

2013 HOUSE FINANCE AND TAXATION

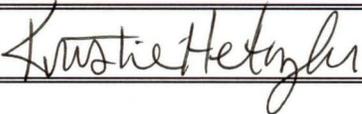
HB 1374

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1374
January 30, 2013
Job 17995

Conference Committee



Explanation or reason for introduction of bill/resolution:

A Bill for an Act to create a supplemental energy impact grant program and fund; to provide for a transfer; to provide an appropriation; and to provide an expiration date.

Minutes:

Attached testimony #1, 2

Chairman Belter: Opened hearing on HB 1374.

Representative Steiner: Introduced bill. See attached testimony #1.

Chairman Belter: Further testimony in support of 1374?

Dennis Johnson, President of the Dickinson City Commission: See attached testimony #2. (ended 18:30)

Representative Zaiser: Do you provide incentives for individuals to minimize the cubic footage of waste per capita and recycling?

Dennis Johnson: The city does some recycling, we do not do a lot of it. It's an issue with compliance when you do it on voluntary issue. It is tough to get voluntary compliance on that.

Representative Zaiser: How about incentives?

Dennis Johnson: We have no such economic incentives.

Representative Trottier: Do you give property tax abatements for new construction of housing and businesses?

Dennis Johnson: Yes we do. We give a two year exemption for new residential homes. We rarely grant exemptions for commercial property. Low income housing us generally does a 20 year pilot. We do have a proposal from city staff before our commission that will eliminate the 2 year residential exemption.

Representative Trottier: With all the growth it doesn't look like the income from property tax has gone up very much?

Dennis Johnson: You're correct and we do that by design, at each budget period we asked the city assessor, to give us your best estimate of what the additional dollar tax would be had they been there a year ago.

Representative Trottier: Does the city of Dickinson have any surplus funds?

Dennis Johnson: We have several funds (see testimony 2). Not sure what the balance will be at year end for our general fund, there is some excess money there. That will be used either for the public safety building or a public works building. If you looked at a balance sheet today you would see some money, 1 or 2 years from now there will be very little there.

Chairman Belter: Closes.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1374
February 11, 2013
Job #18441

Conference Committee

Kristi Heltzer

Explanation or reason for introduction of bill/resolution:

A Bill relating to a renter credit for a disabled veteran who would qualify for the property tax credit for disabled veterans except for the fact that the disabled veteran rents living quarters.

Minutes:

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Representative Headland: Do Not Pass

Representative Klein: Second.

Representative?: I agree

Representative Klein: There are already programs in place.

Yes: 14

No: 0

Absent: 0

Carried by: Representative Klein.

Date: 2-6-13
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1374**

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Headland Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh	✓	
Vice Chairman Craig Headland	✓		Rep. Steve Zaiser	✓	
Rep. Matthew Klein	✓		Rep. Jessica Haak	✓	
Rep. David Drovdal	✓		Rep. Marie Strinden	✓	
Rep. Glen Froseth	✓				
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier	✓				
Rep. Jason Dockter	✓				
Rep. Jim Schmidt	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Rep. Klein

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1374: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1374 was placed on the Eleventh order on the calendar.

2013 TESTIMONY

HB 1374



DO PASS- HB 1374

Chairman Belter and Members of the House Finance and Tax,

House bill 1374 is straightforward. This past fall, it became obvious as western legislators worked on a new 5% gross production tax formula that Dickinson didn't fit as well in the formula.

I doubt you've seen the new formula in House bill 1358 but the first spreadsheet showed that Dickinson will receive as a hub city \$12 million a year. In conversations with my city officials, it became apparent that we would need a supplement of \$13 million a year for 4 years to get us past this rapid 3-5 year oil field build out.

As policy, this bill asks the strategic investment and improvements fund to supplement the hub city, Dickinson, for 4 years. There is a sunset to this bill so that the situation can be reevaluated at that time.

You might also be aware that under the oil tax package brought by house leadership is a provision for a tax incentive for non-Bakken oil discoveries. If the Tyler or Red River formations are developed in the next couple years because of that oil tax package, Dickinson will see significant impacts because those resources are directly south and east of the city.

I've invited the President of the Dickinson City Commission Dennis Johnson to explain the level of costs to justify this \$13 million a year supplement.

Thank you.

Rep. Vicky Steiner



North Dakota House Finance and Taxation
House Bill No. 1374
January 30, 2013

Mr. Chairman and members of the committee, my name is Dennis Johnson. I serve as the President of the Dickinson City Commission. I am here today to speak in support of House Bill No. 1374.

The City of Dickinson and Southwest North Dakota are currently experiencing significant population growth and multiple oil related infrastructure and social impacts. To help Dickinson prepare for and manage the infrastructure needs due to the oil impacts, Dickinson retained KJ Engineering in June 2011 to develop a Comprehensive Plan (Dickinson 2035: Roadmap to the Future) and retained North Dakota State University in September 2011 to develop housing and population projections. NDSU issued its report in August 2012 and KJ issued its Draft Comprehensive Plan in November 2012. These documents are available at www.dickinsonplan.com.

NDSU forecasts Dickinson will reach a service population of 47,000 people by 2022. It's permanent population is expected to stabilize by 2030 at about 42,000. The 2010 Census lists Dickinson at just under 18,000 people. My current estimate is that Dickinson is serving about 25,000 people.

Dickinson, in 2010-2011, was the fourth fastest growing small city in the United States. Since that time, as the table below indicates, Dickinson's growth has accelerated.

City of Dickinson	2010	2011	2012
Construction Permit Values	\$75,414,000	\$123,515,000	\$389,495,000
New Building Permits (Res-Com-Ind)	258	255	783
Housing Units	211	331	1,517
City Size	6,734 acres	6,817 acres	8,237 acres

During the past two years the city's new building permit values have grown five times and its footprint has increased by 22%. The Dickinson City Planner expects building permits to approach \$500 million in 2013. Dickinson's population growth is substantial and we believe sustainable. Based on the housing forecast Dickinson has the potential to increase its current stock of housing by 80 percent in 10 years.

The City's infrastructure is under stress and in several aspects, maxed out. We are adding new properties to the system every day. Both the City's water distribution and its wastewater collection and treatment systems are experiencing significant capacity issues. The existing water system was evaluated in terms of water pressure, fire flows, and overall water storage. The planning process revealed that much of Dickinson does not meet fire flow standards, due to several reasons including

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inadequate water storage, and water pressure. Dickinson water consumption has grown by 46% to just over one billion gallons in the past two years.

The Draft Dickinson Comprehensive Plan states, *“The City of Dickinson has exceeded the planned capacity of its existing wastewater collection and conveyance system. The system has been performing adequately for current conditions; however, major improvements will be needed to accommodate future growth.”*

The table below outlines the major projects Dickinson is undertaking during this biennium and the recommended projects for the new biennium (Exhibit “A”). The projects listed on Exhibit “A” are all city wide projects and are not specific to any one neighborhood. Infrastructure that is specific to a development is paid for the developer. Dickinson’s funding deficiency for the current biennium is \$42.1 million. The city will be taking on \$40.5 million of debt. Without the passage of HB No. 1374 Dickinson may be forced to take on another \$102 million in debt.

City of Dickinson

	Biennium Ending 6/30/13	Biennium Ending 6/30/15
Water Projects		\$82,600,000*
Waste Water Projects	\$48,400,000**	\$44,800,000*
Public Works Building	\$18,000,000	
Public Safety Center	\$8,000,000	
Subtotal	\$74,400,000	\$127,400,000
State of North Dakota Impact Funding	\$12,300,000	\$25,400,000***
City of Dickinson Funds	\$20,000,000****	\$0
State Funding HB 1374	\$0	\$26,000,000
Funding Deficiency	\$42,100,000	\$76,000,000
City of Dickinson Debt	\$40,500,000*****	

*See Exhibit “A” for detail

**Mechanical Waste Water Treatment Facility currently under construction.

***Representative Skarphol’s Proposal

****Commits Dickinson’s ½% sales tax monies through 2016

*****State Revolving Fund; 20 year term at 2.5%; annual payment of \$2,600,000

I have not included costs for the City's major transportation projects. I am assuming the North Dakota DOT will provide the funding for the major projects. I have also not included landfill expansion costs. Dickinson operates a regional landfill that serves 23 other area communities. Increased solid waste volumes will require expansion. I have not included any monies for the Theodore Roosevelt Regional Airport. We are expecting additional funding needs for air and ground transportation and solid waste management during the next biennium. We have yet to determine final project priorities and cost estimates for the landfill, the airport, and city street extensions and signals.

I am frequently asked about the impact to city revenues due to the increased sales and property tax collected by the city. The City of Dickinson has a 1% and a ½% sales tax imposed on separate occasions by a vote of the people. Each sales tax is subject to different restrictions as outlined below on how the funds may be used.

One Percent City Sales Tax (1%) Use of Funds

- 50% shall be dedicated to bonded indebtedness, property tax reduction, and infrastructure (streets, water, and sewer). *This fund has historically been used to fund the city's share of street projects such as chip seals, mill and overlays, major reconstructions, and construction of new urban streets.*
- 30% shall be dedicated to capital improvements to enhance social and economic vitality of Dickinson and the Southwest area.
- 20% shall be dedicated to job creation and senior citizen activities.

One Half Percent City Sales Tax (1/2%) Use of Funds

- Construction of a public building (community center) to be used for the purpose of an aquatic center, gymnasium and related uses
- Operation, maintenance and repair expenses for community center
- Property tax reduction and infrastructure (streets, water and sewer)

The table below has three years of sales tax collections. During this time sale tax collections have doubled illustrating the dramatic energy impact on Dickinson. While the increases are substantial they do not come close to providing sufficient revenue to fund Dickinson's numerous infrastructure requirements.

Sales Tax Collections	2010	2011	2012
1%	\$3,538,219	\$5,000,809	\$7,062,878
½%	\$1,769,110	\$2,500,404	\$3,531,439

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The ½% sales tax is the city’s least restrictive and most versatile tax. Now that the bond on the West River Community Center has been retired, the majority of this tax is used to reduce property tax (\$744,600 in 2013) and invest in infrastructure. Monies from this tax will be used towards the Public Works Building and the Public Safety Center.

The City of Dickinson levies property tax dollars and not mills. The City attempts to keep its share of property taxes stable on a per property basis with increases if any within the general rate of inflation. This is particularly challenging given the city’s high cost environment and rapid development that result in volatile changes in individual property values.

Given the many additions of new property to the city tax rolls, Dickinson’s increase in property tax collections have been very modest. Furthermore, as the table below illustrates, property taxes fund a relatively small portion of the City’s general fund expenditures ranging from 23 to 33 percent.

City of Dickinson General Fund Property Taxes

City General Fund	2010	2011	2012	2013 Budget
Property Tax Collections	\$3,025,219	\$3,131,853	\$3,273,199	\$3,452,000
Expenditures	\$9,215,923	\$10,740,215	\$14,405,940	\$13,550,120
Property Tax as a % of General Fund Expenditures	32.83%	29.16%	22.72%	25.48%

The 34% increase in 2012 over 2011 General Fund expenditures is indicative of the oil impact on the City of Dickinson. The increase is due to multiple reasons such as building projects, additional staff, equipment, and increased demand for city services. See the attached Exhibit “B” for more detailed information. Also contributing to the variance are employee wage and salary increases which were greater than normal. While the 2012 increase in expenditures were large, the 2012 general fund preliminary revenue projection appears to exceed expenditures by about \$600,000.

The decrease in General Fund expenditures for the 2013 budget is due largely to city owned land sales. City land sales are both revenue and expense to the General Fund because the proceeds from land sales are received into the General Fund and then at year-end transferred out of the General Fund into the City’s Future Fund. City land sales in 2012 totaled \$1,563,000. There is no city owned land sales budgeted for 2013.

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Dickinson is a major oil hub city. It has grown substantially. Much more growth is forecasted for Dickinson. The city is attempting to manage the oil impact “the right way” by planning. We retained experts to lead us through the comprehensive planning process employing objectivity and science to determine the required investments the city must take to cope with the energy impact and maintain its “quality of place”. The planning is almost complete and the time for action is now. Dickinson must aggressively invest in its infrastructure now to accommodate the growth being thrust upon the city.

My testimony has focused on water and wastewater issues because the city has no option but to provide water and fire protection to the citizens of Dickinson and collect and treat the community’s wastewater. We can defer traffic projects and force people to put up with traffic congestion but we cannot defer these essential water and wastewater projects. Without significant support from the State of North Dakota, Dickinson has no choice but to take on substantial debt if it is to provide the vital infrastructure to support the housing needed for North Dakota’s energy development.

I lived in Dickinson during the oil boom of the 70’s and the oil bust of the 80’s. It was excessive debt that got cities like Dickinson and Williston into trouble. Please do not let history repeat itself. Grant Dickinson sufficient funding so it can develop its infrastructure in a financially responsible manner.

Thank you for the opportunity to present my testimony. I urge you to act favorably on House Bill No. 1374.

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EXHIBIT "A"

City of Dickinson
Water & Wastewater Projects
Biennium Ending 6/30/2015

Water Projects

1.5 MG, 1 MG, and 2 .5 MG Water Storage Tanks	\$16,040,000
12"-14" Transmission Main (10,500 feet) on south side of town	\$ 5,280,000
10"-16" Transmission Main (29,900 feet) on east side of town	\$15,420,000
8"-12" Transmission Main (30,700 feet) various locations	\$15,420,000
East Side Pumping Station	\$ 1,120,000
12' Transmission Main	\$ 3,120,000
Finish Water Pumping Station	\$ 3,000,000
Addition of Looping	<u>\$13,600,000</u>
Subtotal	\$73,000,000
Pre-Construction	<u>\$ 9,620,000</u>
Total Water Projects	\$82,620,000

Wastewater Projects

Lift Station #12 Upgrade & new Force Main	\$ 8,590,000
West Lift Station and Force Main	\$12,260,000
West Side Trunk Sewer Phase 1	\$ 2,640,000
West Side Trunk Sewer Phase 2	\$ 2,010,000
Lift Station #5 Upgrade & Force Main	\$ 4,310,000
Gravity Sewer Decommission Lift Station #4	\$ 730,000
Gravity Sewer Decommission Lift Station #17	\$ 1,170,000
Basin 15, 16, 17 I/I Investigation and Remediation	\$ 320,000
Septage Receiving Station	\$ 1,350,000
Lift Station #14 Upgrade & Force Main	\$ 3,940,000
Collection System Odor & Corrosion Control	<u>\$ 100,000</u>
Subtotal	\$44,400,000
Pre-Construction	<u>\$ 430,000</u>
Total Wastewater Projects	\$44,830,000

EXHIBIT "B"

General Fund Expenditure Variances 2012 vs. 2011

City of Dickinson

Description	Amount
Additional Office Space: Remodel City Hall Basement	\$500,000
Architectural & Engineering Fees for Public Works Building	\$500,000
I-94 Bore for Water & Sewer	\$400,000
Attorney Fees for Prosecution and other legal services such as annexation	\$220,000
Additional Planner, Outsource building plan approvals & Comprehensive Plan	\$550,000
Additional Public Safety employees and equipment	\$750,000
Additional staff for HR, Assessor office,	\$150,000
Employee housing: FEMA trailers	\$100,000
Total	\$3,170,000