



Informational Sheet

Funding Summary

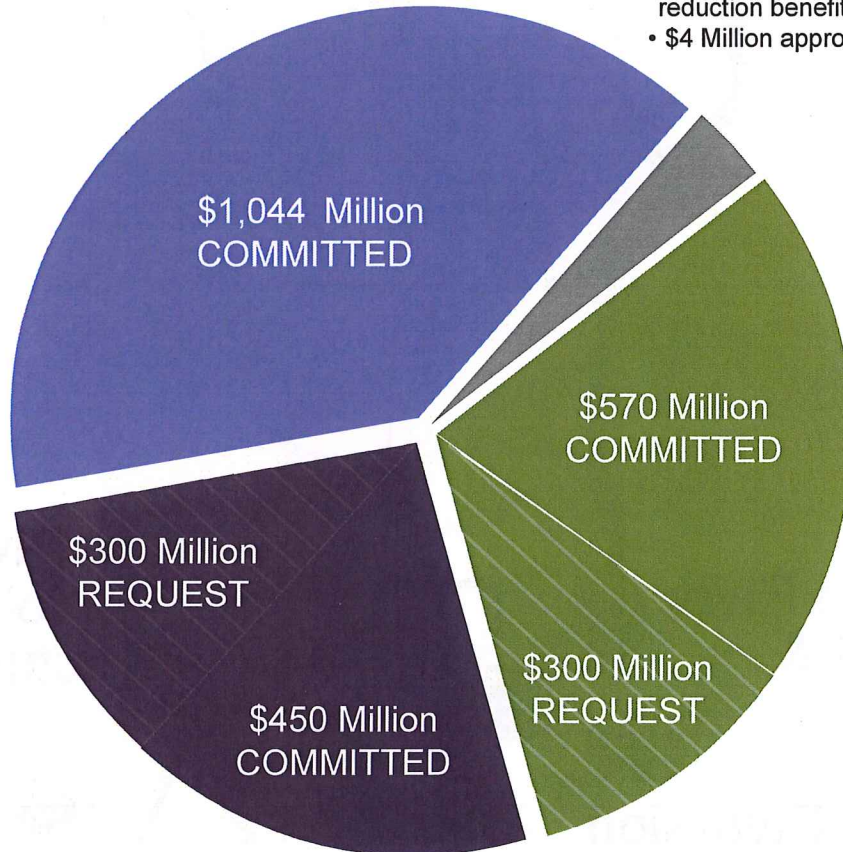
Based on \$2.75 Billion Program Costs (2018\$)

Local \$1,044 Million

- Funded with voter-approved sales taxes until 2084
- Majority of local share will need to be financed

State of MN (To Be Requested) \$43 Million Project \$43 Million In-Town

- Based on the DNR's Environmental Impact Statement estimated flood damage reduction benefit of 2% for Minnesota
- \$4 Million appropriated to date

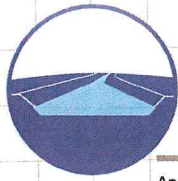


Federal \$750 Million

- Project Partnership Agreement (PPA) signed in 2016 committed \$450 Million
- Amount of funding escalates to year of expenditure
- With assumed escalation, Federal total increases by \$159 Million

State of ND \$870 Million

- \$370.5 Million appropriated to date
- \$166.5 Million requested in each of the next three bienniums
- Funding does not include requested \$250 Million long-term, low-interest loan



Diversion Channel

An earthen channel that carries flood waters around the FM area.

Diversion Outlet

Rush River Inlet

Lower Rush River Inlet

Maple River Aqueduct & Spillway

Sheyenne River Aqueduct & Spillway

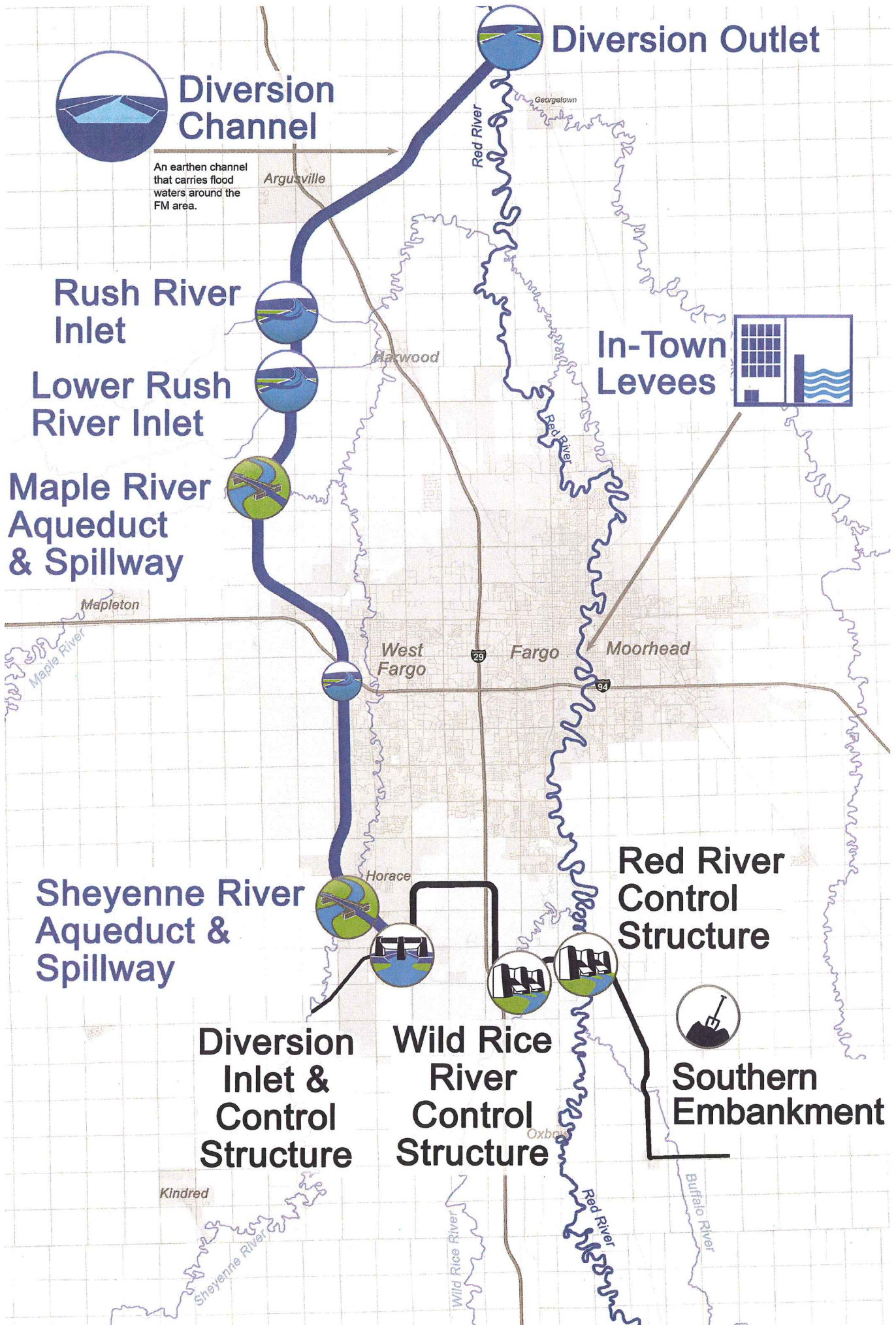
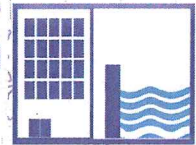
Diversion Inlet & Control Structure

Wild Rice River Control Structure

Red River Control Structure

Southern Embankment

In-Town Levees





Fargo-Moorhead Area Flood Protection Project

Plan B Cost Estimate and Financial Plan

December 3, 2018

Presentation Agenda

- ▶ Introductory Remarks
- ▶ Plan B Cost Estimate and Financial Plan
- ▶ Discussion and Recommended Motions



Finance Committee oversight

- ▶ Financial Working Group
- ▶ Outreach to Funding Partners
- ▶ Cost Estimate Development
- ▶ Consultation with Ernst & Young Infrastructure Advisors

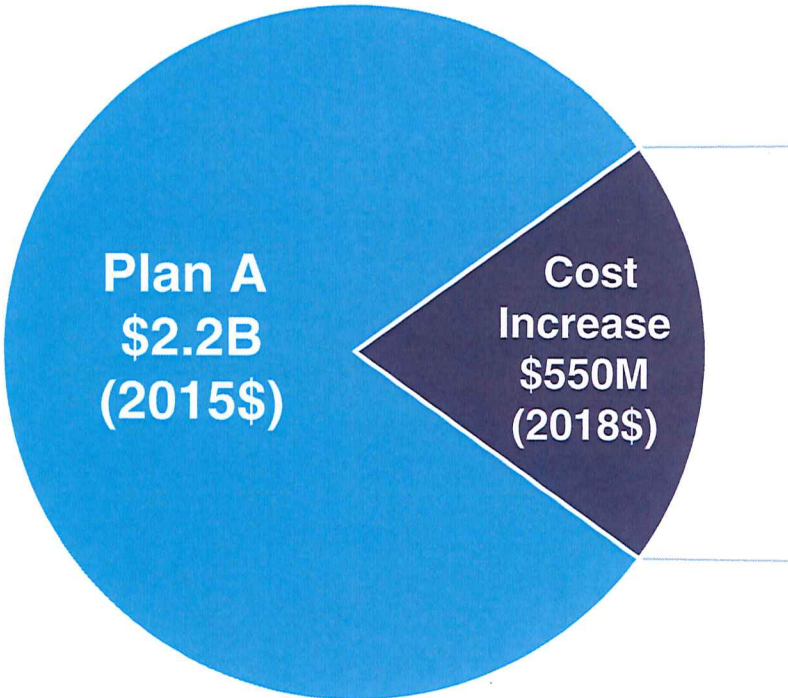


Cost Estimate and Financial Plan objectives

- ▶ Update Costs to Current 2018 Dollars
- ▶ Incorporate Plan B Changes
- ▶ Utilize Existing Local Sales Taxes
- ▶ Avoid Special Assessments



Current opinion of estimated cost is \$2.75B in 2018 dollars



Increases

Escalation	\$ 150M
Plan B	\$ 210M
Utility Relocates in Channel	\$ 50M
Contingency and Risk	<u>\$ 140M</u>
Total	\$ 550M

Costs Include USACE, Diversion Authority, Fargo, and Moorhead flood mitigation projects

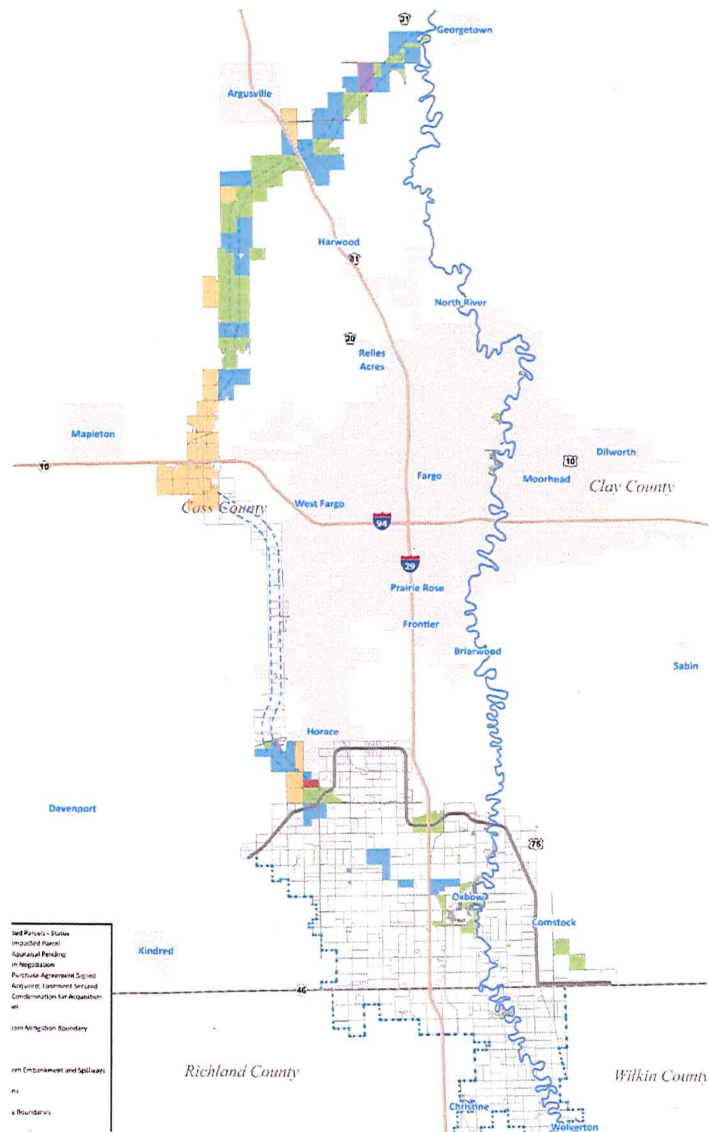
Category	Base Cost	Contingency and Risk/ Opportunity	Current Opinion of Estimated Cost
Lands/Impacted Properties Mitigation	\$466	\$36	\$502
Channel / P3	\$979	\$10	\$989
USACE / SEAI	\$585	\$118	\$703
Fargo and Moorhead In-Town Projects	\$240	\$26	\$266
Other/Mitigation Construction	\$44	--	\$44
Non-Construction Costs*	\$185	\$65	\$250
TOTAL	\$2,499	\$255	\$2,754

*Legal/Financial/Designs/Studies/Procurement/PgM/CM/General Contingency

Cost Estimate methodology

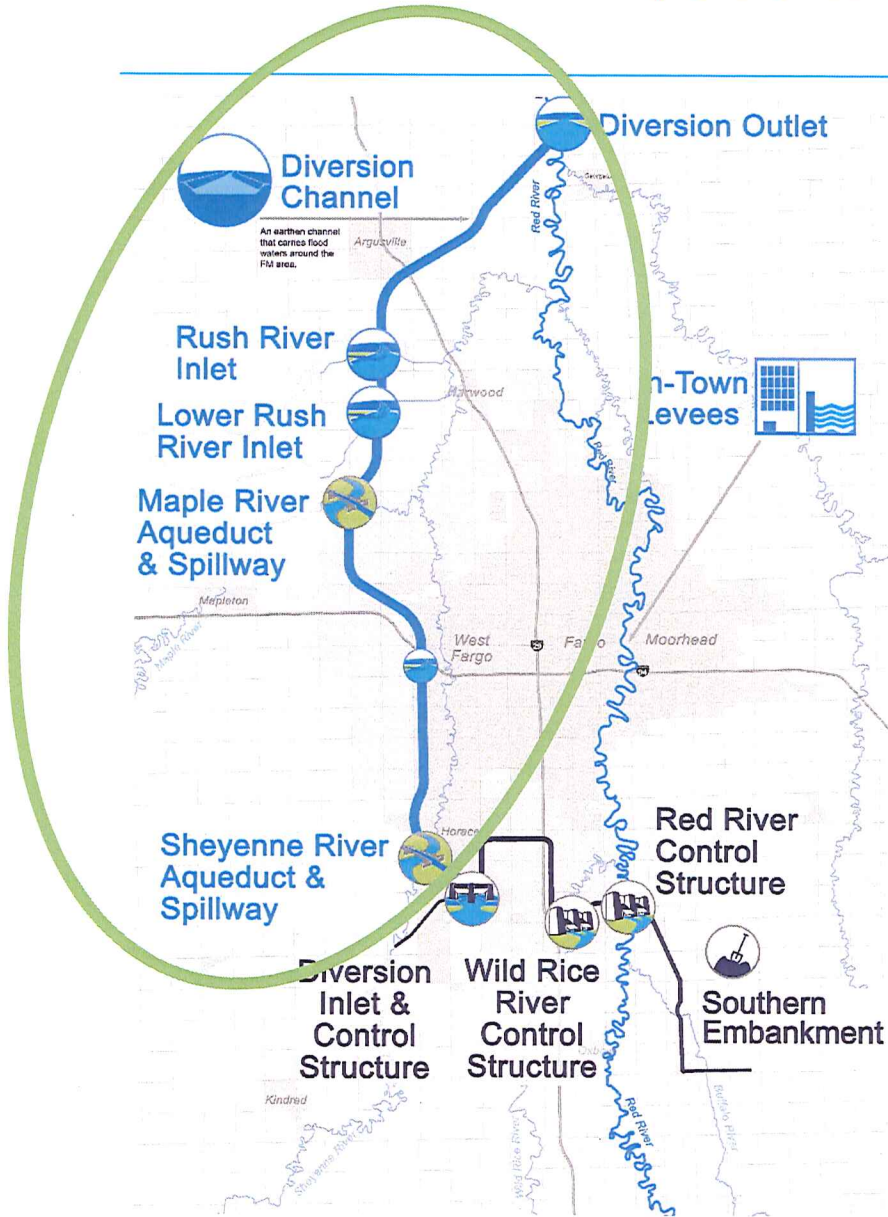
- ▶ **Lands and Impacted Property Mitigation**
 - ▶ Purchases to date, mitigation study (PMC-AE2S)
- ▶ **Diversion Channel and Associated Infrastructure Projects**
 - ▶ Crew and productivity, quantity/commodity based (PMC)
- ▶ **Southern Embankment/USACE Projects**
 - ▶ Crew and productivity, quantity/commodity-based, updated to Plan B (USACE)
- ▶ **Fargo and Moorhead In-Town Projects**
 - ▶ Historical bids/similar projects (Staff and HMG)
- ▶ **Non-Construction Costs**
 - ▶ Costs to date plus estimated level of effort to complete (PMC)
- ▶ **Includes joint risk and contingency workshops and Monte Carlo analysis to determine probabilistic costs**

Lands and impacted property mitigation = \$502M



- ▶ Mitigation of Impacted Properties
- ▶ Acquisition of Property Rights
 - ▶ Buyouts
 - ▶ Flowage Easements
- ▶ Business and Residential Relocations

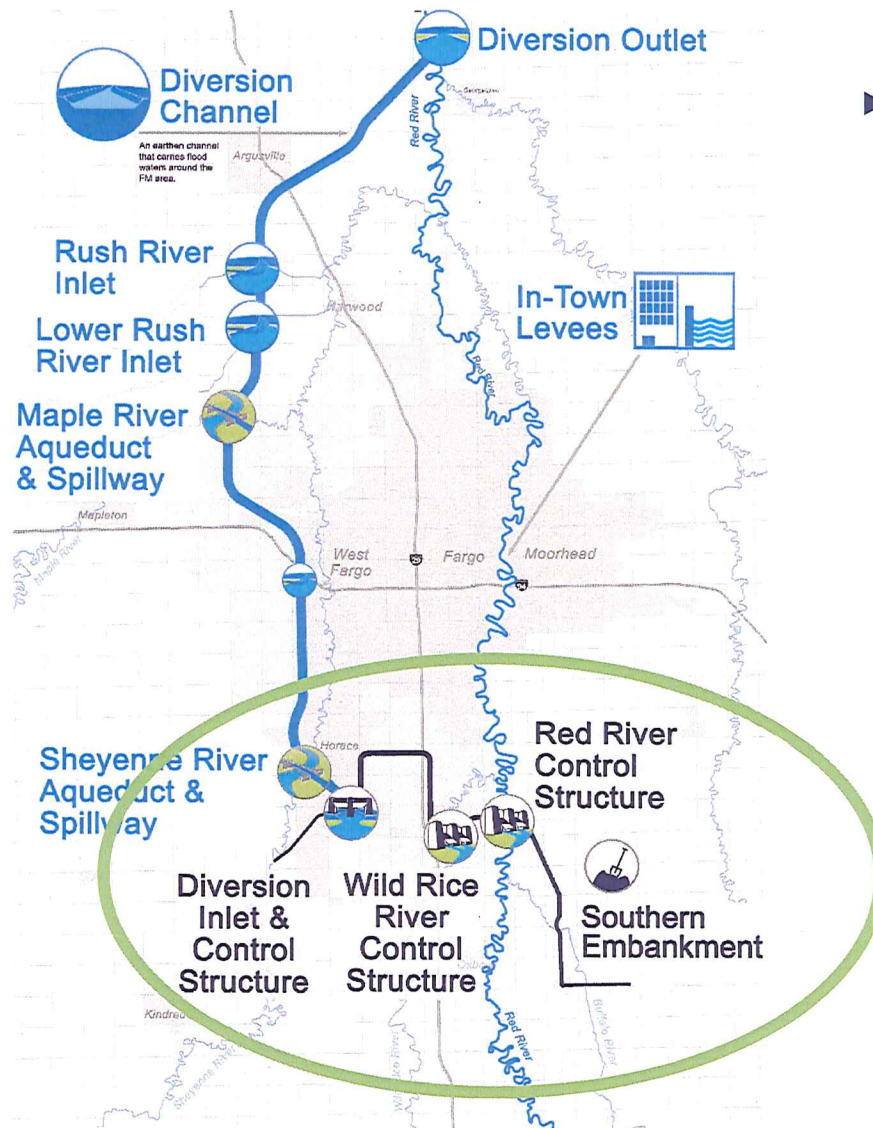
Channel/P3 = \$989M



- ▶ Channel / P3
 - ▶ Channel
 - ▶ Highway Crossings
 - ▶ Railroad Crossings
 - ▶ Aqueducts
 - ▶ Drain Inlets
 - ▶ Utility Relocations
 - ▶ Outlet



Southern Embankment/USACE Projects = \$703M

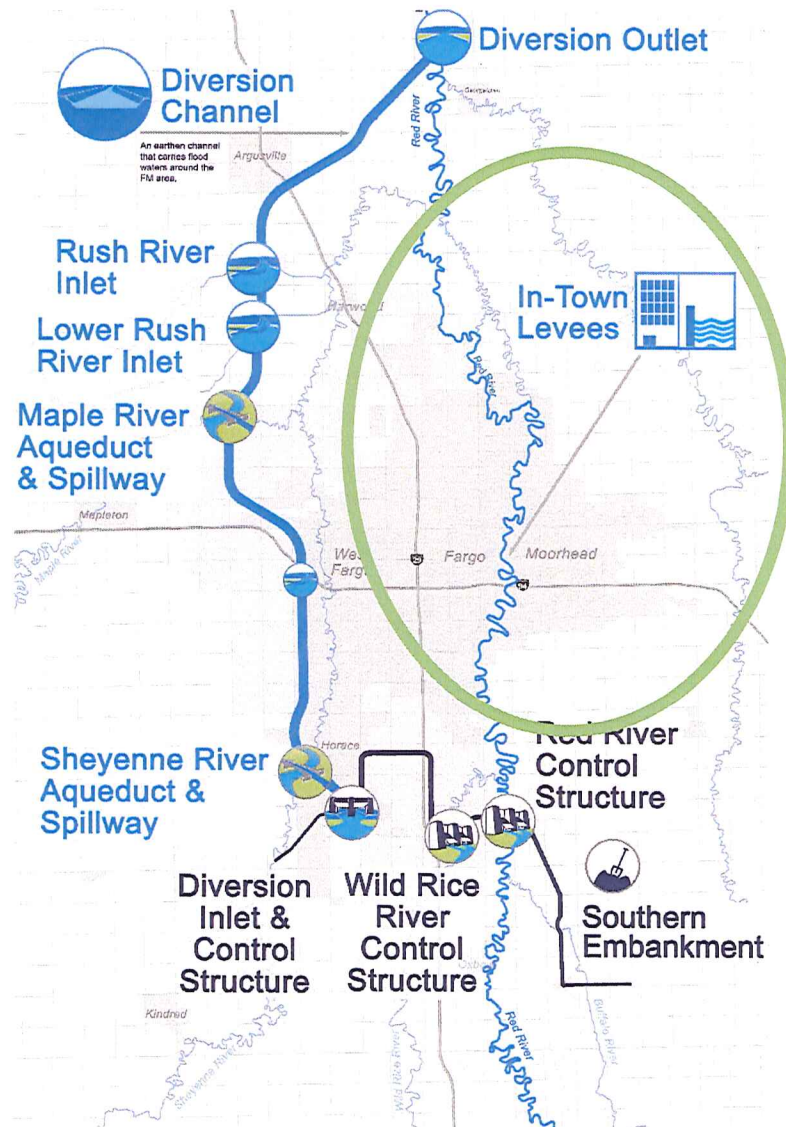


▶ USACE Projects

- ▶ Southern Embankment
- ▶ Control Structures
- ▶ I-29 and Other Road Raises
- ▶ Environmental Mitigation Projects



Fargo and Moorhead In-Town projects = \$267M



- ▶ Projects to Accommodate Increased Flows Through Town (River Stage 37 ft.)
 - ▶ City of Fargo
 - ▶ City of Moorhead
 - ▶ Cass County Road Raises
 - ▶ Clay County Road Raises
- ▶ City of Fargo Comprehensive Flood Control Plan Projects

Non-Construction costs = \$250M

- ▶ Studies
- ▶ Design
- ▶ Procurement
- ▶ Legal
- ▶ Financial
- ▶ Program Management
- ▶ Construction Management
- ▶ General Contingency



Costs to date are \$427M

Remaining costs are approximately \$2.3B

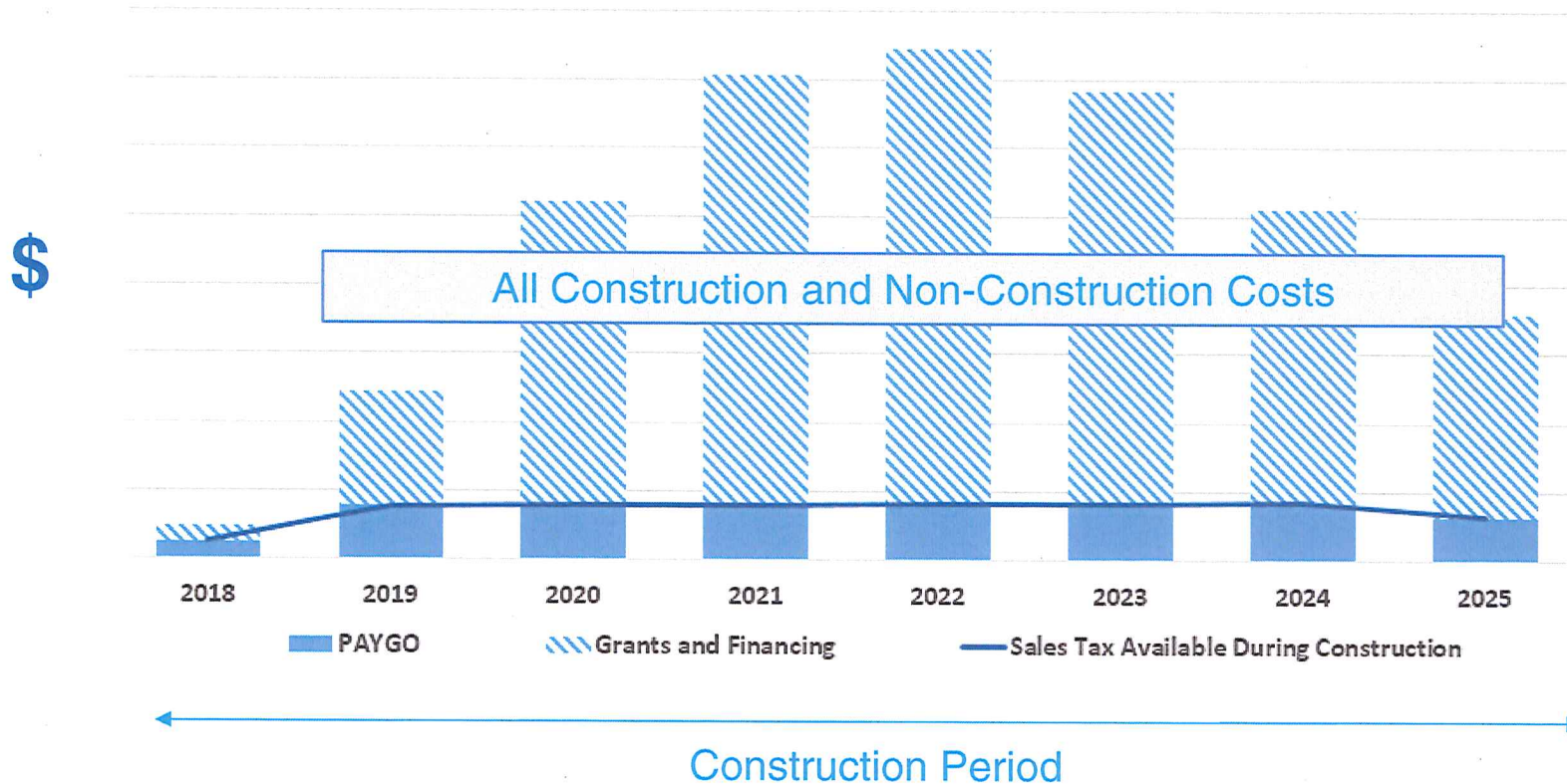
Category	Current Opinion of Estimated Cost	Spent to Date (Sept 2018)	Remaining Costs
Lands/Impacted Properties Mitigation	\$502	\$178	\$324
Channel / P3	\$989	\$14	\$975
USACE / SEAI	\$703	\$41	\$662
Fargo and Moorhead In-Town Projects	\$266	\$80	\$186
Other/Mitigation Construction	\$44	\$24	\$20
Non-Construction Costs*	\$250	\$90	\$160
TOTAL	\$2,754	\$427	\$2,327

*Legal/Financial/Designs/Studies/Procurement/PgM/CM/General Contingency

Financial Plan determines funding and financing needs to cover costs through construction

► Funding sources through construction:

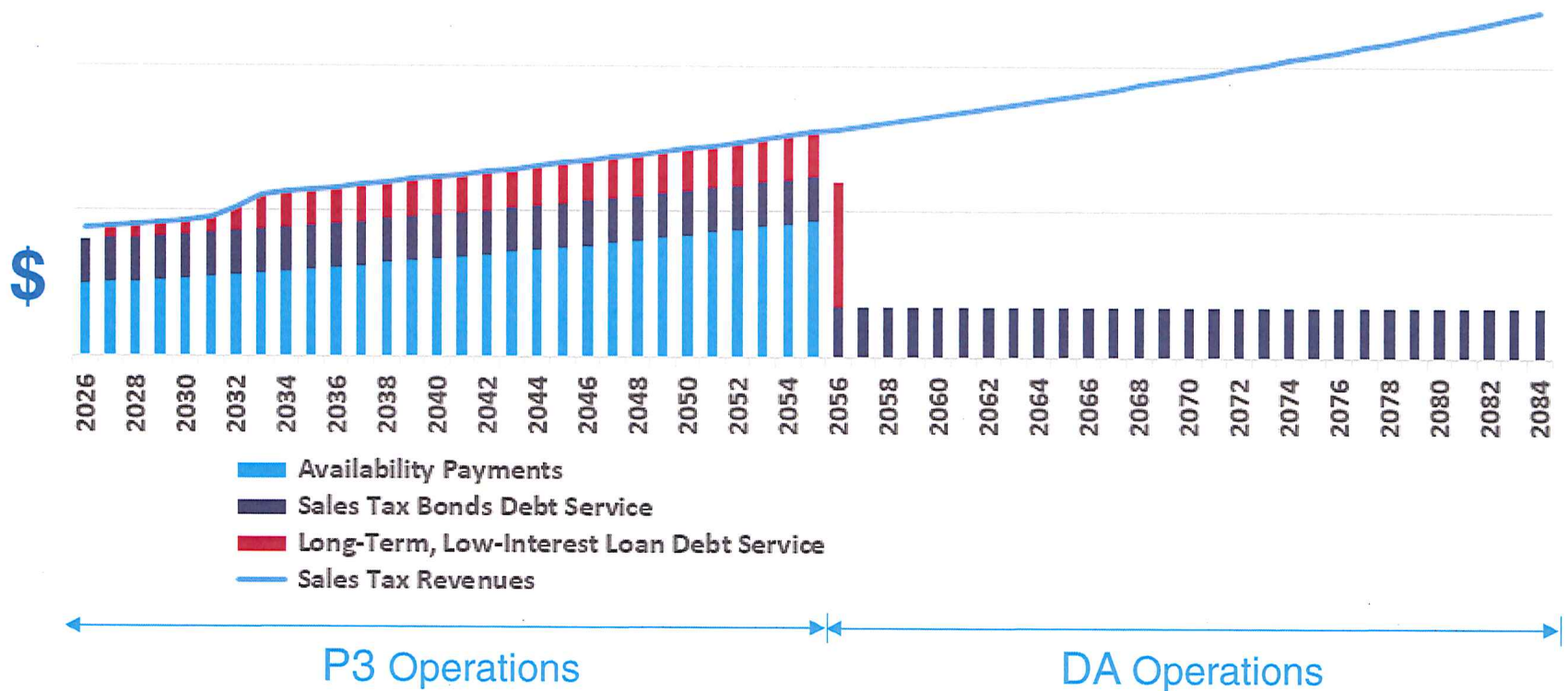
- Grant funds: Federal, State of ND, State of MN
- Sales tax revenues
- Public financing (short and long-term)
- P3 financing (debt and equity)



Financial Plan also determines funding and financing needs to cover costs through operations and long term debt repayments

► Objectives:

- Existing Local Sales Taxes Cover Costs
- Avoid Special Assessments



Changes since 2016 Financial Plan

Budgeted Program Costs have increased due to escalation and Plan B	Up 25%
Sales Tax Base revenues are down	Down 9%
Estimated Sales Tax Growth Rate has decreased	Down 1.5% per year
Short-term borrowing rates have increased	Up 1.12%
Long-term borrowing rates have increased	Up 0.91%

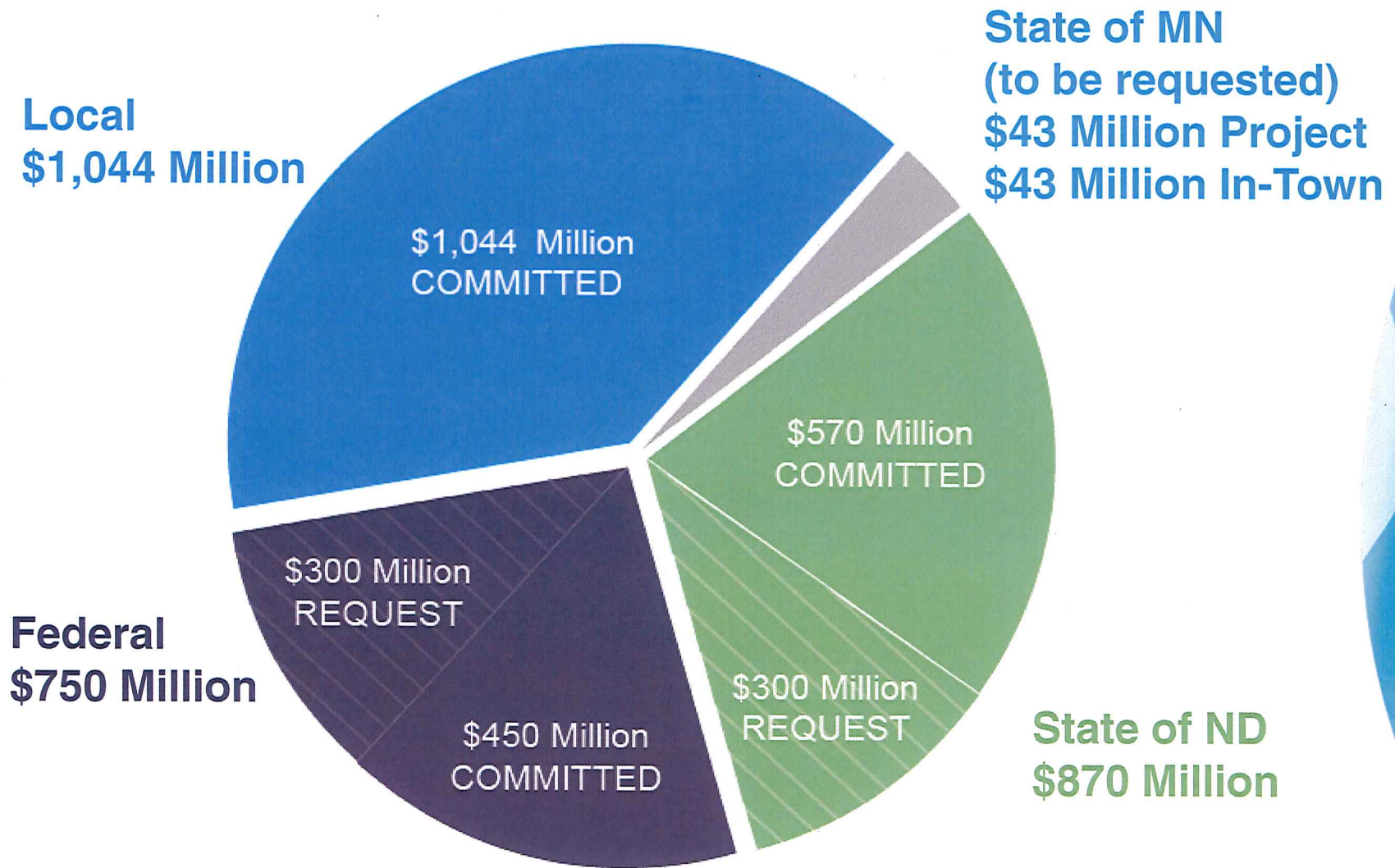
Conclusions

- ▶ Project is not bankable with the existing funding amounts, sales tax revenues and assessment district capacity.
- ▶ Additional Federal and State grant funds, and low-cost, long-term loans are required to balance the financial plan to avoid Special Assessments.

Financial Plan will continue to evolve

- ▶ Interest rates for financing will become fixed after issuance of long-term bonds and P3 financial close
- ▶ Diversion Authority and its advisors intend to further explore availability and value of WIFIA and State of North Dakota financing programs in the approximate amount of \$250M
- ▶ Relative proportions of public debt to private P3 financing will remain under review, and may vary depending on market conditions
- ▶ P3 procurement locks in significant percentage of costs early in the construction period
- ▶ USACE and In-Town contracted projects will not be known until after bid and award
- ▶ Finance Plan will not be completed until Project approvals are obtained and funding sources are secured

Proposed Funding to balance Financial Plan and avoid Special Assessments



Discussion and recommended motion

Suggested Action:

Motion to accept Plan B Opinion of Estimated Cost, endorse the Financial Plan Proposal, and direct Diversion Authority staff and consultants to pursue additional federal funding through an amendment to the PPA; additional state appropriations; and a low-interest, long-term loan, each in the amounts proposed.

