

# NORTH DAKOTA LEGISLATIVE COUNCIL

## Minutes of the

### ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

Tuesday, October 7, 1997

Norway Room, Valley City State University

Valley City, North Dakota

Senator Tony Grindberg, Chairman, called the meeting to order at 9:00 a.m.

**Members present:** Senators Tony Grindberg, Jerry Klein; Citizen Members Randy Bina, Jeff Fuchs, Ken Yantes; Governor Edward T. Schafer's representative Carter Wood

**Members absent:** Representatives Leonard J. Jacobs, Jim Torgerson; Citizen Members Erling Karlsbraaten, Stan Lyson, Bill Sorensen

**Others present:** Connie Sprynczynatyk, North Dakota League of Cities, Bismarck

Dennis Hill, Bill Patrie; North Dakota Association of Rural Electric Cooperatives, Mandan

Mark Johnson, North Dakota Association of Counties, Bismarck

Robert Spencer, Northern Plains Electric Cooperative, Cando

Dale Niezwaag, Basin Electric Power Cooperative, Bismarck

Rich Schueneman, Kerwin Kostad; City of Valley City, Valley City

**It was moved by Citizen Member Bina, seconded by Citizen Member Fuchs, and carried on a voice vote that the minutes of the July 9, 1997, meeting be approved as mailed.**

#### COUNTY RESTRUCTURING STUDY

Chairman Grindberg called on Mr. Dennis Hill, Executive Vice President and General Manager, North Dakota Association of Rural Electric Cooperatives, for comments regarding the restructuring of rural electric cooperatives. Mr. Hill said 19 rural electric cooperatives distribute power to 85,000 North Dakota consumers. He said cooperatives have been going through a process of building new entities from existing cooperatives and building new cooperatives from scratch. In this process, he said, there have been failures as well as successes. However, he said, much is learned through the failures. He said of the 19 electric cooperatives in North Dakota, the service boundaries of 10 of the cooperatives are based on county boundaries. As a result, he said, rural electric cooperatives have much in common with county governments in North Dakota.

Mr. Hill said the rural electric cooperatives have full-time technical assistance that is provided to cooperatives to help create new cooperatives from existing cooperatives. He said Basin Electric Power Cooperative has helped to provide strategic support services to other rural electric cooperatives.

Chairman Grindberg called on Mr. Dale Niezwaag, Senior Planning Administrator, Basin Electric Power Cooperative, for comments regarding the Planning for Action in a Competitive Environment (PACE) program. Mr. Niezwaag submitted a written summary of his presentation, a copy of which is attached as Appendix A.

Mr. Niezwaag said county government and rural electric cooperatives are similar in that both provide services to rural residents, both are run by elected representatives, and both face decreasing populations and increasing costs that will force cuts in services or increases in revenues. He said when a restructuring is considered, it is important to provide as much relevant, factual information as possible to assist board members in making strategic decisions. He said it is also important to receive input from members of the cooperatives and involve the employees in the process. He said the benefits of the PACE program are the ability to see the big picture at one time, the ability to see long-term trends, the ability to use relevant information in developing short- and long-term strategies, the presentation of factual information, the solicitation of membership input, and little or no use of cooperative staff time.

Mr. Niezwaag said common reasons for exploring restructuring include the need to gain critical mass for survival, increase efficiency, stabilization of rates, enhancement of services, access to cost-effective technologies, and improvement of competition in the emerging marketplace. He said because member support has been strong when members have been shown that rates will be lowered and services enhanced, only one proposed restructuring in the Basin Electric Power Cooperative area has failed.

Chairman Grindberg called on Mr. Robert Spencer, Manager, Northern Plains Electric Cooperative, for comments regarding successful mergers of rural

electric cooperatives. Mr. Spencer said the Northern Plains Electric Cooperative is a product of the consolidation of the Baker and Tri-County Electric Cooperatives which are based in Cando and Carrington. He said the new cooperative serves 11,000 customers through 7,000 miles of distribution lines. He said the cooperative has a \$60 million investment in its distribution service.

Mr. Spencer said the Baker and Tri-County Electric Cooperatives consolidated in response to changing demographics, to gain economies of scale, and to provide additional services. Within 10 years, he said, the consolidation is estimated to result in \$9.4 million in savings. He said 41 percent of the savings will be administrative savings, and a 10 percent reduction in the number of employees will be achieved through attrition.

Mr. Spencer said the "me" issues are why consolidations fail. He said to respond to those issues the directors of a cooperative or elected officials of a political subdivision must understand the demographics and challenges facing the entity and develop strategies that everyone can support. Because employees face the fear of losing jobs, he said, the Northern Plains Electric Cooperative guaranteed that there would be no reductions in force, no relocations, and no reduced pay to gain the support of the employees. To address the concern that a consolidation would result in the interruption of existing business relationships, he said, the cooperative maintained its existing business offices and found ways to reduce the impact to local businesses such as reinvestment in local economic development efforts. Another concern that had to be addressed, he said, was the concern with loss of local control of the cooperative.

Mr. Spencer said consolidations can be accomplished through effort and some cost. He said if a consolidation is in the best interest, elected leaders must lead and work to achieve the consolidation.

Chairman Grindberg called on Mr. Bill Patrie, Rural Development Director, North Dakota Association of Rural Electric Cooperatives, for comments regarding building cooperatives. Mr. Patrie submitted a written presentation, a copy of which is attached as Appendix B.

Mr. Patrie said if a consolidation is going to be attempted a significant plan that will make a difference to the people must be developed. He said it is important to determine a shared vision of an efficient consolidation. He said when the Bison Cooperative was proposed the biggest issue that had to be confronted was mistrust among the producers. Once that issue had been addressed, he said, the consolidation was accomplished without significant problems.

Mr. Hill said the rural electric cooperatives are willing to share their technical assistance to help put a process in place for the state to help political subdivisions consider restructuring.

Chairman Grindberg said the commission must get some direction from local governments before any proposals for state assistance can be fully examined.

## **COOPERATIVE AGREEMENTS BETWEEN POLITICAL SUBDIVISIONS**

Mr. Mark Johnson, North Dakota Association of Counties, said before counties can consider restructuring, county officials and residents need resources to provide the information necessary to form a basis for the consolidation. He said restructuring will need to be a long-term process. Mr. Johnson submitted a written presentation, a copy of which is attached as Appendix C.

Chairman Grindberg called on Mr. Kerwin Kostad, City of Valley City, for comments regarding cooperative agreements. Mr. Kostad said Valley City has cooperated with the local school district, Barnes County, Valley City State University, and the City Park Board on various projects. He said the city, county, and school district cooperate to provide a joint health district. Because the county sheriff's office was too small, he said, the city provided office space and the city and the county operate a joint dispatch center. He said the park district manages facilities owned by the city to relieve the city of the burden of management. Other examples of cooperation with the county, he said, include the operation of a joint library and contribution of funds toward a development corporation. He said the city and the university work together to promote the university.

Mr. Kostad said the city cooperates with other entities on projects because the projects involve issues that affect the entire community. He said the city, school district, and park district are working to establish a new facility that will include a swimming pool and meeting rooms.

In response to a question from Citizen Member Yantes, Mr. Kostad said when the city enters a cooperative agreement with another entity, the agreement is set forth in a written agreement so that the parties will have a clear understanding of all the conditions of the agreement.

Mr. Johnson said the primary reasons political subdivisions enter cooperative agreements are economic reasons. He said the area of greatest concern and cost to counties is social services. Therefore, he said, most of the cooperative activity has been in the social services area. He said counties will cooperate frequently with other counties or political subdivisions to share the cost of state-mandated programs. He said there have been

situations in which social service directors were reluctant to enter cooperative agreements when a position has been partially federally funded because the directors and others treat those positions as a means of economic development.

Mr. Johnson said the Association of Counties needs some direction from the commission regarding further action with respect to the study of restructuring county government.

Chairman Grindberg called on Ms. Connie Sprynczynatyk, North Dakota League of Cities, for comments regarding political subdivision cooperative agreements. Ms. Sprynczynatyk submitted a packet of information regarding the "tool chest" law and cooperative activities between local governments, a copy of which is on file in the Legislative Council office.

Ms. Sprynczynatyk said because there are so many different levels and types of local governments in North Dakota, it is difficult to define the term "political subdivision." She said the state with the next highest number of local elected officials is South Dakota, which has approximately one-half the number of elected officials as North Dakota. She said the Constitution of North Dakota provides enough government for a state the size of Pennsylvania.

Ms. Sprynczynatyk said as a result of 1993 House Bill No. 1347, the "tool chest" legislation, there are no excuses for local governments to not change. She said examples of the powers available to local governments include the Joint Powers Act, the authority to enter into agreements between public agencies and Indian tribes, the authority to initiate multisubdivision office combinations, and the authority to transfer local government powers. In addition, she said, the local governments' advisory study, which is the only mandatory component in the "tool chest" legislation, is an opportunity for local governments to examine the possibility of restructuring.

Ms. Sprynczynatyk distributed a list of efforts undertaken by political subdivisions that indicate use of the "tool chest" legislation. A copy of that document is attached as Appendix D.

In response to a question from Mr. Wood, Ms. Sprynczynatyk said successful consolidations were usually achieved when jobs were eliminated only

through attrition or prospectively so that the employees did not oppose the consolidation.

Citizen Member Fuchs said although consolidations or cooperative agreements may not always reduce the number of employees, the consolidations or agreements often result in avoiding having to add positions in the future. Mr. Johnson said in some cases the answer may be to have fewer employees but higher pay for the employees that remain. Senator Klein said consolidation of government offices is often difficult because no one wants to give up their turf.

Ms. Sprynczynatyk said there is a group of communities considering a joint advisory study process. She said she would keep the commission informed as to the progress of those communities. Mr. Yantes said the people who were ultimately affected by consolidations and restructuring should have the power to make those changes. Ms. Sprynczynatyk said government officials have to be compelled to be more efficient.

Chairman Grindberg said the commission probably will not meet again until 1998. He said he would like to see a pilot project where political subdivisions would undertake a joint advisory study process and examine the possibility of restructuring. In addition, he said, the commission should further investigate the issue of the impact of sovereign immunity on political subdivisions contracting with the state.

Ms. Sprynczynatyk said she would like to see the commission further discuss the possibility of removing the property tax limitations.

Citizen Member Bina said he could request park district officials to report to the commission regarding efforts undertaken by park district boards to cooperate with other entities.

There being no further business, Chairman Grindberg adjourned the meeting at 2:20 p.m.

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John D. Bjornson  
Commission Counsel

ATTACH: 4