



**Diversion Authority Finance Committee  
Meeting Minutes  
4:00 P.M. - Wednesday, November 20, 2019  
City of Fargo Commission Chambers  
Fargo, North Dakota**

Permanent, Reliable Flood Protection

**1. MEETING TO ORDER**

The Diversion Authority Finance Committee met Wednesday, November 20, 2019, at 4:00 PM in the Commission Chambers, Fargo City Hall. The following committee members were 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 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. Fargo Finance Director Kent Costin and Fargo City Commissioner Tony Gehrig were absent.

Diversion Authority Executive Director Joel Paulsen; John Shockley of Ohnstad Twichell; and Paul Barthel of Jacobs were also present.

**2. APPROVAL OF MINUTES FROM PREVIOUS MEETING**

*MOTION, passed*

**Mr. Hendrickson moved and Mr. Peterson seconded to approve the minutes from the October 30, 2019, meeting as presented. Motion carried.**

**3. APPROVAL OF BILLS**

Mr. Montplaisir reviewed the bills for the month. The largest expenditures are land purchases through the Cass County Joint Water Resource District.

*MOTION, passed*

**Mr. Steen moved and Ms. McCall seconded to approve the bills in the amount of \$2,557,869.69, and to forward them to the Metro Flood Diversion Authority. On roll call vote, the motion carried unanimously.**

**4. FINANCIAL REPORT**

Mr. Montplaisir reviewed the financial report for October. About \$54.8 million has been expended from the FY 2019 budget, and the total disbursed for the project to date is \$508,492,384. The net position is \$91.4 million.

Mr. Montplaisir said approximately 34% of the FY 2019 budget has been expended. Outstanding encumbrances total \$157.7 million, which leaves a remaining budget balance of - \$49.8 million; most encumbrances will not be expended during this fiscal year and will carry over into next year's budget.

***MOTION, passed***

**Mr. Jacobson moved and Ms. McCall seconded to receive and file the Financial Report for October as presented. On roll call vote, the motion carried unanimously.**

**5. EXECUTIVE DIRECTOR REPORT**

Diversion Authority Executive Director Joel Paulsen reviewed the Executive Director Report, including the overall program status and FY 2019 program revenues. Mr. Paulsen said program revenues will not be included in future reports as revenues will generally not change over time; however, program revenues will still be included in the annual budget.

*Administrative budget/Diversion Authority staffing*

Mr. Paulsen discussed a letter regarding the FY 2020 administrative budget and an accompanying organization structure chart, which proposes seven additional positions for the Diversion Authority, including: Executive Administrative Assistant, Finance Director, Assistant Executive Director, Communications Director, Engineering Director, Assistant Engineer – USACE Lead, and Assistant Engineer – P3 Construction Lead. The organizational chart and new positions would ultimately adjust how the consultants interact with the Diversion Authority, with the Technical Advisory Group (TAG), legal counsel, and Program Management Consultants (PMC) still playing an integral role.

Mr. Peterson asked what Mr. Paulsen used for baseline salaries for the positions for budgeting purposes. Mr. Paulsen said he used industry standard rates.

Mr. Peterson said perhaps Mr. Paulsen should base salaries off of a single entity such as Cass County or Fargo to provide a consistent baseline.

Mr. Steen said Mr. Paulsen's benefits are currently administered through the county, and he asked if the intent is for the county to continue administering benefits for Diversion Authority employees. Mr. Paulsen said yes, as the county is able to provide an established system and it makes sense financially to continue utilizing their HR support.

Mr. Steen said he is concerned that there could be future issues if Diversion Authority staff salaries become disproportionate to other county employee salaries, and there may come a time when the question is raised as to whether or not Diversion Authority employees are considered county employees or their own entity.

Dr. Mahoney said he supports hiring the Executive Administrative Assistant and Assistant Director positions, but he does not see a need for a Financial Director, Communications Coordinator, or any of the engineering positions as public entity staff and consultants are currently successfully filling these roles and additional work can be sub-contracted.

Mr. Paulsen said he agrees that the most immediate need is for the Administrative Assistant and Assistant Director; however, the Water Infrastructure Finance and Innovation Act (WIFIA) financing will open up a whole new chapter in the project as federal programs need to be meet specific compliance standards for funds, and staff will need to implement, monitor, and ensure compliance is being met. Mr. Paulsen feels that this work should be performed under a public entity, not by a contractor.

Mr. Peterson said the burden will be on Mr. Paulsen to show that each requested position is needed and will save money for the project.

Dr. Mahoney said Cass County and Fargo have been very involved in the project thus far, and there is value in having city and county staff at the meetings and heavily invested in the project. Mr. Paulsen agreed and said member entities will still be involved in TAG, which is the focal point for technical decisions. The new engineering positions would not take over any duties currently being performed by other staff; when the project goes to construction, there will be more work than could be completed at the current staffing levels. He said 2019 workloads cannot be used as a basis for hiring for project construction as the workload will be entirely different.

Mr. Grindberg said he would like to reduce reliance on consultants. He said the Diversion Authority has empowered Mr. Paulsen to oversee and manage the project and he needs a team to complete the job. Moving forward, the project will have to run under a different model than it has in the past; it is up to Mr. Paulsen to move the project forward, and he will need staff that are directly accountable to him to do so.

#### Travel/expense policy

Mr. Paulsen said there is currently no travel or expense policy for member entities traveling on Diversion Authority business, so each entity separately covers the travel expenses of its own members. Mr. Paulsen would like to draft a policy for the Diversion Authority to reimburse member entities for Diversion-related travel that has been requested by the Executive Director.

#### **AMENDED MOTION, passed**

**Dr. Mahoney moved and Ms. McCall seconded to authorize the Executive Director to draft a policy regarding reimbursing Diversion Authority member entities for Diversion-related travel requested by the Executive Director, and to forward the recommendation to the Metro Flood Diversion Authority. Discussion: Mr. Montplaisir asked if the motion is for a policy that would go into effect in 2020. Dr. Mahoney said reimbursement for the last trip to Washington, D.C. could be included as well. Mr. Montplaisir said including past expenses would complicate matters. Dr. Mahoney and Ms. McCall agreed to amend the original motion to specify that the policy go into effect in 2020.**

**Mr. Hendrickson asked how many trips Mr. Paulsen anticipates in 2020. Mr. Paulsen said he included two trips for up to four people in the 2020 budget. He is unable to estimate the need for trips to Bismarck or St. Paul. On roll call vote, the motion carried unanimously.**

#### Diversion recreation plan

Mr. Paulsen said the course of action for a recreation plan was discussed a prior meeting. At this time, the recommendation is to include grading or surface grading related to the recreation plan in the P3 base bid, which will not add any additional costs to the project.

6. **CONTRACTING ACTIONS**

Mr. Paulsen reviewed the following contracting action:

Task Order

Houston-Moore Group (Task Order 31, Amendment 0 – Permit Compliance Monitoring)—initial scope and budget for permit compliance monitoring in the amount of \$184,639.

***MOTION, passed***

**Dr. Mahoney moved and Mr. Jacobson seconded to approve Task Order 31, Amendment 0 with Houston-Moore Group in the amount of \$184,639, and to forward the recommendation to the Metro Flood Diversion Authority. On roll call vote, the motion carried unanimously.**

Mr. Paulsen reviewed the Executive Director approved contracting actions and the Cass County Joint Water Resource District contracting actions. There were no Minnesota Clay County Joint Powers Authority (MCCJPA) approved contracting actions.

7. **FY 2020 CASH BUDGET**

Mr. Paulsen presented the proposed FY 2020 Cash Budget, which totals \$138,458,827. A recommendation for approval will be discussed at the December meeting. Mr. Paulsen said he is available to answer any questions before the next meeting.

Mr. Montplaisir asked if a revenue budget will be presented at the December meeting as well. Mr. Paulsen said yes.

8. **FLOW OF FUNDS FOR WIFIA FINANCING**

Attorney John Shockley was present to discuss the flow of revenue funds for WIFIA financing. Mr. Shockley referred to a flow chart that outlines the flow of funds, which will include over \$2 billion over the course of the project.

Mr. Shockley said all funds from Minnesota will flow to the MCCJPA and not through the Diversion Authority as there will be restrictions on the funds from Minnesota, which will need to be kept separate.

Mr. Shockley said due to the complexity of the project and at the request of the P3 proposers, a debt obligation indenture of trust will be put into place. After preliminary discussions, the Bank of North Dakota (BND) has indicated that they would be willing to serve as trustee.

Mr. Peterson asked how much the trustee would cost. Mr. Shockley said BND has indicated that they would like to review the financial whitepaper, after which they will provide an estimate. He said in his experience, BND has typically been the most cost effective option for a trustee and they often charge a nominal monthly fee.

Mr. Shockley said the complexity of the flow of funds is due to several federal requirements regarding construction and professional services contracts.

Mr. Grindberg said the flow chart presented by Mr. Shockley is a testament to the complexity of the financials for the project.

Paul Barthel of Jacobs was present to review flow of funds for expenditures for the project. Mr. Barthel said only portions of the project can use certain funds, so it is important to figure out the flow of funds early on in order to track and properly report.

Ms. McCall asked if there is a trustee involved with expenditures. Mr. Shockley said the trustee is only required for debt-service funds.

**9. RESOLUTION AUTHORIZING PAYMENT OF WIFIA APPLICATION FEES**

Mr. Shockley presented a resolution authorizing the use of sales tax revenues to pay the WIFIA application fee and plus additional associated fees. Mr. Shockley anticipates the fees to total up to \$500,000. Utilizing the WIFIA loan program will result in a cost savings of approximately \$600 million.

***MOTION, passed***

**Ms. McCall moved and Mr. Peterson seconded to approve Resolution Authorizing Submission of US EPA WIFIA Application and Use of Sales Tax Revenues for US EPA WIFIA Loan Application Fees, and to forward the recommendation to the Metro Flood Diversion Authority. On roll call vote, the motion carried unanimously.**

**10. PROPERTY STATUS REPORT**

Mr. Grindberg said the Property Status Report will be reviewed at the regular board meeting.

**11. NEXT MEETING**

The next meeting is scheduled for December 18th at 4:00 PM in the River Room.

**12. ADJOURNMENT**

***MOTION, passed***

**On motion by Mr. Peterson, seconded by Mr. Steen and all in favor, the meeting was adjourned at 5:33 PM.**

Minutes prepared by Brielle Edwards, HR Assistant