



FARGO MOORHEAD DIVERSION PROJECT

MONTHLY UPDATE

Sept 26, 2019

1 Diversion Inlet Structure Construction

Ames has been excavating the site to grade as weather allows. The pile load test is scheduled to begin mid-to-late October. The current construction completion date is June 2023. Schedule:

2019: Dewatering, test pile program, complete channel excavation.

2020: Foundations/site work.

2021: Concrete piers/abutments. Control building.

2022: Install bridge deck, gates, and operating machinery.

2023: Paint gates, seed.

2024: Turf established.

2 Wild Rice River Structure Construction

The Request for Proposals (RFP) was issued on 22 July 2019. Proposals were received 11 September. Contract award is anticipated in November 2019. Required construction completion is October 2023. Structure includes 2-40 ft. wide tainter gates.

3 Red River Structure Design

Construction of the physical model (1:40 scale) remains on schedule at USACE ERDC Coastal and Hydraulics Laboratory, Vicksburg, MS and will be complete by 18 October (see reverse). Completion of alternatives testing is scheduled to be NLT June 2020 and final reports due August 2020. The 35% plans and specs are due February 2020; the overall design schedule is dependent on physical model results and continues to be developed. Structure includes 3-50 ft. wide tainter gates.

4 Southern Embankment – Plan B Design

Detailed design, incorporating the Plan B alignment, is ongoing. Geotechnical borings have commenced and will continue as additional access is secured by the Diversion Authority. 35% design for the Western Tieback will be completed in October 2019. Construction contract award scheduled for late FY2020.

5 Cultural Resources Mitigation – Diversion Channel Sites

Completing further investigations of two archaeological sites along the Diversion Channel this summer. Field work under Task Order 2 has been delayed due to weather, began this week and is anticipated to be completed by 1 November.

6 Natural Resource Agency Meeting – 3 October 2019

Quarterly meeting to be held with our natural resource agency partners.

7 Division Commander MG Toy Visit – 16 October 2019



Major General R. Mark Toy

Published July 23, 2019

Maj. Gen. R. Mark Toy assumed command of the Mississippi Valley Division (MVD), U.S. Army Corps of Engineers (USACE), July 23, 2019. Toy serves as the senior military officer in the division, headquartered in Vicksburg, Mississippi, responsible for water resources engineering solutions in a 370,000-square-mile area, extending from Canada to the Gulf of Mexico and encompassing portions of 12 states. The mission of the division is to serve the Mississippi Valley region by providing vital public engineering services and stewardship of water resource infrastructure, partnering in peace and war, to strengthen our nation's security, energize the economy and reduce risks from disasters. The division's work is carried out by district offices located in St. Paul, Minnesota; Rock Island, Illinois; St. Louis, Missouri; Memphis, Tennessee; Vicksburg, Mississippi; and New Orleans, Louisiana.

Prior to coming to MVD, Toy served as commander of the Great Lakes and Ohio River Division (LRD), USACE. While assigned to LRD, Toy deployed to Kabul, Afghanistan, in support of Operation Resolute Support. He served as the director for the Enhanced Security Zone (ESZ) leading a task force composed of personnel from USACE and the Joint Improvised Explosive Device Defeat Organization (JIDO). Task Force ESZ's mission was to improve the protective posture of Kabul's "Green Zone" resulting in improved security for the international community and the Government of the Islamic Republic of Afghanistan.

Previous assignments include: commander, South Pacific Division, USACE, San Francisco, California, June 2014 to Aug. 2016; chief of staff, Headquarters USACE, Washington, D.C., Aug. 2013 to June 2014; commander and district engineer, Los Angeles District, USACE, July 2010 to July 2013; and commander, 84th Engineer Battalion "Never Daunted", Schofield Barracks, Hawaii, July 2005 to June 2007.

Other key staff assignments include: chief, Engineer Branch, Officer Personnel Management Directorate, Human Resources Command, Alexandria, Virginia; aide-de-camp to Lt. Gen. Robert B. Flowers, the 50th Chief of Engineers and Commanding General, USACE, Washington D.C.; and assistant professor of Environmental Engineering, Department of Geography and Environmental Engineering, United States Military Academy, West Point, New York.

Toy's awards and decorations include the Army Distinguished Service Medal (2 Awards), Legion of Merit (2 Awards), Bronze Star, Meritorious Service Medal (6 Awards), Army Commendation Medal (2 Awards), Army Achievement Medal (2 Awards), Meritorious Unit Citation, Army Superior Unit Award, Combat Action Badge, and Parachutist Badge.

Toy is from Huntington Beach, California. He graduated from the United States Military Academy at West Point in 1987 with a Bachelor of Science in operations research. He holds a Master of Business Administration from Boston University (1991), a Master of Science in environmental engineering from the University of California at Los Angeles (1996), and a Master of Science in national resource strategy from the Industrial College of the Armed Forces (2010). He is a registered professional engineer in the states of Arizona and Virginia.



Financial Plan Review

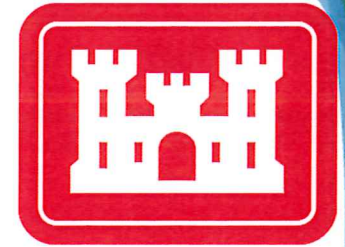
September 25 and 26, 2019



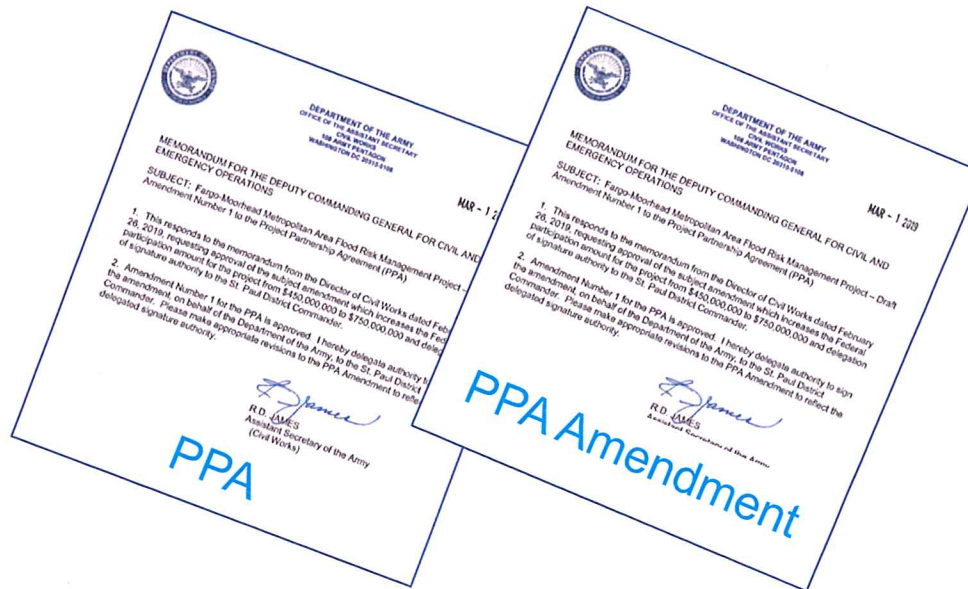
Presentation Agenda

- ▶ Grant funding updates
- ▶ Diversion Authority near-term goals
- ▶ Financial Plan summary
- ▶ Closing comments

Federal Funding Update



- ▶ 2016 PPA = \$450M
- ▶ 2019 PPA Amendment = \$750M (2015 \$)
- ▶ Federal cash funds escalate to approximately \$900M in year of expenditure



Minnesota Funding Update



- ▶ Moorhead and Clay County have formed a Joint Powers Authority to acquire property rights and pursue State funding for the Project
- ▶ \$86M has been requested for Diversion Project related work
 - ▶ \$7M was secured in the first year of the request
- ▶ Next Steps:
 - ▶ Prepare for Senate Capital Investment Committee tour in early October

ND Funding Update

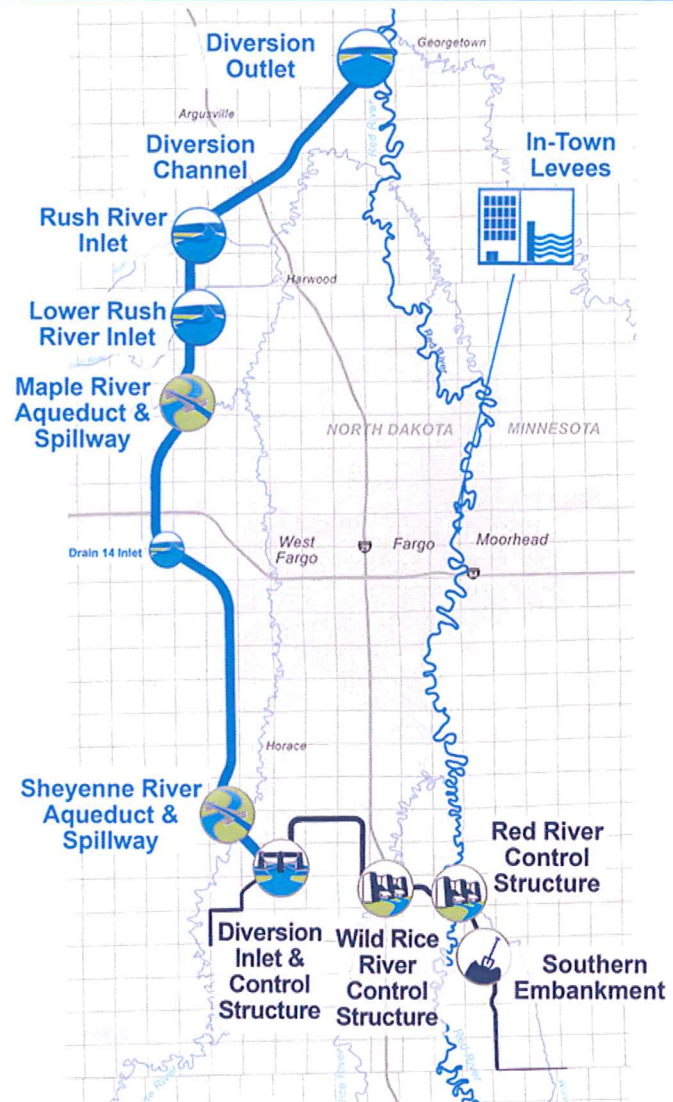
- ▶ 2019 ND Legislative request
 - ▶ \$870M in legislative intent and \$250M low-interest loan
- ▶ Legislative direction and commitment
 - ▶ State funding commitment and intent = \$750M
 - ▶ \$437M approved to date; Legislative intent to appropriate \$313M balance in the 2021 through 2029 bienniums
 - ▶ Directed to secure P3 bids and formalize State funding / financing needs
- ▶ Next Steps:
 - ▶ Preparing for 2021 ND Legislative session and funding request



Diversion Authority Near-Term Goals

DA Near-Term Goals Support 2021 ND Funding Request

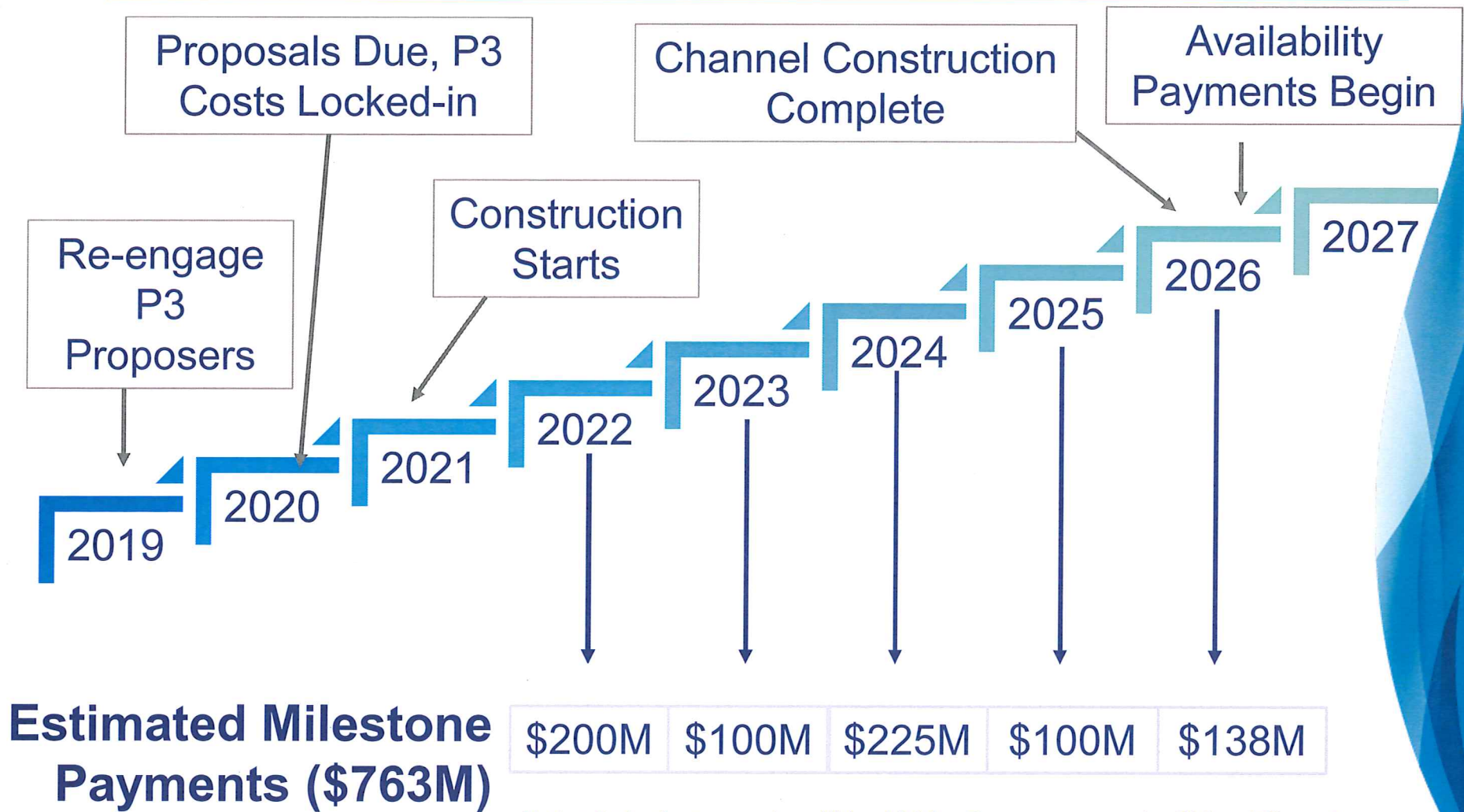
- ▶ Actions consistent with 2019 Legislative direction
- ▶ Bid the P3 and lock-in the costs
- ▶ Designate costs for future ND legislative funding
- ▶ Pursue and obtain long-term loans



Ring-Fencing the P3 Financing allows P3 Procurement to Move Forward

- ▶ Identify specific funds dedicated to the successful Developer
 - ▶ Demonstrate to proposers and rating agencies that sufficient funds will be available to pay the milestone and availability payments when due
- ▶ To be accomplished through the legal structure of the transaction
 - ▶ Very similar to a bond transaction from a financial standpoint
- ▶ Because the DA has specifically dedicated funds to the P3 Developer, the legislature will be asked to fund the “designated costs” at a later date

Proposed P3 Contract Schedule



Note: Actual payments will be bid by Proposers, and will be different

Designate Costs for 2021 Legislative Intent Request (subject to change) (2018 \$)

- ▶ P3 Alternative Bid (~\$20M)
 - ▶ County bridges and recreational elements
 - ▶ Capital costs funded outside P3 Developer Availability Payments
- ▶ Land Acquisition (~\$84M)
 - ▶ Purchase options for flowage easements to lock-in future costs
 - ▶ Exercise options in 2024-2026
- ▶ In-Town Fargo Projects (~\$16M)
 - ▶ Projects scheduled for 2025-2026
 - ▶ Primarily pump station reliability improvements and home buyouts
- ▶ No change in what will be built and no delay in Project final completion

All Available Loan Programs and Financing Tools are Being Pursued



EPA WIFIA: Letter of Interest submitted



USACE WIFIA: (Submit application when program is available)



SRF: Applications being prepared



PABs: Application submitted



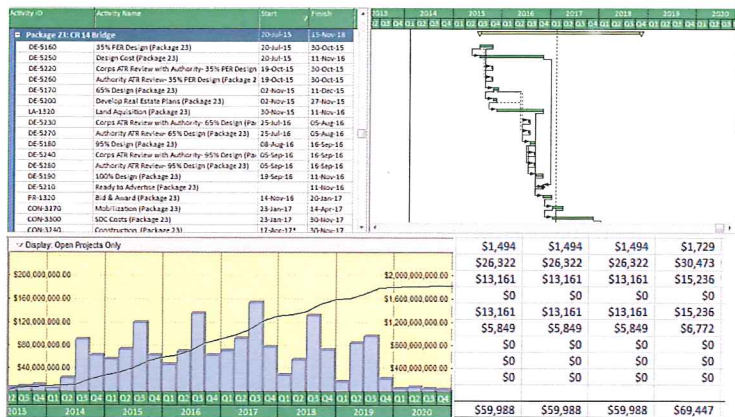
State/Local loans (when/if available)



Financial Plan Summary

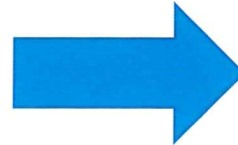
Iterative Process and Tools Enable Informed Funding and Finance Decisions

Cost-loaded Schedule



- Project Activities
- Implementation Logic
- Costs by Month

Financial Model

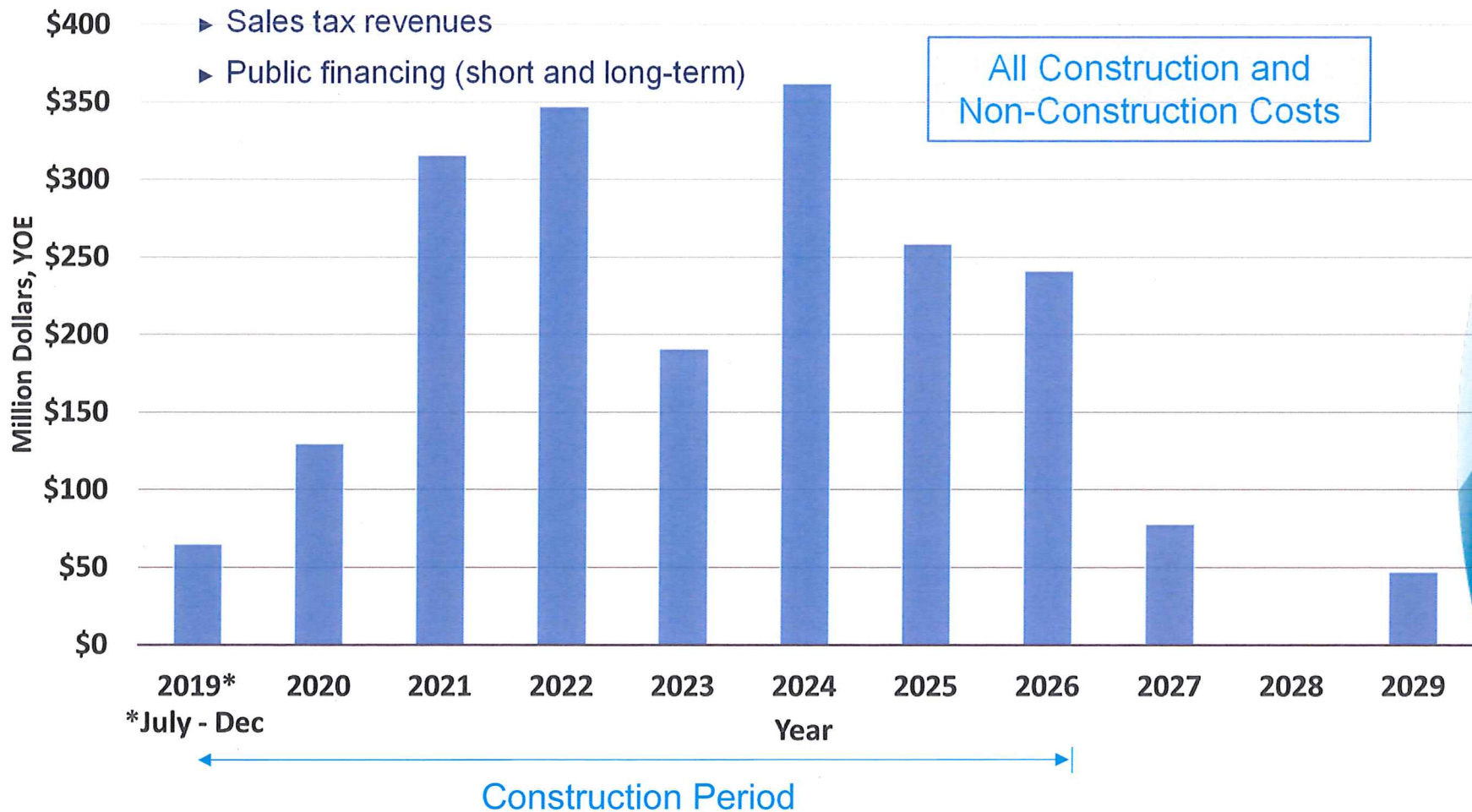


- Cost Escalation
- Interest Rates
- Revenue Sources
- Financing Costs

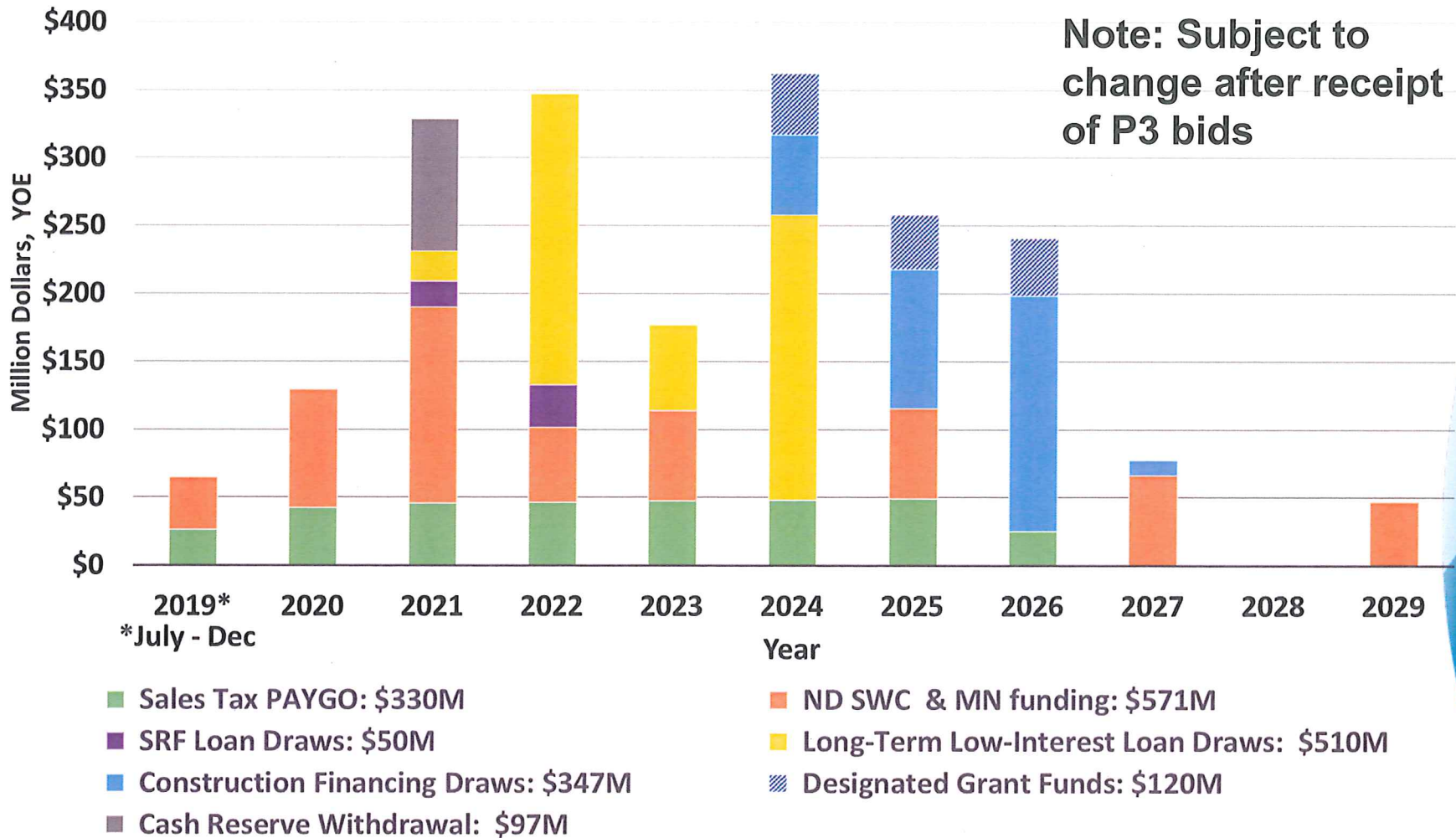
Financial Plan Determines Funding and Financing Needs to Cover All DA Construction and Short-Term Financing Costs

► Funding sources through construction:

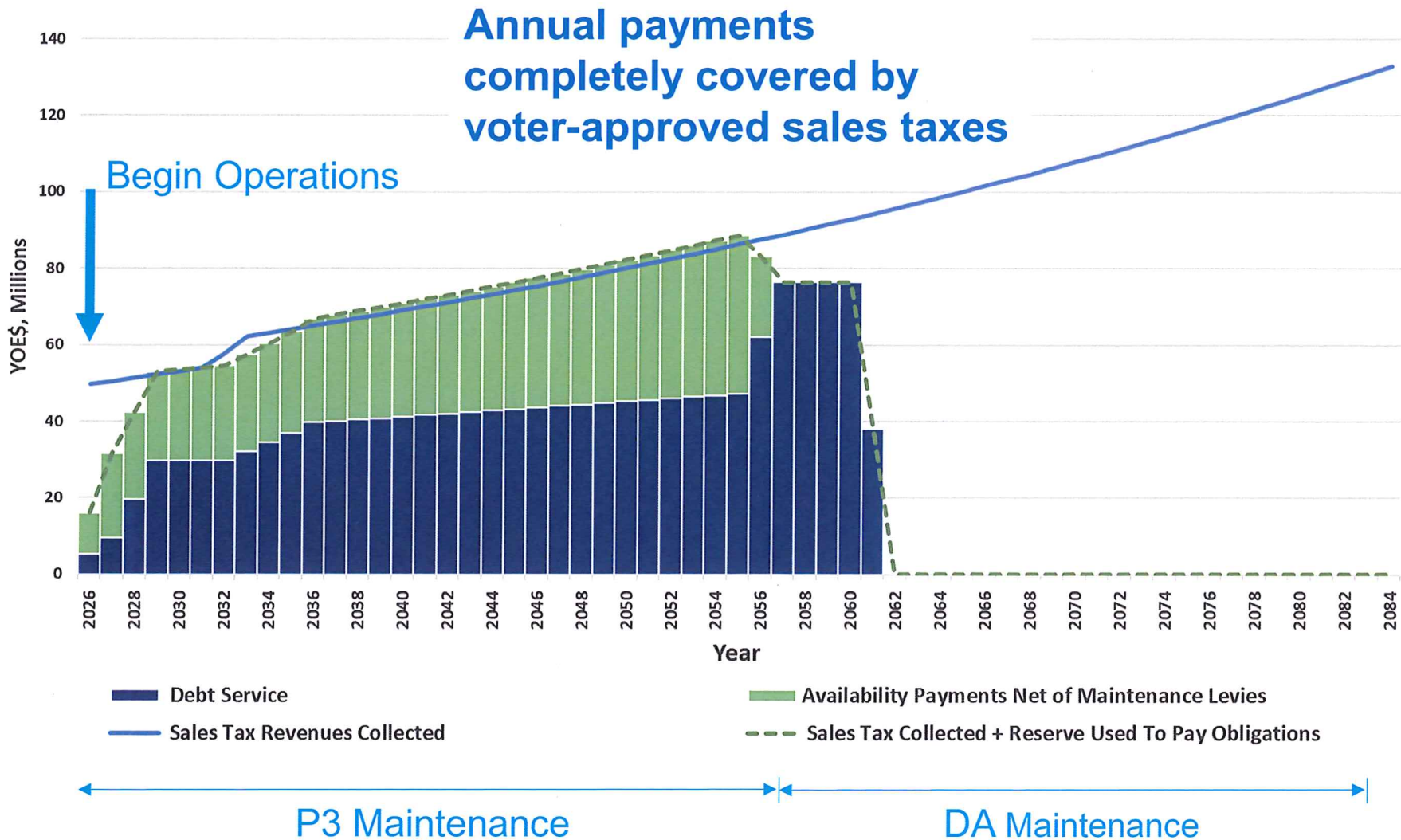
- Grant funds: State of ND, State of MN
- Sales tax revenues
- Public financing (short and long-term)



DA Construction and Short-Term Financing Costs Paid Using Multiple Sources



Financial Plan also Determines Funding and Financing Needs to Cover Developer Costs During Operations and Long-Term Debt Service



Next Steps

- ▶ Pursue long-term loans and confirmation of all funding sources
- ▶ Provide updates to interested parties as requested and appropriate
- ▶ Receive input from P3 Proposers as procurement progresses
- ▶ Continue monitoring short-and long-term interest rates and general financial market conditions
- ▶ Update ND Water Topics Overview Committee in September of 2020
- ▶ Prepare for and request funding during the 2021 ND Legislative Session

Closing Comments

- ▶ Construction is ongoing
- ▶ Contested Case Hearing and BRRWD processes will be concluded before next legislative session
- ▶ Federal funding is secured subject to annual appropriations
- ▶ MN funding process underway with legislature
- ▶ P3 costs will be locked in by end of 2020
- ▶ Funding request to complete the Project will be made to 2021 ND Legislature

MEMO

Fredrikson and Byron
Legislative Update



TO: Chris Volkers and Steve Larson
FROM: Andrew G. Pomroy
DATE: September 18, 2019
SUBJECT: F-M Diversion, legislative update 9-18-19

The major highlight of the past month was a successful tour with the MN House of Representatives Capital Investment Committee on September 5th. After hearing about requests from the City of Moorhead, Clay County, and MN State University, Moorhead, the committee took a bus tour along the city's riverfront and up to the North Moorhead project. The committee heard from city staff about the Diversion project, the needs for in-town levy work and how the existing work that has been done over the previous two decades ties into the plan for the Diversion. The reception from committee members was much more muted than in previous years when pushback was received from some committee members. This reflects both the lower degree of consternation around the project and the enhanced education that has been occurring with legislators in recent years.

The Senate Capital Investment Committee is scheduled to be in Northwestern MN from October 1-3, but they have not settled on a specific schedule for that tour. We are seeking to have a similar schedule where committee members will be able to see the existing system (and gaps in it) and hear about the broader needs for the region. We also expect that representatives from the Walz administration will be doing their own tours and we are seeking to coordinate with them as well.

Following the tours, the next steps in the bonding process will be:

October 18th – Deadline for amendments to the MMB applications

End of November – November forecast will release latest debt capacity forecast

January 15th – Deadline for Governor Walz to submit his bonding recommendations to the legislature

February 11 – Start of the 2020 legislative session

End of February – February forecast in addition to the debt capacity forecast, this is the final forecast used to determine maximum spending levels in the 2020 legislative session

~**Mid-March** – Anticipated timeframe for House and Senate budget targets for 2020 legislative session, including for the capital investment bill

~**Mid-April** – Anticipated deadline for House and Senate committees to release their bonding bills

May 17 – Last day for the legislature to pass a bill, including any House/Senate compromise on bonding

There are several less important dates and deadlines throughout this process, but these are the key high-level dates.