

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2369

2007 SENATE NATURAL RESOURCES

SB 2369

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2369

Senate Natural Resources Committee

Check here for Conference Committee

Hearing Date: February 2, 2007

Recorder Job Number: # 2718

Committee Clerk Signature



Minutes:

Senator Stanley Lyson, Chairman of the Senate Natural Resources Committee opened the hearing on SB 2369 relating to revenue bonds issued by water districts.

All members of the committee were present except **Senator Ben Tollefson**.

Senator Joel Heitkamp of District 26 co-sponsor of SB 2369 introduced the bill presenting his personal history of working with a non profit organization that changed into a political sub division and then became a water district. The membership increased from 700 to over 3000, which could include a city. The change needs to be discussed as to how the first project went from \$7 million to the last project costing \$24 million. These water projects just continue to grow in costs so the tools needed to create these water projects also need to increase. The Southwest Water project is almost finalized but the South Central and North Central projects need to be focused on to finish the picture of rural water throughout the state. It is these two projects that are desperately in need of the funding in order to reach reality.

Greg Larson, Secretary/Treasurer of the South Central Regional Water District testified in support of SB 2369. He read the written testimony of **Melody Kruckenberg**, CEO of the North Dakota Rural Water Systems Association, in support of SB 2369 (See attachment # 1). He then presented his own testimony in support of SB 2369 (See attachment #2).

Senator Constance Triplett asked if the \$50 million is the correct amount of money and will it last another ten years.

Greg Larson responded that the way expenses are increasing, they will be back within the ten years asking for more money. He commented that there are probably better ways to fix the bill, but the bill was entered at the last minute and it will work for now and the near future.

Senator Triplett asked what would be better.

Greg Larson responded to lift the ceiling, although they still need to prove they can pay the money back and still need to meet all the requirements of a modest level of debt compared to income in order to qualify for bonding or for the North Dakota revolving loan fund. All the requirements for the rural water districts will be the same, they have to prove they can pay the bill. All the state's water districts have an excellent credit rating, so perhaps the long term fix is to allow the market to establish the credit limit of each water district.

Mike Dwyer, representing the North Dakota Water Users testified in support of SB 2369 stating the efforts to get the rural water infrastructure completed in North Dakota across the state requires this sort of mechanism.

Senator Herbert Urlacher asked if all the projects have components of a pay back when they are completed.

Mike Dwyer answered that all the rural water systems have a combination of grants and loans and the loans or revenue bonds have to be paid back.

Scott Wegner of the Cook Wegner & Wike PLLP testified in support of SB 2369 (See attachment # 3).

Senator Heitkamp commented that the package that the bonding agency puts together involves a percentage of grant money and the bond is picked up at a much smaller percentage

of debt and if expenditures gets close to the amount of debt, it could be considered a good thing as construction is moving forward.

Scott Wegner agreed.

Senator Heitkamp asked how much it costs per foot to install water pipeline.

Mike Dwyer responded it averages between \$3.50 and \$4.00 per foot.

Senator Lyson asked for testimony in an opposition to SB 2369 and hearing none closed the hearing on SB 2369.

Senator Heitkamp made a motion for a Do Pass of SB 2369.

Senator Jim Pomeroy second the motion.

Senator Triplett commented that it was suggested it takes time for the water district time to and why could it not be amended to take out the phrase "not exceeding the aggregate total outstanding" of X amount of the dollars and so that it would say just that the district may issue revenue bonds to finance construction of projects or is there something else involved.

Senator Heitkamp responded that going from memory when the districts were formed and were given the ability to do so, this was encouraged by the North Dakota Bond Bank in the beginning. It was a protection as the water boards were getting into new territory.

Senator Lyson commented that when dealing with the public it is more acceptable to have a figure than removing the funding ceiling.

A roll call vote for a Do Pass of SB 2379 was taken indicating 6 Yeas, 0 Nays a 1 absent.

Senator Heitkamp will carry SB 2369.

REPORT OF STANDING COMMITTEE

SB 2369: Natural Resources Committee (Sen. Lyson, Chairman) recommends DO PASS
(6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2369 was placed on the
Eleventh order on the calendar.

2007 HOUSE POLITICAL SUBDIVISIONS

SB 2369

2007 HOUSE STANDING COMMITTEE MINUTES

Bill No. SB 2369

House Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: March 2, 2007

Recorder Job Number: 4291

Committee Clerk Signature



Minutes:

Chairman Herbel opened the hearing on SB 2369.

Senator Heitkamp: If you look at where the big water projects are we already have a good plan in place. Discussed the bonding process and the water districts involved in this. Here we set now where people are building and we are using those bonds to do this. \$25 million is not that much any more. So they came in and asked me if could get that double to \$50 million and that is about all this bill is about. The questions that was raised on the Senate side was why the cap.

Chairman Herbel You know North Dakotas love caps so that is probably why it is there. Are there allot of projects in the works right now?

Senator Heitkamp: There are a lot of projects cropping up than you notice. The systems themselves are doing a better job on bringing people on line because the people that missed out did not get it. Then the other thing; look at my home area now. Hankenson did not take it and now they are taking it now. All of those communities go down as one customer. That keeps the rates down for everyone.

Dan Rouse: South Central Regional Water District: I am on the SCRWD board and I speaking in support of this bill. In addition to my job at the state I also have a small private

practice, and am a Kernel in the US Air Force Reserve and I am also a professor at the University of Mary NDA program. I am most proud of my affiliation with the SCRWD. We were one of those mom and pop programs that people begged the FmHA agency to get going and created a cooperative and provided good safe drinking water. In the last couple years we created this water district. We just became the largest political subdivision. We incorporated Kidder, Emmons, Logan and McIntosh counties too with Burleigh County. The reality is people are moving out into the subdivisions in the county and want water and they want it now. Some of the ways we are able to do that is with federal and state funding. Bonding is private funding. Revenue Bonds are decided by the boards to use for funding the projects and they have to decide if they want to take the risk. From \$25 million to \$50 million is a substantial jump; however North Central and South Central and particularly our districts the total price tag we are looking at is over \$75 million dollars. Some of that is through state and federal aid, but again given the fact that we responsibility believe that we can assume some debt to keep providing water to rural residents we believe now is the time to move forward. Rather than to wait for government assistance, we have made a business decision to acquire the revenue through revenue bonds and we believe it is reasonable. We don't mind the caps. In fact when I offered the bill to Senator Heitkamp and Rep. Kretschmar I said lets keep the cap in place because it does give some check and balance. We need to have the ability to go beyond where we are now to satisfy the needs of our customers. This bill will enable us to do this.

Rep. William Kretschmar: Is the 50 large enough or should be higher?

Dan Rouse: When we looked at this we thought it was enough. The reason we think it is enough is we don't want to take on everything at once. I mentioned the five county expansion and go down to Strasburg, Ashley and all over the five county areas. We are not doing it all at once. In fact the last couple of years we have developed a long range plan for our district and

it states right now we are in stage one. By Eagles Park close to Double Ditch last week opened our new office building. Co located on that up against the Missouri River is our new water treatment facility. Right now we buy all our water from the city of Bismarck and as you can imagine when we create our four year contract years ago we did not think things were going to be as big as they are. So we are buying water at very expensive rates right now so we are going back into the water treatment facility business. We just won a national award for the most innovative and creative facility in the state. We believe it is going to be better than the city of Bismarck's water. The second half of stage one is to continue to branch out and have entered into a contract with the city of Wilton to provide them with water. We are taking it in phases and we want to look at the big picture and then continue on. We believe we can pay off by doing it this way as we go.

Rep. William Kretschmar: Are you getting the water from the Missouri River?

Dan Rouse: We are doing angle wells right now that are drilled down below the Missouri River and should be a virtually unlimited water supply. We believe we are taking advantage of the river without greatly disturbing the flow. Right now every thing comes from the city of Bismarck and when we go into full production we will also be drawing from the aquifers that are influenced by the river.

Rep. Steve Zaiser: Does the city department get their water from the river or aquifers as well?

Dan Rouse: They do get it from the river.

Oppostion: None

Hearing closed.

Chairman Herbel reopened the hearing.

Do Pass Motion Made By Rep. Lee Kaldor Seconded By Rep. Kim Koppelman

Discussion:

None

Vote: 13 Yes 0 No 1 Absent Carrier: Rep. Lee Kaldor

Hearing closed.

Date: 3-2-02
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 5B 2369

House Political Subdivisions Committee _____

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep. Kaldor Seconded By Rep. Koppelman

Representatives			Representatives		
	Yes	No		Yes	No
Rep. Gil Herbel-Chairman	✓		Rep. Kari Conrad	✓	
Rep. Dwight Wrangham-V. Chair	✓		Rep. Chris Griffin	✓	
Rep. Donald Dietrich	✓		Rep. Lee Kaldor	✓	
Rep. Patrick Hatlestad	✓		Rep. Louis Pinkerton	✓	
Rep. Nancy Johnson	✓		Rep. Steve Zaiser	✓	
Rep. Lawrence Klemin	✓				
Rep. Kim Koppelman	✓				
Rep. William Kretschmar	✓				
Rep. Vonnie Pietsch	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep. Kaldor

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2369: Political Subdivisions Committee (Rep. Herbel, Chairman) recommends DO PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2369 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

SB 2369

NORTH DAKOTA RURAL WATER SYSTEMS ASSOCIATION

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Training & On-Site Assistance
Circuit Rider Program
Wastewater Program
Ground Water Protection
Source Water Program
Operator Certification Program

TESTIMONY IN FAVOR OF SB 2369

Testimony of Melody Kruckenberg, CEO

North Dakota Rural Water Systems Association

RE: SB 2369

Heard By: Senate Natural Resources Committee

1/31/2007

Mr. Chairman and members of the Senate Natural Resources Committee:

My name is Melody Kruckenberg. I am the CEO of the North Dakota Rural Water Systems Association (NDRWSA) which serves a membership of approximately 250 cities and 32 rural water systems.

As member of the ND Water Coalition, the NDRWSA is committed to completing North Dakota's water infrastructure for economic growth and quality of life. Today I am submitting written comments and testimony in support of SB 2369.

In addition to the South Central Regional Water District (SCRWD) and the North Central Rural Water Consortium (NCRWC) projects, current MR&I projects include an expansion of the Walsh Rural Water District, upgrading infrastructure for the Trail Rural Water District, water treatment plant

expansion for McKenzie County Rural Water, and a water treatment plant upgrade and expansion for the city of Williston.

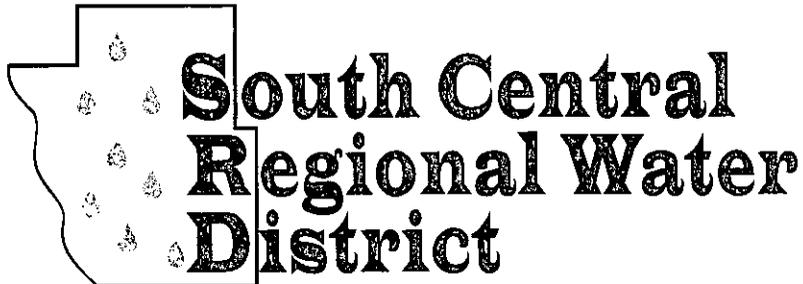
These projects are designed to meet similar needs. Those needs include water quality and quantity. On the water quality side, the projects will help communities comply with non-funded federal mandates required by the Safe Drinking Water Act, including arsenic levels, nitrate, uranium, and radon. Quality issues also include water very high in sodium, sulfates, iron and manganese. On the quantity side...many families still do not have a potable source of water, and even in this day and age must haul water for their families and livestock.

Meeting the demands of repairing and replacing aging infrastructure is 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 which adds to the cost to the individual consumer. Are people living in these sparsely populated areas any less deserving of quality water? Of course not. But it does offer a challenge in finding affordable ways to bring that water to them. I won't lie, these projects are expensive to fund and without any MR&I funding the cost to the consumer is just too much for the average family to afford.

The MR&I money has been used wisely in the past and has been an investment in the future of North Dakota. Every rural water system that has ever been built in our state is still in operating. They are providing safe, clean water to their members, reducing their debt, putting money in reserve, complying with every state and federal regulation, and doing so with a stable, prudent rate structure. Not only do rural water systems serve rural customer, they also provide water to approximately 300 communities and numerous subdivisions.

In addition to MR&I funds, in order to provide all these services, the water districts need to have the ability to borrow adequate funds to insure their continued growth. With the growing costs of construction, the current debt ceiling may not be adequate.

With that said, the NDRWSA fully supports SB 2369 and urges a "do pass" recommendation. Thank you for giving me the opportunity to testify in support of SB 2369.



Previously Burleigh Water Users Cooperative



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TESTIMONY IN FAVOR OF SB 2369

Testimony of Greg Larson, Board of Directors

South Central Regional Water District

RE: SB 2369

Heard By: Senate Natural Resources Committee

1/31/2007

Mr. Chairman and members of the Senate Natural Resources Committee:

My name is Greg Larson. I am on the Board of Directors of the South Central Regional Water District. We have over 3700 metered water connections in our service area which provides water to rural Burleigh and surrounding counties.

We are currently in a major expansion project to insure we can provide an adequate quality and quantity of water to our users. In order to do that we have entered into a financing program which allows us to service our customers now and well into the future. Part of that plan has caused us to enter into low interest long term debt both through bonds and through the North Dakota revolving loan fund. North Dakota Century Code 61-35-15 currently has a cap of twenty five million dollars for water districts.

This section of law hasn't been updated since it was established in 1995. Since

then, the increased costs of construction along with the need to finance more of the projects ourselves as grants and development funds from the government have become more difficult to obtain, the current debt ceiling may well be too low in the near future.

This change to the Century Code doesn't have a fiscal note nor does it obligate the state to any remuneration responsibilities, as the districts will still need to prove its debt worthiness to the lending institutions. All we're asking is to raise the debt level in the statute to reflect the current conditions.

Therefore Mr. Chairman and members of the Natural Resources Committee I am respectfully requesting a favorable "do pass" on SB 2369. Thank you for your consideration.

Senate Natural Resources Committee
February 2, 2007
Senate Bill 2369
Testimony of Scott Wegner
Cook Wegner & Wike PLLP

We support Senate Bill 2369 and the proposed amendment to NDCC Section 61-35-15 increasing the cap on revenue bonds from twenty-five million to fifty million.

Our firm serves as bond counsel to several water districts, including South Central Regional Water District. The water district chapter was added in 1995 and at that time the legislature limited a water district's outstanding revenue bonds to no more than twenty-five million dollars.

Given the growth of rural water systems, the dollar limitation on revenue bonds needs to be increased. South Central Regional Water District currently has approximately ten million dollars in revenue bonds outstanding and has authorized another eight million dollars in revenue bonds. If the limitation is increased, South Central expects to surpass the twenty-five million dollar mark in the next few years.

Water district revenue bonds are paid solely from revenues generated by the water system. The state, county, city or other political subdivision can never be liable for the principal and interest on the bonds. In addition, water districts have no taxing power. Because of this, the market already imposes a restriction on the amount of revenue bonds that can sold. A bond purchaser will never buy bonds unless the water district demonstrates that system revenues are sufficient to pay operation and maintenance plus the principal and interest requirements on any bonds.

Increasing the dollar limitation on the issuance of revenues bonds will allow water systems to grow and serve more customers, while such bonds can never become an obligation of the state, county or other governmental entity.