

STATE WATER COMMISSION & BANK OF NORTH DAKOTA



Western Area Water Supply Authority - House Bill No. 1206 (2011) establishes the Western Area Water Supply Authority to treat, store, and distribute water to western North Dakota and to provide for the supply and distribution of water to the people of western North Dakota for domestic, rural water, municipal, livestock, industrial, oil and gas development, and other purposes. The authority may acquire, construct, improve, develop, and own water supply infrastructure and may enter water supply contracts with member cities; water districts; and private users, such as oil and gas producers, for the sale of water for use within or outside the authority boundaries or the state. The authority consists of participating political subdivisions located within McKenzie, Williams, Burke, Divide, and Mountrail Counties which enter a water supply contract with the authority. The bill provides that the Bank of North Dakota provide a loan of \$50 million to the authority for the construction of the project. The State Water Commission is required to make available from funding appropriated to the commission \$25 million as a zero interest loan to the authority. The bill also appropriates \$25 million from the general fund to the Bank to provide a loan to the authority for a maximum term of eight years from the completion of the \$50 million loan from the Bank at 5 percent interest per year. The bill appropriates \$10 million from the resources trust fund to the Bank for the purpose of providing a loan to the authority for a maximum term of two years from the completion of the \$25 million loan from the general fund at 5 percent interest per year. The bill provides that this funding must be structured so that funding is provided, as needed, first from the \$25 million zero interest loan from the State Water Commission, second from the \$50 million loan from the Bank, third from the \$25 million loan from the general fund, and last from the \$10 million loan from the resources trust fund. Repayment of loans must be structured in the following order:

1. The \$50 million loan from the Bank;
2. The \$25 million loan from the general fund with deposit of the principal in the general fund and interest in the resources trust fund;
3. The \$10 million loan from the resources trust fund for deposit in the resources trust fund; and
4. The \$25 million zero interest loan from the State Water Commission for deposit in the resources trust fund.

The Bank of North Dakota will manage the cashflows and service the loans to the Western Area Water Supply Authority. The authority has received \$18 million from the \$25 million State Water Commission loan. The Bank anticipates providing the remainder of the \$25 million State Water Commission loan and a first advance from the \$50 million Bank loan by June 30, 2012.

The authority is required to repay the loans from revenues from the project. Upon repayment of the State Water Commission zero interest loan, the authority is required to provide 5 percent of the net profits to the State Water Commission for deposit by the State Treasurer in the resources trust fund until June 30, 2040. At the request of the authority, the State Water Commission is required to consider a loan of \$40 million from the resources trust fund for inclusion in the State Water Commission's budget for second phase funding.