



- ### **RURAL WATER IN ND**
- " HISTORY OF RW DEVELOPMENT IN ND
 - " HISTORICAL RW PROJECT FUNDING MECHANISMS
 - " PRESENT STATE OF RW PROJECTS & FUNDING
 - " FUTURE OF RW
 - " OBSTACLES FACING RW SYSTEMS

- ### **RURAL WATER HISTORY**
- " GRAND-FORKS TRAILL RW DISTRICT

- ### **GRAND FORKS-TRAILL**
- " 1ST RURAL WATER SYSTEM IN ND
 - " OFFICIAL ORGANIZATION JUNE 26, 1969
 - " 1ST WATER WAS SERVED OCTOBER 15, 1972
 - " COMPLETION DATE OF DECEMBER 15, 1972

- ### **WHY RURAL WATER?**
- " SUFFICIENT QUANTITY OF POOR QUALITY
 - " SUFFICIENT QUANTITY OF GOOD WATER, WHICH IS ONLY AVAILABLE AT A VERY HIGH COST

- ### **MAJOR STEPS IN FORMING A RW ASSOCIATION**
- " GENERATING INTEREST
 - " MEMBERSHIP DRIVE
 - " FEASIBILITY STUDY
 - " FORMALIZE ORGANIZATION
 - . NONPROFIT CORP OR COOP
 - " OBTAINING FINANCING
 - " OPERATING PROCEDURES

**NEW TECHNOLOGY MADE
RURAL WATER POSSIBLE**

- " PVC (GASKETED VS SOLVENT WELDED)
- " LARGE PLOWS
- " ENGINEERING INGENUITY



FINANCIAL ASSISTANCE

- " FARMERS HOME ADMINISTRATION (FMHA)

FmHA

- " \$3,000,000 WAS LOANED TO GFT
- " 40 YEAR LOAN
- " 5% INTEREST
- " LARGEST LOAN OF ITS KIND
- " PAID BACK WITH WATER RATES
- " SENATOR MILTON YOUNG

GFT WATER RATES

- " \$250 MEMBERSHIP FEE
- " \$14.50/5000 GALLONS

TOP 3 REASONS FOR JOINING

1. CONVENIENCE
2. INCREASED QUANTITY OF WATER
3. STABLE QUANTITY OF WATER

TOP 3 WATER USING DEVICES EXPECTED TO BE PURCHASED

1. AUTOMATIC CLOTHES WASHER
2. DISHWASHER
3. GARBAGE DISPOSAL

EXPECTED CHANGE IN WATER USE

- " 79% EXPECT TO INCREASE WATER USAGE

RISING COSTS PLAGUE WATER GROUPS

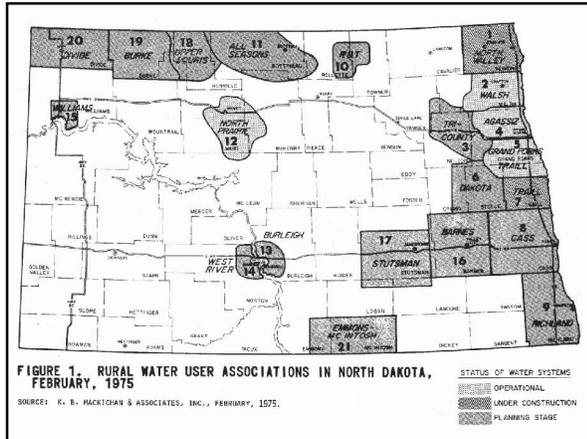
- PLASTIC PIPE – PETROLEUM PRODUCT
- " AVAILABILITY OF THE PIPE BECAME LIMITED
 - " PRICES ROSE CONSIDERABLY

COST PER CONNECTION

\$3,400 FOR GFT
\$4,700 FOR NORTH VALLEY
TO KEEP COSTS IN LINE, THE CAPACITY OF NORTH VALLEY HAD TO BE REDUCED. 2 GPM TO 1 GPM.

STATE ASSOCIATION

- " NEW SYSTEMS FACED ORGANIZATIONAL AND LOGISTICAL CHALLENGES
- " GRASSROOTS ORGANIZATION FOR TRAINING AND COMMUNICATION
- " 1974 – 18 KNOWN SYSTEMS
- " GEOGRAPHY
- " NEW PERSONNEL
- " PART-TIMERS



NATIONAL ASSOCIATION

- " 1976
- " 8 STATES, INCLUDING ND
- " HELP MEET THE REQUIREMENTS OF THE SAFE DRINKING WATER ACT OF 1974

COMMUNITY WATER FACILITY LOAN PROGRAM

- " 1975, 1ST ATTEMPT FAILED
- " NEXT SESSION, \$10,000,000 TO SUPPLEMENT FMHA FUNDING
- " 3% INTEREST
- " \$15,000,000 ADDED LAST SESSION

"QUOTABLE QUOTES"

VICTOR ERTMAN, MANAGER OF CASS AND RICHLAND COUNTY RURAL WATER SYSTEMS.

"THEORETICALLY, RURAL WATER ISN'T SUPPOSED TO MAKE ANY MONEY. SO FAR, WE HAVE BEEN VERY SUCCESSFUL AT THAT."

RURAL WATER ACROSS THE STATE TODAY

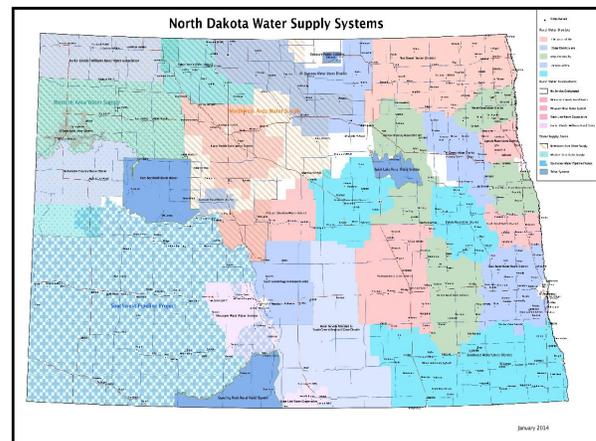
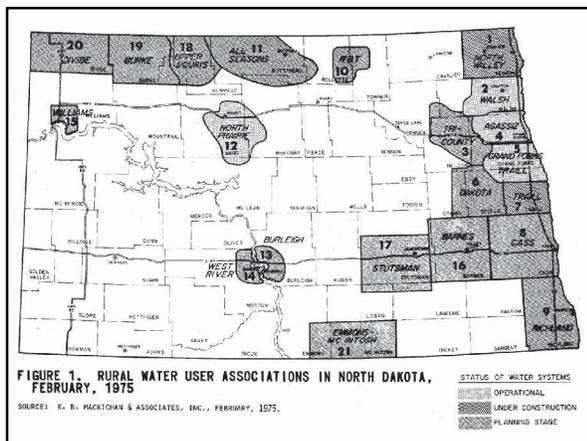
- " 32 RURAL/REGIONAL WATER SYSTEMS
- " >200,000 PEOPLE ARE SERVED
- " 63% OF THE 357 INC. CITIES
- " >100,000 RURAL RESIDENTS
- " **ALL 53 COUNTIES HAVE RW**

RURAL WATER DISTRICTS

- " NDCC 61-35
- " CONSIDERED POLITICAL SUBDIVISIONS OF THE STATE
- " NO TAXING AUTHORITY

REGIONAL WATER SYSTEMS

A SYSTEM THAT PROVIDES WATER TO AT LEAST FOUR PUBLIC WATER SYSTEMS AND MAY ALSO INCLUDE RURAL WATER USERS



SOURCES OF WATER

- " GROUND WATER
- " SURFACE WATER
- " SOME PURCHASE FROM A CITY OR OTHER RWS

CURRENT RW RATES

- " \$39.66/MONTH
- " \$5.32/ 1000 GALLONS
- " \$71.15 FOR 6000 GALLONS

RW FUNDING

- " USDA-RD, FORMERLY FMHA
- " COMMUNITY WATER FACILITY LOANS
- " DRINKING WATER SRF PROGRAM
- " MUNICIPAL, RURAL AND INDUSTRIAL WATER SUPPLY PROGRAM (MR&I)- FEDERAL
- " RESOURCES TRUST FUND-STATE WATER SUPPLY PROGRAM

MR&I PROGRAM

- " 1986 GARRISON DIVERSION UNIT REFORMULATION ACT
- " RESPONSIBILITY OF WATER DELIVERY
- " AUTHORIZED \$200M FOR MR&I PROGRAM
- " ADDITIONAL \$200M WITH THE DAKOTA WATER RESOURCES ACT OF 2000

MR&I PROGRAM

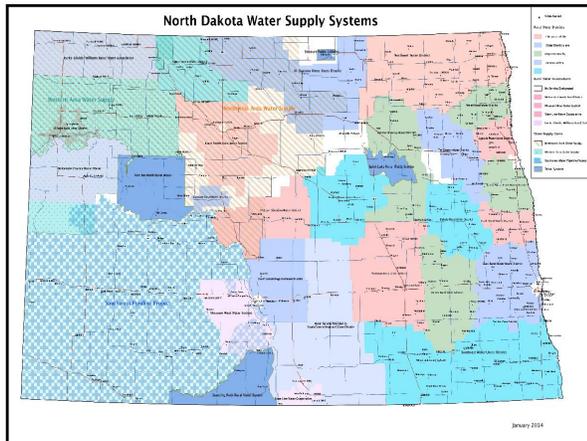
- " TO DATE, OVER \$346M FOR SYSTEM EXPANSION AND IMPROVEMENTS
- " TOTAL OWED: \$495M (INDEXING)
- " \$149M REMAINING

STATE WATER SUPPLY FUNDING FOR RURAL WATER

- " RESOURCES TRUST FUND
- " \$15M IN 11-13 BIENNIUM
- " \$55M IN 13-15 BIENNIUM

	Date Approved	Amount Approved	Grant %	Other
Missoula-Shelburne Water District - Blue Lake/Peach Lake Service Area	8/27/2013	\$900,000	50	50% State Federal and 50% Local SWC
North Central Rural Water Consortium - City of Plaza	2/27/2013	\$256,000	50	
Stoutman Rural Water District - Phases 8 and 9 Expansion	2/27/2013	\$20,000,000	75.5	
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Stoutman Rural Water District, Phase 8 - Kidder County	7/28/2013	\$650,000	75	
Stoutman Rural Water District, Phase 9 - Carrington Area	7/28/2013	\$557,000	75	
North Central Rural Water Consortium - Cavalier/Belleville II	7/28/2013	\$3,900,000	75	
North Central Rural Water Consortium - Deering/Granville	7/28/2013	\$180,000	75	Engineering & cultural resource study (\$1,800,000 of grant left to receive)
South Central Regional Rural Water System - Kidder County	7/28/2013	\$196,000	75	Engineering & cultural resource study (\$3,500,000 of grant left to receive)
Greater Ramsey Water District - SW Nelson Co. Expansion	7/28/2013	\$150,000	75	Engineering & cultural resource study (\$1,800,000 of grant left to receive)
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		\$5,683,000		
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Missouri West Water System - South Mandan	10/7/2013	\$400,000	50	Requested 77% Grant
Grand Forks Trail Water District - Improvements	10/7/2013	\$2,900,000	50	Requested 77% Grant
Grand Forks Trail Water District - Rural expansion	10/7/2013	\$490,000	75	Requested 77% Grant
Langdon Rural Water District - ABM Pipeline, Phase I	10/7/2013	\$1,040,000	50	Requested 77% Grant
Langdon Rural Water District - North Valley Nekoma	10/7/2013	\$800,000	50	Requested 77% Grant
North Valley Water District - ABM Pipeline, Phase I	10/7/2013	\$140,000	50	Requested 77% Grant
North Valley Water District - 181 Street	10/7/2013	\$1,260,000	50	Requested 77% Grant
North Valley Water District - 2013 Rural Expansion	10/7/2013	\$885,000	75	Requested 89% Grant
Wahkiakum Water District - General Storage	10/7/2013	\$584,000	50	Requested 77% Grant
Cass Rural Water District - Plant Improvements, Phase II	10/7/2013	\$2,400,000	50	Requested 77% Grant
Central Policy Water District - Improvements	10/7/2013	\$1,450,000	50	
Tri-County Water District - Improvements	10/7/2013	\$650,000	50	
Barnes Rural Water District - WTP Improvements	10/7/2013	\$1,310,000	50	
Barnes Rural Water District - Rural Expansion	10/7/2013	\$1,200,000	75	
South Central Regional Water District - New users in Expansion Area	10/7/2013	\$1,700,000	75	Federal MWB
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		\$18,994,000		
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Total not the Dear as of 10/17/2013		\$33,748,000		State and Federal
What is left from the \$50M we were working off of?		\$22,882,000		Adjusted for Federal MWB money
Additional Money Needed to 3 Expansion Projects from 7/28/2013		\$6,223,000		
Reallocating WTP Budgeted Money for 2013-14 Biennium		\$13,408,000		

THE FUTURE OF RW IN ND



- ## CHALLENGES
- " HIGH RATES SINCE THE BEGINNING
 - " TERRITORIAL ISSUES — 1926B...
 - " ECONOMY OF SCALE
 - " LARGE SERVICE AREAS
 - . DISTANCE TO SERVE
 - " LIMITED FEDERAL FUNDS
 - " AGING INFRASTRUCTURE
 - " EARLY SYSTEM ISSUES
 - " LACK OF WATER

POSSIBLE CHALLENGE

" SWC DRAFT POLICIES

- ## POSITIVE ASPECTS OF RW
- " THOUSANDS OF RURAL RESIDENTS & COMMUNITIES NOW/WILL HAVE GOOD QUALITY/QUANTITY WATER
 - " A MORE STABLE POPULATION IN RURAL AREAS
 - " AN IMPROVEMENT IN QUALITY OF LIFE IN ND.

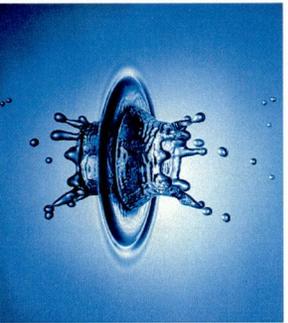


ERIC VOLK
ERICVOLK@NDRW.ORG
701-258-9249

THANK YOU!

Commitment to our Members

North Dakota Rural Water Systems Association (NDRWSA) exists to enhance the quality of life in small communities by providing training, technical assistance and representation to public water and wastewater utilities. The NDRWSA team is committed to the vision of reliable, quality water on tap for all citizens of North Dakota which will enable economic growth by helping to stabilize our state's



population and increase property values for our residents. The staff at NDRWSA is ready, willing, and able to

help twenty-four hours a day, seven days a week, 365 days a year. The following services are available and will save water and wastewater systems thousands of dollars each year.

Types of Membership:

- **Associate Member**
- **City Member**
- **Individual Member**

Technical Assistance

NDRWSA offers onsite training and technical assistance in the following areas:

- **Leak detection**
- **Curbstop & valve location**
- **Hydrant repair & flow testing**
- **Poly-pigging (water & sewer)**
- **Meter testing & repair**
- **Consumer Confidence Report**
- **Rate analysis & financial planning**
- **Conservation/drought planning**
- **Operator certification preparation**
- **Wastewater system troubleshooting**
- **Lagoon sludge testing**
- **Rule and regulation updates**
- **and much, much more!**

Additional Services

A small fee is charged for the following services to cover the cost of maintenance and repairs of the equipment.

- **Sewer smoke testing**
- **Sewer camera work**
- **Gate valve exerciser**
- **Use of our equipment**

Training Programs

NDRWSA hosts training and operator certification programs for members. Training sessions are held throughout the entire state of North Dakota. Call today for date and time when we will be in your area. Additional training offered are as follows:

- **Annual Expo Training and Technical Conference**
- **Operator certification classes**
- **Leadership Retreats**
- **NRWA Leadership Forum and Tech Conference**

Source Water Protection (SWP)

Source water protection involves preventing the pollution of groundwater, lakes, rivers, and streams that serve as sources of drinking water for local communities.

- **SWP Plan Development**
- **Contaminant source inventory**
- **Contingency planning**
- **Classroom demonstrations**

Ask about our Interim Financing & Revolving Loan Programs



The mission of NDRWSA is to assist, support, and lead our members in providing quality service to their customers.

Contact Information

- Eric Volk**
Executive Director
- Kathy Berg**
Administrative Assistant
- Andy McDonald**
Source Water Specialist
- Chuck Mischel**
Operator Certification Specialist
- Mike Rittman**
Circuit Rider—East
- Lisa Schatz**
Finance Manager
- Ward Heidbreder**
Circuit Rider—West
- Les Sigette**
Wastewater Specialist
- Rod Stroh, Ph.D.**
Conservation/Drought Specialist
- Phone: 701.258.9249 or
1.800.349.6951
Fax: 701.258.5002
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Email: ndrw@ndrw.org



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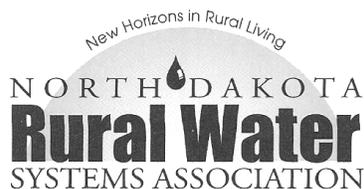


 What's in it for you?

Rural Water System Rates
December 2013

SYSTEM	# of Users	Minimum Cost	Minimum Gal.	\$/1000 Gal.	\$/6000 Gal.	Affordability
Agassiz Water Users District	1334	\$20.00	0	\$5.50	\$53.00	1.23%
All Seasons Water Users District System 1-4	722	\$32.00	0	\$6.50	\$71.00	1.65%
All Seasons Water Users District System 4 Phase 1&2	107	\$42.00	0	\$5.00	\$72.00	1.67%
All Seasons Water Users District System 5	480	\$42.00	0	\$5.00	\$72.00	1.67%
Barnes Rural Water District	1365	\$38.00	0	\$5.00	\$68.00	1.58%
Barnes Rural Water District-New	258	\$56.00	0	\$6.00	\$92.00	2.14%
Cass Rural Water District	4076	\$26.00	0	\$4.20	\$51.20	1.19%
Central Plains Water District	760	\$30.00	0	\$5.50	\$63.00	1.46%
Dakota Rural Water District	599	\$37.00	0	\$4.25	\$62.50	1.45%
Dakota Rural Water District Expansion	188	\$47.00	0	\$4.25	\$72.50	1.68%
Garrison Rural Water Association	526	\$25.00	0	\$3.12	\$43.72	1.02%
Grand Forks Traill Water District	2429	\$26.00	0	\$5.05	\$56.30	1.31%
Grand Forks Traill Water District-New		\$55.00	0	\$5.05	\$85.30	1.98%
Greater Ramsey Water District	746	\$30.00	0	\$3.75	\$52.50	1.22%
Greater Ramsey Water District Expansion	997	\$42.00	0	\$3.75	\$64.50	1.50%
Langdon Rural Water District	964	\$46.00	0	\$6.00	\$82.00	1.91%
McKenzie County Water Resource District	191	\$45.00	0	\$5.25	\$76.50	1.78%
McLean Sheridan Rural Water	520	\$49.00	0	\$6.91	\$90.46	2.10%
McLean Sheridan Rural Water/Washburn Project		\$59.00	0	\$5.25	\$90.50	2.10%
Missouri West Water System	1400	\$35.00	0	\$4.79	\$63.74	1.48%
North Central Rural Water Consortium	1300	\$52.00	0	\$5.65	\$85.90	2.00%
North Prairie Rural Water District	2500	\$47.00	0	\$6.65	\$86.90	2.02%
North Valley Water District	1340	\$30.00	0	\$6.00	\$66.00	1.53%
R&T Water Supply Association	65	\$17.00	0	\$4.00	\$41.00	0.95%
South Central Regional Water District	5326	\$34.00	0	\$7.00	\$76.00	1.77%
Southeast Water Users District West	544	\$45.00	0	\$3.00	\$63.00	1.46%
Southeast Water Users District Central	791	\$45.00	0	\$5.25	\$76.50	1.78%
Southeast Water Users District East	1699	\$26.00	0	\$4.00	\$50.00	1.16%
Southwest Water Authority	4541	\$44.05	2000	\$3.96	\$59.89	1.39%
State Line Water Cooperative	452	\$30.00	0	\$4.30	\$55.80	1.30%
Stutsman Rural Water District	1300	\$37.00	0	\$4.00	\$61.00	1.42%
Stutsman Rural Water District Expansion Project		\$45.00	0	\$4.00	\$69.00	1.60%
Traill Rural Water District	779	\$55.00	0	\$6.00	\$91.00	2.11%
Tri-County Water District	700	\$40.50	0	\$6.00	\$76.50	1.78%
Tri-County Water District Expansion	240	\$51.50	2000	\$6.00	\$75.50	1.75%
Tri-County Water District Expansion II		\$51.50	1000	\$6.00	\$81.50	1.89%
Upper Souris Water District	992	\$24.00	0	\$9.00	\$78.00	1.81%
Walsh Rural Water District R1	1181	\$31.00	0	\$6.00	\$67.00	1.56%
Walsh Rural Water District R2	11	\$45.00	0	\$6.00	\$81.00	1.88%
Walsh Rural Water District R3	137	\$48.00	0	\$6.00	\$84.00	1.95%
Walsh Rural Water District R4	15	\$55.00	0	\$6.00	\$91.00	2.11%
Williams Rural Water District	1641	\$35.00	0	\$8.40	\$85.40	1.98%
	43216					
Monthly Median		\$42.00		\$5.25	\$72.00	
Monthly Average		\$39.78		\$5.32	\$71.06	
Yearly Average					\$852.75	
ND Household Median Income					\$51,641	2008-2012
Afforability, expressed in % of HMI					1.65%	

	Date Approved	Amount Approved	Grant %	Other
McLean-Sheridan Water District - Blue Lake/Brush Lake Service Area	2/27/2013	\$800,000	50	\$700,000 Federal and \$100,000 SWC
North Central Rural Water Consortium - City of Plaza	2/27/2013	\$250,000	50	
Stutsman Rural Water District - Phases II and III Expansions	2/27/2013	\$10,000,000	73.5	
		\$11,050,000		
Stutsman Rural Water District, Phase III - Kidder County	7/23/2013	\$650,000	75	
Stutsman Rural Water District, Phase IIB - Carrington Area	7/23/2013	\$557,000	75	
North Central Rural Water Consortium - Carpio/Berthold II	7/23/2013	\$1,950,000	75	
North Central Rural Water Consortium - Deering/Granville	7/23/2013	\$180,000	75	Engineering & cultural resource study (\$2,820,000 of grant left to receive)
South Central Regional Rural Water System - Kidder County	7/23/2013	\$196,500	75	Engineering & cultural resource study (\$3,553,500 of grant left to receive)
Greater Ramsey Water District - SW Nelson Co. Expansion	7/23/2013	\$150,000	75	Engineering & cultural resource study (\$2,850,000 of grant left to receive)
		\$3,683,500		
Missouri West Water System - South Mandan	10/7/2013	\$400,000	50	Requested 75% Grant
Grand Forks-Traill Water District - Improvements	10/7/2013	\$2,900,000	50	Requested 75% Grant
Grand Forks-Traill Water District - Rural expansion	10/7/2013	\$490,000	75	
Langdon Rural Water District - ABM Pipeline, Phase I	10/7/2013	\$1,040,000	50	Requested 75% Grant
Langdon Rural Water District - North Valley Nekoma	10/7/2013	\$800,000	50	Requested 75% Grant
North Valley Water District - ABM Pipeline, Phase I	10/7/2013	\$565,000	50	Requested 75% Grant
North Valley Water District - 93 Street	10/7/2013	\$1,290,000	50	Requested 75% Grant
North Valley Water District - 2013 Rural Expansion	10/7/2013	\$865,500	75	
Walsh Rural Water District - Ground Storage	10/7/2013	\$684,000	50	Requested 66% Grant
Cass Rural Water District - Plant Improvements, Phase II	10/7/2013	\$2,600,000	50	
Central Plains Water District - Improvements	10/7/2013	\$1,450,000	50	Requested 75% Grant
Tri-County Water District - Improvements	10/7/2013	\$650,000	50	
Barnes Rural Water District - WTP Improvements	10/7/2013	\$1,310,000	50	
Barnes Rural Water District - Rural Expansion	10/7/2013	\$3,290,000	75	
South Central Regional Water District - New users in Expansion Area	10/7/2013	\$700,000	75	Federal MR&I
		\$19,034,500		
Total out the Door as of 10/17/2013		\$33,768,000		State and Federal
What is left from the \$55M we were working off of?		\$22,632,000		Adjusted for Federal MR&I money
Additional Money Owed to 3 Expansion Projects from 7/23/2013		\$9,223,500		
Remaining RTF Budgeted Money for 2013-15 Biennium		\$13,408,500		



December 31, 2013

Michelle Klose
Assistant State Engineer
State Water Commission
900 East Boulevard Ave.
Bismarck, ND 58505

Michelle,

North Dakota Rural Water Systems Association (NDRWSA) is a non-profit, independent corporation governed by an elected board of directors. The association was formed on July 9, 1974, in an effort to coordinate rural water system development on a statewide basis. The NDRWSA is committed to ensuring all of North Dakota's residents receive affordable drinking water of excellent quality and sufficient quantity. NDRWSA is also committed to completing and maintaining North Dakota's water infrastructure.

The money spent on rural water projects in the past has been an investment in the future of North Dakota – an investment in economic development and quality of life for our citizens. Every rural water system that has been built in our state is still operating and continues to provide safe, clean water to their customers. The financial dedication remains apparent as water systems continue to pay their loan obligations, set aside money in operation/maintenance reserve accounts, comply with every state and federal regulation, and doing so with a prudent rate structure; albeit higher than most municipalities charge (see attached rural water rate survey). Not only do rural water systems serve almost 100,000 rural residents, they also provide water to more than 300 communities and numerous subdivisions, campgrounds, and mobile home parks throughout the state. Of North Dakota's 357 incorporated cities, rural water systems provide water to approximately 63% of those cities. Rural water systems are an efficient and sustainable way to provide a dependable quality water supply at an affordable cost.

Meeting the demands of repairing and replacing aging infrastructure and complying with rules and regulations are taking its toll on many small and rural water systems. Another major challenge facing rural and small water systems is the ever increasing rural to urban migration, which continues to decrease the population base and adds to the cost of the individual consumer. This does offer a challenge in finding affordable ways to bring quality water to rural areas. These projects are expensive to fund and without significant state grant funding, the cost to the consumer is just too much for the average family to afford.

On behalf of the NDRWSA, I am submitting comments on the North Dakota State Water Commission Draft Cost-Share Policy. NDRWSA serves a membership that includes 28 rural/regional water systems and four tribal water systems. The submitted draft policy comments represent a conglomeration of thoughts, ideas and suggestions of member rural water systems. The comments do not represent any single rural water system, but provide an overview of how changes to the draft policy would better serve rural water systems and their customers.

Training & On-Site Assistance • Circuit Rider Program • Wastewater Program
Ground Water Protection • Source Water Program • Operator Certification Program
2718 Gateway Avenue #201 • Bismarck, ND 58503 • Phone: 701-258-9249 • FAX: 701-258-5002
Email: ndrwn@ndrw.org • www.ndrw.org

A red lined edited version of the draft cost-share policy is included with my comments. My comments will touch on the major edits to the draft policy.

I. Definitions and Eligibility

It would make sense to label this section "Definitions" and move eligibility language elsewhere.

D. Ineligible Items. All project expenses should be eligible for cost-share. The SWC may not fully fund all expenses, but all project expenses should be eligible. The rural water systems believe the following are project expenses and should be removed from the ineligible items list: costs associated with obtaining easements (understand that the purchase of easements is ineligible), permit related costs and basic legal (not litigation) expenses.

F. Local Sponsors. For various reasons, tribal nations should be eligible (considered a local sponsor) to apply for water project cost-share.

G. Maintenance Costs. Removed "including deferred repairs"; the draft policy already addresses repairs in the same sentence.

H. Project. There are three main phases in completing a water project: planning, engineering and construction. All three are equally important and vital to the overall project's success.

K. Affordability. Language was added to better address the complicated issue of affordability. As you can see, affordability is more than just looking at water rates versus household median income.

II. Cost-Share Application and Approval Procedures

The rural water systems seemed to be okay with this section. They just wanted the following added to the policy: "If the proposal or parts of the proposal are not eligible for funding, the Chief Engineer shall notify the applicant of and include the reasons for ineligibility in writing." It would be helpful for applicants to know their application was reviewed and why it will not be considered for cost-share.

III. Cost-Share Categories.

Engineering services should be considered a project expense. Engineering services for all water projects should be eligible for funding up to the overall amount of cost-share allowable in each category. If a project is eligible for up to 60% cost-share, that includes engineering services. As said before, engineering is crucial to water project development and completion. It would be a huge step forward in water project development to fund engineering services in this manner. This would be consistent with the Federal MR&I Program and USDA-Rural Development grants. As far as 35% and rural water systems go, it would be a huge step backwards. The reduction in engineering cost-share increases the local share (i.e., user rates) and could negatively affect construction observations and other engineering related expenses.

A. Pre-Construction Expenses.

It is understood that a local sponsor should play a major role in pre-development expenses. For rural water expansion projects, the system first canvasses the project area for new users. If interested, the potential user pays a small non-refundable fee to be used to fund the feasibility study. Preliminary engineering reports are not funded under the current Federal MR&I Program.

Struck out 35% and replaced it with 75% to reflect our views of funding all project costs the same.

B. Water Supply Projects

The rural water systems support a loan and grant program. If funding is available, all water supply projects should be eligible for SWC funded loans. Some water supply projects should be eligible for both grants and loans. Grant funding to be separated into three categories: up to 75%, up to 50% and on a case by case basis.

Up to 75% grant:

- (1) Addresses a lack of water supply for domestic use or upgrades a water supply to primary safe drinking water act standards;
- (2) Supports expansion of a water supply system serving an area that has a 3-year average population growth in excess of 3% per year, as determined by the Chief Engineer;
- (3) Assists with improvements in service areas where the anticipated project costs would cause the cost per user of the system to become unaffordable;

These three categories are in the most need of financial assistance. The suggested up to 60% cost-share is not enough assistance in some circumstances. Up to 75% cost-share for these categories is necessary for these needed projects to be feasible and to alleviate financial stress. This percentage would be consistent with the current Federal MR&I Program. Creating equity between water project categories can be accomplished by adjusting the total amount of funding provided to each category, not by reducing the percentage of cost-share for water supply projects.

Expansion projects (adding new users), fixing a lack of sufficient quality/quantity of water and correcting safe drinking water act violations have always been the highest of priorities in the rural water community.

Adding new users today can be relatively expensive. Users are further apart and harder to get to. Without a 75% grant, some residents of North Dakota would not receive a needed supply of affordable, quality water. It would be hard to argue that getting that supply to those in need, is not the SWC number one priority. As the number one priority, the cost-share policy should reflect the strongest commitment to achieve that goal.

Giving a loan to a system that has affordability issues does not help their rates become more affordable. A loan payment will make rates less affordable. This is why it is important to provide relief, in the form of a grant, to those systems who can prove their system cannot afford to complete a needed project without assistance. Factors to be considered in determining affordability are in the red-lined edits.

Up to 50%:

- (4) Rural and Regional water supply projects that increase system efficiencies and other benefits;

To address the uniquely complicated issues rural/regional water systems have in providing a quality supply of affordable drinking water, an up to 50% grant category is needed. Issues facing rural/regional systems:

- a. On average, rural customers already pay a higher water rate compared to other groups.
- b. Early systems were built with limited and restrictive funding, which require a substantial amount of resources to correct.
- c. Lack of economy scales – fewer customers to share fixed costs.
- d. Rural to urban migration – shrinking customer base.
- e. Large service areas - increased costs

Case by Case:

- (6) Water treatment improvements to address impacts from other State Water Commission projects;
- (7) Addresses extraordinary repairs or replacement needs of a water supply system due to damages from a recent natural disaster.

If a system has experienced damages from a natural disaster, it would make sense to provide grant funding to help in the recovery efforts.

Loan only:

- (5) All other water supply projects that are unable to obtain financing elsewhere;

3. Rural Water Individual Connection Assistance Program.

“This program is intended to assist individuals, who are not part of an expansion project, to connect to an existing regional/rural water supply system. The State Water Commission may provide up to 75 percent cost-share of eligible items for individuals connecting to a regional/rural water supply system, limited to a maximum cost-share of \$40,000 (possibly what SWA currently uses). Project eligibility shall be consistent with current water supply project policies.”

There are still areas in the state where residents do not have an adequate and affordable supply of quality water. Not all rural water systems are in a situation where they can do large expansion project to get water to those in need. This program is designed to assist individual residents in obtaining water from a rural water system. This is based off the SWC current individual rural/farmstead ring dike program.

It is an exciting time in water development in North Dakota. The rural water systems are proud to be a part of it. Through a well thought out partnership with the State Water Commission, these systems will ensure all of North Dakota's residents receive affordable drinking water of excellent quality and sufficient quantity. Thank you for your time and please contact me with any questions. Happy New Year!

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Volk". The signature is written in a cursive, slightly slanted style.

Eric Volk
Executive Director

NORTH DAKOTA STATE WATER COMMISSION

COST-SHARE POLICY, PROCEDURE, AND GENERAL REQUIREMENTS

The State Water Commission has adopted this policy to support local sponsors in development of sustainable water related projects in North Dakota. This policy reflects the State Water Commission's cost-share priorities and provides basic requirements for all projects considered for prioritization during the agency's budgeting process. Projects and studies that receive cost-share funding from the agency's appropriated funds are consistent with the public interest. The State Water Commission values and relies on local sponsors and their participation to assure on-the-ground support for projects and prudent expenditure of funding for evaluations and project construction. It is the policy of the State Water Commission that only the items described in this document shall be eligible for cost-share upon approval by the State Water Commission, unless specifically authorized by State Water Commission action.

I. DEFINITIONS AND ELIGIBILITY

- A. **CONSTRUCTION COSTS** include but are not limited to, earthwork, concrete, mobilization and demobilization, dewatering, materials, seeding, rip-rap, re-routing electrical transmission lines, moving storm and sanitary sewer system and other underground utilities and conveyance systems affected by construction, irrigation supply works, and other items and services provided by the contractor. Construction costs are only eligible for cost-share if incurred after State Water Commission approval and if the local sponsor has complied with North Dakota Century Code in soliciting and awarding bids and contracts, and complied with all applicable federal, state, and local laws.
- B. **ENGINEERING SERVICES** include preliminary and final engineering design including associated cultural and archeological studies, project inspections, construction contract management, material testing, flood insurance studies, hydraulic models, and geotechnical investigations. Administrative services and support services performed and charged by engineer companies are not engineering services. Engineering services are eligible costs if incurred after State Water Commission approval. If cost-share is expected to be greater than \$25,000, the local sponsor must follow the engineering selection process in NDCC 54-44.7 and provide a copy of the selection committee report to the Chief Engineer.
- C. **IMPROVEMENTS** are construction related projects that upgrade a facility to provide increased efficiency or other benefits. Improvements do not include any activities that are operation, maintenance, replacement, or reconstruction.
- D. ~~—~~ ***Should be moved elsewhere*** **INELIGIBLE ITEMS** will be excluded from cost-share and include but are not limited to:

- 1 Administrative ~~costs and the purchase of~~; easements~~s~~; ~~and permit related costs~~;
- 2 Property acquisitions ~~and~~; property surveys~~, and legal expenses~~ are ineligible items except under the Flood Recovery Grant Program or the Flood Protection Grant Program;
- 3 Projects that commence prior to a cost-share approval date, and project costs that have been incurred prior to a cost-share approval date, except for emergencies as determined by the Chief Engineer;
- 4 Project related operation, maintenance, replacement costs, and reconstruction costs;
- 5 Funding contributions provided by federal, other states, or other North Dakota state entities that supplant the project cost of the local sponsor; and
- 6 Work incurred outside the scope of the approved study or project;

E. EXPANSIONS are construction related projects that increase the project area served. Expansions do not include any activities that are operation, maintenance, replacement, or reconstruction.

F. LOCAL SPONSOR must be a federal or state entity, a political subdivision, a tribal nation or a commission legislatively granted North Dakota recognition that applies necessary local funding to match State Water Commission cost-share. They provide direction for studies and projects, public point of contact for communication on public benefits and local concerns, and acquire necessary permits and rights of way.

G. MAINTENANCE COSTS include, but are not limited to, repairs and general upkeep of ~~facilities, including deferred repairs, to facilities to~~ allow facilities to continue proper operation and function.

H. PROJECT is the water-related planning, engineering and construction ~~activity~~activities.

I. REPLACEMENT AND RECONSTRUCTION COSTS include, but are not limited to, the removal of portions of facilities or components that have completed their useful life and substitution with different components to obtain the same or similar function of the original facilities or components.

J. SUSTAINABLE OPERATION, MAINTENANCE, AND REPLACEMENT PLAN is a description of the anticipated operation, maintenance, and capital replacement costs with a statement of the operation, maintenance, and replacement of the project will be sustainable by the local sponsor.

~~**K. AFFORDABILITY** is the ability to pay for a water project without affecting a user's ability to pay for other essential goods and services. Factors to be considered in determining affordability include, but are not limited to, rate impact on the capacity of water users to support the full cost of water service through user charges, economy of scales, socioeconomic conditions of the service territory, local sponsor's financial capacity, access to private capital, eligibility for other public capital, and fiscal conditions.~~

II. COST-SHARE APPLICATION AND APPROVAL PROCEDURES. The State Water Commission will not consider any request for cost-share of water related projects or studies unless an application is first made to the Chief Engineer by the local sponsor. No funds shall be used in violation of the Anti-Gift Clause of the North Dakota Constitution.

A. APPLICATION REQUIRED. An application for cost-share must be submitted by the local sponsor on the State Water Commission Cost-Share Request form. The application form is maintained and updated by the Chief Engineer and must include the following:

- 1 Category of cost-share activity
- 2 Location of the proposed project or study area
- 3 Description, purpose, goal, objective, narrative of the proposed activities
- 4 Delineation of costs
- 5 Potential federal or other state entity cost-share participation
- 6 Preliminary designs, if applicable
- 7 Status of required permitting
- 8 Potential territorial service area conflicts, if applicable
- 9 Sustainable operation, maintenance, and replacement plan for the project
- 10 Additional information as deemed appropriate by the Chief Engineer

Applications for cost-share are separate and distinct from the State Water Commission biennial project information collection effort that is part of the budgeting process. An application for cost-share is required in all cases. All local sponsors are encouraged to submit projects and studies needs during the budgeting process. Unless determined to be an emergency that directly impacts human health and safety, or that is a direct result of a natural disaster, requests submitted after the budgeting process may be held until action can be taken on applications that were included during budgeting.

Applications for cost-share are accepted at any time. Applications received 30 days or less before a State Water Commission meeting will not be considered at that meeting, and will be held for consideration at a future meeting.

B. PRE-APPLICATION. A pre-application process is allowed when cost-share assistance is being requested for an assessment project. This process will require the applicant to submit a brief narrative of the project, preliminary designs, and a delineation of costs. The Chief Engineer will then review the material presented, make a determination of project eligibility, and estimate the cost-share funding the project might anticipate receiving. A determination-of-eligibility letter will then be sent to the applicant noting the percentage of cost-share assistance that may be expected on eligible items as well as listing those items that are not considered to be eligible costs. In addition, the letter will state that the Chief Engineer will recommend approval when all cost-share requirements are addressed. The applicant may use the determination of eligibility letter to develop a project budget for use in the assessment voting process. Upon completion of the assessment vote and all other requirements an application for cost-share can be submitted.

C. REVIEW. Upon receiving an application for cost-share, the Chief Engineer shall review the application and accompanying information. If the Chief Engineer is satisfied that the proposal meets all requirements, the Chief Engineer shall present the application along with a recommendation to the State Water Commission for their action. The Chief Engineer's review of the application will include the following items, and any other considerations that the Chief Engineer deems necessary and appropriate.

- 1 Applicable engineering plans and specifications;
- 2 Field inspection, if deemed necessary by the Chief Engineer;
- 3 The percentage and limit of proposed cost-share determined by category of cost-share activity and eligible expenses;
- 4 Assurance of sustainable operation, maintenance, and replacement of project facilities by the local sponsor;
- 5 Status of permitting and service area agreements;
- 6 Available funding in the State Water Commission budget, and budget priorities.

The Chief Engineer is authorized to cost-share up to \$50,000 and also approve cost overruns up to \$50,000 without State Water Commission action.

If the proposal or parts of the proposal are not eligible for funding, the Chief Engineer shall notify the applicant of and include the reasons for ineligibility in writing.

- D. NOTICE.** The Chief Engineer shall give notice to local sponsors when their application for cost-share is placed on the tentative agenda of the State Water Commission's next meeting.
- E. AGREEMENT AND DISTRIBUTION OF FUNDS.** No funds will be disbursed until the State Water Commission and local sponsor have entered into an agreement for state cost-share participation. No agreement will be entered until all required State Engineer permits have been acquired.

For construction projects, the agreement will specify that the local sponsor shall require all project contractors and service providers to agree to defend, indemnify and hold harmless the local sponsor and the state from any and all vicarious and other derivative claims that arise out of the contractor's performance under the agreement, except for claims based upon the local sponsor or state's own direct active acts of negligence, sole negligence or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors and omissions. The local sponsor shall require that the local sponsor and the state be made an additional insured on the contractor's commercial general liability policy including any excess policies, to the extent applicable. The levels and types of insurance required in any contract shall be reviewed and concurred by the Chief Engineer. The local sponsor may not agree to any provision which limits or purports to limit the liability of a contractor or in which the local sponsor agrees to indemnify a contractor.

The Chief Engineer may make partial payment of cost-sharing funds as deemed appropriate. Upon notice by the local sponsor that all work or construction has been completed, the Chief Engineer may conduct a final field inspection. If the Chief Engineer is satisfied that the work has been completed in accordance with the agreement, the final payment will be disbursed to the project sponsor, less any partial payment previously made.

- F. LITIGATION.** If a project submitted for cost-share is the subject of litigation, the application may be deferred until the litigation is resolved. If a project approved for cost-share becomes the subject of litigation before all funds have been disbursed, the Chief Engineer may withhold such funds until the litigation is resolved.

III. **COST-SHARE CATEGORIES.** The State Water Commission will support the following cost-share categories based on percentages described in this section. ~~Engineering services for all categories may be eligible for cost share up to 35 percent.~~

A. **PRE-CONSTRUCTION EXPENSES.** The State Water Commission supports local sponsor development of feasibility studies, mapping, and ~~preliminary engineering designs-reports~~ as part of pre-construction activities to develop support for projects within this cost-share policy. The State Water Commission may provide cost-share up to ~~35-75~~ percent of the eligible items of any cost-share application for the activities listed below. Copies of the deliverables must be provided to the Chief Engineer upon completion. The Chief Engineer will determine the payment schedule and interim progress report requirements.

- 1 Feasibility studies to identify water related problems and options to solve or alleviate the problem, and evaluate the options for technical and financial feasibility to provide a recommendation and cost estimate of the best option to pursue.
- 2 Mapping and surveying to gather data for a specific task such as flood insurance studies and flood plain mapping, LiDAR acquisition, and flood imagery attainment, which are valuable to managing water resources.

B. **WATER SUPPLY PROJECTS**

1 **WATER SUPPLY GRANT AND LOAN PROGRAM.**

a) The State Water Commission supports water supply efforts and will use a grant and loan program. The local sponsor may apply for water supply funding, and the application will be reviewed to determine project category. ~~Program funds may be provided in the form of grants or loans, or both. All Projects-projects~~ within categories (1) thru ~~(57)~~ below may be considered for loan funding up to ~~50-100~~ percent of project costs. ~~and~~ Projects within categories (1) ~~and thru (23) below~~ may be considered for grant funding of up to ~~60-75~~ percent cost-share. ~~in lieu of a loan. Projects within category (4) may be considered for grant funding of up to 50 percent cost-share. Projects in category (5) may be considered for loan funding only. Projects within categories (6) and (7) may be considered for grant funding on a case by case basis depending on levels of impact.~~

- (1) Addresses a lack of water supply for domestic use or upgrades a water supply to primary safe drinking water act standards;
- (2) Supports expansion of a water supply system serving an area that has a 3-year average population growth in excess of 3% per year, as determined by the Chief Engineer;
- ~~(3) Assists with improvements in service areas where the anticipated project costs would cause the cost per user of the system to become unaffordable;~~
- ~~(4) Rural and Regional water supply projects that increase system efficiencies and other benefits;~~
- ~~(5) All other water supply projects that are unable to obtain financing elsewhere;~~
- ~~(36) Water treatment improvements to address impacts from other State Water Commission projects; grant funding to be determined based on level of impact by State Water Commission project;~~
- ~~(4) Assists with improvements in service areas where the~~

~~anticipated cost per user each year (based on 5,000 gallons per month), divided by the average annual median income per user, is in the top quartile of all similar water systems in the state, as determined by the Chief Engineer;~~

- (57) Addresses extraordinary repairs or replacement needs of a water supply system due to damages from a recent natural disaster.

The State Water Commission will periodically set the interest rate on the loan program, taking into consideration other loan programs. If ability to pay for local cost-share is a concern, the Chief Engineer can provide a recommendation for public finance options.

Water Depots for industrial use receiving water from facilities constructed using State Water Commission funding or loans have the following additional requirements:

- (1) Domestic water supply has priority over industrial water supply in times of shortage. This must be explicit in the water service contracts with industrial users.
- (2) If water service will be contracted, public notice of availability of the water service contracts is required.
- (3) A portion of the water supply at any depot must be available on a non-contracted basis for public access.

2 MUNICIPAL, RURAL AND INDUSTRIAL WATER SUPPLY PROGRAM. The federal Municipal, Rural, and Industrial Water Supply Program (MR&I) is administered according to the policies, procedures, and general requirements set forth in North Dakota Administrative Code Article 89-12.

3 RURAL WATER INDIVIDUAL CONNECTION ASSISTANCE PROGRAM. This program is intended to assist individuals, who are not part of an expansion project, to connect to an existing regional/rural water supply system. The State Water Commission may provide up to 75 percent cost-share of eligible items for individuals connecting to a regional/rural water supply system, limited to a maximum cost-share of \$40,000(possibly what SWA currently uses). Project eligibility shall be consistent with current water supply project policies.