



MAY 9, 2018

PUBLIC FINANCE AUTHORITY ADVISORY COMMITTEE

RECOMMENDATION TO THE INDUSTRIAL COMMISSION

The Advisory Committee, at its May 9, 2018 meeting, reviewed and discussed, and recommends approval of a \$2,298,000 Clean Water State Revolving Fund Program loan to the City of Arnegard.

North Dakota Public Finance Authority  
Advisory Committee

Keith Lund, Chairman  
Linda Svihovec

Industrial Commission  
of North Dakota

Doug Burgum  
GOVERNOR

Wayne Stenehjem  
ATTORNEY GENERAL

Doug Goehring  
AGRICULTURE COMMISSIONER



# North Dakota Public Finance Authority

## Memorandum

**To:** Public Finance Authority Advisory Committee  
Matt Schnackenberg, Public Financial Management  
Craig Hanson, BND

**From:** DeAnn Ament, Executive Director

**Date:** April 30, 2018

**Re:** City of Arnegard  
Clean Water State Revolving Fund

The City of Arnegard is requesting a \$2,298,000 loan under the Clean Water State Revolving Fund (CWSRF) Program to finance reconstruction of 3 blocks of sewer main as well as construction of new storm sewer. Construction of this project began in July of 2018 with an anticipated completion date in November 2019. Total construction costs are estimated at \$2,548,000 with \$250,000 from City funds on hand. This loan qualifies for loan forgiveness of \$548,700, so the net loan will be \$1,749,300.

The requested term for the CWSRF net loan is 30 years. The City of Arnegard will issue revenue bonds payable from water user fees and gross production tax (GPT). Accordingly, the average annual payment will be approximately \$73,194. The net operating revenue coverage requirement of 120% will be \$87,833 and the reserve requirement will be \$78,375.

The current month rate is a flat rate of \$34. Once water meters are installed, the City's 140 user connections will each pay a monthly user rate of \$20.50 and \$2.40/1,000 gallons.

### Sewer Fund:

	2015	2016	2017
Operating Revenue	\$53,698	\$67,689	\$81,074
Operating Expenses	13,478	28,467	41,061
Net Operating Revenue	<u>\$40,220</u>	<u>\$39,222</u>	<u>\$40,013</u>

### Gross Production Tax (GPT) Collections:

2014	2015	2016	2017	To April 2018	Budgeted 2019
\$ 1,128,112	\$ 809,994	\$ 700,723	\$ 855,469	\$ 395,063	\$710,400

Also, the City annually will budget transfers of GPT to the sewer fund in the event that revenues are insufficient. The net operating revenues of the wastewater fund coupled with the GPT transfers will allow the City to meet the 120% coverage.

The City has no outstanding indebtedness.

The City of Arnegard is located in McKenzie County, on US Highway #85, 39 miles southeast of Williston. The total population according to the 2010 census is 115; this is an increase of 10 from the 2000 census. K-12 Students in Arnegard attend school in Watford City. The largest employers in the City are Short Stop (retail store) with 5 employees, Charlie's Service (service store) with 4 employees, and the PDQ (bar/supper club) with 2 employees.

The City's 2017 taxable valuation was \$803,460. This is an increase of \$569,423 over the 2013 taxable valuation.

**Property Tax Collections 3/31/2018:**

<b>Levy Year</b>	<b>Dollar Amount of Levy</b>	<b>Amount Collected to Date of Application</b>	<b>Percentage Collected</b>
2017	41,467	34,153	82%
2016	32,868	32,455	99%
2015	31,896	31,577	99%
2014	17,513	17,513	100%
2013	16,827	16,827	100%

**Special Assessment Collections 3/31/18:**

<b>Year</b>	<b>Dollar Amount</b>	<b>Amount Collected to Date of Application</b>	<b>Percentage Collected</b>
2017	3,283	2,191	67%
2016	4,592	2,667	58%
2015	22,530	4,975	22%
2014	2,220	2,220	100%
2013	840	840	100%
2012	1,140	1,140	100%

**Arnegard Mill Levy History 3/31/18:**

<b>Year</b>	<b>City</b>	<b>School</b>	<b>Park District</b>	<b>State and County</b>	<b>Other</b>	<b>Total for Each Year</b>
2017	51.61	55.92	25.90	19.70	7.00	160.13
2016	52.72	71.04	26.46	26.55	7.00	183.77
2015	52.20	74.72	25.59	26.33	7.00	185.84
2014	52.59	87.50	25.59	23.81	6.50	195.99
2013	68.00	81.29	4.48	18.53	6.50	178.80

Memorandum

To: Industrial Commission  
From: Craig Hanson, Financial Institutions Market Manager  
Bank of North Dakota  
Date: May 2, 2018  
RE: City of Arnegard  
Clean Water State Revolving Fund Program

ND Public Finance Authority has delivered to BND their memo which recommends approval of a \$2,298,000 loan to the City of Arnegard under the Clean Water State Revolving Fund (CWSRF).

The proceeds from the loan will be used to finance reconstruction of 3 blocks of sewer main, as well as construction of new storm sewer. The cost of the project is \$2,548,000 with \$250,000 coming from City funds on hand. The CWSRF loan qualifies for up to \$548,700 of loan forgiveness, making the net loan amount \$1,749,300.

The requested loan term is 30 years. The City will issue revenue bonds payable from sewer user fees and gross production taxes. The City will annually budget any needed transfers of GPT to the sewer fund, in the event that net sewer revenues are insufficient to cover the debt. The annual payment will average \$73,194.

**Sewer Fund Debt Service Coverage:**

Sewer Fund	Audit 2015	Audit 2016	Interim 2017
Operating Revenue	53,698	67,689	81,074
Operating Expenses	-13,478	-28,467	-41,061
Net Operating Revenue	40,220	39,222	40,013
Potential New Debt Service	73,194	73,194	73,194
Total Debt Service	73,194	73,194	73,194
Debt Service Coverage	54.95%	53.59%	54.67%
Breakeven GPT Transfer	32,974	33,972	33,181

**Oil and Gas Production Taxes:**

Year	Amount	40% General Fund	60% Available for Debt Service
2014	1,128,111.82		
2015	809,993.77		
2016	700,723.48		
2017	855,468.58		
Projected 2018	815,000.00	326,000.00	489,000.00
Projected 2019	836,000.00	334,400.00	501,600.00

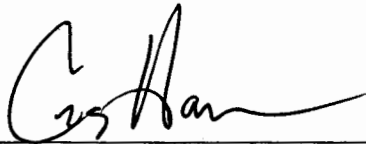
The City budget for 2018 allocated approximately 40% of gross production tax collections to cover general operating expenses, with the remaining 60% is available to cover debt service. The City has also applied for a \$1,783,000 Drinking Water State Revolving Fund loan that will also have gross production taxes pledged as a secondary repayment source.

The City does not have any debt outstanding.

Average annual debt service requirements are estimated at \$146,646, which is an average of \$883.41 per resident.

The City estimates a current population of 166. According to the 2010 census, the City's population was 115. The largest employers in the City are Short Stop (retail store), Charlie's Service (service store) and PDQ (bar/supper club).

Based upon the PFA recommendation and the benefits obtained with this project, BND concurs with their evaluation and support of the request.



Craig Hanson  
Financial Institutions Market Manager



50 South Sixth Street  
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612.338.7264 Fax  
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## Memorandum

**TO:** DeAnn Ament, Executive Director  
North Dakota Public Finance Authority

**FROM:** PFM Financial Advisors LLC

**DATE:** May 9, 2018

**RE:** Marketplace Analysis - Clean Water State Revolving Fund Program  
City of Arnegard

The City of Arnegard ("City") has presented a request to the Authority and the North Dakota Department of Health ("Department") for a \$2,298,000 loan under the Clean Water State Revolving Fund Program ("CWSRF Program") of which \$548,700 qualifies for loan forgiveness to net \$1,749,300 when fully funded. The CWSRF Program is used to make subsidized interest rate loans to political subdivisions for the purpose of constructing various wastewater treatment projects and landfill projects as approved by the Department in accordance with federal and state regulations and an updated Intended Use Plan prepared by the Department.

The City intends to use the proceeds of the loan to help finance reconstruction of 3-blocks of sewer main and construction of a new storm sewer system.

The municipal securities to be acquired by the Authority will be revenue bonds payable from user fees and gross production tax (GPT). The City's average annual payment under the proposed loan will be approximately \$73,194 indicating a 120% net revenue coverage requirement of approximately \$87,833. The City will be required to deposit \$78,375 into a reserve fund with payments of \$15,675 per year for the first five years of the loan. The City's 140 user connections will pay a monthly user rate of \$20.50 and \$2.40/1,000 gallons after the water meters are installed. Net operating revenues of the Wastewater Fund were \$40,220, \$39,222, and \$40,013 in 2015-2017, respectively. If revenues are insufficient the City will transfer GPT dollars to the Wastewater Fund. The existing net operating revenues and the GPT transfers will provide sufficient net revenues to meet the 120% coverage requirement.

The City has no outstanding indebtedness.

Funding for the construction of the City's projects has been included in a list of approved projects as prepared and updated by the Department. As an authorized participant in the CWSRF Program, the City will benefit substantially from the subsidized fixed rate loans made under the Program. Consequently, no other financing mechanism can provide a greater cost advantage than that offered by the CWSRF Program.



# INDUSTRIAL COMMISSION OF NORTH DAKOTA

Doug Burgum  
Governor

Wayne Stenehjem  
Attorney General

Doug Goehring  
Agriculture Commissioner

## 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 Arnegard (the "Political Subdivision") has requested a loan in the amount of \$2,298,000 from the Program to finance reconstruction of 3 blocks of sewer main as well as construction of new storm sewer; 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.

Adopted: May 17, 2018

\_\_\_\_\_  
Governor Doug Burgum, Chairman

Attest:

\_\_\_\_\_  
Karlene Fine, Executive Director and Secretary  
Industrial Commission of North Dakota

Karlene K. Fine, Executive Director and Secretary  
State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840  
E-Mail: [kfine@nd.gov](mailto:kfine@nd.gov)  
Phone: (701) 328-3722 FAX: (701) 328-2820  
[www.nd.gov](http://www.nd.gov)



Project Owner:

Arnegard

Project Description:

Phase 2 Water System Improvements

Funding Program	Project Number	Amount
Clean Water State Revolving Fund (CWSRF) Drinking Water State Revolving Fund (DWSRF) Capital Financing Program (CFP) Infrastructure Revolving Loan Fund State Water Commission BuRec/MR&I USACE CDBG USDA-RD Community Water Loan Program Other Local	2701506-01	1,753,000       370,364     106,671

Total Project Costs

2,230,035

MAY 9, 2018

PUBLIC FINANCE AUTHORITY ADVISORY COMMITTEE

RECOMMENDATION TO THE INDUSTRIAL COMMISSION

The Advisory Committee, at its May 9, 2018 meeting, reviewed and discussed, and recommends approval of a \$1,753,000 Drinking Water State Revolving Fund Program loan to the City of Arnegard.

North Dakota Public Finance Authority  
Advisory Committee

Keith Lund, Chairman  
Linda Svihovec

Industrial Commission  
of North Dakota

Doug Burgum  
GOVERNOR

Wayne Stenehjem  
ATTORNEY GENERAL

Doug Goehring  
AGRICULTURE COMMISSIONER



## **North Dakota Public Finance Authority**

### **Memorandum**

**To:** Public Finance Authority Advisory Committee  
Matt Schnackenberg, Public Financial Management  
Craig Hanson, BND

**From:** DeAnn Ament, Executive Director

**Date:** May 7, 2018

**Re:** City of Arnegard  
Drinking Water State Revolving Fund

The City of Arnegard is requesting a \$1,753,000 loan under the Drinking Water State Revolving Fund (DWSRF) Program to finance construction of Phase 2 of the water system improvements which will include 6,100 lineal feet of water main and 9 fire hydrants which will result in 71 new connections; McKenzie County Water Resource District will provide water to the City. Construction of this project began in October of 2017 with an anticipated completion date in December 2018. Total construction costs are estimated at \$2,230,035 with \$370,364 from CDBG grant and \$106,671 from City funds on hand.

The requested term for the DWSRF loan is 30 years. The City of Arnegard will issue revenue bonds payable from water user fees and gross production tax (GPT). Accordingly, the average annual payment will be approximately \$73,452. The net operating revenue coverage requirement of 120% will be \$88,142 and the reserve requirement will be \$78,375.

The City currently has 140 user connections which will each pay a monthly user rate of \$41 and \$4.80/1,000 gallons.

#### **Water Operating Projections from City:**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Operating Revenue	\$74,804	\$175,809	\$131,542	\$139,549
Operating Expense	77,050	84,673	87,758	90,641
Net Operating Revenue (Loss)	-227	91,136	43,784	48,908
GPT Needed	89,369	--	44,358	39,234
DWSRF Payment	\$73,452	\$73,452	\$73,452	\$73,452
Net Operating Coverage	120%	124%	120%	120%

**Gross Production Tax Collections:**

<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>To April 2018</b>	<b>Budgeted 2019</b>
\$ 1,128,112	\$ 809,994	\$ 700,723	\$ 855,469	\$ 395,063	\$710,400

The City has no outstanding indebtedness.

Also, the City annually will budget transfers of GPT to the water fund if revenues are insufficient. The net operating revenues of the water fund coupled with the GPT transfers will allow the City to meet the 120% coverage.

The City of Arnegard is located in McKenzie County, on US Highway #85, 39 miles southeast of Williston. The total population according to the 2010 census is 115; this is an increase of 10 from the 2000 census. K-12 Students in Arnegard attend school in Watford City. The largest employers in the City are Short Stop (retail store) with 5 employees, Charlie's Service (service store) with 4 employees, and the PDQ (bar/supper club) with 2 employees.

The City's 2017 taxable valuation was \$803,460. This is an increase of \$569,423 over the 2013 taxable valuation.

**Property Tax Collections:**

<b>Levy Year</b>	<b>Dollar Amount of Levy</b>	<b>Amount Collected to Date of Application</b>	<b>Percentage Collected</b>
<b>2017</b>	41,467	34,153	82%
<b>2016</b>	32,868	32,455	99%
<b>2015</b>	31,896	31,577	99%
<b>2014</b>	17,513	17,513	100%
<b>2013</b>	16,827	16,827	100%

**Special Assessment Collections:**

<b>Year</b>	<b>Dollar Amount</b>	<b>Amount Collected to Date of Application</b>	<b>Percentage Collected</b>
<b>2017</b>	3,283	2,191	67%
<b>2016</b>	4,592	2,667	58%
<b>2015</b>	22,530	4,975	22%
<b>2014</b>	2,220	2,220	100%
<b>2013</b>	840	840	100%
<b>2012</b>	1,140	1,140	100%

**Mill Levy History:**

<b>Year</b>	<b>City</b>	<b>School</b>	<b>Park District</b>	<b>State and County</b>	<b>Other</b>	<b>Total for Each Year</b>
<b>2017</b>	51.61	55.92	25.90	19.70	7.00	160.13
<b>2016</b>	52.72	71.04	26.46	26.55	7.00	183.77
<b>2015</b>	52.20	74.72	25.59	26.33	7.00	185.84
<b>2014</b>	52.59	87.50	25.59	23.81	6.50	195.99
<b>2013</b>	68.00	81.29	4.48	18.53	6.50	178.80

Memorandum

To: Industrial Commission

From: Craig Hanson, Financial Institutions Market Manager  
Bank of North Dakota

Date: May 10, 2018

RE: City of Arnegard  
Drinking Water State Revolving Fund Program

ND Public Finance Authority has delivered to BND their memo which recommends approval of a \$1,753,000 loan to the City of Arnegard under the Drinking Water State Revolving Fund (DWSRF).

The proceeds from the loan will be used to finance reconstruction of Phase 2 of the water system improvements, which will result in 71 new connections. McKenzie County Water Resource District will provide water to the City. The cost of the project is \$2,230,035 with \$370,364 coming from a Community Development Block Grant and \$106,671 coming from City funds on hand.

The requested loan term is 30 years. The City will issue revenue bonds payable from sewer user fees and gross production taxes. The City will annually budget any needed transfers of GPT to the water fund, in the event that net water revenues are insufficient to cover the debt. The annual payment will average \$73,452.

**Projected Water Fund Debt Service Coverage:**

Water Fund	2019	2020	2021	2022
Operating Revenue	74,804	175,809	131,542	139,549
Operating Expenses	-77,050	-84,673	-87,758	-90,641
Net Operating Revenue	-2,246	91,136	43,784	48,908
Potential New Debt Service	73,452	73,452	73,452	73,452
Total Debt Service	73,452	73,452	73,452	73,452
Debt Service Coverage	-3.06%	124.08%	59.61%	66.58%
Breakeven GPT Transfer	75,698	0	29,668	24,544

**Oil and Gas Production Taxes:**

Year	Amount	40% General Fund	60% Available for Debt Service
2014	1,128,111.82		
2015	809,993.77		
2016	700,723.48		
2017	855,468.58		
Projected 2018	815,000.00	326,000.00	489,000.00
Projected 2019	836,000.00	334,400.00	501,600.00

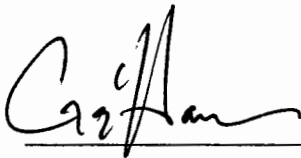
The City budget for 2018 allocated approximately 40% of gross production tax collections to cover general operating expenses, with the remaining 60% is available to cover debt service. The City has also applied for a \$2,298,000 Clean Water State Revolving Fund loan that will also have gross production taxes pledged as a secondary repayment source.

The City does not have any debt outstanding.

Average annual debt service requirements are estimated at \$146,646, which is an average of \$883.41 per resident.

The City estimates a current population of 166. According to the 2010 census, the City's population was 115. The largest employers in the City are Short Stop (retail store), Charlie's Service (service store) and PDQ (bar/supper club).

Based upon the PFA recommendation and the benefits obtained with this project, BND concurs with their evaluation and support of the request.



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Craig Hanson  
Financial Institutions Market Manager



## Memorandum

**TO:** DeAnn Ament, Executive Director  
North Dakota Public Finance Authority

**FROM:** PFM Financial Advisors LLC

**DATE:** May 9, 2018

**RE:** Marketplace Analysis - Drinking Water State Revolving Fund Program  
City of Arnegard

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The City of Arnegard ("City") has presented a request to the Authority and the North Dakota Department of Health ("Department") for a \$1,753,000 loan under the Drinking Water State Revolving Fund Program ("DWSRF Program"). The DWSRF Program is used to make subsidized interest rate loans to political subdivisions for the purpose of constructing various wastewater treatment projects and landfill projects as approved by the Department in accordance with federal and state regulations and an updated Intended Use Plan prepared by the Department.

The City intends to use the proceeds of the loan to finance Phase 2 of the proposed 2017 Municipal Water System Improvement Project, which includes the installation of a water main, nine fire hydrant assemblies, and approximately 71 new water service connections tying into the new water main among other projects.

The municipal securities to be acquired by the Authority will be revenue bonds payable from user fees and gross production tax (GPT). The City's average annual payment under the proposed loan will be approximately \$73,452 indicating a 120% net revenue coverage requirement of approximately \$88,142. The City will be required to deposit \$78,375 into a reserve fund with payments of \$15,675 per year over the first five years of the loan. The City's 140 user connections will pay a monthly user rate of \$41 and \$4.80/1,000 gallons. Net operating coverage of the Water Fund is projected to be 1.20x, 1.24x, 1.20x and 1.20x in 2019-2022, respectively. If revenues are insufficient the City will transfer GPT dollars to the Water Fund. The existing net operating revenues and the GPT transfers will provide sufficient net revenues to meet the 120% coverage requirement.

The City has no outstanding indebtedness.

Funding for the construction of the City's projects has been included in a list of approved projects as prepared and updated by the Department. As an authorized participant in the DWSRF Program, the City will benefit substantially from the subsidized fixed rate loans made under the Program. Consequently, no other financing mechanism can provide a greater cost advantage than that offered by the DWSRF Program.





# INDUSTRIAL COMMISSION OF NORTH DAKOTA

Doug Burgum  
Governor

Wayne Stenehjem  
Attorney General

Doug Goehring  
Agriculture Commissioner

## 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 Arnegard (the "Political Subdivision") has requested a loan in the amount of \$1,753,000 from the Program to finance construction of Phase 2 of the water system improvements which will include 6,100 lineal feet of water main and 9 fire hydrants which will result in 71 new connections; 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.

Adopted: May 17, 2018

\_\_\_\_\_  
Governor Doug Burgum, Chairman

Attest:

\_\_\_\_\_  
Karlene Fine, Executive Director and Secretary  
Industrial Commission of North Dakota

Karlene K. Fine, Executive Director and Secretary  
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