



Monday, Oct. 10, 2016

Information about the Sales Tax Vote

www.fmdiversion.com/salestax/

What does this tax pay for?

Sales tax is expected to fully cover the local portion of the FM Area Diversion Project and other Fargo Flood Control Measures.

The Diversion Project has been determined as the best way to obtain certified 100-year flood protection for the metro area and protect our community from the devastating impacts of a major flood.

Why is sales tax the preferred funding source for flood protection?

Sales taxes are paid by all those who visit, shop, or take advantages of the services within the County and City. Because Fargo and Cass County are economic centers that serve a large geography (including visitors from Canada), the use of sales tax is a fair way to fund infrastructure such as flood protection, versus charging the residents alone.

Is this a vote for or against the Diversion Project?

No. It is a decision whether or not to support the financing plan deemed most appropriate by the Diversion Authority and local entities. Sales taxes are one method of paying for flood protection, including the Diversion Project. Since 2009, sales tax revenues have been successfully utilized to pay for flood protection efforts. The use of sales tax has reduced the reliance on other local forms of funding, including property taxes and special assessments. If the sales tax extension is approved; it would help ensure that property tax increases and/or special assessments would not be needed as a funding source.

Who else is paying for the Diversion Project?

The total cost of the FM Area Diversion Project and the Fargo Flood Control Measures is estimated at \$2.2 Billion. Of that amount, over \$1 Billion is expected to come in the form of grants from the State of North Dakota (\$570M) and the federal government (\$450M).

Sales taxes are paid by all those who visit, shop, or take advantages of the services within the City and County and benefit from the regional economic center.

Who gets to vote on this tax?

On the November ballot, voters in Fargo will have the option to vote for an extension of existing flood-related sales taxes (passed in 2009 and 2012). Fargo voters will also vote on the extension of the existing Cass County flood-related sales tax (passed in 2010). Voters in Cass County outside of the City of Fargo will only vote on the extension of the Cass County flood-related sales tax.

Why do we have to vote now on a tax that doesn't expire until 2029?

The foresight by voters in Fargo and Cass County to pass sales taxes early in the process helped move the Project swiftly through the necessary political hurdles and obtain federal and state funding.

No tax rate increases are needed, but the expiration date of the existing flood-related sales taxes need to be extended in order to implement the final Project.

In order to start construction and commit to building this large civil works project, it is first necessary to secure a long-term funding source that will be used to pay back the significant capital costs that will be financed to complete construction.

A public-private partnership (P3) will be used to construct a substantial portion of the Project. The Diversion Authority must have in place the long-term funding source prior to starting the procurement of the P3 Developer, who will need confidence that the Diversion Authority has the necessary funding in place.

The P3 approach is believed to be the most cost effective and efficient delivery method for Project construction.

Why does it need to be extended to 2084?

A long-term revenue source is needed to secure the long-term financing that helps make the annual payments affordable, much like a home mortgage. The financial plan amortizes the sales tax related bonds out until 2084, which is the length of time required to affordably secure long-term sales tax-backed bonds. The financial plan also envisions a scenario in which continued historical generation of sales tax revenues could allow the early repayment of those bonds.

What ability to end the tax early is there?

Sales tax collections of City or County sales tax can cease upon approval of the City or County Commission, respectively. The financial plan envisions a scenario in which, due to sales tax growth, early repayment of the debt may be possible.



Will I still be special assessed?

The financial plan does not rely on residents paying special assessments.

The special assessment district will still be utilized as a financial back stop on some of the long-term bonding in order to secure better terms. Sales taxes, not special assessments, will be utilized to pay the annual payments.

The goal of extending the flood-protection related sales taxes is to avoid any special assessments being paid by property owners.

What happens if the sales tax extension is not passed by the voters?

The project would be delayed, and a new implementation strategy and schedule would be developed.

Costs would increase due to delays, and the Federal and State grant funds could become at risk.

The financial plan would need to be revised to consider other funding and financing mechanisms.