

**FLOOD DIVERSION FINANCE COMMITTEE  
MARCH 21, 2018—4:00 PM**

**1. MEETING TO ORDER**

A meeting of the Flood Diversion Finance Committee was held on Wednesday, March 21, 2018, at 4:00 PM in the River Room, Fargo City Hall, with the following present: Cass County Commissioner Vern Bennett; 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; Cass County Auditor Michael Montplaisir; Fargo City Assistant Administrator Michael Redlinger; Cass County Commissioner Rick Steen; and Moorhead Finance Director Wanda Wagner.

Martin Nicholson of CH2M; Robert Cowen of CH2M; John Shockley of Ohnstad Twichell; and Rocky Schneider of AE2S were also present.

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

***MOTION, passed***

**Mr. Gehrig moved and Mr. Hendrickson seconded to approve the minutes from the February 21, 2018, meeting as presented.**

**Motion carried.**

**3. APPROVAL OF BILLS**

Mr. Bennett said the majority of the monthly bills are legal bills, and the invoices are generally deficient of information. Mr. Bennett asked how the legal bills are verified. Mr. Costin said the bills are verified by the legal team. The Fargo Attorney's Office and Cass County State's Attorney Office also assist when needed. The lack of information provided in the agenda packet is simply to retain privacy in the legal issues the firms provide assistance with.

Mr. Jacobson arrived for the remainder of the meeting.

***MOTION, passed***

**Dr. Mahoney moved and Mr. Montplaisir seconded to approve the bills in the amount of \$385,901.09 and to forward them to the Metro Flood Diversion Authority. On roll call vote, the motion carried unanimously.**

**4. FINANCIAL UPDATE**

Mr. Costin reviewed the financial statement for February. About \$8.2 million has been expended from the FY 2018 budget, and the total disbursed for the project to date is \$424,054,392. Due to the present project stand down, total revenues currently exceed total expenditures. The net position is \$70.5 million.

Ms. Wagner arrived for the remainder of the meeting.

Dr. Mahoney asked when potential federal funding might be received. Mr. Costin said it depends what fiscal year the funding is designated and which budget it comes out of.

Martin Nicholson of CH2M said federal funding will be requested from the FY 2018 US

Army Corps of Engineers budget. The Diversion Authority supports the federal Corps budget request and will continue to coordinate with the Corps if and when funds become available.

5. **PMC UPDATE**

Robert Cowen of CH2M reviewed the Program Management Consultant (PMC) report, including the overall program status and the FY 2018 cash budget. Mr. Cowen said the FY 2018 Cash Budget shows some line items with a \$0 budget show expenditures as costs incurred in 2017 were paid in 2018.

6. **RECOMMENDED CONTRACTING ACTIONS**

Mr. Cowen reviewed the following contracting actions:

Change Order

- Industrial Builder's, Inc. (Back-up generator installation)—add 91 days to Completion to allow for completion of hook ups, followed by testing and training in the amount of \$0.

***MOTION, passed***

**Dr. Mahoney moved and Mr. Redlinger seconded to approve the outlined change order with Industrial Builders, Inc. as presented, and to forward the recommendation to the Metro Flood Diversion Authority. On roll call vote, the motion carried unanimously.**

HMG MSA Labor Rates for 2018

Mr. Cowen said Houston Moore Group LLC submitted updated billing rates for 2018, which are all below the 3.5% change rate as allowable in their approved Master Services Agreement.

Mr. Gehrig asked what reason was provided for the rate increases. Mr. Cowen said no reason was provided.

Mr. Gehrig said he does not support the rate increases without justification.

Dr. Mahoney agreed and said national or regional data or comparable rates should be provided to substantiate a request for increased rates. Over the past few years, Fargo has found that costs are down in many areas and rates are competitive.

Mr. Redlinger said a request will be sent to HMG for clarification on the reasoning behind the requested rate increases.

***MOTION, passed***

**Mr. Gehrig moved and Dr. Mahoney seconded to request that Houston Moore Group LLC provide justification for their requested rate increases. On roll call vote, the motion carried unanimously.**

Mr. Redlinger said the request will also ask for an additional column to be added to the requested labor rate data sheet to show percentage rate increases for each line item to ensure compliance.

**7. UPDATED ERNST & YOUNG AND ASHURST WORK ORDERS**

Attorney John Shockley said in anticipation of a potentially aggressive restart to the P3 process, task order extensions for Ernst & Young Infrastructure Advisors, LLC, and Ashurst, LLP have been approved by the Diversion Authority Co-Executive Directors.

Mr. Shockley said both firms provide work as requested on an as-needed basis and have been cognizant of limiting work to defined parameters.

Mr. Redlinger said relationships with both firms have been very collaborative and Mr. Shockley has provided strict oversight to the scope of work.

Mr. Shockley said Ernst & Young is working on a revised financial plan and feasibility level to assist the Diversion Authority in strategizing financial needs going forward. The plan will identify increased costs and rebase the sales tax plan using data from previous years. It will also provide information on the potential effects of additional funding from various sources.

Mr. Grindberg asked how costs are properly verified by the firm. Mr. Nicholson said CH2M provides data to Ernst & Young and they run escalation scenarios and advise on interest rates and other factors.

Dr. Mahoney left for the remainder of the meeting.

Mr. Grindberg asked if the affiliation with Ernst & Young is positive for the P3 process. Mr. Shockley said it is; to successfully move forward in the P3 process, current litigation and the permit issue with the MN DNR need to be resolved and a strong financial plan needs to be in place. The relationship with Ernst & Young as a well-respected and strong financial advisor is favorable for this purpose.

Mr. Gehrig left for the remainder of the meeting.

**8. OTHER BUSINESS****State Water Commission meeting**

Rocky Schneider of AE2S said a cost share agreement between the Diversion Authority and the State Water Commission will be discussed at the next State Water Commission meeting on April 12<sup>th</sup>.

**9. NEXT MEETING**

The next meeting is scheduled for April 25<sup>th</sup> at 4:00 PM.

**10. ADJOURNMENT*****MOTION, passed***

**On motion by Mr. Steen seconded by Mr. Montplaisir and all in favor, the meeting was adjourned at 4:41 PM.**