

**MINUTES OF THE  
NEBRASKA NATURAL RESOURCES COMMISSION  
SPECIAL MEETING**

December 19, 2006  
Holiday Inn - Kearney, Nebraska

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Those in attendance were:

Garry Anderson, Chair  
Wayne Madsen, Vice Chair  
John Burkholder, Member  
Richard Hadenfeldt, Member  
Vincent Kramper, Member  
Keith Rexroth, Member  
Roger Korell, Member  
Clinton Johannes, Member  
Joseph Hergott, Member  
Myron Lembke, Member  
Dan Watermeier, Member  
Wayne Davis, Member  
Richard Jiskra, Member

Mike Delka, Bostwick Irrigation District  
Bob Broweleit, Sandhills RC&D  
John Miyoshi, LPNNRD  
Angie Jensen, ULNRD

Mike Murren, LPNNRD  
Gene Stoklasa, CPNRD  
Kevin Prior, Olsson Assoc.  
Cliff Welsh, Sandhills RC&D  
Marlin Petermann, P-MRNRD  
Ken Bernie, LENRD  
Mike Sotak, Olsson Assoc  
Bob Hilske, NNRD  
Jay Bitner, UBBNRD  
Paul Zillig, LPSNRD  
Robert T. Mohler, LLNRD  
Scott Sobotka, LBBNRD

Ann Bleed, Staff  
Brian Dunnigan, Staff  
Jim Cook, Staff  
Rex Gittins, Staff  
Ron Theis, Staff  
Kent Zimmerman, Staff

CALL TO ORDER

The special meeting was called to order by Commission Chair Garry Anderson at the Holiday Inn in Kearney, Nebraska, at 9:05 a.m.

It was noted that this special meeting was called primarily to address anticipated Nebraska Resources Development Fund constraints. The defined objectives were to further discuss the current outlook for the fund, start development of a priority process to rank project proposals and application and feasibility reports, and to provide potential sponsors with a better indication of whether or not their project is likely to be approved.

NOTICE OF THE MEETING

Notice of the meeting was published in the LINCOLN JOURNAL & STAR and the KEARNEY HUB on December 12, 2006.

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INFORMATIONAL MATERIAL

The following items of informational materials were distributed during the course of the meeting and a copy of each is attached to the file copy of the minutes:

1. Commission Meeting Agenda
2. Small Watersheds Flood Control Fund Status
3. Nebraska Resources Development Fund (NRDF) Status Report
4. Memo Documenting Commission Discussion on NRDF Criteria and Priorities dated November 22, 2006
5. Current NRDF Statutes and Rules
6. NRDF Process Flow and Timeline

SMALL WATERSHED AND FLOOD CONTROL FUND

Jim Cook stated that there had been a misunderstanding between the Little Blue NRD and DNR about the status of approval for land acquisitions for the Little Sandy Creek Watershed Site 40. The transition of duties at DNR may have been a contributing factor. As a result, DNR agreed to raise the issue for Little Blue NRD at this meeting.

Since there had been no recent activity with the fund, Jim briefly described that land rights can be in the form of easements, rights-of-way or purchases. The fund can financially participate in only one of each four land rights involved in a flood control project. When land is purchased for a project it must be sold within ten years with the proceeds of the sale being returned to the fund for reuse which makes the fund largely self supporting. A special provision of the law allows any political subdivision to acquire fee title property at appraised value, provided that the political subdivision agrees to utilize the property for public purposes such as recreation or fish and wildlife enhancement.

Jim noted that the Commission previously had been briefed on the Little Sandy Creek Project, and that land appraisals had been reviewed and agreed to by staff. Final action by the Commission to accept the appraisals and obligate funds had not yet been taken because specific tracts to be acquired using the Small Watersheds Flood Control Fund were not previously identified. He noted that 13 tracts were involved in the project. Staff's recommendation was to grant the sponsor's current request for approval of the appraisals and obligation of funds for two of three tracts which will be eligible for funding. Jim added that funds in the "Revolving Fund" were not sufficient to cover the cost of the fee title tract which would require that the Commission move \$28,400 from the "Unassigned Fund" to "Revolving Fund" before making the obligation.

Motion by Roger Korell and seconded by Vince Kramper (1) to approve the Little Sandy Creek Site 40 land right appraisals submitted by Little Blue NRD for the Heidemann and Schwisow tracts; (2) to decrease the Small Watersheds Flood Control Fund "Unassigned Fund" by \$28,400; (3) to increase the "Revolving Fund" by the same amount; and (4) to obligate for expenditure from the Small Watersheds Flood Control Fund as follows:

Heidemann Tract—\$728,400 for acquisition of fee title at 100% of the appraised value  
Schwisow Tract—\$59,100 for acquisition of an easement at 50% of the appraised value of  
\$118,200

Aye: Watermeier, Burkholder, Anderson, Johannes, Rexroth, Madsen, Korell, Hadenfeldt,  
Davis, Lembke, Hergott, Jiskra, Kramper,  
Nay: None  
Abstain: None  
Absent: Donaldson, Garrett, Van Marter

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NEBRASKA RESOURCES DEVELOPMENT FUND (NRDF)

The main purpose of the meeting was to begin looking at how the Commission will deal with administration of the NRDF in light of current and anticipated challenges. Due to constraints in annual funding appropriations, the statutory cap on unfunded project allocations, and the number and size of expected funding requests, the process for evaluating proposed projects must be revised to help assure limited NRDF funding is directed to those projects deemed by the Commission to best serve the fund objectives.

Background

As background for the Commission's discussion, historical information regarding projects and funding had been distributed to the Commission for review prior to the meeting. Rex Gittins distributed the NRDF status report with updates to reflect actions related to Antelope Creek taken by the Commission at the November meeting. He explained how the amount available to "allocate" is determined and how that is different from the amount that can be "obligated." He also reported that \$6,252,756.36 was the total available to allocate in this fiscal year

Jim Cook distributed current versions of the NRDF statutes and rules, noting sections particularly applicable to the discussion and the review. He and Rex then briefly described the current project proposal and application review and approval process flow and timeline which had been distributed prior to the meeting. As it now stands, staff and Commission consideration at the time of "allocation" is on a first-come, first-served basis with no comparison or ranking at that time. This has worked out because funding proposals and requests have not generally exceeded amounts available for allocation or for obligation. In response to questions from Commission members, Jim explained that process changes could involve either statute or rules changes. Rules changes would be within the authority of the Commission, but a hearing would be required and the timeframe for completion would very likely be in excess of 90 days. Any proposed changes will be evaluated by staff for statute, rules, or guidelines implications following the meeting, and direction will be provided to the Commission.

Short-Term Considerations

At the November meeting, Commission members agreed that project applications currently in review by staff should be handled according to the current process. However, Rex Gittins stated that the present NRDF status would impact how the Commission deals with the two project applications that will be presented for consideration in this fiscal year:

<b>Project Application</b>	<b>Total Cost</b>	<b>Local Share</b>	<b>Cost Share Requested</b>	<b>NRDF Allocation Requested</b>
Pigeon/Jones Creek Watershed	\$ 9,973,333	\$ 9,973,333	75 %	\$ 7,480,000
Lake Wanhoo	\$23,227,329	\$15,340,000	60 %	\$ 9,204,000

The timing of the Commission's review of these project applications and options with respect to funding were discussed. In response to a question about initially allocating a low cost-share with a later increase when the cap would allow, Jim Cook stated that promises for future allocations would not be in the spirit of the statute as this would, in essence, be making commitments in excess of the statutory limit. However, it was noted that there have been a few instances in the past when project cost-share percentages were increased or cost-share for additional components were allowed.

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Motion was made by Clint Johannes and seconded by Keith Rexroth to consider both the Pigeon/Jones and Wanahoo project applications at the same time.

Aye: Lembke, Hergott, Jiskra, Kramper, Watermeier, Burkholder, Anderson, Johannes, Rexroth, Madsen, Korell, Hadenfeldt, Davis

Nay: None

Abstain: None

Absent: Donaldson, Garrett, Van Marter

Longer-Term Change Considerations

A number of considerations were identified in the November meeting and in subsequent correspondence regarding revising the current project evaluation approach and timing of the process. Ann Bleed started the discussion by asking if Commission members desired a process change to review all project applications (and potentially proposals) at one time each year. She added that this could allow proposals and applications to be ranked based on priorities established by the Commission. The relative ranking and financial status of the NRDF at the project proposal stage would help sponsors decide whether or not to bear the risk of performing a feasibility study and application.

Vince Kramper recommended using a point system in ranking with assignment of cost-share percentages based on specified point levels. He stressed that consistent use of this approach would further help sponsors. Keith Rexroth concurred, noting that historical cost-share grants appeared very inconsistent. Vince also cautioned that the system should not be so onerous as to discourage proposals for good projects. Joe Hergott added his support for a point system similar to that used by the Nebraska Environmental Trust, with stable cost-share levels established by the Commission. Comments from other attendees were generally in favor of this approach.

Discussion of criteria / priorities that should be considered for the purpose of ranking continued with input from Commission members, NRD managers and staff, and irrigation district managers and staff. Other comments from individual members included:

- Start with a base-point requirement and cost-share percentage with increases in cost-share at higher point levels.
- A point system with clear ranking criteria would provide documentation and justification for Commission decisions on project approvals and cost-share percentages granted.
- The first stage of review should identify whether or not a project will have a chance for funding at a floor level cost-share percentage, with possible increases for significant additional benefits.
- A maximum cost-share percentage should be established.

It was also noted that, of all state grant processes, the NRDF proposal and application process is one of the most cumbersome. Mike Sotak stated a concern that a ranking system might end up making the initial proposal process more expensive for sponsors. In general, all participants appeared to agree that the ability to provide sponsors with a clearer indication of approval potential and likely cost-share percentage was of highest importance.

A list of ranking criteria was started with the NRDF eligible purposes as provided in statute. A variety of other considerations were added and refined during the discussion. Staff was directed by the Commission to prepare a survey listing ranking criteria identified and send it to Commission members, NRD and irrigation district managers, and the League of Municipalities for input. The survey will ask that potential project sponsors consider all the criteria and specify their top ten priorities in order of importance. Staff will also draft a revised project proposal and application review and approval process flow and timeline.

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Chairman Anderson will select a subcommittee following the caucuses to review survey responses and report results to the full Commission at the January 24, 2007 meeting.

ANNOUNCEMENTS, FUTURE MEETINGS, AGENDA ITEMS

2007 Commission Member Caucuses

Rex Gittins reported that commission member caucus meetings were scheduled as follows. Commission members asked to be informed of results as soon as the caucuses are completed.

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|---------------------------------|-----------------------------|--------------------------------------|
| • Big Blue                      | 1/10/2007 @ 1:30 p.m.       | Milford Fire Hall, Milford, NE       |
| • Loup                          | 1/11/2007 @ 11:00 a.m.      | Lower Loop NRD – Ord, NE             |
| • Lower Platte                  | 1/08/2007 @ 7:00 p.m.       | Lower Platte North NRD – Wahoo, NE   |
| • Missouri Tribs<br>(2 members) | 1/11/2007 @ 7:00 p.m.       | Papio-Missouri River NRD – Omaha, NE |
| • Nemaha                        | 1/11/2007 @ 7:00 p.m.       | Nemaha NRD – Tecumseh, NE            |
| • South Platte                  | 1/09/2007 @ 7:00 p.m. (MST) | South Platte NRD – Sidney, NE        |

Next Meeting

The next regular meeting will be held on January 24, 2007, at the Embassy Suites Hotel in Lincoln. In lieu of a Programs Committee meeting, the subcommittee selected to review results of the ranking survey will meet prior to the full Commission meeting. Meeting location and times will be listed on the meeting agenda and in the public notice.

ADJOURNMENT

The meeting was adjourned at approximately 11:55 a.m.

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Natural Resources Commission Chair

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Director of Natural Resources