



FM Area Diversion Project  
Special Assessment District  
Frequently Asked Questions (FAQ)  
March 2015

**Why was a special assessment chosen to help finance the local share of the FM Area Diversion Project?**

It is expected that the pace of project expenditures will exceed the rate of sales tax collections. As such, the Diversion Authority will need to sell bonds to finance the project. The Diversion Authority considered many means of long-term financing, and has utilized some short term options; but ultimately, special assessment-backed bonding rose to the top of the list as the most attractive.

The existing flood control sales taxes collected in Cass County and the City of Fargo are anticipated to generate over \$700 million in revenue and are sufficient enough to make the annual "mortgage payments" for whatever financing mechanism is chosen for the local North Dakota share of the FM Area Diversion Project.

Sales tax revenues are pledged to the FM Area Diversion Project and could be used to back the bond issuance. However, bonds backed by sales tax revenues are not as attractive to potential bond purchasers as bonds backed by special assessment districts. Significant dollars can be saved in reduced interest rates and reduced financing costs by selling bonds backed by special assessments; a special assessment district will actually save taxpayer money.

Creation of a special assessment district will also automatically generate a maintenance district. Maintaining the project following construction will be essential to its effective operation, and the Diversion Authority will require a mechanism to fund annual maintenance and operation. So in addition to the reduced cost of financing, creation of a special assessment district will also give the Diversion Authority a way to pay for maintenance of the project after construction. It is estimated that annualized operation and maintenance costs will be approximately \$3 million.

This plan to help finance the local share of the FM Area Diversion Project will save thousands of dollars a year for many homeowners, compared to potential flood insurance rates.

**I have heard that I will not be billed for this, and that existing sales taxes will cover the payments. Is this true?**

Yes. Under the current plan, property owners would not have to pay annual assessments; the two voter-approved sales taxes would do that. The assessment district would allow the Diversion Authority to finance the Diversion Project at a more favorable interest rate and remove the unfavorable coverage requirements of sales tax financing. It is anticipated that a 30-year bond would be sought after, which means that the liability on each property would be reduced annually due to sales tax funds, the water district's reassessment process, and other revenue, until it is removed completely.

**How does West Fargo benefit from the FM Area Diversion Project?**

West Fargo residents also benefit from the FM Area Diversion Project. Even though many properties in West Fargo already benefit from the Sheyenne Diversion, which protects West Fargo from some flooding of the Sheyenne River, the FM Area Diversion Project is a much larger flood control project that would provide properties in West Fargo with additional flood protection from higher level flooding on the Sheyenne, in addition to flood concerns from large flood events on the Red River. It is important to recognize that because properties in West Fargo have a certain level of flood protection already, the assessment liability for those properties is considerably lower than a similar home in South Fargo.

**What happens to the Sheyenne Diversion if the FM Area Diversion Project is built?**

The Sheyenne Diversion will continue to operate; however, the FM Area Diversion Project will result in less frequent operation of the Sheyenne Diversion, which will reduce operational costs. The two diversions will work in conjunction with each other. The Sheyenne Diversion will continue to provide drainage benefits for areas near the channel. The area currently benefited by the Sheyenne Diversion with flood protection from the Sheyenne River will also receive benefit from the FM Area Diversion as it will be protected from the Red River and its other tributaries, in addition to receiving an increased level of protection from Sheyenne.

**How were the Benefit Regions created?**

The Cass County Joint Water Resource District (CCJWRD) is the legal entity administering the assessment district throughout the area in North Dakota benefited by the FM Area Diversion Project. The CCJWRD's Diversion Project Assessment Committee (DPAC) includes representatives from Fargo, West Fargo, Cass County and the CCJWRD board.

The CCJWRD met regularly for more than two years to establish the methodology for the assessment district, including the creation of its benefit regions. The CCJWRD considered

existing floodplains, the before and after protection levels with and without the Diversion Project in place, FEMA floodplains, elevations, road and railroad alignments, and several other factors.

The level of benefit of each benefit region was determined based on reduction in flood risk shown by the difference between the model of flood risk without the project and the model including the project.

The CCJWRD determined that broader benefit regions should be developed to most accurately reflect the flood risk and benefits across the entire region. For instance, Benefit Region II has 100% benefit due to its current perpetual flooding risk; and after the Project, most of the area would be protected from a 500-year flood event.

### **How was it determined what percentage of the vote each property owner receives?**

The assignment of benefit and weight of vote followed the process laid out in the North Dakota Century Code for assessment districts of this kind. The weight of each property's vote is based on the benefit assigned to the property, so the higher a property's value and protection level, the more that property's vote is weighed and is ultimately assessed. Properties which are not in as much risk of flooding will not be assessed as much under the liability district. There are regions with 10% benefit and those with 100% benefit, which means that a home in West Fargo could have 1/10<sup>th</sup> the assessment of a home in the 100% benefit region. More information is included in the mailed packet, and in the documents found on [www.fmdiversion.com/assessment](http://www.fmdiversion.com/assessment).