Development Impact Analysis:

10 Year Outlook

April 2002

Montrose County, Colorado

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INTRODUCTION

Development impact reports enable Towns and Counties to make *full cost accounting* of the impacts of new growth and development on local economies, public infrastructure, fiscal resources, revenues, land use/physical attributes, and some environmental and social resources.

This development impact report analyzes growth within Montrose County over the next ten years.

RPI's reports may be accompanied by an on-site presentation of all findings at a publicly noticed meeting if requested by community staff or elected officials.

Conducting development impact analysis is a complex and time-consuming endeavor. However, the payoff for determining the costs of growth will outweigh the up front effort and expense.

Development impact reports are a useful tool for local governments and citizens alike because they allow communities to engage the following issues:

1) Calculate the incremental costs of growth.

   Understanding the costs of growth at its fundamental level is the most flexible way to calculate the true costs of growth both now and in the future. This report contains the building blocks with which to understand and track future growth in your community. Once the costs generated by a single residence or commercial / industrial land use are known, simple arithmetic can be used to determine the cost of any number of units. Within this report costs are be broken down into residential /non-residential units, population, and vehicle trips. Each is thoroughly explained in the appropriate section of this report.

2) Link land uses to fiscal realities

   One of local governments most powerful tools is the ability to exert influence over land uses. Because of the variable costs associated with different types of land use, governments can, given quality information, perform cost and benefit analysis of proposed uses. Cost benefit analysis

is equally important when considering comprehensive planning, zoning and/or rezoning of land.

We know that certain types of land use are more intense than others and consequently we expect them to have greater impacts. For example, the average large grocery store generates far more vehicle trips, public safety calls, and solid waste than virtually any single family home. Clearly, this is a high intensity land use. On the other hand, large grocery stores can produce significant amounts of tax revenue, perhaps offsetting their costs. If our criterion is simple fiscal contributions, a grocery store may come out far ahead of single-family homes in a cost-benefit analysis. Of course, the financial "bottom line" is not always the single determinate in community decisions concerning land use. However, in many ways, development impact reports help us to quantify some quality of life issues.

Many people would agree that traffic jams, high crime rates, or not having enough clean drinking water represent serious quality of life issues. Unfortunately, many of these conditions arise when Counties or Towns grow faster than public, and often even private, services and infrastructure can service them. Consequently, services and infrastructure tend to degrade, quickly creating backlogs, which are difficult to rebound from.

Another common phenomenon in the rural west (that is by no means new) is the dis-aggregation of industrial, residential, and commercial sectors between jurisdictions. In other words, houses are found in one jurisdiction, shopping in another, and the jobs in yet another. An example of this might be the relationship between Ridgway, Cortez, and Telluride *or* Aspen, Carbondale, and Glenwood . These sprawling economies foment a host of varying impacts that are unique to each community—not the least of which is increased traffic—all of which affect our everyday lives.

Frequently, planning and zoning takes place using only experience and intuition. While these are certainly important components of quality planning, RPI believes that comprehensive and accurate information is a critical element that is often missing. Ultimately, community involvement, and sound judgment combined with accurate, objective information will yield the best results for long-range County and Town planning.

3) Establish baseline information

In order to chart a course for the future, a County or Town must know where it is right now. An extremely useful component of RPI's analysis is the establishment of current Level of Service (LOS) information concerning local government services and infrastructure. Typically, service levels are

established on a per capita basis. For example, parks may be related in terms of acres per capita or library items as volumes per capita. While as numbers these may seem somewhat abstract and dry, they serve two important functions. First, they are an absolute, quantitative description of the service a typical citizen receives from any public good. Clearly, a library with 100 books serving a population of 10,000 is providing poor service to the community. Alternately, a library that holds 10,000 books for every citizen is going to provide a tremendous level of service. Likewise with parks and open spaces, or fire protection. Higher levels of service in administrative departments often lead to better capacity to deal with day- to-day issues as well as the ability to make long range plans and freeing up staff to generate funding for ambitious community goals.

LOS = Level of Service

This report not only reveals existing conditions in the community now, but also makes comparisons to other localities and/or national standards---providing some context of where it is now and where it may go in the future.

4) Lay the groundwork for fees and services

RPI's analysis and numbers are meticulously generated from the most current and accurate information available. When the cost of growth is realized, local government may want to take steps to mitigate some of the impacts through fees and taxes. Because RPI is demonstrating the *incremental* costs of growth, not all of the per unit cost numbers can, or should, be converted into fees and taxes. To do so requires an additional step that involves identifying: who is going to bear the tax burden, for what, how much is being contributed by other mechanisms, and for how long. However, given the establishment of the base numbers found in this report, this step is a relatively simple one for many departments and services. Please be aware, that road and street costs are an exception to this rule and often require significant additional work and analysis.

Important Concepts to Understand

It is imperative that two simple concepts be thoroughly understood prior to examining the results of this report.

1) Level of Service (LOS)

The idea of level of service will recur throughout this report. A simple analogy serves to illustrate the concept. Suppose that you entered a

restaurant with a small kitchen, two tables, and two waiters; you sit at one of the tables and begin dinner. You would expect, given the ratio of waiters to tables, that the service be good. Now consider that you enter the same restaurant a week later, with the same kitchen and the same two waiters, to discover that they have added one hundred additional tables and that the restaurant is packed with people. Certainly, after having been seated, you would expect a significantly decreased level of service from the two waiters. Of course, the same happens with provision of government services and infrastructure. If new growth is not accounted for in police, fire, health, sewer and a host of other services while population is being added, we should expect to see a decrease in our overall level of service. Meaning, that perhaps we are stuck in traffic more often, our parks are more crowded, we must wait weeks to see a doctor, or that our water use is limited to certain times of day.

Level of service also allows the community to see where it stands in relation to other communities or even against national standards. It is a measuring stick from which the community can decide to increase or decrease its existing service. For example, your community has police service that is higher than the national standard, but your park system does not equal that of other, similar sized communities. You may decide to de-emphasize funding priorities for law enforcement and instead focus on growing a park system, while imposing a fee structure that ensures that new growth and development will not degrade the law enforcement that you currently have.

2) Projections vs. Forecasting

Projections and forecasts are often mistaken for the same, however this is inaccurate, and a distinction between the two is particularly important when considering development impact analysis.

The Rural Planning Institute usually uses projections in its methodology. Projections are essentially an if-then statement about the future. If variable x grew at ten percent over the last ten years *and* the next ten years are relatively similar *then* variable x will continue to grow at 10 percent. Strictly speaking, projections are never wrong because they simply make the assumption that a trend observed over time will continue into the future. In fact, projections are often extremely accurate, particularly over 5-15 year periods. Because projections are based on historical trends, they take into account the typical ups and downs over time. For example, unemployment observed over the last ten years would have been high in the late eighties and early nineties, and quite small in the late nineties – a typical business cycle. An average taken between 1985 and 2000 would

reflect this and the consequent projection into the next fifteen years would reasonably predict the same.

Forecasts represent a significantly different concept. They are a judgmental statement that represents a best guess about future conditions. Forecasts typically utilize a wide array of disparate variables and then combine them with the forecasters expertise and experience to generate a "prediction" of future conditions. In certain situations, forecasts can certainly be useful, however, they are inappropriate for fiscal forecasting. Why? Would Montrose County be wise to gear all of its current budgeting toward servicing a ski resort that may or may not develop? Probably not, there are simply too many variables involved and it would be impossible to make an accurate prediction. Furthermore, forecasting methodologies may vary widely, making it difficult for third parties to understand how results are achieved.

Virtually all of RPI's numbers are predicated on projections. In some cases the projections are modified.

This report represents a useful tool for evaluating future developments in Montrose County. The numbers for incremental costs may be applied to many housing units within the county. Please do not hesitate to call Rural Planning Institute for clarification or with questions concerning any element of this project.

EXECUTIVE SUMMARY & FINDINGS

Purpose

This report performs a fiscal analysis of many County and Special District services and how they will be affected by growth in Montrose County over the next ten years.

While the revenue and cost projections are based on the best available data and techniques, RPI recognizes that they inevitably contain some degree of error due to unforeseen future events. However, the utility of this document lies in its ability to highlight existing revenue/expenditure issues and problems within the Counties current budget. The document also specifically quantifies and defines existing service levels for various departments.

Summary

Montrose County, like many high growth jurisdictions in Colorado, has and is suffering some degree of service degradation due to growth. RPI has projected that service levels will continue to erode without the addition of new or expanded revenue sources.

Because Montrose has already developed existing deficits for many services, and this backlog is projected to exacerbate, it is imperative that Montrose County release itself from the spending limits imposed on it through the TABOR amendment if it hopes to both recoup losses and maintain adequate service levels over the next ten years.

The chart below demonstrates Montrose County's potential annual operations shortfall in 2012. The disparity between these numbers represent the continued erosion of services and the inability of the current revenue regime to maintain existing service levels over time in the face of continued growth.

General Fund Annual Operations Revenue Shortfall		
General Fund Costs	$	16,972,394
General Fund Annual Revenues	$	15,198,388
General Fund Annual Revenue Shortfall	**$**	**1,774,006**

The tables below detail department-by-department costs for residential units – both for ongoing annual operations and one time capital facilities. Please note that these are current incremental costs and may be used to generate estimates of project costs throughout the analysis area.

Incremental Annual Operations Costs for County Departments

Department	Per Residential Unit	Per 1000 Sq. Ft. Non-Residential Floor Area
Administration	$ 162	$ 207
Sheriff	$ 218	$ 187
Fairgrounds	$ 14	
Jail	$ 150	$ 40
Extension Services	$ 6	$ 8
Health	$ 119	
Road and Bridge	$ 553	$ 256
Human Services	$ 249	
Total Annual Operations Costs	**$ 1,473**	**$ 699**

Incremental Capital Facility Costs for County Departments

Department	Per Residential Unit	Per 1000 Sq. Ft. Non-Residential Floor Area
Administration	$ 66	$ 84
Sheriff	$ 183	$ 154
Fairgrounds	$ 140	
Road and Bridge	$ 3,509	$ 1625
Human Services	$ 93	
Total One-Time Capital Facilities Costs	**$ 3,991**	**$ 1,863**

Findings by Department

Administration

- To maintain the current operations LOS for administration in 2012 will require 23 more full time administration employees.

- The cost of staffing the 91 administration employees needed to maintain the current LOS in 2012 will cost about $6.2 million/yr (includes inflation), a near doubling of the $3.6 million administration budget of 2000.

- In order to accommodate the 23 additional employees needed by 2012, the County will need an additional 2,700+ ft^2 of administration space, for a cost of nearly $500,000. Failure to provide adequate space could make it impossible for the County to keep up with the staffing needed to accommodate new development since the availability of work space can be *the* limiting factor dictating whether or not the County hires additional administration employees.

Law Enforcement

- In order to maintain the current Level of Service (LOS) for law enforcement in Montrose County growth in unincorporated population and commercial activity over the next ten years, the Sheriff's department will need an additional 7 full-time equivalent officers by 2012 along with all of the necessary equipment and support staff.

- Consequently, costs will increase from the current annual operations budget of just under $2 million to just over 3 million in 2012 (includes inflation).

- It will cost about $870,000 to construct the Justice Center space necessary to maintain the current LOS.

Fairgrounds

- Maintaining the $6/capita LOS for Fairgrounds operations and maintenance Level of Service in 2012 (including an inflation factor) will cost about $340,000/yr.

- The total contemplated fairgrounds development and acquisition program (unofficial) between now and 2012 will cost almost $1.4 million.

- The 2012 target LOS for fairgrounds facilities represents an improvement over the current LOS and will cost almost $1.4 million to achieve.

- The fairgrounds may want to consider adjusting its events/ticket fees to cover these costs.

Road & Bridge

- RPI recommends that the County spearhead an in-depth transportation plan that considers "transportation sheds" in the context of maintenance and improvements for particular roads

- Without additional road and bridge funding, the County road system is going to suffer both in the context of day to day operations and maintenance and in the context of road system improvements necessary to keep up with the 4.1% annual growth in traffic in the unincorporated County

- The annual shortfall is projected to be $2.6 million per year in 2012 and the potential capital improvements backlog will be at least $25 million.

- While the County may be able to endure some drop in the level of service, the magnitude of shortfalls projected in this analysis are likely to result in major maintenance and capital improvements backlogs from which it will be extremely difficult to recover

- Any portion of the 1% sales tax would be sufficient to cover both the operations and maintenance costs and the capital improvements (if re-instated at its sunset 2006)

- Montrose County road and bridge mill levy is one of the lowest in the State. Montrose County's road and bridge mill levy is currently set at .152 mills, which means that it ranks 47th out of 52 counties in the State. It is substantially lower than the Statewide average road and bridge mill levy (2.7 mills). Were the road and bridge mill levy set at the State average, it would yield $1.1 million annually in 2012, covering nearly half of the projected annual shortfall.

- Impact fees re-direct some of the fiscal burden of developing new capital facilities and infrastructure needed for new development away from the taxpayers at large and more directly towards the development generating the need for the expanded capital facilities.

- It may be worth looking into the legal issues surrounding the conversion of the road system into a utility that would be treated much the same as a water or sewer system with an initial fee for capital improvements and then periodic service fees for operations and maintenance

Human Services

- Since the Human Services Department is highly reliant on State and Federal funding, it follows that the department should conduct an in depth study of the future of this funding and plan accordingly.

- The department should not assume that the general fund will be able to make up significant funding shortfalls since it has its own fiscal challenges.

- The Department could ask the voters to raise the mill levy, which would result in a stable increasing revenue source and may decrease the reliance on the State/Federal funding.

- In order to pay for the capital facilities necessary to accommodate the additional staff and increased volume of public demand, the Human Services Department should consider implementing an impact fee. See the general fund recommendations for details on impact fees.

Fire

- The surplus projected through 2012 should probably be put into a reserve fund.

- The Fire District should consider reviving former efforts to impose a fire/ambulance equipment and station impact fee.

School

- Increasingly lower numbers of students per household with steady student growth

- Significant facilities increases / significant backfilling of current less than satisfactory facilities

- Increasing dependence on State equalization funds, accompanied by lower proportions of local revenue

- Decreasing bonding power (relative to increases in valuation)

- Montrose County and the School district should update the school land dedication bi-annually so that revenues and land dedications are maximized from this source

- There are many creative ways by which revenue for capital facilities may be exacted from new growth.

Library

- The Montrose library district is providing quality services to the patrons within the district. However, it should be noted that the library is working with significantly lower service levels than national and (perhaps more importantly) Colorado standards. This is true in terms of employees, collection, expenditures, and revenues.

- The library may consider partnering with the Fire District to help convince the County of the merits of an impact fee for public capital facilities. While more equitably assigning the cost of growth to the beneficiaries, an impact fee for library development might, relieve the operating budget from large capital outlay line items, allowing the general fund to be directed towards operation and thus increasing service levels. The district may also consider some form of user fees attached to circulation cards.

- RPI has noted some past successes wherein library districts partnered with local schools to provide joint library services to both students and the community. This may be an option for the Naturita and Paradox branch outlets.

- The Library district should consider the implications of TABOR on its primary revenue sources. It should also be noted that TABOR limits the districts ability to receive and spend grant monies (with which it might increase its service levels. Additionally, the district is limited in its ability to receive and spend other future tax revenues.

Sanitation

- The district may want to consider doubling its existing monthly service charge so that the fees more closely represent the cost of treating influent. This has the further advantage of freeing other revenue sources (such as a mill levy) to be earmarked for future capital facilities expenditures.

- The district may want to consider doubling its tap fees so that the charges more closely represent the fair share of investment in new treatment facilities to serve new growth.

Methodology

The methodology used by RPI Consulting to conduct development analysis consists of the following five steps:

1. Demand unit measurement and projection
2. Determining the Proportionate Share
3. Determining the current Level of Service (LOS)
4. Calculating the cost of maintaining the current Level of Service (LOS) given the projected demand units
5. Revenue comparisons and fiscal summary

This basic approach applies to each department or special district included in this analysis. Following is a more detailed explanation of each step.

Demand Unit Projection

Demand units are the units of growth generating additional demand for public facilities and services. Demand units differ for departments and/or special districts, depending on the nature of the service and facilities provided. For example, housing units are used for calculating increased demand on schools. School districts will usually experience marked increases in the number of students when there are increases in dwellings for families, that is to say, housing units. Similarly, increased demand for library services, materials, and facilities is related to the overall population. More people translate into more library users, so population is a demand unit for calculating additional costs on the library. Non-residential demand units are typically defined in terms of square footage, but there are some minor exceptions.

Montrose County's ten-year outlook process involves 1) choosing the important demand units, 2) measuring the current number of demand units, and 3) projecting the demand units generated by the projected development in 2012.

Proportionate Share

RPI development impact analyses assign the cost of development to specific land uses. This requires a determination of what proportions the residential and non-residential portions of the projected growth will cost various departments, districts, and subtraction of costs that are not directly related to the development. For example, a Marshall's office responds to calls in specific places, some of which are residential and others that are commercial or institutional. Accurate projection of the increased demand generated by a development with a certain amount of residential and non-residential development first requires a known proportion of how the department or special district's resources are directed to residential and non-residential land uses, as well as to areas unrelated specifically to land use (such as highway pass-through traffic). Establishing these numbers generates the proportionate share.

Calculating the Level of Service

Level of Service (LOS) calculations are dependent on having the current demand units for a department or special district and the breakdown of how its resources get divided between residential and non-residential units (i.e. proportionate share). The level of service (LOS) is defined as the amount of resources (employees, dollars, sq. ft., library items, etc.) per demand unit, and is expressed both in terms of day-to-day operations and maintenance and in terms of capital facilities (buildings, equipment, library circulation items, etc.). After the proportionate share has been applied to the resources, LOS can be expressed as a cost, number of employees, sq ft. of space, etc. per demand unit. This is the fundamental measure of the incremental cost of growth. For example, the current LOS for administration operations in Montrose County is 1.8 administration employees per 1000 population and .2 employees per 100,000 sq. ft. of non-residential space. These employees can also be converted into simple dollar costs by accounting for payroll costs and overhead.

If a department or district is planning major upgrades to their service levels (for example, if the Montrose County Library were planning to triple the size of the library) Level of Service can be expressed in terms of target Level of Service by a certain year.

Projecting the Cost of Maintaining the Current Level of Service Given the Projected Demand Units

The incremental cost of growth, that is, the cost per demand unit, is multiplied by the projected demand units in 2012 to obtain projected cost of maintaining

the current level of service or target level of service for the projected 2012 demand units.

Revenue Projections and Fiscal Summary

In the final step, revenues are projected and compared to the costs. Revenue projections are all specific to the type of revenue and methodologies are explained throughout. For this ten year outlook, most of the revenue projections are straight or adjusted linear projections. At this stage it becomes evident whether the development will pay its way to maintain the current or target level of service or if the LOS will decline short of additional funding

MONTROSE COUNTY EXISTING CONDITIONS AND PROJECTED GROWTH IN DEMAND UNITS 2000-2012

Montrose County has experienced significant growth in the past decade and should continue to grow over the next ten years with residential development and population growth maintaining growth patterns. Because some County services are provided to incorporated and unincorporated areas in the County while others are only provided primarily in the unincorporated areas, it is necessary to provide the demand units for both. Further, the Sheriff's service area includes the entire unincorporated County, plus the Town of Nucla. Data sources are listed in the right column of **Figure 1**. Population projections for the entire County were obtained directly from the CO department of Local Affairs Demography Section website[1].

[1] http://www.dola.state.co.us/demog/index.htm

Montrose County Demand Unit Trends and Projections

Figure 1. Montrose County demand unit projections

	1990	2000	2012	Annual % Change 2000-2012	Source
Entire County Population	24,423	33,432	43,451	2.5%	Census
Housing Units	10,353	14,202	18,458	2.5%	Census
Non-Residential Sq. Ft.	4,337,662	6,352,384	8,770,049	3.2%	Montrose County Assessor
Jobs	13,670	19,434	28,535	3.9%	CO Dept. of Local Affairs
Unincorporated County Population	13,218	18,146	23,768	2.6%	Census
Housing Units	5,436	7,303	10,097	3.2%	Census
Non-Residential Sq. Ft.	741,844	1,062,495	1,447,276	3.0%	Montrose County Assessor
Sheriff Service Area Population	13,872	18,880	24,890	2.7%	CO Dept. of Local Affairs
Housing Units	5,774	7,672	9,950	2.5%	CO Dept. of Local Affairs
Non Residential Sq. Ft.	826,207	1,143,875	1,525,078	2.8%	Montrose County Assessor

Population

Montrose County gained 9,000 people between the 1990 and the 2000 Census and is projected to gain another 10,000 people between 2000-2012, a projected annual increase of 2.5% (2000 base year).

Housing Units

According to 2000 and 1990 Census data, residential units in Montrose County (commonly called housing units) increased at the same rate as the population between 1990-2000. RPI assumes that this will continue to be the case, thus the housing unit projections are derived simply by dividing the population projections by the number of residents per housing unit Countywide (2.4 residents per housing unit in both 1990 and 2000).

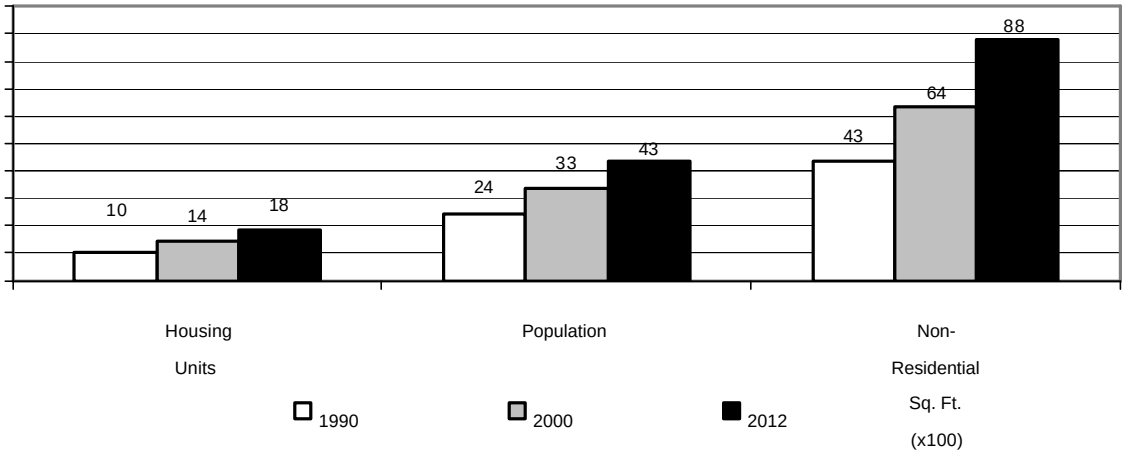
Montrose County Non-Residential Square Footage

The two basic development categories are residential and non-residential. Non-residential development consists of all of the improvements in the County other than residential units. This includes commercial structures, office space, warehouses, government/institutional – everything *but* housing.

Montrose County Assessor "CAMA" level data allowed RPI to inventory all of the non-residential structures in Montrose County. The detailed CAMA database attributes allowed RPI analysts to sort the buildings by use (merchandising, office, warehouse, industrial, government, etc.) and to add the square footages by use type. The assessor database contains a year built for each building inventoried which is used to generate accurate and detailed (by use type) non-residential square footage growth trends from 1990-2000 (see **Figure A** in the **Appendix** for detailed non-residential trends). Non-residential square footage in Montrose County increased by just over 2 million sq. ft. between 1990-2000 for a total of just over 6.35 million sq. ft. in 2000.

The 2012 projections for non-residential development in Montrose County were derived using a projection of the linear increase of dispersed non-residential development during 1990-2000. Naturally, the amount of non-residential development in the unincorporated County is much lower because most non-residential development occurs within municipal boundaries.

Figure 2. Montrose County Demand Unit Trends and Projections



Demand Units Trends and Projections for Special Districts

Obtaining growth trends in housing units and non-residential sq. ft. for the special districts under consideration in this analysis required the use of GIS layers of the district boundaries and parcel level data containing CAMA level assessor data about the sq. ft., number of units, etc within the various districts. This allowed RPI analysts to inventory the residential and non-residential development in each district in 1990 and 2000. Census data sufficed for the Library District, since it encompasses the entire County except Nucla and Naturita. The Census also includes data specific to housing and population in school districts.

Figure 3. Special District Demand Units

	1990	2000	2012	Annual % Change 2000-2012	Source
Library District Housing Units	9,581	13,198	17,538	2.7%	Census
Population	23,335	32,063	42,537	2.7%	Census
Montrose Fire District Housing Units	7,078	9,730	12,912	2.7%	Montrose County Assessor
Non-Residential Sq. Ft.	3,853,619	5,829,632	8,200,849	3.4%	Montrose County Assessor
Tri-County Water Housing Units	5,626	6,934	8,503	1.9%	Montrose County Assessor
Non-Residential Sq. Ft.	2,388,240	2,979,374	3,688,736	2.0%	Montrose County Assessor
W. Montrose Sanitation Housing Units	343	490	666	3.0%	Montrose County Assessor
Non-Residential Sq. Ft.	36,566	97,142	169,832	6.2%	Montrose County Assessor
School District Housing Units	9,408	12,905	17,102	2.7%	Census

COUNTY GENERAL FUND DEPARTMENTS

The County budget is separated into 25 separate funds, the largest of which is the General Fund. General Fund expenditures are organized into over 30 separate, but often related, County functions. RPI analysts sorted these functions into 5 broader, but functionally distinct categories:

1. **Administration**, which includes the following:

   - County Manager/Commissioner's Office
   - Finance
   - Planning and Building
   - County Clerk
   - Assessor
   - Treasurer
   - Surveyor
   - Coroner
   - D.A.

2. **Sheriff**, which includes:

   - Law Enforcement
   - Dispatch
   - Emergency Services

- Fire Control

3. **Jail**

4. **Land Management**, a relatively minor category, includes:

    - Extension Office
    - Weed Management

3. **Other Miscellaneous General Fund Departments** includes several unrelated, difficult to classify general fund functions:

    - Building and Grounds
    - Contributions/Memberships
    - Health Care
    - Senior Fund Transfers
    - Airport Subsidy

Classifying the general fund expenditures into these categories provides a framework from which to establish levels of service as they relate to demand units (e.g. housing units, population, non-residential sq. ft., etc.). Such classifications allow RPI analysts to project the cost *to the entire general fund* of maintaining service levels based on new demand units added over the next ten years. Cost estimates for the entire general fund can then be compared to the total projected general fund revenue. This total general fund fiscal analysis is crucial because the revenues have sub-classifications, which do not relate line by line to the expenditures.

MONTROSE COUNTY GENERAL FUND DEPARTMENT 2012 DEVELOPMENT IMPACT ANALYSIS

In this section we will estimate the cost of the projected growth through 2012 on all general fund departments (or functions) of the Montrose County Government: Administration, Sheriff, Jail, County Health, Extension Service, and Fairgrounds. Cost estimates include both operations/maintenance costs and capital facilities costs[2]. Following the estimated costs, general fund

[2] Health, Extension Service, and Jail do not include capital facilities costs estimates. Originally, the County did not request analysis of those departments, but it was necessary to estimate the annual operations cost

revenue sources are projected into 2012 and compared with the costs in the final fiscal analysis.

ADMINISTRATION

Introduction

Incremental growth has impacts on County administration that are less obvious than those on other departments and districts, nonetheless impacts on administration are just as real and can affect the quality and efficiency of County services in significant ways. For the purposes of this analysis, the County Administration consists of the following County departments or functions: County Manager and other Administration, Board of County Commissioners, County Attorney, Assessor, Clerk and Recorder, Treasurer, Land Use, Coroner, D.A., Tech Services, and Veteran's Resources. County administration is the headquarters for all County operations, and drops in service levels from the headquarters will ultimately affect the entire County.

Undoubtedly more people and business activity create more demand for County administrative services. This increased demand translates into more staff, facilities, and equipment. We know that larger Counties, such as Jefferson, have larger administration staffs than smaller Counties (Park or Mineral). The key to maintaining a quality administration service level is for the County to increase administration resources in proportion to the growth in population and business activity. Essentially, this means the County must increase its administration staff, facilities and resources, that the public, and elected and appointed officials need in order to function properly. Failure to maintain this proportionate increase will degrade the service levels for the entire County.

Methodology

The first step is to determine in what proportion the County's administrative resources are expended on the residential and non-residential sectors respectively. Having determined the residential and non-residential sector demand units, residential population and non-residential square footage are divided into the existing operational expenditures and capital facilities values to obtain an existing Level of Service (LOS) per demand unit. Given the

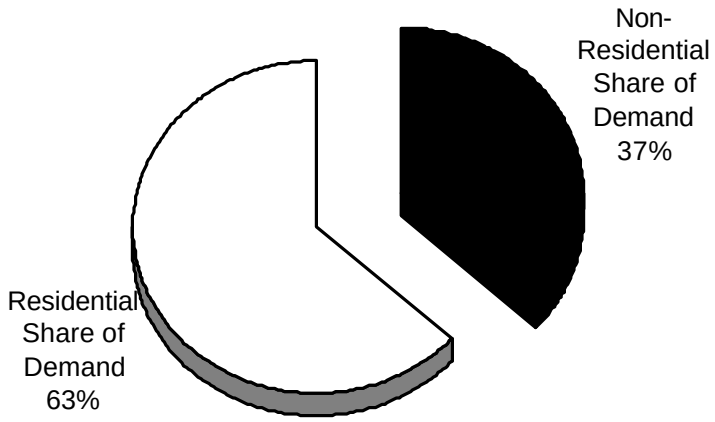
for all County general fund departments in order to properly compare costs to revenues in the general fund fiscal summary.

demand units projected to be generated by 2012, a cost of maintaining the existing level of service.

Proportionate Share

In essence, the breakdown between residentially driven demand for administration and non-residentially driven demand breaks down to the amount of activity in the County that each of these development types generates. Residential development creates more capacity for additional population, and more people means more demand on the administration while non-residential development generates more jobs, a fundamental unit of non-residential activity. Therefore, RPI calculated the administration proportionate share using the ratio of Montrose County jobs to population in 2000. Throughout this report, the breakdown between residential and non-residential demand is referred to as the *Proportionate Share*.

Figure 4. Administration Proportionate Share



Operations

Current Level of Service

Currently, Montrose County administration requires 69 FTEs (full-time equivalent employees at 40 hours per week). The administration employee figures also include the administration's share of the building and grounds workload[3]. Administration employees applied to the proportionate share

[3] All based on the Finance department's breakdown of employees by department.

above yields a level of service of 1.3 administration FTEs per 1,000 residents in the County and .004 FTEs per 1,000 sq. ft. non-residential development. Because most of the County's administrative responsibilities extend into the municipalities, the population and non-residential sq. ft. used in the above calculation includes the entire County.

Figure 5. Administration Operations Current LOS

	FTEs	Costs
2000 Administration FTEs	68.6	$ 3,578,151
2000 Administration FTEs/1000 Residents	1.3	$ 67,701
2000 Administration FTEs/1000 sq. ft. Non-Residential Floor Area	0.004	$ 207
Cost per Administration Employee	1	$ 52,180

The cost of staffing one administration employee is $52,180. This is an across the board average for the County Administration and includes overhead, insurance, benefits, buildings and grounds maintenance, etc.. This means that every 1,000 residents cost the County Administration almost $68,000/yr and each 1,000 sq. ft. of non-residential development costs the Administration $207 per year.

Cost of Maintaining the Current Level of Service for Administration in 2012

Given the projected growth in population and non-residential square footage in the entire County (outlined in previous section on demand units) and the current Level of Service for administration (above), Montrose County will need at least 23 more full time administration employees (for a total of 91 FTEs) to maintain the current day-to-day operations level of service for administration departments. Given the 2000 average annual cost to staff an administration employee and a standard inflation factor[4], it will cost the County approximately $6.2 million per year in 2012 to maintain the current Level of Service for Administrative operations.

Figure 6. Administration FTEs, Staff, and Other Costs of Maintaining Current LOS

	FTEs Needed to Maintain Current LOS	Annual Cost Maintaining Current LOS (Includes Inflation)
2012 Projected Population	56.4	$ 3,860,143
2012 Projected Non-Residential Sq. Ft.	34.8	$ 2,383,588
Total	91.2	$ 6,243,731

[4] Based on BLS national scale CPI projections.

Capital Facilities

RPI's analysis of a facilities inventory conducted by the County Manager's office and the list of employees kept by the Finance department revealed the Administration departments currently occupy about 8,300 ft^2 of building space, or 121 ft^2 per employee. In order to maintain that Level of Service (LOS) the County will need another 2,700+ ft^2 of administration space. This additional space (assuming a purchase of additional land) will cost almost $480,000[5].

Figure 7. Current Montrose County Administration Capital Facilities Needs 2012

Administration Space (ft^2) per FTE	121
Additional Administration Floor Area Needed for Projected 2012 New Administration Employees	2,737
Cost for Administration Square Footage Needed for Projected 2012 New Administration Employees	$ 478,975

Conclusions

- Maintain the current operations LOS for administration will require 23 more full time administration employees.

- The cost of staffing the 91 administration employees needed to maintain the current LOS in 2012 will cost about $6.2 million/yr (includes inflation), a near doubling of the $3.6 million administration budget in 2000.

- In order to accommodate the 23 additional employees needed by 2012, the County will need an additional 2,700+ ft^2 of administration space, a cost of nearly $500,000. Failure to provide adequate space could make it impossible for the County to keep up with the staffing needed to accommodate new development since the availability of work space can be *the* limiting factor dictating whether or not the County hires additional administration employees.

[5] Using a standard institutional construction cost/sq. ft.: $175/sq. ft..

LAW ENFORCEMENT

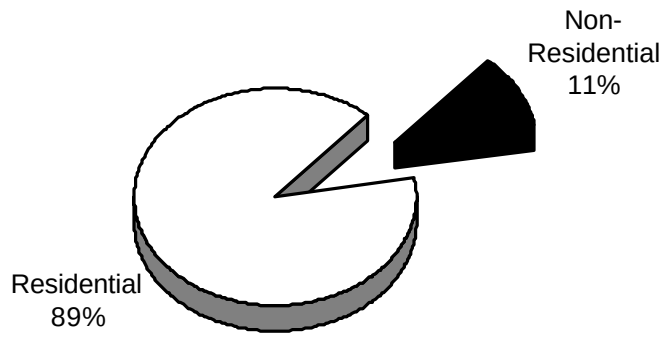
Introduction

The Montrose County Sheriff's department, like other County departments, must increase its resources as the County grows. This increase in demand for law enforcement is driven by two trends: 1) growth in resident population, 2) growth in commercial and government/institutional activity accompanied by increased population. Failure to increase law enforcement as the unincorporated County and Nucla grow will result in a drop in the level of service. This could translate into lower patrolling intensities, less traffic enforcement, truncated crime prevention programs, and possibly lower response times as the County develops in its more remote areas.

Proportionate Share

RPI calculated the residential/non-residential proportionate share for the Sheriff's law enforcement function using a chart of actual offenses as categorized by the Sheriff's records office. The manner in which these offenses are categorized allowed RPI analysts to ascertain what proportion of the actual offenses were related to the residential and non-residential sectors respectively (see **Appendix Figure 55** for a detailed description of the establishment of the Sheriff's Department proportionate share).

Figure 8. Montrose County Police Proportionate Share



Operations

Current Level of Service

Currently, the Sheriff's force consists of 23 full-time equivalent officers. Given the residential proportionate share above (89%) and the 2000 population (see earlier section on demand units), this translates into 1.1 police officers per 1000 residents. The non-residential proportionate share (11%) together with the 2000 non-residential sq. ft. in Montrose County yields a current level of service for the non-residential sector of .002 officers per 1000 sq. ft. of non-residential floor area. The cost per officer includes law enforcement administration staff, overhead, and dispatch services. **Note:** operating costs includes vehicles.

Figure 9 Montrose County Law Enforcement 2000 Operations Level of Service

	FTEs	Annual Costs
2000 Sheriff Operations Cost (includes Sheriff's share of dispatch expenses)	23	$ 1,962,167
2000 Operations Cost/Officer	1	$ 85,312
2000 Officers/1000 Residents	1.1	$ 92,584
2000 Officers/1000 Sq. Ft. Non-Residential Floor Area	0.002	$ 187

Cost of Maintaining Current Level of Service in 2012

To maintain the current Level of Service for both the projected residential and non-residential demand units in 2012 (see prior section on current and projected demand units), the Sheriff's office will have to staff an additional 7 full time equivalent officers, for a total of 30 officers. Adjusting current staffing costs to account for inflation, it will cost nearly $3.4 million annually to staff a 30 officer Sheriff's force in 2012.

Figure 10 Officers Needed and Costs of Maintaining Current Montrose County Law Enforcement L.O.S. in 2012

	FTEs	Costs (includes inflation)
Officers Needed for 2012 Population	27	$ 3,023,883
Officers Needed for 2012 Non-Residential Floor Area	3.3	$ 374,712
Total Officers Needed 2012	30	$ 3,398,594

Capital Facilities

During the early 1990's Montrose County undertook the task of funding and building the Justice Center, slated to be paid-off by 2006.

Figure 11. Montrose County Sheriff's office Capital Facilities Current Level of Service

Existing Sheriff Law Enforcement Facility Floor Area	12,851
Total Sheriff Law Enforcement Employees	39
Sq. Ft. per Employee	332
Current Value/Sq. Ft. of Justice Center	$ 212
Cost/Employee for Justice Center Space	$ 70,351

While the current space might accommodate the department for several more years, it is useful to establish the current level of service nonetheless. This required estimating the officers and other support staff occupying the law enforcement portion of the justice center (39 total). The 300+ sq. ft. per employee in the law enforcement portion of the Justice Center is more than twice the sq. ft. per employee in the Administration. This reflects the newer more spacious facility and the fact that law enforcement departments also require more non-office space than administration buildings (security entrances, holding cells, etc..).

Figure 12. Cost of Maintaining the Current Level of Service for Sheriff's Law Enforcement Capital Facilities in 2012

Additional Sheriff Employees (including officers, support, dispatch, special programs)	12
Cost for Sheriff Facility Square Footage Needed for Projected 2012 Additional Officers	$ 872,448

While the Sheriff's department may have some room to allow its capital facilities LOS to drop some, it is still useful to see what it will cost to maintain it over the next ten years.

Conclusions

- In order to maintain the current Level of Service (LOS) for law enforcement the Sheriff's department will need an additional 7 full-time equivalent officers by 2012 along with all of the necessary equipment and support staff.

- Consequently, the operations cost will increase from the current annual budget of just under $2 million to just over $3 million in 2012 (includes inflation).

- It will cost about $870,000 to construct the Justice Center space necessary to maintain the current LOS for sq. ft. per employee in the Justice Center.

FAIRGROUNDS

Introduction

The Montrose County Fairgrounds provides an important role in providing facilities for community events of all types (the Fair, concerts, meetings, expos, rodeos, equestrian events, basketball and other sports practice and games, and many others). This important community asset and the Staff's ability to manage it can, like any other County facility or services, degrade if resources are not increased in proportion to the intensity of its use. Furthermore, as the community changes, adapting the facility to be more desirable and functional to the community will fuel local support for this important facility. Staff has been considering some relatively simple improvements that would bring the facility up to date.

Methodology

Since the fairgrounds are primarily an amenity for County residents the entire costs of operations and capital improvements were assigned to the residential sector. This fact eliminates the need for a proportionate share ratio. RPI divided the operations cost by the population to obtain the operations LOS while specific improvements summarized by Fairgrounds staff form the basis of the capital facilities LOS. The levels of service were then applied to the projected population to obtain the projected costs of operating and improving the Fairgrounds in 2012.

Operations and Maintenance

The 2000 operations budget divided by the 2000 Montrose County population yields the current operations LOS at $6 per person per year. That's a remarkably low number considering all of the activity that occurs at the Fairgrounds.

Figure 13. Fairgrounds Operations and Maintenance

2000 Operations Costs	$	191,346
Entire Montrose County Population 2000		33432
Annual Operations Costs per Capita	$	6

Given the 2012 projected population and an inflation adjustment, it will cost about $343,000 per year to maintain the current LOS for Fairgrounds operations and maintenance in 2012.

Figure 14. Cost of Maintaining Current Fairgrounds LOS in 2012

Entire County Population 2012		43,451
Projected Annual Operations Cost 2012 (includes inflation)	$	342,106

Capital Improvements and Acquisition

Staff compiled a list of improvements contemplated for the Fairgrounds in the near future and the estimated costs of these improvements. The biggest issue at the Fairgrounds is the lack of nearby parking. As events have gotten larger over the years, the participants are force to park along adjacent residential streets sometimes several blocks from the Fairgrounds. Staff estimates the cost of two adjacent properties that would be ideal parking for the fairgrounds at around $700,000 while new grandstands, some maintenance equipment and several other construction projects will make up the rest of the $1.39 million worth of improvements currently contemplated by Staff.

Figure 15. Contemplated Improvements to Fairgrounds

Grand Stands	$	338,000
Equipment	$	39,000
Construction	$	313,700
Parking	$	695,000
Total	$	1,385,700

The Fairgrounds contemplated acquisition and development projects planned to 2012 total $1,385,700. According to the Finance Department's list of assets, the Fairgrounds is currently worth just over $1.1 million. Given that the planned improvements will benefit both the existing population and the additional population projected in 2012, RPI divided the total value of planned improvements and the existing improvements by the total projected population in 2012 (as opposed to the population growth). This is an approach often used in assessing impact fees for planned capacity related

improvements that benefit both existing and future development. Given this approach, the County target level of service for Fairgrounds capital facilities in 2012 is $58 worth of facilities per capita. This target level of service is substantially higher than the current LOS for fairgrounds facilities ($34/capita). Simply maintaining the current LOS (as opposed to the target LOS) for fairgrounds facilities in 2012 would cost just over $343,000.

Figure 16. Fairgrounds Target LOS 2012

Proposed + Existing Improvements	$ 2,530,873
Population 2012	43,451
Target LOS 2012	$ 58

Conclusions

- Maintaining the $6/capita LOS for Fairgrounds operations and maintenance Level of Service in 2012 (including an inflation factor) will cost about $340,000/yr.
- The total contemplated fairgrounds development and acquisition program (unofficial) between now and 2012 will cost almost $1.4 million.
- The 2012 target LOS for fairgrounds facilities represents an improvement over the current LOS and will cost almost $1.4 million to achieve.
- The fairgrounds may want to consider adjusting its events/ticket fees to cover these costs.

MONTROSE COUNTY HEALTH

Introduction

The Health department, like the Jail, is not a central part of this analysis, but it is contained within the General Fund in the County budgeting system and so any fiscal trends within the Jail budget ultimately affect the entire general fund. Thus, RPI chose to include the Health Department annual operations and maintenance in this analysis.

Methodology

The Health Department requires a simple average costing methodology in which we calculate the level of service per capita, and project the cost of maintaining this level of service (LOS) in 2012 given the projected population. Since Health services are for residents, the entire cost is attributed to the residential sector and thus a proportionate share calculation is unnecessary.

Operations and Maintenance

Because recent years have wrought substantial cuts in Federal and State funding for Health Services[6], it was necessary to use the most recent year's staffing and budget and population estimates to establish the level of service LOS). If RPI used the 2000 budget and population, it would reflect a higher LOS than currently exists. On average, each of the 29 staff members of the Health Department costs just over $60,000/year for salary, supplies, and other overhead. Given the 2002 projected population[7] and the current staff, the County health department's LOS for health services is .8 employees per 1,000 residents at a cost of nearly $50,000 per year.

Figure 17. Health Department Operations and Maintenance Level of Service 2002

	Employees (Full-Time Equivalents)	**Cost**
Current Annual Operations Cost	28.75	$ 1,746,144
Operations Cost/Employee	1.00	$ 60,735
Employees per 1000 Residents	0.81	$ 49,636

Maintian LOS in 2012 will require an additional 6-7 heath employees and will cost about $2.8 million per year.

[6] HCBS money, Colo. Action for Healthy People, Injury Prevention, Personal Care fund.
[7] http://www.dola.state.co.us/demog/index.htm

Figure 18. County Health FTEs, Staff Costs, and Other Costs of Maintaining Current L.O.S. for County Health Operations for in 2012

	FTEs Needed to Maintain Current LOS	Annual Cost Maintaining Current LOS (Includes Inflation)
2012 Projected Population	35.5	$ 2,830,131

MONTROSE COUNTY EXTENSION SERVICE

Introduction

While the Extension Service is the smallest County General Fund Department, it serves the important role of giving land management information, advice, and other resources to the public. Ultimately, the Extension service provides tools for good land stewardship (avoiding invasive species, soil maintenance, erosion control, grazing practices, fence building, etc.). As more land in the County develops, more people will stimulate the need for expanded services.

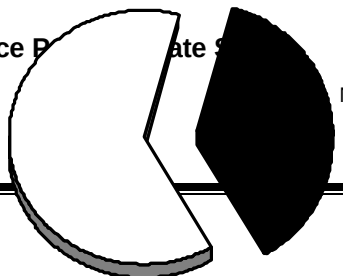
Methodology

RPI used standard methodology to analyze the Extension Service; first applying the proportionate share to the 2000 operations budget and then dividing by the appropriate demand units to obtain the current level of service. The projected demand units in 2012 multiplied by the current LOS (plus and inflation factor) yield the cost of maintaining the current LOS in 2012. Because the Extension Service is essentially peripheral to this study, capital facilities were not analyzed.

Proportionate Share

The extension service deals with private land and the residential/non-residential proportionate share for the extension service is simply the ratio of residential land uses to non-residential land uses. The most effective way to measure land uses is by using structures. Using the Assessor's database, RPI created an inventory of residential vs. non-residential structures in the County. The ratio of residential to non-residential structures in the entire County makes up the proportionate share for the extension service.

Figure 19. Extension Service P ate S



Operations and Maintenance

The 2000 extension service multiplied by the proportionate share and divided by the number of residential and non-residential sq. ft. respectively, yields an annual operations cost of $6.24 per residential unit and $8.36 per 100 sq. ft. of non-residential floor area.

Figure 20. Health Department Operations and Maintenance Level of Service 2000

Current Annual Operations Cost	$	141,804
Annual Cost Per Residential Unit	$	6.24
Annual Cost Per 1000 sq. ft. Non-Residential Floor Area	$	8.36

The residential units and non-residential floor area projected for 2012 (see section entitled Demand Units) will cost the County nearly $250,000/yr. If the County wishes to maintain the current level of service for the extension service

Figure 21. Cost of Maintaining Current Extension Service L.O.S. in 2012
(including inflation)

Annual Cost for Projected 2012 Residential Units	$	151,235
Annual Cost for Projected 2012 Non-Residential Sq. Ft.	$	96,250
Total Projected Operations Budget 2012	$	247,485

GENERAL FUND DEPARTMENT REVENUE PROJECTIONS

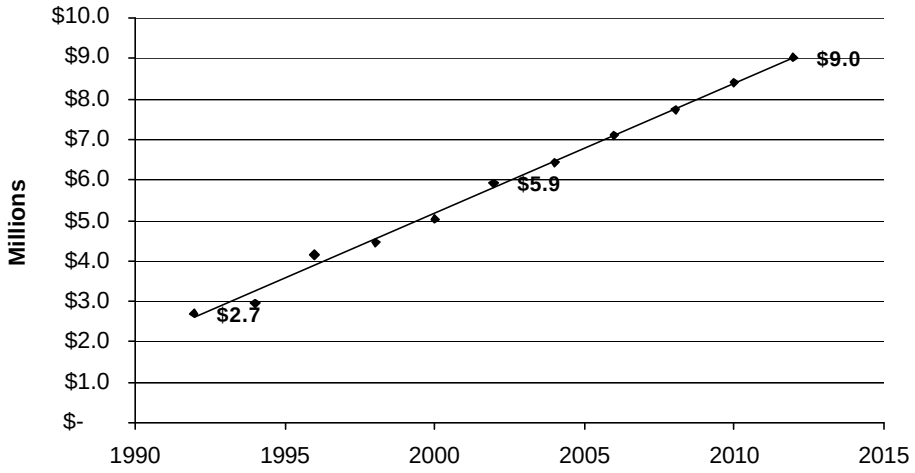
Introduction

While the levels of service and the projected 2012 costs for general fund departments are useful figures by themselves, in order to understand what the costs mean in the context of the larger fiscal picture, general fund revenues must be taken into account. The various types of revenues all required unique methods to achieve the best possible revenue projections.

Property Tax Revenue

The County collects a general fund mill levy. The 2002-2012 property tax revenue projections are based on a linear projection[8] of 92-2002 annual property tax revenue for Montrose County. Several factors influence general fund property tax revenues: assessed valuation (which is itself influenced by State assessment rates), mill levies (the tax rate), and several State tax laws governing revenue and spending limits. Given the multitude of factors, the best course was to project the actual revenues, which reflect all of the factors at once. RPI combined the employee benefits and insurance mill levies with the general fund mill levy in past years in order to accurately project the revenues produced by the current general fund mill levy configuration, which (as of 2001) includes the former employee benefits and insurance mill levies. The past trends and projected revenues are summarized in **Figure 22**.

Figure 22. Montrose County Past and Projected Property Tax Revenue



General fund property tax revenues are projected to be just over $9 million for the fiscal year 2012. Two property tax laws, TABOR, and the 5.5% statutory limitation restrict property tax revenue growth on total County property tax, of which the General Fund constitutes the majority. In order to test whether these projections would be subject to state limitations (thereby rendering the projections inaccurate), RPI conducted a test for each of the two tax laws and found that the property tax revenue as projected would not be affected by the revenue limitations and are therefore sound with regard to tax laws (see **Appendix Figures C, D,** and **E**, and accompanying narrative for full detail on these tests).

[8] RPI used the *least squares* technique to find the trend line.

County Sales and Use Tax

The 1% County Use Tax and Sales Tax are both going to expire in 2006 unless the voters approve reinstatement. Given the disposition of Western Slope voters, or Colorado voters in general, it is questionable whether a reinstatement of this tax will occur. Therefore sales tax and use tax are not projected as general fund revenue sources. Currently, a significant portion of the sales tax fund is transferred into the general fund (an average of 25% in '98-2000) so this means that the loss of a significant revenue source is projected into the general fund revenue projections. Were the voters to reinstate the sales tax in 2006 at the same rate, RPI projects that it would produce about $4.5 million per year by 2012 (See **Appendix Figure F** for details on this projection).

Other Revenue Sources

Remaining revenue sources were projected to 2012 on a line by line basis according to the appropriate projections factor. See **Appendix Figure G** for a detailed table of these projections.

Line Item Projections

The line item projections were classified into the following:

- Fees/fines
- Grants
- Specific Ownership Tax
- State tax
- Federal revenue
- Misc.

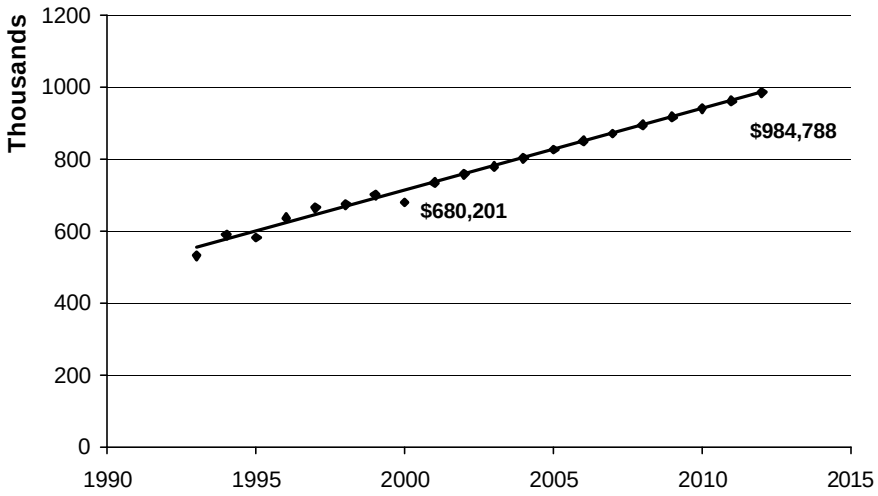
The methodology for projecting the revenue line items is described in detail in **Appendix Figure G** and accompanying narrative.

Payment in Lieu of Taxes (PILT)

Due to the fact that PILT plays a relatively major role in the County's funding, RPI dedicated special attention to this revenue type. The National Association of Counties tracks PILT revenue by County and has this information available on the NACO website[9]. RPI used the least squares approach to establish a trend line of the 93-2000 PILT revenue and projected to 2012.

Figure 23. 2012 PILT Revenue Projection

[9] http://www.naco.org/counties/queries/pilt_res.cfm



Transfers into the General Fund from other Budget Funds

As the departments or funds from which the transfers into the general fund originate grow, so will their reliance on services provided by general fund departments, and so should their transfers into the general fund. The projected transfers in 2012 are based on this assumption. RPI made further adjustments to Road and Bridge (multiplied by .85) and Social Services (multiplied by .5) to account for the projected revenue shortfall projected for these two departments by 2012. This revenue shortfall will limit the ability of these departments to provide transfers and the adjustments reflect the proportionate revenue shortfalls for each department. See ensuing sections on these departments for detail on factors leading to a declining LOS. After these adjustments, the transfers into the general fund are projected to increase by less than 10% by 2012.

Figure 24. Fund Transfers & Revenue Projections

Source	2000 Transfers In	2012 Transfers In
Road & Bridge	$ 105,000	$ 132,818
Solid Waste	$ 20,000	$ 25,994
Conservation Trust	$ 16,800	$ 21,835
Human Services	$ 67,332	$ 43,755
Workforce - Indirect	$ 10,899	$ 14,165
Airport	$ 14,285	$ 18,566
Total	$ 234,316	$ 257,133

Total General Fund Revenues

Following is a the projected general fund revenue by type projected for the year 2012:

Figure. 25. 2012 General Fund Annual Revenue Projections

Property Tax	$ 9,026,918
Sales Tax	$ -
Fees and Fines	$ 3,217,733
Grants	$ 220,223
Specific Ownership Tax	$ 798,774
State Tax	$ 129,835
Federal Revenue	$ 18,328
Miscellaneous Revenue	$ 544,656
PILT	$ 984,788
Transfers In from Other Funds	$ 257,133
Total	$ 15,198,388

GENERAL FUND 2012 FISCAL SUMMARY

Operations and Maintenance

Having projected the revenues for 2012, it is now possible to compare the 2012 revenues to the costs (for both annual operations and capital facilities) in a final general fund fiscal summary. The general fund department projected operations costs in 2012 (as previously calculated) are summarized in **Figure 26**. The only costs not previously calculated in the report are transfers out to other funds. See **Appendix Figure H** and accompanying narrative for a derivation of this cost.

Figure 26. Projected General Fund Annual Operations Costs 2012

Administration	$	6,243,731
Sheriff	$	3,398,594
Fairgrounds	$	342,106
Jail	$	3,566,323
Extension Services	$	247,485
Health	$	2,830,131
Transfers Out to Other Funds	$	344,024
Total	$	16,972,394

The general fund costs summarized in **Figure 27** exceed the projected revenues for year 2012 by $1,774,006. This means that gradually, over the next ten years, if additional revenue sources are not obtained, all or some of the County general fund departments face a serious potential for a decline in the level of service in operations and maintenance.

Figure 27. Montrose County 2012 Fiscal Summary of General Fund Annual Operations

General Fund Annual Operations Revenue Shortfall		
General Fund Costs	$	16,972,394
General Fund Annual Revenues	$	15,198,388
General Fund Annual Revenue Shortfall	**$**	**1,774,006**

Capital Facilities

In the general fund department-by-department analysis, RPI also calculated for 3 key general fund departments, the cost of maintaining the specified capital facilities LOS. These costs are outline in **figure 28**.

Figure 28. Cost of Maintaining Current Capital Facilities LOS for Selected General Fund Departments Through 2012

Administration	$	478,975
Sheriff	$	872,448
Fairgrounds (Based on a Target L.O.S.)	$	1,385,700
Total	$	2,737,123

In total, the capital facilities improvements necessary to maintain levels of service specified in each of the three departments' analysis will cost about $2.7 million. The County currently has no designated funds with which to pay for these improvements. The shortfalls projected for operations indicate that the General Fund budget will become tighter each year. Consequently, diversion of general fund revenue into capital improvements seems unlikely. The future of general fund capital facilities can be reduced to two main

options: 1) experience a decline in the level of service for general fund department capital facilities, or 2) create new funding sources for capital improvements.

Potential Impacts of Jail and Airport on the General Fund

While the growth in the demand for the Jail was not included in this analysis, it could become a serious drain on the general fund if the sales tax is not reinstated in 2006. The sales tax is used for paying off the justice center debt, which is scheduled to be paid off in 2006 when the sales tax is scheduled to sunset. However, 40%-50% of the sales tax revenue (nearly $1.5 million in 2002) is used for annual jail operations, an expense which will not expire when the sales tax sunsets. If the voters do not reinstate the sales tax, the operations expenses will most likely have to come from the general fund, which as is clear from the fiscal summary above, cannot afford another $1.5 million annual expense. Since jail services are mandated by State law, a lack of reliable revenue for jail operations will mean that other un-mandated County services and facilities will most likely suffer a decline in service levels.

In the past, the general fund has subsidized the airport budget when needed. Given the current plight of the travel industry, this general fund subsidy (recently fluctuating around $300k/year) may be on the rise. It may be necessary to implement some additional funding mechanisms at the airport (such as passenger facility charges) to prevent decay of the general fund from increased airport subsidies.

Conclusions

The projected general fund revenues fall short of meeting the annual operations costs of maintaining the current level of service LOS) in 2012 by about 10%. Without some other funding sources or a change in direction of the general trends, this should result in a slow decline in the level of service (LOS) for general fund departments. What can Montrose County do to avoid this drop in the LOS? The two most obvious approaches are raise more revenue or slow growth.

The second of these two options, while not entirely impossible, is certainly problematic. Efforts at controlling the rate of growth often yield unforeseen results. For example, in Boulder, CO, growth management systems have to some degree limited the rate of growth, and will probably eventually cap it altogether. However, Boulder never anticipated that limiting housing development more aggressively than commercial development would result in enormous numbers of commuters in and out of Boulder everyday and widespread transportation problems. Aspen and Pitkin County's growth

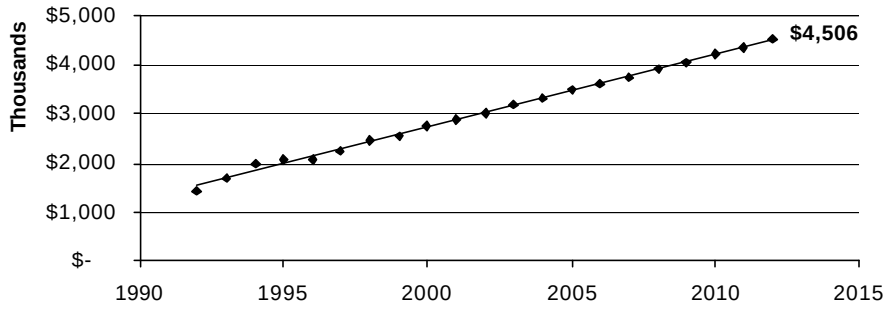
management regulations have generally failed to actually limit the rate of growth. Development eventually finds a way through or around the regulations. Fiscally speaking, heavier land use regulations cost money to create and enforce, and limiting the rate of growth could actually limit the growth of certain types of revenue (such as property tax, sales tax, building permit fees, etc.).

The first option, to increase revenue, is more viable than the second. Following are a number of ideas that could help Montrose County avoid a decline in the level of service for general fund departments.

Convince the Voters to Reinstate the Sales Tax

Perhaps the most obvious solution to the shortfall projected for 2012 is to begin the campaign to convince voters to reinstate the sales tax. Currently the 1% sales tax is slated to sunset in 2006. According to RPI's projections, were the voters to reinstate it, sales tax revenues in 2012 would produce about $4.5 million per year in revenue. It would take only 40% of that revenue to cover the projected $1.77 million shortfall of maintaining the current LOS in 2012. As stated above, the jail operations costs will need to come from the already strained general fund if the jail looses its operating revenue portion of the sales tax. Consequently, the County may want to consider a re-instatement of that tax. The County may consider attempting to re-instate the tax with a portion of it earmarked for capital facilities improvements.

Figure 29. Potential Sales Tax Revenue in 2012 if Voters Reinstate the Tax



The other major fiscal challenge for the Montrose County general fund is to find revenue to cover capital facilities improvements. The importance of maintaining (or even improving) capital facilities related to general fund departments should not be underestimated. Without adequate office space for badly needed administration employees, departments may be forced to limit hiring because of the lack of office space for new employees. While the Law Enforcement portion of the Justice Center or the Nucla station may have

some extra capacity now, that may not always be the case, creating congested main operating headquarters.

The potential sales tax revenue not used to cover annual general fund operating shortfalls could be used, at least in part, to pay for capital improvements. Even if only 25% of the sales tax (at the current 1% rate) were used to pay for capital improvements, it would result in well over $6.2 million in capital improvements funding between 2007 (the year after the current tax sunsets) and 2012. As the ensuing sections demonstrate, the road and bridge department and the human services department also face some costly capital improvements in future years that could be primed with sales tax dollars.

Paying for Capital Improvements Using Impact Fees

Impact fees re-direct some of the fiscal burden of developing new capital facilities away from the taxpayers at large and more directly towards the development generating the need for the expanded capital facilities. One characteristic of impact fees that make them particularly attractive in the anti-tax climate dominating Colorado is that their imposition does not require a public vote.

While impact fees can serve an important role in financing public infrastructure, they are subject to several limitations and restrictions. Case law dictates that governments or districts can use impact fees only for building capital facilities made necessary by new development and that can be shown to benefit that development. They may not be used for existing deficiencies or operations.

Funds from impact fees must be 'earmarked' for defined capital improvements. Impact fees are also subject to rigorous legal standards: demonstration of need, rational nexus, and rough proportionality. Until recently there was no specific enabling legislation in Colorado for impact fees, but the recently enacted SB 15 specifically authorizes that statutory Counties have the authority to impose impact fees.

All of the limitations and restrictions can be addressed in a rigorous impact fee support study.

ROAD AND BRIDGE

Introduction

Increased traffic is one of the most noticeable effects of growth. New land uses nearly always cause new traffic. When someone builds a home on a vacant residential lot, additional traffic is generated by the residents in the house, whether they are full or part-time residents. Almost all types of commercial and institutional land uses will produce traffic where none existed before. The incremental increase in land uses in turn leads to an incremental increase in traffic.

Traffic is the ultimate source of demand for road operations and maintenance and capital improvements. While some natural forces contribute to road maintenance needs (water and erosion damage, etc..), traffic is the prime reason for road degradation over time. Similarly, intersections and stretches of roads that were once safe, become unsafe with the addition of more vehicles. The County may choose to make the intersections safe again by improving it with turn lanes, shoulders, stoplights, or other capital improvements. If a two-lane road begins to backup severely because of the buildout of development along it, it may be necessary up-grade it to 4-lanes, a very costly, but sometimes crucial capital improvement.

The purpose of the road and bridge portion of this report is to summarize RPI's traffic growth analysis and the relationship of development to traffic growth. The traffic growth analysis is then used, along with historic budgetary information and capital improvements costing techniques, to establish the cost of the projected traffic in 2012 on the road and bridge department. These costs are detailed both in terms of operations/maintenance and capital improvements.

Base Trips Estimate and Traffic Growth Analysis

In order to accurately, estimate the road and bridge department's operations and maintenance costs in 2012 we must first project the growth in traffic on County roads. This involves three steps,

1. Estimate 2000 traffic
2. Establish a traffic growth rate
3. Apply the traffic growth rate to the base traffic estimates to produce a projected 2012 traffic count.

2000 Traffic Analysis

The first step in any traffic analysis is to establish the baseline traffic levels. The fundamental unit of measurement for traffic, used worldwide by traffic engineers and planners, is the *vehicle trip*, and in this case, the Average Daily Vehicle Trip[10] (ADT).

RPI applied the trip generation rates in the Institute of Transportation Engineers Trip Generation Manual[11] (ITE) to the non-residential square footage provided by the Montrose County Assessor's office and the G.I.S. team to estimate the traffic generated by non-residential development in the unincorporated County[12]. Assessor's data contain assessment codes that place County structures into detailed land use categories (e.g. retail, lodging, offices, warehouses, government, etc.). The trip generation rates provided in the ITE for various non-residential categories were applied to the Assessor data as appropriate to generate traffic estimates. Traffic generated by County residential units in was obtained by applying the trip generation rates from the ITE to the residential units using Census Data for unincorporated housing unit counts and projections.

Average daily trips are then adjusted to avoid double counting. For example, a single-family residence generates about 9.7 ADT and a light industrial use generates about 7 ADT per 1,000 sq. ft. This is the total driveway volume for both structures on a given weekday, so an outbound trip from the residence to the light industrial use could be counted both at the house and at the grocery store. RPI uses the ITE trip adjustment factors that eliminate the possibility of double counting. Since nearly all residentially generated trips are going from the unincorporated County onto State highways or into one of the municipalities in the County, the residential trip adjustment for the unincorporated County is set at 90%. In short, the trip generation estimates are as accurate as possible short of the nearly impossible task of hand counting every trip in the County.

Figure 30. Existing Traffic Estimate

2000 Total Vehicle Trips in Unincorporated Montrose County	
Residential Average Daily Vehicle Trips	57,743
Non-Residential Average Daily Vehicle Trips	4,251

[10] An Average Daily Vehicle trip is the average number of times a car passes over a single line across a road in either direction in one day.
[11] The ITE Trip Generation Manual is the source used by traffic engineers and planners worldwide for estimating traffic generated by development.
[12] Since municipalities must manage their own streets systems, the County roads analysis excludes municipal streets.

Traffic Growth Analysis

The Montrose County Engineer's office has been collecting traffic counts[13] on County Roads for several years. This database allowed RPI to generate a traffic growth rate based on actual measured traffic.

While the actual calculations were extensive, the mathematical approach was straightforward. Montrose has placed counters throughout the County measure traffic on over 500 segments of road for several years. Some road segments have traffic counts as far back as the early 1980's, while most County road segments have traffic counts back to the mid 1990's. RPI filtered through the traffic count data and selected road segments with adequate historic/current traffic counts, no data ambiguity, and compiled a master traffic count database on 125 road segments. RPI then calculated the annual change in the number of trips for each road segment over the time period for which the traffic counts were available. This annual change was then used to calculate the projected annual percent change (2000 base year) in traffic for each road segment.

Having calculated the percent change for each segment, RPI then calculated the projected percentage annual growth (2000 base year) in traffic for the entire County using a weighted average technique in which the segments were weighted based on the total number of trips. This weighted average approach accounts for the fact, that in terms of overall traffic growth, a 10% growth in trips on a road with only 200 trips to begin with (20 additional trips) is much less traffic in total than a 3% growth on a road with 2000 trips (60 additional trips). Using this method RPI found that overall, traffic in the County can be expected to grow at 4.1% per year (2000 base year) between now and 2012. All of the spreadsheets containing this information are available from RPI Consulting and the County Engineer's office. The spreadsheets are too lengthy to present in the context of this report.

Figure 31. Projected 2000-2012 Annual Traffic Growth Rate

4.1%

Given the growth rate analysis and the base traffic analysis above, the projected total traffic on unincorporated Montrose County roads breaks down as shown in **figure 32**:

[13] Automatic traffic counters count the number of vehicles that pass over a line on a road in a given day.

Figure 32. Montrose County Roads Traffic Projections

	2000	2012
Residential Average Daily Trips	57,743	85,780
Non-Residential Average Daily Trips	4,251	6,476
Total Average Daily Trips	61,994	92,256

Operations and Maintenance

The fundamental assumption behind the methodology for calculating the costs of the road departments day-to-day operations is that impacts on the roads system increase proportionately with traffic.

Thus, the 2000 annual operations budget was divided by the number of trips in 2000 in the unincorporated County to establish an annual operations cost per trip, the operations level of service for roads. Given the total ADT in 2000 and the operations budget, it costs the County $34/yr for each average daily trip in County for streets operations and maintenance.

Figure 33. Montrose County Streets Operations Current Level of Service

2000 Annual Operations and Maintenance Budget	$	3,971,056
Annual Operations Cost per Average Daily Trip	$	64

Given $64 per ADT, the projected 2012 trips, and an inflation factor, it will cost the County just about $7.75 million per year to maintain the current LOS for Streets operations and maintenance in 2012.

Figure 34. Cost of Maintaining Current Streets Level of Service in 2012

2012 Annual Operations Cost (includes inflation)	$7,754,703

Capital Improvements

The capital facilities and improvements analysis for Road and Bridge are broken down into two sections:

1. Equipment and Facilities
2. Road System Improvements

Equipment and Facilities

The equipment intensive nature of the Road and Bridge department means that replacing existing equipment and expanding the fleet is one of the biggest expenses for the department. While a piece of road equipment (a road grader, for instance) is not a big enough purchase to justify a bond or some other major form of finance, it is often too expensive to buy with cash without sacrificing another budget item. As traffic increases in the County and the road system requires more maintenance and becomes more complex, the County will need to purchase more equipment both to expand the fleet and to replace worn-out equipment.

Figure 35 summarizes the incremental expansion approach to calculating the cost of maintaining the equipment and facilities current level of service in 2012.

Figure 35. Montrose County Road Equipment and Road and Bridge Facility Current Level of Service and Cost of Maintaining this LOS in 2012

Current Value of Road and Bridge Facility and Land	$1,251,240
Current Value of Road and Bridge Equipment	$7,482,052
Total Current Value of Road and Bridge Capital Facilities and Equipment	$8,733,292
Value of Road and Bridge Capital Facilities per Trip (this is the current LOS)	$ 141
Cost of Additional Capital Facilities and Equipment Needed to Maintain the Current LOS in 2012	$4,263,225

all figures in 2001 dollars

In order to keep the fleet and the road and bridge facility in line with the volume of the department's workload, it will require $4.26 million in equipment purchases and facility improvements by 2012.

Road Improvements

RPI worked with the County Engineer to establish a methodology to estimate costs for the road segments most in need of improvement. Recently, the County Engineer worked with the Road and Bridge crew to establish a rating system for the County Roads. The rating system qualitatively measured the structure and quality of the road segment. The County team evaluated the condition of the surface, the drainage, the width, and the general alignment. This rating system was then related to the volume of traffic from the year 2000. The result is a *road improvements needs index* expressed as a percentage between 0%-50% that represents the degree of improvement necessary so that the structure and quality of each road segment will be functional given the amount of traffic using it (0% means the segment needs no improvement and 50% means the segment needs full reconstruction).

Using engineering level unit costs provided by regional CDOT engineers, the County Engineer, and regional road construction contractors, RPI compiled an estimated contract cost[14] per mile for the type of reconstruction relevant to the circumstances in Montrose County[15]. The cost estimates assume that asphalt roads will be converted to chip-seal upon reconstruction, which is both cheaper to construct and maintain.

Figure 36. Cost Estimates Used in Road Improvements Assessment

Cost Estimates Used in Road Improvements Assessment		
Full Re-construction of Gravel Roads Per Mile	$	98,889
Full Re-construction of Chip-Seal Roads Per Mile	$	200,489

RPI then distributed these costs linearly across the improvement needs index. Due to the fact that any amount of base work requires full resurfacing, the base work was distributed, but the surface was held constant. For gravel roads, the 12" rock base was varied according to the road improvement needs index (full reconstruction at 50% and no needed construction at 0%), but the 4" gravel surface was held as a constant cost. For chip-seal and asphalt, the entire base (12" rock base and 4" gravel) was varied according to the index, while the chip-seal surface was held constant.

The one piece of information in this road improvement needs assessment that was missing was the length of the segment of road. RPI remedied this by linking the road improvement assessment segment by segment into the GIS roads layer (recently calibrated using GPS), which contains the length of each road segment. A small percentage of the road segments contained in the

[14] Contract costs were used instead of in-house costs since major reconstruction countywide will most likely need to be contracted out given the limited staff and equipment in Road and Bridge.
[15] Cost estimates include the cost of 12" of base rock and 4" of gravel base and a double layer of chip-seal.

road improvements needs assessment were dropped during this process due to inadequate data to identify the road segments.

The information on each road segment including type of road (gravel, chip-seal, asphalt), the rating on the road improvement needs index (0%-50%), and the length of each segment was then applied to the distributed costing matrix (**Appendix Figure I**) to obtain the cost of making each road segment functional given the traffic volumes using it. These costs were then totaled by road type as summarized in **figure 37**.

Figure 37. Cost of Road Improvements

Road Surface Type	Gravel	Asphalt and Chip-Seal	Total
Miles of Road Needing Improvements	125	87	213
Cost to Achieve of Improvements	$ 10,031,759	$ 11,097,300	$21,129,059

Important Note:

The analysis summarized above represents an estimate. The intent was to establish an approximate magnitude of the cost of accomplishing the most urgent road improvements in the unincorporated County. In reality, the costs would probably be significantly greater, in part due to unforeseen contingencies and problems that are endemic to major construction projects of any sort, and in part due to the fact that the County would probably want to upgrade the road system to handle traffic volumes at least 10-15 years into the future. This cost estimates system only estimates cost of road improvements necessary for fully functional for short-term traffic levels. Nonetheless, this analysis is based entirely on actual empirical data collected in the field and constitutes a useful planning level analysis.

Road Improvements Target Level of Service

Assuming that it would take at least 5 years to complete the work included in the analysis, the road improvements needs as outlined above would be complete in 2007. Since all development in the County (both the existing development and the new development 2002-2007) would all benefit equally from the road system upgrades, the level of service is best expressed as the quotient of the total cost (estimated above) divided by the total number of vehicle trips projected in 2007. Using this method, we arrive at a cost of $265/average daily trip (about $2,300 per housing unit) in 2007 to accomplish the $21+ million in improvements.

Figure 38. Montrose County Road Improvements Target Level of Service

Montrose County Road Improvements Target Level of Service	
Total Cost of Road Improvements	$ 21,129,059
Total Trips 2007	79,647
Cost per Trip to Upgrade Deficient Roads to Adequate by 2007	$ 265

Road and Bridge Revenue Projections

Having projected the cost of maintaining the operations and maintenance 2000 level of service in 2012 and estimated the cost of the priority road improvements, we are now ready to project the revenues and compare the costs to the revenues in the fiscal summary.

Two of the road and bridge revenue sources required special projections: the property tax revenue and the Highway Users Tax Fund revenue (State allocated gas tax).

The 2012 property tax revenue was projected using the method illustrated in **Appendix Figure J** and accompanying narrative. The HUFT revenue was projected to increase from its 2001 amount at the same rate the local government share of HUTF is projected to increase (according to the CDOT finance department). See **Appendix Figure K** for projected statewide HUFT projections.

Figure 39. Road and Bridge Projected Annual Revenue 2012

Source	2012 Projected Revenue
Property Tax	$ 62,577
HUTF	$ 4,752,531
Specific Ownership Tax	$ 10,535
Fees and Fines	$ 127,041
Federal Funds	$ 148,202
Miscellaneous	$ 52,996
Total Revenues	$ 5,153,882

Other Line Item Projections

The line item projections were classified into the following:

- Fees/fines
- Specific Ownership Tax
- Federal revenue
- Misc.

The methodology for projecting the revenue line items is described in detail in **Appendix Figure G** and accompanying narrative.

Road and Bridge Fiscal Summary

Operations and Maintenance

The Road and Bridge revenues are projected to fall short of covering the cost of maintaining operations and maintenance level of service in 2012. This means that without some additional revenue sources, the level of service will decline over the next 10 years.

Figure 40. Road and Bridge Fiscal Summary 2012

Road and Bridge Fiscal Summary 2012		
Total Annual Operations and Maintenance Cost 2012	$	7,754,703
Total Annual R&B Revenues 2012	$	5,153,882
2012 Annual Shortfall of Maintaining Current LOS	$	2,600,821
Percentage Shortfall of Meeting Annual Costs		34%
Total Capital Improvements Needed by 2012 (includes equipment and facilities)	$	25,392,284
Capital Improvement Revenue	$	-

Capital Improvements

The annual revenue projected at $5.15 million in 2012 will almost certainly go towards operations and maintenance, particularly given that the demand for road maintenance will increase more rapidly than revenues. If this prediction bears out, then little or no money will be retained for capital improvements. Capital improvements costs were broken down into two types: 1) the cost of maintaining the current facilities and equipment level of service as traffic increases ($4,263,225) and, 2) the estimated cost of accomplishing improvements as dictated by the road improvements needs assessment described previously ($21+ million).

Without funding for capital facilities, fleet and maintenance facilities will continue to age and their capacity will diminish. Concurrently, roads will continue to degrade due to lack of adequate base and decaying road surface.

Conclusions, Considerations, & Recommendations

Undertake a Comprehensive Transportation Plan

Building and maintaining the County road system is perhaps the most complex task with which the County is charged. This analysis represents a "first brush" at transportation system planning and has a fiscal emphasis. In essence, this analysis concludes that the County is faced with some significant issues regarding both operations and capital improvements.

While the road improvements portion of the analysis does point to some specific projects, this planning level analysis looks at the impacts on the transportation system as a whole. RPI recommends that the County spearhead an in-depth transportation plan that considers growth in "transportation sheds" in the context of maintenance/improvements for particular roads. Such an analysis should project growth in areas that are relevant to transportation planning (e.g. transportation sheds). Transportation oriented growth analysis would highlight priority projects such as increasing road capacity or repairing roads in high growth areas while letting officials know which projects can wait.

The advantage to detailed transportation planning is that the road system can be designed to handle projected growth, thereby avoiding the construction of road improvements that are rendered under-capacity within a few years by unforeseen traffic growth. Another advantage of such detailed scale transportation planning is that it illuminates the two-way connection between land use regulations (particularly zoning) and transportation system demands. If the County cannot afford to build the transportation system to support the

maximum buildout of an area, it can change the regulations (e.g. re-zone) on this basis alone.

The Fiscal Situation

Without additional road and bridge funding, the County road system is going to suffer both in the context of day to day operations and maintenance and in the context of road system improvements necessary to keep up with the 4.1% annual traffic growth in the unincorporated County. The necessary funding is not projected to come from State sources and so must be raised locally. The annual shortfall is projected to be $2.6 million per year in 2012 and the potential capital improvements backlog will be at least $25.3 million. While the County may be able to endure some drop in the level of service, the magnitude of shortfalls projected in this analysis are likely to result in major maintenance and capital improvements backlogs from which it will be extremely difficult to recover. Following are some suggestions that may help avoid this outcome.

Reinstate the Sales Tax in 2006

See the previous discussion of the status of the sales tax in the Conclusions section of the general fund analysis. Considering the needs of the road and bridge department for funding, any portion of the 1% sales tax could cover both the operations and maintenance costs and the capital improvements.

Ask Voters to Raise the Mill Levy

The Montrose County road and bridge mill levy is one of the lowest in the State. Montrose County's road and bridge mill levy is currently set at .152 mills, which means that it ranks 47th out of 52 counties in the State and is substantially lower than the Statewide average road and bridge mill levy (2.7 mills). Were the road and bridge mill levy set at the State average, it would yield $1.1 million annually in 2012, covering nearly half of the projected annual shortfall.

Paying for Capital Improvements Using Impact Fees

Impact fees re-direct some of the fiscal burden of developing new capital facilities and infrastructure needed for new development away from the taxpayers at large and more directly towards the development generating the need for the expanded capital facilities. One characteristic of impact fees that make them particularly attractive in the anti-tax climate dominating Colorado is that their imposition does not require a public vote.

While impact fees can serve an important role in financing public infrastructure, they are subject to several limitations and restrictions. Case law dictates that governments or districts can only use impact fees for building capital facilities capacity made necessary by *new* development and that can be shown to benefit that development. They may not be used for existing deficiencies or operations.

Funds from impact fees must be 'earmarked' for defined capital improvements. Impact fees are also subject to rigorous legal standards: demonstration of need, rational nexus, and rough proportionality. Until recently there was no specific enabling legislation in Colorado for impact fees, but the recently enacted SB 15 specifically authorizes that statutory Counties have the authority to impose impact fees. All of the limitations and restrictions can be addressed in a rigorous impact fee support study.

In the context of the road and bridge department's current and projected fiscal situation, an impact fee would be inadequate to cover projected costs. Because impact fee revenue can be used only to pay for capacity related capital improvements (paving gravel roads, creating extra lanes, reducing curve radii, intersection improvements, etc..) the operations and maintenance shortfalls projected above must be covered with other funds. Furthermore, impact fees cannot be used to pay for backlog, only for maintaining service levels given the impacts of new development.

Create a Road Utility

While this is virtually unprecedented for a County, it may be worth looking into the legal issues surrounding the conversion of the road system into a utility that would be treated much the same as a water or sewer system with an initial fee for capital improvements and then periodic service fees for operations and maintenance. This was implemented in Fort Collins, challenged by developers in the State Supreme Court, upheld, and subsequently dropped by the City Council for political reasons.

MONTROSE COUNTY HUMAN SERVICES

Introduction

Technically, Human Services is a function of the Health and Human Services department. However, the Human Services function's finances are kept separate from other County departments, so, fiscally speaking, it must be analyzed as if it were a separate department. The challenge for the Human

Services department's is that its demand is directly linked to the growth in population, which is projected to keep growing quite steadily, while the majority of its funding comes from State programs for which the funding waxes and wanes (more waning of late) with the economic and political forces at play at the State scale.

Methodology

The Human Services Department requires a simple average costing methodology in which we calculate the level of service per capita, and project the cost of maintaining this Level of Service in 2012 given the projected population. Since Human Services are for residents, the entire cost is attributed to the residential sector and thus a proportionate share calculation is unnecessary.

Operations and Maintenance

On average, each of the 46 staff members of the Human Services Department costs just over $76,000/year for salary, supplies, training, support, and other overhead. Given the 2000 projected population[16] and the current staff, the County Human Services department's LOS for Human Services is 1.4 employees per 1,000 residents at a cost of over $100,000 per year.

Figure 41. Human Services Department Operations and Maintenance Level of Service 2000

	Employees (Full-Time Equivalents)	Annual Cost
Current Annual Operations Cost	45.8	$ 3,469,892
Operations Cost/Employee	1	$ 75,762
Employees per 1000 Residents (LOS)	1.4	$ 103,790

It will require an additional 14-15 human services employees and will cost $6 million per year to maintain the current LOS for County Human Services operations for the projected 2012 population.

[16] http://www.dola.state.co.us/demog/index.htm

Figure 42. Cost of Maintaining Current Level of Service 2012

	Employees (Full-Time Equivalents)	**Annual Cost**
Annual Cost of Maintaining Current Level of Service 2012 (includes inflation)	60	$ 5,917,844

Capital Facilities

Currently, there are 189 sq. ft. per Human Service employee in the Human Services facility. The Human Services director stated that the space constraints are already limiting the ability to hire new employees. In order to maintain the current level of service, the County will need to provide an additional 2,600 sq. ft. of facility space (mostly office space, according to the Human Services Director. This would cost roughly $400,000 given current institutional construction costs.

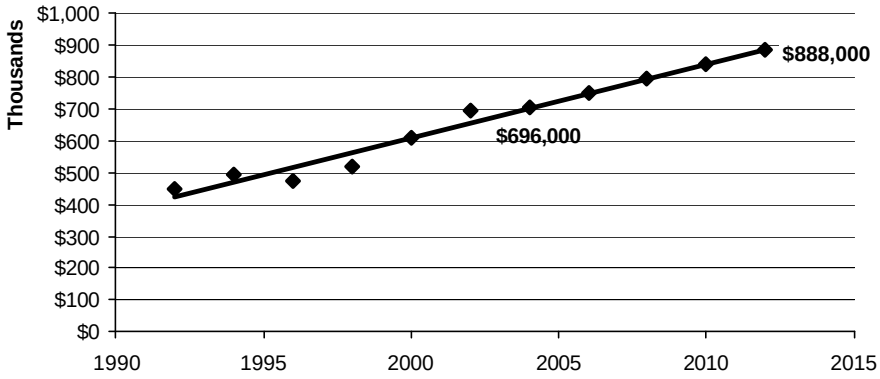
Figure 43. Montrose County Human Services Capital Facilities Needs to Maintain Current Level of Service in 2012

Human Services Space (Sq. Ft.) per FTE	189
Additional Human Services Floor Area Needed for Projected 2012 New Employees	2,592
Cost for Square Footage Needed for Projected 2012 New Human Services Employees	$ 388,839

Human Services Revenue Projections

Human services revenue sources consist of a mill levy, specific ownership tax, Federal and State revenue and transfers from the general fund. The projected 2012 property tax revenue was derived by establishing a linear projection of historic revenues (using the least squares technique) out to 2012. **Figure 44** illustrates the results:

Figure 44. Human Services 2012 Property Tax Revenue Projections



Specific ownership tax revenue is assumed to increase at the same rate as the projected number of registered vehicles in Montrose County.

The State and Federal Revenue required analysis of County budget summaries available from the CO Division of Local Government. Based on these budget summaries RPI deduced the amount of State and Federal Revenue back to 1995. As is clear in the un-shaded cells in **figure 45**, State and Federal funding has been cut significantly in recent years. Projecting this trend (black shaded cells), we find that if the cutbacks continue at the same rate, the State and Federal Revenue will amount to less than $300,000 by 2012.

Figure 45. Human Services State and Federal Revenue Projections

Year	State/Fed Human Services Revenue
1995	$ 4,263,865
1996	$ 4,653,913
1997	$ 5,149,630
1998	$ 2,493,602
1999	N.A.
2000	$ 2,796,293
2001	$ 3,135,087
2002	$ 3,141,591
2003	$ 2,855,963
2004	$ 2,570,336
2005	$ 2,284,708
2006	$ 1,999,081
2007	$ 1,713,453
2008	$ 1,427,826
2009	$ 1,142,198
2010	$ 856,571
2011	$ 570,943
2012	$ 285,315

The transfer into human services from the general fund was calculated in the general fund summary.

Figure 46. Projected Revenue for Human Services 2012

Source	2012 Projected
Property Tax	$ 887,906
Specific Ownership Tax	$ 144,646
Federal and State Revenue	$ 285,315
Transfer from General Fund	$ 43,755
Total	$ 1,361,622

Human Services Fiscal Summary

The fiscal summary is not optimistic for the Human Services department. According to RPI's projections, the department will fall short of maintaining the current operations level of service. This is due, in large part, to the projected decrease in State and Federal Funding which, if trends continue, will be 10% of what it is this year. If funding were to stay where it is today, the fiscal situation would be considerably better.

Figure 47. Human Services Operations Fiscal Summary

Projected Cost of Maintaining Human Services Operations 2012 Level of Service	$ 5,917,844
Projected Human Services Annual Revenue 2012	$ 1,361,622
Projected 2012 Balance	$ (4,556,222)

This summary is for operations only and does not include the nearly $400,000 of capital facilities improvements necessary to accommodated needed staff.

Conclusions, Considerations, and Recommendations

- Since the Human Services Department is highly reliant on State and Federal funding, it follows that the department should conduct an in depth study of the future of this funding and plan accordingly.

- The department should not assume that the general fund will be able to make up any significant funding shortfalls since it has its own fiscal challenges.

- Of course, the Department could ask the voters to raise the mill levy, which would result in a stable increasing revenue source and may decrease the reliance on the State/Federal funding. This might be a

hard sell in the anti-tax environment here on the Western Slope of Colorado.

- In order to pay for the capital facilities necessary to accommodate the additional staff and increased volume of public demand, the Human Services Department should consider implementing an impact fee. See the general fund recommendations for details on impact fees.

MONTROSE RURAL FIRE PROTECTION DISTRICT

Introduction

The connection between increased development and increased demand for fire protection is perfectly tangible, given that the primary purpose of the fire district is to protect structures and their occupants from fire. The MRFPD also provides ambulance services within the district, the demand for which is also related to both residential and non-residential development. This section will quantify the impacts of the projected growth on the fire district.

Methodology

The first step is to establish the proportionate share using EMS and Fire response data from the District. This proportion is then applied to the number of residential units and non-residential structures to estimate the level of service for fire protection and EMS services per residential unit and non-residential sq. ft.. The level of service, both in terms of operations expenditures and capital facilities, can then be applied to the projected residential units and non-residential sq. ft. in the District in 2012 to establish an estimated cost of achieving the current level of service in 2012. Finally, District revenues are projected to 2012 to see if they will cover the additional costs.

Proportionate Share

The Fire District provides service to three main demand generators: residential units, non-residential sq. ft., and motor vehicle accidents. Response data for 2001 allowed the breakdown of the overall resource expenditures into these categories. While the residential and non-residential responses are clearly attributable to development, the highway responses could be tourists, passersby, truckers, etc. and so cannot be attributed to a specific category of land use.

EMS responses were broken down into residential and non-residential responses according to the ratio of population in the County to total jobs respectively. The job represents a unit of non-residential activity that can be considered equivalent to a unit of population. The Fire responses were categorized between responses to residences and responses to non-residential structures in the 2001 MRFPD yearly report. **Figure 48** summarizes the results.

Figure 48. Montrose Rural Fire Protection District Proportionate Share

	EMS Responses	Fire Responses	Total Responses	Proportionate Share
Residential	1190	384	1574	60.8%
Non-Residential	692	172	864	33.4%
Traffic Related	108	43	151	5.8%
Total	1990	599	2589	100%

Demand Units

Data obtained from the Montrose County Assessor database reveal that in 2001 there were 9,995 residential units and over 6 million non-residential square feet in the district. Linear projection of the growth between 1990-2001 results in a projected 12,912 residential units and over 8 million non-residential sq. ft. in the district in 2012. Presumably, motor vehicle accident calls will increase with traffic. Due to the difficulty of projecting traffic in the Fire District (particularly with regard to the State Highways), Fire District resources dedicated to vehicle accidents are simply projected to hold the same share of the costs in 2012 as they do in 2001(see proportionate share **figure 48**).

Figure 49. Montrose Rural Fire Protection District Demand Units

2001 Residential Units	9,995
2001 Non-Residential Sq. Ft. (1000s)	6,027
2012 Residential Units	12,912
2012 Non-Residential Sq. Ft. (1000s)	8,201

Current Level of Service

Given the proportionate share discussed above, and the fire district's operation budget, this means that it costs the fire district $101 dollars per-year per-residential unit, and $92 dollars per year per 1,000 sq. ft. of non-residential floor area for day-to-day operations and maintenance.

Figure 50. Fire District Operations Level of Service 2000

2000 Operations Budget	$	1,657,930
Annual Cost per Residential Unit	$	101
Annual Cost per 1000 Sq. Ft. Non-Residential Floor Area	$	92

Due to the equipment intensive nature of fire fighting, the Fire District's equipment level of service has a significant bearing on the capability of the district to effectively protect the community from fire. Given the current replacement values of the existing quality vehicles and the new replacement value of the vehicles that need replacement, the capital facilities LOS is as summarized in **figure 51**.

Figure 51. Fire District Capital Facilities Level of Service 2000

Value of Equipment	$	2,343,000
Capital Facilities Value per Residential Unit	$	143
Capital Facilities Value per Non Residential Structure	$	130

Cost of Maintaining Current Level of Service in 2012

Given the projected 2012 demand units and the LOS figures previously summarized and including a growth factor[17] to account for increased vehicle accidents, will cost the District $2.86 million per year for operations and maintenance in 2012. Similarly, in order to maintain the current LOS for capital facilities, the Fire District will need to invest $741,000 in equipment.

Figure 52. Fire District Cost (annual) of Maintaining Current Level of Service 2012

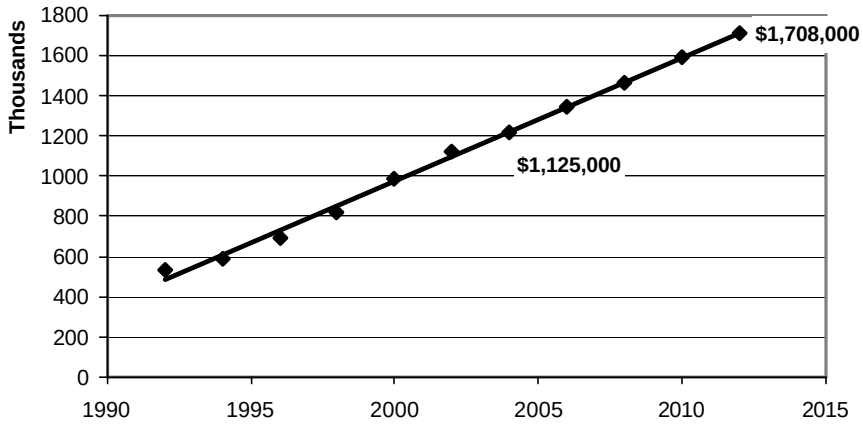
Operations Annual Expenditures (Includes Inflation)	$	2,863,560
Capital Facilities (one time expenditure in 2001 dollars)	$	740,914

Fire District Revenue Projections

The property tax revenue projections are based on a linear projections of the 1992-2002 operating property tax revenues. If property tax revenues continue to increase at the same rate, they will yield just over $1.7 million annually in 2012.

Figure 53. Montrose Fire 2012 Property Tax Revenue Projection

[17] Essentially, vehicle accidents are assumed to increase at the same rate as development in the District.



The specific ownership tax is projected to increase with the number of registered vehicles and the fees are projected to increase at the same rate as the total operating budget. **Figure 54** summarizes the revenue projections for 2012.

Figure 54. Revenue Projections and Operating Costs – Capital Improvements 2012

Source	2012 Projected
Property Tax	$ 1,708,363
Specific Ownership Tax	$ 202,789
Fees	$ 1,077,767
Total	$ 2,988,919

Fire District Fiscal Summary

The district revenues are projected to cover the annual operations cost of maintaining the current level of service.

Figure 55. Fiscal Summary for Montrose Rural Fire Protection District 2012

Projected Cost of Maintaining Fire and Ambulance Operations 2012 Level of Service	$ 2,863,560
Projected District Annual Revenue 2012	$ 2,988,919
Projected 2012 Surplus	$ 125,359

Conclusions

- The surplus projected through 2012 should probably be put into a reserve fund.

- The Fire District should consider reviving former efforts to impose a fire/ambulance equipment and station impact fee.

MONTROSE SCHOOL DISTRICT

Introduction

Residential development over the next 10 years will generate students in the Montrose County School District RE-1J. The purpose of this analysis is to project the number of new students generated over ten years and consider the capital facilities and revenue implications.

This section of the report is not intended to supplant or conflict with any analysis (capital facilities planning, budget projections, etc…) previously prepared by the Montrose School District. Rather, this section is intended to report to the County some of the implications that growth will have on its largest school district.

Methodology

The first step was to project the number of students by using linear trend projections based on historical enrollment dating back to 1990. Students per housing unit numbers were derived by dividing the number of enrolled students by the number of housing units in the school district (obtained from the Montrose County Assessors). The overall average, which includes housing units of all types (single family, apartments, duplexes, etc.), can then be applied to the number of housing units expected in 2012 divided by the number of students to reveal the new students per household.

Although annual funding per student and the published State/Local/Federal share of the funding responsibility are commonly used to express education costs and service levels, this report focuses on capital facilities needs.

Capital facilities needs are expressed in terms of square footage of building facilities and land on which to place the facilities.

Proportionate Share

The residential portion (as opposed to non-residential) of new development is the only component that results in additional students. While students are

attributed to residential units, property tax revenues from both residential and commercial sources will be used to see how Montrose County's development mix pays for schools.

Demand Units

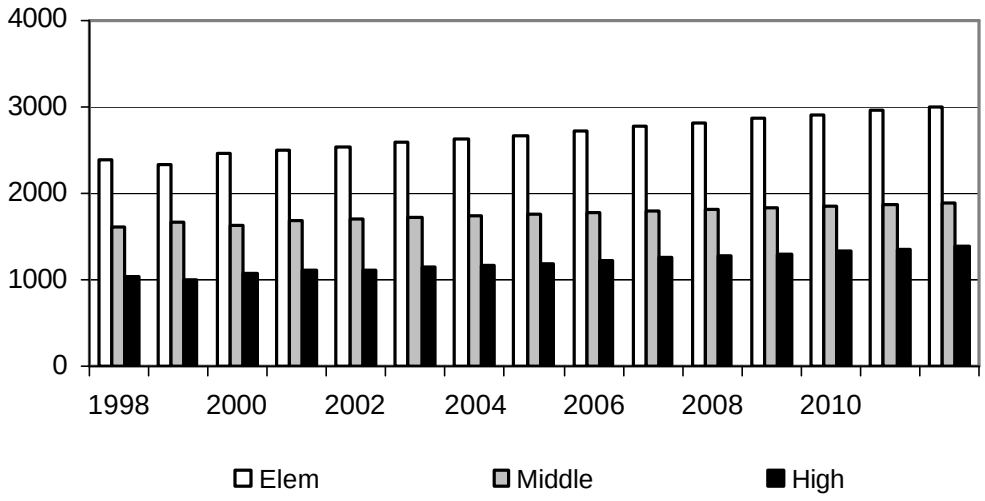
Currently in the school district, there are .42 students per housing unit. This is a relatively modest student generation rate compared to national averages, which tend to be between .5 and .7 students per housing unit. This lower student generation rate may reflect increasing numbers of part-time residences in Montrose County as well as an increasing retiree population, whose children are beyond school age. This trend is expected to continue over the next ten years and consequently the number of students per household should continue to decrease slowly.

Figure 56. School Demand Units

	2002	**2012** (new)
School District Housing Units in Montrose County	12,905	4,197
Average Students per Housing Unit	0.42	.25
Students	5,666	1,055

Figure 57 demonstrates projected student growth (by grade) over the next ten years.

Figure 57. Students by Grade to 2012



Level of Service

As noted previously school districts and state agencies commonly define service levels per student in terms of spending per pupil (and community service levels in terms of test scores)[18] this report will consider service levels as they relate to school facilities and human resources. School facilities include land and buildings, and classrooms while human resource assets are confined to instructors and support personnel.

With the exception of grant revenues available through competitive state programs, individual school districts are largely responsible for generating the capital necessary to expand facilities. RE-1J currently has about .02 acres of land per student for school sites, athletic fields, maintenance, and administration facilities.

Figure 58. School District Land LOS

	Acres
Current School District land inventory	97
Acres per student	0.02
New in 2012	
New students	1,055
New classrooms	49
New ft.[19]	106,872
New acres needed	17.84

Montrose RE-1J has a school land dedication based on an acreage requirement that nearly doubles its current acreage allotment for students (approximately .04 acres per student) fees have recently been adjusted to reflect local real estate prices. This was an important update as local dedications become increasingly useful in rapidly growing areas of Colorado that are becoming more expensive. Updated land dedications are particularly important in light of State tax laws that limit spending.

Cost of Maintaining Current LOS for the Reserve

While the new land dedication/fee schedule will certainly assist in contributing to necessary land needs over the next ten years this revenue source only covers the land component – there are also extensive capital facilities needs to be expanded including classrooms, administration,

[18] This is not meant to oversimplify the extensive indicators and research that local, state, and federal agencies invest in determining the quality of schools – only to define what are appropriate standards in the context/limitations of this report.

[19] The square footage standards are based on Jefferson County School District facility standards, which are slightly higher than current Montrose County District Standards. The higher standards were used due to the detailed and easily obtainable nature of the Jefferson County facilities planning standards.

computer labs etc. Utilizing recently updated facility standards we know that each student requires approximately 116 sq. ft. when all building facilities are considered.[20] Over the next ten years the school district may expect to increase physical building space by nearly 107,000 square feet.

Some of this additional square footage will be occupied by additional classrooms. **Figure 59** illustrates the need for new classrooms by grade level using RPI student projections (based on residential growth) and standard classroom sizes as established by the Montrose County RE-1J 2002 facilities report.[21]

Figure 59. Student Facility Needs by Grade

	Elementary	Middle	High	Early Child[22]	
Sq. ft. needed per student	90	136	123	45	
Acres per student	0.015	0.023	0.024	0.005	
Students. per classroom	20	23	25	20	
Percent	**45%**	**27%**	**21%**	**7%**	
New in 2012					TOTAL
New students by 2012	468	195	264	128	**1,055**
New acreage needed	7	4	6	1	**18**
New classrooms needed	23	8	11	6	**48**
New sq. ft. needed	42,120	26,520	32,472	5,760	**106,872**

Failure to increase the number of classrooms, building square footage, and acreage will result in a decline in the current level of service. The 2002 facilities report notes many existing deficits and substandard facilities---so the chart above represents only a continuance of current unsatisfactory conditions. It should be noted that this is common in many rapidly growing areas of Colorado – i.e. that the reason for generally declining levels of services within schools has much to do with the revenue mechanisms available to school districts in Colorado. However, we should expect that the provisions of Amendment 23 will assist schools in making up some of the backlogs that they have accumulated over the last two decades. In addition, schools in severe infrastructure deficits are eligible for state grants.

The costs of the improvements included in **figure 59** are relatively easy to estimate using standard numbers (e.g. cost per sq. ft. – e.g. $125) utilized in the current Montrose School District facilities report. However, it is more important to examine the revenue and expenditure mechanisms that will influence the districts ability to pay for these necessary improvements and consequently how the school district will serve Montrose County residents.

[20] http://jeffconet.jeffco.k12.co.us/cm/specguides/edspecs.htm
[21] *Presentation of Findings*. March 2002. Available online at: /www.mcsd.org/District/Presentation%20of%20Findings.pdf
[22] RPI was unable to find definitive numbers regarding the facilities needs for pre-kindergarten students consequently these numbers represent best estimates.

Revenues & Expenditures

Figure 60 uses simple linear trend projections to demonstrate that the gap between local revenues and potential expenditures should continue to widen. Although the State will inevitably make up the difference local districts may want to consider the long term implications of increasing dependence on state revenues.

Figure 60. Projected School District Revenues & Expenditures

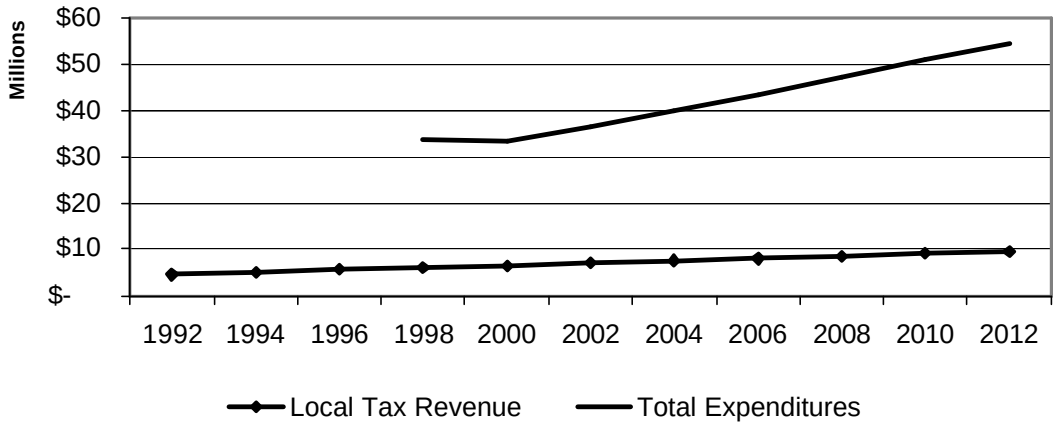


Figure 61 demonstrates another problem with local school district funding – i.e. TABOR has forced annual reductions in the mill levy. Consequently while assessed valuations have nearly tripled the mill levy is approaching half of its mid 1980's level. While the increasing assessed valuation of district property allows the district to assume larger bond debts (although these will be limited as the residential assessment rate drops –see discussion below) , the proportion of school district funding coming from local revenues is decreasing with the State equalization fees contributing more annually.

Figure 61. School District Assessed Valuations & Mill Levy

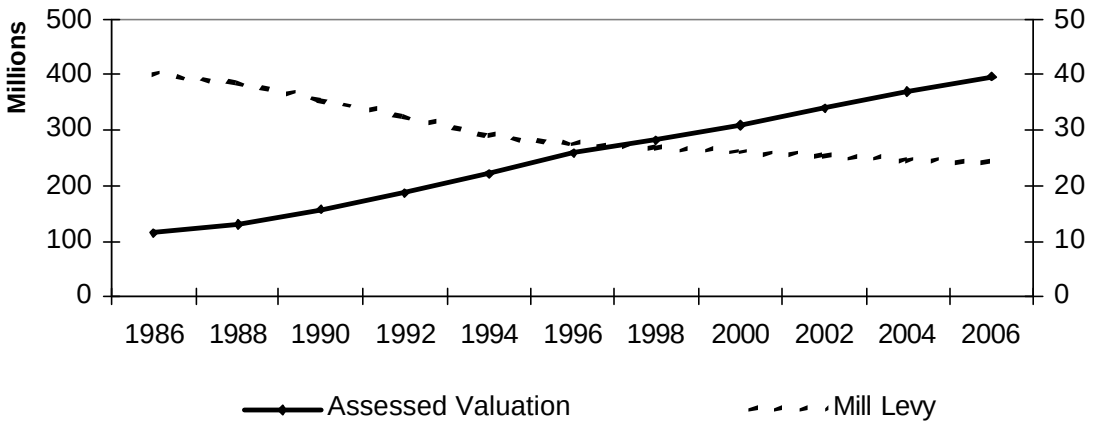


Figure 62. Residential & Commercial Property Tax Contributions to School Revenue

RESIDENTIAL	2004	2006	2008	2010	2012
Market Value of Home	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Adjustment	0.0915	0.0915	0.0915	0.0915	0.0915
Assessed Valuation	$ 9,150	$ 9,150	$ 9,150	$ 9,150	$ 9,150
Mill Levy Operating	26.818	25.876	25.097	24.442	23.883
Property Tax Revenue	**$ 245**	**$ 237**	**$ 230**	**$ 224**	**$ 219**

COMMERCIAL	2004	2006	2008	2010	2012
Market Value of Property	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Adjustment	0.29	0.29	0.29	0.29	0.29
Assessed Valuation	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000
Mill Levy Operating	26.818	25.876	25.097	24.442	23.883
Property Tax Revenue	**$ 778**	**$ 750**	**$ 728**	**$ 709**	**$ 693**

TOTAL REVENUES	2004	2006	2008	2010	2012
Assessed Valuation	$ 281,171,248	$ 310,559,127	$ 339,947,006	$ 369,334,886	$ 398,722,765
Residential Portion	$151,832,474	$ 167,701,929	$ 183,571,383	$ 199,440,838	$ 215,310,293
Revenue	$ 4,071,877	$ 4,339,479	$ 4,607,081	$ 4,874,683	$ 5,142,286
Commercial Portion	$ 128,275,401	$ 141,682,682	$ 155,089,963	$ 168,497,244	$ 181,904,525
Revenue	$ 3,440,118	$ 3,666,201	$ 3,892,284	$ 4,118,368	$ 4,344,451
TOTAL	**$ 7,511,995**	**$ 8,005,680**	**$ 8,499,366**	**$ 8,993,051**	**$ 9,486,737**

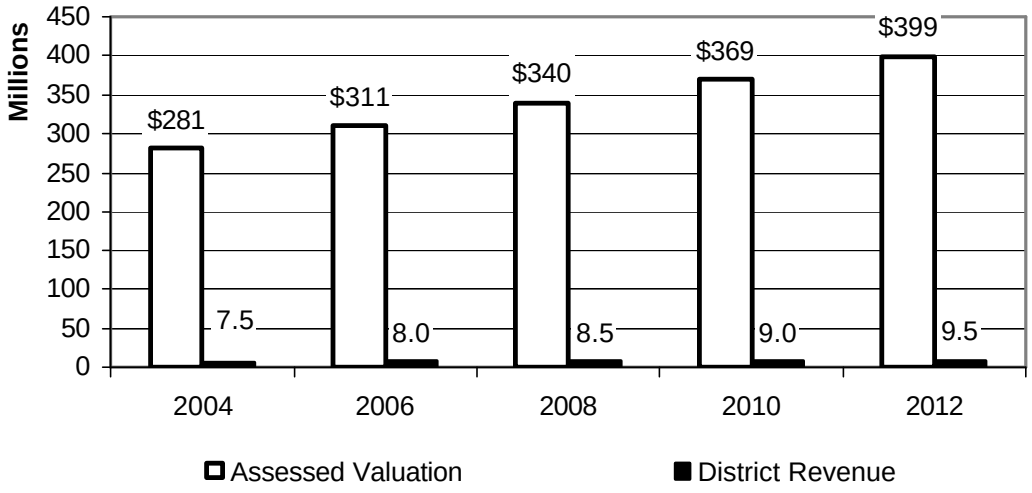
Figure 62 demonstrates what the contributions of residences over time if current trends continue. Note that the assessment rate is unlikely to remain at

.0915 for the next ten years. In fact, many state economists are projecting that it will decrease to around .06 - .07.

Because the District is limited to bonding more than 20% of its total *taxable* assessed valuation a decreasing assessment rate combined with slower value growth in residential real estate markets will reduce the future potential bonding power (i.e. $) of the district. In 2000 Montrose's percent of residential valuation was 44%. Evidence suggests that for every one percent increase in residential proportion (i.e. proportion of total residential valuation vs. commercial) results in a decrease of $19.62 in local per pupil revenues. Moreover, state revenues fall by $30.67 per pupil under the same scenario—thus increases in residential development may have the effect of "ratcheting" down per pupil spending (although it cannot drop below state mandated levels) while increasing demand on school facilities (i.e. more residential housing = more students).[23]

Figure 63. graphically represents the date presented in the tables in **figure 62**.

Figure 63. School Property Tax Revenues



[23] *Colorado Schools: The Great Divide*. Center for Colorado Policy Studies, Tom Brown http://web.uccs.edu/ccps/

Conclusions, Considerations, & Recommendations

If present trends continue the school district should anticipate:

- Increasingly lower students per household with steady student growth
- Significant facilities increases / significant backfilling of current less than satisfactory facilities
- Increasing dependence on State equalization funds, accompanied by lower proportions of local revenue
- Decreasing bonding power (relative to increases in valuation)
- Montrose County and the School district should update the school land dedication bi-annually so that revenues and land dedications are maximized from this source
- There are creative ways by which revenue for capital facilities may be exacted from new growth.

LIBRARY

Introduction

The Montrose Library District has one main library and two smaller branch outlets (Naturita & Paradox) through which more than 96,000 items are circulated to a population of 32,000+. As the community grows, so does the demand for circulation items, library space, librarian assistance, inter-library loans, computers, and audiovisual materials. Libraries serve an important function in providing tools that lend to a well-informed, educated local population, yet they are typically under-funded. The Montrose Library District is currently short-staffed by approximately two FTE's and may be considered to be working with an inadequate operating budget. A look at growth over the next ten years provides insight into how the current funding regime will affect the library and the service levels it provides to its users over time.

Methodology

The methodology consists of defining the current level of service in terms of operations cost per capita, number of circulation items (and the value) per capita, and the value of library facilities per capita. The population of the library district was determined by applying average occupancy rates to the number of housing units in the district (obtained from the Montrose County Assessor's office). The cost of maintaining current level of service for growth over the next ten years can then be determined by multiplying the costs per capita by the projected residential population.

Demand Units

The more people there are in a district, the more use the library will experience. The districts residential population is projected to grow by approximately 2.4% annually – a high growth rate reflecting demographic trends in Montrose County.

Figure 64. Library District Demand Units

Library District Demand Units	2000	2012
Population	32,063	42,537

Operations

Montrose Library District is currently spending about $24.52 per person to maintain the existing service levels. The Colorado average library district operations expenditures is $30.51 per capita,[24] Montrose appears to be significantly behind state averages in expenditures. However, it is not that far behind the average National expenditure-per-capita of $25.25.

In order to maintain even (potentially lower) than average level of service, the library must continue to increase its operating expenditures as the district grows or it will begin to slip below national averages with a concurrent decline in LOS. According to the Managing Librarian, the staff is already working above its capacity and additional library usage and circulation will strain the day-to-day operations even further without additional funding for more staff.

[24] *Public Libraries in the U.S-Fiscal Year 1999.* U.S. Dept. of Education, 2002

Figure 65. Library Operations LOS

	US	CO	Montrose
Operating Expenditures (per capita)	$ 25.25	$ 30.51	$ 24.52

Capital Improvements

Capital improvements in the library district consist primarily of the library building, books, CDs, magazines, electronic equipment and other circulation items. The library has 96,351 circulation items total, which amounts to 3.0 items per capita in the District. When the items are broken out into the best known categories (i.e. books, audio, & visual) it becomes apparent that Montrose offers a slightly lower level of service than the average National or Colorado library.

Figure 66. Library Capital Facilities LOS

Collections (per capita)	US	CO	Montrose
Books	2.8	2.7	2.31
Audio	0.11	0.09	0.05
Video	0.07	0.08	0.05
Total	2.99	2.87	2.41

Figure 67. Library items per capita

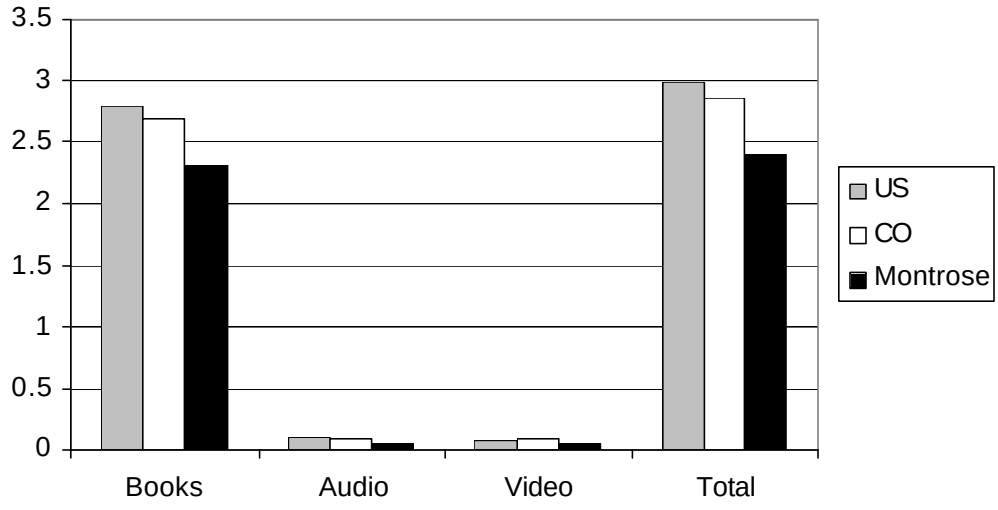


Figure 68 demonstrates the expenditures on the new library facility and books, and how much is spent on capital facilities per person in the district.

Figure 68. Current Capital Facilities Costs

Library Facility (bldg)	$ 6,199,566
Approx. Value of Circulation Items	$ 2,119,722
Total Library Capital Facilities	$ 8,319,288
Capital Facilities per Demand Unit	$ 259

Although the Montrose library will likely be spared making future major investments in physical building facilities it will need to add significantly to its current work force. To maintain the existing level of service (which as previously noted is operating at a deficit of two employees) Montrose will need to add another 4.9 FTE's over the next ten years.

Figure 69. Library Facility & FTE Needs

	2000	2012
Circulation Items	96,351	31,474
Library Size (sq. ft.)	26,276	8,583
FTE per capita	0.0005	4.9

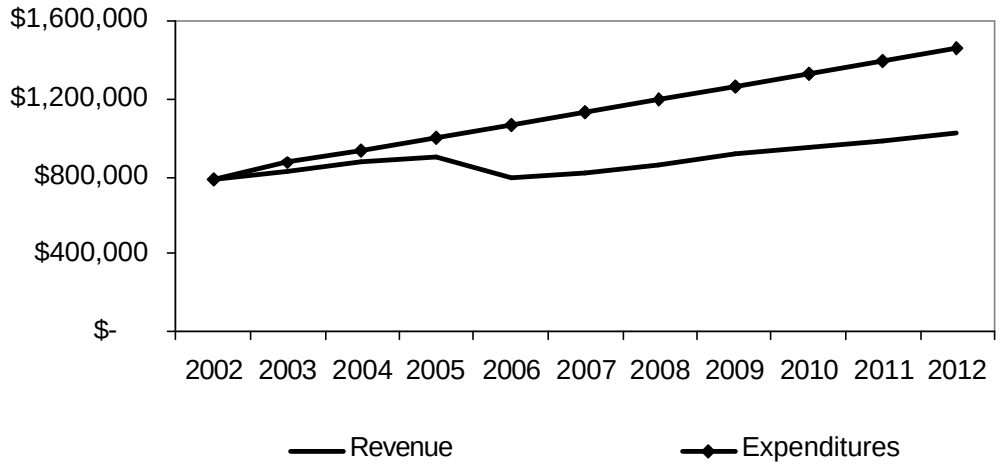
Cost of Maintaining the Current LOS to 2012

If the new Library in Montrose were at capacity it would cost the District an additional $2.7 million investment in capital facilities to maintain the current LOS for the library in 2012.[25] Fortunately, the main library has room for another 10-12 thousand books – meaning that further investment in facilities may not be necessary. Because the library was built over capacity the county and/or library district may want to consider a "buy in" approach to a modest impact fee. Adopting an impact fee would have the effect of buffering the operating budget, thus allowing the library to increase its service levels.

Figure 70 projects future revenues. A significant drop in revenues is expected to occur in 2006 due to an exhaustion of reserve funds. **Figure 70** demonstrates a linear trend projection for the ten-year period to 2012. Clearly, although an ever-widening disparity between revenues and expenditures are anticipated, in reality, we would expect that the expenditures will dip to meet revenues thus lowering the level of service in the district.

[25] Although over 30,000 new items will be necessarily added, the librarian suggested that many items might be culled and replaced.

Figure 70. Library Expenditures & Revenues



The main revenue sources for the library district are property tax and specific ownership tax, which are projected to increase modestly over the next ten years.

It is interesting to note that the Montrose library districts average annual capital facilities expenditures are very close to National averages (~$96,000) although they are almost half of the average expenditures made by Colorado libraries (~$160,000) – these high capital expenditures probably reflect the high growth rates in Colorado and the average is probably skewed by a number of very expensive library projects in the burgeoning cities of Colorado's front range.

Conclusions, Consideration, Recommendations

- The Montrose library district is providing quality services to the patrons within the district. However, it should be noted that the library is working with significantly lower service levels than national and (perhaps more importantly) Colorado standards. This is true in terms of employees, collection, expenditures, and revenues.

- The library may consider partnering with the Fire District to help convince the County of the merits of an impact fee for public capital facilities. While more equitably assigning the cost of growth to the beneficiaries, an impact fee for library development might, relieve the operating budget from large capital outlay line items, allowing the general fund to be directed towards operation and thus increasing service levels. The

district may also consider some form of user fees attached to circulation cards.

- RPI has noted some past successes wherein library districts partnered with local schools to provide joint library services to both students and the community. This may be an option for the Naturita and Paradox branch outlets.

- The Library district should consider the implications of TABOR on its primary revenue sources. It should also be noted that TABOR limits the districts ability to receive and spend grant monies (with which it might increase its service levels. Additionally, the district is limited in its ability to receive and spend other future tax revenues.

WATER

Introduction

Neither water or wastewater service are amenable to the methodologies used previously in this report. Rather, these services are evaluated in terms of absolute capacity of capital facilities. In addition, both systems are evaluated on their ability to provide service at peak demand levels on a daily basis.

Although treated water service infrastructure is not provided by Montrose County nor is it a component of Montrose's budget, this section analyzes existing Tri-County water flows and residential usage for customers residing within Montrose County.

Given resident populations and peak population approximations, RPI was able to project a number of elements of 10-year growth water usage.

Fortunately, both accurate records of water flows and tap numbers within the district exist. Consequently, true usage scenarios were developed based on peak and off seasons. Peak seasons would include the summer months when the largest numbers of tourists are in the area and the highest amounts of water are being used for irrigation purposes. Water flows in the so-called "off-peak" or "shoulder seasons" give us a reasonable estimate of simple domestic and commercial usage without tourist or irrigation influences. RPI typically projects water usages in terms of "peak and "off peak" usages but due to the primarily rural consumption of water within the district examined and the presence of a developed raw water system – their are few peaks or

valleys in the district's usage patterns. The final category of use examined is the quantity of water allotted to each resident or (some) commercial usage for a flat rate every month. This analysis does not factor system leakage, which can be significant but often remains unknown.

This usage is called "allotment" in the following charts. All water production systems must be built for potential peak capacities, and this assumption is inherent in all of RPI's analysis.

While not an integral part of the overall analysis, RPI has conducted a brief overview of existing water district rights.

Methodology

The first step in analyzing water flows is understanding historic flow data, the number of taps in the district, existing plant capacity, and water consumption by unit type (i.e. per capita, square footage, etc.).

Monthly usage tables are converted to average daily usages for both peak and off peak seasons. A working assumption of the analysis considers that much of the expanded use during the peak seasons includes treated water irrigation and additional consumption by tourists/seasonal residents. Conversely, off-season use represents a true average consumption by the year round domestic population. Please note that the peak population may at some point in the future become the "permanent" population and the water infrastructure may be called upon to work at peak capacity year-round. While there are a number of scenario's that might produce a larger permanent population, an obvious one involves the movement of retiring second home owners to Montrose County to make it their permanent residence during their retirement years.

Based on projected land uses and existing fee structures the consumption and revenue streams required and generated by growth over the next ten years can be projected. Water use by land use type is converted by using standard tables from the American Water Works Association governing average consumption per unit.

RPI typically analyses water plant treatment capacity as a function of actual quantity of water that the plant is capable of producing in a 24-hour period for extended periods of time (plants may be capable of meeting peak usages by operating around the clock for short periods of time). However, because the Tri-County district does not treat water, it distributes it, this analysis considers the system-wide capacity of pipes and pump stations. Due to the convoluted nature of the existing system (40+ pump stations) this analysis uses a flat capacity percentage provided to RPI by the Director of Tri-County.

Water storage is an important component of water production and delivery. Tri-County water district possesses several million gallons of potential supply. Supply reserves extend the possible outflows of the water plant on a daily basis. However, this analysis considers only the maximum daily capacity of the distribution system.

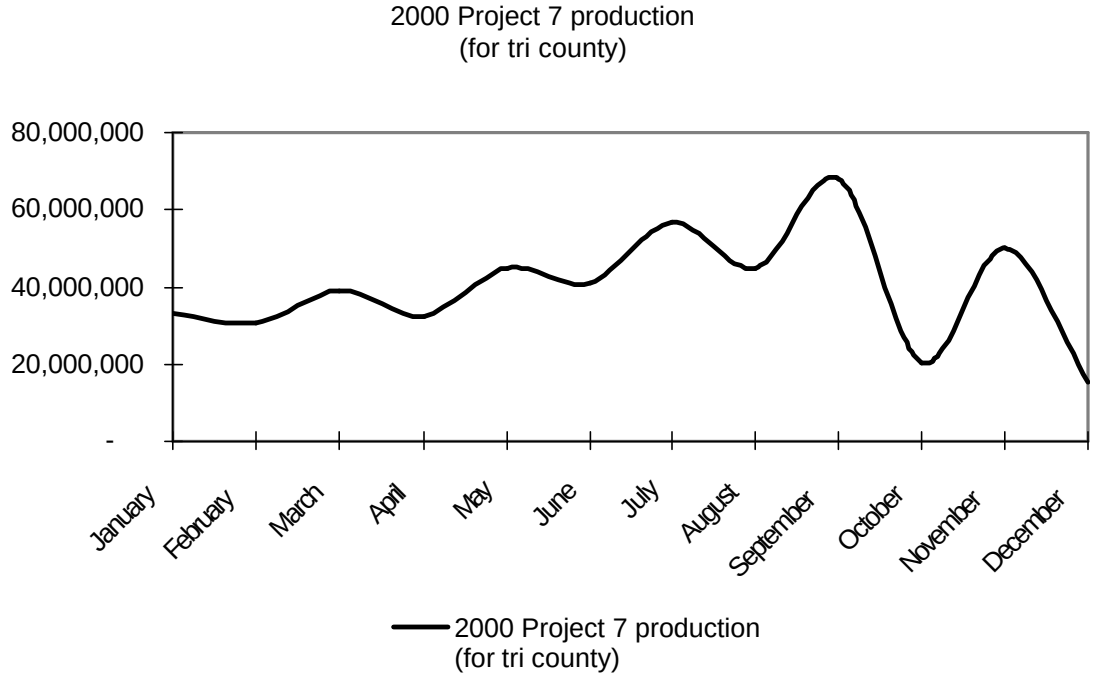
Projected revenues and costs are based on the year 2000 actual budget as supplied to RPI by the district. Revenues are separated by actual fee and other revenues. Costs are expressed per thousand gallons based on total water district expense and revenues. Budget was divided using percentages provided by the water district.

The water rights analyses absolute and conditional water rights given to RPI by the Tri-County District. The analysis does nothing more than to make an ideal potential draw if all water sources and delivery systems were made 100% available. The water rights analysis is further complicated by the fact that Tri-County supplies water to the entire Project 7 water district. Nonetheless, potential is expressed in terms of annual acre-feet.

Water Analysis

Figure 57 demonstrates the plants surprisingly soft seasonal fluctuations. The spike and decline during the September October period is peculiar to typical water usage trends and may simply represent an anomaly Nonetheless, water usage does increase significantly during the summer with water usage jumping from 113 to 187 gallons per day, per capita—peak usages are approaching double the average per capita use as determined by the American Water Works Association. However, they are still much lower than many water systems that RPI has examined in the Rural West.

Figure 71. 2000 Tri-County Water Use (Montrose County section)



Fortunately, Tri-County has mitigated much of its treated water use with a raw water system which has effectively increased the capacity of treatment facilities thus prolonging the need to make major reinvestments in capital infrastructures.

Figures 72 & 73 map the existing conditions and impacts of the proposal.

Figure 72. Existing Water Facilities – Existing Conditions

WATER

Existing

EU (Equivalent Unit)		
Taps	3,470	
Units	6,934	
Ft.^{2} (Com)	2,979,374	
Flow	**Gallons**	
Average Daily Off Peak	1,038,647	
Average Daily Peak	1,685,711	
Use (average per EU-gallons)	**Daily**	**Monthly**
Off Peak	299	9,099
Peak	486	14,768
Total Use (gallons)	**Daily**	**Monthly**
Off Peak	1,038,647	31,574,857
Peak	1,685,711	51,245,600
Monthly Fee Revenue (per EU)	**Res**	**Comm**
Peak	$ 41.10	$ 72.22
Monthly Fee Revenue Total	**Average Existing**	
Off Peak	$ 109,092	
Peak	$ 156,301	
Distribution Capacity (daily gallons)		**% of capacity existing**
Off Peak		30%
Peak		48%
Project 7 Capacity		4%
Annual Water Use (acre feet)	**Existing**	**% of total rights**
	1466	0.93%

Figure 73. Water Facility Impacts – 2012

2012			TOTALS Existing + 2012
EU (Equivalent Unit)	Res	Comm	
Taps	686	105	4,261
Units	8,503		
Ft2 (Comm)	3,688,736		
NEW USE	Gallons		
Off Peak	236,643		1,275,289
Peak	384,068		2,069,779
Use (average per EU-gallons)	Daily	Monthly	
Off Peak	299	9,099	
Peak	486	14,768	
Total New Projected Use (gallons)	Daily	Monthly	
Off Peak	236,643	7,193,943	38,768,800
Peak	384,068	11,675,679	62,921,279
Monthly Fee Revenue (per EU)	Res	Comm	
Off Peak	$ 29.01	$ 48.18	$ 134,033
Peak	$ 41.10	$ 72.22	$ 192,053
Monthly Fee Revenue Projection	Projected		
Off Peak	$ 24,942		
Peak	$ 35,752		
Distribution Capacity (daily gallons)	Existing	% of capacity projected	
	3,500,000		
Off Peak		7%	36%
Peak		11%	59%
	25,000,000		
		1%	5%
		2%	8%
Annual Water Use (acre feet)	Projected	% of total rights	
	348	0.22%	1.15%

Figure 74. Project 7 Treatment Capacity

Project 7 Capacity	Daily Existing	Daily 2012	Total
	4%	1%	5%
	7%	2%	8%

Currently, Project 7 treatment facilities operate well within their capacity even during the peak months. The addition of new growth over the next 10 years (produced by development within Montrose County and served by Tri-County) will increase demand on the facility only minimally and will likely only press the service during the highest use days (perhaps to as much as 70% of total capacity). If raw or other water conserving measures continue to be utilized, the plants should operate at excess capacity for many years to come. However, it is important to consider existing usages on a per unit basis so that the incremental effects of growth are not underestimated, **Figure 60** demonstrates the off-peak and peak usages of residential units within the district.

Figure 75. Per unit usages (Residential)

Off Peak	
ADU (per tap)	266
ADU (per capita)	113

Peak	
ADU (per tap)	432
ADU (per capita)	183

ADU=Average Daily Usage

Figure 76. Per Unit Usages (Commercial)

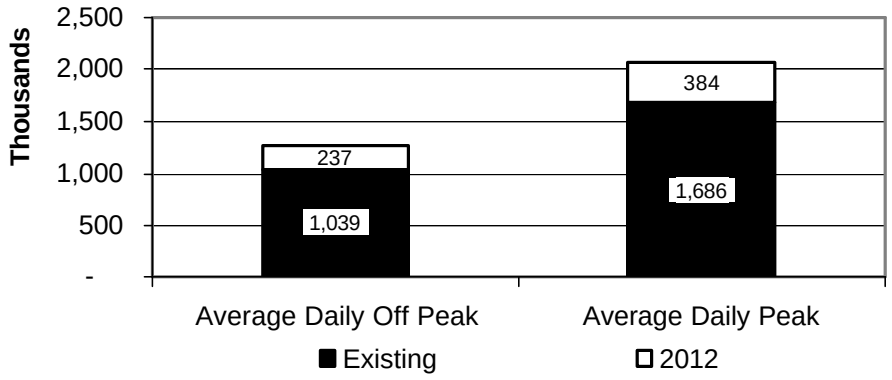
Off Peak	
ADU (per tap)	529

Peak	
ADU (per tap)	858

ADU=Average Daily Usage

Tri-County's capacity is directly related to the distribution system which includes not only pumps but also pipe diameters and should also consider system leakage.

Figure 77. Peak & Off Peak Usages



As Figures 78 and 79 demonstrate, there may be some minor issues with fee revenue and processing costs. While the operations only costs and off peak fee revenues[26] per gallon are nearly commensurate or slightly in the plants favor, it is RPI's position that this is an inaccurate lens through which to view true costs.

Figure 78. Water Fee Revenues

Fee Revenue (per gallon)		Per 000' gallons
Off peak	$	4.00
Peak	$	3.05
Other Revenue	$	9.14

Figure 79. Water Costs

Costs		
Total operations expenditures (approx)	$	2,630,011
Total gallons treated		477,252,000
Total Taps[27]		3,470

Costs		Per 000' gallons
Cost per gallon	$	10.75
Cost per gallon w/o capital expenditures	$	9.91
Cost per gallon-operations only	$	5.51

RPI's generally argues that it is unlikely that any intensively used, expensive, capital facility such as a water treatment plant will ever operate without any debt obligations. Consequently, debt should be considered as an ongoing component of total operations costs. If this logic is followed we see that a

[26] Fee revenues are a function of water allotment (in this case 6,000 gallons per tap per month) and fees additional to the allotment. Tri County district charges less per gallon over 6,000 than it does for the first 6,000.

[27] Taps on Tri-County within Montrose County

significant portion of the plant's water treatment costs are actually covered by revenue sources other than fees (i.e. the mill levy, and other fees, charges, and funds). Perhaps if the district instituted a more progressive fee structure market cues might accomplish the dual objectives of encouraging further conservation as well as covering operations costs with the usage fee structure enabling the district to use the other revenue sources as pay-as-you go capital improvements funding.

WASTEWATER

Introduction

This analysis is limited to the West Montrose sanitation district and more specifically those homes that reside within Montrose County. Wastewater is one of the most tangibly limiting factors of any proposed development. Strict State and National laws govern effluent and treatment of sewage. Furthermore, capital facilities for treatment plants can be extremely expensive, occupy significant land, and become maintenance intensive. Furthermore, treatment facilities are required to have expansions planned when they reach 80% of capacity. They are required to begin building the expansion when they reach 95%.

A new treatment facility is planned for the West Montrose Sanitation District and this report will not attempt to second guess, or publish redundant information in this section. Rather, this section of the report will simply analyze, based on standardized industry numbers, how much sewage might be expected to be generated in 2012 by new projected growth in the district during peak and off seasons. This incremental costing information will be generally applicable to all future unit growth This report does provide some BOD graphing information (although the information given to RPI was incomplete) to demonstrate the magnitude of use trends during the peak and off peak seasons.

Methodology

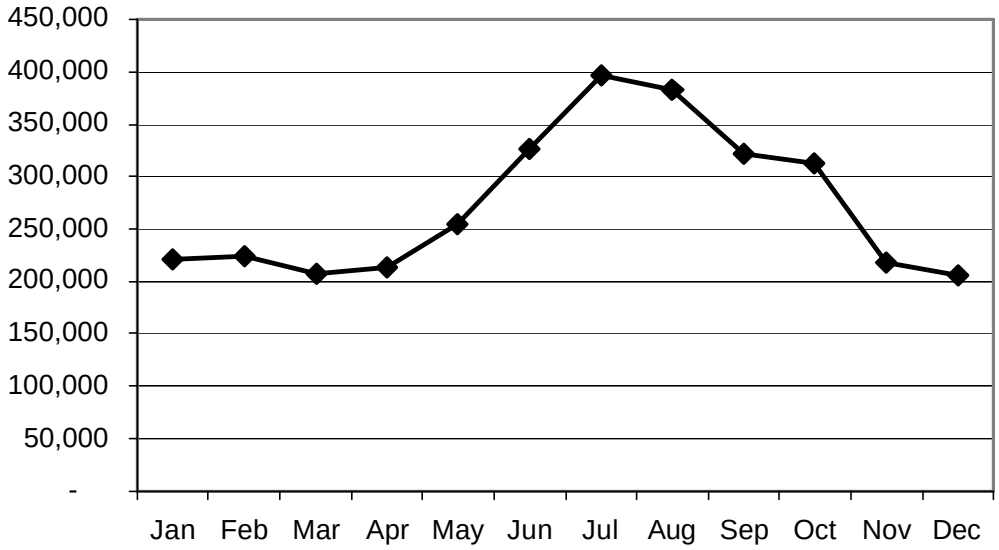
The first step in analyzing wastewater treatment is to consider historical flow data including peak and off-peak seasons. To this end, RPI analyzed daily 2001 sewer flows to provided by the District. These flows were then averaged on a monthly basis with maximum daily (peak) flows taken into account and adjusted for in the final average daily flow matrix. Unfortunately, the historical flow data for the PHE Lagoon may be corrupted by some I/I

By using the primary inputs (population, square footage, housing units, etc..) generated for the previous sections of this report, it is possible to calculate the expected wastewater production and revenues based on standardized production numbers produced by the American Water Works Association and existing fee structures.

Wastewater Analysis

Figure 63 shows the average and peak influent. The peak, shoulder, and off seasons are apparent. The seasonal fluctuations are typically attributed to occupancy of second homes, seasonal runoff (I/I), and tourist influences.

Figure 63. 2000 Wastewater Flows (influent)



Although budget information provided to RPI was incomplete**, Figure 64** demonstrates what it cost to treat a gallon of wastewater in 2001. The revenues are broken out from straight fee revenue per gallon. The District does not recoup enough money in fees to cover its costs during either the the off or peak seasons – Although not a part of RPI's analysis, it may be that the district is recouping losses on its residential treatment during the peak season through a higher and more complex commercial rate structure. It is likely that the district is covering treatment costs through other revenues such as a mill levy. Still, RPI would generally recommend that costs be born by their generators and that a more progressive fee structure be instituted to bear the burden of usage of the system during—otherwise a de-facto subsidy system is in place. It appears that the District would be wise to more than double its monthly flat fees to recoup the difference and then apply other revenue sources to future capital facilities needs.

Figure 64. Wastewater Revenues

Cost per 000' gallon to treat	$	1.75
Revenue per 000' gallon (fees)		
Off peak	$	0.76
Peak	$	0.50

Figure 65 shows the increased flow that will be emitted from build out in 2012. As with water, the daily capacity of the plant is of preeminent importance.

The unit increase by 2012 is relatively modest however the production of sewage is not insignificant, particularly when compared to the existing service plants capacity.

Figure 65. Residential Sewage Flows

Residential					
		Daily	**Monthly**		**Daily**
Off-Peak		**sewage flow** (gallons)	**cost to treat**	**revenues**	**% of capacity**
	Existing	232,000	$ 12,362	$ 5,390	66%
	2012	315,520	$ 16,812	$ 7,330	90%
Peak					
	Existing	356,750	$ 19,009	$ 5,390	102%
	2012	485,180	$ 25,853	$ 7,330	139%

It is clear that growth by 2012 will push the plant to well past existing capacity during peak months, and significantly increase flows during the off peak months.

Although it can be problematic to derive an accurate estimate, it seems that the Reserve development may require as many as 176 new taps and thus will generate about $352,800 in plant re-investment (tap) fees. These fees, given replacement costs estimated by the sanitation director, are not adequate to expand or improve the current facility to meet increased demand. One factor that is normally considered is the price of real estate for lagoon expansion. Nonetheless, it may be appropriate for the District to calculate a "buy in" cost for the existing lagoon property and adjust the re-investment fees accordingly. The district should consider raising its existing tap fees to a level that more accurately represents new developments fair share investment in a new facility. Because new growth is going to increase influent by approximately 26 percent over the next ten years, it may be appropriate to

raise double the tap fees (i.e. $4000) so that their tap fees more closely represent the cost of expansion

Conclusions

- The district may want to consider doubling its existing monthly service charge so that the fees more closely represent the cost of treating influent. This has the further advantage of freeing other revenue sources (such as a mill levy) to be earmarked for future capital facilities expenditures.

- The district may want to consider doubling its tap fees so that the charges more closely represent the fair share of investment in new treatment facilities to serve new growth.

APPENDIX I

Detailed Non-Residential Sq. Ft. Inventory

Figure A. Detailed Non-Residential Sq. Ft. Growth in Montrose County

	1990 Sq. Ft.	2000 Sq. Ft.	% Annual Change (1990 Base Year)
Merchandising	850,229	1,263,624	4.9%
Lodging	195,263	313,126	6.0%
Offices	289,910	325,814	1.2%
Recreation	21,453	40,124	8.7%
Special Purpose	991,779	1,512,335	5.2%
Warehousing/Storage	383,648	656,711	7.1%
Multi-Use	123,885	151,958	2.3%
Industrial Services	51,863	90,184	7.4%
Manufacturing	438,709	744,492	7.0%
Govt./Institutional	990,923	1,254,016	2.7%
Total	4,337,662	6,352,384	4.6%

Figure B. Sheriff's Department Proportionate Share Calculations

Crime Type	2000-2001 Actual Offenses	% Res	% Non Res	# Res	# Non-Res
Arson	6	62.5%	37.5%	4	2
Assault w/ weapon on Officer	9	93.1%	6.9%	8	1
Assault - Simple	195	93.1%	6.9%	182	13
Non-Residence Burglary	24		100.0%	0	24
Residence Burglary	127	100.0%		127	0
Child Abuse	46	100.0%		46	0
Criminal Mischief	259	93.1%	6.9%	241	18
Drug Offenses	81	100.0%		81	0
Forgery	7		100.0%	0	7
Fraud	32		100.0%	0	32
Kidnapping	1	100.0%		1	0
Sex Offenses	64	93.1%	6.9%	60	4
Theft	328	93.1%	6.9%	306	22
Auto Theft	65	93.1%	6.9%	61	4
Harassment	239	100.0%		239	0
Alcohol Offenses	100	93.1%	6.9%	93	7
Weapons	66	93.1%	6.9%	61	5
Figure B Continued					
Trespassing	129	62.5%	37.5%	81	48

Animal Cruelty	26	100.0%		26	0
Restraining Order Violation	73	100.0%		73	0
Threatening	49	93.1%	6.9%	46	3
Disorderly Conduct	12		100.0%	0	12
Custodial Interference	10		100.0%	0	10
Contraband	4	93.1%	6.9%	4	0
Menacing	13	93.1%	6.9%	12	1
Reckless Endangerment	2	93.1%	6.9%	2	0
			Total	1752	215
			% of Total	89%	11%

The approach used to establish the proportionate share for the Sheriff's department can best be described as a process of sorting crimes committed in the past two years into residential vs. non-residential 'bins'. Once they are sorted, the proportionate share consists simply of the ratios of the totals of each bin. RPI analysts, after discussing the nature of the various crimes listed in the table above first sorted out the crimes that are entirely attributable to either the residential or non-residential sectors (residence vs. non-residence burglaries, child abuse, etc.). The crimes that could be attributable to both sectors were sorted according to 2 ratios for the unincorporated County calculated using primary input information contained in the main body of the report:

- Residential vehicle trips (93.1%) to non-residential vehicle trips (6.9%)
- Residential structures (62.5%) to non-residential structures (37.5%)

The ratio of residential to non-residential vehicle trips in the unincorporated county is a good representation of the amount of activity associated with each. This ratio was applied to crimes that were not necessarily associated with property. The ratio of non-residential to residential structures was applied to crimes that are related to property, such as trespassing and vandalism. RPI used the ratio of the totals as the proportionate share for the Sheriff's department.

Figure C- Historic Record of Affect of 5.5% statutory limit on Property Tax Revenues

Budget Year	Allowable Increase	Statutory Limits Imposed?
1992	0.067	N
1993	0.066	N
1994	0.076	N
1995	0.099	N
1996	0.084	N
1997	0.079	N
1998	0.075	N
1999	N.A.	N
2000	0.080	N
2001	0.079	N
Average	0.078	

Source: DOLA Office of Financial Management

Figure C summarizes the allowable property tax revenue increase each year under the 5.5% statutory limit (5.5% + Boulder/Denver inflation + various adjustments). The right hand column indicates that Montrose County property tax revenue has never exceeded the allowable increase, an so they have never had the statutory limits imposed, which would result in a mandatory mill levy reduction. This information was obtained from the CO Department of Local Affairs Property Taxation section. The past years also allowed RPI to calculate an average allowable increase under the 5.5% rule which will be used in the final test of the property tax projections.

The other important tax law is the TABOR amendment, which applies to property tax revenue in much the same way as the 5.5% rule analyzed above. The TABOR limit states that property tax revenues cannot experience growth from one year to the next that exceed the Inflation from the prior year plus a "growth factor". RPI used historic Denver/Boulder inflation and formulas and the relevant financial information to run the formulas (all provided by the CO Department of Local Affairs Financial Assistance section) to calculate the TABOR limit for Montrose County each year since the passage of the TABOR amendment.

Figure D. Projecting the TABOR Limit

Year	Denver-Boulder CPI per DOLA	Inflation Year to Year % Change	Local Growth Calcs	Tabor Spending Limit
1994	141.8	4.40%	2.07%	6.47%
1995	147.9	4.30%	4.74%	9.04%
1996	153.1	3.50%	3.76%	7.26%
1997	158.1	3.30%	3.68%	6.98%
1998	161.9	2.40%	2.08%	4.48%
1999	166.6	2.90%	3.54%	6.44%
2000	173.2	4.00%	3.21%	7.21%
2001	181.3	4.70%	4.75%	9.45%
2002		3.75%	3.22%	6.96%
2003		3.75%	3.45%	7.19%
2004		3.75%	3.45%	7.19%
2005		3.75%	3.45%	7.19%
2006		3.75%	3.45%	7.19%
2007		3.75%	3.45%	7.19%
2008		3.75%	3.45%	7.19%
2009		3.75%	3.45%	7.19%
2010		3.75%	3.45%	7.19%
2011		3.75%	3.45%	7.19%
2012		3.75%	3.45%	7.19%

Since linear trend projection does not account divergence from the linear trend, the projected TABOR limit (7.19%) is simply an average of all the previous years.

Figure E projects the projected year to year % growth in overall property tax revenue for the County. The maximum projected percentage growth is 4.17%, substantially lower than the projected 7.19% TABOR limitation and the 7.8% average limit for the 5.5% Statutory limitation.

Figure E. Property Tax Revenue Limits Test

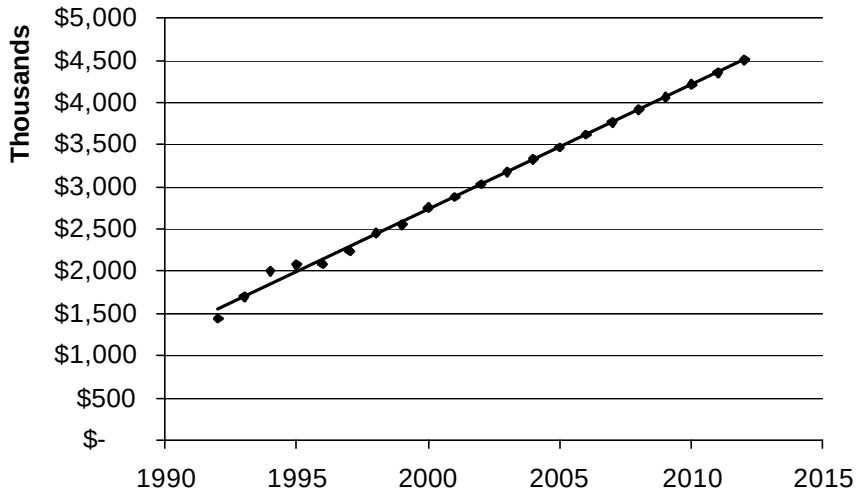
Testing Projected Property Tax Revenues for TABOR and Statutory Revenue Limitations		
	Projected Property Tax Revenue	Projected Annual Growth in Property Tax Revenues
2002	$ 6,744,472	
2003	$ 6,899,744	2.30%
2004	$ 7,055,017	2.25%
2005	$ 7,348,992	4.17%
2006	$ 7,642,967	4.00%
2007	$ 7,936,941	3.85%
2008	$ 8,230,916	3.70%
2009	$ 8,524,890	3.57%
2010	$ 8,818,865	3.45%
2011	$ 9,112,840	3.33%
2012	$ 9,406,814	3.23%
	Projected TABOR Limitation	7.2%
	Projected Allowable Annual Increase Under "5.5 % Statutory Limit"	7.8%

In conclusion, the *projected* property tax revenues will be essentially unaffected by State Tax law, unless major fluctuations occur in the projected property tax revenues. It is important to stress that projected revenues represent a relatively gross estimation of revenues/expenditures over time and do not account for the year-to-year fluctuations that inevitably occur. It is possible, for example, that assessed valuations might jump substantially without significant new construction and the limitations might be applied.

Potential Sales Tax Projections

Since the sales tax, along with the use tax sunset in 2006, it is worth finding out just how much revenue the sales tax would produce were the voters to approve a reinstatement of the sales tax. Figure 6 below illustrates the linear projection of 94-2001 sales tax revenue up through the year 2012.

Figure F. Potential Sales Tax Revenue if Voters Reinstate the Tax



Budget Revenue Line Item Projections

Figure G lists *some* of the revenue line item projections. The list below is abbreviated and is meant only to illustrate the methodology used for the line item projections. More than 250 line items were projected to 2012 using the methodology described below. Also, several columns are not shown here such as the '98, '99 actuals, and 2001 actuals, which were used to establish average revenues and identify trends.

The method used to project revenue line items can best be described as a process of classification, grouping, and summing. Each line item was classified by the type of revenue (fee/fine, State, Federal, etc..), by projection factor (anything from population, to registered vehicles, to assessed valuation, etc.), and by fund (general fund, road and bridge, etc..

The projection factor is simply an increase rate used to make the 2012 revenue projection. Where an obvious trend upwards or downwards existed in past budgets (County budget records only go back as far as 1998), RPI generated a simple linear projection to obtain the estimated revenue in 2012. Where the revenue fluctuates from year to year RPI used an average annual revenue derived from past budget year and adjusted for inflation in 2012 (this assumes that the fee and fine rates will increase with inflation). Any fee or fine related to the Assessor's office or Treasurers office was projected to increase at the same rate as the assessed valuation of the County. Population growth rates were often applied to various line items, depending on the jurisdiction from which they originate. For example, jail fees are collected from Ouray County, so these fee revenues are expected to increase at the same rate as the

population grows in Ouray County. Other projection factors, applied in a similar manner include housing units, # of students, registered vehicles, and others.

Once each line was classified and projected to 2012 according to its appropriate projection factor, RPI simply grouped and summed. The ultimate result is, for example, the projected fee/fine revenue for the general fund in 2012, or the projected specific ownership tax revenue for road and bridge in 2012.

Figure G. Excerpt from Line Item Budget Projections Spreadsheet

Section	Description	2000 ACTUAL	Projection Factor	Revenue Type	2012 Projected
(01) GENERAL FUND	MISCELLANEOUS REVENUE	$5,272.49	past budgets	misc	$ 2,885
(01) GENERAL FUND	FOREIGN TRAVEL	$1,945.00	past budgets	misc	$ 13,206
(01) GENERAL FUND	Liquor licenses	$2,155.00	past budgets	fees/fines	$ 2,467
(01) GENERAL FUND	Delinquent property tax revenue	($6,083.03)	past budgets	misc	$ 330
(01) GENERAL FUND	Interest and penalties prop tax	$14,244.66	past budgets	misc	$ 35,586
(01) GENERAL FUND	Specific ownership tax revenue	$569,416.61	registered vehicles	spec own	$ 721,696
(01) GENERAL FUND	Spec ownership tax additional	$60,813.83	registered vehicles	spec own	$ 77,077
(01) GENERAL FUND	Cigarette tax	$10,823.42	population	state	$ 14,067
(01) GENERAL FUND	Miscellaneous revenue	$8,399.57	past budgets	misc	$ 19,401
(01) GENERAL FUND	Sale of fixed assets	$104,643.81	past budgets	misc	$ 16,830
(01) GENERAL FUND	Internal rent charges	$2,789.19	past budgets	misc	$ 49,607
(01) GENERAL FUND	Taylor grazing fees	$4,073.30	past budgets	US	$ 4,515
(01) GENERAL FUND	GIS & Mapping services	$407.25	population	fees/fines	$ 529
(01) GENERAL FUND	Clerk & recorder fees	$525,280.93	population	fees/fines	$ 682,699
(01) GENERAL FUND	Reimb of election costs	$23,068.34	population	fees/fines	$ 29,982
(01) GENERAL FUND	Sale of materials	$1,907.76	population	fees/fines	$ 2,479
(01) GENERAL FUND	Public Trustee fees	$15,430.50	past budgets	fees/fines	$ 22,379
(01) GENERAL FUND	Treasurer's fees other	$287,941.26	assessed valuation	fees/fines	$ 460,403
(01) GENERAL FUND	Treasurer's exch for cash	$63,365.05	assessed valuation	fees/fines	$ 101,317
(01) GENERAL FUND	Interest revenue	$456,879.74	past budgets	misc	$ 383,000
(01) GENERAL FUND	Concealed weapons permits	$4,865.00	population	fees/fines	$ 6,323
(01) GENERAL FUND	US Forest Service	$5,404.12	past budgets	US	$ 12,698
(01) GENERAL FUND	Law enforcement assistance	$3,053.15	municipal population	fees/fines	$ 4,284
(01) GENERAL FUND	Law enforcement serv Naturita	$38,329.41	naturita population	fees/fines	$ 56,081
(01) GENERAL FUND	Civil & Criminal proc serv	$42,455.11	population	fees/fines	$ 55,178
(01) GENERAL FUND	Copy charges	$602.81	population	fees/fines	$ 783
(01) GENERAL FUND	Vehicle inspections	$5,004.00	registered vehicles	fees/fines	$ 6,342
(01) GENERAL FUND	Miscellaneous revenue	$3,141.88	past budgets	misc	$ 8,059
(01) GENERAL FUND	Prisoner housing - DOC	$46,297.41	population	fees/fines	$ 60,172
(01) GENERAL FUND	Prisoner housing - other juris	$18,816.17	Region 10 Population	fees/fines	$ 24,483
(01) GENERAL FUND	Prisoner housing - Ouray	$106,909.68	Ouray County population	fees/fines	$ 144,412
(02) ROAD AND BRIDGE	Interest & penalties on prop t	$144.17	past budgets	misc	$ 302
(02) ROAD AND BRIDGE	Specific ownership tax revenue	$7,593.41	registered vehicles	spec own	$ 9,624
(02) ROAD AND BRIDGE	Spec o wnership taxes - added	$718.67	registered vehicles	spec own	$ 911
(02) ROAD AND BRIDGE	Mineral leasing revenue	$102,682.38	past budgets	US	$ 77,482
(02) ROAD AND BRIDGE	US Forest Service	$43,514.83	past budgets	US	$ 70,720
(02) ROAD AND BRIDGE	Highway Users Tax revenue	$3,411,360.95	CDOT budget projections	state	$ 4,752,531
(02) ROAD AND BRIDGE	Motor vehicle registration rev	$99,137.50	registered vehicles	fees/fines	$ 125,650
(02) ROAD AND BRIDGE	Sale of other materials	$0.00	past budgets	misc	$ 1,130
(02) ROAD AND BRIDGE	Sale of fixed assets	$2,508.00	past budgets	misc	$ 51,564
(02) ROAD AND BRIDGE	SALE OF MATERIAL	$3,710.00	past budgets	fees/fines	$ 1,391
(04) CONSERVATION TRUST	Conservation Trust revenue	$93,882.39	past budgets	con trust	$ 170,291
(05) EMPLOY BEN/INSURANCE	Delinquent prop tax revenue	($2,152.49)	past budgets	prop tax	$ 144
(05) EMPLOY BEN/INSURANCE	Int & penalties on prop taxes	$5,247.27	past budgets	prop tax	$ 20,208
(07) RETIREMENT	Retirement forfeitures	$20,195.79	past budgets	misc	$ 103,498
(52) JUSTICE CENTER DEBT	Interest revenue	$59,667.12	past budgets	misc	$ 72,334

General Fund Transfers Out

Airport Debt payments are projected to be $345,800 in 2012, and historically, the County has covered an average of 63% of that debt out of the general fund (just over $217,000 in 2012). The telecommunications, social services, and weed management transfers out were all calculated according to the projected rate of increased demand on those departments (i.e. proportionate increased cost of maintaining the current level of service).

Figure H. General Fund Transfers Out 2012

Airport Debt	$	217,854
Telecommunications	$	82,545
Social Services	$	19,748
Weed Management	$	23,877
Total Transfers Out	$	344,024

Figure I. Road Improvements Index Distributed Costing Matrix

Improvement Needs Index	12" Base Rock Cost per Mile (distributed)	4" Gravel Base Cost per Mile (distributed)	Cost per Mile for Chip-Seal Road	Cost per Mile for Gravel Road
1%	$ 1,111	$ 867	$ 103,578	$ 44,444
2%	$ 2,222	$ 1,733	$ 105,556	$ 45,556
3%	$ 3,333	$ 2,600	$ 107,533	$ 46,667
4%	$ 4,444	$ 3,467	$ 109,511	$ 47,778
5%	$ 5,556	$ 4,333	$ 111,489	$ 48,889
6%	$ 6,667	$ 5,200	$ 113,467	$ 50,000
7%	$ 7,778	$ 6,067	$ 115,444	$ 51,111
8%	$ 8,889	$ 6,933	$ 117,422	$ 52,222
9%	$ 10,000	$ 7,800	$ 119,400	$ 53,333
10%	$ 11,111	$ 8,667	$ 121,378	$ 54,444
11%	$ 12,222	$ 9,533	$ 123,356	$ 55,556
12%	$ 13,333	$ 10,400	$ 125,333	$ 56,667
13%	$ 14,444	$ 11,267	$ 127,311	$ 57,778
14%	$ 15,556	$ 12,133	$ 129,289	$ 58,889
15%	$ 16,667	$ 13,000	$ 131,267	$ 60,000
16%	$ 17,778	$ 13,867	$ 133,244	$ 61,111
17%	$ 18,889	$ 14,733	$ 135,222	$ 62,222
18%	$ 20,000	$ 15,600	$ 137,200	$ 63,333
19%	$ 21,111	$ 16,467	$ 139,178	$ 64,444
20%	$ 22,222	$ 17,333	$ 141,156	$ 65,556
21%	$ 23,333	$ 18,200	$ 143,133	$ 66,667
22%	$ 24,444	$ 19,067	$ 145,111	$ 67,778
23%	$ 25,556	$ 19,933	$ 147,089	$ 68,889
Improvement Needs Index	**12" Base Rock Cost per Mile**	**4" Gravel Base Cost per Mile**	**Cost per Mile**	**Cost per Mile**

	(distributed)	(distributed)	for Chip-Seal Road	for Gravel Road
24%	$ 26,667	$ 20,800	$ 149,067	$ 70,000
25%	$ 27,778	$ 21,667	$ 151,044	$ 71,111
26%	$ 28,889	$ 22,533	$ 153,022	$ 72,222
27%	$ 30,000	$ 23,400	$ 155,000	$ 73,333
28%	$ 31,111	$ 24,267	$ 156,978	$ 74,444
29%	$ 32,222	$ 25,133	$ 158,956	$ 75,556
30%	$ 33,333	$ 26,000	$ 160,933	$ 76,667
31%	$ 34,444	$ 26,867	$ 162,911	$ 77,778
32%	$ 35,556	$ 27,733	$ 164,889	$ 78,889
33%	$ 36,667	$ 28,600	$ 166,867	$ 80,000
34%	$ 37,778	$ 29,467	$ 168,844	$ 81,111
35%	$ 38,889	$ 30,333	$ 170,822	$ 82,222
36%	$ 40,000	$ 31,200	$ 172,800	$ 83,333
37%	$ 41,111	$ 32,067	$ 174,778	$ 84,444
38%	$ 42,222	$ 32,933	$ 176,756	$ 85,556
39%	$ 43,333	$ 33,800	$ 178,733	$ 86,667
40%	$ 44,444	$ 34,667	$ 180,711	$ 87,778
41%	$ 45,556	$ 35,533	$ 182,689	$ 88,889
42%	$ 46,667	$ 36,400	$ 184,667	$ 90,000
43%	$ 47,778	$ 37,267	$ 186,644	$ 91,111
44%	$ 48,889	$ 38,133	$ 188,622	$ 92,222
45%	$ 50,000	$ 39,000	$ 190,600	$ 93,333
46%	$ 51,111	$ 39,867	$ 192,578	$ 94,444
47%	$ 52,222	$ 40,733	$ 194,556	$ 95,556
48%	$ 53,333	$ 41,600	$ 196,533	$ 96,667
49%	$ 54,444	$ 42,467	$ 198,511	$ 97,778
50%	$ 55,556	$ 43,333	$ 200,489	$ 98,889

Road and Bridge 2012 Property Tax Revenue Projection

Property tax revenue was projected by applying the 2001 mill levy (the most current levy) to the projected assessed valuation (projected using the least squares technique).

Figure J. Road and Bridge 2012 Property Tax Revenue Projections

Year	Assessed Valuation	Mill Levy	Property Tax Revenue
1992	$ 138,337,950	0.509	$ 70,414
1994	$ 156,048,630	0.496	$ 77,400
1996	$ 190,091,510	0.48	$ 91,244
1998	$ 221,285,450	0.453	$ 100,242
2000	$ 257,475,911	0.157	$ 40,424
2002	$ 290,059,846	0.152	$ 44,089
2004	$ 305,635,940	0.152	$ 46,457
2006	$ 332,149,592	0.152	$ 50,487
2008	$ 358,663,245	0.152	$ 54,517
2010	$ 385,176,898	0.152	$ 58,547
2012	$ 411,690,551	0.152	$ 62,577

Figure K. Statewide County Share of HUTF Revenue

Year	Projected County Share of HUTF
2000	145,528,571
2001	$ 151,600,000
2002	$ 154,500,000
2003	$ 159,200,000
2004	$ 164,000,000
2005	$ 169,000,000
2006	$ 174,200,000
2007	$ 179,700,000
2008	$ 183,671,429
2009	$ 188,439,286
2010	$ 193,207,143
2011	$ 197,975,000
2012	$ 202,742,857
	black lines came from Will Ware, CDOT finance
	colorless lines are projected using least squares

APPENDIX II. TABOR'S IMPACT

In 1992, Colorado voter approved the amendment to the Colorado Constitution known as TABOR (Taxpayers Bill of Rights). TABOR limits government and district spending, revenues, and restricts bonded debt. While the short and long term impacts of the debt restrictions and other provisions of TABOR are not to be underestimated, the element of the amendment that poses the greatest threat to Montrose County's ability to to provide basic services is the overall spending limitations.

TABOR spending limits limit overall spending (with some specified exceptions) to the prior year's spending plus Denver-Boulder area inflation (as a percentage) and a growth percentage factor based on the prior year's new construction. If the revenues from a fiscal year spending that are not exempt under TABOR exceed the spending limit, the County must refund the money. Fortunately, the Montrose County voters have the ability to allow the County to use the revenue beyond the spending limits on a "de-Brucing" ballot item.

TABOR's spending restriction results in a three-pronged threat to the ability of Montrose County to maintain acceptable levels of service for its basic County services and facilities.

1. In order to pay for capital improvements, the County needs some year-to-year budgeting flexibility, and the TABOR spending limits simply do not allow for the necessary flexibility.

2. State grant money is subject to TABOR limits, thus potentially forcing the County to pass up grants that may help fund capital improvements or other programs.

3. The threat of the "ratchet down effect". Since the County has grown steadily since the passage of TABOR, the ratchet down effect has not yet created serious problems. However, historic trends suggest that it is only a matter of time before a series of slow years occurs, thereby ratcheting down the amount of spending relative to the growth in the County permanently (chart at end of document).

Following is a detailed description of these three facets of the TABOR spending limits as they relate to Montrose County's fiscal situation.

TABOR Limits Budgeting Flexibility for Funding Capital Improvements

The capital facilities improvements necessary to maintain current (and target) levels of service through 2012 for general fund departments, road/bridge, and human services total $15 million. In all three cases, the projected revenue through 2012 for these funds will be entirely used by operations costs. This means that the County has two possibilities for paying for capital facilities: 1) request voter approval to accrue bonded debt to pay for the improvements or 2) the County must raise existing funding sources or create new funding sources. If voters defeat a move to accrue bonded debt, it leaves the County with no choice but to save money, perhaps get some grant matching funds, and accomplish the improvements when there is enough money. Furthermore, efforts to pay for capital facilities often require a combination of both of these approaches.

Since TABOR's passage, the spending limits have been higher than 6% for all years but 1998, reflecting the steady construction growth in Montrose County and steady inflation on the Front Range.

Year	TABOR Spending Limit
1994	6.47%
1995	9.04%
1996	7.26%
1997	6.98%
1998	4.48%
1999	6.44%
2000	7.21%
2001	9.45%

Source: DOLA Office of Financial Services

In order to determine whether TABOR spending limits could hamper the County's ability to maintain its capital facilities current level of service for County departments (or target LOS for Roads), RPI ran three different growth and spending scenarios through 2012. Each of the scenarios have the same structure. The second column contains the TABOR spending limit, the third column represents the spending needed to maintain the current operations level of service 2000-2012 for County general fund departments, road and bridge, and human services. The fourth column is the year to year spending increase needed to maintain the current operations level of service (in column 3). The final column is the dollar amount of flexibility the County has within the spending increase limits. A negative number in this column projects a refund year.

This analysis is only intended for providing general insights into the potential future impacts of TABOR spending limits. While the amounts in Column 3 are based on numbers calculated in the report, the actual amounts subject to TABOR limits would probably be much less for these departments since some of the revenues fueling that projected spending would be exempt. However, the most important number is the percentage change as listed in column 4. The far right column is a planning level estimate of the amount of flexibility over the 12 years included in the analysis. The totals at the bottom of each chart represent the approximate total quantity of money the County could spend in the next ten years within the constraints of TABOR for each growth scenario given that the County maintain the current operations Level of Service.

Scenario 1 simply assumes that the TABOR spending limits in the next 10 years will follow the same pattern as 1994 to present. It also assumes that operations spending in the specified departments will increase linearly. Under this scenario, the County could have $7.2 million in flexibility for capital improvements over the next ten years (about $21million short of the spending needed to accomplish capital improvements needed to maintain service levels).

Growth and Spending Scenario 1

	Spending Limit % Scenario 1 Repeat of Historic Pattern	Linearly Graduated Cost of Maintaining LOS	Spending Increase Percentage	Estimated Spending Flexibility
2000	7.2%	$ 17,407,563		
2001	9.5%	$ 18,510,678	6.3%	542,210
2002	6.5%	$ 19,613,793	6.0%	94,143
2003	9.0%	$ 20,716,908	5.6%	669,382
2004	7.3%	$ 21,820,023	5.3%	400,249
2005	7.0%	$ 22,923,138	5.1%	419,237
2006	4.5%	$ 24,026,252	4.8%	(77,183)
2007	6.4%	$ 25,129,367	4.6%	443,985
2008	7.2%	$ 26,232,482	4.4%	707,639
2009	9.5%	$ 27,335,597	4.2%	1,376,322
2010	6.5%	$ 28,438,712	4.0%	664,932
2011	9.0%	$ 29,541,827	3.9%	1,466,889
2012	7.3%	$ 30,644,942	3.7%	1,040,647
			10 Yr. Allowable Increase	**7,206,242**

Scenario 2 is the same as scenario 1 except, RPI replaced three of the spending limit years with low growth years (at 4.5%, the lowest growth year since TABOR's passage). This represents the possibility that over the course

of the next 10 years there will still be significant growth in Montrose County, but with a few more slow years than the County has experienced during the remarkable boom in the 90's. This scenario would cause a $23 million shortfall of maintaining capital facilities levels of service.

Growth and Spending Scenario 2

	Spending Limit % Scenario 2 Adding 3 Low Growth Years	Linearly Graduated Cost of Maintaining LOS	Spending Increase Percentage	Estimated Spending Flexibility
2000	7.2%	$ 17,407,563		
2001	9.5%	$ 18,510,678	0.06	542,210
2002	6.5%	$ 19,613,793	0.06	94,143
2003	4.5%	$ 20,716,908	0.06	(225,294)
2004	7.3%	$ 21,820,023	0.05	400,249
2005	7.0%	$ 22,923,138	0.05	419,237
2006	4.5%	$ 24,026,252	0.05	(77,183)
2007	6.4%	$ 25,129,367	0.05	443,985
2008	7.2%	$ 26,232,482	0.04	707,639
2009	9.5%	$ 27,335,597	0.04	1,376,322
2010	4.5%	$ 28,438,712	0.04	120,298
2011	9.0%	$ 29,541,827	0.04	1,466,889
2012	4.5%	$ 30,644,942	0.04	219,038
			10 Yr. Allowable Increase	**4,945,324**

Growth and spending scenario 3 is the same as scenario 2 except the spending associated with maintaining the current level of service is ramped instead of linear. In other words this scenario accounts for the fact that it might take 4-5 years for the County to increase its spending necessary to maintain the current Level of service. In many ways, this represents a combination of two potential trends that combined with TABOR could constrain spending to such a degree that the County falls short of being able to maintain capital facilities levels of service by over $24 million.

Growth and Spending Scenario 3

	Spending Limit % Scenario 2 Adding 3 Low Growth Years	Ramped Cost of Maintaining LOS	Spending Increase Percentage	Estimated Spending Flexibility
2000	7.2%	$ 17,407,563		
2001	9.5%	$ 18,031,611	0.04	1,021,277
2002	6.5%	$ 18,655,659	0.03	542,224
2003	4.5%	$ 19,279,707	0.03	210,892
2004	7.3%	$ 19,903,755	0.03	775,023
2005	7.0%	$ 20,527,802	0.03	764,609
2006	4.5%	$ 21,775,898	0.06	(329,368)
2007	6.4%	$ 23,254,072	0.07	(75,979)
2008	7.2%	$ 24,732,246	0.06	197,451
2009	9.5%	$ 26,210,420	0.06	859,464
2010	4.5%	$ 27,688,594	0.06	(305,119)
2011	9.0%	$ 29,166,768	0.05	1,024,042
2012	4.5%	$ 30,644,942	0.05	(172,807)
			12 Yr. Allowable Increase	**3,490,433**

Conclusions

Even given growth projections that, to differing degrees, reflect the rapid growth during the 90's, RPI concludes that the TABOR spending limits will constrain budget to such a degree that it will force a decline in the capital facilities level of service for roads, general fund departments, and human services. Without voter approval to de-Bruce against the spending limits in TABOR, the County capital facilities may decline to such a degree that their recovery will be nearly impossible.

TABOR Limits County's Ability to Use State Grants

TABOR spending limits might cause Montrose County's ability to use State grants for which Montrose County might be highly eligible and highly motivated to obtain. State grants, particularly for infrastructure development and planning purposes can be in the hundreds of thousands of dollars, and are generally released in large chunks. The grant amount and the matching funds typically required of the County could easily put the County over its spending limits, which ultimately hampers its ability to accept the grant. It would be foolish to accept a grant that would then have to refunded to property owners in the form of a temporary mill levy reduction. Without voter

approval to de-Bruce against the spending limits in TABOR, the County could be missing the opportunity to use hundreds of thousands of dollars of State grant money.

The Threat of the TABOR Ratchet Down Effect

The ratchet down effect could result were Montrose County to have a year of reduced revenue due to any number of reasons (State funding cutbacks, expired revenue sources, bad sales tax year, real estate crash, etc.). The threat is that if the County has such a year, TABOR limits the rate at which the County can get back up to where it was before the event leading to lowered revenue. Figure XX illustrates the ratchet down effect (the data used to generate the graphic is purely hypothetical for illustrative purposes only). Say that the County is spending up to its allowed limits during years 1 and 2, but then for any of the reasons listed above, experiences a drop in revenue collected in year 3. It may be that such a drop would be temporary were it not for the fact that the TABOR limit is applied to the prior years revenue and so the TABOR limit essentially drops down by the same magnitude. This means that the County has to start the slow climb (subject to annual TABOR percent limits) back up to where it was before the revenue crash. Figure XX illustrates another more modest revenue crash between year 6 and 7. The result, is that, assuming growth continues steadily throughout the whole time, the ability of Montrose County to collect revenue is "ratcheted down" in relationship to the demand on it from growth. This means that the level of service will drop each time there is a ratchet down period.

Illustrating TABOR's Ratchet Down Effect