

Official Proceedings
SPECIAL MEETING OF THE BOARD OF CITY COMMISSIONERS
July 23rd, 2014 6:00 P.M.
CITY HALL WILLISTON, NORTH DAKOTA

1. Roll Call of Commissioners

COMMISSIONERS PRESENT: Tate Cymbaluk, Brad Bekkedahl, Chris Brostuen and Howard Klug

COMMISSIONERS ABSENT: None

OTHERS PRESENT: John Kautzman, Donald Kress, Chief Lokken, David Tuan, Bob Hanson and Chief Catrambone

2. AE2S Program Management Study

This special meeting of the Board of City Commissioners is regarding the board approval of a program study with AE2S. There are several people from AE2S that are going to be presenting what their study has found and came up with it.

Bob Moberg, Program Manager with AE2S stated this contract was authorized back in March of this year and he is here to give a presentation of the findings they have come up with as they have done the study and hopes the commission will find that they have come a long way since the time this study was initiated. They will talk about what they have done with program management and specifically how it ties in with the capital operational planning and financial gap analysis they were contracted to do.

The agenda for tonight is to talk briefly about what the purpose of what the study was, the development of a six year land use concept that was utilized to assist with some of the other elements that were brought out in this study; including capital improvements programming, looking at a six year operations plan, what the financial analysis resulting from that concept CIP and also the operations and looking at what that impact would be on the city's current funding structure as they look at increasing revenues resulting from growth and also increasing demands for service and the associated cost with that resulting from the growth as well. Next, they will look at recommendations of possible next steps.

The background for this is that the city of Williston, over the last 3-5 years, has been experiencing unprecedented sustained growth which is resulting in an increasing demand for municipal services which is also placing a demand on additional capital improvements needed to support this growth. They started with creating a 6 year land use concept; what they looked at was utilizing the Tier 1 Growth Area which the city has established and within this Tier 1 Growth Area they identified several specific development growth areas. They also identified transportation corridors and started making some development projections. Where they started with this was with all of the known and/or planned developments within the community and took it a step further to look at undeveloped land in the Tier 1 Growth Area. From this, they generated some housing projections and some associated population directions.

In the development projections, some of the things they looked at were size of some of the various developments, development type and timing of these particular developments as well as rate of occupancy. The other piece of this is housing density; for the population density they used everything based on data that came out of the NDSU study. Mr. Moberg presented a map that breaks down the various growth planning areas that they looked at with in the Tier 1 Growth Area. According to the population forecast there are 24,000 additional housing units that that they are anticipating to be needed by 2020. They are projecting that 63% of this demand would come the way of the city of Williston. Similarly, taking the housing unit projections and using the NDSU occupancy rate numbers, they then generated population projections as well. There is an assumed population today of about 30,000 people; their strongest case for this is coming from is in what they are seeing in the Waste Water Treatment Facility in terms of how much end product is being processed there. Mr. Moberg said they feel comfortable that the 30,000 is a good target to start from. Over the 5-6 year planning period, with this forecast, they are looking at a potential population of 56,000+ permanent people. They are also estimating that Williston will make up 52% of Williams County's population.

Taking this information as far as the land use concept, number of units coming on board and population coming on board; they also looked at what this would mean to the city as far as capital improvements. Mr. Moberg stated that they tried to focus on transportation, sewer, water, storm sewer and facilities. On the transportation piece, they tried to focus primarily on the major roadways. They talked about sanitary sewer and water main; they are primarily looking at trunk improvements with larger pipes with stations on the sanitary side. With the storm sewer and the drainage, they looked at some of the major projects that the city may be looking at. Mr. Moberg pointed out that with solid waste and the airport, they didn't do anything in terms of reinventing the wheel on the solid waste and the city commissioned a study to be done a year or two ago. There were capital improvements identified in that that they took and dropped all the information into their concept CIP and did the same thing with the airport. Finally, they worked with staff to attempt to come up with some prioritization of these various potential projects.

Mr. Moberg said that there will be information shared later in the presentation that will discuss the impacts will be for City Hall, the Fire Hall, Public Works and the Police Department. The 6 year capital needs are just north of a billion dollars which includes the full estimated cost of the airport.

John Schmisek, Senior Municipal Finance Specialist stated they were asked to look, along with the CIP cost, how their service levels are going to change over time. They want to get to the point to look at the city's current service level and see what the future service levels might be and how it impacts things such as staff and fleet. Also, they have looked at operational costs. They benched mark to some comparable cities all in the Great Plains area looking at some key information they thought they needed to try and project, such as population, utility accounts administered, etc. They looked some at organization structure and did a summary of services offered by departments and also vertical infrastructure maintained. All this was looked at to help utilize and determine where Williston is growing to and the impact it is going to have on the city. From each community, they visited with them and received information from each.

Gillette, Wyoming for example, has a population of around 30,000-31,000 but has a utility account of around 16 because they run on electric utility so they have a meter on every unit that is built. They tried to adjust for all of these items and they were to help them look at the city's future service needs, future staffing needs, and the fleet projections.

The population of Williston comes close to the NDSU model but the center line miles from 14 up to 20 will, they project, will go from 191 miles up to 310 miles. Utility accounts administered will go from 6,000 up to potentially right around 10,000. Mr. Schmisek said they are trying to be as accurate and base it on as much detail from research as they possibly can. Based on all of this, what service levels will be appropriate for the city of Williston as they move forward and as they look at the burden that will be placed on staff and on all of the operations as they grow. Mr. Schmisek stated they did look at some staffing level methodology when they looked at this and you will see that as they move forward. For the various departments, depending on the best metric that would fit them, this is how they try to determine the full time equivalence that would be needed to service the increased levels the city will be faced with.

When they bring all this together, the projection says that Williston will grow from total FTEs of 198 up to 458. The big number is 268 additional FTEs in that timeline. If you look between 14 and 15 there is something like an 87 FTE jump and then they level out. What this says is that they are already somewhat behind and are playing catch-up. Mr. Schmisek reminded the commission that the numbers in the projections are a road map. This is information for them to look at and see what they can and cannot do with an ultimate goal of showing them what the actual cost would be so they can bring the information to the state. The additional estimated employee cost per a year is \$20.4 million, which does not account for current staffing. They also looked at the future fleet levels and inventory which is estimated at an added 121 fleet inventory additions. If you hire a police officer generally a vehicles goes along with that staff person so they are all based on the department CIPs. Fleet needs including replacement for 2020 is at a cost of \$37.9 million per year. The increase in added fleet and inventory creates a shortage of facilities for the added fleet. You have to have housing for the staff and the fleet. They looked at City Hall growing from FTEs of 34 to 78, Police Department from 56 to 118, Fire Department (if went to full time) 20 to 65, and Public Works from 72 to 167. There were cost put into the capital area of projections but they really were just planning costs and not detailed costs. To move forward, the city will want to do some kind of a facility study to see a true cost and what kind of square footage is needed for the facilities.

Mayor Klug called for a 5 minute recess.

Shawn Gaddie from AE2S stated they are going to get more into what this means in terms of finances. When looking at this GAP analysis, it is as simple as looking at what are all the revenue requirements that are created both on an operational and capital stand point for all of the prior items the commission were just walked through. From a GAP analysis stand point they looked at what revenues the city has available to them. What they have done in this analysis, is make an attempt to look at all the revenues, not just major revenues such as GPT, sales tax, property tax, and utility rate revenue. Unfortunately they do have a gap and no answer of how to fix it, but do have steps the city can take to move ahead and work for their benefit.

Mr. Gaddie said they put together a detailed revenue and expense proforma across all the major impacted city funds. This looks at identifying the preliminary revenue gap for both capital and operational needs. Speaking with the City Commission, one of the things they heard was pulling that piece out so the city can start to understand sustainability as they look to cover their own operations moving forward and utilizing revenues for that purpose. As they talk about operating revenue requirements, they are talking about fleet, staff and all the things that surround that. One of the key things as they worked with the City Auditor, Mr. Kautzman and the city's budget, they wanted to identify and extract what funds were important to model. Mr. Gaddie presented a slide of a summary of funds they consider to be major growth impacted funds. They wanted to look at a fund by fund basis so when they look to come up with solutions they understand both the revenue requirements in those funds and how they can manipulate the revenues in those funds. For example; water, sewer and refuse are all enterprise funds which the city has the capability to raise rates that they may not have in some of the other funds. Mr. Gaddie wanted to highlight that they aren't just looking at staff and fleet additions and at a huge CIP; they are also looking at all the things that surround those items. For instance; if you add 50 police cars to your police fleet, that is more police cars that need to buy gas and they want the city to make sure they are accounting for those things in their operational revenue requirements. They have included a detail analysis with escalation factors that surround fleet and staff growths and how those drive additional revenue requirements. From a revenue projection stand point they took a close look at some of the major revenues, but not only the major revenues. They looked at property tax revenue and made some projections there as well. They also looked at the city's current sales tax generation rate, what it is applied towards in terms of the current \$100 million bond issuance that is outstanding. They looked at utility rate revenue and GPT revenue. On the utility rate revenue, they looked at growth and utility accounts and how it will drive additional utility rate revenue based on the projections of the city's unit and population growth. They looked at a number of detailed escalation factors such as building permit revenue. From a property tax projection stand point, they did a correlation analysis between building permit value and how it ultimately drives the next year's total taxable value. The city's most recent numbers received from the county on the 2014 taxable value is roughly \$133 million. The city saw a significant increase in taxable value from 2013 to 2014, from \$85 million to \$133 million. They are predicting that by the year 2020 that the city's total taxable value will grow to \$397 million. They are projecting the city's property tax revenue to grow to roughly \$12 million and last year the city's property tax revenue was around \$4 million. Mr. Gaddie also discussed the city's sales tax projection; he stated that by the end of 2020 after the city's bond obligation is met, they are projecting about \$27 million in unallocated sales tax will be available. The city's operating gap by is estimated to be roughly \$113 million by 2020. The capital gap for the Waste Water Treatment Plant is estimated to be roughly \$100 million by 2020, and the estimated capital gap for the airport is estimated to be roughly \$30 million by 2020. There is a \$619 million capital gap that is made up of mostly the city's transportation needs. They have looked at funding transportation projects through assessments and developer cost share. The city has an estimated deficit of \$474 million by 2020 that they have no identified way to pay for.

Mr. Moberg stated that they recognize the situation in Williston is very dynamic and what they tried to do was give a snapshot of where things currently stand. Their hopes are that this is a road map for the city.

3. Adjourn

**MOTION BY BEKKEDAHL, SECONDED BY CYMBALUK, to adjourn the meeting.
UNANIMOUS BY VOICE VOTE**

Howard Klug, President
Board of City Commissioners

John Kautzman, City Auditor