

FISCAL NOTE
Requested by Legislative Council
12/20/2014

Amendment to: HB 1137

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations				\$100,000,000		

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The capital infrastructure revolving loan fund will provide below-market interest rate loans to political subdivisions for essential infrastructure projects that are not eligible for financing under the state revolving fund.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Included in the Executive Budget, the Bank of North Dakota shall transfer the sum of \$100,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the capital infrastructure revolving loan fund during the biennium beginning July 1, 2015, and ending June 30, 2017. These funds will be made available in the form of loans to political subdivision, primarily cities.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

See 2.B. above.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

None.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

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Name: DeAnn Ament

Agency: ND Public Finance Authority

Telephone: 701-426-5723

Date Prepared: 12/24/2014

FISCAL NOTE
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12/20/2014

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2015 HOUSE POLITICAL SUBDIVISIONS

HB 1137

2015 HOUSE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Prairie Room, State Capitol

1137
1/15/2015
22027

- ☐ Subcommittee
☐ Conference Committee

Amonia Muscha

Explanation or reason for introduction of bill/resolution:

Relating to creation of the capitol infrastructure revolving loan fund; to provide for a transfer; and to provide a continuing application.

Minutes:

Bill Wocken Testimony #1
DeAnn Ament Testimony #2
Shane Goettle Testimony #3
Shawn Kessel Testimony #4
Blake Crosby Testimony #5
Brad Bekkedahl Testimony #6
Mark Vaux Testimony #7
Keith Lund Testimony #8
Brant Sanford Testimony #9
Todd Feland Testimony #10
Darrel Bjerke Testimony #11
Brian Osowski Testimony #12
Missing Cities Testimony #13

Chairman Klemin: opened the hearing

Bill Wocken: absent today, gave his testimony to the clerk yesterday to handout (See testimony #1)

Robert Frantzfog: District 40 is a diverse legislative district. The bill you will hear today began in the office of the governor. In the presentation of his budget, he stated the following, "City leaders a vast, for an additional tool to help finance public infrastructure projects. To that end we are proposing to transfer 100 million dollars in Bank of North Dakota profits to the public finance agency to create a revolving loan fund for essential public infrastructure projects throughout the state. The Loan fund will provide political subdivisions with the below market loan, loan rates and will be of good use of the banks strong earnings. House bill 1137 would provide for 100 million dollars via transfer from the strategic investment and improvements. Public finance authority is a state agency that oppressed of the supervision and authority of the industrial commission. It is a self-

supporting state agency and receives no general fund money." I am going to ask that you hold your questions for DeAnn Ament, who was the author of this legislation, and will speak and explain it all to you next.

DeAnn Ament: (See testimony #2) I will return after to answer any questions that may come up.

Shane Goettle: reading Cindy K. Hemphill's testimony who cannot be here today (See testimony #3)

Representative Beadle: In a previous speaker's testimony she referenced how this is designed when she got to the actual deal points of this loan program. This design for new development and going into new areas and helping with new sewer lines etc... Is there a restriction when it says new development that would prohibit this sort of loan program to go toward back-filled development? So that you would be going into an area that you are taking an older area and you're redoing it. Does this program only apply to new? Or can it apply to old also?

Shane Goettle: Very good question. I will have you defer to DeAnn.

Shawn Kessel: (See testimony #4)

Representative Kretschmar: How does Dickinson propose to pay this money back?

Shawn Kessel: We have used user fees to fund or pay back our existing SRF loan funds. We do not have the highest utility rates in the states but we are pretty close. Our rates are going to be utilized almost to their capacity. So we would probably use sales tax funds as a pledged revenue stream to pay these funds back.

Representative Kelsh: If you can use this fund, can you also use the other funds? Like the one that was created from the drinking/clean water act? Can you use all of those to do a project? Some of them are more specific, but can you use all of them at once?

Shawn Kessel: Absolutely. What's nice about this program is that it would also help with roads and storm water. Which the roads are specifically not covered by the previous two programs to my knowledge. So this provides additional flexibility.

Representative Kelsh: Are some of those other programs strictly grants? What is the situation of the clean water/ drinking water?

Shawn Kessel: We have received loans. We have received grants from the state water commission but they were independent of the programs that we are speaking to today.

Representative Beadle: In Fargo if I bought a new residential lot in a new development, let's say it was 80,000. I am probably going to have between 40 and 50 thousand dollars with special assessments on that lot and those special assessments are due to that fact that the new development was created with a special assessment bonding district and they used the specials as in bonds to go towards roads, infrastructure, sewer water, etc... Does the city of Dickinson utilize special assessment districts and special assessments on

residential lots to help pay for new development in infrastructure? Or is that currently on the back so the developer or the city? How do you guys currently fund that today?

Shawn Kessel: The city of Dickinson avoids special assessment districts for new developments. So in our community the majority of the infrastructure for in-fill of a new development will be on the back of the developer. That is all wrapped up into the cost of the lot then.

Representative Koppelman: Reading the bill it appears that the language is broad in terms of what uses these funds could be accessed for and I am curious. I am assuming it would be available for other kinds of projects that the other funds might also? Is there dub tailing for here as well? Would these funds be available for these others as well?

Shawn Kessel: That is my understanding of the bill. That it could be dub-tailed as you have suggested. I believe that a program could be available for funding under multiple RLF like programs.

Chairman Klemin: The fiscal note has 100 million dollars on it and what do we do if there isn't enough money in the bank of North Dakota to transfer 100 million dollars in profits for this particular fund?

Shawn Kessel: Find other funds. Infrastructure funding in my opinion is economic development and infrastructure funding in cities throughout North Dakota is a need that is difficult to quench. All cities are growing and trying to find finance at a low cost. Stake holders within our state do not have to pay high costs such as special assessment districts that they are using is or user fees. I do not have an identified revenue stream for you beyond what is proposed beyond the bill.

Blake Crosby: (See testimony #5)

Representative Koppelman: I understand the position you're in representing all the cities in the state and there for requesting these funds be open to any city and any circumstance regardless if they are growing or shrinking, but do you recognize also that there are specific needs and issues that came up when you're in the circumstance. Growing cities have unique needs and that is kind of what this bill is aimed at. While I'm sure it is nice to say it is available to everyone, might it be wise to do what the bill proscribes and actually target some funds for a specific purpose? Let me give you a flip side. There are also the declining cities like when we changed the enrollment number for shrinking districts but it hurt the growing districts.

Blake Crosby: I agree. You have an understanding that all cities are not having their economy lifted by the oil boom and those cities still deserve the ability to come and say here is our project, what do you think about funding it. Just because they ask doesn't mean it will get funded but it at least gives the eligibility to make the application and then it falls to the next group. We understand that certain cities have extra needs in some form of extra dollars.

Representative Beadle: I don't expect you to answer this but would you be able to find out how many of your league of cities members utilize special assessment districts with new development projects?

Blake Crosby: I will see what I can do.

Chairman Klemin: What is your alternative?

Blake Crosby: That is one of those mechanics that we have to sit down and discuss with the public finance authority. There needs to be some sort of criteria and any project we would prefer to have a positive fund instead of a negative fund. I do not have an exact answer for you. DeAnn and the public finance authority have been very upfront with us.

Chairman Klemin: It looks to me that any city that has any form of growth rate is eligible for this program. All be it at reduced dollar amounts because the last criteria was a political subdivision that experienced a growth rate the did not exceed 2%. So that would be from 0.00. Up to 2%. Doesn't that take care of these others?

Blake Crosby: That is a question for DeAnn.

Brad Bekkedahl: (See testimony #6)

Deana Wiese: I am the executive director for the information technology council of North Dakota and also staff for the economic development association of North Dakota. Both of which are in favor of this bill. I am here to introduce Mark Vaux.

Mark Vaux: (See testimony #7) also reading Keith Lund's testimony who cannot make it here today (See testimony #8)

Brant Sanford: (See testimony #9)... it is very important to smaller communities who are unable to borrow.

Representative Beadle: Regarding the oil prices which I expect to grow again. I am wondering what you are seeing in Watford regarding construction permits pulled for spring 2015? Have you seen any decline?

Brant Sanford: Not at all. For the year we entered at 242 million and December was as high as any other month.

Todd Feland: (See testimony #10)

Representative Becker: The pool is never going to satisfy everyone. One factors that anyone as brought up yet that I think Grand forks can respond to. Could you say how Grand Forks feels relative to the impact on the West and perhaps slowdown in the oil industry in the next year? Is the city of Grand Forks still drawing in companies from the west? Coming to Grand Forks from the west to Grand Forks because of the adequacy of the industrial space? For a while that was a major factor in the growth of Grand Forks. Is that still a major piece? Are the companies coming from the west adding to your need to give them infrastructure services?

Todd Feland: I think Grand Forks has seen growth related to the oil and gas industry. We see growth and we also see manufacturing outside of the town. We have become a center of logistics and a center of we can get to the Bocken with our existing businesses. I think there is some now and into the future.

Representative Becker: We know there are dollars in the governor's budget for Grand Forks' water treatment plant. That is a major economic development facility needed to serve the north eastern region of the state. Have you heard any further amount of the 100 million dollars that is going to be grants as opposed to loans? Has it improved for the benefit of the project or is it still a struggle? If it's still a struggle, how is that going to make your need for the tool?

Todd Feland: We are very appreciative of the governor for that. Of that we have not defined what would be loan/grant amount. This program is another complimentary tool that we would have.

Katie Andersen: (Mayor of Jamestown) I am representing an area that does not meet those growth requirements with exception of the portion that allows those under 2% to qualify for 2 million per biennium. Couple factors that could affect you, even though we do not see growth in population that has not reduced the increase in traffic (truck and train). Some of the projects that we are looking for, for infrastructure improvements over the next few years are related to the increase in traffic to provide for safety. One of the great things about this bill is that it will fill a gap for below market rate to finance projects that are related to streets. In our cases we are looking at projects that would provide some additional connectivity that would take some pressure off of the intersection of I94 and 281 that exceeds 11 million dollars. While a 2 million dollar piece for us because we will not meet the growth requirements is not going to help finance us. The other one is related to train safety. What we would like to provide is another set of crossing to improve the ability of our emergency services to respond which is in the center of Jamestown separated by a train track. We hope this could help finance that, and finally, passed population data does not necessarily indicate what you're going to see in the future. Jamestown is proactive and though our passed data may indicate that the population requirements by this bill we would see that the infrastructure needs to extend.

Darrell Bjerke: (See testimony #11)

Representative Kretschmar: Do you take water from the southwest water system that has been developed?

Darrell Bjerke: No we do not. I was prepared. We did not because it would rise our rates 3 times over what they are now and that was not the biggest reason why we didn't go with southwest. The biggest reason was that we were told in times of emergency we must maintain our existing facilities in order handle that. The way that the water system is configured in Beulah that meant maintaining our water treatment plant and its pumps. We couldn't simply run a pipe from southwest to one of our water towers. The estimated cost to refurbish and maintain that was about 2.5 million. The council decided that if we are going to have to charge our residents many more times from what we could provide it, plus maintain these facilities and if you have any pumps or wells you realize you cannot simply put to sleep and wake them up whenever. That was the biggest reason.

Helene Herauf: I am the government and regulatory affairs specialist for the greater North Dakota Chamber and we support the bill.

MaryLee Nielson: I am a city commissioner from the city of Valley City and I want you to pass this bill. We have experienced two major floods and we take advantage of any funding we can to help reduce costs for our citizens.

Brian Osowski: (See testimony #12)

Representative Zubke: Can you give me an idea... Say an entity applies for a 10 million dollar loan. What kind of fees would they find going to the bond market as opposed to using this program?

Brian Osowski: Typically, when you go to a bond market the fees you are looking at sometimes crossover similar to as SRF program, but you are potentially looking at potentially rating agency depending if that is the right way to entity. From that standpoint you could have bond council, financial advisory, and an underwriting fee. From a cost standpoint from 10 million you are looking at one to one and a quarter percent.

Chairman Klemin: You have stated that this program would be hard to finance from bond program?

Brian Osowski: The way the legislation is written today, entities can only access the program if the private bond market is receptive to the bond issuer. I am not experiencing that in the public bond market today. The question would be in you're looking at it the and these bonds could be sold on the public bond market; it doesn't appear that the program would be available.

Chairman Klemin: In your experience then, you're saying that the public bond market would be available for these projects and there for no one would get any money for this fund.

Brian Osowski: Under certain prerogatives yes I would say that this would be true be that the way the legislation is written today. I am not sure how the resolution could read if they couldn't access they public/private bond market today.

DeAnn Ament: I am giving you testimony of the cities that are unable to make it today (See testimony #13)

Representative Klein: I am looking at page 6 of the bill. On the top you go through the system. Could you give me in a nut shell a project that wouldn't qualify under the other but would under this one?

DeAnn Ament: A project that wouldn't qualify under this state revolving fund would be if you're going to need a new housing development and you are going to need new water and sewer lines- those are not eligible under the state revolving funds. They are eligible under the capitol state financing funds because that is for anything that they can borrow money for but again that is a market rate program that includes those cost and issuer fees.

Representative Klein: Under the clean water act you can revamp your system but you can't expand it?

DeAnn Ament: Correct, the public finance authority takes care of the financial aspect of things. The health department has the engineers and they determine, I always encourage anybody that has a multi-phased project that we discuss with the health department because if there is something that is eligible through the SRF program that we get it in that fixed rate below market program and then we look at the other programs and that is what we would do with this new program as well. As city could conceivably have 3 or 4 different funding sources if that is what their project entails. Old would fall under the SRF and new would fall under this program.

Representative Klein: What would your response be if we amended this figure up to 150 million?

DeAnn Ament: We have no problem with more money

Representative Strinden: I am not finding what the biennium budget is for the SRF and the CFP?

DeAnn Ament: The state revolving funds is a continuing appropriation. We get capitalization grants; we go out and leverage those funds. So there isn't a budget for the number projects. There is a state revolving fund in every state and most can't fund them all but we have been able to help at least all of them.

Representative Strinden: At the bottom of page 6 on the top of page 7 it says that the applicant may apply for additional funding through the capitol financing program. Does it work the other way around?

DeAnn Ament: Say you come in with a 50 million dollar project and your city is eligible for 20 million we have the capitol financing program. You're going to want to use this fund first because it is going to be below market and then we will look at the economics part of it. Does it make sense for them to use the capitol financing program, it's a market rate program but it does have cost issuance. Or does it make sense for them to issue bonds under their own to finance the balance of the project.

Representative Strinden: If this were to pass and this fund were to cover more than the capitol financing program does at less of a percentage rate. Would that in time make the capitol financing program obsolete?

DeAnn Ament: Ideally.

Representative Beadle: Reading through some of the bill and listening to the cities testify. It sounds like a lot of their needs involve new water treatment etc... but looking through your testimony and reading through in particular subsection 4 on section 4 so page 6 lines 18-25. It looks like the focus of the fund would be to go more towards the laying down the lines and the actual logistics of getting from point A to point B. The language in here is permissible. In your impression based on how previous grant type program funding have worked, knowing that the language is permissive do you think that they advisory board

would be more limited to the issues that we put into code as opposed to the larger needs of the cities say they have?

DeAnn Ament: I see being able to meet all the needs but we only have a certain amount of money. The hope here is to focus until the program is mature. We are going to look at all the programs and we do not want to leave federal money sitting there. We are going to make sure that if something doesn't qualify somewhere else it will here. Our hope would be to be able to take care of it. Right now our focus is on new projects because of the finite amount of money.

Chairman Klemin: I am being called to another hearing and we will return at 11:00 to finish discussions.

Vice Chairman Hatlestad: Opened the hearing

Representative Koppelman: Do you believe the bill is pretty open to the types of projects that could qualify?

DeAnn Ament: Yes.

Representative Koppelman: In your experience, are there in terms of the concern that the way the bill is written it may actually fence projects out because they would be eligible for the public bond market and they have to be ineligible according to the reading of the bill in order to qualify for this. Would you address that?

DeAnn Ament: This all went through the attorney general's office, but how it currently exists with our capital financing program or market rate is this program requires 120% coverage. For instance, if someone is to go out to the market and issue sales tax revenue bonds they would have to provide 180% coverage. So this allows someone to expand their ability to use their sales tax revenue funds. What has been put in place is that we have a financial advisor that looks at these and makes sure that is the community would go out to issue bonds they would do better with our program.

Representative Koppelman: My question was not whether they could do better with this program but I thought the testimony was they would have to be turned down or they would have to have a project that was in eligible.

DeAnn Ament: That is the capitol financing program. It's not how they can go out in the market and sell them it's how can they go out in the market and sell them and save money. That's what the point is. This language is based on existing language that we use so our agency doesn't see it as an issue but I will clarify that with our council.

Representative Beadle: That is current law

Representative Oversen: Did you see any concern with any amendments brought forward?

DeAnn Ament: I expected there to be recommendations. This was simply a starting point and we are open to changes.

Representative Beadle: In terms of the distribution of the money, page 7 section 5 of the bill, subsection 3 line 22 where it says that any unused funds will be reallocated to the next highest unfunded project, and that made me wonder how the funds would be awarded on a priority basis. If we have 50 applications, it looks like we will be going to the most expensive projects first and I am wondering how highest would be referred to? How do you consider what gets prioritized?

DeAnn Ament: The intent would be that there would be some additional prioritization. Our policy will have some sort of ranking of projects. It will feed down as to what funds are available.

Representative Beadle: I kind of assumed there would be separate categories. What have you seen in terms of pay back ratios on other revolving loan programs that are being administered? How quickly are we able to recapitalize some of that money to put back for a long term idea?

DeAnn Ament: You have put me on the spot. I do not know the statistics of that.

Representative Zubke: When we talked about the 100 million, I am assuming there has been some discussion with the bank of North Dakota and this is a number that the two agencies agreed that would be a decent place to start.

DeAnn Ament: Correct.

Representative Zubke: I am assuming when I look at this bill it would appear to me that isn't an attempt to replace all the other ways of political subdivisions to do their financing. This is more of an attempt to catch some of the other projects that aren't qualifying for other funding?

DeAnne Ament: Correct. We are looking to fill that gap with an affordable option.

Vice Chairman Hatlestad: Are you going to prioritize based upon your project has this availability and now this one? You have to do these two first?

DeAnn Anderson: I'm not quite sure what you are asking.

Vice Chairman Hatlestad: If a person applies for a project and could qualify for anyone of three, but somebody else could only for the last one, would you make the first one do these two programs and give this guy a shot at the third one because this one qualifies and this one doesn't, does this one have priority on the last fund?

DeAnn Anderson: The intent is to work with the other programs. So if you have a water project that the state water commissioner could be there and if it was a road project that would come to this program.

Vice Chairman Hatlestad: If my project doesn't qualify for anything else and somebody else could go someplace that I wouldn't be stuck in the weeds because this guy wants to do it cheaper?

DeAnn Ament: That is our hope, to not have people leaving because one has better rates or terms than the other.

Chairman Klemin: Can this program be used to finance an existing job?

DeAnn Ament: Eventually, that is what we hope for.

Chairman Klemin: What is the funding mechanism for the surge funding?

DeAnn Ament: I am not sure.

Chairman Klemin: Seems like it is intended to pay for certain infrastructure needs particularly in western North Dakota to the tune of about 800 million dollars?

DeAnn Ament: They have certain projects picked out for surge funding...

Chairman Klemin: The sift fund is the mechanism for funding these I am informed.

Brant Sanford: Yes the sift-fund is the source of funding for the surge funding and that is one of the savings accounts after all of the statutory savings accounts are filled.

Chairman Klemin: This bill doesn't saying anything about the loan repayment terms. Could you tell us how these are going to be determined and what they are?

DeAnn Ament: Our existing programs are part of our policy and I assume this program would operate similarly. Obviously, the first thing to do determine useful life of the project. Our existing program doesn't have a limit. We have internally tried to keep the life of the loan around 30 years and again it is generally based on the useful life of the project.

Chairman Klemin: Why can't the money is put into an existing program? Why do we have to create a whole new fund?

DeAnn Ament: The state revolving fund, receives capitalization grants from the environmental protective production agency so there are federal money in there and it is very specific about what is in there and what it can be used for. That is not an option at this point because if you put money in there it is to be used for something certain. It is structured as need based for each project.

Chairman Klemin: Lines 15 and 16- is that a limitation on the amount that they can provide for any one loan? Doesn't that put a 500,000 dollar limit on any one issue?

DeAnn Ament: The way it reads is that but that 500,000 dollar limit is generally where we have to go to the industrial commission for approval of the loan. We do not have a current 500,000 dollar loan limit so to me that is when we have to go to the industrial commission to approve the loan if it is below 500,000.

Chairman Klemin: It looks like if it is up to 500,000 you do not need the industrial commission's approval and if it over 500,000 you do?

DeAnn Ament: Correct

Chairman Klemin: Looking at the growth of communities, I do not see anything related to that in this bill. Any comments on the anticipated growth issue?

DeAnn Ament: We just needed a starting point. So we used the department of commerce the growth rate of 2012-2013 and it has been brought to my attention that in that population in here is less than half so what is in here is not perfect. I don't know how we will prove the population size.

Chairman Klemin: You have the four different areas in the applicable year. How would you define the applicable year? Would that be the year in which the application is made?

DeAnn Ament: The department of commerce updates their numbers in May of each year. So yes I would look at it as the numbers are updating in May every year and that would be the growth rate used.

Chairman Klemin: So we are only talking about the applicable year? A calendar year or May to May?

Justin Dever: With the department of commerce. The numbers being referenced are from the US department of commerce. They are released in May and they are estimates for July 1st. So it would be July 1st of 2014 would be the numbers coming out this spring.

Chairman Klemin: Multiple speakers thought the four different categories should be changed to no categories. Any thoughts?

DeAnn Ament: It would make prioritization more challenging but it can be done.

Chairman Klemin: Hard to get into higher categories because it will get used up by areas have the most growth. Difficult for any city of lower categories to get any of the low interest financing because it will get used up by the larger areas. How will we take care of the others?

DeAnn Ament: They have to show the ability to pay because it is a loan program. When you look at the top category it is not all western North Dakota. It is not a level playing field but hopefully there will be opportunities for everyone. We are open to changes but this was a starting point.

Chairman Klemin: The amount of money that was appropriated by the Bank of North Dakota profits was 100 million dollars. What are the profits now?

Tim Porter: I am the chief financial officer at the Bank of North Dakota. We made 111 million dollars last year in profit. When you look at the impact of 100 million dollar draw for this program on our capital base, our self-imposed bench mark is to keep an 8.5% tier one capital. This was the first year to surpass that. With these draws we would still be able to meet the bench mark and that is due to the rapid growth of the bank.

Chairman Klemin: 100 million out of you 111 million doesn't leave much else.

Tim Porter: What we're looking at is a total growth over the biennium and so over the biennium we anticipate earning over 230 to 240 million dollars so this 100 plus the 40

million would be roughly 60% of our earnings. We used to contribute a certain part of our earnings and we can now do that. We have seen several bills being passed around that add the 140 million and the 140 would be our gag limit.

Representative Strinden: You have 650 million in your capita reserves. If this bill were to pass how would that effect other bills going around? Would they be able to be used?

Tim Porter: Those other bills will hopefully be able to find funding.

Representative Strinden: It sounds like if you were to choose between this program and one that would give no interest loans to students you think this one would be in the better for North Dakota?

Tim Porter: That is a discussion between you guys.

Representative Becker: To some degree you and the other people are the decision makers. Would any of the other communities in the state, would they apply for an appeal process?

DeAnn Ament: We are a two person agency. We haven't had the time to look at much else.

Vice Chairman Hatlestad: You indicated that if you had the 100 million you could leverage that to a significantly greater number? What would you think that would be?

DeAnn Ament: There would be a number of different things to determine that starting with interest rates etc... We could have anywhere from 265 to 185 million depending on how the program looks.

Chairman Klemin: Does this bill provide for any bond protection programs?

DeAnn Ament: At this point in time, no.

Chairman Klemin: What about the pace program?

DeAnn Ament: We didn't give them consideration. We just went with what we know and it would be more to administer.

Chairman Klemin: I think the pace program has worked well and wouldn't be hard to administer. The Bank of North Dakota is not really the lender.

DeAnn Ament: I did forget about that aspect of it. Our agency doesn't generally participate with banks. Our agency is the bank. A lot of times the local banks to not want to have the municipal debts.

Representative Kretschmar: Are the securities issued by a city or county or political subdivision guaranteed by the full faith and credit of the municipality of the city?

DeAnn Ament: That is correct they issue their bonds to us. Most of the time we have revenue bonds issued for security. I stand corrected.

Representative Maragos: If the fed raises the lending rate by 2% how would that affect future revenues of the bank of North Dakota?

Tim Porter: An immediate increase might increase our deposits... It wouldn't really have a significant impact on our incomings. Only 3-4 million increase.

Chairman Klemin: Close the hearing

2015 HOUSE STANDING COMMITTEE MINUTES

Political Subdivisions Committee

Prairie Room, State Capitol

HB 1137

1/29/2015

22814

☐ Subcommittee

☐ Conference Committee

Amanda Muscha

Explanation or reason for introduction of bill/resolution:

Relating to creation of the capitol infrastructure revolving loan fund; to provide for a transfer; and to provide a continuing application.

Minutes:

Representative Oversen Testimony #1

Chairman Klemin: Opened the hearing on HB 1137

Representative Maragos: Was there any opposition on this bill?

Chairman Klemin: No not really.

Representative Oversen: Testimony #1

Chairman Klemin: Where did the language come from relating to the terms of the loan shall be no greater than 1.5% interest and offered at term of at least 30 years?

Representative Oversen: That was at the request of the city of Grand Forks so that we would be offering these at a low interest rate.

Chairman Klemin: We would be setting an upper limit of 1.5% and a minimum repayment term of 30 years in this bill which may or may not be appropriate form the public finance authority.

Representative Oversen: I don't have the answer to that either, I guess that is a question of reha public finance agency. I am not tied to the term.

Chairman Klemin: Why change that from 20 million to 15 million?

Representative Oversen: I believe it is to allow more communities to access more funds.

Representative Koppelman: I noticed we had written testimony from Grand Forks and they indicated the desire for some amendments, were these from that discussion?

Representative Oversen: Yes.

Representative Anderson: So the maximum is 15 not 20?

Representative Oversen: Yes

Representative Anderson: I like that, more communities can get support then.

Representative Maragos: If Oversen are motioning to move the amendment I will second that.

Representative Oversen: Motioned to move the amendment

Representative Maragos: Seconded the motion

Representative Koppelman: I don't necessarily oppose the amendments but I am concerned that it is only focusing on one city. Is anyone being put down by this?

Representative Hatlestad: I am concerned we are micromanaging when we talk about setting the terms of the loan? I think what they are able to give it to be determined by what they have to pay to get the bond money's and bond sold. Also 20 million, I think there are a lot of projects out there that will hardly be covered. Reducing would be a problem and we could

Representative Zubke: I have to concur with Koppelman and Hatlestad. We would be tilting this towards a particular city.

Representative Beadle: As far as the dropping 20-15 I would support. So I would thin conceivable they can handle everybody. If you're going to go with all the amendments I will say no.

Representative Zubke: I would have to concur with the previous two.

Representative Beadle: I have some concerns and as far as dropping the limit there's not a chance that this will meet a 1/3 of the people that really need it.

Representative Oversen: Withdrawn my motion

Representative Maragos: With draw my second

Representative Kelsh: My concern with the 1.5% is can they sell the bonds and administrate it for 1.5%? Are we restricting their ability to do that?

Representative Oversen: I move to adopt the new amendments

Representative Maragos: I would second that

Representative Becker: I think one of the reasons Grand Forks was asking for help is they are a growth city competing for a little money.

Representative Koppelman: I do have a concern by tinkering with these numbers it may help some cities but not all of them. I think the thresholds were thought out well before changing it. If a larger project were to be done it can't be dictated by this.

Chairman Klemin: I think this has been geared toward providing loan funding for areas that have experienced growth so it seems like amendments are turning it down toward cities without growth.

Representative Oversen: We did have testimony from the league of cities saying that they understand the additional impact created by population growth but they would like to see all cities eligible to apply without regards to growth rate.

A Roll Call Vote was taken: Yes 8, No 5, Absent 1 (Klein)

Amendments Passed

Representative Maragos: Motioned to pass as amended and reffer to appropriations

Representative Becker: Seconded the motion

Representative Koppelman: I will support the motion but this is a situation where a policy committee needs to make a decision whether an idea is good or not.

A Roll Call Vote was taken: Yes 12, No 1, Absent 1 (Klein)

Passed as amended and referred to appropriations

Representative Oversen will carry the bill

January 29, 2015

JS
1-29-15

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1137

Page 6, line 22, remove the first "lines"

Page 6, line 22, remove the second "lines"

Page 6, after line 25, insert:

"c. May include projects related to revitalization of community infrastructure."

Page 7, line 5, after the underscored period insert "Priority for projects must be related to new growth and to revitalized infrastructure."

Page 7, line 6, replace "six" with "four"

Page 7, line 7, replace "twenty" with "fifteen"

Page 7, line 9, replace "that exceeded" with "up to"

Page 7, line 10, remove "and did not exceed six percent"

Page 7, line 11, replace "fifteen" with "ten"

Page 7, remove lines 12 through 17

Renumber accordingly

**2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1137**

House Political Subdivisions Committee

☐ Subcommittee ☐ Conference Committee

Amendment LC# or Description: 15.0265.02001

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Oversen Seconded By Maragos

Representative	Yes	No	Representative	Yes	No
Chairman Lawrence R. Klemin		X	Rep. Pamela Anderson	X	
Vice Chair Patrick R. Hatlestad		X	Rep. Jerry Kelsh	X	
Rep. Thomas Beadle	X		Rep. Kylie Oversen	X	
Rep. Rich S. Becker	X		Rep. Marie Strinden	X	
Rep. Matthew M. Klein	----				
Rep. Kim Koppelman		X			
Rep. William E. Kretschmar	X				
Rep. Andrew G. Maragos	X				
Rep. Nathan Toman		X			
Rep. Denton Zubke		X			

Total (Yes) 8 No 5

Absent 1 (Klein)

Floor Assignment _____

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

Amendment Passed

**2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1137**

House Political Subdivisions Committee

☐ Subcommittee ☐ Conference Committee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☒ Rerefer to Appropriations

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Maragos Seconded By Becker

Representative	Yes	No	Representative	Yes	No
Chairman Lawrence R. Klemin	X		Rep. Pamela Anderson	X	
Vice Chair Patrick R. Hatlestad	X		Rep. Jerry Kelsh	X	
Rep. Thomas Beadle	X		Rep. Kylie Oversen	X	
Rep. Rich S. Becker	X		Rep. Marie Strinden	X	
Rep. Matthew M. Klein	----				
Rep. Kim Koppelman	X				
Rep. William E. Kretschmar	X				
Rep. Andrew G. Maragos	X				
Rep. Nathan Toman		X			
Rep. Denton Zubke	X				

Total (Yes) 12 No 1

Absent 1 (Klein)

Floor Assignment Oversen

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

REPORT OF STANDING COMMITTEE

HB 1137: Political Subdivisions Committee (Rep. Klemin, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). HB 1137 was placed on the Sixth order on the calendar.

Page 6, line 22, remove the first "lines"

Page 6, line 22, remove the second "lines"

Page 6, after line 25, insert:

"c. May include projects related to revitalization of community infrastructure."

Page 7, line 5, after the underscored period insert "Priority for projects must be related to new growth and to revitalized infrastructure."

Page 7, line 6, replace "six" with "four"

Page 7, line 7, replace "twenty" with "fifteen"

Page 7, line 9, replace "that exceeded" with "up to"

Page 7, line 10, remove "and did not exceed six percent"

Page 7, line 11, replace "fifteen" with "ten"

Page 7, remove lines 12 through 17

Renumber accordingly

2015 HOUSE APPROPRIATIONS


HB 1137

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1137
2/13/2015
23861


☐ Subcommittee
☐ Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to creation of the capital infrastructure revolving loan fund; to provide for a transfer; and to provide a continuing appropriation.

Minutes:



Chairman Jeff Delzer: This is the governor's lending bill that has public finance do it. It's a match to 1443; I think they both have the same idea.

Lawrence Klemin spoke as Committee Chair of Political subdivisions: This is a bill that will transfer \$100 million from the Bank of North Dakota earnings and undivided profits to the Public Finance Agency for the purpose of making loans to political subdivisions for the Capital Infrastructure Revolving Loan Fund. That will make below market interest rate loans to political subdivisions, primarily cities. The bill as presented to the political subdivisions was originally intended to effect political subdivisions that had experienced a significant growth rate, primarily in western North Dakota, for this Capital Infrastructure Revolving Loan Fund. The committee amended the bill to allow a little more of this money to go to the eastern part of the state rather than all to the west. There were four different categories in the bill and in section five it had been reduced to two categories. The percentage of rate increases were reduced from the original bill and it was expanded not only to addressing new infrastructure projects but to also include revitalization of community infrastructure which would include repairs and improvements to existing infrastructure.

Chairman Jeff Delzer: Do you put any limits on how big the loans can be?

Representative Klemin: Yes, there are two categories; one sets a maximum loan of up to \$15 million for political subdivisions that experienced a growth rate that exceeded four percent during the applicable year. The second category was for political subdivision that experienced a growth rate of up to four percent with a maximum limit of \$10 million.

Chairman Jeff Delzer: You said four percent on both?

Representative Klemin: One is exceeded four percent and the other is up to four percent.

Chairman Jeff Delzer: Did you ask the bank how much of a pull is on their puddings this year?

Representative Klemin: We asked that question but I don't recall the answer except that it would take most of it. This was included in the executive budget.

Chairman Jeff Delzer: We have another bill, 1443, that kind of does the same but with a different funding source and different qualifications so we'll look at both of them.

Representative Nelson: Is there a set interest rate that the political subdivisions would qualify for with the passage of this bill?

Representative Klemin: I'm not sure if it's in here or not but they were talking about one percent.

Chairman Jeff Delzer: We'll look and find that.

Representative Klemin: Below market rate interest anyway.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1137
2/23/2015
Job # 24260

- ☐ Subcommittee
☐ Conference Committee

Kenneth M. Tuleh

Explanation or reason for introduction of bill/resolution:

Relating to creation of the capital infrastructure revolving loan fund; to provide for a transfer; and to provide a continuing appropriation.

Minutes:

Chairman Jeff Delzer: Frankly, if we're going to pass HB 1443 out, I don't see a need for HB 1137.

Rep. Streyle: I move a Do Not Pass.

Rep. Thoreson: Second.

Chairman Delzer: Is there any discussion? Seeing none, the clerk will call the roll for a Do Not Pass on 1137.

ROLL CALL VOTE TAKEN

YES: 22 NO: 1 ABSENT: 0

MOTION CARRIES.

Rep. Streyle is the carrier.

Chairman Delzer: I will have you carry both this and 1443. I think you should get ahold of them and see if they can put that 1 ½ percent in. The bank is already limited to the one-half percent, so it does let the revolving fund grow by one percent.

Chairman Delzer closed the hearing on HB 1137.

Date: 2/23/15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE

ROLL CALL VOTES

BILL/RESOLUTION NO. 1137

House Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: _____

Recommendation:

☐ Adopt Amendment

☐ Do Pass

☒ Do Not Pass

☐ Without Committee Recommendation

☐ As Amended

☐ Rerefer to Appropriations

☐ Place on Consent Calendar

Other Actions:

☐ Reconsider

☐ _____

Motion Made By:

Streyle

Seconded By:

Thoreson

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer	✓			Representative Nelson	✓			Representative Boe	✓		
Vice Chairman Keith Kempenich	✓			Representative Pollert	✓			Representative Glassheim	✓		
Representative Bellew	✓			Representative Sanford	✓			Representative Guggisberg		✓	
Representative Brandenburg	✓			Representative Schmidt	✓			Representative Hogan	✓		
Representative Boehning	✓			Representative Silbernagel	✓			Representative Holman	✓		
Representative Dosch	✓			Representative Skarphol	✓						
Representative Kreidt	✓			Representative Streyle	✓						
Representative Martinson	✓			Representative Thoreson	✓						
Representative Monson	✓			Representative Vigasaa	✓						
<u>9 -</u>				<u>9 -</u>				<u>4 1</u>			

Totals

(Yes)	<u>22</u>
No	<u>1</u>
Absent	<u>0</u>
Grand Total	<u>23</u>

Floor Assignment:

Streyle

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

REPORT OF STANDING COMMITTEE

HB 1137, as engrossed: Appropriations Committee (Rep. Delzer, Chairman)
recommends **DO NOT PASS** (22 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1137 was placed on the Eleventh order on the calendar.

2015 TESTIMONY

HB 1137

HB 1137 1/15/2015 11:1



Bismarck

City Administration

House Bill 1137

House Political Subdivisions Committee

January 15, 2015

Mr. Chairman and Committee members,

My name is Bill Wocken. I am the City Administrator for the City of Bismarck. I am sorry that I cannot attend this morning's hearing on HB 1137 but I wish to offer this testimony in support of the bill. The Bismarck City Commission has considered the bill and requests your favorable consideration of it.

This bill creates the capital infrastructure revolving loan fund within section 6-90.4 of the North Dakota Century Code. Its purpose is to establish and operate a special fund to be administered by the state's public finance authority. The fund is initially capitalized at \$100,000,000 for the upcoming biennium. The source of funding is the Bank of North Dakota current earnings and undivided profits.

The concept of this bill is important. It provides a vehicle for local government to utilize for investment in the basic infrastructure necessary to allow growth. It targets money to jurisdictions based on growth rates with more money available to faster growing areas. It does not threaten existing state programs.

One might argue that there is such a great need in our state for this program that more money should be allocated to the fund. One might also argue that the distribution structure for the loans might be different. These criticisms may all be justified and those features of the program can be changed but the bill that is before you is an important attempt to introduce a new infrastructure financing mechanism. We have the opportunity to work with this program and to grow it based on experience gained, but we need to start somewhere. I think this is the place and the time.

I would request a Do Pass recommendation for HB 1137. Thank you.

Industrial Commission
of North Dakota

Jack Dalrymple
GOVERNOR

Wayne Stenehjem
ATTORNEY GENERAL

Doug Goehring
AGRICULTURE COMMISSIONER

North Dakota Public Finance Authority

House Bill 1137 House Political Subdivisions Committee Testimony of DeAnn Ament North Dakota Public Finance Authority January 15, 2015

For the record, my name is DeAnn Ament and I am the Executive Director of the Public Finance Authority (PFA). I am providing this testimony in support of House Bill 1137 which would create a Capital Infrastructure Revolving Loan Fund.

Background on the PFA and Existing Programs

The NDPFA was established in 1975 as the North Dakota Municipal Bond Bank for the purpose of making loans to the state's political subdivisions through the purchase of municipal securities (bonds). In 2005, the agency name was changed to the North Dakota Public Finance Authority. The PFA is under the authority of the Industrial Commission which appoints a three member Advisory Committee.

The State Revolving Fund Program (SRF Program) was established in 1990 to enable North Dakota to receive federal capitalization grants as authorized under the Clean Water Act. In 1998, the SRF Program was amended to enable the State to receive capitalization grants as authorized under the Safe Drinking Water Act. The SRF Program is administered jointly by the North Dakota Department of Health and the PFA. The grants, received from the United States Environmental Protection Agency, are to be used to make below-market interest rate loans to political subdivisions for the purpose of financing eligible water and sewer projects. Historically, bonds have been sold to provide the required 20% state match and leverage the capitalization grants. The bond proceeds have been blended with the capitalization grants to grow the financial resources in order to meet the ever growing loan demand. The SRF Program bonds have a rating of "Aaa", Moody's highest rating. The interest rates on SRF Program loans are set by the Health Department in consultation with the PFA and are fixed for the term of a loan. Currently, the interest rate for tax-exempt SRF Program loans is 2.0% plus a ½% administration fee. Authorized projects under the Clean Water Act include wastewater treatment facilities and nonpoint source pollution control projects. Authorized projects under the Safe Drinking Water Act include public water systems and its related infrastructure such as water storage, water treatment, etc. The project must be included with the Department of Health's Intended Use Plan and cannot be used for expansion, although portions of a project may be eligible.

The Capital Financing Program (CFP) is a market interest rate program that provides financing for projects or improvements for which political subdivisions are legally authorized to borrow money. Through this program, water, sewer, roads, sidewalks, public facilities, airport improvements, schools, public housing and nursing homes have been financed. It also allows for the refinancing of USDA Rural Development loans and other bonds. The borrower pays the interest rate that the PFA obtains

through the sale of their bonds and the related cost of issuance expenses as well. The PFA bonds are AA rated by Standard & Poor's.

Proposed Capital Infrastructure Revolving Loan Program

As you can see, the SRF Program is not able to meet the needs for communities expanding their water and sewer into new developments. While the CFP program can be used for those needs, it only offers a market rate interest and issuance costs are an added expense for communities. The proposed Capital Infrastructure Revolving Program takes features from each of the PFA's successful programs and creates a below-market interest rate loan program for political subdivisions for essential infrastructure projects that are not eligible for financing under the state revolving fund.

1. Eligible infrastructure needs may include:
 - a. New sewer lines, water lines, storm-water and transportation infrastructure, including curb and gutter construction.
 - b. May include disaster recovery efforts by providing funding to support the repair of necessary infrastructure.
2. Capital will be provided by a transfer of \$100,000,000 from the Bank of North Dakota profits. The public finance authority may issue bonds and leverage the state funds transferred to the capital infrastructure revolving fund. Depending on the program terms and market rate environment at the time of the sale, leveraging could provide an additional \$60 to \$185 million for essential infrastructure projects.
3. The public finance authority shall calculate the maximum biennial loan amount for which an applicant may qualify under this program by using the population growth in that political subdivision during the most recent year statistics are available.
 - a. A political subdivision that experienced a growth rate that exceeded 6% during the applicable year may qualify for a maximum loan of up to \$20 million per biennium.
 - b. A political subdivision that experienced a growth rate that exceeded 4% and did not exceed 6% during the applicable year may qualify for a maximum loan of up to \$15 million per biennium.
 - c. A political subdivision that experienced a growth rate that exceeded 2% and did not exceed 4% during the applicable year may qualify for a maximum loan of up to \$10 million dollars per biennium.
 - d. A political subdivision that experienced a growth rate that did not exceed 2% during the applicable year may qualify for a maximum loan of up to \$5 million dollars per biennium.

It should be noted neither the SRF Program nor the CFP has experienced a default since the inception of the programs.

The written testimony on the following pages describes the Public Finance Authority and its financing programs.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

The Public Finance Authority is a state agency that operates under the supervision and authority of the Industrial Commission. It is a self-supporting state agency and receives no money from the General Fund. The staff of the Public Finance Authority currently consists of the Executive Director and the Business Manager.

The PFA was established to make low-cost loans to North Dakota political subdivisions at favorable interest rates. Loans are made to political subdivisions by the Public Finance Authority through the purchase of municipal securities issued by the political subdivisions in accordance with state and federal law. Loans are primarily made with the proceeds of bonds issued by the Public Finance Authority under the programs described below. In certain instances, a direct loan may be made to a political subdivision from the Public Finance Authority's operating fund or from the federal grants or loan repayments held under the State Revolving Fund Program.

The municipal securities issued by a political subdivision to the Public Finance Authority may be either tax-exempt or taxable obligations. A political subdivision must retain bond counsel to assist in the preparation and adoption of its bond resolution and other necessary documents. The Public Finance Authority may purchase municipal securities only if the Attorney General issues an opinion that states the municipal securities are properly eligible for purchase under the North Dakota Century Code (N.D.C.C.) chapter 6-09.4, the Public Finance Authority Act.

Advisory Committee

The Industrial Commission, by policy, has established a Public Finance Authority Advisory Committee. The Committee is made up of three members appointed by the Commission. The Committee reviews each loan application for the purpose of making a recommendation concerning the loan to the Industrial Commission, which must give its approval before a loan may be made under each Program. However, if the loan is for \$500,000 or less for the Capital Financing Program and \$1,000,000 or less for the State Revolving Fund Program, the Committee may authorize the approval of the loan, and then submit a report describing the loan and the action taken to the Commission at its next meeting.

At the present time, the Public Finance Authority has four loan programs: the Capital Financing Program, the State Revolving Fund Program, the School Construction Financing Loan Program, and the Industrial Development Bond Program.

Capital Financing Program

The Capital Financing Program, established in 1990, makes loans to political subdivisions for any purpose for which political subdivisions are authorized to issue municipal securities, subject to certain statutory requirements.

Through December 31, 2014, the Public Finance Authority has made \$193,243,016 of loans to political subdivisions under the Capital Financing Program. The outstanding amount of Capital Financing Program bonds is \$106,625,000. Recognizing the strength of the State's moral obligation pledge, Standard and Poor's (S&P) has assigned a rating of "AA" to the Capital Financing Program Bonds.

The Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by the weather related events. Under its Capital Financing Disaster Loan Program, the PFA made loans for the purpose of providing disaster assistance to political subdivisions affected by weather related events until federal and state money was available or to assist in cash flowing local match requirements.

During times of crisis, the PFA was able to assist 40 political subdivisions. Loans approved under this program total \$71,531,546 and \$7,111,418 were outstanding as of December 31, 2014.

State Revolving Fund Program

Under the State Revolving Fund (SRF) Program, federal capitalization grants are received by the State through the Health Department from the Environmental Protection Agency (EPA), and are deposited and held under the Program's Master Trust Indenture for the purpose of making below-market interest rate loans to political subdivisions for qualified projects and for other authorized purposes. The projects are subject to the approval by the State Health Department under appropriate state law and the Federal Clean Water Act and the Federal Safe Drinking Water Act. The federal capitalization grants are available to states on the basis of an 80-20 federal-state match. A portion of the SRF Program bonds issued by the Public Finance Authority provides the 20% state match. The federal capitalization grants must be held by the state in a revolving loan fund and are available only for purposes authorized under the Federal Clean Water Act and the Federal Safe Drinking Water Act.

The SRF Program consists of a Clean Water SRF Program and a Drinking Water SRF Program. Federal capitalization grants for the Clean Water SRF Program were first appropriated to the State in 1989. Since that time, \$192,572,688 of federal capitalization grants under the Clean Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2014. Through December 31, 2014, 255 loans totaling \$580,709,702 have been approved under the Clean Water SRF Program. The Health Department's Clean Water Intended Use Plan for 2015 includes over \$483,534,000 of potential projects.

Federal capitalization grants for the Drinking Water SRF Program were first appropriated to the State in 1997. Since that time, \$171,083,767 of federal capitalization grants under the Drinking Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2014. Through December 31, 2014, 182 loans totaling \$431,508,003 have been approved under the Drinking Water SRF Program. The Health Department's Drinking Water Intended Use Plan for 2015 includes approximately \$723,668,000 of potential projects.

A project must be on the appropriate Intended Use Plan to be able to apply for a loan under the SRF Program. The current interest rate for most loans under the SRF Program is 2% with a 0.5% annual administrative fee on the outstanding balance. Bonds issued by the Public Finance Authority under the SRF program are rated "Aaa" by Moody's Investors Service, Inc. (Moody's), which is Moody's highest possible rating.

State School Construction Financing Program

The Public Finance Authority's State School Construction Financing Program provides loans to North Dakota school districts. This program has been assigned an "A+" rating by S&P, which allows the school districts, which generally do not have a credit rating, to borrow at lower interest rates. Bonds issued under this Program will be moral obligation bonds of the State and will also be supported by the state school aid intercept provision adopted by the Legislature in 1999. The state aid intercept provision is found in §6-09.4-23 of the N.D.C.C. A school district will be required to authorize the withholding of state school aid payments which are due and payable to the district under N.D.C.C. chapter 15-40.1 in order to participate in the Program. If a school district defaults on its loans under this Program, the Department of Public Instruction is notified by the Public Finance Authority to withhold aid payments to the defaulting school district until such time that principal and interest have been paid or satisfactory arrangements have been made to make the payment.

Industrial Development Bond Program

The Public Finance Authority's Industrial Development Bond Program provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. This program has been assigned an "A+" rating by S&P, which allows those manufacturers that qualify to finance fixed assets at attractive tax-exempt rates. Bonds issued under this Program will be moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. The 2005 Legislature passed the legislation allowing the Public Finance Authority to issue industrial revenue bonds. Current Program limits are \$2,000,000 per project and \$20,000,000 cumulative for the program. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits.

If you have any questions, feel free to contact me at 701.426.5723 or dament@nd.gov.

Testimony to the House Political Subdivisions
Chairman Klemin
Prepared by Cindy K. Hemphill, Finance Director
City of Minot
Cindy.hemphill@minotnd.org

HOUSE BILL 1137

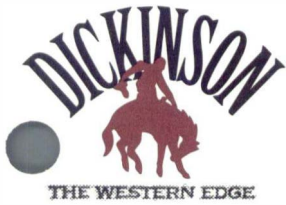
Chairman Klemin, Committee members, my name is Cindy Hemphill and I am the Finance Director for the City of Minot. I am representing the City of Minot to encourage passage of HB 1137.

The City of Minot has been impacted greatly by two very different events, energy development and the 2011 flood. Both events have resulted in major infrastructure costs to the City.

In regards to the flood, significant infrastructure was damaged and had to be repaired or replaced. In regards to the energy related development, the City has grown geographically over eighty-two (82) percent since 2006, which has required significant new infrastructure to include water, sewer, storm sewer, roads, etc.

The repairs and new infrastructure have come at a tremendous cost to the City. The City finances projects with the issuance of bonds. The interest rates vary from two (2) percent to over four (4) percent on current outstanding bonds. In addition to the interest on the bonds, the underwriting costs continue to increase, which increases the cost that must be passed onto the citizens through utility bonds. Currently the City of Minot has the highest utility rates for cities with a population over 5,000.

The Capital Infrastructure Revolving loan fund in HB 1137 will provide an alternative funding mechanism for political subdivisions. HB 1137 will help minimize the impact to the citizens if lower cost financing is made available. Therefore, I encourage a do PASS on HB 1137. Thank you for your time to listen to Minot's concerns on this bill.



CITY OF DICKINSON

99 2ND STREET EAST • DICKINSON, ND 58601
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Date: January 15, 2015

Bill #: 1137

- Administration
- City Attorney
 - Human Resources
- Community Development
 - Building Department
 - Building and Sites
 - Cemetery
 - Code Enforcement
 - Forestry
 - Planning
- Engineering
- Finance
 - Assessing
 - Information Technology
 - Utility Billing
- Fire Department
701-456-7625
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- Library
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www.dickinsonlibrary.org
- Municipal Court
- Museum
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www.dickinsonmuseumcenter.org
- Police Department
701-456-7759
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www.dickinsonpd.com
- Public Works
 - Street and Fleet
 - Solid Waste
 - Water Utilities

Chairman Klemin and committee members my name is Shawn Kessel and I am the City Administrator in Dickinson, ND. I am here before you today to speak in favor of House Bill #1137.

The city of Dickinson has used the State Revolving Fund (SRF) program to exclusively fund all of our waste water project debt. That debt is substantial, almost \$50 million in the last two years with authorization to finance beyond \$70 million. We have utilized this program because of the low interest rates, the flexibility provided in underwriting, realized cost savings (such as avoidance of rating agency fees) and the knowledgeable and helpful staff that are employed to assist you through the process.

Projects we have financed using SRF program include a new waste water reclamation facility, influent pump station (master lift station), and several lift stations and associated sewer mains. These projects benefit all stakeholders of Dickinson whether they are new to the community or have been long-standing members.

We have had to postpone some development in Dickinson for the last two years due to limitations in infrastructure, primarily water and sewer capacity. Private investment is available but it comes at higher interest rates, higher cost of issuance and eccentricities specific to the issuer. We have found that utilizing "SRF like" programs are the best way to finance debt related to infrastructure. The proposed Capital Infrastructure Revolving Loan Program would be another "SRF like" program that the city of Dickinson would like to have the ability to utilize.

In these times of budget surpluses and of great need within the political subdivisions within the state we would recommend additional funding beyond the \$100 million proposed initial investment and that political subdivisions maximum loan amount per biennium be increased as well. In communities growing faster than 6% annually their infrastructure needs are tremendous. Speaking specifically about western ND, our costs tend to be 20% to 30% higher than other parts of ND as documented by the ND Department of Transportation. Dickinson could use the funding made available by passing this bill to create new roads, storm-water facilities and water towers. These types of projects are certainly not as "sexy" as new community centers but they are the necessary building blocks that help create economic opportunity and housing supply for current and future generations.

In conclusion, the city of Dickinson supports House bill #1137.

Thank you for the opportunity to present our remarks.

January 15, 2015

House Political Subdivisions
HB 1137

CHAIRMAN KLEMIN AND MEMBERS OF THE COMMITTEE:

For the record my name is Blake Crosby. I am the Executive Director of the North Dakota League of Cities representing the 357 cities across the State.

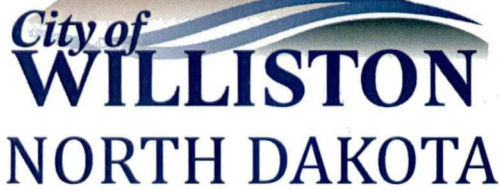
We are in support of HB 1137 but would ask for consideration of some changes. There are a number of bills this session that direct funds based on a population growth rate or factor. We certainly understand the additional impact on infrastructure created by population growth but we would like to see all cities eligible to apply for this loan without regard to growth rate.

We would also ask consideration of increasing the fund from \$100 million to \$200 million. When you look at the cost of construction in this oil driven environment, a million dollars does not go very far. A water tower can run \$3,000,000 (three million dollars), a water treatment plant and supply can run \$9,000,000 (nine million dollars), and street projects can run from \$50,000 (fifty thousand dollars) to well over \$200,000 (two hundred thousand dollars) per block.

We understand there are some mechanics to work out and look forward to working with the Public Finance Authority on those items.

On behalf of the North Dakota League of Cities I ask for a Do Pass on HB 1137.

THANK YOU FOR YOUR TIME AND CONSIDERATION. If you have questions, I will be happy to try and answer them.



HB 1137 1/15/2015 6.1
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TDD State Relay: 711

HB 1137

Hearing Date

House Political Subdivisions Committee

January 15, 2015

Honorable Representative Lawrence Klemin, Chairman

Chairman Klemin and Committee,

Thank you Chairman Klemin and members of the Committee. I am Brad Bekkedahl, Senator from District 1 and Finance Commissioner for the City of Williston. I stand before you to today to offer testimony in support of HB 1137, a bill to assist municipalities and other political subdivisions in financing unmet infrastructure needs through a capital infrastructure revolving loan fund for all of North Dakota.

As the center of the Williston Basin and the Bakken formation, Williston has been privileged to be the hub location for over 500 oil service companies, including all 10 of the world's largest oil industry service giants. Williston also contains the vast majority of drilling contractors, fracking companies, completion tools businesses, and diversified trucking companies, along with the majority of their employee base. With this presence since 1951 and dominance in industry business locations, Williston began to feel the activity increase in 2006 from the first development in eastern Montana and the exploratory efforts beginning in North Dakota. Since this time, our community has been in perpetual catch-up mode in response to the accelerated drilling programs and industry growth. Our citizens invested in major infrastructure improvements to accommodate a population growth of 40% from our 2000 census level, but we surpassed all of that capacity by 2010. We have been the fastest growing micropolitan city in the United States for the last 3 years in a row, and judging by our building permit activity in 2014 of over \$500 million, we expect that to continue when the 2014 statistics are released by the US Census Bureau.

With my 19 years as Finance Commissioner, I have a great deal of history in local infrastructure development. This is a long and diligent process that follows a format that we believe brings the best results in terms of public information, bond financing, competitive bids, and quality construction results. One of the most critical elements in this process is securing the funds required to construct needed infrastructure. The availability of below-market interest rate loan funds allows cities like Williston to have another tool in its financial tool belt when it comes to funding infrastructure needed to support growth in the Bakken region. Therefore, I would ask for serious consideration and a Do Pass recommendation from this Committee for the Revolving Loan Fund Clause, to give us greater flexibility in funding our critical infrastructure projects.

Relative to Williston and our current situation, this bill is critical to our community. As a City, we have always used the State funding provided for infrastructure to support the industrial, commercial, and residential development needs placed upon us by the growth of this industry so critical to North Dakota and the Country. That demand continues and due to our central location and the contraction of the drilling to the most productive and profitable areas around us, along with the dominant industry presence in our community, the current decline in oil prices is not expected to have as large an impact on us as other areas. We remain Ground Zero for Bakken development in North Dakota. Our current project list for 2015 totals \$85 million and our 2016 project list is \$153 million, for a 2015-2017 biennium total of \$238 million. This total does not include our Airport relocation need of \$178 million. Further details are available on our Capital Improvements Plan attached.

As a City, we take very seriously the considerations you have to make on these important funding issues. We also take very seriously our responsibility to participate in this phenomenal growth impressed upon us. To illustrate, I would like to discuss our debt situation and our local financial inputs to this growth. In 2011, Williston had total debt of \$35 million. As of 2014, that debt had reached \$323 million. It is anticipated that with our list of projects deferred due to funding limits and future projects scheduled for this biennium, that the serviceable debt for the City of Williston will be \$673 million at year end 2017. Relative to operating costs, the City has committed to increasing our property tax assessments 5%/year, local sewer rates by over 20%/year from 2015-2020, and our garbage fees by 7%/year as well. All of this is intended to help reduce our operating deficit that even with potential State Surge funding and formula change to 60% local/40% state is predicted to be over \$200 million by the year 2020. Without the Surge funding and GPT formula change this session, our estimated deficit by 2020 grows to \$519 million. We also have the highest local Sales tax rate in the State at 3% to support this growth. Our first penny of local tax is for infrastructure, and is fully committed until its current expiration date of June 30, 2020 to payments for our 2013-2015 capital improvements bond issue of \$100 million. We also have a second penny that our local citizens approved as a quality of life improvement tax to build our Park District Recreation Center. This world class facility has never had any State funding or Oil tax proceeds in its construction or financing. Our third penny of local sales tax was just approved by a County wide vote that dedicates 50% of its funding to County and small city Public Safety issues, and 50% of that tax to the City of Williston for Police, Fire, and Emergency Services funding. As a City we are currently in the process of staffing a full time Fire department, and constructing and equipping three new fire substations in our growth areas, as well as continuing to grow our police force and ambulance service personnel. I can assure you that we have used all of our resources, including bonding that requires using future revenues to pay back new debt for current infrastructure improvements, to respond to the needs placed upon us.

On behalf of the Williston City Commission and our Citizens, I appreciate the opportunity to speak in support of HB 1137 before you today. Thank you for your attention and consideration and I ask you to support a Do Pass recommendation for this infrastructure funding bill critical to all of North Dakota. I would be happy to stand for any questions at this time.

Brad Bekkedahl

Finance Commissioner, City of Williston

HB 1137 1/15/2015 6.3



WILLISTON





ENERGY RELATED GROWTH IMPACTS

FUNDING NEEDS | 2015-2017

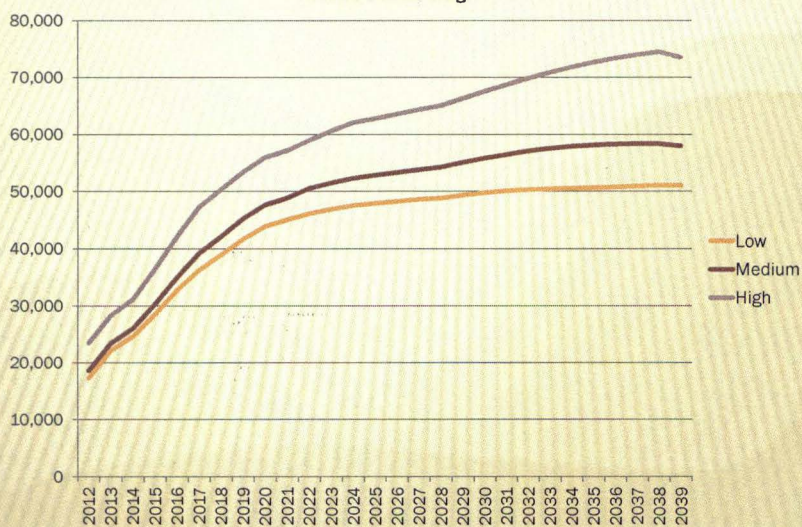
JANUARY 2015

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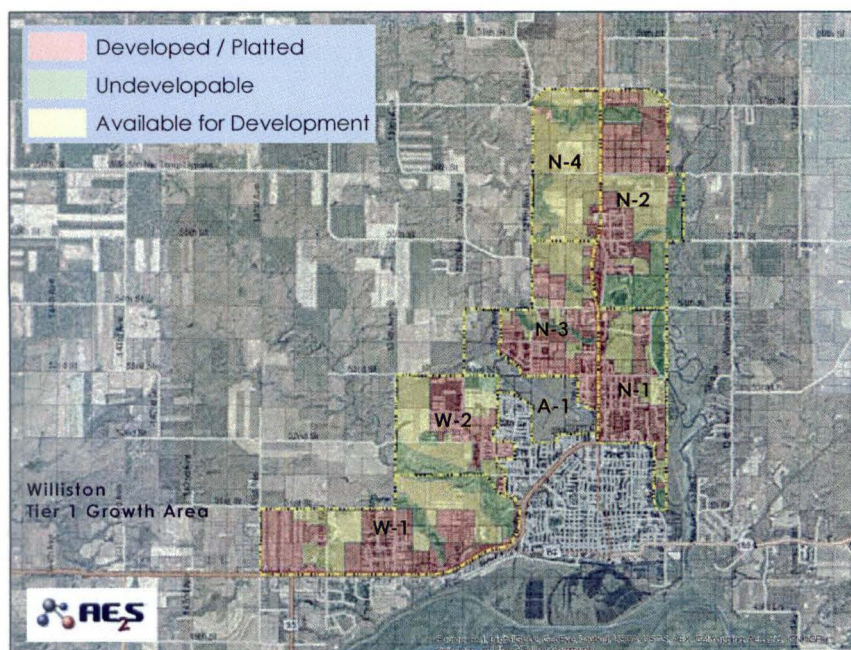
6 YEAR GROWTH PROJECTIONS

2020 GROWTH PROJECTIONS	HOUSING UNITS	POPULATION	INFRASTRUCTURE MILES	UTILITY ACCOUNTS
	 +15,400 CURRENT NUMBERS	 =56,300 30,000 CURRENTLY ESTIMATED	 +120 190 MILES CURRENTLY MAINTAINED	 +4,000 6,000 ACCOUNTS IN 2014

Williston Region 2014
Housing Demand
Permanent Housing Units

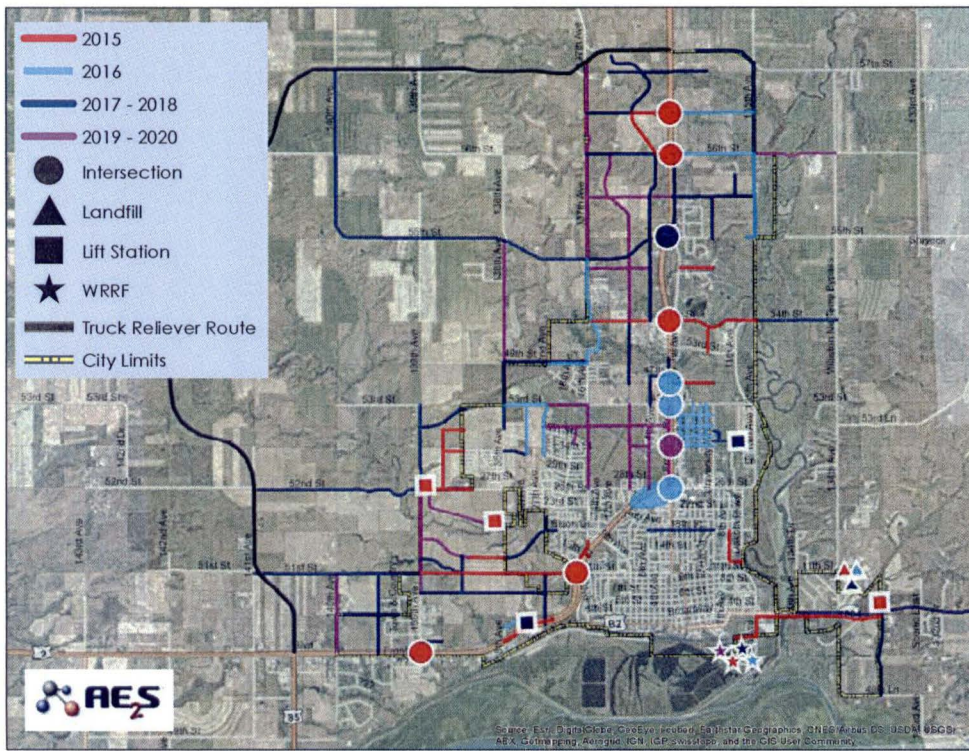


Source: NDSU Employment Housing and Population Projections – 2014 Shale Projection Webinar Series



- By 2020 the Williston Region's (Williams, McKenzie, and Divide Counties) projected demand for housing is an additional 24,190 units (Williston will accommodate 63% of this demand).
- By 2020 the Williston Region's permanent population will grow by 50,760 (City projections indicate Williston will comprise 52% of the new population growth).
- Between 2010 and 2014, the City tripled in size growing from 4,781 acres to 14,167 acres.
- Since the start of the building boom in Williston, the City has platted/developed approximately 5,040 acres in its Tier 1 growth area. By 2020, an additional 3,900 acres will be needed for development to accommodate the growth of the community. This growth is expected to drive significant capital and operational needs for the City.

CAPITAL IMPROVEMENTS SUMMARY



- Projected Capital Improvement needs for the next six years include trunk water, wastewater, stormwater, and transportation improvements. With major staff and fleet additions projected for the City, significant vertical infrastructure needs are also anticipated for public facilities such as City Hall, Fire Stations, and Public Works.

In total, \$1.04 Billion in capital needs have been identified for the City over the next 6-years.

CAPITAL IMPROVEMENTS SUMMARY | 2015-2020

Category	Biennium		
	2015 - 2017	2017 - 2019	2019 - 2021
TRANSPORTATION	\$141,225,000	\$213,421,600	\$113,000,000
WASTEWATER	\$74,937,120	\$43,356,400	\$9,543,520
WATER	\$12,322,560	\$23,609,200	\$18,427,040
STORMWATER	\$23,376,000	\$8,386,000	\$4,000,000
SOLID WASTE	\$7,000,000	\$8,630,000	TBD
AIRPORT	\$178,351,000	\$51,394,500	TBD
PUBLIC BUILDINGS	\$57,165,000	\$50,805,000	\$6,500,000
TOTALS	\$494,376,680	\$396,602,700	\$151,470,560
	2015-2017 CIP NEEDS		

- Unprecedented growth is driving significant increases in capital improvements to support the booming energy industry in the Williston region.
- With this growth comes significant financial impacts.
- The 2015-2017 biennium accounts for approximately one-half (\$494M) of the total projected need.

6-YEAR STAFFING AND OPERATIONAL PROJECTIONS

- Williston staffing levels are estimated to grow from 198 FTEs in 2014 to 458 FTEs by 2020, an increase of 260 FTEs.
- The additional cost per year for the increase in FTEs is approximately \$20.4 million annually by 2020.
- Due to increased service levels and growth in FTEs, total City fleet levels are also expected to grow from a count of 116 in 2014 to 237 by 2020.
- The total cost for additional fleet by 2020 is estimated to be \$37.9 million.
- The growth in FTEs and fleet generate significant future City facility needs.
- City Hall, Police, Public Works and Fire facilities will require further study to make final determinations. Initial square footage estimates were generated to create planning level cost estimates, as shown on the Capital Improvements Summary.

PROJECTED INCREMENTAL STAFFING COSTS | 2015-2020

	2015	2016	2017	2018	2019	2020
TOTAL ANNUAL COST PROJECTIONS FOR NEW FTE	\$6.6M	\$9.4M	\$13.3M	\$16.0M	\$18.5M	\$20.4M
ADDITIONAL FTE	87	37	50	31	30	25
TOTAL FTE	285	322	372	403	433	458

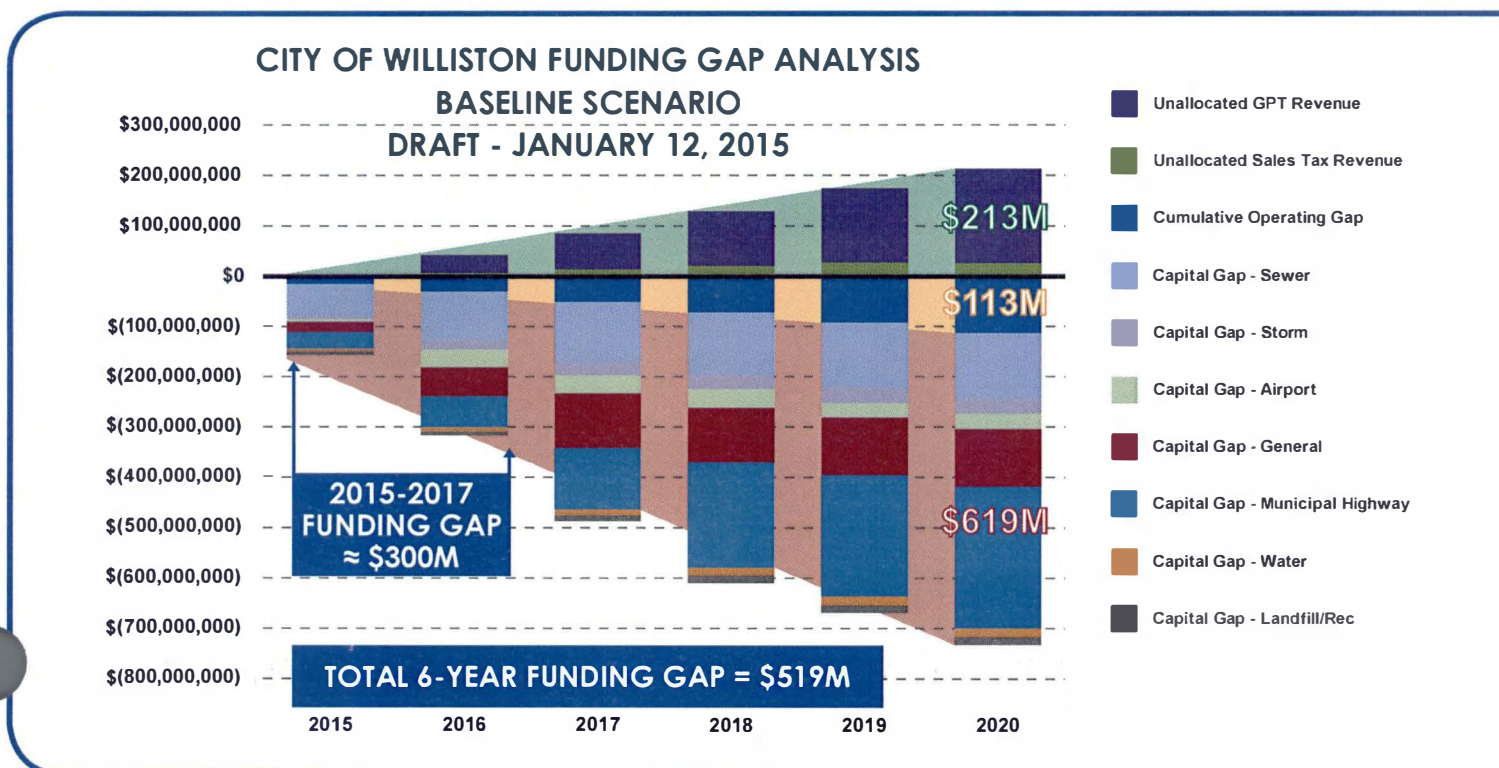
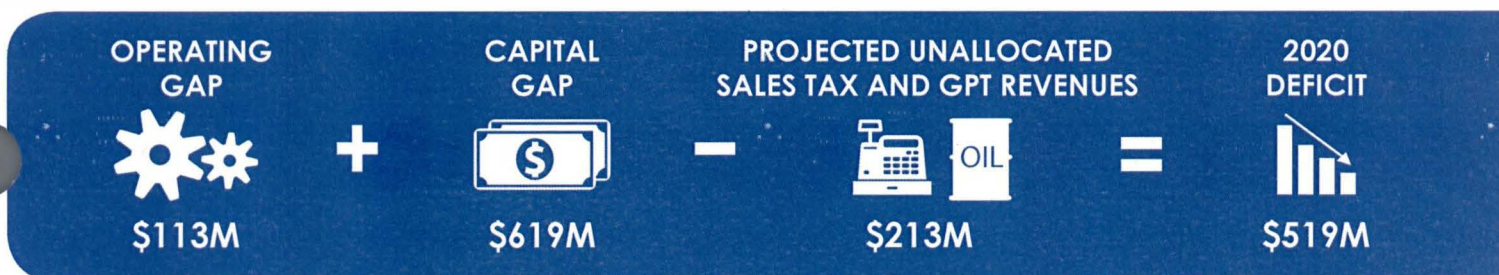
PROJECTED FLEET LEVELS/COSTS | 2015-2020

SUMMARY FLEET PROJECTIONS	2014	2015	2015	2017	2015	2015	2020
TOTAL ANNUAL COST PROJECTIONS FOR FLEET	-	\$8.32M	\$6.12M	\$6.63M	\$6.92M	\$4.89M	\$5.02M
TOTAL ANNUAL COUNT PROJECTIONS FOR FLEET	116	157	174	194	208	223	237

2020 FLEET NEEDS = \$37.9M

FINANCIAL GAP ANALYSIS FOR 6-YEAR CIP AND OPERATIONS PROJECTIONS

- Williston understands that it cannot rely solely on the State to assist with growth related impacts. Growth drives increased local revenues in many areas including property taxes, utility fees, building permit fees, and sales tax. To demonstrate how these revenues may grow and assist with identified needs, the City compiled a comprehensive revenue and expense model to determine the funding gap the City is faced with.
- To date, nearly all gross production tax revenues directed to the City have been used for infrastructure projects and have not been used to construct facilities needed for operations.
- Considering all modeled revenue and expense projections, the gap analysis indicates that **Williston will face a deficit of approximately \$519M by 2020**. This deficit includes:
 - An Operating Gap of \$113M
 - A Capital Gap of \$619M
 - \$213M of Unallocated Sales Tax and GPT Revenues can be applied to either capital or operating expenses based on further City funding strategy development. GPT projections are based on a \$50/barrel price of oil for the current biennium and \$60 and \$70/barrel for subsequent biennia respectively, and on the current 25% County/75% State split.



DOING OUR PART LOCALLY



Utility Rate Increases (Sewer/Refuse)

- Under current conditions, the City's utility enterprise funds represent a significant portion of the operating gap presented. To address these operational needs, the City implemented significant rate increases in 2015 for its most heavily impacted funds (Sewer and Refuse). In order to completely close this operational gap over the next 6 years, the City is expecting a **21% increase per year for the next 6 years in its Sewer Fund** and a **5% increase per year for the next 6 years in its Refuse Fund**.



Prudent Approach to Property Tax Increases

- Williston is committed to raising local property taxes to aid in meeting its growing needs. With its 2015 budget, the City Commission committed to beginning a strategy of raising property taxes up to a ceiling of 5% per year on in-place property for the foreseeable future beyond 2015.



Debt Burden for Needed Infrastructure

- Over the past few years, the City has significantly increased its debt load to fund its growing needs. To meet the City's funding shortfall in the 2013-2015 biennium, the City incurred approximately \$100M in debt to fund needed projects. Looking forward, the City has received approval from the Bank of North Dakota for a \$83M loan to fund critical 2015 infrastructure projects and has also secured a \$125M Clean Water State Revolving Fund loan from the North Dakota Department of Health to finance its new mechanical wastewater treatment plant. In total, the **City has committed to \$323M in debt to fund critical infrastructure for the years 2013-2015**. With construction of a new airport (\$230M) and another \$120M in capital improvements in 2016, **total City debt is expected to grow to \$673M by the end of the 2015-2017 biennium**.



New Public Safety Sales Tax

- City and County voters recently approved a 1% public health and safety sales tax that is expected to generate significant local revenue to meet the police and fire needs of the City. In total, **this sales tax is expected to eliminate \$76.2M of the proposed funding gap presented**. The new sales tax is in addition to a 2% sales tax already in place, with 1% dedicated to infrastructure and 1% dedicated to the Park District, bringing the **total City sales tax to 3%**.







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Testimony of Mark Vaux
Member, Information Technology Council of North Dakota

In Support of HB 1137
January 15, 2015

Chairman Klemin and members of the Senate Political Subdivisions Committee:

My name is Mark Vaux, and I am the executive vice president of business development for the Greater Fargo Moorhead Economic Development Corporation and a member of the Information Technology Council of North Dakota (ITCND). I am here today to voice support of HB 1137 on behalf of ITCND, specifically as it relates to the inclusion of broadband infrastructure in eligibility for the capital infrastructure revolving loan fund.

ITCND was created in 2000 by North Dakota business, government and education leaders who recognized the need to strengthen the state's information technology infrastructure and reposition the state as a national leader in IT. ITCND has nearly 90 member organizations, with representatives from both the public and private sector.

ITCND is the champion of the Dakota Fiber Initiative with the objective of providing affordable, world-class internet speed and reliability to every individual in the state of North Dakota. Clarifying the eligibility of broadband infrastructure, specifically conduit, within this bill will assist in reaching the objective of the Dakota Fiber Initiative.

The Initiative was rolled out during Senator Hoeven's Technology Conference in late August 2013 when Doug Burgum shared his vision for North Dakota to have the highest speed and greatest bandwidth internet infrastructure in the world by 2015 through partnerships with the public and private sector. ITCND was approached as a logical champion for the initiative because of its infrastructure development goal of working for affordable access to state-of-the-art voice, video and data service for all North Dakotans. In addition, ITCND is a statewide entity that represents both the supply and demand side of the broadband issue. I serve on the advisory committee for the Dakota Fiber Initiative.

One of the Dakota Fiber Initiative's policy goals is to have broadband infrastructure included with traditional infrastructure as it relates to state incentives. Based on conversations with the bill's primary sponsor and Public Finance Authority staff, it is our understanding that broadband infrastructure, specifically conduit, is eligible for this fund as the bill is currently written. This eligibility is very important to the Dakota Fiber Initiative stakeholders, which includes North Dakota broadband providers, IT businesses and economic development entities.

Providing political subdivisions the opportunity to install conduit in conjunction with traditional infrastructure projects will assist in more rapidly bringing high-speed internet to high-growth communities. It is the intent of ITCND to create an opportunity for political subdivisions to create an underground infrastructure capable of supporting a fiber plant for governmental and/or private sector needs. Not having to dig again will benefit the political subdivision by decreasing the amount of construction and disruption of roadways, which impacts access to businesses and services for citizens. It will also decrease the cost of installing fiber for the provider, which will decrease the cost of service to the consumer.

High-speed broadband service is a huge economic asset to a community, as it makes the community more attractive to businesses and residents. A recent study conducted on the statewide impact of broadband indicates that installation and construction of broadband infrastructure generates direct economic impact in the form of jobs and revenue. It generates secondary economic impact in the form of productivity gains for businesses and income gains for families.

The presence of high-speed broadband service in a region also creates the environment for the high-value, exportable service industries, such as software development, engineering, and consulting, that are increasingly becoming a critical foundation to local economic prosperity. Along with the rest of its economy, North Dakota's high-tech service sectors have seen stratospheric growth over the past decade. However, ensuring that North Dakota communities remain connected is essential to global competitiveness.

North Dakota's broadband service providers have done an excellent job of connecting the state. North Dakota ranks third for its share of residents with access to gigabit-speed upload and download service at 58 percent. However, we all know the ever-changing nature of technology. Ensuring that broadband infrastructure is eligible for this fund is one more tool to make sure that North Dakota communities remain globally competitive.

We would urge the committee's support of HB 1137, specifically as it relates to the inclusion of broadband infrastructure eligibility.



**Testimony of Keith Lund, President
Economic Development Association of North Dakota
In Support of HB 1137
January 15, 2015**

Chairman Klemin and members of the House Political Subdivisions Committee, I'm Keith Lund, vice president of the Grand Forks Region Economic Development and president of the Economic Development Association of North Dakota (EDND). On behalf of EDND, I would like to express our support for HB 1137, which establishes the capital infrastructure revolving loan fund.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy.

Infrastructure is a key driver of economic growth. Essential infrastructure is critically important to the health and vitality of North Dakota in this time of tremendous growth. EDND supports judicious and progressive investment strategies, such as this, that help maintain existing infrastructure and create infrastructure for future growth.

Whether a community is growing or not, it is a challenge to come up with money for new or replacement infrastructure. Having an additional revenue source to fund these improvements is critical. This fund could be used to extend roads and water systems, which helps in the growth and diversification of the economy.

EDND's legislative agenda includes incentives for future construction that is fiber ready. Therefore, EDND also supports inclusion of broadband infrastructure in eligibility for the capital infrastructure revolving loan fund. We agree that clarifying the eligibility of broadband infrastructure, specifically conduit, within this bill will be beneficial in attracting and growing tech-based businesses. Providing political subdivisions with the the opportunity to install conduit in conjunction with traditional infrastructure projects will assist in more rapidly bringing high-speed internet to high-growth communities. Ensuring that broadband infrastructure is eligible for this fund is one more tool to make sure that North Dakota remains globally competitive.

We would urge the committee's support of HB 1137.



ENERGY RELATED Growth & Impacts



\$159 MILLION IN INFRASTRUCTURE NEEDS IN THE 2015-2017 BIENNIUM

#1 Oil Producing County

- McKenzie County is the #1 oil producing county in the state; accounting for 34% of the State's oil production in October 2014 (Mountrail 2nd at 23% of oil production).
- 36% of drilling rigs in the state are located in McKenzie County.
- McKenzie County is ranked 1st in active wells, with 45% more wells than 2nd highest county (3,908 to 2,682 in Mountrail).
- In State FY14, McKenzie County oil production generated over \$446 M in GPT tax revenue, 33% more than the next closest county.

Renewed Concentration & Continued Growth Resulting from Oil Production

- Recent developments in the energy markets have resulted in a concentration of energy activities in high producing areas like McKenzie County.
- As development continues, projections show Watford City nearly quadrupling available housing units.
- As a result, the City has put a renewed emphasis on constructing critical trunk infrastructure to service the growing community.

	TOTAL HOUSING DEMAND	
	Watford City Existing/Planned	Watford City Projected Need*
2014	2,500	6,542
2015	4,557	7,202
2016	6,342	7,826
2017	8,119	8,308
2018	9,100	8,638
2019	9,852	8,966

*From Bangsrud/Hodur NDSU study for KLJ, using 80% of County totals

Renewed Concentration & Continued Growth

- As a regional center for energy development jobs, people, and the demand for housing has been concentrated in Watford City.
- In response, Watford City has invested \$34.9 Million since 2011 in key trunk infrastructure to complement the millions of dollars in infrastructure being put in place across 16 developments in the region.
- As energy production has grown, the need for infrastructure has far outpaced this investment.
- Overall, the City is facing a critical **capital need of \$344 Million** over the next four biennia.

Watford City is in the top 20 percent for residential utility rates in North Dakota (communities under 5,000 people)

Debt per Capita: \$15,000*

*including pending loans

Costs & Ability to Pay

- Developers and residents already pay a large share of costs associated with local infrastructure through utility rates, property taxes, upfront lot pricing, and rental rates.
- Rental rates on new construction are topping \$3,000 per month for a 2 bedroom apartment and topping \$4,000 per month for a 3 bedroom duplex unit.
- As the City looks to continue to build the critical transportation, utility, and public infrastructure to support growing developments throughout the city, they are left with few options and additional State funding is needed.

CATEGORY	BIENNIUM				TOTAL
	2015-2017	2017-2019	2019-2021	2021-2023	
Transportation	\$71,200,000	\$41,300,000	\$62,100,000	\$39,500,000	\$ 214,100,000
Public Utilities	\$77,800,000	\$10,900,000	\$3,900,000	\$ 7,600,000	\$ 100,200,000
Airport / Public Buildings	\$9,600,000	\$5,600,000	\$12,400,000	\$2,500,000	\$ 30,100,000
TOTAL	\$158,600,000	\$57,800,000	\$78,400,000	\$49,600,000	\$ 344,400,000





Michael R. Brown
Mayor

City of Grand Forks

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TESTIMONY ON HOUSE BILL 1137

House Political Subdivisions Committee

City of Grand Forks, ND

January 15, 2015

Chairman Klemin and members of the committee, my name is Todd Feland and I am the City Administrator of Grand Forks. Thank you for the opportunity to provide testimony on House Bill 1137, express our support of this bill, and offer a few friendly amendment suggestions.

We appreciate all the work the Public Finance Agency, specifically Ms. Ament, has put into crafting this bill and, moreover, into what we can envision to become an extraordinary new state loan program and one more vital tool to help with the growth that is going on all across the state.

It's important to recognize the nature of the revolving program is not only will the investments help communities with necessary infrastructure due to growth, but the investments will be returned to the state as the loan payments are made.

This program will assist the City of Grand Forks in making long-term infrastructure investments as our community continues to grow. Specifically, we could use the program for growth related infrastructure investments including: Wastewater and Stormwater Pump Stations and related trunk mains; Water and wastewater treatment facilities; Water Trunk mains; and Transportation infrastructure for new development areas such as in Grand Forks' Northwest and Southwest areas.

The friendly suggestions we would make include:

- Keep the interest low and the administrative burdens low. For example, 1.5% as an interest rate and do not require a cash reserve that would serve to limit a community's ability to participate.
- We would ask to ensure the term is long-term, and we would suggest 30 years.
- We also appreciate the need for priorities but hope they are structured in such a way that allows assistance to reach all growth areas occurring in the state. A limitation on funding due to population is understandable, but we also want to be sure the fund is not depleted by the time projects are requested from areas experiencing significant growth – just not extreme growth.
- Which leads to the last suggestion. This looks like such a good idea, we're not sure \$100 million is enough. We understand being cautious with a new program and allocations could grow in the future based on the success, but we are confident enough a doubling or even tripling would still be used up effectively through the biennium.

Thank you for this opportunity to express our support and our suggestions for House Bill 1137 and recommend a DO PASS WITH AMENDMENTS.



City of Beulah

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www.beulahnd.org

January 15, 2015

Chairman Klemin and members of the committee, we would like to submit the following information in support of HB1137.

This HB1137 is very important and necessary to Beulah. Our water treatment plant was built in 1962 and then expanded to meet the growth of Coal impact in the late 70's and 80's and is in need of refurbishing to meet the growth we are experiencing now and expected. The estimate is around 5 million dollars to bring the Water treatment plant up to date. A low interest loan would be a God send. We would appreciate any help on this.

The plant expansion was originally constructed to meet impact from people needed in industry and now again to meet the demand from people needed at industry. It is for these reasons we feel financing from the state is justified.

Yours truly,

A handwritten signature in black ink that reads "Darrell Bjerke".

Darrell Bjerke
Mayor – City of Beulah

HB 1137
House Political Subdivisions Committee
January 15, 2015

Mr. Chairman and members of the Committee:

My name is Brian Osowski. I am the owner of AMKO Advisors in Fargo. AMKO Advisors is a municipal financial advising firm registered with the United States Securities and Exchange Commission and Municipal Securities Rulemaking Board. This registration is required by law when giving financial advice to states and political subdivisions. I am appearing this morning in favor of House Bill 1137, but request the committee consider amendments.

Under Section 6-09.4-06 of the North Dakota Century Code, the Capital Financing Program is generally limited to loans that do not to exceed five hundred thousand dollars. The limit can be exceeded only when the Industrial Commission determines by resolution that the private bond markets would not be responsive to the needs of the issuing political subdivision and the resolution states the reasons for the Public Finance Authority's involvement in the issue. The proposed amendment would create a Capital Infrastructure Revolving Loan Fund that would have the same requirements.

In my experience in working with political subdivisions that issue bonds they would not be able to utilize the program due to the fact that the private bond market has been and continues to be responsive to the needs of the issuing political subdivisions. This has included political subdivisions that I have worked with from the City of Frontier, the City of Niche and the City of Killdeer to name a few.

The capital bond market today is functioning as well as it ever has and the ability for North Dakota political subdivisions to access the private bond market is as great as it has ever been likely due to budgetary constraints in other parts of the country.

Political subdivision's ability to access the private bond market today provides many benefits to a variety of interested parties in the State of North Dakota. The following names just a few:

- North Dakota financial institutions are a large purchaser of political subdivision's bonds. These bond issues help financial institutions meet Community Reinvestment Act (CRA) credits. In addition, political subdivision bonds purchased by these financial institutions are very low risk investments for the financial institution to hold.
- Individual investors within the State of North Dakota benefit from being able to purchase these political subdivision's bonds as the income they earn on the bonds are exempt for federal and state income tax. Individual investors also are large supporter of their local political subdivision when there are bonds available for purchase.
- Bond underwriters, the purchaser of political subdivision's bonds are very active in purchasing North Dakota political subdivision's bonds and helps create a secondary market for these bond issues which in turn helps provide the political subdivision with attractive financing.

I would ask the committee to consider amendments to the bill that would provide the \$100 million as a way to help reduce interest rates to political subdivisions:

- Set the \$100 million aside in a bond guaranty fund that political subdivisions use as a guaranty to their bond issues. This type of guaranty program would be very accepted in the private bond market and would also allow the state to leverage the \$100 million times some multiple due to the very low default rates on North Dakota bond issues.
- Leverage of the \$100 million to provide cheaper financing for the political subdivisions is that the State could also use the \$100 million as a subsidy program such as the Build America Bond programs that were popular during 2009 and 2010 or the State's PACE interest subsidy program.

I would be more than happy to be available to discuss these proposed amendments in detail.

Thank you for your time today and for considering my testimony. I ask you to give House Bill 1137 a Do Pass recommendation with an amendment that would allow the \$100 million to provide reduced interest rates to political subdivisions. I will be happy to respond to any questions you may have. Thank you.

Brian Osowski
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City of Garrison

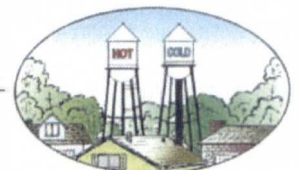
House Bill 1137
House Political Subdivisions Committee
Testimony by Diane Affeldt, City Auditor
City of Garrison

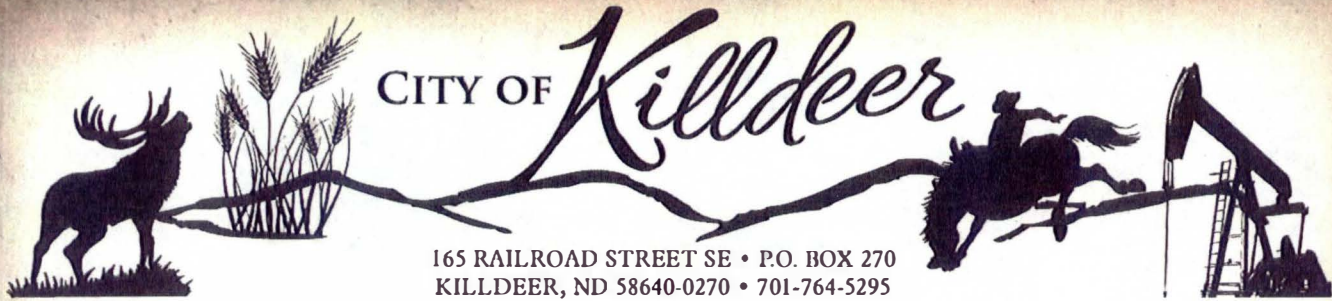
I, Diane Affeldt, City Auditor for the City of Garrison is providing the following testimony in support of House Bill 1137 which would create a Capital Infrastructure Revolving Loan Fund.

I like the concept of the fund. I strongly suggest the funds be equally available to all small and large cities statewide.

The below market interest rate concept of the loan program is favorable and affordable for cities.

The program would enhance funding opportunities for infrastructure needs for our state especially those cities struggling to improve, update and meet federal and state regulated mandates.





January 13, 2015

TO: ND Public Finance Authority

RE: HB 1137 – Capital Infrastructure Revolving Fund

The City of Killdeer supports House Bill 1137, which references Capital Infrastructure. As Killdeer has the second highest percentage in growth for 2012-2013 we have experienced infrastructure needs that are not only above and beyond normal growth activity but places a financial burden on cities that are trying to accommodate an industry that is and has made our state financially secure.

As the city grows, Killdeer has annexed in over 350 acres of property, the needs for infrastructure are not limited to water and sewer, but also include streets, and public offices. As the city grows so does our staffing needs, and with that, there is the need to build a new city hall and maintenance shop to accommodate that staff. The city has over \$15 million in infrastructure needs. This is quite over whelming to say the least.

House Bill 1137 would provide options that could help alleviate some of the infrastructure cost burdens with a way to fund them that is more cost effective for our current growth and future growth.

The growth we are experiencing is good growth; obviously, we take the good with the bad, however, we need ample financial funding to come back to our communities to help the good out way the bad.

We would appreciate your support for HB1137.

If you should have any questions, please feel free to contact me.

Sincerely,


Dawn Marquardt,
City Administrator

City of Ray

Incorporated March 9, 1914

Post Office Box 67

Ray, North Dakota 58849-0067

Telephone: 701-568-2204 *** Email: raynd@nccray.net

January 15, 2015

ND Public Finance Authority

RE: House Bill 1137

I am writing in support of House Bill 1137 which references capital infrastructure needs.

Our city has doubled in size since I started as City Auditor in 2008. We have additional growth happening now. There were two years where we had to turn away developers because we did not have wastewater capacity. We borrowed funds through the State Revolving Fund to help not only with our wastewater needs, but drinking water needs as well. We applied for Impact Funding but as with all grants, funds were limited and we were unable to use grant dollars for our aging infrastructure. We had new developments started and adding new water and sewer lines to our outdated mains became problematic. The 60+ year old infrastructure could not handle the additional burden growth was placing on the lines.

When I started as auditor, one of the first projects I worked on was replacing the water meters. In the summer of 2009 we replaced 195 meters when every meter in town was replaced. We currently have 429 meters. We estimate our population to be right around 1,000 people currently.

Without the help of the State Revolving Fund, we would not be able to add the growing development that includes 100 mobile home units, plus the possibility of 55 new stick built homes in the new subdivision north of Ray. With SRF funds, have replaced numerous water mains that were installed in the 1930's and 1950's. We started replacement of sewer mains that are the same age. In many cases the water mains were so corroded, the workers could put their hand through what was left of the pipe. We had 19 water main breaks in one winter. We have 23 additional blocks of water mains that need replacement that are still causing complaints from residents with rusty water. We have 17 blocks of sewer mains that must be replaced.

While we have been as fiscally responsible as possible, our needs still outweigh our ability to fund them. Our streets and sidewalks are in dire need of repair. We have utilized the Safe Routes to School funding and Transportation Alternative funding and have taken care of the most important areas for our school children. Right now we are trying save the paved streets by chip sealing, crack sealing and reconstruction if necessary. There is only so much that can be done with the funds we have. We also have gravel streets in two areas of town that we have tried to improve with a Street Improvement District and the majority of the residents in those areas are unable to afford the additional assessments so they are not paved.

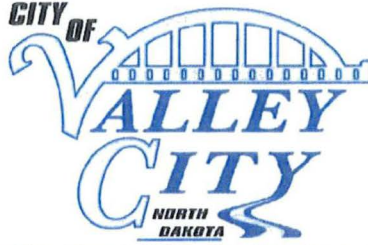
With funding for infrastructure loans, making some needed repairs could be possible. Please support House Bill 1137 so cities like Ray can better serve the new growth as well as our existing residents.



Kimberly Steffan
Ray City Auditor

KS/kjs

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254 2nd Ave NE
PO Box 390
Valley City, ND 58072-0390



Phone: 701-845-1700
Fax: 701-845-4588
www.valleycity.us

TO: Representative Lawrence Klemin, Chairman, Political Subdivision Committee
FROM: Robert Werkhoven, Mayor Valley City ND
SUBJECT: Support of HB1137 Creation of the capital infrastructure revolving fund
DATE: 01/12/2015

Chairman Klemin and committee members, my name is Robert Werkhoven, Mayor of Valley City, and I am writing this letter in support of HB 1137. Valley City has participated in numerous loans through the state revolving fund and the low interest financing has helped us to extend our limited finances to other critical reconstruction projects. This is especially important to Valley City as we are still trying to catch up with infrastructure projects delayed by the 2009 and 2011 one hundred year flood events.

No city can afford to fund all needed infrastructure improvement projects in one year. This is just the reality of City government. By helping us with this financing program, Valley City has been able to accelerate the completion of some badly needed infrastructure projects for our citizens. Please use this letter as a testimony of Valley City's firm support of expanding loan opportunities with the capital infrastructure revolving loan fund program, and we urge that HB 1137 be given a due pass from the committee.

Robert Werkhoven
Mayor
Valley City, ND



Testimony: HB # 1137 Capital Infrastructure Revolving Loan Fund

The City of West Fargo would like to show their support for HB# 1137.

The City of West Fargo has experienced extensive growth for over a decade. With this growth has come the need for the installation of large amounts of water, sewer and street projects. Added to this are regional storm and wastewater lift stations, well repairs, well replacements and lagoon expansions. In 2014 alone the City constructed over \$51,325,000 in capital improvement projects, and over the last five years the city has spent over twenty five million each year on infrastructure projects. The primary funding for these projects has been special assessment bonds. Over the last ten years the City of West Fargo has issued twenty million in bonds each year. Debt for the City has gone from \$37 million at the start of 2010 to \$156 million at the start of 2015.

With this being said the City of West Fargo also has a large number of water projects and issues to still address for our citizens. Currently we are looking into an alternative water supply as our aquifer does not have adequate supply for our near term future needs. Well improvement projects are ongoing as the City has not been able to keep up with demand. Lack of well capacity has caused the City to place watering bans for each of the last three summers. These items show the intense need for an alternative water source, which would include treatment and distribution systems. Combine this with the current need for additional water towers for growth areas, water tower rehabilitation, and well rehabilitation and wastewater system needs, displays the Cities need to find new funding sources for its citizens.

The City of West Fargo, along with many other communities would benefit greatly from the Capital Infrastructure Revolving loan fund described in HB# 1137. The cost to cities to issues municipal bonds continues to rise and also is becoming more difficult with the new rule over bond issues. This would provide a low interest source of funding which would help with the burden our citizens are carrying due to the intense growth West Fargo has seen.

Proposed Amendment to HB 1137

Page 6, line 22, remove the first underscored "lines"

Page 6, line 22, remove the second underscored "lines"

Page 6, line 26, insert "c. May include projects related to revitalization of community infrastructure."

Page 6, line 26, after "infrastructure." insert "5. Terms of the loan shall be no greater than one and a half percent interest and offered at a term of at least thirty years."

Page 7, line 6, replace "six" with "four"

Page 7, line 5, after "available." insert "Priority for projects shall be related to new growth and to revitalized infrastructure."

Page 7, line 7, replace "twenty" with "fifteen"

Page 7, line 9, replace "that exceeded" with "up to"

Page 7, line 10, overstrike "and did not exceed six percent"

Page 7, line 11, replace "fifteen" with "ten"

Page 7, overstrike lines 12-17