

Integrated Decision and Funding Model

Fargo-Moorhead Metro Diversion Project

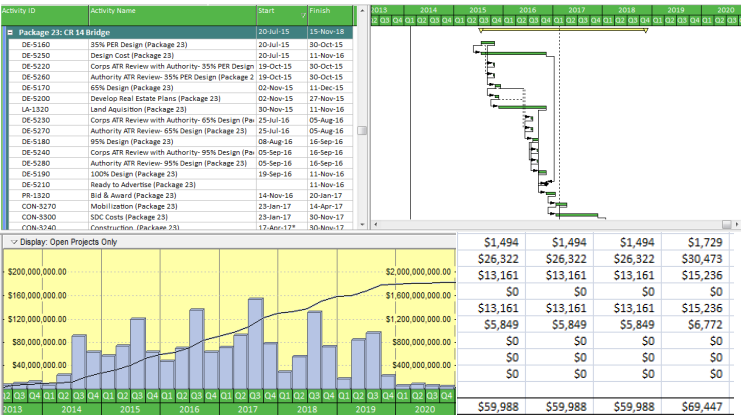
July 13, 2012

Integrated funding and decision model supports near-, mid-, and long-term needs

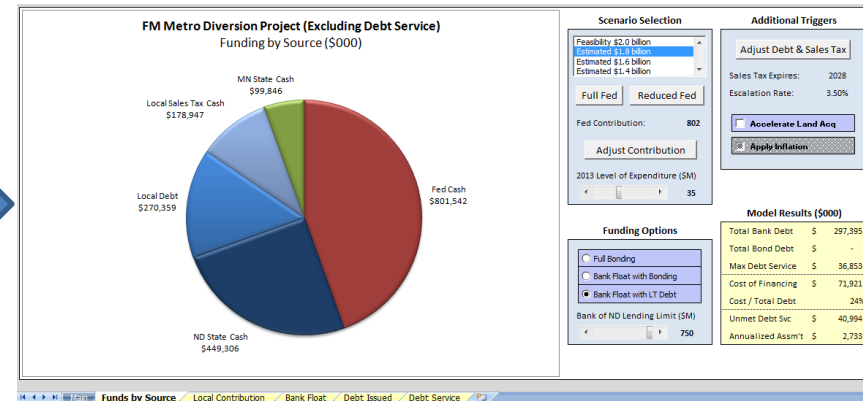
- 💧 Near-term needs: Support local budget and financing decisions for FY13-15
- 💧 Mid-term needs (FY14-20): Develop construction period funding and financing; cash flow requirements and funding sources by entity
- 💧 Long-term needs (FY21 & beyond): Determine debt service levels and multi-generational impacts/affordability

Iterative process and tools enable informed implementation decisions

Cost-loaded Schedule



Financial Model



- Project Activities
- Implementation Logic
- Costs by Quarter
- Cost and Schedule Management

- Construction Funding
- Long-term Financing
- Revenue Streams (i.e. sales tax)
- Debt Repayment

Final Feasibility Study cost estimate sets baseline funding requirements

Final Feasibility Report and Environmental Impact Statement

Fargo-Moorhead Metropolitan Area Flood Risk Management

July 2011



US Army Corps of Engineers®

Prepared by:
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St. Paul District
180 Fifth Street East, Suite 700
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LPP TOTAL PROJECT COST SUMMARY

PROJECT: Fargo Moorhead Metro Feasibility Study
LOCATION: Red River of the North Basin

FULLY FUNDED ESTIMATE

ACCOUNT NUMBER	FEATURE DESCRIPTION	Estimated Cost (\$K)	Contingency (\$K)	Contingency (%)	Total First Cost(\$K)	Estimated Cost (\$K)	Contingency (\$K)	Fully Funded plus Contingency (\$K)
01	Lands & Damages	220,930	57,442	26%	278,372	238,338	61,968	300,306
02	Relocations	122,453	31,838	26%	154,291	137,126	35,653	172,779
06	Fish and Wildlife Facilities	49,196	12,791	26%	61,987	54,244	14,103	68,347
08	Roads, Relocations and Bridges	47,655	12,390	26%	60,045	51,606	13,417	65,023
09	Channels & Canals	622,046	161,732	26%	783,778	693,331	180,266	873,597
11	Levees and Floodwalls	113,837	29,598	26%	143,435	131,521	34,196	165,717
14	Recreation Facilities	23,650	6,149	26%	29,799	26,308	6,840	33,148
30	Planning, Engineering and Design	145,913	37,937	26%	183,850	175,333	45,586	220,919
31	Construction Management	68,087	17,703	26%	85,790	85,679	22,277	107,956
	Total	1,413,767	367,579	26%	1,781,346	1,593,486	414,306	2,007,792

All costs in thousands (\$1,000)

Final Feasibility Study cost estimate sets baseline funding requirements

Final Feasibility Report and Environmental Impact Statement

Fargo-Moorhead Metropolitan Area
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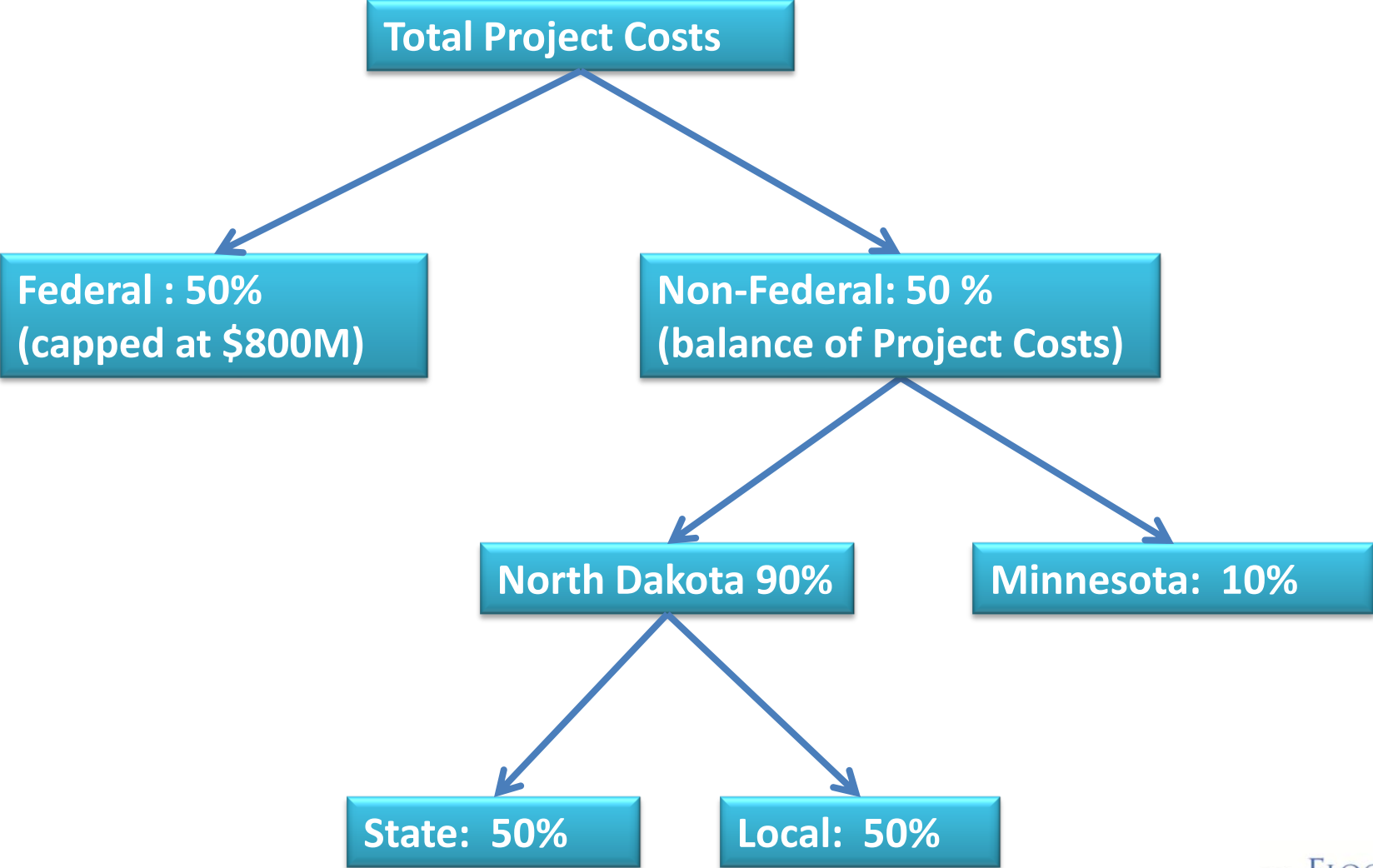
Without Escalation:

First Cost:	\$1.414B
Contingency	<u>\$0.367B</u>
Total First Cost	\$1.781B

With Escalation:

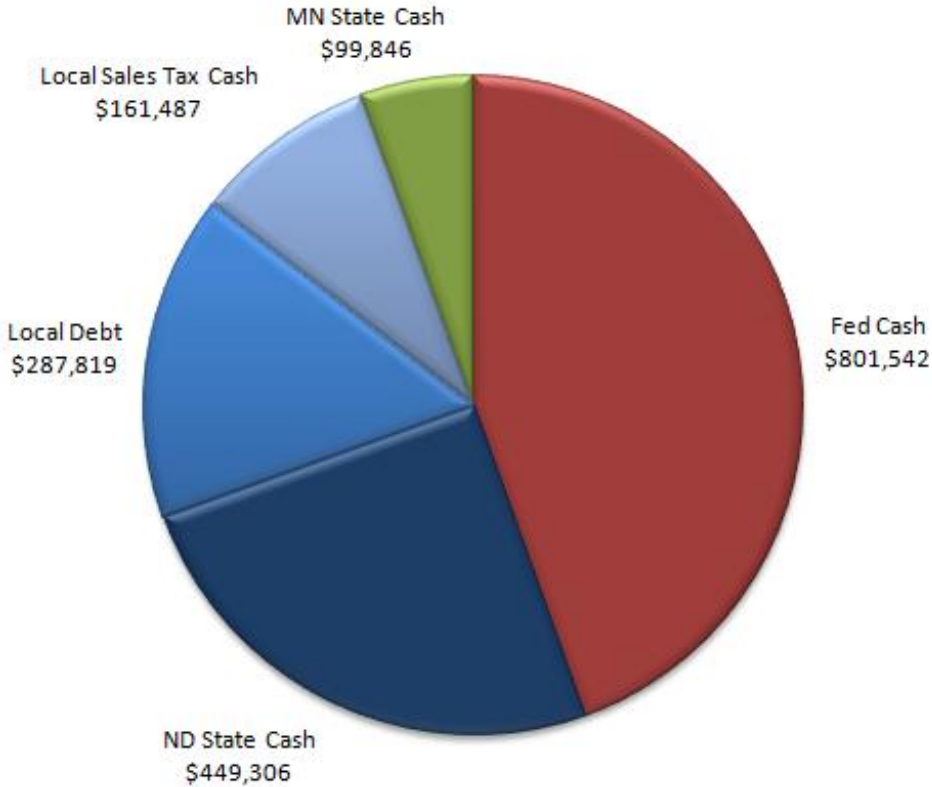
First Cost	\$1.594B
Contingency	<u>\$0.414B</u>
Total First Cost	\$2.008B

Current funding allocations



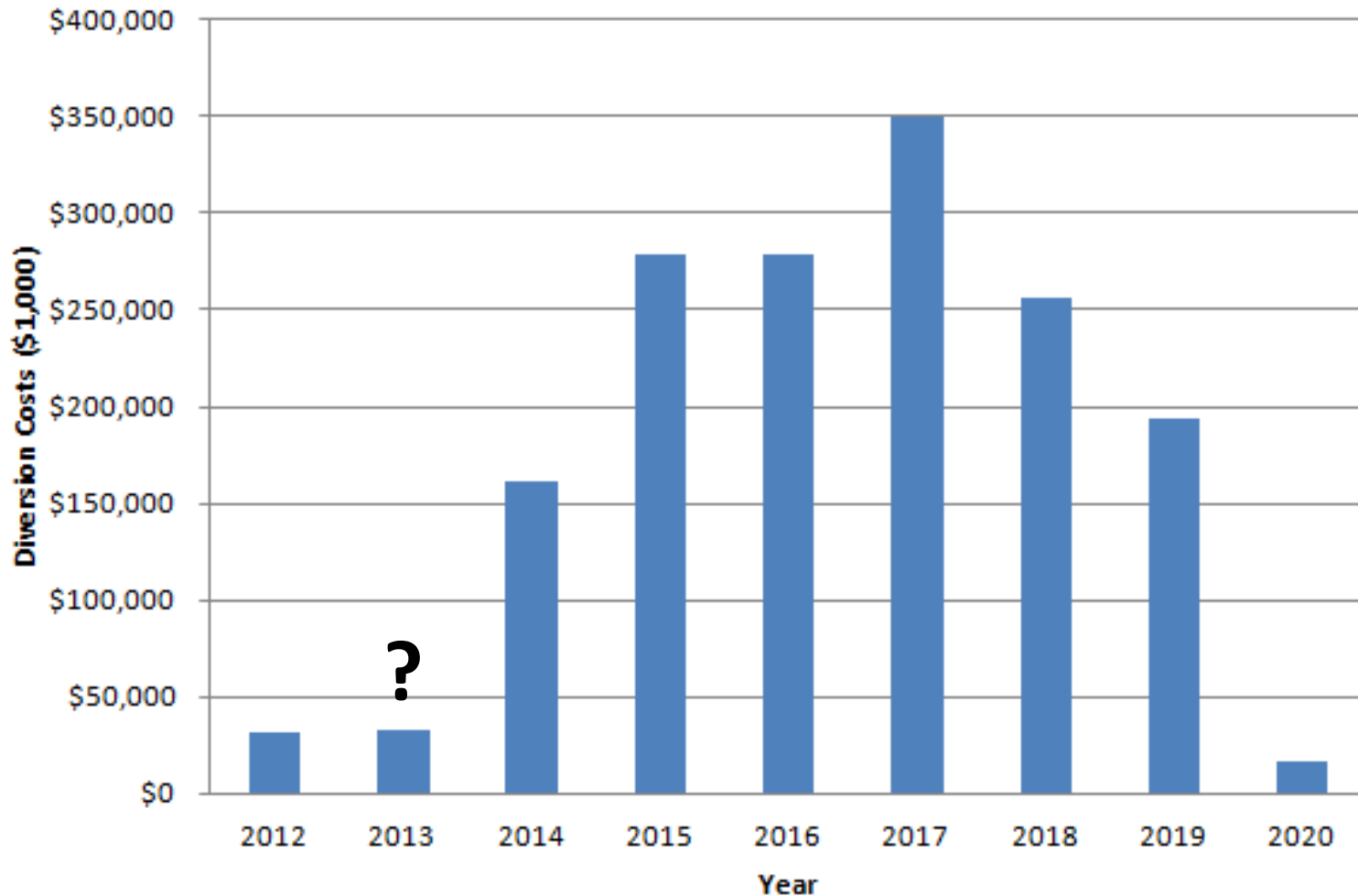
Feasibility Study funding allocations

FM Metro Diversion Project (Excluding Debt Service)
Funding by Source (\$000)



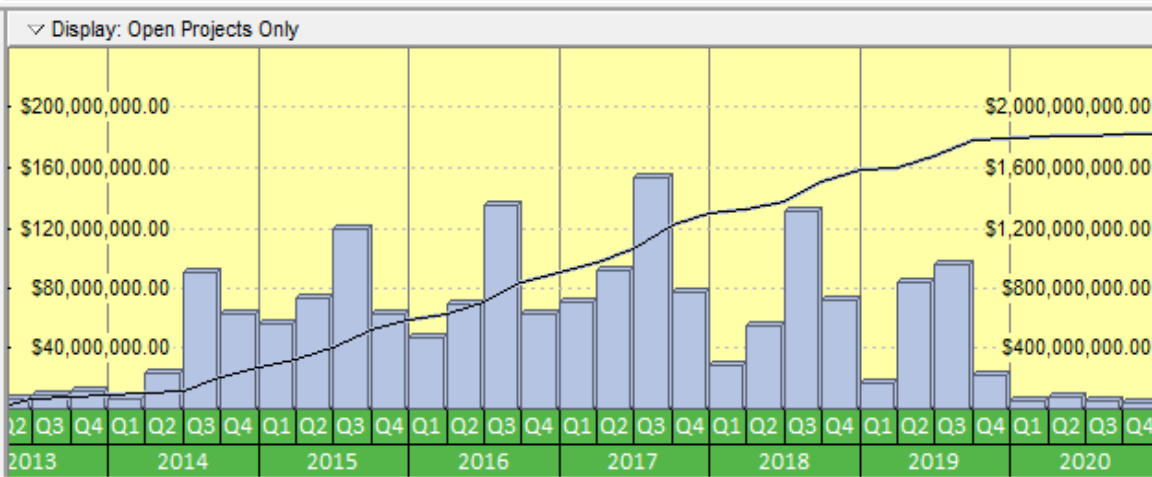
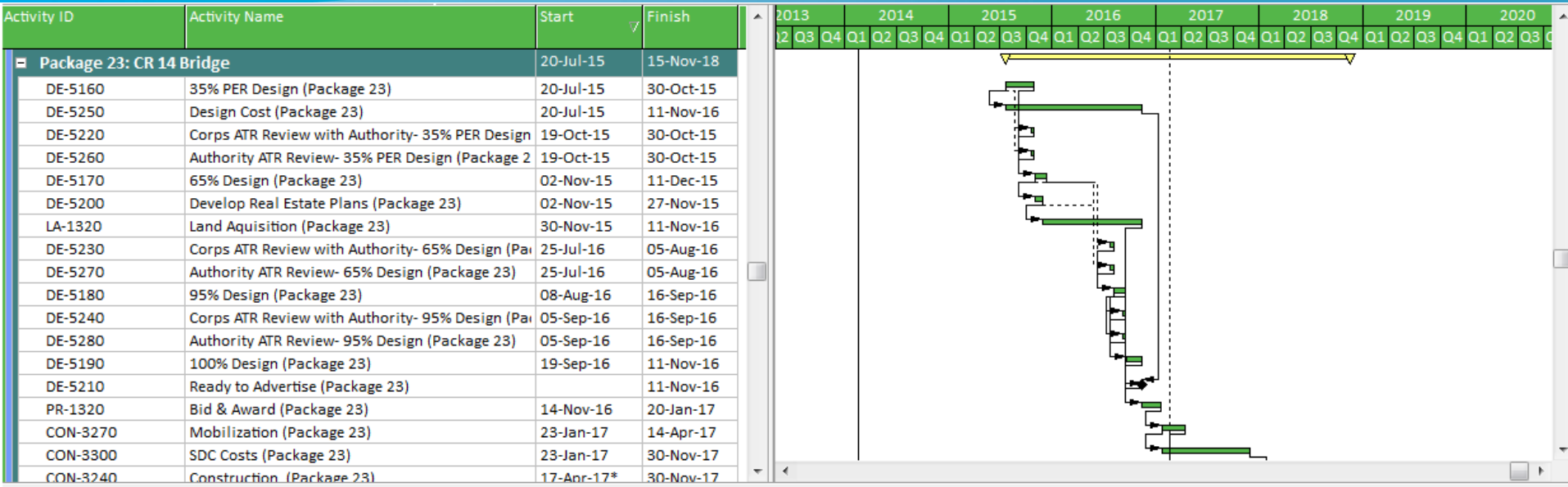
\$1.8B Project Cost Scenario

Annual cost requirements must be financed



\$1.8B Project Cost Scenario

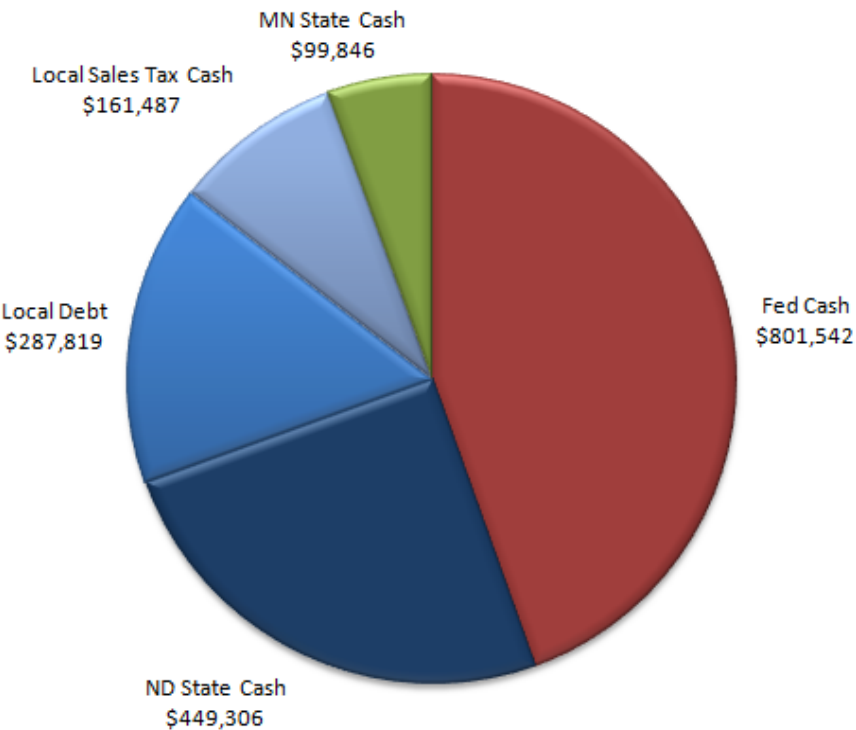
Cost-loaded schedule defines logical sequence of project activities in terms of time and money



\$1,494	\$1,494	\$1,494	\$1,729
\$26,322	\$26,322	\$26,322	\$30,473
\$13,161	\$13,161	\$13,161	\$15,236
\$0	\$0	\$0	\$0
\$13,161	\$13,161	\$13,161	\$15,236
\$5,849	\$5,849	\$5,849	\$6,772
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$59,988	\$59,988	\$59,988	\$69,447

Financial model allows “what if” scenarios

FM Metro Diversion Project (Excluding Debt Service)
Funding by Source (\$000)



Scenario Selection

Fed Contribution: **802**

2013 Level of Expenditure (\$M)

Additional Triggers

Sales Tax Expires: 2048

Escalation Rate: 4.00%

Accelerate Land Acq

Apply Inflation

Funding Options

Full Bonding
 Bank Float with Bonding
 Bank Float with LT Debt

Bank of ND Lending Limit (\$M)

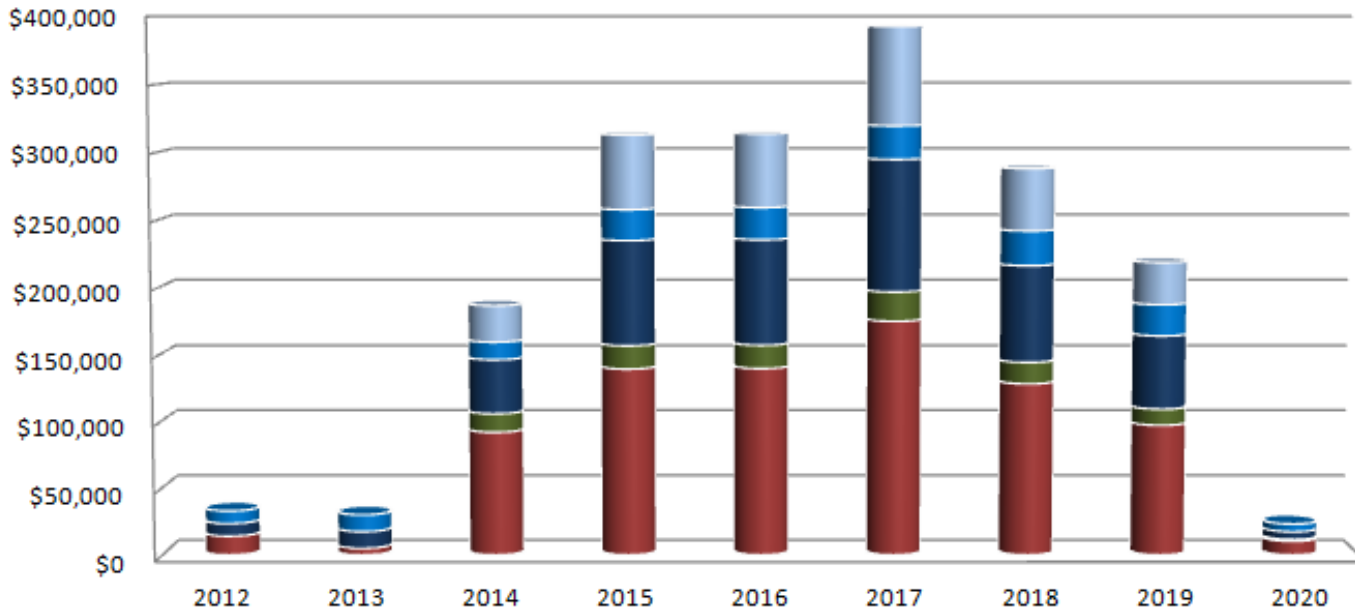
Model Results (\$000)

Total Bank Debt	\$	-
Total Bond Debt (*)	\$	322,358
Max Debt Service	\$	24,117
Cost of Financing	\$	265,530
Cost / Total Debt		82%
Unmet Debt Svc	\$	(798,713)
Annualized Assm't	\$	-

(*) Includes cost of issuance and debt reserve.

Financial model allows “what if” scenarios

FM Metro Diversion Project
Annual Contribution by Entity (\$'000)



	2012	2013	2014	2015	2016	2017	2018	2019	2020
Local ND Debt	\$0	\$0	\$27,169	\$55,261	\$54,532	\$73,313	\$46,163	\$31,381	\$0
Local ND (sales tax)	\$9,488	\$12,600	\$13,143	\$22,877	\$23,806	\$24,772	\$25,778	\$23,196	\$5,826
ND State Cash	\$9,488	\$12,600	\$40,312	\$78,137	\$78,338	\$98,086	\$71,941	\$54,577	\$5,826
MN State Cash	\$0	\$0	\$13,867	\$17,364	\$17,408	\$21,797	\$15,987	\$12,128	\$1,295
Fed Cash	\$14,167	\$5,000	\$92,152	\$139,394	\$139,752	\$174,980	\$128,340	\$97,364	\$10,394

Scenario Selection

Estimated \$2.0 billion
 Redistributed \$1.8 billion
 Estimated \$1.6 billion
 Estimated \$1.4 billion

Full Fed

Reduced Fed

Fed Contribution: 802

Adjust Contribution

2013 Level of Expenditure (\$M)

33

Funding Options

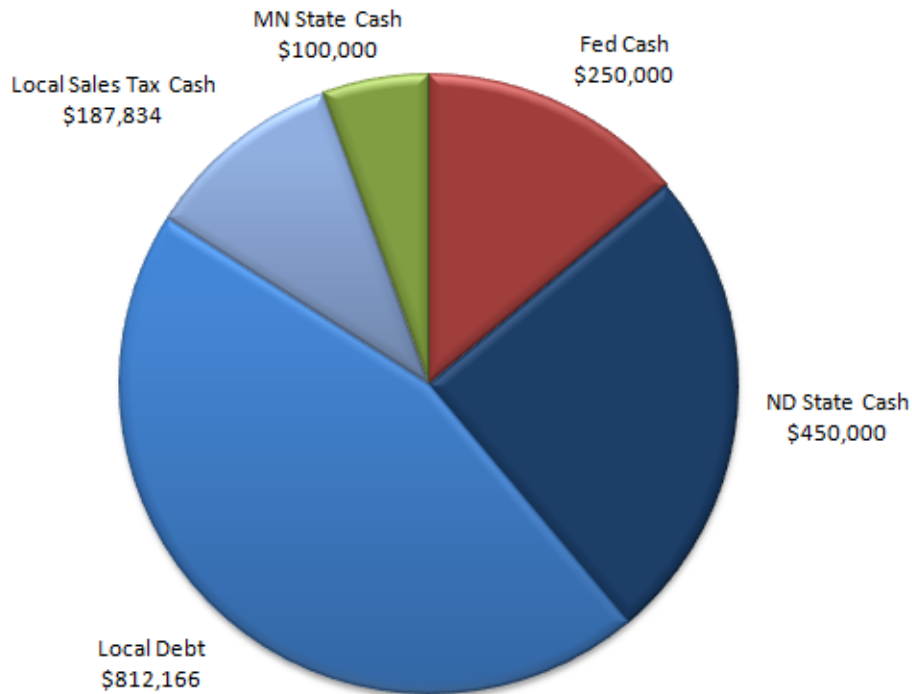
- Full Bonding
- Bank Float with Bonding
- Bank Float with LT Debt

Bank of ND Lending Limit (\$M)

750

Financial model allows “what if” scenarios

FM Metro Diversion Project (Excluding Debt Service) Funding by Source (\$000)



Scenario Selection

Fed Contribution: 250

2013 Level of Expenditure (\$M)

Funding Options

- Full Bonding
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- Bank Float with LT Debt

Bank of ND Lending Limit (\$M)

Additional Triggers

Sales Tax Expires: 2048

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Accelerate Land Acq

Apply Inflation

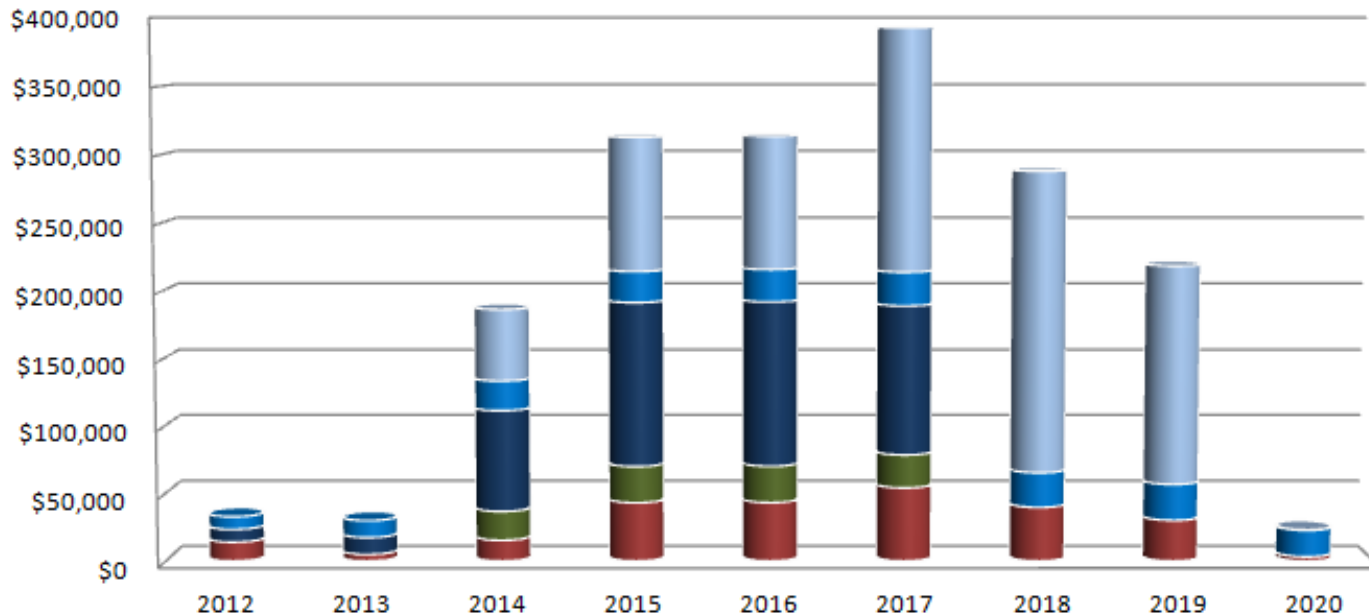
Model Results (\$000)

Total Bank Debt	\$	723,806
Total Bond Debt (*)	\$	172,660
Max Debt Service	\$	56,568
Cost of Financing	\$	652,680
Cost / Total Debt		73%
Unmet Debt Svc	\$	(27,706)
Annualized Assm't	\$	-

(*) Includes cost of issuance and debt reserve.

Financial model allows “what if” scenarios

FM Metro Diversion Project
Annual Contribution by Entity (\$000)



	2012	2013	2014	2015	2016	2017	2018	2019	2020
Local ND Debt	\$0	\$0	\$52,797	\$98,423	\$97,806	\$178,888	\$222,402	\$161,454	\$396
Local ND (sales tax)	\$9,488	\$12,600	\$21,984	\$22,877	\$23,806	\$24,772	\$25,778	\$26,825	\$19,704
ND State Cash	\$9,488	\$12,600	\$74,781	\$121,300	\$121,612	\$110,219	\$0	\$0	\$0
MN State Cash	\$0	\$0	\$21,527	\$26,956	\$27,025	\$24,493	\$0	\$0	\$0
Fed Cash	\$14,167	\$5,000	\$15,553	\$43,477	\$43,588	\$54,576	\$40,029	\$30,368	\$3,242

Scenario Selection

Estimated \$2.0 billion
Redistributed \$1.8 billion
 Estimated \$1.6 billion
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Full Fed

Reduced Fed

Fed Contribution: 250

Adjust Contribution

2013 Level of Expenditure (\$M)

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Funding Options

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Bank of ND Lending Limit (\$M)

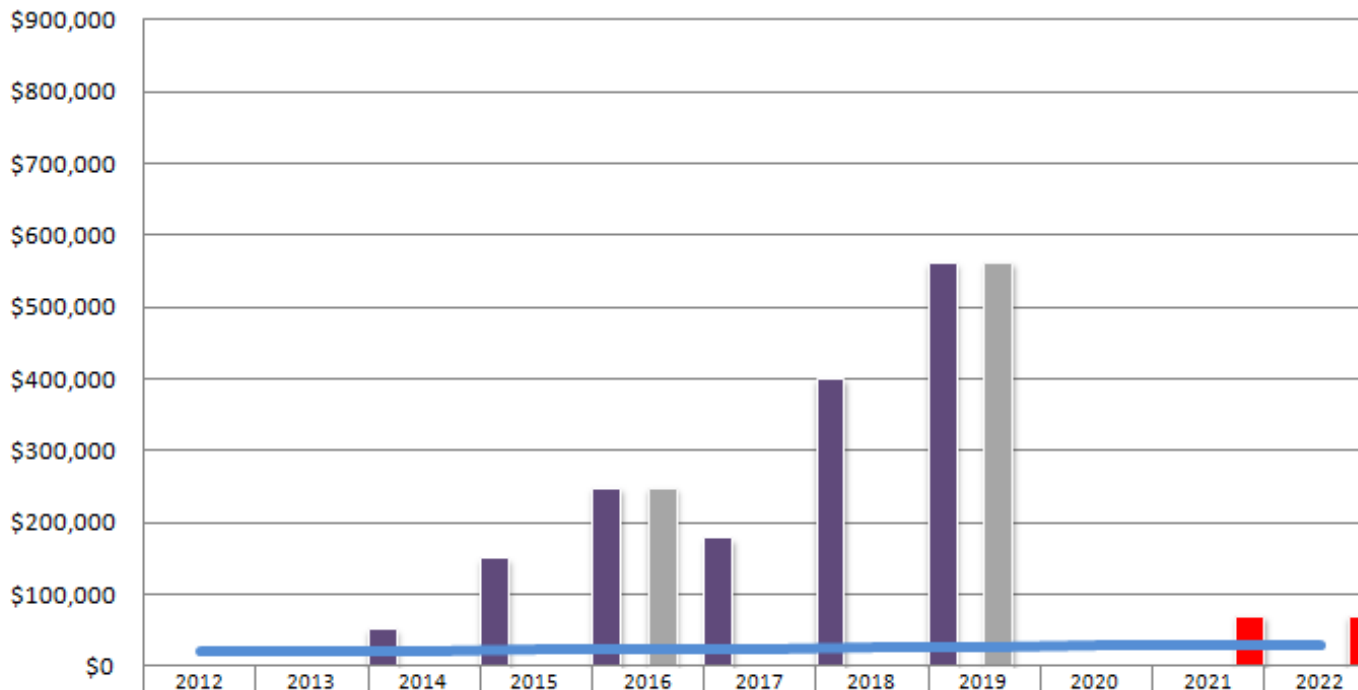
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Authority goals drive implementation strategy

Case example: debt service

FM Metro Diversion Project

Short and Long Term Debt Requirements (\$000)



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Short Term Float	\$0	\$0	\$52,797	\$151,220	\$249,026	\$178,888	\$401,290	\$562,744	\$0	\$0	\$0
Bank Loan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bond Issuance	\$0	\$0	\$0	\$0	\$249,026	\$0	\$0	\$563,140	\$0	\$0	\$0
Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$70,921	\$70,921
Local Sales Tax	\$20,302	\$21,126	\$21,984	\$22,877	\$23,806	\$24,772	\$25,778	\$26,825	\$27,914	\$29,047	\$30,227

Scenario Selection

- Estimated \$2.0 billion
- Redistributed \$1.8 billion
- Estimated \$1.6 billion
- Estimated \$1.4 billion

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Reduced Fed

Fed Contribution: 250

Adjust Contribution

2013 Level of Expenditure (\$M)

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Bank of ND Lending Limit (\$M)

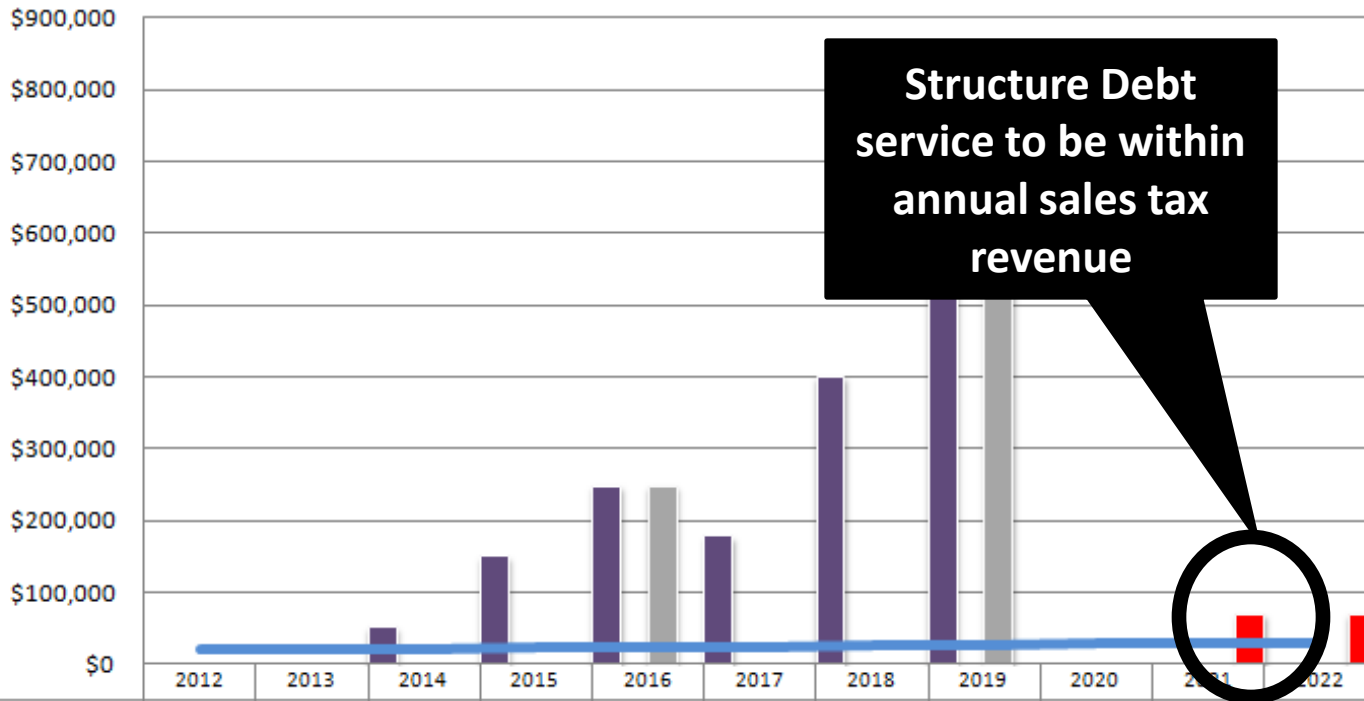
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Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$70,921	\$70,921
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2013 Level of Expenditure (\$M)

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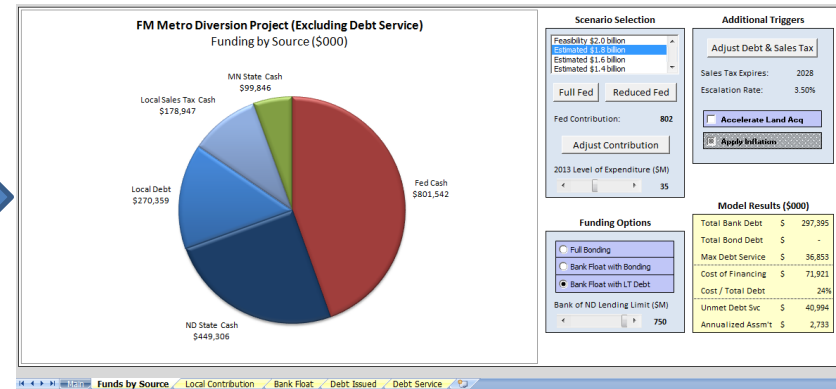
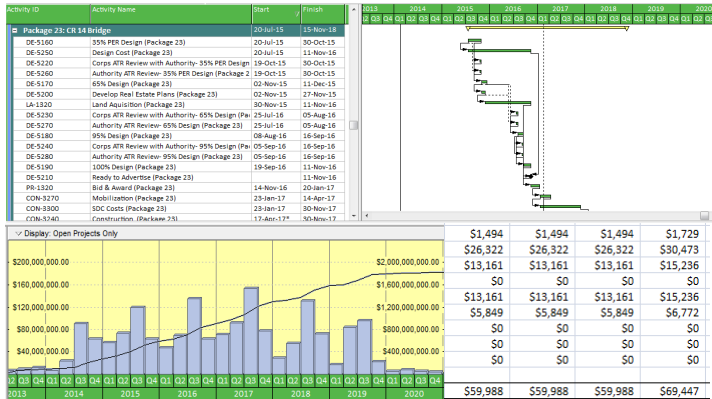
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Bank of ND Lending Limit (\$M)

750

Initial funding scenarios demonstrate the Diversion Project is locally affordable, if:



- Bank or other cash float (short-term loan) during construction
- Long term financing through bonds or bank loan
- Create special assessment district on benefiting properties or continue current sales tax in the future
- Aggressively manage construction cost and schedule

Questions/Discussion