

Senate Finance and Taxation Committee
Chairman – Senator Jessica Bell
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Testimony

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HB 1431

Good morning Chairman Bell and members of the Senate Finance and Taxation Committee. Thank you for the opportunity to be here today. My name is Shaun Sipma, Mayor of Minot, and on behalf of our City and in conjunction with the Souris River Joint Board (SRJB), I am here today to testify in support of House Bill 1431.

The Mouse River Enhanced Flood Control project is a basin-wide flood control project and is a top legislative priority for Minot. The priority is paramount because of life, health, and safety.

The Billion Dollar project has been moving steadily forward for four (4) years now. As funding has been allocated by the State for the project, the City of Minot has provided the local match for construction both inside city limits and for projects outside city limits and elsewhere in the Basin. The Souris River Joint Board, the entity in charge of building the project, has stayed on course, on time and on several occasions under budget.

In 2020 when revenues came in behind projections into the Water Resources Trust Fund, due to economics stemming from COVID-19, the City of Minot and the SRJB shared shortfall by turning back more than \$30 Million Dollars of what would have been appropriated funding towards flood control.

Several sessions ago a plan was approved that was aimed at funding work inside the City of Minot for flood control to a total of \$193 million dollars to get to Milestone 1. Milestone 1 represents protections for approximately 62% of the

river valley that runs through Minot. To date the remaining intent of that commitment is \$114,586,716.00.

To be clear the current funding allocation schedule puts the Mouse River Flood Control Project with a completion date somewhere around 2041. That is 20 more years of construction, 20 more years of not being fully protected from another flood, 20 more years of inflationary construction costs and 20 more years of increasing flood insurance premium to residents.

My goal today in testifying in support of the bill is to also emphasize the intent language from the 2017 legislature was never meant to be the signal of the finality of the project, but rather a milestone—again what we call Milestone 1. That is well represented in all testimony given from my predecessors and colleagues.

Moving forward it is also critical for this project to focus on the timetable for completion rather than just the next milestone. That is why when I testified in House Appropriations, I mentioned that the SRJB and the City of Minot would like to begin a conversation with all of you about shortening the construction build from 20 years to a number closer to 12 years.

A 12-year buildout would save more than \$100 million on inflationary construction costs. A quicker completion would provide flood protection sooner to more to residents in Minot and many more throughout the basin. A quicker completion would also provide direct relief to property owners whose flood insurance rates will soon start increasing dramatically in the years ahead.

I do want to spend a moment focusing on flood insurance projections. Flood insurance rates, for a homeowner – primary dwelling, are currently more than \$600 a year in Minot. When FEMA remaps the Mouse River Basin, which is coming in the next 12 months or so, and we fast forward a dozen years the same policy will cost approximately \$2,400 a year based on an escalation rate of 12% the first two years and 18% every year after. If we factor 20 years of increases that policy is likely to be more than \$10,000 a year. For non-primary dwellings, or rentals, and commercial properties those rates climb higher much faster due to mandatory increases of 25% a year set by the National Flood Insurance Program. By year 12 the average rate for a rental property will be more than \$6,100

annually and commercial hitting the actuarial rates which is a bit uncertain but could be well north of \$12,000 a year. With the projections included in the handout you can see the insurance premiums in total are staggering.

All that money, from all those policies will be leaving the Basin and North Dakota headed to Washington. I could talk about economic impact to the housing market in the river valley and how that then ripples throughout the community, but I think it becomes clear quick. The projected savings on flood insurance premium from a 12 year and a 20-year build would be more than \$45 million.

Minot's local cost share modeling based on the current sales tax allocation does run short on an accelerated build model. However, before the current allocation of sales tax funding runs short, the Northwest Area Water Supply (or NAWWS) will be complete and fully funded. The allocation for that Basin Wide Project being funded out of Minot sales tax can be diverted to make up the shortfall for basin wide funding for flood control. This will have to be paired with a financial vehicle for long term-low interest funding rather than traditional bonding debt.

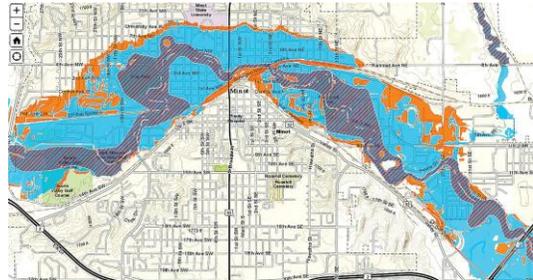
The state has the tools and the assets. Now we must find the will. That conversation will come in the near future.

In the meantime, I am here today to support House Bill 1431. Let me say thanks for the fantastic progress we have made with the state and local partnership that will be continued with the funding in this bill. I invite all of you to Minot to see how we have implemented the past dollars and how we will implement the funds outlined in the bill you have before you today.

Lastly, this bill when it was first introduced it had funding for a career and technical program in Minot. When I testified in the House, I expressed support for maintaining that provision. I will not express an opinion today on whether bonding is the right way to fund such a program, but I do want to express support for the program itself—and if your discussions about funding this kind of program enters back into the bonding discussion, the City of Minot would be supportive.

Thank you again for the opportunity to testify before you today. I would be happy to stand for questions.

City of Minot North Dakota



- Flood Plain Properties 2,761
 - Residential Dwellings 1,822
 - Rental Dwellings 723
 - Commercial Properties 216
- FEMA Map Change from 'X' Low Risk Expected To Change to 'AE' High- Risk In 2022.
- FEMA Rate Increase Maximum 12% First 2 Years, Maximum 18% Every Year After (Primary Dwelling).
- FEMA Ratee Increase Mandatory 25% For All Non-Primary & Commercial Properties



Flood Insurance Projected Increases

- 12 Year Build Rate Versus 20 Year Build Rate

Property Description	12 Year Build	20 Years Build	Cost Savings
Residential Dwellings	\$9,603,627	\$27,670,084	\$18,066,457
Rental Dwellings	\$7,349,209	\$20,677,490	\$13,328,281
Commercial Properties	\$14,812,416	\$28,619,870	\$13,807,454
Combined Properties	\$31,675,252	\$76,967,445	\$45,202,192

Minot Flood Insurance Projected Costs

