

A Western Conversation

Watford City
February 19, 2014

Watford City – 2011 Session

- 2011 Legislative Session
 - 1,744 population per 2010 US Census
 - 2,625 State sponsored population projection for Watford City
 - \$20 million of core infrastructure needs presented
 - \$20 million of Energy Impact grants for the community as a result
 - Traffic up exponentially
 - Rig Count rising from 50 to 70+
 - Population increase being handled in rural RV parks as City awaits Core Infrastructure assistance
 - Local governments stressed trying to add employees and make due with lack of funds

Watford City – 2013 Session

- 2013 Legislative Session
 - 70+ Rigs, 40% of all ND drilling moving our way
 - +\$190 million of Core Infrastructure Needs
 - -\$10 million of Energy Impact Grants Received
 - Tioga received \$10mm of \$26 mm requested
 - All other cities receiving awards received 80% of requested amounts
 - Bitter disappointment from City leaders
 - - \$15 million of increased Gross Production Tax Distribution as a result of HB 1358
 - Nice but doesn't touch \$190 million
 - = \$165 million FUNDING GAP....

Watford City – 2013-2014

- Since the 2013 Session
 - School enrollment has doubled from 2009
 - 550 to 1100 students
 - 25-30% considered homeless due to living in RV's
 - Facilities designed to hold 1000-1100 kids
 - Previous projection assumed 1,600 kids by Fall 2015
 - New High School PRICE TAG is \$51 MILLION
 - Hospital
 - Facility is sized for a 1950's environment with 1,700 population
 - New facility is planned and financing in process
 - Very contingent on Sales Tax support for debt service
 - Hospital profitability is hurting due to extraordinary amount of uncollectible debts in E.R.
 - New Hospital PRICE TAG is \$55 MILLION
 - Population in the area is estimated to be 7,500-10,000
 - Permanent Apartments and Housing coming online to bring higher rates of growth to the City and School

Watford City – 2013-14 (cont.)

- City Infrastructure Funding Gap remains
 - Housing Projects have been shelved due to lack of oil revenue sharing
 - Developers must provide the “off-site” corridor streets and sewer/water extensions themselves
 - Prioritized City Infrastructure projects that MUST be in process July 2015
 - \$102 MM must be in process (of the \$240MM plan)
 - -\$25 MM of Grants / Gross Production Tax funding
 - -\$17 MM of SRF (state revolving fund) utility borrowing
 - **= \$60 MM still unfunded immediate FUNDING GAP**

Watford City – 2013-14 (cont)

- High School Project Financing Gap
 - \$24 million (above what can be bonded)
- Hospital Project
 - 0.5%-1% sales tax commitment desired to finalize Bank of ND and USDA loans
- City Events Center Project
 - \$50 million project
 - 1% Sales Tax designation is preferred method to finance
 - \$20-25 million funding gap (beyond tapping sales tax)

Watford City -- Summary

- City Core Infrastructure Funding Gap
 - **\$60 MM** (After New Borrowing of \$17 MM from SRF)
- High School Funding Gap
 - **\$25 MM** (After New Borrowing of \$27 MM (March 11 vote))
- City Events Center Funding Gap
 - **\$20-25 MM** (After New Borrowing of \$20-30 MM (June Sales Tax Vote))
- Additional Sales Tax Commitment Needed
 - **1%** to Events Center
 - **0.5-1%** to Hospital
- SUMMARY:
 - We are increasing property and sales taxes to our local constituents
 - We are planning to increase our community indebtedness by **\$60-70 MM** (to the MAX allowable)
 - **WE STILL CAN'T GET THERE! WE ARE STILL LOOKING AT A \$100MM + COMMUNITY FUNDING GAP**

Watford City – Answer?

- A fair share of the GPT that is produced in our County.
 - \$1 billion kicked in... There is room to reinvest more funding back into the revenue generating engine that McKenzie County is.
- 40/60 sharing ratio at the end of the GPT formula
 - From 75% State/25% Local share to 40/60 share – 60% to local gov't in GPT formula
 - Cities could receive 3 X of current GPT distributions
 - If the hub city funding formula deduct amount remains at 9%, we would be sharing from 51% instead of the 16% currently.
 - \$40MM per biennium could be used to fill these community Funding Gaps
- No sunset, or at least 2-3 sessions before sunset
 - Bond market and BND nervous about current sunset
- Energy Impact Grants - more focused to areas hardest hit UNTIL the impacts are being managed. Then spread funds to the periphery.