




Split Delivery Plan for Fargo Moorhead Metro Area Flood Diversion Project

Today's Topics

1. The challenge, changing model for federal participation
2. Federal initiatives are changing the business
3. Case Study: Fargo-Moorhead Diversion Project

CHANGING MODEL FOR FEDERAL PARTICIPATION

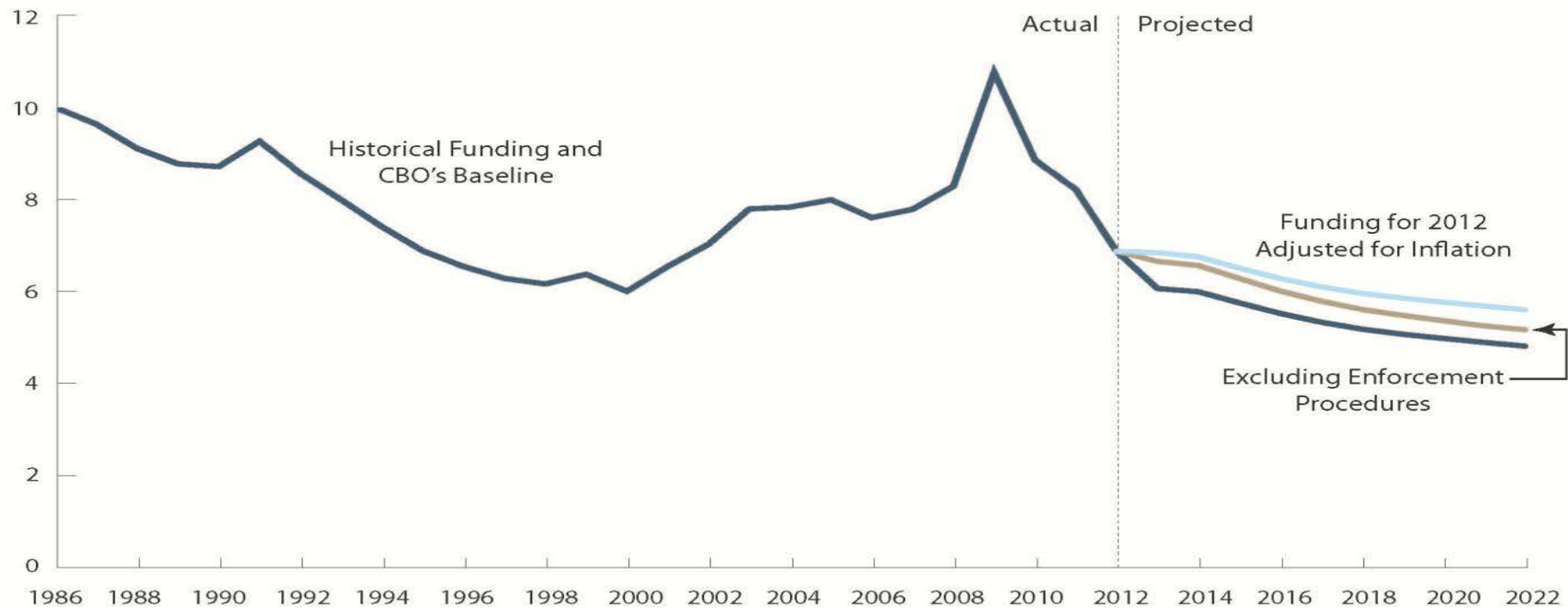
- National debt and budget dilemma;  trend of Civil Works budget
- Impacts of sequestration
- Disaster funding
- Power shifts
 - Congress to Executive Branch
 - Increased role of OMB
 - Increased role of committees
- Increased role of non-federal project sponsors

Caps on discretionary spending reduce available resources for many programs

Total Discretionary Budget Authority Excluding War Funding, Disaster Relief, and Program Integrity Initiatives

(Percentage of GDP)

August 2012
<http://go.usa.gov/7QY>



The caps on discretionary spending—either with the required automatic reductions (as in CBO's baseline) or without them (as in the alternative fiscal scenario)—will necessitate a reduction in the real resources available for many government programs, compared with the funding provided for 2012. If, instead, funding was allowed to grow at the rate of inflation, it would be 17 percent higher in 2022 than the amounts projected in the baseline.

FEDERAL INITIATIVES CHANGING THE BUSINESS

USACE Civil Works Transformation

- “Smart” planning and 3X3X3 plan formulation
- Budge sufficiently and creatively
- ER 1165-2-208 (in-kind contribution credit provisions)
- Sustaining infrastructure, modernize portfolio
- Improve delivery

Congressional

- In-kind contributions: Section 2003, WRDA 2007 (Section 221)
- 2012 Omnibus Bill, Section 111
- WRRDA 2014: alternative financing, process reform

One way for local project sponsors could advance water resources projects

Section 111, FY12 Appropriations Bill

- ***Accelerate funds*** out of proportion with USACE, credit subject to future federal funds being provided
- ***Contribute funds*** to USACE, no repayment or credit
- ***Advance the federal share*** to USACE, with potential for repayment or credit

Accelerating, contributing, or advancing funds requires higher-level approvals and notification of Congressional committees

Second way local project sponsors could advance water resources projects

Section 2003 of WRDA 2007, Section 221: In-Kind Services

- Local sponsor may perform all or part of design
- Construction prior to authorization may proceed by MOU
- In-kind services must meet “integral to project” determination
- A written agreement with USACE is required to obtain credit
- For USACE acceptance of services, work must be done in accordance with laws/regulations

WRRDA 2014 provisions bringing change

Sect. 1043; NON-FEDERAL IMPLEMENTATION OF FEASIBILITY STUDIES

**Sect. 5014; WATER INFRASTRUCTURE PUBLIC-PRIVATE PARTNERSHIP
PILOT PROGRAM**

- ✓ Create a USACE pilot program to enter into PPP pilots.
- ✓ The Secretary of the Army will select 15 projects nationwide.
- ✓ Eligible projects include “authorized water resources development projects for coastal harbor improvement, channel improvement, inland navigation, flood damage reduction, aquatic ecosystem restoration, and hurricane and storm damage reduction.
- ✓ Formal project selection will be made by the USACE in about six months but staff is working toward decisions now.

Other: Sect. 5021 Water Infrastructure Finance and Innovation Act (WIFIA)

CASE STUDY PROJECT



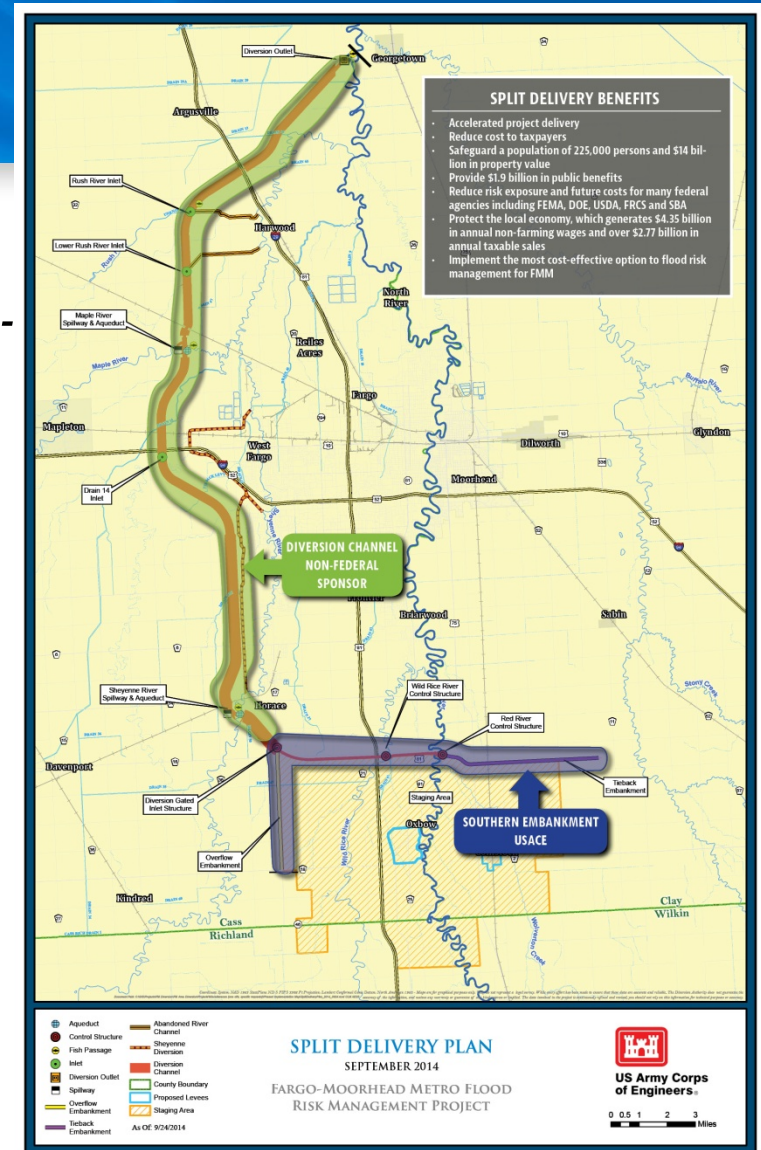
Fargo-Moorhead Metro Flood Diversion Project

Red River Flooding History

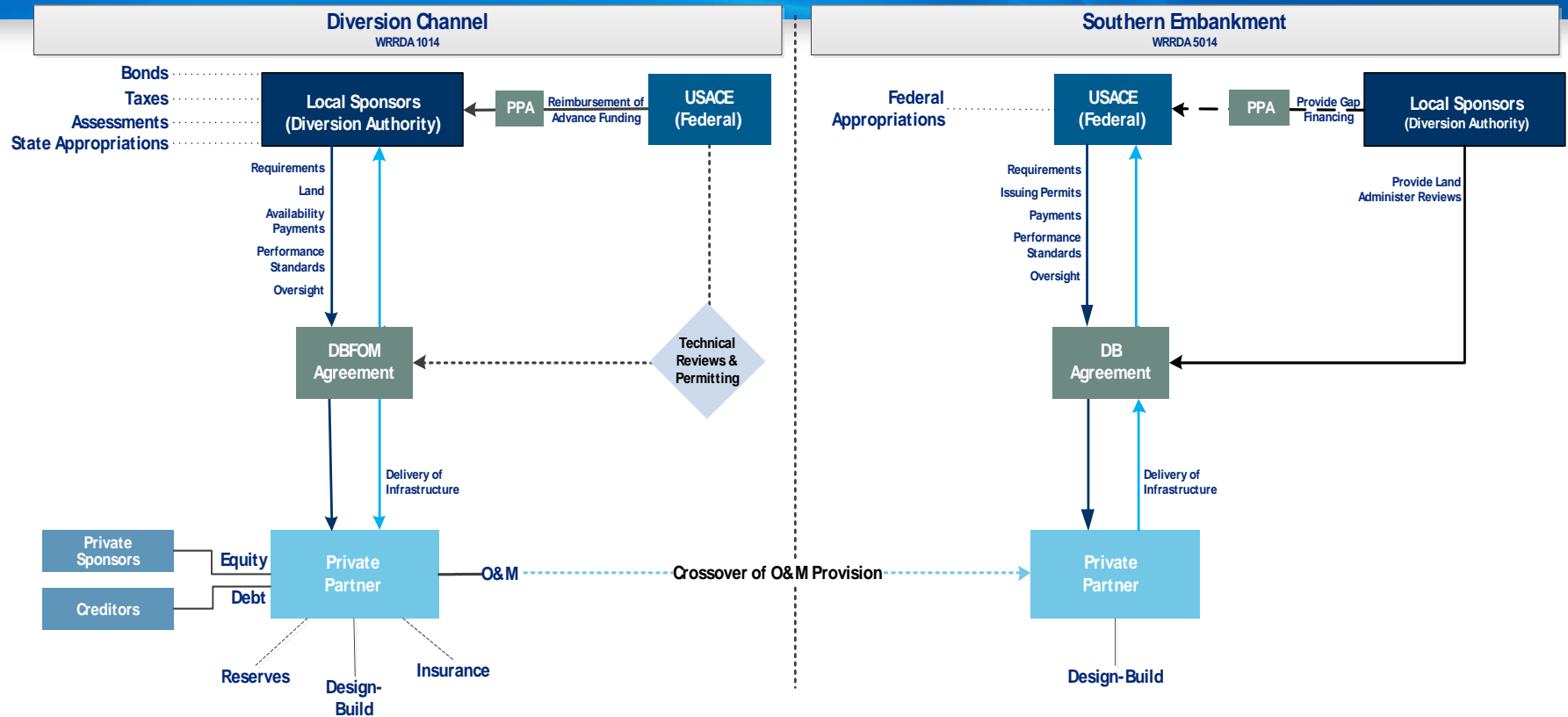
- 💧 **Red River Flood Stage = 18 feet on the Fargo gage at 13th Ave. S.**
 - Exceeded in 50 of the Past 111 years
 - Exceeded 20 of the Last 21 years
- 💧 **Catastrophic Damages Prevented by Emergency Measures**
 - 8 of the 16 “Major” Floods on Record Have Occurred since 2000
- 💧 **Extreme flood event will exceed \$10 Billion damages (Federal EIS)**

Split Delivery Plan

- *Diversion Channel - non-Federal Sponsors*
- *Southern Embankment (dam) and mitigation - USACE*
- Reduces Total Project Cost
- Reduces Federal share
- Shovel-ready!
- Optimal delivery schedule
- Plan works well in current market environment
- Provides benefits to other Federal agencies
 - FEMA, DOE, USDA, HUD, FHWA, NRCS, SBA



Split Delivery – Transaction Structure



► Public-public-private partnership

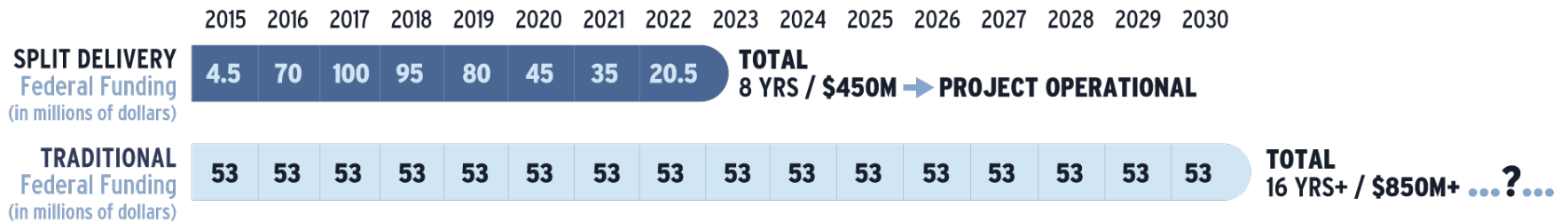
► Utilizes existing authorities

- Section 1014(b) – WRRDA '14
- Advance Funding
- Section 221 – Work in Kind

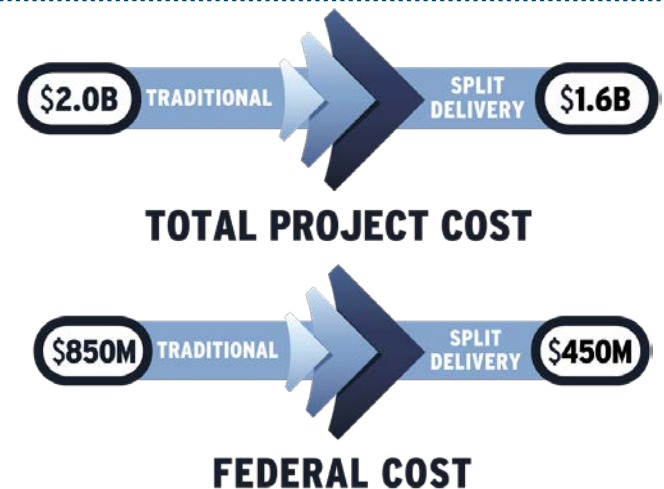
Policy and Budgeting Considerations

Traditional Delivery vs. Split Delivery

IMPLEMENTATION ... SPLIT DELIVERY VS. TRADITIONAL

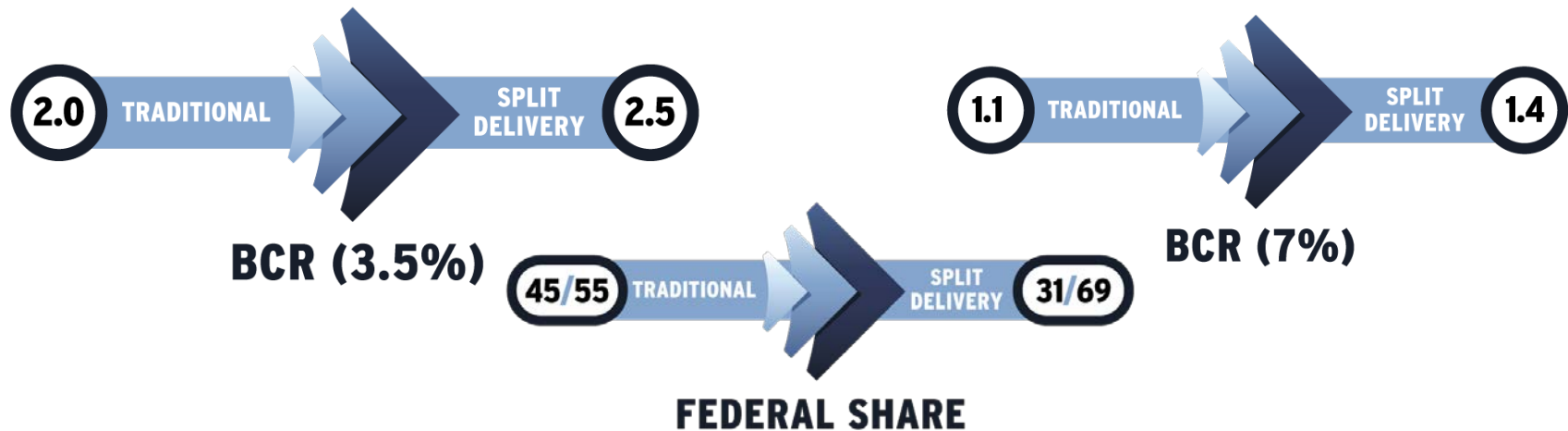


- Split Delivery accelerates project delivery
- Split Delivery reduces scheduling and funding risks
- Split Delivery has less impact on USACE budget
- Split Delivery reduces Federal and Total Project Costs
- All savings will be allocated to USACE



Policy and Budgeting Considerations

Traditional Delivery vs. Split Delivery



- ▶ Split Delivery increases the Benefit Cost Ratio
- ▶ Split Delivery provides a significant return on investment
- ▶ Split Delivery reduces the Federal share
- ▶ Prevents \$6B in damages from 100-year event
- ▶ Prevents \$10B in damage from a 500-year event

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