

# Big Sky

## Annexation Study

### December 2016

Prepared by:  
City of Rapid City | 2016



## INTRODUCTION

Cities throughout the United States traditionally use annexation as a means of extending urban services to urbanized or potentially urbanized areas. South Dakota Codified Law (SDCL) 9-4 establishes the procedures by which municipalities annex areas. The first method states that, “upon receipt of a written petition describing the boundaries of any territory contiguous to that municipality sought to be annexed to that municipality, may by resolution include such territory or any part thereof within such municipality if the petition is signed by not less than three-fourths of the registered voters and by the owners of not less than three-fourths of the value of the territory sought to be annexed to the municipality....”<sup>1</sup>

The second method requires the City to prepare a study of the area to be annexed. Within the study the governing body shall determine “the need for the contiguous territory and to identify the resources necessary to extend the municipal boundaries.”<sup>2</sup>

The purpose of the Big Sky Annexation Study is to satisfy the statutory requirements of 9-4-4.1. This annexation study represents a situation where the property owners have attempted voluntary annexation, but have been unable to fulfill the statutory requirement to collect 75% of registered voter signatures located in the Study Area.

The Study Area is identified as a long term priority in “A Resolution Establishing Future Annexation Study Areas.” This resolution was adopted by the Common Council on April 2, 2001. By this resolution the City adopted the following annexation goals:

- The annexation of lands which are necessary for the orderly growth and development of the City,
- The annexation of lands which are urbanized or urbanizing to the extent that they require urban levels of service,
- The annexation of lands, the development of which effects the health and/or safety of the residents of the City, and
- The annexation of lands to ensure an equitable tax base.

Furthermore, during the platting process for this area, the developer entered into annexation agreements with the City for over half of the parcels within the Study Area. In general, these agreements established that within five (5) years from the approval date of the Final Plat, or at such earlier time as the property is contiguous to the City of Rapid, a petition for voluntary annexation would be submitted.<sup>3</sup> As stated earlier, more recent attempts for voluntary annexation have been unsuccessful.

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<sup>1</sup> South Dakota Codified Laws 9-4-1.

<sup>2</sup> South Dakota Codified Laws 9-4-4.1

<sup>3</sup> Annexation agreements recorded at the Register of Deeds dated September 8, 1998 (Book 75, Page 975); May 24, 1999 (Book 79, Page 296); December 6, 1999 (Book 82, Page 223).

The goals of this study are to determine the need for annexation of the Study Area, quantify the costs of annexation where possible, and identify and describe those costs where it is not possible to quantify them.

## CHARACTERISTICS OF THE STUDY AREA

### Location

The Study Area is generally located east of Elk Vale Road, north of Twilight Drive, west of Reservoir Road, and south of Homestead Street, Figure 1. The Study Area is contiguous to the City limits on the north and west. The legal description for the study area is as follows:

Lots 1 - 5 of Block 1, Lots 1-6, 7R, and 8-14 of Block 2, Lots 2 – 13 of Block 3, Lots 1-9 of Block 4, Lots 1 – 12 of Block 5, Lots 1 – 23 of Block 6, Lots 1 – 6 of Block 7, Lots 1 – 3 of Block 8, Lot 1 of Block 9, Lot 1 of Block 10, Lots 1 – 15 of Block 11, Lots 1 – 15 of Block 12, Lot 1 of Block 13, Lot 1 of Block 14, Lots 1 – 11 of Block 15, and Lots 1 -2 of Block 16, and all adjacent dedicated rights of way all located in Big Sky Subdivision, Section 3, T1N, R8E, BHM, Pennington County, SD.

### Study Area Description

The study area is comprised of approximately 40 acres, developed with 131 single family homes. Based on Census figures for average household size in Rapid City, there are an estimated 310 people living within the annexation Study Area.<sup>4</sup> The property is zoned Suburban Residential District in Pennington County. The adjacent property within the Rapid City limits is zoned Low Density Residential District. The adjacent property in Pennington County's jurisdiction is zoned Suburban Residential District.

The Major Street Plan identifies DeGeest Drive as a collector street. Local streets in the Study Area include Avenue A, Hansen Lane, South Pitch Drive, and Carl Avenue. Access to the development is primarily from Twilight Drive and Reservoir Road.

Elevation in the Study Area ranges from about 3,206 feet to 3,270 feet above sea level. No portion of the Study Area is located within the Federal Emergency Management Agency (FEMA) special flood hazard area.

### Existing Services in the Study Area

The Rapid City Fire Department currently provides medical response (ambulance) services that are funded through user fees. Fire protection in the Study Area is primarily provided by the Rapid Valley Fire Protection District through the Rapid Valley Volunteer Fire Department; however, the Rapid City Fire Department provides back up support through mutual aid agreements. The Study Area currently receives police protection from the Pennington County Sheriff's Department with occasional backup support from the Rapid City Police Department. Refuse collection is currently provided by private collectors. The Study Area receives water and sewer service primarily from the Rapid Valley Sanitary District.

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<sup>4</sup> 2010 -2014 Census Bureau Quick Facts <http://www.census.gov/quickfacts/table/PST045215/4652980>

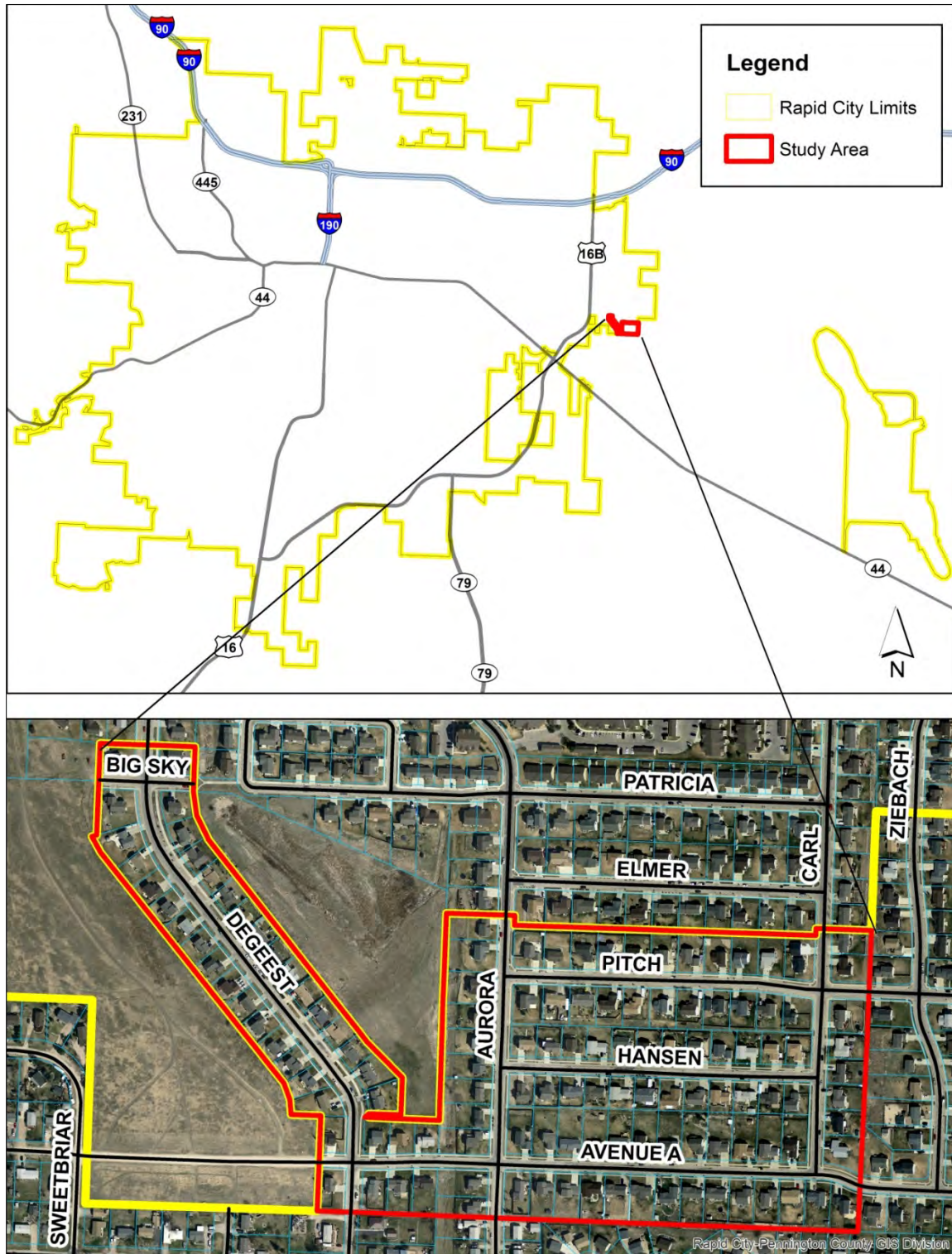


Figure 1: Study Area Location

## **The Comprehensive Plan**

The City's comprehensive plan, *Plan Rapid City*, is a policy document to guide future growth and development. It is a tool for ensuring orderly, efficient, and resourceful growth and development in the community.

The Study Area is located within the Elk Vale Road Neighborhood Area. The goal for this area is to establish the neighborhood as one of the City's high priority urban growth and reinvestment areas. The comprehensive plan recommends supporting the expansion of new residential development, requiring the annexation of contiguous properties when development occurs, and requiring annexation agreements for non-contiguous properties. The comprehensive plan identifies future land uses in the Study Area to consist of Low Density Neighborhood, a category encouraging primarily single family and two family residences with one to eight dwelling units per acre. Using the comprehensive plan as a guide, the property within the Study Area would be rezoned Low Density Residential District 1 or Low Density Residential District 2.

By State Statute and City Ordinance 17.26.010, all annexed land is placed into the No-Use Zoning District. Within 120 days of the effective date of the annexation, the City must establish zoning classifications for the area. Following an annexation, property is typically rezoned using one of three following methods: based on the future land use plan from the City's comprehensive plan, based on the existing uses on the property, or based on an application filed by the property owner. It is anticipated that the City would rezone this property from No Use District to Low Density Residential District-1 within 120 days after the effective date of the annexation.

## **Three – Mile Jurisdiction**

The City of Rapid City regulates the subdivision of land within the three –mile area contiguous to the Rapid City limits. Zoning of land in the three – mile jurisdiction continues to be regulated by the Pennington County Commission. If annexed, the three – mile jurisdiction would extend further south and east into Pennington County.

## **URBAN SERVICES**

### **Definition**

One of the principal considerations of annexation is the level of urban services to be provided by City government and the ability of the City to provide those services. If annexed, urban services would be provided in the following manner:

### **Fire Protection**

The Study Area is within the protection area of Station 4. Fire protection services would be made available immediately upon annexation. Existing personnel, equipment, and facilities can deliver all City fire services including fire suppression (structure and wildland protection), fire protection (code enforcement, plans review, and fire investigations), hazardous materials response and mitigations, rescue functions, and emergency medical support. As such, annexation of the Study Area would not impose significant present day costs to the City. Based on the number of proposed acres to annex and the annual Fire Department budget, this annexation represents an increase

of \$7,172 in costs to the Fire Department, absorbed within the existing Fire Department budget.

In the future, a new fire station would likely serve the Study Area. The Rapid City Fire Department is currently in the planning stages of developing an additional fire station within the Orchard Meadows subdivision south of the Study Area. Preliminary estimates for the new station include \$2 million in construction costs and ongoing personnel costs of \$1.5 million per year.

### **Police Protection**

If annexed, police protection would be provided immediately upon annexation. The Study Area is located within the City's East District. The Rapid City Police Department could provide service with existing personnel, equipment, and facilities to respond to calls for service and routine patrol with no additional significant present day cost burden to the City. A standard response time to provide law enforcement services has not been studied by the Police Department because responding units are mobile. Though annexation of the Study area would not impose measurable short run costs to the City, there are long range cost implications for growth at the City's edges.

### **Building Services, Ordinance Enforcement, and Planning**

Development in this area is currently governed by State Electrical and Plumbing Codes and the Pennington County Zoning Ordinance. The Building Services and Code Enforcement Divisions of the City will immediately begin administering services such as building permits, addressing, plan reviews, building inspections, mechanical inspections, electrical inspections, plumbing inspections, erosion/sediment control, flood plain permits, ordinance enforcement, air quality permits, and other similar services. These services can be delivered using existing personnel, equipment, and facilities with no additional cost to the City in the near term.

### **Public Transit**

The City of Rapid City currently operates both a fixed route and Dial-a-Ride transit system. The fixed route system currently extends to north Rapid City via the Roosevelt Route; however, this route does not serve the Study Area. The City provides Dial-a-Ride services to all incorporated areas of the City for individuals meeting Americans with Disabilities Act (ADA) certification criteria. A cost estimate to provide additional public transit services into the Study Area is not available.

### **Streets**

The streets within the study area are experiencing significant deterioration and are in need of repair. The City has committed funds to repair the roads, contingent on annexation of the property. The level of repair work ranges from complete reconstruction in some areas to spot repair and chip sealing in others, depending on the location. Figure 2 illustrates the roadways that will be repaired following the effective date of the proposed annexation. The estimated cost to make these repairs is \$963,000. If annexed within the first quarter of 2017, the City's Public Works Department estimates the project to be completed within the 2017 construction schedule.

If annexed, the City will provide street cleaning and snow removal services within the Study Area. The Streets Division estimates the annual cost to perform these services at \$4,500.

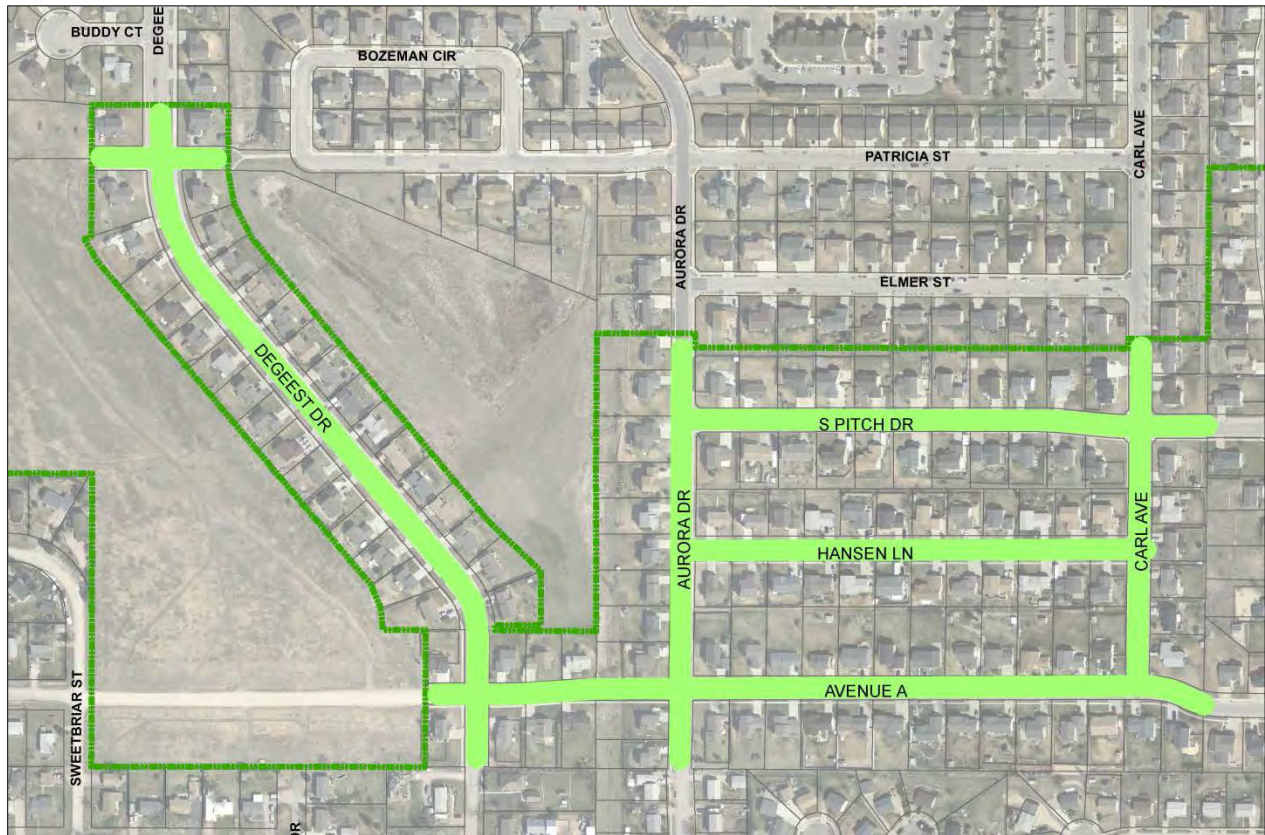


Figure 2: Location of planned road improvements in the Big Sky Subdivision

### Street Lighting

There are thirteen (13) 100 watt street lights installed within the Study Area. The City will assume costs to provide electricity to the lights at an estimated yearly cost of \$1,887.60 based on the current West River Electric rates.

### Solid Waste Collection

Within one year of annexation into the Rapid City limits, each of the properties within the Study Area will be required to utilize Rapid City garbage and recycling services. Following the effective date of the proposed annexation, the Solid Waste Division would coordinate a sign-on period with property owners to transition from private contract service to City service in an efficient manner. The costs to study area residents and the City for initial account setup and weekly refuse service are identified below in Table 1 and Table 2. It should be noted that the City's Solid Waste Division is based on an enterprise fund system where the costs for services are used to pay for the provision of services City wide. As such, this annexation would not result in additional cost burdens to the City's Solid Waste Division.

Table 1: Itemized costs for solid waste collection upon annexation

<b>Costs to residents at time of Annexation</b>	
One time sign-on service fee and deposit	\$80.94/property x 131 properties = \$10,603.00
Monthly service fee for a 95 gallon refuse can	\$18.77/property x 131 properties = \$2,459.00
<b>Costs to Rapid City Solid Waste at time of Annexation</b>	
New Trash Containers	\$53/tote x 131 properties = \$7,074.00
New Recycle Containers	\$43/tote x 131 properties = \$5,633.00
Staff time	One time notification, setup and delivery estimate = \$2,500.00  Annual Collection of 131 properties (garbage, recycling, yard waste) estimate = \$6,200.00

Table 2: Summary of costs for solid waste collection to city and Study Area residents

	<b>City</b>	<b>Per Resident/Owner in the Study Area</b>
<b>One-Time Annexation Costs in the First Year</b>	\$15,207	\$80.94
<b>Yearly Cost for Service (based on current rates)</b>	\$2,500	\$225.24

**Water and Sewer Services**

The Rapid Valley Sanitary District provides water and sanitary sewer collection services to the vast majority of the annexation area. However, there are two properties located outside of the Rapid Valley Sanitary District that are connected to City water and sewer services. Upon annexation, there will be no change in service for these two properties. The Rapid City water and sewer systems are operated through enterprise funds similar to a private business. Rates charged to users of the systems are established to fund operating costs. There are currently no water or sewer projects planned within the Study Area. Upon annexation, the residents currently receiving services from the sanitary district would continue to do so.



## **Stormwater Drainage**

The City develops and implements a stormwater management plan within its corporate limits to protect the quality and quantity of stormwater runoff entering Rapid Creek, Canyon Lake, Box Elder Creek, Roosevelt Pond, Lime Creek, the Cement Plant Pond, and all tributaries resulting from Rapid City's urban growth. The plan addresses control measures City wide such as: public education and outreach; public participation/involvement; illicit discharge detection and elimination; construction of site storm water runoff control; post construction storm water management; and pollution prevention/good housekeeping for municipal operations. No stormwater drainage facility improvements are currently planned directly within the Study Area.

Upon annexation, the property owners will be subject to the stormwater utility fee. Based on the average size and land use of the existing property, the estimated annual fee is \$31 per property. This fee is charged once per year with property taxes.

## **Parks and Recreation**

The Rapid City Parks and Recreation Department does not currently provide facilities located within the Study Area. According to the Parks and Recreation Department, the Big Sky Subdivision does not meet level of service targets for proximity to parks and open space as identified in Goal RC1.1C of the comprehensive plan. The comprehensive plan aims for residents to be located within a quarter mile of a public or private park that is 1 acre or less in size, a half mile from a public or private park that is one to ten acres in size, and within two miles of a larger community park. The nearest recreation/open space opportunities to the Study Area are classified as Special Use Facilities and include the Star of the West Softball Complex and the Campbell Street Soccer Field and Greenway. These facilities are located approximately 3 miles from the Study Area.

Since dedication of parks and open space was not required for this development, introducing these facilities may rely on joint-use facility agreements between the City and the School District. The Parks and Recreation Department will be conducting the ten year Parks and Recreation Plan Update in 2017. A cost estimate to provide future facilities is not available at this time. If the Study Area is annexed, long range planning for parks and open space will be addressed in the 2017 Parks and Recreation Plan Update.

## **Other Services**

The City provides numerous other urban services for which residency is not required including parks and recreational facilities, the Rushmore Plaza Civic Center, Dahl Fine Arts Center, Rapid City Regional Airport, Journey Museum and Learning Center, and the Public Library. Though fees and rental payments fund a large portion of their costs, tax support from City residents also plays a role.

## COSTS OF ANNEXATION

### Taxes

Taxes are an important consideration for the City government, city residents, and affected property owners to consider as part of annexation. City government is concerned about property taxes because through these taxes many urban services are financed. In Rapid City, police protection, fire protection, road maintenance, park maintenance, the city library, and many recreation activities are directly supported by property taxes. Therefore, it is important that Rapid City maintain a strong and diverse tax base.

City residents are concerned that property taxes and levels of service be kept in balance. Services must be kept at an acceptable level without raising property taxes to unreasonable heights. All three units of government that levy property taxes, the County, the School District, and the City must respect this concern. Certainly residents of the Study Area are concerned about potential property taxes.

This section will analyze the impact of City property taxes on the Study Area. The amount of City property taxes to be paid by the property owners is determined based on the assessed valuation of property in the Study Area. According to the Auditor's Office, the assessed valuation of the property in the Study Area for 2016 payment is \$21,541,046. The Study Area predominantly belongs to tax district 4/D-VFVS which has a total mill levy of 16.158 per \$1,000 of taxable property valuation under owner occupied status. If annexed, the property would assume the tax district 4D-RC VS, which has a total levy of 17.497 per \$1,000 of taxable property valuation under owner occupied status.

If annexed, the estimated difference in the tax assessment rate applied to the subject territory upon annexation would be the addition to the City levy of 3.278 mills and the elimination of 1.939 mills for the Rapid Valley Fire Protection District, County Fire Administration, Unorganized Road District, and the Rapid City Library.

In other words, property owners in the Study area currently pay \$16.158 in property taxes for every \$1,000 in taxable valuation their property holds. If annexed, \$17.497 would be collected for every \$1,000 in taxable valuation their property holds. For each \$1,000 in taxable property valuation, a property owner is estimated to pay an additional \$1.339 upon annexation. For a property that has a taxable valuation of \$200,000, this correlates to a yearly increase of \$268, for a total of \$3,499 per year in property taxes.

In addition to the change in mill levy rates described above, there may be additional taxes incurred to property owners due to the Study Area being located within a Rural Fire District that carries outstanding debt. Under SDCL 34-31A-35, any portion or area of land which was part of a rural fire district and which is annexed into a bordering municipality is liable for any indebtedness incurred while within the boundaries of the Fire District. By ordinance, municipalities may assume a portion or all of the indebtedness on annexed land. Section 3.20 of the Rapid City Municipal Code outlines the processes and procedures under which rural fire districts can request the City to repay the applicable portion of indebtedness. The Rapid Valley Fire Protection District has provided notice to the City as required in Section 3.20.020 to request

repayment in the event of annexation. The payment amount may be calculated as follows:

$$\frac{\text{(Taxable valuation of property being annexed} \div \text{Taxable valuation of the Fire District)}}{\text{(Total amount of remaining indebtedness at time of annexation)}} *$$

Based on this formula, the maximum amount the City could reimburse the Rapid Valley Fire Protection District is \$142,524. The City may pay all, a portion, or none of this indebtedness. The Finance Office has indicated that the funding source for this payment would be the General Fund, undesignated cash.

If the City does not reimburse the Fire District, the property owners may be held liable as a debt district upon request of the Rapid Valley Volunteer Fire Department to the County Auditor. If this were to occur, the County Auditor would calculate the percent of property valuation in the debt district verses the remainder of the Fire District each year. Then the County Auditor would levy the resulting percentage of annual payment to the debt district. For example, the Study Area currently represents 4% of valuation in the Rapid Valley Fire Protection District. The annual payment on the Fire District's outstanding debt is \$165,230. In order to pay the Study Area's portion of outstanding debt, the mill levy using valuations for payment in 2016 is 0.30, or \$0.30 for each \$1,000 in taxable property valuation. For a home with a taxable valuation of \$200,000 this would result in approximately \$60 added to the annual tax bill to be paid to the Fire District's outstanding debt if the City chose not to make the full payment as identified above.

*Table 3: Estimated debt district levy for the Study Area if the City does not reimburse the Rapid Valley Fire Protection District*

The 2015 assessed valuation of the RV Fire District	\$548,178,313
2015 factored value of annexation area	\$21,541,046
Remaining debt as of 12/1/16	\$3,626,958.33
Annual Fire District Debt Payment (made in two semiannual payments)	\$165,230.00
Current Study Area portion of Fire District debt based on land area	4%
Mill levy for the Study Area's portion of the annual payment	0.30
<b><u>Estimated Study Area tax based on \$200,000 in valuation and a mill levy of .30</u></b>	<b><u>\$60.28</u></b>

In summary, annexation of the subject territory will result in increased property taxes ranging from approximately 8.3 - 10.1% for property owners. These property taxes will support provision of urban services, including the anticipated road repair costs. Table 1 identifies that annexation would result in a net increase in the taxes collected ranging from \$1.339 – \$1.639 per \$1,000 in taxable property valuation. Table 4 identifies the 2015 mill levies and anticipated changes upon annexation of the Big Sky Subdivision.

Table 4: Anticipated change in property tax levies upon annexation

Taxing Entity	Taxing District Codes		Difference
	4D-VFVS (OO)	4D-RCVS (OO)	
County	4.822	4.822	0.000
School	8.891	8.891	0.000
Water	0.030	0.030	0.000
Fire	0.480		-0.480
Civil		3.278	3.278
Sewer	0.476	0.476	0.000
Roads	0.000	0.000	0.000
Ambulance	0.000	0.000	0.000
Fire Admin	0.092	0.000	-0.092
Unorganized Road District	1.156	0.000	-1.156
Library	0.211	0.000	-0.211
<u>Total Levy</u>	16.158	17.497	1.339
<i>Potential Debt District Levy</i>		0.300	
<u>Total Levy if a Debt District is Created</u>	16.158	17.797	1.639

Table 5: Anticipated changes to property taxation upon annexation

Current Total Mill Levy Outside City Limits	16.158
Estimated City Mill Levy Upon Annexation	17.497
Estimated City Mill Levy Upon Annexation, with Fire Debt District	17.797
Estimated Range for Net Change in Mill Levy	1.339 – 1.639
Estimate Range for % Change in Mill Levy	8.3 – 10.1%

**Present Day Costs to City Government**

Table 6 identifies the estimated costs of annexation for City government. The estimated present day cost to annex the Study Area ranges from \$976,559.00 (if the Fire District is not reimbursed) to \$1,119,083.00 (if the Fire District is fully reimbursed).

It is important to note that a majority of this expense (\$963,000.00) results from the road improvements which are already budgeted by the City as a planned expenditure. After the initial road repair cost, maintenance and service costs will not pose undue financial hardship to the City. Based on current property assessments and a mill levy of 3.278, the City will collect approximately \$70,612 in property tax revenue annually.

Table 6: Present day costs to City government<sup>5</sup>

SERVICE		YEARLY COST
General Administration		
	Mayor's Office	No additional cost
	Finance Office	No additional cost
	Attorney's Office	No additional cost
	Information Technology/GIS Office	No additional cost
	Department of Community Planning & Development Services	No additional cost
	Building Services	No additional cost
	Code Enforcement	No additional cost
Public Transit		No additional cost
Fire Protection		Estimated \$7,172.00
Voluntary Reimbursement to the Rapid Valley Fire Protection District		Maximum \$142,524.00
Police Protection		No additional cost
Operations of City Water & Sewer Service		No additional cost
Streets & Highways		
	Traffic Control	No additional cost
	Road Improvements	\$963,000.00
	Street Cleaning, Snow Removal, General Maintenance	\$4,500.00
	Street Lighting	\$1,887.60
Parks/Trails/ Recreation Facilities	Parks and Recreation Department	No additional cost in the short term.
Solid Waste Collection		Self-supporting through enterprise funds, no additional cost
Stormwater Drainage		Funded through the stormwater utility fee
Other Urban Services		No additional cost

<sup>5</sup> No additional cost is indicated for services where existing City resources are adequate to service the Study Area. This estimate does not take into account the compounding effect that City growth at the edges has on long range fiscal sustainability. As the City grows at the edges, costs to provide services increase system wide; however, these costs are difficult to estimate on an annexation by annexation basis, particularly for a smaller scale annexation such as this.

## TIME TABLE

If the Study Area is annexed, urban services would be provided according to the following timeline.

*Table 7: Timetable for delivery of urban services*

<u>SERVICE</u>		<u>TIME OF DELIVERY</u>
General Administration		Effective date of annexation
Public Transit		Existing routes, facilities, and services will be available as of the effective date of the annexation
Fire Protection		Effective date of annexation
Police Protection		Effective date of annexation
Streets & Highways		
	Road Improvements	Expected to be completed with 2017 construction schedule contingent on an annexation effective early in 2017.
	Snow Removal	Same manner as provided to the rest of the City upon annexation
	Street Cleaning	Same manner as provided to the rest of the City upon annexation
Parks	Parks/Trails/Recreation Facilities	No new facilities to serve the Study Area directly will be provided in the immediate future
Solid Waste Collection		Immediately Upon annexation upon request of property owners. No later than one year following annexation.
Stormwater Drainage		No projects are currently planned in the Study Area.
Other Urban Services		Variable, many services available to residents outside of city limits

## RECOMMENDATIONS

Annexation of the Study Area is recommended based on the criteria established in SDCL 9-4 and in the Rapid City Annexation Policy. A review of the criteria shows need for annexation and that ample and suitable resources exist to serve the area as follows:

### **Need for Annexation**

The need for this annexation is necessitated in order to provide safe roadway rehabilitation and maintenance services and other urban services to a populated area that is contiguous to the City limits. Under Rapid City's Annexation Policy, the City will consider an area properly annexable if it meets one or more of six criteria.

- 1) An area that exists primarily to furnish a place of residence for persons who are employed in a densely settled municipality;
- 2) An unincorporated area that is densely populated in and of itself;
- 3) An area that represents the actual growth of a municipality beyond its legal limits and has developed for urban purposes;
- 4) An area whose residents have the advantages of a municipal government and its institutions;
- 5) An area where commercial and or industrial expansion has occurred; or
- 6) An area that is more valuable for town or city purposes than it is for agricultural purposes.

By these criteria, the Study Area meets the requirements to be considered for annexation as defined by criterion number one, two, three, four, and six.

### **Demonstration of Ample and Suitable Resources**

This study has shown that ample and suitable resources exist presently to extend the Rapid City municipal boundaries to include the Study Area. Urban services and public infrastructure to serve the existing development are currently available, or can be provided by the City. This study has made an attempt to describe long range future costs where possible.