



City of Grand Forks

Staff Report

Committee of the Whole - N/A

City Council - October 6, 2025

City Council - January 20, 2026 (Updated Information in Bold)

Agenda Item: Red River Valley Water Supply Project (Project) Interim Financing Agreement Series F Approval

Submitted by: Todd Feland, City Administrator
Dan Gaustad, City Attorney
Maureen Storstad, City Finance Director

Staff Recommended Action: Approve the Project Interim Financing Agreement Series F and the updated and increased Grand Forks allocation of 17.1006% and total principal of \$11,685,397.37 (Dated as of December 19, 2025), subject to final review and approval of the City Attorney's Office.

Committee Recommended Action: N/A

Council Action (October 6, 2025): Motion by Osowski, second by Berg to approve subject to review and approval of Mayor (City's LAWA Rep), Bond Counsel and City Attorney. Motion passed Unanimously.

Council Action (January 20, 2026):

BACKGROUND:

The Project is a strategically important water supply infrastructure project for central and eastern North Dakota to include Grand Forks. Specifically, the Red River Valley is susceptible to flooding and drought and during a drought a supplemental water supply is critically important to sustain the health, welfare, well-being, and economy of the Red River Valley. The Project is a public/public partnership between the State of North Dakota and local and regional water suppliers, and the project goal is to deliver needed and supplemental water supply during a drought using the abundant water supply of the Missouri River. The Cities of Grand Forks and Fargo have been the prime and strategic local and regional partners with the State of North Dakota on the Project. The RRVWSP is generally made up of a Missouri River Intake near Washburn, ND and a McClusky Canal Intake, 167-mile pipeline, various biota water treatment, pump station, and hydraulic break tank components, and a Sheyenne River Outfall Discharge Structure. The Project is currently estimated as a \$1.2 Billion+ project and has a planned engineering design and construction timeline over the next several years with a construction completion goal in 2032. The State of North Dakota has legislative capital funding intent of \$953 million for a 75 percent capital cost share and LAWA users matching the remaining 25 percent capital cost share to include Bank of North Dakota (BND) financing for the local capital cost share at a 40 year and 2 percent loan.

U.S. Senator John Hoeven continues to work on behalf of the State of North Dakota regarding potential federal funding for various components of the Project to include the biota treatment plant and related bulk water supply Project components.

Lake Agassiz Water Authority (LAWA) and the member entities in part through the leadership of the Cities of Grand Forks and Fargo are working on the following agreements currently and over the next several months.

- LAWA and Garrison Diversion Conservancy District (Garrison Diversion) – Bulk Water Agreement.
- LAWA and the Member Entities - User Agreement.
- Thompson Acker (TA) Water Rights Holders and the State of North Dakota (North Dakota Department of Water Resources (NDDWR) and the United States Army Corp of Engineers (USACE)– Water Rights Agreement.
- Return Flow Agreement between Grand Forks and Fargo

The City of Grand Forks has been working in partnership with other local and regional water suppliers through LAWA, NDDWR, USACE, and Garrison Diversion. Garrison Diversion is the conduit to the State of North Dakota and State Water Commission. Mayor Brandon Bochenski is the City of Grand Forks representative on the LAWA Board of Directors and Council Member Ken Vein serves on the Garrison Diversion as the Grand Forks County elected representative. City Administrator Todd Feland, City Attorney Dan Gaustad, City Engineer Allen Grasser, Finance Director Maureen Storstad, and Water Works Director Melanie Parvey serve on various LAWA committees and working groups related to Project construction, financing, operations, and various agreements.

The City of Grand Forks has hired technical legal and engineering expertise in Nazareus Stack & Wombacher and Precision Water Resources Engineering respectively to support the City of Grand Forks and LAWA regarding the review and drafting of the noted agreements above. In addition, these technical experts are assisting the City of Grand Forks on water supply matters in the Red Lake River basin.

The following is summarized background information contained in the Recitals of the Project Interim Financing Agreement Series F presented at the November 10, 2025 update, which establish the delivery method that is described as a “Split Delivery” method the will be memorialized by the agreements described above. Some modifications given Valley City is no longer participating in Series F, as explained below (changes in bold)

RECITALS

1. The State of North Dakota, acting through the legislature, enacted N.D.C.C. ch. 61-24 setting out the purposes, powers and duties of Garrison Diversion.

2. The North Dakota Legislature, under N.D.C.C. § 61-24-01, has declared “necessary, that the Garrison diversion unit of the Missouri River basins project as authorized by Act of Congress approved December 22, 1944 [58 Stat. 887], and acts amendatory and supplementary thereto, be established and constructed” (the “GDU”).

3. The North Dakota Legislature, under N.D.C.C. § 61-41-02(2), has declared “the Red River Valley Water Supply Project [to be] critical to provide a dependable water supply for current and future generations in eastern North Dakota and is essential to provide for the long-term welfare, economic well-being, and quality of life for the entire state.” The Red River Valley Water Supply Project is referred to herein as the “Project.”

4. The North Dakota Legislature enacted N.D.C.C. ch. 61-39 creating LAWA and setting out the powers and duties of LAWA.

5. The LAWA Board of Directors has approved and directed LAWA to proceed with

a “Split Delivery” of the Project” whereby Garrison Diversion will deliver Project water via a pipeline from the Missouri River Basin to the Sheyenne River Outfall.

6. Consistent with the Split Delivery method for the Project, Garrison Diversion and LAWA will enter into future agreements relating to planning, construction, financing, operation and maintenance of the Project that shall provide for Garrison Diversion to deliver bulk water via a pipeline to LAWA at various locations including the Sheyenne River Outfall and shall provide, direct and authorize LAWA to administer the storage of Project water, connections to the Garrison Diversion pipeline, coordinate requests for releases for Project water stored behind Baldhill Dam (and within the Lake Ashtabula reservoir), and deliver Project water to LAWA Members. Pursuant to negotiated terms in such agreements, LAWA will manage delivered Project water storage and distribution from the point of delivery from Garrison Diversion to LAWA, within and releases from Lake Ashtabula and to the Point of Diversion from LAWA to each and every one of its Members who purchase bulk water from LAWA. The Parties intend that such agreements between Garrison Diversion and LAWA shall also include a bulk water supply agreement between Garrison Diversion and LAWA for delivery of Project Water from the McClusky Canal to various locations including the Sheyenne River Outfall and into Lake Ashtabula, which will include provisions for capital repayment, operations and maintenance, permitted connections to Garrison Diversion pipeline, and replacement of Project features, among other things. The bulk water supply agreement will address aspects of either Party’s role regarding filling, storage and releases of water from Lake Ashtabula. LAWA will develop water distribution contracts between LAWA and its members and will operate a Project water storage and distribution project from Lake Ashtabula and downstream to LAWA Members. Garrison Diversion will review and may provide input into the LAWA-LAWA Member agreements to confirm compatibility with overall Garrison Diversion’s Project operations.

7. All parties recognize valid Thompson-Acker water rights held by Grand Forks, Fargo, West Fargo, Valley City, and Lisbon. Agreements or modifications, if any, related to these Thompson-Acker water rights will be negotiated and executed, solely and exclusively with the North Dakota Department of Water Resources and the listed rights holders above.

8. The Project features for which funds are being obtained or provided, as described in and/or pursuant to this Series F Agreement, are part of the Garrison Diversion Work Plan (see Exhibit A).

9. Garrison Diversion, LAWA, Carrington, Cooperstown, Fargo, Grand Forks, Hillsboro, and Mayville enter this Interim Financing Agreement - Series F for the purpose of providing interim funds for the construction of the Project.

10. Through this Series F Agreement, the Parties wish to continue with the construction contemplated in the 2025-2027 Biennium Budget identified in Exhibit A, despite not having the other final agreements in place.

11. For so long as they continue to be part of the Project, the Member Entities herein agree to pay for the Local Project Cost based upon their relative proportion of water supply nominations for the Project, as a percentage of the total water supply nominations by all Member Entities, signing this Agreement. These payments are made by the Member Entities on behalf of LAWA. The Member Entities’ respective payment obligations for Local Project Costs are identified on Exhibit B.

12. The Bank of North Dakota (“BND”) has agreed to loan terms that include a 40 year repayment term, two percent (2%) interest, deferred payments for the Member Entities for two years from the date of closing, followed by three years of interest-only payments. The repayment and terms of this Agreement may be amended upon execution of the one or more of the agreements described in the Recitals above (as the case may be and as may be appropriate and agreed upon by the Parties and BND), in a future Interim Financing Agreement, or through other agreements between all Parties.

ANALYSIS AND FINDINGS OF FACT:

- The 2025-2027 North Dakota Legislative Biennium approved state capital grant (75%) is \$205 million and the required local capital cost share (25%) is \$68,333,333 for a total State of North Dakota and LAWA budget of \$273,333,333.
- **Based on October 6, 2025 City Council approval and as updated at the November 10, 2025 Committee of the Whole, City of Grand Forks local capital cost share proportion was 16.1325% and total principal \$11,023,898, which will be financed via a BND 40 year and 2 percent loan.**
- **The City of Valley City ultimately opted out of the Project Interim Financing Agreement Series F and in turn the Cities of Grand Forks and Fargo administratively agreed to proportional financial cover the City of Valley City cost share.**
The City of Grand Forks local capital cost share proportion is now 17.1006% and total principal \$11,685,397.37.

The prior City of Fargo local capital cost share proportion was 74.7038% and total principal \$51,047,601.67 and the updated local capital cost share proportion is 79.1865% and total principal \$54,110,759.18

- The City of Grand Forks capital cost share proportion includes the City of East Grand Forks allocation, which the City of Grand Forks will follow up regarding a cost share agreement with the City of East Grand Forks.
- The City of Grand Forks will fund the cost share through the Water Enterprise Fund.
- The current City’s domestic and industrial nomination, which includes East Grand Forks, is 28.10 CFS or 18.1 MGD, which encompasses a 2075 planning horizon.
- The 2025 to 2027 Biennium Project Work Plan includes the following general categories of work.
 - Transmission Pipeline Construction.
 - McClusky Facilities – Wet well, Intake, and Utility Extensions.
 - Project Support Services – Program Management, Agreement Support, Operational Planning, and Financial Planning.
- **The Cities of Grand Forks and Fargo and LAWA are leading the work on the following matters under the “Split Delivery/Shared Responsibility” of the Project.**
 - **Water Supply, Water Delivery, and TA Agreements.**
 - **Project Task Order Leadership – Financial Support, User Engagement, Operational Planning.**
 - **LAWA Staff Planning**
 - **Interim/Short Term Staffing 90-120 days – Cities of Grand Forks and Fargo support.**
 - **Mid/Long Term Staffing – Full Time Executive Director and support staff and contracted engineering support.**

SUPPORT MATERIALS:

- **Project Interim Financing Agreement Series F and Exhibit A and B, dated as of December 19, 2025.**
- North Dakota Department of Water Resources – 2025-2027 Red River Valley Water Supply Project Overview, June 2025.