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January 26, 2012

Chairman Rich Wardner
Energy Development and Transmission Committee
Oil Impacts Hearing

Chairman Wardner, Vice-Chairman Porter, and Committee Members:

My name is Brad Bekkedahl, Finance Commissioner for the City of Williston, and, on behalf of the City, I extend sincere appreciation Chairman Wardner for the opportunity to present testimony before this Committee. I have held the office of Finance Commissioner for 16 years, served 9 years on the Board of the Oil and Gas Counties, including 2 years as President, and have been fortunate to provide testimony on Oil Impact issues since the 2003 Legislative Session.

I have prepared written materials for this testimony that have four major components. First, is the attempt to detail the level of impact to our City with statistical details. Next is an explanation of what we as a community have done to accommodate and expand the industry with current impact funding. Third, is an assessment of the challenges and impacts we have identified for the immediate future, and finally, some information for future funding considerations as we all deal with this growth long-term.

Allow me to attempt to describe our situation at present. Our residents have endured significant economic, social, and emotional stress these last three years, and the now accelerated pace of impacts have worn many of them down to where they are either leaving voluntarily or being forced out of the community by housing rental increases. Our quality of life has been diminished, not by intent, but by default, as the industry brings its resources to develop their leases. Our City budgets have had to explode in the attempt to keep pace, going from \$25 million in 2008 to \$65 million in 2012, placing a property tax burden on our residents that was not of their choosing. We suffer in our ability to hire and retain public service employees in this environment that has seen an 80% growth in average annual wage since 2006, making us not the highest in the State. Our new hires have no affordable housing available, so we are expending over \$700,000 this year for employee housing subsidies, and investing \$300,000 in a new apartment facility to get access to 15 units for new employees that need housing. Construction inflation is routinely 50% on our bid projects, leading to significant cost over-runs to get them built. Our police and public safety calls have more than tripled since 2009.

While these are challenging, we remain optimistic that with the support and partnership of the State of North Dakota, we will emerge a community much improved with this growth and development. We are very appreciative of what this industry brings in terms of growth and employment, but the majority of our residents have not seen direct benefits from the development so far. We don't want our community to feel resentful about the negative impacts we are currently enduring, so addressing the impacts and mitigating the damages with your assistance could provide some relief to their concerns.

The fact is that the pace of this development is driven by the State permit approval process, and with it, the corresponding impact costs must be acknowledged and addressed, which is why we appreciate this opportunity for providing input and requesting further consideration for assistance. I would be happy to answer any questions following the power point presentation completion.

Kind regards,

Brad Bekkedahl
Williston City Commissioner
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701-570-1879

PREPARING AS A COMMUNITY FOR FUTURE IMPACT

Presented to:
Chairman Rich Wardner
Energy Development and Transmission Committee
January 25, 2012

Presented by:
Brad Bekkedahl
City of Williston Finance Commissioner



Where's The Impact? It's **here!**



- #1 in **Taxable Sales** and Use
- #1 in **Mining** Employment
- #1 in Number of **Oil Companies Location**
- #1 in **Building Permits** Statewide
- #1 in Average **Annual Salary** Statewide
- #1 in Housing **Shortage**/Rent Inflation
- #1 in **Oil Rigs** within a 70 Mile Radius
- #1 in Oil **Truck Traffic** within City Limits
- #1 in **Man Camp** Capacity and Occupancy
- #1 in **Power Usage** and Consumption
- #1 in Oilfield **Water Usage**



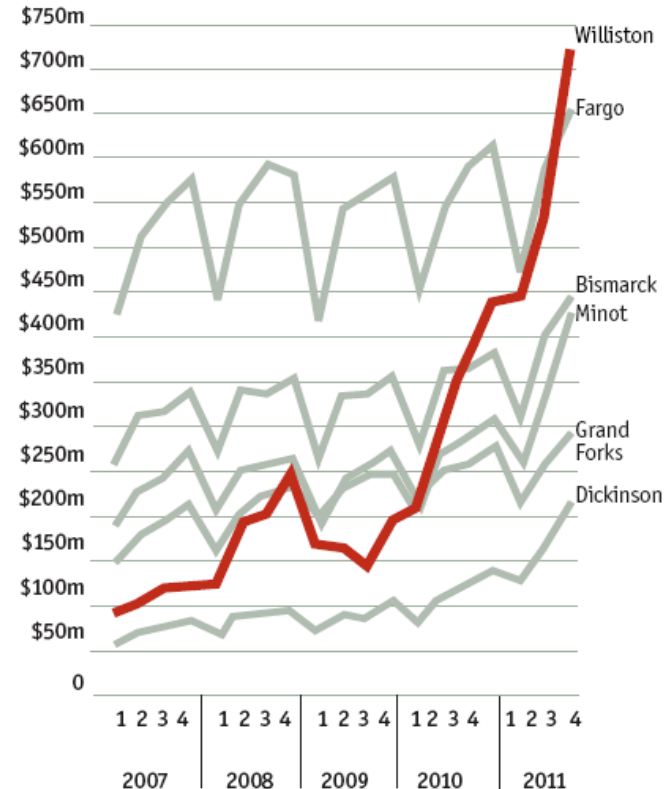
ND City Sales Tax

Major City Quarterly Comparison

Williston with more than \$721 Million in third quarter taxable sales and purchases, had the **highest total** among the 50 largest cities in the state.

"It's more than good."
"It is remarkable."

Cory Fong



Source: ND Office of State Tax Commission

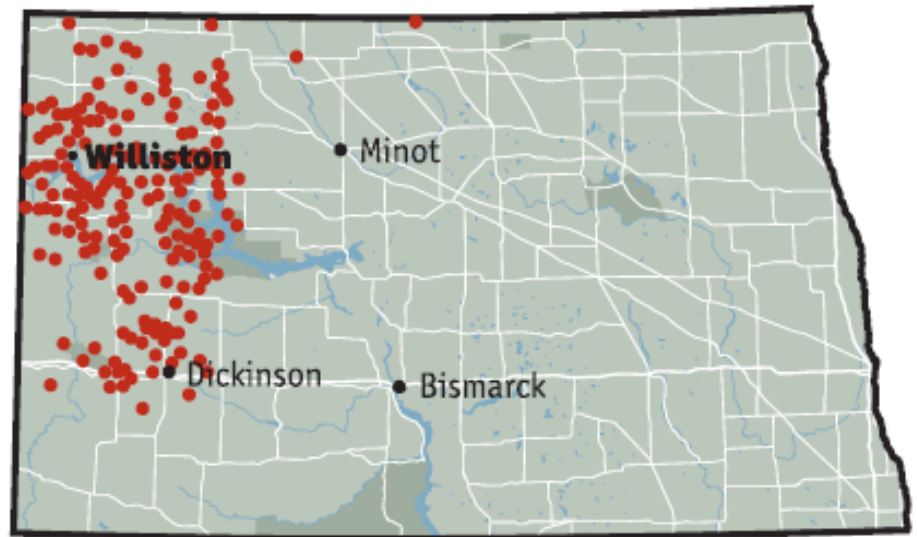


Oil & Gas Drilling Rig Locations

December 26, 2011

90% of the current drilling activity occurs within a **70-Mile radius** of Williston.

Williston is the center of the activity and the chosen location for oil and gas businesses!



Source: ND Department of Mineral Resources

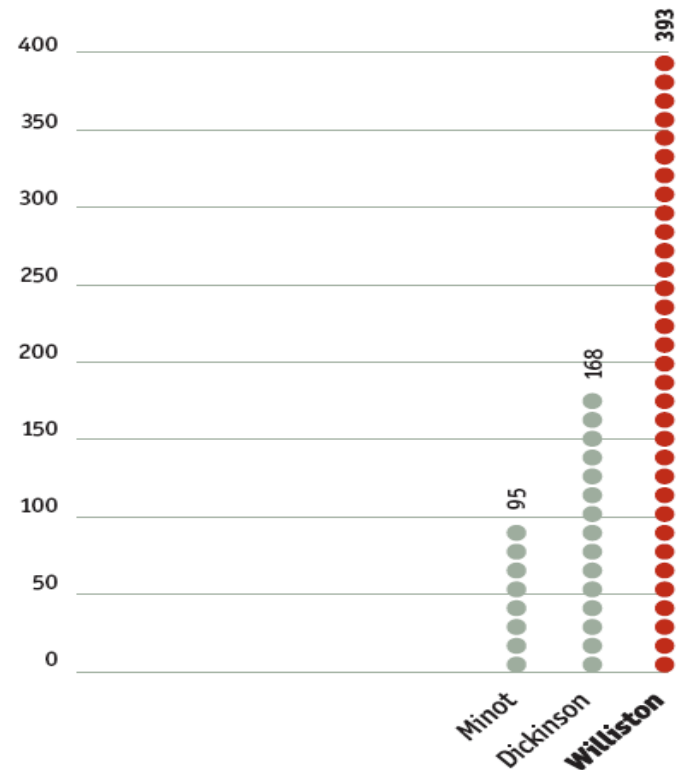
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Oil & Gas Companies

Top Three Cities

Five of the top ten employers in Williston are related to the Oil & Gas Industry. The top ten Oil & Gas service companies in the world have operations in Williston.

In 2012, Williston will surpass over **400** businesses related to the **oil and gas** industry.



Source: Don's Oil & Gas Directory 2011, Mountain States Directory



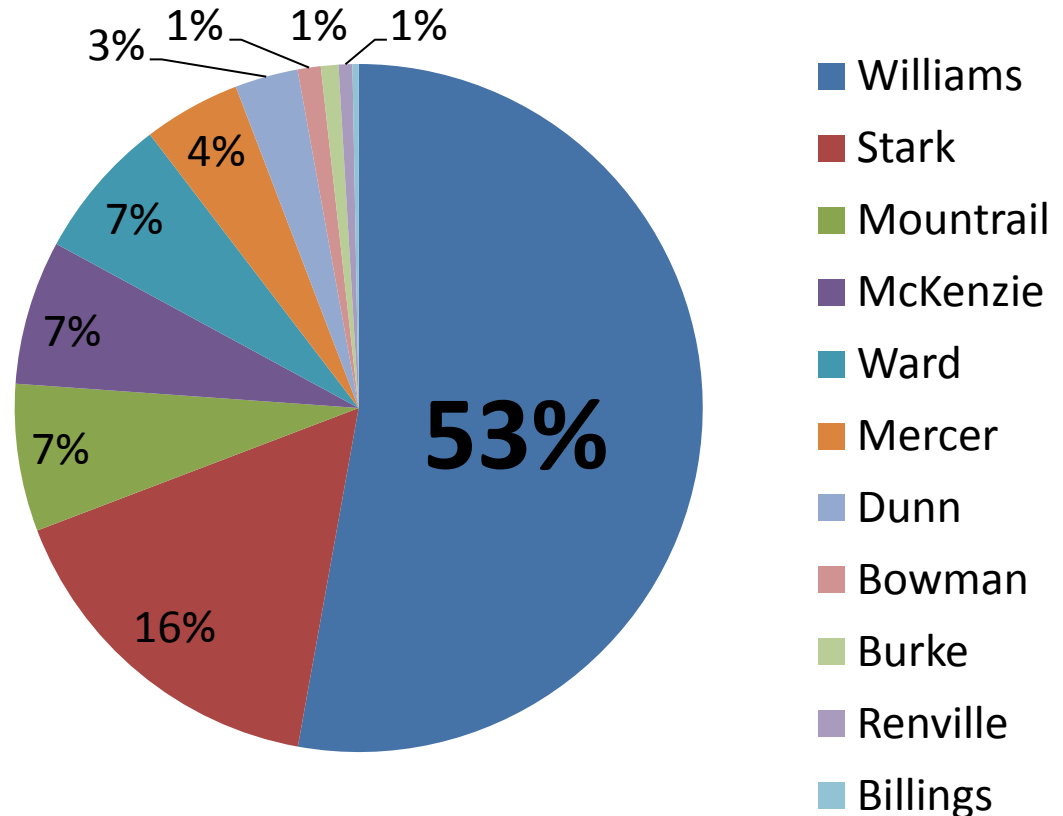
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Mining Employment

11 of the 17 Oil & Gas Producing Counties

Golden, McHenry, Slope, McLean, Divide and Hettinger Counties have non-disclosable data.

Over **31%** of Williston's employment base is contributed to mining. Last year it was the **largest, fastest growing**, and **number one** employment sector in our community.



What Is Your Top Employing Industry?

Williston – Oil and Gas

Minot – Retail Trade

Dickinson – Healthcare

Source: ND Workforce Intelligence 2nd Quarter 2011

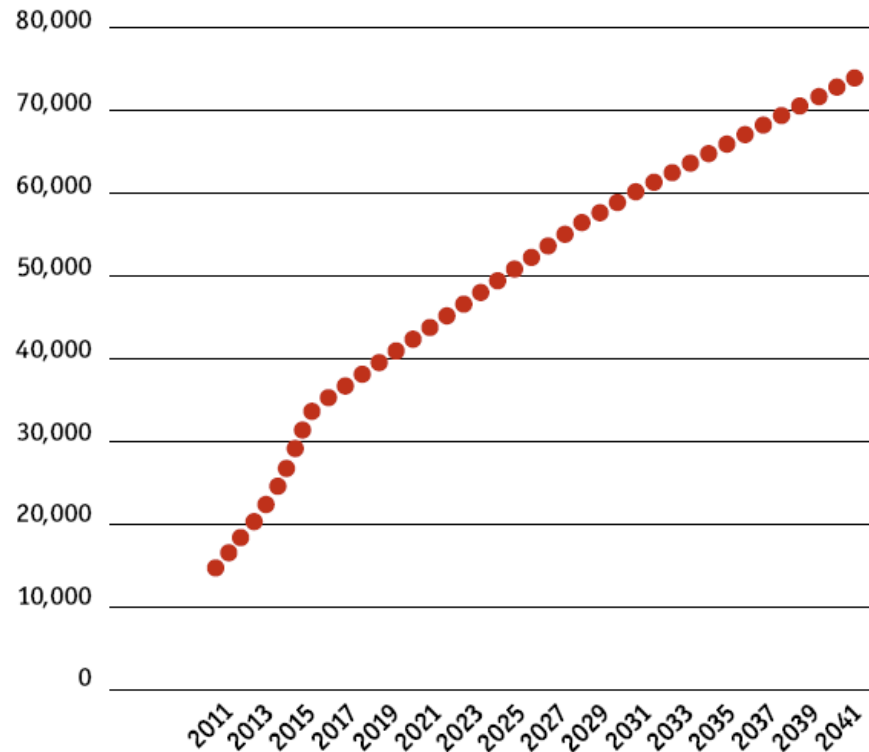
Williston Employment Projection

Based on historical job/industry growth figures since 2006.

Based on historical trends since 2006 that include growth and decline as a result of oil and gas activity.

The Williston Economic Development Office suggests the community's future employment projection could resemble this increase.

Williston
Economic Development



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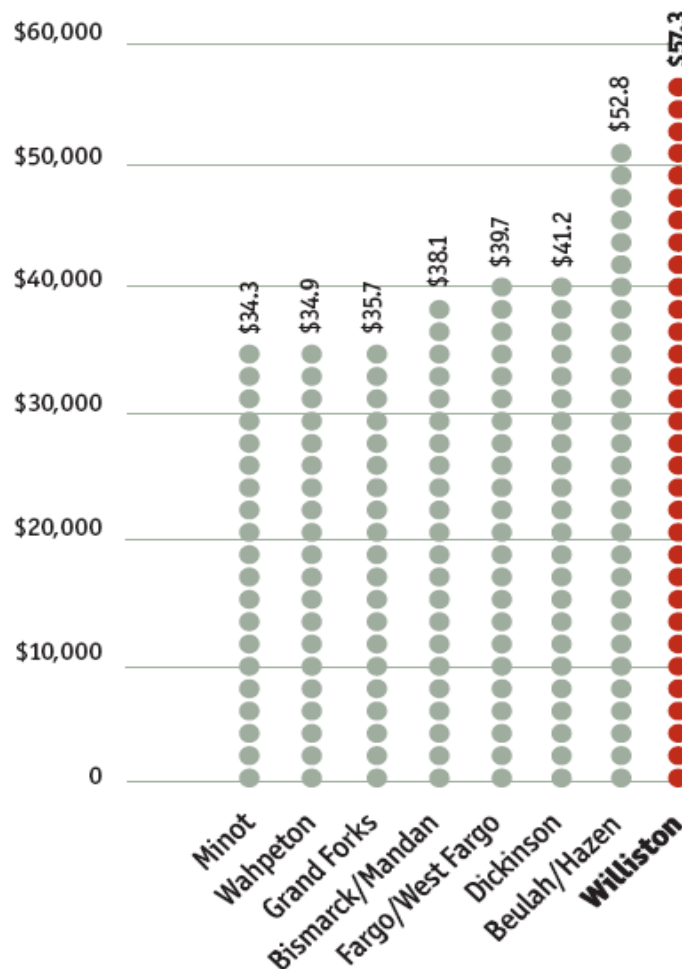
ND Highest Average Annual Salary

December 26, 2011

Williston's average annual wage within the oil and gas industry - **\$81,000.00**

Expected hourly wage compensation to stay competitive within the retail and service sectors - **\$15.00/hr** (Source: Williston Econ Dev)

Williston average annual wage in 2006 - **\$31,956.00**



Source: ND Workforce Intelligence



ND City Valuations of Building Permits

Year to Date, November 2011

Williston

Housing Units Permitted

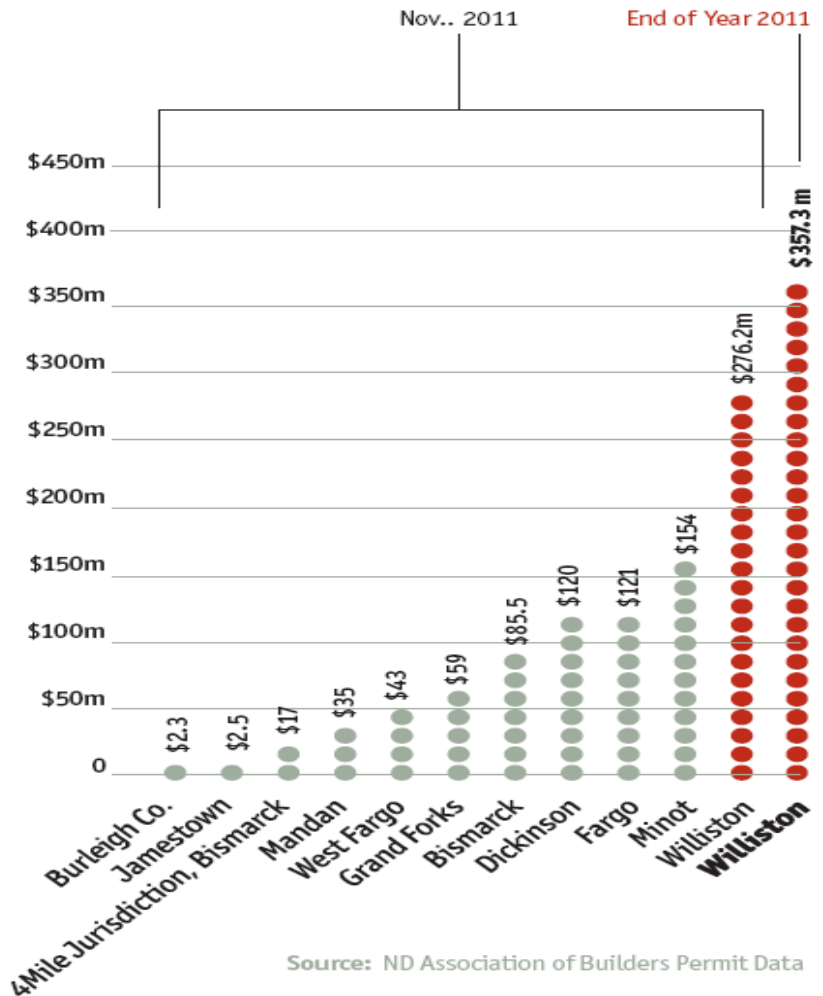
For the Year, 2011

Single Family:	310
Apartment Units (25 Bldgs.):	1,017
Manufactured Homes:	113
Hotel Units:	691
Total Units:	2,131

2011 Hotels Permitted

And under construction

Holiday Inn Express:	88
Value Place 1:	124
Value Place 2:	124
Motel 6:	69
Best Western:	99
Hampton Inn:	98
Mainstay Suites:	89
Total Units:	691



Source: ND Association of Builders Permit Data



Williston/Williams Co. Man Camps

Capacity & Occupancy

Williams County Temporary Housing, currently calculated at over 9,200 sleeping units and growing.

August 9, 2011: Watford City, City Council says no more man camps will be allowed within the city and including the one-mile jurisdiction.

September 12, 2011: In response to the growing demand and applications, the Williams County Commission issues a six-month moratorium on man camps.

September 27, 2011: Mountrail County announced a 18-month moratorium on any type of housing that is meant for temporary occupation.

Current advertisement for “New”
construction available summer 2012.

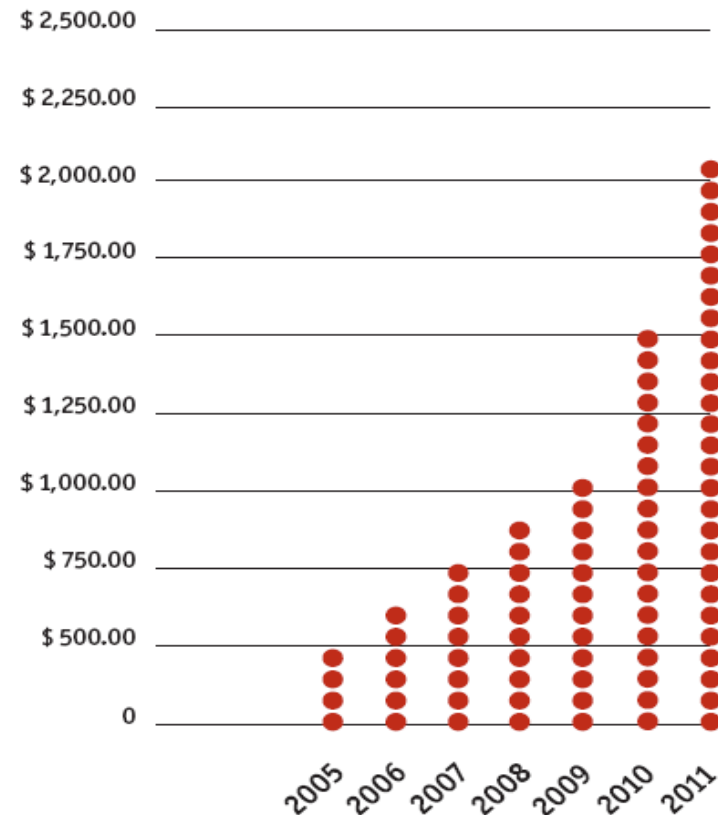
Floor plans ranging from 700 / 1,300sq ft

	<u>Unfurnished</u>	<u>Furnished</u>
2 – One Bedroom/One Bath Apartments	\$ 2350	\$ 3150
14 – Two Bedroom/One Bath Apartments	\$ 2850	\$ 3750
8 – Two Bedroom/Two Bath Apartments	\$ 3050	\$ 3950
6 – Three Bedroom/Two Bath Apartments	\$ 3750	\$ 4780



Williston Rent Inflation

One/two bedroom apartments



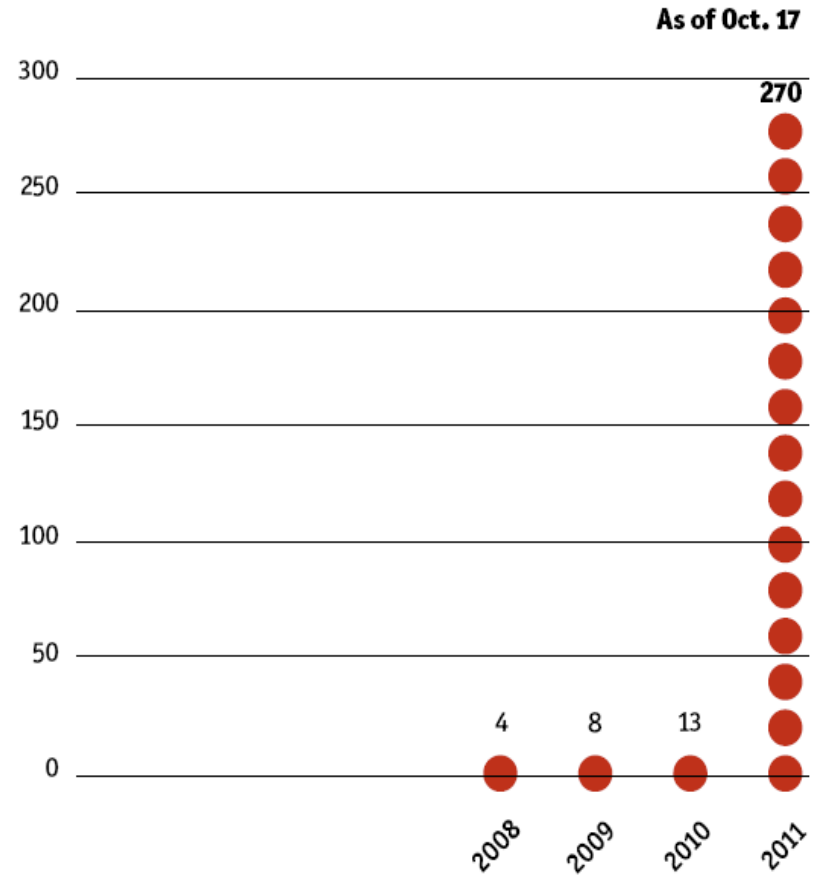
Source: Williston Economic Development

#1

Oil truck traffic within city limits

Truck Route Violations

Williston Police Department states they are missing **one** of every **three** truck route violations due to staff shortages.



Source: Williston Police Department

**What have we
done to **expand**
industry with
current impact
funding**



REVENUES

State Oil Impact Funds	12-Million	City Sales Tax	21.9-Million	Special Assessments	3.4-Million	Developers Fees	\$3,500.00	Gross Production Tax	\$400,000.00
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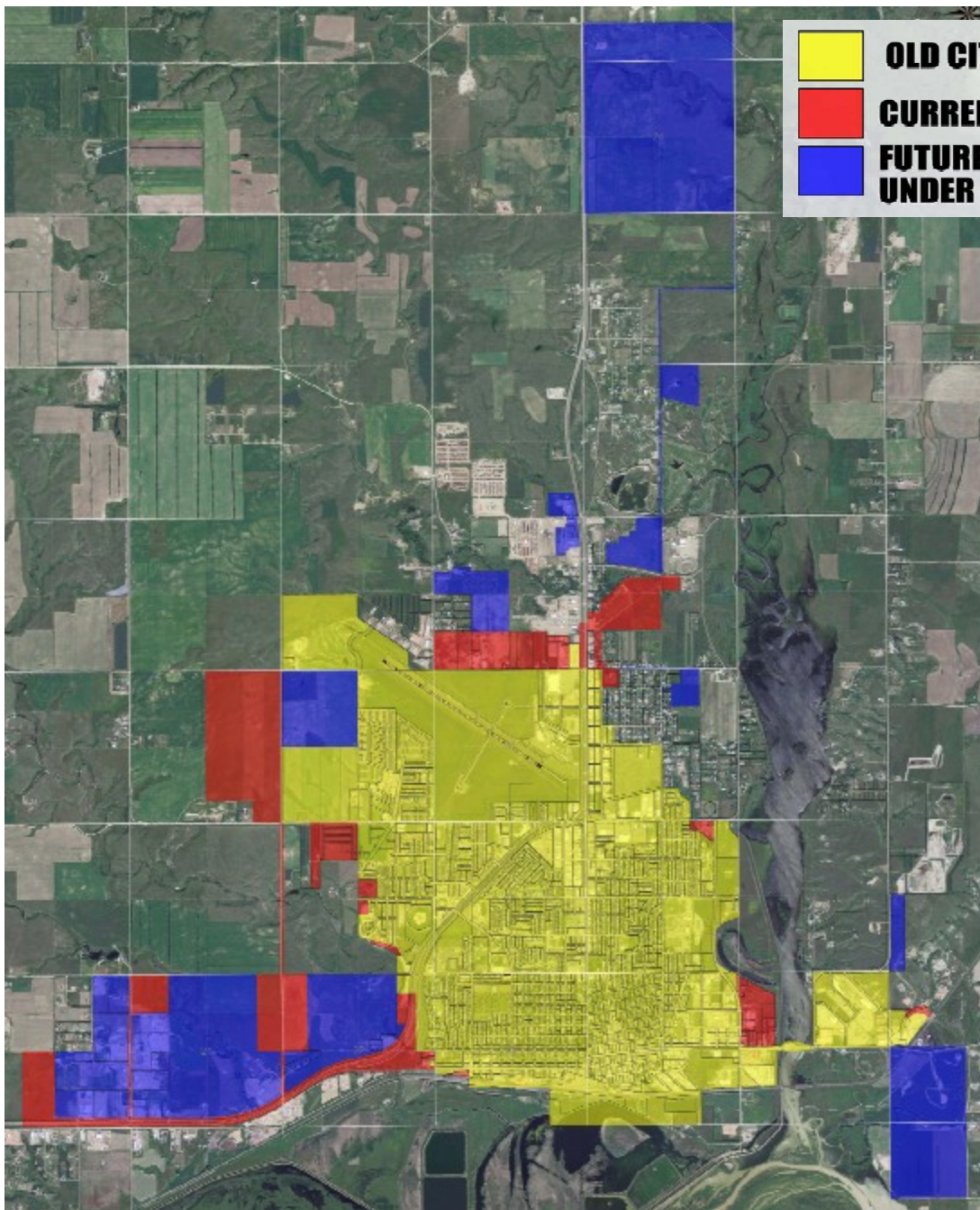
Infrastructure Account: \$37.7 - Million



Wastewater Treatment Plant	15-Million	26 th St. Extension	2.5-Million	West Sewer Extension	\$5-Million	North Sewer Extension	\$10.5-Million	East Industrial	\$1.2-Million	Urban Roads Extensions	\$3.5-Million
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EXPENDITURES

Due to area construction inflation all of these projects have incurred expenditures above estimates that are currently City of Williston obligations.



OLD CITY LIMITS - 4479 ac = Approx 7 sq mi



CURRENT ANNEXATIONS - 5581 ac = Approx 9 sq mi



**FUTURE ANNEXATIONS - 2497 ac = Approx 13 sq mi
UNDER CONSIDERATION**

Williston Growth Map

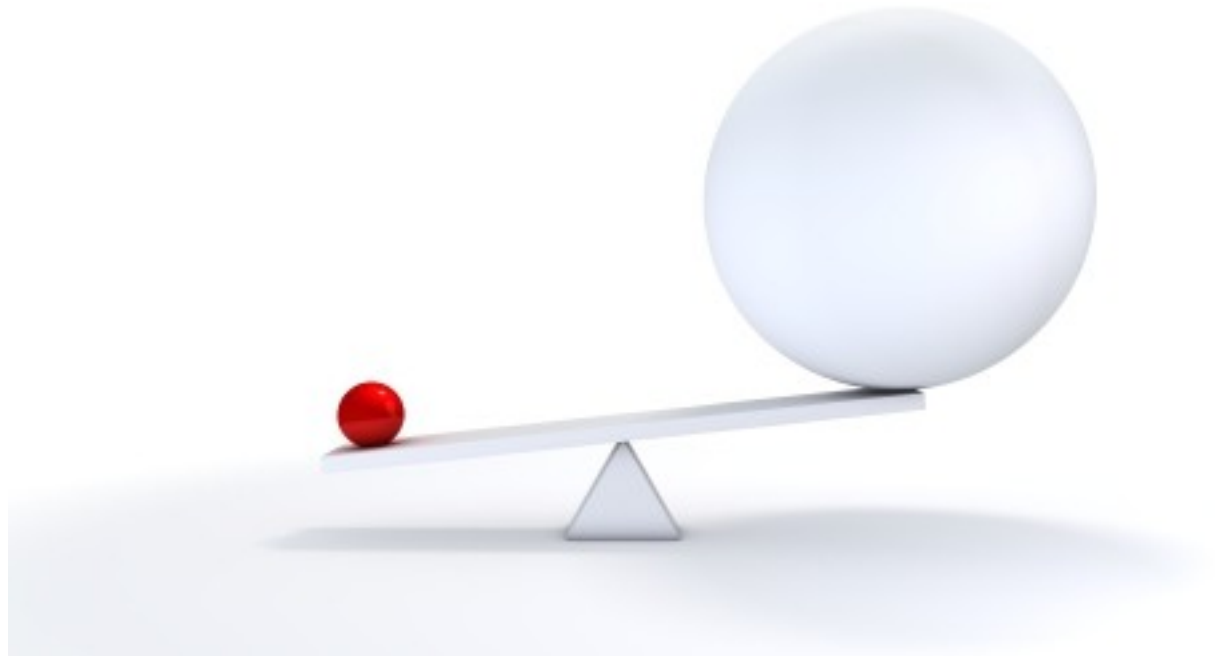
Project Growth Summary

In 2011 the City of Williston had eleven projects that are either in the bid, design or completion phase that have resulted in:

- The expansion of developed residential property to accommodate an additional 3,000 housing units.
- Estimated annexation of over 1,200 acres.
 - To include:
 - 450 acres Residential
 - 660 acres Industrial
 - 300 acres Commercial/Retail
- Wastewater treatment facility upgrade.



What challenges and impacts lie ahead?



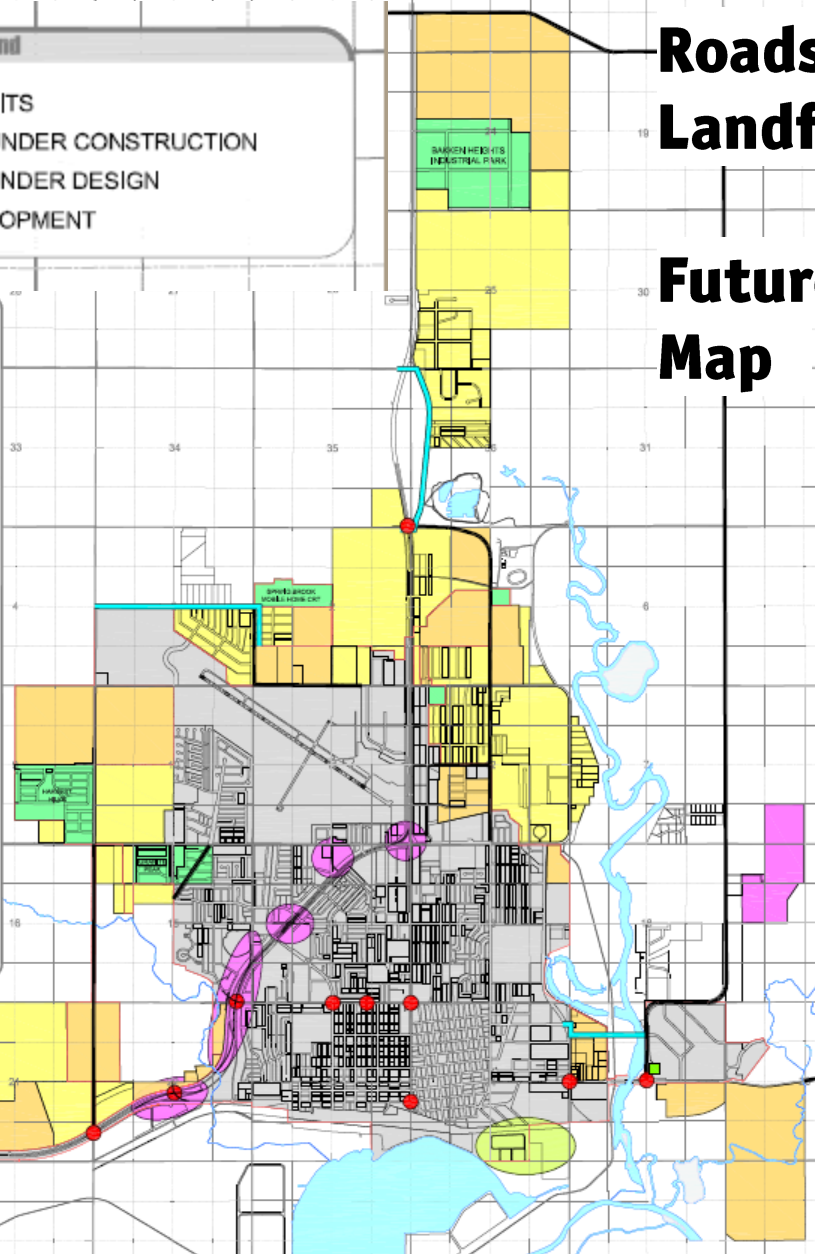
Map Legend

- EXISTING CITY LIMITS
- DEVELOPMENTS UNDER CONSTRUCTION
- DEVELOPMENTS UNDER DESIGN
- POTENTIAL DEVELOPMENT

Roads, Water, Sewer and Landfill Expansions

Future Projects Base Map

HIGHWAY IMPROVEMENTS	
West Truck/Palmer Road	\$ 21,700,000
East Truck/Palmer Road	\$ 43,100,000
ND 1804 Four Lane - Sleepy Creek to County Rd 9	\$ 4,000,000
	\$ 10,800,000
US HIGHWAY 2 & 89 INTERSECTION IMPROVEMENTS	
2th Street Intersection	\$ 2,500,000
16th Avenue West Intersection	\$ 2,500,000
11th Street/Black Creek Overpass	\$ 7,300,000
11th Street Intersection	\$ 5,700,000
2nd Street Intersection	\$ 2,900,000
	\$ 20,900,000
CITY STREET EXTENSIONS	
42nd Street/16th Avenue West Reconstruction	\$ 4,500,000
University Avenue Reconstruction & Extension	\$ 7,500,000
14th Street Reconstruction	\$ 1,500,000
Pleasant Run Parkway Construction	\$ 1,100,000
22nd Avenue West Construction	\$ 6,000,000
	\$ 20,600,000
TRAFFIC SIGNALS	
US 2 & 89 at 2nd Avenue West	\$ 250,000
US 2 & 89 at 2nd Street West	\$ 250,000
US 2 & 89 at 11th Street West	\$ 250,000
US 2 & 89 at REC Road	\$ 250,000
11th Street at 16th Avenue West	\$ 250,000
11th Street at 16th Avenue West	\$ 250,000
11th Street at 2nd Avenue West	\$ 100,000
2nd Street at 2nd Avenue West	\$ 100,000
East Broadway at East Colorado Parkway	\$ 250,000
East Broadway at County Road 9	\$ 250,000
	\$ 2,300,000
MUNICIPAL SOLID WASTE LANDFILL	
Master Plan and Hydrogeologic Study	\$ 750,000
WATER DISTRIBUTION SYSTEM	
Bonham Industrial Park Water Main Connection	\$ 1,500,000
Highland Heights Water Main Connection	\$ 1,000,000
East Industrial Park Water Main Connection	\$ 1,500,000
	\$ 4,000,000
WASTE WATER COLLECTION & TREATMENT	
East Industrial Park LIFT Station Upgrade	\$ 1,000,000
Waste Water Treatment Plant Expansion	\$ 100,000,000
	\$ 101,000,000





**Roads Analysis
City of Williston
Comprehensive Master Plan**

Identified Short Term Road Improvements: \$140 Million

Identified Long-term Improvements: \$118.9 Million

Total Surface Transportation Cost: \$258.9 Million



Water Distribution

Water Distribution System	
Borsheim Industrial Park Water Main Connection	\$1,500,000
Highland Heights Water Main Connection	\$1,000,000
East Industrial Park Water Main Collection	\$1,500,000
Subtotal	\$4,000,000



Wastewater Treatment Plant expansion

Project	Cost (2011)	Potential Non Recoverable Costs	Timeline
Phase 1-Tertiary Side stream Treatment Improvements	\$5-6M	\$3-5M	2012
Phase II – Semi Permanent Mechanical Treatment Improvements	\$9-11M	\$5-7M	2013-2014
Phase III Semi Permanent to Permanent Mechanical Treatments Expansion	\$10-13M Option A \$15-16M Option B	\$6-8M Option A \$1-2M Option B	2014
Phase IV Permanent Mechanical Treatment Facilities Design and Coordination	\$63-80M Option A \$34-41M Option B	Permanent Both Options	2015-2016
Total Costs	\$87-110M Option A \$63-74M Option B	\$14-20M Option A \$9-14M Option B	



Landfill Waste Disposal

Solid Waste	
Landfill Expansion	\$2,500,000
Subtotal	\$2,500,000



City Government/Building Expansion

Police department calls **increased 250%** 2009: 6,000 /2010: 17,000
Municipal Court case activity increasing **15% annually**
Building department **staff doubled** since 2008
Planning and Zoning department **reestablished** in 2007
Economic Development **staff doubled** since 2008
Wastewater treatment plant **exceeded capacity** in 2010
Sales tax collections since inception in 1991 have increased **ten fold**
City **employment increase**: 1994 – 82 fte /2011 – 126 fte / **2012 - 153 fte**

City of Williston Operational Costs (employee expenditures)

2006- \$4,000,000
2009- \$5,600,000
2012 - \$8,300,000

Project	Total Estimated Project Cost
Fire/ Ambulance	
26 th Ave Substation	\$2,350,000
Hwy 2 West Substation	\$2,350,000
Hwy 2 North Substation	\$2,350,000
Government Services Building Space	\$9,300,000
Subtotal	\$16,350,000



Airport expansion/relocation

Sloulin Field Airport has experienced a significant increase in activity over the past several years. **52,000** enplanements/deplanements occurred in 2011.

Option currently being considered:

Expansion and/or Relocation cost **\$150 Million.**

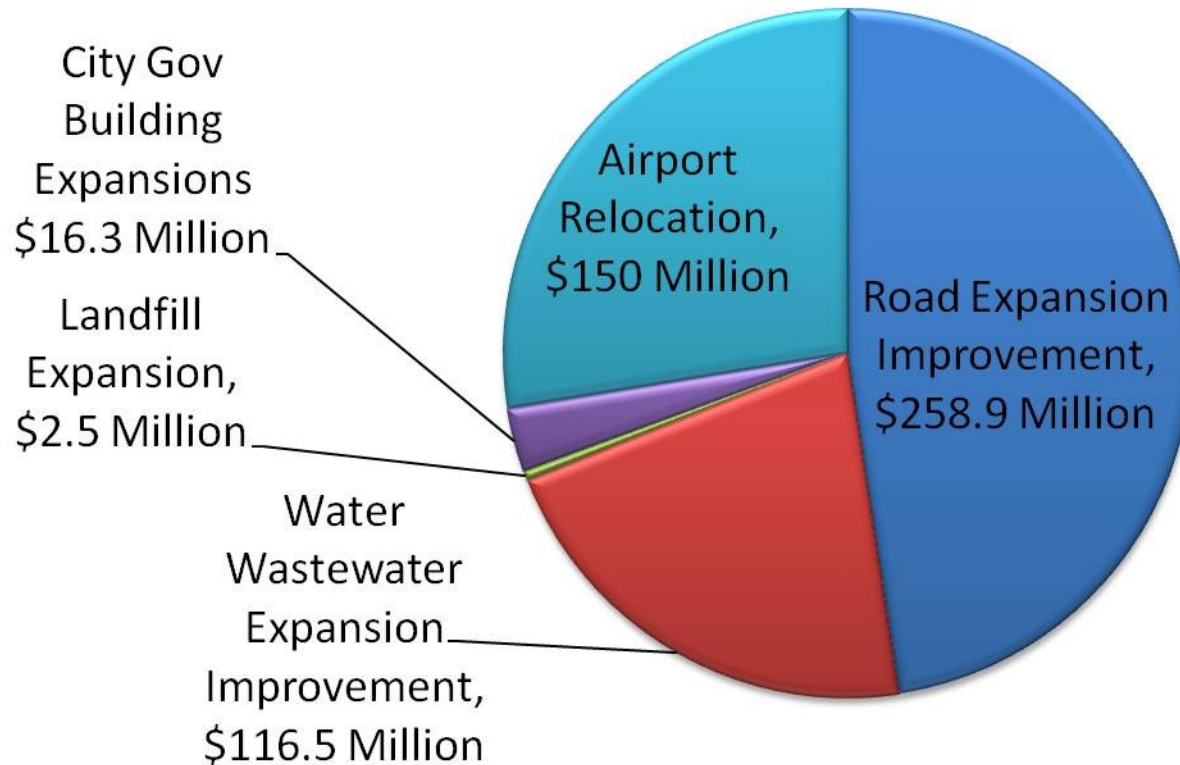
- Construct an airport that is able to accommodate regional jet or larger aircraft.
- Find a site not constrained for future development.



CONNECTING THE WILLISTON BASIN
TO THE WORLD



What Lies Ahead



Total: \$ 544.2 Million

Future funding considerations





Current funding resources

City Resources:

- Property Tax Levy - **unfairly** burdens existing residents for industry growth.
- Local Sales Tax - **public** votes **dictate** how these may be utilized.
- Special Assessments - these carry **risk** of **obligation** to City if defaults occur.



Current funding resources

State Resources:

- Highway gas Tax Allocation - distributed by **population**.
(No option for increased compensation for oil traffic activity and damage)
- State Revenue Sharing - distributed by **per capita** basis.
(No option for increased funding based on highest level of economic activity)
- Oil Impact Funding - historically only **less than 20%** of requested need.
(Williston documented need of \$104 million, funded at 18% of this need)
- Gross Production Tax/Extraction Tax - Cities funded at 20% of County allocation.
(Williston gets \$1.5 million/year – 0.1% of State oil revenue of \$1.5 billion/year)



Current funding resources

As you can see, the current resource base is unable to keep pace with this explosive level of activity, and that it places a disproportionate share of responsibility for industry support and expansion on local resources.

This for a resource development that benefits primarily State revenues.



Funding formula considerations

If funding formula consideration has some receptivity with the Legislature, then I submit the following points for that consideration:



Funding formula considerations

- Set up a **formula for the large hub cities** (over 10,000 population) that takes them totally out of the County share of the formula and sets up a percentage of total state oil/gas tax receipts for distribution, based upon **measurable indicators** for each community, such as the percentage of state mining employment in each city/county.
- Give the cities **more than we need, not less**. There should be some **benefit, not penalty**, for what our citizens are forced to bear and deal with. Help us to improve our quality of life to retain our citizens.
- If Legislators are concerned about the Billings County issue from the last boom cycle, then require the hub cities to **levy a minimum property tax** to qualify for the new formula funding.
- **Understand** the hub cities provide a great deal of services to the industry, such as schools, water, sewer, landfills, hospitals, emergency services, air /rail transportation, retail, housing, commercial and industrial space. As such, **do not be afraid to provide funding** commensurate to what large counties now receive in formula funding, based upon each cities measured indicator impacts.



Funding formula rationale

Understanding the current deficits with impact grant funding, allow me to present **three reasons to consider oil and gas tax formula amendment** or adjustment over exclusively using impact grant funding for the three large hub cities (over 10,000 population) servicing the industry in oil country.



Funding formula rationale

Formula funding is **automatic, ongoing, and consistent** – enhances budget planning and flexibility.

Local governing bodies meet all the time, the Legislature only once every two years in a deliberative and decision making environment. Formula funding places funds for **immediate use**, impact funding requires approval every two years, lobbying for continued funding, and extensive time and paperwork for distribution and compliance. **Impact funds are less flexible** – frequently targeted by Legislation to specific uses.

It has been **impossible** for several Legislative sessions now **to predict and plan impacts** over a two year biennium. We have always been **underfunded** to our requests, and are always **chasing dollars** we have already committed and spent. This has been compounding for the last three sessions and leads us to the crisis we are now in.

**Building a community,
a State, a Nation.**

**Western North Dakota is hosting the largest
oil play in the lower 48 states.**

**We need a lot more future funding to deal with the
impacts we are facing.**



THANK-YOU

Brad Bekkedahl
City of Williston Finance Commissioner
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