

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on March 28, 2018 beginning at 1:00 p.m.
Governor's Conference Room, State Capitol

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

Also Present: Lt. Governor Brent Sanford (portions of the meeting)
Leslie Oliver, Governor's Office
Jessie Pfaff, Agriculture Department
Other attendees are listed on the attendance sheet available in the Commission files
Members of the Press

Governor Burgum called the Industrial Commission meeting to order at 1:00 p.m.

HOUSING FINANCE AGENCY

Ms. Jolene Kline, Housing Finance Agency Executive Director, provided a recommendation for the reappointment of Caine Mitter & Associates as Financial Advisor for the Housing Finance Agency effective June 1, 2018. (Copies of the RFP and four proposals are available in the Commission files.)

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accept the recommendation of the Housing Finance Agency Advisory Board and re-appoint Caine Mitter & Associates, Inc. as Financial Advisor for the Housing Finance Agency effective June 1, 2018 for a term of up to four years with possible extensions. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Western Area Water Supply Authority

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

RE: Western Area Water Supply Authority-Industrial Sales-February, 2018 & Debt Repayment Reports

Attached is the Western Area Water Supply Authority (WAWS) financial information for the 2017-2019 biennium through the month of February, 2018.

Page 1 was prepared by the Bank of North Dakota reflecting the debt service payments for the month of February, 2018. With the restructuring of the loans the principal and interest was paid this month only on the \$87.75 million BND loan (3.07946% variable rate in February).

The next 3 pages (pages 2, 3 & 4) I prepared based on the information provided by WAWS staff reflecting February revenues and expenses and net income. Net income for the month of February was \$426,313.59 after making the principal payment but not paying baseline sales.

As you will recall from the overall Debt Service spread sheet the breakeven sales monthly number is \$1,063,061 (an increase from the breakeven number of \$994,920 for CY 2017). With WAWS sales for

the month of February being \$1,643,207.34 WAWS was over that number by \$580,146. This is good news.

Page 5 is the Industrial Account balance sheet prepared by WAWS staff as of February 28, 2018. The liabilities include, within the accounts payable line item, the 2016, 2017 and 2018 baseline sales payments which total \$10,399,529.26. The WAWS staff is very close to getting signatures from the member entities which will remove these accruals from the balance sheet. Pages 6 & 7 are the consolidated balance sheet for the WAWS General Account which includes the Industrial Account balance sheet. WAWS staff has also prepared a Balance Sheet summary that is attached as Page 8.

You have requested that the average sale price for water be provided each month. For the months of July through February the numbers are:

July	\$0.01362 per gallon or \$0.57 per barrel
August	\$0.01542 per gallon or \$0.65 per barrel
September	\$0.01285 per gallon or \$0.54 per barrel
October	\$0.01305 per gallon or \$0.55 per barrel
November	\$0.01346 per gallon or \$0.57 per barrel
December	\$0.01404 per gallon or \$0.59 per barrel
January	\$0.01442 per gallon or \$0.61 per barrel
February	\$0.01381 per gallon or \$0.58 per barrel

Mr. Jaret Wirtz, Executive Director, provided a status report on getting the signature on the amendment to the Baseline Payment agreements. He anticipated that will be done next month.

Mr. Wirtz gave an update on sales and current activity. He noted that their sales are up for March and they are providing more and more wholesale services to other companies because there is a significant need for water.

In response to a question, Mr. Wirtz discussed the current building of water storage in the region and possible partnerships with WAWS in those projects. The Commission encouraged Mr. Wirtz to bring those concepts to the Commission at future meetings.

Mr. Wirtz discussed capital expenditures as follows:

RE: Capital Industrial Expenditures

The Western Area Water Supply Authority Board of Directors has requested reimbursement from the WAWS Industrial Account for expenditures that relate to the industrial side of the business in the total amount of \$203,593.61. These costs were incurred primarily in 2017. It is only recently that the Industrial Account has had some available cash to pay for these costs. Back in 2014/2015 and early in 2016 there had been cash to cover these types of costs and the Commission approved a number of these requests.

The funding being requested today is related to design work that was done on two industrial bulk connections -- one for Whiting and one for Kraken that resulted in long term contracts that have a value substantially higher than the costs of this design work. There was some general industrial design work that was done that total \$5,116.00. The largest item, \$145,328.52, is for the heating of water for the temporary lay flat to keep water flowing to industrial customers downstream from a line break. This was important in regards to WAWS providing good customer service.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the capital improvement costs for design work on two industrial bulk connections, general industrial design work and heating of water for a temporary lay flat line totaling \$203,593.61 be approved for payment from the Western Area Water Supply Authority industrial account. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Fine discussed the appointment of Joe Morrisette to the Western Area Water Supply Authority Study Advisory Committee as follows:

RE: Western Area Water Supply Authority (WAWS) Study Advisory Committee

During the 2017 Legislative Session the following appropriation and study was approved:

SECTION 11. APPROPRIATION - INDUSTRIAL COMMISSION STUDY - WESTERN AREA WATER SUPPLY AUTHORITY - REPORT TO LEGISLATIVE MANAGEMENT. There is appropriated out of any moneys in the resources trust fund, in the state treasury, the sum of \$150,000, or so much of the sum as may be necessary, to the industrial commission for the **purpose of conducting an independent study of the feasibility and desirability of the sale or lease of the industrial water supply assets of the western area water supply authority**, for the period beginning with the effective date of this Act, and ending June 30, 2019. The study must provide information regarding the financial impact to the western area water supply authority, its members and customers, the financial viability of the authority, and options available to the authority for debt servicing. The **industrial commission may form a nonvoting advisory committee chaired by the state engineer to provide input regarding the scope of the study and to receive reports on the status of the study**. The industrial commission shall report to the legislative management's interim water topics overview committee on the results of the study by June 1, 2018.

On June 5, 2017 the Industrial Commission appointed a five-person Western Area Water Supply Authority Study Advisory Committee consisting of:

Garland Erberle, State Engineer, Chairman
Lt. Governor Brent Sanford
Pam Sharp, Director, Office of Management and Budget
Lynn Helms, Director, Department of Mineral Resources or his designee
Karlene Fine, Industrial Commission Executive Director/Secretary

Ms. Sharp recently retired and I am requesting that Joe Morrisette, current Director of the Office of Management and Budget, be appointed to the Advisory Committee effective immediately.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Joe Morrisette, Director of the Office of Management and Budget, be appointed to replace Pam Sharp on the Western Area Water Supply Authority Study Advisory Committee effective immediately. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Public Finance Authority

Ms. DeAnn Ament, Executive Director, presented the following Clean Water State Revolving Fund Loan applications:

City of Fargo - (Engineering) - \$20,229,000. Ms. Ament said the two Fargo loans relate to the regionalization of their waste water treatment plant. She provided background information on the project, customer base, rates, fees and security for the bonds. She responded to questions regarding the collection of special assessments.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the following resolution be approved:

RESOLUTION APPROVING LOAN FROM CLEAN WATER STATE REVOLVING FUND

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

WHEREAS, the Clean Water 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 (NDPFA) and the Bank of North Dakota (the Trustee); and

WHEREAS, the City of Fargo (the "Political Subdivision") has requested a loan in the amount of \$20,229,000 from the Program to finance planning, design and construction engineering to expand the wastewater treatment facility to accommodate growth, regionalization and future regulations; and

WHEREAS, the 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 Clean 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 Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

City of Fargo - (Construction) - \$126,500,000. Ms. Ament indicated that the supporting information for this loan is the same as the prior information.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the following resolution be approved:

RESOLUTION APPROVING
LOAN FROM CLEAN WATER STATE REVOLVING FUND

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

WHEREAS, the Clean Water 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 (NDPFA) and the Bank of North Dakota (the Trustee); and

WHEREAS, the City of Fargo (the "Political Subdivision") has requested a loan in the amount of \$126,500,000 from the Program to finance construction to expand the wastewater treatment facility to accommodate growth, regionalization and future regulations; and

WHEREAS, the 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 Clean 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 Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Garrison Diversion Conservancy District - \$5,000,000. Ms. Ament stated that this funding is for an umbrella loan that would allow the District to offer low cost financing to develop and construct central supply works (pump, pipeline, power supply and control system components) to aid in irrigation development along the McClusky Canal. There was discussion about water supply in the Canal if there is an extreme drought in the area. She reviewed the debt service repayment sources and the additional security provided by the District.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the following resolution be approved:

RESOLUTION APPROVING
LOAN FROM CLEAN WATER STATE REVOLVING FUND

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

WHEREAS, the Clean Water 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 (NDPFA) and the Bank of North Dakota (the Trustee); and

WHEREAS, the Garrison Diversion Conservancy District (the "Political Subdivision") has requested a loan in the amount of \$5,000,000 from the Program to develop and construct central supply works (pump, pipeline, power supply and control system components) to aid in irrigation development along the McClusky Canal; and

WHEREAS, the 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 Clean 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 Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

City of Lisbon - \$2,000,000. Ms. Ament stated the purpose for the loan is to finance the Sheyenne River Flood Protection Levee F 2018-1 which will rereoute the storm sewer on Main Street to a new lift station. She discussed the repayment sources for the debt service on the loan.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the following resolution be approved:

RESOLUTION APPROVING
LOAN FROM CLEAN WATER STATE REVOLVING FUND

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

WHEREAS, the Clean Water 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 (NDPFA) and the Bank of North Dakota (the Trustee); and

WHEREAS, the City of Lisbon (the "Political Subdivision") has requested a loan in the amount of \$2,000,000 from the Program to finance the Sheyenne River Flood Protection Levee F 2018-1 which will reroute the storm sewer on Main Street to a new lift station; and

WHEREAS, the 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 Clean 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 Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

City of Minot (increase of \$913,000) - total amount of \$6,678,000. Ms. Ament stated this was an increase to a loan the Commission previously approved for the City of Minot to finance the upsizing of two miles of piping from the aeration ponds to the lagoon cells as well as multiple manholes and control structures.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the following resolution be approved:

RESOLUTION APPROVING
LOAN FROM CLEAN WATER STATE REVOLVING FUND

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

WHEREAS, the Clean Water 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 (NDPFA) and the Bank of North Dakota (the Trustee); and

WHEREAS, the City of Minot (the "Political Subdivision") has requested a \$913,000 increase to their previously approved \$5,765,000 loan (total \$6,678,000) from the Program to finance the upsizing of 2 miles of piping from the aeration ponds to the lagoon cells as well as multiple manholes and control structures; and

WHEREAS, the 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 Clean 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 Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

City of Minot - \$12,282,000. Ms. Ament stated that this loan ties in with the Drinking Water State Revolving Loan Fund loan. This financing is for part of a \$58.6 million project which will replace storm

sewer, sanitary sewer lines, waterlines and streets with new utilities for relocation and constructions of all flood protection structures as well as a large storm water pump station.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the following resolution be approved:

RESOLUTION APPROVING
LOAN FROM CLEAN WATER STATE REVOLVING FUND

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

WHEREAS, the Clean Water 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 (NDPFA) and the Bank of North Dakota (the Trustee); and

WHEREAS, the City of Minot (the "Political Subdivision") has requested a loan in the amount of \$12,282,000 from the Program to finance the replacement of storm sewer, sanitary sewer lines, waterlines and streets with new utilities for relocation and constructions of all flood protection structures as well as a large storm water pump station; and

WHEREAS, the 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 Clean 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 Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Ament discussed the following Drinking Water State Revolving Loan Fund applications:

City of Fargo - change in security (from sales tax to water utility fees). Ms. Ament stated that this is a request from the City of Fargo to remove the city sales tax as the primary pledge and replace with water utility revenues as the primary source of repayment of the City of Fargo's \$98,000,000 Drinking Water State Revolving Fund Program loan. She discussed the rate increases that are being proposed by the City to meet the debt service requirements. She noted that this is being done to allow the City to be able to use the city sales tax revenues for costs related to the flood protection project. There was discussion on the water utility rate structures used by cities and water districts across the State.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the following resolution be approved:

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 Fargo (the "Political Subdivision") has requested to remove the city sales tax as the primary pledge and replace it with the water utility revenues as the primary source of repayment for their previously approved \$98,000,000 loan from the Program; and

WHEREAS, NDPFA's Advisory Committee is recommending approval of the change of security for 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 change of security for 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 Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

City of Fargo - \$23,950,000. Ms. Ament stated this loan is to finance the City of Fargo's raw water supply and treatment process improvements.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the following resolution be approved:

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 Fargo (the "Political Subdivision") has requested a loan in the amount of \$23,950,000 from the Program to finance improvements to the City's raw water supply and treatment process; 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 Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

City of Minot - \$1,734,000. Ms. Ament stated that this financing ties in with the Clean Water Loan previously approved by the Commission and this loan will be used for the replacement of storm sewer,

sanitary sewer lines, waterlines and streets with new utilities for relocation and construction of all flood protection structures as well as a large storm water pump station.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the following resolution be approved:

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 Minot (the "Political Subdivision") has requested a loan in the amount of \$1,734,000 from the Program to finance the replacement of storm sewer, sanitary sewer lines, waterlines and streets with new utilities for relocation and construction of all flood protection structures as well as a large storm water pump station; 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 Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

East Central Regional Water District (Grand Forks-Traill WD & Traill RWD - \$1,750,000). Ms. Ament stated this request comes from a new regional water district consisting of the Grand Forks-Traill Water District and Traill Rural Water District. The new District encompasses the southern half of Grand Forks

County, Traill County and eastern Steele County. This financing is for a system expansion to add up to 150 users and upsize existing mains to provide for adequate pressures.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the following resolution be approved:

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 East Central Regional Water District (the "Political Subdivision") has requested a loan in the amount of \$1,750,000 from the Program to finance Phase 3 System Expansion which will add up to 150 new users and upsize existing mains to provide for adequate pressures; 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 Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Ament presented a memorandum on loans approved by the Advisory Committee for the following entities: (A copy of the memorandum is available in the Commission's files.)

1. Argusville, Clean Water State Revolving Loan Fund - \$775,000
2. Argusville, Drinking Water State Revolving Loan Fund - \$275,000
3. City of Lisbon, Drinking Water State Revolving Loan Fund - \$150,000

Bank of North Dakota

Mr. Eric Hardmeyer, Bank of North Dakota President, and Mr. Kirby Evanger, Bank of North Dakota, provided a memorandum on the proposed amendments to the General Loan Policy and copies of the revised General Loan Policy. (A copy of the memorandum and the Policy are available in the Commission files.) Mr. Hardmeyer stated that this is a complete overhaul of the General Loan Policy. He indicated that the Bank staff has been working on this for a number of months and it has been reviewed by the Bank's Executive Committee and by the Bank of North Dakota's Advisory Board. He noted that the Bank's loan programs are part of the General Loan Policy but they are not recommending any changes to those loan programs so the loan programs are not included in the information distributed to the Commission.

Mr. Hardmeyer also indicated that in addition to the General Loan Policy the Bank has guidelines that provide day-to-day guidance to the business bankers. The guidelines do not take approval of the Industrial Commission.

The Commission expressed their thanks for all the work that Mr. Evanger and his staff put into doing this rewrite. Mr. Evanger stated there will be annual updates brought to the Commission in the future.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the recommendation of the Bank of North Dakota Advisory Board and approve the re-write of the BND General Loan Policy. (A copy of the new BND General Loan Policy is available in the Commission files.) On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Hardmeyer distributed the non-confidential Bank of North Dakota Advisory Board January 18, 2018 meeting minutes.

Mr. Hardmeyer and Mr. Steinwand, Bank of North Dakota, commented on a new loan program that the Bank is working on regarding the financing of field tiling (production enhancement program). They will be bringing the program to the Commission at their next meeting.

Governor Burgum closed the meeting at 2:18 p.m. pursuant to North Dakota Century Code 6-09-35 to discuss the following items listed on the agenda under Bank of North Dakota confidential business:

- Consideration of Bank of North Dakota loan applications
- Problem loan update
- Presentation of Concentrations of Credit Report as of 12/31/2017
- Presentation of BND Advisory Board confidential January 18, 2018 minutes

EXECUTIVE SESSION

Members Present:

Governor Doug Burgum
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Bank of North Dakota Personnel Present:

Eric Hardmeyer Bank of North Dakota
Todd Steinwand Bank of North Dakota
Kirby Evanger Bank of North Dakota

Others in Attendance:

Leslie Oliver Governor's Office
Jessie Pfaff Agriculture Department

Following the confidential portion of the meeting, the Commission reconvened in non-confidential session at 3:05 p.m. and the public was invited to return. Governor Burgum stated that during its executive session the Commission considered three Bank of North Dakota loan applications and **it had been moved and seconded that the Bank of North Dakota be authorized to participate in loans identified as Attachments 18-20. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Department of Mineral Resources

Mr. Lynn Helms, Department of Mineral Resources Director, presented proposed orders for the following cases heard on December 20, 2017 and January 19, 2018: (Copies of the orders are available in the Commission files.)

Case 26290, Order 28926 - enforcement of pooling orders
Case 26373, Order 28927 - enforcement of pooling orders

Mr. Helms outlined for the Commission the significance of these cases which deal with pooling orders in five oil and gas fields. He noted the Commission's actions on these cases would have implications on all pooling orders. He provided and reviewed each page of a packet of information to explain the cases. (A copy of the packet of information is available in the Commission files.) The staff's recommendation is to deny the applicant's request on certain spacing orders and to approve the applicant's request on other orders but stipulate that the interested parties impacted by these pooling orders must come back to the Commission regarding the determination of the applicant's just and equitable share.

Case 26290: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 28926 issued in Case 26290 with respect to Order Nos. 17368, 17370, 17371, 19085, 19086, 17532, 19910, 17834, 18729 and 21240 the application is denied as the orders terminated upon expansion of the stratigraphic limit of the Bakken Pool and with respect to Order Nos. 25240, 27956, 27957, 27958, 27959, 28830 and 25841, ZaP's interests are within the stratigraphic interval of the Bakken Pool as previously expanded and under N.D.C.C. § 38-08-08 ZaP is entitled to a just and equitable share of any wells drilled within the Bakken Pool for the applicable spacing units, and further that the determination of Zap's just and equitable share of the Statoil wells drilled on the interests acquired under the 2005 sales agreement is beyond the relief requested in this application, be approved this 28th day of March, 2018. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Case 26373: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 28927 issued in Case 26373 with respect to Order Nos. 17368, 17370, 17371, 19085, 19086, 17532, 19910, 17834, 18729 and 21240 the application is denied as the orders terminated upon expansion of the stratigraphic limit of the Bakken Pool and with respect to Order Nos. 25240, 27956, 27957, 27958, 27959, 28830 and 25841, ZaP's interests are within the stratigraphic interval of the Bakken Pool as previously expanded and under N.D.C.C. § 38-08-08 ZaP is entitled to a just and equitable share of any wells drilled within the Bakken Pool for the applicable spacing units, and further that the determination of Zap's just and equitable share of the Statoil wells drilled on the interests acquired under the 2005 sales agreement is beyond the relief requested in this application, be approved this 28th day of March, 2018. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Helms presented Order 28930 in regards to the Petition for Reconsideration of Case 26182, Order 28598. (The proposed Order and the Petition is available in the Commission files.) He stated that the applicants had not offered any new evidence to support a reconsideration. The staff is recommending denial of the Petition for Reconsideration.

Case 26182: It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that Order 28930 issued in Case 26182 denying the petition for reconsideration be approved this 28th day of March, 2018. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Bruce Hicks, Oil and Gas Division Assistant Director, presented the Oil and Gas Division Quarterly Report. (A copy is available in the Commission files.) The report included:

- Statistics
- Gas Flaring
- Drilling Permit Review
- Complaints
- Performance Measures

In response to a question, Mr. Helms updated the Commission on the work that has been done in regards to rights of way on the Fort Berthold Reservation. He stated that Scott Davis has facilitated two conference calls and on April 25 the BIA will be putting on a training session for best practices to speed up right of way applications. He noted Lt. Governor Sanford's assistance in this work.

Mr. Hicks reviewed the proposed the Oil and Gas Division 2018 Strategic Plan.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission adopts the following Department of Mineral Resources Oil and Gas Division 2018 Strategic Plan:

**OIL AND GAS DIVISION
STRATEGIC PLAN
March 28, 2018**

MISSION

Encourage and promote the development, production, and utilization of oil and gas in the state in such a manner as will prevent waste, maximize economic recovery, and fully protect the correlative rights of all owners to the end that the landowners, the royalty owners, the producers, and the general public realize the greatest possible good from these vital natural resources.

GOALS

- 1) Give timely hearing, consideration, and processing to all forms and applications.
- 2) Open communication with the Industrial Commission.
- 3) Achieve clean audits, high employee morale and professionalism, and efficient use of division employees and assets.
- 4) Leadership in maintaining good relationships with other state agencies, federal agencies, and the legislature.
- 5) Service nearly 3,000 website subscribers and the data needs of seven state agencies through our current Risked-Base Data Management System (RBDMS) and web servers.

IMPLEMENTATION

1-YEAR

- 1) Provide regular quarterly reports to Industrial Commission members.
- 2) ~~Collaborate with Industrial Commission members to develop policy and procedure for complaints and penalties.~~
- 3) Collaborate with State agencies, research organizations, **UND and the Unmanned Aerial System startups located in North Dakota**, and the oil and gas industry to develop policy and procedure for identifying state-of-the-art pipeline monitoring systems and utilizing such systems to reduce the frequency and magnitude of pipeline spills. *(note: the yellow-highlighted text was added per IC vote 3-15-2017)*
- 4) Develop web-based forms and batch systems utilizing in-house personnel to implement electronic filing of “most used” Oil and Gas Division forms.
- 5) ~~Contract to develop web-based forms and batch systems for electronic filing of monthly Transporter and Purchaser forms (which currently require hand entry).~~
- 6) Provide computer and job skill training for appropriate agency staff.
- 7) Review and revise Rules and Regulations as appropriate.
- 8) Review and recommend revisions to Century Code as appropriate.
- 9) Develop tier-subscription services to provide daily, weekly, and monthly data downloads for industry.

- 10) Coordinate with TOPCORP and TrainND to provide training courses for OGD staff in petroleum geology & engineering, petroleum technology, communication, and environmental management.
- 11) Coordinate with Oil and Gas Research Council and research facilities in North Dakota to determine best techniques for remediating salt and other contamination from soil surrounding legacy waste pits.
- 12) Provide funding for North Dakota Department of Health's Environmental Quality Restoration Fund through AWPSRF.
- 13) Defend State's rights with regard to hydraulic fracturing, chemical disclosure, methane emissions, oil conditioning, and other federal regulatory overreach.
- 14) Encourage staff and website users to provide recommendations for improving and re-branding DMR website.

15) Scan bond files into database.

16) Upgrade current RBDMS to a web-based platform.

IMPLEMENTATION 3-YEAR

- 1) Provide regular quarterly reports to Industrial Commission members.
- 2) Provide additional training and professional development opportunities for entire agency staff.
- 3) Continue scanning new case and well files.
- 4) Increase field inspection and support staffing.
- 5) Review and revise Rules and Regulations as appropriate.
- 6) Review and recommend revisions to Century Code as appropriate.
- 7) Continue developing web-based forms and batch forms systems for electronic filing of remaining Oil and Gas Division forms.
- 8) Set up procedure for carbon dioxide administration.

9) Upgrade current RBDMS to a web-based platform.

- 10) Advocate for bandwidth to provide Provide video conferencing and streaming of expert testimony at hearings. Explore live video streaming solutions utilizing credible low-cost commercial vendors.

IMPLEMENTATION 5-YEAR

- 1) Provide regular quarterly reports to Industrial Commission members.
- 2) Continue scanning new case and well files.

- 3) Provide training and professional development opportunities for entire staff including tuition reimbursement.
- 4) Review and revise Rules and Regulations as appropriate.
- 5) Review and recommend revisions to Century Code as appropriate.

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

Mr. Helms proposed the submission of Comments on 43 CFR Parts 3160 and 3170 RIN 1004-AE53 BLM Waste Prevention, Production Subject to Royalties, and Resource Conservation; Rescission or Revision of Certain Requirements - Comments are due by no later than April 23, 2018. He indicated he has prepared draft comments but they haven't been reviewed by the Commission members' staff and he suggested the Commission approve by signature. It was indicated that the Commission would be meeting again prior to April 23 so the Commission could review and approve the comments at their next meeting. No action was taken at this time.

Mr. Helms indicated that this was Ms. Alison Ritter's last meeting. The Commission thanked her for her years of service and wished her the very best. Mr. Helms indicated that Dave Hvinden, the DMR field supervisor, was retiring on June 1 after 33 years of service.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that pursuant to North Dakota Century Code Sections 44-04-19.1 and 44-04-19.2 the Industrial Commission close the meeting to the public and enter into executive session for the purpose of attorney consultation. The purpose of the executive session will be to consult with the Commission's attorney(s) regarding adversarial proceedings in Case No. 09-2018-CV-00089, Paul Sorum et al vs. the State of North Dakota et al. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Governor Burgum stated that the discussion during executive session must be limited to the announced purpose for entering into executive session and the executive session will begin at 4:22 p.m. Following the executive session the Commission will reconvene in open session.

EXECUTIVE SESSION

Members Present:

Governor Doug Burgum
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Department of Mineral Resources Staff:

Lynn Helms Department of Mineral Resources
Bruce Hicks Department of Mineral Resources

Others in Attendance:

Brent Sanford	Lt. Governor
Leslie Oliver	Governor's Office
Jessie Pfaff	Agriculture Department
Daniel Gaustad	Special Assistant Attorney General

It was stated that the Industrial Commission meeting is reconvened at 5:06 p.m. and the public has been invited to return to the meeting room. During its executive session the Commission consulted with its attorney(s) regarding Case No. 09-2018-CV-0008 and no other action is necessary other than the guidance that was provided during executive session.

Oil and Gas Research Program

Ms. Fine discussed a request for a special Oil and Gas Research Program grant round with an application deadline of April 1, 2018 as follows:

RE: Additional Oil and Gas Research Program Grant Round

The Industrial Commission has received a request for the establishment of an additional grant round (Round 46). A copy of their request is attached. The Oil and Gas Research Program policies allow for the establishment of additional grant rounds by the Industrial Commission.

As noted in the request the consortium of pipeline operators intend to submit a proposal for funding consideration of a multiyear pipeline R&D program. This multimillion dollar program would focus on multiple demonstrations of new technologies that hold potential to help industry avoid leaks or provide for early detection of leaks from liquids gathering pipelines operated in the state. If funded the program would start during the summer of 2018.

I have consulted with Brent Brannan, Director of the Oil and Gas Research Program, and he has no objections to having an additional grant round. Therefore, I am recommending the establishment of an additional grant round with a deadline submission date of April 1, 2018 so any applications submitted by that date could be considered at the same time as the Grant Round 45 applications currently under review.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accepts the recommendation of the Industrial Commission Executive Director/Secretary and approves an additional grant round for the Oil and Gas Research Program with an application submission deadline of April 1, 2018. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Fine discussed her request to transfer funding from the Oil and Gas Research Fund to the Pipeline Authority Fund as follows:

RE: OGRP/PA Transfer

Funding for the Pipeline Authority comes from the Oil and Gas Research Program. I am requesting, for cash flow purposes, authority to transfer an additional \$50,000 from the Oil and Gas Research Fund to the Pipeline Authority Fund effective immediately. This past December you authorized a transfer of \$50,000. At that time I thought the Oil and Gas Research Council would be meeting in either late December or early January. However, they have not yet met and may not be meeting until mid- to late-April.

I am anticipating that the Oil and Gas Research Council will be recommending to the Commission at their meeting a transfer of \$325,000 for the 2017-2019 biennium. (The \$325,000 amount is 3.25% of the funding that is available to the Oil and Gas Research Program in the biennium.) However, until the Council makes their recommendation funding is needed in the Pipeline Authority Fund to pay regular monthly bills. The law does not require the Commission to get a recommendation from the Oil and Gas Research Council on transfers but it has been the practice of the Commission to receive a recommendation from the Council on the allocation of the Oil and Gas Research Program funds.

In order to meet cash flow needs, I would request authority to transfer \$50,000 from the Oil and Gas Research Fund to the Pipeline Authority Fund bringing the total to \$100,000 transferred so far in the 2017-2019 biennium.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission authorizes the Industrial Commission Executive Director/Secretary to transfer \$50,000 from the Oil and Gas Research Fund to the Pipeline Authority Fund bringing the total to \$100,000 transferred so far in the 2017-2019 biennium. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Industrial Commission Administrative Business

Ms. Fine discussed a request from the North Dakota State Investment Board for approval of Investment Board Management of the Lewis and Clark Interpretive Center Endowment 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 Retirement and Investment Office's Fiscal and Investment Operations Manager for the State Investment Board ("Board") to be permitted to enter into an agreement with North Dakota Parks and Recreation Department ("Parks and Recreation") to provide investment management services for the Lewis and Clark Interpretive Center Endowment Fund ("Fund"). The Fund was created in 2003 exclusively for the maintenance, repair and upkeep

of the ND Lewis and Clark Interpretive Center/Rest Area, for programming and facility improvements. The original principal was endowed to the North Dakota Lewis and Clark Bicentennial Foundation who transferred the funds to Parks and Recreation in 2017. The Fund currently has approximately \$700,000 in assets. It is the intention of Parks and Recreation to utilize the earnings of the Fund to supplement its biennial appropriation for the maintenance of the Lewis and Clark Interpretive Center.

It is my recommendation that this request be granted.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accepts the Industrial Commission Executive Director/Secretary's recommendation and grants the Investment Board's request to enter into an agreement with North Dakota Parks and Recreation Department to provide investment management services for the Lewis and Clark Interpretive Center Endowment Fund. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Fine discussed transfers from Industrial Commission agencies/programs for the 2017-2019 biennium for the Industrial Commission Administrative Office operations as follows:

RE: Senate Bill 2014

Senate Bill 2014 Section 8 states in part the following:

“The sum of \$1,103,779, or so much of the sum as may be necessary, may be transferred from the entities within the control of the industrial commission or entities directed to make payments to the industrial commission fund for administrative services rendered by the commission. Transfers must be made during the biennium beginning July 1, 2017 and ending June 30, 2019, **upon order of the commission**. Transfers from the student loan trust must be made to the extent permitted by sections 54-17-24 and 57-17-25.

Senate Bill 2014 Section 24 states:

“The amount appropriated to the industrial commission in the special funds appropriation line item in section 1 of chapter 14 of the 2015 Session Laws and transferred pursuant to section 6 of chapter 14 of the 2015 Session Laws is not subject to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2017 and ending June 30, 2019.”

In determining the amount that should be transferred from the various sources, I have based it partially on the ability of the agency to provide funds and partially on the amount of responsibility associated with that entity. For example, in the case of the Student Loan Trust, this office, with the assistance of Bank of North Dakota staff, has the responsibility for the Trust. Thus a higher percentage was given to the Trust.

Two entities that require a portion of the Administrative Office staff time are the Pipeline Authority and the Transmission Authority. Both of these entities do not have their own funding sources but rather receive their funding from the Oil and Gas Research Fund and the Lignite Research Fund. Since I already identify these two funds for a transfer I have not carved out a specific allocation for the Pipeline and Transmission Authorities.

The only entity that I do not charge any portion of the costs of the office is the North Dakota Building Authority. The only source of funding for the North Dakota Building Authority would be payments from other state agencies outside of the Industrial Commission authority.

You may note that there have been no costs allocated to the Department of Mineral Resources. The Department of Mineral Resources' accounting staff handles the processing of all payroll, billing and payment services for the Administrative Office. The Department of Mineral Resources staff also provides information technology services for the Administrative Office and has assisted with public information services. I consider their time and services to be the Department of Mineral Resources' contribution to the Administrative Office.

The total appropriation for the Industrial Commission Administrative Office for the 2017-2019 biennium is \$1,103,799. I am recommending that the level of transfers to the Administrative Office be as follows: (I have attached an excel sheet which shows the transfers for the two prior biennia.)

Western Area Water Supply Authority	\$ 150,000
Bank of North Dakota	\$ 155,967
Student Loan Trust	\$ 127,489
State Mill	\$ 121,859
Housing Finance Agency	\$ 112,477
Outdoor Heritage Fund	\$ 130,035
Lignite Research Fund	\$ 102,322
Oil and Gas Research Fund	\$ 102,322
Renewable Energy Fund	\$ 50,664
Public Finance Authority	<u>\$ 50,664</u>
	\$1,103,799

As I have done in the past, if I do not utilize the entire amount appropriated each agencies proportionate share is returned to the agency or the amount is carried over and allocated to the agency's proportionate share of costs for the next biennium.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approves the transfers from the Commission agencies/programs for the 2017-2019 biennium for the administrative office operations as presented. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Fine reported that Andrea Pfennig started on March 1. She was unable to attend today's meeting as she had made a family commitment several months ago.

Being no further Industrial Commission business, Governor Burgum adjourned the Industrial Commission meeting at 5:19 p.m.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary