

House Appropriations – Education and Environment Section
Chairman – Representative Mike Nathe
January 22, 2025

Testimony of:

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HB 1020

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Chairman Nathe and members of the House Appropriations Education and Environment Section, my name is David Ashley. I am chairman of the Souris River Joint Board. I am here today to speak in support of House Bill 1020 and the appropriation needed to continue progress on the Mouse River Enhanced Flood Protection Project.

This summer will mark 14 years since the 2011 flood devastated Minot and the surrounding region. We have come a long way as a community and as a basin, and much of that progress is a result of the support from the North Dakota Legislature. For that, we are very grateful.

I want to offer a little bit of background information regarding the Souris River Joint Board and the project. The Joint Board is a water resource district with representatives from all four counties along the Mouse River in North Dakota – those being Renville, Ward, McHenry and Bottineau counties. In addition, we have a voting member from the City of Minot.

We have been responsible for developing, designing and building the flood control project along with our funding partners, who have included the State of North Dakota, the City of Minot, all four counties along the River, the US Army Corps of Engineers, the Department of Defense, FEMA, HUD and others.

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I'd like to provide a brief overview of the project funding summary for the current biennium. A total of \$76.1 million was appropriated for Mouse River activities during the last legislative session. Of that total, the Souris River Joint Board received \$66.35 million for construction and engineering activities throughout the basin and property acquisitions outside the city limits of Minot. The balance of the appropriation, \$9.75 million, was granted to the City of Minot for property acquisitions within Minot's city limits.

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Our original work plan, as we presented to this committee two years ago, is shown on this slide. The program included approximately \$14.8 million in total property acquisitions and \$100 million in construction of two phases within the city of Minot. All of the funding for the current biennium is contractually committed.

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Much of our planning focus has been on the Maple Diversion phase of the project in central Minot. We have been engaged in dialogue with the three railroad entities that the project will affect – BNSF Railway, CPKC Railway, and Amtrak – to determine necessary design considerations and mitigation measures for the project.

The original feedback from the railroads would have the project include significant reconstruction of both BNSF and CPKC railroad infrastructure, including a realignment of the intersection of the two railroads and reconstruction of the Amtrak passenger platform.

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Over time, we have been able to significantly reduce the amount of railroad work, which reduces project cost. The latest design iteration includes limited modifications of both BNSF and Amtrak infrastructure. While beneficial to the project budget, this dialogue takes a long time to occur and gaining concurrence between the three railroad entities has been a lengthy process.

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There are three different milestones which have been identified within the City of Minot. Minot Milestone 1 will provide flood protection for much of northwest Minot, and we have made significant progress towards that goal. The lines shown in the solid green color indicate segments of the project which are fully funded and nearly complete. The dashed green line represents the Maple Diversion, which is the piece of the project that has a funding commitment of over \$60 million from the Corps of Engineers.

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This slide represents another reason for urgency in implementing this project. The blue shading represents FEMA's proposed regulatory floodplain through Minot. As you can see, there are thousands of homes within their proposed floodplain. The owners of these homes would generally be required to purchase high-risk flood insurance if they have any type of mortgage or debt on their property. This is a major economic hardship, with projected premiums exceeding \$10,000 annually for some of the lowest-lying homes.

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This is how the completion of Minot Milestone 1 will affect that regulatory floodplain. Approximately 60% of the homes within the regulatory floodplain in Minot would be mapped out, once the Maple Diversion is completed. While this is a significant improvement within Minot, it's important to point out that two additional milestones will remain.

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We have also begun working on Minot Milestone 2 which focuses on providing benefit to the areas of downtown Minot and the Eastwood Park historic residential neighborhood.

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The areas outlined in orange are fully designed, permitted and partially under construction. The areas outlined in red are currently undergoing final design and construction could begin on those phases in 2026.

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Minot Milestone 3 focuses on southeast Minot, including the North Dakota State Fair Center and thousands of residents in that area.

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Ultimately, our vision is for the regulatory floodplain in Minot to resemble the figure shown on this slide. We have not begun detailed design on Minot Milestone 3.

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We've also been completing work outside of Minot. Levee work in Burlington is substantially complete. If Burlington were to see a flood of similar magnitude to what was experienced in 2011, the community would be safe without much emergency effort. Burlington represents the first community to complete flood protection.

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We want to share the results of recent bidding for the project that has caused us great concern. We originally bid the phases outlined in orange on this slide in the spring of 2024. Those bids were considerably higher, in some cases nearly double, than we had experienced only two years prior. The first round of bids were ultimately rejected by the Joint Board and the projects were rebid.

Ultimately, the rebid process yielded better results, including a reduction of approximately \$12 million as compared to the initial bidding process. The lowest bid amounts were still 40-50 percent higher than comparable bids received in the spring of 2022.

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We want to share a couple of data points from projects that we have put out for bids since 2017. The low bidder's price for pump station concrete was 209% higher than it was in February of 2022. While not nearly as drastic, the low bidder's price for floodwall concrete saw an increase of 41% over a similar period.

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The United States Department of Transportation publishes the National Highway Construction Cost Index, and this chart illustrates the troubling inflation trend of the past several years. Nationally, hyper-inflation seemed to start in the first quarter of 2021. Present day estimates indicate that costs have increased 71% as an average across the nation. We are seeing an even greater impact of hyper-inflation in Minot.

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We have taken several steps in an attempt to understand and counteract the effects of hyper-inflation. As I indicate previously, we rejected the bids received for Phases MI-6 and MI-7 of the project in the spring of 2024. We subsequently rebid those phases of the project and reduced the costs of those by approximately \$12 million.

We also repackaged the project in an attempt to solicit the interest of smaller contractors. We split the project into several sub-phases, which seemed to encourage additional competition and interest. Ultimately, it was the combined bids of the larger contractors that were the most cost-competitive.

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We reached our contractor base to inquire why there has been such a considerable change in pricing and interest in these projects. Their feedback is clear – they're very busy doing a lot of work in other areas of the state. Relocation of their crews to the Minot area is not ideal because they have ample opportunity to work closer to their home bases. Additionally, contractors cited costs of labor, materials, and carryover work as reasons for lack of interest and high pricing.

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The Joint Board also undertook a re-evaluation of the remaining program to identify the anticipated costs to complete the project with the effects of inflation. In addition, the Joint Board has been evaluating alternative delivery methods for the project. Recently, an agency construction manager was selected to facilitate the construction of the required bridge replacement at Mouse River Park in Renville County. That project was originally developed as a design-bid-build project. After four consecutive bid openings with no bids received, the Joint Board is pursuing a different method of project delivery. We also recently bid a required bridge replacement in Velva and received no bids for that project either. The feedback is that bridge contractors are plenty busy doing bridge replacements in other areas of the state closer to their home bases.

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Our hope is that we can work together to find a solution to finish this project. As we shared with the Water Topics Overview Committee last summer, we have been working to refine the project budget based on best available information. With this updated budget, we have developed a number of scenarios to aid in your deliberations. We have estimated that the cost to complete the project is \$1.018 billion, represented in 2025 dollars.

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Scenario 1 represents the most aggressive implementation for the remainder of the project. Based on having no constraints to funding, we would expect to spend \$129 million in State funding in the next biennium, followed by \$441 million in the 27-29 biennium, \$97 million in the 29-31 biennium, and \$6 million in the 31-33 biennium. Total cost to complete the project would be \$1.092 billion, with the remaining State share estimated to be \$673 million.

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Scenario 2 represents maintaining an appropriation level of \$76.1 million until the project is completed. With a remaining capital cost of roughly \$1 billion to complete, the cost of 3% inflation is approximately \$30 million each year or \$60 million per biennium. Naturally, this cost extends out the timeframe. We would expect the schedule to extend to the 45-47 biennium under this model. Total remaining state share would balloon to \$844 million under this scenario.

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Scenario 3 represents a \$100 million biennial State appropriation until the project is completed in the 39-41 biennium. Total remaining State share would be \$771 million under this scenario.

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Scenario 4 increases the biennial appropriation to \$125 million until the project is completed in the 35-37 biennium. Total remaining State share would be \$733 million under this scenario.

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As we consider ways to deliver this project, we are asked about why we are building to the level we experienced in 2011. We have a few perspectives that we would like to share with the committee. First, building to the flood of record has been identified as the optimal investment with the maximum benefit to cost ratio. The US Army Corps of Engineers performed an independent evaluation of the economics of the project and reached this conclusion.

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Second, the cost savings don't justify the reduction in project value. Following the development of the original Preliminary Engineering Report, the State Water Commission, led by Governor Dalrymple at the time, studied the costs associated with building to various lower levels of protection. The conclusion of that study was that a 64% reduction in project capacity – building to a 10,000 cubic feet per second level of protection – would produce savings of only around 6%.

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Building to the flood of record will allow for flexibility and adaptive reservoir management that can be used to benefit both urban and rural portions of the basin. When flow rates are well below the capacity of the urban levee systems, the reservoirs could be operated for the benefit of rural stakeholders. This is the essence of a basin-wide solution.

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Our historical record is roughly 120 years long, and multiple researchers and agencies have classified the 1900's as a relative drought. We don't know for certain what the next century will bring, but we aren't comfortable expecting a drought to persist for the next one hundred years as part of our strategy.

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And finally, the 2011 flood actually happened. This design level was not established through the mystics of statistics. It actually happened, and we are committed to preventing damage from a similar threat in the future.

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On behalf of a grateful community of residents along the Mouse River, I want to thank you once again for your steadfast support.