

LOCKWOOD ANNEXATION STUDY

An Informal Study of Key Issues



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City of Billings
January 29, 2007

TABLE OF CONTENTS

Table of Contents	2
Executive Summary	3
Maps	9
Department Responses.....	10
Aviation & Transit Department.....	10
Aviation Division.....	10
MET Transit Division	10
City Administration.....	12
Administrative Services Department.....	12
Finance Division.....	12
Human Resources Division.....	12
Information Technology Division	13
Motor Pool Division	13
Parking Division	13
Fire Department.....	13
9-1-1 Center	13
Fire.....	13
Legal Department	13
Library.....	14
Municipal Court.....	14
Parks, Recreation & Public Lands Department.....	14
Cemetery Division	14
Community Center	14
Parks Division	14
Recreation Division	15
Planning & Community Services Department.....	15
Building Division.....	18
Code Enforcement Division.....	18
Community Development Division	19
Planning Division.....	22
Police Department	25
Animal Shelter.....	25
Police	25
Public Works Department	25
Commercial & Meter Division	26
Distribution & Collection Division.....	26
Engineering Division	26
Environmental Division.....	30
Solid Waste Division	31
Street-Traffic Division	31
Wastewater Treatment Division	31
Water Treatment Division.....	32

EXECUTIVE SUMMARY

The Billings City Council directed staff to explore the ramifications of annexing Lockwood, as defined by the Lockwood Water & Sewer District boundaries, at their March 13, 2006, City Council meeting. Each City department and division was subsequently asked to identify the impacts, costs, and potential revenue that might result if Lockwood were annexed into the city. This document summarizes the results of those explorations.

It is understood that one possible outcome of this study is that the Billings City Council will indicate to Lockwood its interest, or lack of interest, in annexing Lockwood into the city of Billings.

The Lockwood area is currently estimated to be about 25 square miles and include approximately 6,000 people. The area is experiencing significant residential growth and there is the potential for additional residential, commercial, and industrial development with the addition of municipal sewer service in the future.

The following summarizes the detail contained within this document:

General Fund:

General Fund mills are currently 69.5, so the annexation of Lockwood would result in \$752,089 in additional annual General Fund revenue.

Finance & Administrative Services:

The Information Technology Division is the only internal services division that would have direct costs as a result of the annexation of Lockwood. They would have one-time costs for updating parcel records and for updating public safety information to reflect beats, new map run books, mobile data terminal (MDT) setups, run cards, etc. Any new facilities would require network and/or phone connectivity.

Impacts to the Human Resources Division would be determined by the number of additional personnel hired throughout the City organization.

The Finance Division would be impacted by the number of tax codes that are added, SID's processed, applications for business licenses processed, water/sewer bills received, etc.

Impacts to the Motor Pool Division would be determined by the number of additional vehicles purchased throughout the City organization.

Library:

Library mills are currently 9.5 within the city limits. Library mills are 5.11 in Yellowstone County, outside the Billings city limits, so the annexation of Lockwood would result in an increase of 4.39 mills for Lockwood. This translates to an additional \$47,506 in additional annual Library revenue. We anticipate no operating or expense impacts because we already serve Lockwood residents.

MET Transit:

Met Transit mills are currently 10, so the annexation of Lockwood would result in \$108,214 in additional annual revenue.

Services similar to what is currently provided to city residents could be provided to Lockwood at an initial estimated annual cost of \$1,112,000. However, there are no additional operating or capital funds available to provide this service. New routes could only be accomplished by finding new revenue sources or by discontinuing service on existing routes equal to the amount of dollars needed to fund the added service area.

Fire:

If Lockwood were annexed into the city of Billings, the City would have to buy the Lockwood Fire District (cost unknown). We would also have to hire 14 firefighters at an annual cost of approximately \$1 million. We would then either occupy Lockwood's existing fire station or build a new fire station in a more favorable location. Cost of a new fire station, excluding land, would be about \$2 million.

Police Department:

Animal Control would be impacted by additional enforcement responsibilities, more animals coming into the shelter, increases in O&M, and the necessity for additional manpower and equipment to meet service demands. No dollar estimates were provided.

The Police Department currently polices about 40 square miles. The annexation of Lockwood would add 25 square miles. The department would either need to keep two cars in Lockwood at all times, or respond as needed knowing response times would become an issue. If no additional officers were hired, it would reduce officers per 1,000 residents to .81 from the current 1.31. To remain at 1.31, six additional officers are needed at an approximate cost of \$312,000 (salary only) and two fully-equipped patrol cars at about \$45,000/each. The addition of two cars to the fleet would also increase O&M.

Public Safety Funds:

Public Safety mills are currently at 20 (1999) and 28.09 (2004), so the annexation of Lockwood would result in \$520,402 in additional annual revenue.

Parks, Recreation & Public Lands:

The inventory of dedicated parks shows a total of 79 acres in the Lockwood area. It has been determined that only 46 acres are of value for public park and recreation use and the other 35 acres have little public value and should be sold or transferred into some other ownership for non-park uses.

The PRPL Department would have to add staff and equipment to take on the maintenance required for the additional area included in annexation.

We recommend that, as a condition of annexation, a park development and maintenance district for the area be created. Over time, the district would gradually upgrade and improve those parks best suited to development and maintain them.

It will require a full-time position and two seasonal positions to service the active park sites in Lockwood. The vehicles and equipment needed cost \$39,000 and the added staffing will cost \$51,000. Annual O&M will be about \$22,000 plus staff.

The annexation of Lockwood would have minimal affect on the Recreation Division.

GO Bonds:

Parks GO Bond mills are 1.242, so the annexation of Lockwood would increase annual revenues by \$13,440.

Streets GO Bond mills are 3.25, so the annexation of Lockwood would increase annual revenues by \$35,170.

Improvements paid for by both bonds have been completed, so annexing Lockwood would not increase expenses.

Planning & Community Services Department:

The Planning Division already provides zoning, subdivision, long-range planning, and special project services to Lockwood as per the Department's Inter-Local Agreement with Yellowstone County. However, the resources required to enforce City Codes, process building permits and provide building inspections, process City zoning and subdivision applications, and administer community development programs will increase with the annexation of Lockwood. The Planning Division would need to hire one full-time Planner I position to help handle the diverse service demands resulting from annexing Lockwood. The additional cost of this position could somewhat be offset by the increase in application fees, but there would still be a balance needed of about \$37,000 annually.

The Code Enforcement Division provides service to Lockwood through the County Code Enforcement Officer. However, code enforcement is currently limited to what it enforces in Lockwood due to the differences in regulations between the City and the County. One additional Code Enforcement Officer would be required to handle the additional enforcement in Lockwood at an estimated cost of \$75,000 in personnel costs and other resources in the first year.

The City Building Division does not currently have jurisdiction outside the City limits. The Building Division would need to hire one full-time person at a cost of \$75,000 in personnel costs and other resources in the first year.

The Community Development Division estimates an 11% increase in service demand for all of its core programs. For the Division to administer the programs to which Lockwood would benefit, we would need to hire an additional half-time person and adjust the half time duties of the secretary to a full-time capacity. The cost of these personnel additions would be about \$42,402 the first year.

Space for the additional staff noted above is a concern. The possible addition of four new employees may require additional costs to properly accommodate the employees.

Public Works Department

The estimated assessment revenues for Street Maintenance District #2, Storm Sewer, and Arterial Construction Fees, based upon current County zoning, are shown in Attachment B.

The Lockwood water system is composed mainly of asbestos cement pipe, which should probably be considered a long-term liability. Staff recommends upgrades to the existing distribution system consisting of looping, replacements, strengthening, and addressing water quality issues for a total cost of about \$10.6 million. Staff further recommends extension of the distribution system for future development in the form of a reservoir at a cost of \$1.4 million.

Utilities would need to add one Account Clerk II position within the Commercial & Meters Division to handle the additional customer service issues and to set up appointments with customers to change out their Badger meters to Neptune units with Radio Frequency Meter Interface Units (RF MIU's). It will cost between \$400,000 and \$500,000 to change out the meters and install the RF MIU's.

There is currently no known formal storm drainage system in Lockwood. We recommend adding storm drainage facilities in all arterials over a 15-year period. There are over 13 miles of minor arterial streets. Constructing 13 miles of storm drain, with the associated detention and outfall facilities, would cost approximately \$1 million per year for 15 years. Annual storm sewer assessment revenues for Lockwood are estimated to be \$686,759.14.

It is difficult to estimate the costs of bringing Lockwood streets up to City standards because there is not enough information about right-of-way or the need for right-of-way acquisitions. Lockwood streets currently average 25' wide. City standards are 39' wide for collectors and 42' wide for arterials. However, staff believes it will cost about \$35 million to bring existing streets up to current City standards. Additional information on bringing residential and gravel streets to current City standards is provided under the Public Works Department – Engineering Division heading later in this report. Annual arterial construction fee assessment revenues for Lockwood are estimated to be \$719,801.78.

The Solid Waste Division is capable of providing solid waste collection services to Lockwood residents upon the completion of the 5-year moratorium following annexation. Providing these services will require additional staff and equipment resources. Because of the 5-year moratorium, no cost estimates were provided.

Annual street maintenance assessment revenues for Lockwood are estimated to be \$896,878. Staff estimates it will cost \$1 million annually to provide street maintenance services to the Lockwood. Required equipment includes a pick-up truck with welder, a sweeper, and a tandem dump truck with plow. Three Equipment Operator/Maintenance Workers are required to operate this additional equipment.

The Wastewater Treatment Division estimates it will cost \$16.8 million to provide the backbone wastewater system to Lockwood.

The Water Treatment Division estimates it will cost \$280,000 in the near term, \$1.1 million in 5-year term and \$90,000 in the 10-year term to make needed improvements to the Water Treatment Plant to service Lockwood.

CONCLUSION:

The following are 2007 estimated costs associated with the potential annexation of Lockwood:

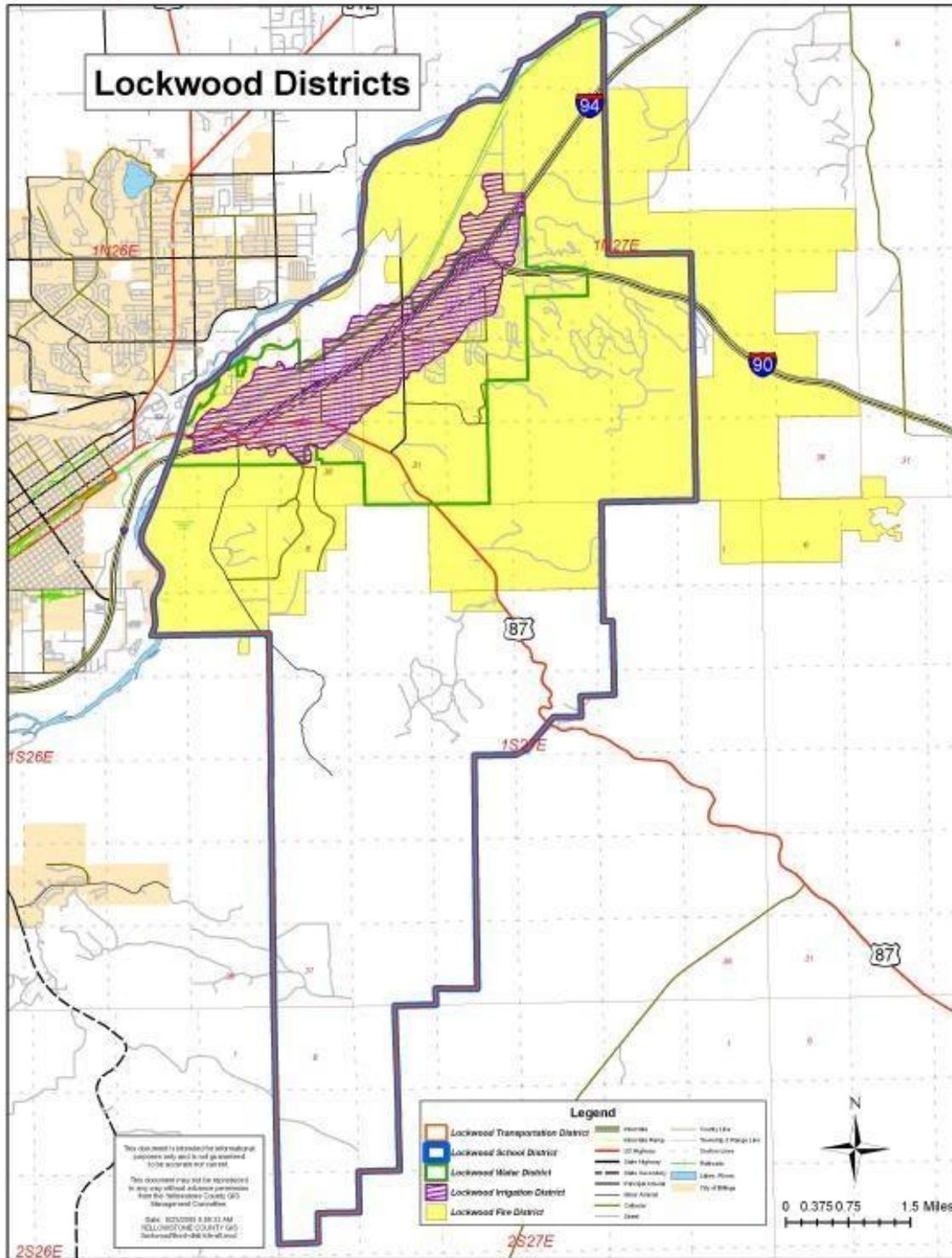
Department, Division or Fund	Description	Capital Costs Estimate	Annual O&M Costs Estimate	Annual Revenue Estimate
Fire	15 firefighters		\$1,000,000	
Fire	Fire Station (excluding land)	\$2,000,000		
Finance & Administrative Services	New facilities network/phone connectivity	\$10,000-\$20,000	?	
General Fund	69.5 mills			\$752,089
Library	Additional 4.39 mills			\$47,506
MET Transit	2 buses and 1 van; similar services; 10 mills	\$710,000	\$402,000	\$108,214
Planning Division	Equipment; Planner I position and supplies; application fees	\$1,200	\$52,000	\$15,000
Code Enforcement Div.	Code Enforcement Officer, vehicle, supplies	\$25,000	\$50,000	
Building Division	Vehicle; Inspector or Plans Examiner and supplies; permit fees	\$25,000	\$50,000	\$75,000
Community Services Div.	Clerical position, equipment and supplies	\$1,548	\$40,954	
GO Bonds – parks	1.242 mills			\$13,440
GO Bonds – streets	3.25 mills			\$35,170
Police – Animal Shelter	Truck	?	?	
Police	2 fully-equipped police cars 6 Police Officers	\$90,000	\$312,000 (salary only)	
Public Safety – 1999	20 mills			\$216,428
Public Safety – 2004	28.09 mills			\$303,974
Parks	1 full time and 2 seasonal positions, plus vehicles and equipment	\$39,000	\$73,000	
PW – D&C	Water distribution system	\$10,600,000	?	
PW – D&C	Sewer Jet Truck and 2 Equipment Operators	\$225,000	\$72,400 (salary only)	
PW – D&C	Reservoir	\$1,400,000	?	
PW – Engineering	Storm drainage system	\$15,000,000 (\$1,000,000/year for 15 years)	?	\$686,759
PW – Engineering	Upgrade streets	\$35,000,000		\$719,802
PW – Street/Traffic	Street Maintenance		\$1,000,000	\$896,878
PW – Street/Traffic	Pick-up truck with welder	\$20,000	?	

Department, Division or Fund	Description	Capital Costs Estimate	Annual O&M Costs Estimate	Annual Revenue Estimate
PW – Street/Traffic	Sweeper	\$160,000	?	
PW – Street/Traffic	Tandem dump truck with plow	\$180,000	?	
PW – Street/Traffic	3 Equipment Operators / Maintenance Workers		\$141,000	
PW – Comm. & Meters	Account Clerk II Position	?	30,000 (salary only)	
PW – Comm. & Meters	Upgrade meters	\$400,000 to \$500,000	?	
PW – Wastewater	Wastewater System	\$16,808,793	?	
PW – Water	Water Treatment System	\$1,500,000	?	
Totals		\$84,305,541	\$3,223,354	\$3,870,260

RECOMMENDATION:

That the Billings City Council choose not to pursue the annexation of Lockwood at this time.

MAP



Map is based on Lockwood Water & Sewer District Boundaries

DEPARTMENT RESPONSES

AVIATION & TRANSIT DEPARTMENT

Aviation Division

No direct impact from annexation.

MET Transit Division

MET staff has been working on a study to analyze the level of service requirements and the annual operating and capital costs to provide transit service to the Lockwood area. The study currently illustrates a total of five transit alternatives. These service options and estimated costs are described briefly below:

Alternative I – Estimated Start-up and Annual Operating Cost – \$1,112,000

- A fixed-route that would originate at the Downtown Center and run through Lockwood.
- The route would operate one bus on 60-minute (one-hour) headway, and two buses during the peak hours with 30-minute headways (very similar to existing service in the City limits).
- There would be a mandatory paratransit service.
- This service would require the purchase of at least three additional vehicles (two buses for the fixed-route and one van for the paratransit service).
- The estimated annual operating costs for drivers, fuel, and maintenance are \$402,000.
- The estimated start-up capital cost is \$650,000 for two buses and \$60,000 for one van.

Alternative II – Estimated Start-up and Annual Operating Cost – \$1,201,000

- A route-deviation service that would have a fixed-route with the ability to deviate off the fixed-route up to 3/4 of a mile and then return back to the fixed-route within one block of the point of deviation.
- One additional bus would be needed during non-peak hours and two buses would be needed during peak hours, with 45-minute headways.
- Because of the 3/4 of a mile deviation, mandatory paratransit service would not be required.
- This service would require three additional vehicles.

- The estimated annual operating costs for drivers, fuel, and maintenance are \$226,000.
- The estimated start-up capital cost is \$975,000 for three buses.

Alternative III – Estimated Start-up and Annual Operating Cost – \$1,112,000

- A fixed-route loop that is very similar to Alternative I that would operate in the same way as Alternative I, with just a somewhat different fixed-route.
- There would be a mandatory paratransit service.
- This service would require three additional vehicles (two buses for the fixed-route and one van for the paratransit service).
- The estimated annual operating costs for drivers, fuel, and maintenance are \$402,000.
- The estimated start-up capital cost is \$650,000 for two buses and \$60,000 for a van.

Alternative IV – Estimated Start-up and Annual Operating Cost – \$1,321,000

- A fixed-route with two demand-response zones.
- This service would require four additional vehicles (two buses for the fixed route and two vans for the demand-response zones/paratransit service).
- The estimated annual operating costs for drivers, fuel, and maintenance are \$551,000.
- The estimated start-up capital cost is \$650,000 for two buses and \$120,000 for two vans.

Alternative V – Estimated Start-up and Annual Operating Cost – \$284,000

- A demand-response service (dial-a-ride) without any structured routes.
- The service is scheduled by a dispatcher and advance reservations are typically required.
- This service would require two additional vans.
- The estimated annual operating costs for drivers, fuel, and maintenance are \$164,000.
- The estimated capital cost for two vans is \$120,000.

Recommendation:

Staff recommends using Alternative I at this time for cost comparisons, as this mirrors most closely our current level of service within the City limits. Although this proposed new service would help grow the MET system, provide our existing riders with new service options, and further illustrate the benefits of using public transportation, the concerns with servicing the Lockwood area are:

There are no additional operating or capital funds available to provide service to Lockwood or other areas currently within the City limits that are not currently receiving transit service. Without additional (new) funding, new routes could only be accomplished by discontinuing service on an existing route(s) equal to the amount of dollars needed to fund the added service.

The street network, pavement condition (sometimes lack of), distance from the MET complex, and absence, in many cases, of curb, gutter, and sidewalk in the Lockwood area would make the transit service difficult to use and more expensive to provide.

The above costs do not reflect any additional storage needs that would probably be required to house new fleet additions.

MET Transit currently receives 10 mills, so annexation of Lockwood would result in \$108,214 in additional revenues.

CITY ADMINISTRATION

Public safety funds currently receive 20 mills (1999) and 28.09 mills (2004), so the annexation of Lockwood would result in \$520,402 in additional annual revenue.

ADMINISTRATIVE SERVICES DEPARTMENT

Finance Division

The General Fund currently receives 69.50 mills, so the annexation of Lockwood would result in \$752,089 in additional revenue.

The division would be impacted by the number of tax codes that are added, SID's processed, applications for business licenses processed, water/sewer bills received, etc. The costs cannot be determined at this time and until service needs are identified and solutions proposed for satisfying those needs.

Human Resources Division

Impacts to the division would be determined by the number of additional personnel hired throughout the City organization. The costs cannot be determined at this time and until service needs are identified and solutions proposed for satisfying those needs.

Information Technology Division

The division would have one-time costs for updating the land parcels, including assessments, SID's, light districts, water billings, etc. There would be similar one-time costs for updating public safety information to reflect beats, new map run books, MDT setups, run cards, etc. Any new facilities would also require network and/or phone connectivity that would probably be accomplished with wireless equipment (\$10000-\$20,000 if line of sight to Four Dances can be accomplished). These costs are primarily soft costs (staff) and the cost cannot be estimated at this time and until service needs are identified and solutions proposed for satisfying those needs.

Motor Pool Division

Impacts to the division would be determined by the number of additional vehicles purchased throughout the City organization. The costs cannot be estimated at this time and until service needs are identified and solutions proposed for satisfying those needs.

Parking Division

No response received.

FIRE DEPARTMENT

9-1-1 Center

The 9-1-1 center currently dispatches for the Yellowstone County Sheriff's Office and the Lockwood Fire & Ambulance through a contract with Yellowstone County. Lockwood is the county's most "urban" and densely populated area and the area generates a relatively high percentage of the Sheriff's law enforcement calls.

Fire

Lockwood is short a fire chief, and the District Board members are hard to track down, so needed capital asset information cannot be obtained at this time. If we were to annex Lockwood, we would have to purchase the Fire District. The District owns a station and land for a future station. The following would be required if Lockwood were annexed:

Hire 15 firefighters at an annual cost of approximately \$1 million per year.

Occupy the existing fire station or build new fire station in a more favorable location (the district already owns land in a more central location, on Johnson Lane, south of Old Hardin Road). Cost of new fire station excluding land would be approximately \$2 million.

One fire station would be sufficient for Lockwood at this time.

LEGAL DEPARTMENT

No response received.

LIBRARY

Library mills are currently 9.5 within the city limits. Library mills are 5.11 in Yellowstone County, outside the Billings city limits, so the annexation of Lockwood would result in an increase of 4.39 mills for Lockwood. This translates to an additional \$47,506 in additional annual Library revenue. We anticipate no operating or expense impacts because we already serve Lockwood residents.

MUNICIPAL COURT

No response received.

PARKS, RECREATION & PUBLIC LANDS DEPARTMENT

Cemetery Division

No response received.

Community Center

No response received.

Parks Division

Parks GO bonds are currently at 1.242 mills, so the annexation of Lockwood would result in \$13,440 in additional annual revenue.

The annexation of Lockwood into the City of Billings would result in the addition of many acres of undeveloped and semi-developed parks being brought into the city, depending on the size and configuration of the annexation area. In the analysis of the parks conducted for the Billings Parks 20/20 Comprehensive Park Plan, the inventory of dedicated parks listed 79 acres total in the Lockwood area. Of those, it was determined that only 46 acres were of value for public park and recreation use and that the other 35 acres had little public value and should be sold or transferred into some other ownership for non-park uses.

The PRPL department would have to add staff and equipment to take on the maintenance required for the additional area included in annexation. Because PRPL recreation programs rely to a great extent on the use of many school and non-park sites for their offerings, the impact would be less in that area. Recreation programs have in fact included Lockwood School as one of their program sites for a number of years.

The staff recommendation is that, as a condition of annexation, it would be required to create a park development and maintenance district for the area involved. Over time, the district would undertake to gradually upgrade and improve those parks best suited to development, as well as maintain them.

It will require a full-time position and 2 seasonal positions to service the active park sites in Lockwood. The vehicles and equipment needed will cost \$39,000 and the added staffing will cost \$51,000. The annual O&M will be about \$22,000 plus staff.

First year costs: \$112,000

Annual costs: \$ 73,000

Recreation Division

The effects of the annexation of Lockwood would be minimal with regard to the Recreation Division of PRPL. Although we track residents vs. non-residents, we do not know what percentage of the non-residents are actually Lockwood residents. Since Lockwood is the largest and closest body of non-residents to the City, we estimate that they would account for at least 70% of our non-resident use.

Currently in programs requiring activity registration with user fees, the annual non-resident enrollment is between 4-5% of our total participation. We have a \$10/per enrollment non-resident fee for most programs offered. However, with the irregularity of the city's boundaries, and numerous recent annexations, it is difficult to ascertain whether one is really a city or non-resident when signing up for the first time. You cannot use the zip code, or even the street name, because on some streets one side is in the city and the other in the county. Basically, we rely on the person's honesty. Without a foolproof verification system, we are probably not charging the non-resident fee to some who actually should be paying it.

Currently, anyone can use city parks or pools whether they are a resident or not. The non-resident fee only applies to specific recreation programs. Since our annual revenue from the \$10 non-resident fee is less than \$2,000, the effect of the proposed annexation would be minimal financially. In fact, it may be offset by more people registering for programs if there were not a non-resident fee involved. With respect to major facilities, city residents have paid to build and maintain them, but non-residents have the benefit of using them without providing financial support.

PLANNING & COMMUNITY SERVICES DEPARTMENT

Overview Statement:

Annexing Lockwood into the City of Billings is expected to require additional staff and resources in the Planning and Community Services Department to maintain the same level of customer service and intra-city department support that the Department now provides. The area that would be annexed into the City has been defined as the Lockwood Water and Sewer District service area, and is estimated to include between 5,000 and 6,000 people. This area is experiencing significant residential growth and there is the added potential for additional residential, commercial and industrial development with the addition of municipal sewer service in the future.

The resources required to enforce City Codes, process building permits and provide building inspections, process City zoning and subdivision applications, and administer community development programs will increase with annexation of Lockwood. This analysis discusses existing services being provided to Lockwood through the Planning and Community Services Department as well as the additional demands on services and resources annexation of Lockwood would cause to the Department and its four Divisions.

Existing Services Provided to Lockwood by Planning and Community Services Department

The Planning Division already provides zoning, subdivision, long range planning and special project services to Lockwood as per the Department's Interlocal Agreement with Yellowstone County to provide planning services to the County. These services would be expected to continue if Lockwood were annexed into the City, although zoning applications and subdivision applications would be processed through city departments, boards and commissions.

The Code Enforcement Division provides service to Lockwood through the County Code Enforcement Officer. However, code enforcement is limited due to the differences in regulation between the City and the County.

The State of Montana Building Codes Division handles all building permitting in Lockwood since the City Building Division does not have jurisdiction outside the City Limits. The Community Development Division also does not provide services outside the City Limits and does not presently serve Lockwood.

Conclusions:

All four Divisions will experience an increase in demand for services and resources. While the Planning Division already serves Lockwood in a County capacity, additional zoning and subdivision applications, and an increase in building permit reviews is expected to create a need for one additional full time staff person. The Planning Division would hire a Planner I level position to help handle the diverse service demands annexing Lockwood would create. The additional cost of this staff person could be offset in part by the increase in application fees received by the Planning Division. However, there would still be a cost of about \$37,000 that would not be covered by new fees (See Table 1).

The Code Enforcement Division expects an increase in service demands and resources. Staff will need to educate residents about new City Codes, enforce codes and provide adequate coverage for the Lockwood area, which is expected to require an additional code enforcement officer. City codes such as nuisance weeds, snow removal, business licensing, City sign code (which is significantly different from the County sign code), nuisance graffiti and building code complaints would need to be enforced. In addition, City policy allows anonymous complaints to code enforcement; the Board of County Commissioners policy does not allow anonymous complaints. This will increase complaints in the Lockwood area and add to calls for service to the Code Enforcement Division. Code Enforcement does not collect fees or revenue

from citations at this time. The estimated \$75,000 cost for an additional officer and resources would have to come from existing funding sources for Code Enforcement (See Table 1).

The Building Division would oversee all building permits if Lockwood were annexed. The Division expects that additional permit review and inspection work may require an additional full time staff person. One new staff person and associated resources is expected to cost about \$75,000, according to the Building Division. However, the Division expects that the permit fees generated in Lockwood would cover additional staff and resources (See Table 1).

The Community Development Division expects an increase of about 11% in service demand for all of its core programs. However, the Division's programs rely heavily on specific federal funding guidelines and allocations. The annexation of Lockwood is not expected to increase the revenues to the Division to administer its programs. For the Division to administer the programs that Lockwood would benefit from, the Division would need to hire an additional half time staff person and adjust the half time duties of the Division secretary to a full time capacity. This would create the need for one additional full time position. The estimated cost for these changes is \$42,502 (See Table 1).

Space for additional staff is an issue that the Planning and Community Services Department wrestles with regularly. The four Divisions have made many changes in office configurations over the past few years to try and accommodate additional staff and continue to provide an efficient, safe and healthy working environment. The possible addition of four staff persons across the Divisions may require an additional cost to the City to properly accommodate these new employees. Given the many scenarios that could be considered in providing office space, no cost estimate is provided here. However, it is important to consider this issue as part of the overall challenge associated with annexing the Lockwood area.

Table 1. Cost and Revenue Estimates for the Planning and Community Services Department

DIVISION	ITEM	COST
Planning	Planner I	\$51,220
	Supplies	\$1,200
	Subtotal	\$52,220
Code Enforcement	Application Fees	(\$15,000)
	CE Officer	\$50,000
	Supplies/Vehicle	\$25,000
	Subtotal	\$75,000
Building	No Fees Collected	
	Inspector/Plans Examiner	\$50,000
	Supplies/Vehicle	\$25,000
	Subtotal	\$75,000
	Permit Fees	(\$75,000)

DIVISION	ITEM	COST
Community Development	Additional Staff	\$40,954
	Supplies	\$1,548
Subtotal		\$42,502
	No Fees Collected	
Department Subtotal		\$244,702
Department Revenue	From Fees/Permits	(\$90,000)
Department Cost		\$154,702

PREDICTED RESOURCE/FINANCIAL IMPACTS BY DIVISION:

Building Division

If the City of Billings were to annex Lockwood the City would be responsible for permit issuance, plan review, and the inspections of all buildings.

A computation based on the estimated population increase of about 5,000 people (5% of the City's Population of 100,000) would suggest at the end of one year the Division would see revenues grow by around \$75,000. The \$75,000 figure is derived as about 5% of the Building Division's current estimated annual revenue of about \$1.5 million.

The additional work created by annexing Lockwood is expected to eventually require one additional inspector or plan reviewer. The current number of employees within the Building Division is 17. A 5% increase represents a need for an .8 employee. It also would require one additional vehicle, a computer, a phone line and desk setup. Total expenses would be less than, but near the \$75,000 level.

The Building Division does not anticipate hiring an additional employee until the workload increases to the point of needing to do so. This is also driven by market conditions. An upturn in construction would dictate hiring someone immediately with the Lockwood annexation. A slowing in the building industry might result in not hiring for a year or more. Similarly, the \$75,000 in additional revenue could shrink or balloon depending on market forces. Overall, it is expected that any new expenses for the Building Division to provide service to Lockwood should be offset by new revenues.

Code Enforcement Division

The Code Enforcement Division provides enforcement services to City and County residents including zoning, building, nuisances and other public health and safety regulations. The Division currently has one County Code Enforcement Officer who enforces zoning regulations within the 4 ½ mile Zoning Jurisdiction outside the city limits that includes most of the Lockwood community. Outside of the 4 ½-mile Zoning Jurisdiction, the County Code Enforcement Officer enforces the County-wide Community Decay Program, a nuisance and blight abatement regulation.

Expansion of the city limits to include the Lockwood Community will require at a minimum one additional Code Enforcement Officer. City codes that would be enforced in Lockwood that currently do not apply in this area include weeds, business licensing, signs, commercial building codes, maintenance of alleys and boulevards, encroachments on rights of way and similar regulations. Billings is now served by two Code Enforcement Officers that provide services to approximately 100,000 citizens. One Commercial Code Enforcement Officer assures compliance with commercial building codes and sign regulations. The Division is funded by three major sources of revenue:

- 1) City General Fund for two residential Code Enforcement Officers.
- 2) Building Permit Fees for one Commercial Code Enforcement Officer.
- 3) County Solid Waste Fund for one County Code Enforcement Officer.

Annexation of the Lockwood community will add between 5,000 and 6,000 residents and at least 100 business locations to the City population. Although this represents a small percentage increase in population, public education and outreach will be necessary for a successful code enforcement program in the Lockwood community. This effort will require at least one additional code enforcement officer. The officer would have to be funded through an increase in the General Fund Revenues allocated to the Code Enforcement Division. The allocation would also need to include an initial outlay for a new or used vehicle and continuing operations and maintenance including office space, information technology support services, communications equipment and repair, office supplies and vehicle maintenance. The General Fund increase required for one additional officer including salary, benefits, operations and maintenance and a new vehicle is approximately \$75,000 based on FY07 budget allocations for the Code Enforcement Division.

Community Development Division

The City of Billings receives federal funds from the U.S. Department of Housing and Urban Development as an entitlement community. The Community Development Division administers the Community Development Block Grant (CDBG), the HOME Investment Partnerships Program (HOME), and the American Dream Down Payment Initiative Programs (ADDI) for the City.

The annexation of Lockwood would increase the service demand to our core programs including, but not limited to: infrastructure development in low / moderate income areas; improvements to public facilities serving the low income; First Time Homebuyers; Housing Rehabilitation Loans; Minor Home Repair Grants; Special Assessment Grants; and public services.

The City received \$726,020 in new CDBG funding and \$504,467 in new HOME funding in FY2006-2007 which represents a \$200,000 decrease in total funding over the past three years. The annexation of Lockwood is not anticipated to result in an increase in federal funding allocations as the total population increase would amount to less than five percent of the total population of Billings.

Needs Analysis: The unincorporated town of Lockwood has a population of approximately 5,000 individuals in the proposed annexation border as defined as the “Water and Sewer District Boundary”. The Lockwood area has grown in population by 8.5 percent from 1990 to 2000 and also saw an 11 percent increase in housing. The median price in housing is \$150,000, making it a more affordable choice for housing than the City of Billings.

According to the 2000 Census, 45.2 percent of the households in Lockwood are low and moderate income compared to 12 percent in Billings. The Community Development Division would anticipate serving an additional 2,250 households resulting in an **11% increase in eligible clients** for core programs.

In 1995, the Lockwood Community Development Committee conducted an opinion survey which detailed typical housing problems in Lockwood (survey summary written by Casey Joyce and Debby Hernandez, Big Sky Economic Development Authority). The survey had a positive return rate and represented over 1,000 residents. Ninety-two percent of the respondents were homeowners. Respondents indicated a high degree of need for weatherization including window replacement followed by inadequate plumbing. Thirty-two percent of the respondents identified the need for affordable single-family homes and 41 percent indicated affordable rental housing was needed. Thirteen of the respondents indicated they were living with an individual with physical or mental disabilities and seven percent indicated the need for accessibility modifications. The majority of respondents favored seeking state or federal resources for public facilities improvements including infrastructure.

Program Impact: According to the Department of Revenue’s Computer Assisted Mass Appraisal (CAMA) system, 1,228 (58 percent) of the existing 2,113 homes were built prior to 1978 making them subject to federal lead-based paint requirements for program implementation. Of these homes, 857 are “stick-built” and 114 are ranked with physical conditions as “unsound”, “poor” or “fair”. We can expect these homes will require repair to chipping and peeling paint which may contain lead and would be a hazard to household occupants.

The Lockwood area has been identified as a federal Superfund site for contamination of soils and groundwater by solvents. This area would be a factor in the ability to utilize federal funds in housing rehabilitation programs in addition to new housing projects and may increase costs associated with funded projects in the area.

FIRST TIME HOMEBUYER LOAN PROGRAM: This program assists potential low- and moderate-income homebuyers with down-payment and closing cost assistance. A similar program is available through the State for Lockwood residents. An increase in demand for this program is expected as home pricing is somewhat lower than in the Billings city limits. Currently, there are five homes listed for sale in the Lockwood area that are under \$150,000 which is typically the price range for the program.

HOUSING REHABILITATION LOAN PROGRAM: The Housing Rehabilitation Loan Program would be available to owner-occupied low income households and is limited to “stick-built” homes. According to CAMA data, 959 stick-built homes (45 percent of

total homes) are 25 years or older and may qualify for this program depending on household income and ownership. Twelve percent of these homes are ranked as “unsound”, “poor” or “fair” condition and may require substantial rehabilitation.

MINOR HOME REPAIR GRANT PROGRAM: This program is designed to assist homes with emergency repairs and can serve mobile homes with general improvements including some weatherization. According to CAMA data, there are 793 mobile homes located in the Lockwood area. Sixty-one percent of the mobile homes may be eligible for the program based on their date of manufacture depending on household income. Almost 39 percent of the homes would not be eligible for the program due to age of the unit.

INFRASTRUCTURE DEVELOPMENT: CDBG funds can be used to augment available funding for infrastructure development provided the areas to be enhanced are located where the residents are low- to moderate- income. CDBG funding has typically been matched with other funding to serve these areas. There is a great demand for infrastructure improvements to the Lockwood area and the amount of CDBG funding has been decreasing each year. The Community Development Division would be required to work in tandem with Public Works to prioritize applications for CDBG funding and public allocation processes would take place which may result in some funding being allocated toward infrastructure development. Competition has increased in the past several years for CDBG funding due to the decrease in available funding.

SPECIAL ASSESSMENT GRANT PROGRAM: This program offers grants to pay for Special Improvement District (SID) projects for low-income residents who are allocated an SID for streets, curb, and gutter improvements in City projects. An increase in demand for this program is anticipated as SID's are created and improvements are made in the Lockwood area.

PUBLIC SERVICES: The City of Billings currently allocates 15% of available CDBG funding to public services which provides grants to non-profit organizations assisting the low-income in various capacities. The 15% allocation is the maximum allowed under federal regulations. Non-profit organizations serving the residents of Lockwood would become eligible to apply for CDBG funding which would increase competition for available funding for Public Service activities.

Summary:

The annexation of Lockwood to the City of Billings is not expected to increase revenue for the Community Development Division although the need for core programs would increase by an approximate 11%. Infrastructure improvements have the potential to greatly impact the Division as more funding would need to be delegated to infrastructure development than in previous years. The Special Assessment Grant program would be expected to increase in demand in direct proportion to improvements made in low-income areas. Competition for funding in all areas would increase and the Community Development Board would be encouraged

to prioritize areas of impact for available CDBG and HOME funding for recommendation to the City Council.

To accommodate an expected increase in applications should the annexation occur, the Community Development Division would fill the vacant Loan Processor position at half-time. The division secretary position would also be increased to 100% rather than the current 50% which is shared with the Code Enforcement Division. The costs are estimated as follows:

Staffing Increases:	\$40,954
Computer:	\$1,548
Total:	\$42,502

While the \$42,502 would be absorbed by CDBG and HOME program administrative accounts, the secondary effect would be a decrease in contributions to the cost allocation plan for both programs. CDBG and HOME administration costs are capped at 20% and 10% respectively. Annexation of Lockwood would translate into an increase in administrative costs to the City of \$42,502 to enable the Community Development Division to administer its community programs.

Planning Division

The Planning Division currently provides all of its planning services to the Lockwood area. Annexation of Lockwood into the City would cause a change in the way applications are processed from Lockwood and an expected increase in the number of zoning and subdivision applications submitted from the Lockwood area. An increase in the resources needed to process the applications also is expected. Lockwood is within the Urban Planning Area recognized by State and Federal agencies for transportation funding purposes, so including Lockwood within the City would not affect the way state and federal funds are allocated for local planning projects.

Zoning applications from Lockwood would go through City review procedures, be reviewed by City staff, and heard by City Boards and Commissions, and the City Council. This would cause an increase in the average number of items for the City Board of Adjustment, Zoning Commission, and the City Council. The Yellowstone County Board of Planning currently reviews both City and County subdivision applications and long-range planning projects. The Planning Board would continue to hear all subdivision applications from Lockwood but is expected to experience an increase in the number of applications it reviews from the Lockwood area if annexation occurs.

ZONING REVIEWS:

Zoning applications in Lockwood have historically represented a small portion of the total zoning applications for the City and County. The average number of zoning applications per year from 2001-2006 in Lockwood was five. The average number of zoning applications per year County-wide between 2001 and 2006 was 21.

Lockwood has represented about 25% of the County zoning applications annually. This compares to an average of about nine zoning applications per month in 2006 for the City, or about 100 applications per year. Lockwood has represented about 5% of the City applications annually.

Two issues are expected to cause an increase in zoning applications in Lockwood if it is annexed into the City. First, the extension of the Building Permit jurisdiction to include Lockwood is expected to cause an increase in zoning applications. Zoning violations are often caught in the building permit process and may be remedied through zone changes, variances and special reviews. Second, the provision for municipal sewer in Lockwood with annexation also would allow denser development and more intense uses allowed under the zoning than is possible now without sewer service. A sewer system is expected to increase zoning applications annually in Lockwood.

Predicting the number of zoning applications that might be generated by Lockwood if it was in the City is difficult because it can not be easily tied to other growth indicators. While a surge in people moving to Billings can be tied to new construction, changes in zoning are not always necessary for new development. However, according to the Lockwood Community Plan, much of the developable area of Lockwood is currently zoned for low density residential uses or agricultural uses. It would be expected that if water and sewer service were made available to these areas, development would require zone changes to higher density zoning. The annexation of large portions of the Billings Heights into the City in 1984-85 is a good example of the potential increases in zoning activity that might occur in Lockwood. In 1984, there were 103 zoning applications processed through the City. In 1985, there were 136 City zoning applications processed. This reflected a 35% increase in applications during the Heights annexation period. After 1985, applications decreased to approximately the 1983-84 levels, so the long-term effects on zoning application numbers is difficult to assess.

Given the zoning situation in Lockwood and the change experienced by the City when the Heights was annexed into the City, it seems reasonable to expect at least three times as many zoning applications in Lockwood per year if it were annexed. This would mean between one and two additional zoning applications per month for the Planning Division to process, or between a 10% and 20% increase in applications. Zoning applications are currently distributed monthly to staff members based on work load. Adding several more applications per month would require more staff time for zoning and less time for other planning projects and services. The increase in zoning applications from Lockwood could add to the need for an additional Planner I to help handle the workload.

SUBDIVISION REVIEWS:

It is difficult to estimate a specific increase in the numbers of City subdivision applications if Lockwood were in the City. Between 2000 and 2006, five new subdivisions were platted in Lockwood, creating 234 residential lots. This equates to about 40 new lots per year. These five subdivisions were platted without sewer

service. Build out analysis in the Lockwood Community Plan estimates that as many as 6,000 new residential lots could be created if Lockwood had municipal sewer service. There is no time line attached to this total build out and the amount of growth and market for housing will certainly influence the speed that these new lots are created. However, if growth trends continue as they have been the last few years it seems realistic to expect three to four subdivisions per year in Lockwood that could generate 150-200 new lots annually if the area had City services. The City has processed 28 subdivisions in 2006. The additional Lockwood subdivisions would create a 14% to 15% increase in subdivision applications that would be processed in the City. This increase in subdivision applications could add to the need for an additional Planner I to help distribute the workload.

BUILDING PERMIT REVIEWS:

The Planning Division performs zoning review for all building permits in the City. The Division would see an increase in residential and commercial building permits if Lockwood was annexed. While building permit review is shared by several staff in the Planning Division, the additional permits would require additional staff time and could add to the need for an additional Planner I to help handle the workload.

POTENTIAL REVENUE:

There are fees associated with the additional zoning and subdivision applications that would be collected by the Planning Division if Lockwood were annexed. Taking into account about 15 zoning applications and 4 subdivision applications from Lockwood annually, results in about \$15,000 in fees at the current fee schedule. These fees could be used to help off-set an additional Planner I position by about 28%.

SUMMARY:

Annexing Lockwood will cause an increase in zoning applications, subdivision applications and the number of building permits reviewed by the Planning Division. Since Lockwood is already served by the Planning Division in the County, the increase is not due to just the annexation. The increase in workload will be generated by Lockwood's access to municipal sewer services and other infrastructure services. These services will allow Lockwood to develop toward its full potential and create a need for more planning resources. An increase of 10% to 20% more zoning applications, 14% to 15% more subdivision applications and additional building permit reviews may require an additional Planner I to continue to serve City residents with the same level of service experienced today. Salary and benefits costs for a Planner I are about \$51,200. Additional staff supplies and equipment is about \$1,200. The estimated total cost for an additional Planner I position is \$52,400. Application fees collected from the Lockwood area could help reduce the cost of a Planner I to about \$37,200 based on the current fee schedule.

POLICE DEPARTMENT

Animal Shelter

Animal Control and Animal Shelter will be impacted through:

- Additional enforcement responsibilities
- More animals coming to the shelter
- Increased O&M
- Necessity for additional manpower and equipment (AC truck)

Police

Listed below are some projections for providing law enforcement services to Lockwood.

- Lockwood population is approximately 7,200 in a 25 square mile area. We currently police about 40 square miles.
- The distance to Lockwood from our established patrol area would require that we keep two cars in Lockwood all the time. The alternative would be to respond as needed, but then response times become an issue.
- If BPD stays at current authorized strength of 132, annexation of Lockwood would reduce officers per 1,000 to .81 (from 1.31).
- If BPD wishes to stay at 1.31 per 1,000, approximately six additional officers would be needed.
- Six additional officers would cost approximately \$312,000 (salary only) over existing budget.
- Six additional officers will require two fully equipped cars at approximately \$45,000 each.
- Fleet increases will affect O&M.

PUBLIC WORKS DEPARTMENT

We estimated public works assessment revenues based on current County zoning and square footage records. However, there were instances where no zoning classification had been applied to parcel records, or County zoning did not match City zoning, so we used the closest City zoning classification. Please see Attachment B for the detailed information. The Exxon Refinery is ineligible for annexation to the city; however, we believe most of the refinery properties are outside the Lockwood boundary so this likely would have little affect upon estimated assessment revenues.

While not an overwhelming consideration, we need to discuss what will happen to the existing Lockwood Water and Sewer District. While the district could remain in place and operate the water and sewer system, we believe it would introduce inefficiencies, potential conflicts, and possibly a rate disparity among City residents like we had at one point in the Heights Water District.

Commercial & Meter Division

The Lockwood Water & Sewer District currently has six (6) employees and approximately 1,650 water meters.

We would need to add one Account Clerk II position to handle the additional customer service issues and to set up appointments with customers to change out their Badger meters to Neptune unites with Radio Frequency Meter Interface Units (RF MIU's).

The meter shop will have adequate staffing **IF** the additional representative position that has already been requested in the FY08 budget is approved. We believe a full-time representative would be needed for approximately one year until the meters are changed out and then a part-time position should be adequate.

It will cost between \$400,000 and \$500,000 to change out the meters and install the Radio Frequency meter reading devices.

Distribution & Collection Division

We understand the Lockwood water system is composed mainly of asbestos cement pipe, which in our eyes is not desirable and should probably be considered a long-term liability. If the City takes over operation of the water and wastewater systems, assuming there is a wastewater system, we are looking at the likelihood of needing more resources. The following improvements would be recommended to the water system and the costs would most likely be borne by the City.

Upgrades to existing distribution system consisting of looping, replacements, strengthening and addressing water quality issues -- \$10,600,000 (today's dollars)

Future extension to distribution system for development (participation in reservoir) -- \$1,363,000 (today's dollars)

At a minimum, we would need at least one additional sewer jet and two men to staff it. In addition, if we take over Lockwood Water, ***we would need additional personnel for Lockwood water system O&M.***

Engineering Division

The following is an estimate of the costs associated with improving Lockwood streets, storm drainage system, and street lights to City of Billings' standards in the event of annexation.

STORM DRAINAGE: There is currently no known existing storm drainage in Lockwood. With the street improvements discussed below, all collector and arterial streets would have curb and gutter added. Given the addition of the curb and gutter, it was decided that a valid estimate would be based on the addition of storm drainage in all of the arterials over a 15-year period. There are over 13 miles of minor arterial streets. We estimate that constructing 13 miles of storm drain, with the associated detention and outfall facilities, would cost approximately \$1 million per year for 15 years. This is a very general estimate; a storm drain plan would need to be completed to produce a better estimate. We estimate annual storm sewer assessment revenues for Lockwood will be about \$686,759.

STREET LIGHTS: No cost was added to street lights because the addition of street lights would be accomplished through the creation of street light districts that would be the responsibility of district residents.

STREETS: We determined it is infeasible to estimate the costs to bringing Lockwood streets up to City standards because we do not have enough information about right-of-way or the need for right-of-way acquisition. Lockwood streets are currently an average of 25 feet wide. To meet our standards widths (39' collector and 42' arterial), we would need to acquire right-of-way, which adds a great level of unpredictability to the estimate. We did add an alternate showing what it would cost to actually construct the arterials to 42 feet wide, but we did not attempt to assign a value to right-of-way acquisition.

The following shows the basis of the estimate:

Overlay Existing Paved Minor Arterials – Add Curb, Gutter & Sidewalk
\$106 per linear foot cost and total cost of \$7,348,598 (25' width)

Overlay Existing Paved Collectors – Add Curb, Gutter & Sidewalk
\$106 per linear foot cost and total cost of \$8,703,024 (25' width)

Overlay Existing Paved Residential Streets
\$25 per linear foot cost and total cost of \$2,843,280 (25' width)

Construct Unpaved 39' Collector Streets – Add Curb, Gutter & Sidewalk
\$198 per linear foot cost and total cost of \$7,589,894 (39' width)

Overlay Existing Unpaved Residential Streets
\$25 per linear foot cost and total cost of \$1,712,040 (25' width)

Cost for Recommended Plan 1-5: \$28,196,837

Additional Option: Rebuild 42' Minor Arterials instead of Overlay – not including ROW Cost *Added* cost of \$7,001,966 (\$14,350,565 total)

Total Cost for Recommendation w/ Alternate: \$35,198,803

As shown above, due to the relatively good condition of the asphalt on the paved streets, we just estimated the cost to overlay and add curb, gutter and sidewalk to the arterials and collectors. We made the assumption that the sub-grade was adequate for overlay. For gravel residential streets, we planned an overlay without adding curb, gutter and sidewalk. All gravel collectors were assumed to be built to City standard widths and have curb, gutter, and sidewalk included. All gravel residential roads were planned to be overlaid only. The alternate shown is to rebuild all arterials to City standard widths. The total cost of the rebuild was reduced by the overlay amount included in the first estimate to show just the additional cost if that alternate is estimated. The following information is a breakdown of all options that we reviewed and estimated. Any combination of these options can be assumed for the estimate in lieu of the options shown in the above table. A spreadsheet is attached at the end of the memo with the same information.

PAVED MINOR ARTERIALS (13.13 MILES):

Overlay Existing Minor Arterials: The existing paved minor arterial streets average 25 feet wide in Lockwood. Based on a historical average of \$1 per square foot to overlay, this option would cost \$1,733,160.

Overlay Existing Minor Arterials – Add Curb & Gutter: This would bring the linear foot cost up from \$25 to \$62 and the total cost would be \$4,298,237.

Overlay Existing Minor Arterials – Add Curb, Gutter & Sidewalk: This again increases the linear cost per foot to \$106 bringing the total cost to \$7,348,598.

Construct 42' Minor Arterial with Curb & Gutter: \$163 per linear foot cost and total cost of \$11,300,203.

Construct 42' Minor Arterial with Curb, Gutter & Sidewalk: \$207 per linear foot cost and total cost of \$14,350,565.

Note: The construction costs for the 42' Minor Arterial streets do not take into account any Right-of-Way costs that may be associated with increasing the street width.

PAVED COLLECTOR STREETS (15.55 MILES):

Overlay Existing Collectors: As with the Minor Arterials, the Collector streets also average 25 feet wide. The cost to overlay these streets would be \$2,052,600.

Overlay Existing Collectors – Add Curb & Gutter: This brings the linear foot cost up from \$25 to \$62 and the total cost rises to \$5,090,448.

Overlay Existing Collectors – Add Curb, Gutter & Sidewalk: Linear cost per foot is \$106 and total cost is \$8,703,024.

Construct 39' Collector only: Using an average of \$3 per square foot to calculate costs, this translates into a \$117 per linear foot and would cost \$9,606,168 to widen all existing collector streets to a standard 39' width.

Construct 39' Collector – Add Curb & Gutter: This brings the linear cost per foot up from \$117 to \$154 and the total cost would be \$12,644,016.

Construct 39' Collector – Add Curb, Gutter & Sidewalk: The linear cost per foot rises to \$198 and total cost goes to \$16,256,592.

Note: The construction costs for the 39' Collector streets do not take into account any Right-of-Way costs that may be associated with increasing the street width.

PAVED RESIDENTIAL STREETS (21.54 MILES):

Overlay Existing Residentials: Also averaging 25 feet wide, the paved residential streets account for the largest number of streets (in terms of miles) in the Lockwood street network. The cost to overlay the residentials would be \$25 per linear foot and total \$2,843,280.

Overlay Existing Residentials – Add Curb & Gutter: A linear foot cost of \$62 and a total cost of \$7,051,334.

Overlay Existing Residentials – Add Curb, Gutter & Sidewalk: Adding the sidewalk increases the linear foot cost to \$106 and brings the total cost to \$12,055,507.

GRAVEL COLLECTOR STREETS (7.26 MILES):

Overlay Existing Gravel Streets: The cost would probably be slightly higher than a typical overlay, but we'll use the \$1 per square foot figure for calculations. The linear foot cost would again be \$25 and the total cost \$958,320.

Overlay Existing Gravel Streets – Add Curb & Gutter: The linear foot costs increases to \$62 and the total cost comes in at \$2,376,634.

Overlay Existing Gravel Streets – Add Curb, Gutter & Sidewalk: A linear foot cost of \$106 and a total cost of \$4,063,277.

Construct 25' Collector Streets: Using the construction cost of \$3 per square foot generates a linear foot cost of \$75 and a total cost of \$2,874,960.

Construct 25' Collector Streets – Add Curb & Gutter: Linear cost per foot of \$112 and a total cost of \$4,293,274.

Construct 25' Collector Streets – Add Curb, Gutter & Sidewalk: Linear cost per foot of \$156 and a total cost of \$5,979,917.

Construct 39' Collector Streets: Using the same construction cost per square foot of \$3, we arrive at a linear foot cost of \$117 and a total cost of \$4,484,938.

Construct 39' Collector Streets – Add Curb & Gutter: Linear cost per foot of \$154 and final cost of \$5,903,251.

Construct 39' Collector Streets – Add Curb, Gutter & Sidewalk: Linear cost per foot of \$198 and total cost of \$7,589, 984.

GRAVEL RESIDENTIAL STREETS (12.97 MILES):

Overlay Existing Residential Streets: Simply paving the existing gravel streets. The cost per square foot may be higher than the \$1 figure that we've been using, but we'll continue to use it in this case. \$25 linear foot cost translates to a final cost of \$1,712, 040.

Overlay Existing Residential Streets – Add Curb & Gutter: \$62 per linear foot cost and a final cost of \$4,245,859.

Overlay Existing Residential Streets – Add Curb, Gutter & Sidewalk: \$106 per linear foot cost and a final cost of \$7,259,050.

Construct 25' Residential Streets: Using the \$3 per square foot cost for reconstruction provides a linear foot cost of \$75 and a final cost of \$5,136,120.

Construct 25' Residential Streets – Add Curb & Gutter: \$112 per linear foot cost and a final cost of \$7,669,939.

Construct 25' Residential Streets – Add Curb, Gutter & Sidewalk: \$156 per linear foot cost and a final cost of \$10,683,130.

Conclusion: A 20% contingency and a 20% fee for engineering design and construction administration was added to the above costs to complete the estimate to bring Lockwood streets and storm drain to standards discussed herein. The following is the estimate.

Storm Drain	\$15,000,000
Streets	\$28,196,837
Construction Total	\$43,196,837
Contingency 20%	\$ 8,639,367
Engineering 20%	\$ 8,639,367
Total	\$60,475,571
Total with Alternate	\$70,278,324

We estimate annual arterial construction fee assessment revenues for Lockwood will be \$719,801. In addition, GO bond mills for streets are current at 3.25, so the annexation of Lockwood would result in \$35,170 in additional revenue.

Environmental Division

No response received.

Solid Waste Division

Upon annexation of Lockwood, there would be a 5-year moratorium for providing solid waste services. The division is capable of providing the services at the end of the moratorium period with additional resources.

Street-Traffic Division

Because we have no specific data on which to base our estimates, we used the following to estimate street maintenance costs for the Lockwood area:

- Billings has 500 miles of road surface, and the Street-Traffic annual budget is \$5.5 million, so Lockwood, with 95 miles of road surface, may require \$1,045,000.

Therefore, we believe a reasonable starting point for street maintenance expense discussion purposes is about \$1 million (assuming road surfaces are good to excellent).

Providing street maintenance services to Lockwood will require that we purchase a pick-up truck with welder (\$20,000), a sweeper (\$160,000) and a tandem dump truck with plow (\$180,000). We will also require three additional Equipment Operator/Maintenance Worker positions at an estimated annual cost of \$47,000/each.

We estimate annual street maintenance assessment revenues for Lockwood will be \$896,878.

Wastewater Treatment Division

We believe the City should have some provision in place at the time of annexation for providing and funding a sewer system. Without this, the City may have to not only provide some amount of funding, but also have to deal with the public relations portion of trying to put together a solution to the problem. In addition, there is the issue of the TMDL program and how the Lockwood area may impact the wastewater plan discharge permit limits. In addition, we believe the TMDL program will impact the storm water issue.

The following are improvements that would be necessary to provide the backbone wastewater system that would likely be borne by the City. Property owners would incur additional costs for construction of their neighborhood special benefit portions of the system.

Construction cost (does not include neighborhood collection system) -- \$16,808,793 (today's dollars) **

** A single force main for the river crossing was included in the cost estimates. We recommend dual force mains for reliability so total construction cost will be higher.

For the wastewater plant to treat approximately 1 million gallons a day, in addition to our regular flows, would not require additional personnel.

Water Treatment Division

We recommend the following improvements to the water system that would most likely be borne by the City.

Water plant:

- Near Term -- \$280,000 (today's dollars)
- 5 Year Term -- \$1,060,000 (today's dollars)
- 10 Year Term -- \$90,000 (today's dollars)

The Water Treatment Division needs will depend the future of Lockwood Water. Several scenarios exist:

1. No separate water district and the existing treatment facility and pump station are abandoned:
 - a. Personnel Additions – none
 - b. Other – capital cost of connecting Zone 2E 30-inch line into Lockwood distribution system
2. No separate water district – existing treatment facility and pumping station remain in service:
 - a. Personnel – 2 Technicians, 1 additional electrician would be desirable
 - b. Other – no identified capital costs
3. Separate Water District – Wholesale water from Billings Plant to district like Billings Heights Water District:
 - a. Same as item 1
4. Separate Water District operating its own treatment and delivery system:
 - a. No personnel costs or capital costs
 - b. Loses potential for overall cost savings from operational consolidation

PROS & CONS SUMMARY:

Cons:

- Much of the water system consists of asbestos-cement pipe, which becomes a hazardous material if disturbed and broken.
- We understand we were to assume there is no water or sewer district. However, the water and sewer district is currently a legal entity, in place, and it will remain so unless a majority of the freeholders within the district petition to

have the district dissolved and the district board opts to do so. While the district could continue to provide the water and wastewater services to the area even if annexed, it would be another situation similar to the Heights Water District with the potential for disagreement with the City, inefficiencies of operation and possible rate disparity between city residents.

- Cost of probable City-financed improvements is substantial. While there is the potential to recover much of that cost through the collection of construction fees and system development fees, the situation could create a cash flow issue that would compete with other priorities currently faced by the City.
- The District has been unable to get approval by the Lockwood residents for construction of a wastewater system even with partial grant funding available. We believe that the City would be taking on a very difficult task of trying to get a sewer system constructed. With the marginal/poor condition of some of the septic systems in Lockwood, we see the conditions in the area continuing to deteriorate and becoming more urgent, even possibly to the point of becoming a health hazard.
- Is it advisable to annex a relatively concentrated area of septic systems, some of which are not functioning properly, without knowing how this type of situation will be impacted by the yet to be determined TMDL process? Since nitrogen is a by-product of septic systems, and nitrogen is a pollutant of concern in the TMDL process, staff wonders if sewerage Lockwood will become a higher priority once the TMDL process is complete. If the area is annexed, there may be more of a burden on the City to address the situation. Conversely, one could argue that having the area under City control could allow more influence on the outcome. Until there is a better understanding of the TMDL process, it is hard to surmise which is the better approach.
- We wonder if there is the potential for a disproportionate share of storm water related problems from runoff due to the commercial/industrial nature of the area coupled with the fact that there is no developed storm sewer system in the area. This may have contributed to more ground contamination that will continue to contribute to runoff problems.

Pros:

- The existence of the water and sewer district makes the issue of system development and construction fees cloudier. If the District is dissolved, we expect that the City would then take over any existing facilities and operate them. In this situation, just like we did in Briarwood, the City would collect system development fees and construction fees, which will help offset the anticipated expenditures summarized above. However, should the water/sewer district continue in operation, the City would not assess these fees or be responsible for financing the improvements. With a total gross area of the district estimated at 5147.5 acres (224,225,100 sq. ft.), and with a net assessable area of 72% of this (161,442,072 sq. ft.), the wastewater

construction fee assessment at the current assessment rate would amount to \$19,712,077 plus a franchise fee of \$788,483. For this same area, the water construction fee at the current assessment rate would amount to \$9,654,236 plus a franchise fee of \$386,169.

- If the water/sewer district is dissolved, district water rights may be available to the City.
- Lockwood residents will pay City taxes and assessments. This would be beneficial since many residents work in Billings.

Engineering Division Cost Estimates

	\$/lf	Paved Arterial (miles) 13.13	Paved Collector (miles) 15.55	Paved Residential (miles) 21.54	Gravel Collector (miles) 7.26	Gravel Residential (miles) 12.97
Overlay 25' w/o C&G&Sidewalk	\$25	\$1,733,160	\$2,052,600	\$2,843,280	\$958,320	\$1,712,040
Overlay 25' w/ C&G&Sidewalk	\$106	\$7,348,598	\$8,703,024	\$12,055,507	\$4,063,277	\$7,259,050
Build 39' Collector w/o C&G&Sidewalk	\$117		\$9,606,168		\$4,484,938	
Build 39' Collector w/C&G&Sidewalk	\$198		\$16,256,592		\$7,589,894	
Build Minor Arterial (42') w/ C&G&S	\$207	\$14,350,565				
The Plan						
Overlay Min Art w/ C&G		\$7,348,598				
Overlay Paved Coll w/ C&G		\$8,703,024				
Overlay Paved Res w/o C&G		\$2,843,280				
Build gravel collector w/ C&G		\$7,589,894				
Overlay gravel res w/o C&G		\$1,712,040				
total plan		\$28,196,837				
Option - add						
Rebuild 42' min art instead of overlay		\$7,001,966				
Total plan with option		\$35,198,803				

Existing

	Miles	Square Feet	Percent	PCI
ENTIRE NETWORK	70.46	9,286,605	100.00%	66.6
Minor Arterials	13.13	1,788,299	19.26%	84.7
Collectors	22.81	3,105,935	33.45%	57.8
Residentials	34.51	4,392,371	47.30%	65.5
	Miles	Square Feet	Percent	PCI
PAVED STREETS	50.22	6,705,657	100.00%	70.0
Minor Arterials	13.13	1,788,299	26.67%	84.7
Collectors	15.55	2,060,866	30.73%	60.5
Residentials	21.54	2,856,492	42.60%	67.5
	Miles	Square Feet	Percent	PCI
GRAVEL STREETS	20.24	2,580,948	100.00%	58.0
Collectors	7.26	1,045,069	40.49%	52.4
Residentials	12.97	1,535,879	59.51%	61.7

PCI = Pavement Condition Index

Zoning	# of Capped Parcels	Square Footage	Assessment Amount	Total Estimated Assessment	Comments
Arterial Construction Fee Assessments				\$719,801.78	
CAP	17	N/A	\$16,796.00		
CC		1,714,088	\$15,066.83		
CI		16,325,016	\$156,720.15		
EGC		2,317,919	\$20,907.62		42 parcels with County EHC zoning are included
ELC		290,101	\$2,390.43		
HC		3,741,277	\$33,746.31		
HI		15,676,144	\$167,421.21		
PUB		22,015,442	\$46,672.73		11 parcels with County Ag Suburban and 53 parcels with Ag Open zoning are included
RMH		4,156,048	\$19,824.34		
RP		192,535	\$1,332.34		
R60		179,758	\$1,146.85		
R70		237,695	\$1,010.20		
R96		56,841,984	\$210,883.76		348 parcels with no zoning and 445 parcels with County R150 zoning are included
VACANT		20,706,414	\$25,883.01		
Storm Sewer Assessments				\$686,759.14	
CAP	29	N/A	\$26,477.00		
CC		1,714,088	\$13,918.39		
CI		16,325,016	\$144,802.89		
EGC		2,317,919	\$19,331.44		42 parcels with EHC zoning are included
ELC		290,101	\$2,207.66		
HC		3,741,277	\$31,202.25		
HI		15,676,144	\$154,723.54		
PUB		22,015,442	\$43,150.26		11 parcels with Ag Suburban and 53 Ag Open zoning are included
RMH		4,156,048	\$18,328.17		
RP		192,535	\$1,230.29		
R60		179,758	\$1,060.57		
R70		237,695	\$934.14		
R96		55,728,384	\$191,148.35		348 parcels with no zoning and 445 parcels with R150 zoning are included
VACANT		32,969,132	\$38,244.19		
Street Maintenance District #2				\$896,878.32	
CAP	81	N/A	\$73,710.00		
		137,768,758	\$823,168.32		
Total Estimated Public Works Assessments				\$2,303,439.24	

