

WOODBURY COUNTY BOARD OF SUPERVISORS AGENDA ITEM(S) REQUEST FORM

#10

Date: 9/7/18

Weekly Agenda Date: 9/11/18

ELECTED OFFICIAL / DEPARTMENT HEAD / CITIZEN: Taylor, De Witt and Butler

WORDING FOR AGENDA ITEM:

Funding potentials and desire to increase quality of secondary roads by new revenue and alternative means

ACTION REQUIRED:

Approve Ordinance

Approve Resolution

Approve Motion

Public Hearing

Other: Informational

Attachments

EXECUTIVE SUMMARY:

During the last four years, our County Board of Supervisors has reduced the levy rate. While there are three pressing needs—the Courthouse, the LEC, and secondary roads—that have not had the care and attention necessary in some 3 decades, we cannot get there overnight. This will take long-term planning to not only regain and recover the way the roads were before 30 years ago but also to maintain them.

BACKGROUND:

See Attachment

FINANCIAL IMPACT:

See Attachment

IF THERE IS A CONTRACT INVOLVED IN THE AGENDA ITEM, HAS THE CONTRACT BEEN SUBMITTED AT LEAST ONE WEEK PRIOR AND ANSWERED WITH A REVIEW BY THE COUNTY ATTORNEY'S OFFICE?

Yes No

RECOMMENDATION:

Information only

ACTION REQUIRED / PROPOSED MOTION:

No action at this time.

Background:

In discussions as two supervisors desiring to engage on this issue, we see 4 potential scenarios wherein we can realize the restoration of gravel without imposing an unwished for or increased levy. They are as follows:

- 1. Stretch the program over 10 years' time** which is a balanced approach to regaining on 30 years of spot-gravelling and neglect. We did not get there overnight, nor will we be able to restore the condition of 1,250 miles of road overnight.
- 2. Utilize new revenue.** This would be the result of increases to CF Industries revenue over a ten-year period past the initial obligations that we will need to meet over the next 3 years. This would give us a bridge from years 4 to 10. The county needs to be careful and judicious with the use of Tax Increment Financing. This is a potential but would need to be carefully vetted as to the impact on taxing bodies. If feasible, utilizing the release of increment and the county's portion may well be preferable. New CF Industries revenue should only be realized and programmed with the intent of the previously passed Taxpayers First Resolution obligating \$1 out of every \$2 of future CF Industries revenue. Also, we must calculate the impact to the secondary roads fund from CF revenue and should show that as a separate line item.
- 3. Utilize gravel stockpile and internal resources.** This should be taken into account in any project as to the defraying of expenses and how much more we can stretch what was done in yesteryear now that we have purchased substantial land resources so as to gain an increased amount of our own gravel.
- 4. Calculate into the program the increasing weighing of borrowing initially and paying with interest versus the increased costs of production, labor, etc.**
- 5. Consider if rural voters by consensus of several town-hall meetings out in rural areas akin to what was done with the bridge levy would consider adding 50% of what was levied for the special bridge levy,** which would generate \$650,000 annually for 10 years, \$6.5 million.
- 6. Calculate what the potential cost generation of the aforementioned revenues would be over 10 years' time with items 1-5 and separately with/without item 6** to see how we can live within the means and see at what percentage we can make up ground to where we were in yesteryear.
- 7. Direct the county engineer to prioritize roads based on need, vpd travel, etc.**

To: Woodbury County Board of Supervisors
From: Dennis D. Butler, Finance Director
Date: September 7, 2018
RE: Revenue Options for Potential Secondary Roads Gravel Project

**Funding Options for a Ten Year Gravel Project - Woodbury County
938 Miles of Gravel Roads**

Following are several options for a ten year Gravel Project that would reconstruct all 938 miles of County gravel roads.

The following assumptions are: (1) the purchase of 2,000,000 tons of gravel during FY 20 that will be crushed and stockpiled by the County at a cost of \$10,000,000. If the County were to purchase 100,000 tons per year it is estimated the cost would rise 5% per year (% estimated by the County Engineer)

The options are only for purchase and crushing the gravel needed. It does not include the annual cost of hauling and spreading the gravel. That cost will have to be determined each FY in the annual budget.

If the decision is to purchase the all the gravel up front it would be suggested to borrow \$10,000,000 with repayment over 10 years. It is estimated an interest rate of 4%.

The options to be discussed are not in order of preference.

Option #1

The first option would be to fund the Principal and Interest payment of \$1,400,000 from the Debt Service Fund. Based on current taxable valuations the tax rate would increase 29.615 cents per 1,000 which would generate \$1,400,000 in taxes. The repayment would drop each FY by \$40,000 due to interest reductions.

Option #2

Under this option it would be proposed to cover the Principle and Interest payments by the Rural Basic tax rate which would result in a tax rate increase of \$1.22 per 1,000. With this increase the County would still be under the maximum levy allowed by law.

Option #3

Using this option would increase General Basic the tax rate by 8.623 cents county wide which would generate \$400,000 and increase the Rural Basic tax rate 87.509 cents which would generate \$1,000,000.

Option #4

This option involves three different funding sources to achieve the \$1,400,000 payment.

- (1) Use new TIF increment revenue in the amount of \$500,000 each year for ten FY's.
- (2) Use the \$300,000 currently budgeted for gravel each FY.
- (3) Generate \$600,000 from a General Obligation Bond which would result in a tax increase of 1.777 cents which would generate \$84,000 the first FY.

To use TIF revenues the County would have to amend the TIF area for Grow Woodbury County that would include all County Roads and right of ways in Woodbury County.

Option #5

This option has four sources of revenue to make the \$1,400,000 annual payment on the \$10,000,000 General Obligation Bond.

- (1) Use new TIF increment revenue in the amount of \$500,000 each year for ten FY's.
- (2) Use the \$300,000 currently budgeted for gravel each FY.
- (3) Generate \$427,671 from the increase of 10 cents per 1,000 on all taxable property in Woodbury County.
- (4) Generate \$228,547 from a tax rate increase of 20 cents per 1,000 in the Rural Basic Fund on Township only taxable valuations.

To use TIF revenues the County would have to amend the TIF area for Grow Woodbury County that would include all County Roads and right of ways in Woodbury County.

Option #6

This option would involve holding rural meetings similar to the special bridges project to ask the rural citizens to fund a portion or all of the costs and those revenues would be held in a separate fund for the gravel project. It will take up to \$1,400,000 a year for ten years.

All of the options listed above are only for the gravel and crushing for 1,000,000 tons. This would all be done during FY 20.

The actual cost of hauling and spreading the gravel would come from the annual budget in the Secondary Roads Fund. Funding for this would come from additional revenues during the annual budgeting process starting in January of each year.

CF Nitrogen LLC Plant Only
Taxing District 243
Minimum Assessment
\$595,000,000

Assessment Year	% of Release	Assessment Release Per Year	Total		Projected Tif Tax Rate	Projected TIF Revenue	Projected TIF Split	
			Assessment Release Cummulated	(90% Rollback) Taxable Value			50% TIF Projects	50% Tax Reduction
2016	0%	-	-		0	-	-	-
2017	4%	23,800,000	23,800,000	21,420,000	20.41349	437,257	218,628	218,628
2018	5%	29,750,000	53,550,000	48,195,000	20.41349	983,828	491,914	491,914
2019	4%	23,800,000	77,350,000	69,615,000	20.41349	1,421,085	710,543	710,543
2020	5%	29,750,000	107,100,000	96,390,000	20.41349	1,967,656	983,828	983,828
2021	4%	23,800,000	130,900,000	117,810,000	20.41349	2,404,913	1,202,457	1,202,457
2022	4%	23,800,000	154,700,000	139,230,000	20.41349	2,842,170	1,421,085	1,421,085
2023	5%	29,750,000	184,450,000	166,005,000	20.41349	3,388,741	1,694,371	1,694,371
2024	4%	23,800,000	208,250,000	187,425,000	20.41349	3,825,998	1,912,999	1,912,999
2025	5%	29,750,000	238,000,000	214,200,000	20.41349	4,372,570	2,186,285	2,186,285
2026	4%	23,800,000	261,800,000	235,620,000	20.41349	4,809,827	2,404,913	2,404,913
2027	4%	23,800,000	285,600,000	257,040,000	20.41349	5,247,083	2,623,542	2,623,542
2028	5%	29,750,000	315,350,000	283,815,000	20.41349	5,793,655	2,896,827	2,896,827
2029	4%	23,800,000	339,150,000	305,235,000	20.41349	6,230,912	3,115,456	3,115,456
2030	5%	29,750,000	368,900,000	332,010,000	20.41349	6,777,483	3,388,741	3,388,741
2031	4%	23,800,000	392,700,000	353,430,000	20.41349	7,214,740	3,607,370	3,607,370
2032	4%	23,800,000	416,500,000	374,850,000	20.41349	7,651,997	3,825,998	3,825,998
2033	5%	29,750,000	446,250,000	401,625,000	20.41349	8,198,568	4,099,284	4,099,284
2034	4%	23,800,000	470,050,000	423,045,000	20.41349	8,635,825	4,317,912	4,317,912
2035	5%	29,750,000	499,800,000	449,820,000	20.41349	9,182,396	4,591,198	4,591,198
2036	16%	95,200,000	595,000,000	535,500,000	20.41349	10,931,424	5,465,712	5,465,712
Totals	100%	595,000,000				102,318,128	51,159,064	51,159,064

