastewater rates to a level sufficient to provide the necessary coverage.

Erin Steever, Banner Associates, discussed the project and answered questions from the board.

Jackie Lanning talked about rain gardens that were constructed in Brookings.

Motion by Jones, seconded by Gnirk, to adopt Resolution #2015-78 approving the Clean Water State Revolving Fund loan up to a maximum committed amount of $545,000 at 3.25 percent interest for 30 years with 18.4 percent principal forgiveness not to exceed $100,000 to the city of Montrose for storm water management 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 and contingent upon the borrower establishing a sewer rate sufficient to provide the required debt coverage. Motion carried unanimously.
DRINKING WATER FACILITIES FUNDING APPLICATIONS: Mr. Bruels presented the Drinking Water Facilities funding application and staff recommendations. A map showing the location of the applications was included in the board packet.

Edgemont requested $3,890,000 for a water system improvements project. The estimated total project cost is $3,890,000.

This project will rehabilitate two wells, construct a 250,000-gallon elevated storage tank and the necessary piping to connect to the distribution system, and construct a water treatment system for removal of radiological contaminants. The city anticipates bidding the project in March 2016 with a project completion date of July 2018.

Mr. Bruels noted that Edgemont is the highest ranking project on the Drinking Water SRF Project Priority List due to past radiological violations and meeting affordability criteria.

Edgemont’s rates are $25.45 per 5,000 gallons based on usage. Edgemont charges an additional $10 for distribution system replacement, bringing rates to $35.45.

Staff recommended awarding a Consolidated grant for 51.5 percent of total project costs not to exceed $2,000,000 and awarding a $1,890,000 Drinking Water SRF loan at 0 percent for 30 years with 63.9 percent principal forgiveness not to exceed $1,206,890.

Edgemont pledged a project surcharge for repayment of the loan. Staff analysis indicates that a surcharge of $5.25 per user is needed to repay the $683,110 loan. An additional $40.45 per month will be needed to cover existing operation expenses and the expenses associated with the new treatment plant. This results in rates of approximately $45.75 per month and eliminates the $10 distribution system replacement charge.

Staff recommended the award be 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 contingent upon receipt of the 2015 Drinking Water capitalization grant from EPA.

Ted Schultz, AE2S Engineering, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Bernhard, to adopt Resolution #2015-79 approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the city of Edgemont for up to 51.5 percent of approved total project costs not to exceed $2,000,000 for a water system improvements project; and to adopt Resolution #2015-80 approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of $1,890,000 at 0 percent for 30 years with up to 63.9 percent principal forgiveness not to exceed $1,206,890 to the city of Edgemont for a 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, contingent upon the borrower establishing a surcharge sufficient to provide the required debt coverage, and contingent upon receipt of the 2015...
Drinking Water capitalization grant from EPA. Motion carried with six voting aye and Jones abstaining.

TC&G Water Association requested $2,100,000 for Water System Improvements. The estimated total project cost is $2,100,000.

The project will replace 94,000 feet of undersized water line, replace the water tower with a 50,000-gallon ground storage tank and booster pumps and install approximately 140 new water meters. TC & G Water Association anticipates bidding the project in October 2015 with project completion in October 2016.

TC&G Association’s rates are $93.00 per 7,000 gallons based on usage.

Mr. Bruels noted that Dewey County, on behalf of the system, applied for and was awarded a $515,000 CDBG grant, which will lessen the amount of funds needed from the board for this project.

Staff recommended awarding a Consolidated grant for 66.2 percent of total project costs not to exceed $1,390,000 and awarding a $210,000 Drinking Water SRF loan at 2.25 percent for 30 years.

The association pledged system revenue for repayment of the loan. Staff analysis indicates that an increase in total system revenue of approximately one percent will be needed to provide the required 110 percent debt coverage for the loan. This equates to approximately $1.00 per user.

The original application showed operation and maintenance costs of nearly $185,000; however this included a $50,000 line replacement cost that should not have been included. Additionally, TC&G has two outstanding loans that they have indicated will be paid off this year. If those loans are repaid, staff analysis indicates that the existing system revenues will be sufficient to provide the required 110 percent coverage with no increase.

Staff recommended the loan be contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of system revenues as repayment for the loan, contingent upon the borrower establishing water rates sufficient to provide the required debt coverage, contingent upon the borrower approving a security agreement and mortgage, and contingent upon a Parity Agreement being approved and executed.

Kelly Landis, TC&G Water Association, and Chancey Shrake, Brosz Engineering, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Soholt, to adopt Resolution #2015-81 approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the TC&G Water Association for up to 66.2 percent of approved total project costs not to exceed $1,390,000 for a water system improvements project; and to adopt Resolution #2015-82 approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of $210,000 at 2.25 percent for 30 years to the TC&G Water Association for a 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 resolution approving the form of the loan agreement, the promissory note, and the pledge of system revenues as repayment for the loan, contingent upon the borrower establishing water rates sufficient to provide the required debt coverage, contingent upon the borrower approving a security agreement and mortgage, and contingent upon a Parity Agreement being approved and executed. Motion carried unanimously.

Florence requested $2,355,000 for water system improvements. The estimated total project cost is $2,255,000. Florence will contribute $100,000 in local cash.

The project will replace 17,000 feet of water lines, 7,250 feet of service lines, install new water meters, and construct a 105,000-gallon ground storage tank and booster station.

Florence anticipates bidding the project in March 2016 with project completion in November 2016.

The town’s current water rates are $32.00 for 5,000 gallons based on usage.

Florence has requested to use two separate revenue pledges for repayment of loan funds. Mr. Bruels noted that in order to do this, staff had to split the project into two separate loans with one amount identifying sales tax as the repayment source and the other loan using a project surcharge for repayment.

Staff recommended awarding a $688,000 Drinking Water SRF loan (DW-01) at 3.25 percent for 30 years with sales tax pledged as the repayment source.

Staff analysis indicates that the town’s sales tax revenue will provide 208 percent coverage of that loan. However, bond counsel has informed staff that the sales tax debt amount will put the town over the five percent debt limit allowed in state law, so the town will need an election to approve the use of the 10 percent debt limit for water and sewer improvements.

Staff recommended the DW-01 loan be contingent upon the borrower adopting a bond resolution and the resolution becoming effective.

Staff also recommended awarding a Consolidated grant for 42.5 percent of total project costs not to exceed $1,000,000, and awarding a $567,000 Drinking Water SRF loan (DW-02) at 3.25 percent for 30 years with project surcharge as the repayment source.

Staff analysis indicates that a surcharge of $18.25 is needed to provide coverage on the $567,000 loan. Staff believes the town needs approximately $23.50 to cover operation and maintenance expenses so the overall rates would be approximately $41.75 for 5,000 gallons.

Staff recommended the DW-02 loan be 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.

Pat Callan, mayor of Florence, Bob Babcock, Helms and Associates, discussed the project and answered questions from the board.
Motion by Bernhard, seconded by Lanning, to adopt Resolution #2015-83 approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of $688,000 at 3.25 percent for 30 years to the town of Florence for a 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.

Motion by Goldhammer, seconded Soholt, to adopt Resolution #2015-84 approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the town of Florence for up to 42.5 percent of approved total project costs not to exceed $1,000,000 for a water system improvements project; and to adopt Resolution #2015-85 approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of $567,000 at 3.25 percent for 30 years to the town of Florence for a 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 and contingent upon the borrower establishing a surcharge at a level sufficient to provide the required debt coverage. Motion carried unanimously.

Emery requested $2,200,000 for a water distribution system upgrade and replacement project. The estimated total project cost is $2,221,587. Emery will contribute $21,587 in local cash.

The project will replace much of the water main in the city and install looping sections to improve pressure and water quality. The city anticipates bidding the project in early 2017 with project completion in November 2018.

Emery’s current rates are $41.20 per 5,000 gallons based on usage.

Staff recommended awarding a Consolidated grant for 27.7 percent of total project costs not to exceed $615,000 and awarding a $1,585,000 Drinking Water SRF loan at 3 percent for 30 years.

Emery has pledged a project surcharge for repayment of the loan. Staff analysis indicated that a $34.20 surcharge would be required to provide the coverage on the loan, bringing total rates to $75.40.

Mr. Bruels noted that staff is aware that the recommended funding package would result in high rates for Emery. However, Emery is the lowest drinking priority point project applicant in this funding round. In order to fund the higher ranking projects at reasonable rates there was not enough subsidy funding available in the current year to provide a viable funding package to Emery. Staff understands the wastewater line replacement and water line replacement projects are closely linked, and that doing one without the other does not make sense. Mr. Bruels said part of the reason to provide funding for the drinking water project now is to hopefully allow the city to utilize the grant funding early on so the engineering firm can proceed with design and have a project ready to bid by
next year or the following year. Staff would encourage the city to request an amendment for consideration at the March 2016 meeting for additional grant or principal forgiveness funding.

Staff recommended the loan be 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.

Josh Kayser, mayor of Emery, discussed the project and requested approval of funding. He answered questions from the board.

Motion by Lanning, seconded by Bernhard, to adopt Resolution #2015-86 approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the city of Emery for up to 27.7 percent of approved total project costs not to exceed $615,000 for a water distribution system upgrade and replacement project; and to adopt Resolution #2015-87 approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of $1,585,000 at 3 percent for 30 years to the city of Emery for a water distribution system upgrade and 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 at a level sufficient to provide the required debt coverage. Motion carried unanimously.

SMALL WATER FACILITIES FUNDING APPLICATION: Mr. Perkovich presented the funding application and staff recommendation. Mr. Perkovich noted that when the Small Water Facilities program was originally formulated for projects that were less than $250,000 to give those projects a way to get funded without having to go through the SRF requirements and the more rigorous application process. Now any project that is not eligible for SRF funding is allowed to apply for Small Water Facilities funding.

Haakon County School District requested $647,000 for a geothermal wastewater treatment system project. The estimated total project cost is $647,000.

The Haakon County School District requested funding to make improvements to the treatment facility used to treat the discharge water from the district’s geothermal heating system. The geothermal well water is naturally high in Radium 226, so it is treated with barium chloride. The system includes ponds that are used as settling ponds following the barium chloride treatment.

An inspection conducted by DENR in 2009 raised significant concerns about the condition of the ponds and the barium chloride delivery system. Additionally, the condition of the barium chloride handling system raised concerns regarding the health and safety of the operators. At that time, the district was told significant repairs or upgrades were needed to the treatment system to ensure compliance with the discharge permit. Since then, the district has had a number of violations of the radium limit in its discharge permit.
Following a 2014 inspection at the site, the district was notified that a compliance schedule would be included in its new discharge permit. The draft permit is now at public notice. The schedule requires them to upgrade the system by October 2018.

Staff recommended awarding a Consolidated grant for 80 percent of eligible costs not to exceed $517,600.

Mr. Perkovich noted that EPA Region 8 staff determined that the project is not eligible for funding from the Clean Water SRF program. The 80 percent grant recommendation is the maximum allowable. Staff understands that the school district must issue capital outlay certificates to cover the remaining 20 percent of the project cost.

Kevin Morehart, school superintendent, and Dave LaFrance, Banner Associates, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Jones, to adopt Resolution #2015-88 the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the Haakon County School District for up to 80 percent of approved total project costs not to exceed $517,600 for a geothermal wastewater treatment system project. Motion carried unanimously.

Mr. Perkovich provided a summary of funds available for the next funding round.

SOLID WASTE MANAGEMENT PROGRAM FUNDING APPLICATIONS: Andy Bruels presented the applications and staff recommendations for funding. He reviewed a summary of available funds.

Brown County requested $385,000 for the purchase of a new scraper. The estimated total project cost is $770,494. The county will use local cash for the remaining funds.

The county proposes to purchase a new scraper at the landfill to replace the existing scraper which has outlived its useful life.

Staff recommended awarding a Regional Landfill Assistance grant for 30 percent of total project costs not to exceed $231,000.

Mike Scott, Brown County Landfill, discussed the need for a new scraper and answered questions from the board.

Motion by Lanning, seconded by Bernhard, to adopt Resolution #2015-89 approving the South Dakota Regional Landfill Assistance grant agreement between the Board of Water and Natural Resources and the Brown County Landfill for up to 30 percent of approved total project costs not to exceed $231,000 for the purchase of a new scraper. Motion carried unanimously.

Pierre requested $575,000 for the purchase of a solid waste baler. The estimated total project cost is $825,000. The city will use local cash for the remaining funds.
The city of Pierre is proposing to replace the baler at the solid waste facility transfer station. The concrete around the baler area will also be replaced and minor improvements will be made to the conveyor system. A new baler will be more efficient and less likely to malfunction.

Staff recommended awarding a Regional Landfill Assistance grant for 40 percent of total project costs not to exceed $330,000 and awarding a Regional Landfill Assistance loan for $245,000 at 2.25 percent for 10 years.

The city has pledged sales tax for repayment of the loan. Staff analysis indicates debt coverage will be 223 percent.

Staff recommended the award be contingent on the borrower adopting a bond resolution and the resolution becoming effective.

John Childs, city engineer, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Jones, to adopt Resolution #2015-90 approving the South Dakota Regional Landfill Assistance grant agreement between the Board of Water and Natural Resources and the city of Pierre for up to 40 percent of approved total project costs not to exceed $330,000 for the purchase of a baler, concrete around the baler area, and improvements to the conveyor system, and to adopt Resolution #2015-91 approving the South Dakota Solid Waste Management Program loan agreement between the Board of Water and Natural Resources and the city of Pierre for an amount not to exceed $245,000 at 2.25 percent interest for ten years for the purchase of a baler, concrete around the baler area, and improvements to the conveyor system. The loan is contingent on the borrower adopting a bond resolution and the resolution becoming effective. Motion carried unanimously.

Mr. Bruels provided a summary of available funds for upcoming funding rounds.

DELMONT FORCE MAJEURE NOTIFICATION AND REQUEST FOR DEBT SERVICE RELIEF: On May 10, 2015, a tornado struck Delmont in Douglas County, SD. The tornado destroyed 44 homes and 28 others had major damage.

Mr. Feeney reported that Delmont has a Drinking Water SRF loan (DW-01) at 2.5 percent interest for 30 years for water main improvements. Delmont pledged a project surcharge for repayment of the loan. The city makes quarterly payment of $1,888.60, and the next payment is due July 15, 2015. The loan balance is $138,086.75.

Delmont also has a Consolidated loan (2011L-306) at 2.25 percent for 10 years for a water meter replacement project. The city makes semi-annual payments of $1,387.24, and the next payment is due November 1, 2015. The loan balance is $19,049.33.

As required by Section 9.1(b) of the loan documents for both loans, Delmont provided written notice to the board of its inability to meet its debt service obligations due to this act of God. The city has requested forgiveness of the Drinking Water SRF loan balance of $138,086.75 and the Consolidated loan balance of $19,049.33.
Mr. Feeney noted that Delmont’s most recent funding application reflected 145 total drinking water accounts, and the tornado had significant impact on 28 percent of the accounts.

Mr. Feeney stated that the board has full discretion to convert the $19,049.33 balance of the Consolidated loan to a grant. Consideration of additional principal forgiveness is constrained at this time by the limited amount of available principal forgiveness. In addition, adjustments to the Drinking Water SRF loan, which is technically Delmont’s municipal bond, will constitute a reissuance, and bond counsel involvement will be required.

Mr. Feeney stated that staff believes forgiveness of the Drinking Water SRF loan is premature.

Staff recommended that the board inform Delmont that its inability to make its July 15, 2015, payment is deemed not to constitute a default by reason of force majeure. Staff also recommended the board provide direction to staff regarding debt forgiveness for consideration at the September board meeting.

Mr. Feeney requested the board reevaluate Delmont’s repayment ability at the September and subsequent board meetings.

Mae Gunnare, mayor of Delmont, discussed city’s budget and its inability to repay the loans at this time. She requested that the board defer the loan payments until at least the first of the year.

Mr. Feeney and Mayor Gunnare answered questions from the board.

Motion by Gnirk, seconded by Jones, to inform Delmont that its inability to make the July 15, 2015, loan payment is deemed not to constitute a default by reason of force majeure. Motion carried unanimously.

Motion by Goldhammer, seconded by Soholt, to adopt Resolution #2015-92 approving conversion of Delmont’s South Dakota Consolidated Water Facilities Construction Program loan agreement 2011L-306 to a grant. Motion carried unanimously.

The board will review the request for debt forgiveness at a subsequent board meeting.

LEWIS AND CLARK REGIONAL WATER SYSTEM STATE WATER RESOURCES MANAGEMENT LOAN AGREEMENT: Mr. Feeney stated that the 2015 State Legislature appropriated $7,700,000 in loan funding to Lewis and Clark Regional Water System in Section 2 of Senate Bill 173. Funding has been provided based upon the expectation that the federal government will appropriate funds up to the federally authorized ceiling, and that federal funding will be the repayment source.

The department has received a request from the project sponsor to place this appropriation under agreement. He distributed a copy of a letter from Troy Larson, executive director of the water system.

Mr. Feeney noted that a loan agreement was drafted with the assistance of the Attorney General’s Office, and the loan agreement has completed the DENR review process. The funding will be for engineering, easements, construction and other costs associated with completion of Segment 1 and
Segment 5 of the Madison Service Line. Segment 1 will provide a connection for Minnehaha Community Water Corporation near Crooks, and Segment 5 will be used as part of an interim connection so Madison can receive water from Big Sioux Community Water System.

Staff recommended the board approve the resolution authorizing the Chairman to execute the State Water Resources Management System Loan Agreement with Lewis and Clark Regional Water System, Inc.

Motion by Goldhammer, seconded by Jones, to adopt Resolution #2015-93 approving the South Dakota State Water Resources Management System loan agreement in the amount of $7,700,000 to Lewis and Clark Rural Water System and authorizing the chairman of the board to execute the loan agreement. The loan is contingent on the borrower resolution becoming effective. Motion carried unanimously.

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES STATE WATER RESOURCES MANAGEMENT SYSTEM GRANT AGREEMENT: Mr. Feeney reported that pursuant to the board’s recommendation, the 2015 Legislature amended the State Water Resources Management System component of the State Water Plan to include statewide Hydrology and Water Management Studies to manage and protect state water resources.

In Section 3 of Senate Bill 173, the 2015 Legislature appropriated $250,000 to the board for grants to state and local project sponsors of hydrology and water management studies. The Department of Environment and Natural Resources’ Geological Survey Program has submitted a request for a $47,000 grant to examine isotopes in selected aquifers in eastern South Dakota. The grant funds will cover the cost for analyzing water samples for carbon-14, tritium, and the stable isotope ratios at out-of-state laboratories.

Derric Iles, state geologist, SD Geological Survey, discussed the proposal to examine isotopes in selected waters in eastern South Dakota. The proposal has two primary goals. The first goal is to ascertain the degree of mixing of glacial meltwater with more recently derived meteoric water in selected aquifers. The second goal is to draw inferences as to recharge sources, flow directions and discharge destinations of ground waters in the selected areas.

Mr. Iles answered questions from the board members.

Staff recommended the board approve the resolution authorizing the chairman to execute the State Water Resources Management System grant agreement with the Department of Environment and Natural Resources.

Motion by Gnirk, seconded by Bernhard, to adopt Resolution #2015-94 approving the State Water Resources Management System grant agreement in the amount of $47,000 with the South Dakota Department of Environment and Natural Resources. Motion carried unanimously.

ELECTION OF OFFICERS: Gnirk nominated the following slate of officers Brad Johnson as chairman, Gene Jones as vice chairman, and Todd Bernhard as secretary.
Board of Water and Natural Resources
June 25, 2015, Meeting Minutes

Motion by Gnirk, seconded by Lanning, that nominations cease and a unanimous ballot be cast for the following slate of offices - Brad Johnson as chairman, Gene Jones as vice chairman, and Todd Bernhard as secretary. Motion carried unanimously.

SEPTEMBER BOARD MEETING: The next meeting is scheduled for September 24, 2015, via the Digital Dakota Network. Mr. Perkovich discussed possible agenda items.

ADJOURN: Motion by Lanning, seconded by Soholt, that the meeting be adjourned. Motion carried unanimously.

Approved this 24th day of September, 2015.

(SEAL)

Chairman, Board of Water and Natural Resources

ATTEST:

Secretary, Board of Water and Natural Resources
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