

**FLOOD DIVERSION FINANCE COMMITTEE
APRIL 24, 2019—4:00 PM**

1. MEETING TO ORDER

A meeting of the Flood Diversion Finance Committee was held on Wednesday, April 24, 2019, at 4:00 PM in the Fargo Commission Chambers, Fargo City Hall, with the following present: Fargo Finance Director Kent Costin; Fargo City Commissioner Tony Gehrig; Fargo City Commissioner Tony Grindberg; Moorhead City Councilman Chuck Hendrickson; Cass County Joint Water Resource District Chairman Dan Jacobson; Clay County Auditor/Treasurer Lori Johnson; Fargo City Mayor Tim Mahoney; Moorhead Finance Director Karla McCall; Cass County Auditor Michael Montplaisir; Cass County Commissioner Chad Peterson; Fargo City Assistant Administrator Michael Redlinger; and Cass County Commissioner Rick Steen.

Kim Daily of Jacobs; Paul Barthel of Jacobs; Eric Dodds of AE2S; John Shockley of Ohnstad Twichell; City of Fargo Engineer Nathan Boerboom; and Co-Executive Director and Cass County Administrator Robert Wilson were also present.

2. APPROVAL OF MINUTES FROM PREVIOUS MEETING

MOTION, passed

Mr. Steen moved and Dr. Mahoney seconded to approve the minutes from the March 27, 2019, meeting as presented. Motion carried.

3. PROJECT FUNDING STATUS

Mr. Grindberg discussed a handout outlining the project status of funding milestones in preparation of project construction. The majority of the milestones have been met, and over \$480 million in funding was secured in under six months, which is a huge accomplishment.

4. APPROVAL OF BILLS

Mr. Costin said bills for the month total just over \$1 million.

MOTION, passed

Mr. Montplaisir moved and Mr. Redlinger seconded to approve the bills in the amount of \$1,006,160.10, and to forward them to the Metro Flood Diversion Authority. On roll call vote, motion carried unanimously.

Mr. Peterson arrived for the remainder of the meeting.

5. FINANCIAL UPDATE

Mr. Costin reviewed the financial statement for March. About \$14.7 million has been expended from the FY 2019 budget, and the total disbursed for the project to date is \$468,457,389. The net position is to \$83.8 million.

MOTION, passed

Mr. Steen moved and Mr. Hendrickson seconded to receive and file the Financial Statement for March as presented. Motion carried.

6. **PMC UPDATE**

Kim Daily of Jacobs reviewed the Program Management Consultant (PMC) report, including the overall program status and the FY 2019 Q1 cash budget. The Q1 budget will be rolled into the full 2019 cash budget.

7. **CONTRACTING ACTIONS**

CH2M Hill task order

Mr. Redlinger reviewed the following contracting action:

- CH2M Hill (Task Order 2, Amendment 3 – Interim Program Management and Related Services)—extend period of performance to May 24, 2019, in the amount of \$550,000.

MOTION, passed

Mr. Redlinger moved and Mr. Montplaisir seconded to approve Task Order 2, Amendment 3, with CH2M Hill as presented, and to forward the recommendation to the Metro Flood Diversion Authority. On roll call vote, the motion carried unanimously.

Ernst & Young

Attorney John Shockley said the past work order for Ernst & Young has expired. The new work order extends services through June 1, 2020, and is in relation to financial services needed to incorporate information from recent additional federal and state appropriations. It also assumes a full P3 start-up. As with the former work order, services will only be billed as they are requested.

Mr. Gehrig asked if the rates have been negotiated. Mr. Shockley said there have been limited rate increases since 2015 and the rates are consistent with the market.

Mr. Gehrig said the project is large, long-term, and appealing for contractors; service providers want to work on the project and the Diversion Authority should not be paying market rates. Mr. Gehrig will not approve the work order unless he knows the Diversion Authority is getting the best deal.

Dr. Mahoney said Ernst & Young has been a very good firm for the Diversion Authority, and there would be a large cost to recreate the financial models and start over with a new firm. Furthermore, legislators trust Ernst & Young and are confident in the accuracy of the information they provide.

Mr. Shockley said there was no rate increase in 2018, and he reviews all bills. He said there are not many financial advisors in the market that are capable of handling the level of sophistication required for the project.

MOTION, passed

Dr. Mahoney moved and Mr. Hendrickson seconded to approve Statement of Work No. 5, Amendment 0, with Ernst & Young Infrastructure Advisors, LLC, and to forward the recommendation to the Metro Flood Diversion Authority. On roll call vote, the motion carried with Mr. Montplaisir, Mr. Peterson, Mr. Costin, Ms. Johnson, Ms. McCall, Mr. Jacobson, Mr. Hendrickson, Mr. Steen, Mr. Redlinger, Dr. Mahoney, and Mr. Grindberg voting “Yes”; Mr. Gehrig voting “No”.

WP-50 home demolition

Ms. Daily said the bidding for this project is postponed until May 14th.

Braun Intertec 2019 rate increase

Ms. Daily said this rate increase was tabled at the previous meeting with a request for justification on the rate increase, to which Braun Intertec provided a letter. Braun Intertec has not received a rate increase since 2017 while increasing employee wages and benefits annually, in addition to the increased costs of goods and services.

Mr. Gehrig said he would like to see actual numbers justifying the rate increase. He said the Diversion Authority needs to demand more from contractors to prove that costs are going up for services and to send a message that rate increases will be denied unless proof has been provided that they are justified.

MOTION, failed for lack of a second

Mr. Gehrig moved to deny the Braun Intertec 2019 rate increase request. The motion died due to lack of a second.

MOTION, passed

Dr. Mahoney moved and Mr. Montplaisir seconded to approve the Braun Intertec 2019 rate increase request, and to forward the recommendation to the Metro Flood Diversion Authority. Discussion: Mr. Steen asked if this is the only rate increase that Braun Intertec will receive over the past two-year period. Ms. Daily said yes. Mr. Steen said annually the increase averages out to less than 2% per year.

On roll call vote, the motion carried with Mr. Mr. Montplaisir, Mr. Peterson, Mr. Costin, Ms. Johnson, Ms. McCall, Mr. Jacobson, Mr. Hendrickson, Mr. Steen, Mr. Redlinger, Dr. Mahoney, and Mr. Grindberg voting “Yes”; Mr. Gehrig voting “No”.

Co-Executive Director approved contracting actions

Ms. Daily reviewed the following contracting action:

- ICS, Inc. (WP-42A1A3, Change Order #10 – 4th Street Pump Station and Gatewell and 2nd Street Floodwall South)—add back-up generator breaker and breaker box, in the amount of \$28,950.

Mr. Costin said the documentation for this item outlines a lawsuit that the contractor has filed against the Diversion Authority pertaining to project completion. Mr. Costin asked if this change order is to resolve the issue.

Ms. Daily said the litigation pertains to a separate issue. Legal counsel was consulted and they did not have any concerns with this work being contracted outside of the litigation process as they are two separate issues.

MOTION, passed

Dr. Mahoney moved and Mr. Redlinger seconded to approve WP-42A1A3, Change Order #10, with ICS, Inc., and to forward the recommendation to the Metro Flood Diversion Authority. On roll call vote, the motion carried unanimously.

Cass County Joint Water Resource District approved contracting actions

Eric Dodds of AE2S said Cass County Joint Water Resource District (CCJWRD) is hiring appraisers for five additional appraisal packages. Recommendations will be presented to the CCJWRD board at their next meeting.

Mr. Redlinger asked what level of information this committee wants to see on the land acquisition process, and how often they would like to receive reports. Mr. Peterson said he would rather receive more information than less and he prefers to receive information electronically.

Mr. Costin said at one time the Finance Committee was receiving a land acquisition report that contained graphical information on the status of land acquisitions. Mr. Dodds said that report is produced on a monthly basis for the Land Management Committee and can be shared with this committee as well.

8. IN-TOWN PROJECT STATUS UPDATE

Fargo engineer Nathan Boerboom gave a presentation on the in-town flood protection work, including the history of in-town work, what projects have been completed, project priorities, funding, and costs.

Mr. Steen clarified that \$115 million in revenue bonds that Fargo issued to pay for its debt was taken over by the Diversion Authority in exchange for additional sales tax proceeds from Fargo. Mr. Costin said yes.

9. COUNTY ROAD 16/17 UPDATE

Robert Wilson, Co-Executive Director and Cass County Administrator, said bids will be opened tomorrow for paving for Cass 16 and 17. Work will hopefully be completed by mid-June and the county will subsequently submit a reimbursement request to the Diversion Authority. The engineer's estimate for the project is \$250,000.

10. FY2019 DIVERSION AUTHORITY CASH BUDGET

Paul Barthel of Jacobs was present to review the FY2019 Cash Budget, which assumes a full permit scenario. The total cash budget is \$162,723,851. Expenditures from the Quarter 1 Budget are included in the total. The largest budget category is land acquisitions, and there is no contingency budget by request of the board.

Mr. Grindberg asked about a line item that references Golf Club Relocation and Replacement. Mr. Barthel said this line item pertains to the finalization and closeout of contracts in Oxbow.

Mr. Steen said a substantial amount of work is expected to be completed by the U.S. Army Corps of Engineers in the next year but it is not included in the budget. Mr. Barthel said these transactions will be tracked in the overall program budget, but are not included in the cash budget. The Corps will pay contractors directly, so it does not pass through the books of the Diversion Authority; although the Diversion Authority will have the ability to review and monitor the activity.

Mr. Montplaisir said several years ago the Diversion Authority paid the Corps a local project contribution of \$50 million, which it will now tap into. Mr. Shockley said local contributions are held in an account by the Corps. Federal funding is spent first, and local

contributions are used to keep the project going between disbursements from the federal government.

MOTION, passed

Dr. Mahoney moved and Mr. Peterson seconded to approve the FY2019 Diversion Authority Cash Budget as presented, and to forward the recommendation to the Metro Flood Diversion Authority. On roll call vote, the motion carried unanimously.

11. LAND ACQUISITION DIRECTIVE

Mr. Dodds presented a Land Acquisition Directive for review. The directive allows CCJWRD to begin the process of acquiring the noted parcels, which are primarily from upstream property owners who reached out to the Diversion Authority.

Mr. Costin asked if this directive is the final review from this committee for these parcel acquisitions. Mr. Dodds said the acquisitions will show up in the land acquisition report.

MOTION, passed

Mr. Gehrig moved and Mr. Peterson seconded to approve LAD-OPP-01 REV 07. Discussion: Mr. Costin asked what the policy is on opportunistic land purchases when all that is required from a property is an easement. Mr. Dodds said the practice thus far has been that if a landowner would like to sell more than what is required by the Diversion Authority, the land is purchased and an easement is attached. Once the design is finalized, surplus land will be sold. On roll call vote, the motion carried unanimously.

12. TASK ORDERS 5 AND 6

Mr. Redlinger said Task Order 5, which pertains to the PMC, will be on the May agenda.

Mr. Shockley said Task Order 6 will be previewed in June and brought back for approval in July.

13. OTHER BUSINESS

Committee meeting space

Mr. Grindberg said the Public Outreach and Land Management Committees have agreed to move seating during their meetings to tables on the floor of the commission chambers, as opposed to the dais. Due to the work involved in preparing the meeting space this way, they have requested that all committees agree to this set-up.

Mr. Steen said he is in favor of meeting on the floor.

14. NEXT MEETING

The next meeting is scheduled for May 22nd at 4:00 PM.

15. ADJOURNMENT

MOTION, passed

On motion by Mr. Peterson, seconded by Mr. Gehrig and all in favor, the meeting was adjourned at 5:05 PM.