

2017 HOUSE POLITICAL SUBDIVISIONS

HB 1055

2017 HOUSE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Prairie Room, State Capitol

HB 1055
1/6/2017
Job 22617

☐ Subcommittee
☐ Conference Committee

Carmen Hickel

Explanation or reason for introduction of bill/resolution:

Relating to definitions of disasters and emergencies

Minutes:

1

Chairman Klemin: Opened the hearing on HB 1055.

Rep. Zubke: (See testimony #1) stopped at 6:12.

Chairman Klemin: Can you give us additional information on how we would get these revenue bonds issued? Does there have to be a project proposed? I assume the people in Water Resource District doesn't have to approve a bond issue? Is there a vote on it by the people in the Water District? Because you have to pay back this money and where do you get the money from to do that?

Rep. Zubke: Typically the way a water project is started; is you have a section of the population where they have some poor water quality or supply. Usually what they do is come together which is what happened in McKenzie County. We took some money from all those entities and we did a basic design on a water project to see if we could get enough people on that water project to where we could cash flow that. Then through our engineering firm, we may apply to the State Water Commission or some other entity for some grant funds. Typically water projects do not stand on their own. Commonly they receive 75% of grant dollars through the State Water Commission and the Water Resources Trust fund. We also go to the bond market. They decide what kind of debt level you can have. Rep. Zubke explained the bonding company and how it works.

Chairman Klemin: The revenue that you get to pay the debt on these bonds; do the people in the water resource district have any say in approving the particular project? Is this like a tax they have to pay in to finance this?

Rep. Zubke: Anyone of those users who agree to sign on to that system pay an initial upfront fee and a \$45 monthly fee. That is whether they use water or not, it is simple to bring that pipe line into and within about 75 yards to their residence. That \$45 becomes our source of revenue for the repayment on those bonds. We also will upcharge our water depending on where that

water supply is coming from. Typically, the upcharge in water has to do with repairs and maintenance. Every water district in the state has a base charge and is calculated on what those bond payments are.

Chairman Klemin: So a user would have to sign up for this and the ones that don't sign up for it don't get the water?

Rep. Zubke; That is correct.

Rep. Ertelt: You explained there is a difference between Water Districts and Water Resource Districts. You stated Water Districts were created for the purpose of providing water supply yet what you are asking for seems to be also water supply but for Water Resource District. Could you clarify that? My concern is we are actually asking for water supply to be increased to \$100 million.

Rep. Zubke: There are two separate entities. Water Districts typically only do water supply. Water Resource Districts are different in that they also serve for some regulatory functions.

Rep. Ertelt: You also described in Water Resource Districts their intent is for the management conservation, protection, development, and control of waters. Nowhere in there do I see it stated that Water Resource District is to be used for water supply.

Rep. Zubke: I didn't mean to provide an exhaustive list of those powers. But those powers do include water supply for Water Resource District.

Rep. Johnson: You said your engineers provide a draft of a plan. Are those an outsource engineering firm? That is not a State engineer or a Water Resource District engineering department? Are they private engineers that you engage to develop a plan?

Rep. Zubke: Correct. Most Water Districts or Water Resource Districts typically have an engineering firm that they have contracted with for just about all of the things they do. One of those includes water supply and so yes we do outsource most of the more technical needs as just about no one in the county has experience.

Rep. Johnson: Does that private engineering firm develop a formal plan and provide you with an analysis of the need or the ability for whatever infrastructure plan they have? Do they provide an analysis of probability of this? If so, do they go ahead and provide a formal plan? I am just trying to follow the money.

Rep. Zubke: They are involved from day one in this process. The engineering firm is usually at every monthly meeting. Explained how the engineering firm is involved from the beginning stages. (starts at 16.51)

Rep. Johnson: You said it typical originates at the citizen level. At their request not at the request of the engineering firm? You have citizen requests?

Rep. Zubke: That is correct. Typically, the Water Resource District or that group of individuals starts this process because they have a need for either quantity or quality of water that aren't there.

Vice Chairman Hatlestad: If your project costs exceed what you can bond for, you then work with adjacent districts so do they have to have a part of your project? Or can they just sign up in a sense and lend you their bonding capacity? If they do what is their liability?

Rep. Zubke: We have had a close relationship with the other water districts in our district. Because they had a \$50M limit and we did not in our Water Resource District, we appealed to them to take a portion of this indebtedness that we were building in our service area. We said the County Commission would sign and guarantee the repayment on those bonds. So they did. They do not come in and have a piece of that system. Explained the McKenzie County bonding process. Stopped 22:17.

Vice Chairman Hatlestad: The McKenzie County Commission guaranteed the bond? If you couldn't make the payment the county would pick it up?

Rep. Zubke: That is correct. We had to do some legal agreements and it adversely impacts everyone's financial position. We had to build these water projects.

Chairman Klemin: You said in your testimony that the County Commission is not responsible for the debt of the Water Resource District but in this particular case you are mentioning they are if they guaranteed that debt.

Rep. Zubke: You are correct. Because they are the McKenzie County Resource District they are not responsible for the debts that the Water Resource District incurs. But through contract they can obligate them to some debts for the Water Resource District. And that is exactly what happened in this case. Because our revenue was previously pledged the McKenzie County Commission actually signed a contract that said we will be responsible for those debt repayments.

Chairman Klemin: The Water Resource District commissioners are appointed by the County Commission they have some kind of supervisory responsibility. Is there someone here from McKenzie County Commission and are they in favor of this bill?

Rep. Zubke: McKenzie County Commission is in favor of this bill. There is no one here to testify. I think there are other Water Resource Districts that will be testifying. And I assume most of them will be in favor of this. McKenzie County Commission then they wouldn't have to sign those legal agreements guaranteeing our repayment and that would clean up their financial statements.

Rep. Maragos: Once McKenzie County involved itself and guaranteed, did they guarantee it with county tax revenues or what was their process? Did they have to go before the voters in order to commit tax dollars to that guarantee?

Rep. Zubke: I am not 100% positive but I believe it was general fund obligation that they used. It was an agreement between Williams Water District and McKenzie County. I believe McKenzie County and Williams Water District was satisfied with just a general obligation.

Rep. Beadle: When you go through the process for the bond issue and they are securing the base off the revenue, are you securing it based off the revenue for the water district as a whole? Or do you go through the process of creating special assessment districts to back those bonds?

Rep. Zubke: It is not a special assessment district.

Rep. Beadle : Do water resource districts have the ability to special assess and would you be able to utilize that for additional financing?

Rep. Zubke: I know that they have the authority to do special assessments but I am not sure how that relates to water projects. I know there are other areas where they can use the special assessment districts. I have not seen anything where any water supply group that did anything other than simply assess a minimum monthly user fee.

Rep. K. Koppelman: My understanding the difference between the Resource Districts and the Water Districts is that the Resource Districts are mainly for a broader area not necessarily new projects but more of maintenance and working of the water systems?

Rep. Zubke: I wouldn't say they are only dealing with new projects. Water Resource District responsibility are much greater than what Water Districts are. Water Districts are only water supply. Water Resource Districts are and can be water supply but also encompasses a lot of other responsibility.

Rep. K. Koppelman: So the revenue bonds you are talking about are not really secured by anything? So what happens in the unlikely event that the bonds would default? Are the bond holders left holding the bag or is there some backup security?

Rep. Zubke: The revenue is pledged to those bonds. Explained in detail. (Ends at 30.20)

Chairman Klemin: Basically it is a user pay system? It's entirely voluntary if they don't want to do it they can use their own well?

Rep. Zubke: We don't force anyone to take water but encourage them as it raises their property value. Any farmstead that hooked onto the Southwest pipeline are still occupied. Some of those that have not hooked into a pipeline are abandoned. There is a penalty if people don't initially choose to hook onto the pipeline.

Rep. Beadle: Outside the county commission is there anything else in the statue that would prevent or help stop a Water Resource District from over leveraging themselves and over committing to too much financial payments? I am thinking of examples of big boom then the population starts to go down which might not impact yours as much. Are there any other statutory checks or anyway to prevent a district from over leveraging themselves by taking on more debt that they can afford?

Rep. Zubke: Most of our bonds are through ND Health Dept. or USDA or some other entity. Most of them are conservative and I am not aware of anyone defaulting in history over water supply projects. I am not aware of any other additional check besides those bond markets do with Water Resource Districts. The additional checks you might have with Water Districts is the county commissioners.

Rep. Ertelt: I did find that Water Resource boards do have the authority over water supply projects on special assessments within the code. I was curious whether or not water supply districts and Water Resource Districts overlap?

Rep. Zubke: I don't have a lot of history as far as the creation of those two entities in the century code.

Mike Dwyer, ND Resource District, ND Water Resource District Association: I came to support Rep. Zubke's bill. The Water Resource Association do support this. There are only two districts doing water supply and that is McKenzie and Morton counties. The Water Resource Districts primarily do surface water management, flood control, agriculture improvement, recreation, and those projects are generally funded by special assessments. That is the more traditional functions of the Water Resource Districts. In the east there is lot surface water management problems. The Water Resource Districts in the west don't do so much water management. The way they fund those projects is through special assessments and that is a tax. But they vote on it. We support the bill and think it is appropriate to give Water Resource Districts that do venture into water supply the same level as revenue bond authority as Water Districts.

Chairman Klemin: With the respite to the types of water projects that these other Water Resource Districts do, could you give us some examples?

Mike Dwyer: It would be snagging and clearing a river. Another would be agriculture drainage where drainage is essential for farming. Another example is recreation which built recreation dams through which have multiple functions as flood control, fishing, boating, swimming, and those are built from grants from the Water & Fish Department, grants from Water Commission, and the rest is special assessment. Water Resource Districts can use a general mill authority for their operations.

Rep. K. Koppelman: Based on your description that created the Water Resource Districts you said most of the previously existing Water Districts have converted to Water Resource Districts. So it sounds like Water Districts are becoming a thing of the past, yet in 2007 the debt limit was increased for them and not for Water Resource District. So what am I missing?

Mike Dwyer: There are about 32 rural water systems. There are some exceptions that are political subdivisions. Every county has to have a Water Resource District and their primary function is surface water management. In 1995 you created Water Districts.

Rep. Ertelt: (43:34) Regarding project costs and timelines of these 2 water supply projects. How recent have they been in Morton and McKenzie? Do you have any figures of what these current water supply projects have cost?

Mike Dwyer: Most rural water systems are \$500,000 to \$1M to \$3M to \$5M. They continue to expand and sign up because it's good water. Those who didn't sign up originally want water there is an extra extension and sign those people up. One of the principles that the Water Commission has adopted is to urge more regional systems so they are using a common water treatment plant. But these projects continue to grow.

Rep. Ertelt: So the project costs you just described the demand is more for expansion of existing projects rather than new projects?

Mike Dwyer: Almost all of ND is covered by rural water systems.

Rep. Ertelt: How did you arrive at the value of 50? We were at 10 and that was sufficient up until this time. Now we are looking at a fivefold increase, how is that arrived at?

Mike Dwyer: Looking at the costs of projects and making sure there was enough capability to build those projects.

Opposition: None

Closed.

Discussison:

Rep. Maragos: (Unable to hear)

Rep. Longmuir: (Unable to hear)

Chairman Klemin: Motion by Rep, Maragos for a do pass on HB1055 and seconded by Rep. Loungmuir. Is there any discussion?

Rep. Maragos: (Unable to hear)

Rep. K. Koppelman: Do these districts have the obligation to serve anyone who has a need and had not signed up originally? Are you obligated to take them on or can you say no?

Rep. Zubke: Yes, we can say no from a limitation on infrastructure or finances, but I think every Water District and Water Resource District in the state does everything in their power to get someone on the system that wants to be on the system. Keeping in mind there is a level of cooperation from the land owners required also. Because water supply easements are not paid for because you simply cannot afford to pay these easements. You may find some Water Districts or Water Resource Districts that may say, you wouldn't give us an easement and now you want water. So you may run into animosity there.

Rep. K. Koppelman: If you are appointed by the County Commission and it's a public service entity I would think there would be an obligation to serve everyone. If you are confident they are being worked out that was my question.

Chairman Klemin: As I understand this bill it's a voluntary thing, it's paid by the users, it has to cash flow in order to be able to secure the indebtedness through the bonding so it's not that anyone is being forced to do anything.

Rep. Ertelt: My concern with this bill is that if you are unable to satisfy that bond, the Water Resource Districts do have the authority to special assess. I don't see any protection for all the land owners within the Water Resource District to be protected from an assessment if they are not able to satisfy the bond.

Chairman Klemin: I'm assuming if you don't have enough revenue you can raise the rate from the existing users.

Rep. Zubke: That is correct. I cannot imagine that there isn't enough revenue to make those debt payments once the project is built. There is debt reserve put in place and I don't know of anyone who ever had to tap this. You can also raise the rate for the user.

Roll Call Vote: 12 yes, 3 no, 0 absent.

Rep. Maragos will carry the bill.

**2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1055**

House Political Subdivisions 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 Rep. Maragos Seconded By Rep. Longmuir

Representatives	Yes	No	Representatives	Yes	No
Chairman Klemin	X		Rep. Guggisberg	X	
Vice Chairman Hatlestad	X		Rep. Hanson	X	
Rep. Beadle	X				
Rep. Becker	X				
Rep. Ertelt		X			
Rep. Johnson	X				
Rep. Koppelman	X				
Rep. Longmuir	X				
Rep. Maragos	X				
Rep. Pyle	X				
Rep. Simons		X			
Rep. Toman		X			
Rep. Zubke	X				

Total (Yes) 12 No 3

Absent 0

Floor Assignment Rep. Maragos

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

REPORT OF STANDING COMMITTEE

HB 1055: Political Subdivisions Committee (Rep. Klemin, Chairman) recommends **DO PASS** (12 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HB 1055 was placed on the Eleventh order on the calendar.

2017 SENATE POLITICAL SUBDIVISIONS

HB 1055

2017 SENATE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Red River Room, State Capitol

HB 1055
3/16/2017
Job # 29306

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the aggregate total outstanding revenue bond indebtedness limit for water resource districts.

Minutes:

Written testimony #1 Rep. Denton Zubke

Chairman Burckhard opened the hearing on HB 1055. All senators were present.

(:41-5:10) Rep. Denton Zubke, District 39, introduced and explained the bill. Written testimony #1. In support of HB1055.

Sen. Anderson: Is McKenzie County in the North West Water Supply Service area?

Rep. Zubke: Yes it is. We are a member entity. In fact, we were probably one of the initiating members of the Western Area Water Supply Authority. Do you say Northwest? It is the Western Area Water Supply Authority.

Sen. Anderson: So how do your construction projects integrate with theirs?

Rep. Zubke: We were one of the originating entities for Western Area Water Supply Authority. What Western Area Water Supply Authority is basically they borrowed money through the State of North Dakota and the Bank of North Dakota to lay in primarily major transmission lines to the member entities which included McKenzie County Water Resource District. Williams Water District, RNT Water Association, Burke, Divide Water Association and the City of Williston. That indebtedness primarily was borrowed and it is what we call trunk lines or transmission lines out to those member entities. Then the member entities and some of them through Western Area Water Supply Authority, since it's been organized also receives some domestic funding so we always distinguish between what's industrial and what's domestic. So some of that domestic debt is pushed out through the RNT Water Association or McKenzie County Water Resource District. That's how McKenzie County Water Resource District, where we actually had a project in place which would have put us over the \$10 M and this pre-dates Western Area Water Supply Authority. So the bonding company, everybody put this indebtedness in place for us, and someone, somewhere, behind the scenes all of a sudden when we went to take a draw, said , whoa, wait a minute.

They didn't go to \$50 M like water districts did, they have a \$10 M cap. So all of a sudden in mid-construction here we are and how are we going to pay for this. So that's where we were fortunate to have the county step in. Now, what we've been since then is any of that water supply is borrowed through the Western Area Water Supply Authority, but it's actually pushed out to one of the water districts and then our county signs the guarantee agreements for the water districts for that payment so then it doesn't show that we have that indebtedness. So you can see how trouble that soon. It is complex so you can hear it, you can get it, and then about 2 days later it's like what was that again?

Sen. Dotzenrod: In the county I live in we have a Water Resource District that has been in place for many years. As far as I know they only have one source of revenue and that is they impose that \$4 an acre within the taxing districts. There are 44 taxing districts in the county and so each taxing district is contributing \$4 an acre to support that particular district. I am assuming that based on what you said that in your situation your water resource district probably has no or very little special assessment revenue. It is probably all billing from the rural water supply. Am I getting that right?

Rep. Zubke: That is exactly correct. We do not assess any special assessments or anything like that. All of our revenue is user fee or the sale of water and that user fee that initial \$45-55 a month is what is used to service that debt. The debt is typically to bring that transmission line out there and that initial fee that they pay each month service that debt. So that's all revenue, user fees, but it's more typical to user fees.

Sen. D. Larson: I got an email this morning from a friend, and said vote no on this bill, don't bail out WAS. Now, I don't know where that information is coming from because what you're saying just sounds logical. I would get that you heard that sentiment since you've been the sponsor of this bill.

Rep. Zubke: Exactly, and that's why I say it is complex. There are so many people that do not understand the relationship between Western Area Water Supply Authority and those member entities. They don't have the history that goes back to 2005 when we started this and everything we went through with this oil development/explosion in western ND. They don't understand that there is in 2011 this Legislature created a distinction between industrial water and domestic water and those revenues and that supply and so we have gone back and relied on that agreement, many times. But so many people again just do not understand all the intricacies of this so as soon as they hear something like hey you're going to possibly let McKenzie County Water Resource District have another \$15 M in loans. They just send out this blanket statement and they say hey, vote no, were opposed to that.

Chairman Burckhard: So it's not a bail out?

Rep. Zubke: It has nothing to do. This bill has nothing to do with Western Area Water Supply Authority, in fact since you mentioned that, I wanted this changed after we discovered it when we were building this pretty neat Western Area Water Supply Authority but at the same time we were coming in here to establish Western Area Water Supply Authority, and the water resource district said, absolutely to confusing we are not going to carry this bill because it will just muddy the whole system.

Sen. Anderson: Correct me if I am wrong, but most of the contention with WAS comes from the competitive nature of the retail sales of water to the oil industry. Am I correct?

Rep. Zubke: Absolutely! **Sen. Anderson:** You also mentioned that your Water Resources Board sells some water to commercial interest as well? Is that correct?

Rep. Zubke: The McKenzie County Water Resource District was selling industrial water before Western Area Water Supply Authority was organized by the Legislature. So, we actually go clear back into the early 2000 selling industrial water. One of the agreements we made when we started Western Area Water Supply Authority is we would turn over all of our industrial water sales to Western Area Water Supply Authority to assist in paying off those transmission lines that brought water to Watford City, took it to Tioga, to Ray and stuff like that and every entity did that. So, McKenzie County Water Resource District no longer and since 2011 I think is when we no longer sell any industrial water for oil and gas exploration. There is a commercial component though. There are people who do spraying and we were always selling water to them also. That commercial portion of that we do retain, so sometimes you will get into a discussions and someone will say 'well I know McKenzie County Water Resource District is still selling water to entities'. Well we do, there commercial entities, it's for something other than oil and gas exploration and production. Other than that primarily we are a domestic water supply entity.

(15:50-17:47) Greg Larson Past President and Board member of the South Central Regional Water District: I am also the Chairman of the Burleigh County Water Resource District. To clear that up, a district and not a resource district. A district with the exception of the Northwest part of the state is a water supplier. A resource district is a water protector. I am in support of this bill because for three reasons: 1.) bonding limit needs to be raised because costs of construction are going up, 2.) it's a reasonable idea that you can't borrow more than you can qualify for, so the limit frankly doesn't make a lot of sense, 3.) flood protection. As the state money dries up flood needs are still going to be funded. I see the future of flood protection as happening through the State Water Commission at a 50/50 split just like it is for water supply. That's what is going to happen with future water protection. Water protection is the responsibility of water resource districts because they can't borrow money they form consortium's like the Red River Valley Water Resource district consortium's so they have borrow-ability and because they can then be a stronger entity. Well if we are going to do Missouri River Water protection, we can't form a consortium, it's us in Burleigh County. So if we have future flood protection needs we'll probably going to be borrowing 50/50 if we can get the Water Commission to agree to that. So, that being said, in anything of any size, \$10M bonding is probably not going to be enough. So I am just suggesting maybe preemptive and raise it now as long as the bill is before you.

Chairman Burckhard: You said a water district is a water supplier, and a water resource district is a water protector.

Chairman Burckhard closed the hearing on HB1055.

Sen. Judy Lee moved a do pass on 1055.
2nd Sen. Dotzenrod

Committee Discussion

Sen. Kannianen: If people can't qualify in these districts for loans or bonds that they couldn't pay back anyway, so what's the purpose of having a limit in the first place?

Sen. Judy Lee: Perfectly logical question.

Sen. Kannianen: Just let the market set it for each district because each district is so different.

Chairman Burckhard: That is probably how it should be determined.

Sen. J. Lee: It is because Legislators always think that they should be putting limits on stuff, that's why.

Sen. Anderson: Then there is a certain amount of concern, that somebody is going to go off the deep end and for some reason borrow a lot of money and then come back and say oh gee, we can't pay now, it's the state's fault.

Sen. Dotzenrod: I do think the financial markets are really governing this process. If you're going to bond, if you're going to go out and get a bond to construct a water distribution system or some big project like this, you're going to have to get the bonding company to look at the project, and they are going to make a judgement about the estimated revenue, and they will probably put a safety cushion in there, assuming that maybe they get short 20%, let's say they end up with a 75 or 80%, what interest rate can this bond qualify for. Do they have enough re-pay ability? So the markets I think are really, when those bond people come in and evaluate I think generally. It kind of depends on what guarantees. Bonding only seems to work if they have some guarantee or some ability to have a deficiency process available as part of the bond. If they can't do that they are probably not going to do the project. I think the markets are kind of controlling the limit. In some ways Sen. Kannianen is right, but I do think that having a number in here does provide some sense of structure that the legislature and everybody looking at it would like to see.

Sen. D. Larson: I agree that Sen. Kannianen is right. However, given the fact that Rep. Zubke was talking about the complexity of it, and the misunderstandings and even the emails from former legislator that I got today. We'll probably be better off by just passing this bill the way it is, and maybe in the future session just removing numbers so they don't need to be adjusted with our current cost of doing business. So I guess I would suggest that we just pass the bill out as it is written at this stage.

Chairman Burckhard reminded the committee that we have a do pass recommendation on HB 1055.

Roll call vote: 6-0-0

Carrier: Sen. Dotzenrod

Date: 3-16-17
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1055

Senate Political Subdivisions 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 Sen. J. Lee Seconded By Sen. Dotzenrod

Senators	Yes	No	Senators	Yes	No
Chairman Randy Burckhard	✓		Senator Jim Dotzenrod	✓	
Vice-Chairman Howard Anderson	✓				
Senator Jordan Kannianen	✓				
Senator Diane Larson	✓				
Senator Judy Lee	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Sen. Dotzenrod

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

REPORT OF STANDING COMMITTEE

HB 1055: Political Subdivisions Committee (Sen. Burckhard, Chairman) recommends
DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1055 was placed
on the Fourteenth order on the calendar.

2017 TESTIMONY

HB 1055

Testimony to the
House Political Subdivisions Committee
House Bill 1055

1
1055
1-6-17

Good Morning Chairman Klemin and members of the Political subdivision committee. My name is Denton Zubke and I am the representative from District 39 which encompasses the counties of Adams, Billings, Bowman, Golden Valley, Slope, McKenzie and parts of Dunn. I am here to support HB 1055.

I serve as Chairman for the McKenzie County Water Resource District. State statutes currently limit Water Resource Districts to \$10 million in indebtedness, while Water Districts enjoy a \$50 million bond indebtedness limit. There are similarities and differences between the two types of entities, and hopefully with explanation you will agree that both entities should have \$50 million in total bond indebtedness limit.

Water Districts were created in 1995 solely for the purpose of providing water supply within established county boundaries. Water Districts originally had a \$25 million bond limitation, which was raised to \$50 million in 2007 due to the higher costs of developing infrastructure. The legislature allowed for the creation in section 61-35 of the century code and they have powers as defined in section 61-35-12.

Water Resource Districts were originally created in 1957 to address a wide variety of needs within hydrological boundaries. The \$10 million debt cap was put in place in 1981. Water Resource Districts are established by section 61-16 of the century code and the legislative intent is for the management, conservation, protection, development and control of waters in this state. Powers are delineated in section 61-16-09 and those powers include much more than water districts as they also include responsibility for recreation areas, dams, navigable and non-navigable streams, etc. Those powers can also be regulatory over waters of the district, in cooperation with the State Engineer. Water Resource District commissioners are appointed by the county commissioners. They work closely with the county commissions and have their budget approved by the county commission. The county commission is not responsible however for the debt of the water resource district which brings us to this bill.

McKenzie County Water Resource District operates a water supply system in McKenzie County. The present \$10 million ceiling on revenue bond debt in section 61-16.1-16 has been troublesome as their water supply projects in aggregate exceed ten million dollars. Given the explosive growth in development and the need for rapid construction of infrastructure in western North Dakota, McKenzie Water Resource District quickly hit its debt ceiling, struggling at times to provide water service and meet the water needs of the rapidly growing population.

#1
1055
1-6-17

In 2007 the water district revenue bond level was raised to fifty million to encompass the rising costs of water supply projects but unfortunately water resource districts were not included. HB 1055 would increase the aggregate total outstanding revenue bond debt limit to \$50 million in concert with water districts. Please keep in mind that this is a revenue bond limit so bond markets will only allow the amount of debt that can be serviced by the water resource district. Some water resources districts will have little revenue and may not qualify for any debt. McKenzie County Water Resource District has sufficient revenue to qualify for more than the existing ten-million-dollar limit but because of the limit, have been forced to have adjoining water districts take indebtedness and then entered into agreements through the McKenzie County commission for repayment to said districts. This negatively impacts everyone's financial statement, audits and also encompasses unnecessary legal agreements.

HB 1055 would solve this.

Mr. Chairman, that concludes my testimony and I would answer any questions.

2

H.B. 1055
3.16.17
Written testimony #1
P. 1/2

Testimony to the
Senate Political Subdivisions Committee
House Bill 1055

Good Morning Chairman Burckhard and members of the Political Subdivision committee. My name is Denton Zubke and I am the representative from District 39 which encompasses the counties of Adams, Billings, Bowman, Golden Valley, Slope, McKenzie and parts of Dunn. I am here to support HB 1055.

I serve as Chairman for the McKenzie County Water Resource District. State statutes currently limit Water Resource Districts to \$10 million in indebtedness, while Water Districts enjoy a \$50 million bond indebtedness limit. There are similarities and differences between the two types of entities, and hopefully with explanation you will agree that both entities should have \$50 million in total bond indebtedness limit.

Water Districts were created in 1995 solely for the purpose of providing water supply within established county boundaries. Water Districts originally had a \$25 million bond limitation, which was raised to \$50 million in 2007 due to the higher costs of developing infrastructure. The legislature allowed for the creation in section 61-35 of the century code and they have powers as defined in section 61-35-12.

Water Resource Districts were originally created in 1957 to address a wide variety of needs within hydrological boundaries. The \$10 million debt cap was put in place in 1981. Water Resource Districts are established by section 61-16 of the century code and the legislative intent is for the management, conservation, protection, development and control of waters in this state. Powers are delineated in section 61-16-09 and those powers include much more than water districts as they also include responsibility for recreation areas, dams, navigable and non-navigable streams, etc. Those powers can also be regulatory over waters of the district, in cooperation with the State Engineer. Water Resource District commissioners are appointed by the county commissioners. They work closely with the county commissions and have their budget approved by the county commission. The county commission is not responsible however for the debt of the water resource district which brings us to this bill.

McKenzie County Water Resource District operates a water supply system in McKenzie County. The present \$10 million ceiling on revenue bond debt in section 61-16.1-16 has been troublesome as their water supply projects in aggregate exceed ten million dollars. Given the explosive growth in development and the need for rapid construction of infrastructure in western North Dakota, McKenzie Water Resource District quickly hit its debt ceiling, struggling at times to provide water service and meet the water needs of the rapidly growing population.

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In 2007 the water district revenue bond level was raised to fifty million to encompass the rising costs of water supply projects but unfortunately water resource districts were not included. HB 1055 would increase the aggregate total outstanding revenue bond debt limit to \$50 million in concert with water districts. Please keep in mind that this is a revenue bond limit so bond markets will only allow the amount of debt that can be serviced by the water resource district. Some water resources districts will have little revenue and may not qualify for any debt. McKenzie County Water Resource District has sufficient revenue to qualify for more than the existing ten-million-dollar limit but because of the limit, have been forced to have adjoining water districts take indebtedness and then entered into agreements through the McKenzie County commission for repayment to said districts. This negatively impacts everyone's financial statement, audits and also encompasses unnecessary legal agreements.

HB 1055 would solve this.

Mr. Chairman, that concludes my testimony and I would answer any questions.