

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 30, 2015 beginning at 1:00 p.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Jolene Kline, Housing Finance Agency  
Max Wetz, Housing Finance Agency  
Jennifer Henderson, Housing Finance Agency  
Members of the Press

Governor Dalrymple called the Industrial Commission meeting to order at 1:00 p.m. and the Commission took up Housing Finance Agency business.

Ms. Jolene Kline, Housing Finance Agency Executive Director, presented the Housing Finance Agency Advisory Board recommendation to approve the Acquisition Cost Limits for the FirstHome Standard, Start, and HomeAccess Programs - Program Directive 105 to be effective July 1, 2015 as follows:

RE: NDHFA Homeownership Acquisition Cost Limits

The North Dakota Housing Finance Agency Advisory Board recommends that the Industrial Commission approve the Acquisition Cost Limits for the FirstHome Standard, Start, and HomeAccess programs per the attached Program Directive 105, effective July 1, 2015.

The current FirstHome acquisition limit is \$265,158 and applies to the entire state with higher limits available on 2-4 unit existing properties. The Internal Revenue Service released Revenue Procedure 2015-31 that provides for new acquisition cost limits for mortgage revenue bond programs based on the FHA loan limits. The FHA loan limits are adjusted to take into account the differences between average and median home prices and do not differentiate between new and existing properties.

The IRS Revenue Procedure requires that the statewide acquisition limit decrease to \$258,690. However, the IRS has determined that eight counties in North Dakota have higher purchase prices than the rest of the state. Billings, Burleigh, McKenzie, Morton, Oliver, Sioux, Stark, and Williams Counties could have limits ranging from \$262,316 in McKenzie County to \$301,829 in Williams County. However, due to income limits of the FirstHome programs most people are not able to afford homes at these price levels. Therefore, to limit the number of different acquisition cost limits, staff proposed and the Advisory Board concurred to use the Burleigh/Morton County limit of \$277,683 for the counties of Burleigh, Morton, Stark, and Williams and to use the IRS (all other area) limit of \$258,690 for the rest of the state.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission adopt the North Dakota Housing Finance Agency Advisory Board recommendation and approve the Acquisition Cost Limits for the FirstHome Standard, Start, and HomeAccess Programs and adopt the following Program Directive 105 to be effective July 1, 2015.**

NORTH DAKOTA HOUSING FINANCE AGENCY  
HOME MORTGAGE FINANCE PROGRAM

PROGRAM DIRECTIVE NO. 105

Area Limits  
(Maximum Acquisition Cost)

The following Program Directive will serve as written notice of the Area Limits (as defined in the 1994 Mortgage Purchase Agreement dated as of August 3, 1994) for the Acquisition Cost of a Single Family Residence. These Area Limits are effective for Mortgage Loans in which the Reservation is dated on or after the herein effective date.

Previously Occupied

	<u>1 Unit</u>	<u>2 Units</u>	<u>3 Units</u>	<u>4 Units</u>
Burleigh, Morton, Stark Williams	\$277,683	\$355,466	\$429,968	\$533,319
All Other Counties	\$258,690	\$331,177	\$400,299	\$497,481

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Previously Unoccupied

	<u>1 Unit Only</u>
Burleigh, Morton, Stark Williams	\$277,683
All Other Counties	\$258,690

The Agency reserves the right to modify the Area Limits at any time.

Rehabilitated structures are considered to be previously occupied even though not originally designed for residential use.

Effective date of this Program Directive No. 105: July 1, 2015

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Ms. Kline presented the Housing Finance Agency Advisory Board recommendation to approve the resolution authorizing the issuance of the State of North Dakota, North Dakota Housing Finance Agency, Multifamily Revenue Bonds (Meadowlark Heights Apartments Project) Series 2015 in an aggregate principal amount not to exceed \$10,000,000. She said in March she brought a declaration of intent to issue multifamily bonds which was approved and the project has now moved to the point the Agency anticipates issuing the bonds.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the recommendation of the Housing Finance Agency Advisory Board and adopt the following resolution:**

STATE OF NORTH DAKOTA  
NORTH DAKOTA HOUSING FINANCE AGENCY  
MULTIFAMILY REVENUE BONDS  
(MEADOWLARK HEIGHTS APARTMENTS PROJECT)  
SERIES 2015

**RESOLUTION AUTHORIZING THE STATE OF NORTH DAKOTA, NORTH DAKOTA HOUSING FINANCE AGENCY, MULTIFAMILY REVENUE BONDS (MEADOWLARK HEIGHTS APARTMENTS PROJECT) SERIES 2015 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$10,000,000**

WHEREAS, the Industrial Commission of North Dakota (the "Commission") acting in its capacity as the North Dakota Housing Finance Agency (the "Agency"), is empowered by the provisions of the North Dakota Century Code Chapter 54-17 (the "Act") to provide financing, directly or indirectly, of construction, permanent and combined construction and permanent mortgage loans for the acquisition, construction, refurbishing, reconstruction, rehabilitation or improvement of multifamily residential housing in which at least twenty percent of the units are held for occupancy by persons or families of low and moderate income; and

WHEREAS, the Agency intends to issue its Multifamily Revenue Bonds (Meadowlark Heights Apartments Project) Series 2015 in an aggregate principal amount not to exceed \$10,000,000 (the "Bonds"), the proceeds of which will be used to finance a loan for the acquisition, rehabilitation and equipping of the Meadowlark Heights Apartments Project, a 96-unit 100% Section 8 multifamily residential rental property located in Minot, North Dakota (the "Project"); and

WHEREAS, the Bonds will be issued pursuant to a Trust Indenture (the "Indenture"), between the Agency and Wells Fargo Bank, National Association, as trustee (the "Trustee"), which will be in substantially the form attached hereto as Attachment A, whereby the Agency would be authorized to issue the Bonds subject to the terms, conditions and limitations established herein and in the Indenture; and

WHEREAS, the proceeds of the Bonds will be used to finance a loan (the "Mortgage Loan") to Minot LIHTC, LP, a North Dakota limited partnership, or another affiliate thereof (the "Borrower"), pursuant to a Loan Agreement, by and among the Agency, the Borrower and the Trustee (the "Loan Agreement"), which will be in substantially the form attached hereto as Attachment B; and

WHEREAS, the Bonds will be sold and delivered to RBC Capital Markets, LLC (the "Underwriter") in the manner, at the purchase price and on the terms and conditions set forth in a bond purchase agreement by and between the Agency and the Underwriter (the "Bond Purchase Agreement"), which will be in substantially the form attached hereto as Attachment C; and

WHEREAS, to market the Bonds, there shall be prepared and delivered to the Underwriter a preliminary official statement (the "Preliminary Official Statement"), which will be in substantially the form attached hereto as Attachment D.

NOW, THEREFORE, BE IT RESOLVED:

**Section 1. Findings.** The Commission hereby finds and determines that:

(a) the Project financed through the issuance of the Bonds constitutes a "multifamily housing facility" within the meaning of Sections 54-17-07.2 and 54-17-07.3(3) of the Act; and

(b) the Mortgage Loan will provide the Borrower with construction financing for the acquisition, construction, refurbishing, reconstruction, rehabilitation or improvement of the Project; and

(c) that the Project will be of public use and will provide a public benefit.

**Section 2. Approval of Indenture.** The Indenture is hereby approved in the form hereinabove described, and the Executive Director, the Director of Planning and Housing Development or the Chief Financial Officer of the Agency (each, including any individual authorized to act on his or her behalf, an "Authorized Officer") is hereby authorized and directed to execute and deliver the Indenture, with such changes, insertions or omissions therein as may be approved by such person, such approval to be evidenced conclusively by such execution of the Indenture, and any other Authorized Officer is hereby authorized and directed to attest thereto.

**Section 3. Authorization and Sale of Bonds.** The issuance, sale and delivery of the Bonds to the Underwriter are hereby authorized and approved. The final principal amount and terms of the Bonds shall be determined by any Authorized Officer, subject to the following conditions:

(a) The Bonds shall not be general obligations of the Commission or the Agency but shall be limited obligations payable solely and only from Mortgage Loan payments and any other moneys pledged under the Indenture as required by the Loan Agreement.

(b) The Bonds shall mature no later than August 1, 2017, bear interest at a fixed rate or rates not to exceed 3% per annum, be sold to the Underwriter at not less than 100% of the principal amount thereof and have the other terms and provisions (including provisions with respect to the redemption of the Bonds prior to maturity, if any) as described to the Commission and definitively set forth in the Indenture upon execution and delivery as aforesaid in Section 2 hereof.

(c) The Bonds shall be executed and delivered substantially in the form set forth in the Indenture, with such additions, omissions and changes as are required or permitted by the Indenture.

(d) The Bonds shall be executed in the name of the Commission by the manual or facsimile signature of each of the members of the Commission, with the official seal of the Commission (or a facsimile thereof) impressed, imprinted or otherwise reproduced thereon, and attested by the manual or facsimile signature of any Authorized Officer, and their execution shall evidence their approval of the final terms thereof. Such Bonds shall not be valid or obligatory for any purpose until authenticated by the manual signature of an authorized officer of the Trustee.

The Bond Purchase Agreement is hereby approved in the form hereinbefore described, and any Authorized Officer is hereby authorized to execute and deliver the Bond Purchase Agreement, with such changes, insertions or omissions therein as may be approved by such person, such approval to be evidenced conclusively by such execution of the Bond Purchase Agreement.

**Section 4. Approval of Loan Agreement.** The Loan Agreement is hereby approved in the form hereinabove described, and any Authorized Officer is hereby authorized to execute and deliver the Loan Agreement, with such changes, insertions or omissions therein as may be approved by such person, such approval to be evidenced conclusively by such execution of the Loan Agreement.

**Section 5. Approval of Disclosure Materials.** The preparation of the Preliminary Official Statement, in the form hereinabove described, is hereby approved. Any distribution or use of the Preliminary Official Statement by the Underwriter in connection with the offering of the Bonds is hereby authorized and ratified. The preparation and distribution of an Official Statement, subsequent to the execution of the Bond Purchase Agreement, and its use as contemplated by the Bond Purchase Agreement, is hereby authorized.

**Section 6. Ratification of Prior Actions.** All action previously taken by the officers, members or staff of the Agency within the authority granted herein, with respect to the Indenture, the Loan Agreement, the Land Use Restriction Agreement, the Bonds and a public hearing with respect to the issuance of the Bonds is hereby approved, confirmed and ratified.

**Section 7. Execution of Tax Documents.** Any Authorized Officer is hereby authorized to execute certifications as to the Agency's reasonable expectations regarding the amount and use of the proceeds of the Bonds, to file related forms with the Internal Revenue Service and to execute appropriate land use restriction agreements to comply with the Internal Revenue Code of 1986, as amended, particularly Sections 142 and 148 thereof.

**Section 8. Additional Actions Authorized.** Any Authorized Officer and any other officer, employee or agent of the Agency, acting alone or acting with others, are each hereby authorized and directed to execute and deliver any or all other documents which may be required under the terms of the Indenture or the Loan Agreement and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

**Section 9. Effective Date.** This Resolution shall become effective immediately.

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Ms. Kline discussed the appointment of public hearing representative for the public hearing to be held on July 8, 2015 at 10:00 a.m. CT as follows:

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
Acting as the  
NORTH DAKOTA HOUSING FINANCE AGENCY

Appointment of Public Hearing Representative

The Executive Director of the North Dakota Housing Finance Agency (the "Agency"), is hereby appointed to act as the representative of the North Dakota Industrial Commission, (the "Commission"), acting as the Agency at the public hearing regarding the proposed issuance of Multi-Family Revenue Bonds (the "Bonds") by the Agency, to be held in Bismarck, North Dakota, on July 8, 2015 at 10:00 A.M. (Central Time).

As Hearing Representative, the Executive Director will receive, on behalf of the Commission, public comments, oral or written, and advise the Commission of the substance of the testimony given at the public hearing prior to the date of issuance of the Bonds.

The Commission recognizes the publication of the Notice of Public Hearing as attached and published June 22<sup>nd</sup>, 2015 in the daily newspapers as attached, in the State of North Dakota in accordance with Internal Revenue Code Section 147(f).

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission (Commission) appoints the Executive Director of the North Dakota Housing Finance Agency to act as the Commission's representative at a public hearing on July 8, 2015 at 10:00 a.m. regarding the proposed issuance of Multi-Family Revenue Bonds. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Being no further Housing Finance Agency business, Governor Dalrymple adjourned this portion of the meeting at 1:04 p.m. and the Commission took up Department of Mineral Resources business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

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Held on June 30, 2015 beginning at 1:00 p.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Lynn Helms, DMR  
Bruce Hicks, DMR – Oil and Gas Division  
Ed Murphy, DMR – Geological Survey  
Dani Krause, Fredrickson & Byron  
Craig Smith, Crowley Fleck  
Erica Carmal, APT Inc.  
Tracey Weber, KLJ  
Bob Harms  
Jan Swenson  
Kari Doan, Department of Agriculture  
Members of the Press

Governor Dalrymple called the Department of Mineral Resources portion of the Industrial Commission meeting to order at 1:04 p.m. following completion of Housing Finance Agency business.

Mr. Lynn Helms, Department of Mineral Resources Director, presented orders for cases heard on April 23 and May 28 & 29, 2015 as follows: (Copies of the orders are available in the Commission files.)

Case 23729, Order 26536 - voluntary unitization of the proposed Cedar Hills West North Dakota-Red River "B" Unit – Mr. Helms indicated that this matter needed to be held over to a future meeting as the operator, Continental Resources, believed that they would have ratification or approval of the unit from the Bureau of Land Management (BLM) by today but BLM is still working on that approval.

Case 23797, Order 26537 - exception location – (A handout is available in the Commission files.) Mr. Helms stated this is a matter concerning a well that Denbury Onshore would like to drill in the Cedar Hills South Unit. Denbury wants to drill a wishbone shaped well; this would be their third wishbone--they have successfully drilled two. Denbury would like to drill the third well as a producer and convert the center well into an injection well. They would like to keep the producing well as far from the injector as possible to avoid early water break through and in order to do that they need to drill that well closer than 660 feet to the unit boundary which is the current setback. He indicated that a mineral owner in Section 6 objected to Denbury's proposal to be only 375 feet from the unit boundary. The data Denbury presented at the hearing indicated that the wishbone well could drain out as much as 392 feet. Based on that information the staff is recommending in Order 26537 that along with addressing all of the mineral owner's concerns establish the setback at 450 feet on both sides of the section line. This will result in Denbury having to stay further from that section line than their calculated drainage radius – slightly further and a little closer to the injection well. The Order also anticipates that at a future date the setback in Section 6 could be adjusted to the exact same amount. The staff believes they have reached a fair compromise that protects correlative rights and protects the interests of all the parties involved.

In response to a question Mr. Helms indicated that there is no development in Section 6 at this time.

In response to a question Helms indicated that the SE part of Section 31 may be infill drilled with a short well when they go to tertiary recovery with CO<sub>2</sub> but there are no plans to do that at this time.

**Case 23797: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 26537 issued in Case 23797, be approved this 30<sup>th</sup> day of June, 2015. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Case 23916, Order 26538 - termination of 2560-acre and 1280-acre spacing units and creation of 480-acre, 1280-acre and 1680-acre spacing units – (The handout is available in the Commission files.) Mr. Helms indicated that this is a very difficult piece of real estate to develop; it crosses Lake Sakakawea just northwest of New Town and because of the orientation of the Lake, it is very difficult with the terrain to stay away from the Lake and yet develop the minerals under the Lake. Continental Resources is proposing a skinny 480-acre spacing unit on the east end, a 1280-acre spacing unit on the west end to be developed from the south shore of the Lake, and two long 1680-acre spacing units in the middle. The current spacing for this area is two 1280-acre spacing units on the east side of the Lake and a 2560-acre spacing unit on the west end and would involve the drilling 56 wells and would recover just over 36 million barrels of oil. Continental has been unable to negotiate surface locations for the current spacing. There are no acceptable locations inside the spacing unit due to cultural artifacts so they attempted to negotiate some surface locations outside those spacing units but the surface owner is unwilling to reach an agreement with them. Continental is proposing to reorient everything and put together a much more uniform development pattern still using three surface locations but all of those are already staked, negotiated and located. In this case they would drill 42 wells and they would recover an additional 1.15 million barrels of oil for a total of 37.3 million barrels of oil.

Mr. Helms stated that the opposition to this comes from Mr. Langved who owns an interest in the spacing units on the east end, the skinny 480-acre spacing unit and the east end of the 1680-acre spacing units. He believes his correlative rights will be adversely affected and he calculates correlative rights based on the feet of lateral that would be drilled under his land. However, that is not the definition of correlative rights the Supreme Court uses. The ND Supreme Court uses an equitable share of oil and gas to be produced from under the lands. When the staff calculated that, there is a very slight decrease in his share of oil.

In response to a question about what equitable is, Mr. Helms stated that it is a “fair share” - that is what the federal definition is – what is your fair share of the oil and gas that can be recovered from beneath the spacing unit. In this case, the change in Mr. Langved’s share of oil from these lands is less than the margin of error of all the numbers that went into the calculation. It is a very slight change in terms of the volume of oil and gas.

Mr. Helms indicated that Mr. Langved believes that there should be rules of finality – that once the Commission sets spacing it should stick with it. Mr. Helms indicated that when the Commission is dealing with Lake Sakakawea, environmental affects, terrain, etc. the Commission needs to modify spacing in order to maximize recovery and minimize the number of wells.

Mr. Helms stated that Mr. Langved also believes it destroys his rights as a surface owner to negotiate with Continental on these off spacing unit surface locations. If the Commission approves the proposed spacing pattern those won’t be the surface locations used.

Mr. Helms stated the proposed Order would change the spacing, will reduce the number of wells that have to be drilled by 14 and since it is right along the shore of Lake Sakakawea that’s significant, it will move the wells significantly further – more than half a mile further from the lake shore and that is significant,

and it will recover 1.15 million barrels more of oil with just a small change to Mr. Langved's share of that oil.

In response to a question regarding what Mr. Langved's equitable share is, Mr. Helms said he thinks somewhere between 4 million and 4.2 million barrels. It is a very large amount.

In response to a question Mr. Helms clarified that Mr. Langved owns the mineral rights and the surface rights. He is contesting the change to the drilling pattern and at the same time contesting the surface locations that would allow the existing drilling pattern to be developed – it is an unfortunate situation. To get these mineral developed, the staff needed to come up with a solution that keeps the number of wells to a minimum and the number of surface locations to a minimum, protects the Lake and recovers more oil.

In response to a question regarding what Mr. Langved's objection to the surface location is, Mr. Helms said it is primarily money. It has to do with the use of his land and how much he is paid. They have tried for a year to come to terms on surface locations and cannot.

**Case 23916: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 26538 issued in Case 23916, be approved this 30<sup>th</sup> day of June, 2015. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Case 23939, Order 26539 - risk penalty – Mr. Helms said this involves a situation where individuals who may be subject to the risk penalty have indicated that did not receive the invitation to participate in the well. However, the company who sent the invitation complied completely with the Commission's rule in terms of sending it. They sent it by US Postal Service, priority mail, signature, return receipt required. It was signed for by an employee of a bank in Denver, Colorado along with five other invitations – five of which were signed for by this individual and one by a different individual. This is the only invitation the company did not return and did not participate in the well. It got lost somewhere. The company required that royalty payments go to this PO box/drawer and they picked up the mail from that location. The company decided to have all mail go to that drawer. The end result is there are more than fifty parties that are receiving their mail at that same PO box. This one got lost somewhere but at no fault of EOG, the company that is applying for the risk penalty. The other party claims that the mail got lost because the department number was truncated from the mailing address – but the other five got through without it. An employee at the bank signed for the receipt of the mail and that is not in dispute. Either they lost it or it got lost when it got to California and it just didn't get taken care of and didn't get returned. The operator complied with all the requirements of the rule in terms of mailing it return receipt requested, it was signed for along with the five others and just didn't arrive at the proper location, didn't get filled out, signed and returned. The proposed order approves the risk penalty in favor of EOG and in opposition of Royal Repository.

In response to a question Mr. Helms indicated that the invitation did arrive at the proper location and they were give actual legal notice. EOG was instructed by Royalty Repository to send the invitations to this PO Box/drawer and they did send it there and it was signed for by this individual – a that point, they had fulfilled all their obligations.

**Case 23939: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 26539 issued in Case 23939, be approved this 30<sup>th</sup> day of June, 2015. On a roll call vote, Governor Dalrymple, Attorney General**



**Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Case 23966, Order 26540 - gas flaring; Case 23967, Order 26541 - gas flaring; and Case 23968, Order 26542 - gas flaring – He said these cases are all a combined situation and he provided a handout. (A copy of the handout is available in the Commission files.) He said it is an application by OXY, USA, Inc. for flaring relief. The circumstances are identical to the case the Commission considered last month for XTO. The pipeline that could not get right-of-way to cross the tribal lands, Forest Service or Corps of Engineers land is bottlenecking this gas as well. OXY has come and asked for relief all the way through the construction of the Bear Creek Plant to the third quarter of next year. They are asking for relief on just under 2.4 million cubic feet per day that is being flared because of this situation.

Mr. Helms indicated that the Orders the staff is recommending grants the same relief that XTO got – can't drill any new wells, can't fracture any new wells and get relief for those but the wells that OXY had on production, existing wells, at the time that OXY became aware of the pipeline was not going in would be granted six months of relief. He does not think the Commission should grant relief all the way through the third quarter of next year. Circumstances change fairly rapidly; OneOk is working on some projects; OXY is working on projects--an interconnect to Hiland or Kinder Morgan. Six months from now they might not need this relief. If they do, they should come back. The order he is recommending would grant relief on the 2.4 million cubic feet per day for six months, no new wells to be drilled or completed just the wells they had on production and in existence when the right-of-way situation went sour.

In response to a question, Mr. Helms indicated that there were other companies that were impacted by this situation. The Commission may see a few more of these of similar size and scope. It is recommended that the Commission be consistent in short term, temporary relief for the wells that were existence at the time the operator found out there was a problem.

In response to a question, Mr. Helms indicated that OXY is very close to being able to meet the 77% capture goal that is in place right now and this should put them in a position to meet that goal.

In response to a question, Mr. Helms indicated that OXY is trying to hook into another line and the relief would no longer be needed. They are working this summer on a \$10 million expansion of a compressor facility on OneOK's system that might relieve this and a tie in to the Kinder Morgan system that might be able to take the gas. By the end of the 6 months this problem likely won't exist.

**Case 23966: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 26540 issued in Case 23966, be approved this 30<sup>th</sup> day of June, 2015. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

**Case 23967: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 26541 issued in Case 23967, be approved this 30<sup>th</sup> day of June, 2015. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

**Case 23968: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 26542 issued in Case 23968, be approved this 30<sup>th</sup> day**

**of June, 2015. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Case 23971, Order 26543 - relief from drilling requirements involving a lease-line well – (A handout is available in the Commission files.) Mr. Helms indicated that this is a request of Petro Hunt to develop Sections 30 and 31. They are proposing a section line well with an overlapping 2560-acre spacing unit. The problem with this development plan is that Section 31 is almost all federal minerals and BLM will not lease them until a new resource management plan can be ready. That can take a very long time. The second situation is that minerals in Section 30 are private and State and their leases are expiring in August. In trying to avoid the large tract of federal land that has to wait for a resource management plan Petro Hunt could build a long crooked road out to the NWNW of Section 32 and build a pad there and drill in Section 30 to hold their mineral leases by production. They don't want to do that and the staff doesn't want them to do that either. They are asking for an exception that would allow them to drill the section line well from the far south end first and that will secure those leases in Section 30 and then they can wait on the BLM delays for development of Sections 30 and 31. By doing that, the well locations will back away from the Lake a mile and a half into much more manageable terrain and the development will be orderly and not have locations and new roads, etc. encroaching on the lakeshore. The end result will be more oil produced, leases secured, less roads built, locations at least a mile further from the lakeshore than the way the spacing is currently set up. It is the staff's recommendation that the Commission grant this very rare exception to the section line wells policy and let that section line well be drilled first. The reason the order is before the Commission is a private mineral owner in Section 30 objected and is concerned about their correlative rights. The section line well will be drilled in a narrow corridor so it would drain from both 1280's equally and ultimately the mineral owner's correlative rights will get developed when their neighbor, the federal government, allows things to move forward.

**Case 23971: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 26543 issued in Case 23971, be approved this 30<sup>th</sup> day of June, 2015. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Case 23998, Order 26545 - determination of bond amount – (A handout is available in the Commission files.) He said this is an unusual case where a company is coming into North Dakota and wishes to drill a well. The company has no assets in North Dakota except from a couple of leases in McKenzie County. The staff is concerned based on background checks that there are serious financial risks associated with this company and this proposal. The company consists of a Texas LLC, Nevada LLC, Wyoming LLC and a North Dakota LLC so the finances are spread across four states and the only assets in North Dakota are these two mineral leases. They also haven't fully capitalized the project to even drill the first well. Based on the information presented at the hearing the staff is recommending the Commission set the bond for the first well at the full cost of plugging and reclamation. They can then permit the well and move forward to drill that first well. If they establish production and have assets in North Dakota then they should be able to move forward on a normal basis. The company had requested a \$100,000 blanket bond and an unlimited number of wells but the cost of plugging and reclaiming this one well is \$200,000. Starting out with limited assets in North Dakota, undercapitalized and based on background checks that this situation requires a single well bond for the full plugging and reclamation costs of \$200,000 is appropriate.

Mr. Helms said the reason this order is in front of the Commission is because the company believes they should get a \$100,000 blanket bond and drill as many wells as they would like. We think that is an

excessive risk the way things are in the oil business right now and that the state needs to protect itself and this is the process by which we do that.

**Case 23998: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 26548 issued in Case 23998, requiring a \$200,000 single well bond be approved this 30<sup>th</sup> day of June, 2015. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Mr. Ed Murphy presented and reviewed the Geological Survey Quarterly Report. (A copy of the report is available in the Commission files.) He discussed the Core Library expansion and the Temperature Logging Project. He said the Survey is running six fossils digs this year; they are managing four; Parks and Recreation is managing the dig in the Pembina Gorge and the Marmarth Foundation is managing the one in Marmarth. He reported on some of the groups that will be participating in the digs. He is currently negotiating with a landowner in the Fort Rice area (approximately an hour from Bismarck) which would be a dig if the Commission is not able to participate in one of the others that would be open just to the Commission members, staff, family and friends and that would be in mid-September. He showed the Commission of the site and also some pictures of the fossils that had been found on the site. The Commission thanked Mr. Murphy for his invitation and stated they will look at their schedules.

In response to a question regarding a flaring update, Mr. Helms stated he did not have one prepared but told the Commission that April was the last month that they had production numbers and industry was 5% above the current goal of 77% with industry at 82%. The next goal is 85% on January 1. Industry is doing some talking about that goal but they are in good shape at this point for this time of year.

Mr. Helms discussed litigation saying they made a trip to Casper, Wyoming a week ago spending nine hours with the Federal 10<sup>th</sup> Circuit Judge talking about the BLM hydraulic fracturing rules and did get a stay of the rules going into effect on June 24.

Attorney General Stenehjem and Mr. Helms discussed the hearing, the Judge's reactions to the evidence that was introduced, the delay in BLM getting the record of decision completed, and the impact the rules would have on private surface owners. The Judge decided that he was going to wait until the record of decision was completed which is supposed to be by July 21. The parties will then make reference annotations in their briefs to the record of decision--the State has one week to do that and then within two weeks after that the Judge will decide whether to grant a preliminary injunction pending a full hearing on the issue.

Attorney General Stenehjem commented on the exhibits that the state had provided--noting in particular the exhibit that showed the theoretical spacing unit, showed a variety of interests and at the bottom you have some federal minerals and the proposed rule would control the surface occupancy two miles away. The Judge also noted that there is no harm because 99.4 percent of all of the places where the wells are being dug are already covered by hydraulic fracturing rules in North Dakota, Wyoming, etc. so no real harm in the meantime. We will wait and see towards the end of July whether there is a preliminary injunction granted or not. He said Mr. Helms did very well as the State's star witness and so did our lawyer.

In response to a question Mr. Helms indicated that the biggest risk to the State is the significant delays in the permitting process anywhere there is a federal tract and especially on Indian lands. They have informed us that any MOU that they negotiate with the State will not apply on Fort Berthold or Indian lands and that they will apply all externalities – as they call them – to any well that penetrates those Indian

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minerals so it could even result in a full NEPA Analysis of the point source for the frac water and the route the frac water is going to take in order to access the well site. Clearly, well over a third of our production is at risk and the development on Fort Berthold in particular.

Attorney General Stenehjem said at some point the Tribe is going to have to engage in this litigation. The Tribes in Colorado and in Wyoming have sought to intervene. They are going to be engaged at least in Wyoming and Colorado.

Mr. Helms said it was a very successful day – the industry participants did a good job of presenting their side of the case as did Wyoming and Colorado. Utah did not argue but they said us too. The law firm Attorney General Stenehjem hired did an excellent job and really put the risks to North Dakota in front of the Judge. In particular, the Land Department prepared an exhibit for us of a hypothetical spacing unit that involved state and private minerals and a very small federal tract and that cemented it for the Judge the impact of these externalities--how BLM was going to apply NEPA to private surface because the well bore penetrated federal minerals two miles away.

Being no further Department of Mineral Resources business, Governor Dalrymple adjourned this portion of the meeting at 2:05 p.m. and the Commission took up Western Area Water Supply Authority business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 30, 2015 beginning at 1:00 p.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Jaret Wirtz, WAWSA  
Cory Chorne, WAWSA  
Joel Erickson, Bank of North Dakota  
Mike Jones, Lignite Research, Development and Marketing Program  
Steve Van Dyke, Lignite Energy Council  
Tyler Hamman, Lignite Energy Council  
Members of the Press

Governor Dalrymple called the Western Area Water Supply Authority portion of the Industrial Commission meeting to order at 2:06 p.m. following completion of Department of Mineral Resources business and a short break.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, presented the May Monthly Financial Report as follows: (A complete copy of the report is available in the Commission files.)

RE: Western Area Water Supply Authority - Industrial Sales - May, 2015 and Debt Repayment Report

Attached is the Western Area Water Supply Authority (WAWS) financial information for the month of May and for the 22 months ending May 31, 2015.

Pages 1 & 2 were prepared by the Bank of North Dakota reflecting debt service payments. This report actually reflects the debt reduction payments made through June, 2015. A principal prepayment in the amount of \$597,956 was made in June on BND loan #1.

The next 3 pages (pages 3, 4 & 5) I prepared based on the information provided by WAWS staff reflecting May revenues and expenses and showing net income. Capital improvement disbursements (highlighted in orange) and prepayments (highlighted in yellow) on Page 3 are noted separately. Excluding the prepayments and the capital expenditures the net income for the month of May was \$900,185.55. With the capital expenditures the net income was (\$79,357.43). Revenues in May were \$2,167,465.93--up slightly from the previous month. Page 6 is the balance sheet prepared by WAWS staff as of May 31, 2015. As noted on the Balance Sheet the Accounts Receivables are \$4,636,213.10.

Mr. Wirtz indicated that the numbers for June are finalized but sales will be down from May. They have had discussions about potential sales in July so they are hopeful there will be more sales during that month.

Ms. Fine gave an update on the status of previously approved capital projects as follows:

Capital Projects Approved:

**April 21, 2014**

- Fill Station Improvements including an updated Billing System - total cost not to exceed \$1,008,755.

**May 27, 2014**

- Signage (3 signs) - total cost not to exceed \$84,000

**August 26, 2014**

- Payment of \$8,157.67 for capital costs.
- Authorize payment of up to \$120,000 for the bidding on the additional water storage near Indian Hill reservoir

**September 17, 2014**

- Construction of the Crosby Depot in an amount not to exceed \$1,153,000

**October 27, 2014**

- Up to \$10,000 for providing an estimate for the costs of installing a temporary depot in the Keene area.

**January 28, 2015**

- Indian Hills Reservoir #2 Project - up to \$2,000,000 from industrial sales (WAWS to cover any costs over that amount)
- Establish a \$1,000,000 capital improvement budget for smaller localized projects with funding to come from the industrial sales and that the IC ED be authorized to approve each of the projects if all of the following terms have been met on each project:
  1. No one project can exceed \$200,000 in costs
  2. A “take or pay” contract for a designated period of time will be executed and
  3. Water Commission approval of the location has been received.

*We are to keep the Commission posted on what has been done in this category.*

**June 10, 2015**

- Surveillance Cameras at depots - not to exceed \$32,400

In response to a question regarding the benefits of the Indian Hills Reservoir, Mr. Jaret Wirtz said that was for the increased storage that was needed in McKenzie County. McKenzie County has the most sales. The whole WAWSA system was built for domestic – especially in the south, the capacities were just not there to maintain the industrial customers so more storage was needed. The majority of the benefit was for industrial sales so industrial sales were used to pay the costs. The costs came in at \$2.3+ million and WAWSA said it will help the domestic side in the future so WAWSA paid that extra \$300,000 to \$400,000 with domestic sales.

Mr. Wirtz commented on the status of the various capital projects. The Crosby fill station they are currently holding off on. Governor Dalrymple said WAWS should watch oil prices and the market for a while before making any decisions on moving forward with this project. In response to a question, Mr. Wirtz indicated that they are seeing some trends where the WAWS sales are higher in the winter months. When the water starts freezing up water isn't available from the ponds, creeks or sloughs. Some of the other water sellers have used up all their water authority under their permit by the end of the year.

Governor Dalrymple said he was happy he was able to go to the ribbon cutting of the water treatment plant expansion in Williston. He saw ugly, muddy horrible water coming in one tank and out the other end was the purest, cleanest most pristine water you have ever seen. It was an amazing place and can be operated from an iPad. In response to a question Mr. Wirtz said the capacity went from 14 to 21.

In response to a question Mr. Wirtz said he had discussions this morning with Ms. Fine and BND regarding loan issues and he talked to the Water Commission about a month ago and will be meeting with them again. He will be discussing the best ways to access the funds coming from SB 2020 through the Water Commission and seeing how they can utilize their dollars to the fullest.

Ms. Fine said Mr. Brad Thompson has been handling this loan at BND and he left the Bank last week so Joel Erickson picked up that portfolio.

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Being no further Western Area Water Supply Authority business, Governor Dalrymple adjourned this portion of the meeting at 2:17 p.m. and the Commission took up Lignite Research, Development and Marketing Program business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 30, 2015 beginning at 1:00 p.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Mike Jones, Lignite Research, Development and Marketing Program  
Steve Van Dyke, Lignite Energy Council  
Tyler Hamman, Lignite Energy Council

Governor Dalrymple called the Lignite Research, Development and Marketing Program portion of the Industrial Commission meeting to order at 2:18 p.m. following completion of Western Area Water Supply Authority business.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission meeting be closed to hear Lignite Research Program project reports that have been determined to be confidential pursuant to 54-17.5-06. On a roll call vote Governor Dalrymple, Attorney General Stenehjem, Agriculture Commissioner Goehring voted aye. The motion carried unanimously.**

The Commission reconvened in open session after receiving updates on the Implementation of Regional Lignite Public Affairs Plan (Coalition for a Secure Energy Future) and the Enhance, Preserve and Protect the North Dakota Lignite Industry program. Mr. Jones indicated that there was no further Lignite Research Program business.

Being no further Lignite Research, Development and Marketing Program business, Governor Dalrymple adjourned this portion of the meeting at 3:08 p.m. and the Commission took up Transmission Authority business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary



Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 30, 2015 beginning at 1:00 p.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Mike Jones, Lignite Research, Development and Marketing Program  
Steve Van Dyke, Lignite Energy Council  
Tyler Hamman, Lignite Energy Council  
Members of the Press

Governor Dalrymple called the Transmission Authority portion of the Industrial Commission meeting to order at 3:09 p.m. following completion of Lignite Research, Development and Marketing Program business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, discussed the appointment of North Dakota Transmission Authority Director effective July 1, 2015 as follows: (A complete copy with the attachment is available in the Commission files.)

RE: Transmission Authority Director

Andrea Stomberg has resigned as North Dakota Transmission Authority Director. Based on the recommendation of Jason Bohrer and Mike Jones I am pleased to recommend the appointment of Tyler Hamman to serve as North Dakota Transmission Authority Director. As you are aware, the funding for the Transmission Authority Director position comes through the Lignite Research Program contract with the Lignite Energy Council. A portion of the funding the Industrial Commission awarded to the Lignite Energy Council for the "Enhance, Preserve and Protect the North Dakota Lignite Industry Phase VII Project" included dollars for the Transmission Authority work.

Tyler currently serves as Director of Government Affairs for the Lignite Energy Council. Prior to the LEC, Tyler spent several years in Washington, DC in a number of energy and environmental policy roles for the U.S. Congress. As an advisor to Representative Wally Herger (R-CA), he covered transmission issues related to over 1,200 MW of hydroelectric generation produced from the federal Central Valley Project located in the Congressman's district. He was later on staff of the House Natural Resources Committee where he worked on the federal lands portfolio, including various right of way, easement, and leasing issues pertaining to power generation and transmission. He graduated from Kansas State University with a Bachelor of Science in Agriculture.

Therefore, it is my recommendation, that the Commission name Tyler Hamman as the Director of the North Dakota Transmission Authority effective July 1, 2015.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the recommendation of the Industrial Commission Executive Director and name Tyler Hamman Director for the North Dakota Transmission Authority effective July 1, 2015. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Being no further Transmission Authority business, Governor Dalrymple adjourned this portion of the meeting at 3:11 p.m. and the Commission took up Public Finance Agency business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 30, 2015 beginning at 1:00 p.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
DeAnn Ament, Public Finance Authority  
Eric Hardmeyer, Bank of North Dakota  
Bob Humann, Bank of North Dakota  
Tim Porter, Bank of North Dakota  
Wally Erhardt, Bank of North Dakota  
Chad Johnson, Bank of North Dakota  
Members of the Press

Governor Dalrymple called the Public Finance Agency portion of the Industrial Commission meeting to order at 3:12 p.m. following completion of Transmission Authority business.

Ms. DeAnn Ament, Public Finance Authority Executive Director, presented a Drinking Water State Revolving Fund Program loan request from the City of New Town in the amount of \$5,000,000. She said this will finance a water treatment capacity expansion and the clean well storage capacity expansion. It is an \$18.6 million project and will use Energy Impact Funds of \$9.6 million, Fort Berthold Water Supply is providing \$4 million and the Drinking Water SRF would provide \$5 million with \$1 million of that being loan forgiveness so the net loan will be \$4 million. They will issue revenue bonds payable with user fees and back it with their gross production tax should the water revenues be insufficient - based on that information the Advisory Committee recommended approval.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission adopts the following resolution:**

RESOLUTION APPROVING  
LOAN FROM DRINKING WATER STATE REVOLVING FUND

WHEREAS, the Industrial Commission has heretofore authorized the creation of a Drinking Water State Revolving Fund Program (the "Program") pursuant to N.D.C.C. chs. 6-09.4, 61-28.1, and 61-28.2; and

WHEREAS, the State Revolving Fund is governed in part by the Master Trust Indenture dated as of July 1, 2011 (the "Indenture"), between the North Dakota Public Finance Authority (the "NDPFA") and the Bank of North Dakota (the "Trustee"); and

WHEREAS, the City of New Town (the "Political Subdivision") has requested a loan in the amount of \$5,000,000 from the Program to finance an increase to water treatment plant capacity; and

WHEREAS, NDPFA's Advisory Committee is recommending approval of the Loan; and

WHEREAS, there has been presented to this Commission a form of Loan Agreement proposed to be adopted by the Political Subdivision and entered into with the NDPFA;

NOW, THEREFORE, BE IT RESOLVED by the Industrial Commission of North Dakota as follows:

1. The Loan is hereby approved, as recommended by the Advisory Committee.

2. The form of Loan Agreement to be entered into with the Political Subdivision is hereby approved in substantially the form on file and the Executive Director is hereby authorized to execute the same with all such changes and revisions therein as the Executive Director shall approve.

3. The Executive Director is authorized to fund the Loan from funds on hand in the Drinking Water Loan Fund established under the Indenture upon receipt of the Municipal Securities described in the Political Subdivisions bond resolution, to submit to the Trustee a NDPFA Request pursuant to the Indenture, and to make such other determinations as are required under the Indenture.

4. The Commission declares its intent pursuant to Treasury Regulations §1.150-2 that any Loan funds advanced from the Federally Capitalized Loan Account shall be reimbursed from the proceeds of bonds issued by the NDPFA under the Indenture.

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Ms. Ament presented a Capital Financing Program loan request from the City of Zap in the amount of \$2,500,000. She said they will rebuild or rehabilitate all of their city streets and a small portion for the rehabilitation of a water tower. They will issue improvement bonds payable through special assessments for twenty years – based on that information the Advisory Committee recommended approval.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission adopts the following resolution:**

INDUSTRIAL COMMISSION OF NORTH DAKOTA  
NORTH DAKOTA PUBLIC FINANCE AUTHORITY  
RESOLUTION APPROVING  
LOAN AND PURCHASE OF MUNICIPAL SECURITIES  
WITH FUNDS HELD IN THE CAPITAL FINANCING PROGRAM  
GENERAL BOND RESOLUTION OPERATING ACCOUNT

WHEREAS, the City of Zap (the "Political Subdivision") has requested a loan in the amount of \$2,500,000 (the "Loan") from the North Dakota Public Finance Authority (the "NDPFA") to finance a water tower rehabilitation and city-wide street improvement project; and

Whereas, the Political Subdivision will issue improvement bonds payable with special assessment collections to repay the loan;

Whereas, upon a review of the loan application, the NDPFA's Advisory Committee is recommending approval of the Loan; and

NOW, THEREFORE, BE IT RESOLVED by the Industrial Commission of North Dakota as follows:

1. The Loan is hereby approved.

2. The Executive Director is authorized to fund the Loan as an eligible investment with funds available under the NDPFA's Capital Financing Program General Bond Resolution Operating Account, upon receipt of the Municipal Securities described and authorized to be issued in the Resolution to be adopted by the Political Subdivision's governing body.

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Ms. Ament presented amendments to Policy 7 - State Revolving Fund Loan Policy. She reviewed the proposed amendments. She said the main reason she brought this to the Commission's attention is because the Health Department now has a loan term of up to thirty years or the useful life whichever is less. She stated that the policy changes include that update and also the references from the Bond Bank to the Public Finance Authority.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission amend the Public Finance Authority Policy P-7 - State Revolving Fund Program Loan Application Credit Review and Analysis and Loan Approval and Funding Policy and restate the policy as follows:**

NORTH DAKOTA PUBLIC FINANCE AUTHORITY  
NDPFA POLICY P-7 AMENDED

STATE REVOLVING FUND PROGRAM LOAN APPLICATION CREDIT REVIEW AND  
ANALYSIS AND LOAN APPROVAL AND FUNDING POLICY

### **PURPOSE**

To provide for the credit review and analysis of applications received from political subdivisions for loans from the state revolving fund program (the Program"), and for the approval and funding of Program loans, all as authorized and permitted under the federal Clean Water and Safe Drinking Water Acts (the "Acts"), and in accordance with N.D.C.C. chapters 61-28.1 (the "Drinking Water SRF Act"), 61-28.2 (the "Clean Water SRF Act"), and 6-09.4 (the "PFA Act"), and other applicable provisions of State law. Any provision of this policy which may be found to be inconsistent, or not in compliance, with federal or State law or the Master Trust Indenture is not binding or enforceable.

### **SRF PROGRAM DESCRIPTION**

A. **The SRFs.** The State of North Dakota has established the Program as two revolving loan funds under the Clean Water SRF Act and the Drinking Water SRF Act to be operated and maintained by the State Department of Health (the "Department") (the loan funds are referred to together as the "SRFs" or individually as an "SRF"). The SRFs are funded in part through grants from the federal government through the United States Environmental Protection Agency (the "EPA"). The grants are allotted to the State for capitalization of the SRFs. As a condition to receiving the capitalization grants, the State must provide matching funds equal to twenty percent of each grant. A percentage of each Drinking Water SRF grant, currently four percent, is allocated to the State for administrative purposes. The grant for each SRF is made to the Department through the EPA Automated Clearing House Payment System (the "EPA-ACH") as eligible costs funded under the Program are incurred. The Acts authorize and require the SRFs to provide loans, establish reserves, and fund certain other activities for wastewater treatment facilities and public water systems.

B. **Program Administration.** The Program is administered jointly by the PFA and the Department under separate administrative agreements for each SRF. The PFA and the Bank of North Dakota, as Trustee, have entered into a SRF Master Trust Indenture (the "Master Trust Indenture") to provide for the issuance of bonds to provide state matching funds and other funds for each SRF, and to implement the

administrative obligations and responsibilities of the PFA under each SRF administrative agreement. The capitalization grants, bond proceeds, loan repayments, and any other funds or property received under the Program are held in trust under the Master Trust Indenture for the benefit of the bondholders and the Program as described in the Master Trust Indenture.

**C. SRF Program Loan Funds.** The Master Trust Indenture establishes a Clean Water Loan Fund and a Drinking Water Loan Fund. There are three loan accounts within each loan fund. Each loan is funded from these accounts in the proportions designated by a bond series resolution or by the PFA.

1. *Federally Capitalized Loan Account (the "FCLA").* Each SRF FCLA is funded from draws under the EPA-ACH and any other amounts required to be deposited in the FCLA by the Master Trust Indenture or by direction of the PFA.

2. *State Match Loan Account.* Each SRF State Match Loan Account is funded from the net proceeds of each series of bonds which are specified as providing the state match requirement under the Acts and any other funds required to be deposited in the State Match Loan Account by the Master Trust Indenture or by direction of the PFA.

3. *Leveraged Loan Account.* Each SRF Leveraged Loan Account is funded from the net proceeds of each series of bonds which is specified as being other than for the state match requirement or for deposit in the Reserve Funds established under the Master Trust Indenture for each of the SRF Programs.

**D. Intended Use Plans (the "IUPs").** Annually, the Department selects political subdivisions for loan eligibility under each SRF based upon each political subdivision's need for new or improved wastewater treatment facilities, drinking water facility improvements or other eligible facilities, ability to commence construction of its facility within the time frame mandated by the Program, and ability to impose utility rates or levy special assessments or taxes at a level sufficient to pay the principal of and interest on a loan. The Department then prepares an IUP for each SRF which lists those political subdivisions currently eligible for financing under the Program.

**E. Program Application.** The Program application consists of two parts. The Department reviews the first part of the application for SRF Program technical and managerial capacity and the PFA reviews the second part of the application for financial capacity. Upon receipt of the loan application, the PFA prepares a preliminary debt service schedule based on the requested loan amount and loan term. The information on the preliminary debt service schedule is used in the PFA's credit review of the political subdivision to analyze reserve requirements and repayment ability and is also used by the political subdivision to review its rate structure or calculate annual assessments or taxes.

## **ELEMENTS**

### **A. Loan Review Process.**

1. *Credit Review.* The PFA has established credit underwriting standards for reviewing a borrower's financial capacity. The credit analysis includes review of three general areas affecting the political subdivision:

a. *Economic factors.* This may include a review of recent population trends and projections, tax revenues, future employment projections, future and historic economic development, the largest employers, and housing and employment figures.

b. *Debt analysis.* This includes a review of the type of municipal security to be issued for the loan, review of a five year capital improvement plan if available, overlapping debt from other taxing districts, and a five year history of property tax and special assessment levies and collections. The PFA also reviews the amount of all outstanding obligations, including revenue debt, special assessment debt, and general obligation debt, the history of previous debt service payments, and historic and projected enterprise fund rates and revenues.

c. *Administrative and fiscal review.* This includes an evaluation of financial management practices and a general review of current and recent financial statements and any trends in the budget operations and fund balances. Credible financial performance and the timely repayment of outstanding debt obligations along with the political subdivision's proven ability to adapt to budgetary changes will be reviewed periodically throughout the loan term.

2. *Additional Reviews.* Upon completion of the PFA's preliminary credit review, each application package for Program loans greater than \$1,000,000 is forwarded to the Bank of North Dakota for a final credit analysis report. In addition, all loan applications are reviewed by the PFA's Advisory Committee for the purpose of making a recommendation to the Industrial Commission on the suitability of making a loan to a political subdivision. The PFA reserves the right to analyze each loan application on a case-by-case basis and to waive or modify certain Program requirements which are not mandated by appropriate law, as determined appropriate by the PFA.

**B. Loan Approval and Closing.** After a loan application has been approved and the Department has confirmed its approval for the project, the political subdivision must execute and deliver all required loan closing documents within twelve months. All loan closing documents are subject to review and approval by the Office of the Attorney General. If a loan is not closed within twelve months of loan approval, a political subdivision may be required to provide current audited or unaudited financial statements or other information, as requested by the PFA, before the loan may be closed.

**C. Program Requirements.**

1. Loans under the Program generally must be fully amortized within 30 years of the project's construction completion date or the useful life of the asset whichever is less.
2. Interest rates under the Programs are set by the Department in consultation with the PFA at or below current tax-exempt or taxable market rates, as appropriate.
3. An annual administrative fee may be charged to a political subdivision on the outstanding loan balance throughout the loan term. The annual fee is currently 0.5% of the outstanding loan balance, payable on each loan payment date.
4. Construction of a project funded under the Program must begin within 12 months after the loan closing.
5. Interest will be payable during the construction period on all loan amounts disbursed to a political subdivision.

6. The first principal payment must be made within 12 months after the completion of construction, generally September 1 of the same or following year. If the construction period will exceed two years, a principal payment may be required during the third year of the construction period.
7. All Program loans must be repaid from a dedicated source of revenue. A political subdivision must evidence its obligation under the loan agreement by issuing municipal securities which are approved by the Attorney General for purchase by the PFA. For revenue supported obligations, net operating revenue for the appropriate enterprise fund must be equal to or greater than 120% of the amount needed to pay the average annual debt service on the municipal securities and all other debt payable from and secured by the net revenues. The fees to be charged to users of the system or facility must be adjusted as needed to maintain the required net operating revenue coverage amount during the term of the loan. The PFA may require that a reserve fund be established by the political subdivision in the amount permitted under the federal tax laws as a reasonably required reserve or replacement fund. The PFA may also require that approval be requested from the PFA for the issuance of any additional debt supported by the pledged revenues, or that a political subdivision certify that the net operating revenue coverage requirement will continue to be met after the issuance of the additional bonds.
8. A political subdivision must be required to furnish to the PFA a copy of an annual or biennial audit or annual report, as appropriate, including all written comments and recommendations, within 150 days of the close of the fiscal year(s) being audited or reported upon. A copy of the annual financial statement required by N.D.C.C. 40-16-05(2) for cities must also be submitted to the PFA at the time it is submitted to the county auditor. For political subdivisions that currently have a combined enterprise fund, the PFA may require them to break out water and sewer funds.
9. It is a political subdivision's responsibility to notify the PFA in a timely manner of any material events having an adverse effect on the municipal securities, as more fully described in the loan agreement.
10. A loan agreement may set out additional requirements, as permitted by law and determined appropriate by the PFA to be in the best interests of the Program.

**D. Project Payment Requests.** When a loan has been closed, the PFA and the Department will disburse the loan upon compliance with the following:

1. Execution and delivery by the political subdivision of a loan agreement and other required closing documents and opinions.
2. Issuance and delivery to the PFA by the political subdivision of the municipal securities in the form approved by the Attorney General.
3. Submission to and approval by the Department and the PFA of payment requests in the form and manner approved by the Department.

**E. Final debt service schedule.** After a political subdivision has drawn the full loan amount or the project has been completed, a final debt service schedule for the loan will be prepared and provided to the political subdivision.

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Ms. Ament presented a memorandum regarding two loans approved by the Public Finance Authority Advisory Committee for the Cities of Grafton (\$750,000) and Flaxton (\$100,000) as follows:

Re: Grafton, Clean Water State Revolving Fund  
Flaxton, Drinking Water State Revolving Fund

Under current policy, the Public Finance Authority can make loans under the State Revolving Fund Program in an amount not to exceed \$1,000,000 and under the Capital Financing Program in an amount not to exceed \$500,000 without seeking the final approval of the Industrial Commission. Within this policy, once the loan has been funded, the Public Finance Authority is required to provide the details of the loan to the Industrial Commission. Accordingly, the Public Finance Authority and its Advisory Committee used this policy to approve the following loan.

The committee reviewed an application from the City of Grafton requesting a \$750,000 loan under the Clean Water State Revolving Fund Program (CW SRF) to finance the renovation of two lift stations, abandon two lift stations and reroute service to a newly constructed lift station along with additional forcemain construction. The requested term for the CW SRF loan is 15 years. The City of Grafton will issue revenue bonds payable with water user fees.

The committee reviewed an application from the City of Flaxton requesting a \$100,000 loan under the Drinking Water State Revolving Fund (DW SRF) to finance a water main extension and connection to the new secondary well. The requested term for the DW SRF loan is 20 years. The City of Flaxton will issue revenue bonds payable with user fees.

The Public Finance Authority's Advisory Committee approved these loans at their June 22, 2015 meeting.

Being no further Public Finance Agency business, Governor Dalrymple adjourned this portion of the meeting at 3:17 p.m. and the Commission took up Bank of North Dakota business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary



Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 30, 2015 beginning at 1:00 p.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Eric Hardmeyer, Bank of North Dakota  
Bob Humann, Bank of North Dakota  
Tim Porter, Bank of North Dakota  
Wally Erhardt, Bank of North Dakota  
Chad Johnson, Bank of North Dakota  
Members of the Press

Governor Dalrymple called the Bank of North Dakota portion of the Industrial Commission meeting to order at 3:18 p.m. following completion of Public Finance Agency business.

Mr. Eric Hardmeyer, Bank of North Dakota President, said Mr. Tim Porter will present the College SAVE audit that was conducted by the firm Thomas & Thomas LLP, out of Little Rock, Arkansas.

Mr. Tim Porter, Bank of North Dakota, presented the College SAVE Audit as of December 31, 2014. (A copy of the audit is available in the Commission's files.) He said Thomas & Thomas LLP had issued an unqualified opinion that the financial statements are presented fairly. The plan manager, Upromise, changed their name because they were taken over by Ascensus, Inc. The net position for the Fund grew for the third consecutive year to \$385 million. He reviewed the financial highlights that are noted in the audit. There were no deficiencies in internal control. It was a clean audit--no concerns from the auditor.

Mr. Bob Humann, Bank of North Dakota, presented amendments to General Loan Policy. (Complete copies of the handout – two memorandums - are available in the Commission files.) It was noted that many of the changes are the result of actions by the Legislature and to bring the policies in line with the Bank's new Strategic Plan. He discussed all the amendments in detail.

In regards to the Loan Approval Levels the Bank proposed going from a set number to a percentage of the Bank's Loan Lending Limit. Currently the Bank's self-imposed Loan Lending Limit is \$105,000,000. As proposed the Credit Committee would go to 5% (\$5.2 million), an increase from \$3 million. As the self-imposed Loan Lending Limit grows that amount of lending authority would also grow. There was discussion on how the Loan Lending Limit (the maximum amount that can be loaned to any one customer) is determined. It is a percentage of capital. Mr. Hardmeyer stated that in most banks it is 25% of capital. In the Bank's case they have restricted it to 15% of capital. The Bank's capital today is about \$700 million so the Loan Lending Limit is about \$105,000,000. Mr. Hardmeyer discussed the reasons why they were recommending the change -- projects and requests are getting bigger, and trying to improve turnaround time and customer service. The Commission indicated that there was a benefit to having a specific dollar amount in the policy rather than having to do a calculation on what that number is. It was indicated that the number for the Credit Committee should be \$5,000,000 and the other limits be set at \$15,000,000.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the Bank of North Dakota Advisory Board's recommendation and approves the following amendments to the General Loan Policy:**

While not prohibited by law from reaching beyond the state's boundaries, the primary trade area of the Bank is the State of North Dakota. If it can be shown that the benefits of a loan will flow to the state or its residents, or will support the activities of the Bank's correspondent lending partners, the Bank will consider a loan participation outside of the state. Student loans can be made within the state or outside the state's boundaries.

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**AUTHORIZED LOAN PROGRAMS**

1. The Bank is authorized by law to make direct loans, and to purchase, guarantee or hold loans:
  - o. To North Dakota health care entities to finance critical access hospital expansion or improvements pursuant to N.D.C.C. § 6-09-15.
  - p. To eligible North Dakota school districts for school construction or remodeling pursuant to N.D.C.C. § 15.1-36-02.

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**AUTHORIZED LOAN PROGRAMS**

4. The Bank is specifically authorized and directed by law to administer certain revolving and special loan funds on behalf of the state. These revolving and special loan funds include loans which may be made:
  - g. To North Dakota medical facilities to conduct construction that improves the health care infrastructure in the state or improves access to existing nonprofit health care providers in the state pursuant to N.D.C.C. § 6-09-47.
  - h. To North Dakota political subdivisions to finance essential infrastructure projects pursuant to N.D.C.C. § 6-09-49.
5. The Bank is specifically authorized by law to use moneys in the agriculture partnership in assisting community expansion fund and the partnership in assisting community expansion fund to reduce or buydown the interest rate on qualified loans which the Bank is participating in with local lenders. The Bank may only originate loans under the Medical PACE Loan Program.

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**LOAN APPROVAL AND REVIEW AUTHORITY**

The President, the Senior Vice President/Lending Services, the Credit Committee, the Investment Committee, the Advisory Board and the Industrial Commission have the following loan approval levels:

**LOAN APPROVAL LEVELS**

President	Loans up to \$1,000,000
Senior Vice President/Lending Services <u>and Chief Business Development Officer</u>	Loans up to \$1,000,000
Credit Committee	Loans up to <del>\$3,000,000</del> <u>\$5,000,000</u>
Investment Committee	Loans up to <del>\$10,000,000</del> <u>\$15,000,000</u>
Advisory Board	Loans in excess of <del>\$10,000,000</del> <u>\$15,000,000</u> **

Industrial Commission

Loans in excess of ~~\$10,000,000~~ \$15,000,000 \*\*

#### **Discretionary Lending Authority on Loans Risk Rated 1-4**

For a credit relationship which has the approval of the Credit Committee, Investment Committee, the Advisory Board or the Industrial Commission, it will be within the authority of the Ag Loan Manager, Commercial Loan Manager or Senior Vice President/Lending Services to approve an increase in BND exposure equal to the respective lending authority of the Loan Managers or Senior Vice President without further action by the Credit Committee, Investment Committee, Advisory Board or Industrial Commission. For a credit relationship which has been approved only at the Investment Committee level, this discretionary authority is subject to a cap of ~~\$10,000,000~~ \$15,000,000 for overall exposure.

For a credit relationship which has the approval of the Advisory Board or Industrial Commission, it will be within the authority of the Investment Committee to approve an increase in the Bank's exposure not to exceed \$5,000,000 without further action by either the Advisory Board or Industrial Commission. The Investment Committee minutes will specifically note action taken under this rule.

For a credit relationship which has not previously required the approval of the Advisory Board or the Industrial Commission, it will be within the authority of the Investment Committee to approve an increase in the Bank's exposure not to exceed \$1,000,000 without further action by either the Advisory Board or Industrial Commission despite the fact that the additional exposure may exceed the ~~\$10,000,000~~ \$15,000,000 loan approval level granted to Investment Committee. The Investment Committee minutes will specifically note action taken under this rule.

#### **Advisory Board & Industrial Commission**

\*\* Loans in excess of \$5,000,000 with the Bank's risk rating codes of 5-8 must be approved by the Advisory Board and Industrial Commission. For a credit relationship which exceeds ~~\$10,000,000~~ \$15,000,000, the Investment Committee may renew the loan without further action by the Industrial Commission provided: 1) the loan has a risk rating code of 4 or better; 2) the quality of the loan has not deteriorated; and 3) the Advisory Board and Industrial Commission have previously approved the loan.

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#### **PACE** **(PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION)**

##### **Qualified Businesses –**

This program is intended to finance businesses involved in manufacturing, processing, value-added processes and targeted industries. For purposes of this policy, "targeted industries" are defined as data processing, data communications, telecommunications, major tourist destination attractions, holding companies involved in leasing assets to entities otherwise defined as a PACE qualified business, intermodal service facilities and all other companies that generate 75 percent or more of their sales outside of the State of North Dakota.

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##### **Community's Funding Agreement –**

Among the parties to the loan, there will be an agreement that the community's portion of the interest rate reduction will come from the community as a grant or a loan. If the community provides its share of the PACE interest rate buydown as a loan, interest may accrue; however, repayment of principal or interest on the loan from the community shall not commence until the PACE interest buydown has been fully expended. ~~repayment of that loan shall not commence and no interest shall start to accrue until the PACE interest buydown has been fully expended.~~ All parties will stipulate that this funding was in compliance with terms and conditions of this program.

## FLEX PACE

### FLEX PACE / FLEX PACE FOR AFFORDABLE HOUSING

#### **Qualified Businesses –**

These options within the PACE Program will provide interest buydown to non-PACE qualifying businesses for which the Community determines eligibility and accountability standards. Flex PACE will allow communities the ability to provide assistance to businesses that would not meet the current requirements of PACE such as jobs retention, technology creation, retail, smaller tourist businesses, single or multi-family housing units intended for rental and essential community businesses. In the case of Flex PACE for Affordable Housing, the program specifically targets the financing of affordable multi-family housing units and is available through June 30, 2019.

## MEDICAL PACE

#### **Medical PACE Program –**

This option within the PACE Program will provide interest buydown to assist in the financing of critical access hospital medical infrastructure projects throughout North Dakota, for the biennium ending June 30, 2017.

#### **Qualified Institutions –**

The Bank may originate a Medical PACE (Med PACE) loan directly or participate with a financial institution in making a loan under this program. Any financial institution currently qualified to participate in a loan with the Bank may participate in this program. The participation percentage may be negotiated with the originating financial institution.

#### **Qualified Businesses –**

This program option is intended to finance critical access hospital expansion or improvement projects within the state.

In order to qualify for the program:

- The qualifying critical access hospital medical facility must be located in a community of less than 20,000 in population as defined in the 2014 US Census data source.
- An application must be submitted by the governing board of the health care facility intended to receive the funding.
- The applicant must provide a detailed description of the proposed construction project, and the proposed medical facility must have an expected utilization of at least 30 years.
- The need and long-term viability of the construction project must be demonstrated.
- All applications must be reviewed and approved by the Medical Facility Infrastructure Task Force prior to the submission of the loan application to the Bank for final due diligence and loan committee approval.

#### **Jobs Qualification –**

Jobs creation will not be a requirement of Med PACE. State grantor recipient reporting is not required as part on the Med PACE Program.

#### **Med PACE Funding –**

For the biennium ending June 30, 2017, the Bank shall make available up to \$15,000,000 in interest buydown funds for the Med PACE Program. This designation is not an exclusive reservation of the funds

and therefore will be available for other PACE eligible projects as determined by the Bank's Investment Committee.

**Med PACE Parameters –**

- The maximum interest buydown amount does not apply to the Med PACE Program.
- The Community Percentage Factor does not apply. The Bank shall provide 100 percent of the interest buydown required over the term of the loan provided the note performs as agreed.
- The maximum interest buydown shall not exceed 4.00%.
- The maximum term of the note shall not exceed 25 years.

**Eligible Loan Proceeds –**

The proceeds may be used to finance the following:

- Purchase of land
- Purchase, lease, erection or improvement of any structure or facility to the extent that the governing board of the health care facility has authority to authorize such activity
- Purchase of equipment

**Loan Amount –**

The maximum amount of a loan may not exceed 75 percent of the project costs and is further subject to the following parameters:

- The proposed construction project must be at least \$1,000,000.
- The cumulative amount of loans is \$15,000,000 per applicant. The cumulative loan amount will take into consideration funding received from the Bank under the Medical Facility Infrastructure Loan Fund. Total funding received from the two sources may not exceed \$15,000,000.

**Repayment Terms –**

The promissory note shall require the following:

- Monthly interest payments may be required during the construction period or paid at the time of conversion to permanent financing.
- The construction period must not exceed 24 months after loan approval by the Bank.
- Permanent financing requires monthly amortized payments not to exceed 25 years.

**Interest Rate –**

During the construction phase, the rate will be fixed at 5.00% and the interest buydown will not apply.

The interest rate on the Med PACE note for permanent financing will be set at 5.00% for the first 10 years. Thereafter, the rate will reset at a fixed rate equal to 250 basis points over the 10-year Federal Home Loan Bank (FHLB) Advance Rate at the 10-year re-pricing window, and 250 basis points over the five-year FHLB Advance Rate at the 20 year re-pricing window for the remaining amortization. Should the FHLB Advance Rate be unavailable for any reason at that time, the Bank shall choose an alternative index which represents a reasonable substitute. The interest rate on the note will qualify for a 4.00% interest buydown through the Med PACE Program.

An originating financial institution may receive service fee not to exceed 0.25%.

**Collateral –**

All loans under this program shall be secured by all available collateral interests as deemed appropriate by the Bank. The Bank will work with other alternative financing sources in perfecting collateral interests for all parties.

**Application Process –**

All applications for loans under this program must be made to the Medical Facility Infrastructure Task Force. This task force shall provide written notice of each approved application to the Bank. The Bank will require, at minimum, the following items from the applicant:

- Application
- Conditional and firm commitment from the Task Force
- Evidence of approval of the building plans from the North Dakota Department of Health
- Corporate opinion and resolution confirming the project
- Analysis of the project
- Insurance coverage for the collateral offered and financial reporting
- Any other data or documentation as deemed necessary

**Fees and Costs –**

The Bank may charge an origination fee and charge the borrower for all fees associated with the project or other loan servicing expenses.

Adopted: June 30, 2015

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**ATTACHMENT B13  
LOAN POLICY**

**SCHOOL CONSTRUCTION LOAN PROGRAM**

The School Construction Loan Program (SCL Program) has been established under N.D.C.C. § 15.1-36-02 to fund the construction and permanent financing to eligible North Dakota school districts. Projects may include new school construction or remodeling project approved by the superintendent of public instruction.

The Bank may provide up to \$250,000,000 to eligible school districts for school construction projects, except that total debt provided under this program for the first year of the biennium ending June 30, 2017, may not exceed \$125,000,000. This program expires June 30, 2017.

**Qualifying Requirements –**

The board of a school district shall:

- Propose a new construction or renovation project with a cost of no less than \$1,000,000 and an expected utilization of at least 30 years.
- Obtain approval of the superintendent of public instruction for the project under N.D.C.C. § 15.1-36.01.
- Receive authorization for a bond issue in accordance with by N.D.C.C. § 21-03.

**Eligible Use of Proceeds –**

Proceeds may be used to finance new construction or remodeling project of a North Dakota school district.

Refinancing of existing debt or other obligations will not be allowed.

**Funding Amount –**

The minimum amount of the debt obligation must be no less than \$700,000. The maximum amount is \$20,000,000. If the school district's unobligated general fund balance on the preceding June 30 exceeds the limitations set forth under N.D.C.C. § 15.1-27-35.3, the amount may not exceed 80 percent of the project's cost.

**Repayment Terms –**

The debt obligation shall require the following:

- Monthly interest payments during the construction period or paid at the time of conversion to permanent financing. The construction period may not exceed 24 months.
- The term of the obligation may not exceed 20 years and will call for amortized payments over the term. The school district may request a shorter term.

**Interest Rate –**

The interest rate to the school districts may not exceed 2.00% until July 1, 2025. Thereafter, the rate will reset at a variable rate not to exceed the Bank's base rate or may be a fixed rate for the remaining amortization of the note.

The effective interest rate on debt obligations closed between July 1, 2015, and June 30, 2017, will reflect an interest buydown transferred from the Bank's undivided profits and awarded to the school districts. The maximum aggregate amount of the interest buydown awarded under this program may not exceed \$7,875,000 during the biennium.

**Collateral –**

The Bank may take all steps necessary and appropriate to preserve security under this program.

**Application Process –**

To apply for funding under this program, the school district shall:

- Submit a completed application to the Bank. The application shall include:
  - Estimated sources and uses for the project
  - Financial statements for the school district as well as projections to support the repayment capacity for the project
  - Any other data or documentation as deemed necessary

The Bank shall consider the program applications in accordance with the priority ranking completed by the superintendent of public instruction based upon a review of all application filed during the 12-month period preceding April 1 of each year. The Bank will be responsible for final due diligence and loan committee approval.

**Fees and Costs –**

The Bank may charge an origination fee and charge the borrower for all fees associated with the project or other servicing expenses.

Adopted: June 30, 2015

### **COMMUNITY WATER FACILITY LOANS**

The Bank administers the community water facility loan fund established by N.D.C.C. § 6-09.5. Loans are made by the Bank from this fund in cooperation with the North Dakota office of the RD - Rural Development. The Bank may issue loan commitments under this program for a period not to exceed 24 months. Loan commitment extensions beyond 24 months will require approval of the Bank's Credit Committee.

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### **ATTACHMENT C7 LOAN POLICY**

### **MEDICAL FACILITY INFRASTRUCTURE LOAN-PROGRAM FUND**

The Bank shall administer the Medical Facility Infrastructure Loan-~~Program Fund~~ established by N.D.C.C. § 6-09-47 to provide loans to medical facilities to conduct construction that improves the health care infrastructure in the state or improves access to existing nonprofit health care providers in the state. The medical facility infrastructure fund is a special fund in the state treasury with an initial appropriation of \$50,000,000. ~~In addition, any amount authorized by the state board of university and school lands under House Bill No. 1319, as enacted by the sixty-third legislative assembly, after December 31, 2014, as uncommitted school construction loans shall be transferred to the medical facility infrastructure fund and is appropriated for the purpose of loans by the Bank of North Dakota to provide medical facility infrastructure loans.~~

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### **ATTACHMENT C9 LOAN POLICY**

### **Addiction Counselor Internship – Revolving Loan Fund & Loan Program**

#### **General Information –**

The Bank shall maintain a revolving loan fund for the purpose of making loans to Addiction Counselor Interns. The Addiction Counselor Internship Revolving Loan Fund is appropriated from money in the student loan trust fund in the state treasury with an initial appropriation of \$200,000. All moneys transferred to the fund, interest earned on moneys in the fund, and payments of principal and interest on loans are appropriated to the Bank on a continuing basis. In addition, the Bank shall develop and implement an Addiction Counselor Loan Program. The revolving loan fund and the loan program are based upon the authority granted by N.D.C.C. § 43-45.

#### **Loan Purpose –**

To provide loan funds to qualified individuals who are participating in an "Internship" at a licensed substance abuse treatment facility in ND in order to obtain a license as an addiction counselor.

#### **General Program Requirements –**

1. Internship means work experience in a licensed addiction treatment facility under the supervision of a clinical supervisor registered by the board.
2. The individual must be beginning the Internship after June 30, 2015.
3. The Internship may be paid or unpaid.
4. The treatment facility must be located within North Dakota.

#### **Funding Limit –**

Applicant loan limit is \$7,500.

#### **Interest –**

The interest rate on outstanding loans must accrue at the Bank's current base rate, but may not exceed 6.00%.



**Loan Terms –**

All other loan terms will be established by BND's Investment Committee.

Adopted: June 30, 2015

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**ATTACHMENT C10**  
**LOAN POLICY**

**INFRASTRUCTURE REVOLVING LOAN FUND**

The Bank administers the Infrastructure Revolving Loan Fund established by N.D.C.C. § 6-09-49 for the purpose of providing loans to political subdivisions for essential infrastructure projects. This fund is a revolving loan fund and is a continuing appropriation.

The Bank shall administer the \$150,000,000 Infrastructure Revolving Loan Fund which shall be funded by a transfer a maximum of \$100,000,000 from the Bank and \$50,000,000 from the Strategic Investment and Improvements Funds, or so much as may be necessary. Transfers shall occur between July 1, 2015 and June 30, 2017.

The Bank will have the authority to determine allocation of funds based upon the political subdivision's population base.

**Qualifying Requirements for Borrower –**

Loans may be made to North Dakota political subdivisions whose projects have been determined to be a priority for the state based upon a priority ranking methodology as established by the Bank.

Political subdivisions which receive funds distributed by the state treasurer or the Department of Transportation as approved by Senate Bill 2103 of the 64th Legislative Assembly will be ineligible to receive a loan under this Fund until July 1, 2017.

**Eligible Loan Proceeds –**

The priorities for this program shall include a focus on infrastructure needs in growing North Dakota communities. Proceeds may be used to finance the following eligible projects:

- New water or wastewater treatment plants
- New sewer, storm sewer and water lines
- New transportation infrastructure including curb and gutter construction
- Other infrastructure needs as established by the Bank

Ineligible use of proceeds includes:

- Building construction other than structures integral to treatment plants or other approved processes are not eligible under this program
- Refinancing of existing debt or other obligations will not be allowed

**Loan Amount –**

The cumulative loan amounts may not exceed \$15,000,000 per applicant.

**Repayment Terms –**

The promissory note shall require the following:

- The term of the construction and permanent financing period may not exceed 30 years.

**Interest Rate –**

The interest rate established for this program has been set at 2.00% with the fund receiving 1.50% and the Bank receiving a 0.50% service fee.

**Collateral –**

The Bank may take all steps necessary and appropriate to preserve security under this program.

**Application Process –**

All applications for loans under this program must be made to the Bank. The Bank will review and determine project priority ranking based on parameters established by the Bank. The Bank will be responsible for final due diligence and loan committee approval.

The Bank will require the following items from the applicant:

- Application
- Legal opinion and resolution of the governing board of the political subdivision confirming the project
- Preliminary engineering study, environmental impact analysis as necessary
- Analysis of the project including:
  - A listing of other sources of funding for the project intended to leverage the dollars requested of the Infrastructure Revolving Loan Fund.
  - A description of the nature of the proposed infrastructure project with some focus on the need for the project, the reasons it is in the public interest, and the overall economic impact to the state or regions within the state.
- The estimated cost of the project and the amount of the loan sought and other proposed sources of funding
- Financial statements for the subdivision, as well as projections to support the repayment capacity for the project
- Any other data or documentation as deemed necessary

**Fees and Costs –**

The Bank may charge an origination fee and charge the borrower for all fees associated with the project or other loan servicing expenses.

Adopted: June 30, 2015

**NEW VENTURE CAPITAL PROGRAM**

In compliance with Section 4c of N.D.C.C. § 6-09-15, the Bank will provide funds for investments in North Dakota alternative and venture capital investments, and early-stage capital funds, ~~and entrepreneurship awards.~~ The Bank may have no more than \$15,000,000 in outstandings under this program. A maximum of \$200,000 of debt and equity investments per biennium may be made with North Dakota based venture capital entities that make investments in companies located outside of North Dakota. ~~The funds for the entrepreneurship awards may not exceed \$1,000,000 and must comply with~~

~~N.D.C.C. § 10-30.5. An entrepreneurship award is not a business incentive and is exempt from accountability tracking.~~

There was a specific discussion on the new Bank of North Dakota Infrastructure Revolving Loan Fund including who the Bank had been working with in developing the parameters for the program - the League of Cities, who was eligible - communities that did not receive any surge funding, establishing \$50,000,000 for smaller communities with a population base of 2,000 or less and \$100,000,000 for larger communities (a population of 2,000 or greater), maximum loan amount (\$15 million), and whether the project could be financed by other state programs. Governor Dalrymple indicated that he had included funding for this type of program in his Executive Budget based on the needs he had been hearing from both east and west in rapid growth communities --the financing of the trunk lines that needed to be built in the boulevards. He indicated that the funding through this program should only be done if they have exhausted all the other state programs.

Mr. Hardmeyer said the Bank agrees and have the application starting out with the applicant having to answer the question "Can this project be financed by other state programs?". If the answer is yes, then they are to use those alternative sources first.

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Mr. Hardmeyer discussed the Bank of North Dakota Advisory Board's recommendation regarding the transfer of Student Loans of North Dakota (SLND)'s federal student loan guarantee portfolio to a successor guarantor. (A copy of the memorandum is available in the Commission files.) He said the Commission needs to make a decision on what they are going to do with the Guarantee Agency. Mr. Hardmeyer reviewed the reasons why they have made this recommendation:

- The program will start losing money in 2017
- The federal loan portfolio is diminishing because of federal action
- Other guarantee agencies across the United States have made the same determination and have transferred their portfolios of loan guarantees or are being forced to transfer their portfolios based on federal actions
- Ability to utilize the employees that are currently doing this work on other Bank of North Dakota programs.

He indicated the Guarantee Agency will still continue to guarantee the DEAL/DEAL ONE loans.

There was a discussion on how many borrowers would be impacted. Mr. Wally Erhardt, Director of the Student Loan Guaranty Agency, indicated that this would currently impact approximately 2,000 borrowers in North Dakota who would now have their loans serviced from another agency.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approves the Bank of North Dakota Advisory Board's recommendation for the Bank of North Dakota to take the appropriate steps to transfer Student Loans of North Dakota (SLND)'s federal student loan guarantee portfolio to a successor guarantor to be named by the U.S. Department of Education. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Mr. Hardmeyer discussed his recommendation regarding BND officer salaries. (A copy of the memorandum is available in the Commission files.) He said the first increase is the legislative increase and the second increase is the equity which helps get the officers to their comp ratio in the salary structure. He

noted that this effort began back in February and he had indicated at that time he would be back with these increases. It was evident from the information presented back in February that the Bank was not offering competitive salaries to its officers. He said they lost two loan officers the last two weeks; Tom Redmann retired and Brad Thompson left to join another bank and a loan assistant also left. The Bank needs to be competitive with its salary structure. The Bank is also taking on additional responsibilities with the new programs directed by the Legislature.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approves the Bank of North Dakota President's recommendation for the following salary increases to be effective July 1, 2015:**

	<u>Performance Increase</u>	<u>New Salary</u>
<b>Bob Humann, SVP</b>	<b>\$4,936 (3%)</b>	<b>\$170,406</b>
<b>Tim Porter, SVP</b>	<b>\$6,236 (4%)</b>	<b>\$162,145</b>
<b>Lori Leingang, SVP</b>	<b>\$3,820 (3%)</b>	<b>\$131,159</b>
<b>Joe Herslip, SVP</b>	<b>\$3,638 (3%)</b>	<b>\$124,913</b>

**and the following equity increases to be effective July 1, 2015:**

	<u>Equity Increase</u>	<u>Total New Salary</u>
<b>Tim Porter, SVP</b>	<b>\$19,458 (12%)</b>	<b>\$181,602</b>
<b>Bob Humann, SVP</b>	<b>\$17,040 (10%)</b>	<b>\$187,447</b>
<b>Lori Leingang, SVP</b>	<b>\$11,025 (10%)</b>	<b>\$144,275</b>
<b>Joe Herslip, SVP</b>	<b>\$11,025 (10%)</b>	<b>\$137,405</b>

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.** Mr. Hardmeyer thanked the Commission for approving these increases.

Mr. Hardmeyer presented non-confidential Bank of North Dakota Advisory Board April 16, 2015 meeting minutes.

Governor Dalrymple closed the meeting at 4:12 p.m. pursuant to North Dakota Century Code 6-09-35 to discuss the items on the agenda under Bank of North Dakota confidential business.

**Following the confidential portion of the meeting, the Commission reconvened in non-confidential session at 4:24 p.m. and it was noted that during the confidential portion of the meeting, it had been moved and seconded that the Bank of North Dakota be authorized to participate in three loans identified as Attachments 20 and 22. In non-confidential session, on a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Being no further Bank of North Dakota business, Governor Dalrymple adjourned this portion of the meeting at 4:24 p.m. and the Commission took up Outdoor Heritage Fund business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 30, 2015 beginning at 1:00 p.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Members of the Press

Governor Dalrymple called the Outdoor Heritage Fund portion of the Industrial Commission meeting to order at 4:24 p.m. following completion of Bank of North Dakota business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, presented her recommendation regarding a funding award for OHF Application GR5-05 - Play land Dream Submitted by the Gackle Park Board - increase of funding award from \$6,000 to \$10,000 as follows:

RE: Outdoor Heritage Fund Grant Award

Earlier this month the Industrial Commission considered the Outdoor Heritage Fund Advisory Board recommendations for the Grant Round 5 applications which included funding for four projects that funded a portion of their playground equipment costs. There was discussion at the Commission meeting about the situation that had arisen with legislation being passed after applications had already been submitted on April 1 with the applicants believing that their applications would be considered under current law. As you may recall the current law had no limitation on the funding amount for playground equipment. The new law limits funding of playground equipment to 25% of the playground equipment costs or a maximum amount of \$10,000.

Three of the four applications received the \$10,000 amount. At the time of the Commission meeting I didn't think to mention to the Commission the fourth application and ask if it would be appropriate to set their amount at \$10,000 rather than the \$6,000 amount the Outdoor Heritage Fund Advisory Board had recommended so the Commission was consistent in their actions for Grant Round 5.

This is an unusual situation where we have a new legislative directive being given when we are in the process of already reviewing pending applications. This should not be considered as setting a precedent. Because of this situation it would be my recommendation that the Commission grant the amount of \$10,000 to the Gackle Park Board for their project Play land Dream. (A copy of the summary sheet on this project is attached.) If you have any questions, I will be happy to answer them.

(A copy of the attachment is available in the Commission's files.)

Ms. Fine said increasing funding for the Gackle Park Board would make the Commission's funding consistent for Grant Round 5. She said she visited with Mr. Moser and Mr. Melchior regarding the issue and Mr. Melchior indicated his support for keeping the funding awards consistent.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission revises the funding amount for the Grant Round 5 application titled Play land Dream submitted by the Gackle Park Board from \$6,000 to \$10,000 noting that this action does not set a precedent.**

In response to a question regarding if the Gackle Park Board or anyone had contacted her, Ms. Fine said no. Mr. Jim Melchior came to her and said he felt it was important that the Commission be consistent. She said the law changes as of tomorrow and the OHF application form now reflects the new law. It will be clear to everyone that the maximum amount that they can get is 25 percent of their playground equipment costs up to a maximum of \$10,000. The difficulty we had was this transition. This was a one-time situation where the legislature made a change in the middle of our application process – when we already had applications in.

In response to a question, Ms. Fine stated Gackle's request was for \$25,500.

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Ms. Fine said this is not on the agenda but under other business she needed some clarification from the Commission. At the last meeting the Commission adopted a motion authorizing a six person subcommittee to look at the specific statewide conservation needs –an effort to identify the model project application the Commission would like to see in the future. She had drafted the motion for the Commission but didn't say who appointed the six-person subcommittee. There had been an assumption it might be the Chairman of the Outdoor Heritage Fund Advisory Board but she thought she would ask the Commission if that was their wishes or if the Commission wanted to name the six subcommittee members. It was her recommendation that the Chairman of the Outdoor Heritage Fund Advisory Board be given the authority to name the six-person subcommittee.

After discussion, the Commission indicated that they would prefer to name the members of the subcommittee and directed Ms. Fine to work with the Chairman of the Outdoor Heritage Fund Advisory Board and provide a list of names of who from the Advisory Board was willing to serve.

Being no further Outdoor Heritage Fund business, Governor Dalrymple adjourned this portion of the meeting at 4:30 p.m. and the Commission took up State Mill business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 30, 2015 beginning at 1:00 p.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Members of the Press

Governor Dalrymple called the State Mill portion of the Industrial Commission meeting to order at 4:30 p.m. following completion of Outdoor Heritage Fund business.

Ms. Karlene Fine, Industrial Commission Executive Director, presented a request for authorization to make the year-end transfers of State Mill Profits as follows:

North Dakota Century Code § 54-18-19 and 54-18-21 state the following:

**Transfer of North Dakota mill and elevator profits to general fund.** The industrial commission shall transfer to the state general fund fifty percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget.

**Annual transfer.** Within thirty days after the conclusion of each fiscal year, the industrial commission shall transfer five percent of the net income earned by the state mill and elevator association during that fiscal year to the agricultural products utilization fund.

The 2013 Legislature in Section 32 of Senate Bill 2014 stated:

Notwithstanding any other provision of law, the industrial commission shall transfer to the state general fund 50 percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs or the sum of \$6,817,200, whichever is less, during the biennium beginning July 1, 2013, and ending June 30, 2015. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget.

Mill management is planning to close their books on July 22 and is proposing to make the transfers on July 24 which is prior to your July 28 Industrial Commission meeting. Pam has indicated that OMB will be closing the State's financial reporting system for fiscal year 2015 on July 28. Therefore, we are requesting that the Industrial Commission authorize at their June 30 meeting the transfer of 50% of the \$6,817,200 to the General Fund and the 5% of net income to the Agricultural Products Utilization Fund utilizing unaudited numbers on July 24 with Mill management reporting the amount of the transfers to the Commission at their July 28 meeting.

We would propose the following action by the Commission:

It was moved by \_\_\_ and seconded by \_\_\_ that the State Mill is authorized to transfer five percent of the net income earned by the Mill for fiscal year 2015 to the Agricultural Products Utilization Fund (APUF) and transfer to the General Fund \$3,408,600 of the annual earnings and undivided profits of the Mill as per the request of the Office of Management and Budget Director noting that the transfers will be based on unaudited year-end results and reserving the right to adjust the number to the APUF

once the year-end results have been audited. Further that Mill management reports the amount of the transfers to the Commission at their July 28 meeting.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the State Mill is authorized to transfer five percent of the net income earned by the Mill for fiscal year 2015 to the Agricultural Products Utilization Fund (APUF) and transfer to the General Fund \$3,408,600 of the annual earnings and undivided profits of the Mill as per the request of the Office of Management and Budget Director noting that the transfers will be based on unaudited year-end results and reserving the right to adjust the number to the APUF once the year-end results have been audited. Further that Mill management reports the amount of the transfers to the Commission at their July 28 meeting. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Being no further State Mill business, Governor Dalrymple adjourned this portion of the meeting at 4:33 p.m. and the Commission took up Administrative business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA

A handwritten signature in blue ink, appearing to read "Karlene Fine".

Karlene Fine, Executive Director and Secretary



Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 30, 2015 beginning at 1:00 p.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Members of the Press

Governor Dalrymple called the Administrative portion of the Industrial Commission meeting to order at 4:33 p.m. following completion of State Mill business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, presented a request from the State Investment Board for Approval of Investment Board management of the Tobacco Prevention and Control Trust Fund as follows:

RE: Investment Board Request

The North Dakota Century Code states in 21-10-06:

...The state investment board may provide investment services to, and manage the money of, any agency, institution, or political subdivision of the state, subject to agreement with the industrial commission. The scope of services to be provided by the state investment board to the agency, institution, or political subdivision must be specified in a written contract. The state investment board may charge a fee for providing investment services and any revenue collected must be deposited in the state retirement and investment fund... (emphasis added)

Attached is a request from the Fiscal and Investment Operations Manager for the State Investment Board to permit the Investment Board to provide investment management services for the Tobacco Prevention and Control Trust Fund.

For some background information, this provision in the law was passed in 1989. The issue, I believe, was having two agencies providing the same investment services. I have consulted with Eric Hardmeyer at the Bank of North Dakota and he indicated the Bank of North Dakota does not object to this request from the State Investment Board. Therefore I would recommend approval of the request from the State Investment Board.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the Industrial Commission Executive Director's recommendation and grant the Investment Board's request to provide investment management services for the Tobacco Prevention and Control Trust Fund. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Ms. Fine presented her recommendation regarding salary increases for agency directors as follows:

DT: June 30, 2015

RE: Salary increases

Senate Bill 2015 adopted by the Sixty-fourth Legislative Assembly and signed by the Governor states in part:

***SECTION 21. STATE EMPLOYEE COMPENSATION ADJUSTMENTS - GUIDELINES.***

*It is the intent of the sixty-fourth legislative assembly that 2015-17 biennium compensation adjustments for classified state employees for each year of the biennium are to be a performance component in a range of two to four percent based on documented performance. Increases for classified state employees are not to be the same percentage increase for each employee. The increases for the first year of the biennium are to be given beginning with the month of July 2015, to be paid in August 2015, and for the second year of the biennium are to be given beginning with the month of July 2016, to be paid in August 2016.*

.....

*Compensation adjustments for regular nonclassified state employees, excluding employees under the control of the state board of higher education, are to be in a range of two to four percent based on market and documented performance and are not to be the same percentage increase for each employee.*

All the Commission’s agency directors are continuing to do good work in leading their agencies and are deserving of more than a two percent increase. As noted below there continues to be a gap in the level of compensation compared to the market for two of the agency directors. From what I have observed all of the agencies and their managers are working diligently to carry out the missions of their agencies and to serve the citizens of North Dakota. Therefore, I recommend the following annual increases effective July 1, 2015:

	Recommended <u>Increase</u>	Current <u>Annual Salary</u>	New Annual <u>Salary</u>
DeAnn Ament	\$ 2,988 (3% performance)	\$ 99,601	\$102,589
Jolene Kline	\$ 5,408 (4% performance)	\$135,200	\$140,608
Lynn Helms	\$26,645 (3% performance/10% workload)	\$200,340	\$226,985
Vance Taylor	\$20,267 (3% performance/6% equity)	\$220,768	\$241,035*
Eric Hardmeyer	\$41,380 (4% performance/10% equity)	\$287,361	\$328,741

\*Once the final results are in for the year I will prepare a recommendation for Vance’s bonus compensation.

DeAnn Ament, Executive Director Public Finance Authority. DeAnn’s work performance has been above average. At the request of the Governor she took on the additional challenge of developing legislation that would meet infrastructure needs for the Authority’s customers--political subdivisions. She continued to work closely with the Department of Commerce in meeting with political subdivisions and identifying areas where the Authority can have a role in meeting their needs. Therefore, I believe she is deserving of a 3% salary increase.

Jolene Kline, Executive Director, Housing Finance Agency. Under Jolene’s leadership the Agency continues to identify opportunities for assuring that capital is available for individuals wanting to own their own home. In addition she has worked hard to identify ways that the State can be of assistance in making affordable housing available throughout the state. As I have indicated previously this position is unclassified but for comparison purposes I have determined that this position falls in Grade T of the State’s classification system. The proposed increase would put her at the third quartile. I am recommending a 4% increase based on performance.

Lynn Helms, Director, Department of Mineral Resources. This past year, under Lynn’s leadership, the Department of Mineral Resources has faced a number of challenges and undertaken additional responsibilities and developed methods for implementing and monitoring the Commission’s policies. Therefore, I believe Lynn is deserving of a 3% salary increase for performance and a 10% increase for workload adjustment.

Eric Hardmeyer, President, Bank of North Dakota. The Bank of North Dakota Advisory Board has recommended a performance increase of 4% and then an equity increase of 10%. I concur with their recommendation for an equity adjustment of 10%. This increase is in line with what the Commission discussed earlier this year. The Blanchard Compensation report that was done last year shows that Eric's compensation level at 80% of the compa-ratio would be \$353,600. With the adjustments proposed by the Advisory Board these salary increases would place him at approximately 72% of the comparable market. The Bank did have another record setting year in profits and during the legislative session identified some additional areas where the Bank could be of assistance to political subdivisions--cities, counties, school districts. In addition Bank management identified a way they could assist in meeting the needs of critical medical infrastructure.

Vance Taylor, President and General Manager, North Dakota State Mill. Under Vance's leadership the Mill continues to have excellent profits. They are on schedule to have another good year. Recent information on comparable market salaries shows that Vance's compensation level is below the mid-point of his peers. Therefore I am recommending a 3% performance increase and a 6% equity adjustment.

In regards to my salary, my annual compensation is \$99,243.30. I am nearly at the maximum for my job classification (\$99,888) so I need to request a reclassification of the Executive Director/Secretary position before any consideration of a salary increase higher than that amount.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the Industrial Commission Executive Director's recommendation and approve the following annual salary increases effective July 1, 2015:**

	<b>Recommended Increase</b>	<b>Current New Annual Annual Salary      Salary</b>	
DeAnn Ament	\$ 2,988 (3% performance)	\$ 99,601	\$102,589
Jolene Kline	\$ 5,408 (4% performance)	\$135,200	\$140,608
Lynn Helms	\$26,645 (3% performance/10% workload)	\$200,340	\$226,985
Vance Taylor	\$20,267 (3% performance/6% equity)	\$220,768	\$241,035
Eric Hardmeyer	\$41,380 (4% performance/10% equity)	\$287,361	\$328,741

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

In response to a question regarding the salary of the Commission's Executive Director/Secretary, Ms. Fine said she has reached the maximum of her classification. She said she needs to seek a reclassification – to get it done correctly it will take her some time. Her current classification is a Business Manager II. The Commission directed that Ms. Fine get the job reclassification done.

Being no further Administrative business, Governor Dalrymple adjourned the meeting at 4:40 p.m.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary