

Minutes of the  
Board of Water and Natural Resources Meeting

September 25, 2014 – Tour of Projects in the Watertown Area  
and  
September 26, 2014  
8:30 a.m. CDT

Conducted via the Digital Dakota Network

Capitol Building  
Pierre, SD

South Dakota State University  
Brookings, SD

University Center  
Rapid City, SD

USD School of Medicine  
Sioux Falls, SD

SD Department of Health  
Watertown, SD

SEPTEMBER 25, 2014

Chairman Johnson called the meeting to order at 8:30 a.m. CDT. A quorum was present.

The board members, DENR staff, and members of the public boarded the Watertown trolley and toured the following facilities and projects. East Dakota Water Development District (WDD) hosted the tour.

- Watertown municipal landfill
- Watertown wastewater treatment plant
- Lake Area Technical Institute permeable pavement/storm water management project
- Watertown water treatment plant
- Redlin Environmental Center
- Phosphorus removal plant at Lake Kampeska
- Lake Kampeska inlet/outlet control structure
- Large-scale cattle feeding operation owned by John Moes
- East Dakota WDD wellhead/source water protection and water quality monitoring activities

After the tour, the Lake Kampeska Water Project District hosted a social hour at Minerva's.

The board recessed until the following day.

SEPTEMBER 26, 2014

CALL MEETING TO ORDER: Chairman Brad Johnson called the meeting to order at 8:30 a.m. CDT. A quorum was present.

BOARD MEMBERS PRESENT: Brad Johnson, Todd Bernhard, Gene Jones, Paul Gnirk, and Jerry Soholt were present at the Watertown DDN site. Jackie Lanning was present at the Brookings DDN site.

BOARD MEMBERS ABSENT: Paul Goldhammer.

OTHERS: See attached attendance sheets.

APPROVE AGENDA: There were no changes to the posted agenda.

Mr. Perkovich thanked Jay Gilbertson, East Dakota Water Development District, for hosting the tour and he thanked the Lake Kampeska Water Project District for hosting the social hour the previous day.

Chairman Johnson approved the agenda.

APPROVE MINUTES OF JUNE 26-27, 2014, AND AUGUST 19, 2014, MEETINGS: Motion by Jones, seconded by Soholt, to approve the minutes from the June 26-27, 2014, and August 19, 2014, Board of Water and Natural Resources meetings. Motion carried.

APPROVAL OF AMENDMENTS FOR INVESTMENT BANKING SERVICES: Mr. Perkovich reported that the Board of Water and Natural Resources, acting as the South Dakota Conservancy District, requested proposals from firms to provide investment banking, underwriting, and additional services for the Series 2014 Bond Issue and other negotiated issuances for a period of three years.

In August, the board selected JP Morgan Securities as senior underwriter and Wells Fargo Bank as co-manager for the Series 2014 Bond Issue.

Working with the office of the Attorney General, the staff prepared contracts for these firms to provide investment banking services from October 1, 2014 through December 31, 2017.

Staff recommended the board approve the agreements for investment banking services with JP Morgan Securities and Wells Fargo Bank.

Motion by Bernhard, seconded by Jones, to approve the agreements for investment banking services with JP Morgan Securities LLC and Wells Fargo Bank N.A. Motion carried.

SERIES RESOLUTION AUTHORIZING STATE REVOLVING FUND PROGRAM BONDS, SERIES 2014AB: Mr. Perkovich stated that staff has been working on the 2014 Bond Issue with the board's bond counsel, Bruce Bonjour, Perkins Coie, the financial advisor, PFM, and the two underwriters.

Staff anticipates that the Conservancy District will issue approximately \$69 million in State Revolving Fund Program Bonds, Series 2014 in October 2014.

The Series 2014 Bonds are being issued to provide \$53 million for Clean Water SRF leveraged loans, \$4 million for Clean Water SRF state match, \$7 million for Drinking Water SRF leveraged loans, \$5 million for Drinking Water SRF state match, and to pay costs of issuance.

The Series Resolution for the Series 2014 Bonds was prepared by SRF bond counsel, Bruce Bonjour, Perkins Coie. The Series Resolution provides Board approval of the Preliminary Official Statement and the Bond Purchase Agreement.

Jessica Cameron Mitchell, PFM, Bruce Bonjour, Perkins Coie, representatives of JP Morgan and Wells Fargo, and Harold Deering, Assistant Attorney General, participated via telephone.

Ms. Cameron Mitchell discussed the structure of the bond issue, current market conditions and coverage requirement.

Bruce Bonjour discussed the specifics of the Series Resolution.

Staff recommended approval of the Series Resolution, which authorizes the Chairman and/or Secretary of the Board of Water and Natural Resources to file a Coverage Certificate for each program with the Trustee and to do all acts and to execute or accept all documents as may be necessary to carry out and comply with the provisions of the resolution and the documents approved by the resolution.

Motion by Bernhard, seconded by Lanning, to adopt Resolution #2014-83 authorizing the State Revolving Fund Program Bonds, Series 2014A B. Motion carried.

AMENDMENTS TO STATE WATER PLAN, 2014 CLEAN WATER STATE REVOLVING FUND INTENDED USE PLAN, AND 2014 DRINKING WATER STATE REVOLVING FUND INTENDED USE PLAN: Andy Bruels stated that water projects which will require state funding or need state support for categorical grant or loan funding must be on the State Water Plan. The Board of Water and Natural Resources annually approves projects for placement onto the State Water Facilities Plan and provides the ability for projects to be amended onto the plan on a quarterly basis. Placement of a project onto the State Water 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 2015.

Projects seeking a Clean Water or Drinking Water State Revolving Fund loan must be included on the project priority list of the Intended Use Plan. The State Water Plan applications are used to determine which projects should be amended onto the State Revolving Fund Project Priority Lists.

Amend State Water Plan: Five State Water Plan applications were received by the August 1, 2014, deadline.

Mr. Bruels presented the applications and identified those projects being placed on the Clean Water SRF and Drinking Water SRF Project Priority Lists.

Howard requested amendment onto the facilities plan to construct a new artificial wetland for wastewater treatment to provide additional treatment capacity. These upgrades will allow the town to continue discharging from its wastewater treatment facility. The project also includes cleaning and televising the collection system to determine repairs needed in the future.

The project will be placed on the Clean Water SRF IUP with 14 priority points and an estimated loan amount of \$1,427,000 at 3.25 percent interest for 30 years.

Kennebec requested amendment onto the facilities plan to construct a new wastewater treatment pond and rehabilitate the liners on the existing ponds. The upgrades will allow the town to discharge from its wastewater treatment facility. The project also includes installation of new sanitary sewer collection lines utilizing small diameter pressure pipe and cleaning and televising the existing collection system to determine repairs needed in the future. The town has been placed on a compliance schedule by DENR's Surface Water Quality program to complete this work.

The project will be placed on the Clean Water SRF IUP with 23 priority points and an estimated loan amount of \$1,134,500 at 3.25 percent interest for 30 years.

Rapid City requested amendment onto the facilities plan to remove sediment deposits from Canyon Lake. This project is being coordinated with a dam restoration project and as a result, the lake will be drained, making sediment removal easier. The project will remove sediment that has built up between eight and 36 inches thick depending on the location. The project will increase the flood control capacity of the lake and improve the water quality.

This project is not eligible for SRF funding and will not be added to the project priority list.

Sioux Falls requested amendment onto the facilities plan to install a new force main parallel to the existing force main going from the Brandon Road lift station to the water reclamation facility. The new force main will be 36 inches in diameter and provide redundancy in case of a failure in the existing force main. The new line will also increase the capacity of the lift station to 50 million gallons per day and improve the pump efficiency at the lift station.

The project will be placed on the Clean Water SRF IUP with 14 priority points and an estimated loan amount of \$11,400,000 at 2.25 percent interest for 10 years.

Sioux Falls requested amendment onto the facilities plan to replace approximately 9,700 feet of sanitary sewer outfall line between the city's equalization basin and the Brandon Road lift station. The new pipe will replace an existing 66-inch concrete pipe with 72-inch pipe. The existing pipe has operation and maintenance issues that necessitate the replacement. The project will also rehabilitate two siphon boxes at the Big Sioux River, install metering and pumping vaults at the city's lime lagoons, and provide for a future connection to the Brandon Road lift station.

The project will be placed on Clean Water SRF IUP with 14 points and an estimated loan amount of \$18,533,000 at 2.25 percent interest for 10 years.

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

Motion by Jones, seconded by Gnirk, to amend the five projects listed above onto the 2014 State Water Facilities Plan. Motion carried.

Amend 2014 Clean Water SRF Intended Use Plan: Due to EPA's recent interpretation of its SRF cash draw proportionality rules, South Dakota has not provided state match as now required by EPA. Staff proposed the following changes to the narrative portion of the Clean Water IUP:

Capitalization Grants/State Match: Federal capitalization grants are provided to the state annually. These funds must be matched by the state at a ratio of 5 to 1. The fiscal year 2014 capitalization grant is expected to be \$6,520,000 which requires \$1,304,000 in state match. Bond proceeds will be used to match 2014 capitalization grant funds.

~~In fiscal year 2014, the South Dakota Clean Water SRF program will draw cash from state match funds prior to drawing federal capitalization grants, to the extent possible. Due to private activity concerns associated with tax exempt bonds, certain loans must draw 100 percent federal funds. Leveraged bond proceeds will be spent on project expenses with a zero percent federal proportionate share.~~

For purposes of meeting fiscal year 2014 proportionality requirements, the South Dakota Clean Water SRF program will document the expenditure of repayments and bond proceeds in an amount equivalent to the entire required state match.

Mr. Bruels stated that in addition to the four sanitary and storm sewer projects that were placed on the 2014 State Water Plan, there is one additional project to be placed onto the Clean Water SRF Project Priority List.

Eagle Butte received a Clean Water SRF loan previously for this project; however the city asked that loan to be rescinded when it decided to pursue funding through USDA Rural Development. The city had difficulty in securing financing, and an application for additional Sanitary and Storm Sewer funding will be presented later in the board meeting. The city currently has a Consolidated grant to pay for engineering for this project and others. The sanitary sewer portion of the project being proposed will install aeration equipment and dredge the sludge at the wastewater treatment facility and replace approximately 9,500 feet of sanitary sewer collection lines and a lift station. Approximately 700 feet of storm sewer piping and catch basins will be constructed.

The project will be placed on the Clean Water SRF IUP with 15 priority points and an estimated loan amount of \$2,910,000 at 3.25 percent interest for 30 years.

Changes were made to Attachments 2 and 3 to reflect the changes made in the IUP.

Staff recommended the acceptance of the proposed changes to the narrative section and the addition of five projects onto the Project Priority List of the Clean Water SRF IUP.

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

Amend 2014 Drinking Water SRF Intended Use Plan: Due to EPA's recent interpretation of its SRF cash draw proportionality rules, South Dakota has not provided state match as now required by EPA. Staff proposed the following changes to the narrative portion of the Drinking Water Intended Use Plan:

Capitalization Grants/State Match: Federal capitalization grants are provided to the state annually. These funds must be matched by the state at a ratio of 5 to 1. The fiscal year 2014 capitalization grant is expected to be \$8,845,000 which requires \$1,769,000 in state match. Bond proceeds will be used to match 2014 capitalization grant funds.

~~In fiscal year 2014, the South Dakota Drinking Water SRF program will draw cash from state match funds prior to drawing federal capitalization grants, to the extent possible. Due to private activity concerns associated with tax-exempt bonds, certain loans must draw 100 percent federal funds. Leveraged bond proceeds will be spent on project expenses with a zero percent federal proportionate share.~~

For purposes of meeting fiscal year 2014 proportionality requirements, the South Dakota Drinking Water SRF program will document the expenditure of repayments and bond proceeds in an amount equivalent to the entire required state match.

Drinking Water IUP: No new projects were amended onto the 2014 State Water Plan; however, there are two projects to be placed onto the Drinking Water Project Priority List.

Hisega Meadows Water, Inc. previously received a Drinking Water SRF loan. The original funding for the project covered Phase 1 of the project, which included replacing existing water lines. The current project will replace approximately 3,100 feet of two- to four-inch distribution lines with new six-inch PVC water main and replace 11 service lines. Hisega Meadows submitted a Drinking Water Facilities Funding application, which will be presented later today.

The project will be placed on the Drinking Water SRF IUP with 98 priority points and an estimated loan amount of \$546,000 at 3.00 percent interest for 20 years.

Eagle Butte previously received a Drinking Water SRF loan. Costs came in above estimate for the project, and in order to complete the project the city needs additional funding. The total project includes the installation of approximately 9,100 feet of six- and eight-inch PVC water main and related appurtenances. Eagle Butte has submitted a Drinking Water Facilities Funding application, which will be presented later today.

The project will be placed on the Drinking Water SRF IUP with 80 priority points and an estimated loan amount of \$725,000 at 0 percent interest for 30 years.

Changes were made to Attachments 2 and 3 to reflect the changes made earlier in the IUP.

Staff recommended acceptance of the proposed changes to the narrative section and the addition of two projects onto the Project Priority List of the Drinking Water SRF Intended Use Plan.

Motion by Gnirk, seconded by Lanning, to accept proposed changes to the narrative section and the addition of two projects onto the Project Priority List of the Drinking Water SRF IUP. Motion carried.

AMENDMENT TO 2010 CLEAN WATER STATE REVOLVING FUND INTENDED USE PLAN:

Mr. Bruels stated that the FY 2010 Clean Water State Revolving Fund Intended Use Plan was approved by the Board of Water and Natural Resources in November 2009 and amended in March, May and September 2010.

For a project to utilize principal forgiveness allowed by a specific capitalization grant, it must be on the Intended Use Plan 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 years' Intended Use Plans.

Staff proposed amending Attachment I - Project Priority List of the FY 2010 Clean Water Intended Use Plan by adding the following:

<b>Priority Points</b>	<b>Loan Recipient</b>	<b>Project Description</b>	<b>Loan Amount</b>	<b>Loan Rate &amp; Term</b>
10	Colman	Phase I of the replacement or relining of the entire wastewater collection system	\$1,574,248	3.25%, 30 yrs.

Motion by Gnirk, seconded by Bernhard, to amend the FY 2010 Clean Water SRF Intended Use Plan as presented. Motion carried.

DRINKING WATER FACILITIES FUNDING APPLICATIONS: Mr. Perkovich discussed available funds for all of the funding programs.

He presented the Drinking Water applications and staff recommendations.

Onida requested \$1,805,000 for water system improvements. The estimated total project cost is \$2,305,000. Onida will provide \$500,000 in local cash.

Onida proposes to construct a 200,000-gallon water storage tank, replace meters and install an automatic meter reading system. The project will also involve looping of dead end lines and installation of additional hydrants and valves for better operational control of the system.

The water tower was constructed in the 1930's and has outlived its useful life. The city can no longer get repair parts for its meters, which are about 15 years old.

The city anticipates the project will be bid in February 2015 with project completion in April 2016.

Onida's current rate is \$29.20 per month based on 5,000 gallons usage.

Staff recommended awarding a \$905,000 Drinking Water SRF loan, at 3 percent interest for 20 years with 27.7 percent principal forgiveness not to exceed \$250,000, and to award a Consolidated grant for 39.1 percent of eligible costs not to exceed \$900,000.

The city is pledging a project surcharge for repayment of the loan. Staff analysis indicated that a surcharge of \$10.40 per user is needed to repay the \$655,000 loan. This will result in rates of \$39.60 per month for 5,000 gallons. Mr. Perkovich noted that Onida is also conducting a leak survey to determine water loss locations and a second phase is anticipated to replace the asbestos concrete pipe in the distribution system.

Staff recommended the award being 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.

Marla Mosiman, Onida city council, discussed the project and requested approval of funding.

Motion by Sohlt, seconded by Lanning, to adopt Resolution #2014-84 approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$905,000 at 3 percent for 20 years with 27.7 percent principal forgiveness not to exceed \$250,000 to the city of Onida for water 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; and to adopt Resolution #2014-85 approving the South Dakota Consolidated Water Facilities Construction grant agreement between the Board of Water and Natural Resources and the city of Onida for up to 39.1 percent of approved project costs not to exceed \$900,000 for water system improvements. 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. Jones abstained from voting.

Hisega Meadows Water, Inc. requested \$546,000 for water system upgrades. The estimated total project cost is \$546,000.

The water system was previously privately owned and was purchased by Hisega Meadows in 2011. In June 2012, Hisega Meadows was awarded a \$487,000 Drinking Water SRF loan with \$250,000 principal forgiveness to address deficiencies in the system. The project was bid in June 2013, and bids came in over estimate. It was decided to eliminate some of the work so the project could get started with the available funding.

The requested funding will complete the work that was bid previously and cover additional work that has been subsequently identified.

It is anticipated that the project will be bid in October 2014 with a project completion date of August 2015.

Hisega Meadows Water, Inc.'s rate is \$113.00 per month based on 7,000 gallons usage. The average water consumption is approximately 3,000 gallons per residence, which equates to a water bill of \$97 per month.

Staff recommended awarding a \$273,000 Drinking Water SRF loan at 3 percent for 20 years, and to award a Consolidated grant for 50 percent of eligible costs not to exceed \$273,000.

Hisega Meadows is pledging water revenues for repayment of the loan.

Staff analysis was based on the revenue generated using the average water consumption of 3,000 gallons. The analysis showed that this would provide coverage of 141 percent on a \$273,000 loan. While this is higher than the 110 percent coverage requirement, staff believes the additional subsidy will allow the system to generate funds to establish some reserves and potentially provide some rate relief to its users.

Staff recommended the award being contingent upon the borrower adopting a bond resolution and the resolution becoming effective; and contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan, contingent upon the borrower approving a security agreement and mortgage; contingent upon a Parity Agreement being approved and executed; and contingent upon the borrower demonstrating financial, managerial, and technical capacity.

Larry Divert, president of Hisega Meadows Water, Inc., discussed the project and requested approval of funding.

Motion by Gnirk, seconded by Jones, to adopt Resolution #2014-86 approving a Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$273,000 at 3 percent for 20 years with to Hisega Meadows Water, Inc., for water system upgrades, 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; and to adopt Resolution #2014-87 approving the South Dakota Consolidated Water Facilities Construction grant agreement between the Board of Water and Natural Resources and Hisega Meadows Water, Inc. for up to 50 percent of approved project costs not to exceed \$273,000 for water system upgrades. The loan is contingent upon the borrower adopting a bond resolution and the resolution becoming effective, contingent upon the borrower adopting a resolution approving the form of the loan agreement, the promissory note, and the pledge of revenues for repayment of the loan, contingent upon the borrower approving a security agreement and mortgage; contingent upon a Parity Agreement being approved and executed, and contingent upon the borrower demonstrating financial, managerial, and technical capacity. Motion carried.

Eagle Butte requested \$725,000 for improvements to its distribution system. The estimated total project cost is \$725,000.

Mr. Perkovich stated that there are currently two pending federal cases involving the city of Eagle Butte. City of Eagle Butte v. Tri-County Water Association et al. involves issues with regard to 7 USCA 1926b. This section of federal code protects those rural water associations that were funded by Rural Development and its FmHA predecessor from local governments expanding into its service areas and taking its customers. Cheyenne River Sioux Tribe et al. v. City of Eagle Butte raises issues of whether the city has the ability to annex Indian-owned land in Indian country. Eagle Butte's bond counsel advised that a Drinking Water SRF loan awarded in March 2013 should not be closed until some of these issues are resolved. Because of this, staff is unsure if the city's bond counsel will

allow the loans to be closed. Staff is reluctant to recommend committing funds to a project that may not proceed for a significant amount of time.

Staff recommended the board defer action on the application until the January 2015 Board of Water and Natural Resources meeting. This will allow staff additional time to work with bond counsel and the city to determine the appropriate course of action.

Sheila Ganje, city of Eagle Butte, discussed the project and requested approval of funding.

Mr. Perkovich and Mr. Feeney answered questions regarding the staff recommendation.

Motion by Gnirk, seconded by Bernhard, to defer action on the Eagle Butte drinking water facilities funding application until the January 2015 Board of Water and Natural Resources meeting. Motion carried.

SANITARY/STORM SEWER FACILITIES FUNDING APPLICATIONS: Andy Bruels presented the applications and staff recommendations.

Pierre requested funding for construction of Cell 3 at the regional landfill. The board considered this application with the Solid Waste Management Program funding applications later in the meeting.

Eagle Butte requested \$2,910,000 for sanitary and storm sewer improvements.

Staff recommended the board defer the application until the January 2015 Board of Water and Natural Resources meeting for the same reasons Mr. Perkovich previously discussed on Eagle Butte's drinking water facilities application.

Motion by Gnirk, seconded by Jones, to defer action on the Eagle Butte sanitary/storm facilities funding application until the January 2015 Board of Water and Natural Resources meeting. Motion carried.

Saint Lawrence requested \$373,000 for lagoon repairs. The estimated total project cost is \$373,000.

The town of Saint Lawrence proposes to reshape and rip-rap the berm at the wastewater lagoon. The town proposes to add gravel to the road leading to the lagoon. These changes will repair current erosion issues and prevent erosion in the future.

The town anticipates that construction will begin in April 2015 with completion of the project in November 2015.

St. Lawrence's rate is \$25.00 for 5,000 gallons usage.

Staff recommended awarding a Consolidated grant for 48.3 percent of total project costs not to exceed \$180,000, and to award a \$193,000 Clean Water SRF loan at 3.25 percent for 30 years. The loan would 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.

St. Lawrence is pledging a wastewater surcharge for repayment of the loan. Staff analysis indicates that at the recommended loan amount a surcharge of approximately \$12.00 would be required to provide the 110 percent coverage. This would bring total the town's wastewater rates for 5,000 gallons to nearly \$37.00.

Shirley Peck, town board president, discussed the project and requested approval of funding.

Motion by Jones, seconded by Soholt, to adopt Resolution #2014-88 approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$193,000 at 3.25 percent interest for 30 years to the town of St. Lawrence for lagoon repairs; 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, and to adopt Resolution #2014-89 approving the South Dakota Consolidated Water Facilities Construction grant agreement between the Board of Water and Natural Resources and the town of St. Lawrence for up to 48.3 percent of approved project costs not to exceed \$180,000 for lagoon repairs. 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.

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

Pukwana requested \$227,000 to install an automatic meter reading system. The estimated total project cost is \$227,000.

The town expects to bid the project in the spring of 2015 and complete the project by the end of the year

Pukwana's rate is \$25 based on 5,000 gallons usage.

Staff recommended awarding a \$97,000 Consolidated loan at 2.25 percent for 10 years and a Consolidated grant for 57.3 percent of eligible costs not to exceed \$130,000.

Pukwana has pledged system revenues for repayment of the loan. Staff analysis shows that a rate increase of approximately \$10.50 will be needed to provide the 100 percent loan coverage required for a Consolidated loan. This will bring monthly water rates to \$35.50, which is consistent with other small meter projects that have been funded recently.

Staff recommended the award being contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower raising its water rates to a level sufficient to provide the necessary coverage.

Larry McManus, town board president, discussed the project and requested approval of funding.

Motion by Lanning, seconded by Soholt, to adopt Resolution #2014-90 approving the Consolidated Water Facilities Construction Program loan agreement between the Board of Water and Natural Resources and the town of Pukwana for a loan not to exceed \$97,000 at 2.25 percent interest for 10 years to install an automatic meter reading system; and to adopt Resolution #2014-91 approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the Board of Water and Natural Resources and the town of Pukwana for up to 57.3 percent of approved total project costs not to exceed \$130,000 to install an automatic meter reading system. The loan is contingent upon the borrower adopting a bond resolution and the resolution becoming effective and contingent upon the borrower raising its water rates to a level sufficient to provide the necessary coverage. Motion carried.

Mr. Perkovich provided an update on available funds for the next funding round.

SOLID WASTE MANAGEMENT PROGRAM FUNDING APPLICATIONS: Mr. Bruels provided an update on available funds. He presented the Solid Waste Management Program funding applications and the staff recommendations.

Custer-Fall River Solid Waste Management District requested \$450,000 for Cell 4 and 5 construction. The estimated total project cost is \$755,871.

The Custer-Fall River Solid Waste Management District is proposing to construct new landfill disposal cells at the existing municipal solid waste landfill. The new cells will provide the landfill with capacity to accept waste through 2025. The landfill cell construction will include excavation, installation of compacted clay liners, and leachate collection piping.

The district anticipates bidding the project in January 2015 with completion in November 2015.

The district's rates for municipal solid waste disposal are \$52.00 per ton.

Staff recommended awarding a Solid Waste Management Program grant for 20 percent of total project costs not to exceed \$151,100 and awarding a Solid Waste Management Program loan in the amount of \$298,900 at 2.25 percent interest for 7 years.

Staff recommended the grant being contingent on grant funds being drawn concurrently with the Solid Waste Management Program loan for this project and the loan being contingent upon the borrower approving the form of the loan agreement and the pledge of revenues for repayment of the loan and contingent upon the borrower approving a security agreement and mortgage.

Custer-Fall River Solid Waste Management District is pledging tipping fee revenues for repayment of the loan. Based on the information supplied in the application the district's current tipping fees would provide the required 100 percent coverage for a \$298,900 loan at 2.25 percent interest for seven years.

Bill Lass, Black Hills Council of Governments, requested approval of funding.

Motion by Gnirk, seconded by Jones, to adopt Resolution #2014-92 approving the South Dakota Solid Waste Management Program grant agreement between the Board of Water and Natural

Resources and the Custer-Fall River Waste Management District for up to 20 percent of approved total project costs not to exceed \$151,100 for the construction of two new solid waste disposal cells contingent upon grant funds being drawn concurrently with the Solid Waste Management Program loan for this project; and to adopt Resolution #2014-93 approving the South Dakota Solid Waste Management Program loan agreement between the Board of Water and Natural Resources and the Custer-Fall River Waste Management District for an amount not to exceed \$298,000 at 2.25 percent interest for seven years for the construction of two new solid waste disposal cells contingent upon the borrower approving the form of the loan agreement and the pledge of revenues for repayment of the loan and contingent upon the borrower approving a security agreement and mortgage. Motion carried.

Ecomaniacs requested \$120,000 for clean-up and fundraising activities. The estimated total project cost is \$150,000.

Ecomaniacs is a recently formed nonprofit entity in the Sioux Falls area. The goal of the organization is to help promote recycling at major outdoor summer events in the region. Ecomaniacs works with other volunteer groups to coordinate recycling efforts at these events, and in return for the other groups' efforts Ecomaniacs donates funds to them. Ecomaniacs has requested funding from the SWMP to help defray staff costs for coordination and management, for T-shirts and other supplies, and for funds to provide donations to other volunteer organizations helping to work the events. Ecomaniacs has received a letter of support from the city of Sioux Falls.

The amount of funding requested would provide Ecomaniacs with approximately two years of operating funds.

Staff recommended no funding for the Ecomaniacs application as it is primarily for operational expenses. Staff supports recycling activities occurring at these large outdoor summer events in the Sioux Falls region; however, staff does not believe that subsidizing nonprofit organizations to donate to other volunteer organizations for the clean-ups is an appropriate and effective use of the grant funding.

Mr. Bruels noted that the Board recently awarded a grant to the city of Rapid City to purchase containers to place at community events for collection of recyclables. In addition, the city of Sioux Falls received a grant for recycling containers throughout its parks system. This type of approach has been successful in increasing the collection of materials with no need for ongoing operational expenses. A request for recycling containers and other front end costs to promote recycling at large community events in the Sioux Falls area would be the preferred approach.

Marissa Gunderson and Linda Walter discussed the project and requested approval of funding.

Motion by Bernhard, seconded by Gnirk, to deny funding for Ecomaniacs. Motion carried.

Pierre requested \$1,172,000 construct a new landfill disposal cell. The estimated total project cost is \$1,772,000.

The city of Pierre is proposing to construct a new landfill disposal cell at its existing municipal solid waste landfill. The new cell will provide the landfill capacity to accept waste through 2025. The landfill cell construction will include excavation, installation of a compacted clay liner, and leachate collection piping.

Pierre anticipates bidding this project in January 2015 with completion in November 2015.

Pierre's tipping fee for municipal solid waste disposal is \$41.00 per ton.

The Pierre Solid Waste Management Program application was originally deferred at the June 2014 board meeting to allow the city to submit a sanitary and storm sewer funding application due to limited funding available in the Solid Waste Program and the project being eligible for Clean Water SRF funding. Pierre did submit the application by the July 1st deadline.

Staff recommended awarding a Solid Waste Management Program grant for 20 percent of total project costs not to exceed \$354,400 contingent on grant funds being drawn concurrently with the Clean Water SRF loan awarded for this project; and awarding a Clean Water SRF loan in the amount of \$817,600 at 2.25 percent interest for 10 years contingent upon the borrower adopting a bond resolution and resolution becoming effective.

Pierre has pledged sales tax revenue for repayment of the loan. Based on the information supplied in the application, the city's sales tax revenues provide the required 120 percent coverage for an \$817,600 loan at 2.25 percent interest for 10 years.

John Childs, city engineer, discussed the project and requested approval of funding.

Motion by Bernhard, seconded by Jones, to adopt Resolution #2014-94 approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$817,600 at 2.25 percent interest for 10 years to the city of Pierre to construct a new landfill disposal cell; 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 resolution becoming effective, and to adopt Resolution #2014-95 approving the South Dakota Solid Waste Management Program grant agreement between the Board of Water and Natural Resources and the city of Pierre for up to 20 percent of approved total project costs not to exceed \$354,400 to construct a new landfill disposal cell contingent upon grant funds being drawn concurrently with the Clean Water SRF loan for this project. Motion carried.

Habitat for Humanity of Greater Sioux Falls requested \$280,000 for a recycling program. The estimated total project cost is \$1,400,000.

Habitat for Humanity of Greater Sioux Falls has recently completed a capital campaign to provide funds to increase the size of the ReStore facility by 20,000 square feet. ReStore accepts reusable construction materials from contractors or citizens to be resold at a discounted price. These materials would otherwise be taken to the landfill for disposal. With the increased size for donation drop offs that a new facility would provide, ReStore also hopes to start accepting and recycling materials such

as concrete, porcelain and asphalt shingles. The current facility diverts between 250 to 400 tons of materials yearly from the landfill and that number is expected to increase with the additional capacity of the new store. By diverting more waste and increasing the profits from that waste, Habitat for Humanity organization can fund construction of an additional four to five homes annually.

Staff recommended awarding a Solid Waste Management Program Recycling grant for 20 percent of total project costs not to exceed \$280,000.

Habitat for Humanity of Greater Sioux Falls will be required to competitively bid the work for this project in compliance with State Bid Law.

Joel Hatheway, Habitat for Humanity, discussed the project and requested approval of funding.

Motion by Soholt, seconded by Lanning, to adopt Resolution #2014-96 approving the South Dakota Solid Waste Management Program grant agreement between the Board of Water and Natural Resources and Habitat for Humanity of Greater Sioux Falls for up to 20 percent of approved total project costs not to exceed \$280,000 for a recycling expansion project. Motion carried.

FREEMAN REQUEST TO AMEND CLEAN WATER SRF LOAN C461017-03: Elayne Lande reported that Freeman's third Clean Water SRF loan, in the amount of \$1,536,000, was approved on June 26, 2014. The loan was approved with the contingency that the surcharge of at least \$11.57 per customer per month be approved before the loan could close. Staff analysis indicated that the current rate of \$33.25 could be restructured with a slight increase to cover both operating expenses and debt service coverage.

The Freeman council believes that the community would not accept any rate increase, so the city has submitted a request to reduce the amount of Clean Water SRF loan so that no increase in rates will be necessary.

Engineers believe this will continue to be a viable project even by reducing the approved loan amount by one-third. The city will eliminate primary pond sludge removal and disposal from the project. By eliminating the sludge removal, the city will be able to correct electrical pumping and aeration issues at the wastewater facility. The removal of these items will reduce the project cost by \$536,000.

The city now requests consideration of a \$1,000,000 loan. A surcharge of \$9.60 will be required. Staff believes this surcharge can be absorbed into the current rates.

Mike Kuno, SEH discussed the project and requested approval of the loan amendment. He answered questions from the board.

Staff recommended the board rescind Resolution #2014-65 and approve Freeman's request to amend C461017-03.

Motion by Jones, seconded by Lanning, to rescind Resolution #2014-65 and to adopt Resolution #2014-97 approving a Clean Water State Revolving Fund loan up to a maximum committed amount of \$1,000,000 at 3 percent interest for 20 years to the city of Freeman for wastewater treatment facility 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 bond resolution becoming effective and the surcharge being established. Motion carried.

ELLSWORTH DEVELOPMENT AUTHORITY REQUEST TO AMEND CLEAN WATER SRF LOAN C461467-01 AND CONSOLIDATED WATER FACILITIES CONSTRUCTION

PROGRAM LOAN 2014L-107: Jim Anderson reported that on August 14, 2012, the Ellsworth Development Authority received a \$16,000,000 Clean Water SRF loan for construction of a regional wastewater treatment facility. On March 28, 2013, the Authority received another SRF loan for \$6,812,000 for a sanitary sewer interceptor and outfall line. The Authority also received a Consolidated Water Facilities Construction Fund loan in the amount of \$1,469,000 for water system improvements.

Due to a funding shortfall on the interceptor lines and the outfall lines, Ellsworth Development Authority has requested that the project descriptions for the Clean Water SRF loan C461467-01 and Consolidated loan 2014L-107 be amended to add the following description:

SD Ellsworth Development Authority sanitary sewer interceptor to connect both Box Elder and Ellsworth Air Force Base to the SD Ellsworth Development Authority regional wastewater treat facility and construction of the treatment facility outfall line as described in the facilities plan dated August 2011.

Staff recommended the board approve the revised project descriptions for Clean Water SRF loan C461467-01 and Consolidated loan 2014L-107.

Mr. Anderson answered questions from the board.

Motion by Gnirk, seconded by Jones, to adopt Resolution #2014-98 approving the amendment to Clean Water SRF loan C461467-01, and to adopt Resolution #2014-99 approving the amendment to Consolidated Water Facilities Construction loan 2014L-107. Motion carried.

TWIN BROOKS REQUEST TO AMEND CONSOLIDATED WATER FACILITIES

CONSTRUCTION PROGRAM FUNDING: Jim Anderson reported that in January 2013, the town of Twin Brooks received a Consolidated Water Facilities Construction Fund grant up to \$81,900 and a Consolidated loan for \$50,000 to connect to the Grant-Roberts Rural Water System. Twin Brooks also received a \$136,500 Community Development Block Grant for the project.

The project includes water meters, pressure reducing valve, approximately 5,280 feet of six-inch water main and appurtenances. The original project cost was estimated at \$260,900, of which approximately \$165,000 was for construction.

The city opened five bids on July 9, 2014. The low bid was \$296,132, which is \$131,167 over the available project funding. The increased costs were the result of additional dewatering, adding an above ground pressure reducing vault, and chemical feed system, and additional water meter costs. As a result of a budget shortfall, the town has requested an additional \$131,167 in funding. The request would cover the additional construction costs.

Staff recommended the board approve an amendment to Twin Brooks' Consolidated grant #2013G-404 for up to 54.4 percent of approved total project costs not to exceed \$212,900. The additional grant funds will provide for the shortfall.

Ted Haeder, First District, discussed the project and requested board approval of the amendment.

Motion by Bernhard, seconded by Lanning, to adopt Resolution #2014-100 approving the first amendment to Consolidated Program Grant agreement #2013G-404 for up to 54.4 percent of approved total project costs not to exceed \$212,900 to the town of Twin Brooks. Motion carried.

REFUSE SOLUTIONS, INC. REQUEST TO RESCIND SWMP LOAN #2015L-REC-200: Mr. Bruels reported that on June 26, 2014, the board approved Resolution #2014-62, awarding Refuse Solutions, Inc. a \$70,000 Solid Waste Management Program loan for its recycling program start-up project in the Belle Fourche and Spearfish area. The project was to construct a building for material and equipment storage, and purchase a baler and skid loader for handling of material.

Refuse Solutions has submitted a letter stating that, while they appreciate the board's offer of a loan, they were not aware of the length of time for loan approval, and are declining the loan. In order to keep the business moving forward they have secured financing from a different source.

Staff recommended the board rescind Resolution #2014-62.

Motion by Gnirk, seconded by Bernhard, to adopt Resolution #2014-101 rescinding Resolution #2014-62 which approved a Solid Waste Management Program loan 2015L-REC-200 to Refuse Solutions, Inc. not to exceed \$70,000. Motion carried.

STATE FISCAL YEAR 2014 SOUTH DAKOTA CONSERVANCY DISTRICT REPORT TO THE INTERIM BOND REVIEW COMMITTEE: Mr. Perkovich presented the draft SFY 2014 South Dakota Conservancy District Report to the Interim Bond Review Committee.

The South Dakota Conservancy District is required to present an annual report on its bond-related activities to the Legislature's Interim Bond Review Committee annually.

A combined report for both SRF programs for the legislative committee's review was developed for this purpose. Information in this report presents program activity and financial statements on a state fiscal year basis, and it contains additional information on the district's past bond issues.

Staff recommended the board approve the State Fiscal Year 2014 State Revolving Fund report to the Interim Bond Review Committee and authorize distribution of the report.

Mr. Perkovich and Mr. Feeney answered questions from the board.

Motion by Bernhard, seconded by Jones, to approve the State Fiscal Year 2014 South Dakota Conservancy District report to the Interim Bond Review Committee and to authorize distribution of the final report. Motion carried.

Board of Water and Natural Resources  
September 26 2014, Meeting Minutes

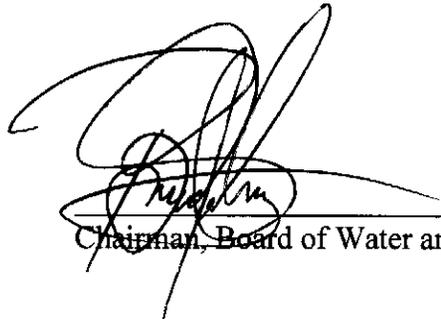
NEXT MEETING: The next Board of Water and Natural Resources meeting is November 6, 2014, via the Digital Dakota Network.

Harold Deering, Assistant Attorney General, introduced Bethany Erickson who will be working on BWNR matters when Harold retires.

ADJOURN: Motion by Jones, seconded by Gnirk, that the meeting be adjourned. Motion carried.

Approved this 6<sup>th</sup> day of November, 2014.

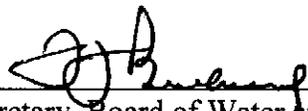
(SEAL)



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Chairman, Board of Water and Natural Resources

ATTEST:



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Secretary, Board of Water and Natural Resources

ATTENDANCE SHEET  
BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

SEPTEMBER 26, 2014

PIERRE  
CAPITOL BUILDING

<u>NAME (PLEASE PRINT)</u>	<u>ADDRESS</u>	<u>REPRESENTING</u>
Marta Mosiman	Onida SD	City of Onida
David Rehnke	Pierre	DENR
Spring MS Manser	Pukwana	Pukwana
Elayne Lande	Pierre	DENR
Terry Aaker	Mitchell	SPN
John Childs	Pierre	City of Pierre
Val Keller	Pierre	City of Pierre
Shirley Peck	St. Lawrence	St. Lawrence City
Terry Naber	St. Lawrence	City of St. Lawrence
Emeline Post	Pierre	CSDED
Jim Anderson	Pierre	DENR
CLAIRE PESCHONG	PIERRE	DENR
Drew Huisker	Pierre	DENR





ATTENDANCE SHEET

BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

SEPTEMBER 26, 2014

WATERTOWN  
SD DEPARTMENT OF HEALTH

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

Andy Brvets

Pierre

DENR

Jonathan Paschberg

Pierre

DENR

Jerry Scholt

Sioux Falls

Board

PAUL GNIRK

NEW UNDERWOOD

BWNR

Gene Jones Jr.

Sioux Falls, SD

BWNR

BRAD Johnson

Watertown SD

BWNR

TODD BEAUMARD

FORT PIERRE, SD

BWNR

James Feeney

Pierre

DENR

Mike Perkovich

Pierre

DENR

Jay Gilbertson

Brookings

East Dakota (WDT)

TED HANSEN

WATERTOWN

FIRST DISTRICT

