

**House Appropriations - Education and Environment Division**  
**Chairman – Representative David Monson**  
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**Joint Testimony**

**By: Shaun Sipma**  
**Mayor, City of Minot**  
[shaun.sipma@minotnd.org](mailto:shaun.sipma@minotnd.org)  
**701.721.6839**

**By: David Ashley**  
**Chairman, Souris River Joint Board**  
[dashley@mouseriverplan.com](mailto:dashley@mouseriverplan.com)  
**701.626.1566**

**HB 1020**

**Introduction – Mayor Shaun Sipma**

Chairman Monson and members of the House Education and Environment Division of appropriations, my name is Shaun Sipma, Mayor of the City of Minot. I am here today to speak in support of HB 1020 and the allocation needed to continue the Mouse River Enhanced Flood Protection Project.

With me today is David Ashley, Chairman of the Souris River Joint Board. We will be presenting jointly today.

This year will mark 10 years since the flood of 2011 devastated Minot and the surrounding region. The first words I want to say today are “thank you.” “Thank you” for the commitment this legislative body has made to both our recovery and the ongoing protection we are building for Minot and other communities up and down the Mouse River.

**Slide 1 – Mayor Shaun Sipma**

We have uploaded this joint testimony along with a series of slides. Our intent is to cover 5 topics with you this morning.

First, we want to update you regarding the status of the current biennium appropriations and how that funding is currently being utilized.

Second, we want to outline our request of \$76 million that is included in the State Water Commission’s water plan and how we intend to utilize that state funding if it is approved.

Third, we want to give you a high-level status update regarding the funding for the project, including which reaches are currently funded as well as the reaches that are currently not funded.

Additionally, we want to share with you the funding for the project that has been secured to date.

Finally, we wish to share what we have done to date to counteract inflation as well as how inflation may impact the project, depending on the timeframe for its completion.

David Ashley is going to say a few words and cover slides 2-7, and then I will be back this podium to wrap up on slides 7-12.

### **Slides 2-7A – David Ashley**

Thank you, Mayor Sipma. On behalf of the Souris River Joint Board, let me also say “thank you” for your support of the regional flood protection project which is so important to prevent the devastation and substantial disruption that occurred in 2011.

#### **SLIDE 2**

The graphics on slide 2 depict the phases of the project that were originally intended to be completed using the 2019-21 appropriation of \$82.5 million. Of the \$82.5 million, a total of \$46.6 million was programmed for activities inside the city limits of Minot. The remaining \$35.9 million was programmed for activities outside of Minot. It should also be noted that the figures represented on this slide are State funding only. The State cost share is currently 75% for acquisitions and 65% for construction and engineering.

A total of \$15.2 million in State funding has been used to advance acquisitions to clear the footprint for future levee construction. Of that \$15.2 million, approximately \$12.0 million has been set aside for acquisitions within Minot and the balance of \$3.2 million is being used to complete acquisitions outside of Minot, including acquisitions in Burlington and unincorporated areas adjacent to the west and east city limits of Minot. These acquisitions are ongoing, and while a portion of the funding remains unspent, the negotiations are active, and it is important that the funding is in place to be able to close these acquisitions when terms are agreed upon.

A total of \$59.6 million in State funding was programmed in the current biennium for construction activities. Approximately \$19.6 million in State funding is being used to construct the Burlington segment of the project. The south phase of the project is currently under construction and is approximately 50 percent complete. The north phase of the project is scheduled to begin construction this spring.

Approximately \$13.1 million in State funding was to be used to construct the Tierrecita Vallejo levee in the current biennium. This is the levee segment on the western end of Minot, also known as Phase WC-1. The construction of the southern portion of this levee is also scheduled to begin in the spring of 2021. The construction of the northern portion of this levee has been deferred into the future due to budget cuts.

Construction of utility relocations associated with Phase MI-4, or the Maple Diversion, in Minot is currently ongoing and is utilizing approximately \$2.0 million in State funding.

The original work plan also included the partial construction of Phase MI-5, which is the northeast tieback levee in Minot. The State funding programmed with this partial construction was \$24.9 million.

Due to budget cuts, the construction of this portion of Phase MI-5 has also been deferred into the future.

Approximately \$7.7 million in State funding was programmed in the current biennium for design and permitting activities related to future construction phases, including \$3.9 million for the Maple Diversion in Minot (also known as Phase MI-4) and \$3.8 million for the design of the Eastwood Park Levee in Minot (also known as Phase MI-6).

All of the activities originally planned for the 19-21 biennium are shown on this graphic. However, as mentioned, two construction activities were deferred into the future due to budget cuts. The activities depicted in the maroon total \$49.5 million in State funding and are ongoing, whereas the activities depicted in the orange total \$33.0 million and have been deferred.

The chart at the bottom right corner of Slide 2 summarizes the original work plan for the 19-21 biennium based on the original \$82.5 million appropriation.

#### SLIDE 3

The chart at the bottom right corner of Slide 3 summarizes the current work plan for the 19-21 biennium based on de-obligating a total of \$33 million in State funding and completing acquisitions, engineering and construction totaling \$49.5 million in State funding.

#### SLIDE 4

For the upcoming biennium, the Souris River Joint Board and City of Minot have requested \$76 million in State funding to complete the activities outlined in the chart included on Slide 4. The activities are organized by color, with acquisitions in blue, design and permitting activities shown in the light brown color, and construction activities outlined in orange. The total cost of all activities is estimated to be \$114.7 million. This includes \$76 million in State funding and \$38.7 million in local funding. The following slides will go into a little more detail on the planned activities.

#### SLIDE 5

On slide 5, activities in or near Minot are shown on the map. The orange colors on the map of slide 5 are indicative of proposed construction activities, and the maroon color corresponds to a proposed design activity.

Within Minot, a total of \$10 million is planned for acquisitions, which would include \$7.5 million in State funding. Additionally, \$2 million in State funding is requested for the design of the Valker Road South levee. Also, within Minot, the construction of the Northeast Tieback Floodwall is planned, which is expected to cost a total of \$64 million. The request from the State related to this phase of the project is \$41.6 million.

West of Minot, at Tierrecita Vallejo, the north segment of the Tierrecita Vallejo levee is planned for construction. Based on current estimates, the requested State share associated with this phase of the project is \$8.5 million.

#### SLIDE 6

On slide 6, activities outside of Minot are shown on the map. Design was completed for bridge replacements at Mouse River Park (Renville County), Sawyer (Ward County) and Velva (McHenry County) using funding from the 17-19 biennium. These designs are nearly complete, and funding for construction of these bridges is being requested for the upcoming biennium. Each bridge replacement is estimated to cost approximately \$4 million total, with the requested State share being \$2.6 million each.

At Robinwood, which is a rural community between Burlington and Minot, design funding is requested for the proposed levee. The total design effort is estimated to be \$4 million, with the requested State share being \$2.6 million.

A total of \$4.7 million is planned for acquisitions outside of Minot in the next biennium, with the requested State share being 75% of the cost of those acquisitions. Rural improvements are also being planned to reduce flood risk outside of the urbanized areas of the basin.

#### SLIDE 7A

We have accomplished much since 2011, as the Mayor will discuss shortly. But our intent is to communicate that there is much more to do. On slide 7 and also within the middle pages of the brochure, we have included a graphic that illustrates the funding status for the various reaches of the project.

The thick, solid lines correspond to project phases that have been fully funded through construction. All other lines, whether they are thin or dashed, represent phases that have future funding needs.

The thick, dashed lines correspond to project phases that have only been funded through design and permitting. These phases do not currently have any funding in place for their construction.

The thin, solid lines indicate phases of the project for which there has been no funding secured at all, even for design. Currently, we have funding in place to complete approximately 40 percent of the project, and we sincerely appreciate the State's support in reducing flood risk throughout the Mouse River basin.

The City of Minot has been a steadfast supporter of the Souris River Joint Board and flood control throughout the Mouse River Basin. I would now ask that Mayor Sipma continue with further remarks regarding funding for the project.

#### **Slides 7B-12 - Mayor Shaun Sipma**

#### SLIDE 7B

As we continue on slide 7, I would like to again express gratitude to this committee for previously establishing legislative intent to fund a large portion of the project in Minot. The legislative intent was originally established to cover the anticipated State share of what is known as Minot Milestone 1. This is the portion of the project shown within Minot in the blue color on Slide 7 and within the middle pages of the brochure.

Four years ago, one of your appropriator colleagues asked what the total cost would be to construct this initial milestone, and the answer was \$325 million, with the State's share of the unfunded portion of

that being \$193 million for work wholly within the city limits of Minot. Of course, during that same period of time, there is has also been work outside the city limits that then was not counted against that \$193 million of legislative intent.

We are grateful for the State's commitment to funding that milestone. It has meant a great deal to the 60% of valley residents in Minot that would be protected by that portion of the project. However, our Minot residents within the neighborhoods of Minot Milestones 2 and 3 as well as our rural neighbors are concerned about the future and are asking for your support.

#### SLIDE 8

There has been a fantastic commitment since 2011 to reducing flood risk in the Mouse River basin and within the City of Minot. To date, nearly \$409 million has been committed by our local, state, and federal partners for this project. And as you know, most of that funding, nearly \$229 million, has been committed by the State of North Dakota and this body. We cannot thank you enough for that.

The graphics that are shown on Slide 8 illustrate that commitment. Chairman Ashley mentioned that the original appropriation in the current biennium was \$82.5 million and was reduced to \$49.5 million following the de-obligation of \$33 million due to projected revenue shortfalls related to COVID-19.

This graphic demonstrates the State's commitment to this project since 2011, with an average biennial appropriation of \$45.7 million. We are absolutely grateful for that, but we want to share some of our concerns with maintaining a similar level of funding.

#### SLIDE 9

If you recall, the original plans for improvements throughout the basin were developed by the North Dakota State Water Commission following the 2011 flood. These improvements were originally estimated in early 2013 to cost a total of \$1.03 billion.

Based on the current unfunded need to complete the project of \$674 million, the total project is expected to cost \$1.08 billion.

As the project has progressed, we have been able to counteract inflation through value engineering. While inflation has been progressing in the construction markets at a rate of around 3% each year, we have been able to control the project costs such that the annual increases have been less than 1% per year. We intend to continue these efforts to refine the design and reduce the cost of the project, but these efforts will be increasingly difficult as we continue to progress towards the finish.

I would like to share three different scenarios that would take us to project completion.

The chart on Slide 9 depicts what we have termed "Scenario 1" where the project receives State funding at a level similar to the average received to date, with a 3% annual escalation factor applied. If we assume this level of funding and an average annual inflation rate of 3%, the project will take approximately 20 more years to complete, and the immediate need of \$674 million to complete the project grows to \$902 million. In other words, the project will cost \$228 million more due to inflation.

#### SLIDE 10

We have been asked how quickly the project could be implemented if the funding was made available during the most aggressive implementation schedule. We believe that the project could be completed in as few as 7 years, shown on Slide 10, at a total cost of \$735 million. We have termed this "Scenario 2." In "Scenario 2," the cost to complete the project is \$167 million lower than "Scenario 1" due to the cost associated with inflation.

#### SLIDE 11

If the project implementation schedule were adjusted to meet funding which would be provided over a period of 10 years, shown on Slide 11 as "Scenario 3", the total cost to complete the project would be \$767 million. As compared to "Scenario 1," the cost to complete the project is \$135 million lower than "Scenario 1" due to inflation.

Of course, there are all sorts of funding scenarios that could be created. Our main point: if we can figure out a way to advance these projects to completion, especially the large ones, we will save hundreds of millions of dollars. Another significant advantage of faster implementation is avoiding the economic damages that will be sustained by residents due to flood insurance premium increases, as well as potentially avoiding the damages associated with a flood that could occur during an extended implementation schedule for the project.

#### **Conclusion – Mayor Shaun Sipma**

#### SLIDE 12

On our final slide we have included links for your use that will take you project information and construction videos.

On behalf of the City of Minot and the Souris River Joint Board, we look forward to continuing to work with this committee on the state's share of funding in the present biennium and, of course in the years ahead to complete the work on this important project.