

The following minutes are in draft form subject to review and approval by the board of directors at its next meeting.

17-60

GARRISON DIVERSION CONSERVANCY DISTRICT

BOARD OF DIRECTORS

**Holiday Inn Riverside
Minot, North Dakota
July 13, 2017**

A meeting of the Board of Directors of the Garrison Diversion Conservancy District was held at the Holiday Inn Riverside, Minot, North Dakota. The meeting was called to order by Chairman Royse at 9:10 a.m.

DIRECTORS PRESENT

Ken Royse, Chairman
Alan Walter, Vice Chairman
Ken Vein, Second Vice Chairman
Director Dave Anderson
Director Jay Anderson
Director Rick Anderson
Director Greg Bischoff
Director Nikki Boote
Director Richard Cayko
Director Mark Cook
Director Roger Fenstad
Director Norman Haak
Director Cliff Hanretty
Director David Johnson
Director Bruce Klein
Director Kelly Klosterman (departed at 1 p.m.)
Director Ward Koeser
Director Bill Krivarchka
Director Nancy Marquart
Director Steve Metzger
Director Bill Ongstad
Director Jim Pellman
Director John Peyerl
Director Kenny Rogers
Director Mike Tweed
Secretary Duane DeKrey

DIRECTORS ABSENT

Director Jeff Breker
Director Geneva Kaiser
Director Brandon Krueger

OTHERS

Staff members of the Garrison Diversion Conservancy District were present along with others. The registration sheet is attached to these minutes as Annex I.

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

ANNOUNCEMENTS AND INTRODUCTIONS

Chairman Royse called on guests in the audience to introduce themselves and identify whom they represent.

READING OF THE MINUTES

Motion by Second Vice Chairman Vein to dispense with reading the April 6, 2017, Committee of the Whole minutes and approve them as distributed. Second by Director Cayko. Upon voice vote, motion carried.

Motion by Director Koeser to dispense with reading the April 6 & 7, 2017, board minutes and approve them as distributed. Second by Director Fenstad. Upon voice vote, motion carried.

OFFICER AND COMMITTEE REPORTS

Chairman - - Chairman Royse summarized the topics covered at the June 8 Executive Committee meeting, as well as various meetings he has attended on behalf of Garrison Diversion.

2016 Audit

Merri Mooridian, Administrative Officer, Garrison Diversion, reported that the 2016 Garrison Diversion draft audit was received from EideBailly a couple of weeks ago, and Cindy Hewitt, Accounting Specialist, Garrison Diversion, reviewed it in detail.

Ms. Hewitt reviewed the audit results with the board. The audit report is available to the board in Dropbox. A copy can also be obtained by contacting the Garrison Diversion Conservancy District.

Motion by Director Cayko to accept the 2016 Garrison Diversion audit. Second by Director Metzger. Upon roll call vote, the following directors voted aye: D. Anderson, J. Anderson, R. Anderson, Bischoff, Boote, Cayko, Cook, Fenstad, Haak, Hanretty, Johnson, Klein, Klosterman, Koeser, Krivarchka, Marquart, Metzger, Ongstad, Pellman, Peyerl, Rogers, Rosye, Tweed, Vein and Walter. Those voting nay: none. Absent and not voting: Breker, Kaiser and Krueger. Motion carried.

Financial Statements

Ms. Mooridian reviewed the financial statements for the period of January 1, 2017, through June 30, 2017. Copies of the financial statements are attached to these minutes as Annex II.

Revenues through June 30 are broken out as follows: General Fund \$3,309,327; Operations and Maintenance \$1,936,540; MR&I \$1,984,270; Red River Valley Water Supply Project \$5,745,898 and Irrigation Fund \$261,469.

Expenditures were: General Fund \$1,527,528; Operations and Maintenance \$1,931,724; MR&I \$1,984,265; Red River Valley Water Supply Project \$4,527,526 and Irrigation Fund \$278,309.

Income through June 30 is \$13,233,052 with expenditures of \$10,249,352.

Garrison Diversion reserve accounts total \$5,762,546.

Deposits in Bremer Bank are \$6,667,475, \$1,000 at Farm Credit Services and \$8,595,849 in the Bank of North Dakota.

Motion by Director Hanretty to accept the financial statements for the period of January 1, 2017, through June 30, 2017. Second by Director D. Anderson. Upon roll call vote, the following directors voted aye: D. Anderson, J. Anderson, R. Anderson, Bischoff, Boote, Cayko, Cook, Fenstad, Haak, Hanretty, Johnson, Klein, Klosterman, Koeser, Krivarchka, Marquart, Metzger, Ongstad, Pellman, Peyerl, Rogers, Royse, Tweed, Vein and Walter. Those voting nay: none. Absent and not voting: Breker, Kaiser and Krueger. Motion carried.

2018 Garrison Diversion Budget

Ms. Mooridian referred to the proposed 2018 Budget of Revenues and Expenditures and reviewed the projected income and expenses for next year by category. Projected revenue is \$26,577,333 with expenditures of \$26,155,084. A copy of the 2018 budget is attached to these minutes as Annex III.

Questions from the board regarding the 2018 budget were addressed by Ms. Mooridian.

Motion by Director Tweed to approve the 2018 Garrison Diversion Budget. Second by Director Haak. Upon roll call vote, the following directors voted aye: D. Anderson, J. Anderson, R. Anderson, Bischoff, Boote, Cayko, Cook, Fenstad, Haak, Hanretty, Johnson, Klein, Klosterman, Koeser, Krivarchka, Marquart, Metzger, Ongstad, Pellman, Peyerl, Rogers, Royse, Tweed, Vein and Walter. Those voting nay: none. Absent and not voting: Breker, Kaiser and Krueger. Motion carried.

2018 Budget Resolution

Ms. Mooridian referred to the resolution of the board approving its budget for the period of January 1, 2018, through December 31, 2018. This is the resolution making a one-mill levy on all property in the Garrison Diversion Conservancy District and requires the board's approval. The resolution is attached to these minutes as Annex IV.

Motion by Director Cayko adopting the 2018 budget resolution making a one-mill levy on all property in the Garrison Diversion Conservancy District. Second by Director Fenstad. Upon roll call vote, the following directors voted aye: D. Anderson, J. Anderson, R. Anderson, Bischoff, Boote, Cayko, Cook, Fenstad, Haak, Hanretty, Johnson, Klein, Klosterman, Koeser, Krivarchka, Marquart, Metzger, Ongstad,

Pellman, Peyerl, Rogers, Royse, Tweed, Vein and Walter. Those voting nay: none. Absent and not voting: Breker, Kaiser and Krueger. Motion carried.

Budget Timeline - - Ms. Mooridian referred to and reviewed the Budget Timeline used for budget preparation. This is provided for the board's information.

Vice Chairman - - Vice Chairman Walter welcomed everyone and thanked them for coming to Minot.

Second Vice Chairman - - Second Vice Chairman Vein provided an update on the projects, activities and meetings he has been involved in recently regarding Garrison Diversion and the Red River Valley Water Supply Project (RRVWSP).

Agriculture and Natural Resources Committee - - Director Klosterman reported that the Agriculture and Natural Resources Committee met the evening of July 12. At that time, the committee heard updates on the Oakes Irrigation Research Site and Mile Marker 15 and 42 irrigation projects along the McClusky Canal.

Recreation Committee - - Director Krivarchka, who chairs the Recreation Committee, referred to the Approved Projects list, reporting that 14 projects were approved for funding at the May 5 meeting for a total of \$86,227. A copy of the approved list is attached to these minutes as Annex V.

September 1 is the next application deadline.

Public Relations Committee - - Mike Tweed, Chairman, Public Relations Committee, reported that the Public Relations Committee met the evening of July 12. The committee reviewed submitted *ND Water* magazine articles and news releases. A video was also shown and a communications plan reviewed regarding the RRVWSP.

In addition, a proposal for communication services from Advanced Engineering and Environmental Services (AE₂S) was presented and discussed. The contract price is \$81,000.

Kimberly Cook, Communications Director, Garrison Diversion, commented that during the committee's April 2017 meeting, the committee passed a recommendation to terminate Garrison Diversion's contract with Odney and transfer all public relations projects and activities to AE₂S, who handles the public relations for the RRVWSP. The current RFP with Black & Veatch allows for AE₂S to also perform public relations services for Garrison Diversion.

Motion by Director Fenstad to discontinue the contract with Odney for communication services and accept the proposal for services from AE₂S. Second by Director Klosterman. Upon roll call vote, the following directors voted aye: D. Anderson, J. Anderson, R. Anderson, Bischoff, Boote, Cayko, Cook, Fenstad, Haak, Hanretty, Johnson, Klein, Klosterman, Koeser, Krivarchka, Marquart, Metzger, Ongstad, Pellman, Peyerl, Rogers, Royse, Tweed, Vein and Walter. Those voting nay: none. Absent and not voting: Breker, Kaiser and Krueger. Motion carried.

Engineering and Operations Committee - - Director Dave Anderson, who chairs the Engineering and Operations Committee, reported that the committee met this morning and

received an update on 2017 O&M budget and work activities. The Five-Year Work Plan was reviewed and an update was provided on the McClusky Canal slide repair project. A report on the Proposed Lake Audubon Water Control Plan was also given at that time.

RECLAMATION REPORT

Arden Freitag, Area Manager, Dakotas Area Office, Bureau of Reclamation, provided highlights from Reclamation's quarterly written report, a copy which is attached to these minutes as Annex VI.

Budget - - Mr. Freitag said the 2017 budget was signed by the President on May 5, including approximately \$46.5 million of additional funding for rural water projects Reclamation-wide. This provided Garrison Diversion with about \$17 million in additional funding. Around \$24.4 million is for state MR&I and tribal rural water projects. This was split at \$9.6 million for the state and \$14.8 million for the tribes. The president's request for 2018 is \$9.6 million.

NAWS EIS - - There is no word yet from the judge on the NAWS Environmental Impact Statement (EIS). Reclamation met with the State Water Commission in May regarding the design of the biota water treatment plant. A task order has been received from Houston Engineering to complete the design.

Central ND Water Supply - - The Central ND Water Supply Environmental Assessment (EA) has been drafted and is undergoing internal review.

MCCLUSKY CANAL UPDATE

2017 O&M Work Plan & Budget - - Kip Kovar, District Engineer, Garrison Diversion, explained the process used for submitting the annual O&M Work Plan and Budget to Reclamation, adding that Garrison Diversion has never been in a situation like the one we are in today. It is July 13, and the 2017 O&M Work Plan and Budget have not been approved by Reclamation. Garrison Diversion has used \$300,000 from the general fund to pay federal obligations, and it appears that another withdrawal will need to be made from the general fund next week to cover expenses and keep the O&M program going.

A copy of the letter from Garrison Diversion to Reclamation's regional director regarding the unapproved work plan and budget is provided for the board's information. A copy is also attached to these minutes as Annex VII.

Director Fenstad asked about the risk of not getting reimbursed.

Mr. Freitag said Reclamation has reimbursed agencies before. Although there is an existing agreement, this is just a funding modification.

Ms. Mooridian said there is a cooperative agreement in place; however, the 2017 Work Plan is not approved. There is also a Five-Year Work Plan with Reclamation, which was previously approved. Garrison Diversion is on a reimbursement basis with the federal government where funds are expended, and then Garrison Diversion goes into an ASAP account to retrieve the funds, which have to be expended in three days. The current situation is unchartered territory however.

Mr. Freitag stated that Reclamation has over 200 action agreements pending, and many of them fall into the last fiscal quarter of the year. There is currently only one qualified grants officer to process all of the agreements.

Mr. Freitag added that Garrison Diversion's letter has raised the attention of the regional director, and this has now been made a priority.

Irrigation - - Mr. Kovar reported that Garrison Diversion has roughly 5,500 acres of irrigation this year. Approximately 215 cfs of water is being moved down the McClusky Canal. Between irrigation deliveries, losses and raising the Chain of Lakes, the combined releases are about 250 cfs.

Construction has started on the Mile Marker 15 Irrigation Project with approximately 560 acres anticipated for irrigation. The pumps are expected to be turned on in about a week. The total cost of the project is around \$432,000.

Mr. Kovar said the Reclamation Reform Act (RRA) Audit took place this year. This allows the producer to irrigate no more than 960 acres. Garrison Diversion is attempting to get exempt from this act. An audit is done every five years. Garrison Diversion will be receiving two fines; one for completing a form incorrectly and the other for listing the 2015 growing season instead of providing a date on a contract.

Mr. Kovar informed the board that work continues with McLean and Capital Electric on irrigation development and a plan for three-phase power. McLean Electric recently sponsored a town meeting in Mercer that he and Duane DeKrey, General Manager, Garrison Diversion, attended on June 28 regarding three-phase power for the area around Mile Marker 42. There was a great turnout, and they both felt it was a very positive meeting.

ND WATER USERS REPORT

Mike Dwyer, Executive Director, ND Water Users Association, introduced Jeff Diemert, who recently joined the Dwyer Law Office and will be working with the Water Users on water issues.

Mr. Dwyer thanked Garrison Diversion for continuing to join the Water Resource Districts in their summer meetings and went on to review the meeting schedules for July 12 and 13.

STATE WATER COMMISSION REPORT

Garland Erbele, State Engineer and Secretary, State Water Commission, addressed the board, reporting on the State Water Commission budget, projects and activities, as well as the legislative session and the severe drought situation in the state.

MR&I PROGRAM REPORT

Construction Report - - Secretary DeKrey referred to the MR&I construction report dated June 30, 2017. MR&I expenditures in 2017 are \$1,888,587. Remaining approved federal MR&I funds are \$6,144,795. A copy of the report is attached to these minutes as Annex VIII.

Secretary DeKrey explained the situation and delay with 2016 and 2017 funding for MR&I projects due to Reclamation's cost price analysis.

Two projects are being proposed for future reimbursement to minimize the cost price process. The projects selected by Garrison Diversion and the State Water Commission are the Northeast Regional Water District's (NRWD) new user expansion project, which is Phase II of their Devils Lake Water Supply Project. The other is the Southwest Pipeline Project.

Secretary DeKrey referred to the letter included in the meeting information that Garrison Diversion prepared and mailed to the systems approved but waiting for funding. The letter states that Reclamation has not added the project to their scope of work for the cooperative agreement. As long as federal requirements are met, the system may move forward at their own risk. If the system agrees, the letter must be signed and returned to Garrison Diversion.

LEGISLATIVE UPDATE

Secretary DeKrey provided a report on the outcome of bills pertaining to Garrison Diversion this legislative session.

COMMITTEE REPORTS CONTINUED

Missouri River Committee - - Director Hanretty, Chairman, Missouri River Committee, reported that the committee met on June 28 in Bismarck. The main purpose of the meeting was to discuss the Proposed Lake Audubon Water Control Plan and prepare for the public hearing on that issue that evening. They also heard updates on the Proposed Surplus Water Rule, Missouri River Advisory Council and RRVWSP.

Lake Audubon Water Control Plan - - Secretary DeKrey provided a review of the PowerPoint presentation given by the Corps of Engineers regarding their Proposed Lake Audubon Water Control Plan. He also reported on the June 28 hearing held in Bismarck.

The Proposed Lake Audubon Water Control Plan would implement a differential pool restriction of 43 feet between Lake Sakakawea and Lake Audubon. This restriction would be very harmful to the GDU, preventing water deliveries for MR&I and irrigation and affecting mitigation features in a drought. It would also cause significant financial implications on the GDU and economic impacts to the state.

Legal Status

Tami Norgard, Vogel Law, explained that the Corps of Engineers is currently in the process of kicking off the environmental review for their proposed plan for Lake Audubon. Before any action is taken, the Corps must review the reasonable alternatives and what the impact of the chosen alternative would be. Scoping meetings were held at the end of June asking to gather input and comments by the end of July. She referred to copies of comment letters included in the meeting materials from various agencies that are provided for the board's information. These letters underscore the economic impact to half of the state, as well as the impact on irrigation. A copy of Garrison Diversion's letter is attached to these minutes as Annex IX.

Ms. Norgard pointed out that the purpose of the environmental review is to identify the most reasonable alternative not whether it is within the Corps' authority or their budget. This is the point that Garrison Diversion and the state tried to get across to the Corps at the scoping

meetings. More detail is being requested from the environmental review in regard to the other alternatives.

Ms. Norgard stated at the end of the environmental review, there is an opportunity to challenge it. She went over possible strategies to pursue in order to come up with a successful end result.

Ms. Norgard added the law says that Reclamation is required to maintain federal facilities, which this is a part of, and that is Garrison Diversion's position.

Mr. Kovar informed the board that the Executive Committee approved a task order with Black & Veatch that will provide Garrison Diversion with technical assistance for discussions with the Corps of Engineers regarding their Proposed Water Control Plan. Discussions are also taking place with NDSU to prepare a study on the economic impact of the Corps' proposal.

Red River Valley Committee - - Jay Anderson, Chairman, Red River Valley Committee, reported on the committee activities and the meeting held on June 23.

RED RIVER VALLEY WATER SUPPLY PROJECT UPDATE

Kimberly Cook, Communications Director, Garrison Diversion, shared the draft video prepared to promote and educate the public on the RRVWSP.

Work Plan Update - - Mr. Kovar referred to the RRVWSP Work Plan Update dated May 25 and provided highlights on the approved task orders for preliminary design. A copy of the work plan is attached to these minutes as Annex X.

Task Orders

Amendments

Mr. Kovar reported that the Lake Agassiz Water Authority (LAWA) and the Executive and Red River Valley (RRV) Committees approved amendments to the Pipeline Design and Discharge Structure Task Orders. This is due to pipeline reroutes and a better understanding of the water treatment plant requirements.

Mr. Kovar said a task order for the StateMod, which was Reclamation's prior water modeling software, was approved several months ago. There was a problem retrieving and understanding the documentation from Reclamation's model. Because of timing, an amendment to the StateMod Task Order was brought to the LAWA board and the RRV Committee, which they each approved. The purpose of the amendment is to update the model, develop and run new scenarios and document the modeling strategy and results to support pipeline design.

Program Management

The RRVWSP Program Management Team, including Duane DeKrey, Kip Kovar, Merri Mooridian and Kimberly Cook, gave a PowerPoint presentation explaining the program management concept and providing an overview of the program management approach

being planned for the RRVWSP moving forward on the critical path. Accomplishments achieved through program management in the 2015-2017 biennium were also presented.

Mr. Kovar distributed a Program Management Task Order and reviewed it with the board.

Motion by Director Fenstad to approve the Program Management Task Order for the Red River Valley Water Supply Project in the amount of \$491,000. Second by Director Metzger. Upon roll call vote, the following directors voted aye: D. Anderson, J. Anderson, R. Anderson, Bischoff, Boote, Cayko, Cook, Fenstad, Haak, Hanretty, Klein, Koeser, Krivarchka, Marquart, Metzger, Ongstad, Pellman, Peyerl, Rogers, Royse, Tweed, Vein, and Walter. Those voting nay: none. Absent and not voting: Breker, Kaiser, Klosterman and Krueger. Motion carried.

Planning Level Budget - - Ms. Mooridian referred to the Planning Level Budget, stating that the top portion of the table shows conceptual engineering with a total of \$4.9 million spent. That phase of the project is near completion. The bottom portion of the table shows preliminary engineering. The total spent through June 30 is \$5.7 million. The amount remaining for preliminary engineering is \$1.5 million. The total project cost estimate is \$13.8 million with costs to date of \$11.5 million, leaving approximately \$2.3 million. A copy of the budget is attached to these minutes as Annex XI.

SOUTHWEST PIPELINE PROJECT UPDATE

Mary Massad, Manager, Southwest Water Authority, provided an update on the Southwest Pipeline Project and highlights from the last year. She also distributed their annual operating report.

FUTURE MEETINGS

Chairman Royse reviewed the list of upcoming meetings with the board.

OTHER BUSINESS

There being no further business to come before the board, the meeting adjourned at 2:55 p.m.

(SEAL)

Chairman Ken Royse

Secretary Duane DeKrey