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
  o School enrollment has doubled from 2009
    • 550 to 1100 students
      o 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
  o Hospital
    • Facility is sized for a 1950's environment with 1,700 population
    • New facility is planned and financing in process
      o Very contingent on Sales Tax support for debt service
      o Hospital profitability is hurting due to extraordinary amount of uncollectible debts in E.R.
    • New Hospital PRICE TAG is $55 MILLION
  o 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
  o $24 million (above what can be bonded)

• Hospital Project
  o 0.5%-1% sales tax commitment desired to finalize Bank of ND and USDA loans

• City Events Center Project
  o $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
  o $60 MM (After New Borrowing of $17 MM from SRF)

• High School Funding Gap
  o $25 MM (After New Borrowing of $27 MM (March 11 vote))

• City Events Center Funding Gap
  o $20-25 MM (After New Borrowing of $20-30 MM (June Sales Tax Vote))

• Additional Sales Tax Commitment Needed
  o 1% to Events Center
  o 0.5-1% to Hospital

• SUMMARY:
  o We are increasing property and sales taxes to our local constituents
  o We are planning to increase our community indebtedness by $60-70 MM (to the MAX allowable)
  o 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.
  o $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
  o From 75% State/25% Local share to 40/60 share – 60% to local gov't in GPT formula
  o 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.
  o $40MM per biennium could be used to fill these community Funding Gaps

• No sunset, or at least 2-3 sessions before sunset
  o 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.