THE CHALLENGES OF RAPID GROWTH

TESTIMONY

David Lakefield
Finance Director, City of Minot
Energy Development and Transmission Committee
Minot, N.D., Nov. 29, 2017

Good afternoon Mr. Chairman and committee members. Welcome to the Magic City. It is my pleasure to speak with you today to discuss the financial position of the City of Minot.

Background

I grew up in this region, graduating from Sherwood High School, and have lived here my entire life, except for two years spent at North Dakota State University. I received my undergraduate degree from Minot State University and Master's Degree from University of Mary. This is my second stint as an employee of the City of Minot. Previously I worked for the City as a police officer for 8½ years. I have held several positions in the private sector as an accounting supervisor and financial analyst and owned my own business before rejoining the City as Finance Director.

Growth

During your work on this committee in Williston and Dickinson as well as the earlier presentations here in Minot, you have heard about the tremendous growth experienced as a result of the "Bakken Boom" and the challenges that have resulted.

My peers and predecessors worked diligently to rein in government and still provide the needed infrastructure and position the city for additional growth. These slides show that even though expenditures for personnel and General Fund costs more than doubled from 2007-2017, they remained proportionate to 2007.

Minot's approach to this growth has been thoughtful and forward-looking. Due to the geography of the city, being located in the river valley with several drainages coming into the city, expansion of waste water and storm water systems can get complicated. In the world of finance, complicated means expensive. Add to that what is commonly referred to as the "Bakken Premium" for construction costs during the boom and what you see is tremendous growth in capital expenditures from 2012-2016.

Funding Sources and Budget Outlook

In this next section, I am going to highlight how the City of Minot has financed the prior infrastructure improvements and how we anticipate financing upcoming needs. Taxes (property and sales), charges for services and capital grants make up the bulk of the revenue for the city.

The challenge with many of these revenue streams is that they are variable and out of the control of the city.

The City of Minot currently imposes a 2% sales tax. That tax is allocated to fund flood control, economic development, improvements, infrastructure and property tax relief. Sales tax collections have gone from $13.2 million in 2007 to $27.2 million in 2014 and have since declined. Collections for 2017 and 2018 are estimated to be approximately $18.2 million – a 33% decline.

Property tax collections increased steadily from 2005-2011 despite decreases in the mill levy. This was due to the increasing property tax valuations. In 2012, property tax collections were lower despite an increase in the mill rate as a result of the decrease in valuation due to the flood. In 2013-2017, we again saw significant increases in property tax despite relatively stable mill rates. In 2018, there will be a 34% increase in the mill rate. As a result, property tax collections exceed sales tax collections by $4 million.

This a combination of several factors:

1. Decreasing sales tax collections
2. Erosion of the tax base-valuations down over 7%
3. The use of sales tax reserves to supplement the budget in the past
4. Increasing cost of business
5. Decreases in atate & federal funding

Despite trimming nearly $5 million from the city's operating budget and eliminating numerous requested staff positions and capital requests, the 2018 budget required an increase of nearly 29 mills.

State Funding

The City of Minot has received substantial state funding in the form of State Aid Distribution, Highway Tax, HUB City Allocation, Surge Funding and State Water Commission funding. Year to date HUB City Allocation is $4,364,793.38 and is expected to total nearly $5.2 million in 2017 but is projected to decrease to $3.5 million in 2018, a 33% decrease.

Debt

Minot is very similar to other cities in western North Dakota in that we have taken on a significant amount of debt to finance the rapid expansion of needed infrastructure within the city. Minot has issued various types of bonds as well taking on State SRF loans. However, Minot has not relied on HUB City Funding as a mechanism to service the debt issued, instead relying on revenue from the enterprise, tax funding, and sales tax collections.

Although Minot has seen a substantial increase in debt, management has been keenly aware of factors that could adversely affect the city's credit rating, which is currently Aa2.

There are several credit challenges that the city needs to manage:

1. Statutory debt limits
2. Maintaining favorable credit rating
3. Payment limits – what can we afford

Maintaining a favorable credit rating is crucial to any future borrowing as a decrease in the credit rating will result in an increase in cost of funds. When we are looking at several critical long term projects such as NAWS and flood control, even a slight increase in the cost of funds can be very detrimental to the financing of the project.

The debt outstanding has increased nearly threefold since 2012, the result of rapid growth coupled with declining funding from sales tax. I would like to point out that debt outstanding is projected to decrease in 2017 as the highest interest rate bonds are being retired and no new debt is being taken on.

The Cost of Doing Business

The City of Minot continues to reevaluate how we do business in an attempt to control costs. This has included trimming funding operating supplies and equipment, reducing current workforce (19.5 FTE) as well as eliminating requested positions (25 FTE). Although a diligent effort has been made to trim the budget, the only viable solution was to increase revenues – meaning increased taxes and rates.

Our utility rates have increased dramatically since 2007 in an effort to fund the required expansion of utilities in the city. Minot has one of the most expensive utility rates in the state as well as a comparatively high combined tax rate.

Future Challenges

Future needs of the area are going to strain available resources. The cost of completing NAWS and the Mouse River Enhanced Flood Control Project are anticipated to approach $400 million. If you add to that any future costs of regulatory compliance, such as waste water treatment, the need for additional funding is tremendous. We have estimated additional operational and capital needs in excess of $288 million over the next five years.

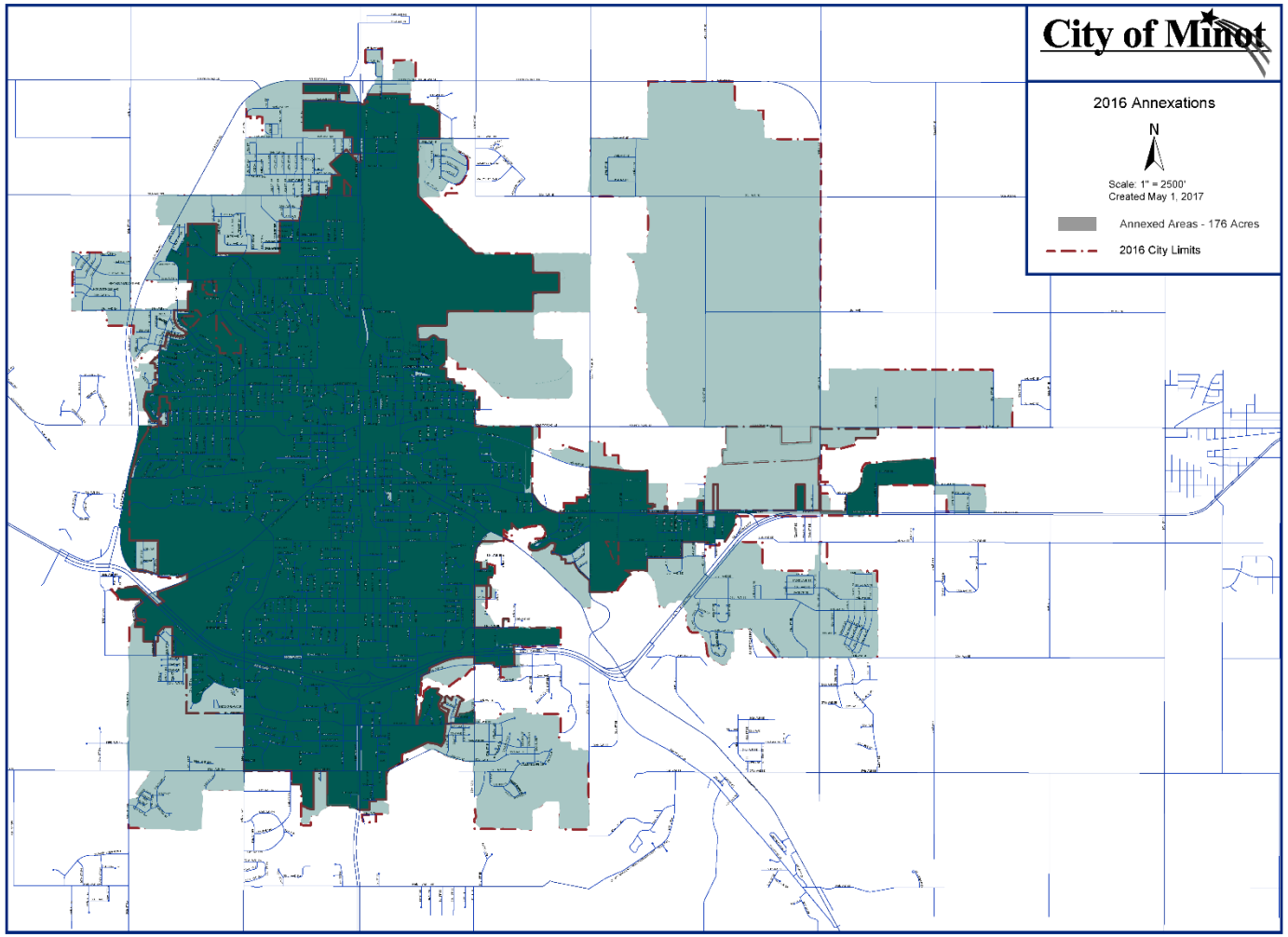
Further complicating this massive need in the near future is the uncertainty of existing funding. We have experienced many challenges in 2017 and there will be more challenges in the 2018 budget cycle. The City of Minot continues to evaluate its business practices and become more efficient in an effort to mitigate this funding gap.

Summary

The City of Minot is well-positioned for future growth, maintains a strong credit rating, has adequate cash reserves and is moving forward with flood protection. We will continue to be diligent in our efforts to control costs, become more efficient and be a good steward of the resources available.

I would like to thank the committee for the opportunity to speak with you today.

THE LITTLE CITY THAT COULD



2007 vs 2016 - A TEN YEAR TREND

2007

- Population (36,567+)
- Annexed Land (9,600 acres)
- Total Expenses ($44.2 Million)
- Total Revenue ($65 Million)
- Debt Per Capita ($946)
- # of FT Employees (311)

2016

- Population (49,450+)
- Annexed Land (17,753 acres)
- Total Expenses ($109.7 Million)
- Total Revenue ($151.2 Million)
- Debt Per Capita ($2,650)
- # of FT Employees (436)

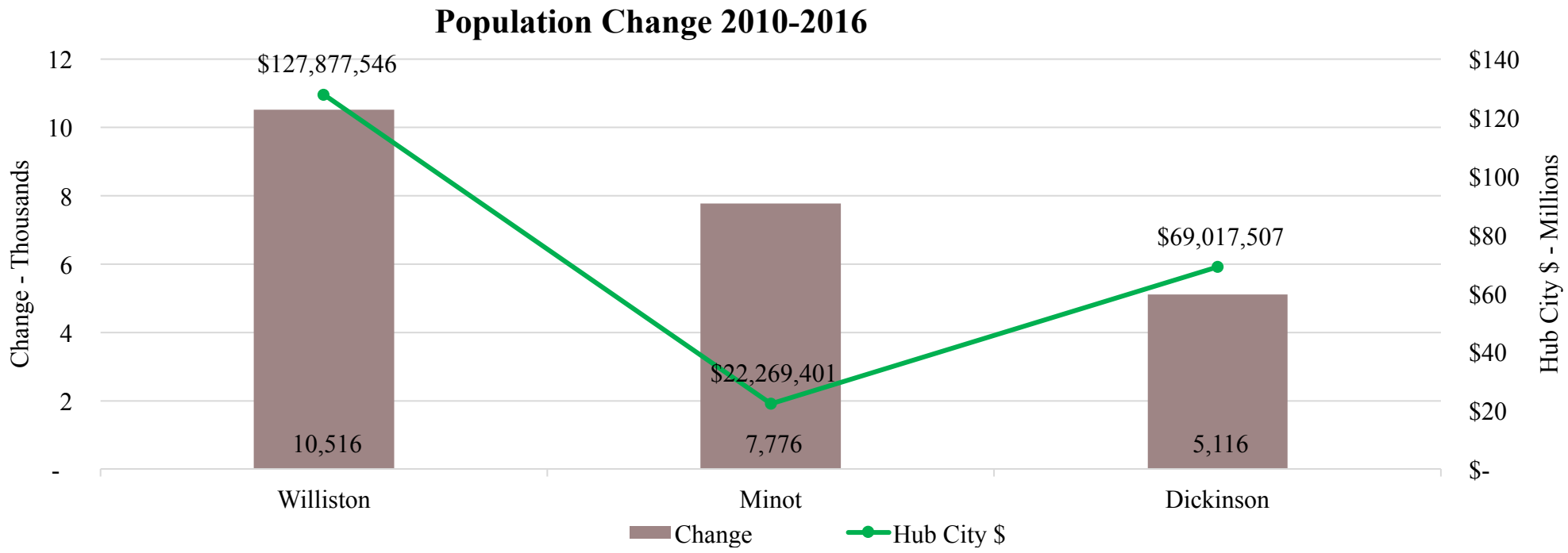
Change

- Population +35%
- Annexed Land + 85%
- Total Expenses +148%
- Total Revenue +132%
- Debt Per Capita +180%
- # of FT Employees: +40%

CITY SERVICE AND INFRASTRUCTURE COMPARISON

2007	2016	Change
Emergency calls PD/Fire (31,932)	Emergency calls PD/Fire (43,065)	Emergency calls PD/Fire +35%
Street (225.25 miles)	Street (291.33 miles)	Street +29%
Sewer (187.54 miles)	Sewer (259.22 miles)	Sewer +38%
Water (218.00 miles)	Water (324.13 miles)	Water +49%
Sanitary lift stations (23)	Sanitary lift stations (43)	Sanitary lift stations +87%
Landfill waste (43,000 tons)	Landfill waste (77,000 tons)	Landfill waste +79%

POPULATION GROWTH – HUB CITY $



Source: US Census Bureau Quick Facts

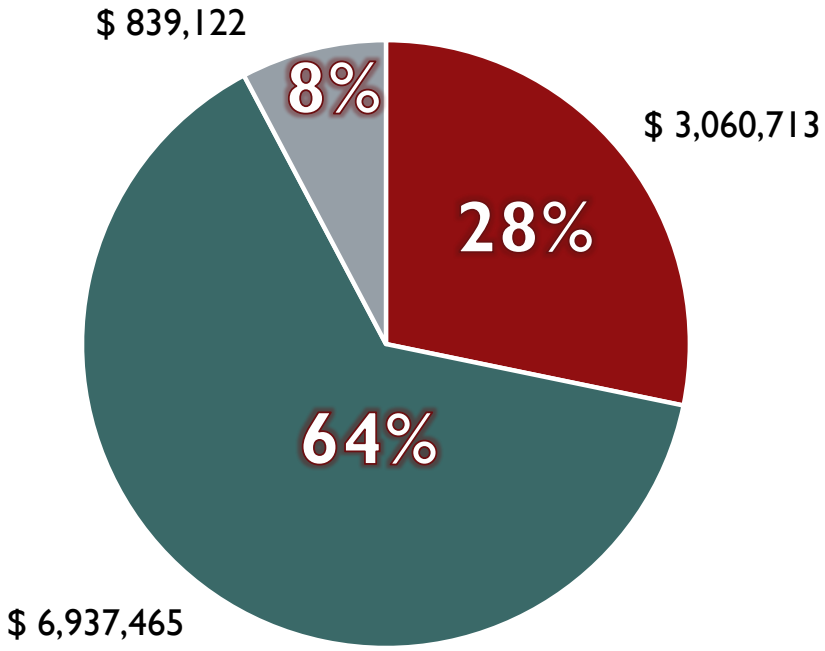
WHAT ARE EXPENSES?

Cost of doing business

- Personnel
- Operating costs
- Capital improvements
- Maintenance
- Depreciation

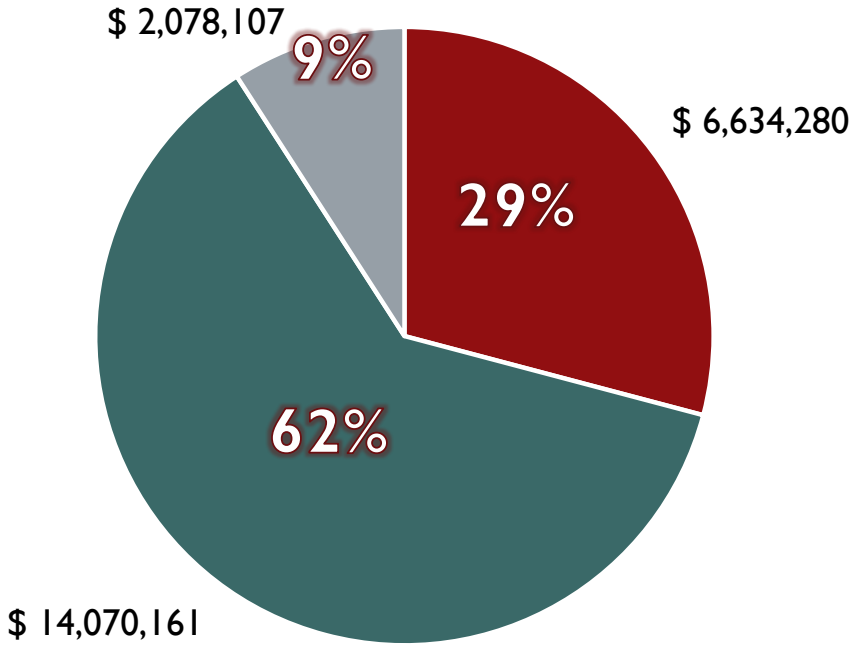
PERSONNEL: GOVERNMENTAL FUNDS

2007
Governmental Salary & Benefit Costs



$ 10,837,300

2016
Governmental Salary & Benefit Costs



$ 22,782,547

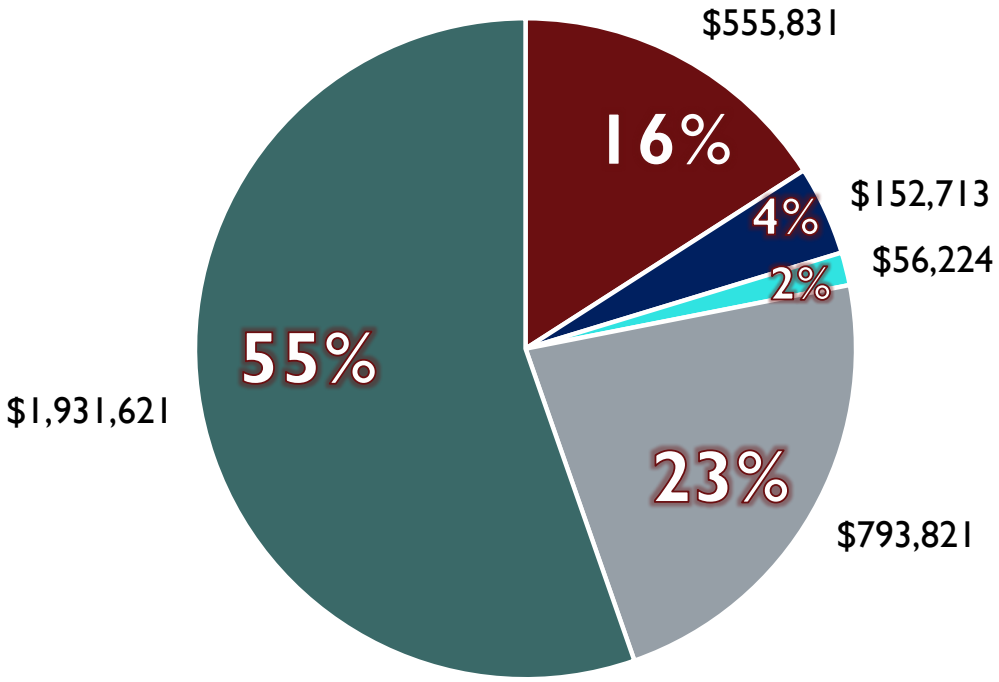
General Government

Public Safety

Street Maintenance

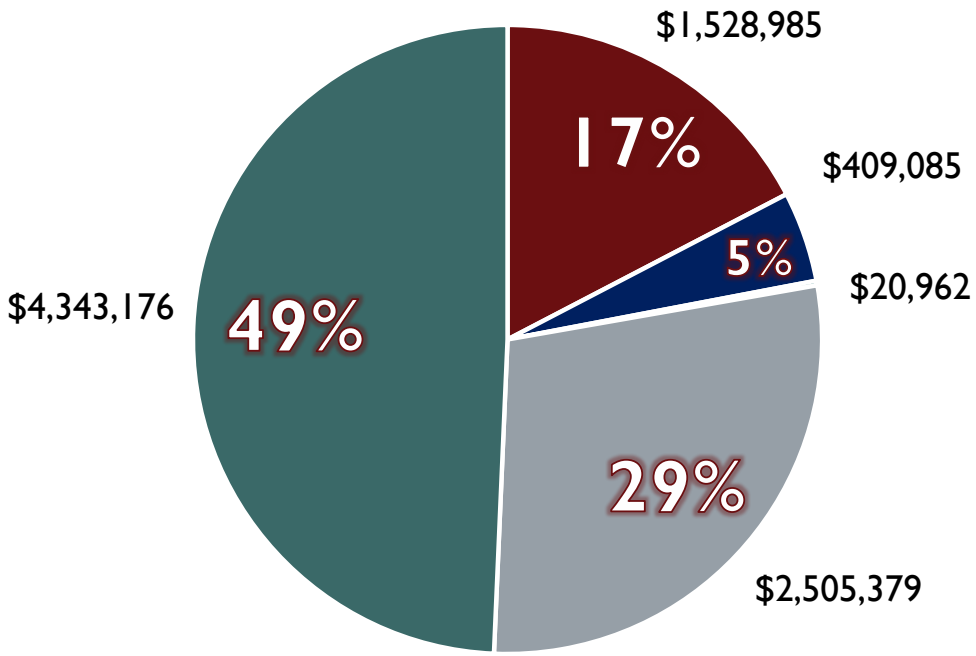
PERSONNEL: ENTERPRISE FUNDS

2007
Enterprise Salaries & Benefits



$ 3,490,210

2016
Enterprise Salaries & Benefits

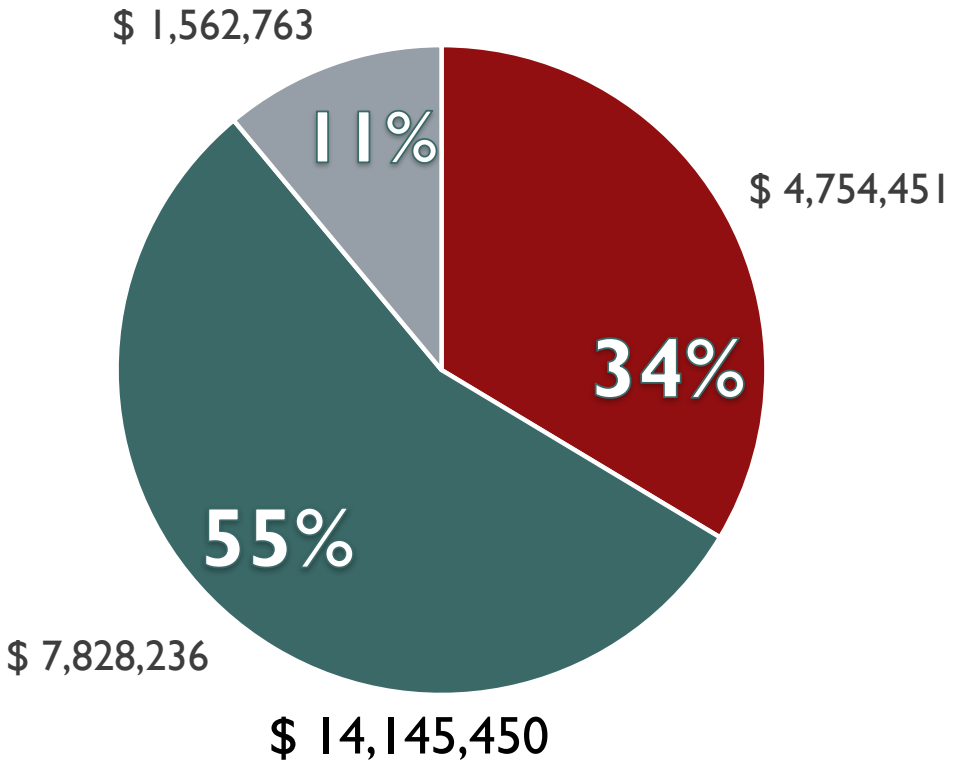


$ 8,807,587

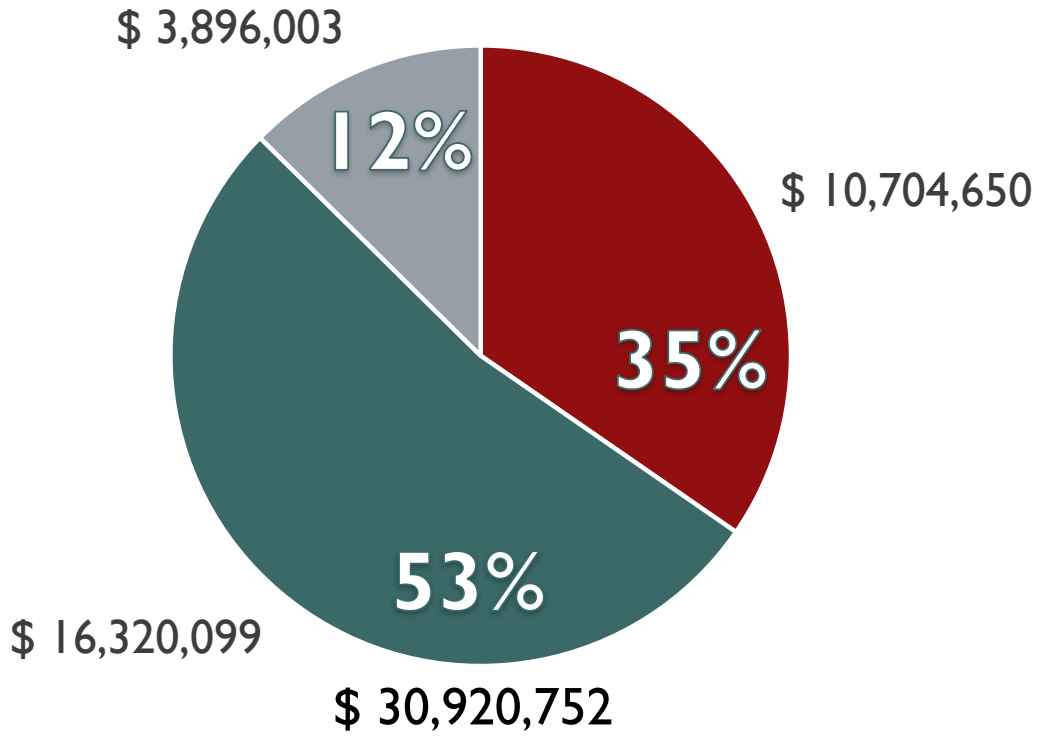
Airport | Cemetery | Parking Authority | Sanitation | Water/Sewer/Storm

GENERAL FUND COSTS

2007 - Total General Fund Costs



2016 - Total General Fund Costs

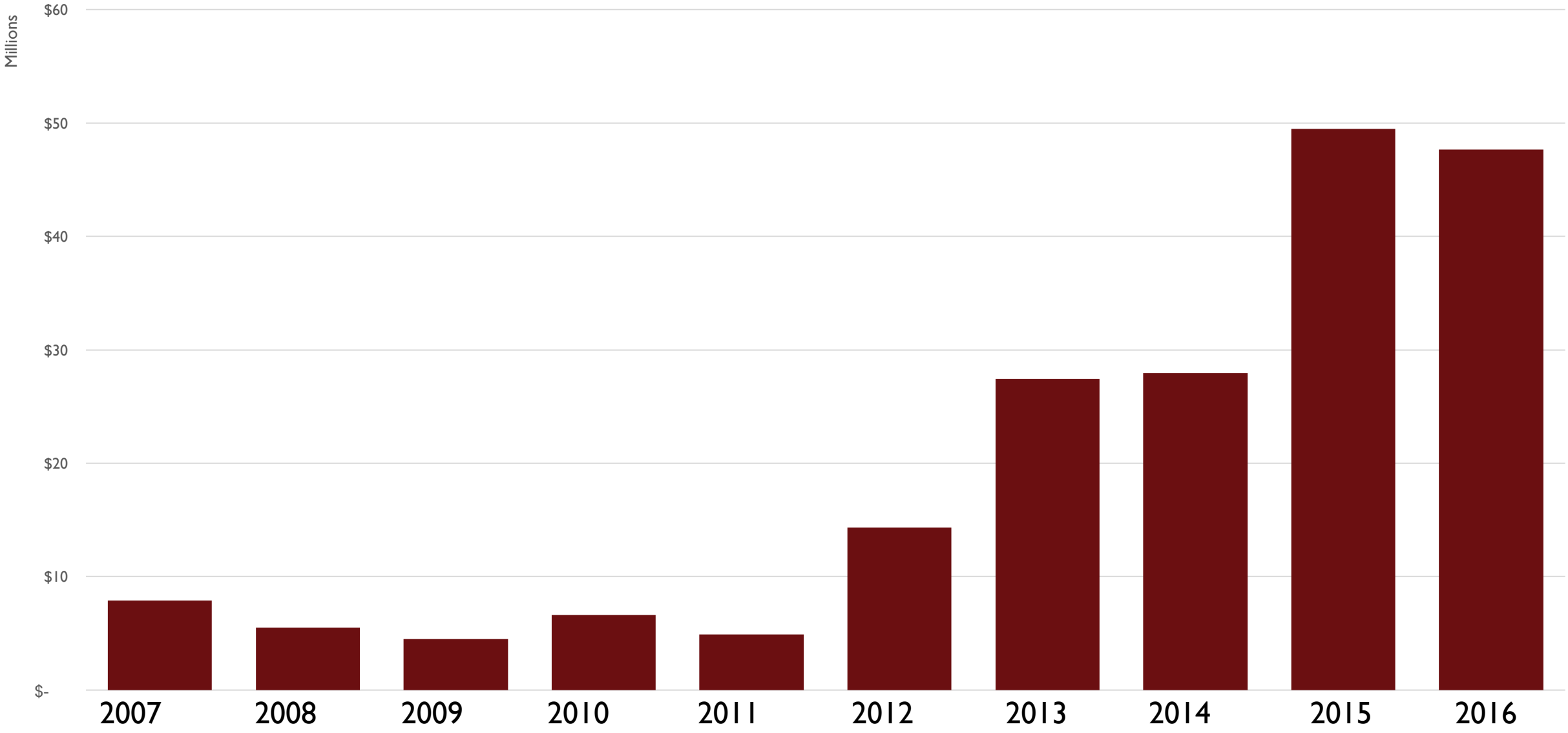


General Government

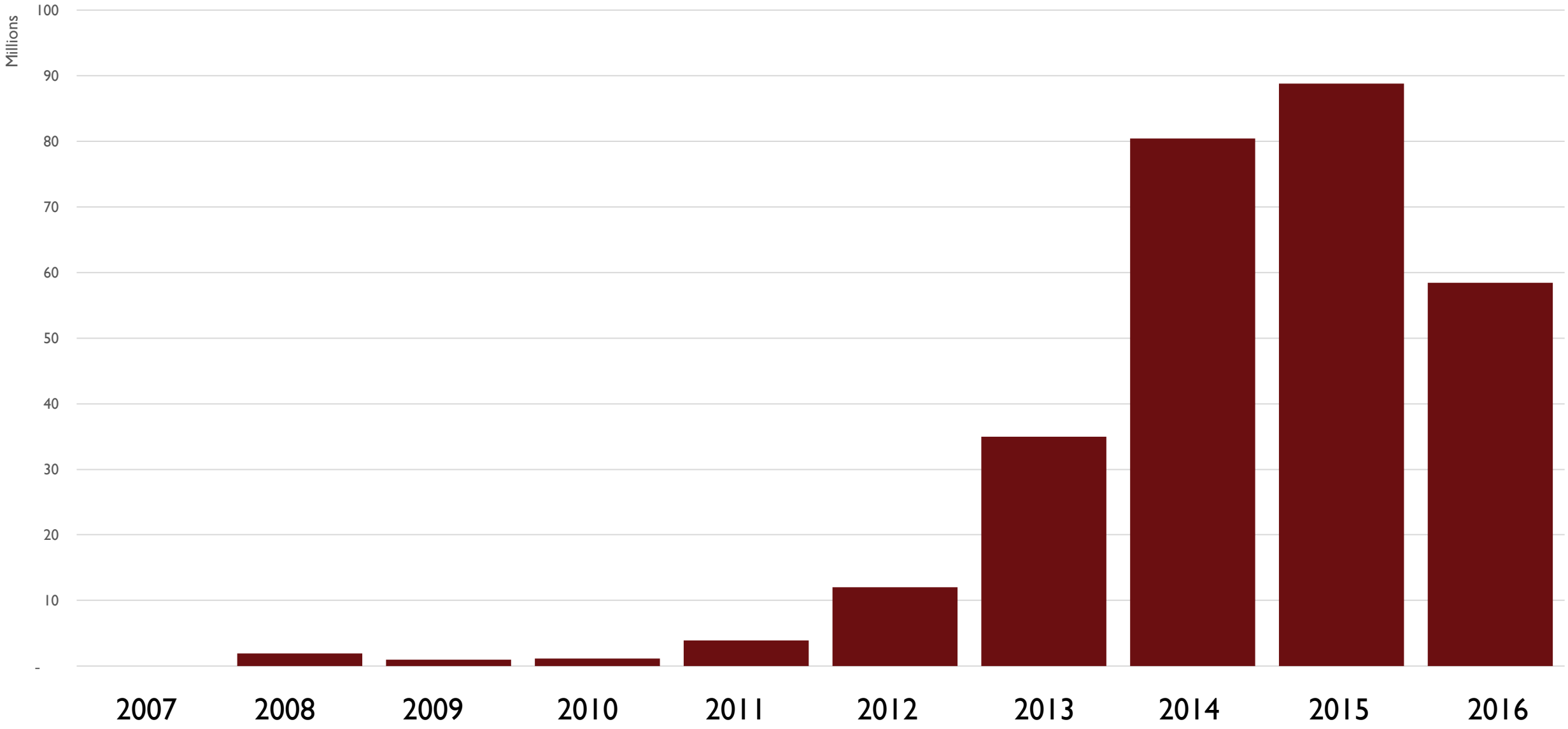
Public Safety

Street Maintenance

Capital Outlay: Governmental Funds



Capital Outlay: Enterprise Funds



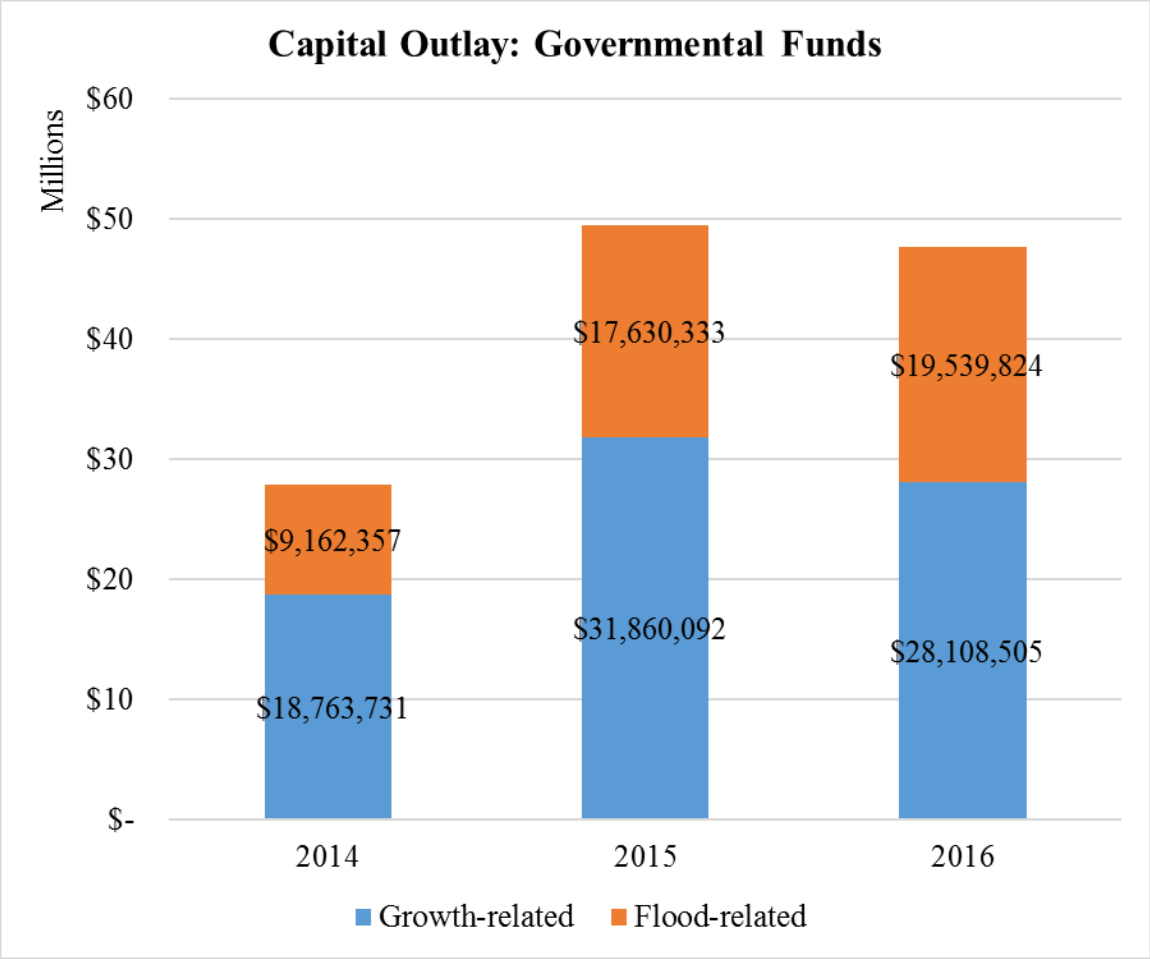
Capital Outlay

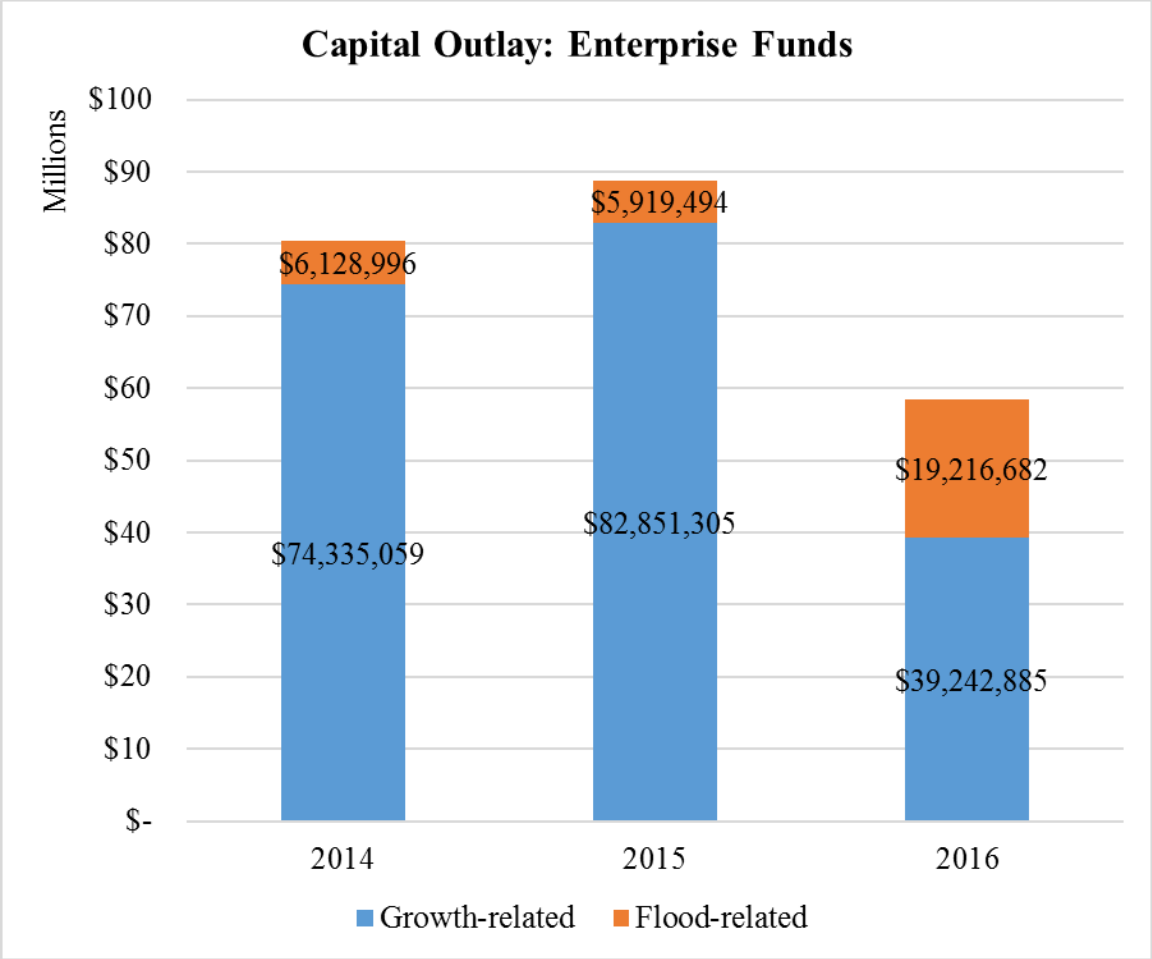
2014	Governmental	Enterprise
Downtown Infrastructure (growth-related)	$ 1,664,998	$ 34,193
13th St SE Reconstruction (growth-related)	884,791	-
37th Ave SE Reconstruction (growth-related)	2,327,704	-
21st Ave NW Infrastructure (growth-related)	2,387,759	-
Home Acquisitions (flood-related)	8,460,157	-
Downtown Parking Ramps (growth-related)	3,162,948	-
Paving Districts (growth-related)	2,623,096	-
Equipment purchases (growth-related)	3,578,863	1,710,219
6th St Underpass (flood-related)	354,770	3,788,450
Traffic Signal Replacement (growth-related)	435,551	-
Cook's Court Site Improvements (growth-related)	732,983	-
55th St NE Grade Separation (growth-related)	229,066	-
Home Acquisitions (growth-related)	335,718	-
Mouse River Enhanced Flood Protection Plan (flood-related)	191,908	-
36th Ave SW Reconstruction (growth-related)	161,553	-
Fire Station and Apparatus (growth-related)	154,506	-
Library Flood-Proofing (flood-related)	61,088	-
City-Wide Warning System (flood-related)	94,434	-
Minor Infrastructure Projects (growth-related)	84,195	450,100
Airport Taxiway D & D1 (growth-related)	-	43,837
Airport Passenger Terminal Apron (growth-related)	-	2,952,103
Airport Passenger Terminal (growth-related)	-	19,556,763
Airport Terminal Access Road & Parking (growth-related)	-	5,805,475
Terminal Apron Phases III & IV (growth-related)	-	114,855
Minor Airport Infrastructure Projects (growth-related)	-	114,846
Sanitation Truck Building (growth-related)	-	210,417
Landfill Cells (growth-related)	-	32,536
Puppy Dog Sewer Improvements (growth-related)	-	2,232,653
30th Ave & 55th St Improvements (growth-related)	-	11,948,855
6 Lift Stations (growth-related)	-	3,959,549
SW Minot Sewer Improvements (growth-related)	-	3,127,198
BNSF Sewer Relocation (growth-related)	-	1,399,737
6 Lift Station Generators (flood-related)	-	483,572
Water Treatment Plant Floodwalls (flood-related)	-	1,856,974
Donated Infrastructure (growth-related)	-	20,641,721
	$ 27,926,088	$ 80,464,055

2015	Governmental	Enterprise
Downtown Infrastructure (growth-related)	$ 8,297,406	$ 4,827,129
Traffic Signal Replacement (growth-related)	41,260	-
6th St Underpass (flood-related)	75,903	2,908,610
13th St SE Reconstruction (growth-related)	307,627	-
37th Ave SE Reconstruction (growth-related)	204,801	-
21st Ave NW Infrastructure (growth-related)	189,761	-
1st St & 33rd Ave SE (growth-related)	1,079,495	-
36th Ave SW Reconstruction (growth-related)	77,804	-
37th ave SW Road Upgrades (growth-related)	426,004	-
36th Ave NW Road Upgrades (growth-related)	267,553	-
Oak Park Bridge Replacement (flood-related)	183,816	-
Minor Infrastructure Projects (growth-related)	62,204	39,277
Paving Districts (growth-related)	2,609,329	-
Equipment purchases (growth-related)	3,091,151	1,354,040
Library Flood-Proofing (flood-related)	257,667	-
City-Wide Warning System (flood-related)	1,708,531	-
Mouse River Enhanced Flood Protection Plan (flood-related)	2,772,538	-
Home Acquisitions (flood-related)	12,321,077	-
Downtown Parking Ramps (growth-related)	8,736,010	-
Public Works Building Expansion (growth-related)	605,497	-
Fire Station and Apparatus (growth-related)	2,708,385	-
30th Ave & 55th St Improvements (growth-related)	2,765,113	15,879,141
Cook's Court Site Improvements (growth-related)	390,691	-
Perkett Ice Skating Rink (flood-related)	310,800	-
Airport Passenger Terminal (growth-related)	-	18,569,509
Airport Passenger Terminal Apron (growth-related)	-	11,572,085
Airport Terminal Access Road & Parking (growth-related)	-	4,545,510
Airport Jet Bridges (growth-related)	-	2,335,547
Minor Airport Infrastructure Projects (growth-related)	-	301,584.19
Puppy Dog Sewer Improvements (growth-related)	-	885,296
6 Lift Station Generators (flood-related)	-	35,023
Water Treatment Plant Floodwalls (flood-related)	-	2,975,862
16th Ave SE Watermain (growth-related)	-	460,371
Dakota Pump Station (growth-related)	-	305,278
Aeration Ponds Improvements (growth-related)	-	100,878
SW Minot Sewer Improvements (growth-related)	-	390,992
Water/Sewer & Storm Sewer Districts (growth-related)	-	485,347
Donated Infrastructure (growth-related)	-	20,799,321
	$ 49,490,425	$ 88,770,799

2016	Governmental	Enterprise
Downtown Infrastructure (growth-related)	$ 7,313,308	$ 3,317,416
6th St Underpass (flood-related)	55,128	914,433
Oak Park Bridge Replacement (flood-related)	1,829,953	-
37th ave SW Road Upgrades (growth-related)	7,501,676	-
36th Ave NW Road Upgrades (growth-related)	1,562,018	1,383,932
21st Ave NW Infrastructure (growth-related)	571,346	-
Hillcrest Drive Retaining Wall (growth-related)	2,287,260	387,526
16th St & 31st Ave SW Intersection (growth-related)	139,364	-
Minor Infrastructure Projects (growth-related)	109,428	266,676
Paving Districts (growth-related)	1,034,979	-
Equipment purchases (growth-related)	2,646,579	2,328,394
Perkett Ice Skating Rink (flood-related)	101,086	-
Home Acquisitions (flood-related)	14,365,320	-
Fire Station and Apparatus (growth-related)	345,895	-
Downtown Parking Ramps (growth-related)	2,808,336	-
Public Works Building Expansion (growth-related)	1,788,317	-
City-Wide Warning System (flood-related)	97,446	-
Mouse River Enhanced Flood Protection Plan (flood-related)	3,090,891	690,631
Minor Airport Infrastructure Projects (growth-related)	-	434,021
Airport Passenger Terminal (growth-related)	-	6,571,971
Airport Passenger Terminal Apron (growth-related)	-	967,193
Airport Jet Bridges (growth-related)	-	457,361
Airport Terminal Access Road & Parking (growth-related)	-	586,912
Puppy Dog Sewer Improvements (growth-related)	-	2,260,788
Water Treatment Plant Floodwalls (flood-related)	-	17,611,617
30th Ave & 55th St Improvements (growth-related)	-	12,803,298
Aeration Ponds Improvements (growth-related)	-	2,745,366
Dakota Pump Station (growth-related)	-	524,445
SW Minot Sewer Improvements (growth-related)	-	291,178
16th Ave SE Watermain (growth-related)	-	141,477
Paving Districts (growth-related)	-	293,902
North Hill Elevated Tank (growth-related)	-	162,001
NE Trunk Watermain Expansion (growth-related)	-	55,895
Burdick Expy Reconstruction 9th St to 15th St SE (growth-related)	-	95,220
Sundre Raw Water Supply System Relocation (growth-related)	-	379,213
WWTF Hydraulic Improvements (growth-related)	-	192,097
New Emergency Wells (growth-related)	-	329,029
Donated Infrastructure (growth-related)	-	2,267,574
	$ 47,648,330	$ 58,459,567

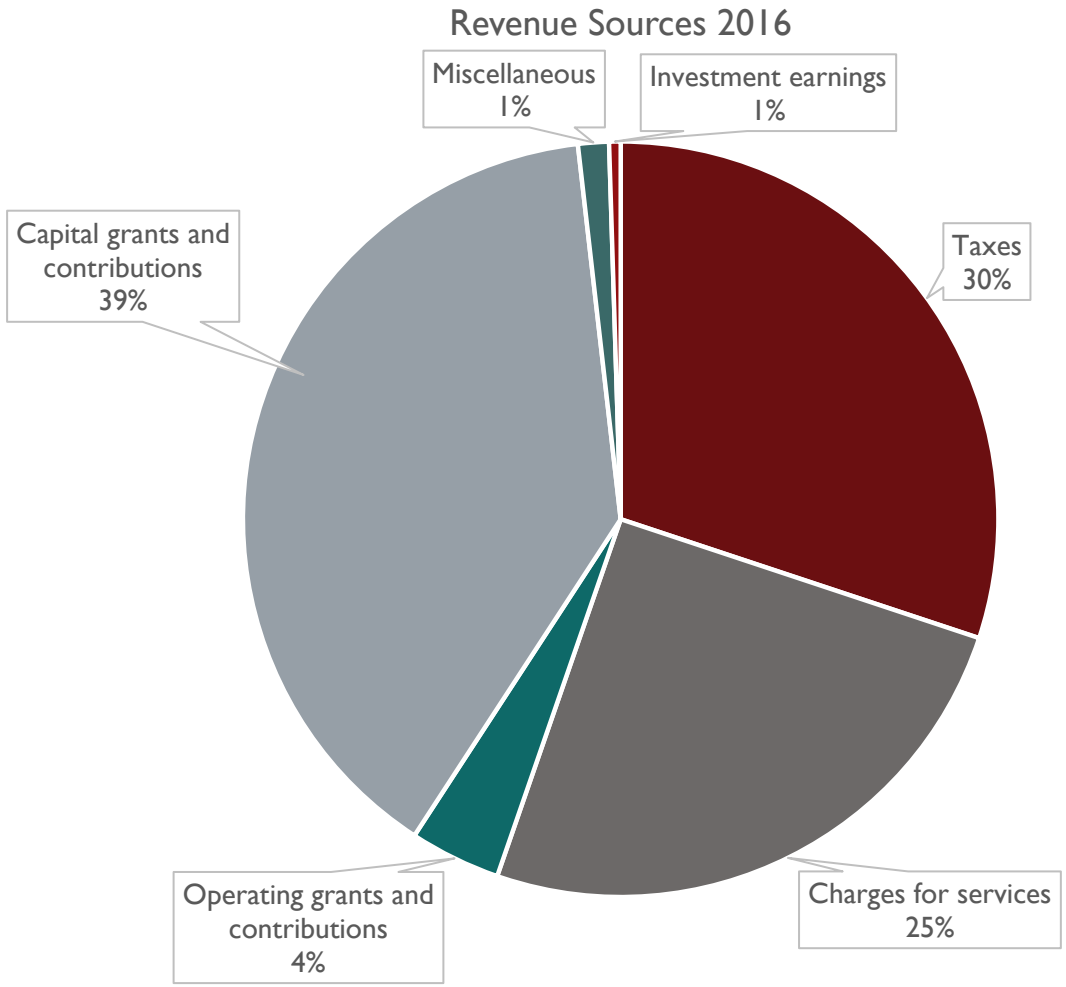
Breakdown of Capital Outlay in Governmental & Enterprise Funds by Growth-related vs. Flood-related





REVENUE SUMMARY

FUNDING SOURCES



TOTAL:
$ 151,241,674

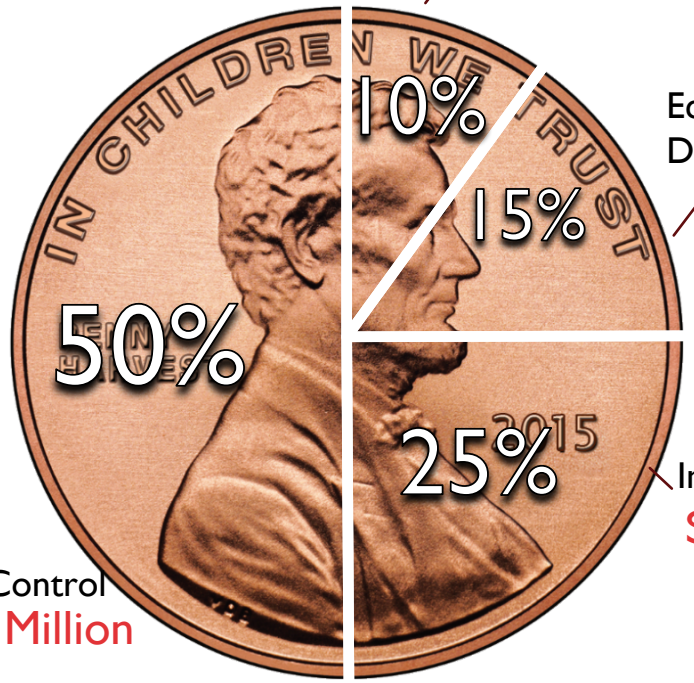
Revenue Source	City Can Control	City Cannot Control
Property Taxes	X	X
Sales Taxes	X	X
Utility Rates	X	X
State Aid		X
Special Assessments	X	X
Bonds	X	X
State or Federal Grants	X	X

SALES TAX

A PENNY FOR YOUR THOUGHTS…

CITY SALES TAX

First Penny



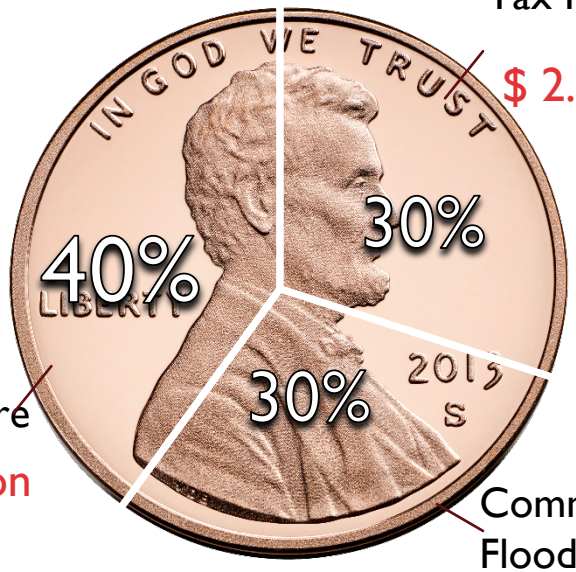
Tax Relief
$ 911,244

Economic Development
$ 1.36 Million

Improvement
$ 2.27 Million

Flood Control
$ 4.56 Million

Second Penny



Tax Relief
$ 2.73 Million

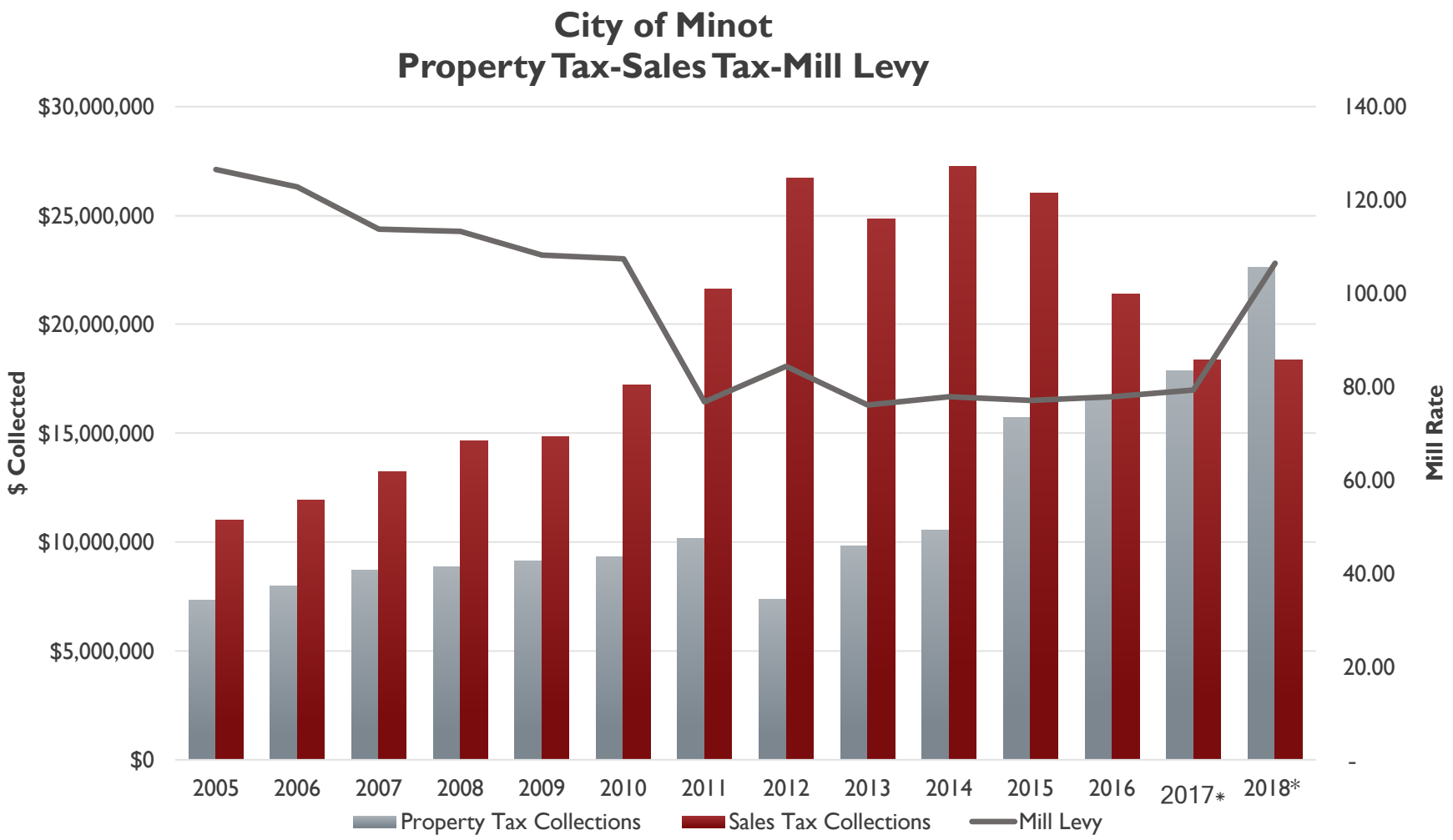
Infrastructure
$ 3.64 Million

Community Facilities / Flood Control
$ 2.73 Million

Total per penny : $9.1 million

- $$$ reflect 2017 projections.

WHAT BRINGS HOME THE BACON?



Sales vs Prop tax difference

- 2007 – $ 4.5 million
- 2014 – $16.7 million
- 2016 – $ 4.8 million

SALES TAX USES

Improvements

Minot Park District
Recreation/Auditorium Mtce
Community Owned Arena Mtce
Rider Floor Scrubber
Carpet Extractor
Floor Scrubber
Battery Powered Rider Sweeper
Electric Scissor Lift
Paint Machine
LifeScan Fingerprint Machine
Water/Sewer Infrastructure
Street Improvements
Highway Bond Debt Reduction
Highway Projects
Fire Burn Building
Fire Pumper
Fire Station #4 Land
Fire Aerial Truck
Fire Station #2 Remodel
Fire Quint/Pumper
Fire Emergency Generator Replacement
Aiport Terminal Transition
Airport Security
Airport Chrysalis
Airport Terminal Demolition
Library Boiler
Western District Signing Cost Participation Mtce PW
Victoria Bridge
Railway Quiet Zone
Library Phone System
Library Hazard Mitigation
3rd Street S Pump Station
Blighted Homes
Flood Street Repairs Engineering Federal Aid Roads
Hazard Mitigation Emergency Generators
Weed Cutting of Flooded Homes
Library HVAC System
Carnegie Library Boiler
Engineering Federal Aid Road Street Light Repairs
Engineering Federal Aid Traffic Signal Restoration
Engineering Federal Aid Road Surface Repairs
Pedestrian Crosswalk at University
Library Shed & Sidewalk Restoration
Hazard Mitigation Communications at Water Treatment Plant
Preliminary Engineering Downtown Infrastructure
Street Sander Bodies
Pedestrian Bridge Repairs
Property Purchase 510-1st Ave NW
Baseball Complex Aggregate Lime
Recreation/Auditorium Parking Lot Paving
Recreation/Auditorium Hardwood Basketball Floor
Recreation/Auditorium Sertoma Complex Paving
Cemetery Roads & Parking Lot Overlay
Cemetery Cremation Columbarium
Cemetery Fence
Cemetery Tractor
Cemetery Mower
Bus Automated Fare System
Police New World Software Upgrade
Railroad Quiet Zone
Library Landscaping
Library Parking Lot Resurfacing
Library Boiler Replacement
Library AC Electronic Control Upgrade
Library Rail on Exterior Wall/Building Exterior
Street Asphalt Roller
Street Sweeper
Street Pay Loader
Street Front Deck Finish Mower
Street 1 ton Pickup with Dump Body

MAGIC Fund

Economic Development Fund
MADC
Work Force Development
Area Cities
MAFB Retention
General Administration
Audit Compliance Contract
Transfer to the General Fund

Flood Control

Phase I Flood Protection Design
Flood Control
Existing Levee System Reconstruction
Flood Control Environmental & Permitting
Flood Control Design Engineering Phases 1-3

Community Facilities

Armory Roof
MSU - Herb Parker Stadium
MSU Air Dome
Bishop Ryan Catholic School - Upgrading/Improving Gym
Minot Commission on Aging - Facilities Improvements
Minot Curling Club - Rink Floor & Cooling Pipe
Minot Family YMCA - Community Outdoor Fitness Park
Minot Park District - MAYSA Third Sheet of Ice
Minot Park District - Hammond Park Tennis Facility
Minot Park District - Youth Girls Fast Pitch Softball Fields
Jack Hoeven Complex Field
Perkett Skating Rink
Sertoma Complex Paving
Transfer to General Fund

Infrastructure

ND State Water Commission Flood Engineering Study
37th Ave SW Sewer
Water/Sewer Infrastructure
Remodel Auditorium Municipal Courtroom
Street Repairs & Mtce
Downtown Parking Structures
Public Works/Engineering Building Expansion
WiFi System for City HMGP Grant Match
City Hall/Auditorium Retaining Wall Reconstruction
City Hall Facility
Army Corp of Engineers 2011 Flood Costs
Flood Control
Home Acquisitions
Transfer to General Fund

PROPERTY TAX RELIEF

State Property tax buy down

12% per homeowner

City collects that from State of North Dakota

City of Minot tax relief

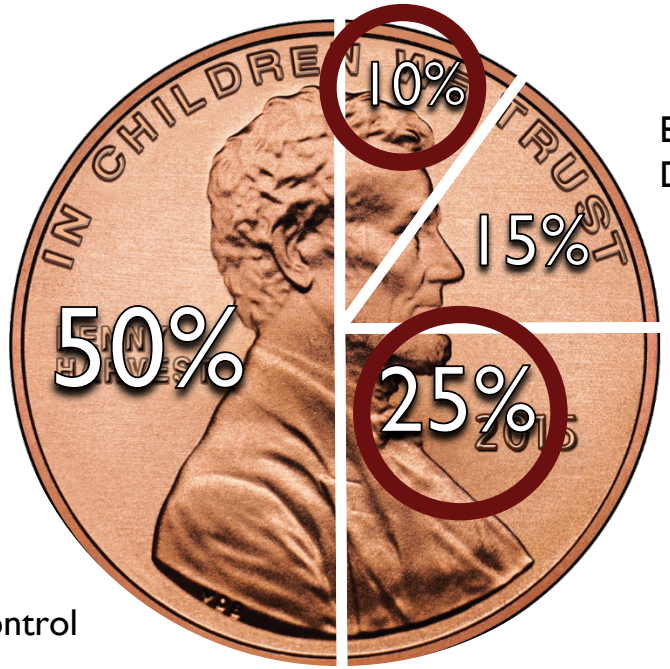
2011 - $8.7 Million in property tax relief

2016 - $11.3 Million

- *Includes both pennies*

PROPERTY TAX RELIEF

First Penny



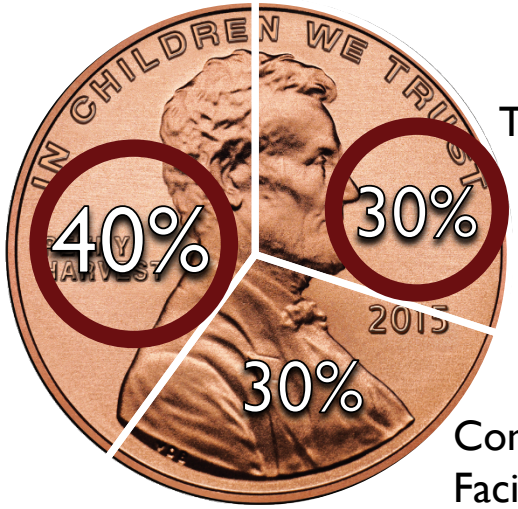
Tax Relief

Economic Development

Improvement

Flood Control

Second Penny



Tax Relief

Infrastructure

Community Facilities

105% contributes to basic property tax relief

=44 mills

Current mill levy = 77.91

Equivalent mill levy w/o PTR = 121.91

STATE FUNDING

STATE FUNDING

- State Aid Distribution
- Highway Tax
- Hub City Allocation
- Surge Funding

STATE FUNDING

Fund	2007	2016	Change
Highway Fund	$ 1,769,430	$ 2,400,195	36%
State Aid Distribution	$ 1,620,893	$ 3,477,932	115%
Hub City Allocation	N/A	$ 19,359,912*	---
Surge Funding	N/A	$ 32,000,000*	---

*Accumulative to-date as of December 31st 2016

Project Description	Project Costs	Surge Oil & Gas	Hub City Allocation	Oil Impact Grants
Airport Projects				
New Passenger terminal apron	$ 16,023,924	$ -	$ -	$ 801,165
New Terminal Furniture	754,226	-	-	334,875
Airport Terminal	48,772,133	-	-	19,993,546
Master Plan	936,011	-	-	46,800
Detention Pond	248,250	-	-	12,675
Water/Sewer Projects				
55th Street Lift, Sewer Forcemain, Gravity Sewer	15,135,128	3,490,042	3,835,872	-
30th Ave Lift Station, Forcemains, and Gravity Sewer	17,321,309	9,832,701	4,261,210	-
Puppy Dog Sewer Phase VI	6,206,788	2,718,492	-	-
21st Ave NW Extension 30th St to U.S. 83 Bypass	127,614	-	127,614	-
6th Street Underpass Pump Station	6,777,046	-	596,450	-
Southwest Sewer Improvements	6,223,364	-	-	5,370,182
Sanitary Lift Station Upgrades	10,501,500	-	525,329	-
BNSF Sewer Relocation	1,399,737	-	1,399,737	-
Broadway Viaduct Replacement	53,539	9,027	44,275	-
36th Ave NW Road Upgrades	1,806,857	-	1,549,507	-
Hillcrest Drive Retaining Wall	393,781	24,241	-	-
North Hill Elevated Tank	3,777,759	-	1,637,972	-
NE Trunk Watermain Expansion	1,936,353	-	846,125	-
Burdick Expy Reconstruction 9th St to 15th St SE	1,184,448	12,665	1,046,075	-
U.S. 2/42nd St SE Improvements	288,383	10,000	107,802	-
WWTF Hydraulic Improvements	8,796,423	-	512,425	-
Puppy Dog Sewer Phase IV	4,479,509	-	1,096,369	-
2nd Ave Storm Sewer	993,329	-	212,361	159,382
NW Sewer Improvements	3,670,013	-	-	2,833,380
SW Water Distribution 37th Ave SW	801,368	-	-	801,368
Puppy Dog Interceptor Sewer Relief	2,630,377	-	-	1,565,468
55th St Crossing Sanitary Sewer Lift	1,437,854	927,854	-	-
Dakota Square Pump Station	829,723	-	3,663	-
Paving District #498	34,620	33,567	-	-
Flood Control Capital Projects				
Broadway Viaduct Replacement	317,526	-	122,450	-
Highway Projects				
Downtown Infrastructure	26,985,561	10,667,293	600,000	-
U.S. 2/42nd St SE Improvements	263,016	-	263,016	-
Burdick Expy Reconstruction 9th St to 15th St SE	359,209	370,331	-	-
37th Ave SW Road Upgrades	7,927,948	-	1,410,737	-
36th Ave NW Road Upgrades		-	-	-
21st Ave NW Extension 30th St to U.S. 83 Bypass	1,384,559	-	1,119,391	-
Perkett Schools Sidewalk	139,745	27,855	-	-
Hillcrest Dr Retaining Wall	2,347,551	2,442,659	101,573	-
Broadway Viaduct Replacement	2,682,304	1,433,274	1,999,963	-
Total	$ 205,948,785	$ 32,000,000	$ 23,419,916	$ 31,918,842

BONDS

IT'S LIKE A LOAN, BUT SOUNDS COOLER

BONDING PROCESS

Bond

Government Bond

TYPES OF BONDS

- General Obligation (GO Bonds)
- Special Assessment
- Revenue Bonds
- Reserve Revenue Bonds
- Airport Revenue Bonds
- Sales Tax Bonds
- Capital Financing Bonds

THE COST OF BONDING

City Debt Limits

8% of taxable property for GO and Special Revenue

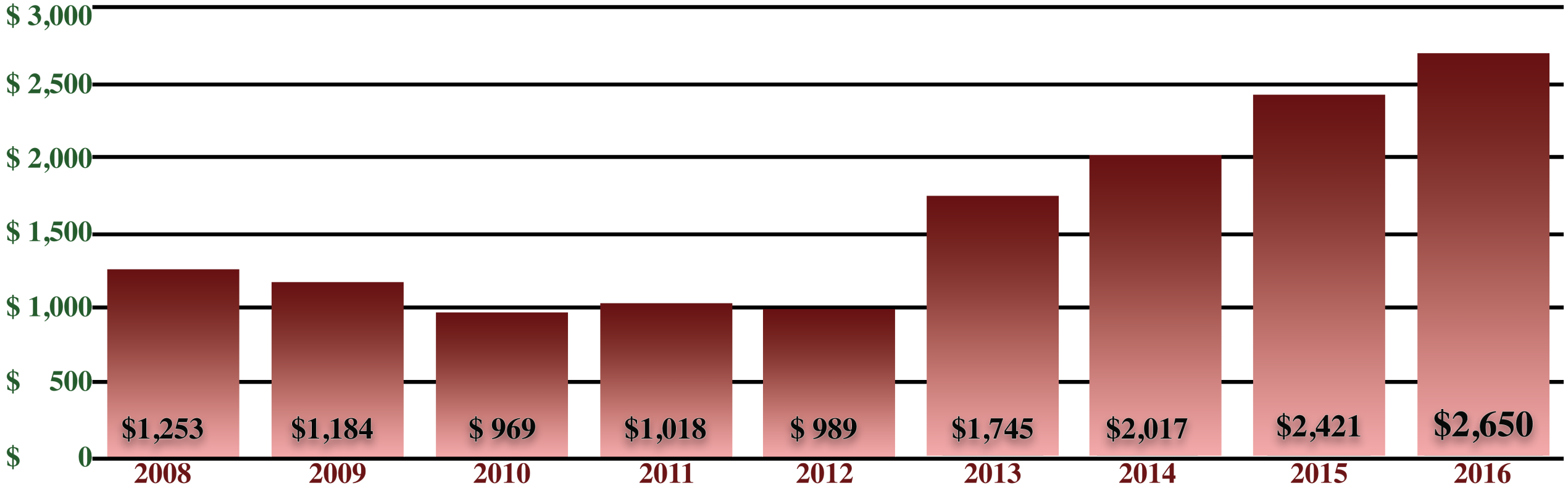
Payment Limits

(What can we afford?)

City of Minot currently has highest credit rating possible - AA2

General Obligation Debt				
		Balance		
	Original	Outstanding	Interest	
Year	Amount	12/31/16	Rate	Matures
2007	$1,785,000	$215,000	3.70%	10/01/2017
2008	1,720,000	395,000	4.40-4.60%	10/01/2018
2009	2,005,000	665,000	2.65-3.10%	10/01/2019
2010	1,375,000	585,000	2.25-2.70%	10/01/2020
2012	2,900,000	1,105,000	2.00%	10/01/2023
2013	6,815,000	4,535,000	2.00-3.00%	10/01/2023
2014	3,950,000	3,215,000	2.00-4.00%	10/01/2024
2015	390,000	355,000	2.00-3.00%	10/01/2025
2016	10,110,000	10,110,000	3.00-4.00%	10/01/2031
	$31,050,000	$21,180,000		

DEBT PER CAPITA: THE COST OF BONDING



CREDIT CHALLENGES

Debt per capita has nearly doubled since 2011

Decreasing sales tax revenues

Dependence on Federal & State revenue sources

RISKS OF DOWNGRADED RATING

Significant erosion of the district's tax base and demographic profile

Material growth in debt and pension liabilities

Operating deficits coupled with deterioration in general fund reserves liquidity

MORE BONDING FACTS

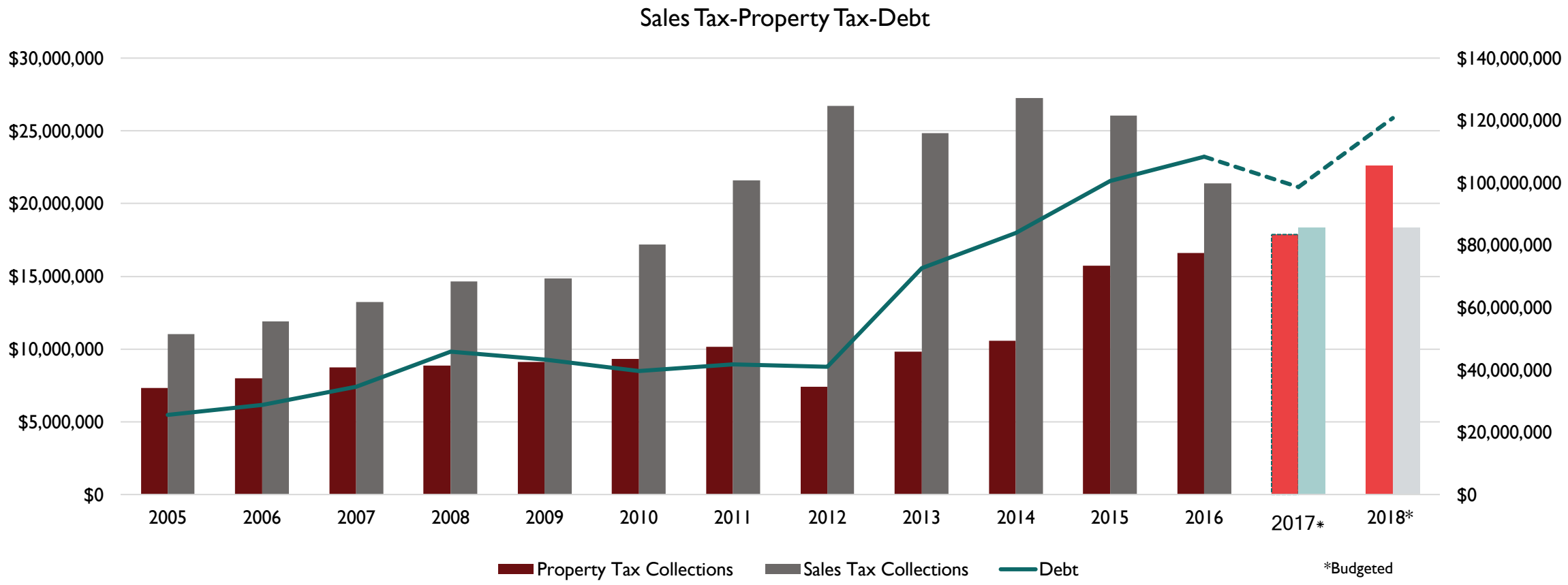
Highest interest rate: 5.4% (from 2008)

Most terms are 10-20 years

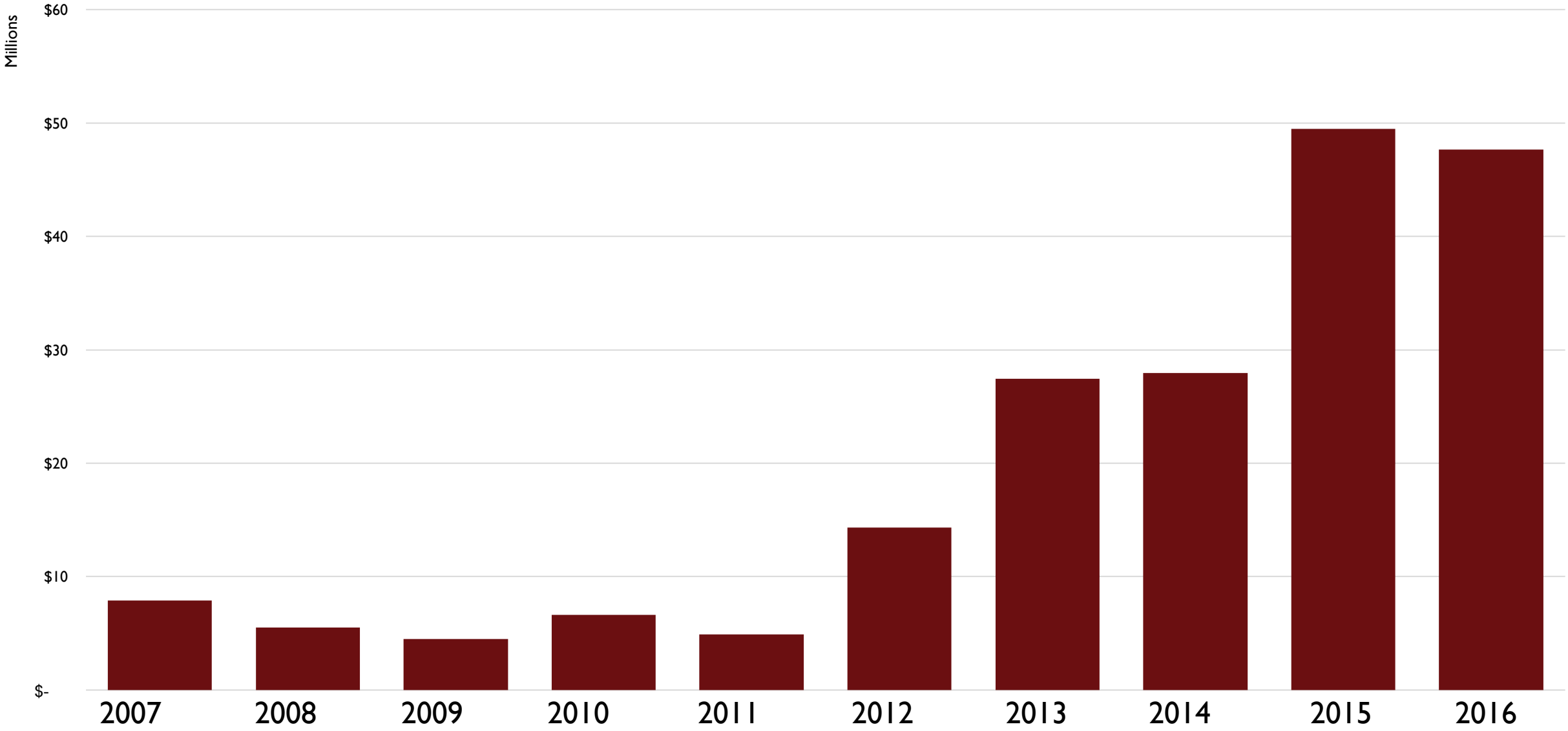
How does the number of bonds we carry impact us financially?

Debt Total: $104,434,862

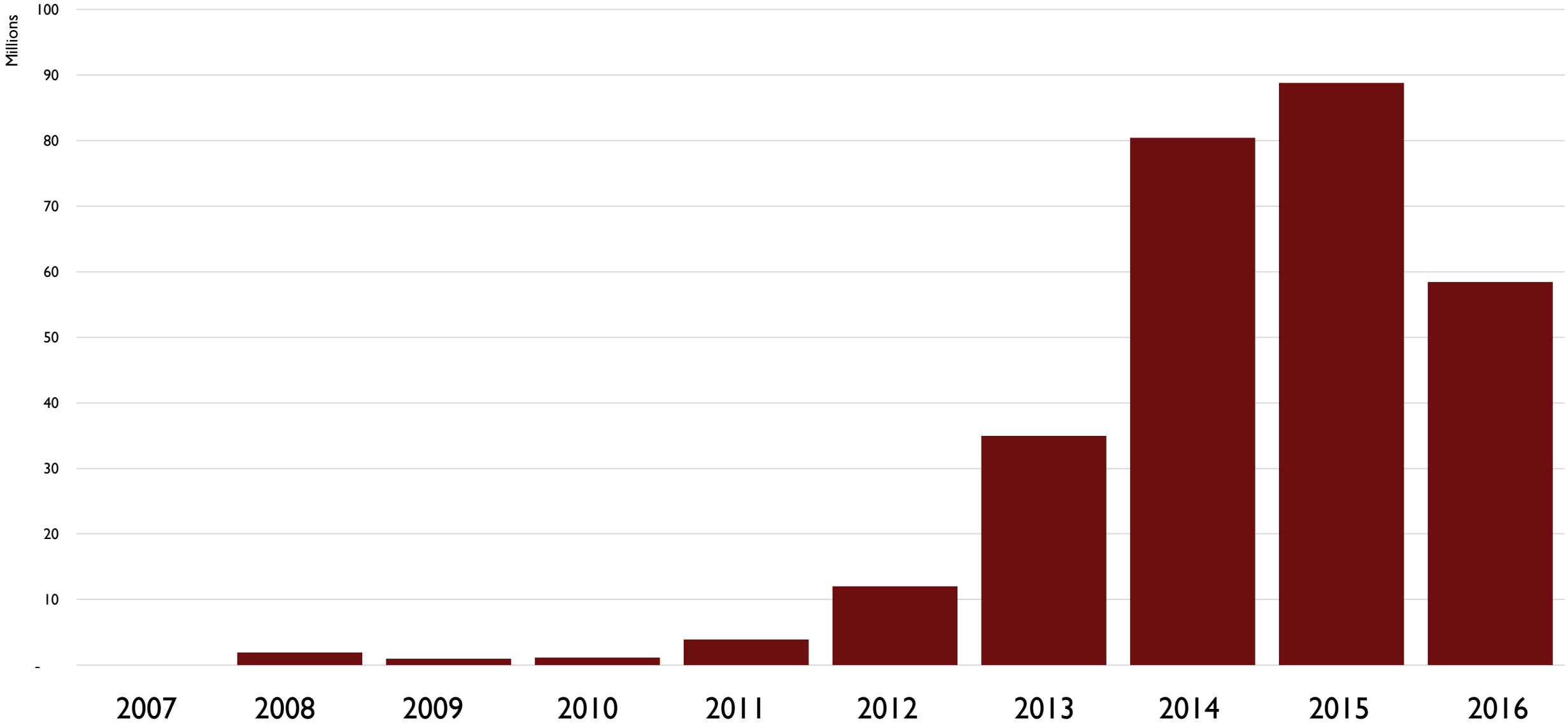
PROPERTY TAX-SALES TAX-DEBT



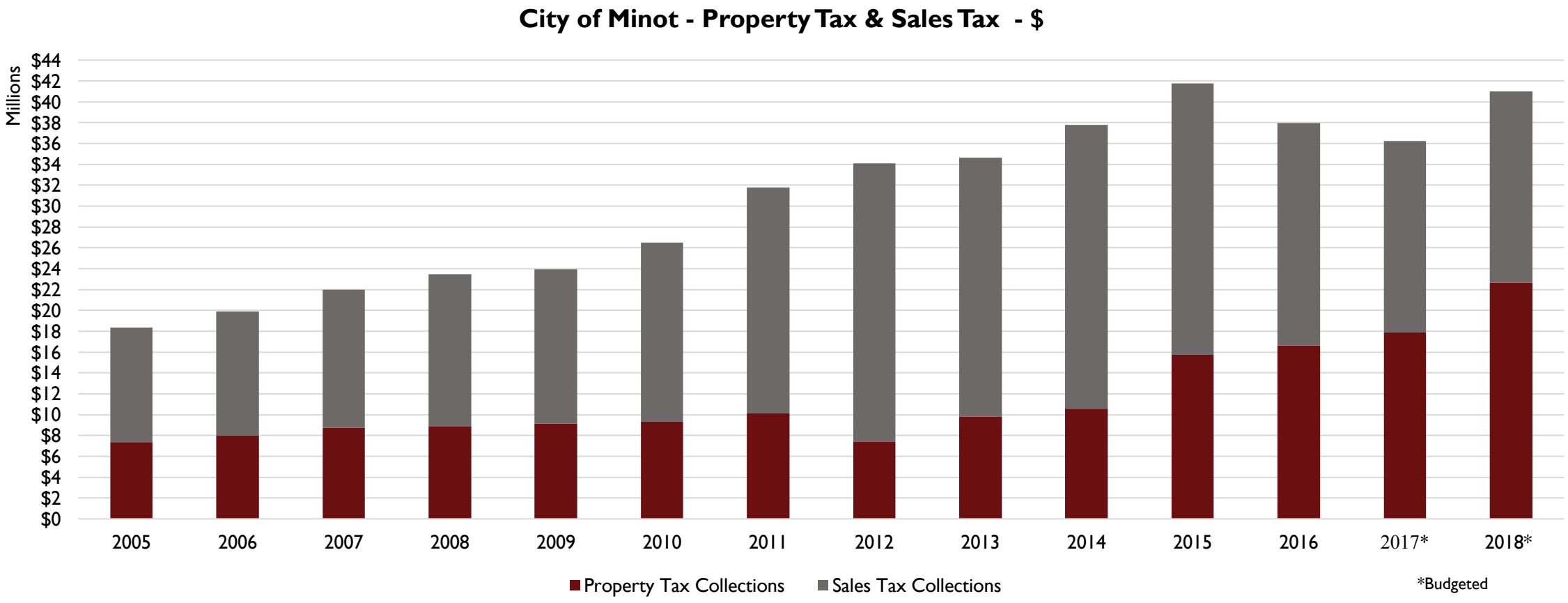
Capital Outlay: Governmental Funds



Capital Outlay: Enterprise Funds



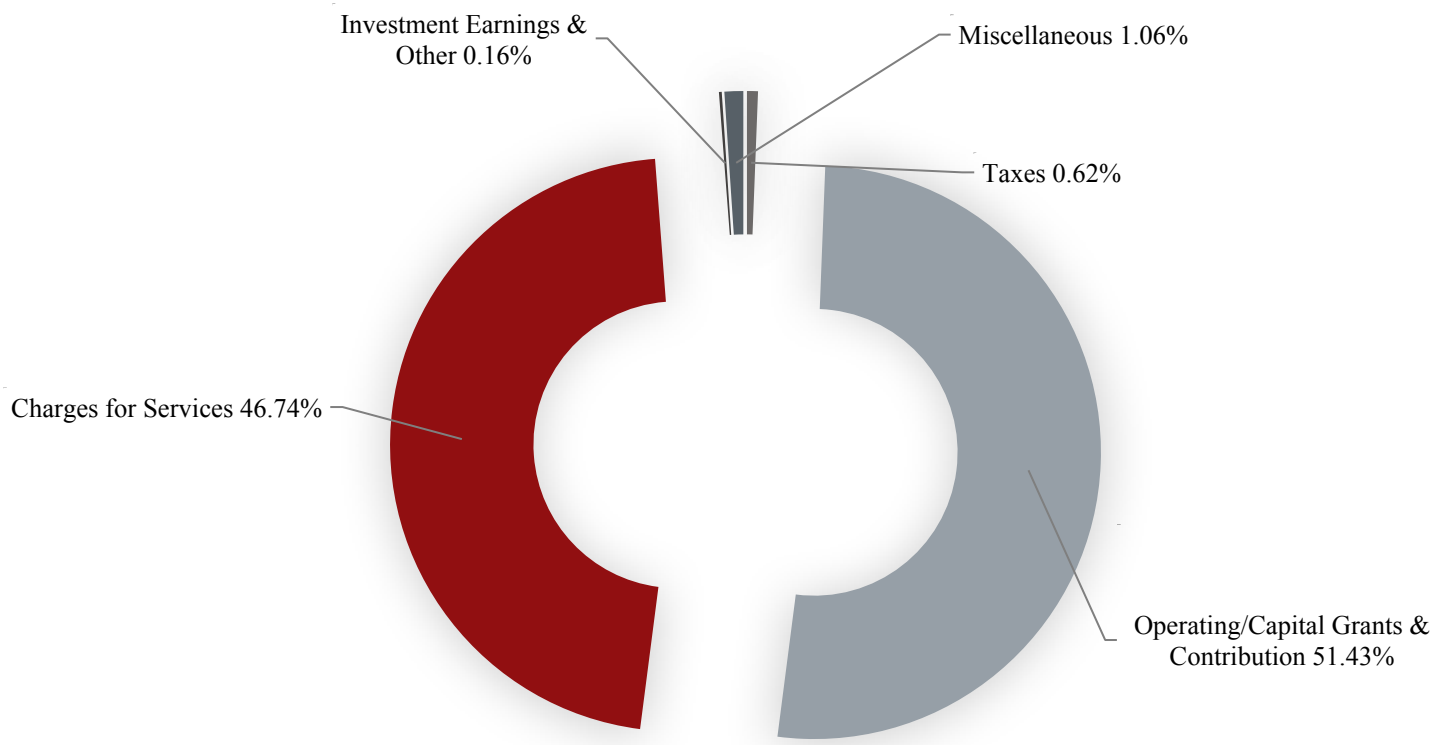
KEEPING UP WITH THE COST OF DOING BUSINESS



CHARGES AND SERVICES

ENTERPRISE FUND

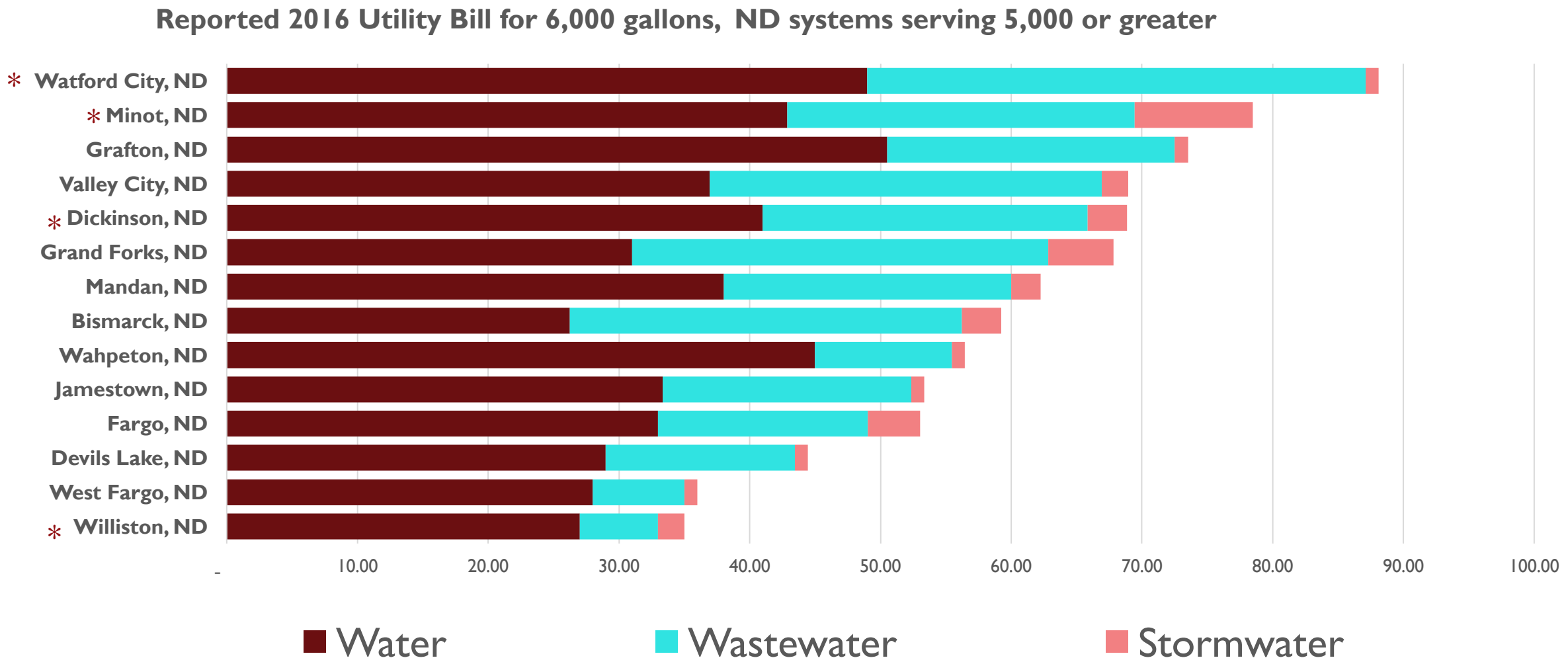
Revenues by Source
Business-Type Activities



UTILITY RATES – THEN VS NOW

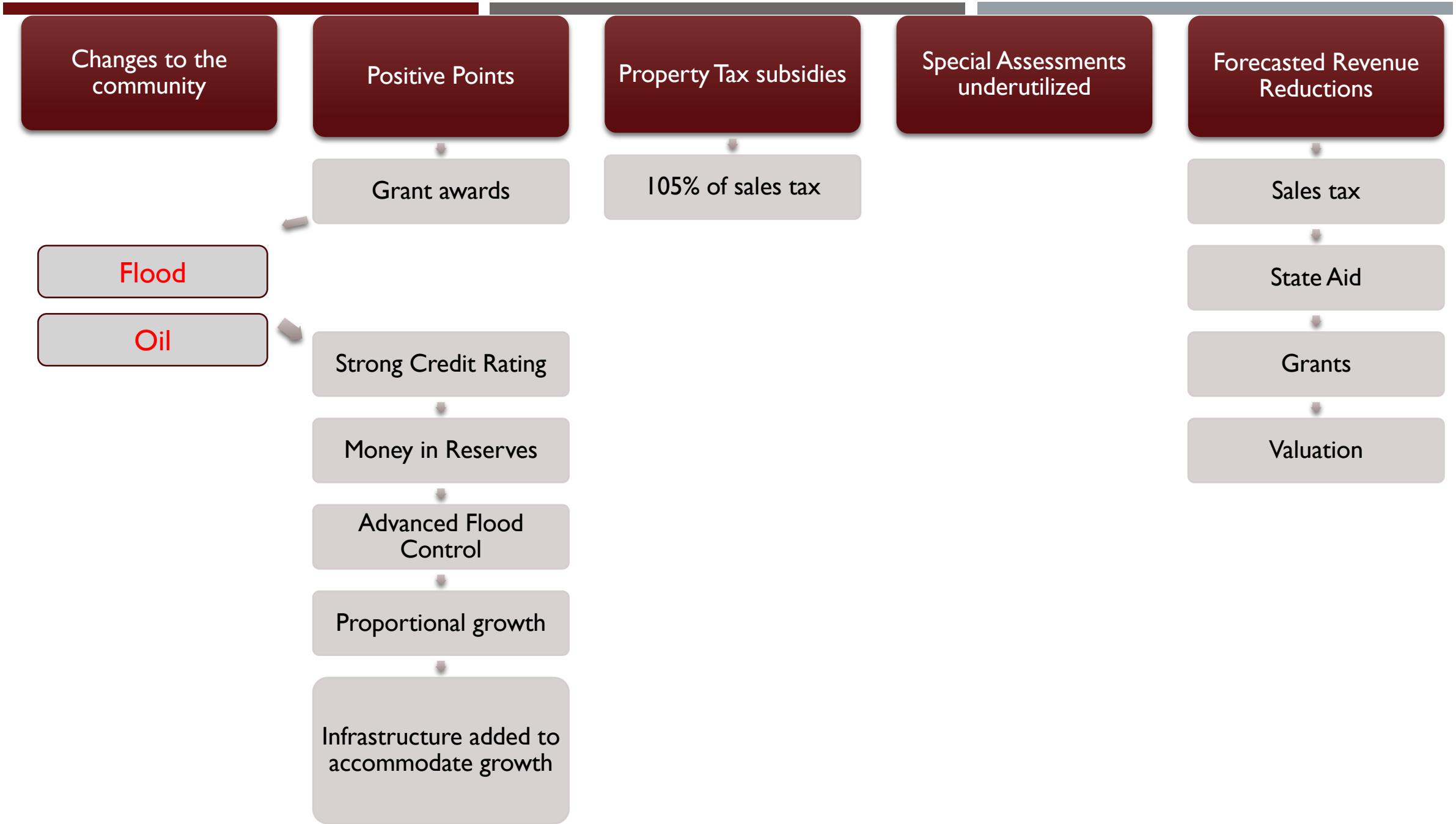
Fund	2007	2016	Change
Water	Flat meter rate - $5.85	Flat meter rate - $12.78	Flat meter rate - +119%
Sewer	Flat meter rate - $3.16	Flat meter rate - $6.04	Flat meter rate - +91%
Storm Sewer	Maintenance - $1.33	Maintenance - $6.04	Maintenance - +297%
	Development - $1.27	Development - $3.75	Development - +195%
Number of Customers	11,970	14,755	+23.3%
Gallons Pumped/Treated	2,185,650,000	2,368,960,000	+8.4%

UTILITY COST COMPARISON



WORKSHOP SUMMARY

HIGHLIGHTS AND TAKEAWAYS


Changes to the community
Flood
Oil
Positive Points
Grant awards
Strong Credit Rating
Money in Reserves
Advanced Flood Control
Proportional growth
Infrastructure added to accommodate growth
Property Tax subsidies
105% of sales tax
Special Assessments underutilized
Forecasted Revenue Reductions
Sales tax
State Aid
Grants
Valuation

WHAT'S COMING…

Flood Control

- $112 -$350 Million

NAWS

- $12 - $45 Million

New City Hall

- $5 - $25 Million

Environmental/Regulatory Upgrades/Requirements

- $80 – $100 million

Deferred M & O

- $20-$30 million

Rising Personnel Costs

- 3 - 4% a year

NEED FOR SPACE

NEED FOR SPACE

FIVE-YEAR DEPARTMENTAL ADDITIONAL NEEDS

Airport
- $10,583,428

Attorney
- $395,198

Building Inspection
- $430,000

Transit
- $3,595,000

Cemetery
- $618,000

Engineering
- $2,067,256

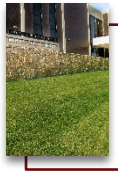
Finance/IT
- $950,000

Fire
- $9,512,048

Sanitation
- $1,565,000

Human Resources
- $293,850

Landfill
- $6,057,000



Library
- $8,237,754

Planning
- $201,000

PIO
- $322,000

Property Maintenance
- $917,202

PW Admin
- $450,000

Police
- $2,215,000

Rec./Aud.
- $575,000

Sewer
- $4,542,500

Shop
- $374,010

Storm Sewer
- $1,120,687

Street
- $9,636,575

Traffic
- $2,264,172

Water Distribution
- $448,000

Water Plant
- $660,000

Total: $ 68,030,680

Project Year	Department	Project Title	Project Cost	Funding Source
2018	Airport	ARFF Station Rehab Design and Construction	$ 270,774	Grant
2018	Airport	ARFF Station Rehab Design and Construction	584,301	Sales Tax
2018	Airport	Wildlife Attractant and Stormwater Environmental Assessment	332,500	Grant
2018	Airport	Wildlife Attractant and Stormwater Environmental Assessment	17,500	Sales Tax
2018	Airport	Runway End Identifier Lighting Construction	239,875	Grant
2018	Airport	Runway End Identifier Lighting Construction	12,625	Sales Tax
2018	Airport	Snow Removal Equipment - Sander	427,500	Grant
2018	Airport	Snow Removal Equipment - Sander	22,500	Sales Tax
2018	Airport	GA Apron Phase II - South Apron	707,400	Grant
2018	Airport	GA Apron Phase II - South Apron	39,300	Sales Tax
2018	Airport	Brushcat Rotary Cutter Attachment	7,500	Sales Tax
2018	Airport	Broom	491,316	Grant
2018	Airport	Broom	25,859	Airport Budget
2018	Engineering	Traffic Signal Cabinet Replacement 5 Location	240,000	Sales Tax
2018	Engineering	Traffic Signal Standard Replacement Burdick/3rd & 20th Ave/4th St	100,000	Sales Tax
2018	Engineering	Street Light Feed Point Replacement 5 Locations	35,000	Special Assessment
2018	Engineering	31st Ave SE Reconstruction Bdwy to 13th St - Design	500,000	Highway Bonds
2018	Engineering	Broadway Bridge Reconstruction Year 2 of 2	1,315,000	Highway Bonds
2018	Engineering	Broadway Bridge Reconstruction Year 2 of 2	335,000	Oil & Gas
2018	Engineering	42nd St SE/US 2 Intersection Reconstruction	400,000	Oil & Gas
2018	Engineering	Paving District 498 - 15th Ave SE	1,000,000	Special Assessment
2018	Engineering	Paving District 498 - 15th Ave SE - Fire Station 4 Cost Share	200,000	Special Assessment
2018	Engineering	City Hall/Auditorium Retaining Wall 1 & 2 Reconstruction - Design	275,000	Sales Tax
2018	Fire	Station 3 Remodel	541,548	Grant
2018	Fire	Station 3 Remodel	570,050	Sales Tax
2018	Public Works	Construction - Minot NW Regional Detention Pond Diversion	87,500	Sales Tax Bonds
2018	Public Works	Construction - Minot 4th Avenue Floodwalls	6,300,000	Sales Tax Bonds
2018	Public Works	Construction - Minot Napa Valley / Forest Road	9,800,000	Sales Tax Bonds
2018	Public Works	Landfill Transfer Station Design	250,000	Landfill Budget
2018	Public Works	Water Plant Expansion/NAWS	10,500,000	Sales Tax NAWS
2018	Sanitary Sewer	WWTF Hydraulic Improvements	3,950,000	Revenue Bonds
2018	Sanitary Sewer	WWTF Hydraulic Improvements	3,550,000	Oil & Gas
2018	Sanitary Sewer	North Minot Sanitary Sewer - 30th Ave 13th St to Broadway	1,750,000	Grant
2018	Water System	42nd St SE/US 2 Intersection Reconstruction	180,000	Water Distribution Budget
Total			$ 45,058,048	

Project Year	Department	Project Title	Project Cost	Funding Source
2019	Airport	Wildlife Attractant Mitigation Design	$ 99,750	Grant
2019	Airport	Wildlife Attractant Mitigation Design	5,250	Airport Budget
2019	Airport	Stormwater Pond Design and Construction	1,425,000	Grant
2019	Airport	Stormwater Pond Design and Construction	75,000	Sales Tax
2019	Airport	SRE -Blower	570,000	Grant
2019	Airport	SRE - Blower	30,000	Sales Tax
2019	Airport	GA Apron Phase II - South Apron	902,500	Grant
2019	Airport	GA Apron Phase II - South Apron	47,500	Sales Tax
2019	Engineering	Traffic Signal Cabinet Replacement 5 Locations	240,000	Sales Tax
2019	Engineering	10th St/31st Ave SW Traffic Signal Replacement	300,000	Sales Tax
2019	Engineering	30th Ave Pedestrian Signal Crossing	25,000	Sales Tax
2019	Engineering	Street Light Feed Point Replacement 5 Locations	35,000	Special Assessment
2019	Engineering	Street Light LED Conversion - Broadway Corridor	100,000	Sales Tax
2019	Engineering	16th St Shared Use Path Replacement	500,000	Highway Bonds
2019	Engineering	City Hall/Auditorium Retaining Wall 1 & 2 Reconstruction	2,800,000	Sales Tax
2019	Public Works	Construction - Minot 4th Avenue Floodwalls	10,200,000	Sales Tax Bonds
2019	Public Works	Construction - Minot Napa Valley / Forest Road	4,235,000	Sales Tax Bonds
2019	Public Works	Design - Minot Maple Diversion	910,000	Sales Tax Bonds
2019	Public Works	Design - Tierrecita Vallejo	210,000	Sales Tax Bonds
2019	Public Works	Construction - Minot 4th Avenue Tieback	2,450,000	Sales Tax Bonds
2019	Public Works	Construction - Burlington	3,150,000	Sales Tax Bonds
2019	Public Works	Water/Sewer Building	2,000,000	Revenue Bonds
2019	Public Works	Landfill Transfer Station Construction	1,556,489	Revenue Bonds
2019	Public Works	Landfill Transfer Station Construction	693,511	Landfill Budget
2019	Sanitary Sewer	Puppydog Improvements Phase VII - Lift Station	6,000,000	Revenue Bonds
2019	Storm Sewer	10th St SW	2,120,000	Storm Sewer Development
2019	Storm Sewer	10th St SW	2,120,000	Special Assessment
2019	Storm Sewer	Storm Sewer District 121 - Puppy Dog Storm Sewer	7,500,000	Storm Sewer Development
2019	Storm Sewer	Storm Sewer District 121 - Puppy Dog Storm Sewer	7,500,000	Grant
2019	Water System	SW Water Tower	3,000,000	Revenue Bonds
2019	Water System	NAWS	5,000,000	Sales Tax NAWS
Total			$ 65,800,000	

Project Year	Department	Project Title	Project Cost	Funding Source
2020	Airport	Wildlife Attractant Mitigation Construction	$ 665,000	Grant
2020	Airport	Wildlife Attractant Mitigation Construction	35,000	Airport Budget
2020	Airport	SRE - Plow	617,500	Grant
2020	Airport	SRE - Plow	32,500	Airport Budget
2020	Airport	GA Apron Phase III - South Apron	902,500	Grant
2020	Airport	GA Apron Phase III - South Apron	47,500	Airport Budget
2020	Engineering	Traffic Signal Cabinet Replacement 5 Locations	240,000	Sales Tax
2020	Engineering	Street Light Feed Point Replacement 5 Locations	35,000	Special Assessment
2020	Engineering	Street Light LED Conversion - Broadway Corridor	100,000	Highway Bonds
2020	Engineering	31st Ave SE Reconstruction - 13th St to Broadway	2,000,000	Highway Bonds
2020	Engineering	16th St SW/Burdick Expressway Intersection Improvement	190,000	Highway Bonds
2020	Engineering	Budick Expressway Viaduct Rehabilitation - Design	250,000	Highway Bonds
2020	Fire	NW Fire Station Design	350,000	Sales Tax
2020	Fire	NW Fire Station Construction	1,000,000	Sales Tax
2020	Public Works	Construction - Minot 4th Avenue Floodwalls	7,385,000	Sales Tax Bonds
2020	Public Works	Construction - Minot Napa Valley / Forest Road	1,540,000	Sales Tax Bonds
2020	Public Works	Design - Minot Maple Diversion	2,100,000	Sales Tax Bonds
2020	Public Works	Design - Tierrecita Vallejo	420,000	Sales Tax Bonds
2020	Public Works	Construction - Minot 4th Avenue Tieback	4,375,000	Sales Tax Bonds
2020	Public Works	Construction - Burlington	5,250,000	Sales Tax Bonds
2020	Storm Sewer	16th St SW	1,700,000	Storm Sewer Development
2020	Storm Sewer	16th St SW	1,700,000	Special Assessment
2020	Water System	Broadway Watermain Upsizing 36th Ave NW to 19th Ave	2,000,000	Revenue Bonds
2020	Water System	NW Transmission - 12" along 30th Street and CR10A	2,180,000	Revenue Bonds
2020	Water System	NE Transmission - 13th St to 42nd St along 46th Ave	1,000,000	Revenue Bonds
Total			$ 36,115,000	

Project Year	Department	Project Title	Project Cost	Funding Source
2021	Airport	GA Landside Access Road and Parking Lot	$ 1,750,000	Grant
2021	Airport	GA Landside Access Road and Parking Lot	1,750,000	Airport Budget
2021	Engineering	Traffic Signal Cabinet Replacement 5 Locations	240,000	Highway Bonds
2021	Engineering	Street Light Feed Point Replacement 5 Locations	35,000	Special Assessment
2021	Engineering	Street Light LED Conversion - Burdick Corridor	115,000	Highway Bonds
2021	Engineering	3rd St NE/Central Ave Intersection/Signal Improvement	370,000	Highway Bonds
2021	Engineering	3rd St SE/2nd Ave SE Intersection Improvement	180,000	Highway Bonds
2021	Engineering	3rd St SE/Burdick Expressway SE Intersection Signal Replacement	200,000	Highway Bonds
2021	Engineering	3rd St SE 5th Ave SE to 1st Ave NE Corridor Rehabilitation	800,000	Highway Bonds
2021	Engineering	Burdick Expressway Major Rehabilitation Valley St to 1st St SW	1,300,000	Highway Bonds
2021	Engineering	Burdick Expressway ADA Upgrades NDDOT Project City Share	100,000	Highway Bonds
2021	Engineering	Burdick Expressway Viaduct Rehabilitation - Construction	1,000,000	Highway Bonds
2021	Engineering	6th St NW/SW 3rd Ave NW to 2nd Ave SW	2,940,000	Highway Bonds
2021	Fire	NW Fire Station Construction	1,000,000	Sales Tax
2021	Public Works	Design - Minot Maple Diversion	840,000	Sales Tax Bonds
2021	Public Works	Design - Tierrecita Vallejo	70,000	Sales Tax Bonds
2021	Public Works	Construction - Minot 4th Avenue Tieback	2,100,000	Sales Tax Bonds
2021	Public Works	Construction - Tierrecita Vallejo	1,662,500	Sales Tax Bonds
2021	Public Works	Construction - Burlington	2,100,000	Sales Tax Bonds
2021	Public Works	Landfill Cell 7	1,600,000	Landfill Cash Reserves
2021	Water System	NE Transmission - 55th St from 30th Ave to 46th Ave and 46th Ave 55th St to 42nd St	900,000	Revenue Bonds
2021	Public Works	Flood Control Maple diversion Construction	12,500,000	Sales Tax
2021	Sanitary Sewer	Waster Water Treatment Plant Design	3,000,000	Revenue Bonds
Total			$ 36,552,500	

Project Year	Department	Project Title	Project Cost	Funding Source
2021	Airport	GA Landside Access Road and Parking Lot	$ 1,750,000	Grant
2021	Airport	GA Landside Access Road and Parking Lot	1,750,000	Airport Budget
2021	Engineering	Traffic Signal Cabinet Replacement 5 Locations	240,000	Highway Bonds
2021	Engineering	Street Light Feed Point Replacement 5 Locations	35,000	Special Assessment
2021	Engineering	Street Light LED Conversion - Burdick Corridor	115,000	Highway Bonds
2021	Engineering	3rd St NE/Central Ave Intersection/Signal Improvement	370,000	Highway Bonds
2021	Engineering	3rd St SE/2nd Ave SE Intersection Improvement	180,000	Highway Bonds
2021	Engineering	3rd St SE/Burdick Expressway SE Intersection Signal Replacement	200,000	Highway Bonds
2021	Engineering	3rd St SE 5th Ave SE to 1st Ave NE Corridor Rehabilitation	800,000	Highway Bonds
2021	Engineering	Burdick Expressway Major Rehabilitation Valley St to 1st St SW	1,300,000	Highway Bonds
2021	Engineering	Burdick Expressway ADA Upgrades NDDOT Project City Share	100,000	Highway Bonds
2021	Engineering	Burdick Expressway Viaduct Rehabilitation - Construction	1,000,000	Highway Bonds
2021	Engineering	6th St NW/SW 3rd Ave NW to 2nd Ave SW	2,940,000	Highway Bonds
2021	Fire	NW Fire Station Construction	1,000,000	Sales Tax
2021	Public Works	Design - Minot Maple Diversion	840,000	Sales Tax Bonds
2021	Public Works	Design - Tierrecita Vallejo	70,000	Sales Tax Bonds
2021	Public Works	Construction - Minot 4th Avenue Tieback	2,100,000	Sales Tax Bonds
2021	Public Works	Construction - Tierrecita Vallejo	1,662,500	Sales Tax Bonds
2021	Public Works	Construction - Burlington	2,100,000	Sales Tax Bonds
2021	Public Works	Landfill Cell 7	1,600,000	Landfill Cash Reserves
2021	Water System	NE Transmission - 55th St from 30th Ave to 46th Ave and 46th Ave 55th St to 42nd St	900,000	Revenue Bonds
2021	Public Works	Flood Control Maple diversion Construction	12,500,000	Sales Tax
2021	Sanitary Sewer	Waster Water Treatment Plant Design	3,000,000	Revenue Bonds
Total			$ 36,552,500	

FY 2018 BUDGET OUTLOOK

Revenue

- Sales tax – ⬇ 20-25%
- Property Tax
  - Valuations - ⬇ 7 – 8%
  - Property Tax Relief
    - State - ⬇ 12%
    - City - ???%

Grants

- State Aid - ⬇ ????%
- Surge Funding - ⬇ 100%
- Hub City Funding - ⬇ $2-3M
- Federal Funding - ⬇ ???%

FUTURE CHALLENGES

- Uncertainty of sales tax revenues
- Rate of growth of the tax base
- Increasing cost of operations
- Major construction projects
- Limited borrowing capacity
- Uncertainty of state funding