

## **Deer Mountain Sanitary District Meeting**

DMSD office, 201 W. Main, Suite 301, Lead, SD & via Zoom  
June 10, 2022

President Oz Enderby called the meeting to order at 5:00 p.m. Trustees Enderby, Dan O'Connor & Joe Kosel were present at the sanitary district office along with district water operator Steve Ryan and Lysann Zeller with Black Hills Council of Local Governments. Attorney Talbot J. Wiczorek, Joe Noble with AE2S, Eirik Heikes with TerraSite Design on behalf of Keating Resources, and Secretary Shari Kosel appeared via Zoom.

Enderby asked for a motion to approve the agenda. Motion by O'Connor to approve the agenda & format, second by Kosel. Motion approved 3-0.

Enderby asked for a motion to approve the minutes of 5.9.22. Motion by Kosel to approve the minutes, second by O'Connor. Motion approved 3-0.

Enderby asked for a motion to approve the Treasurer's report/account Receivables/Payable. Account balance of \$248,334.03. Motion by O'Connor to approve the report, second by Kosel. Motion approved 3-0.

Enderby opened the public hearing with a brief overview. At this time we are requesting \$3,047,350.00 for additional funding from the Board of Water Natural Resources for our water system improvements for the well house treatment building, booster station, storage tank and related improvements. The funds could either be a grant from the state solid water facilities construction program or a loan from the drinking water State Revolving Fund (SRF) program. The drinking water SRF loan terms are 2.125% for 30 years and the Board of Water Natural Resources may forgive all our portion of the loan principal. Some terms will be determined by the Board of Water and Natural Resources when the application is presented at a scheduled board meeting. The purpose of the public hearing is to discuss a proposed project financing and the source of repayment of the loan. Enderby introduced Lysann Zeller with Black Hills Council of Local Governments.

Zeller informed the Trustees there are items she is required to cover as part of the public hearing. The project is proposing several improvements to the water system, and the installation of a new public water system to serve the development. This includes tank supply, wellhouse and treatment building, booster station, storage tank and other construction costs totaling \$5,221,350.00. DMSD had an original cost estimate for this project of \$2,174,000.00 which was awarded in 2020 with a loan. Since that time, the industry is very volatile and inflation increases so AE2S prepared an updated cost estimate. This request is to ask the state for more money to help fund this project. The need for the project is based on the age and condition of the existing water system. It's over 40 years old and in poor condition and is at the end of its useful life. As part of the public hearing, Zeller was required to go over some alternatives that were considered. There were two "do nothing" alternatives; leave the water system as-is. Another option was to purchase the system and operate it, but that didn't involve any improvements to the system. The third alternative was public ownership and systemwide improvements which is what the board decided to go with. The fourth alternative was regionalization to make DMSD a consecutive user of Powder House Pass and to buy treated water from them. The proposed funding is through the state facilities drinking water loan program. The funding application will be submitted July 1, and then the board will consider it at their September meeting. Zeller further stated the effect this will have on reserves and that is unknown at this time. She noted we only have to pay back the amount of funds we use. Kosel asked what part of the amount is construction costs versus what DMV has requested. Noble with AE2S stated that the majority of this increase is due to inflation costs and materials and that DMV is contributing a significant portion of costs to get water up the mountain. He noted that the original loan was allocated in 2020, but the initial figures were from 2018. Noble added we are being conservative with these numbers and trying to

ensure that we have enough money if we proceed to move forward with this idea that the contract would come in below that and we wouldn't necessarily utilize all of the money that's being requested. O'Connor asked if the contractors are just that busy, to which Noble agreed and added there is more work and an influx in funding in the market and there is more work than workers right now. Kosel stated this is a 150% increase from our original plan, and asked if that's attributable to what's going on in this economy? Noble agreed and stated we're trying to get in front of this to get it to bid this year, with construction occurring in 2023. Enderby noted we need to move forward and to request as much as we think we need. O'Connor added the best part is the interest rate for 30 years. Zeller added that DMSD is not alone, all of the projects she is working on have doubled in costs and that there is no penalty in asking for more money. Enderby opened it for questions from the public. S. Kosel opened the Zoom for any of those attending online. There was no comment. Enderby opened it to the Trustees. Kosel noted he appreciates all the information presented. Enderby closed the public hearing. Black Hills Council of Local Governments did prepare [Resolution 2022-12](#) which Enderby read to the group. O'Connor motioned to approve Resolution 2022-12, Kosel second. Motion approved 3-0.

Update of System-Wide Improvements/AE2S. Noble updated what has been going on since the last time we met. AE2S is fast approaching having final plans ready to be submitted as a part of this process they will submit all of the plans and specifications to the state for their review and approval of the plans and specifications. It's a review not only from an engineering perspective but since this is a SRF loan and had been previously approved there are SRF requirements that need to be incorporated and we're seeking to get those finalized within the next week. There will be future discussions with the board on bidding strategies. They did look at propane generators as a backup source. Propane is not as efficient as diesel so they are looking at that alternative. Noble asked for any questions from the Trustees. Kosel asked him to elaborate on the coordination with Black Hills Electric and the co-op. Noble said the project straddles both service territories so the pump house is in BH Co-op, the boost and tank site are in BH Electric. AE2S is recommending the board work directly with both service providers. O'Connor inquired as to the size of the diesel tank needed. Noble answered that is still in question per our large water storage tanks. Right now we have 3 days of water backup in storage. O'Connor asked about retaining walls needed around a diesel tank and Noble said he would look into the pros/cons of diesel versus propane tanks. S. Ryan asked Noble if they plan to power the whole system with the generators or picking up one pump to maintain the flow. Noble said this would be one pump as a true emergency scenario.

Water service for Eldon Kroh property (old Presidents Park). Enderby stated he hasn't had water since he purchased the 37 acres due to water leaks. He would like the water service restored. Enderby would like Ryan and AE2S to help locate the shutoff valve. Enderby added that Kroh plans to build a shop and a house. Kroh does know about the leaks and will fix them. Ryan said there are two shutoff valves. Noble said their surveyor is in the area and could help locate. Noble ended with thoughts on when we go out to bid, the sooner the better.

Status of interim/final agreement with Sugarloaf Development. Wiczorek stated at this time, he doesn't have any resolution from Sugarloaf. They have expressed a concern about claims from other people in prior agreements. Their attorney did contact Wiczorek yesterday and said Mr. Aberle is working on some numbers. With the board's permission, he will ask when they would like to meet to discuss. Kosel stressed that we've been here for two meetings on a Friday night in June, and we're likely to have July 1 come around before we have another meeting. Kosel further inquired if they have enough for an injunction on July 2? He may have ideas but Kosel sees no documentation supporting a complaint. Enderby noted that they have not paid for the month of June. Ryan asked if the documentation shows any holding tanks, which Enderby stated it does not. Kosel said please express to their attorney that we will not be able to hold a formal meeting before July 1. Enderby said we need a proposal now.

Discussion only items:

Items from the public. There were no comments from those in attendance.

Items from the Trustees. Enderby added that every year we receive a letter from DANR with a couple of annual fees, drinking water and surface water in the amount of \$110. DMSD will pay this annual invoice. Ryan noted that the Rural Water Association has an annual fee too.

Wieczorek noted to E. Heikes about the easement discussion issue for the power is to be related back to Keating. He will give Roger Tellinhuisen a heads up about this too.

Next Meeting is TBD.

O'Connor moved to adjourn the meeting at 6:02 p.m., second by Kosel. All approved 3-0.

Posted 6.14.22

Approved 8.8.22

Shari Kosel  
Secretary/Clerk