

State Water Commission, Special Commission Meeting
Basement Conference Room and Remote
900 E. Boulevard Ave.
Bismarck, North Dakota
November 19 – 10:00 a.m. - 12:00 p.m. CT

REMOTE/CALL-IN INFORMATION

Join on your computer or mobile app

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Or call in (audio only)

[+1 701-328-0950; Phone Conference ID 710207611#](#)

AGENDA

- A. Roll Call
- B. Strategic Governance and Finance Study (20 min)
 - 1. AE2S Presentation – Brent Bogar
 - 2. Dept. of Water Resources – Jon Kelsch
- C. Discuss Overall Mission - Vision of Financing and Strategic Governance for Water Supply Projects Moving Forward (30 min)
- D. Regional Water Supply Projects - Specifically State-Owned Projects (30 min)
 - 1. WAWS
 - 2. SWPP
- E. Begin to Outline Research, Review, and Stakeholder Input Process (20 min)
- F. Next Steps (15 min)
- G. Adjourn

MINUTES

North Dakota State Water Commission Bismarck, North Dakota

November 19, 2021

The ND State Water Commission (Commission) held a Special meeting via phone and at the State Office Building, 900 E. Boulevard Ave., Bismarck, ND, on November 19, 2021. Governor Burgum called the meeting to order at 10:03 a.m. A quorum was present.

STATE WATER COMMISSION MEMBERS PRESENT:

Governor Burgum, Chairman
Tom Bodine, Deputy Commissioner, ND Department of Agriculture, Bismarck
Michael Anderson, Hillsboro
Richard Johnson, Devils Lake
James Odermann, Belfield
Connie Ova, Cleveland
Gene Veeder, Watford City
Jay Volk, Bismarck
April Walker, West Fargo
Jason Zimmerman, Minot

OTHERS PRESENT:

Andrea Travnicek, Ph.D., Director, ND Department of Water Resources (DWR)
John Paczkowski, State Engineer
DWR Staff
Jennifer Verleger, General Counsel, Attorney General's Office
Approximately 50 people interested in agenda items.

STRATEGIC FINANCE AND GOVERNANCE STUDY (STUDY)

Governor Burgum provided a brief summary of the Study and the overall long-term goal of the Commission to better prioritize all water projects and utilize available funding by developing future financial models to set up the state for continued success.

Long-term financial models for the state of North Dakota are needed to support secure dependable and sustainable funding of projects as well as the governance models that can ensure local control and participation while determining the equity needed from the state level to be fair and effective.

Governor Burgum stated that AE2S would provide a presentation with final recommendations, the new DWR project team would be introduced, and no action or votes would occur. The meeting was held in order to review the Study in detail, discuss overall ideas to provide a baseline going forward, and how to proceed with the Commission's long-term goals for the overall mission and vision for financing and strategic governance.

Andrea Travnicek, DWR Director, introduced Brent Bogar, AE2S, to begin the final Study presentation.

Brent Bogar, AE2S, presented the final Study Overview and Recommendations (attached as APPENDIX A). Brent thanked DWR staff for their assistance with meetings, technical input, and

providing history of the projects and other necessary information to bring the Study to conclusion. The DWR staff were very responsive and supportive during the Study process.

The Study was completed to address the four major regional water systems, their finance and governance models, and the differences between each of those systems. The Study provided alternatives for the finance and governance frameworks, as well as recommendations and considerations for the Commission to move forward.

Jon Kelsch, Water Development Division Director, presented the DWR team members (Team) which includes: Jon Kelsch, Project Manager; Dr. Duane Pool, Economist; and Engineer Managers Sindhuja S. Pillai-Grinolds, David Nyhus as primary team members, Jeff Mattern providing background and historical input, and Tim Freije as a team alternate. The Team will take direction from the Commission and work to lay out a path forward, determine next steps, prepare for Legislative session, and implement any recommendations endorsed by the Commission.

Andrea identified the following pertinent issues and next steps to move forward:

1. Cash management of available funds through the Bank of North Dakota.
2. ARPA funding approved during Special Session and new legislation.
3. Review the current cost-share model for the Southwest Pipeline Project.
4. Discuss moving oversight of the Western Area Water Supply Authority (WAWSA) from the ND Industrial Commission to the Water Commission. This will take legislative action.
5. Review current debt/loans for regional water systems and determine changes to funding.
6. Begin to research needed legislative changes related to local governance. Build consensus to identify a model prior to the next legislative session and be prepared for another special session in 2022.

Commissioners agreed that debt shaping, long-term financing, and migrating oversight was needed. Commissioners also stated concerns related to regulation of the Missouri River and the importance of utilizing this water source. The state needs to also address tribal nations' water interests and quantification of water rights.

Commissioner Walker stated that it is important to understand the difference between the traditional state water appropriation process as opposed to the quantifying of reserved Indian water rights. Debt shaping would be beneficial for large infrastructure projects.

Commissioners were also encouraged to review programmatic and debt shaping that is currently being utilized in Texas and North Carolina.

Commissioner Bodine stated that Commissioner Goehring, due to his inability to attend the meeting, would like to present comments and provide additional input at the December meeting.

Commissioners also expressed concern that the finance governance models need to be developed to complete the four major regional water projects as well as all other water projects throughout the state. Shawn Gaddie, AE2S, stated that the DWR's current water development plan was utilized to run financial models for expected demands.

Recommendations are in the Study and relate to the cash management and expansion of lines of credit and bonding considerations for the Resource Trust Fund overall.

Pat Fridgen, Planning and Education Director, also clarified that the determination of state-wide water project financial needs for the 2023-2025 Water Development Plan will begin in January.

Commissioners stated that risks related to funding water projects at 65 percent, across the board, would need to be identified, and public input and stakeholder interests would need to be considered. Educational stakeholder meetings would need to be scheduled throughout the state.

Andrea stated that additional take-aways and action items from the meeting are:

- Provide an update to Water Topics Overview Committee
- Provide State of the Water address at the annual Water Convention
- Commissioners and DWR staff engage in conversations related to the mission and goals regarding finance and governance of the four regional water supply projects
- Begin discussion and review of Industrial Commission oversight of WAWSA
- Legislative changes
- Review other state examples of water usage along the Missouri River
- Review tribal and state water rights and quantification
- Identify risks related to 65 percent cost-share across all state water projects
- Providing clear and transparent plans and framework

Governor Burgum encouraged Commissioners to reach out to constituents, the Governor's office, and DWR staff. A key point is that this is a long-term vision and may take many biennia to complete.

There being no further business to come before the Commission, Governor Burgum adjourned the meeting at 11:30 a.m.



Doug Burgum, Governor
Chairman, State Water Commission



Andrea Travnicek, Ph.D.
Director, North Dakota Department of Water Resources, and Secretary to the State Water Commission



Strategic Finance and Governance Study

SWPP | NAWS | WAWS | RRVWSP

Study Overview and Recommendations

November 19, 2021

APPENDIX A

Study Team Overview

ND STATE WATER COMMISSION



BRENT BOGAR
Project Manager

SHAWN GADDIE, PE*
Principal-in-Charge

GOVERNANCE AND LEGAL

FINANCE AND PROJECT
DELIVERY

MODELING AND
STAKEHOLDER
ENGAGEMENT

OhnstadTwichell
attorneys



AES NEXUS
The Financial Link

NDSWC WORKING GROUP



COMMISSIONER
Mark Owan



COMMISSIONER
Jay Volk

NDSWC STAFF

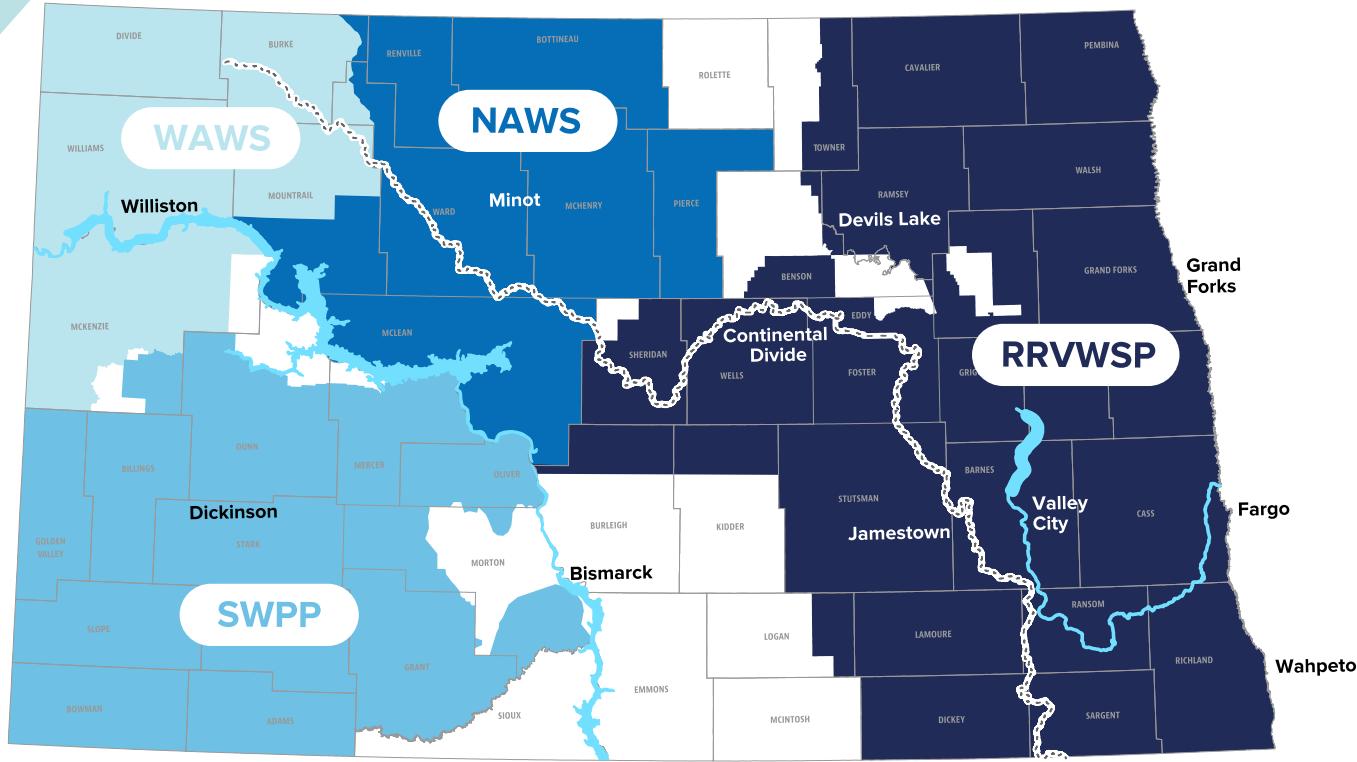
Sindhuja S.Pillai-Grinolds
Jonathan Kelsch
Tim Dodd
Duane Pool
Pat Fridgen



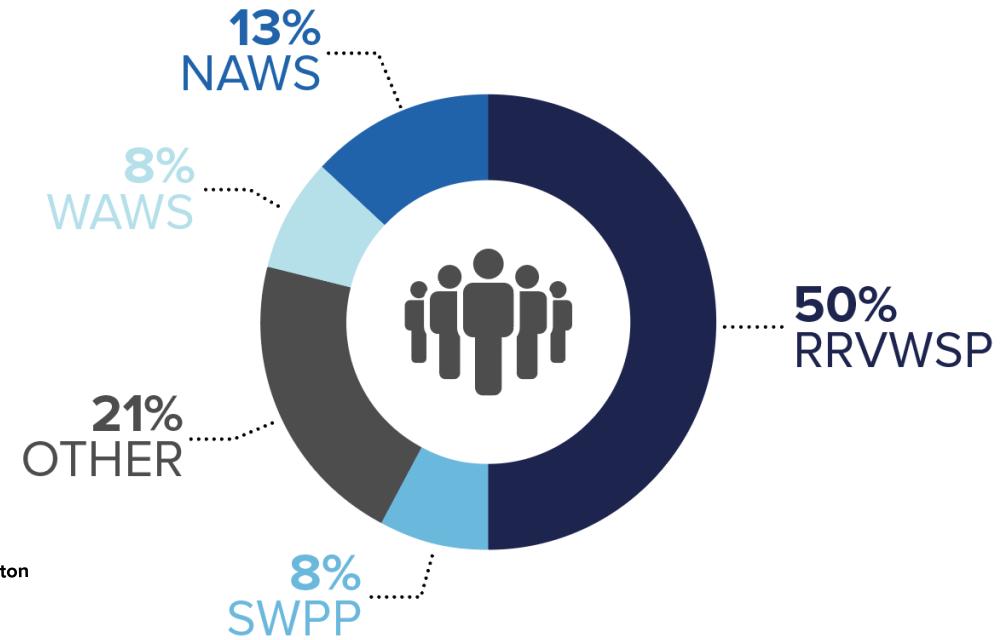
Purpose of the Study

- Addressing regional water systems governance/funding challenges and inconsistencies
- Driving completion of major regional water supply projects
- Comparative screening of alternative governance and finance frameworks
- Migrating to solutions not bound by historic constraints

4 Major Regional Water Supply Projects



Benefits to North Dakotans by Percentage



4 Major Systems Benefit 79% of North Dakotans

Recommendations and Migration Considerations

Primary Recommendations

**Migrate to Common Local
Ownership and Governance Model**



**Cap and Restructure
Cost-Share at 65%**



**Implement Flexible and
Affordable Local Financing**



Migrate to Common Ownership and Governance Model

- Traditional water supply assets owned and governed locally (customary supply, treatment, transmission, storage, distribution)
- Non-traditional water supply assets owned and governed by common 3rd Party state agency (biota treatment and inter-basin transfers)
- Migrate primary state regulatory oversight of WAWS to SWC from Industrial Commission (all systems primary oversight transitioned to SWC)



Cap and Restructure Cost-Share:

- Migrate all major water supply systems to total of 65% state cost-share at completion
- Adjust future cost-share requests through deductions or credits to achieve better equity amongst systems
- **Key Items to Note:**
 - Eliminate Capital Repayment structure for SWPP
 - Refinance and transfer state-backed loans for WAWS

Implement Flexible & Affordable Local Financing

- Cost-share reduction without flexible financing will be unaffordable for local systems
- Recommend the State expand existing revolving loan programs to allow for ease of transition to higher local cost-share
- Consistent with Federal Programs such as WIFIA, amend terms of the programs to better reflect:
 - Scale and life of the assets being financed:
 - 40-year loan terms
 - 2% interest rates
 - Multi-generational benefits:
 - Flexible debt-shaping for return of principal and interest
 - Allows projects and their user base to “grow” into cost of capital
 - Balancing cost-burden across entire repayment period

Primary Migration Benefits



By lowering state cost-share to 65%, the recommended scenario is anticipated to save the RTF nearly \$350M over the next 10-years.

By providing affordable state financing for local costs and restructuring of cost-share, the recommended scenario is projected to lower the local cost of capital for all four system as compared to their current funding structure.

Migrating to the proposed governance and cost-share structure allows for greater resource deployment at both the state and local level, allowing for project acceleration and broader water project implementation state-wide.

Migrating to a more consistent state and local governance and cost-share model to balance accountability and fairness between projects.

By migrating all projects' primary oversight to the SWC, state governance will be simplified and common for all four systems.

Third Party ownership of non-standard inter-basin water supply assets allows local systems to focus on local assets and provides efficiencies from 3rd Party agency in the management of inter-basin raw water supply.

Thank you!

brent.bogar@ae2s.com