

North Dakota Legislative Council  
**Taxation Committee**  
Senator Jessica Unruh, Chair  
Thursday, May 31, 2018



**Overview of Property Taxes &  
Special Assessments in the  
City of Wahpeton, North Dakota**  
Darcie Huwe, Finance Director/Auditor

# Wahpeton, ND



**Wahpeton** is a Lakota word meaning "leaf dwellers." The city was incorporated in 1869 and serves as the county seat of Richland County, located in southeastern North Dakota. It is located along the Bois de Sioux River at its confluence with the Otter Tail River, forming the Red River of the North.

## A short history of Wahpeton

1888: Northern Light Electric Company (NLEC) was organized and made Wahpeton among the first cities in North Dakota to be electrified.

1889: Red River Valley University, now known as the North Dakota State College of Science, was established in Wahpeton.

1904: the United States Government established the Wahpeton Indian School, now called Circle of Nations School, for the education of Native American children from reservations and tribes in northern Minnesota, North Dakota, and northern South Dakota.

1912: construction on a new Richland County Courthouse commenced and the building was dedicated in 1914. It still serves as the courthouse to this day.

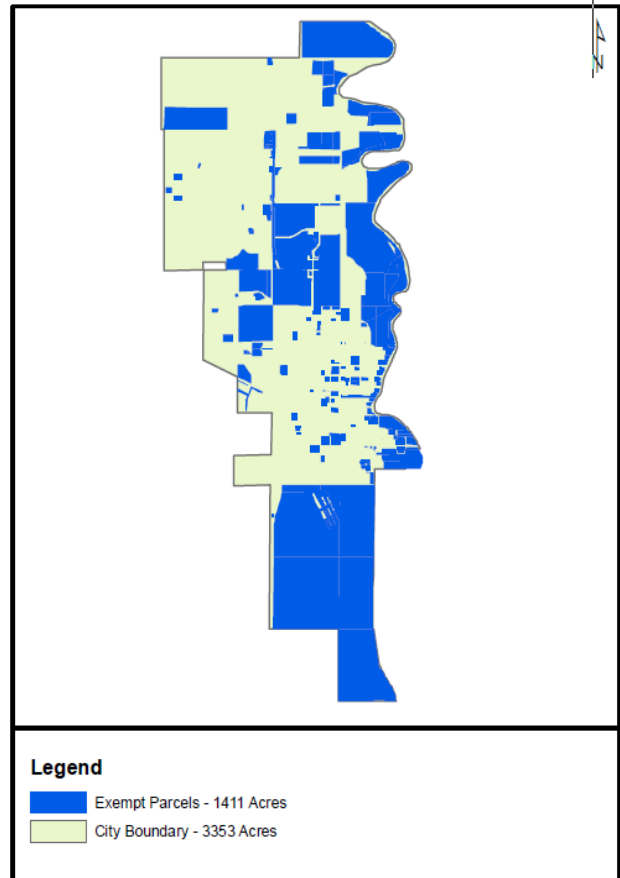
The original town site is a standard grid pattern railroad plat that has grown to 3,386 acres including over 70 residential and commercial subdivisions serving a population of 7,830 residents.

# Wahpeton, ND ó Variables

City of Wahpeton Tax Base		
	2017	%
Population (permanent)	7,830	100%
Population (day time estimated)*	8,268	106%
Land in Acres	3,353	100%
Land in Acres Exempt from Taxes)	1,411	42%
Full & True Valuation	\$361,470,900	100%
Commercial Valuation	\$135,339,300	37%
Residential Valuation	\$225,822,300	62%
Ag Land Valuation	\$ 309,300	0%
TIF (commercial) Valuation	\$ 14,171,550	4%
Taxable Value	\$ 17,135,082	5%
Taxable Value per Capita	\$ 2,188	0%

Valuations do NOT include centrally assessed or RR property

City of Wahpeton Financial Strengths & Challenges	
Steady trend of tax base growth	+
Healthy reserve levels with revenue raising potential	+
Potential material tax base valuation growth	+
Rapid repayment of debt	+
Potential reduction in fixed costs	+
Small tax base relative to similar size communities	-
Elevated debt burden and high level of fixed costs	-



- “ Average annual growth in the city’s tax base is estimated at 3.8% 2010-2017.
- “ The top 10 taxpayers account for an estimated 17% of assessed valuation.
- “ 42% of the land within city limits is tax exempt (not including public right of way).
- “ Local 2% sales tax collections averaged \$2,268,000 for the years 2015-2016.
- “ Population of the micropolitan area is estimated at 25,000 people.

# Wahpeton, ND ó Property Tax Levies

Wahpeton residents are currently subject to the property tax levies of five active political subdivisions: (state & county are combined for illustration purposes)

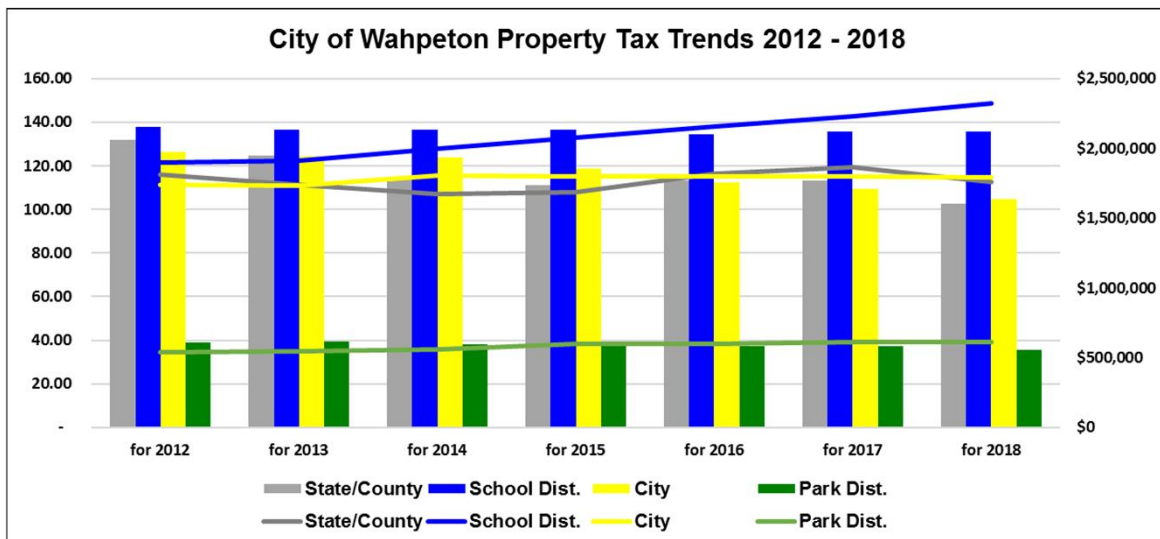
Mill Levies Entity	Levied 2011 for 2012	Levied 2012 for 2013	Levied 2013 for 2014	Levied 2014 for 2015	Levied 2015 for 2016	Levied 2016 for 2017	Levied 2017 for 2018
State/County	131.75	124.50	114.50	111.25	113.27	113.27	102.80
School Dist.	137.93	136.73	136.73	136.73	134.61	135.61	135.53
City	126.21	124.14	123.60	118.64	112.19	109.26	104.74
Park Dist.	39.11	39.25	38.30	39.29	37.40	37.17	35.70
<b>TOTAL</b>	<b>435.00</b>	<b>424.62</b>	<b>413.13</b>	<b>405.91</b>	<b>397.47</b>	<b>395.31</b>	<b>378.77</b>

Taxes Levied	2012	2013	2014	2015	2016	2017	2018
State/County	\$ 1,811,746	\$ 1,740,159	\$ 1,671,577	\$ 1,687,734	\$ 1,816,295	\$ 1,864,657	\$ 1,761,486
School Dist.	\$ 1,896,729	\$ 1,911,100	\$ 1,996,111	\$ 2,074,282	\$ 2,158,484	\$ 2,232,419	\$ 2,322,318
City	\$ 1,735,563	\$ 1,735,128	\$ 1,804,427	\$ 1,799,845	\$ 1,798,977	\$ 1,798,644	\$ 1,794,728
Park Dist.	\$ 537,817	\$ 548,604	\$ 559,139	\$ 596,054	\$ 599,712	\$ 611,895	\$ 611,722
<b>TOTAL</b>	<b>\$ 5,981,855</b>	<b>\$ 5,934,991</b>	<b>\$ 6,031,255</b>	<b>\$ 6,157,915</b>	<b>\$ 6,373,468</b>	<b>\$ 6,507,615</b>	<b>\$ 6,490,255</b>

Reflects amount of levies paid by Wahpeton taxpayers only

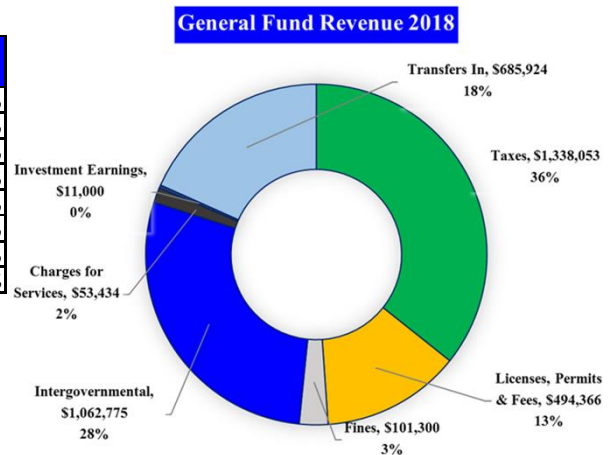
The City of Wahpeton's mill levy accounts for 28% of the current property tax bill. The city council reduced the number of mills and dollars levied for five of the past six years. The school district has decreased mills and increased dollars six of the past six years. The county has decreased mills with dollars increasing 3 out of the past six years. A recent school bond issue, maturity of a 20-year agricultural manufacturer PILOT and changes in state funding of county services, are reflected in the school and county tax levies.



# Wahpeton, ND ó General Fund & Levies

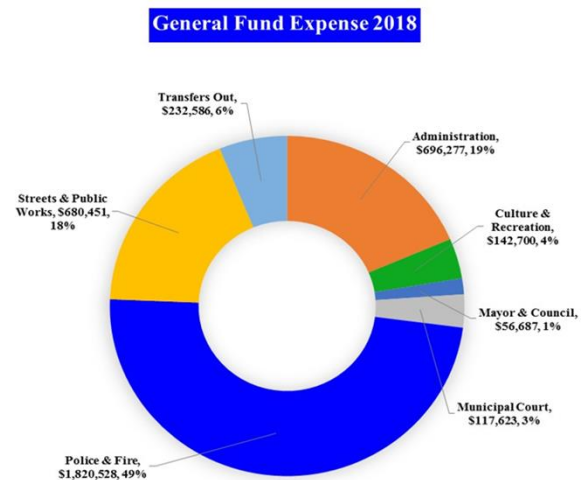
General Fund Revenue				
Revenue	2017	2018	+/-	+/- %
Taxes	\$1,141,838	\$1,338,053	\$196,215	17%
Licenses, Permits & Fees	\$487,150	\$494,366	\$7,216	1%
Fines	\$101,300	\$101,300	\$0	0%
Intergovernmental	\$1,081,925	\$1,062,775	-\$19,150	-2%
Charges for Services	\$1,300	\$53,434	\$52,134	+
Investment Earnings	\$11,000	\$11,000	\$0	0%
Transfers In	\$457,043	\$685,924	\$228,881	50%
<b>TOTAL</b>	<b>\$3,281,556</b>	<b>\$3,746,852</b>	<b>\$465,296</b>	<b>14%</b>

Property taxes account for \$1,338,053 or 36% of the General Fund Budget for 2018.



General Fund Expense				
Expense	2017	2018	+/-	+/- %
Administration	\$634,601	\$696,277	\$61,676	10%
Culture & Recreation	\$157,476	\$142,700	-\$14,776	-9%
Mayor & Council	\$55,726	\$56,687	\$961	2%
Municipal Court	\$111,103	\$117,623	\$6,520	6%
Police & Fire	\$1,604,265	\$1,820,528	\$216,263	13%
Streets & Public Works	\$632,013	\$680,451	\$48,438	8%
Transfers Out	\$86,373	\$232,586	\$146,213	169%
<b>TOTAL</b>	<b>\$3,281,557</b>	<b>\$3,746,852</b>	<b>\$465,295</b>	<b>14%</b>

Police & Fire Department expenses account for \$1,820,528 or 49% of the General Fund Budget for 2018.



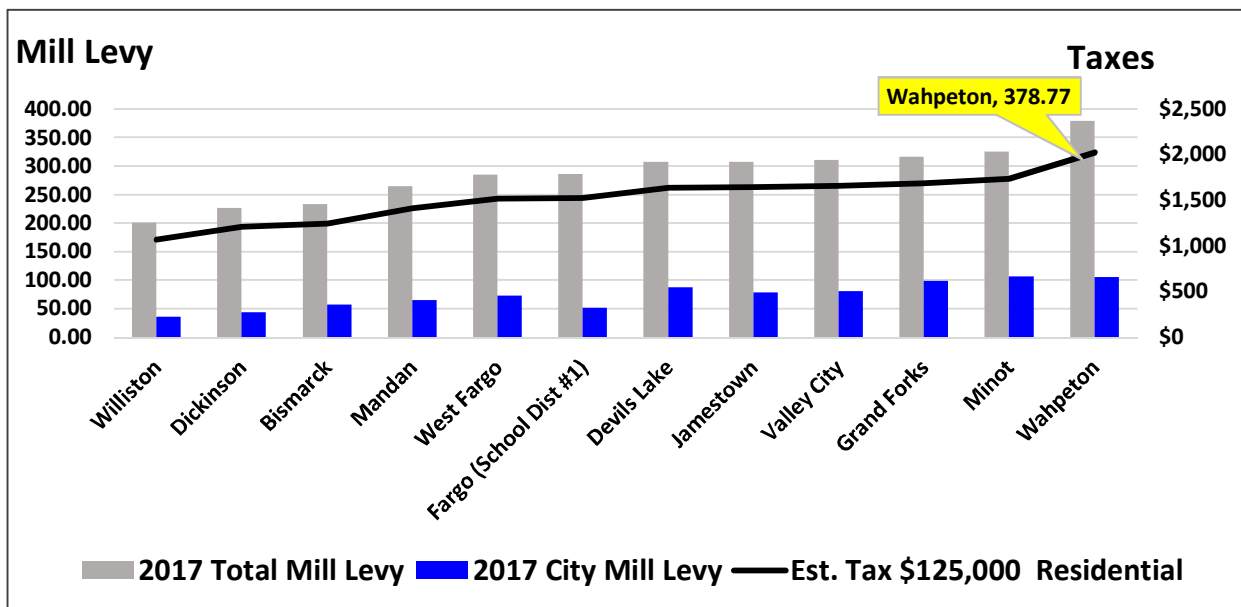
2018 City Tax Levy				
Tax Levy	Max	2017	2018	+/-
General Fund	105.00	93.36	92.85	(0.51)
Airport Authority	4.00	3.98	4.00	0.02
City Job Dev. Authority	4.00	3.98	-	(3.98)
City Share of Specials	N/A	2.11	1.88	(0.23)
Library	4.00	3.98	4.00	0.02
Snow/Flood Emergency	2.50	1.49	-	(1.49)
Dakota Ave. Specials	N/A	0.36	1.97	1.61
<b>TOTAL</b>	<b>119.50</b>	<b>109.26</b>	<b>104.70</b>	<b>(4.56)</b>

2018 General Fund Mill Levy Allocations				
Levy Allocations	Max	2017	2018	+/-
General Fund (levied)	105.00	93.36	92.85	(0.51)
General Fund (actual)	105.00	68.42	77.85	9.43
Fire Dept. Equipment	ELIMINATED	4.86	5.00	0.14
Special Street Mtc.	ELIMINATED	10.24	-	(10.24)
Library in addition to 4 mil	4 MILL LIMIT	9.84	10.00	0.16
<b>TOTAL</b>	<b>105.00</b>	<b>93.36</b>	<b>92.85</b>	<b>(1.02)</b>

# ND Cities ó Property Tax Rates

City	2017 Total Mill Levy	2017 City Mill Levy	Est. Tax \$125,000 Residential	Effective Tax Rate Residential	Est. Tax \$125,000 Commercial	Effective Tax Rate Commercial
Williston	199.98	35.08	\$1,069	0.9%	\$1,187	0.9%
Dickinson	226.60	42.85	\$1,211	1.0%	\$1,345	1.1%
Bismarck	232.90	57.01	\$1,245	1.0%	\$1,383	1.1%
Mandan	264.22	64.27	\$1,412	1.1%	\$1,569	1.3%
West Fargo	284.33	73.08	\$1,519	1.2%	\$1,688	1.4%
Fargo (School Dist #1)	285.49	51.00	\$1,526	1.2%	\$1,695	1.4%
Devils Lake	306.78	87.41	\$1,639	1.3%	\$1,822	1.5%
Jamestown	307.14	78.56	\$1,641	1.3%	\$1,824	1.5%
Valley City	310.03	79.86	\$1,657	1.3%	\$1,841	1.5%
Grand Forks	315.37	98.79	\$1,685	1.3%	\$1,873	1.5%
Minot	324.52	106.55	\$1,734	1.4%	\$1,927	1.5%
Wahpeton	378.77	104.74	\$2,024	1.6%	\$2,249	1.8%

The City of Wahpeton's total mill rate at 378.77 is 54.25 mills (+17%) higher than the next highest city, Minot at 324.52 mills; and 178.79 (+90%) higher than the lowest large city mill rate, Williston at 199.98 mills.



# Wahpeton, ND

## Property Tax Summary

1. Wahpeton's taxable value-per-capita is \$2,184, which is 50% lower than Minot's \$4,328.
2. The city council has set a goal to lessen its dependency on property taxes, and committed to it for the past five budget cycles.
3. If the mills levied for Wahpeton city services were eliminated, (new mill rate of 274.03) city residents would still pay higher property taxes than Williston, Dickinson, Bismarck and Mandan. Wahpeton's high tax rate is a combination of ALL local political subdivisions' mill rates.
4. The combination of large industrial regional employers located outside of city limits and large tax exempt employers within city limits creates a formula where some of the greatest demands on services do not contribute to the taxes that fund those services.
5. Taxable valuations are unique to each political subdivision's economy, population, and service delivery priorities.

City (sort by per capita)	Population	2017 Taxable Value	2017 Taxable Value per Capita
<i>Bismarck</i>	61,272	\$376,741,455	\$6,149
<i>Dickinson</i>	24,000	\$130,414,910	\$5,434
<i>Minot</i>	49,000	\$212,053,359	\$4,328
<i>Fargo (School District #1)</i>	122,000	\$527,912,051	\$4,327
<i>West Fargo</i>	36,358	\$155,988,015	\$4,290
<i>Williston</i>	32,000	\$135,753,068	\$4,242
<i>Mandan</i>	21,769	\$86,803,491	\$3,987
<i>Grand Forks</i>	57,339	\$221,320,080	\$3,860
<i>Jamestown</i>	15,440	\$43,483,701	\$2,816
<i>Devils Lake</i>	7,315	\$18,709,768	\$2,558
<i>Valley City</i>	6,675	\$16,476,994	\$2,468
<b>Wahpeton</b>	<b>7,844</b>	<b>\$17,135,082</b>	<b>\$2,184</b>

# Wahpeton, ND ó Special Assessments

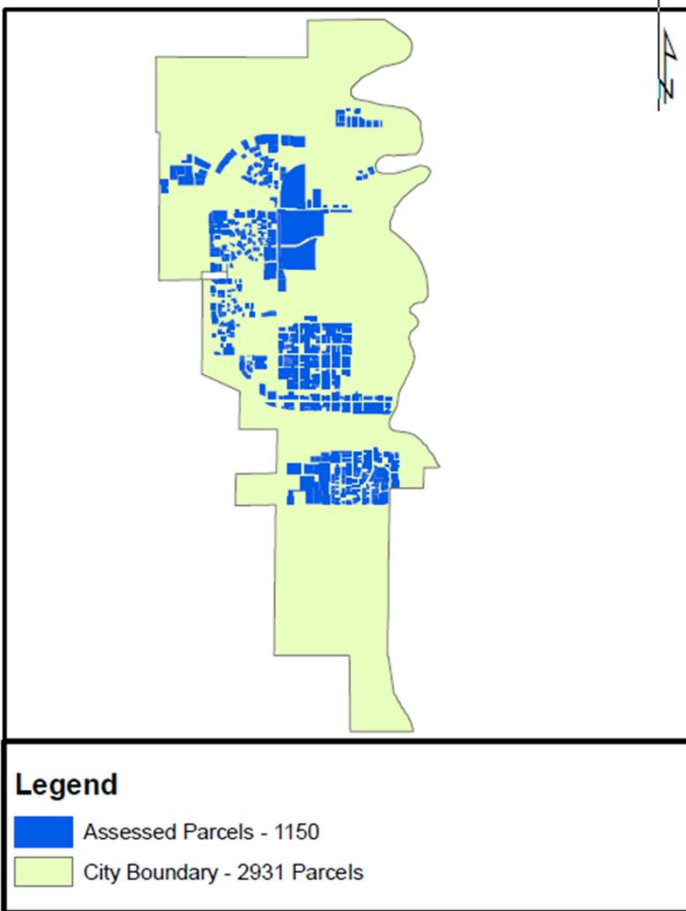
## CHAPTER 40-22 IMPROVEMENTS BY SPECIAL ASSESSMENT METHOD

### 40-22-01. Power of municipalities to defray expense of improvements by special assessments.

The City of Wahpeton uses special assessments to fund the installation, reconstruction and major maintenance of the city's infrastructure.

City of Wahpeton Infrastructure Inventory							
Item	Quantity (ft./ ea.)	Length (miles)	Useful Life (years)	Replacement Unit Cost	System Value at Replacement Cost	Average Annual Replacement Quantity	Average Annual Replacement Cost
Streets (feet)	235,478	44.6	40	\$275	\$64,756,450	5,887	\$1,619,000
Alleys (feet)	34,387	6.5	40	\$80	\$2,750,960	860	\$69,000
Traffic Signs (each)	4,710		20	\$350	\$1,648,346	235	\$82,000
Street Lights (each)	1,076		30	\$1,200	\$1,291,200	36	\$43,000
Traffic Signals (intersection)	6		40	\$200,000	\$1,200,000	0.2	\$30,000
<b>Streets Total</b>					<b>\$71,646,956</b>		<b>\$1,843,000</b>
Shared Use Path	9,839	1.9	40	\$65	\$639,535	246	\$16,000
Recreation Trail	16,040	3.0	40	\$55	\$882,200	401	\$22,000
Sidewalk (public)	131,964	25.0	40	\$25	\$3,299,100	3,299	\$82,000
<b>Sidewalks &amp; Paths Total</b>					<b>\$4,820,835</b>		<b>\$120,000</b>
Storm Sewer (feet)	167,023	31.6	75	\$60	\$10,021,380	2,227	\$134,000
Storm Sewer Manholes (each)	454		75	\$3,000	\$1,362,000	6	\$18,000
Storm Area Inlets (each)	80		35	\$2,500	\$200,000	2	\$6,000
Storm Curb Inlets (each)	922		35	\$2,500	\$2,305,000	26	\$66,000
Storm Ditch (feet)	103,981	19.7	50	\$25	\$2,599,525	2,080	\$52,000
Storm Drain No. 1	23,350	4.1	50	\$80	\$1,868,000	467	\$37,000
Culverts (feet)	12,187	2.3	35	\$20	\$243,740	348	\$7,000
<b>Storm System Total</b>					<b>\$18,599,645</b>		<b>\$320,000</b>
Levees (feet)	19,108	3.6	100	\$1,000	\$19,108,000	191	\$191,000
Pump Stations (each)	7		50	\$500,000	\$3,500,000	0.1	\$70,000
<b>Flood Protection System Total</b>					<b>\$22,608,000</b>		<b>\$261,000</b>
Sanitary Sewer Main (feet)	177,305	33.6	75	\$60	\$10,638,300	2,364	\$142,000
Sanitary Manholes (each)	637		75	\$3,500	\$2,229,500	8	\$30,000
Lift Station (each)	10		40	\$350,000	\$3,500,000	0.3	\$88,000
Lift Station No. 1	1		40	\$800,000	\$800,000	0.0	\$20,000
Forcemain (feet)	38,787	7.3	50	\$75	\$2,909,025	776	\$58,000
Lagoon No. 1 Aeration System	1		40	\$250,000	\$250,000	0.0	\$6,000
Lagoons (acre-ft)	1,136		100	\$5,500	\$6,248,000	11	\$62,000
<b>Wastewater System Total</b>					<b>\$26,574,825</b>		<b>\$406,000</b>
Water Main (feet)	235,406	44.6	75	\$50	\$11,770,300	3,139	\$157,000
Water Valves (each)	708		75	\$1,500	\$1,062,000	9	\$14,000
Hydrants (each)	350		40	\$3,000	\$1,050,000	9	\$26,000
Well & Pump House (each)	3		40	\$550,000	\$1,650,000	0.1	\$41,000
Water Storage Tower (each)	2		75	\$1,700,000	\$3,400,000	0.0	\$45,000
Water Treatment Plant	1		50	\$6,000,000	\$6,000,000	0.0	\$120,000
<b>Water System Total</b>					<b>\$24,932,300</b>		<b>\$403,000</b>
Street Shop - Bldgs & Site Impr.	1		50	\$1,500,000	\$1,500,000	0.0	\$30,000
Public Parking Lots (square feet)	135,378		50	\$6.50	\$879,957	2,708	\$18,000
<b>Other Facilities Total</b>					<b>\$2,379,957</b>		<b>\$48,000</b>
<b>Total Estimated Replacement Cost of City Infrastructure (excluding public buildings)</b>					<b>\$169,182,561</b>		<b>\$3,353,000</b>

# Wahpeton, ND ó Special Assessments



- “ 10 special assessment debt issues outstanding, financing approximately 30 infrastructure projects.
- “ Terms are typically 15 years.
- “ Interest rates range from 1% to 4.5%.
- “ Certified \$851,092 in specials on Nov. 1, 2017.
- “ 40% of all parcels (1,150 of 2,931 parcels) in city limits are currently paying special assessments.
- “ Special assessment debt includes flood protection infrastructure. Debt service is funded through local sales tax dollars and not included in specials certified.

<i>Variables</i>	<i>Wahpeton</i>	<i>Valley City</i>	<i>Devils Lake</i>
<i>True &amp; Full Valuation</i>	\$ 385,940,920.00	\$ 340,966,700.00	\$ 403,421,036.00
<i>Population</i>	7,830	6,566	7,315
<i>Total Bonded Indebtedness</i>	\$ 12,492,047.00	\$ 16,978,294.00	\$ 14,670,000.00
<i>Indebtedness Per Capita</i>	\$ 1,595.41	\$ 2,585.79	\$ 2,005.47
<i>Indebtedness % of True &amp; Full</i>	3.24%	4.98%	3.64%
<i>Special Assessment Debt Only</i>	\$ 11,629,047.00	\$ 10,270,203.00	\$ 7,995,000.00
<i>Special Assmnt. Debt Per Capita</i>	\$ 1,485.19	\$ 1,564.15	\$ 1,092.96
<i>Revenue Bond Debt Only</i>	\$ 863,000.00	\$ 6,708,091.00	\$ 6,675,000.00
<i>Revenue Bond Debt Per Capita</i>	\$ 110.22	\$ 1,021.64	\$ 912.51
<i>Overlapping Debt</i>	\$ 13,789,868.00	\$ 790,203.00	\$ 790,203.00
<i>Overlapping Debt Per Capita</i>	\$ 1,761.16	\$ 120.35	\$ 108.03
<i>Source: EMMA 2017 Continuing Disclosures</i>			

# Wahpeton, ND

## Special Assessments Summary

The City of Wahpeton adopted a **Special Assessment Policy** in 2016, the purpose of which is to provide consistency and transparency in the application of special assessments for the financing of improvement projects.

The City of Wahpeton adopted a **Special Assessment Assistance Policy** in 2017 in preparation for the second largest street reconstruction project in the history of the city in 2018. The fund was initially capitalized with \$100,000 from the city's Sales Tax for Economic Development Fund to contribute to efforts to preserve and create affordable housing. Key points of the program:

- a) Only residential properties are eligible and must be owner occupied.
- b) Assistance eligibility must be verified annually and the annual special assessment amount payable must be \$500 or more.
- c) City Council will determine which projects are eligible for assistance, and previous projects will not be considered for assistance.
- d) Applicants must verify financial need annually, a process similar to the homestead credit program. Homestead credit recipients will be automatically referred for assistance if they have eligible special assessments.

The City of Wahpeton may include an administrative fee on special assessment projects to offset the additional resources for project oversight. When the fee is applied it is calculated at 3% of the actual construction costs.

The City of Wahpeton typically provides the working capital to cash flow improvement projects and uses the bond proceeds to reimburse special assessment related expenses. Interest rates and availability of cash influence this practice and the cost of interim financing. When possible it can be a source of savings in the special assessment process.

The city adds 1.5% to the stated net effective interest rate of each special assessment bond issue in accordance with NDCC 40-24-02. The fee offsets the monies lost when property owners pre-pay special assessments (it saves the property owner interest but the bond holders still must be paid in full). The city has had two underperforming bond issues and two surpluses after payoff bond issues in the past 15 years. The underperforming issues required transfers out of the General Fund, the surpluses were transferred into the General Fund.

The elected officials do not take special assessments lightly, the process usually begins with a public input meeting, cost estimating, and financial modeling. Project cost buy-downs with city sales tax funds are used frequently but deployed on a case-by-case basis.