# Sewer, Water, & Street Improvements Phase 1

## Proposed Sales Tax Increase

City of Drayton

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## Introductions

### Dylan Ensrude, PE

- Project Manager
- 10 years of experience with Moore

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# Overview

- Purpose of Public Info Meeting
- Phase 1 Project Recap
  - Condition of Existing Utilities
  - Estimated Project Cost
  - Potential Project Funding Sources
  - Proposed Project Repayment
  - Next Steps
- Proposed Sales Tax Increase
  - What it's for
  - Why it's needed
  - How it impacts the project & proposed assessments



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# Purpose of Public Meeting

- Provide residents critical information about the project

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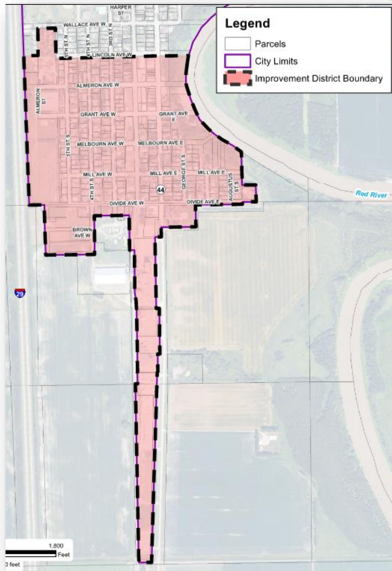
# Need for the Project

- Address issues with the sewer, water, and storm sewer
  - Maintain Health and Safety of the Public
- Address the failing streets

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# Existing Conditions

- Sanitary Sewer System:
  - 75-85 years old (Installed in '40's and '50's)
  - Cast iron pipe at water main crossings
  - Broken pipes
  - Protruding taps
  - Sludge buildup

- These issues restrict flow and can cause pipe failure and sewage backups.

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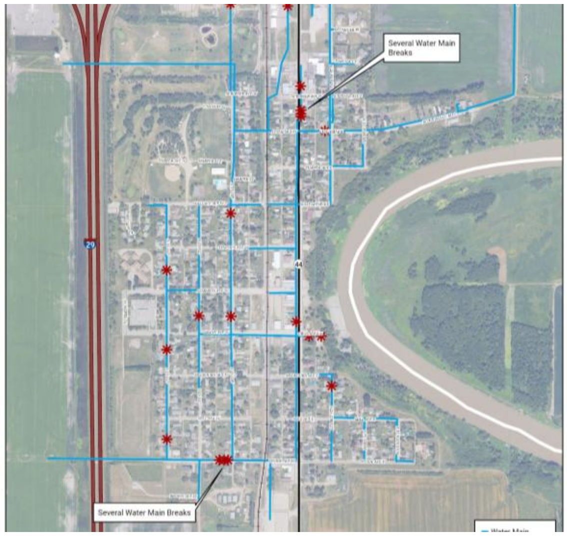
# Existing Conditions (cont'd)

- Water System:
  - 75-85 years old (Installed in '40's and '50's)
  - Asbestos Cement Pipe (ACP)
  - History of main breaks
  - Inoperable gate valves
  - Inadequate hydrant spacing

- Aside from health risk, ACP is brittle and breaks often. Inoperable gate valves and inadequate hydrants prevent proper system maintenance and fire fighting capability

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# Existing Conditions (cont'd)

- Storm Sewer System:
  - 40-70 years old (Installed in '50's-'80's)
  - Undersized
  - Brick/Block construction

- Undersized storm sewer cannot effectively remove rain and snowmelt from roadways.
- Brick and block structures are often poorly sealed, allowing groundwater to carry soil into structures. This causes a sinkhole over time.

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# Existing Conditions (cont'd)

- Street System:
  - Over 40 years old
  - Severely deteriorated
- Asphalt streets have a useful life of about 20 years if not maintained.

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# Proposed Phase 1 Improvements

- Sanitary Sewer
  - Replace sanitary sewer that is underneath streets
    - Replace services to the property line
- Water Main
  - Replace the water main underneath the streets
  - Replace fittings, valves, and hydrants
  - Replace services to the property line
- Storm Sewer
  - Replace manholes and inlets
  - Selective pipe replacement
- Streets
  - Replace asphalt streets
  - Selective curb and gutter replacement

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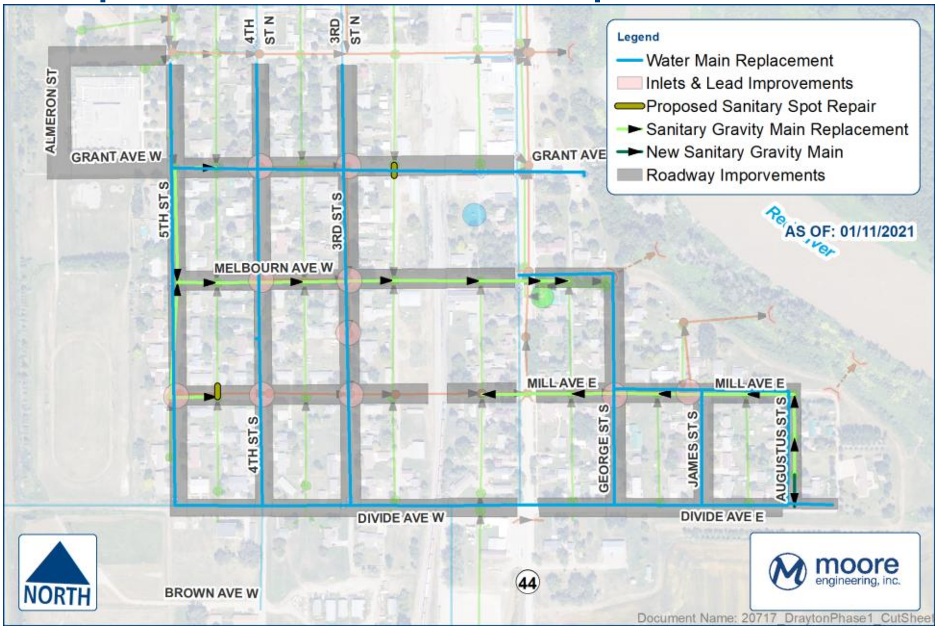
# Proposed Phase 1 Improvements

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# Estimated Phase 1 Project Cost

| | |
|---|---|
| Sanitary Sewer | $1,630,000 |
| Water | $2,914,000 |
| Storm and Streets | $8,806,000 |
| Total Project Cost | $13,350,000 |

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## Proposed Phase 1 Project Funding

- Bank of North Dakota Infrastructure Revolving Loan
  - 2% Loan, up to 20 year term
  - For street improvements without utilities
- Department of Water Resources Cost Share Program
  - 60% cost-share of eligible water distribution expenses
  - 40% local share
- North Dakota State Revolving Fund (SRF) loan
  - 2% Loan, up to 30 year term
  - For eligible sanitary sewer, storm sewer, and water items + streets
- Sales Tax

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## Proposed Phase 1 Project Financing

**Sanitary/Storm Sewer**

Funding Source: Clean Water SRF

Loan Amount: $4,000,000

Annual Payment: $200,000

**Water Main**

Funding Source: DWR and DWSRF

DWR Cost Share Amount: $3,200,000

Loan Amount: 5,500,000

Annual Payment: $270,000

**Streets**

Funding Source: BND IRLF

Loan Amount: $1,500,000

Annual Payment: $95,000

**Total Annual Payment $565,000**

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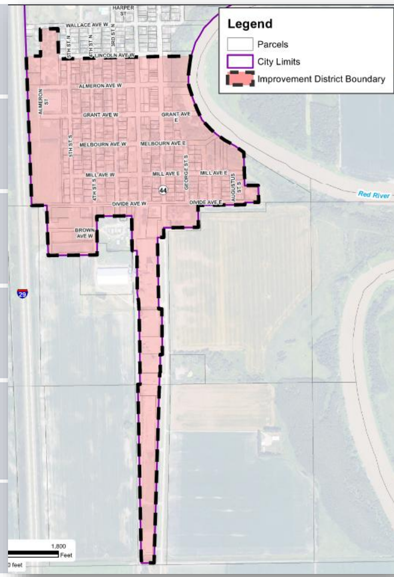
# Estimated Special Assessments

| | | |
|---|---|---|
| Total Street Cost | $7,354,000 | |
| Total Front Footage | 16,243 | |
| Cost per Front Foot | $452.75 | |
| For a 50' Lot: | Total Assessed:<br>Cost Per Year:<br>Cost Per Month: | $22,637.50<br>$1,593<br>$132.75 |
| For a 75' Lot: | Total Assessed:<br>Cost Per Year:<br>Cost Per Month: | $33,956.25<br>$2,389.50<br>$199.13 |
| For a 100' Lot: | Total Assessed:<br>Cost Per Year:<br>Cost Per Month: | $45,275.00<br>$3,186.00<br>$265.50 |

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# Phase 1 - Proposed Timeline

- Study: 2019-2023
- Funding: 2023-2025
- Design: Spring-Winter 2025
- Bidding: Spring 2026
- Construction: Summer 2026-Summer 2027
- Post-Construction: 2028

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# Next Steps

**Resolution of Necessity**

- Published on December 4th & December 11th

**Protest Period**

- December 4th – January 3rd
- During this time, Residents who are against the project being paid for with Special Assessments may file a written protest with the City Auditor stating reasons therefore.
  - Protests must contain the property address and be signed by all owners of the property.
  - Protests must be from a property that is in the Improvement District boundary.

**Protest Hearing on January 12th (Regular Meeting)**

- Residents who submitted valid protests may appear before council
- If protests received are less than 50% of the land area within the improvement district, special assessments may be used to repay the project financing.
  - Council will pass Resolution Finding Insufficiency of Protest

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# Proposed Sales Tax Increase

- How much is it increasing?
- What items are subject to sales tax?
- What items are exempt from sales tax?
- Why is more sales tax needed?
- How does this increase affect me?
- How does this impact the special assessments?
- What happens next?

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## Sales Tax – How much is it increasing?

**What Is The Proposed Increase?**

- +2%, for a total of 8.5%

**Current Rate: 6.5%**

- 5% to State of North Dakota
- 0.5% for Swimming Pool
- 0.5% for DEDCO
- 0.5% for City, currently giving 0.25% to DEDCO

**Other Similar Communities:**

- Grafton: 8.75%
- Park River: 8.50%
- Langdon: 8.00%

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## Sales Tax – What Items are Subject to Sales Tax?

| | |
|---|---|
| Tangible Personal Property | • Goods, merchandise, etc. |
| Purchase of Services | • I.e. you pay a business or individual to do something |
| Tickets & Admissions | • Entertainment/Athletic Events |
| Lodging | • Hotels/Rentals |

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# Sales Tax – What Items are Exempt?

- Prescription Drugs
- Medical Devices/Equipment/Supplies
- Agricultural Items
  - Commercial Fertilizer/Fungicides/Herbicides/Insecticides/Seed/Livestock Feed
- Farm Machinery & Irrigation Repair Parts
- Food Products
  - Examples: Eggs, Bread, Milk
  - Prepared food that is heated or served is NOT exempt.
  - Candy/gum/drinks/vending machine items are also NOT exempt.
- Electricity
- Gasoline & other fuels
- Water (includes bottled water)
  - Unless sold in vending machine or served in a restaurant.
- Magazines/Newspapers
- Digital Products
- Passenger Transportation
- Hospital/Nursing Home services
- Repair Services (tangible property)

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# Sales Tax – Why is more Sales Tax Needed?

- To reduce the burden of special assessments on the residents.
- To provide a revenue source for future capital improvement projects.
- In 2024, gross sales and receipts were $18,000,000.
- Since Love's opened in December 2021, gross sales and receipts increased by 30%.
  - Much of this revenue is coming from out of state travelers.
  - Sales tax will leverage "non-resident" money to reduce costs for the residents.

| City / Group 200 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|
| Des Lacs | $145,105 | $115,934 | $82,901 | $98,055 | $103,491 | $77,928 |
| Devils Lake | $161,795,242 | $173,397,263 | $201,963,008 | $212,454,805 | $224,220,420 | $208,757,192 |
| Dickinson | $1,021,671,978 | $710,144,416 | $731,864,464 | $831,952,815 | $981,126,606 | $1,044,333,858 |
| Drake | $1,028,540 | $1,101,287 | $1,146,034 | $1,203,738 | $1,662,947 | $1,770,091 |
| Drayton | $10,537,484 | $11,153,146 | $13,841,989 | $16,320,270 | $17,104,462 | $18,042,624 |
| Dunn Center | $10,427,361 | $3,867,218 | $3,827,449 | $4,398,364 | $3,199,635 | $3,932,189 |
| Dunseith | $5,723,439 | $6,137,596 | $6,425,477 | $7,353,887 | $8,689,244 | $10,154,628 |
| Edgeley | $8,582,113 | $9,466,616 | $13,244,438 | $17,331,310 | $15,949,351 | $14,089,224 |
| Edinburg | $1,837,136 | $1,638,830 | $1,604,128 | $1,768,675 | $1,546,338 | $1,653,985 |
| Edmore | $327,277 | $323,232 | $505,147 | $464,583 | $473,517 | $394,939 |

**Data taken from ND Office of Tax Commissioner Website*

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## Sales Tax – How does this increase affect me?

- Projected revenue is estimated at $360,000 per year.
  - Split to make the assessments for similar lots between Phase 1 and Phase 2 as equal as possible.
- For Phase 1, approximately $200,000 per year would be used to reduce the annual assessment per resident.
  - $12.30 per year per front foot of property to be assessed.
  - 246.00 per front foot total over 20 years.
  - This will vary based on future sales and the final cost of Phase 1 and Phase 2.
- Example: A resident with a 75' wide lot would see their annual assessment reduced by $922.50 ($12.30 × 75').
  - This is the equivalent of spending $46,125 on taxable goods/services ($922.50 ÷ 2%).
  - Residents may see a slight increase in everyday spending, but likely not enough to offset the reduction that added sales tax will have on assessments.
  - Drayton has a cap on sales tax of $25/purchase. This means that any single transaction exceeding $714.28 ($25/.035) is eligible for a refund of any sales tax collected over $25.

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## Sales Tax – Impact on Special Assessments

| | | | | | | |
|---|---|---|---|---|---|---|
| Total Street Cost | $7,354,000 | | | | | |
| Total Front Footage | 16,243 | | | | | |
| Cost per Front Foot | Total: $452.75 | | Sales Tax: $246.00 | | Net: $206.75 | |
| For a 50' Lot: | Total Assessed:<br>Cost Per Year:<br>Cost Per Month: | $22,637.50<br>$1,593<br>$132.75 | Total Reduction:<br>Less Per Year:<br>Less Per Month: | $12,300<br>$615.00<br>$51.25 | Net Total:<br>Net Per Year:<br>Net Per Month: | $10,337.50<br>$978.00<br>$81.50 |
| For a 75' Lot: | Total Assessed:<br>Cost Per Year:<br>Cost Per Month: | $33,956.25<br>$2,389.50<br>$199.13 | Total Reduction:<br>Less Per Year:<br>Less Per Month: | $18,450<br>$922.50<br>$76.87 | Net Total:<br>Net Per Year:<br>Net Per Month: | $15,506.25<br>$1,467.00<br>$122.26 |
| For a 100' Lot: | Total Assessed:<br>Cost Per Year:<br>Cost Per Month: | $45,275.00<br>$3,186.00<br>$265.50 | Total Reduction:<br>Less Per Year:<br>Less Per Month: | $24,600<br>$1,230.00<br>$102.50 | Net Total:<br>Net Per Year:<br>Net Per Month: | $20,675.00<br>$1,956.00<br>$163.00 |

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## Sales Tax – What Happens Next?

Special Election will be held on Tuesday December 16th, 2025

Polling Location: City Hall

Poll Hours: 7:00am – 7:00pm

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## Sales Tax & Resolution of Necessity

- Both the Resolution of Necessity and the Sales Tax vote will need to pass in order for the sales tax savings to apply to the project.
  - Sales tax alone will not cover the cost of the street work.
- If the Resolution of Necessity passes and the Sales Tax vote fails, Phase 1 street assessments will be roughly twice as expensive as they could be.
- If neither are approved, the project will likely not move forward.
  - Streets and Utilities will continue to get worse, risking loss of service, sewer backups, vehicle damage, etc.

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# Questions

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