

Special assessments more likely if voters reject 50-year extension of diversion sales tax this fall

By [Rick Abbott](#) on May 25, 2016 at 7:51 p.m.



Tom Rousakis, with Ernst & Young infrastructure advisors, presents an updated financial plan for the Fargo-Moorhead flood diversion at Fargo City Commission chambers on Wednesday, May 25, 2016. Rick Abbott / The Forum

FARGO – Under a new financing plan offered Wednesday, May 25, about half of the cost of the huge Fargo-Moorhead flood diversion project will come from extending current sales taxes about 50 years, diversion representatives said.

If voters in Fargo and Cass County deny those sales tax extensions at the November general election, special assessments would likely be needed to help pay for the city and county share of the \$2.1 billion flood control project.

"The odds of special assessments will be greatly increased, absolutely," if voters deny the tax extensions, said Martin Nicholson, program director and senior vice president for CH2M, an engineering consultancy involved in the diversion project.

Representatives from CH2M, AE2S, the project management consultant for the Diversion Authority, and infrastructure advisers Ernst & Young presented the financial plan at Fargo City Commission chambers Wednesday ahead of a Diversion Authority board meeting

Thursday, May 26.

If the sales tax extensions are voted down, "We go back to the drawing board with respect to how you fund and finance a project of this type," Nicholson said.

The financial plan uses the current sales taxes already approved by voters in Fargo and Cass County, and extends them to 2083.

In Fargo, a ½-cent sales tax passed in 2009 and dedicated to the diversion expires in 2029. Another ½-cent tax dedicated to flood control, approved in 2012, expires in 2032. A 1-cent tax approved by voters in 2006 as a Fargo infrastructure tax, with one-quarter being used for flood protection, expires in 2028.

A Cass County sales tax of ½-cent that was approved in 2010 and dedicated to the diversion expires in 2031.

In order for the plan to move forward, voters would have to approve an extension of the sales taxes, which together make up a 1.75 percent sales tax, in November. The Fargo City Commission and Cass County Board still need to approve putting the extensions on the ballot.

"We need to be able to depend on that long-term sales tax availability in order to implement the long-term financing," said Tom Rousakis of Ernst & Young.

Cost breakdown

Federal funds appropriated for the diversion were initially expected to be an estimated \$846 million in 2011, but in March it was announced the federal share would be slashed to about \$450 million because the U.S. Office of Management and Budget determined the cost-benefit of the project was lower than expected.

Minnesota officials aren't expected to pay for more than 2 percent of the cost, which is the benefit they believe their residents and businesses will get from the project. It works out to about \$43 million.

That leaves the state of North Dakota and local governments to shoulder the rest of the cost: about \$570 million from the state and \$1.1 billion from local government funding through sales taxes.

The cost of another flood, which was last estimated in 2012, would be about \$10 billion, a Diversion Authority consultant previously said. And with the metro area's population growth since 2012, that cost could now be significantly higher.