

Fifty-ninth
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2295

Introduced by

Senators Heitkamp, Fischer, G. Lee

Representatives Carlson, Thoreson

1 A BILL for an Act to create and enact a new subsection to section 61-35-12 and sections
2 61-39-06, 61-39-07, 61-39-08, 61-39-09, 61-39-10, 61-39-11, 61-39-12, 61-39-13, 61-39-14,
3 61-39-15, and 61-39-16 of the North Dakota Century Code, relating to issuance of bonds by the
4 Lake Agassiz water authority; and to amend and reenact sections 61-39-01, 61-39-02,
5 61-39-03, and 61-39-05 of the North Dakota Century Code, relating to water supply contracts
6 and membership of and powers of the Lake Agassiz water authority.

7 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

8 **SECTION 1.** A new subsection to section 61-35-12 of the North Dakota Century Code
9 is created and enacted as follows:

10 Enter and perform long-term and short-term contracts for the purchase or sale of
11 water and to pledge any and all income, profits, and revenues received by the
12 district to secure payment of the district's obligations created by the contracts.

13 **SECTION 2. AMENDMENT.** Section 61-39-01 of the North Dakota Century Code is
14 amended and reenacted as follows:

15 **61-39-01. Findings and declaration of policy.** The legislative assembly declares that
16 many areas and localities in eastern North Dakota do not enjoy adequate quantities of
17 high-quality drinking water; that other areas and localities in eastern North Dakota do not have
18 sufficient quantities of water to ensure a dependable, long-term supply; that greater economic
19 security and the protection of health and property benefits the land and water resources of this
20 state; and that the promotion of the prosperity and general welfare of all of the people of this
21 state depend on the effective development and utilization of the land and water resources of
22 this state and necessitates and requires the exercise of the sovereign powers of this state and
23 concern a public purpose. To accomplish this public purpose, it is declared necessary that a
24 water authority to store and distribute water to eastern North Dakota be established to provide

1 for the supply and distribution of water to the people of eastern North Dakota for purposes,
2 including domestic, rural water, municipal, livestock, light industrial, and other uses, with
3 primary emphasis on domestic, rural water, and municipal uses; and provide for the future
4 economic welfare and prosperity of the people of this state, and particularly the people of
5 eastern North Dakota, by the bulk purchase of water from the Garrison Diversion Conservancy
6 District delivered by the Red River valley water supply project for beneficial and public uses.

7 The Garrison Diversion Conservancy District may acquire, construct, improve, and own the
8 Red River valley water supply project and the Lake Agassiz water authority may enter one or
9 more contracts to provide for the authority to acquire bulk water from the Garrison Diversion
10 Conservancy District and may enter water supply contracts with member cities and water
11 districts for the resale of this water for consumption within or outside the state.

12 The legislative assembly acknowledges that North Dakota and Minnesota communities
13 jointly use the Red River as a water resource. It is in the best interest of eastern North Dakota
14 also to study and possibly provide for the water needs of those Minnesota communities through
15 a Red River valley water supply project, particularly if that project maintains the use of the Red
16 River for North Dakota communities.

17 In furtherance of this public purpose, the state water commission may provide for the
18 issuance of bonds in accordance with chapter 61-02 to finance the costs of any project to
19 deliver water to eastern North Dakota. This chapter does not abrogate or limit the rights,
20 powers, duties, and functions of the state water commission or state engineer, but is
21 supplementary to those rights, powers, duties, and functions.

22 **SECTION 3. AMENDMENT.** Section 61-39-02 of the North Dakota Century Code is
23 amended and reenacted as follows:

24 **61-39-02. Lake Agassiz water authority created.** The Lake Agassiz water authority
25 consists of cities and water districts located in that part of the state which is included within the
26 boundaries of Cavalier, Pembina, Walsh, Nelson, Grand Forks, Griggs, Steele, Traill, Barnes,
27 Cass, Ransom, Sargent, and Richland Counties and that pay dues to the authority. Minnesota
28 cities may join the authority, provided a portion of the city is located within five miles [8.05
29 kilometers] of this state, or if the city uses the Red River for its primary water supply. The
30 authority is a governmental agency, body politic and corporate with the authority to exercise the

power specified in this chapter, or which may be reasonably implied. Cities and water districts may pay dues to the authority as determined by the authority.

SECTION 4. AMENDMENT. Section 61-39-03 of the North Dakota Century Code is amended and reenacted as follows:

61-39-03. Lake Agassiz water authority - Board of directors. The authority must be governed by a board of directors selected as follows:

1. One member from a city with a population greater than forty thousand located east of state highway 1 and north of state highway 200.
2. One member from a city with a population greater than forty thousand located east of state highway 1 and south of state highway 200.
3. One member from a city with a population of five thousand but not more than forty thousand located east of state highway 1.
4. One member from a city with a population of less than five thousand located east of state highway 1.
5. Two members from water districts located east of state highway 1 and north of state highway 200.
6. Two members from water districts located east of state highway 1 and south of state highway 200.
7. One member from water districts located east of state highway 1.
8. One member from a Minnesota city with a population of more than thirty thousand and which is located within five miles [8.05 kilometers] of this state.

City North Dakota city members must be selected for two-year terms by election by cities located east of state highway 1 during the annual meeting of the North Dakota league of cities in every odd-numbered year beginning in 2003. Water district members must be selected for two-year terms by election by water districts located east of state highway 1 during the annual meeting of the North Dakota rural water systems association in every even-numbered year beginning in 2004. The initial selection of members must be at a meeting held by the board of directors of the North Dakota league of cities and by the board of directors of the North Dakota rural water systems association. The initial city members shall serve until the annual meeting of the North Dakota league of cities in 2003 and the initial water district members shall serve until the annual meeting of the North Dakota rural water systems association in 2004. The

1 initial Minnesota city is Moorhead, as it is an associate member of the authority. Moorhead will
2 serve in this capacity until the league of Minnesota cities annual conference in 2006. During
3 even-numbered years thereafter, Minnesota cities within five miles [8.05 kilometers] of the Red
4 River or that use the Red River as a primary water supply may elect their representative. A
5 member may designate an alternate to attend meetings and to act on the member's behalf.
6 The board of directors may designate associate members who are nonvoting members of the
7 board. Notwithstanding the provisions of this section, within two years of the first delivery of
8 water by the Red River valley water supply project, board members must be from a city or
9 water district that has entered a water service contract with the ~~Garrison Diversion~~
10 ~~Conservancy District~~ Lake Agassiz water authority.

11 **SECTION 5. AMENDMENT.** Section 61-39-05 of the North Dakota Century Code is
12 amended and reenacted as follows:

13 **61-39-05. Authority of the ~~district~~ Lake Agassiz water authority.** The board of
14 directors of the Lake Agassiz water authority may:

- 15 1. Sue and be sued in the name of the authority.
- 16 2. Exercise the power of eminent domain in the manner provided by title 32 for the
17 purpose of acquiring and securing any rights, titles, interests, estates, or
18 easements necessary or proper to carry out the duties imposed by this chapter,
19 and particularly to acquire the necessary rights in land for the construction of
20 pipelines, reservoirs, connections, valves, pumping installations, or other facilities
21 for the storage, transportation, or utilization of water and all other appurtenant
22 facilities used in connection with the authority, or any part thereof.
- 23 3. Accept funds, property, and services or other assistance, financial or otherwise,
24 from federal, state, and other public or private sources for the purpose of aiding
25 and promoting the construction, maintenance, and operation of the authority.
- 26 4. Cooperate and contract with the agencies or political subdivisions of the state, its
27 agencies, or its political subdivisions of North Dakota or other states, in research
28 and investigation or other activities promoting the establishment, construction,
29 development, or operation of the authority.
- 30 5. Appoint and fix the compensation and reimbursement of expenses of such
31 employees as the board deems necessary to conduct the business and affairs of

the authority and to procure the services of engineers and other technical experts, and to retain attorneys to assist, advise, and act for the authority in its proceedings.

6. Operate and manage the authority to distribute water ~~throughout eastern North Dakota~~ to its members and others within or outside the territorial boundaries of ~~the authority~~ this state.

7. Sell or exchange any and all real property purchased or acquired by the authority. All money received from any such sale or exchange must be deposited to the credit of the authority and may be used to pay expenses of the authority.

8. Enter a contract or contracts to provide for a supply of bulk water from the Garrison Diversion Conservancy District and to sell, lease, and otherwise contract to furnish any such water for beneficial use to persons or entities within or outside the authority which contract or contracts may provide for payments to fund some or all of the Garrison Diversion Conservancy District's costs of acquiring, constructing, or reconstructing one or more Red River valley water supply projects, which Red River valley water supply projects the Garrison Diversion Conservancy District may acquire, construct, improve, and own, as well as the Garrison Diversion Conservancy District's costs of operating and maintaining one or more Red River valley water supply projects, whether the acquisition, construction, or reconstruction of any Red River valley water supply project actually is completed and whether water actually is delivered pursuant to the contract or contracts, and which contract or contracts the Garrison Diversion Conservancy District may execute without limitation on term of years.

9. Enter a contract or contracts to provide for a bulk sale, lease, or other supply of water for beneficial use to persons within or outside the authority, which contract or contracts may provide for payments to fund some or all of the Garrison Diversion Conservancy District's costs of acquiring, constructing, or reconstructing one or more Red River valley water supply projects, as well as the Garrison Diversion Conservancy District's costs of operating and maintaining one or more Red River valley water supply projects, whether the acquisition, construction, or reconstruction of any Red River valley water supply project actually is completed

and whether water actually is delivered pursuant to the contract or contracts, which contract or contracts cities and water districts that are members of the Lake Agassiz water authority are authorized to execute without limitation on term of years.

~~9.~~ 10. Borrow money as provided in this chapter.

~~40.~~ 11. Issue and sell revenue bonds for its own benefit or for the benefit of the Garrison Diversion Conservancy District, in an amount or amounts determined by the board, including an amount or amounts for costs of issuance and financing, and any necessary reserve funds, for the purpose of financing the cost of a project, purchasing bulk water, or otherwise making capital payments required under a water purchase contract.

12. Lend some or all proceeds of its revenue bonds to the Garrison Diversion Conservancy District, to the state of North Dakota, or to a political subdivision or public body within the state, to facilitate the Garrison Diversion Conservancy District's acquisition, construction, reconstruction, or improvement of one or more Red River valley water supply projects, or any feasibility study or preliminary economic, engineering, or legal work relating to any Red River valley water supply project.

~~44.~~ 13. Refund and refinance its bonds from time to time as often as it is advantageous and in the interest of the authority.

~~42.~~ 14. Pledge any and all income, profits, and revenues received by the authority in connection with the operation, lease, sale, or other disposition of all or any part of a project to secure the payment of bonds issued and sold to finance the project or otherwise.

~~43.~~ 15. Prescribe, revise, and collect rates, fees, tolls, or charges for the services, facilities, or commodities furnished by the authority, and in anticipation of the collection of the revenues of the authority, issue revenue bonds to finance all or part of the costs of the acquisition, construction, reconstruction, improvement, betterment, or extension of a project.

~~44.~~ 16. Pledge revenues of the authority to the punctual payment of principal and interest on bonds or water purchase contract obligations. A pledge under this subsection

1 applies to the revenues of improvements, betterments, or extensions of the
2 authority which may be constructed or acquired after the issuance of bonds ~~as well~~
3 ~~as~~ the revenues of existing systems, plants, works, instrumentalities, and
4 properties of any part of the authority improved, bettered, or extended, and the
5 revenues received from payments made under water sale contracts between the
6 authority and persons that contract to purchase water from the authority.

7 ~~45.~~ 17. Make all contracts, execute all instruments, and do all things necessary or
8 convenient in the exercise of its powers or in the performance of its covenants or
9 duties or in order to secure the payment of its bonds, but an encumbrance,
10 mortgage, or other pledge of property of the authority may not be created by any
11 such contract or instrument.

12 ~~46.~~ 18. Accept from any authorized federal agency loans or grants for the planning,
13 construction, acquisition, lease, or other provision of a project, and to enter into
14 agreements with the agency respecting the loan or grants.

15 ~~47.~~ 19. Contract debts and borrow money, pledge property of the authority for repayment
16 of indebtedness other than bonded indebtedness, and provide for payment of
17 debts and expenses of the authority.

18 20. Operate and manage the authority to distribute water to western Minnesota cities
19 that are members of the authority.

20 Property of the authority may not be liable to be forfeited or taken in payment of any bonds
21 issued under this chapter, and debt on the general credit of the authority may not be incurred in
22 any manner for payment of bonds under this chapter.

23 **SECTION 6.** Section 61-39-06 of the North Dakota Century Code is created and
24 enacted as follows:

25 **61-39-06. Resolution authorizing the issuance of revenue bonds.** The issuance of
26 revenue bonds or refunding bonds must be authorized by a resolution of the board adopted
27 after appropriate notice by the affirmative vote of a majority of the board. Unless otherwise
28 provided in the resolution, the resolution under this section takes effect immediately and need
29 not be laid over, published, or posted.

Each resolution providing for the issuance of bonds provided for in this chapter must set forth the purpose or purposes for which the bonds are to be issued, the provisions for payment of the bonds, and the revenues or other funds pledged to secure the payment of the bonds.

SECTION 7. Section 61-39-07 of the North Dakota Century Code is created and enacted as follows:

61-39-07. Provisions governing bonds. The resolution authorizing the issuance of revenue bonds or refunding bonds under this chapter or resolutions adopted after the adoption of the original resolution must prescribe:

1. The rate or rates of interest, or if an interest rate is variable, the method for calculating the interest rate.
2. Whether the bonds will be in one or more series.
3. The date or dates the bonds will bear.
4. The time or times the bonds will mature.
5. The medium in which the bonds will be payable.
6. The place or places where the bonds will be payable.
7. The terms of redemption, if any, to which the bonds will be subject.
8. The manner in which the bonds will be executed.
9. The terms, covenants, and conditions that the bonds will contain.
10. The form in which the bonds will be issued, either coupon or registered.

SECTION 8. Section 61-39-08 of the North Dakota Century Code is created and enacted as follows:

61-39-08. Sale of bonds - When private sale authorized - Public sale and notice. Revenue bonds or refunding bonds may be sold at public or private sale on such terms as the board deems appropriate.

SECTION 9. Section 61-39-09 of the North Dakota Century Code is created and enacted as follows:

61-39-09. Notes issued pending preparation of bonds - Negotiability. Pending the issuance of bonds, bond anticipation notes may be issued and sold in the form and with the provisions determined by the board.

SECTION 10. Section 61-39-10 of the North Dakota Century Code is created and enacted as follows:

1 **61-39-10. Validity of notes and bonds.** Bond anticipation notes, revenue bonds, or
2 refunding bonds bearing the manual or facsimile signatures of the appropriate officers who are
3 in office on the date of signing are valid and binding obligations notwithstanding that before the
4 delivery and payment any or all of the persons whose signatures appear on the notes or bonds
5 have ceased to be officers of the issuing authority. The resolution authorizing the notes or
6 bonds may provide that the notes or bonds must contain a recital that they are issued under
7 this chapter and the recital is conclusive evidence of their validity and of the regularity of their
8 issuance.

9 **SECTION 11.** Section 61-39-11 of the North Dakota Century Code is created and
10 enacted as follows:

11 **61-39-11. Notes and bonds exempt from taxation.** Notwithstanding any restriction
12 contained in any other law, the state and all public officers, boards, and agencies, and political
13 subdivisions and agencies thereof, all national banking associations, state banks, trust
14 companies, savings banks and institutions, savings and loan associations, investment
15 companies, and other persons carrying on a banking business, and executors, administrators,
16 guardians, trustees, and other fiduciaries, may legally invest any sinking funds, moneys, or
17 other funds belonging to them or within their control in any bonds issued by the authority
18 pursuant to this chapter, and the bonds are authorized security for public deposits. Notes and
19 bonds, including refunding bonds, issued under this chapter and their income are exempt from
20 all taxation by the state or by any political subdivision except inheritance, estate, and transfer
21 taxes.

22 **SECTION 12.** Section 61-39-12 of the North Dakota Century Code is created and
23 enacted as follows:

24 **61-39-12. Covenants and provisions that may be inserted in resolution**
25 **authorizing bonds.** Any resolution authorizing the issuance of bonds under this chapter may
26 contain covenants and provisions concerning:

- 27 1. The rates, fees, tolls, or charges to be charged for the services, facilities, and
28 commodities of a project.
- 29 2. The use and disposition of all or a portion of the authority's income, profits, and
30 revenues.

- 1 3. The creation, maintenance, regulation, use, and disposition of reserves or sinking
2 funds.
- 3 4. The purpose to which the proceeds of the sale of bonds may be applied and the
4 use and disposition of the proceeds.
- 5 5. The events of default and the rights and liabilities arising upon default and the
6 terms and conditions upon which the holders of bonds issued under this chapter
7 may bring civil action on the bonds.
- 8 6. The creation, priority, and enforcement of liens against the authority's income,
9 profits, or revenues.
- 10 7. The issuance of other or additional bonds or instruments payable from or
11 constituting a charge against the authority's income, profits, or revenues.
- 12 8. The creation and use of synthetic interest rate contracts, interest rate caps, floors,
13 and collars, and other techniques to lower the authority's borrowing rate and or
14 reduce its exposure to interest rate risk.
- 15 9. The keeping, inspection, and audit of books of account.
- 16 10. The terms and conditions upon which any or all of the bonds become or may be
17 declared due before maturity and the terms and conditions upon which the
18 declaration and its consequences may be waived.
- 19 11. The rights, liabilities, powers, and duties arising upon the breach by the authority of
20 any covenants, conditions, or obligations.
- 21 12. The vesting in a trustee of the right to enforce any covenants made to secure, to
22 pay, or in relation to the bonds, the powers and duties of such trustee, and the
23 limitations of liabilities thereof.
- 24 13. The terms and conditions upon which the holders of the bonds, or the holders of
25 any proportion or percentage of them, may enforce any covenants made or any
26 duties imposed under this chapter.
- 27 14. A procedure by which the terms of any resolution authorizing bonds or of any other
28 contract with bondholders, including an indenture of trust or similar instrument,
29 may be amended or abrogated, and the amount of bonds that holders of which
30 must consent to the resolution or contract, and the manner in which such consent
31 may be given.

1 15. The subordination of the security of any bonds issued under this chapter and the
2 payment of principal and interest on those bonds, to the extent deemed feasible
3 and desirable by the governing body, to other bonds or obligations of the authority
4 issued to finance or refinance a project or that may be outstanding when the bonds
5 thus subordinated are issued and delivered.

6 16. Provisions with respect to the authority entering an agreement with a private bond
7 insurer, bank, or other liquidity or credit enhancer for bond insurance, a guarantee,
8 a letter of credit, or any other credit or liquidity enhancement that the authority may
9 find to be advantageous or necessary to insure, guaranty, or enhance the payment
10 of the principal of or interest on or liquidity for some or all of the bonds. The cost of
11 any such enhancement or liquidity may be paid from bond proceeds or from other
12 funds of the authority available for this purpose.

13 This section does not authorize the authority to do anything in any manner or for any purpose
14 which would result in the creation or incurring of a debt or indebtedness of the state or the
15 issuance of any instrument which would constitute a debt or indebtedness of the state within
16 the meaning of any provision, limitation, or restriction of the Constitution of North Dakota
17 relating to the creation or incurring of a debt or indebtedness of the state or the issuance of an
18 instrument constituting a debt or indebtedness of the state.

19 **SECTION 13.** Section 61-39-13 of the North Dakota Century Code is created and
20 enacted as follows:

21 **61-39-13. Liability of authority for notes and bonds - Taxing power prohibited.**

22 Bond anticipation notes, revenue bonds, and refunding bonds issued under this chapter may
23 not be payable from or charged upon any funds other than the revenue pledged to their
24 payment and the authority's notes and bonds may not be subject to any pecuniary liability. The
25 holder of any such notes or bonds may not enforce payment of the notes or bonds against any
26 property of the authority. Notes and bonds issued under this chapter do not constitute a
27 charge, lien, or encumbrance upon any property of the authority, other than the revenues
28 pledged to their payments. Each note and each bond issued under this chapter must recite in
29 substance that the note or bond and interest on the note or bond is payable solely from the
30 revenue pledged to the payment and that the note or bond does not constitute a debt of the
31 state within the meaning of any constitutional or statutory limitation.

1 **SECTION 14.** Section 61-39-14 of the North Dakota Century Code is created and
2 enacted as follows:

3 **61-39-14. Duties of authority and officers relative to the issuance of bonds.** To
4 adequately secure the payment of bonds and interest on the bonds, the authority and its
5 officers, agents, and employees shall:

- 6 1. Pay or cause to be paid punctually the principal and interest of every bond on the
7 dates, at the places, in the manner, and out of the funds provided in the refunding
8 bond and in accordance with the resolution authorizing its issuance.
- 9 2. Operate any project financed by the authority in an efficient and economical
10 manner, enforce all water purchase and water sales contracts, and establish, levy,
11 maintain, and collect related necessary or proper fees, tolls, rentals, rates, and
12 other charges. Such fees, tolls, rental, rates, and other charges must be sufficient,
13 after making due and reasonable allowances for contingencies and for a margin of
14 error in the estimates, at least:
 - 15 a. To pay all current expenses of operation and maintenance of any project;
 - 16 b. To make all payments required under any water purchase contract the
17 authority may execute;
 - 18 c. To pay the interest and principal on the authority's notes and bonds as they
19 become due;
 - 20 d. To comply with the terms of the resolution authorizing the issuance of the
21 bonds or any other contract or agreement with the holders of the refunding
22 bonds; and
 - 23 e. To meet any other obligations of the authority that are charges, liens, or
24 encumbrances upon the revenues of the authority.
- 25 3. Operate, maintain, preserve, and keep every part of any tangible project financed
26 and owned or operated by the authority in good repair, working order, and
27 condition.
- 28 4. Enforce the provisions of all water purchase and sale contracts that produce
29 revenues pledged to payment of bonds.
- 30 5. Preserve and protect the security of the bonds and the rights of the bondholders
31 and warrant and defend such rights against all claims and demands.

6. Pay and discharge all lawful claims for labor, materials, and supplies which, if unpaid, might become by law a lien or charge upon the revenues, or any part of the revenues, superior to the lien of the bonds or which might impair the security of the bonds.

7. Hold in trust the revenues pledged to the payment of the bonds for the benefit of the holders of the bonds and apply the revenues only as provided by the resolution authorizing the issuance of the bonds or, if the resolution is modified, as provided in the modified resolution.

8. Keep proper separate books of record and accounts of the project in which complete and correct entries must be made of all transactions relating to any part of the project. All books and papers of the authority are subject to inspection by the holders of ten percent or more of the outstanding bonds or of their representatives authorized in writing.

The duties contained in this section may not require any expenditure by the authority of any funds other than revenue received from a project or water sale contract. The performance of the duties enumerated in this section is of the essence of the contract of the authority with the bondholders.

SECTION 15. Section 61-39-15 of the North Dakota Century Code is created and enacted as follows:

61-39-15. Remedies of bondholders in general. Subject to any contractual limitations binding upon the holders of any issue of bonds, or a trustee for the holders, including the restriction of the exercise of any remedy to a specified proportion or percentage of the holders, any holder of bonds or trustee, for the equal benefit and protection of all bondholders similarly situated, may:

1. By mandamus or other civil action, enforce the holder's rights against the authority and its board and any of its officers, agents, or employees and may require the authority or the board or any officers, agents, or employees of the authority or board to perform their duties and obligations under this chapter and their covenants and agreements with bondholders.

2. By civil action, require the authority and the board to account as if they were the trustees of an express trust.

1 3. By civil action, enjoin any acts or things that may be unlawful or in violation of the
2 rights of the bondholders.

3 4. Bring suit upon the bond.

4 A right or remedy conferred by this chapter upon any bondholder, or upon any trustee for a
5 bondholder, is not intended to be exclusive of any other right or remedy, but each such right or
6 remedy is cumulative and in addition to every other right or remedy and may be exercised
7 without exhausting and without regard to any other remedy conferred by this chapter or by any
8 other law of this state.

9 **SECTION 16.** Section 61-39-16 of the North Dakota Century Code is created and
10 enacted as follows:

11 **61-39-16. Project - Definition.** As used in this chapter, unless the context otherwise
12 requires, the term project means either a system, plant, works, instrumentality, or property used
13 to provide water supply in connection with the Red River valley water supply project, or a
14 contract for the purchase of water, including a contract for the bulk purchase of water from the
15 Garrison Diversion Conservancy District delivered by means of a Red River valley water supply
16 project.