CITY OF WILLISTON

CITY OF WILLISTON SB2323 TESTIMONY

January 22, 2025

GROSS PRODUCTION TAX REVENUES INSUFFICIENT

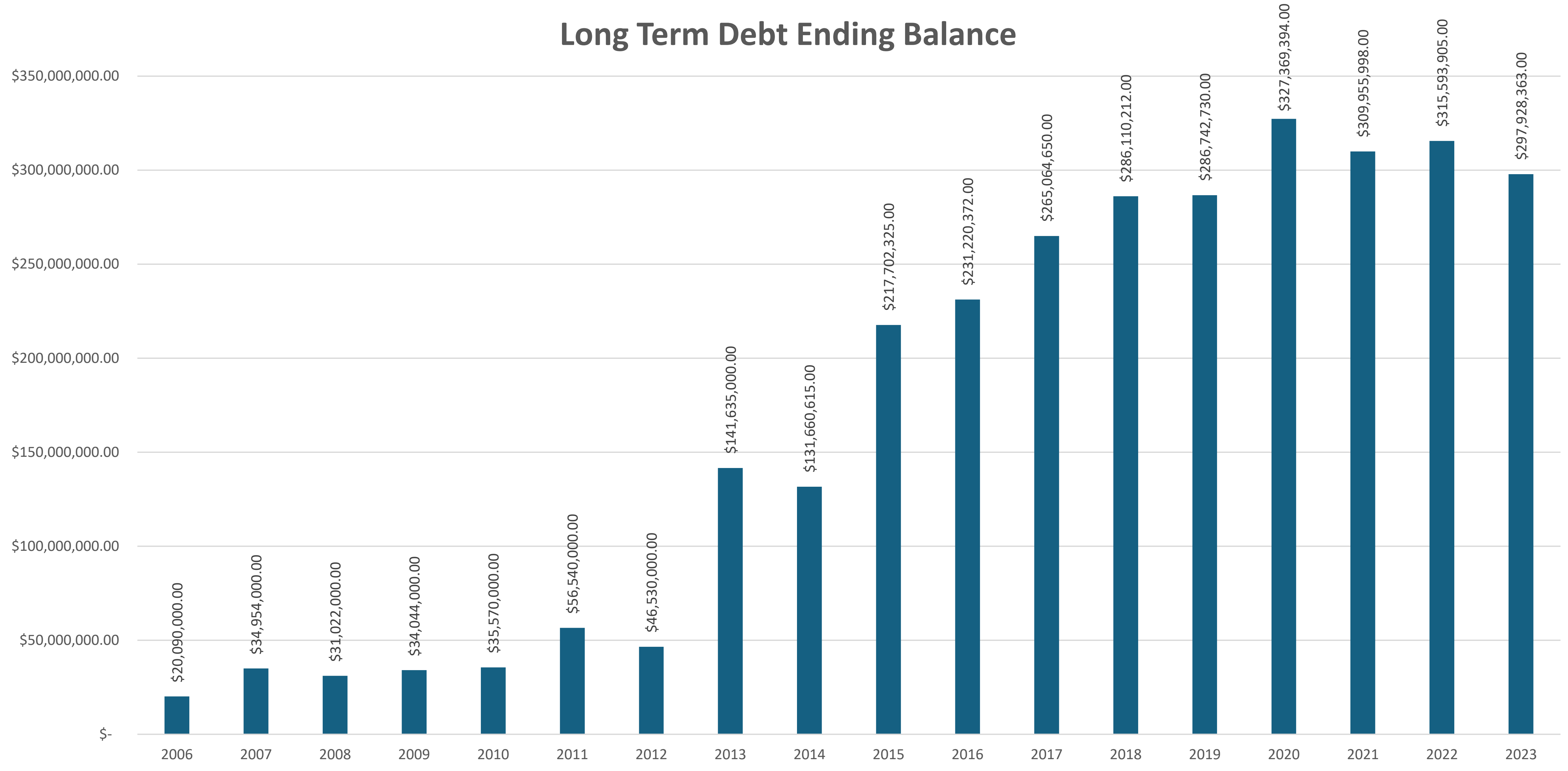
Despite the continued efforts to maintain the oil and gas economic growth demands, the City has fully maximized all its resources and options while the Gross Production tax is close to its debt service coverage capacity. Any additional debt leveraged against GPT must have approval from the USDA per bond covenant.

The 2025 City's Gross Production Tax fund is projected to have a deficit cash balance of **$19,182,310** to meet all debt obligations and sustain public works and public safety growth that supports the Oil Industry

The City of Williston focuses on fiscal responsibility by emphasizing efforts to enhance revenue while managing debt and maintaining credit ratings responsibly.

Gross Production Tax	2019	2020	2021	2022	2023	2024	2025 Budgeted
Revenues	**$ 29,298,219.89**	**$ 22,935,747.65**	**$ 29,979,341.37**	**$ 35,984,364.98**	**$ 31,866,956.78**	**$ 31,962,800.05**	**$ 30,020,000.00**
Expenses, Obligations, Transfers Out	**$ 8,473,502.86**	**$ 7,681,791.59**	**$ 12,591,644.43**	**$ 13,597,756.76**	**$ 15,958,785.39**	**$ 15,600,334.92**	**$ 15,795,368.48**
2014 State Revolving Fund SRF (Sewer P&I)	$ 7,162,050.27	$ 6,620,575.05	$ 6,626,000.00	$ 6,627,125.00	$ 6,625,500.00	$ 6,626,125.00	$ 6,623,875.00
2014 State Revolving Fund SRF (Minimum Reserve)	$ 800,700.00	$ -	$ -	$ -	$ 1,000,000.00	$ 1,238,840.25	$ 1,000,000.00
2019 GPT Revenue Bond (USDA XWA ARFF LOAN $2.9M) - Fund 342	$ 460,308.59	$ 152,180.00	$ 152,180.00	$ 1,152,180.00	$ 152,180.00	$ 152,180.00	$ 152,180.00
2020A USDA Direct Loan $95M 2022 Annual P&I - Fund 343	$ 50,444.00	$ 7,200.00	$ 3,876,625.96	$ 3,876,500.00	$ 3,876,500.00	$ 3,876,000.00	$ 3,451,500.00
Reserve - Debt Service (Yearly until $4,028,000; 2029)	$ -	$ 402,800.00	$ 402,499.62	$ 402,800.00	$ 402,800.00	$ 402,800.00	$ 402,800.00
Reserve - Increase Short-Lived Asset (Yearly until $3,000,000; 2029)	$ -	$ 300,000.00	$ 299,776.28	$ 300,000.00	$ 300,000.00	$ 300,000.00	$ 300,000.00
2020B USDA Guaranteed Loan $19M 2022 P&I - Fund 345	$ -	$ 93,898.54	$ 1,129,002.95	$ 1,133,513.76	$ 1,131,804.84	$ 1,130,039.64	$ 1,051,380.48
Reserve - Debt Service (Yearly until $1,051,380; 2029)	$ -	$ 105,138.00	$ 105,059.62	$ 105,138.00	$ 105,138.00	$ 105,138.00	$ 105,138.00
USDA Annual Renewal Fee (Collier's Escrow - 0.5% of 90% Loan Balance)	$ -	$ -	$ 500.00	$ 500.00	$ 500.00	$ -	$ 80,000.00
2022 COP PW Complex - Fund 349	$ -	$ -	$ -	$ -	$ 2,364,362.55	$ 1,769,212.03	$ 2,628,495.00
Gross Surplus (Deficit)	**$ 20,824,717.03**	**$ 15,253,956.06**	**$ 17,387,696.94**	**$ 22,386,608.22**	**$ 15,908,171.39**	**$ 16,362,465.13**	**$ 14,224,631.52**
Transfers Out to Supplement General Fund 100 Shortfall and Maintain 15% Reserve	$ -	$ 3,000,000.00	$ 21,100,000.00	$ 15,600,000.00	$ 16,500,000.00	$ 11,000,000.00	$ 32,406,942.10
Transfers Out to Fund 100 ARPA	$ -	$ -	$ 2,295,186.36	$ 2,295,186.33	$ -	$ -	$ -
Transfers Out to Close Capital Improvement Project Funds	$ -	$ 18,734,163.56	$ 1,496,781.63	$ 17,311,777.68	$ 220,000.00	$ -	$ -
Transfers Out to Fund 221 for Shortfalls and Minimum Guarantee	$ -	$ -	$ 1,041,505.32	$ 1,921,825.90	$ -	$ -	$ -
Transfers Out to Supplement Cemetery Fund 208 Deficit	$ -	$ -	$ 100,000.00		$ -	$ -	$ -
Transfers Out to Supplement Ambulance Fund 209 Deficit	$ -	$ -	$ -	$ 1,000,000.00	$ -	$ -	$ -
Transfers Out to Supplement Water Fund 501 Deficit	$ -	$ -	$ -		$ -	$ -	$ 1,000,000.00
Transfers Out to Supplement Water Fund 502 Deficit	$ -	$ -	$ -	$ 2,000,000.00	$ -	$ -	$ -
Net Surplus (Deficit)	**$ 20,824,717.03**	**$ (6,480,207.50)**	**$ (8,645,776.37)**	**$ (17,742,181.69)**	**$ (811,828.61)**	**$ 5,362,465.13**	**$ (19,182,310.58)**

CITY OF WILLISTON



**Ending Balance (excludes compensated absences, capital/ finance leases, net pension & OPEB liabilities, cost-shared debt with WAWSA, landfill closure)*

CITY OF WILLISTON

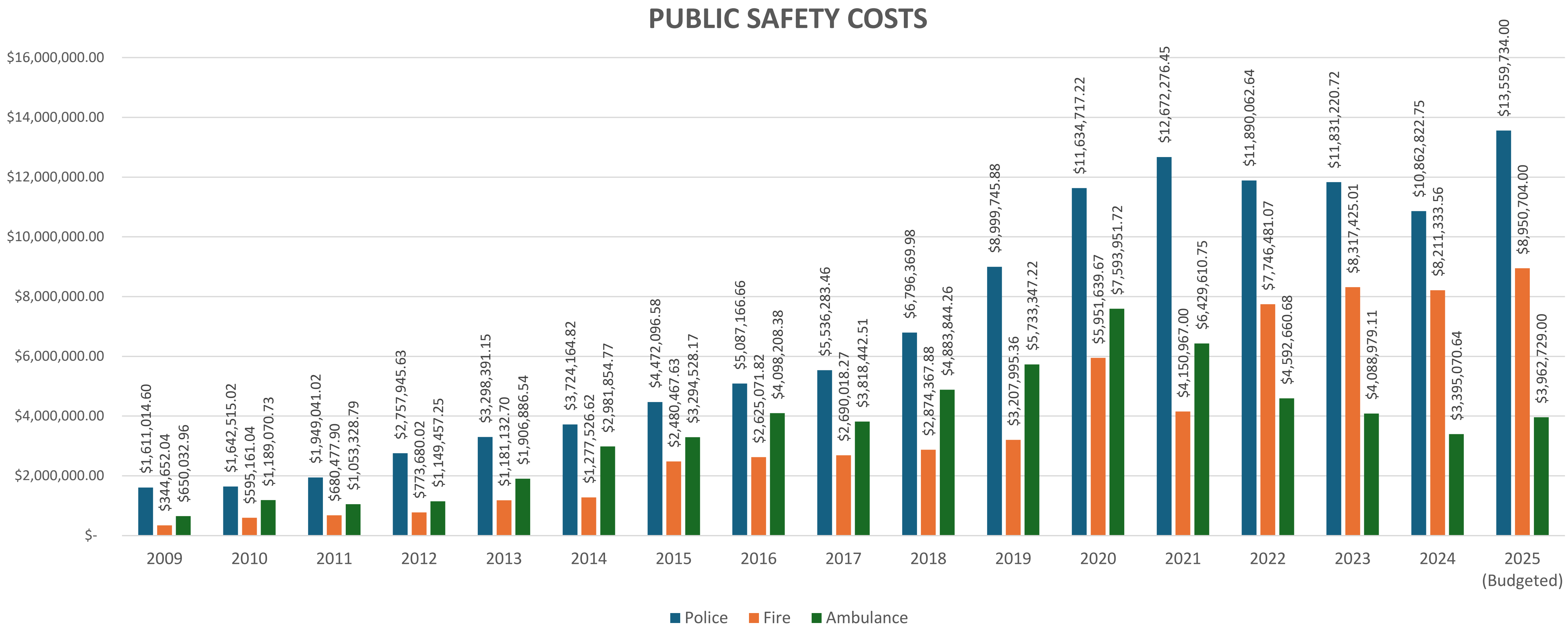
LONG-TERM DEBT TO FINANCE NEEDS SPURRED BY OIL INDUSTRY GROWTH

The City has taken on significant long-term debt to fund infrastructure projects and equipment upgrades necessitated by the rapid growth in the oil industry.

- To support the utility infrastructure needs and to prevent daily fines from the EPA in the amount of $25,000, the City secured a $125,600,000 State Revolving Fund (SRF) loan to construct a new wastewater facility that is pledged to Gross Production Tax.
- An additional 10-Million towards remediation of our old wastewater treatment facility.
- To support the oil industry, the City built the new XWA airport in which its local share was $110,568,388.94 (*Figure 2*) and its total long-term debt was the following:
    - Series USDA Airport Fire Rescue, $2,982,741
    - Series 2020A USDA XWA, $95,000,000
    - Series 2020B USDA XWA, $19,000,000
    - Series 2018A Airport City Sales Tax Revenue Bond, $1,500,000
    - Series 2018A Public Safety Sales Tax, $11,100,000
    - Series 2018A-T Public Safety Sales Tax, $910,000

- To align with the continued growth, the City of Williston issued an appropriation bond in the amount of $30,000,000 for a new public works and engineering facility, pledged to the Gross Production Tax

CITY OF WILLISTON



Total Debt Service Payments for Public Safety Sales Tax Bond to finance Capital and Operations

- Series 2015A Public Safety Sales Tax Bond: **$30,486,561.54**
- Series 2018A Public Safety Sales Tax Bond: **$12,522,513.50**

CITY OF WILLISTON

THE INFRASTRUCTURE STRAIN

Although the oil field's influx of jobs and investment can lead to a period of rapid growth, this boom can also have unintended consequences, straining infrastructure, hindering long-term development, and creating an unsustainable economic model.

•**Overburdened Services:** A sudden population influx puts a tremendous strain and immense pressure on existing infrastructure. Roads become congested, schools become overcrowded, and the demand for water, sewage, and electricity skyrockets. Roads, bridges, and public utilities can become overburdened as the population swells with oil workers and their families. The increased traffic from heavy machinery and transport vehicles accelerates wear and tear on roads, leading to more frequent repairs and maintenance. Cities such as Williston have funding limitations in which its finances are sometimes outpaced by industry growth.

•**Capital Improvements Plan:** The city's capital improvements plan currently has more than $90M in projects that need to be completed within the city of Williston. Many of these projects have been deferred due to debt payment obligations to support the rapid growth of the oil boom. Examples include reclamation of the original wastewater treatment plant, reconstruction of older areas in town including lead service line replacements, sanitary sewer lift stations to service areas currently without sanitary sewer mains with failing septic systems, and projects to replace failing road surfacing. Not only have these projects been deferred to support the growth of the boom, costs have significantly risen to perform the work; some projects more than 50% of preboom pricing.

•**Housing Crisis:** A lack of affordable housing often emerges as a critical issue. Additionally, the demand for housing can outpace supply, resulting in inflated property prices and a strain on public services like water, sewage, and emergency response. Rents skyrocket, making it difficult for long-time residents to remain in the community, while transient workers struggle to find suitable and affordable accommodations.

Despite the continued growth demands and strains, the City of Williston focuses on fiscal responsibility by emphasizing efforts to enhance revenue while managing debt and maintaining credit ratings responsibly.

CITY OF WILLISTON

REVENUE ENHANCEMENT EFFORTS

The City continues to analyze rates annually for revenue optimization, streamline administrative processes, improve revenue collection, actively monitor the interest environment for investment opportunities, and identify and capture new revenue sources.

- From 2020 to 2024, the City of Williston invested in CDs, Treasuries, Money Market Accounts, and high-yield savings accounts to generate $5,363,738.28
- The City increased all its water and sewer rates by approximately 20% for commercial and residential in 2021 with a 3% annual increase in water and sewer rates every year to reduce the reliability of Gross Production Taxes subsidies and allow more self-sustaining enterprise funds to transfer into the General Fund
- In 2021, the City increased its landfill rates in the enterprise funds to allow more self-sustaining enterprise funds to transfer into the General Fund. This included increases to roll-off bins, shut-offs, and implementation of new charges.
- The City has increased its property tax levies by 5% every year to keep pace with Public Works, administrative, and public safety as a result of the oil industry growth
- The City refinanced all revenue bonds for airport, and public safety in addition to all refunding improvement bonds saving over $3,487,465 *(Figure 1)*
- In 2021, the City drafted and implemented new write-off and A/R collection policies to significantly improve the cash conversion cycle.
- In 2021, the City introduced new payment corridors such as utility pay-by-text and recurring credit card payments to enhance ways for payment acceptance.

CITY OF WILLISTON

CREDIT RATING OVER THE YEARS

Year	Dated Date	Rating	Issue	Par Amount	Population	Market Value	Direct General Obligation Debt	Direct Special Assessment Debt	Overlapping General Obligation Debt	Overlapping Special Assessment Debt	Total Direct General Obligation Debt, Special Assessment Debt, and Overlapping General Obligation Debt:	Debt Per capita
2006												
	12/1/2006	A3 (Moody's)	Refunding Improvement Bonds of 2006	$440,000	12,512	$ 353,395,016	185,000	2,385,000	9,561,390	-	$ 12,131,390	$ 970
	12/1/2006	A3 (Moody's)	Refunding Improvement Bonds of 2006, Series B	$855,000	12,512	$ 353,395,016	185,000	3,240,000	9,350,090	-	$ 12,775,090	$ 1,021
2007												
	12/1/2007	A3 (Moody's)	Refunding Improvement Bonds of 2007	$1,020,000	13,000	$ 390,342,042	170,000	3,999,000	7,680,479	-	$ 11,849,479	$ 911
2009												
	10/1/2009	A3 (Moody's)	Refunding Improvement Bonds of 2009	$2,580,000	15,500	$ 605,374,284	140,000	5,879,000	3,785,871	232,200	$ 10,037,071	$ 648
	10/1/2009	A3 (Moody's)	Sales Tax revenue Bonds of 2009	$2,820,000	15,500	$ 605,374,284	140,000	5,879,000	3,785,871	232,200	$ 10,037,071	$ 648
2010												
	10/1/2010	A (S&P)	Sales Tax Revenue Bonds of 2010	$1,500,000	15,500	$ 605,374,284	120,000	5,355,000	1,100,113	395,000	$ 6,970,113	$ 450
	12/15/2010	A- (S&P)	Refunding Improvement Bonds of 2010	$1,900,000	15,500	$ 605,374,284	120,000	7,255,000	1,100,113	395,000	$ 8,870,113	$ 572
	12/15/2010	A- (S&P)	Refunding Improvement Bonds of 2010B	$740,000	15,500	$ 605,374,284	120,000	7,995,000	1,100,113	395,000	$ 9,610,113	$ 620
2011												
	7/14/2011	A (S&P)	Sales Tax Revenue Bonds of 2011A	$2,000,000	15,500	$ 605,374,284	100,000	7,449,000	1,076,887	360,000	8,985,887	580
	7/14/2011	A (S&P)	Sales Tax Revenue Bonds of 2011B	$10,000,000	15,500	$ 605,374,284	100,000	7,449,000	1,076,887	360,000	8,985,887	580
	9/7/2011	N/A	Taxable Certificates of Indebtedness Series 2011	$12,000,000	15,500	$ 605,374,284	100,000	7,449,000	1,076,887	360,000	8,985,887	580
2012												
	12/15/2012	BBB+ (S&P)	Refunding Improvement Bonds of 2012	$5,795,000	15,000	$ 750,725,312	75,000	12,557,000	-	325,000	12,957,000	$ 864
2013												
	9/11/2013	A (S&P)	Sales Tax Revenue Bonds of 2013A	$42,440,000	18,532	$ 1,111,699,386	50,000	11,593,000	-	392,226	12,035,226	$ 649
	9/11/2013	A (S&P)	Sales Tax Revenue Bonds of 2013B	$6,000,000	18,532	$ 1,111,699,386	50,000	11,593,000	-	392,226	12,035,226	$ 649
	10/15/2013	N/A	Certificates of Indebtedness Series 2013A	$43,155,000	18,532	$ 1,111,699,386	50,000	11,593,000	-	392,226	12,035,226	$ 649
	10/15/2013	N/A	Certificates of Indebtedness Series 2013B	$8,345,000	18,532	$ 1,111,699,386	50,000	11,593,000	-	392,226	12,035,226	$ 649
2014												
	4/1/2014	BBB+ (S&P)	Refunding Improvement Bonds of 2014	$4,490,000	20,850	$ 1,858,195,614	25,000	16,083,000	-	344,143	16,452,143	$ 789
	12/15/2014	A (S&P)	Refunding Improvement Bonds of 2014B	$15,075,000	20,850	$ 1,858,195,614	937,000	30,050,000	-	397,476	31,384,476	$ 1,505
2015												
	7/22/2015	A+ (S&P)	County Wide Public Safety Sales Tax Revenue Bonds Series 2015A	$24,530,000	30,000	$ 2,810,321,035	-	28,520,000	-	392,226	28,912,226	$ 964
	7/22/2015	A+ (S&P)	County Wide Public Safety Sales Tax Revenue Bonds Series 2015B	$20,000,000	30,000	$ 2,810,321,035	-	28,520,000	-	392,226	28,912,226	$ 964
	11/18/2015	A (S&P)	Refunding Improvement Bonds of 2015	$9,645,000	30,000	$ 2,810,321,035	645,000	38,055,000	11,620,000	-	50,320,000	$ 1,677
2016												
	3/8/2016	A (S&P)	Refunding Improvement Bonds of 2016	$20,185,000	26,568	$ 3,149,077,696	645,000	58,240,000	31,510,950	-	90,395,950	3,402
2017												
	3/16/2017	N/A	Pooled Tax Increment Financing Revenue Bonds Series 2017A	$10,280,000	25,932	$ 3,510,860,977	495,000	55,890,000	36,520,000	-	92,905,000	3,583
	3/16/2017	N/A	Pooled Tax Increment Financing Revenue Bonds Series 2017B Taxable	$8,750,000	25,932	$ 3,510,860,977	495,000	55,890,000	36,520,000	-	92,905,000	3,583
	12/27/2017	A (S&P)	Refunding Improvement Bonds of 2017	$2,280,000	25,932	$ 3,510,860,977	340,000	55,005,000	35,690,000	-	91,035,000	3,511
2018												
	12/21/2018	A+ (S&P)	Airport Revenue Bonds Series 2018	$27,485,000	27,455	$ 2,864,199,944	175,000	52,990,000	36,900,080	-	90,065,080	3,280
	12/21/2018	BBB+ (S&P)	County Wide Public Sales Tax Revenue Bonds Series 2018A	$11,100,000	27,455	$ 2,864,199,944	175,000	52,990,000	36,900,080	-	90,065,080	3,280
	12/21/2018	BBB+ (S&P)	County Wide Public Sales Tax Revenue Bonds Series 2018A - T	$910,000	27,455	$ 2,864,199,944	175,000	52,990,000	36,900,080	-	90,065,080	3,280
2019												
	3/1/2019	A+ (S&P)	Refunding Improvement Bonds of 2019	$1,145,000	29,033	$ 2,864,199,944	175,000	52,990,000	36,900,080	-	90,065,080	3,102
2021												
	2/16/2021	A+ (S&P)	Refunding Improvement Bonds of 2021A	$6,880,000	29,033	$ 2,864,199,944	-	48,165,000	30,979,306	-	79,144,306	2,726
2022												
	12/7/2022	A (S&P)	Taxable Certificated of Participation Series 2022	$30,000,000	29,160	$ 2,864,199,944	-	41,520,000	25,740,713	-	67,260,713	2,307
2023												
	10/2/2023	A+ (S&P)	Refunding Improvement Bonds of 2023	$1,270,000	27,029	$ 2,864,199,944	-	39,680,000	23,075,383	-	62,755,383	2,322

FIGURE 1: REFUNDING OF DEBT FOR CASH SAVINGS

	NPV Savings
Resolution 21-004: Refunding Improvement Bond Series 2021A	$ 229,276.54
Resolution 22-028 Airport Revenue Refunding Series 2022	$ 1,373,540.00
Resolution 20-011 Refunding 2018A Public Safety Sales Tax	$ 804,649.00
Resolution 22-10 Refunding Improvement Bond 2022A, 2022B	$ 1,080,000.00
Total Refunding Savings	**$ 3,487,465.54**

FIGURE 2: CITY OF WILLISTON LOCAL COST SHARE FOR THE AIRPORT

City of Williston					
XWA Airport					
Year	Expenditures	Federal Revenue		State Revenue	Local Share
2014	$ 580,000.48	$ -		$ 187,447.12	$ 392,553.36
2015	$ 2,174,357.80	$ 76,075.25		$ 664,950.79	$ 1,433,331.76
2016	$ 23,845,230.40	$ 9,495,031.69		$ 3,084,325.83	$ 11,265,872.88
2017	$ 28,268,347.88	$ 8,867,101.06		$ 10,270,361.88	$ 9,130,884.94
2018	$ 63,980,233.13	$ 24,972,876.43		$ 20,891,088.80	$ 18,116,267.90
2019	$ 141,794,363.84	$ 55,965,904.18		$ 15,308,584.59	$ 70,519,875.07
2020	$ 25,985,699.17	$ 19,389,307.28		$ 2,895,951.33	$ 3,700,440.56
2021	$ 686,777.65	$ 2,761,598.07		$ 18,293.13	$ (2,093,113.55)
2022	$ 51,302.76	$ 1,544,836.42	$ -	$ -	$ (1,493,533.66)
2023	$ (12,739.43)	$ 391,450.89		$ -	$ (404,190.32)
2024	$ -	$ -		$ -	$ -
Total	$287,353,573.68	$123,464,181.27		$53,321,003.47	$110,568,388.94