

**SPECIAL MEETING**  
**GARRISON DIVERSION CONSERVANCY DISTRICT**

**Executive Committee**  
**Conference Call**

**1:00 PM**  
**October 3, 2018**

**AGENDA**

- |           |  |
|-----------|--|
| 1:00 p.m. | I. Roll Call                               |
| 1:02 p.m. | II. Garrison Diversion Budget Information  |
|           | A. <b>*&gt;2019 Final Budget</b>           |
|           | B. <b>*&gt;Budget Resolution</b>           |
| 1:20 p.m. | III. Red River Valley Water Supply Project |
|           | A. <b>*Easement Values</b>                 |
|           | 1. >Easement Pricing Memo                  |
|           | B. <b>&gt;*Crop Damage Policy</b>          |
| 1:45 p.m. | IV. Adjourn                                |

**GARRISON DIVERSION CONSERVANCY DISTRICT  
BUDGET OF REVENUES AND EXPENDITURES  
January 1, 2019 to December 31, 2019**

	General Fund	Operations & Maintenance Fund	Municipal, Rural, and Industrial Fund	Red River Valley Water Supply Project	Irrigation Fund	Total
<b>REVENUES:</b>						
Irrigation Admin	\$ 670					\$ 670
Project Income		\$ 5,000				\$ 5,000
Lease Income	\$ 2,000					\$ 2,000
Miscellaneous Income	\$ 500					\$ 500
Interest Income	\$ 25,000	\$ 450	\$ 25	\$ 150	\$ 700	\$ 26,325
Tax Levy	\$ 3,249,915					\$ 3,249,915
State Aid Distribution	\$ 207,775					\$ 207,775
O&M Non-project Income		\$ 255,000				\$ 255,000
Contract Revenue	\$ 48,000	\$ 4,769,615	\$ 6,181,775	\$ 30,583,085	\$ 1,169,500	\$ 42,751,975
<b>Total Revenues</b>	<b>\$ 3,533,860</b>	<b>\$ 5,030,065</b>	<b>\$ 6,181,800</b>	<b>\$ 30,583,235</b>	<b>\$ 1,170,200</b>	<b>\$ 46,499,160</b>
<b>EXPENDITURES:</b>						
Directors Expense	\$ 270,000					\$ 270,000
Employee Expenses	\$ 1,020,160	\$ 2,467,360	\$ 97,250	\$ 152,695		\$ 3,737,465
Administrative Expenses	\$ 241,000	\$ 106,945	\$ 65,100			\$ 413,045
Public Education	\$ 99,000					\$ 99,000
Professional Services	\$ 864,000	\$ 415,240		\$ 1,000,000		\$ 2,279,240
Irrigation Development	\$ 464,875					\$ 464,875
Recreation Matching	\$ 385,000					\$ 385,000
Irrigation Districts Expenses	\$ 24,900					\$ 24,900
Maintenance & Repairs	\$ 78,000	\$ 788,970			\$ 500,000	\$ 1,366,970
Capital Purchases	\$ 88,000	\$ 375,000		\$ 29,400,000	\$ 500,000	\$ 30,363,000
MR&I Project Expenditures			\$ 6,000,000			\$ 6,000,000
Debt Service Payments					\$ 123,000	\$ 123,000
Interest on Debt Service					\$ 47,200	\$ 47,200
<b>Total Expenditures</b>	<b>\$ 3,534,935</b>	<b>\$ 4,153,515</b>	<b>\$ 6,162,350</b>	<b>\$ 30,552,695</b>	<b>\$ 1,170,200</b>	<b>\$ 45,573,695</b>
Revenues Over (Under) Expenditures*	\$ (1,075)	\$ 876,550	\$ 19,450	\$ 30,540	\$ -	\$ 925,465
Transfers In (Out)	\$ 926,540	\$ (876,550)	\$ (19,450)	\$ (30,540)	\$ -	\$ -
<b>Net Change in Fund Balance</b>	<b>\$ 925,465</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 925,465</b>

**GARRISON DIVERSION CONSERVANCY DISTRICT**  
**Budget**  
**January 1, 2019 to December 31, 2019**

	<b>Budget 2019</b>
<b><u>Directors Expense</u></b>	
Directors Per Diem	\$120,000
Directors Exp	\$150,000
<b>Total Directors Expense</b>	<b>\$270,000</b>
<b><u>Employee Expense</u></b>	
Employee Salaries	\$598,240
General Managers Expense	\$40,000
Travel	\$68,000
Administrative Officer	\$25,000
District Engineer	\$10,000
Engineer	\$5,000
Communications Director	\$8,000
Emp Exp Other	\$20,000
Professional Development	\$22,000
Employee Training	\$20,000
Wellness Program	\$2,000
Benefits	\$291,920
GDCD FICA	\$45,150
Retirement	\$83,370
Hospital & Life Insurance	\$124,665
Unemployment Comp	\$3,845
Vision / Dental	\$13,460
Workforce Safety Insurance	\$5,045
Long Term Disability Ins	\$4,385
Vacation/Sick Leave Liability	\$12,000
<b>Total Employee Expense</b>	<b>\$1,020,160</b>
<b><u>Administration</u></b>	
Postage	\$7,000
Electronic Communications	\$26,000
Utilities	\$40,000
Meetings & Events	\$10,000
Subscriptions	\$5,500
Miscellaneous	\$8,500
Data Processing	\$29,000
Employee Recruiting	\$5,000
Supplies	\$35,000
Small Office Equipment	\$17,000
Dues	\$14,000
Insurance	\$16,000
Annual Independent Audit	\$28,000
<b>Total Administration</b>	<b>\$241,000</b>
<b><u>Public Education</u></b>	
GDCD Tours	\$12,000
ND Water Users	\$20,000
ND Water Coalition	\$14,000
ND Water Magazine	\$18,000
Missouri River Joint Board/MRRIC	\$15,000
Conferences/Sponsorships	\$10,000
Miscellaneous	\$10,000
<b>Total Public Education</b>	<b>\$99,000</b>

**GARRISON DIVERSION CONSERVANCY DISTRICT**  
**Budget**  
**January 1, 2019 to December 31, 2019**

	<b>Budget 2019</b>
<b>Professional Services</b>	
Communications	\$175,000
Engineering	\$175,000
RR/WSP Development	\$314,000
Technical Support for LAWA	\$15,000
Engineering	\$150,000
Legal	\$75,000
Financial	\$12,000
Consultants	\$50,000
Meeting, Misc. Exp	\$12,000
Prof Services Other	\$25,000
Legal Services	\$175,000
<b>Total Professional Services</b>	<b>\$864,000</b>
<b>Irrigation Development</b>	
ND Irrigation Association	\$50,000
NDSU Oakes Irrigation Site	\$267,875
Bob Titus Lease	\$17,000
Irrigation Development	\$130,000
<b>Total Irrigation Development</b>	<b>\$464,875</b>
<b>Recreation</b>	
Recreation Matching	\$375,000
DWRA Recreation Program	\$10,000
<b>Total Recreation</b>	<b>\$385,000</b>
<b>Irrigation District Expense</b>	
Irrigation District Expenses	\$4,900
OTA Title Transfer	\$20,000
Technical Support	\$15,000
Legal	\$5,000
<b>Total Irrigation District Expense</b>	<b>\$24,900</b>
<b>Maintenance &amp; Repair</b>	
Equipment Maintenance	\$25,000
Small Yard Equipment Purchases	\$5,000
Land & Bldg Maintenance	\$30,000
Auto Expense	\$18,000
<b>Total Maintenance &amp; Repair</b>	<b>\$78,000</b>
<b>Capital Purchases</b>	
Office Equip & Furniture	\$20,000
Yard Equipment	\$20,000
Vehicle	\$33,000
Land & Buildings	\$15,000
<b>Total Capital Purchases</b>	<b>\$88,000</b>
<b>General Fund Subtotal</b>	<b>\$3,534,935</b>

**GARRISON DIVERSION CONSERVANCY DISTRICT**  
**Budget**  
**January 1, 2019 to December 31, 2019**

	<b>Budget 2019</b>
<b>Irrigation Fund</b>	
McClusky Canal Irrigation	\$1,000,000
Construction	\$500,000
Operations	\$500,000
Debt Payments	\$170,200
Principal	\$123,000
Interest	\$47,200
<b>Total Irrigation Fund</b>	<b>\$1,170,200</b>
<b>GDU O &amp; M</b>	
Salaries & Benefits	\$2,398,080
Salaries	\$1,496,500
Benefits	\$901,580
Travel	\$31,790
Training	\$4,970
Utilities	\$86,940
Contracted Services (Eng / Survey)	\$415,240
Supplies	\$187,600
Equipment Purchases	\$375,000
Equipment Rental	\$101,400
Equipment Maintenance	\$299,970
Safety	\$32,520
Miscellaneous	\$20,005
Materials	\$200,000
<b>Total GDU O &amp; M</b>	<b>\$4,153,515</b>
<b>MR&amp;I FUND</b>	
State Administration	\$65,100
Salaries & Benefits	\$97,250
MR&I Project Expenditures	\$6,000,000
<b>Total MR&amp;I Fund</b>	<b>\$6,162,350</b>
<b>RRV Water Supply Project</b>	
ROW	\$1,400,000
Design	\$15,000,000
Salaries & Benefits	\$152,695
Financing/Legal/Administration	\$1,000,000
Construction	\$13,000,000
<b>Total RRVWSP</b>	<b>\$30,552,695</b>
<b>TOTAL ALL FUNDS</b>	<b>\$45,573,695</b>

**RESOLUTION**

**Adopted October 3, 2018 by the Executive Committee authorized by  
the Garrison Diversion Conservancy District Board of Directors**

**Approving its Budget for the Period January 1, 2019, through December 31, 2019**

**Making a Levy on all Property**

**in the Garrison Diversion Conservancy District**

**WHEREAS**, the Garrison Diversion Conservancy District, a governmental agency established by the North Dakota Legislature by virtue of Chapter 61-24 of the North Dakota Century Code, as amended, is authorized to make a tax levy to finance its operations in accordance with said Chapter 61-24 of the North Dakota Century Code, as amended, did, on January 26, 1966, make a one-mill on all taxable property located within the Garrison Diversion Conservancy District to pay its administrative expenses and the obligations it has assumed under contracts negotiated with the United States and irrigation districts in the Garrison Diversion Conservancy District area and establish such reserves necessary to meet its contractual obligations and to carry out its purposes as provided by law--said tax levy to be continued each year until modified or reduced by appropriate action of the Board of Directors of the Garrison Diversion Conservancy District; and

**WHEREAS**, the Board of Directors of the Garrison Diversion Conservancy District, as required by Section 61-24-09 of the North Dakota Century Code, has duly considered a budget for the period beginning January 1, 2019, and ending December 31, 2019; and

**WHEREAS**, the Board of Directors of the Garrison Diversion Conservancy District did on July 11, 1973, by resolution duly adopted, modify its action of January 26, 1966, making a continuing one-mill levy on all taxable property in the Garrison Diversion Conservancy District so as to provide that said Board will make a levy each year in an amount sufficient to provide funds for its annual budget as authorized by law.

**NOW, THEREFORE, BE IT RESOLVED** by the Executive Committee authorized by the Board of Directors of the Garrison Diversion Conservancy District, at a meeting assembled this third day of October 2018, that this Committee approved a budget for the fiscal year January 1, 2019, through December 31, 2019, requiring an amount of \$3,534,935.00 for its operations; and

**BE IT FURTHER RESOLVED** that this Executive Committee authorized by the Board of Directors hereby makes a one-mill levy on each dollar of taxable valuation on all taxable property located in each of the counties in the Garrison Diversion Conservancy District, to-wit:

Barnes	Eddy	McHenry	Ransom	Steele
Benson	Foster	McKenzie	Renville	Stutsman
Bottineau	Grand Forks	McLean	Richland	Traill
Burleigh	Griggs	Nelson	Sargent	Ward
Cass	LaMoure	Pierce	Sheridan	Wells
Dickey		Ramsey		Williams

Such levy, together with the estimated balance on hand January 1, 2019, and interest from investments in reserves and other income, has been found necessary Executive Committee authorized by the Board of Directors of the Garrison Diversion Conservancy District to provide the sum of \$3,534,935.00 required to meet the necessary District expenditures for its operations, contractual obligations, and reserves for the period January 1, 2019, through December 31, 2019; and

**BE IT FURTHER RESOLVED** that the county auditor of each county in the Garrison Diversion Conservancy District, as set forth above, be and is hereby notified to take appropriate action in accordance with Section 61-24-11 of the North Dakota Century Code and spread on the records for tax levy a levy upon the taxable property in the county of one mill as is authorized under the provisions of Chapter 61-24 of the North Dakota Century Code; and

**BE IT FURTHER RESOLVED** that the secretary-treasurer of the Garrison Diversion Conservancy District be, and is hereby, directed to mail to the county auditor of each county in the Garrison Diversion Conservancy District, as set forth above, a copy of this resolution, duly certified by him and bearing the seal of the Garrison Diversion Conservancy District, and a copy of the budget covering the expenses estimated by the Board of Directors of the Garrison Diversion Conservancy District as necessary for the period of January 1, 2019, through December 31, 2019, and a copy of this resolution and budget to the North Dakota Tax Commissioner.

### **CERTIFICATE**

I, Duane DeKrey, the secretary-treasurer of the Garrison Diversion Conservancy District, do hereby certify and return the within and foregoing instrument is a true and correct copy of a resolution approving the budget for the Garrison Diversion Conservancy District for the period January 1, 2019, through December 31, 2019, and making a one-mill levy on all property within the Garrison Diversion Conservancy District, duly approved and adopted by the Executive Committee authorized by the Board of Directors of the Garrison Diversion Conservancy District at a meeting on the third day of October 2018.

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Duane DeKrey, Secretary-Treasurer  
Garrison Diversion Conservancy District

(SEAL)

## **Red River Valley Water Supply Project**

### **Easement Pricing File Memorandum**

**7-7-09**

The Red River Valley Water Supply Project (RRVWSP) consists of 123 miles of 66 inch pipeline that stretches from the McClusky Canal to the Sheyenne River, crossing four counties. Staff will negotiate with approximately 192 land owners for pipeline options and easements. This white paper outlines Garrison Diversion's general analysis of easement valuation and offers to land owners. The process described herein is an internal reference document and is not otherwise binding or committing Garrison Diversion to a particular course of action or valuation for a specific property.

The process of setting a price to offer for a pipeline easement is difficult since the pipeline will be underground, will traverse four counties and a variety of types and values of land. In order to establish an easement offer price, Garrison Diversion consulted with Kyle Nelson, of Alerus Appraisals to discuss valuation of pipeline easements and/or general valuation of agricultural properties in the affected counties. The difficulty of proposing an offer for an easement stems from the fact that a pipeline easement really has minimal impact on the long-term value of the land traversed. Typically, the value of an easement is calculated by subtracting the pre-easement value minus the post-easement value of the land. The difference in the before/after land value constitutes the easement value. With an underground pipeline, Alerus Appraisals finds little to no difference in the pre/post-easement value of agricultural land due to the existence of an underground pipeline. There would be no higher payment justified by tilled land versus pasture land, since the underground pipeline does not change the fair market value of either type of property; so the value of the easement is the same regardless of the type of land crossed. Simply put, if Garrison Diversion were required to pay 'fair market value' to landowners as their offer for a pipeline easement, Garrison Diversion may not be paying much, if anything at all based upon the before/after valuation methodology. That said, landowners would receive varying levels of compensation depending on the type and extent of crop damage occasioned as a payment.

Under this scenario, few landowners would voluntarily give an easement to their property without some level of compensation for the easement. As such, Garrison Diversion analyzed payments made to landowners in other pipeline projects as a reference for calculating an attractive price to offer for voluntarily entering into option and easement agreements with Garrison Diversion. It is important to Garrison Diversion to be fair and cordial to the landowners, fostering a strong working relationship that will benefit the RRVWSP as operation and maintenance activities occur in the future.

Garrison Diversion is mindful of the political controversy created by constructing, but not ultimately using the canal systems. Garrison Diversion plans to only purchase options for easement at this stage, so as not to tie up land permanently at this stage. In order to accomplish the goal and gain the trust



level with the landowners, it was decided to complete the negotiations early in the design process and using a three step approach.

The first step is to notify landowners about the project, providing basic information and asking them to return an Access Agreement that would allow our design team to access and investigate the property. The information collected during these investigations will be used to refine the pipeline alignment and to make sure that the alignment meets environmental and cultural resource guidelines while limiting the impact on the landowners.

The second step is to obtain an option for an easement. During this step, an offer of (\$1,350/acre) was conveyed for the easement. Ten percent of the offer would be paid up front for an Option, with the remaining 90% to be paid if/when the option is exercised and the permanent easement taken. During the Option period, Garrison Diversion will talk to the landowners to identify specific concerns that can be addressed during the design. By obtaining an option for an easement, the easement acquisition process should be fairly quick and without controversy or surprise.

The third step is to exercise the option and obtain the permanent easement. This step will be primarily administrative. Landowners will be advised that the easement is being exercised. Final paperwork and the final easement payment will be exchanged and documents recorded. Landowners will also be notified if/when the project construction will begin in their area and on what time schedule.

Based on the input from Alerus Appraisals, along with anecdotal information from other pipeline projects, it was decided that the price offered for the right of way would be one price per acre for all of the cooperating land owners. The price of agricultural land does not vary significantly with or without an underground pipeline, which supports the conclusion that the easements should be uniformly priced regardless of the type of land traversed. If Garrison Diversion only offered the true change in fair market value for the easement, there would be few, if any, property owners who would be willing to sell an easement at such a minimal price (plus a payment of crop loss). Garrison Diversion intends to offer a reasonable amount of compensation to make the offer attractive to property owners. Otherwise, much of the entire pipeline route would have to be taken by eminent domain, which would be a costly and time consuming endeavor that Garrison Diversion certainly hopes to avoid.

As one factor in devising a reasonable amount to offer landowners for voluntarily entering into an option agreement for a pipeline easement, Garrison Diversion asked Alerus Appraisals (based on sales) to advise Garrison Diversion of the general land prices in the counties that are included along the pipeline alignment. In addition, Garrison Diversion consulted with project managers for the NAWS pipeline and the City of Devils Lake to discuss their methodology in setting easement offers. With NAWS, the state typically offered 80% of the fee value of the land as the easement offer price. But in the case of the transmission line they made an offer that equated to approximately 100% of the land value in exchange for a permanent easement. In the case of the Devils Lake water line, the City took the average of the land values, increased them by 50% because of the small tract size compared to average sale size, and added 10 years of potential impacts costs because the soil could not be replaced exactly like it was before.

Alerus Appraisals identified a range of land prices for crop and pasture land in each of the impacted counties. If Garrison Diversion were to follow the methodology for voluntary acquisition followed by NAWS, using the higher property value numbers in the Alerus Appraisals report and 100% of land value offered for transmission lines, the corresponding offer to landowners would be approximately \$1,200 per acre. If Garrison Diversion offered the 80% of land value otherwise offered by NAWS, the corresponding offer would be approximately \$960 per acre. If the Devils Lake methodology is applied to the County Tax Assessor data, the corresponding voluntary acquisition offer would be \$1,350 per acre. The total easement cost for the project using these methodologies range from \$2,146,000 to \$3,019,000.

The losses of agricultural crops will be paid for based on the actual losses. Higher producing lands will be paid more when actual construction occurs.

This document does not ascribe a value to any easement properties, but merely outlines the process and research used to determine an attractive price to offer to landowners for easements. If there is litigation over easement prices, it is likely that an appraiser could find little to no value to the actual easements using a before and after fair market value approach. Nothing in this document impacts the ascribed fair market value of the easements or claims to constitute actual 'fair market value' of a pipeline easement.

## **CROP DAMAGE PAYMENT POLICY**

### **RED RIVER VALLEY WATER SUPPLY PROJECT**

As outlined in the Access Agreement, Option Contract and Permanent Pipeline Easement, Garrison Diversion Conservancy District (“Garrison Diversion”) agrees to pay demonstrated crop damage incurred as part of the construction, installation, repair or maintenance of a water pipeline. The crop damage payment will be calculated to provide reimbursement for income that would have been received by the landowner and/or tenant if Garrison Diversion had not caused the damage.

Garrison Diversion will be responsible for measuring the crop damage areas. The landowner and/or tenant will provide information regarding the yield of the area damaged. Yield information can be provided in one of three forms:

1. Documentation stating the certified yield for the impacted field used for crop insurance purposes.
2. Documentation provided by the landowner/tenant to a crop insurance agent stating this year’s yield for the field impacted.
3. Another mutually agreed upon method.

The crop damage payment will not necessarily be paid upon the best yield obtained on the parcel, as some areas Garrison Diversion impacts may have yielded well while other areas may reflect impact by flooding, erosion or other problems. Therefore, the landowner and/or tenant will be required to provide his/her best reasonable estimate for the percent increase or decrease from the field yield certification to best reflect the yield of the area damaged by Garrison Diversion’s construction operations.

Crop prices will be based on the contract or sale price if the crop has been contracted or sold, utilizing documentation provided by the landowner and/or tenant. If the crop has not been sold or contracted by December 31 of the year damaged, the average local market price for the month during which the crop was harvested will be used for payment purposes.

If the parcel is rented out and the landowner wishes to have the renter receive the crop damage payment, it is the landowner’s obligation to provide Garrison Diversion with a letter to that effect, along with the renter’s name, address, and tax ID information.

Any questions regarding crop damage payments can be directed to Garrison Diversion at 652.3194 or 800.532.0074.