

Minutes of the
Board of Water and Natural Resources Meeting

January 10, 2014
1:00 p.m. CST

Via Digital Dakota Network

Capitol Building
Pierre, SD

South Dakota School of Mines and Technology
Rapid City, SD

SD Department of Labor
Watertown, SD

University Center
Sioux Falls, SD

South Dakota State University
Brookings, SD

Mitchell Technical Institute
Mitchell, SD

Aberdeen
Northern State University

CALL MEETING TO ORDER: The meeting was called to order by Chairman Brad Johnson. The roll was called, and a quorum was present.

Chairman Johnson welcomed new board member, Jerry Soholt, to the board. He was appointed by the Governor to fill the vacancy left by Don Rounds.

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

OTHERS PRESENT: See attached attendance sheets.

APPROVE AGENDA: There were no additions or corrections to the posted agenda.

APPROVAL OF MINUTES FROM NOVEMBER 7, 2013, MEETING: Motion by Lanning, seconded by Gnirk, to approve the minutes from the November 7, 2013, Board of Water and Natural Resources meeting. A roll call vote was taken, and the motion carried unanimously.

PUBLIC HEARING TO ADOPT THE FFY 2014 DRINKING WATER SRF INTENDED USE PLAN: Chairman Johnson opened the public hearing at 1:05 p.m. CST.

The purpose of the hearing was to receive public input and adopt the Federal Fiscal Year (FFY) 2014 Intended Use Plan (IUP) for the Drinking Water State Revolving Fund (SRF) program.

Mike Perkovich presented the FFY 2014 Drinking Water SRF IUP and discussed changes from previous years.

The IUP describes how the board intends to use available funds to meet the objectives of the Safe Drinking Water Act. The IUP outlines the set-aside activities to be performed and amount of funding allocated to these. A prioritized list of potential drinking water projects is also included in the IUP. Projects seeking a Drinking Water SRF loan must be included on the priority list.

The hearing was advertised in accordance with applicable state and federal requirements. No written comments were submitted.

Chairman Johnson requested public comments regarding the Drinking Water SRF IUP. No one offered comments.

Motion by Jones, seconded by Gnirk, to approve the Federal Fiscal Year 2014 Drinking Water State Revolving Fund Intended Use Plan, as presented. A roll call vote was taken, and the motion carried unanimously.

AMENDMENT TO 2011 AND 2012 DRINKING WATER SRF INTENDED USE PLANS: Mr. Perkovich reported that the FY 2011 Drinking Water SRF IUP was approved by the Board of Water and Natural Resources in November 2010 and amended in March and June 2011 and January 2012.

The FY 2012 Drinking Water SRF IUP was approved by the board in November 2011 and amended in March and June 2012 and September 2013.

For a project to utilize principal forgiveness that was authorized under a specific capitalization grant, it must be included on the IUP associated with that capitalization grant. In order to maximize the use of each year's capitalization grant, it is necessary to amend projects to prior year's IUP.

The department proposed amending Attachment I - Project Priority List of the FY 2011 and 2012 Drinking Water IUPs by adding the following:

Priority Points	Loan Recipient	Project Description	Est. Loan Amount	Expected Loan Rate & Term
75	Yankton	<i>Problem:</i> the older of the city's two water treatment plants, constructed in 1929, has gotten to the point where it is no longer feasible to use and the Missouri River intake is no longer reliable due to decreasing river channel elevation and flooding. <i>Project:</i> construct a new water treatment plant and install a collector well to replace the Missouri River intake.	\$26,000,000	3%, 20 yrs.

Motion by Lanning, seconded by Goldhammer, to amend the FY 2011 and 2012 Drinking Water SRF IUPs. A roll call vote was taken, and the motion carried unanimously.

DRINKING WATER FACILITIES FUNDING APPLICATIONS: Jim Feeney presented a summary of available funds for all of the funding programs.

Mr. Feeney presented the applications and the staff recommendations for funding.

Kingbrook Rural Water System requested \$1,290,000 to provide water service to Sinai. The estimated total project cost is \$1,569,000.

The project includes the construction of rural and in-town water lines and appurtenances necessary to provide individual service to the residents of Sinai. The project will also involve minor upgrades to sections of the Kingbrook distribution system for increased efficiency.

Kingbrook's rate is currently \$53.05 for 7,000 gallons. This is below the minimum rate for either SRF principal forgiveness or consolidated grants; however, the rules under the consolidated program, 74:05:07:11, provide the board with the discretion to award grant assistance to recipients not meeting the minimum established rates for economic development opportunities, expansion into new areas, regionalization, or consolidation of facilities.

Staff recommended awarding a \$750,000 consolidated grant and \$540,000 Drinking Water SRF loan at 3 percent for 20 years.

Kingbrook's system revenues provide debt service coverage of 160 percent.

Staff recommended the SRF 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; and contingent upon an amended intercreditor agreement being approved and executed by CoBank, USDA Rural Utilities Service, Kingbrook Rural Water System, Inc., and the Conservancy District.

Randy Jencks, Kingbrook RWS, discussed the project and requested approval of funding. Mr. Jencks answered questions from the board.

Motion by Gnirk, seconded by Jones, to adopt Resolution #2014-01 approving a Consolidated Water Facilities Construction Program grant to Kingbrook Rural Water System for up to 47.9 percent of approved total project costs and not exceeding \$750,000 to provide water service to the town of Sinai; and to adopt Resolution #2014-02 approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$540,000 at 3 percent interest for 20 years to the Kingbrook Rural Water System to provide water service to the town of Sinai, 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 resolution approving the form of the loan agreement, the promissory note, and the pledge of system revenues as repayment for the loan and contingent upon an amended intercreditor agreement being approved

and executed by CoBank, USDA Rural Utilities Service, Kingbrook Rural Water System, Inc., and the Conservancy District. A roll call vote was taken, and the motion carried unanimously.

The city of Mobridge requested \$400,000 for a water tower replacement project. The estimated total project cost is \$2,297,000.

In June 2012, the board awarded a \$1,212,000 Drinking Water SRF loan for this project. Bids were opened in September 2013, and project costs were determined to be \$600,000 higher than originally estimated.

Mr. Feeney noted that the city has pledged \$200,000 in local cash and has submitted this application for an additional \$400,000 to complete the funding package. The funding package also includes a \$485,000 federal State and Tribal Assistance Grant.

Staff recommended awarding a \$400,000 Drinking Water SRF loan at the requested 2.25 percent interest for 30 years.

Mr. Feeney stated that with the previous \$1,212,000 Drinking Water SRF loan, Mobridge implemented a surcharge of \$3.05, bringing their current rate to \$36.75 for 5,000 gallons, and the surcharge for this new loan will be just over \$1.00.

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.

Brad Milliken, city of Mobridge, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Lanning, to adopt Resolution #2014-03 approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$400,000 at 2.25 percent interest for 30 years to the city of Mobridge for a water tower 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. The loan is 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. A roll call vote was taken, and the motion carried. Jones abstained from voting.

SANITARY/STORM SEWER FACILITIES FUNDING APPLICATIONS: Mike Perkovich presented the applications and the staff recommendations for funding.

The city of Clark requested \$1,000,000 for wastewater treatment facility construction. The estimated total project cost is \$4,940,000.

The city of Clark is proposing to replace its mechanical treatment facility with a total retention lagoon treatment facility. Currently the discharges from the Clark wastewater treatment facility enter an unnamed tributary and flow about two miles before entering an unnamed wetland. This

wetland is adjacent to Antelope Lake and Indian Springs Lake. Under normal flow conditions the wetland flows to Antelope Lake and during wet years the wetland discharges both lakes. The DENR Surface Water Quality Program has conducted an analysis of the tributary, wetland, and both lakes. As a result, DENR proposes to classify Antelope Lake and Indian Springs Lake as warm water semi-permanent fishable lakes, and because of this Clark will no longer be allowed to discharge at the existing location so they propose to construct a total retention lagoon facility rather than treat and discharge elsewhere.

Mr. Perkovich noted that the city has received a \$515,000 Community Development Block Grant and will request the remaining funds from USDA Rural Development.

Clark's current rate is \$26.00 for 5,000 gallons, but the rate is expected to be \$41.50 or higher for 5,000 gallons upon project completion.

Mr. Perkovich stated that sufficient consolidated grant funds, water quality grant funds, and Clean Water SRF program principal forgiveness funds are not available at this time. Staff realizes this project is in need of significant subsidy from the board, so the staff recommendation was for deferral of this application until the March 27-28, 2014, Board of Water and Natural Resources meeting, when additional consolidated funds will be available.

Mr. Perkovich noted that by rule, the board is allowed to defer a decision on a funding application for 120 days after the application is presented to the board.

Jackie Luttrell, Clark finance officer, discussed the project. She stated that the city is in agreement with deferring the application until the March board meeting.

Motion by Goldhammer, seconded by Gnirk, to defer the city of Clark's application until the March 27-28, 2014, board meeting. A roll call was taken, and the motion carried unanimously.

The city of Brookings requested \$1,570,000 for the Division Avenue storm water management project. The total estimated project cost is \$1,570,000.

Brookings proposes to construct a storm water management system in the Division Avenue area of the city. The project will regulate peak storm flow that has caused flooding in the area as well as reduce the amount of sediment reaching Six Mile Creek, North Deer Creek, and the Big Sioux River. The existing channel and storm piping in the area do not have adequate capacity. The city of Brookings anticipates bidding the project in March 2014 with a project completion date of October 1, 2014.

The city is pledging storm water fee revenues toward repayment of the loan. Properties are charged a unit charge of about 5.5 cents per 100 square feet of surface area. Mr. Perkovich stated that for a residential lot of about 10,000 square feet that would equate to approximately \$3.40 per month.

Staff recommended awarding a \$1,570,000 Clean Water SRF loan at 3 percent for 20 years. Mr. Perkovich noted that staff analysis shows that the city's storm water fees generate sufficient revenue to provide 145 percent coverage on the loan. Staff recommended the loan be contingent upon the borrower adopting a bond resolution and the resolution becoming effective.

Thad Drietz, Brookings assistant city engineer, discussed the project.

Jackie Lanning answered questions from the board regarding the storm water fees.

Motion by Gnirk, seconded by Jones, to adopt Resolution #2014-04 approving the Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,570,000 at 3 percent interest for 20 years to the city of Brookings for the Division Avenue storm water management 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. The loan is contingent upon the borrower adopting a bond resolution and the resolution becoming effective. A roll call vote was taken, and the motion carried. Lanning abstained from voting.

The city of Dell Rapids requested \$1,200,000 for wastewater improvements. The estimated total project cost is \$1,300,000.

This project involves the construction of a lift station and gravity sewer to an area south of the Big Sioux River on Garfield Avenue. This area currently does not have sewer service, and the city is hoping this will provide service for potential development. The project also includes the replacement of sanitary sewer under the railroad tracks on Beach Avenue. This construction will take place when the D&I Railroad rebuilds the tracks in that area. The last component of the project involves cleaning, televising, and analyzing approximately 40,000 feet of existing sanitary sewer. This will help the city prioritize future replacement projects.

Dell Rapids expects to bid the project in March 2014 and complete it in November.

The city is pledging sales tax revenue toward repayment of the loan so the city's current rate of \$36.38 will not be affected.

Staff recommended awarding a \$1,200,000 Clean Water SRF loan at 3 percent for 20 years. The city of Dell Rapids has no current debt backed by sales tax revenue. Staff analysis shows that the city's current sales tax revenue would generate more than 1,000 percent debt coverage. Any award would be contingent upon the borrower adopting a bond resolution and the resolution becoming effective.

Justin Weiland, Dell Rapids city administrator, discussed the project and requested approval of funding.

Motion by Jones, seconded by Gnirk, to adopt Resolution #2014-05 approving the Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,200,000 at 3 percent interest for 20 years to the city of Dell Rapids for wastewater 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. The loan is contingent upon the borrower adopting a bond

resolution and the resolution becoming effective. A roll call vote was taken, and the motion carried unanimously.

The Lake Byron Watershed District requested \$ 3,693,000 for the construction of a wastewater collection and treatment system. The estimated total project cost is \$3,694,000.

The watershed district is proposing to construct a centralized wastewater collection and treatment system to serve the homes on Lake Byron. Currently each home property is served by individual on-site systems.

The watershed district currently has no wastewater rates because there is no system. The district intends to use both special assessments and wastewater rates for debt service on any future loans and the operation and maintenance of the system.

Mr. Perkovich noted that this is the first SRF application the department has received from a watershed district. The Lake Byron Watershed District was established in 1984, and it was established to construct a project to pump water into Lake Byron from the James River during times of high flows. The district adopted a general improvement plan at that time, and that was the only project specifically identified in the general improvement plan. The district throughout the years has evaluated the feasibility of constructing a centralized wastewater collection and treatment system. A project to construct a treatment system has been placed on the State Water Plan periodically since 1992, but the project did not progress.

Mr. Perkovich stated that watershed districts have unique powers and authorities that are quite different from municipalities and sanitary districts, which creates some unique challenges to funding the Lake Byron project. Based on advice from Harold Deering, the general improvement plan will need to be amended, since the sanitary sewer system was not specifically identified in the general improvement plan. Additionally, the district will also be required to hold an election to put a special assessment into place.

Due to the lack of available funds, staff recommended deferral of the application until the March 27-28, 2014, board meeting. At that time any funding award would be made contingent upon the watershed district amending the general improvement plan prior to closing the Clean Water SRF loan. Mr. Perkovich said staff believes that by making an award, it would allow the district to hold public hearings on amending the general improvement plan and to put the special assessment financing before its voters. This contingency would also require that the vote to approve the special election be held within one year of Board of Water and Natural Resources approval of the funding.

Motion by Lanning, seconded by Goldhammer, to defer the Lake Byron Watershed District funding application until the March 27-28, 2014, board meeting. A roll call vote was taken, and the motion carried unanimously.

Jay Koch, Helms & Associates, thanked the staff for its recommendation.

Mr. Perkovich answered questions from the board.

WATERSHED RESTORATION PROJECT FUNDING APPLICATION: Mr. Feeney presented the application for funding and the staff recommendation.

The Day County Conservation District requested \$115,000 for the Northeast Glacial Lakes Watershed Protection Project – Segment III. The estimated total project cost is \$1,190,420.

This is the third segment of a planned multi-year locally led effort to implement best management practices (BMPs) in the Northeast Glacial Lakes Watershed located in Day, Grant, Marshall, and Roberts counties of northeast South Dakota to protect and improve water quality to continue to meet designated beneficial uses for water bodies in these watersheds.

The funding would be used as cost-share for grass waterways, shoreline and stream bank stabilization, and up to two animal waste management systems.

Staff recommended awarding a Water Quality grant up to 15 percent of approved total project costs not to exceed \$115,000.

Mr. Feeney noted that the board will consider an application by Day County Conservation District for 319 funding later in the meeting.

Motion by Jones, seconded by Bernhard, to adopt Resolution #2014-06 approving the State Revolving Fund Water Quality grant agreement between the Board of Water and Natural Resources and the Day County Conservation District for a grant up to 15 percent of approved total project costs not to exceed \$115,000 for the Northeast Glacial Lakes Watershed Projection Project – Segment III. A roll call vote was taken, and the motion carried unanimously.

SMALL WATER FACILITIES FUNDING APPLICATION: Mr. Feeney presented the funding application and the staff recommendation.

The city of Miller requested \$242,000 for a wastewater improvements project. The estimated total project cost is \$242,000.

The project includes cleaning, televising, and GPS mapping of the sanitary and storm sewer systems.

The city's current rate is \$27.00 per 5,000 gallons. The city has pledged a wastewater surcharge toward repayment of the loan.

Staff recommended awarding a \$242,000 consolidated loan at 3 percent for 20 years 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.

Staff analysis indicated that a \$1.65 per customer per month surcharge would provide 100 percent debt coverage. Staff believes the city can restructure its existing rate system and leave the rate at the current \$27.00 per 5,000 gallons.

James Bonebright, Miller water superintendent, discussed the project.

Motion by Goldhammer, seconded by Lanning, to adopt Resolution #2014-07 approving a Consolidated Water Facilities Construction Program loan up to a maximum commitment amount of \$242,000 at 3 percent interest for 20 years to the city of Miller for wastewater system improvements 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. A roll call vote was taken, and the motion carried unanimously.

MIDWEST ASSISTANCE PROGRAM DRINKING WATER SRF SET-ASIDE CONTRACT:

Jon Peschong reported that the board has contracted with Midwest Assistance Program (MAP) for services to provide on-site review of drinking water systems since January 2008. This review includes financial, managerial, and technical capacity assessments for Drinking Water SRF applicants.

With the contract ending December 31, 2013, MAP submitted a work plan on November 1, 2013, that will continue to provide on-site review of drinking water systems.

Both SRF and Drinking Water staff have reviewed the work plan and find it appropriate.

Staff recommended the board approve a resolution authorizing the chairman to execute a Drinking Water SRF local assistance set-aside contract with MAP for two years in the amount of \$49,700 based on a rate of \$71.00 per hour not to exceed 700 hours.

Motion by Gnirk, seconded by Jones, to adopt Resolution #2014-08 approving the consulting contract between the Board of Water and Natural Resources and Midwest Assistance Program to provide Drinking Water State Revolving Fund local assistance set-aside services in an amount not to exceed \$49,700. A roll call vote was taken, and the motion carried unanimously.

SOUTH EASTERN COUNCIL OF GOVERNMENTS REQUEST TO AMEND SOLID WASTE MANAGEMENT PROGRAM GRANT 2013G-SW-103: Andy Bruels reported that the department received a request from the South Eastern Council of Local Governments (SECOG) for a time extension for its Solid Waste Management Program (SWMP) grant.

In March 2012, SECOG was awarded a SWMP grant for up to 80 percent of project costs not to exceed \$300,000 for the Regional Revolving Loan Fund. In January 2013 and June 2013, SECOG requested and received additional funds bringing the total funding amount to \$645,000. Currently, SECOG has just over \$110,000 remaining in funds for use.

The revolving loan program that SECOG administers has been popular, and it is anticipated that additional requests will be received.

SECOG requested that the grant be extended for an additional year, which will allow them to continue making loans and grow the revolving fund in their area.

Staff recommended extending the grant expiration date for Solid Waste Management Program Grant #2013G-SW-103 to March 30, 2015.

Motion by Lanning, seconded by Gnirk, to adopt Resolution #2014-09 approving the third amendment to South Dakota Solid Waste Management Program Grant Agreement #2013G-SW-103 between the Board of Water and Natural Resources and Southeastern Council of Governments extending the term to March 30, 2015. A roll call vote was taken, and the motion carried unanimously.

VERMILLION REQUEST TO AMEND SWMP GRANT 2013G-RLA-104: Mr. Bruels reported that the city of Vermillion requested a time extension for its Regional Landfill Appropriation (RLA) grant.

In March 2012, Vermillion was awarded an RLA grant for 22.2 percent of total project costs not to exceed \$522,210 for the construction of a new landfill cell. Vermillion was also awarded a \$1,639,000 Clean Water SRF loan for this project. Construction is currently ongoing, and completion is anticipated in the fall of 2014.

Vermillion requested the grant be extended for an additional year, which will allow the city to finish construction of the new landfill cell.

Staff recommended extending the grant expiration date for grant #2013G-RLA-104 to March 30, 2015.

Motion by Jones, seconded by Gnirk, to adopt Resolution #2014-10 approving the first amendment to South Dakota Regional Landfill Appropriation Grant Agreement #2013G-RLA-104 between the Board of Water and Natural Resources and the city of Vermillion extending the term to March 30, 2015. A roll call vote was taken, and the motion carried unanimously.

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES (DENR) REQUEST TO AMEND SWMP GRANT 2013G-RLA-102: Mr. Bruels reported that DENR submitted a request for a time extension and additional funding to be allocated to its RLA grant.

In March 2012, DENR was awarded an RLA grant for 100 percent of total project costs not to exceed \$500,000 to conduct waste tire and other solid waste cleanup projects in the state. On August 14, 2012, DENR requested that \$300,000 be deobligated from this grant due to a high program demand from other applicants.

Currently the Solid Waste Management Program is well funded, and demand for waste tire projects has remained steady.

Since 2010 DENR has received \$1,450,000 in RLA grants for waste tire and other solid waste cleanup projects. To date the funds have been used to collect approximately 7,600 tons of tires or about 760,000 passenger tires. The department has also conducted 20 other small waste cleanups. The current unobligated balance of the grant is over \$205,000; however, there is one large upcoming project anticipated that would use most of the remaining funds.

DENR requests a one-year time extension and an additional \$70,000. The additional time and funds will allow DENR to continue utilizing the grant funds to conduct waste tire and other solid waste cleanup projects within the state.

Mr. Bruels answered questions from the board regarding the cleanup activities.

Motion by Bernhard, seconded by Goldhammer, to adopt Resolution #2014-11 approving the second amendment to South Dakota Regional Landfill Appropriation Grant Agreement #2013G-RLA-102 between the Board of Water and Natural Resources and the Department of Environment and Natural Resources extending the term to March 30, 2015 and approving an increase in the grant amount of \$70,000 for 100 percent of approved total project costs for an amount not to exceed \$270,000. A roll call vote was taken, and the motion carried unanimously.

HERRIED REQUEST TO AMEND CONSOLIDATED GRANT 2012G-106: Jim Anderson reported that in March 2011, the city of Herreid was awarded a \$694,300 Clean Water SRF loan and a \$300,000 Consolidated Water Facilities Construction Fund grant for a wastewater system improvements project. The grant was based on 20.1 percent of total project costs of \$1,494,300. The project, which has been completed, included replacement of wastewater collection lines, a lift station, and upgrades to the wastewater lagoons.

The department received a letter from the city requesting a grant percentage increase from 20.1 percent to 22.0 percent to draw the total \$300,000 grant. The city has drawn the entire Clean Water State Revolving Fund loan of \$694,300. At this time, approximately \$18,850 remains in the grant.

Staff recommended approval of the grant percentage increase.

Jay Koch, Helms & Associates, thanked the board for its consideration of this request.

Motion by Jones, seconded by Gnirk, to adopt Resolution #2014-12 approving the first amendment to South Dakota Consolidated Water Facilities Construction Program grant agreement 2012G-106 between the Board of Water and Natural Resources and the city of Herried increasing the grant percent to 22 percent of approved total project costs not to exceed \$300,000. A roll call vote was taken, and the motion carried unanimously.

SECTION 319 APPLICATIONS: The Board of Water and Natural Resources is the designated entity that provides the state's Section 319 Nonpoint Source Pollution project funding recommendations to EPA. The board considers recommendations from the Nonpoint Source (NPS) Task Force as part of its selection process.

Six applications requesting \$3,010,396 in 319 funding were received and reviewed by department staff and the NPS Task Force.

Pete Jahraus reported that for FFY 2014, staff anticipates receiving \$2,309,450 in 319 funds, which is five percent less than last year's allocation. As in the past, awards will be adjusted based on the final allocation amount.

Mr. Jahraus noted that the department requests using \$600,000 for administration of the program, which leaves \$1,709,000 for pass through grants. At the November 2013 Board of Water and Natural Resources meeting, the department requested to supplement the 319 funds with Clean Water SRF Water Quality Grant funds, which the board authorized in the 2014 Intended Use Plan.

The department requests using \$240,550 in Clean Water SRF Water Quality Grant funds, which brings the total pass through grant amount to \$1,950,000.

Pete Jahraus presented the applications for 319 funding.

Belle Fourche River Watershed Management and Project Implementation Plan - Segment 6 (Amendment)

Total Cost: \$5,232,900

319 Grant Request: \$500,000

Project Description: The Belle Fourche River Watershed Partnership is the project sponsor for this two-year project. This is the sixth segment of seven planned project segments that address a cluster of seven TMDLs. Completion of the activities planned for this segment will begin implementing BMPs that reduce E. coli and advance the BMP implementation for TSS pollutants to 65 percent complete. These BMPs include: installing irrigation control units, irrigation canal modeling, lining irrigation canals, replacing irrigation ditches with pipelines, installing irrigation sprinkler systems, implementing grazing management systems, installing riparian vegetation improvements, clean water diversion, relocating livestock feeding grounds, and developing alternatives for stormwater management.

Staff Recommendation: \$500,000 (\$420,000 in 319 funds and \$80,000 Clean Water SRF WQ grant funds)

Evaluating the Effectiveness of Polyacrylamide Flocculation (PAM) to Reduce Suspended Solids, Bacteria, and Nutrients in Agricultural Runoff

Total Cost: \$151,394

319 Grant Request: \$89,746

Project Description: South Dakota State University is the project sponsor. The proposed project will assess factors affecting PAM flocculation of a variety of agricultural soils in South Dakota. Based on the results of this project, they will identify the optimum PAM application conditions that will effectively control soil erosion and reduce TSS, bacteria, and nutrient loadings to surface water resources. The results of this project will help policy makers and producers make informed decisions regarding the use of PAM for agricultural runoff water quality control in South Dakota.

Staff Recommendation: No funding. Mr. Jahraus noted that the recommendation is based on PAM currently being commercially available and the fact that based on a soil sample, the companies will determine what PAM is best for certain soil types. Also it may need to be reapplied after four rain events, and the cost per acre becomes prohibitive.

Lewis and Clark Watershed Implementation Project Segment 4

Total Cost: \$4,339,000

319 Grant Request: \$1,400,000

Project Description: The Randall Resource Conservation & Development Council is the project sponsor. This proposal is the fourth segment of a locally planned multi-year (10-15 year) effort to implement best management practices (BMPs) in the Lewis and Clark Lake watershed, Lake Andes,

Geddes, Academy and Platte Lake Watersheds. The BMPs will target sources of sediment, nutrients, and fecal coliform bacteria. This effort is aimed at restoring water quality to meet designated beneficial uses and address TMDLs established, and to be established, for water bodies in these watersheds.

Staff Recommendation: \$900,000 (\$819,450 in 319 funds and \$80,550 Clean Water SRF WQ grant funds). The reduction is based on funding for two years rather than three years.

Nonpoint Source Information & Education Project - Segment 4

Total Cost: \$647,675

319 Grant Request: \$370,500

Project Description: The South Dakota Discovery Center is the project sponsor. Segment 4 is designed to continue providing South Dakota's citizen's information and education opportunities about nonpoint source pollution in order to gain their support for and participation in non-point source pollution prevention and reduction practices. To achieve the goal, this project will focus on: outreach to South Dakota's adults using a combination of traditional and innovative methods; support of local and regional activities through a competitive mini-grants program; and increased teacher, student and adult awareness of and proficiency in watersheds and watershed protection.

Staff Recommendation: \$250,000 in 319 funds. The reduction is based on funding for two years rather than three years.

Northeast Glacial Lakes Watershed Improvement and Protection Project – Segment 3

Total Cost: \$1,190,420

319 Grant Request: \$302,150

Project Description: The Day County Conservation District is the project sponsor. This is the third segment of a multi-year locally led effort. The goal of this project is to protect and improve the water quality of northeast South Dakota glacial lakes, streams and rivers by implementing best management practices that reduce the amount of fecal coliform bacteria, nutrients, and sediment loads entering project water bodies.

Staff Recommendation: \$300,000 (\$220,000 in 319 funds and \$80,000 Clean Water SRF WQ grant funds)

Spring Creek Watershed Management and implementation Project - Segment 2 (Amendment)

Total Cost: \$1,417,806

319 Grant Request: \$348,000

Project Description: Pennington County is the project sponsor. This is the second of six planned segments. This project would continue implementation of the BMPs identified in the TMDL reports for the Spring Creek Watershed. Completion of the activities planned for this segment would advance the BMP implementation for fecal coliform bacteria to 8 percent completed. These BMPs include management of riparian zones, stormwater management, forestry and grazing improvements, and on-site wastewater treatment systems.

Staff Recommendation: No funding: Mr. Jahraus stated that in staff's estimation, the project should have enough funding to get to the next funding cycle. This will put less strain on the 319 funds and make more water quality grant funds available for other projects

Jay Gilbertson, chairman of the Nonpoint Source Task Force, reported that the task force reviewed the applications and concurred with the staff recommendations for funding.

Mr. Jahraus and Mr. Gilbertson answered questions from the board.

Chairman Johnson requested board action.

Motion by Gnirk, seconded by Bernhard, to concur with the funding recommendations of department and the Nonpoint Source Task Force and authorize the department to forward Section 319 funding recommendations to EPA with adjustments to final available federal funding levels. A roll call vote was taken, and the motion carried unanimously.

Motion by Jones, seconded by Lanning, to authorize the Department of Environment and Natural Resources to enter into grant agreements with the project sponsors recommended for Fiscal Year 2014 Federal Section 319 grant assistance in the aggregate amount of up to \$240,550 from Clean Water SRF administrative surcharge fees pursuant to the 2014 Clean Water SRF Intended Use Plan, contingent upon the 2014 Legislature authorizing the required budget authority for the awards. A roll call vote was taken, and the motion carried unanimously.

FFY 2013 CLEAN WATER AND DRINKING WATER SRF ANNUAL REPORTS: Elayne Lande presented the federal fiscal year 2013 Clean Water and Drinking Water SRF annual reports.

The South Dakota Conservancy District is required to submit annual reports to EPA for both the Clean Water and Drinking Water SRF programs. The annual reports follow the same format as previous years and discuss activities from October 1, 2012 to September 30, 2013.

Ms. Lande provided the following summary for FFY 2013 Clean Water SRF funding.

Seventeen CWSRF loans were awarded for total funding of \$20,703,000. Four of those loans received principal forgiveness totaling more than \$1,170,000. Loan disbursements totaled more than \$45,000,000. One hundred fifty eight loans are currently in repayment and 114 loans have been repaid in full. Loan repayments totaled more than \$24,500,000 and consisted of \$19,100,000 in principal, \$4,100,000 in interest, and \$1,300,000 in administrative surcharge. Ten Small Community Planning grants were awarded totaling \$84,000. Activities associated with these grants included studies of wastewater and storm water improvements. Seven Water Quality grants funded with administrative surcharge fees amounted to \$1,100,000.

Staff requested permission to make the final edits, recommended approval of the FFY 2013 Clean Water SRF annual report, and requested authorization to distribute the report to the EPA and other interested parties.

Motion by Goldhammer, seconded by Gnirk, to approve the Federal Fiscal year 2013 Clean Water SRF annual report, to authorize staff to make final edits, and to distribute the report to EPA and other interested parties. A roll call vote was taken, and the motion carried unanimously.

Ms. Lande provided the following summary for FFY 2013 Drinking Water SRF funding.

Ten DWSRF loans were awarded for total funding of \$27,859,000. Seven of those loans received principal forgiveness totaling \$5,168,000. Disbursements totaled approximately \$19,600,000 with more than \$18,900,000 to loan recipients, and approximately \$700,000 was spent on set-aside activities. One hundred forty-six loans are currently in repayment, and 36 loans have been repaid in full. Loan repayments totaled \$14,000,000 million dollars and consisted of \$9,800,000 in principal, \$3,300,000 in interest, and \$906,000 in administrative surcharge fees.

South Dakota must use at least 15 percent of all dollars credited to the Drinking Water fund to provide assistance to small systems serving fewer than 10,000 people. In 2013, 42 percent of the binding commitments were made to satisfy this requirement. Since the program started, 40 percent of the funds have been awarded to small systems. Ten communities were provided a total of \$69,760 in Small System Technical Assistance for system improvement studies.

Staff requested permission to make the final edits, recommended approval of the FFY 2013 Drinking Water SRF annual report, and requested authorization to distribute the report to the EPA and other interested parties.

Motion by Gnirk, seconded by Bernhard, to approve the Federal Fiscal year 2013 Drinking Water SRF annual report, to authorize staff to make final edits, and to distribute the report to EPA and other interested parties. A roll call vote was taken, and the motion carried unanimously.

OTHER BUSINESS: Mr. Perkovich, on behalf of the department staff, welcomed new member Jerry Soholt to the board.

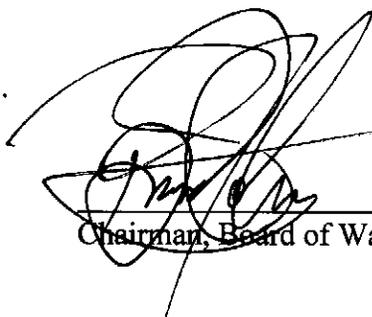
The next Board of Water and Natural Resources meeting is scheduled for March 27-28, 2014, in the Matthew Training Center, Foss Building in Pierre.

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

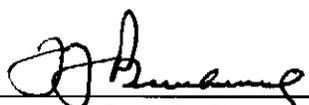
Approved this 27th day of March, 2014.

(SEAL)

ATTEST:



Chairman, Board of Water and Natural Resources



Secretary, Board of Water and Natural Resources

ATTENDANCE SHEET
BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

JANUARY 10, 2014

PIERRE
CAPITOL BUILDING

<u>NAME (PLEASE PRINT)</u>	<u>ADDRESS</u>	<u>REPRESENTING</u>
Jim Anderson	Pierre	DENR
Mike PERKOVICH	Pierre	DENR
Bob Mercer	Pierre	Newspapers
Pete Jahaus	Pierre	DENR
Eric Meintsma	Pierre	SDDENR
Mary Duvall	Pierre	Oversight Committee
Drew Huisteen	Pierre	DENR
Claire Peschong	Pierre	DENR
Elayne Lande	Pierre	DENR
Matthew Adetouen	Rock Rapids IA	DNR Engineering
Randy Jencks	Abington	Kingbrook RWS - SIMA's
Bred Milliker	Mobridge	City of Mobridge
Jon Peschong	Pierre	DENR
James Feeney	Pierre	DENR
PAUL GNIRK	NEW UNDERWOOD	BWNR
PAUL GOCHHAMMER	Wall	BWNR
Andy Bruels	Pierre	DENR

ATTENDANCE SHEET

BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

JANUARY 10, 2014

ABERDEEN
NORTHERN STATE UNIVERSITY

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

Trent Baumeister

Clark Engineering

DON WEIGEL

CLARK ENGINEERING

REINHOLD FUERST

Lake Byron Water Shed

TODD SORENSEN

Lake Byron Water Shed

Pick Friske

✓ ✓ ✓

Ted Dickey

NECOG

Jay Koch

Helms & Associates

Tina Kary

City of Herreid

ATTENDANCE SHEET
BOARD OF WATER AND NATURAL RESOURCES MEETING
CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

JANUARY 10, 2014

BROOKINGS
SOUTH DAKOTA STATE UNIVERSITY

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

JACKIE LANNING
Thad Drietz
Jay Gilbertson

PO Box 270 Brookings
520 3rd St Brookings
Brookings

BWNR
City of Brookings
East Dakota WDD