Fargo-Moorhead Area Diversion Project

April 19, 2016

Presentation to:

The International Project Finance Association
Presentation Outline

- Red River Basin & the Diversion Authority
- Flood History & Project Need
- Federally Authorized Project
- Project Features
- Project Operations
- Financial Overview
- Procurement Overview
Who is the Diversion Authority?

- **Diversion Authority (DA)**
  - Fargo, North Dakota
  - Cass County, North Dakota
  - Cass County Joint Water Resource District (North Dakota)
  - Moorhead, Minnesota
  - Clay County, Minnesota
  - Buffalo-Red River Watershed District (Minnesota)
Flood History & Project Need
Water Everywhere

Moorhead, MN & Fargo, ND
Transportation Challenges

Interstate 29

Closed April 10. Reopened April 15, 2011.
Detour added = 22.8 miles
The 2009 flood is the largest flood on record and equates to a 50-Year Flood Event.
Diversion Projects Have Proven Success

- Red River Diversion Project in Winnipeg in place since 1969
  - Was recently expanded from 90-year flood protection to 700-year flood protection
  - Has operated more than 20 times since its completion
  - Has prevented $32 billion in flood damages
FM Area Diversion Project

- Federally Authorized Project
- Inlet north of Oxbow, ND
- Outlet near Georgetown, MN
- 1,600 ft wide Diversion Channel in ND with 150,000 acre-feet of Upstream Staging
- Provides 100-year Flood Risk Protection
- Extreme Events are Flood-Fightable
Flooding Without The Diversion (100-year)

- Blue = Existing 100-year Floodplain (USACE)
Flooding With The Diversion (100-year)

- Blue = With Project 100-year Floodplain (USACE)
Flooding Without The Diversion (500-year)

- Blue = Existing 500-year Floodplain (USACE)
Flooding With The Diversion (500-year)

- Blue = With Project 500-year Floodplain (USACE)
Federally Authorized Project
Path to Federal Appropriation and New Start

- **July 2011** - Feasibility Report and Federal EIS Completed
- **December 2011** - USACE Chief’s Report signed
- **March 28, 2012** - Office of Management & Budget clearance
- **April 3, 2012** - Record of Decision (ROD) signed
- **April 2012** - Forwarded to Congress for Congressional authorization for construction
- **June 2014** - Authorized for construction in WRRDA 2014
- **February 2015** - F-M Diversion named as USACE P3 Demonstration Project
- **February 2016** – Received USACE “New Start” and appropriation
Split Delivery Model

Non-Federal Sponsors

Diversion Channel and Associated Infrastructure

USACE

Southern Embankment and Associated Infrastructure, and Mitigation
Project Features
Total Width = Approx 1,600 feet
Maple River Aqueduct
Conceptual Maple River Aqueduct Structure Illustration
Project Operations
Diversion Authority “operates” the flood control features of the Project (designed and constructed by USACE)

P3 Developer receives and conveys floodwaters through the Diversion Channel, which the P3 Developer operates and maintains
Red River & Wild Rice River Control Structures
Diversion Inlet Control Structure
Flood Operation

- Agreement will “define” frequency and size events when Diversion Channel will be used.
- Diversion Channel conveys 20,000 cubic feet per second (cfs) in a 100-year flood.
USACE will deliver Southern Embankment and related mitigation projects

- **Multiple packages; Design-Bid-Build (DBB) delivery**
- **Funded through Federal Appropriations and local contribution**
  - Federal funding of $450 million
  - Local contribution of ~$60 million

Diversion Authority to deliver Diversion Channel & Associated Infrastructure (DCAI)

- **Locally-led P3 delivery**
- **Plan of finance will include a combination of public and private financing, leveraging state and local funding sources**
Financial Overview

P3 Structure Overview

- **P3 Structure for DCAI**
  - Design-Build-Finance-Operate-Maintain (DBFOM)
  - Availability Payment (AP) structure, with limited O&M scope
  - Anticipated 30-50 year term

- **Construction Funding**
  - Private financing (debt & equity) secured by P3 Developer
  - Will incorporate milestone payments to P3 Developer, financed by public debt
Financial Overview

Funding Sources

- Diversion Authority may utilize multiple funding tools to fund retained scope and meet debt service and AP obligations
  - State Appropriations
  - Sales Tax
    - City of Fargo & Cass County have separate, dedicated sales taxes for flood prevention projects
  - Assessment Backstop
    - Cass County Joint Water Resource District
Procurement Overview
Procurement Overview

Status of Enabling Actions
(September 2015 Notice of Intent)

• Federal Appropriation and New Start
  • Received appropriation and new start Feb 9, 2016
  • Requires PPA signing by Aug 31, 2016

• Federal Lawsuit
  • All counts against USACE dismissed
  • 2 remaining counts – require completion of MN EIS
    • Preliminary Injunction remains in place

• MN EIS
  • Anticipate Final EIS in May 2016
  • Anticipate “Adequacy Determination” in June/July
Procurement Overview
JPA and PPA

- **Limited Joint Powers Agreement – 2011**
  - Created Diversion Authority
  - Terminates on or before execution of PPA with USACE

- **Joint Powers Agreement – 2016**
  - Continuation of Diversion Authority
  - Adds Executive Director
    - Chief administrative officer of Diversion Authority
    - Chief purchasing agent of Diversion Authority
    - Chosen on basis of training, experience, executive and administrative qualifications
    - Diversion Authority will enter into project agreement with successful P3 Proposer

- **Project Partnership Agreement (PPA):** Agreement between USACE and Non-Federal Sponsors (Diversion Authority, City of Fargo, City of Moorhead)

- **P3 MOU:** Sets forth rules & responsibilities of USACE with respect to P3 procurement process
Procurement Overview
2016 Timeline

2016 PROCUREMENT TIMELINE

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Procurement Overview
P3 Process – Pre-RFQ

- **Diversion Authority Due Diligence**
  - Research Liability, Insurance, Open Records, Financing, Permitting, Land Acquisition, etc., related to Project
  - Establish Selection Working Group – to include DA Board Members and DA Member Entities
  - Draft RFQ and RFP – a unique project will require innovative solutions

- **P3 Working Group**
  - Host an Industry Day – June 2016
  - Allow 1-on-1 dialogue with the DA and opportunities to meet local contractors and suppliers
  - Respond to comments/questions from P3 marketplace
Procurement Overview
P3 Process – RFQ

• Diversion Authority issues RFQ – Advertised, posted on www.fmdiversion.com, and sent to known interested firms
• Selection Working Group receives responses
• Responses concentrate on technical and financial requirements and ability to deliver Project
• Selection Working Group reviews the responses based upon defined evaluation criteria
• Selection Working Group shortlists 3 – 4 Proposers to the Diversion Authority Board
• Diversion Authority Board reviews the shortlist, makes Findings and Conclusions, and designates the shortlisted Proposers as eligible for the RFP Phase
Procurement Overview

P3 Process – RFP

• Diversion Authority issues RFP to shortlisted Proposers

• Selection Working Group holds multiple, confidential dialogue meetings with each Proposer – dialogue will be encouraged

• Proposals must comply with Technical Requirements, as modified by Innovative Technical Requirements (ITCs)

• Selection Working Group receives proposals from shortlisted Proposers

• Selection Working Group reviews the proposals based upon evaluation criteria
Procurement Overview
P3 Process – RFP (cont.)

- Selection Working Group recommends Preferred Proposer to Diversion Authority Board
- Diversion Authority Board holds a “non-veto” public hearing disclosing the name of the Preferred Proposer
- Diversion Authority makes findings and conclusions selecting P3 Developer
- Diversion Authority executes a project agreement with P3 Developer and makes stipend payments to the responsive shortlisted Proposers who were not selected
Congressional Delegation Works with Diversion Authority on Next Steps

Members and staff of the North Dakota and Minnesota Congressional delegations are working with the...