

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on July 27, 2021 beginning at 9:00 a.m.  
North Dakota Mill, Grand Forks, &  
Governor's Conference Room - State Capitol

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

Also Present: The Bismarck portion of the meeting was open through Microsoft Teams so not all attendees are known  
Members of the Press

Governor Burgum called the Industrial Commission meeting to order at approximately 9:00 a.m. at the North Dakota Mill (Mill) in Grand Forks, and the Commission took up Mill business.

**NORTH DAKOTA MILL (Mill)**

Upon arriving at the Mill, the Commission members, Commission Executive Director/Secretary, Governor's Office staff/security and Mill staff met briefly in the Mill conference room to get their safety equipment on and then began the tour of the Mill facilities at approximately 9:15 a.m. Vance Taylor, Chris Lemoine and Dillon Janousek led the tour. The tour included stops at: 1) new packer installation, 2) new truck scale and elevator conveyors, and 3) new H and I mill installations. Upon the conclusion of the tour, Governor Burgum reconvened the Commission meeting at 11:00 a.m. and the Commission took up North Dakota Mill business.

Mr. Vance Taylor, Mill CEO, thanked the Commission for touring the Mill and meeting with the Mill management team.

Mr. Taylor presented the 4th Quarter and Fiscal Year End Report.

*Review of Operations  
4<sup>th</sup> Qtr. Ended 6/30/21  
Pre-Audit*

**SUMMARY**

Operations in the 4th Quarter led to a profit of \$2,065,479 compared to a profit of \$1,412,507 in last year's 4th Quarter. For the year we had a profit of \$13,460,320 compared to \$11,418,612 last year.

|                | <i>Quarter</i>   |                  | <i>Year-to-Date</i> |                   |
|----------------|------------------|------------------|---------------------|-------------------|
|                | <i>6/21</i>      | <i>6/20</i>      | <i>6/21</i>         | <i>6/20</i>       |
| Profits        | \$ 2,065,479     | \$ 1,412,507     | \$ 13,460,320       | \$ 11,418,612     |
| Sales          | 90,421,937       | 67,416,694       | 339,161,011         | 299,641,646       |
| Cwt. Shipped:  |                  |                  |                     |                   |
| Spring         | 3,677,605        | 2,910,404        | 14,510,641          | 13,297,357        |
| % to Total     | 91.8%            | 92.0%            | 91.9%               | 92.9%             |
| Durum          | 329,255          | 252,744          | 1,274,239           | 1,012,324         |
|                | <u>3,807,751</u> | <u>3,736,935</u> | <u>11,778,020</u>   | <u>11,146,534</u> |
| Bulk Shipments | 4,006,860        | 3,163,148        | 15,784,880          | 14,309,681        |
| % to Total     | 85.7%            | 80.9%            | 84.2%               | 82.2%             |

July 27, 2021

|                         |           |           |            |            |
|-------------------------|-----------|-----------|------------|------------|
| Bag Shipments           | 542,766   | 557,242   | 2,341,404  | 2,374,130  |
| % to Total              | 13.5%     | 17.6%     | 14.8%      | 16.6%      |
| Tote Shipments          | 31,876    | 47,848    | 156,917    | 174,894    |
| % to Total              | .8%       | 1.5%      | 1.0%       | 1.2%       |
| Family Flour Shipments  | 65,339    | 198,621   | 440,545    | 480,874    |
| % to Total              | 1.6%      | 6.3%      | 2.8%       | 3.4%       |
| Organic Flour Shipments | 35,732    | 40,961    | 153,666    | 148,775    |
| % to Total              | .9%       | 1.3%      | 1.0%       | 1.0%       |
| Grain Purchased:        |           |           |            |            |
| Spring                  | 7,752,407 | 6,010,206 | 30,625,638 | 28,647,669 |
| Durum                   | 686,252   | 595,068   | 2,556,132  | 2,252,810  |
| Total                   | 8,438,659 | 6,605,274 | 33,181,770 | 30,900,479 |

*SALES*4th Quarter

Sales for the 4<sup>th</sup> Quarter were \$90,421,937 compared to \$67,416,694 last year. Shipments of 4,006,860 cwts. are 843,712 cwts. more than last year's 4<sup>th</sup> Quarter. Bag shipments for the 4<sup>th</sup> Quarter are 542,766 cwts. compared to 557,242 cwts. last year. Tote shipments are 31,876 cwts. compared to 47,848 cwts. last year. Family flour shipments of 65,339 cwts. is 133,282 cwts. lower than last year's 4<sup>th</sup> Quarter. Organic flour shipments of 35,732 cwts. is 12.8% below last year. Durum flour and semolina shipments increased 30.3% over last year's 4<sup>th</sup> Quarter.

Year-to-Date

Sales for the fiscal year came in at \$339,161,011. This is 13.2% more than last year. The price of grain settled is \$.43 per bushel more than last year. Shipments of 15,784,880 cwts. are 1,475,199 cwts. more than last year. Year-to-date bag shipments are 2,341,404 cwts. or 32,726 cwts. less than last year. Year-to-date tote shipments are 156,917 cwts. compared to 174,894 cwts. last year. Family flour shipments for the year are 440,545 cwts., which is a 8.4% decrease from last year. Organic flour shipments are 153,666 cwts. compared to 148,775 cwts. last year. Durum flour and semolina shipments increased 25.8% over last year.

*OPERATING COSTS*4th Quarter

Operating costs for the 4th Quarter are \$12,917,639 compared to \$9,247,605 last year, an increase of 39.7%. The mill experienced an additional pension expense of \$3,874,342 in the last fiscal year. Operating cost per cwt. of production is \$3.26 compared to \$2.95 last year, an increase of 10.5%.

Year-to-Date

Year-to-date operating costs are \$42,633,744 compared to \$37,340,656 last year, an increase of \$5,293,088. Operating costs per cwt. of production for the year is \$2.71 compared to \$2.62 last year.

*PROFITS*4th Quarter

For the 4th Quarter we experienced a profit of \$2,065,479 compared to a profit of \$1,412,507 last year. Gross margins as a percent of gross sales for the Quarter was 16.6% compared to 16.3% last year, an increase of .3%.

Year-to-Date

For the year we had a profit of \$13,460,320 compared to profits of \$11,418,612 last year. Gross margins as a percent of gross sales for the year were 16.8% compared to 16.8% last year a change of 0%.

*RISK MANAGEMENT*

Risk Management Position

The table below shows our hedge ratio by futures month going forward. A hedge ratio shows the relationship between our net cash position and our futures position. The mill does remain at risk for the basis.

Position Report  
 30-Jun-21

| Period       | Hedge Ratio |
|--------------|-------------|
| Sep-21       | 1.0         |
| Dec-21       | 1.0         |
| Mar-22       | 1.0         |
| May-22       | 1.0         |
| July-22      | 1.2         |
| Net Position | 1.0         |

Mr. Taylor reported on year end transfers made on July 26, 2021, as follows.

| <b>NORTH DAKOTA MILL</b>    |                 |                          |
|-----------------------------|-----------------|--------------------------|
| <b>FY 2021 Transfers</b>    |                 |                          |
|                             | <b>Dollars</b>  | <b>Percent</b>           |
| FY 2021 Profit              | \$13,460,320.34 |                          |
| Ag Product Utilization Fund | \$673,016.02    | 5.0%                     |
| General Fund                | \$6,393,652.16  | 50% of remaining profits |
| Total Transfers             | \$7,006,668.18  |                          |

Mr. Taylor reported on the FY 2021 Gain Share Plan. Employees achieved four out of four goals, resulting in a payout of 24.59% and the average employee payout was \$19,311. Over the last 10 years, the average payout has been 17.8% or \$11,364 per employee. Mr. Taylor presented the FY 2022 Gain Share Plan for consideration and reviewed the changes that were being proposed from the prior year.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission approves the following North Dakota Mill Gain Sharing Program for Fiscal Year 2022:**

**NORTH DAKOTA MILL  
 GAIN SHARING PROGRAM  
 FY2022**

- **Eligibility – all full-time employees on June 30, 2022 that worked a minimum of 1,000 hours during the program year are eligible.**
- **No pay out of any bonuses if profit before gain sharing expense accrual and any unknown adjustments (Pension, etc.), positive or negative does not exceed 3.0 million dollars.**
- **No payout on the profit part of the plan if profit before gain sharing expense accrual and any unknown adjustments (Pension, etc.), positive or negative does not exceed 5.0 million dollars.**

- Payout will be calculated as a percent of earnings from July 1, 2021, to June 30, 2022.
- Goal numbers were set to reflect current realities for the new plan year.
- Goal numbers were set by the President and CEO and are attainable with effort.

The plan consists of two independent parts: 4% potential payout is from exceeding gain sharing goals and an un-capped potential payout is from profits. For the year ending June 30, 2022, the goals are as follows:

**Gain Sharing 1<sup>st</sup> Part – 4% Bonus Potential\***

**Goals**

|   |            |
|---|------------|
| Cwt./man-hour (includes all hours)                        | 38.50      |
| Cost per cwt. (pre gain sharing exp. and pension adjust.) | \$2.50     |
| Yield   | 77.2%      |
| Safety Record   | 172 Points |

\*4% bonus potential if all numbers are met or exceeded. Each goal is worth 1% of the 4%.

**Gain Sharing 2<sup>nd</sup> Part – Uncapped Bonus Potential**

**Profits** (before gain sharing expense accrual and pension adjustments):

|  |                      |
|--|----------------------|
| 3.0 million  | = 0.0% bonus pay out |
| 5.0 million  | = 5.0% bonus pay out |
| Each additional 1.0 million in profits = 1.0% additional bonus payout. |                      |

NOTE: The 1<sup>st</sup> Part of the gain sharing goals begin to payout at a profit (before gain sharing expense accrual and any unknown adjustments - Pension, etc., positive or negative) level greater than \$3.0 million. The 2<sup>nd</sup> Part of the gain sharing goals begin to payout at a profit (before gain sharing expense accrual) level greater than \$5.0 million.

**EXAMPLE #1:**

The Mill makes \$3.0 million profit (before gain sharing expense accrual and any unknown adjustments - Pension, etc., positive or negative) and we exceed the goal for cwt./man-hour and cost/cwt. but not the safety record or yield. The total bonus received would be 2% for goals + 0% for profit = 2.0%.

**EXAMPLE #2:**

The Mill makes \$6.0 million profit (before gain sharing expense accrual and any unknown adjustments - pension, etc., positive or negative) and we exceed the goal for cwt./man-hour, cost/cwt., and the safety record but not the yield. The total bonus received would be 3% for goals + 6.0% for profit = 9.0%.

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

Mr. Taylor reported on the FY 2021 capital expenditures as follows.

| <b>NORTH DAKOTA MILL</b>                |   |                             |                          |                                   |
|---|---|-----------------------------|--------------------------|-----------------------------------|
| <b>Capital Expenditures for FY 2021</b> |   |                             |                          |                                   |
| <b>July 27, 2021</b>                    |   |                             |                          |                                   |
| <b>Capital Expense Item</b>             | <b>Approved/<br/>Remaining<br/>Budget</b> | <b>Net Capital<br/>Cost</b> | <b>Under/<br/>(Over)</b> | <b>Completed<br/>Project Cost</b> |
| <b>Plant</b>                            |   |                             |                          |                                   |
| Phase II Shuttle Track & Grain Storage  | \$ 409,202                                | \$ 371,627                  | \$ 37,575                | \$24,677,424                      |
| * Freight Elevator Upgrade              | 632,848                                   | 353,769                     | 279,079                  |                                   |
| * Upper Bulk Flour Storage Renovation   | 430,434                                   | 314,007                     | 116,427                  |                                   |

|  |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
| Roof Replacements                                | 83,820              | 73,650              | 10,170              | 149,830             |
| K Mill Wheat Leg Replacement                     | 51,348              | 47,803              | 3,545               | 101,455             |
| * Terminal Receiving Scales & Conveyors          | 8,304,881           | 6,253,318           | 2,051,563           |                     |
| * Automated Flour Packing System                 | 2,350,000           | 2,084,795           | 265,205             |                     |
| * C Mill Equipment Upgrade                       | 235,000             | 139,775             | 95,225              |                     |
| * Infestroyer Upgrades                           | 210,000             |                     | 210,000             |                     |
| Truck Lot Improvement                            | 160,000             | 160,000             | -                   | 160,000             |
| * Packing Area Rebolt Sifters                    | 130,000             | 46,240              | 83,760              |                     |
| High Pressure Steam Upgrade                      | 115,000             | 108,039             | 6,961               | 108,039             |
| Grain Storage Bin Repair                         | 135,000             | 135,000             | -                   | 135,000             |
| Skid Steer Loader                                | 61,000              | 59,001              | 1,999               | 59,001              |
| * Forklifts                                      | 54,000              |                     | 54,000              |                     |
| Roll Corrugation Analyzer                        | 52,000              | 51,381              | 619                 | 51,381              |
| Farinograph                                      | 78,000              | 75,754              | 2,246               | 75,754              |
| * H & I Mill Expansion                           | 23,500,000          | 12,611,635          | 10,888,365          |                     |
| * PT 1 Packing System Upgrade                    | 420,000             |                     | 420,000             |                     |
| <b>Computers/Technology</b>                      |                     |                     |                     |                     |
| Systems Improvements, Replacements, and Upgrades | 300,000             | 72,596              | 227,404             |                     |
| Microsoft 365 Migration                          |                     |                     |                     | 14,924              |
| ASC Handheld Upgrade                             |                     |                     |                     | 57,672              |
| <b>Other</b>                                     | 400,000             | 399,019             | 987                 |                     |
| Locomotive                                       |                     |                     |                     | 224,000             |
| Ink Jet Coders                                   |                     |                     |                     | 25,328              |
| Switchgears                                      |                     |                     |                     | 38,375              |
| Rail Surface Track                               |                     |                     |                     | 55,253              |
| Rail Surface Track                               |                     |                     |                     | 42,927              |
| Lantec Q-300 Stretch Wrapper                     |                     |                     |                     | 13,130              |
| <b>Total Capital Expenditures</b>                | <b>\$38,112,533</b> | <b>\$23,357,403</b> | <b>\$14,755,130</b> | <b>\$25,989,493</b> |

\*Carried over to Fiscal Year 2022

Mr. Taylor presented the FY 2022 Capital Plan for consideration as follows.

*D Mill Product Transfer System – \$790,000*

New transfer systems are required to convey the D Mill wheat and the finished products. This project will upgrade 4 pressure conveying systems to address the grain handling, tempering and product conveying needs.

*Rail Track, Crossing and Drainage Upgrades – \$550,000*

Tracks between the Bulk Plant and New Warehouse are deteriorated to the point where replacement is required. Additional drainage lines are needed in this area to extend life of the new track.

*Phase II Bulk Flour Storage Upgrade – \$285,000*

Purchase and replace worn out, manually operated pneumatic diverter valves and lines with automatic valves controlled remotely with a PLC. This project will result in better control and more efficient finished product transfer and storage.

*Electrical Substation Upgrade – \$275,000*

This project will increase the size of the secondary substation from 7.5 MVA to 10 MVA providing additional electrical power capacity and system redundancy.

*Wheat Midds Storage and Handling System Engineering – \$250,000*

Additional storage and handling capacity is required to efficiently transfer, pelletize and load out the 1.5 million pounds of wheat midds produced each day. A detailed engineering and bid package will be developed for this project.

*Retail Mixes Line Blending System – \$205,000*

A Blending/Mixing system is required for in house production of the retail mixes. This system will feed the existing retail packaging line.

*Spare Transformers – \$165,000*

Purchase 3 electrical transformers to provide backup for several 2500 and 3000 KVA units currently in use throughout the plant. This will substantially reduce mill downtime in the event of a transformer failure.

*C Mill Wheat Delivery System – \$155,000*

Purchase and install a new drag conveyor and airlock to replace worn out equipment.

*Autoclave – \$21,000*

Purchase a new unit to replace our current autoclave sterilizer in the laboratory, which is obsolete and worn out to the point where replacement is required.

*Computers/Technology – \$300,000*

Several systems improvements, replacements, and upgrades are required on the management information system.

*Other Capital – \$400,000*

Total for all Capital projects (including other Capital): \$3,396,000

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approves the North Dakota Mill FY 2022 Capital Plan as follows:**

| <b>NORTH DAKOTA MILL<br/>Capital Plan for FY 2022<br/>July 27, 2021<br/>Capital Expense Item</b> |  |                         |
|--|--|-------------------------|
|  | <b>Carryover from FY 2021</b>                              | <b>Remaining Budget</b> |
| Plant  | Freight Elevator Upgrade                                   | 279,079                 |
|  | Upper Bulk Flour Storage Renovation and Automation Phase 1 | 116,426                 |
|  | Terminal Receiving Scales & Conveyors                      | 2,051,562               |
|  | Automated Flour Packing System                             | 265,205                 |
|  | C Mill Equipment Upgrade                                   | 95,225                  |
|  | Infestroyer Upgrades                                       | 210,000                 |
|  | Packing Area Rebolt Sifters                                | 83,760                  |
|  | Forklifts  | 54,000                  |
|  | H & I Mill Expansion                                       | 10,888,365              |
|  | PT 1 Packing System Upgrade                                | 420,000                 |
|  | <b>Total Carryover Capital Expenditures</b>                | <b>\$ 14,463,623</b>    |
| <b>FY 2022 Capital Expense Item</b>  |  |                         |
|  |  | <b>Plan</b>             |
| Plant  | D Mill Product Transfer System                             | 790,000                 |
|  | Rail Track Crossing and Drainage Upgrade                   | 550,000                 |

|                                       |   |                      |
|---------------------------------------|---|----------------------|
|                                       | Phase II Bulk Flour Storage Upgrade                 | 285,000              |
|                                       | Electrical Substation Upgrade                       | 275,000              |
|                                       | Wheat Midds Storage and Handling System Engineering | 250,000              |
|                                       | Retail Mixes Line Blending System                   | 205,000              |
|                                       | Spare Transformers                                  | 165,000              |
|                                       | C Mill Wheat Delivery System                        | 155,000              |
| Lab                                   |   |                      |
|                                       | Autoclave   | 21,000               |
| Computers/Technology                  |   |                      |
|                                       | Systems Improvements, Replacements, and Upgrades    | 300,000              |
| Other                                 |   | 400,000              |
| <b>Total New Capital Expenditures</b> |   | <b>\$ 3,396,000</b>  |
| <b>Total Capital Expenditures</b>     |   | <b>\$ 17,859,623</b> |

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

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that under the provisions of N.D.C.C. § 44-04-18.4 the Industrial Commission enter into executive session to discuss commercial information including the North Dakota Mill’s marketing strategies and sales strategies and N.D.C.C. §44-04-19.1 to discuss strategy and instructions regarding upcoming union contract labor negotiations. On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.**

Governor Burgum reminded the Commission members and those present in the executive session that the discussion must be limited to the items listed on the agenda which was anticipated to last 30 minutes. The Mill executive session began at 11:41 a.m.

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#### NORTH DAKOTA MILL EXECUTIVE SESSION

**Members Present:**

Governor Doug Burgum  
 Attorney General Wayne Stenehjem  
 Commissioner Doug Goehring

**Others in Attendance:**

Vance Taylor North Dakota Mill  
 Cathy Dub North Dakota Mill  
 Russ Bischof North Dakota Mill  
 Chris Lemoine North Dakota Mill  
 Brent Massmann North Dakota Mill  
 Peder Skjoiten North Dakota Mill  
 Dillon Janousek North Dakota Mill  
 Karlene Fine Industrial Commission Office  
 Mike Nowatzki Governor’s Office

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The State Mill executive session ended at 12:27 p.m. and the meeting reconvened in open session.

Mr. Taylor presented the FY22 North Dakota Mill Strategic Plan for consideration.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission approve the following North Dakota State Mill & Elevator Strategic Plan for FY 2022:**

**North Dakota State Mill & Elevator  
Strategic Plan FY 2022**

**The mission of the North Dakota Mill & Elevator is to:**

- **Promote and provide support to North Dakota agriculture, commerce, and industry.**
- **Provide superior quality, consistency, and service to our customers.**
- **Grow the business and provide a profit to our owners – the citizens of North Dakota.**
- **Conduct our business with the highest integrity so that our employees, customers, suppliers, and owners are proud to be associated with the North Dakota Mill & Elevator.**

**Strategic Plan FY 2022:**

- Key Objective 1: Promote and Support North Dakota Agriculture, Commerce, and Industry**
- Key Objective 2: Identify and Respond to Emerging Issues in the Flour Milling Industry**
- Key Objective 3: Maximize Profit Potential**
- Key Objective 4: Grow our Customer Base**
- Key Objective 5: Invest in and Protect our Employees**

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

Upon conclusion of North Dakota Mill business at 12:28 p.m., the Commission participated in a tour of University of North Dakota College of Engineering & Mines, Drilling & Completion Lab/Research Facility, after which the Commission recessed to travel back to Bismarck.

**FIRE AND TORNADO REINSURANCE**

Governor Burgum reconvened the meeting at 3:15 p.m. in Bismarck, and the Commission took up Fire and Tornado Reinsurance business. Mr. Brennan Quintus, North Dakota Insurance Reserve Fund CEO, presented the following information and recommendation from Insurance Commissioner Jon Godfreed regarding bids for the Excess Loss Reinsurance and Equipment Breakdown Coverage – Fire and Tornado Fund.

The State Fire and Tornado Fund (“Fund”) provides property insurance coverage to 1,188 policyholders and protects over \$17 billion of total insured value (“TIV”) for the State of North Dakota and its political subdivisions. The Fund is administered by the North Dakota Insurance Reserve Fund (“NDIRF”) through a contract with the North Dakota Insurance Department.

The Fund, through its reinsurance intermediary, approached 52 markets for its commercial property program and received three proposals, which were all from Travelers. All quotes are based on values reported at the time of bid specifications, which was just over \$17 billion. Travelers quoted three one-year options.

It is recommended the Fund accept Travelers’ Option One, which provides \$250 million of coverage excess a \$2 million retention at a rate of .0265 per \$100 of insured value. The deposit premium is \$4,520,000, based on just over \$17 billion TIV. This represents an 8.3% increase over the expiring rate. The structure

of the reinsurance coverage provided by Option One is identical to the Fund's current reinsurance program. The terms and conditions are the same as the current program and follow the Fund's forms.

Excess loss reinsurance continues to have a significant financial impact to the Fund, but this coverage is important for proper claims management and the Fund's financial strength and stability. The Fund's TIV has increased by over \$2 billion in the past three years and will continue to increase due to new construction and cost increases in materials and labor for existing properties insured at replacement cost. In addition, the concentration of property in various locations around the State, like the Capitol complex and the 11 universities and college campuses, require the Fund to have adequate excess loss reinsurance to recover from a catastrophic event.

Discussion was held regarding the fact that only one company was willing to provide \$250 million of coverage. A question was raised regarding why other companies were not interested in submitting a proposal. Mr. Quintus indicated that the structure is the reason. Other companies are unable to take on that level of risk. It was noted that North Dakota is self-insured up to \$2 million and a question was raised regarding whether that amount can be increased. Mr. Quintus responded that this may be a possibility, but not be the best action. Additionally, there is a statutory requirement that a certain amount be kept in the Fund.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the recommendation of the North Dakota Insurance Commissioner regarding the Excess Loss Reinsurance Coverage for property coverage provided by the Fire and Tornado Fund and approve the Option One proposal from Travelers Indemnity Company which will provide \$250 million of coverage excess a \$2 million retention at a rate of .0265 per \$100 of total insured value with a deposit premium of \$4,520,000. On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.**

#### **RENEWABLE ENERGY PROGRAM**

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, provided a financial report, indicating that the current uncommitted cash on hand is \$1.9 million.

Ms. Maria Effertz Hanson, Department of Commerce, presented the Renewable Energy Council's recommendations as follows.

*R-047-A Seismic Survey to Advance Potential for CO<sub>2</sub> Storage in Eastern North Dakota: Submitted by Midwest AgEnergy Group; Total Project Costs: \$629,280; Amount Recommended: \$324,640*

This project's goal is to achieve a better understanding of the potential for safe and permanent Carbon Dioxide (CO<sub>2</sub>) storage in deep saline formations in eastern ND. This project will collect and analyze data to better characterize the subsurface geological features in Stutsman and Barnes Counties. This funding will support acquiring about 40 linear miles of 2D seismic images focusing on the Deadwood formation. This data will be used to evaluate large-scale structural trends, basement faults, depositional fabric, and depth prediction of reservoirs to assess the CO<sub>2</sub> storage potential of the region. The 50% match comes from the applicant. This project could provide knowledge of CO<sub>2</sub> storage and expansion of carbon capture for eastern North Dakota. The Council unanimously recommended funding for this project with one condition.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Renewable Energy Council to fund the grant application "Seismic Survey to Advance Potential for CO<sub>2</sub> Storage in Eastern ND" and**

**authorizes the Industrial Commission Executive Director/Secretary to execute a contract with Midwest AgEnergy Group in an amount not to exceed \$324,640 with the following condition:**

- **Access to raw data for future state use upon Industrial Commission request.**

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

*R-047-C – Project Phoenix; Submitted by: Incho Consulting Group & Newlight Technology; Total Project Costs: \$392,500; Amount Recommended \$196,250*

This application from Incho and Newlight, seeks funding to assess potential locations for one or more plants that will manufacture Newlight’s proprietary, patented, bio-degradable plastic alternative (called AirCarbon™). If the feasibility proves positive to build a plant, Newlight and Incho will move quickly to finance and build North Dakota’s first AirCarbon plant. Developing an AirCarbon industrial base in North Dakota can support the state’s energy sector by increasing demand for renewable energy, providing a new market for gas feedstocks (which supports further build out of gas gathering assets leading to a reduction in flaring) while promoting the state of North Dakota as a leader in innovative environmental stewardship. The 50% match comes from the applicant. It was noted that this is a small investment for potentially big payoff. The Council voted 6 yes and 1 no to fund this project with two conditions.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accepts the recommendation of the Renewable Energy Council to fund the grant application “Project Phoenix” and authorizes the Industrial Commission Executive Director/Secretary to execute a contract with Incho Consulting Group & Newlight Technology in an amount not to exceed \$324,640 with the following conditions:**

- **Consultation with Commerce and other appropriate state agencies on siting studies.**
- **Clear definition of requirements for plant locations including feedstock, byproducts, and energy requirements is provided in final report.**

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

### **OUTDOOR HERITAGE FUND (OHF)**

Ms. Andrea Pfennig, Industrial Commission Deputy Executive Director, reported on the election of the Outdoor Heritage Fund Advisory Board Chair and Vice Chair. Mr. Randy Bina will serve as the Chair and Mr. Bob Kuylen will serve as Vice Chair. Both will serve in this capacity for a one-year term.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, provided the OHF Financial Report, indicating that the current cash on hand available is \$8.8 million.

Mr. Randy Bina, OHF Advisory Board Chair, and Ms. Andrea Pfennig, Industrial Commission Deputy Executive Director, provided the Commission with a list of the 24 applications that had been received for Grant Round 18 totaling \$7,244,688. The OHF Advisory Board, after reviewing the applications and hearing the presentations from the applicants, recommended the following 16 applications totaling \$5,803,692 for the Commission’s consideration.

*18-1 (C) Audubon Dakota: Urban Woods and Prairies Initiative Expansion Phase II, \$591,200*

Restore idle urban flood lands and riparian areas at 10 sites impacting 320 acres to create healthy habitat for birds and other wildlife, reduce public landowner maintenance output, and provide unique outdoor recreation and education opportunities.

*18-3 (D) Bowman Parks and Recreation: Southwest Shooting Club Range, \$69,115*

Assistance with the outdoor aspects of a new shooting range in the Bowman and Rhame area.

*18-4 (D) Center Park Board: Center Park Board Lehmkuhl Park New Equipment, \$10,000*  
New playground equipment for the Lehmkuhl Park in Center.

*18-6 (D) Dunn County Park Board: Lake Ilo Natural Playscape, \$6,471*  
Creation of a nature play area in the County Park located at the Lake Ilo National Wildlife Refuge which includes a pollinator plot, animal trail, water feature, climbers, gathering place, and ability to construct and deconstruct an eagle nest and various shelters.

*18-7 (D) Enderlin Park Board: Maple Riverbank Stabilization Project – Enderlin, \$55,250*  
Stabilize the west bank of the Maple River along Patrick Pierce Park with rock rip rap to prevent erosion to provide a safe place for recreation.

*18-8 (C) Glen Ullin Park District: Bringing Fish to Glen Ullin, \$21,605*  
Create fishing opportunities by dredging the town dam and installing a dock for fishing.

*18-11 (D) Mountrail County: Clear Lake Park - Grain Bin Gazebos and Tree Planting Project, \$25,370*  
Plant trees to provide shade for gazebos to be constructed at Clear Lake Park.

*18-12 (B) NDSU - North Dakota Forest Service: North Dakota Statewide Windbreak Renovation Initiative 2.0, \$300,000*  
Financial assistance to landowners to renovate dead and deteriorating windbreaks.

*18-15 (D) Barnes County Park Board: Monson Park and Trail, \$42,525*  
Develop a 42-acre County Park on the west side of Valley City and a 1.4-mile trail on a former railroad bed connecting to an existing shared use path for a 2.8-mile path to downtown along with an orchard and pollinator plot.

*18-16 (A) Barnes County Park Board: Sheyenne River Water Trail, \$170,000*  
Develop a 180-mile water trail with 19 paddle landings through 3 counties (Richland, Ransom, and Barnes) from Baldhill Dam to the Sheyenne National Grassland.

*18-18 (B) Little Missouri Grazing Association: Little Missouri Grazing Association - Deep Creek Watershed Conservation Project, \$196,356*  
Preserve 8,314 Animal Unit Month (AUMs) of livestock grazing, implement prescribed grazing strategies to improve native grasses and forbs, enhance wildlife habitat, and improve water quality.

*18-19 (B) Medora Grazing Association: Medora Grazing Association - Water Well Development Program, \$245,800*  
Develop four partially plugged oil/gas wells in Billings County into water wells to preserve livestock grazing, enhance wildlife habitat, and improve water quality.

*18-20 (B) North Dakota Conservation District Employees Association (NDCDEA): NDCDEA Statewide Tree Planting Initiative, \$2,550,000*  
Financial assistance to landowners for conservation tree installation.

*18-21 (B) North Dakota Natural Resources Trust: Grazing Resiliency in the Bakken (GRB), \$1,270,000*  
Increase water supplies to livestock and implement fencing for rotational grazing systems to provide future drought resiliency.

*18-22 (C) North Dakota Natural Resources Trust: Wildlife and Livestock Dams - Wetlands Creation, Restoration and Enhancement, \$240,000*

Partner with private landowners to create, enhance, and restore 20 wetland habitats covering 112 acres in North Dakota for the benefit of wildlife populations and livestock production.

*18-23 (D) State Historical Society of North Dakota: Writing Rock State Historic Site Playground Facilities Update, \$10,000*

Install a nature-inspired playground structure at Writing Rock State Historic Site in Western Divide County.

Mr. Bina noted that there are strong partnerships involved in each project. The Board tries very hard to be consistent in what is recommended for funding.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendations of the Outdoor Heritage Fund Advisory Board and approves funding of the following sixteen projects in the total amount of \$5,803,692 and authorizes the Industrial Commission Executive Director and Secretary to enter into contracts with the applicants as noted below:**

1. **Audubon Dakota:** Urban Woods and Prairies Initiative Expansion Phase II, \$591,200 with the contingency that OHF funds may not be used for staffing.
2. **Bowman Parks and Recreation:** Southwest Shooting Club Range, \$69,115 with the contingency that OHF funds may only be used for Excavation and Berm Construction, Fencing, and Surveying and Site Design.
3. **Center Park Board:** Center Park Board Lehmkuhl Park New Equipment, \$10,000
4. **Dunn County Park Board:** Lake Ilo Natural Playscape Project, \$6,471
5. **Enderlin Park Board:** Maple Riverbank Stabilization, \$55,250
6. **Glen Ullin Park District:** Bringing Fish to Glen Ullin, \$21,605 with the contingency that OHF funds may only be used for dredging, seeding, landscaping, and dock.
7. **Mountrail County:** Clear Lake Park - Grain Bin Gazebos and Tree Planting, \$25,370 with the contingency that OHF funds may only be used for trees.
8. **NDSU - North Dakota Forest Service:** North Dakota Statewide Windbreak Renovation Initiative 2.0, \$300,000
9. **Barnes County Park Board:** Monson Park and Trail, \$42,525.
10. **Barnes County Park Board:** Sheyenne River Water Trail, \$170,000.
11. **Little Missouri Grazing Association:** Little Missouri Grazing Association – Deep Creek Watershed Conservation Project, \$196,356 with the contingency that OHF funds may not be used for trees.
12. **Medora Grazing Association:** Medora Grazing Association – Water Well Development Program. \$245,800.
13. **North Dakota Conservation District Employees Association (NDCDEA):** NDCDEA Statewide Tree Planting Initiative, \$2,550,000.
14. **North Dakota Natural Resources Trust:** Grazing Resiliency in the Bakken, \$1,270,000 with the contingency that OHF funds may not be used for staffing.
15. **North Dakota Natural Resources Trust:** Wildlife and Livestock Dams - Wetlands Creation, Restoration and Enhancement, \$240,000 with the contingency that OHF funds may not be used for staffing.
16. **State Historical Society of North Dakota:** Writing Rock State Historic Site Playground Facilities Update, \$10,000.

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

Ms. Pfennig presented the OHF Advisory Board's recommended application deadlines for the upcoming biennium.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendations of the Outdoor Heritage Fund Advisory Board and approve the following grant application deadlines: September 1st, 2021, March 1st, 2022, September 1st, 2022, and May 1st, 2023. On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.**

#### **HOUSING FINANCE AGENCY (HFA)**

Mr. Dave Flohr, HFA Executive Director, and Ms. Jennifer Henderson, Director, Planning and Housing Development, presented the Housing Incentive Fund (HIF) Allocation Plan for consideration. He noted that a total of \$9.5 million was appropriated for the Housing Incentive Fund. During the legislative session, there were four significant changes to NDCC 54-17-40:

- 10% of the fund (\$950,000) to assist developing communities (decrease from 15 percent.)
- 10% of the fund (\$950,000) to prevent homelessness (new language.)
- Addition of preservation of existing housing as an eligible use (new language.)
- Added barrier mitigation to eligible uses (new language.)

This HIF Plan focuses on the multifamily development and rehabilitation eligible activities and a separate plan will be created for the 10% homelessness set aside. The initial draft 2021 HIF Plan was published June 21, 2021, which opened a 14-day public comment period that ended on July 6th. Two written comments were received. A public hearing was held on July 7, at the HFA office. Following approval, the 2021 HIF Plan will be published, and an application round will open in conjunction with the Low-Income Housing Tax Credit (LIHTC), Housing Trust Fund (HTF), and HOME application rounds. The application deadline for all programs is September 30, 2021.

**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 approve the 2021 Housing Incentive Fund Allocation Plan as presented. (A copy of the Plan 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. Brandon Dettlaff, New Homeownership Division Director, presented the HFA Advisory Board's recommendation to remove the income limits and amend refinancing options for the North Dakota Roots Program for consideration. On July 1, 2021, HFA's new single-family lending authority went into effect giving HFA the same lending authority as Bank of North Dakota (BND). Due to the new lending authority HFA is proposing to remove the income limits on the Roots Program to assist those rural North Dakota areas as BND has done in the past. With the previous lending authority, HFA was required to have income limits for the Roots Program that targeted the moderate-income population. At the time the Roots Program was started the income levels were set at 200% of median income for each county. Without income limits on the Roots Program, HFA will be able to better serve higher income families/individuals that may not have been able to utilize this program in the past. HFA has seen instances in the western part of the state where borrowers wanted to utilize HFA's Roots Program but could not due to income limits. With the removal of the income limits all other Roots Program parameters will remain the same.

With the exit of BND from residential lending and BND's Rural Mortgage Program effective August 1, 2021 HFA has heard from several lenders who have unique conventional properties asking if HFA will

have options similar to BND. Most if not all these properties are rural in nature and could be refinancing of construction loans or lines of credit. The appraisal may not meet Fannie Mae/Freddie Mac guidelines, meaning the lender cannot sell the loan on the secondary market, causing complications. If such a loan does not meet Fannie Mae/Freddie Mac guidelines, HFA will review the file before purchase. Additionally, if a loan requires Mortgage Insurance, HFA will also require submission to the Mortgage Insurer for full review.

If the purchase only requirement is removed for the Roots Program, HFA can purchase these loans as a refinance. HFA's rates for the Roots Program are not currently attractive enough to be a big source of production for refinances. However, it will help for these odd properties. One of HFA's objectives is to not compete with the private sector but provide services where a gap may exist such as rural areas.

**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 remove the income limits and permit refinancing options under the North Dakota Roots Program effective August 1, 2021. On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.**

Mr. Flohr presented an updated Government National Mortgage Association Certificate of Authorized Signatures for consideration.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission adopt the following Resolution for the Government National Mortgage Association (Ginnie Mae) and authorize the Commission's Executive Director and Secretary to certify the signatures of the Housing Finance Agency staff named in the Resolution:**

**Resolution of Board of Directors  
And Certificate of Authorized Signatures**

**Resolved First, that David A. Flohr, Executive Director, Patrick Nagel, Chief Financial Officer, Franklin J. Kraft, System Admin, Mark Weninger, System Admin, Brandon J. Dettlaff, Director Financial Programs, Terri Mollman, Loan Servicing Coordinator, Randall S. Nelson, Account Budget Specialist, Kayla Axtman, Investor Accountant of this corporation, or any one or more of them, be and each of them is hereby authorized and empowered in the name of and on behalf of this corporation and under its corporate seal, from time to time while these resolutions are in effect, to execute and deliver to the Government National Mortgage Association, in the form prescribed by said Association, with respect to the issue(s) by this corporation, under Section 306(g) of the National Housing Act and the Regulations pertaining thereto, of mortgage-backed securities to be guaranteed by the Association, any documents required to: (a) make applications to Ginnie Mae in the name of and on behalf of this corporation for approval to become an issuer and for Ginnie Mae commitments to guarantee such mortgage-backed securities issued by this corporation; (b) enter into contracts with Ginnie Mae for the latter's guaranty of mortgage-backed securities issued in accordance with the terms and conditions of commitments to guarantee, issued by the Association to this corporation; (c) merge mortgage notes, deeds of trust and bonds now owned or hereafter acquired by this corporation into pools or loan packages, against which this corporation may issue mortgage-backed securities; (d) enter into any agreements, execute any documents or papers, and furnish any information required or deemed necessary or proper by the Association in connection with any of the foregoing, and (e) abide by all the terms and conditions set forth in the Ginnie Mae Mortgage-Backed Securities Guide.**

**Resolved Second, that the above named officers, be and they are hereby authorized and empowered in their discretion and as occasion may arise to receive and endorse the name of this corporation on any checks or drafts representing the proceeds from collections made by servicers of mortgages pertaining to pools or loan packages, and to issue and sign any checks or drafts issued to pay to the security holders their pro rata shares**

**in these proceeds, and to do and perform any and all acts and to execute any and all additional instruments or agreements, from time to time, in the name of and on behalf of this corporation under the corporate seal or otherwise, deemed necessary or proper by the Association in connection with the formation of mortgage pools or loan packages, the issuance of mortgage-backed securities, the guaranty of mortgage-backed securities by the Association and the discharge of the duties and obligations of this corporation, as issuer, until the proceeds of the last maturing mortgage in any pool or loan package is remitted to registered security holders.**

**Resolved Third, that any contracts or agreements heretofore made with said Association on behalf of this corporation, and all acts of officers or agents of this corporation in connection with any contracts to be entered into for the guaranty by the Association of mortgage-backed securities to be issued by this corporation are hereby ratified and confirmed.**

**Resolved Fourth, that Ginnie Mae is authorized to rely upon the aforesaid resolution until receipt by it of written notice thirty days in advance of any proposed change therein.**

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

Mr. Flohr and Ms. Jennifer Henderson, reported on the Multifamily Tax-Exempt Loan Issuance for Elliott Place Four, located in Fargo. Fargo Housing and Redevelopment Authority (FHRA), in partnership with BlueLine Development, is developing a project consisting of the new construction of 84 units of senior housing developed as a twin 4 percent/9 percent transaction. The 4 percent transaction, known as Fargo Elliott Place Four, for which tax-exempt loan proceeds will be issued, is 52 units. This project is one aspect of the decommissioning of the Lashkowitz High Rise. Onsite supportive services will be provided 24/7 by Tami's Angels and Valley Senior Services.

The financing structure is the Freddie Mac Tax-exempt Loan (TEL) product, that is structured in two phases—a construction phase and a permanent phase. The construction phase is financed with tax-exempt proceeds from the funding loan agreement among NDHFA (Governmental Lender), the Fiscal Agent and Sterling Bank as the Initial Funding Lender (or construction lender). The tax-exempt construction loan will then convert to a permanent tax-exempt loan at a conversion date of 08/01/2023. Conversion occurs when a series of conditions are satisfied. At the conversion date the tax-exempt note is sold to the Freddie Mac Servicer and then sold again, in short order, to Freddie Mac who acts as the lender in the permanent phase. The transaction closed on July 13, 2021, with no substantial changes to final documents.

Mr. Flohr and Ms. Jennifer Henderson, reported on the Multifamily Tax-Exempt Loan Issuance for Souris Heights, located in Minot. Beyond Shelter, Inc., a North Dakota non-profit corporation, is proposing the new construction of 54 units of senior housing on the north side of Minot. The area is part of the city's National Disaster Resiliency (NDR) plan, and the project received an award of NDR funds. The project is being developed in partnership with Minot Housing Authority who will serve as property manager once completed. Onsite supportive services will be provided by Money Follows the Person, Minot Commission on Aging, Ward County Social Services, and Minot Community Action.

Beyond Shelter received a conditional commitment from the HFA for \$510,055 in 4 percent federal Low-Income Housing Tax Credits to be used in conjunction with tax-exempt note proceeds. The project is an acquisition and new construction of the property with total project cost, including acquisition, of \$13,990,890. Beyond Shelter financing is structured as a private placement TEL product utilizing Wells Fargo's back-to-back tax-exempt loan program. This program is similar in structure to Freddie Mac's tax-exempt loan program. The bond transaction closed on May 26, 2021, with no substantial changes to final documents.

## **PUBLIC FINANCE AUTHORITY (PFA)**

Ms. DeAnn Ament, PFA Executive Director, introduced Ms. Benita Eberts, PFA Business Manager, and Ms. Mindy Piatz, Brady Martz. Ms. Piatz presented the ND Public Finance Authority Independent 2020 Audit. It was a clean audit with no findings.

Ms. Ament presented the ND Public Finance Authority 2020 Annual Report. No bonds were issued in 2020 for the Capital Financing program or the Disaster Loan Program. There were eight Clean Water State Revolving Fund (CWSRF) loans totaling \$14.4 million issued in 2020. There were 18 Drinking Water State Revolving Fund (DWSRF) loans totaling \$48 million in 2020. As of December 31, 2020, the total amount of SRF Program bonds outstanding was \$304,805,000, and the total outstanding amount of SRF Program loans was \$759,471,844. The total amount on deposit in the SRF Program Reserve Fund as of December 31, 2020, was \$1,276,660, which represents the Total Reserve Requirement under the Master Trust Indenture. PFA was initially planning on issuing bonds this year but this has been delayed until federal funding possibilities have been clarified.

Ms. Ament presented the following CWSRF and DWSRF loan applications.

### *City of Fargo (Construction) – \$4,361,000*

This involves a construction project that will reclaim and redevelop a former landfill site that is not meeting leachate regulations. The project will allow for additional disposal volume and meet current landfill standards. The proposed term of the CWSRF loan is ten years. The City will issue revenue bonds payable with solid waste fees. The annual payment will average \$491,783. The 120% coverage requirement will be \$590,140 and the debt service reserve requirement will be \$436,100. The monthly residential waste fee is \$6 to \$14 depending on container size and the monthly residential recycling fee is \$4. Monthly commercial fees are charged based on container size and number of times per week it is picked up. The City's solid waste fund net operating revenues should be sufficient to meet the 120% net coverage requirement. The population to benefit from the project is 123,736.

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

### **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 \$4,361,000 from the Program to reclaim and redevelop a former landfill site which is not meeting leachate 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 New Salem – \$1,042,000 (CWSRF), \$1,042,000 (DWSRF) (\$2,084,000 total)*

This project will refinance 2019 USDA-RD bonds issued for cast iron pipe water main and sanitary sewer main replacement. The requested term is 30 years. The city will issue revenue bonds payable with sewer fees and city sales tax revenues. The average annual payment for the revenue bonds will be \$46,484. The reserve requirement will be \$47,700 and the 120% coverage requirement will be \$55,781. The combined refinancing of the USDA-RD water and sewer bonds will reduce the term by eight years and result in interest savings of approximately \$363,500 over the life of the bond. The city has 380 residential connections and 65 commercial connections which all pay a base rate of \$20 per connection per month. Additionally, there are monthly user charges of \$3 for debt reserves and debt repayment charge of \$36.50 which annually generate approximately \$206,664.

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

**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 New Salem (the "Political Subdivision") has requested a loan in the amount of \$1,042,000 from the Program to refinance 2019 USDA-RD bonds issued for sanitary sewer main replacement; 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.**

*East Central Regional Water District – \$1,372,000*

Due to increased demand from users and purchases by other water systems, the existing pipeline sizing is insufficient. This project will install 49.5 miles of rural pipeline and associated appurtenances including a pipeline from the Larimore water treatment plant. The requested DWSRF loan term is 30 years. The District will issue revenue bonds payable with user fees for this loan. The average annual payment on the loan will be \$57,784. The required debt service reserve is \$62,700 and the 120% net operating coverage requirement is \$69,341. Existing net operating revenue will be sufficient to meet the 120% net operating coverage requirement. The District encompasses the southern half of Grand Forks County, Traill County and eastern Steele County and provides water services to 3,307 residential users and 314 bulk users including Agassiz Water Users District as well as the Cities of Grandin, Galesburg, Mayville, Clifford, Hillsboro, Portland, Arvilla, Emerado, Hatton, Larimore and Northwood.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission adopt 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, East Central Regional Water District (the “Political Subdivision”) has requested a loan in the amount of \$1,372,000 from the Program to install 49.5 miles of rural pipeline and associated appurtenances; 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 Enderlin – \$440,000 loan increase (from \$760,000 to \$1,200,000)*

This project will remove and replace portions of water mains, install a new water supply well and ice pig the water supply mains. The requested term for the DWSRF loan is 20 years. The City of Enderlin will issue revenue bonds payable with utility user fees. The average annual payment for the revenue bonds will be \$67,488. The reserve requirement will be \$72,100 and the 120% coverage requirement will be \$80,985. The city has 404 residential water users that pay a monthly base rate of \$30.00 per user and one industrial water user that pays a monthly base rate of \$22,485 for 3.25 million gallons. On April 1, 2020, the city raised residential and Sheldon volume rate \$.90/1,000 gallons to \$5.90/1,000 gallons over 2,000 gallons and the industrial volume charge \$.35/1,000 gallons to \$4.15/1,000 gallons over the minimum. Annually, this increase will generate additional operating revenues of \$175,120. Operations and maintenance are anticipated to decrease \$5,500 annually.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission adopt 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 Enderlin (the “Political Subdivision”) has requested a \$440,000 loan increase to its previously approved \$760,000 loan (total \$1,200,000) from the Program to remove and replace portions of water mains, install a new water supply well, and ice pig the water supply mains; 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 Jamestown – \$1,808,000*

This project will replace portions of the existing distribution system where accelerated maintenance has been experienced.

The requested term for the DWSRF loan is 20 years. Accordingly, the average annual payment on the net loan will be approximately \$105,382. The city will issue improvement bonds payable with special assessments. The improvement bonds will be a contingent general obligation of the city, backed by the statutory requirement that the city levy a general deficiency tax in the event that the revenues from the collection of special assessments are not sufficient to pay the debt service on the improvement bonds.

The city has 4,832 residential and 319 commercial users which pay a monthly water base rate of \$27.20. With \$29,322,697 of outstanding improvement bonds (including this funding request) and an estimated population of 15,226 the improvement bond debt is \$1,926 per person. Currently, there are approximately 69 parcels to be assessed for the distribution system replacement project. The average annual assessment per parcel will be approximately \$1,527.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission adopt 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 Jamestown (the "Political Subdivision") has requested a loan in the amount of \$1,808,000 from the Program to replace portions of the existing distribution system where accelerated maintenance has been experienced; 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 Horace – \$2,740,000*

The project will replace or install water main and appurtenances where deficiencies are present as well as adding valves for improved isolating capabilities. In an area served by Cass Rural Water District (CRWD), existing city water mains will be extended to increase redundancy and distribution capabilities. Additionally, construction of a water meter pit and transmission lines from CRWD's new elevated water storage will allow for the city to regionalize and be a bulk water user of CRWD.

The requested term is 20 years for the DWSRF loan. The city will issue revenue bonds payable with water user fees and city sales tax. The average annual payment for the revenue bonds will be \$159,453. The reserve requirement will be \$172,550 and the 120% coverage requirement will be \$191,343.

The city has 550 residential connections and 38 commercial connections which each pay a monthly base rate \$12. On September 1, 2021, the city will increase the monthly base rate \$7.50 per user and then anticipates raising it another \$7.50 per month per user upon completion of the project. When fully implemented, these increases will annually generate additional revenue of \$105,840.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission adopt 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 Horace (the "Political Subdivision") has requested a loan in the amount of \$2,740,000 from the Program to replace, install, and extend water mains, add valves, and construct a water meter pit and transmission lines to allow Horace to be a bulk water user of Cass Rural Water District; 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 New Salem – \$1,042,000*

This project will refinance 2019 USDA-Rural Development bonds issued for cast iron pipe water main and sanitary sewer main replacement. The requested term is 30 years. The City will issue revenue bonds payable with sewer fees and city sales tax revenues. The average annual payment for the revenue bonds will be \$46,484. The reserve requirement will be \$47,700 and the 120% coverage requirement will be \$55,781.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission adopt 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 Salem (the “Political Subdivision”) has requested a loan in the amount of \$1,042,000 from the Program to refinance 2019 USDA-RD bonds issued for cast iron pipe water main replacement; 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 reported on the following PFA Advisory Committee State Revolving Fund loan approvals.

*City of Cavalier (CWSRF) – \$450,000 (\$337,500 forgiveness – net loan \$112,500)*

The city will extend the sanitary sewer line to West Second Avenue where nine residences, currently served by drain fields which are reaching the end of their useful life, have requested city service. The requested term for the CWSRF loan is 20 years. The city will issue improvement bonds payable with special assessments. The improvement bonds will be a contingent general obligation of the city, backed by the statutory requirement that the city levy a general deficiency tax in the event that the revenue from the collection of special assessments are not sufficient to pay the debt service on the improvement bonds.

*City of Fargo – Engineering (CWSRF Loan) – \$259,000*

These funds will be used for the engineering portion of the project listed above. The requested term for the CWSRF loan is 10 years. The City of Fargo will issue revenue bonds payable with solid waste fees.

*City of Coleharbor (DWSRF) - \$700,000 (\$480,000 forgiveness – net loan \$220,000)*

The city will upgrade from a two-pump to a three-pump system, cast in place a 50,000 gallon underground concrete reservoir and install new water meters. The requested term for the loan is 30 years. The city will issue improvement bonds payable with special assessments. The improvement bonds will be a contingent general obligation of the city, backed by the statutory requirement that the city levy a general deficiency tax in the event that the revenues from the collection of special assessments are not sufficient to pay the debt service on the improvement bonds.

Ms. Ament presented proposed amendments to the PFA Policy P-9 – Investments for consideration. It was noted that US Bank can accept tickets electronically and this would provide the flexibility to utilize those services. It is cost prohibitive for BND to provide the service as the cost of the software is high and would only be utilized by PFA.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approve the following amendments to the PFA Policy P-9 – Investments:**

**VI. Safekeeping Controls and Custody**

**2. Safekeeping**

~~The Authority is required to maintain all excess funds and deposits at the Bank of North Dakota.~~ Securities will be held by an independent third-party custodian (~~the Bank of North Dakota~~) selected by the entity as evidenced by safekeeping receipts in the Authority's name. The safekeeping institution (~~the Bank of North Dakota~~) shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

**VII. Suitable and Authorized Investments**

**Unencumbered Funds (funds that are not part of a bond program)**

Moneys not covered by a prior indenture, including all future indentures, programs, and bonds issued under the Agency after the date of this policy, may be invested in the following investments types:

4) Debt obligations issued or unconditionally guaranteed by any state other than North Dakota in the U.S., or any political subdivision, municipality or agency within any other state in the U.S., with a minimum short term rating of "MIG-1" or "VMIG-1", or its equivalent, or a minimum long term rating of "A3", or its equivalent, by a nationally recognized statistical rating organizations (NRSRO) ;

- The maximum maturity of any security under this section shall be limited to five (5) years at the time of purchase, based on the settlement date.

5) Commercial paper rated "P-1", or its equivalent, by a NRSRO;

- The maximum maturity of any security under this section shall be limited to 270 days at time of purchase, based on the settlement date.

6) Bankers' Acceptances, issued by a domestic bank or domestic branch of a foreign bank, with a minimum short-term rating of "P-1", or its equivalent, by a NRSRO;

- The maximum maturity of any security under this section shall be limited to 180 days at time of purchase, based on the settlement date.

8) Negotiable certificates of deposit, issued by a nationally or state-chartered bank, savings association, federal association, state or federal credit union, or by a state or federally-licensed branch of a foreign bank, with a minimum short-term rating of "P-1", or its equivalent, or a minimum long-term rating of "A3", or its equivalent, by a NRSRO;

- The maximum maturity of any security under this section shall be limited to five (5) years at time of purchase, based on the settlement date.

9) Certificates of deposit and time deposits issued or endorsed by a domestic bank, or a savings and loan association, organized and supervised under the laws of the United States and denominated in U.S. dollars; provided, however, that deposits, if other than with the Bank of North Dakota, are fully insured or guaranteed by the Federal Deposit Insurance Corporation ("FDIC");

- The maximum maturity of any security under this section shall be limited to five (5) years at time of purchase, based on the settlement date;
- Investments in a single issuer under this section shall not exceed the current FDIC insurance coverage limits.

- 10) Corporate notes or other debt obligations issued in the U.S. by a domestic or foreign corporation, or by a depository institution licensed in the U.S., with a minimum short-term rating of “P-1”, or its equivalent, or a minimum long term debt rating of “A3” or its equivalent, by a NRSRO;
- The maximum maturity of any security under this section shall be limited to five (5) years at time of purchase, based on the settlement date.
- 11) Investments in money-market mutual funds rated “Aaa-mf”, or its equivalent, by a NRSRO.
- ~~Investments in a single fund under this section shall not exceed 25% of the Authority’s portfolio.~~
- 13) Repurchase agreements that are collateralized by obligations in paragraphs (1) and (2) of this section. Additional terms are as follows:
- g) Repurchase agreements shall be limited to a maximum maturity limit of ninety (90) days from the date of purchase, based on the settlement date;

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

Ms. Ament provided an update on the Legacy Fund Bond issuance activities. PFA has been in contact with all recipients and the financial advisor. It is anticipated that work will begin soon.

#### **BANK OF NORTH DAKOTA (BND or Bank)**

Mr. Craig Hanson, BND, presented the BND Advisory Board recommendation to approve the BND Livestock Rebuilder Loan Program for consideration. Commissioner Goehring noted that the Bank removed walls, and did a great job of meeting needs.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission authorize the Bank of North Dakota to offer the following Livestock Rebuilder Loan Program effective immediately:**

**Purpose:** This program assists local financial institutions in providing loans to North Dakota livestock producers who plan to purchase and rebuild breeding stock in an effort to recover from the 2021 drought. BND has set aside \$150 million for the 2021 drought related programs. Funds will be allocated on a first-come basis. Applications will be accepted until June 30, 2023 at 5 p.m. CT.

**Eligibility:** The borrower must be a North Dakota resident or North Dakota family farm entity who is a livestock producer.

**Participation Requirements:** BND will participate up to 75% of the total loan amount, not to exceed a maximum participation of \$500,000. Standard underwriting procedures will apply to all loans.

**Use of Proceeds:** The program may be used to purchase breeding stock.

**Loan Terms:** Up to 7-year term. At the discretion of the originating lender, payments may be interest only for up to 2 years and then convert to principal and interest amortized over the remaining term. Total repayment term, including interest only period, not to exceed 7 years. Average age of livestock being financed should be considered in determining the amortization period.

#### ***Interest Rate and Fees***

**BND Fixed rate option:** Interest rate will be fixed at 3.50% for up to 7 years. BND to net 3.25%. The originating lender to retain a 0.25% service fee.

**BND Variable rate option:** Interest rate will be variable at BND Base minus 0.75%, adjusting monthly through maturity with a floor of 2.50%. BND to net BND Base minus 1.00%. The originating lender rate includes a 0.25% service fee.

**Lead Lender Rate:** The interest rate charged on the originating lender share of the loan may be determined by the originating lender.

**BND Fees:** BND to receive a \$250 origination fee.

**Collateral:** Maximum loan to value of 75 percent on all chattels. Valuation is based on average market prices. Collateral to be shared prorata, or if the loan to liquidated value is at 120% or less based on BND's advance rates, a second lien on chattels may be acceptable. For collateral purposes, any FSA loan will require FSA subordination.

**How to Apply:** All applications must be submitted by a local lender. Please contact your local lender to initiate the loan application with Bank of North Dakota.

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

Mr. Hanson presented the BND Advisory Board recommendation to approve the Livestock Drought Loan Program for consideration.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission authorize the Bank of North Dakota to offer the following Livestock Drought Loan Program effective immediately:**

**Purpose:** This program assists local financial institutions in providing loans to North Dakota livestock producers for ag-related costs incurred as a result of the 2021 drought. BND has set aside up to \$150 million for 2021 drought related programs. Funds will be allocated on a first-come basis. Applications will be accepted until June 30, 2022 at 5 p.m. CT.

**Eligibility:** The borrower must be a North Dakota resident or North Dakota family farm entity who is an active livestock producer or a landowner renting pasture for livestock feeding in North Dakota.

**Participation Requirements:** BND will participate up to 90% of the total loan amount, not to exceed a maximum participation of \$250,000. Standard underwriting procedures will apply to all loans.

**Use of Proceeds:** All ag-related expenses incurred as a result of the 2021 drought's impact on livestock and feedstock including but not limited to: production or purchase of feed, transportation of feed or livestock, obtaining water for livestock (drilling a well, piping, hauling, etc.), forage and seed costs, fencing expenses, cover crops, silaging costs, and insecticide costs.

**Loan Terms:** Up to a 5-year term. At the discretion of the originating lender, payments may be interest only for up to 12 months then convert to principal and interest payments amortized over the remaining term. A loan may be a line of credit that converts to a term loan after 12 months.

**BND Interest Rate:** Interest rate will be fixed at 3.50% for up to 5 years. BND to net 3.25%. The originating lender to retain a 0.25% service fee.

**Lead Lender Rate:** The interest rate charged on the originating lender share of the loan may be determined by originating lender.

**BND Fees:** BND to receive a \$250 origination fee.

**Collateral:** Adequate collateral coverage will be required. Collateral to be shared prorata, or if the loan to liquidated value is at 120% or less based on BND’s advance rates, a second lien on chattels may be acceptable. For collateral purposes, any FSA loan may require FSA subordination.

**How to Apply:** All applications must be submitted by a local lender. Please contact your local lender to initiate the loan application with the Bank of North Dakota.

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

Mr. Kirby Evanger and Mr. Kelvin Hullet, BND, presented proposed amendments to the BND General Loan Policy for consideration.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approve amendments to the BND General Loan Policy as follows:**

|   | NON-WATCH LIST CREDITS<br>Authorities for all credit actions except:<br>extensions | WATCH LIST CREDITS<br>authorities for all credit actions except:<br>extensions, charge offs and moves to<br>and from non-accrual |
|---|--|--|
| <b>Individual Loan Approval</b>   |  |  |
| Business Bankers  | Up to \$500,000  | Up to \$250,000  |
| Direct Farm RE Loan Specialist  | Up to \$500,000  | Up to \$250,000  |
| E.D. & Govt Program Manager   | Up to \$500,000  | Up to \$250,000  |
| Special Assets Manager  | Up to \$1,000,000  | Up to \$750,000  |
| <b>Sole Serial Sign-Off (requires any of the following to approve):</b>     |  |  |
| President/CEO   | Up to \$1,500,000  | Up to \$750,000  |
| Chief Credit Officer  | Up to \$1,500,000  | Up to \$750,000  |
| Chief Business Development Officer  | Up to \$1,500,000  | Up to \$750,000  |
| Financial Institutions Market Manager                                       | Up to \$1,500,000  | Up to \$750,000  |
| <b>Economic Development Market Manager</b>                                  | <b>Up to \$1,500,000</b>   | <b>Up to \$750,000</b>   |
| <b>Dual Serial Sign-Off (requires any two of the following to approve):</b> |  |  |
| President/CEO   | \$1,500,001 up to \$5,000,000  | \$750,001 up to \$2,500,000  |
| Chief Credit Officer  | \$1,500,001 up to \$5,000,000  | \$750,001 up to \$2,500,000  |
| Chief Business Development Officer  | \$1,500,001 up to \$5,000,000  | \$750,001 up to \$2,500,000  |
| Financial Institutions Market Manager                                       | \$1,500,001 up to \$5,000,000  | \$750,001 up to \$2,500,000  |
| <b>Economic Development Market Manager</b>                                  | <b>\$1,500,001 up to \$5,000,000</b>   | <b>\$750,001 up to \$2,500,000</b>   |
| <b>Investment Committee</b>   |  |  |
|   | \$5,000,001 up to \$15,000,000   | \$2,500,001 up to \$7,500,000  |
| <b>Advisory Board</b>   |  |  |
|   | Loans in excess of \$15,000,000  | Loans in excess of \$7,500,000   |
| <b>Industrial Commission</b>  |  |  |
|   | Loans in excess of \$15,000,000  | Loans in excess of \$7,500,000   |

**INVESTMENT COMMITTEE**

Watchlist loans between \$2,500,001 and up to \$7,500,000 and non-watchlist loans between \$5,000,001 and up to \$15,000,000 require approval from the Investment Committee. The Investment Committee of the Bank shall consist of seven members appointed by the President with no more than three members **combined** from Business Development ~~or~~ **and** Credit Administration. It is the responsibility of an absent voter to find a substitute to vote in their place. **One-half or more of Committee members shall constitute a quorum. A majority of Committee members present must vote favorably to carry a motion. A minimum of six voting members or delegates must be present for a quorum with a simple majority ruling.**

#### SUNSET CLAUSE FOR LOAN COMMITMENTS

An initial commitment by the Bank to make a direct loan or to participate in a loan may not exceed 180 days. If the Bank is not a participant in the construction or bridge financing provided to a borrower but has committed to provide permanent financing to that borrower, the Bank may make up to an 18-month commitment to accommodate the construction or installation phase. Loans under the Economic Development and Government Program area will be allowed up to 12 months before the initial commitment will expire. Upon expiration as outlined herein, the banker must obtain re-approval from the same authority level that made the original approval. Unless tied to an index, fixed rate commitments expire 90 days from the commitment date. **Approval for fixed rate commitments beyond 90 days that was originally approved by Dual Approval or higher may be approved by Sole Approval as long as the spread over the cost of funds is equal to or greater than what it was at the time of the original approval.**

#### HIGH VOLATILITY COMMERCIAL REAL ESTATE (HVCRE)

All loans and credit facilities **that primarily finance ~~used for~~ acquisition, development, and construction (ADC) of real property, and that are secured by land or improved real estate,** prior to a conversion to permanent financing are to be reported as HVCRE unless one of the following criteria is met:

1. The loan is secured by one-to-four family residential projects. **Condominium and cooperative construction loans will qualify for the one-to-four family residential exclusion, as long as the repayment of the loans comes from the sale of individual condominium dwelling units or individual cooperative housing units. Credit facilities that do not finance the construction of one-to-four family residential structures, but instead solely finance improvements such as the laying of sewers, water pipes, and similar improvements to land, do not qualify for the one-to-four family residential properties exclusion.**
4. The loan finances an acquisition, construction, or development project in which all of the following criteria are met:
  - The project's loan-to-value is less than or equal to the maximum supervisory loan-to-value limits set forth in applicable regulations and,
  - The borrower(s) has contributed capital (see definition below) to the project prior to the advancement of funds in the form of cash, unencumbered readily marketable assets, land **equity** to be contributed to the project **~~purchased with cash~~**, or certain out-of-pocket development expenses, where the aggregate of such capital contributions is at least 15 percent of the real estate project's "as completed" appraised value; and,

#### Contributed Capital

Assets that are eligible to be counted toward contributed capital:

- Land, **~~purchased with cash~~**, that is contributed to the project prior to the advancement of funds. **This includes the full appraised value of the borrower-contributed land (less the total amount of any liens on the real property securing the HVCRE exposure).**

Assets that are not eligible to be counted toward contributed capital:

- Borrower-owned real estate from an unrelated project pledged to the subject project.
- Purchaser's deposits on units in a condominium project (that is not already exempt by virtue of its designation as a 1-4 family property.)
- Financing from **an** external lienholder, such as a second mortgage.
- Assets contributed to the project after the advancement of funds.
- Cash received in the form of grants, regardless of whether the grant is received from nonprofit organizations, municipalities, or government agencies.
- Any contribution that may be withdrawn by the borrower prior to the borrower obtaining permanent financing, selling the project or paying the loan in full.
- Proceeds from a separate loan used to finance the project.

#### APPRAISAL EXEMPTIONS

This section of loan policy outlines the cases where the requirement of an appraisal is exempted; however, in each case, an in-house evaluation is still required except in the case of a renewal or refinance. The following types of transactions do not require the services of either a state-certified or a state-licensed appraiser:

- The mortgage on real estate or real property is solely taken as an abundance of caution where other sources of repayment or collateral support the credit decision **as detailed in loan guidelines. and no reliance is placed on the real estate as a primary or secondary source of repayment. The primary collateral, as a stand-alone, must be below High LTV limits (see table on page 21).** When using this exemption, the banker or credit analyst must explicitly document in writing that the loan is well supported by income or other collateral and that this exemption is being invoked.

#### **MATCH**

The Bank has established a specially funded loan program intended to encourage and attract financially strong companies to North Dakota. **While intended to serve all investment rated companies in the state, specifically, MATCH shall serve as the primary loan program to support large-scale economic diversification projects with investment rated companies.**

The primary candidates for this program will be businesses that create new wealth for the state and provide new jobs or retain existing primary sector jobs outside of the retail sector. Companies interested in this program must provide evidence of considerable financial strength and adequate factors that demonstrate security of the principal and interest payments. The company must also demonstrate that they have a long-term investment grade rating from a nationally recognized rating agency.

If the company does not have a long-term investment grade rating, or chooses not to obtain such a rating, the following credit enhancements may be substituted:

- Letter of credit enhancement by a financial institution.
- Guarantee from a federal guaranty agency.
- Guarantee from a company other than the borrower which has a long-term investment grade rating from a nationally recognized rating agency.
- Pledging of a certificate of deposit or marketable securities of a quality and level satisfactory to the Bank.

The enhancement alternatives must provide 100 percent coverage for the Bank's portion of the loan. The financial institution may provide a letter of credit acceptable to the Bank or pledge Fed Book entry securities (Government, Agencies and Agency sponsored securities).

In determining the qualifications for this program, primary consideration will be given to the impact the project will have on the state's economy. Specifically, it will be judged in terms of the number and types of jobs, wage and/or salary scales, tax impact, contribution to other state businesses **and its contributions towards diversifying North Dakota's economy. enhancement of the labor force through technical training as well as other factors considered pertinent in each specific case.**

The primary purposes of the program are for the financing of:

1. Real Estate
2. Equipment
3. **Match funds may not be used to refinance existing debt.**

The loan will be in participation with a lead lender **who shall service the loan and may collect a service fee.** The amount of the participation shall be negotiable.

Funding of the loan is predicated on the acquisition of the Bank's deposits that will be used to match fund the loan **through the North Dakota legacy fund and the terms noted in Section 21-10-11.**

The interest rate on the Bank of North Dakota's portion of the MATCH loan shall be 25 basis points over the equivalent yield of United States treasury bonds having the same term, up to a maximum term of twenty years. **minimum net return requirements defined in the Letter Agreement between the Bank of North and the North**

~~Dakota State Investment Board. The interest rate on the Bank of North Dakota's portion of the loan may be repriced during the term of the loan depending upon the condition(s) of the match funding sale. The term of the loan will vary depending on the loan purpose and as allowed under the Letter Agreement between the Bank of North Dakota and the North Dakota State Investment Board.~~

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

**Jobs Qualification –**

For recipients of PACE loans committed to after January 1, 2006, the Bank will comply with the parameters established in accountability legislation described in N.D.C.C. § 54-60.1. Companies receiving PACE Loans after ~~(Date of Implementation) January 21, 2020~~ will be required to meet the job creation requirements in the first three years.

As of ~~(Date of Implementation), January 21, 2020~~ the Bank of North Dakota establishes the following buy down schedule for communities based on business investment or jobs when accessing the PACE Program. The first three years of job creation will be considered in the allocation. The ranges and corresponding BND participation amounts are listed below.

**BIOFUELS PACE**

**Qualified Businesses –**

~~Livestock Operations Value Added Operation: Livestock operations located in North Dakota that feed, handle, milk, or hold livestock with these operations using as part of its operation a byproduct produced at a biodiesel or an ethanol production facility. Value -added operation includes a producer that engages in dairy and milking or feeding of animals or poultry which enhances the value before sale into the marketplace. Eligible uses are for the purchase or construction of real property, expansion of facilities, purchase or installation of equipment, including a bio digester system. The maximum amount from the fund for interest buydown may not exceed \$250,000 to any single livestock value added operation. If a livestock value added operation has reached the \$250,000 limit as a result of any activity other than the purchase or installation of a bio digester, that operation is entitled to receive from the fund up to \$250,000 as an additional interest rate buydown on the operation's purchase or installation of a bio digester system.~~

~~**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 Investment Committee.~~

~~Adopted: July 16, 1987 Amended: January 11, 2016~~

**REBUILDERS PERMANENT LOAN FUND POLICY**

The Rebuilders Permanent Loan Fund is established by Bank of North Dakota as directed by the 67th Legislative assembly and enacted in North Dakota Century Code 6-09-46.2 to make or participate in loans to North Dakota residents affected by extraordinary losses as a result of a presidentially declared disaster or governor-declared disaster or emergency in the state. To implement the provisions of this law, the Bank shall develop and implement specific loan programs to respond to the needs resulting from a disaster or emergency.

Upon request of the Bank of North Dakota, the governor shall furnish the Bank with information relating to the nature and amount of state and local resources that have been or will be committed to alleviating the results of the disaster or emergency, an estimate of the amount and severity of the damage and the impact on the private and public sectors, and an estimate of the type and amount of assistance needed.

To apply for a loan under the program, a person shall apply to the originating financial institution. Upon Bank of North Dakota approval of an application, the Bank shall make a loan in accordance with the loan program

established under this section. The Bank shall establish a loan application period, which may not exceed a period of eighteen months from the date of the declaration of the disaster or emergency.

Excluding the rebuilders and rebuilders home loans transferred to the fund, the Bank of North Dakota shall deposit in the fund all principal and interest paid on the loans made from the fund. The Bank may deduct from interest payments received on a loan under the program a service fee for administering the fund for the Bank and the originating financial institution. The Bank shall contract with a certified public accounting firm to audit the fund as necessary. The cost of the audit, and any other actual costs incurred by the Bank on behalf of the fund, must be paid by the fund.

The Bank may fund the loan from any available funding in the rebuilders permanent loan fund and may accept private sector donations and funds from the federal government. If approved by the industrial commission, the fund may borrow from the Bank of North Dakota to provide funding for loans under this section. A loan made to the fund by the Bank must be repaid with principal and interest payment received by the rebuilders permanent loan fund or with moneys appropriated by the legislative assembly.

#### ~~STATE WATER COMMISSION INFRASTRUCTURE REVOLVING LOAN FUND~~ WATER INFRASTRUCTURE REVOLVING LOAN FUND

The Bank administers the Department of Water Resources Water Infrastructure Revolving Loan Fund ~~State Water Commission Infrastructure Revolving Loan Fund~~ established by N.D.C.C. § ~~61-02-786-09-49~~. The fund was established to provide loans for water supply, flood protection, or other water development and water management projects. This fund is a revolving loan fund.

Projects which are not eligible for the state revolving fund under chapters 61-28.1 and 61.-28.2 will be given priority for ~~these funds~~ loans from the water infrastructure revolving loan fund. Refinancing of existing debt or other obligations will not be allowed.

#### Loan Amount –

The maximum amount of a loan may not exceed the project costs, with the maximum loan limits to be determined by the ND State Water Commission.

#### Interest Rate –

The interest rate established for this program has been set at the same interest rate as the revolving loan fund established under chapters 61-28.1 and 61-28.2.

#### Repayment Terms –

Amortized payments over a term to be determined by the ND Department of Water Resources or the useful life of the project. ~~State Water Commission.~~

#### 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 ND Department of Water Resources ~~State Water Commission~~ office.

The ND Department of Water Resources ~~State Water Commission~~ shall consider the following information when evaluating projects:

- A description of the nature and purposes of the proposed infrastructure project, including an explanation of the need for the project, the reasons why it is in the public interest, and the overall economic impact of the project.
- The estimated cost of the project and the amount of the loan sought and other proposed sources of funding.
- The extent to which completion of the project will provide a benefit to the state or regions within the state.

The Commission shall approve projects and loans from the infrastructure fund and shall provide written notice of each approved application to the Bank.

The Bank shall manage and administer loans from the infrastructure fund. The Bank will require the following items from the applicant:

- Application
- Conditional and firm commitment from the ND Department of Water Resources State Water Commission
- Any other data or documentation as deemed necessary

The Bank of North Dakota shall manage and administer loans from the water infrastructure loan fund. The Bank shall deposit in the fund all principal and interest paid on loans made from the fund. Annually, the Bank may deduct one-half of one percent of the outstanding loan balance as a service fee for administering the water infrastructure revolving loan fund. The Bank shall contract with a certified public accounting firm to audit the fund. The cost of the audit must be paid from the fund.

#### ~~INFRASTRUCTURE LOAN FUND~~

#### ~~INFRASTRUCTURE REVOLVING LOAN FUND AND LEGACY INFRASTRUCTURE LOAN FUND~~

The Bank shall administer the Infrastructure Revolving Loan Fund established by N.D.C.C. § 6-09-49 for the purpose of providing loans to political subdivisions, the Garrison Diversion Conservancy District, and the Lake Agassiz water authority for essential infrastructure projects. This fund is a revolving loan fund and is a continuing appropriation.

~~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 Use Of Loan Proceeds –

The priorities for this program ~~shall include a focus on~~ essential infrastructure projects in North Dakota communities. Loan proceeds may be used to finance capital construction projects for the following:

- ~~The Red River valley water supply project~~
- ~~New or replacement of existing water or wastewater treatment plants~~
- ~~New or replacement of existing sewer, storm sewer and water lines~~
- ~~New or replacement of existing transportation infrastructure~~
- ~~New or replacement of existing curb and gutter~~
- The Red River valley water supply project
- Water Treatment Plants
- Wastewater treatment plants
- Sewer lines and water lines including lift stations and pumping systems
- Storm water infrastructure including curb and gutter construction
- Water storage systems, including dams, water tanks, and water towers
- Road and bridge infrastructure, including paved and unpaved roads and bridges
- Airport infrastructure
- Electricity transmission infrastructure
- Natural gas transmission infrastructure
- Communications infrastructure

- **Emergency services facilities, excluding hospitals; and**
- **Critical political subdivision buildings and infrastructure.**

**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 outstanding loan amounts may not exceed ~~\$15,000,000~~ **\$40,000,000** per applicant. **In processing political subdivision loan applications under this section, the Bank shall calculate the maximum outstanding loan amount per qualified applicant. A qualified applicant under this section may have a maximum combined total of forty million dollars in outstanding loans under the infrastructure revolving loan fund in section 6-09-49 and the Legacy Loan Fund in section 6-09-49.1. The Bank shall consider the applicant's ability to repay the loan when processing the application and shall issue loans only to applicants that provide reasonable assurance of sufficient future income to repay the loan.**

**Repayment Terms –**

~~The promissory note shall require the following:~~

- **The term of the construction and permanent financing period may not exceed 30 years or the useful life of the project.**

**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.~~

**If a political subdivision applies for a loan for a county road or bridge project, the department of transportation shall review and approve the project before the Bank may issue a loan. The department of transportation may develop policies for reviewing and approving projects.**

**If a political subdivision applies for a loan for a water-related project, the department of water resources shall review and approve the project before the Bank may issue a loan. The department of water resources may develop policies for reviewing and approving projects.**

**The Bank of North Dakota will be responsible for final due diligence and loan committee approval.**

**The Bank will require the following items from the applicant:**

- **Application**
- **A tabulation demonstrating the useful life of the project.**

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

Mr. Todd Steinwand, BND Interim President, presented the BND Advisory Board recommendation to approve amendments to the Criminal History Record and Employment Credit Check Policy for consideration.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission approve amendments to the Criminal History Record and Employment Credit Check Policy as follows:**

**PURPOSE:**

**Background investigations include criminal history record and employment credit checks to protect the Bank of North Dakota and reduce risk. Criminal history record and employment credit check information is collected**

as a means of promoting a safe work environment and enhancing the security of BND customers and employee information.

**Criminal History Record Checks:**

1. In accordance with N.D.C.C. 12-60-24 and at the direction of the Bank President, criminal history record checks are conducted on:
  - All external and inter-agency applicants following their acceptance of an offer of employment to fill a regular, fully funded position. Criminal history record check results must be reviewed prior to final candidate beginning work at BND.
  - All temporary employees prior to beginning work at BND. Criminal history record check results must be reviewed prior to temporary employee beginning work at BND. At the discretion of the Service Area manager, for temporary employees and interns returning with less than a one-year gap in employment with BND since last date of employment, the criminal history record review may be based solely on the Advantage Credit Bureau's Multi-State Criminal search, the Global Homeland Security search, and the National Sex Offender Search.
  - Contractors, at the discretion of the Service Area manager, prior to beginning work at BND. Criminal history record check results must be reviewed prior to contractor beginning work at BND.

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

Mr. Rob Pfennig, BND, provided a presentation of the College SAVE Audit Report–December 31, 2020. It was performed by Landmark, based out of Arkansas. It was a clean audit with an unmodified opinion.

Mr. Steinwand and other BND staff provided the Second Quarter 2021 Performance Highlights. A copy of the Performance Highlights is available in the Commission files.

Mr. Steinwand presented the of Bank of North Dakota Advisory Board May 20 and June 1, 2020, nonconfidential meeting minutes.

**OIL & GAS RESEARCH PROGRAM (OGRP)**

Ms. Fine presented the Oil and Gas Research Council (OGRC) recommended contingency for the “Field Study to Determine the Feasibility of Developing Salt Caverns for Hydrocarbon Storage in Western North Dakota” for consideration.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approve the following contingency recommended by the Oil and Gas Research Council for the “Field Study to Determine the Feasibility of Developing Salt Caverns for Hydrocarbon Storage in Western North Dakota:”**

- **EERC establishes an industry advisory group that includes at least two experienced companies in the construction and operation of underground salt caverns for hydrocarbon and/or hydrogen storage.**

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

Ms. Fine reported that on May 17, 2018, the Industrial Commission approved an award to Eagle Energy Partners, LLC for the grant application “Unitized Legacy Oil Fields; Prototypes for Revitalizing Conventional Oil Fields in North Dakota” in an amount of \$3,000,000. It has taken some time to complete the acquisition of a legacy oil field to conduct this project. That has now been done and the applicants have forwarded an updated application noting that the legacy oil field to be used for this project is the Foreman Butte Field located in McKenzie County, North Dakota, which is producing from the Ratcliff Interval of the Madison Formation. Since the original application was submitted, the applicant has changed from Eagle Energy Partners, LLC to Eagle Energy Partners Tundra, LLC. This new applicant has requested that the Energy and Environmental Research Center (EERC) manage this project on behalf of the project applicants and that the Commission enter into the contract with the EERC rather than the project applicants.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission authorize the Industrial Commission Executive Director and Secretary to execute a contract with the Energy and Environmental Research Center on behalf of Eagle Energy Partners Tundra, LLC for the \$3,000,000 funding approved for the updated “Unitized Legacy Oil Fields; Prototypes for Revitalizing Conventional Oil Fields in North Dakota” project. On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.**

#### **CLEAN SUSTAINABLE ENERGY AUTHORITY (CSEA)**

Ms. Fine reported on the naming of appointees to the Clean Sustainable Energy Authority.

##### *CSEA Voting Members*

- Legislative Management (Chair): Lt. Governor Brent Sanford
- Lignite Research Council: Christopher Friez & Robert (Mac) McLennan
- Oil and Gas Research Council: Kathy Neset & Jim Arthaud
- Renewable Energy Council: Al Christianson & Terry Goerger
- Western Dakota Energy Association: Joel Brown
- Legislative Management: Lt. Governor Brent Sanford

##### *CSEA Non-voting Technical Member*

- Outdoor Heritage Fund Advisory Board: Rachel Retterath – 2 year term

The Lignite Research Council adopted a Clean Sustainable Energy Authority Representatives Qualifications Policy and will be further amending that policy to include provisions regarding the filling of vacancies, reporting to the Lignite Research Council, etc.

Work will continue on drafting policies and procedures. The Commission will be kept apprised of the progress.

#### **ADMINISTRATION**

Ms. Fine presented the June 9, 2021, non-confidential meeting minutes for consideration.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the June 9, 2021, non-confidential meeting minutes be approved. On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.**

Ms. Fine presented recommendations regarding compensation for the agency directors. She noted that each of the agency directors had done excellent work during the past year. Some of the directors are taking on additional responsibilities as a result of legislative action.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem to approve salary increases as follows.**

|                     | <b>Current Annual Salary</b> | <b>Recommended Increase</b> | <b>New Annual Salary</b> |
|---------------------|------------------------------|-----------------------------|--------------------------|
| <b>Lynn Helms</b>   | <b>\$242,112</b>             | <b>\$8,474 (3.5%)</b>       | <b>\$250,586</b>         |
| <b>Vance Taylor</b> | <b>\$346,159</b>             | <b>\$5,192 (1.5%)</b>       | <b>\$351,351</b>         |
| <b>Dave Flohr</b>   | <b>\$147,000</b>             | <b>\$3,675 (2.5%)</b>       | <b>\$150,675</b>         |
| <b>DeAnn Ament</b>  | <b>\$121,717</b>             | <b>\$3,043 (2.5%)</b>       | <b>\$124,760</b>         |
| <b>Karlene Fine</b> | <b>\$126,351</b>             | <b>\$4,422 (3.5%)</b>       | <b>\$130,773</b>         |

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

Ms. Fine presented a recommendation from the Bank of North Dakota Advisory Board to appoint Mr. Todd Steinwand as the BND President/CEO. Mr. Steinwand is willing to serve through the next legislative session.

**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 appoint Todd Steinwand as BND President/CEO effective July 7, 2021 at an annual salary of \$393,700 with the condition that Mr. Steinwand continue in this position at this compensation level through June 30, 2023 or upon the completion of a search for a new BND President/CEO and further that Mr. Steinwand be authorized to utilize salary savings to adjust BND officer salaries to an average of 90% midpoint compa-ratio (as established at this time) by June 30, 2023. Mr. Steinwand shall report to the Commission on a regular basis regarding officer salary adjustments. On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.**

It was noted that Mr. Steinwand's former position would not to be filled and the salary savings would be used over time to adjust other officer salaries to an average 90% midpoint compa-ratio.

The Commission congratulated Mr. Steinwand on his appointment. Mr. Steinwand thanked the Commission for placing confidence in him, noting that the Bank has a good team and will achieve good things for North Dakota.

## **DEPARTMENT OF MINERAL RESOURCES**

Mr. Lynn Helms, DMR Director, and Mr. Bruce Hicks, Oil and Gas Division Assistant Director, presented the following orders for consideration.

### *Case 28145, Order 31456 – determination of risk penalty*

This case involves wells that were purchased by Lime Rock Resources III-A, L.P.; then leases were terminated due to cessation of production; then Gallatin ultimately purchased the State Trust leases on some of the wells. There is a pooling order in place. The parties have asked for clarification on whether a risk penalty must be paid. The recommended order requires Gallatin to pay its share of unrecovered drilling

and completion costs as required by the pooling order and Lime Rock Resources III-A, L.P. is required to provide a new invitation to participate.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that Order 31456, issued in Case 28145 denying Lime Rock Resources III-A, L.P.'s request to impose a risk penalty upon non-participating working interest owners for drilling and completing the State Gresz 3-26-35H-143- 98 (File No. 29399) and the State Gresz 5-26-35H-143-98 (File No. 29401) wells, located in a spacing unit consisting of all of Sections 26 and 35, T.143N., R.98W., Hungry Man Butte-Bakken Pool, Billings County, ND and requiring Lime Rock to provide a new invitation to said working interest owners, be approved this 27<sup>th</sup> day of July, 2021. On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.**

*Case 28645, Order 31187 – establishment of base or lease-line spacing units*

Crescent Point and Hess are in dispute. Both put cases on the docket and did not show up for the other entity's case. The current recommendation develops the acreage with the best economics for both companies and will produce between 220,000 and 440,000 more barrels of oil than either company's proposal.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 31187, issued in Case 28645 establishing and/or altering base or lease-line spacing units in the Dollar Joe or Wheelock-Bakken Pool in Sections 13, 14, 23, 24, 25, 26, 35 and 36, T.156N., R.98W., and Sections 18, 19, 30 and 31, T.156N., R.97W., Williams County, ND, as follows:**

- **Terminate 1280-acre overlapping spacing units consisting of Sections 13 & 24; and Sections 25 & 36;**
  - **Affirm the 640-acre base spacing unit consisting of Section 36;**
  - **Affirm the 640-acre base spacing unit consisting of Section 13;**
  - **Affirm the 1280-acre base spacing unit consisting of Sections 24 & 25;**
  - **Affirm the 1280-acre base spacing units consisting of Sections 14 & 23; and 26 & 35;**
  - **Affirm the 1280-acre base spacing units consisting of Sections 18 & 19; and 30 & 31;**
  - **Affirm the 1280-acre overlapping spacing unit consisting of Sections 35 & 36;**
  - **Affirm the 1280-acre overlapping spacing unit consisting of Sections 36 & 31;**
  - **Establish a 1920-acre overlapping spacing unit consisting of Sections 13, 24, & 25;**
  - **Establish a 3840-acre overlapping spacing unit consisting of Sections 13, 14, 23, 24, 25 & 26; and**
  - **Establish a 3840-acre overlapping spacing unit consisting of Sections 13, 24, 25, 18, 19, & 30;**
- be approved this 27<sup>th</sup> day of July, 2021. On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.**

*Case 28827, Order 31375 – termination of unit application/determination of spacing*

This involves wells that run down a township line. There is currently not enough information regarding correlative rights on the section line wells. The proposed order requires both operators to come to the hearing. Kraken is not going across section lines. Neither company has a majority working interest in either proposal. Kraken's permit will be suspended. This case will likely come back to the Commission in September.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 31375, issued in Case 28827, amending Order No. 31268:**

- **granting** Hess's request to establish a 1280-acre spacing unit consisting of Sections 13 and 24, T.154N., R.93W. authorizing the drilling of six (6) horizontal wells;
- **dismissing** Hess's request to establish a 2560-acre overlapping spacing unit consisting of Sections 13, and 24, T.154N., R.93W. and Sections 18, 19 T.154N., R.92W. authorizing the drilling of one horizontal well;
- **dismissing** Hess' request to terminate the existing 3840-acre overlapping spacing unit consisting of Sections 24, 25, and 36, T.154N., R.93W. and Sections 19, 30, and 31, T.154N., R.92W.

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

*Case 28830, Order 31380 – approval of injection well for EOR purposes*

Liberty Resources is working with EERC on another enhanced oil recovery project. The previous project showed that more gas was needed to increase the pressure. This project is redesigned to include their own gas supply and will add water and surfactant which is exciting and may crack the code as it has not been done before. The surfactant is coming from a North Dakota company.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that Order 31380, issued in Case 28830 granting temporary authority to use the Haley 158-93-29-32-10MBH well (File No. 35883) located in a spacing unit comprised of Sections 29, 30, 31 and 32, T.158N., R.93W., Mountrail County, ND, as an injection well for an enhanced oil recovery pilot operation in the East Tioga-Bakken Pool with appropriate monitoring, pressure, and cumulative injection limit, be approved this 27<sup>th</sup> day of July, 2021. On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.**

*Case 28835, Order 31385 – confiscation of well, equipment and salable oil*

This involves a well that has not produced since 2019. The company has no other North Dakota assets and is not able to increase the bond to comply with the rules. DMR will plug it using the bond and funds from the Abandoned Well Fund. It will cost approximately \$250,000-\$280,000. The bond that will be confiscated is \$50,000. It was noted that the Commission's policy has already been changed to address this type of situation in the future.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that, pursuant to NDCC §§ 38-08-04 and 38-08-04.9, Order 31385, issued in Case 28835 confiscating the well, all production-related equipment, and salable oil at the Henry Torstenson 2 well (File No. 11926), SWSW Section 27, T.151N., R.99W., Tobacco Garden Field, McKenzie County, ND, operated by F & L Petroleum, LLC, or any working interest owner, be approved this 27<sup>th</sup> day of July, 2021. On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.**

*Case 28810, Order 31358 – determination of need for bond and bonding amount*

The operator wants to convert the well to a disposal well and has a 5-year history of non-compliance with NDIC policies. The recommended order demonstrates the new policy in action.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that, pursuant to NDAC §43-02-03-15, Order 31358, issued in Case 28810 requiring North Range Resources, LLC to provide a full cost plugging and reclamation bond in the amount of \$280,000 for the Placid 28-1V well (File No. 32883) located in the SWSW of Section 28, T.146N., R.100W., Rough Rider Field, McKenzie County, ND, prior to issuing an underground injection control permit to convert the well into a saltwater disposal well, be approved this 27<sup>th</sup> day of July, 2021. On a roll call**

**vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.**

Mr. Hicks presented the Oil and Gas Division Quarterly Report. A copy is available in Commission files.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that under the authority of North Dakota Century Code Sections 44-04-19.1 and 44-04-19.2 the Industrial Commission enter into executive session for the purpose of attorney consultation on Department of Mineral Resources business. The purpose of the executive session will be to consult with the Commission's attorney(s) regarding current adversarial proceedings in:**

- **Case 28732 – Cyprus Opportunity Energy, Inc. vs. Challenger Point Energy, LLC**
- **Case No. 08-2021-CV-00026 – Armstrong vs. North Dakota Industrial Commission**
- **Case No. 05-2019-CV-00085 - Northwest Landowners Association vs. State of North Dakota, et al.**
- **State of North Dakota vs. U.S. Department of Interior, Bureau of Land Management, et al.**

**And further moved that upon conclusion of the DMR Executive Session the Industrial Commission enter into executive session for the purpose of reviewing a confidentiality request under the authority of N.D.C.C. 54-63-02 and 44-04-19.2(1). On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.**

Governor Burgum stated that the Commission was meeting in executive session to consult with the Commission's attorney(s) regarding the current adversarial proceedings listed on the agenda and noted that following the DMR executive session, the Industrial Commission would enter executive session regarding the Renewable Energy Program to consider a confidentiality request. Only the Commission members and their staff would be in the two executive sessions. DMR staff would be in the DMR session.

Governor Burgum reminded the Commission members and those present in the executive sessions that the discussion must be limited to those items listed on the agenda, which in total were anticipated to last 30 minutes. Any formal action by the Commission regarding the confidential items listed on the agenda would occur after reconvening in open session.

Commission members, their staff, and DMR staff were asked to join the executive session at this time and the public was asked to leave the room. The DMR executive session began at 5:41 p.m.

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#### DMR EXECUTIVE SESSION

**Members Present:**

Governor Doug Burgum  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

**DMR Personnel Present:**

Lynn Helms  
Bruce Hicks  
Katie Haarsager

**Others in Attendance:**

|                      |                                      |
|----------------------|--------------------------------------|
| Leslie Bakken Oliver | Governor's Office                    |
| Reice Haase          | Governor's Office                    |
| David Phillips       | Attorney General's Office (remotely) |
| Matt Sagsveen        | Attorney General's Office (remotely) |
| Karlene Fine         | Industrial Commission Office         |
| Andrea Pfennig       | Industrial Commission Office         |

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The DMR executive session ended at 6:00 p.m. The Renewable Energy Program executive session began at 6:01p.m.

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#### RENEWABLE ENERGY PROGRAM EXECUTIVE SESSION

**Members Present:**

Governor Doug Burgum  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

**Others in Attendance:**

|                      |                              |
|----------------------|------------------------------|
| Leslie Bakken Oliver | Governor's Office            |
| Reice Haase          | Governor's Office            |
| Karlene Fine         | Industrial Commission Office |
| Andrea Pfennig       | Industrial Commission Office |

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The Renewable Energy Program executive session ended at 6:03 p.m. Due to time constraints, the BND executive session was postponed until the next meeting. The Commission reconvened in open session.

Governor Burgum noted the following:

- During the DMR executive session, guidance was provided to the Commission's counsel regarding the matters listed on the agenda.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that Order No. 31457 in Case 28732 dismissing the case without prejudice be approved effective this 27th day of July, 2021. On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.**

- During the Renewable Energy Program executive session, a motion was made regarding a confidentiality request. Please take the roll call vote on the confidentiality request.

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

With no further Industrial Commission business, Governor Burgum adjourned the meeting at 6:05 p.m.

North Dakota Industrial Commission



Karlene Fine, Executive Director and Secretary