

**FLOOD DIVERSION FINANCE COMMITTEE
SEPTEMBER 25, 2019—4:09 PM**

1. MEETING TO ORDER

A meeting of the Flood Diversion Finance Committee was held on Wednesday, September 25, 2019, at 4:09 PM in the Commission Chambers, Fargo City Hall, with the following present: 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; Cass County Auditor Michael Montplaisir; Cass County Commissioner Chad Peterson; Fargo City Assistant Administrator Michael Redlinger; and Cass County Commissioner Rick Steen. Fargo Finance Director Kent Costin; Fargo City Commissioner Tony Gehrig; and Moorhead Finance Director Karla McCall were absent.

Diversion Authority Executive Director Joel Paulsen; Kim Daily and Martin Nicholson of Jacobs; and Eric Dodds of AE2S were also present. John Shockley of Ohnstad Twichell was present via telephone.

2. APPROVAL OF MINUTES FROM PREVIOUS MEETING

MOTION, passed

Mr. Steen moved and Mr. Redlinger seconded to approve the minutes from the August 21, 2019, meeting as presented. Motion carried.

3. APPROVAL OF BILLS

MOTION, passed

Dr. Mahoney moved and Mr. Hendrickson seconded to approve the bills in the amount of \$935,548.52, and to forward them to the Metro Flood Diversion Authority. On roll call vote, the motion carried unanimously.

4. FINANCIAL UPDATE

Mr. Montplaisir reviewed the financial report for August. About \$40.5 million has been expended from the FY 2019 budget, and the total disbursed for the project to date is \$494,257,539. The net position is \$97.1 million.

Mr. Montplaisir said outstanding encumbrances for the year total \$111.6 million, which is not expected to be fully expended in 2019. The unobligated 2019 budget balance is \$10.6 million.

MOTION, passed

Mr. Jacobson moved and Mr. Steen seconded to receive and file the Financial Report for August as presented. On roll call vote, the motion carried unanimously.

Dr. Mahoney left for the remainder of the meeting.

5. PMC FINANCIAL REPORT

Joel Paulsen, executive director of the Diversion Authority, said going forward the Program Management Consultant (PMC) Financial Report will be the Executive Director Report and he will present the agenda item.

Kim Daily of Jacobs reviewed the PMC financial report, including the overall program status, FY 2019 program revenues, FY 2019 cash budget, and PMC task order status by budget and time.

MOTION, passed

Mr. Steen moved and Mr. Hendrickson seconded to receive and file the PMC Financial Report for August as presented. On roll call vote, the motion carried unanimously.

6. **CONTRACTING ACTIONS**

Ms. Daily reviewed the Executive Director and Cass County Joint Water Resource District approved contracting actions.

Mr. Steen said at the previous meeting there was discussion that as a significant contractor for the project, a task order for Houston-Moore Group (HMG) should be created and approved. Mr. Paulsen said he is aware of the request and will be working on it.

7. **FY 2020 CASH BUDGET**

Mr. Paulsen said information on the FY 2020 cash budget will be presented at the next meeting.

8. **FINANCIAL PLAN REVIEW**

Mr. Paulsen and Martin Nicholson of Jacobs gave a presentation on the financial plan for the project, including funding updates, near-term goals, and the financial plan summary.

Mr. Nicholson said there is a \$120 million gap in funding that was requested, but not secured, from the North Dakota legislature during its last session. The Diversion Authority near-term goals are in support of a 2021 funding request from the ND legislature, and include bidding the Public Private Partnership (P3), designating costs for future ND legislative funding, and pursuing and obtaining long-term loans.

Mr. Nicholson said ring-fencing the P3 financing will allow the P3 procurement to move forward. Ring-fencing is identifying specific funds to dedicate for the procurement as assurance to the proposers that sufficient funds will be available when payments are due, and to provide surety that any gaps in funding do not apply to them.

Mr. Nicholson discussed the proposed P3 contract schedule. Actual payments will be bid by the proposers and will not be known until a later time.

Attorney John Shockley was available via telephone. Mr. Shockley discussed available loan programs and financing tools currently being pursued for the project, including Water Infrastructure Finance and Innovation Act (WIFIA) loans through the Environmental Protection Agency (EPA) and the US Army Corps of Engineers, State Revolving Fund (SRF) loans, Private Activity Bonds (PABs), and state and local loans, if and when available.

Mr. Nicholson discussed the cost-loaded schedule and financial model, and how they are implemented to determine funding and financing needs to cover all construction and short-term financing costs, which will be paid using multiple sources.

Mr. Grindberg asked why funds appropriated in the 2021 legislative session will not be

expended until 2024. Mr. Nicholson said these funds have been designated safely into the future to allow time to secure funding for certain projects if it is not available sooner.

Mr. Nicholson said short-term debt will be converted into long-term debt post-construction, with annual payments completely covered by voter-approved sales taxes.

Mr. Peterson asked if there is any way to take on the long-term debt sooner as interest rates are currently extremely low. Mr. Nicholson said there have been discussions on this matter, but there is too much uncertainty at this time to take action.

Mr. Shockley said the advantage of a WIFIA loan is that once approved, the interest rate is locked in. WIFIA loans are also drawdown loans, which allow funds to be pulled as needed. Debt service payments can also be sculpted based on ability to pay.

Mr. Nicholson said as the P3 bidders will take on their own financing, they will see advantages to the current interest-rate market, which will have a positive domino effect to the Diversion Authority.

9. **PROPERTY STATUS REPORT**

Eric Dodds of AE2S said over 300 properties have been acquired for the project to-date, and a great deal of progress continues to be made.

Mr. Grindberg asked how acquisitions are going in relation to the budget. Mr. Dodds said all acquisitions have been within range so far and the budget is in good shape. There is some concern looking forward for some of the large and complex rural farmsteads to be acquired, and the potentially difficult task of relocations for some of them.

Mr. Steen said a question was raised on some discrepancy between the overall budget expended on environmental monitoring areas in relation to the number of easements secured. Mr. Dodds said he has not been able to verify the information yet, but he believes the discrepancy is due to the inclusion of monuments placed on sites for monitoring.

10. **NEXT MEETING**

The next meeting is scheduled for October 30th at 4:00 PM.

11. **ADJOURNMENT**

MOTION, passed

On motion by Mr. Steen, seconded by Mr. Peterson and all in favor, the meeting was adjourned at 4:55 PM.