

The following minutes are in draft form subject to review and approval by the Budget and Finance Committee at its next meeting.

09-53

GARRISON DIVERSION CONSERVANCY DISTRICT

BUDGET AND FINANCE COMMITTEE

**Garrison Diversion Conservancy District
Carrington, North Dakota
September 3, 2009**

A meeting of the Budget and Finance Committee of the Garrison Diversion Conservancy District was held at the Garrison Diversion headquarters, Carrington, North Dakota, on September 3, 2009. The meeting was called to order by Acting Committee Chairman Leininger at 11 a.m.

DIRECTORS PRESENT

Acting Committee Chairman John Leininger
Director Cliff Hanretty
Director Ken Royse
Secretary Geoff Theurer

DIRECTORS ABSENT

Chairman Jim Burbidge
Director Rick Anderson

OTHERS PRESENT

Dave Koland, General Manager, Garrison Diversion Conservancy District, Carrington, North Dakota
David Johnson, District Engineer, Garrison Diversion Conservancy District, Carrington, North Dakota
Marlene Smith, Chief Accountant, Garrison Diversion Conservancy District, Carrington, North Dakota
Lisa Schafer, Executive Assistant, Garrison Diversion Conservancy District, Carrington, North Dakota

The meeting was recorded to assist with compilation of the minutes.

READING OF THE MINUTES

Motion by Director Hanretty to approve the June 11, 2009, Budget and Finance Committee minutes as distributed. Second by Director Royse. Upon voice vote, motion carried.

FINANCIAL STATEMENTS

Geoff Theurer, Administrative Officer, Garrison Diversion, reviewed the financial statements for the period of January 1, 2009, through July 31, 2009. Copies of the financial statements are attached to these minutes as Annex I.

Revenues through July are broken out as follows: General Fund \$1,050,978; Operations and Maintenance \$2,855,899; MR&I \$19,183,690 and Red River Valley Water Supply Project \$2,150,036.

Expenditures were: General Fund \$1,640,737; Operations and Maintenance \$2,260,518; MR&I \$8,820,139; Red River Valley Water Supply Project \$1,147,037.

Income through July 31 is \$25,316,372 with expenditures of \$13,868,431.

Garrison Diversion reserve accounts total \$3,854,897.

As of July 31, the balance of funds held at Bremer Bank is \$27,971,881 and \$2,007,222 at the Bank of North Dakota.

Motion by Director Royse to accept the financial statements for the period of January 1, 2009, through July 31, 2009. Second by Director Hanretty. Upon roll call vote, the following directors voted aye: Hanretty, Leininger and Royse. Those voting nay: none. Directors absent and not voting: Anderson and Burbidge. Motion carried.

Hydropower Study - - Dave Koland, General Manager, Garrison Diversion, reported that the Public Relations and Red River Valley Committee has reviewed and considered a request from Valley City that Garrison Diversion develop the parameters for a feasibility study on a possible hydroelectric power plant at Baldhill Dam. The committee has recommended authorizing the study contingent upon Valley City contributing \$10,000 toward the cost of the study, to which the city has agreed.

David Johnson, District Engineer, stated that Garrison Diversion is proposing to have our financial consultant research the feasibility of a hydropower plant at Baldhill Dam. This would involve looking into permitting costs, flow rates and markets, etc. to determine whether or not to pursue the project.

Director Royse asked if there will be regulatory or environmental roadblocks.

Mr. Johnson said that is something the consultants will look into.

Motion by Director Hanretty to recommend increasing the 2009 budget in the amount of \$15,000 to fund a feasibility study on the proposed hydropower project at Baldhill Dam to the Executive Committee. Second by Director Royse. Upon roll call vote, the following directors voted aye: Hanretty, Leininger and Royse. Those voting nay: none. Directors absent and not voting: Anderson and Burbidge. Motion carried.

Devils Lake Water Quality Impact Study - - Chairman Leininger commented that another study is being proposed that would look at water quality of Devils Lake due to the increase of flow projected from the Devils Lake Outlet. Garrison Diversion, Fargo and Grand Forks would each pay \$15,000 for the cost of the study.

Mr. Johnson distributed the proposed task order from Black and Veatch to conduct the study. He explained that the water systems in the Red River Valley are concerned about what the water quality impacts might be from the Devils Lake Outlet. The State Health Department has just changed the water quality rules to increase the sulfate levels in the

upper Sheyenne River to 750. The comment period on the rule change will close the end of October.

Mr. Johnson said a meeting was held with the Health Department, and what is being proposed is to do a simple mass balance model of the impacts on the water quality in the Sheyenne River and Ashtabula. This will give an indication as to what the impacts will be. From there, the cities can comment on the rule making to the Health Department.

A copy of the task order is attached to these minutes as Annex II.

Questions from the committee were addressed by Mr. Koland and Mr. Johnson.

Motion by Director Royse to recommend increasing the 2009 budget in the amount of \$15,000 to fund Task Order GF 1.8 (Devils Lake water quality impact study) to the Executive Committee. Second by Director Hanretty. Upon roll call vote, the following directors voted aye: Hanretty, Leininger and Royse. Those voting nay: none. Directors absent and not voting: Anderson and Burbidge. Motion carried.

Economic Benefit-Cost Analysis of the RRVWSP - - Chairman Leininger reported, when visiting in Washington with the delegation about the RRVWSP, Senator Dorgan said a presentation needs to be made to the Office of Management and Budget (OMB) convincing them that the GDU Import to the Sheyenne River Alternative is the right choice.

Mr. Koland said the analysis will also look at the new P&G Analysis (principles and guidelines) used by the Corps of Engineers and the Bureau of Reclamation because we believe the project will fare very well under the proposed new guidelines.

Mr. Koland added that a proposal has been prepared by EES Consulting to provide an updated economic benefit-cost analysis of the RRVWSP, a copy which is attached to these minutes as Annex III.

Mr. Johnson distributed a copy of the draft letter from EES Consulting dated August 31 describing the scope of work, tasks involved and a schedule and budget. He stated that the cost for EES Consulting's portion is \$120,000. The risk portion of the study will come from Black and Veatch and is approximately \$70,000.

Mr. Johnson explained that the risk portion will take a look at the other RRVWSP alternatives failing and put a cost on that. The total study will cost around \$200,000.

Motion by Director Hanretty to recommend increasing the 2009 budget in the amount of \$200,000 to complete an updated economic benefit-cost analysis on the Red River Valley Water Supply Project to the Executive Committee. Second by Director Royse. Upon roll call vote, the following directors voted aye: Hanretty, Leininger and Royse. Those voting nay: none. Directors absent and not voting: Anderson and Burbidge. Motion carried.

Mr. Koland stated that the timeline for the study is 16 weeks. After the study is completed, a meeting will be sought with OMB to present this information.

2011 BUDGET TIMELINE

Mr. Theurer referred to and reviewed the Garrison Diversion budget timeline, a copy which is attached to these minutes as Annex IV. This illustrates the proposed budget preparation process for the remainder of 2010 and 2011.

O&M BUDGET

Mr. Koland informed the committee that an increase in the 2009 O&M Budget in the amount of \$718,000 has occurred due to a reallocation within the Bureau of Reclamation.

OTHER BUSINESS

There being no further business to come before the committee, the meeting adjourned at 11:48 a.m.

(SEAL)

Acting Chairman John Leininger

Secretary Geoff Theurer