

Testimony for Energy Development and Transmission Committee

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I want to thank the Governor and the legislature for the money they put in oil producing counties this last legislative session. I also want to thank the Department of Transportations for being so easy to work with as we utilize that money.

Our problem was we didn't ask for enough. We really had no comprehension of how rapidly oil exploration was going to expand, and we could not have been prepared for the spring of 2011.

In retrospect we probably should have closed roads. We were in a catch 22 situation. Three of our state highways - 1806, 73, and 22 – had to be closed. Highway 85 and 23 along with the county road system was the only way oil explorations could continue.

I know you have all heard or witnessed the intensity of this oil play. I want to give you one more example.

We have approximately 50 rigs working in McKenzie County. Each rig will complete a hole and move every 25 to 30 days, so that is approximately 14 wells per year or 700 wells total for one year. Each well takes 1012 truck loads to complete the well through fracing. That means 2024 trips over a county or state road for one well. For 700 wells that figure is 1,416,800 trips of varying distances in one year. Then they can start hauling the salt water and crude.

With the money McKenzie County received plus the money we receive from the gross productions tax we are regarding and resurfacing 100 miles of gravel roads, 50 miles in 2011 and 50 miles in 2012. The average cost per mile is \$115,000. We are reshaping and overlaying approximately 12 miles of paved roads; that road will then be able to handle 105,500 pound

loads. The average cost of that upgrade is estimated at 1.5 million per mile. The total cost of these projects is 33.5 million, 9.9 million of county money and 23.6 million from the state.

To just keep even we in McKenzie County feel that in the next 5 years we should bring an additional 118 miles of pavement up to the 105,500 pound level which would cost roughly 177 million dollars at today's prices. We also have to regrade and resurface an additional 450 miles of gravel road at a cost of 52 million dollars. This is probably a low figure as our county is rapidly running out of gravel, so it has to be shipped from elsewhere and the price keeps rising. Adding these together 229 million is the total that we should spend in the next 5 years.

Our dust control program has been to provide control for people living along our gravel roads. That is no longer adequate. Truck traffic on our higher volume haul roads is creating white out situations much like snow storms. In 2011 we spent approximately 2 million dollars for dust control. For 2012 we are adding another crew, motor grader and tanker truck. We expect to nearly double the amount of miles we are treating to 296 miles. As a result our dust control program will cost us approximately 4 million dollars.

That concludes the road portion of my testimony. I would now like to present the most pressing needs we have for general government in McKenzie County.

Employee compensation is a constant struggle as we compete with the oil field to retain our workers. In 2008 we had 136 employees with a payroll of 3.19 million dollars. Our 2012 budget is for 165 employees with a payroll of 5.2 million dollars. As you can see since 2009 we have added 2 million per year to salaries. This increase is due mainly to increased oil activity in our county.

We had planned on updating our jail and dispatcher center which was built in 1982. Our jail is used by both the McKenzie County and Watford City with overflow going to Williston.

We have the plans ready at a cost of 1.5 million dollars but had to put that on hold because of roads. Since 2009 we have added 7 deputies and are in need of 2 more to expand our truck regulatory. Our citizens are asking for more traffic law enforcement, as our deputies are spending a great amount of time reacting to accidents.

At some point we are going to have to privatize or at least partially privatize our emergency services. Both our volunteer fire and rescue and ambulance services are close to a breaking point. It's not only the volunteers but employers that are running out of steam. We estimate at least 1 million dollars per year to go to private emergency services.

Our small rural hospital, built in 1955, is in desperate need of upgrading. We have seen our emergency room visits go from 200 in the month of October 2010 to over 400 in October 2011. That increase is giving rise to increased bad debt as many of the new workers do not have insurance or enough money in the bank for private pay. Our accounts receivable have doubled from 300 thousand dollars in 2010 to 659 thousand in 2011. With less than a 1% operating margin we cannot continue this.

Everyone in McKenzie County is scrambling to secure affordable housing for our medical community, our school system and the county. The healthcare system recently purchased an 11 unit apartment building, and at the county we have purchased 8, 14X70 mobile homes for 600,000 dollars. These are meant to be transitional living for our new employees while they secure permanent housing.

The county also purchased a 38 unit low income senior citizens' center for 700 thousand dollars. The families that owned the center offered the center to the county at a price that was probably one fourth of what they could have received from an oil company. The object obviously was to allow our elderly and low income to continue living there at their present rent.

Social services is seeing increased demands in every category. The most critical is our increase in child protection cases. Staff will have to be added as these are very time consuming cases and also because we have no foster homes in McKenzie County.

Employees are going to have to be added to the Clerk of Court and State's Attorney offices. Criminal cases have tripled since 2009, while civil, probate and traffic cases have doubled in that same time.

We have the only landfill between Williston and Dickinson. We are licensed to take in 20 tons a day, but our intake is now at 100 tons and rising. Consequently we have to upgrade to a higher classification and add two more employees. Wenck Associates estimate it will take 2.8 million dollars to accomplish this by 2013.

In conclusion I would ask that as you determine our future in the next session please consider the following. If you decide to continue funding our road projects through a direct appropriation, I ask you to adjust the gross production formula to insure that we can fund the rest of our general government with those dollars.

I again want to thank you for what you did last session. We in oil country recognize the support of legislators throughout North Dakota. The intensity of exploration increases everyday – so does the impact this has on not only our roads but all aspects of our county government – so too must the dollars increase that we need to continue providing infrastructure and services to maintain this expansion.