

TO: Energy Development and Transmission Committee
 Senator Rich Wardner, Chair

FROM: Dennis W. Johnson
 Commission President
 City of Dickinson

RE: Energy Impact

DATE: January 25, 2012

Dickinson, along with Williston and Minot, are the three major oil hub cities providing much of the workforce for the western North Dakota energy development. Oil development in the Dickinson region is growing in intensity. Drilling rigs are operating successfully just north and west of Dickinson. There is significant mineral leasing activity in the southwest between I-94 and the South Dakota border. The 2010 Census determined Dickinson's population to be nearly 18,000 people. We believe Dickinson may actually be serving a population of about 22,000.

The local economy is expanding rapidly. Area motels and camp grounds report high occupancy rates. City 2011 sales tax collections increased 41% year over year. This is on top of a 21% increase in 2010. Both residential and commercial construction was strong during 2011. Solid waste flows to the Dickinson landfill are expanding rapidly, especially for construction and oilfield waste. Waste water flows are exceeding the rated capacity of the existing waste water treatment facility. Citizen complaints about traffic are growing. Calls for service to the police and fire departments have increased substantially year over year.

Just how much growth Dickinson should plan and prepare for is difficult to determine. Some projections have Dickinson reaching 35,000 people by the beginning of 2016. The situation is fluid and volatile. Priorities change overnight. Even though the future is uncertain, Dickinson has been proactive with its planning efforts. There are multiple engineering firms assisting Dickinson with its planning.

- Apex Engineering: Waste Water Processing Evaluation, Planning, and Design
- Wenck & Associates: Regional Landfill Evaluation and Planning
- KLJ Engineering: Comprehensive City Plan
- HDR Engineering: Environmental Assessment for Truck and Traffic Reliever route(s)

Current Dickinson leadership is determined to safeguard the City's *"curb appeal"* and *"quality of place"*. We believe *"curb appeal"* and *"quality of place"* are real community strengths. Both the County and City planning and zoning committees are working together to protect the appearances of the major entrances into the City. For example, the City requires industrial and commercial parking lots to be hard surfaced. The City has passed a crew camp ordinance establishing annual permit fees and regulations for crew camp activity within city limits.

Given the boom and bust history of the oil industry, the Dickinson City Commission is determined to prevent the citizens of Dickinson from assuming the risk and bearing the financial burden for the oil development in the event of a severe industry downturn. The only bonded debt (\$1 million) the City has is for the West River Community Center. The City will make the last payment on that bond in December of this year.

There are four main energy impact challenges to the City.

1. Housing
2. Replacing existing and/or adding new Infrastructure
3. Traffic Management
4. Employee Attraction and Retention

1. Housing

- a. Housing is tight and expensive. People relocating to Dickinson often have credit issues. Employers are finding a growing need to get into the housing business.
- b. Realtors report strong demand for housing.
- c. Lack of affordable housing is a significant issue.
- d. The City is working with a developer to construct a large crew camp within the City.

2. Replacing existing and/or adding new Infrastructure

- a. Apex Engineering is 30% complete with design drawings for a mechanical waste water treatment facility. The expected cost is \$35,000,000 and is scheduled to open in September 2014. The buildings are sized to accommodate a maximum population of 62,000. The initial installed equipment will accommodate a population of 31,000.
- b. Wenck Engineers have studied the Regional Dickinson Landfill. They estimate the remaining life of the inert landfill to be approximately 5 years. Their estimate of the remaining life of the MSW Landfill is less than 30 years. They recommend the City should acquire land that is adjacent to the present landfill site (170 acres). Wenck recommends additional equipment including a Dozer and a Scraper. If the solid waste load continues to grow the present bailer equipment will require replacement with a larger size.
- c. The city established a Development Impact Fund for residential and commercial infrastructure construction. Essentially the city pays for about 50% of the cost of streets, curb & gutters, and water & sewer. The developer pays the balance. The city then special assesses its share these costs to the eventual property owner. The special

assessment period for residential properties is 10 years and for commercial properties is 5 years. Currently, the city has transferred \$4 million of its own money to the Development Impact Fund. The city expects the Development Impact Fund will require additional funds for some time before it turns cash flow positive.

d. St. Joseph Hospital is planning to construct a medical office building and new hospital at the southeast corner of I-94 west exit (exit 59). Construction may start as early as this year. The cost of this facility may approach \$85 million. The hospital is expecting the city to contribute much of the required infrastructure development for the project.

e. The city is short office space. It is scheduled this year to finish the basement of City Hall for additional offices.

f. The existing City Public Works Building is old and undersized and needs replacing.

g. Due to the city's growth north of I-94 a fire station is needed on that side of town. Stark County Sheriff and the Dickinson Police Department are co-located in the Law Enforcement Center. Both of these entities are growing. The Dickinson Police Department may be required to relocate.

h. The public school district is planning to build an elementary school in northwest Dickinson.

3. Traffic Management

a. HDR has been retained by the NDDOT to do an environmental study for a possible truck and/or reliever route around the western edge of the city. Much of Dickinson's industrial and commercial development is happening north of I-94 along Highway 22. Much of Dickinson's retail sector is located north of the Interstate, along with many of the city's motel rooms, and most of the energy companies are building in this area. Exit 61 was not designed to accommodate this growth. It is very difficult for I-94 east bound traffic to exit at exit 61 and go north on Highway 22. It creates a bottleneck and is unsafe. It is envisioned that truck traffic could be diverted north at exit 59 or possibly earlier at a newly constructed exit west of exit 59.

b. Dickinson has one railroad grade separation. It is an old underpass on Highway 22 in downtown Dickinson. The existing underpass needs to be replaced and enlarged. At the same time Dickinson needs another grade separation possibly on States Avenue.

c. Traffic congestion on Highway 22 is a growing problem. The city is going to close Highway 22 to truck traffic.

d. Growing demands on law enforcement reduce the amount of time that can be directed towards the enforcement of traffic laws. The ND Legislature declined to allow cities greater latitude in setting traffic fines.

4. Employee Attraction and Retention

a. Employee attraction and retention is a challenge for not only the City but almost every employer that is not part of the energy industry. We hear reports of severe employee shortages in the retail and hospitality sectors of the economy.

- b. The city in the past year has recruited a City Planner, Assistant City Engineer, Human Resource Director, Property Appraiser, Police Officers, and several public works employees. The City this past year spent a record amount of money on employee recruitment.
- c. Lack of experience for new hires is a real concern. Many of the City's police officers and heavy equipment operators lack in work experience.
- d. City employee wage rates have escalated much faster than other areas of the country as the City tries to compete with the energy industry.

The City of Dickinson along with the State and Federal Government will soon begin investing in several large infrastructure projects that collectively will cost several millions of dollars. In addition to these projects the City has experienced increased daily operating costs.

The City is grateful for the funding from the State for the Mining Industry Job Funding Program. Dickinson has qualified for the \$ 1 million per year level. These are funds that can be used at the City's discretion for general fund expenses or project expenses. The City has chosen to use these funds for additional employees and more competitive salaries and wages. Dickinson's 2012 general fund property tax levy is about \$3.4 million. Without these funds Dickinson would have had to forego the additional employees or substantially increase its property tax levy. We encourage the Governor and the Legislature to not only continue this program but to substantially increase its funding.

The City is also grateful for the Hub City Impact Grant Funding Program. During the present biennium, Dickinson is earmarked for about \$10 million (\$5 million per year). As the City gains a greater understanding of the magnitude of the energy impact on Dickinson, we realize \$5 million per year will not meet the needs of the community. We also encourage the Governor and the Legislature to not only continue this program but to substantially increase its funding.

We see a need interim funding of construction projects. The City would like to decide on its long term funding after projects are complete. How projects are eventually financed is influenced by whether or not they are Enterprise Fund (Water/ Waste Water Fund or Solid Waste Fund) projects or General Fund Projects. Enterprise Funds have fee revenues that can be used to procure revenue bonding. Property tax revenues to be used to fund General Fund obligations require a 60% approval vote by the people.

State aid funding levels and administrative rules for infrastructure projects are likely to change with each Legislative session. In addition, priorities seem to change quickly in the oil patch. The City of Dickinson would prefer to wait as long as possible before it chose how to deploy its limited funds.