

City of Minot



GATEWAY

TO  THE
BAKKEN
Minot, ND

FUNDING FORMULA

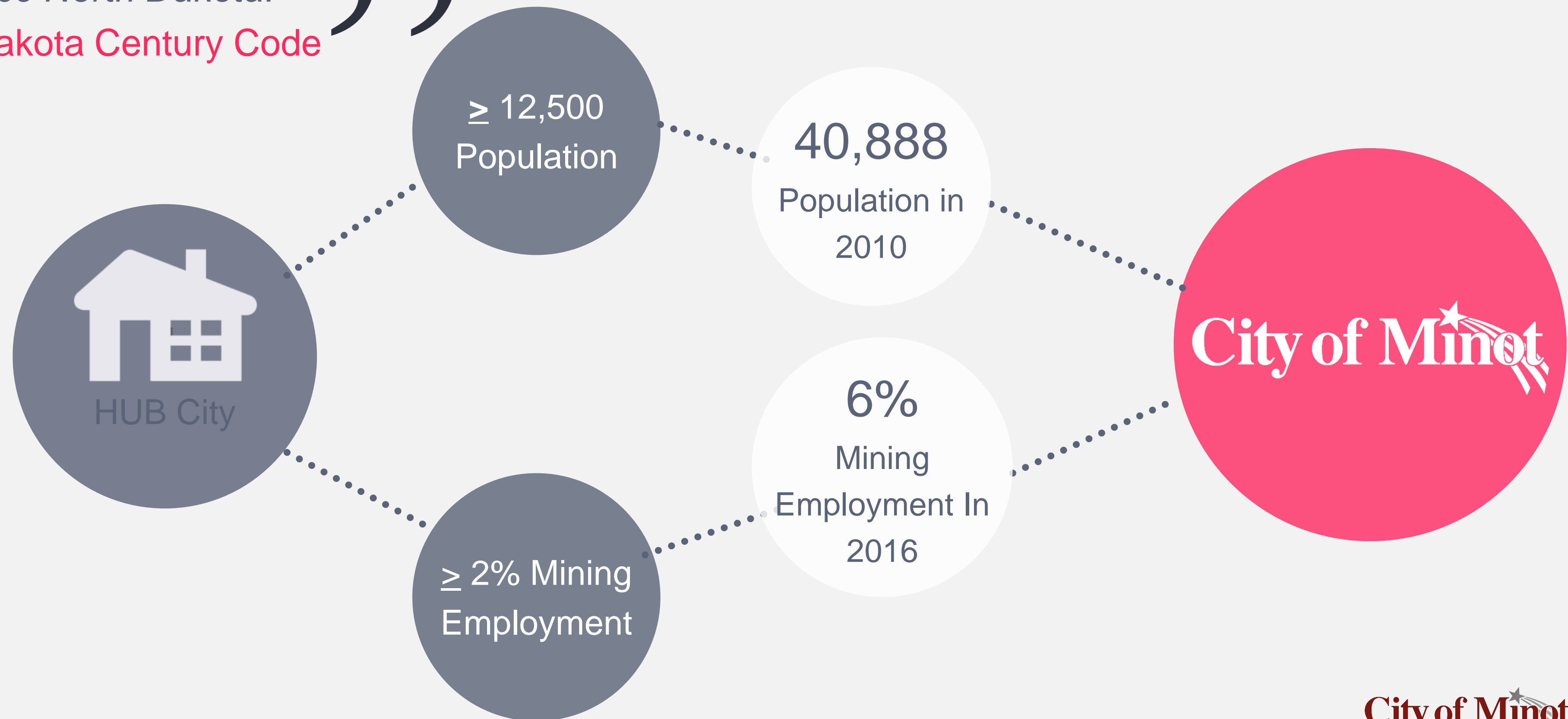
How HUB City funding applies to the City of Minot



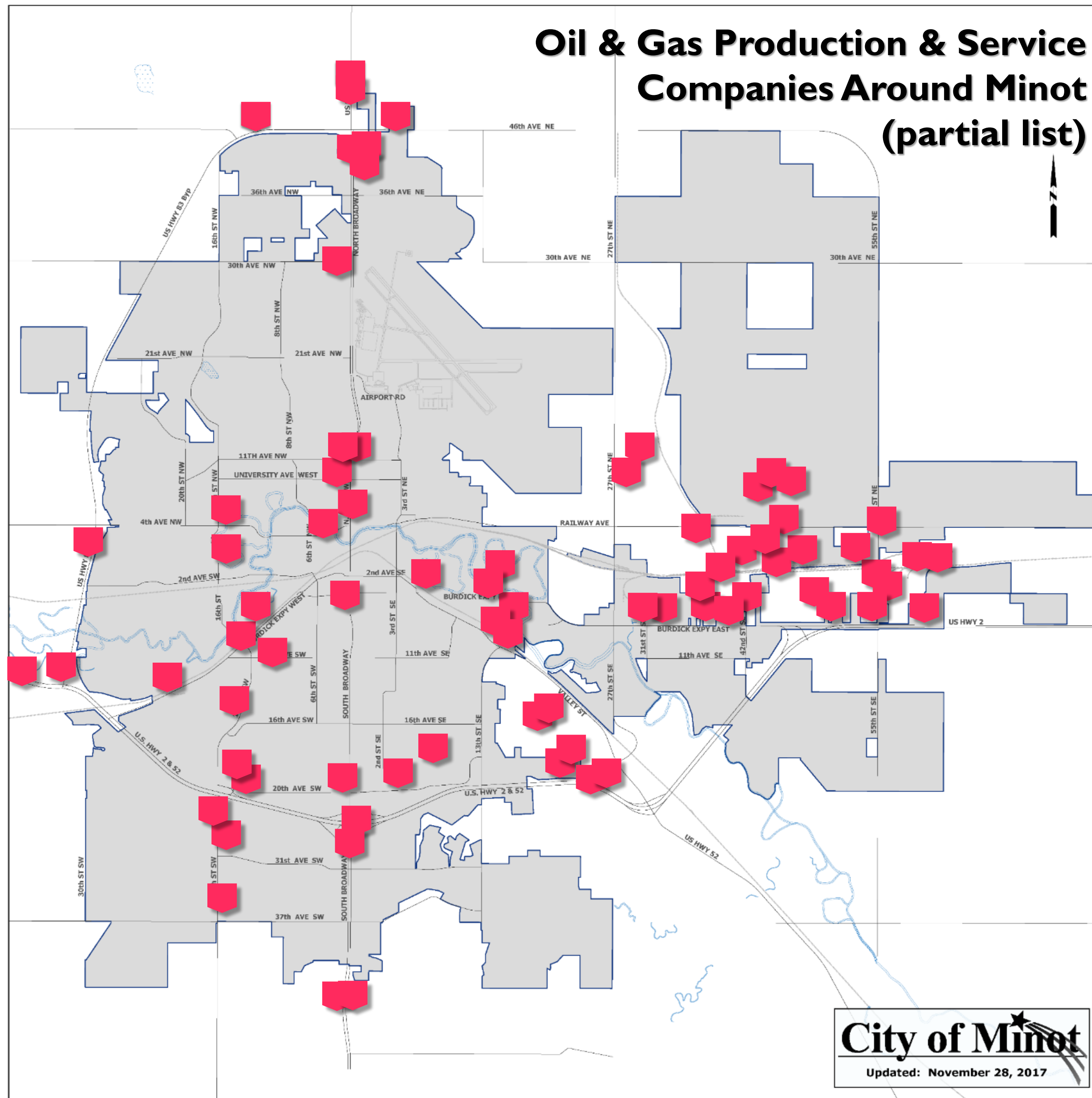
...a city with a population of twelve thousand five hundred or more, according to the last official decennial federal census, which has more than two percent of its private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota.



Chapter 57-51 of the North Dakota Century Code



Oil & Gas Production & Service Companies Around Minot (partial list)



Minot Oil & Gas Company

Corporate Tours



- ❖ ND Corporate Headquarters located in Minot
- ❖ Industry Leading Acreage
Position in Middle Bakken & Three Forks
- ❖ ~200 employees in Minot (nearly half of workforce)
- ❖ Additional workforce flown in weekly from Houston
- ❖ Plan to add 100 New Wells in 2018



- ❖ Regional Headquarters located in Minot
- ❖ 20 Acre Footprint in Minot
- ❖ Offer Full Service – Cradle to Grave Services
- ❖ Minot is Their #2 Most Profitable Facility in the US
- ❖ Touch 90% of all wells in ND
- ❖ ~160 Jobs in Minot
- ❖ Continuing to add Jobs in Minot
- ❖ 24 Direct Vendor Support Company



- ❖ Regional Headquarters located in Minot
- ❖ Top Performing Branch
- ❖ Well Head Service Company
- ❖ Rapidly Grew Over 1,200% in 5 years
- ❖ ~ 125 Jobs in Minot
- ❖ Continuing to Add Jobs in Minot
- ❖ Recently Acquired by Schlumberger



- ❖ Regional Facility located in Minot
- ❖ Pipeline Storage & Distribution
- ❖ Moves 1 in 3 Barrels of Crude from Bakken Region
- ❖ Rapidly Grew Over 270% in Less Than 10 Years
- ❖ Operating 60 Years in Minot
- ❖ ~135 Jobs in Minot
- ❖ 73% of Workforce Lives in Minot
- ❖ Facility Runs 24/7/365

City of Minot

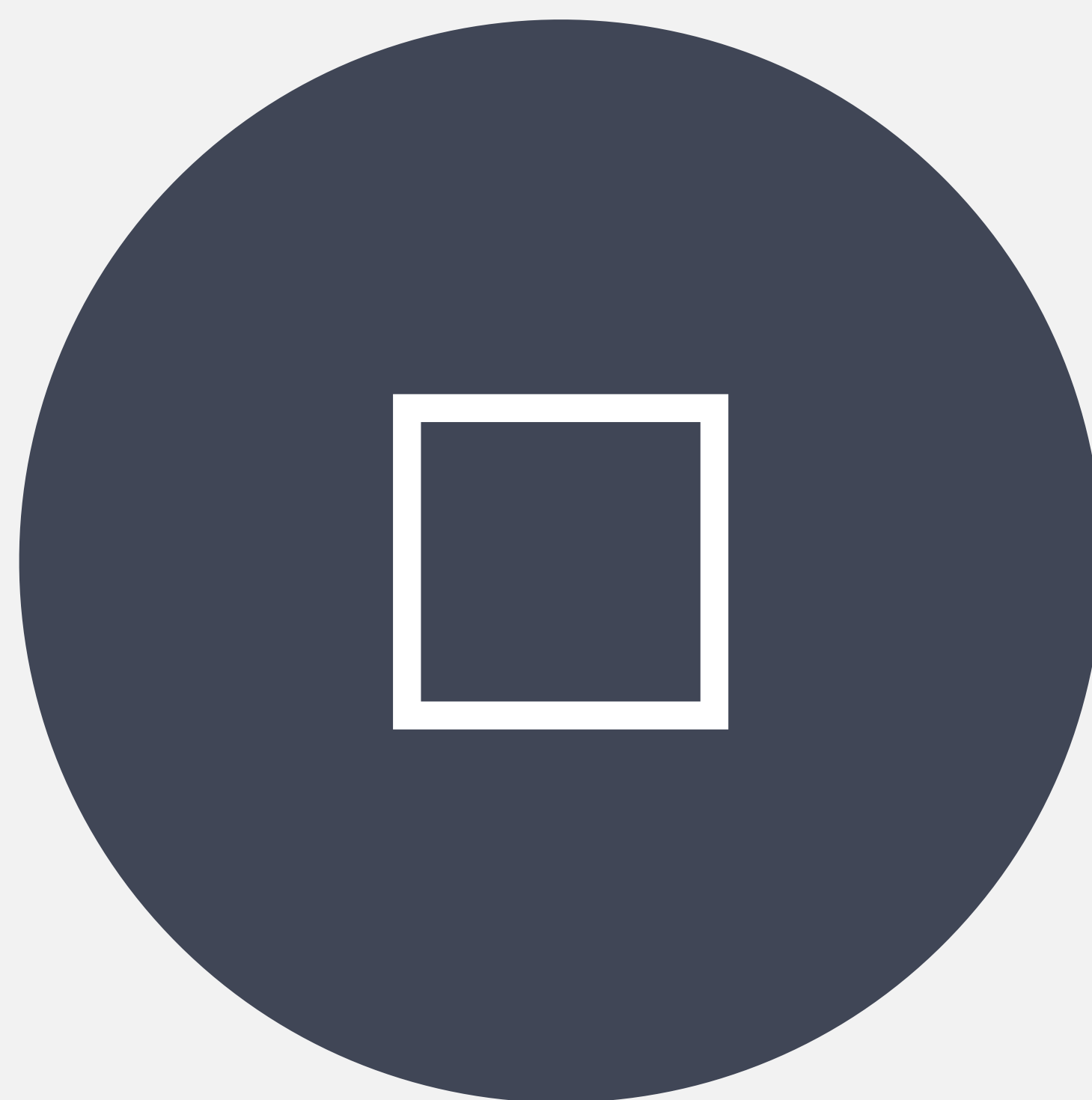


MINOT STATE UNIVERSITY



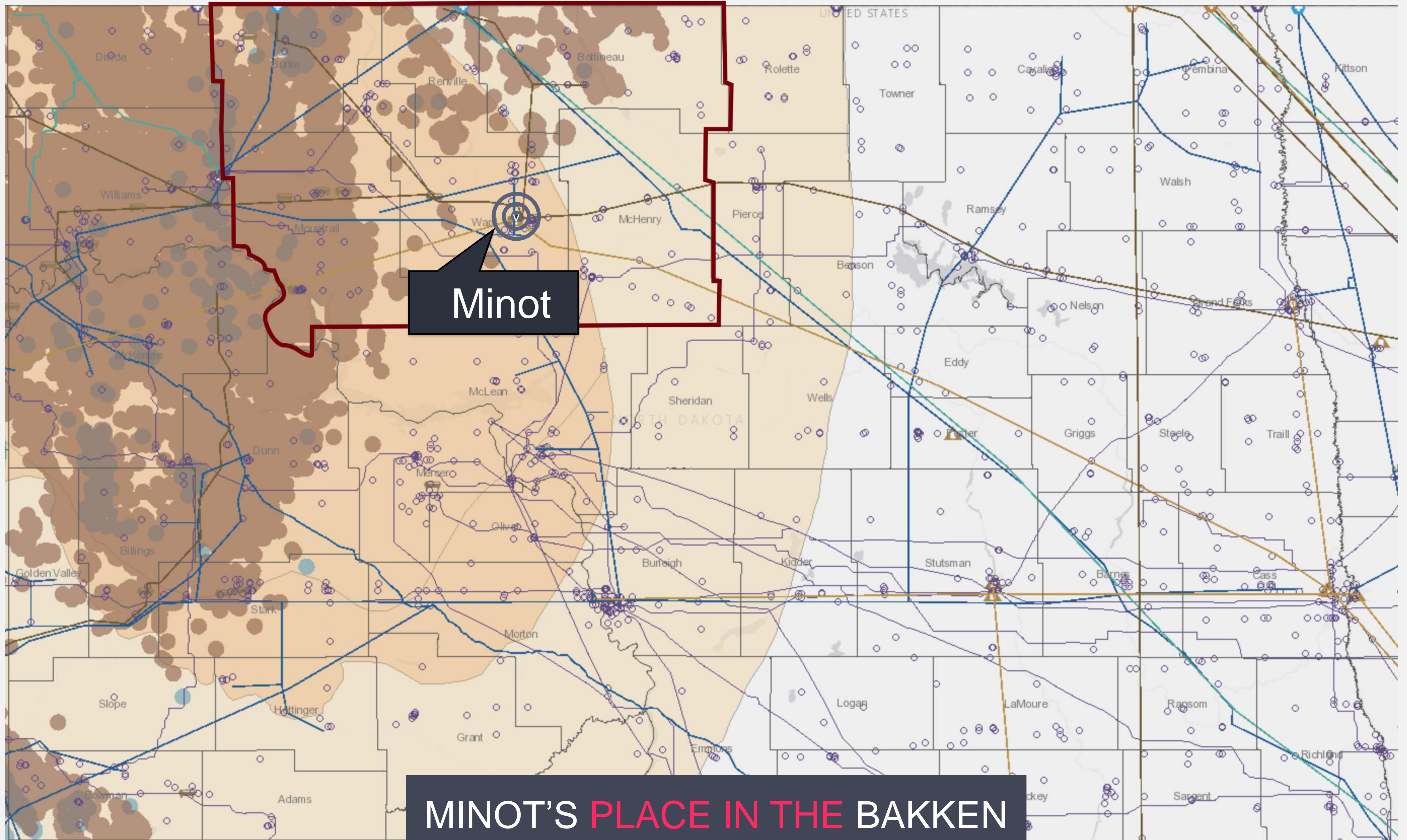
Why did these companies locate to Minot?





HUB CITY GEOGRAPHY

Minot's place in the Bakken and how it fits into the State's petroleum landscape



MINOT'S PLACE IN THE BAKKEN

A REGIONAL HUB

Serving far more than just Minot

Six counties use our water via NAWS

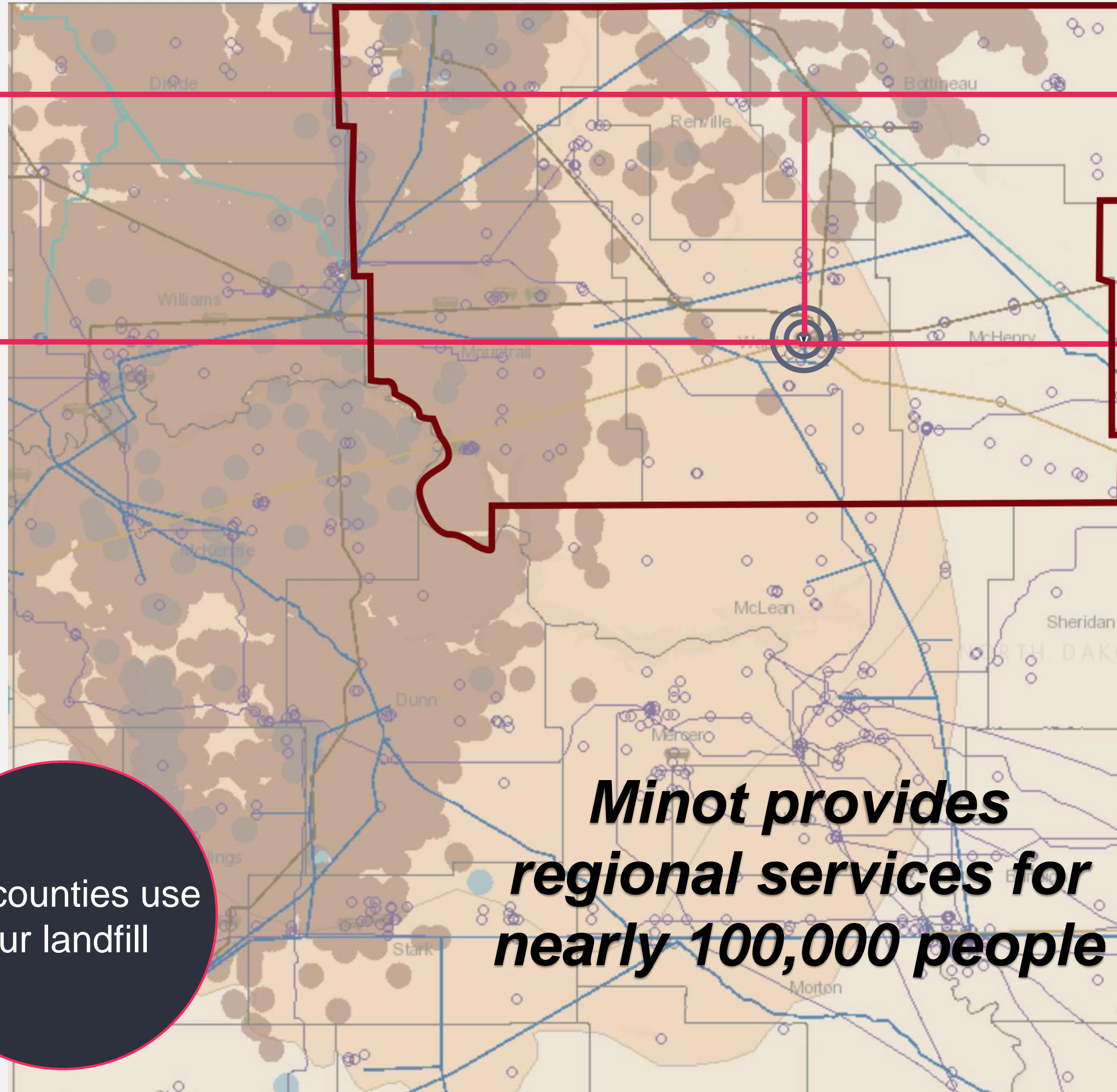
The City of Minot stands as the economic HUB for those counties

All of those counties are in the Bakken

People from dozens of counties travel to Minot for basic commerce

Six counties use our landfill

Minot provides regional services for nearly 100,000 people



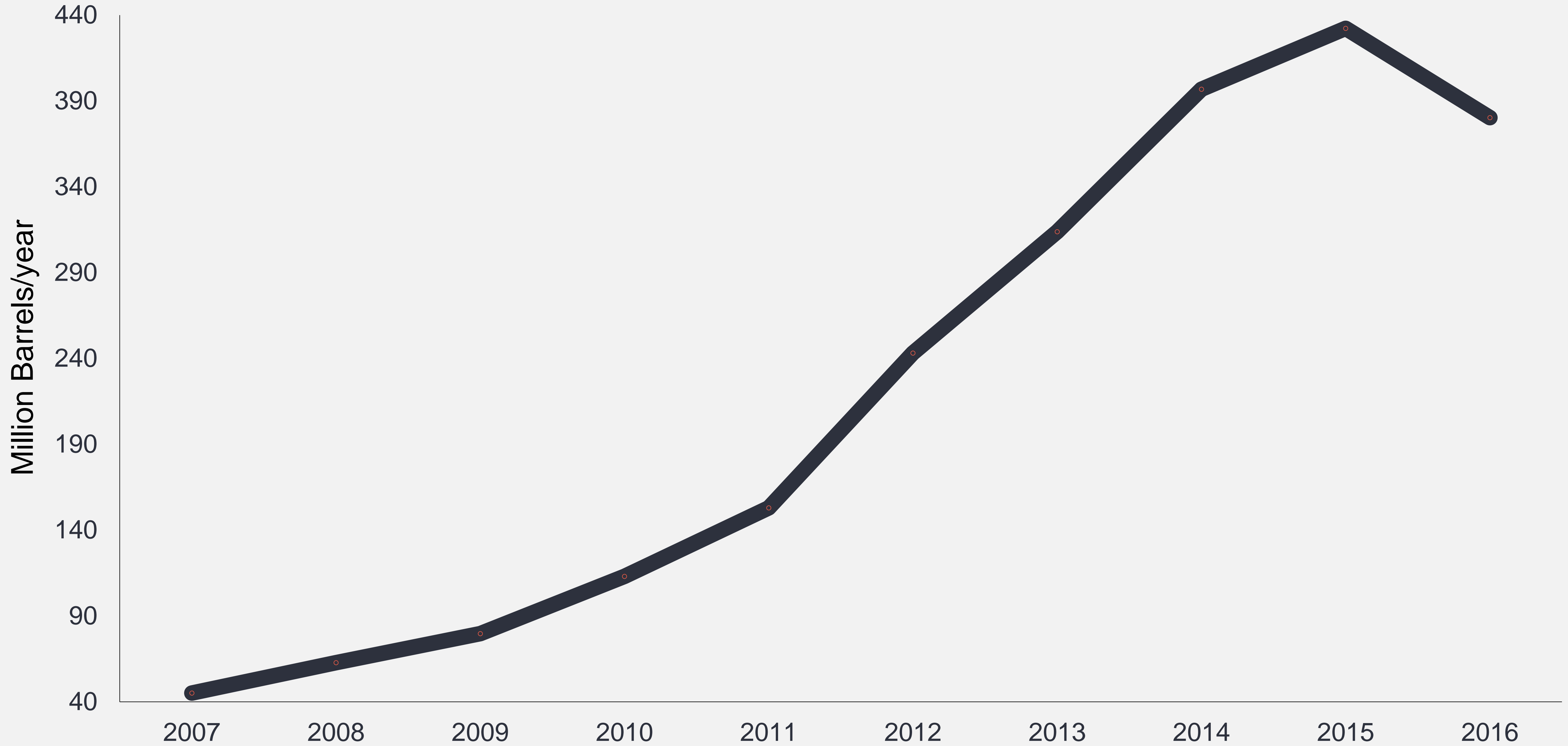


Growth In Oil & Gas

Bakken Oil Production and its
Impact on Minot

BARRELS PRODUCED

A LOOK AT PRODUCTION THROUGH THE LAST DECADES

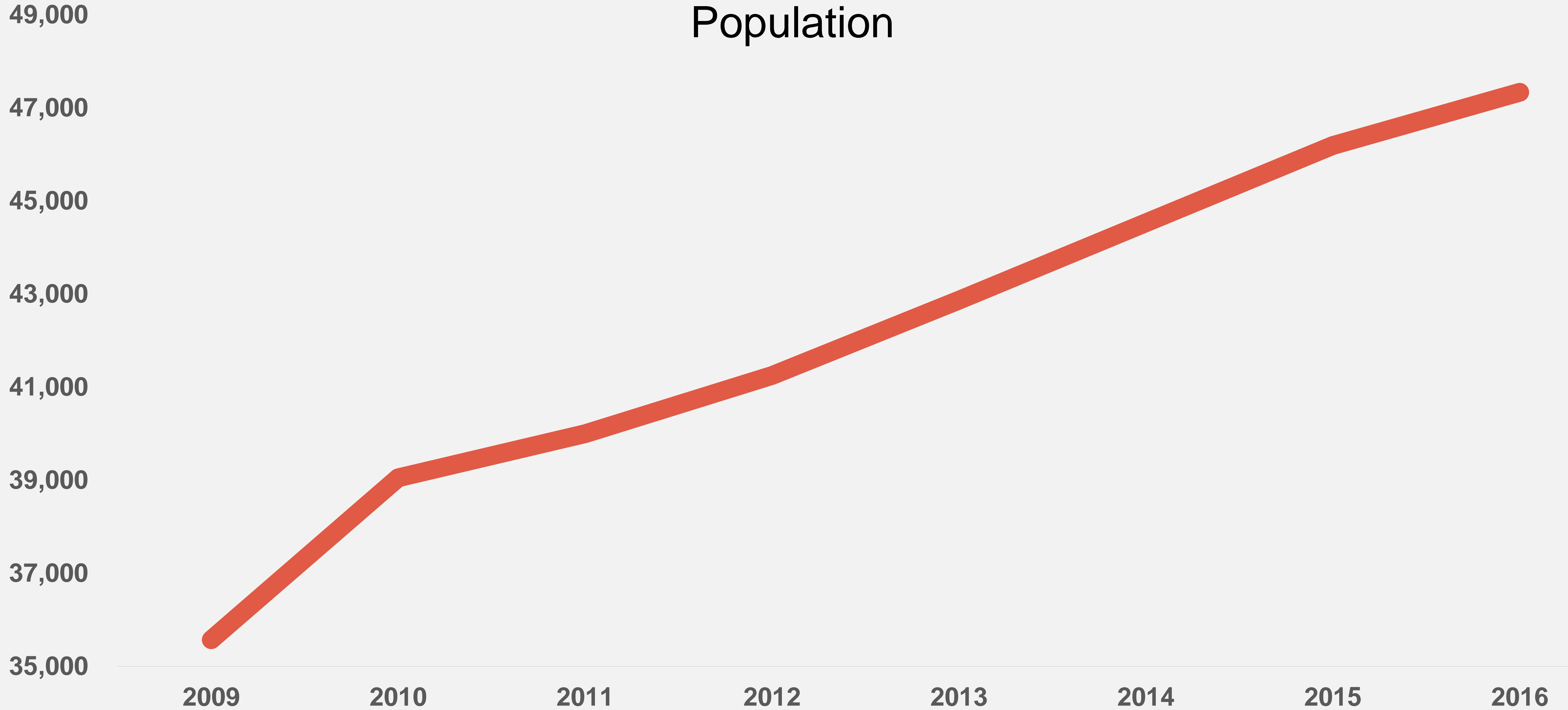


SOURCE: <https://www.dmr.nd.gov/oilgas/stats/statisticsvw.asp>

MINOT'S GROWTH

HOW DOES IT COMPARE TO OTHER HUB CITIES?

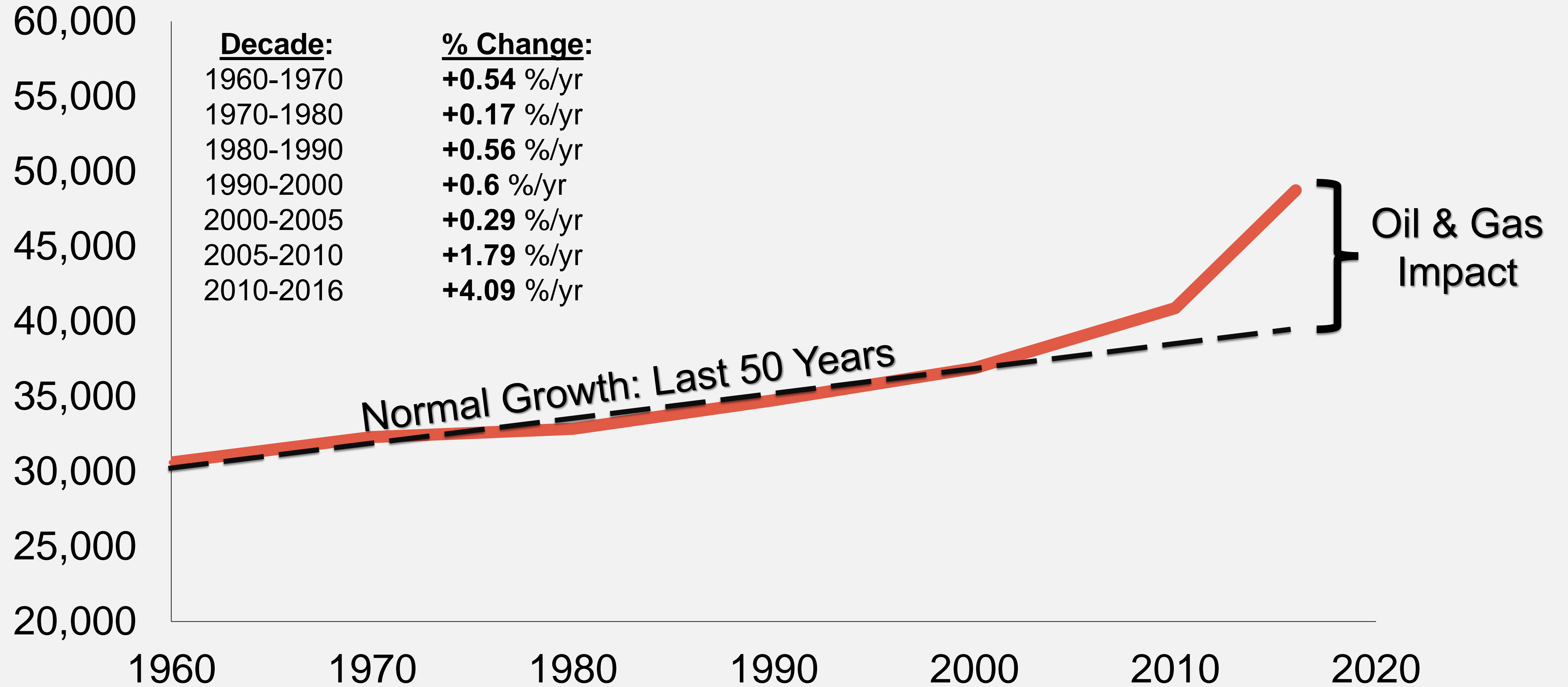
Population



RATE OF GROWTH

GROWTH IS IN OUR HISTORY, BUT THE PRESENT IS AMONG THE FASTEST

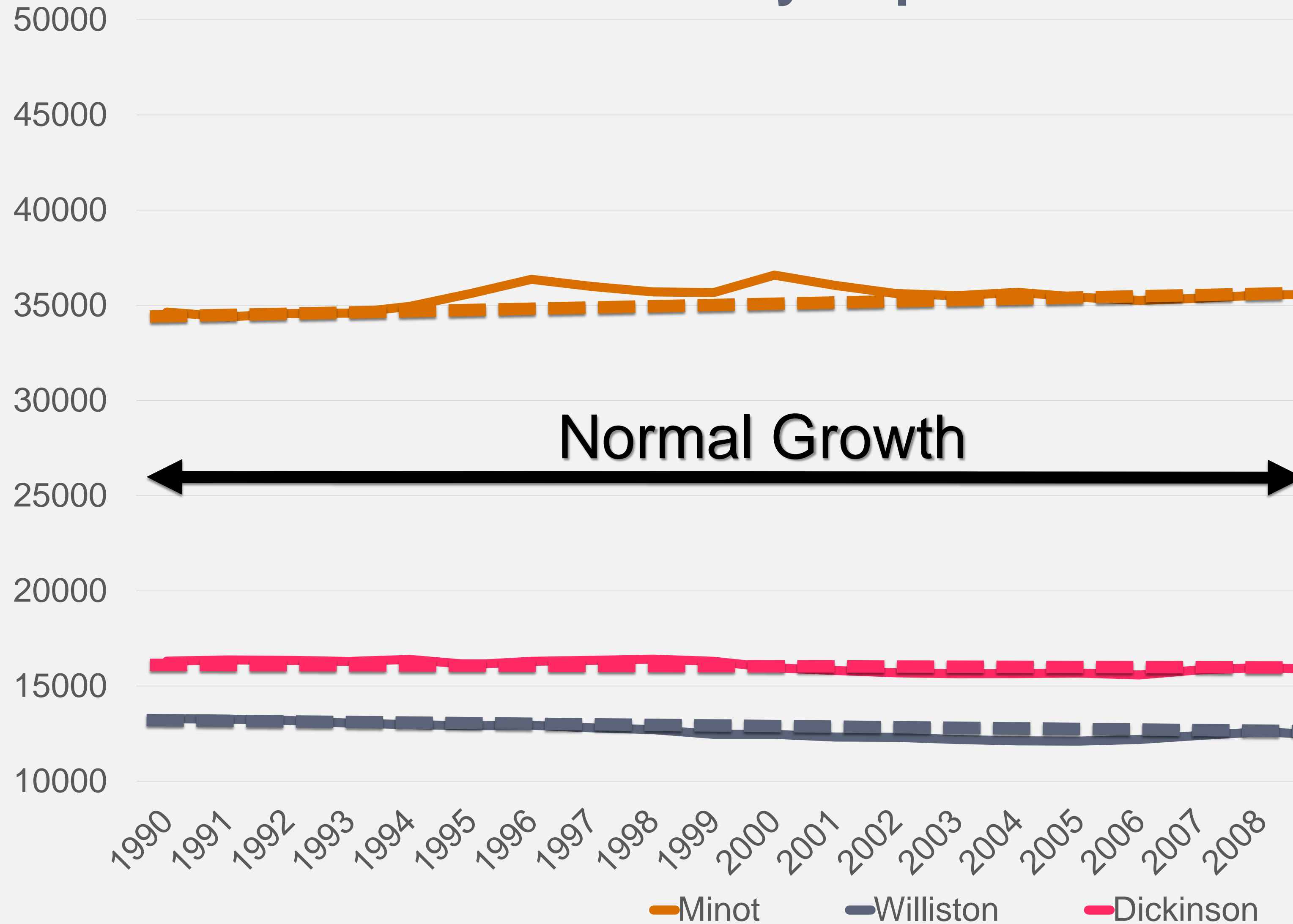
Minot Population: 1960-2016



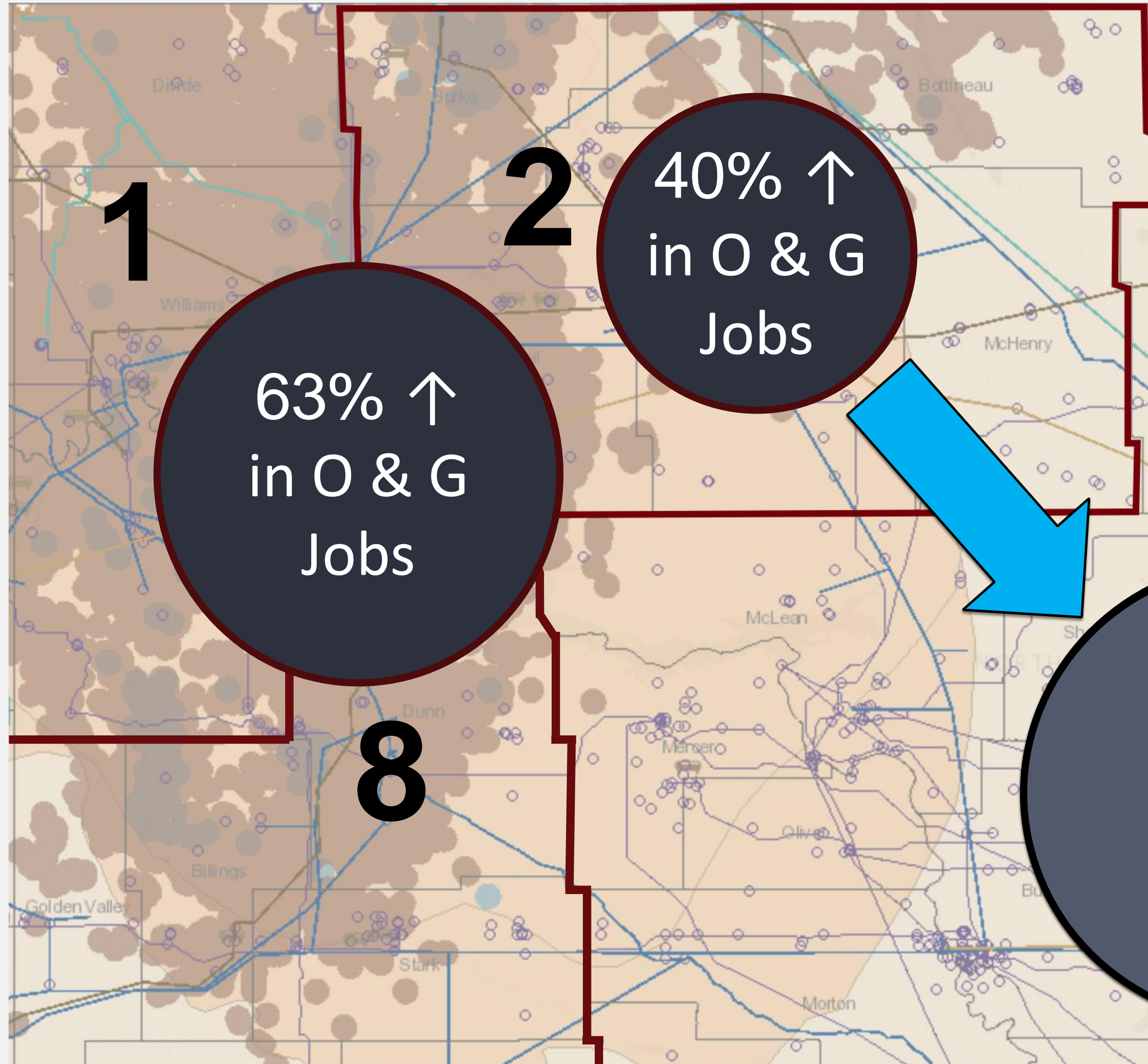
RATE OF GROWTH

GROWTH IS IN OUR HISTORY, BUT THE PRESENT IS AMONG THE FASTEST

HUB City Population Growth

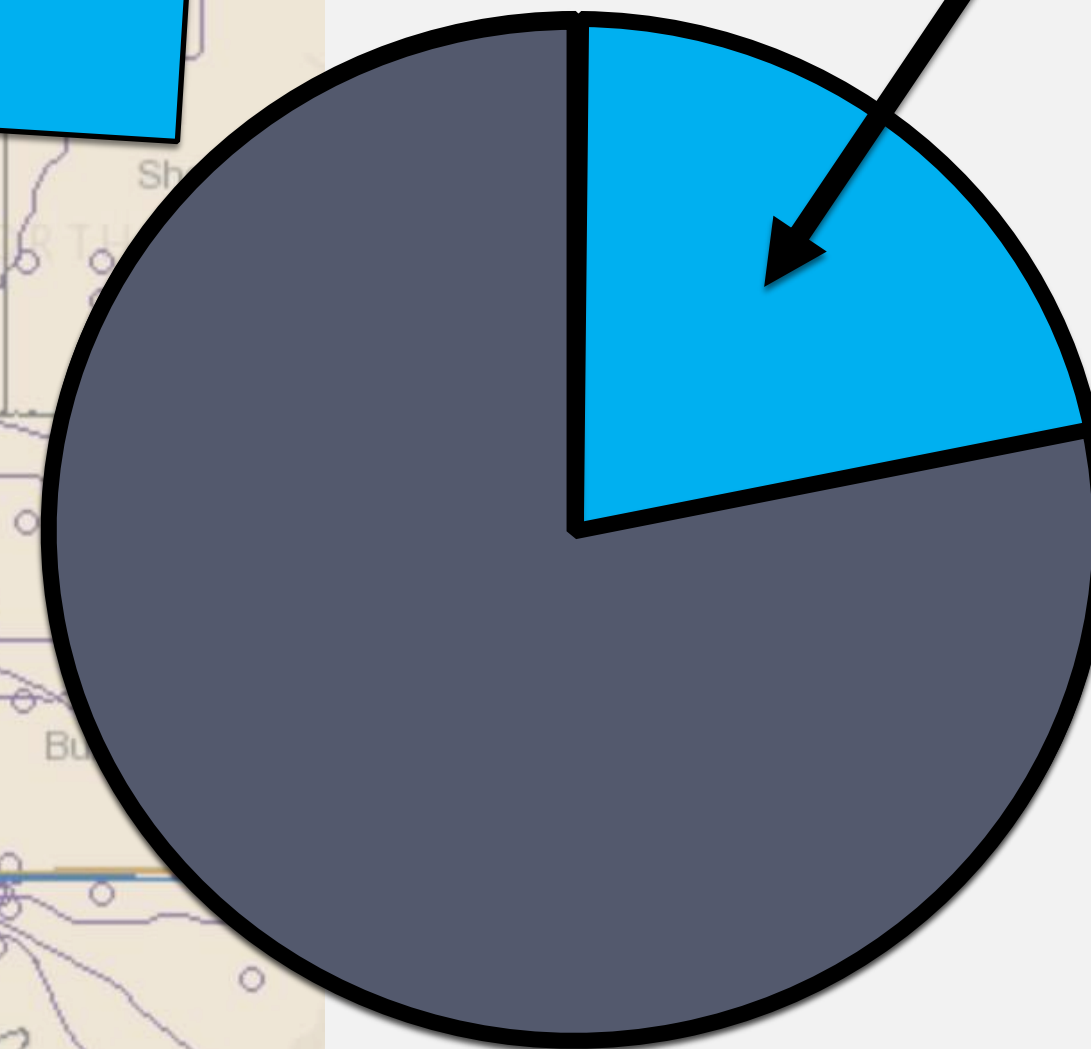


Regional Oil and Gas Job Growth 2007-2017



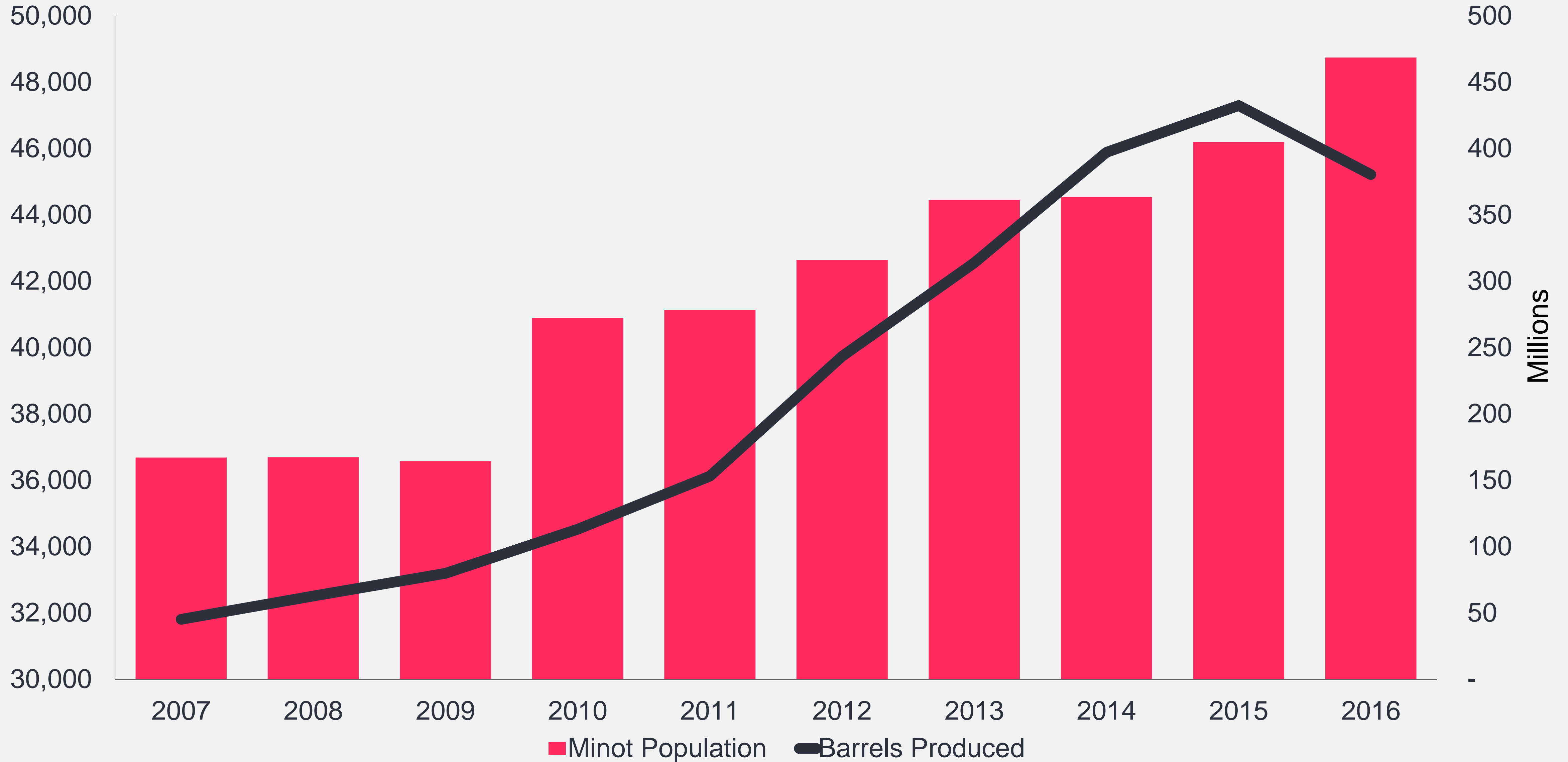
Minot Region:

Accounts for 22% of all O & G Jobs in Bakken Region



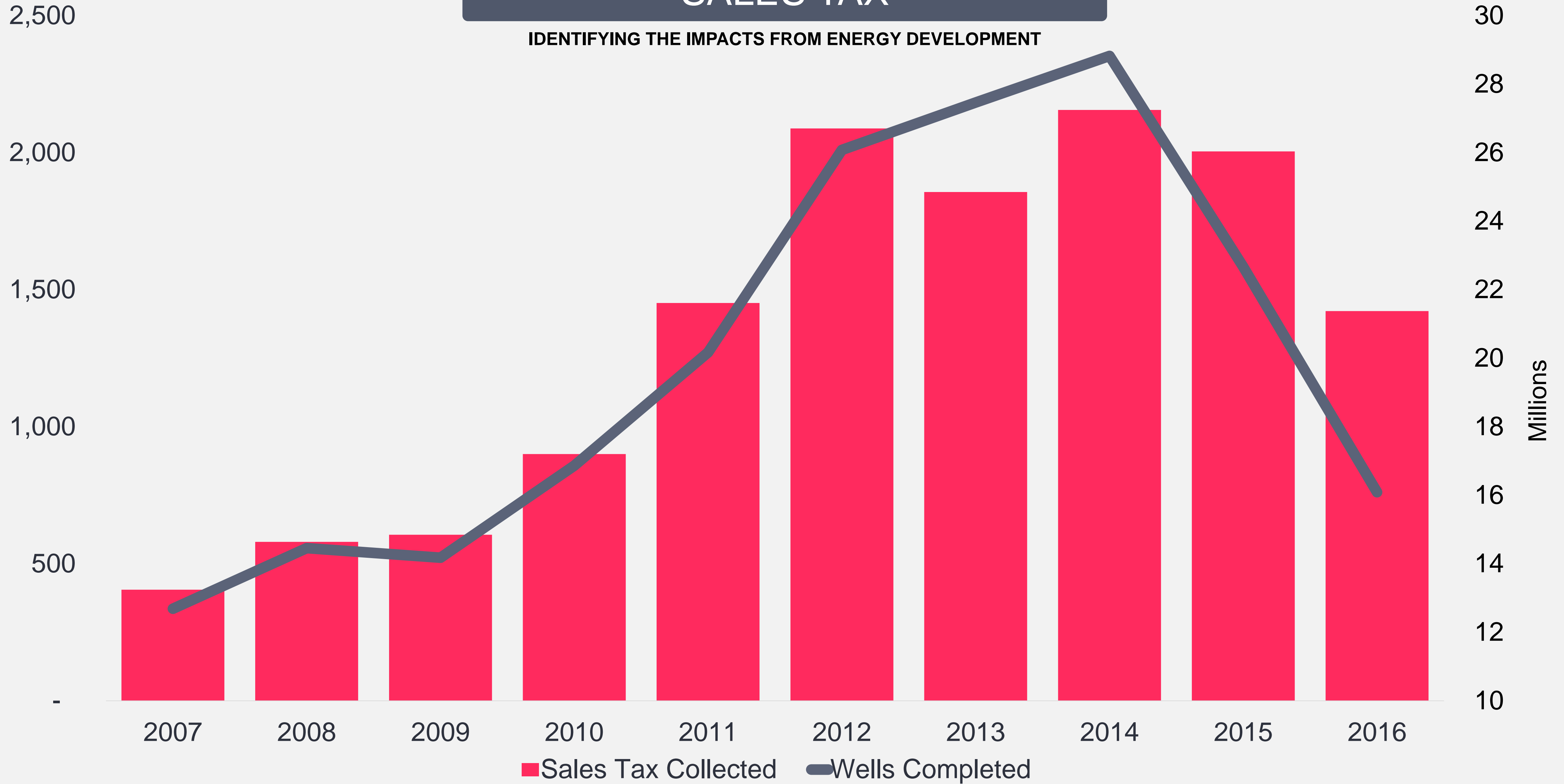
POPULATION VS PRODUCTION

HOW DOES IT COMPARE?



WELLS COMPLETED VS SALES TAX

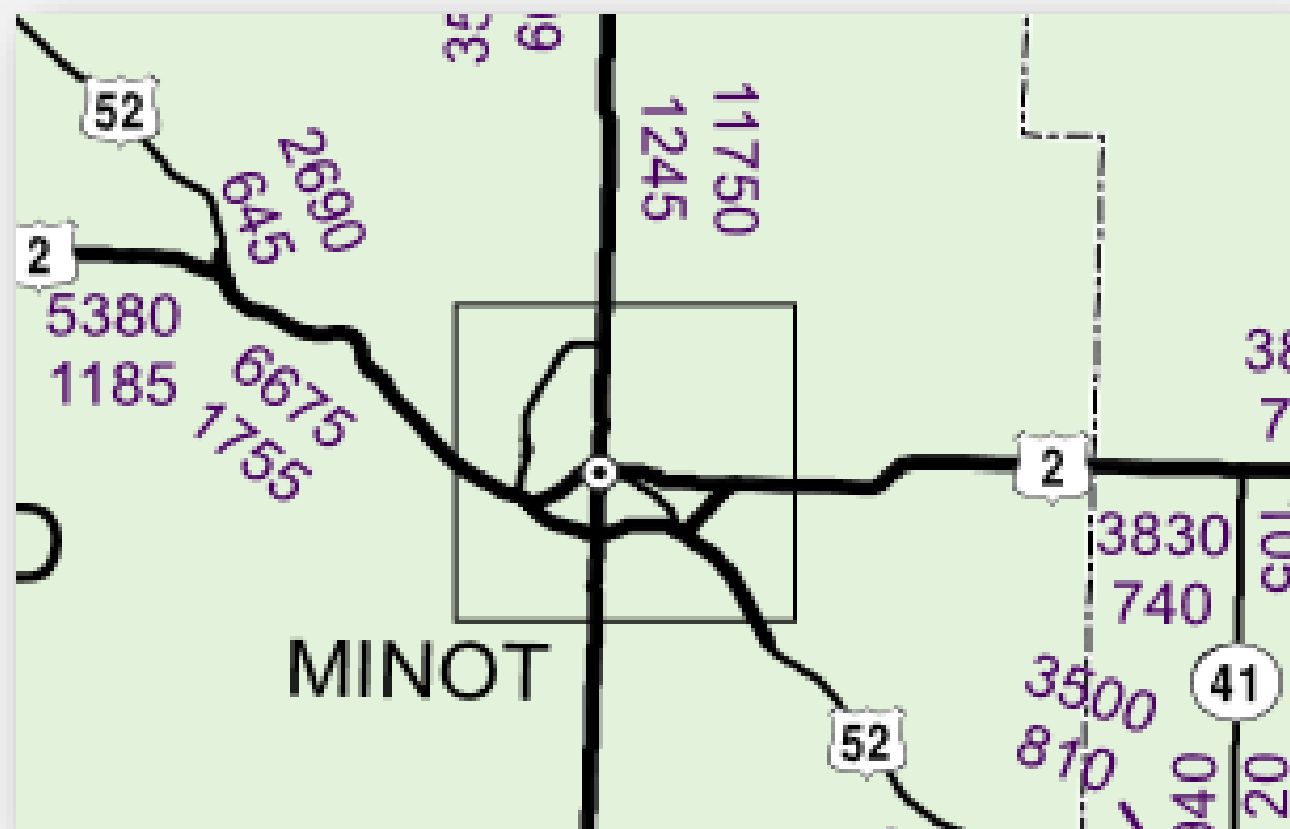
IDENTIFYING THE IMPACTS FROM ENERGY DEVELOPMENT



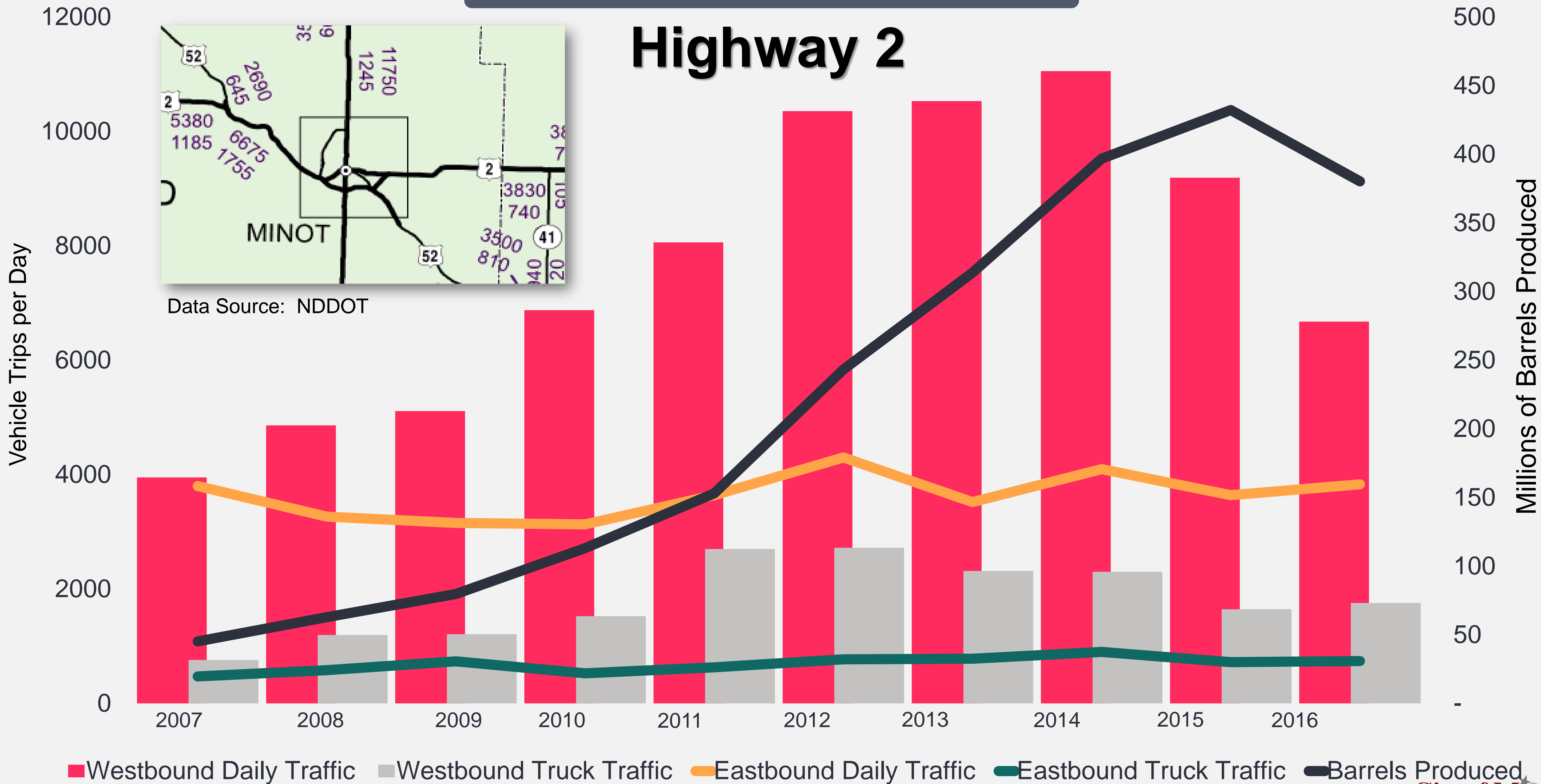
TRAFFIC COUNTS

WHAT'S MOVING THROUGH THE GATEWAY TO THE BAKKEN?

Highway 2



Data Source: NDDOT



MINOT'S GROWTH

A LOOK AT POPULATION GROWTH THROUGH THE LAST DECADE

2007

Population (36,567+)

Annexed Land (9,600 acres)

Total Expenses (\$44.2 Million)

Total Revenue (\$65 Million)

Debt Per Capita (\$946)

2016

Population (48,743+)

Annexed Land (17,753 acres)

Total Expenses (\$109.7 Million)

Total Revenue (\$151.2 Million)

Debt Per Capita (\$2,650)

Change

Population +35%

Annexed Land + 85%

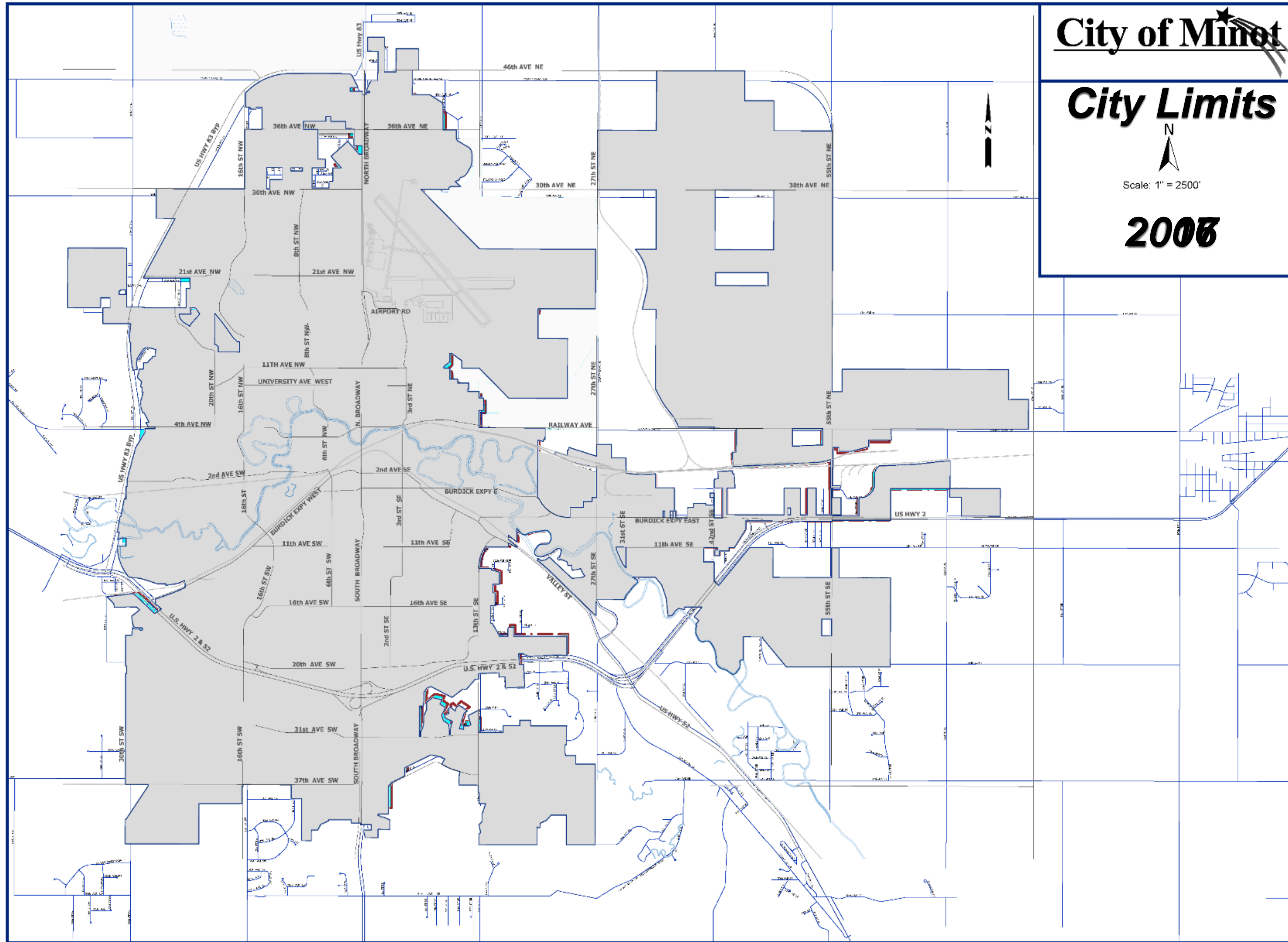
Total Expenses +148%

Total Revenue +132%

Debt Per Capita +180%

MINOT GROWTH

LAST 10 YEARS



OUR RESPONSE

CAPITAL INVESTMENTS AND OPERATING EXPENSES

Expanded Roads

Expanded Sewer Service

Expanded Water Service

Expanded Police Response

Expanded Fire Response

Expanded Street Service

More Employees

Increased Maintenance Costs

Increased Operational Costs

INFRASTRUCTURE INVESTMENTS

How growth impacts our operations and assets

% Change

Street Miles: +29%

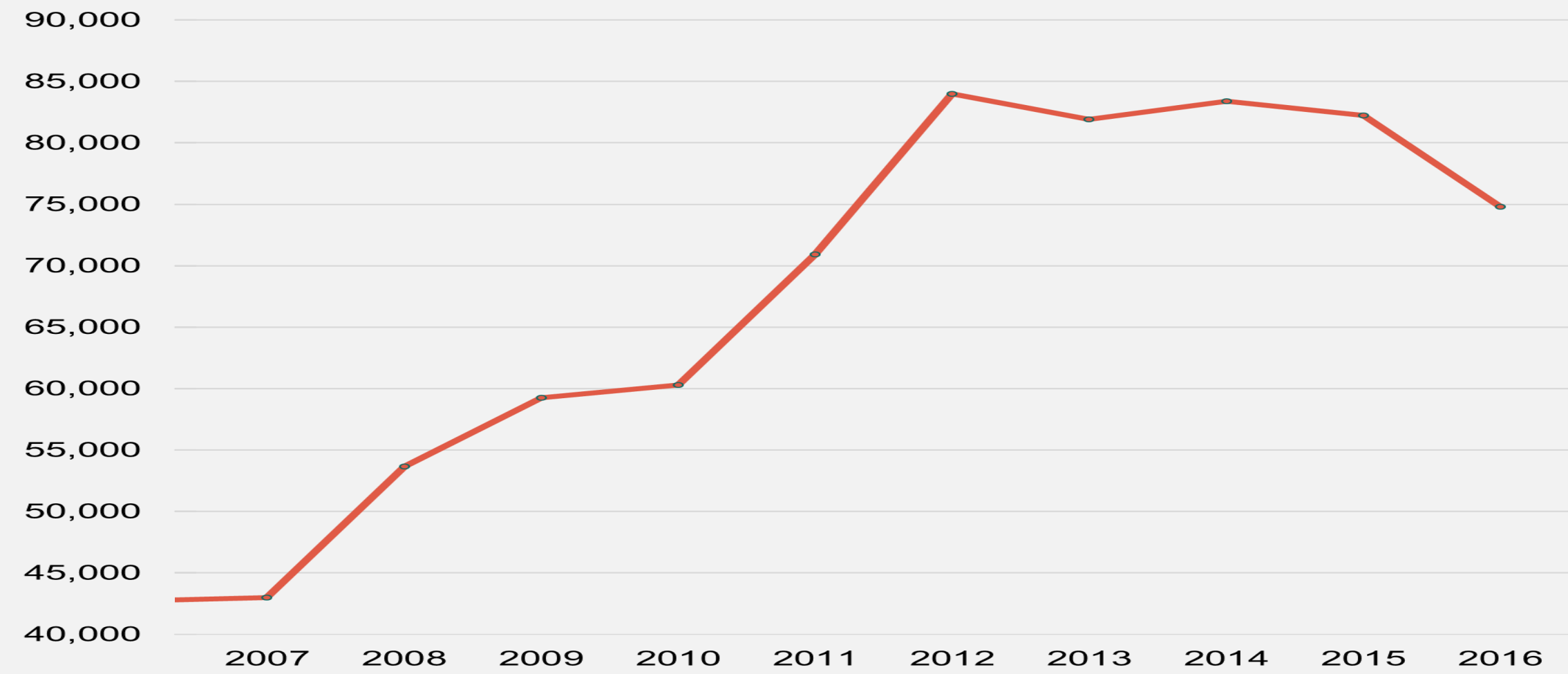
Sewer +38%

Water +49%

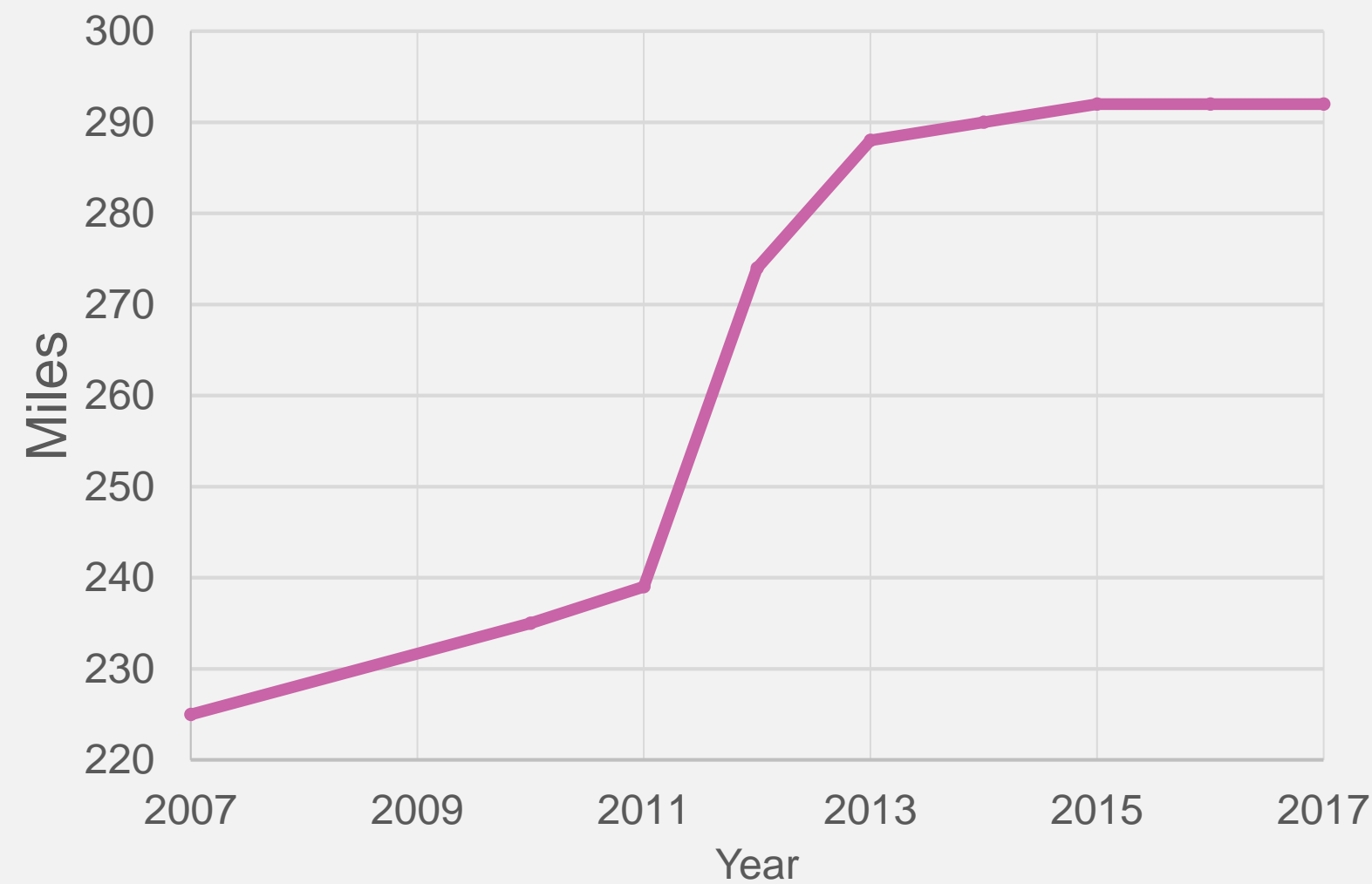
Sanitary Lift Stations +87%

Landfill waste +79%

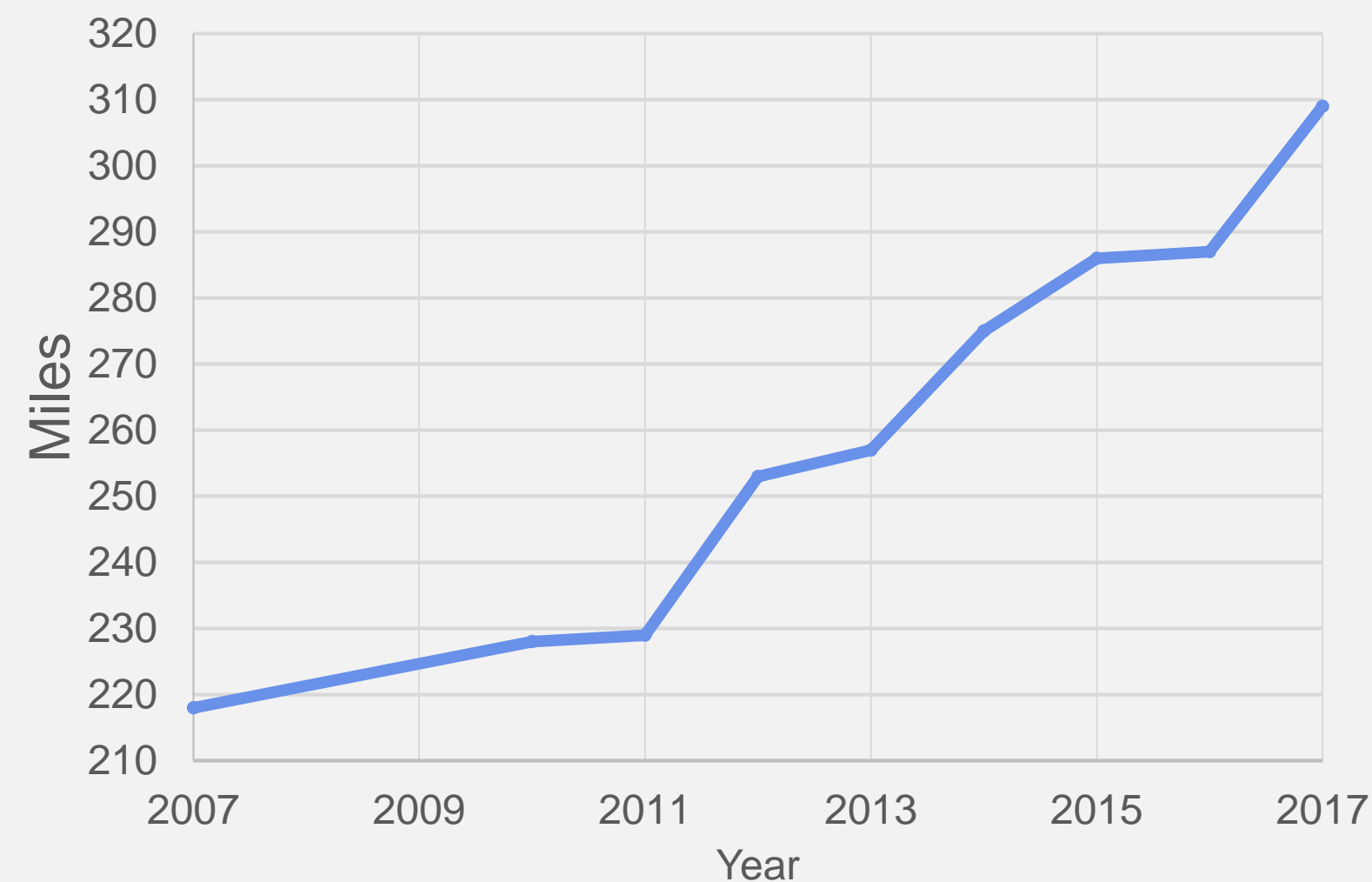
Municipal Solid Waste (Tons)



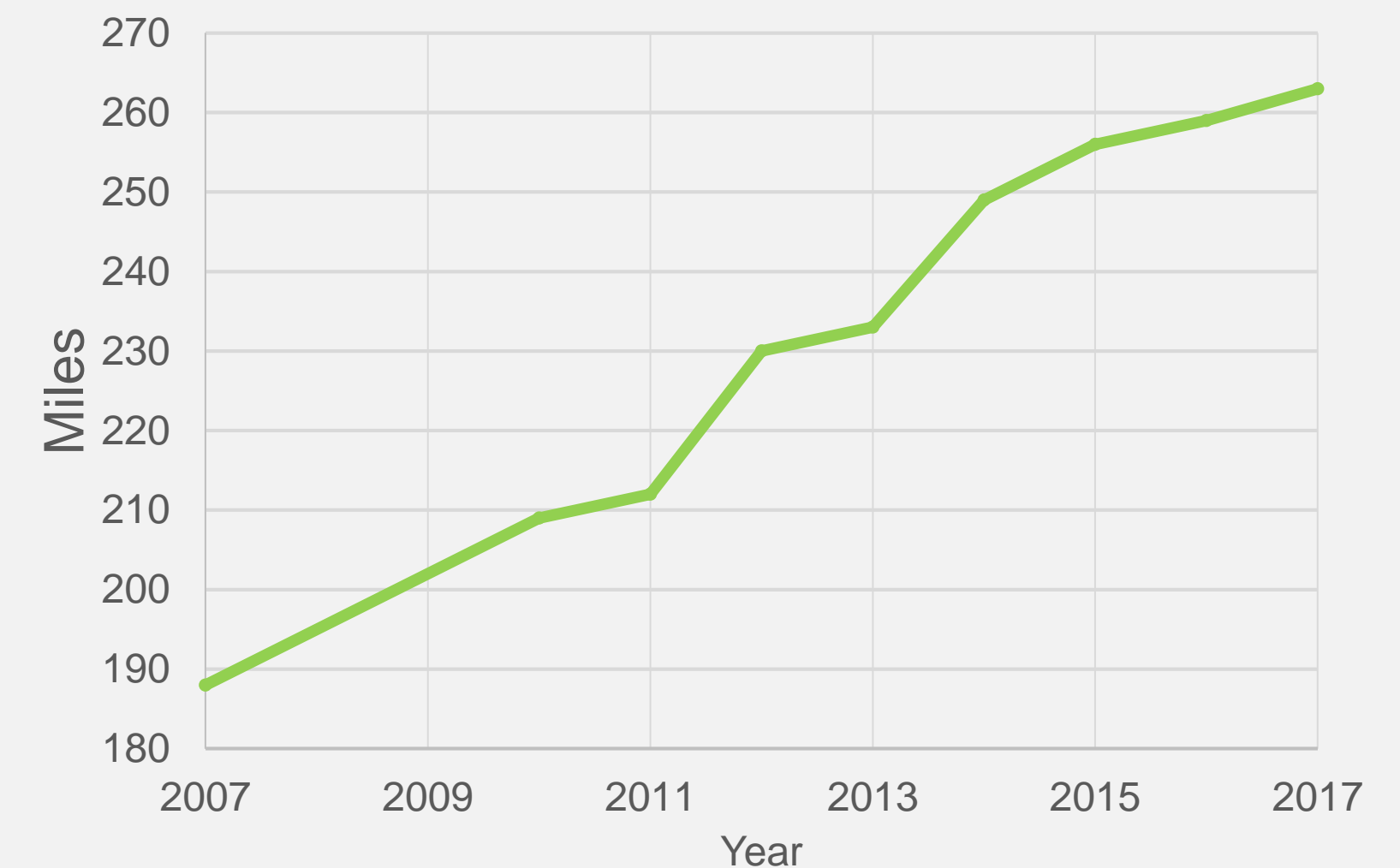
Roads



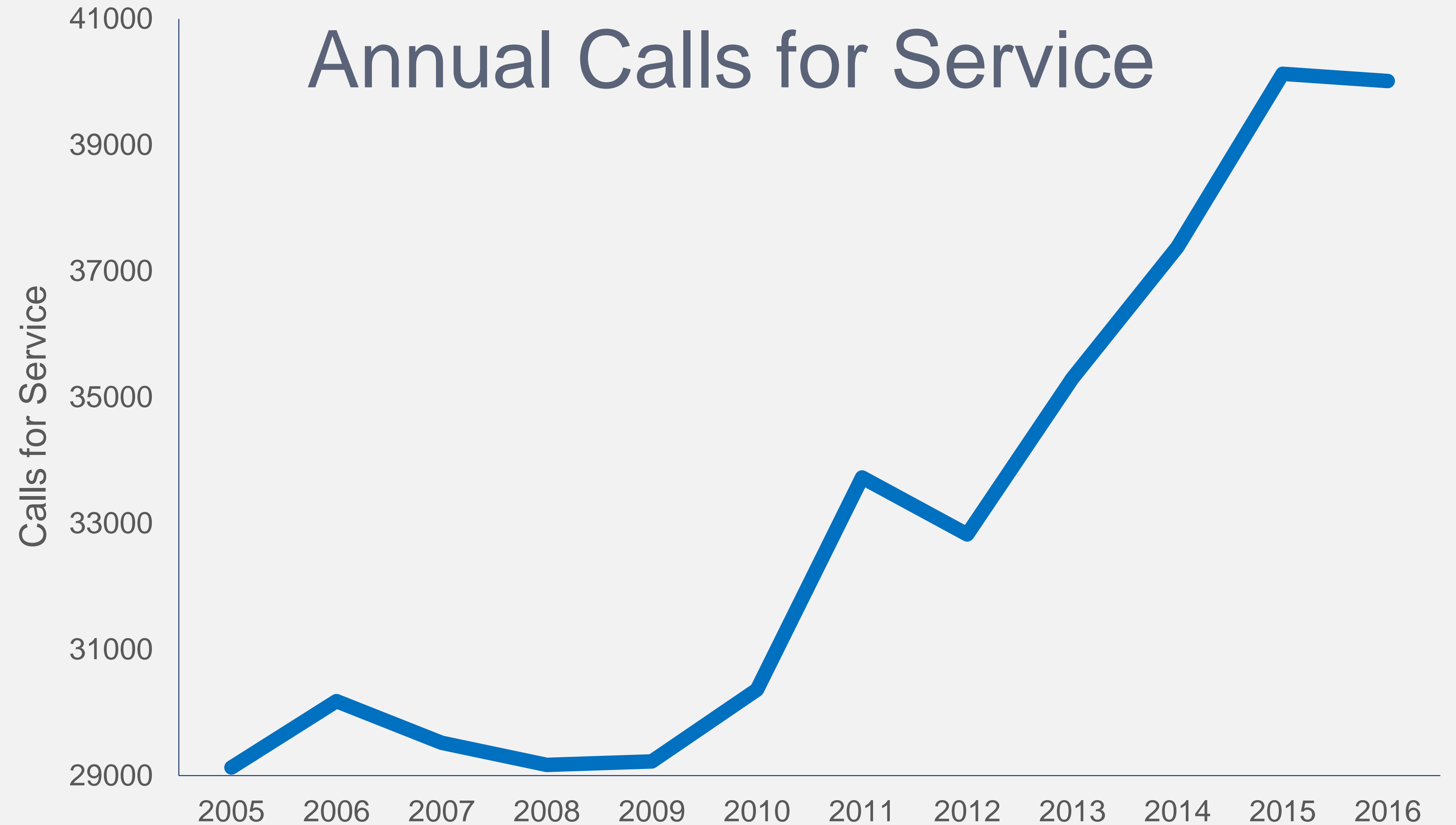
Water



Sewer



Annual Calls for Service



Total – 5 Major Crimes* Summary:

Minot: 94% increase

Other Cities: 28% increase
(Fargo, West Fargo, Bismarck, Grand Forks)

*Five major Crimes: Murder, Robbery, Vehicle Theft, Aggravated Assault, and Burglary

EMPLOYEE RETENTION

POLICE STAFF IMPACTS SINCE 2009

28%

Experience
Decline

**79 new
officers**
have been
hired since
2010

Increased Demand

Sworn Officer positions
have increased from 65
to 81

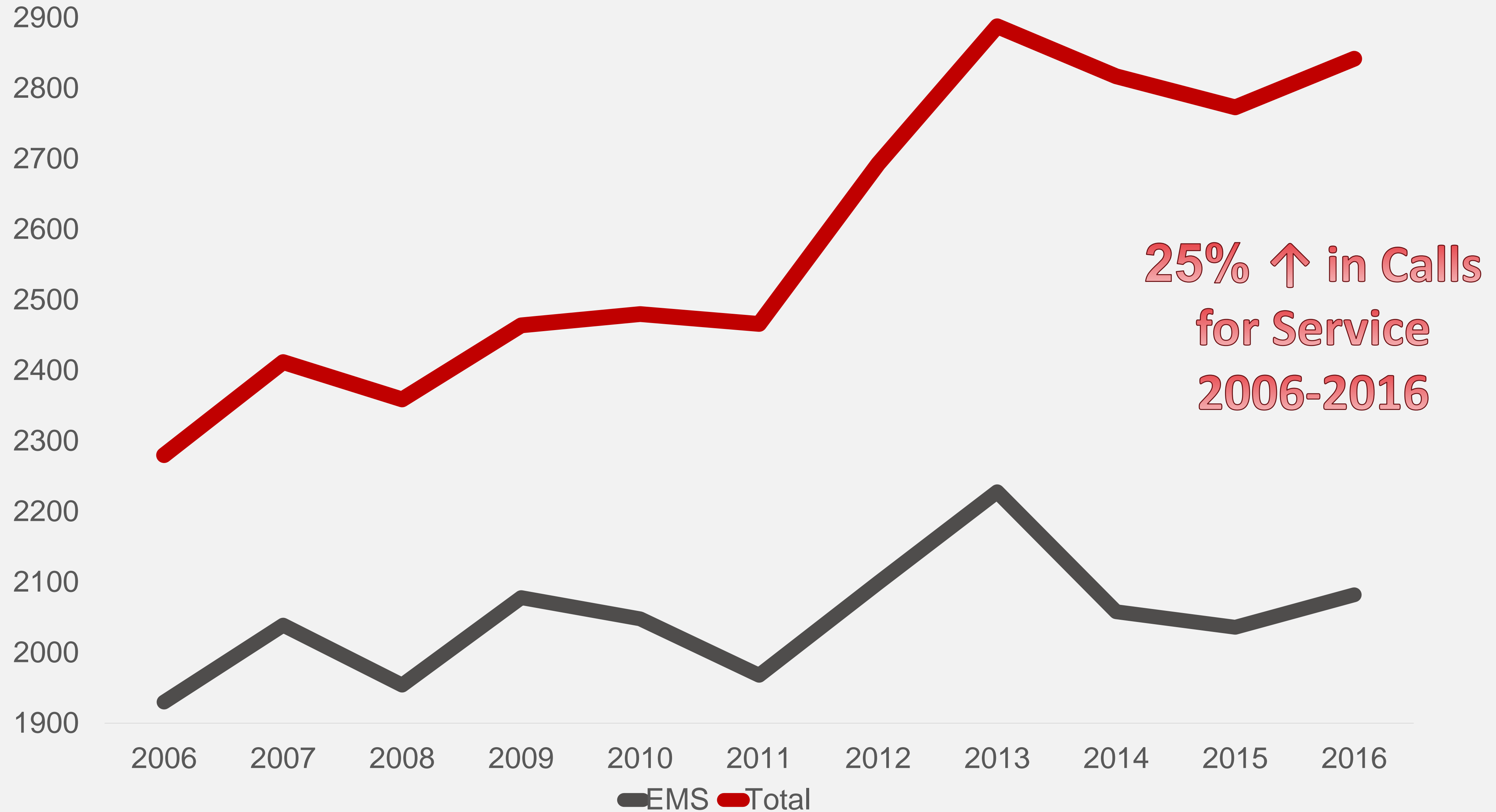
TURNOVER IN LAST
7 YEARS

14%

2009 Average experience = 11.3 years
2017 Average experience = 8.8 years

MINOT FIRE DEPARTMENT

ANNUAL CALLS FOR SERVICE



MINOT FIRE DEPARTMENT

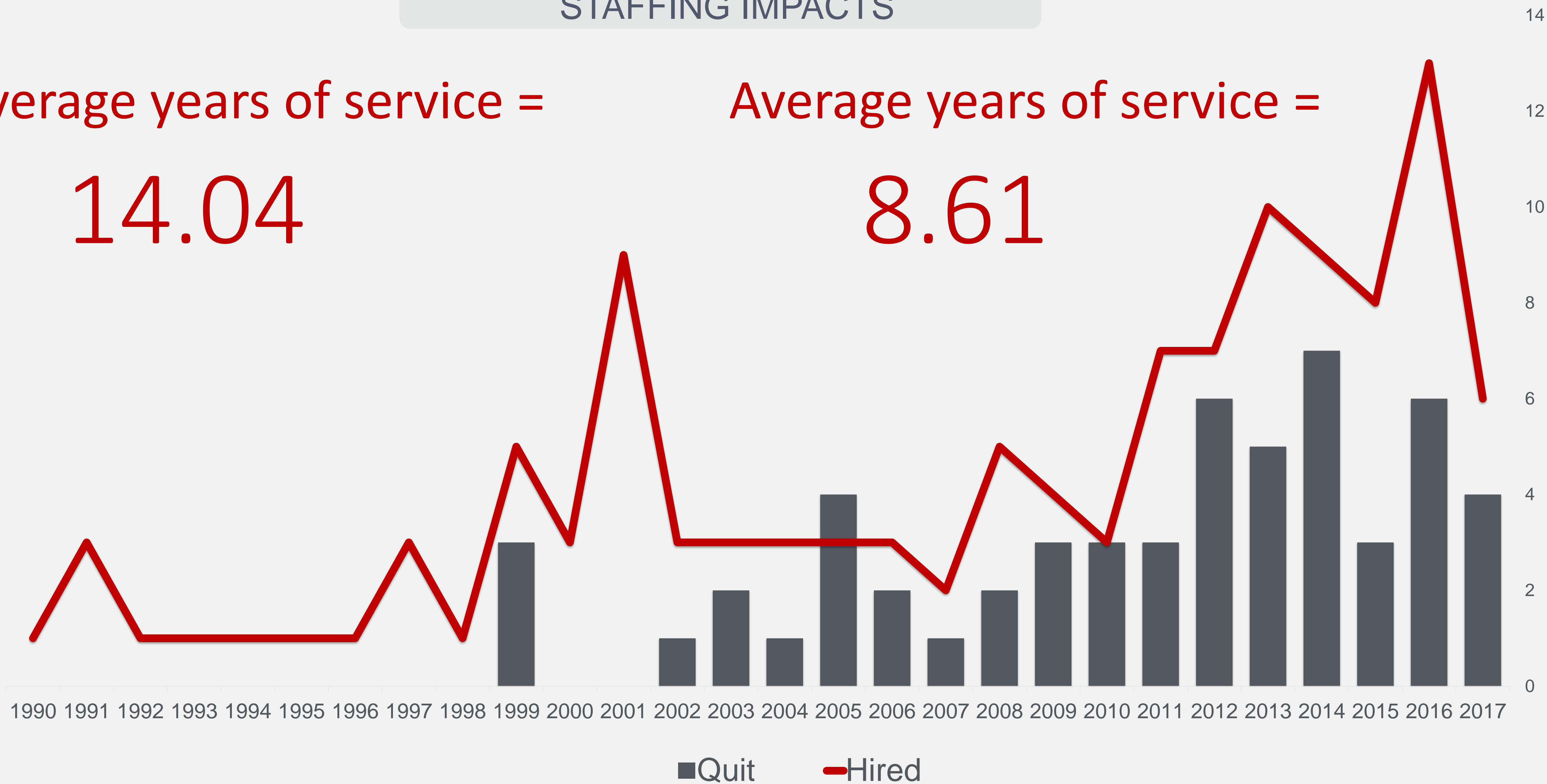
STAFFING IMPACTS

Average years of service =

14.04

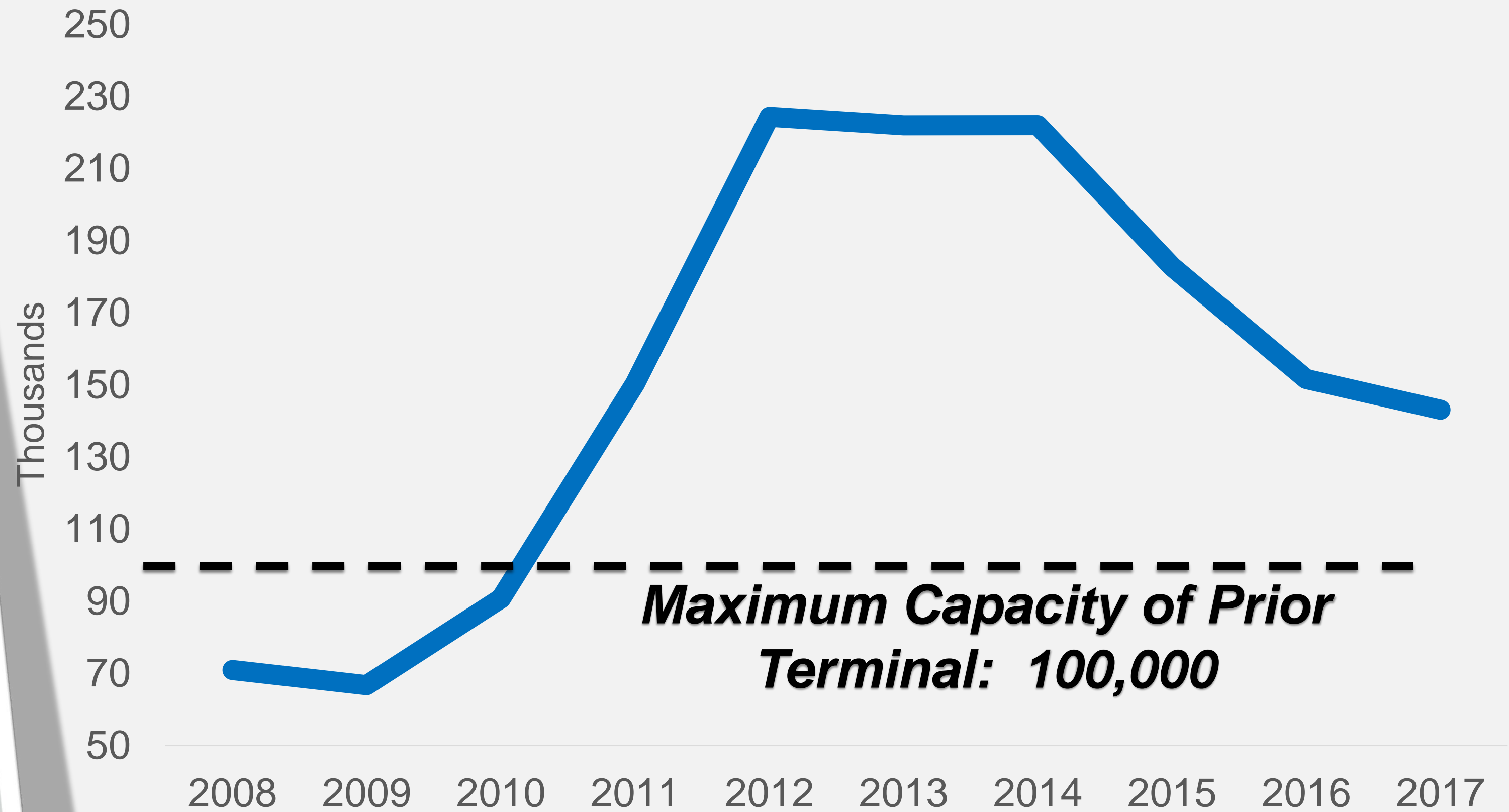
Average years of service =

8.61

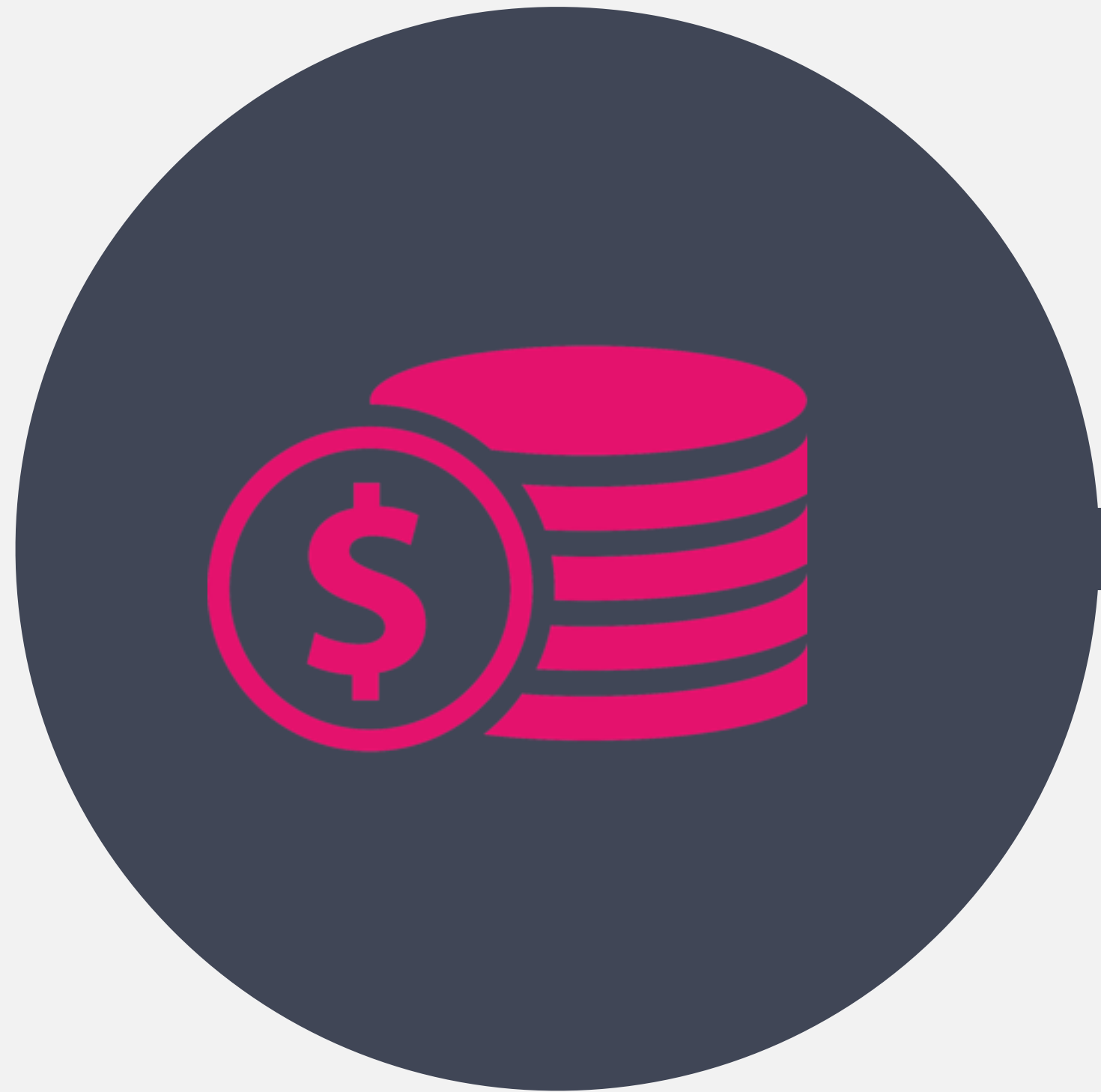


MINOT AIRPORT SERVICE

Enplanements



Even with decline the former terminal, with limited holdroom space and only two jet bridges, would have been over capacity with our current level of flight operations and passenger enplanements

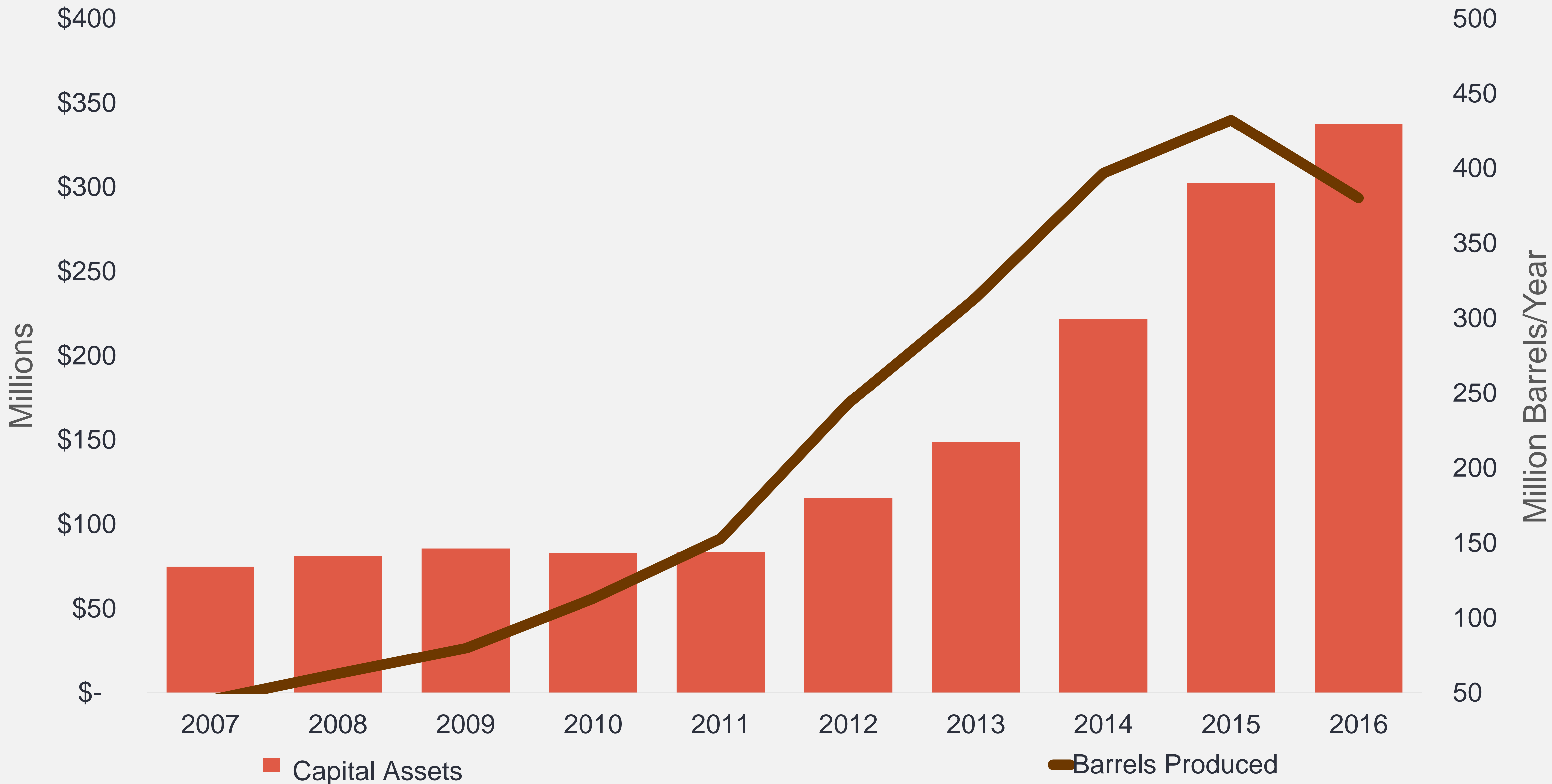


OUR COST

HOW WE'RE HANDLING LIFE "AFTER THE BOOM"

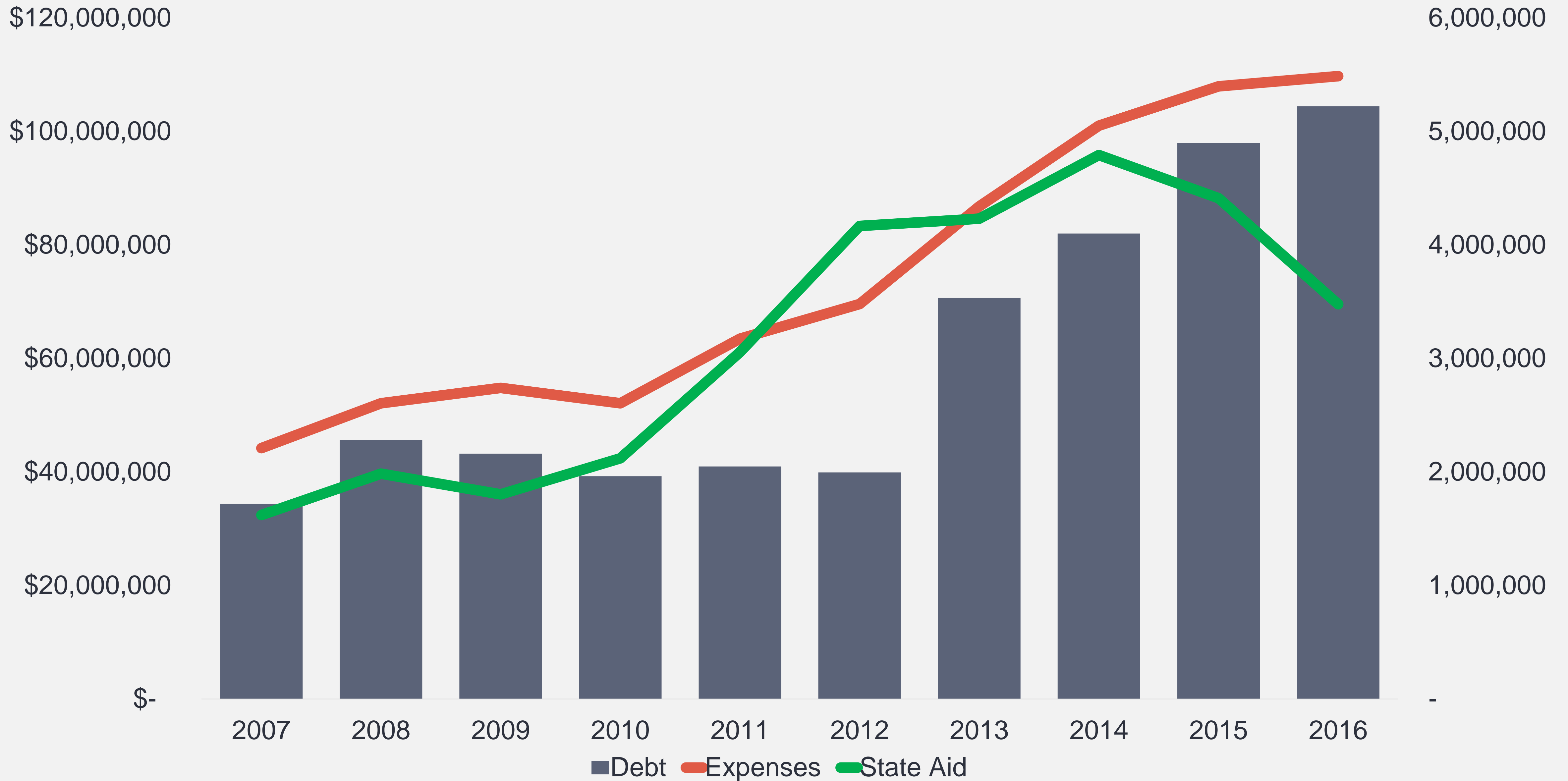
BUILDING WITH THE BOOM

HOW THE ENERGY GROWTH SHAPED OUR CITY

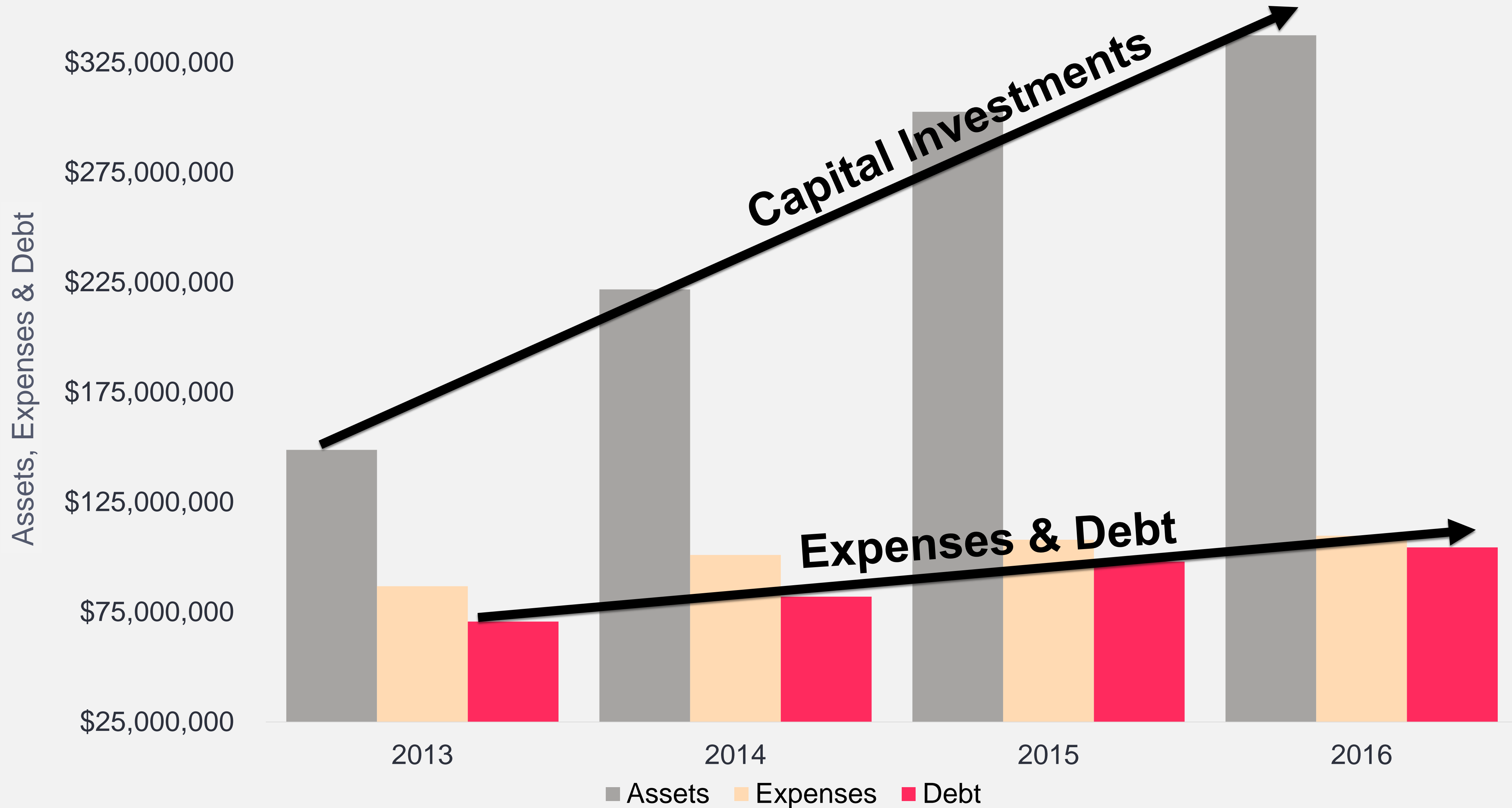


BUILDING WITH THE BOOM

THE COST OF RAPID GROWTH

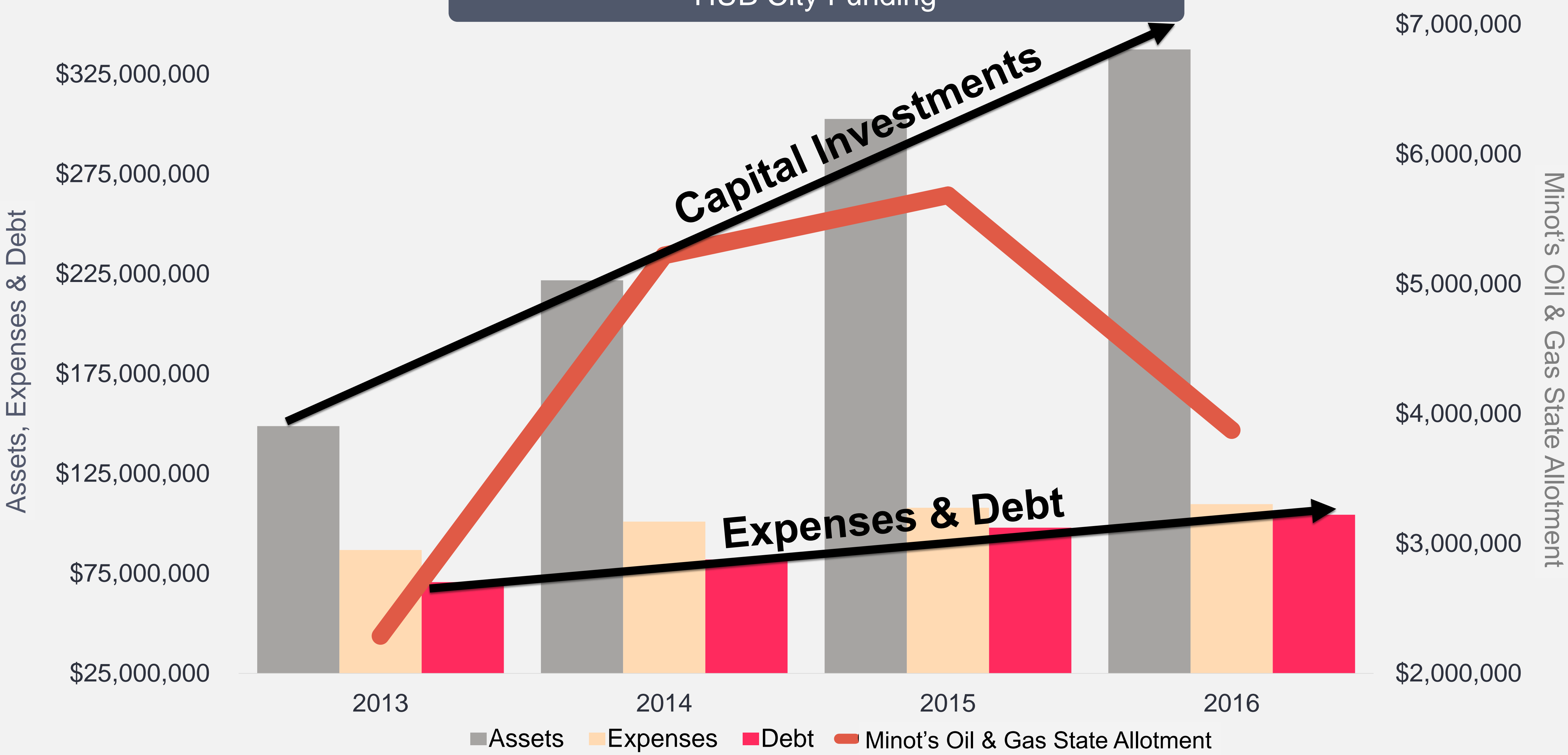


COST BURDENS OF A HUB CITY



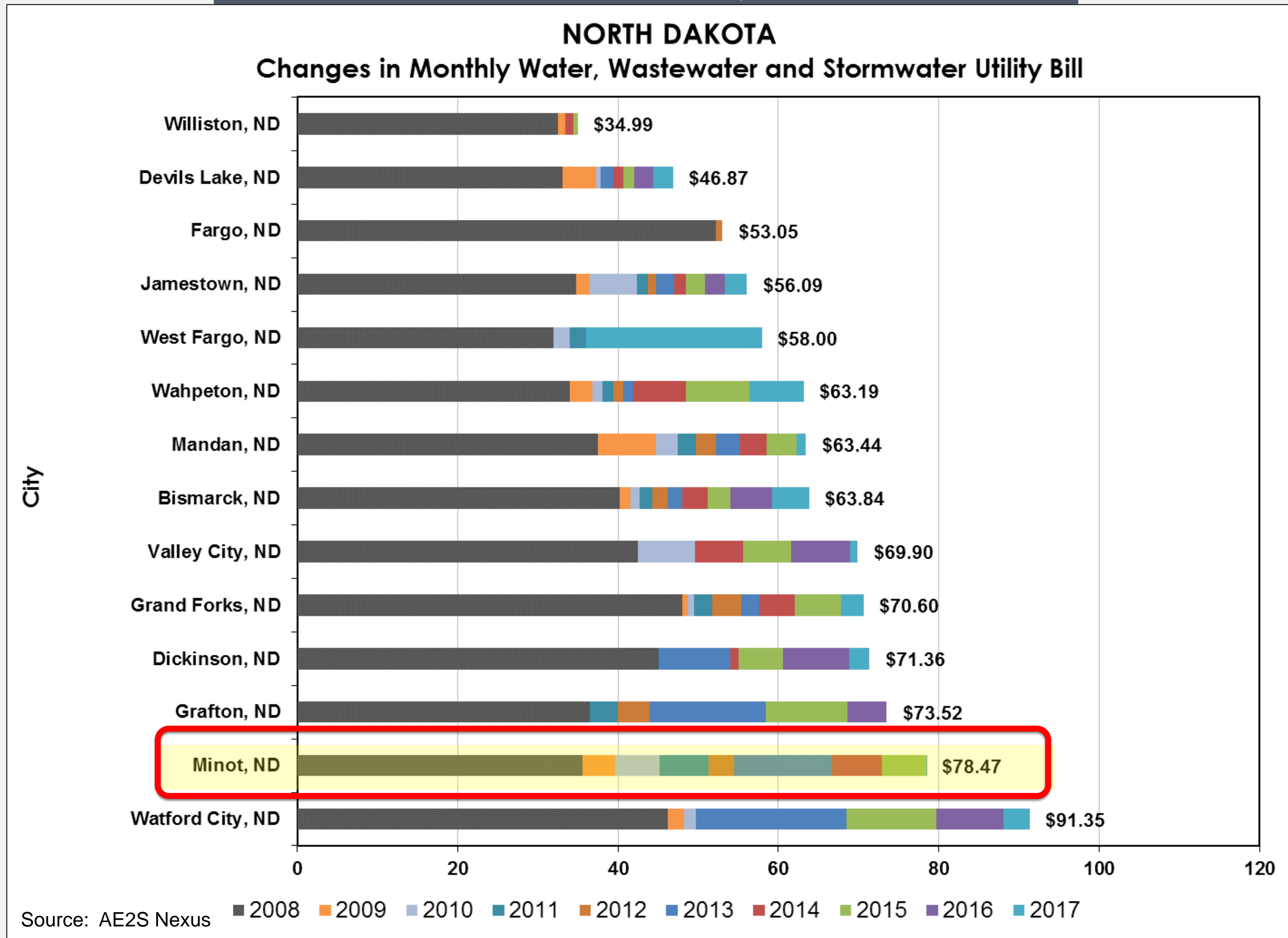
COST BURDENS OF A HUB CITY

HUB City Funding



COST BURDENS OF A HUB CITY

Statewide Utility Rates



COST BURDENS OF A HUB CITY

Revenue Distributions

Projected Distribution of Major Revenues



Mill Levy Rates:
Williston: 35
Dickinson: 43
Minot: 106

Source: AE2S Nexus

LOCAL IMPACT

There is more to energy production

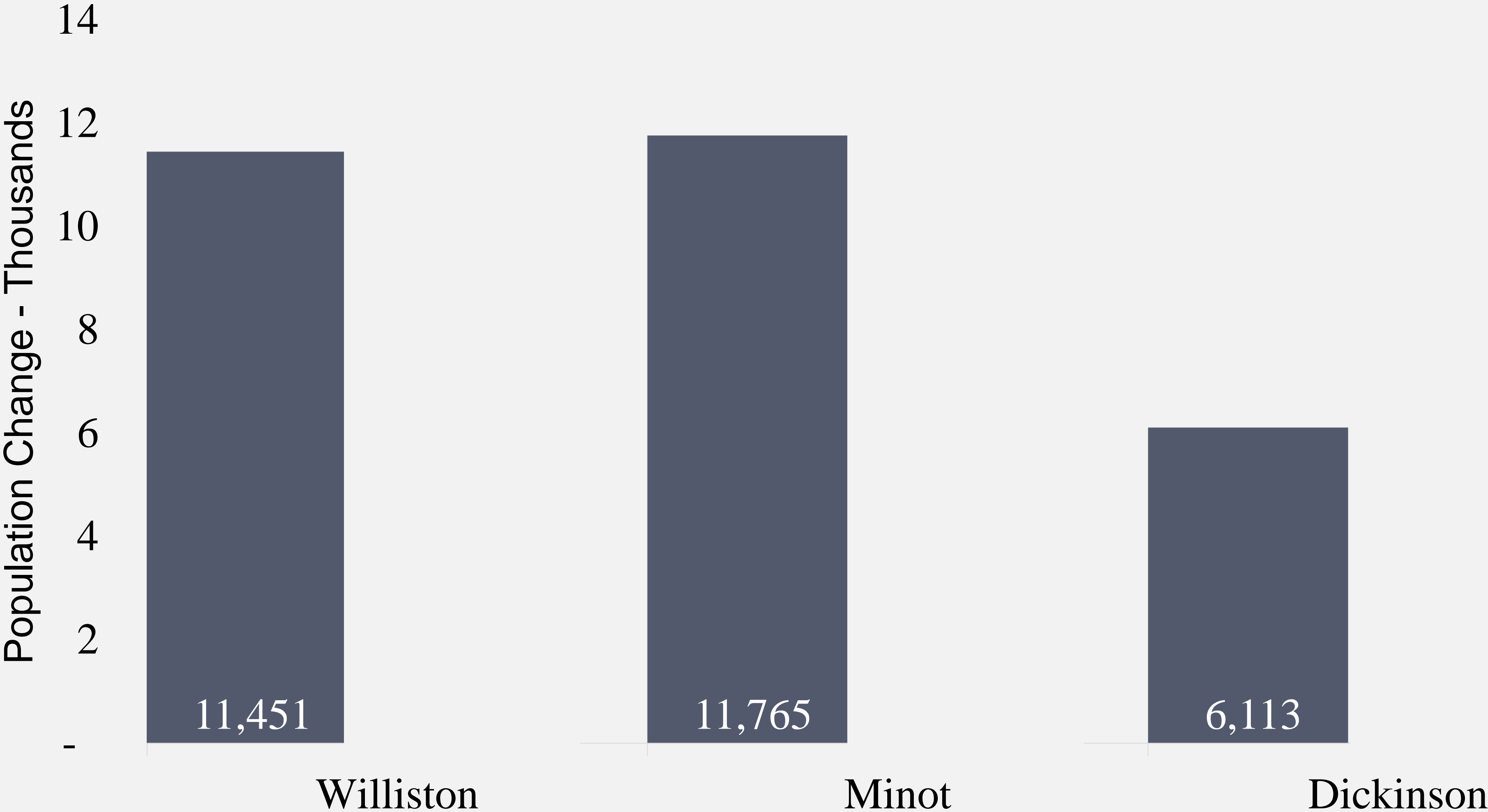


Minot's HUB City Allocation:

- Reduced by 30%
- Lost about \$2M/year
- Equivalent Property Tax = 9 mills

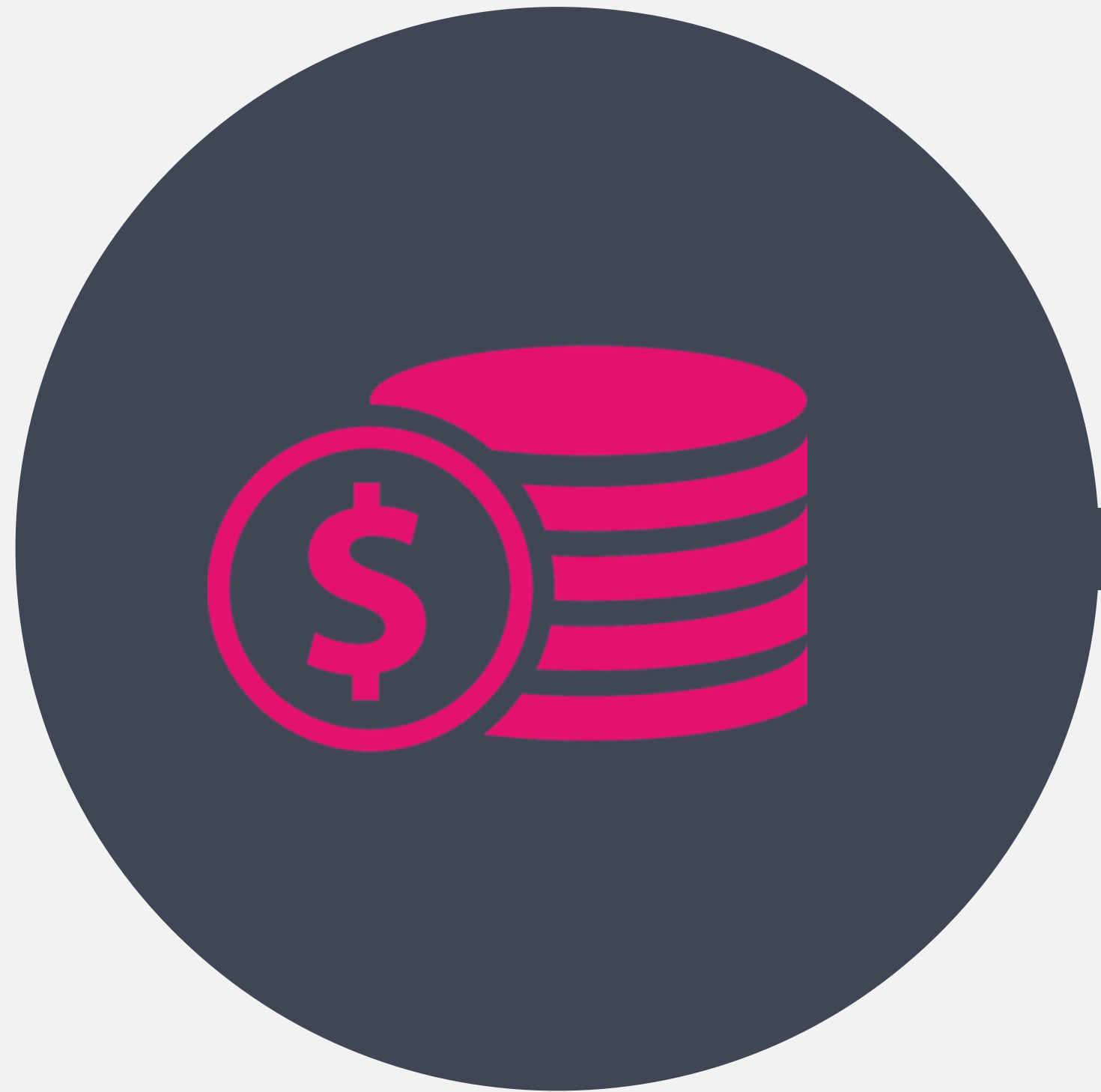
**Legislative Formula
Changes From
2017-2018**

Population Change vs. Hub City Funding 2009-2016



Source: US Census Bureau

■ Population Change ■ Hub City \$



Summary

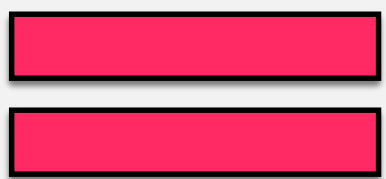
COMMON MISCONCEPTIONS

MINOT IS A HUB CITY

Minot is a HUB City

- Meet legal definition
- Dozens upon dozens of oil and gas companies call Minot Home
- Our growth metrics match the oil and gas production market metrics
- Our growth and infrastructure metrics match Williston & Dickinson

IMPORTANCE OF HUB CITY FUNDING

Population Growth
of 3 HUB Cities  ~30,000
Minot's Population in 2006

**INFRASTRUCTURE
NEEDED**

**BOOM ADDED
ANOTHER
CITY TO ND**

**NEW CITY BUILT
WITHOUT PROP TAX**

**NEW CITY WHOLLY
RELIANT ON STATE**

- **Investing Massively In Infrastructure Improvements**
- **Tightening Belts**
- **Taking On More Debt**
- **Raising Utility Rates**
- **Raising City Fees**
- **Raising City Taxes**

Doing our part locally...

City of Minot



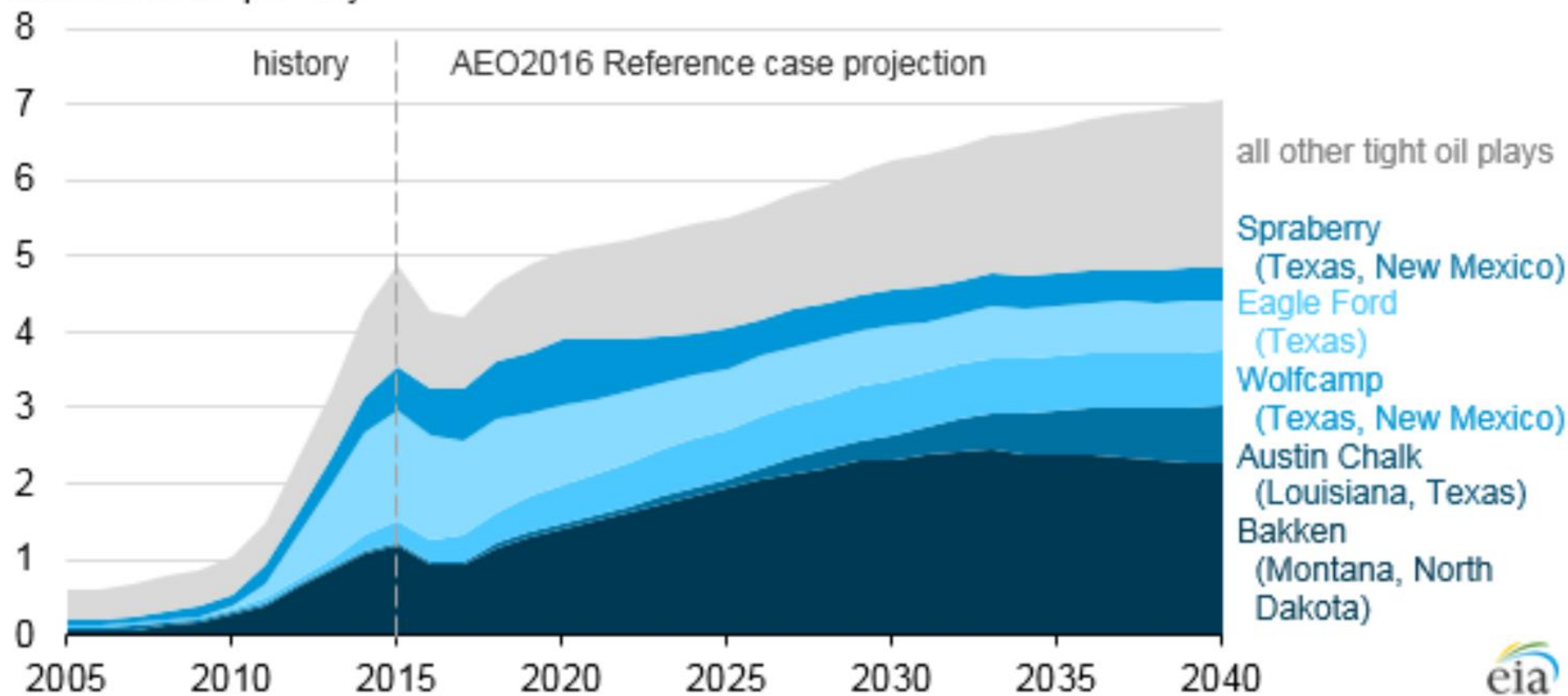
MINOT STATE UNIVERSITY



Oil & Gas FUTURES

U.S. tight oil production (2005-40)

million barrels per day



Source: U.S. Energy Information Administration, [Annual Energy Outlook 2016](#)



QUESTIONS

TESTIMONY

Tom Barry
City Manager, City of Minot

Energy Development and Transmission Committee
Bismarck, N.D., March. 8, 2018

Mr. Chairman and Members of the Committee; my name is Tom Barry, and I am the City Manager for the City of Minot. Thank you for coming to Minot last November to see first-hand the impacts of oil and gas development on our city. We remain grateful for the opportunity to share with you the story of how our community has invested in and contributed to the development of one of the richest reserves of oil and natural gas in our country.

Minot is a Bakken Gateway

The Bakken would look very different without Minot. For that matter, oil production in northwest North Dakota would look very different without Minot. Some people might say that Minot shouldn't be a HUB City. They might say we are too far from the oil fields. That we were not significantly impacted by oil and gas activities. Nothing could be further from the truth.

In your short time with us last November, you learned that we are home to dozens upon dozens of oil and gas drilling, production, distribution and support service companies. The employees of those companies, although many may work in the oil fields, call Minot home. There are several factors why these companies, and their employees, choose Minot. Among the factors they shared with us during the tours are:

- We have an outstanding quality of life.
- We are perfectly situated geologically and geographically.
- Because of our proximity to Minot Air Force Base, we have access to some of the most skilled and talented personnel in our state.
- We have outstanding arts, cultural, entertainment, and recreational opportunities.
- Minot offers some of the best schools in North Dakota.
- Our city is full of excellent neighborhoods.
- We boast a robust and diverse business climate, including a vibrant downtown, with access to any product or service you might need.
- Minot is home to a first-class international airport.
- The city has outstanding transportation and utility infrastructure.
- We are a family-oriented community with year-round activities for all.
- We are an economic service center, a hub of oil and gas activities.
- Minot provides the products, services, infrastructure, housing, and essentials needed to promote and sustain a thriving oil and gas economy in northwest North Dakota.

This is why some of the largest names in the oil and gas industry choose to call Minot home – companies like Hess, Baker Hughes, Enbridge, and Cameron Surface Systems. This Committee toured the facilities of those companies which bode as some of the largest oil and natural gas production and support services companies in the State. You heard, first-hand, from the leaders

of these companies why they chose Minot as their primary place of business. You learned first-hand that without these companies, without their products and services, without their investments, the Bakken and oil production in northwest North Dakota would look very different than it does today. You also toured several municipal facilities and saw, first-hand, the investments the City of Minot has made and must continue to make to support and promote this important industry.

Minot is not just a HUB City – we are the gateway to the Bakken. What you see in the oil field is wholly supported by and, in many cases, managed by the operations you saw on our private sector tours. You saw the central role these companies play in directing and supporting oil and gas production in this region. You saw, first hand, that our community and quality of life are the reason they operate out of Minot.

Definition of HUB City

Chapter 57-51 of the North Dakota Century Code defines a “Hub City” as: “...a city with a population of twelve thousand five hundred or more, according to the last official decennial federal census, which has more than two percent of its private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota.”

Minot’s population according to the last official decennial federal census in 2010 was 40,888. In calendar year 2016, Minot’s percent of mining employment was six percent (6%). Minot clearly meets the definition of a HUB City under the law. Despite what the law says, Minot has all the characteristics of HUB City as well.

Minot’s estimated population in 2017 is around 49,000 according to U.S. Census Bureau data. And while the law restricts the job service data to the narrow definition of “mining employment” we know that the “oil and gas employment” in Minot far exceeds this number. The strict definition of “mining employment” simply underestimates the true oil and gas jobs impact on Minot.

Theory of Oil and Gas Distribution Formula

HUB cities receive their funding from the oil and gas production tax, which, according to the North Dakota Tax Department, is in lieu of property taxes on oil and gas producing properties. This makes sense. If local cities and counties were to simply assess a property tax on every well there would be great variability between political subdivisions. A tax at the state level, on a gross production basis, is more fair and consistent. While many industrial, commercial and residential properties are assessed a property tax, the rationale of this method is to help provide for local services that support those local properties and the region those properties may impact.

In the case of an industrial oil well, the local impact is much broader. In fact, it’s regional. We know this from experience. The state, counties and cities that are in and adjacent to the oil fields are substantially impacted by oil and gas development; other industries simply do not have the same impact. The industrial footprint is considerably larger than a single refinery, or the multiple coal plants located between the Minot and Bismarck regions. The oil and gas sector puts bigger demands on our city and county infrastructure because of its sheer size and scope, as well as the number of employees demanded by the industry. Minot is no exception to these large scale impacts.

Minot's Location Relative to the Oil Fields

Minot has been impacted by oil and gas activity for quite some time. The older fields in Renville and Bottineau Counties still produce. Ward County also continues to produce. Of course, increased activity throughout the Bakken from 2007 to the present has also had a huge impact on the kinds of businesses and service companies that have expanded or set up shop in Minot and the surrounding area. Just refer to some of the maps of the region to better appreciate this point (see presentation).

Location of Oil and Gas Wells in the Area

Minot may not have wells within its city limits, but the areas we serve do. We have been, and continue to be, an important part of commerce, travel, water, waste management, etc., to the entire central northwest portion of the state and much of northwest North Dakota. We are an economic hub city.

Minot is an Economic HUB of Six Counties

Although Minot serves as a hub of economic necessity for much of northwestern North Dakota, six counties rely heavily on the City of Minot's infrastructure and services. Below are some examples of how Minot serves many in the Bakken.

- **Water** – Minot supplies water to about 80,000 people in 6 counties via NAWS. All six counties lie within the Bakken.
- **Airport** – Between 1989 and 2009, the Minot International Airport averaged 76,000 passenger boardings. In 2011, that number topped 150,000 boardings. In 2012, it jumped to 220,000 boardings, more than double the intended capacity of the old terminal.
- **Landfill** - Our landfill serves the region, not just Minot. We accept waste from neighboring counties as far west at Mountrail and as far south as about 13 miles north of Bismarck. Our capacity was greatly impacted during the boom. That impact was from typical household waste, which is independent from the flood disposal impacts of 2011.
- **Commerce** – Since 2010, the number of business memberships to the Minot Chamber of Commerce has steadily risen: from 691 in 2010; to 690 in 2011; to 720 in 2012; to 743 in 2013; to 754 in 2014; to 778 in 2015.
- **Streets** – In 10 years we've grown our annexed land by 85%. That means we needed to grow our street infrastructure to accommodate this growth. We constructed nearly 70 new miles of roads in the last 10 years. When completed, the financial commitment then shifts to general maintenance (snow removal, sweeping, mill and overlay, etc.)
- **Recreation** – Minot is home to the Roosevelt Park Zoo, Maysa Arena, the North Dakota State Fair, the Scandinavian Heritage Park, multiple passive and active recreational facilities, golf courses, parks and pathways. These facilities draw people to Minot to live, work, and play.

Pre-Boom vs Post-Boom Contrasts

Population – The oil and gas activity in northwest North Dakota has contributed greatly to the growth of the City of Minot. In our 130 years, only our first four decades saw a larger rate of annual growth than the past decade. This was when we received the moniker “The Magic City” due to our rapid growth. Since the 1930s our population growth was pretty consistently

below one percent annually. That held true for more than 50 years. Since the oil boom, however, our population has jumped to an average of over four percent per year.

1890-1900 = +8.31 %/Annually	1960-1970 = +0.54 %/ Annually
1900-1910 = +17.09 %/Annually	1970-1980 = +0.17 %/ Annually
1910-1920 = +5.41 %/ Annually	1980-1990 = +0.56 %/ Annually
1920-1930 = +4.39 %/ Annually	1990-2000 = +0.6 %/ Annually
1930-1940 = +0.29 %/ Annually	2000-2005 = +0.29 %/ Annually
1940-1950 = +2.89 %/ Annually	2005-2010 = +1.79 %/ Annually
1950-1960 = +3.34 %/ Annually	2010-2014 = +4.09 %/ Annually

Traffic Volumes – Below are traffic counts from the NDDOT illustrating the spike in movement westward from Minot in comparison to eastbound traffic on Highway 2. Notice the correlation of westbound traffic and the timing of the Bakken oilfield activity. By 2013, westbound traffic has nearly tripled that of eastbound vehicle trips, reinforcing the fact that Minot serves as a HUB to oil field activities west of us.

Eastbound Daily Traffic (DOT)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
3,800	3,265	3,155	3,130	3,640	4,300	3,520	4,095	3,640	3,830

Westbound Daily Traffic (DOT)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
3,950	4,860	5,110	6,875	8,060	10,355	10,530	11,055	9,190	6,675

Eastbound Truck Traffic

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
470	580	735	525	630	770	780	900	720	740

Westbound Truck Traffic

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
760	1,195	1,210	1,525	2,700	2,720	2,315	2,300	1,645	1,755

Population Timeline – From 2007 to 2016 we’ve grown almost 40% according to the U.S. Census Bureau, rising from 36,567 in 2007 to more than 49,450 in 2016.

Annexation History – We’ve nearly doubled the size of our city limits in just 10 years’ time. In 2007, we had 9,600 acres. Today we’re above 17,750 acres; much was to accommodate our growing energy industry with industrial parks, but also to accommodate our growing population.

Building Statistics – In 2007, Minot began to see a significant rise in new dwellings, a trend that sharply rose between 2011 and 2014: 1,216 new units in 2011; 1,185 units in 2012; 630 new units in 2013; and 1,221 units in 2014.

These trends hold true for nearly all growth metrics from 2007 to 2016. At the height of the boom, we were at the height of our growth, growth that we needed to plan, build, and pay for.

Like the cities of Williston and Dickinson, and others impacted by oil and gas production, Minot has made significant investments of tens upon tens of millions of dollars to support the growth-related impacts of the oil and gas industry. We rely on the State to reimburse us for these investments from its collection of the oil and gas extraction and production taxes it charges. And

while HUB Cities see only about 2.5% of the total oil and gas revenues collected by the State, it is important funding nonetheless.

Last year, the Legislature modified the funding formula yet again for HUB Cities. Those adjustments cost the City of Minot nearly \$2 million annually – a loss of about 30% of our HUB City funding from the prior year. This necessitated that we raise property taxes (an equivalent of 9 mills) to cover the costs of the infrastructure investments we've already bonded for due to the impacts the oil and gas industry has had on our community. The City of Minot has made commitments of 15 and 20 years for bonds for projects directly associated with oil and gas impacts. HUB cities must be able to count on an equitable share of the State's oil and gas revenue to offset these impacts. After all, what would the Bakken look like without HUB Cities?

Minot's Growth and the 2011 Flood

Mr. Chairman and Members of the Committee, during your time in the City of Minot last November, we outlined how the growth of the oil boom has affected our city physically, operationally, and financially. We introduced you to several representatives of dozens of oil and gas companies throughout the City of Minot, all of which help make Minot the Gateway to the Bakken by making oil and gas production west of Minot possible.

In my time in Minot, I've learned that there is a very common misconception, one that is easily made if you don't truly know the economy, history and make-up of the City of Minot. The Flood of 2011 was not the reason for our growth.

Our growth began with the oil boom around 2008. Many staff members shared with you in their presentations of their respective departments how the past decade has massively impacted their operations and expenses. In all of these presentations, you begin seeing the upward growth trends associated with oil and gas impacts beginning in 2008. Much of the data showed a peak around 2011, but the flood didn't cause the spike; it just added to it.

A great example of that is embedded in our new housing numbers. In 2011, we added 467 new single family, condo, and townhome units to our inventory, all of which were constructed outside of the flood evacuation zone. In 2012, that number grew to 651 units outside of the inundation area, and an additional 79 units within for a total of 730. We added 1,725 new single family, condos, and townhomes in Minot from 2011 to 2016. Our City Assessor determined that about 3,804 homes were inundated by the flood waters. However, we lost only 334 homes from our inventory whether through buyout or homes that remain blighted and/or abandoned, which is about 9% of the affected homes. At the same time, 166 new homes replaced the 334 within the valley that had been removed since 2011. That means our total net loss of homes in the valley due to the Flood of 2011 was 168. Between 2007 and 2017, we've added a total of 2,380 homes. If we needed to quantify how much of our rapid growth throughout the past decade was flood related, it amounts to less than 7%. During that time frame, our growth in expenses, revenue and debt have more than doubled. The flood wasn't the reason for that impact.

Normal growth for the City of Minot over the past 5 decades has been less than half a percent. During the past 9 years, our city population grew by nearly 40%. During most major natural disasters like floods or hurricanes, community populations tend to decline for a period before they rebound. This can be seen in the graphs. In Minot's case, the population growth curve continues strong right through the period of the flood. Housing growth in Minot was clearly driven by the population increases associated with the activities in the oil and gas industry, not the Flood of 2011.

Our impact throughout the community by the Flood of 2011 is something that will never be forgotten by our residents. Because housing was already in such high demand due to the influx of people from all over the country, the oil boom will be as strong of a memory to our community as the flood. It changed Minot.

Summary

The oil and gas development in western North Dakota has brought a lot of new companies, and a lot of new people, who now call Minot “home.” During the period of 2009-2017, Minot’s footprint nearly doubled. The population jumped from 36,587 to nearly 50,000. This continues to be reflected in our student enrollment numbers. The number of sanitary lift stations has nearly doubled from 23 to 45.

On your bus tour of our city last November we showed you the challenges and opportunities that energy growth has created for us. While increased demand on our health care system means a new Trinity Hospital will soon be under construction, that same growth has challenged our landfill in accepting waste from the surrounding region. While growth has meant higher school enrollment numbers and new schools, it has also required new and updated facilities and equipment for emergency services. While new companies and new people now call Minot “home,” they also needed new industrial parks and new housing developments, creating demands on our city utilities. You saw all of this first-hand.

You heard from representatives from our city and community about Minot’s “gateway” role in oil and gas development, and the central role Minot plays within the northwest region. We showed you how Minot looked both pre- and post-boom, and how we have attempted to deal with our infrastructure challenges. We showed you some of our facilities, like our public works department and our new airport terminal. We walked you through how we have financed this growth, and how we have smartly applied state assistance. And we walked you through our future budget challenges and set forth the heavy demands already laid on our citizens.

This City of Minot, like the other HUB cities, has made significant investments which have made possible the ability for the State to extract one of our most valuable natural resources. If cities like Minot are not attractive, if we don’t have the requisite infrastructure, resources, or amenities that working families desire, than we won’t be able to attract and retain the workforce we need to extract our natural resources. Developing our rich oil and gas resources requires cities to make extensive investments – just as our local oil and gas companies do. But these investments carry with them long-term financial and operational commitments, without immediate opportunities to collect accompanying property tax revenues. For these reasons, we must be able to count on the State to share its dividends so that we can continue to build and sustain the community investments needed to support North Dakota oil and gas production.