

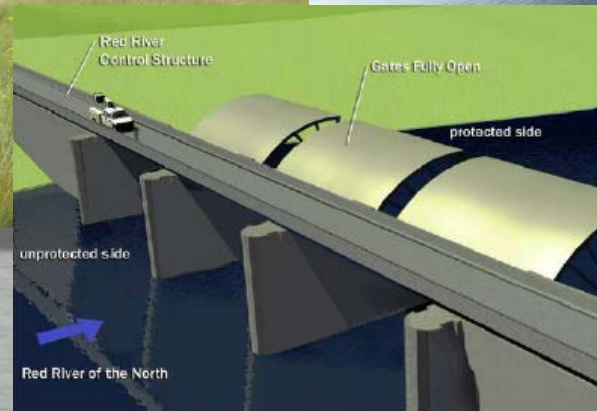
Fargo-Moorhead Metro Area Flood Protection Projects

Financial Plan Presentation

May 2016

Presentation Agenda

- Project Background and Costs
- Enabling Agreements and Revenue Sources
 - *Consistent with JPA and PPA*
- Financial Plan Results

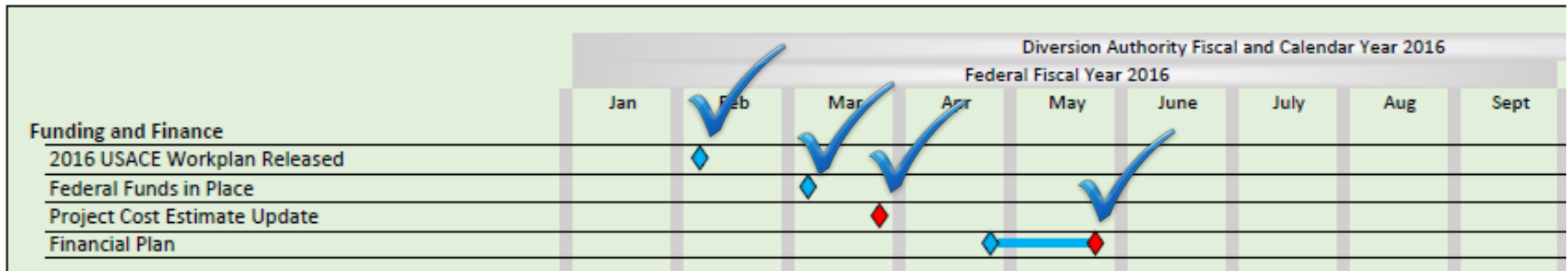


Purpose of Today's Presentation:

- 💧 Communicate results of Financial Plan to the public and elected officials
- 💧 Timing is consistent with 2016 scheduled activities

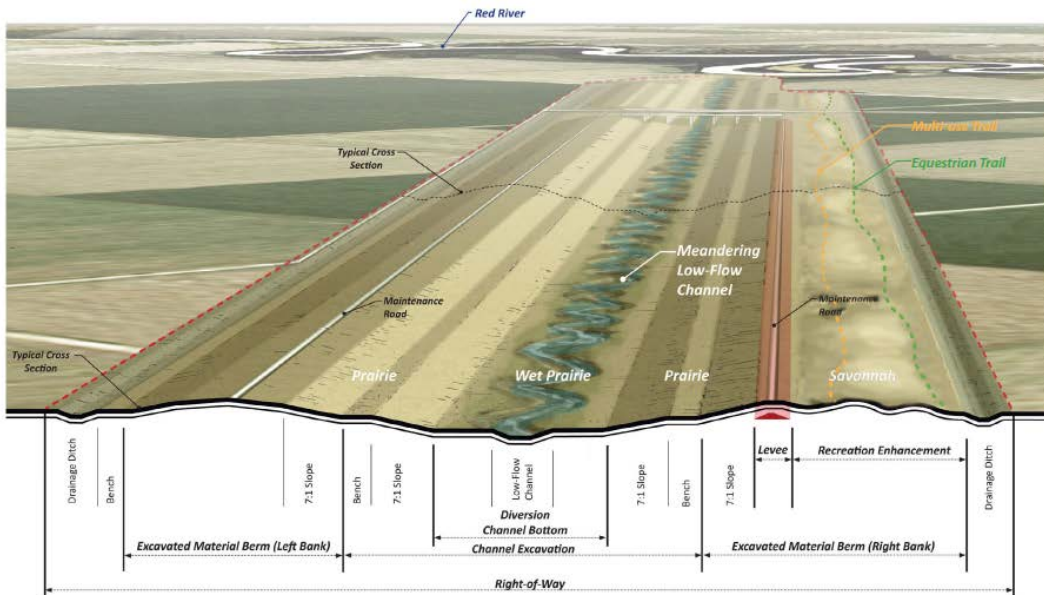


Fargo Moorhead Diversion Authority 2016 Key Activities Schedule¹ DRAFT V4.1 Subject to review and revision

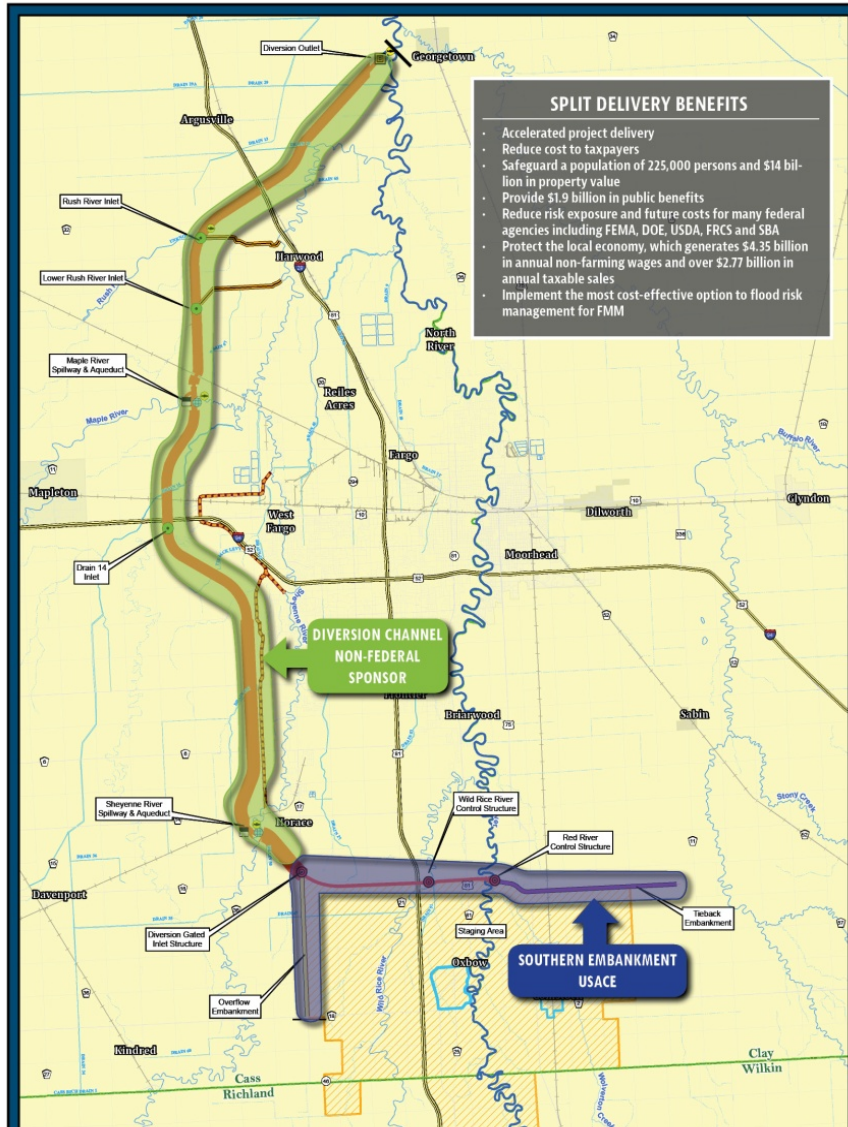


Constructing Fargo-Moorhead Metro Area Flood Protection is Affordable

- Without Increasing Taxes
- Without Property Owner Payment of Special Assessments
- Requires Voter-Approved Extension of Existing Sales Taxes

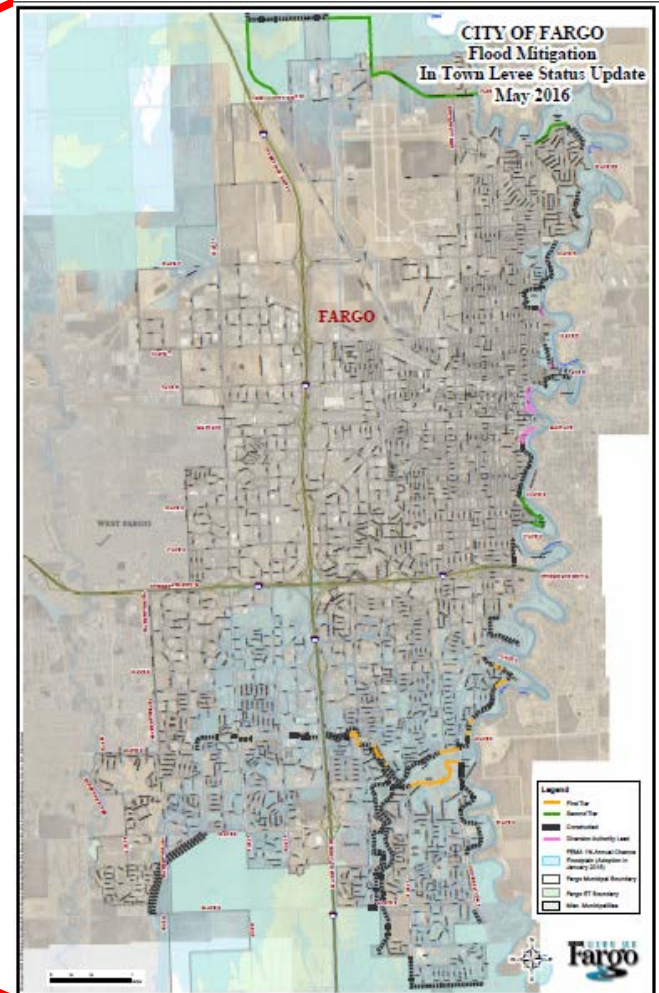
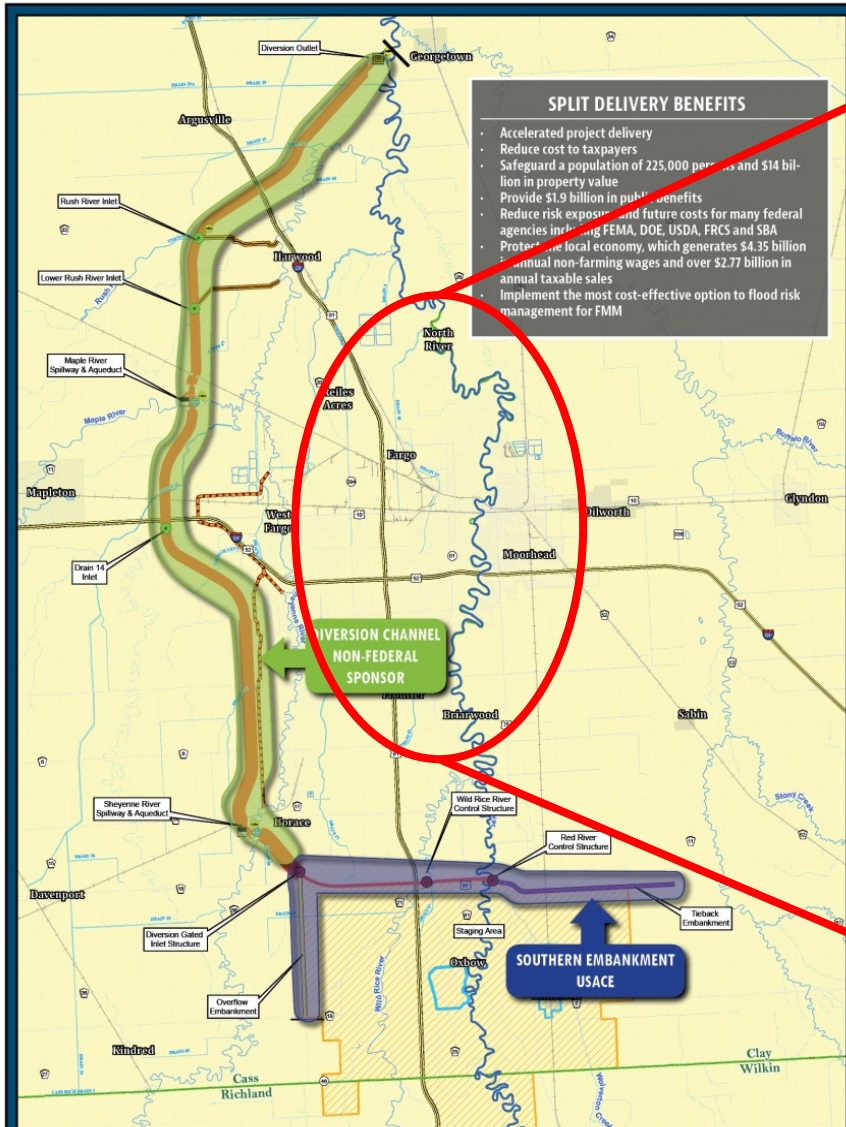


Financial Plan Includes Diversion Authority and Fargo Flood Mitigation Projects



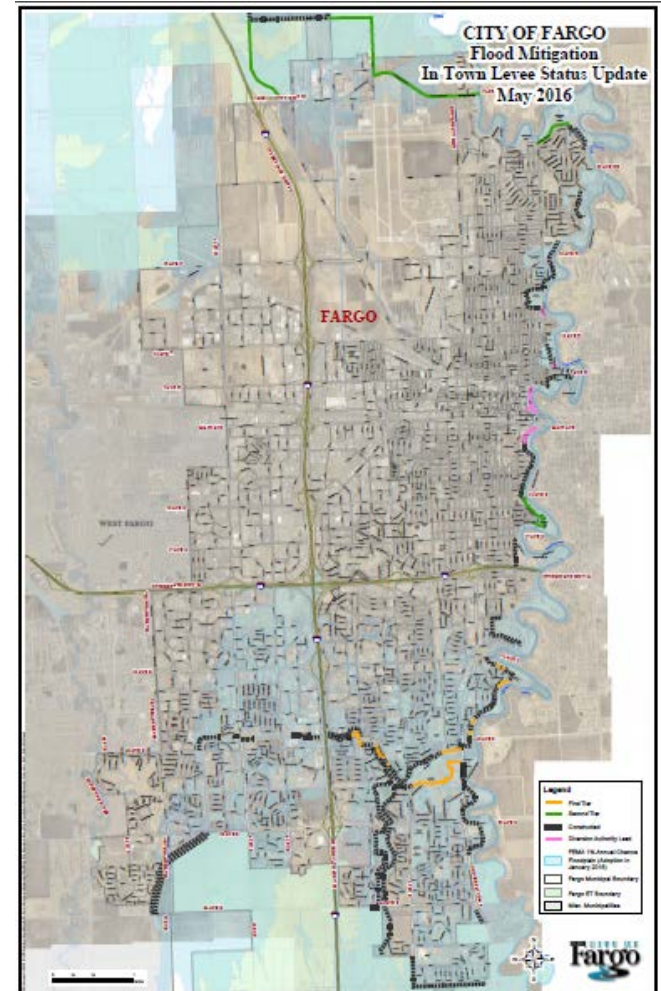
- Split Delivery
- Diversion Channel and Associated Infrastructure
 - Non-Federal Sponsors (Diversion Authority)
- Southern Embankment and Associated Infrastructure, and Mitigation
 - USACE

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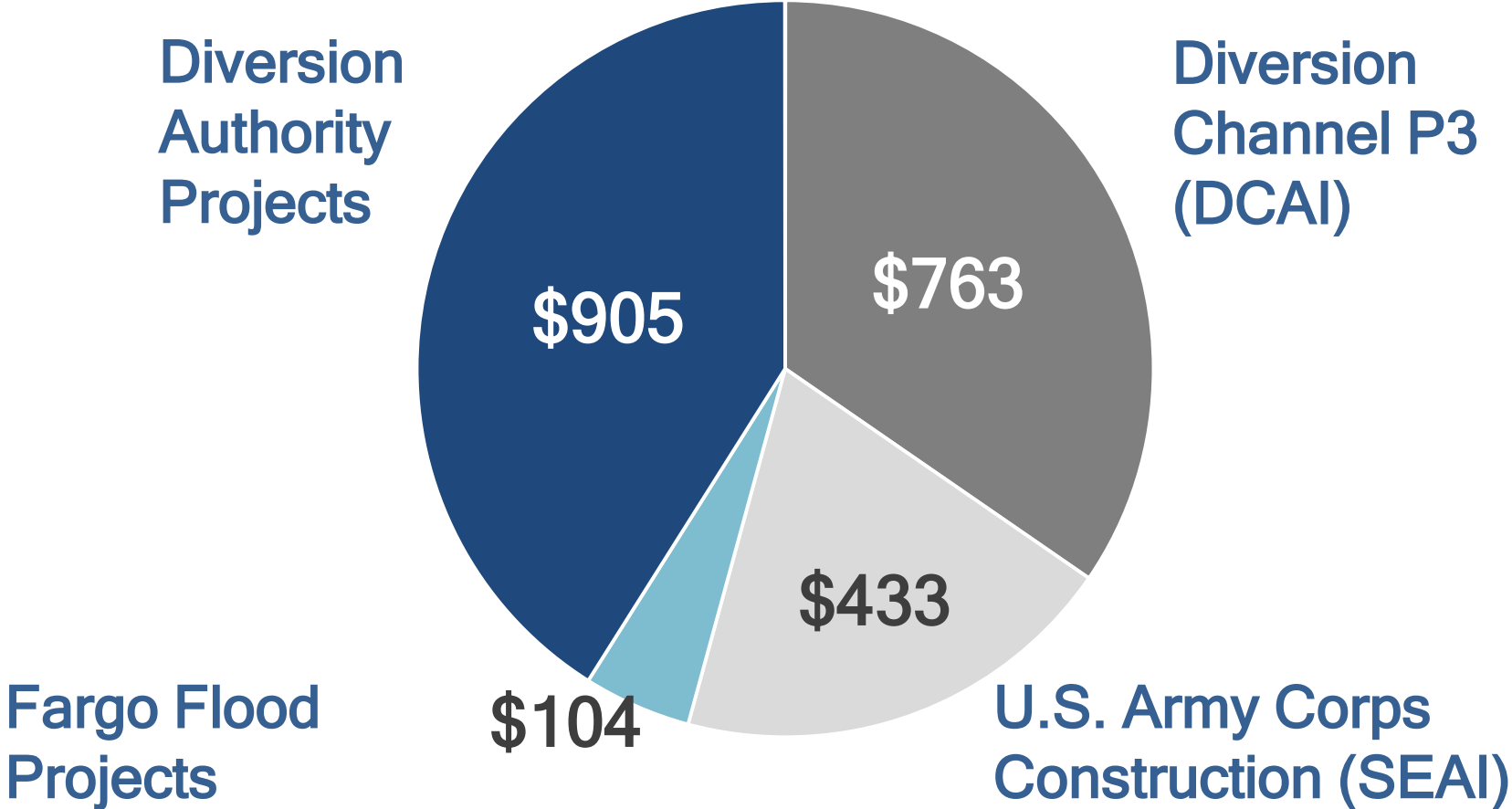
- City of Fargo Flood Projects
 - Highest priority projects
 - Complementary to Diversion
 - Implemented by City of Fargo over a five-year period



Financial Plan Includes Diversion Authority and Fargo Flood Mitigation Projects

- **2016 Project Cost Estimate:** **\$2.1B**
 - Includes post-VE Workshop
 - All costs for DA and Corps Split Delivery
 - Includes In-Town projects to increase flows through town
 - Achieves future 100-year certification
- **City of Fargo Flood Projects:** **\$104M**
- **Total Capital Costs in Financial Plan:** **\$2.2B**

Financial Plan Includes Diversion Authority and Fargo Flood Projects Totaling \$2.2B



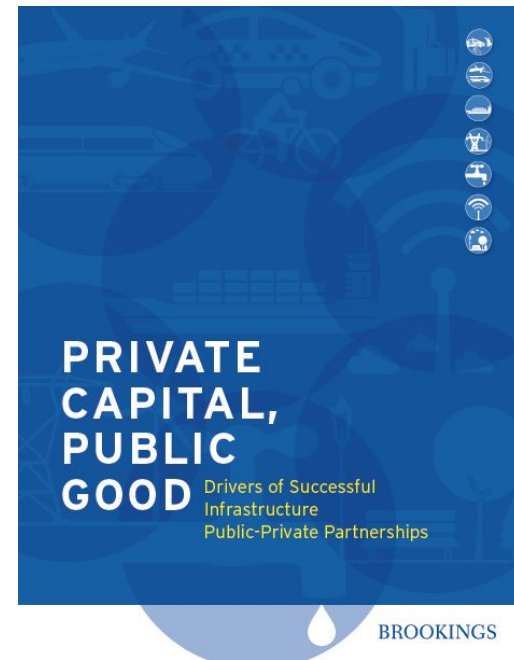
(2015 \$ Million)

Financial Plan Includes Multiple Delivery Models

- **City of Fargo**
 - Flood projects using traditional design-bid-build
- **U.S. Army Corps**
 - Southern Embankment using traditional design-bid-build
- **Diversion Authority**
 - Diversion Channel & Associated Infrastructure (DCAI) using a Public Private Partnership (P3) delivery model
 - Traditional design-bid-build for some construction
 - Other project elements, including land acquisition

What is a Public Private Partnership (P3)?

- A project delivery approach:
 - Competitive procurement process
 - Project Agreement between the DA and a private developer
 - Fixed price delivery of the design, construction, finance and maintenance of the Diversion Channel and Associated Infrastructure for 30 years
- P3 is not privatization
 - The public sector maintains ownership of the land and all improvements



Why Deliver the Diversion Channel and Associated Infrastructure Through a P3?

- Surest route to **federal dollars**
- Authority gets schedule and **cost certainty**
- Delivers **best value** for the public's money
- **Assigns risk** to the party most able to manage the risk
- Provides **performance guarantees** and long-term warranties
- Promotes delivery **innovation**
- **Shortens schedule** - achieves flood risk reduction sooner

Joint Powers Agreement (JPA)

- A new agreement that replaces the existing Limited Joint Powers Agreement
- A permanent agreement between “Member Entities”
 - *City of Moorhead (scheduled for June 13)*
 - *City of Fargo (scheduled for June 6)*
 - *Clay County (approved May 23)*
 - *Cass County (approved May 16)*
 - *Cass County Joint Water Resource District (scheduled May 26)*
- Establishes the financial structure for the Flood Diversion Project

Definitions used throughout Financial Plan JPA - Article II

- Availability Payments
- City Sales Tax
- County Sales Tax
- Future City Sales Tax
- Future County Sales Tax
- Milestone Payments
- P3 Payments

Sources of Revenue

JPA - Article IX

- Project financed from sales and use taxes, grants, donations, and any other funds from Member Entities (“Pledged Revenues”)
- If Pledged Revenues insufficient: propose sales and use tax increase to voters (Fargo/Cass County) and/or use Improvement District (CCJWRD)
- Operations & Maintenance paid from “O&M Revenues” (Estimated @ \$3M to \$5M annually)

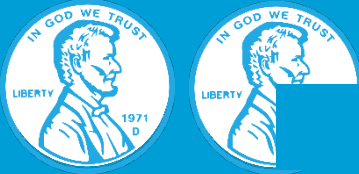
Financial Plan Uses Existing City of Fargo and Cass County Sales Taxes

	City of Fargo						Cass Co.*
	1 ¢				½ ¢	½ ¢	½ ¢
Expiration Date	2028				2032	2028	2031
Funding Intent	¼ ¢ Water	¼ ¢ Waste Water	¼ ¢ Streets	¼ ¢ Flood Control	Infrastructure Flood Control	FM Diversion Project	FM Diversion Project

*Accounts for other County-wide flood projects

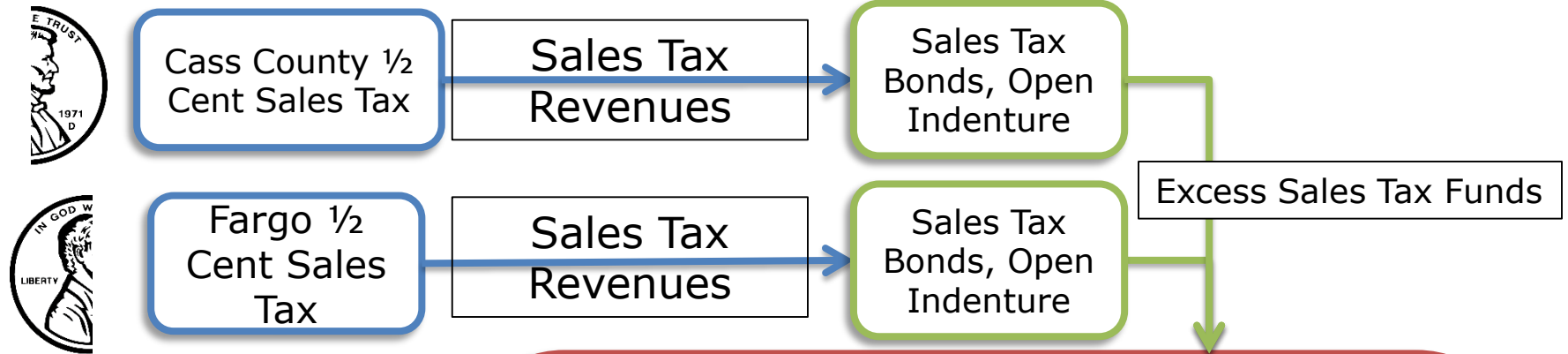


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Sales Tax Funding for FM Metro Flood Protection						1 ¾ ¢	

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Flow Chart of Permanent Financing



Allocated Fargo $\frac{3}{4}$ Cent Sales Tax Revenue

Improvement Bonds Issued by CCJWRD

- Credit Enhancement Debt Instrument
 - No Reserve Fund required
 - No Coverage Test requirements
- Uses sales tax funds available after payment of sales tax bonds & use of funds are subordinate to sales tax bonds issued by Cass County and Fargo
- Also used to secure Availability Payments
- Annual assessments are **not** projected to be needed & only used if sales and use tax funds and Reserve Fund are insufficient

Long-Term Financing

- Sales Tax Bonds
 - Special limited obligations of Cass County & City of Fargo
 - Bondholders have no legal right to other available funds of Cass County or City of Fargo
 - Multi-generational funding source
- Improvement Bonds (Assessment District)
 - Improves credit ratings
 - Provides access to future sales tax growth
 - No reserve requirement
 - No coverage test for revenue

Financial Plan Takes a Multi-Generational Approach

- **Key features of the Financial Plan include:**
 - Long-term extension of existing sales taxes at current rates (subject to voter approval)
 - 3% sales tax growth (historical average = 4%)
 - Improvement District mechanism to improve credit ratings and access sales tax growth
 - No special assessments required to be paid by property owners
 - P3 financing to enhance project delivery
 - Multiple financing tools to achieve a prudent, robust, and cost-effective financial profile

Sources of Funding and Financing

- **Federal Funding:**

- \$450 million (2015\$) to fund USACE portion of the Project, escalating to year-of-expenditure per PPA

- **State Funding:**

- \$450 million from North Dakota for DA projects (*committed*)
- \$120 million from North Dakota for In-Town Projects (*committed*)
- \$43 million from Minnesota (*to be requested*)

- **Sales Tax Revenues**

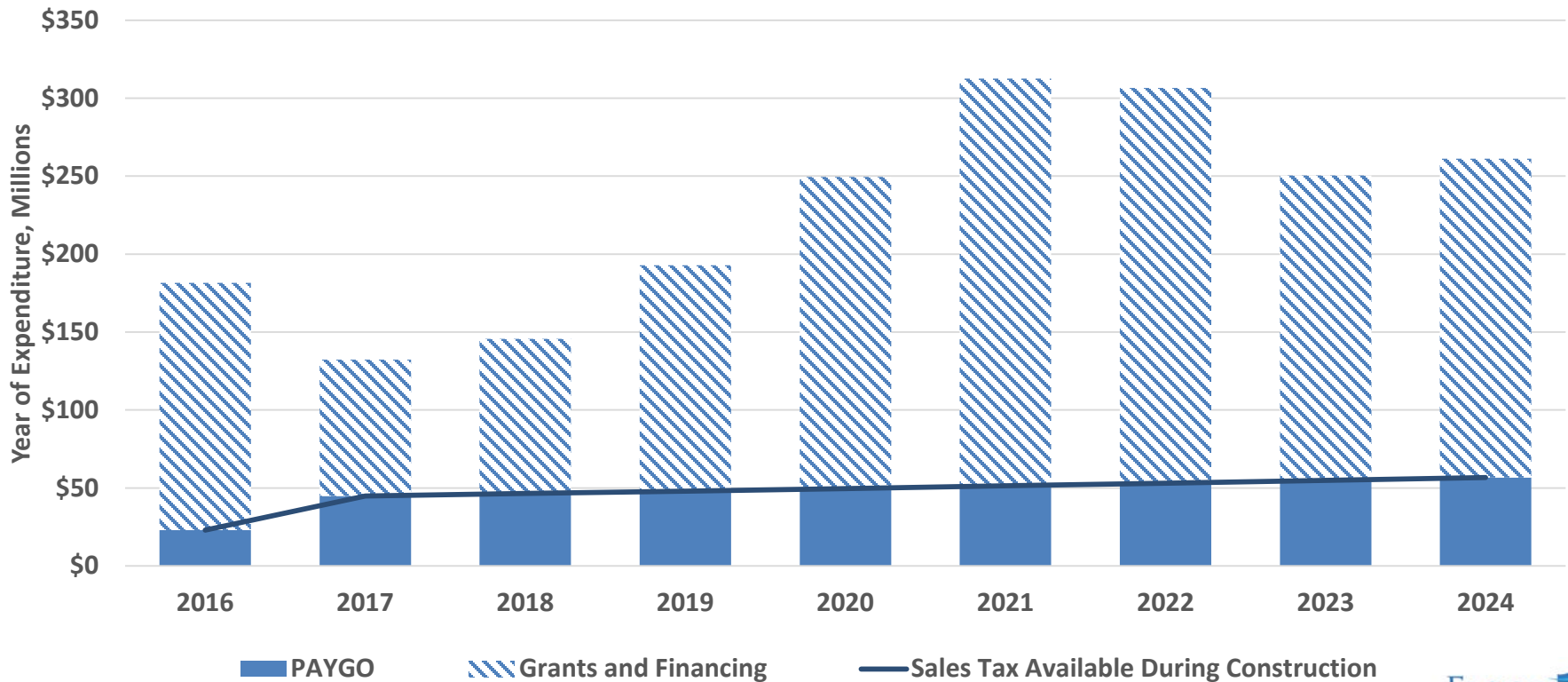
- 1¾ cent sales taxes allocated to FM Metro Flood Protection
- Covers all PAYGO and debt service requirements

- **Improvement District**

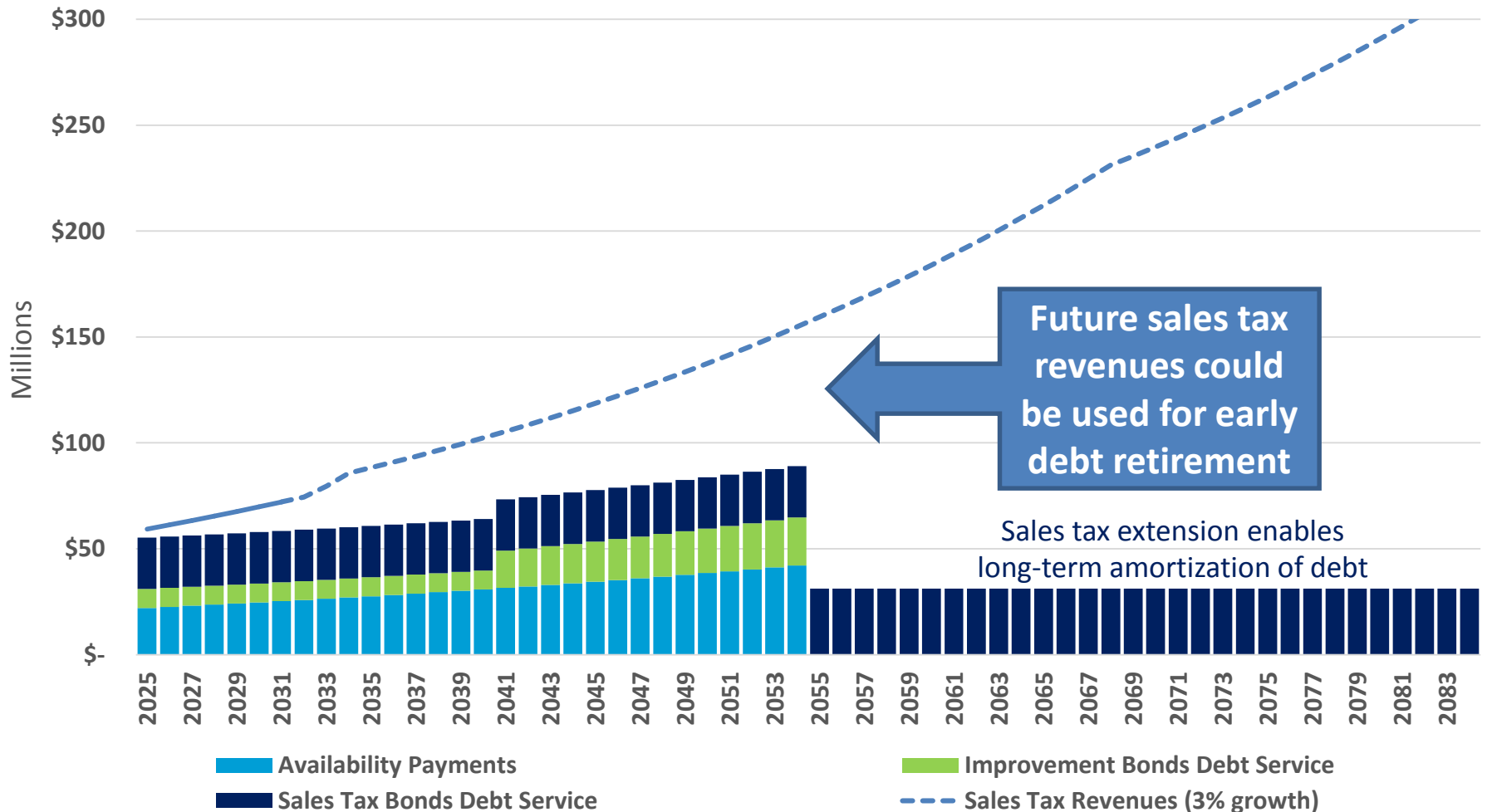
- Authorization of up to \$725 million in Improvement District assessments in the event of revenue shortfall
- Secures Improvement Bonds and Availability Payments

Diversion Authority Costs During Construction

- Costs that exceed available sales tax revenues and grants are financed with public and private financing
- Financial Plan assumes total project costs escalated to year of expenditure
- \$2.5B (\$0.5B Fed, \$2.0B Non-Fed) over the construction term



Summary of Cash Flows After Construction

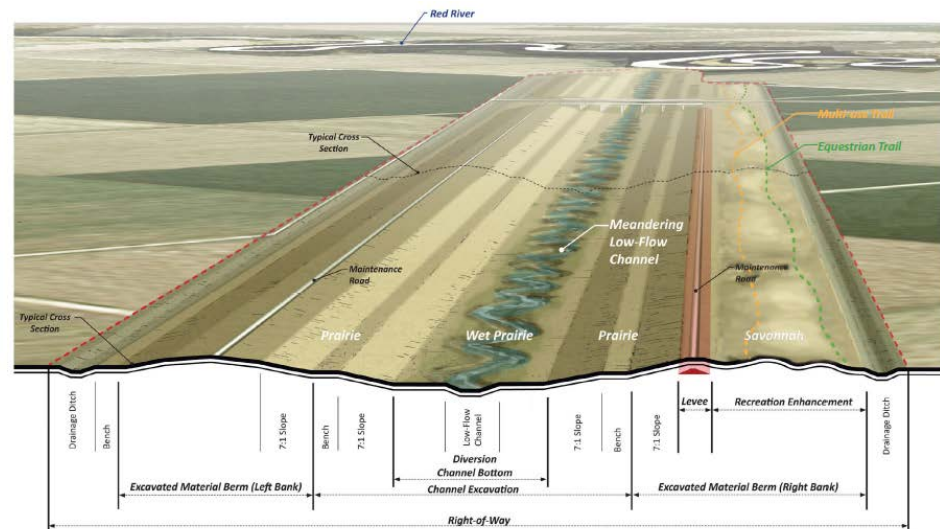


Financial Plan Will Continue to Evolve

- Interest rates on financing will become fixed after issuance of bonds and P3 financial close
- Diversion Authority and its advisors intend to further explore availability and value of certain federal and State of North Dakota financing programs
- Relative proportions of public debt to private P3 financing will remain under review, may be varied depending on market conditions
- P3 procurement encourages innovation and competition to lower total costs

FM Metro Flood Protection Requires:

- Approval of the JPA and PPA
- City of Fargo and Cass County:
 - Place sales tax extensions on the November 2016 ballot for voter consideration
- Voter approval of sales tax extensions



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