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# Fiscal Impact Analysis: General Fund Operations Existing Conditions & Year 2022

Rio Blanco County, Colorado

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**Final Report**

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## EXECUTIVE SUMMARY & FINDINGS

### PURPOSE

The research in this report serves two functions:

1. To estimate the current dollar cost per increment of development to maintain existing public service operations levels for General Fund Departments and Law Enforcement. This sets a benchmark for understanding the link between land use, the demand for public services and facilities, and costs to Rio Blanco County.
2. Consider the costs of future projected growth to the year 2022.

### IMPORTANT NOTE

This report can be integrated with the public facilities impact fee and capital facilities planning documents. The public facilities impact fee support study outlines highly specific capital costs in order to provide an accurate fee assessment. Operations costs have been calculated in this report and are tied to year 2022 projections.

### SUMMARY

Rio Blanco County, in the face of increasing oil & gas industry development and attendant residential/non-residential growth is vulnerable to experience some degree of service degradation due to increasing activity and potential population increases over the next fifteen years.

The following charts detail General Fund costs to maintain the current service levels, per residential and oil and gas demand units –for ongoing annual operations costs.

#### Incremental Costs for General Fund Departments – Residential

Department	Existing Staff per 1000 Residents	Annual Operations Costs per 1000 Residents
General Fund Administrative Departments	2.09	\$ 160,932
Law Enforcement	.59	\$ 35,435

### Rio Blanco County Fiscal Impacts 2022 – Oil & Gas

Department	Existing Staff per Active Well	Annual Operations Costs per Active Well
General Fund Administrative Departments	.040	\$ 3,092
Sheriff	.040	\$ 2,402

Upon comparing the projected revenues to the projected costs the possibility of the degradation of existing service levels in the face of new activity becomes clear. The incremental costs represent the cost of maintaining the current level of service - a deficit is not necessarily a projection of a negative balance in the County budget, but rather it represents a proportionate degradation from current service levels.

### Rio Blanco County Fiscal Impacts 2022

	Operations Costs 2022 New Residential Units	Annual Revenues Projected from 2022 New Residential Units	Annual Balance
Administration	\$ 453,615	\$ 294,296	\$ (159,319)
Sheriff	\$ 99,926	\$ 186,867	\$ 86,941
<b>Total</b>	<b>\$ 553,541</b>	<b>\$ 481,163</b>	<b>\$ (72,378)</b>

The following chart shows the costs and benefits of new wells projected to be developed by 2022. Please note that the total balances are predicated on a strict linear projection of service costs and revenues.

### Rio Blanco County Fiscal Impacts 2022

	Operations Costs 2022 New Wells	Annual Revenues Projected 2022 New Wells	Annual Balance
Administration	\$ 1,972,696	\$ 211,178	\$ (1,761,518)
Sheriff	\$ 1,532,476	\$ 134,618	\$ (1,397,858)
<b>Total</b>	<b>\$ 3,505,172</b>	<b>\$ 345,796</b>	<b>\$ (3,159,376)</b>

## INTRODUCTION & METHODOLOGY

The analysis contained in this report evaluates departmental operations costs for County General Fund departments both currently as well as estimating the cost of maintaining existing levels of service to 2022. Note that costs in this report reflect both aggregate and per unit (i.e. per well, per residential household, or per sq. ft. of non-residential floor area) costs. The total number of new wells, new population and non-residential floor area need to be confined to the 2022 year time frame – if the County builds out at faster or slower rates, the numbers contained in this report are still valid and useable – 2022 only provides a projected reference point.

Although non-residential (often referred to as commercial but also includes institutional development) is a component of the total costs – it is a minimal component for unincorporated Rio Blanco County and, as such, it is Generally de-emphasized in the report - numbers calculating non-residential development were primarily analyzed so that they could be separated from residential and well development in order to provide a clearer picture of the costs of those demand units.

Fiscal 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 both now and in the future. This report contains the building blocks with which to understand and track future growth in Rio Blanco County. Once the costs generated by a single unit are known, simple arithmetic can be used to determine the cost of any number of units. Within this report costs are broken down into residential /non-residential units, population, and active wells –these are referred to throughout this report as “demand units”. 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/benefit analysis of proposed uses. Cost benefit analysis is equally important when considering comprehensive planning, zoning and/or rezoning of land as well as determining what and how much fees and tax levy’s should be to mitigate the impacts of development.

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 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, fiscal impact reports may help to quantify some quality of life issues.

Many people would agree that traffic jams, high crime rates, or badly deteriorated road systems represent serious quality of life issues. Unfortunately, many of these conditions arise when Counties 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.

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 planning.

### 3. Establish baseline information

In order to chart a course for the future, a County must know where it is right now. A useful component of this analysis is the establishment of current Level of Service (LOS) information for 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, 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 provides a tremendous level of service. Likewise with parks and open spaces, or fire protection.

**LOS = Level of Service**

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

### 4. Lay the groundwork for fees and services

When the operational cost of growth is realized, local government may want to take steps to mitigate some of the impacts through fees and taxes. An additional Public Facilities mitigation fee support study accompanies this one provide capital costs and impact fee schedules.

## 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, streets, 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 law enforcement 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 are particularly important when considering fiscal impact analysis.

RPI typically 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 forecaster's expertise and

experience to generate a “prediction” of future conditions. In certain situations, forecasts can certainly be useful; however, they are often inappropriate for fiscal forecasting. 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 – even when RPI is making projections based on others forecasts.<sup>1</sup> However, in some cases the projections are modified.

## **METHODOLOGY**

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

1. Demand unit definition, 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 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, 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 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 exceptions. Oil & Gas industry activity is a major component of Rio Blanco County’s economy and is also a significant demand unit. The demand unit used throughout this report is based on a per active well or peak demand year basis and demand for services created by these units is essentially based on activity – discussed in more detail later in this report.

Rio Blanco County’s analysis involves 1) selecting appropriate demand units, 2) measuring the current number of demand units, and 3) projecting the demand units generated by the development to 2022.

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<sup>1</sup> That is, RPI examines the underlying assumptions in the forecasts or a “net period gain” and then bases it’s projections on those assumptions – so while the forecast may be somewhat errant, RPI projections are based on the internal growth or decline rates indicated in the forecast.

## PROPORTIONATE SHARE

RPI fiscal impact analyses assign the cost of development to specific land uses. This requires a determination of what proportions the residential, non-residential, and oil & gas industry of the projected growth will cost various departmental services and subtraction of costs that are not directly related to the development. For example, a Sheriff'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 mixed commercial and residential development first requires a known proportion of how the department or special district's resources are directed to these different land uses, as well as to areas unrelated to land use (e.g. highways). 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 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. After the proportionate share has been applied to the resources, LOS can be expressed as a cost per demand unit. This is the fundamental measure of the incremental cost of growth.

## REVENUE PROJECTIONS AND FISCAL SUMMARY

In the final step, revenues are considered and compared to the costs. Revenue analyses are specific to the type of revenue and methodologies are explained throughout. In order to isolate the revenues generated specifically by residential units and oil and gas industry activity, RPI sorted the budget to include only revenues that are directly related to new housing units and/or are serving the oil and gas industry. In most cases, unincorporated Rio Blanco County non-residential development was deemed relatively minor and hence not all calculations and costs apply to this demand unit.

**Please note that not all of the numbers presented in the figures of this report will add up perfectly with a calculator although the discrepancies will be minor – this is due to the fact that all of the numbers have been calculated in a spreadsheet program out to four decimal places and the discrepancies are due to rounding.**

## EXISTING CONDITIONS AND PROJECTED GROWTH

Because some County services are provided to incorporated and unincorporated areas in the County while others are provided primarily in the unincorporated areas, it is necessary to determine demand units for both. 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 and modified through a projection methodology by RPI to account for increased population anticipated with oil and gas industrial activity.<sup>2</sup>

### RIO BLANCO COUNTY DEMAND UNIT TRENDS AND PROJECTIONS

Many of the projections developed for Rio Blanco County are jointly based on Colorado Demography Section forecasts/historical trends and modified by RPI to reflect known 15 year growth trends in Rio Blanco County – in most cases the RPI generated projections are higher than Demography Section forecasts as they take into account anticipated oil and gas activity.

**Figure 1. Rio Blanco County Demand Units 2005: Base Year**

	Demand Units Base Year 2005	Source
Residential Units (Entire County)	2,948	CO Demography Section/RPI Trend Analysis
Population (Entire County)	6,249	CO Demography Section/RPI Trend Analysis
Population (Unincorporated County)	1,704	CO Demography Section/RPI Trend Analysis
Non-Residential Sq. Ft.(Entire County)	2,576,000	Assessor Database
Rio Blanco County % Seasonal Housing Units	19.2%	U.S. Census
Average Owner Occupied Household Size Rio Blanco	2.49	U.S. Census
Existing Active Wells (July 2006)	2,542	COGCC
Rio Blanco County Registered Vehicles/Housing Unit	3.41	Rio Blanco County Clerk/RPI Trend Analysis

**Figure 2. Projected Rio Blanco County Demand Units 2022**

	2022	Source
Total Active Wells	19,045	BLM RFD/RPI Analysis
Population (Entire County)	9,069	CO Demography Section/RPI Trend Analysis
New Non-Residential Sq. Ft.	805,600	RPI Projection Based on Population to Non-Residential Ratio

#### Population

Rio Blanco County is expected to gain approximately 2,820 new residents by or before 2022 if current trends continue.

<sup>2</sup> <http://www.dola.state.co.us/demog/index.htm>

### *Housing Units*

The housing stock in Rio Blanco County is expected to increase by nearly 1,133 units on or before 2022 if current growth trends continue.

### *Rio Blanco County Non-Residential Square Footage*

The two basic/traditional development categories are residential (housing/residential units) 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.

Rio Blanco County Assessor data allowed RPI to inventory all of the non-residential structures in Rio Blanco County. The main purpose of calculating the non-residential square footage was to account for its share of the current level of service and ensure that the cost of providing services and facilities to residential and or oil & gas development is not over-estimated.

### *Oil & Gas/Industrial Development*

The oil and gas industry is a special component of Rio Blanco County's economy, tax base, demand generation for public services, and furthermore is a special focus of this analysis. The industry is unique from other businesses found in Colorado Counties because of several attributes. First, oil and gas is an extractive industry governed and taxed by specific and unique legislatively imposed regulations at the local, state, and federal levels. Second, the industry is cyclical both in the short and long time frame; because of this, the industry has periods of very high, and relatively low activity levels that place unique demands on local government service provision – particularly on publicly provided and maintained road-ways, emergency/law enforcement services, and the County administration that coordinates these activities in addition to the actual day-to-day public management of government service provision to the industry and its activities. This fiscal analysis considers the law enforcement and administrative services provided by Rio Blanco County.

## COUNTY GENERAL FUND DEPARTMENTS

The County budget is separated into several separate funds; the General Fund Departments/Services are the focus of this analysis.

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., active well, etc.). Such classifications allow RPI analysts to project the cost to the General Fund of maintaining service levels based on new demand units. Cost estimates for the General Fund can then be compared to the total projected General Fund revenue. This General Fund fiscal analysis is crucial because revenues have sub-classifications, which do not relate line by line to the expenditures.

In each section we will estimate the cost of the projected growth through 2022 on the General Fund departments (or functions) of the Rio Blanco County Government: Administration and Sheriff. Cost estimates include operations/maintenance costs.

General Fund expenditures are organized into 15 separate, but often related, County functions. The functions analyzed by RPI in this report include:

### 1. Administration

- Accounting/Budgeting
- Assessor
- Attorney
- Building Department
- Building Maintenance
- Clerk
- Central Services
- Commissioners
- Coroner
- GIS
- Information Technology
- Personnel
- Planning & Development
- Surveyor
- Treasurer

Note that the County Fair, County Health Officer, Fairgrounds, Radio, Veterans Administration and the White River Museum were extracted from the General Fund Budget and this analysis.

2. **Sheriff Law/Enforcement** – although also a General Fund department the expenditures and revenues were mechanically separated and analyzed separately for the purposes of this analysis the sheriff/law enforcement segment of the budget includes the following departments:

- Sheriffs Department
- Jail

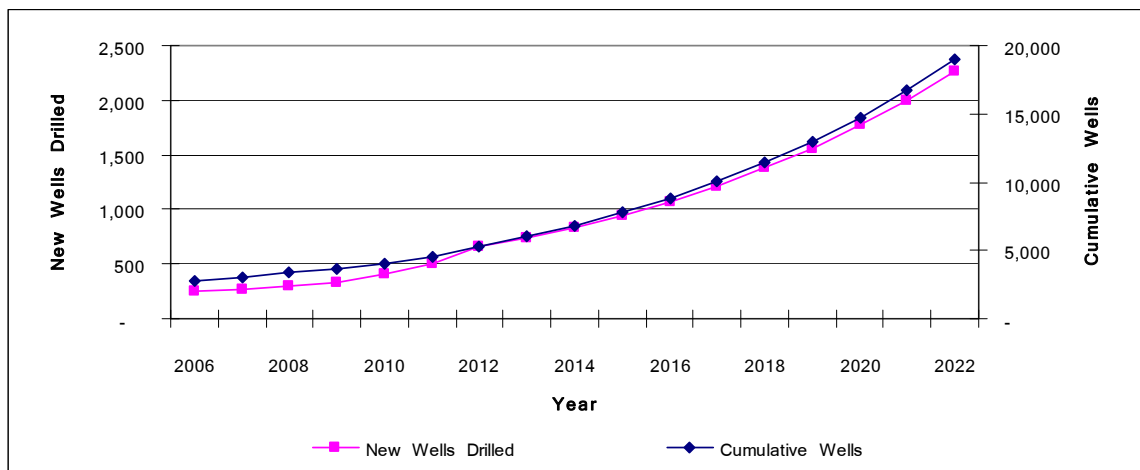
- Assistant DA

### 2022 PROJECTIONS

A core assumption of this analysis resides in numbers generated by the Bureau of Land Managements (BLM) Reasonable Foreseeable Development (RFD) report for oil and gas wells in Rio Blanco County. At the time of this report writing (September 2006) the official RFD had not been formally released to the public, however, the BLM and Rio Blanco County Commissioners were able to generate and release a reasonable and likely estimate of the total number of wells in a 15-20 year time period. RPI analysts have utilized these numbers and rely on the shorter (i.e. 15 year) time period to conduct this and all other analyses for Rio Blanco County. The 15 year time period was selected because shorter time periods tend to be more accurate and, in any event, the numbers in this and other RPI analyses are valid whether the full buildout occurs in a shorter or longer time-frame.

The total number of projected new wells was tentatively estimated at 16,503 within the 15 year time frame. As of July 2006, according to the Colorado Oil and Gas Conservation Commission, Rio Blanco County had 2542 “active” wells.<sup>3</sup> These wells are added to the total projected by the BLM RFD numbers.

**Figure 3. 2022 Projected Oil & Gas Wells and New Wells Drilled per Year**



<sup>3</sup> Active wells are defined as any well in the following stages or processes by the Colorado Oil and Gas Conservation Commission – a well that is: drilling, domestic, injecting, producing, shut in, temporarily abandoned, waiting on completion or, storage. Essentially an active well, is any well that is not plugged.

In addition to the projected number of wells, RPI analysts considered a number of other variables including the increasing efficiency of drilling rigs/rates, the number of workers needed per drilling rig, time spent drilling a new well, number of maintenance workers needed per well after drilling is complete, and the percentage/number of workers likely to take permanent residence in Rio Blanco County. The following two charts outlines RPI oil and gas well assumptions and the results of analysis.

**Figure 4. Oil & Gas Well Assumptions**

Variable		Source
Total New Wells (15 year timeframe)	16,503	BLM
Existing Active Wells (September 2006)	2,542	COGCC
Number of Wells Drilled per Year – Existing Rigs	14	RPI /BBC Socio-Economic Impact Analysis Garfield County 2006
Number of Wells Drilled per Year – New – High Efficiency Rigs	18.2	RPI /BBC Socio-Economic Impact Analysis Garfield County 2006
Workers per Rig – Drilling & Completion Sage	53	RPI Existing Conditions Analysis/BBC Socio-Economic Impact Analysis Garfield County 2006/Sublette County WY Socioeconomic Analysis, Jonah infill Drilling Project
Average Depth of Wells	7,000 – 9,000 feet	COGCC
Post Completion Well Maintenance Workers (annual FTE)	0.17	RPI Existing Conditions Analysis/BBC Socio-Economic Impact Analysis Garfield County 2006
% of New Workers Residing in Rio Blanco	50%	BBC Socio-Economic Impact Analysis Garfield County 2006/Severance Tax Analysis

The following chart is not intended to be absolutely accurate on an annual basis, especially in the short time frame (2007-2009), but is anticipated to be generally accurate, in total, when smoothed over the 15 year time frame and represents a modified projection of approximated annual well development based on the BLM RFD forecast.

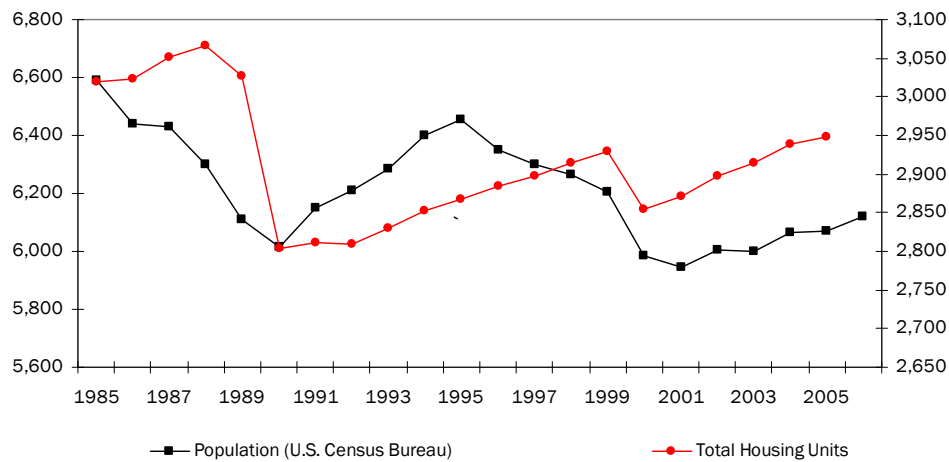
RPI acknowledges a myriad of details and variables present in each individual well drilling operation, including the differences inherent in oil and gas wells, however, in an effort to obtain reasonable and prudent estimates regarding “flat” costs and benefits associated with each development type RPI has smoothed the differences in an effort to create the nexus of activity for the oil and gas industry – to which regulatory imposed mitigation schedules may be applied. This is both a standard and common practice as general and standardized public regulations are always, or nearly always, employed to regulate and/or mitigate a wide variety of land use/development impacts in the residential and non-residential sectors (e.g. commercial zoning, transportation impact fees, etc.).

Figure 5. 2022 Projected Oil &amp; Gas Wells and New Wells Drilled per Year

Year	Efficiency factor	New Wells Drilled	Cumulative Wells	Rigs Operating	Rig Workers	Cumulative Total Maintenance Workers	Cumulative Total Required Maintenance & Rig Workers	Annual New Worker Residents	Cumulative Total New Oil & Gas Residents Including Householders
2007	105%	265	3,059	18.2	963	409	1,373	40	61
2008	110%	291	3,350	19.2	1,017	448	1,466	66	100
2009	115%	335	3,684	21.2	1,121	493	1,614	97	147
2010	120%	402	4,086	24.3	1,287	547	1,834	137	208
2011	125%	502	4,588	29.0	1,536	614	2,150	192	291
2012	130%	653	5,241	35.9	1,901	701	2,603	270	410
2013	130%	739	5,980	40.6	2,153	800	2,954	225	342
2014	130%	838	6,818	46.0	2,439	913	3,352	255	387
2015	130%	949	7,766	52.1	2,763	1,040	3,802	289	439
2016	130%	1,075	8,841	59.1	3,130	1,183	4,313	327	497
2017	130%	1,217	10,059	66.9	3,545	1,346	4,892	371	563
2018	130%	1,379	11,438	75.8	4,016	1,531	5,547	420	638
2019	130%	1,562	13,000	85.8	4,549	1,740	6,289	476	723
2020	130%	1,770	14,770	97.2	5,153	1,977	7,130	539	819
2021	130%	2,005	16,774	110.1	5,838	2,245	8,083	610	927
2022	130%	2,271	19,045	124.8	6,613	2,549	9,162	692	1,050

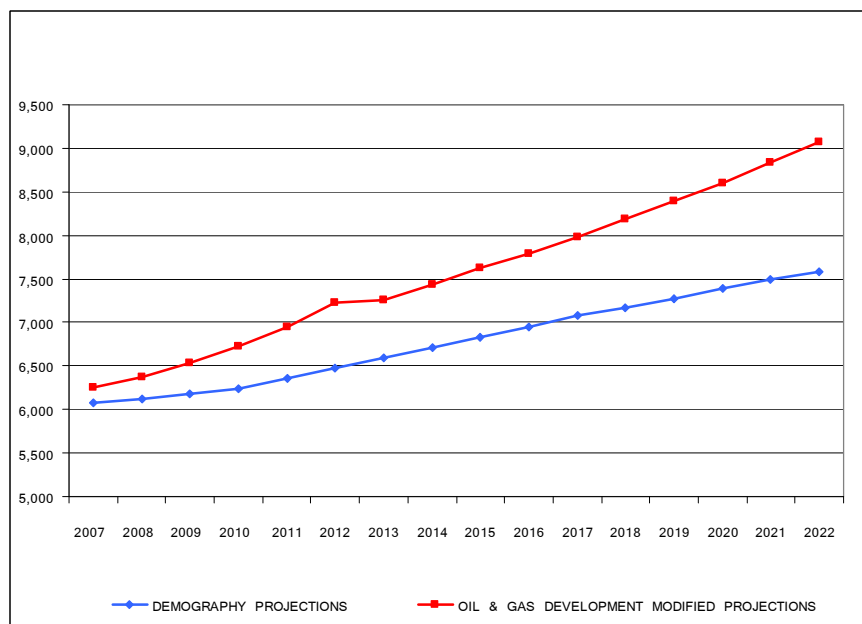
The following chart reveals Rio Blanco’s fluctuating population over the last twenty years. Fluctuating population and housing unit numbers can be correlated fairly well with previous energy/industrial booms and busts.

Figure 6. Rio Blanco Historical Population & Housing Units 1985 - 2005



The Colorado Department of Demography prepares and updates 35 year population forecasts for each County in Colorado. RPI has modified these forecasts with BLM oil and gas forecasts to produce a population projection built off of the Demography and BLM forecasts. It should be noted, that these forecasts represent a conservative estimation of Rio Blanco’s total population in 2022. Again RPI projections are not intended to be accurate on an annual basis but rather present total population numbers by the end of the projection time-frame.

Figure 7. Rio Blanco Projected Population 2007 - 2022



## GENERAL FUND/ADMINISTRATION

### INTRODUCTION

Incremental growth has impacts on County administration that are less obvious than those on other departments and districts, nonetheless, because General Fund departments are not only responsible for providing a broad array of General services but also for the General administration of all services, impacts on administration can affect the quality and efficiency of County services in significant ways.

County General Fund departments and administration is the headquarters for all County operations, and drops in service levels from the headquarters will ultimately affect the entire County. General Fund department analysis includes the entire County as General Fund departments service all residents within County boundaries. Please note that General Fund and Administrative/Administration are used interchangeably throughout this report.

Undoubtedly, more people and business activity create more demand for County administrative services. This increased demand translates into more staff, facilities, and equipment. Again, this can be clearly seen as small counties with low activity/growth levels require only skeleton General Fund/administrative departments while large counties, (e.g. Jefferson) have large and expansive departments. The key to maintaining a quality administration service level is for Rio Blanco County to increase administration resources in proportion to the growth in population and activity levels. 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 inevitably 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, oil and gas industry, and non-residential sectors respectively (proportionate share). Residential population and non-residential square footage are divided into the existing operational expenditures and the value of building space to yield the existing Level of Service (LOS) per demand unit. New residential units can then be multiplied by the cost of maintaining the existing level of service to calculate the cost of providing administrative services to these units in the upcoming years. Oil and gas operations are considered primarily on the basis of active wells – that is, all wells as defined by the Colorado Oil and Gas Conservation Commission as being “not plugged”.

Second, a number of budget sorting and modifications must be made to the standard Rio Blanco County budget (based on 2005 budget) to accurately represent the total costs and revenues. Among the modifications was a preliminary allocation of time (and hence budgetary) expenditures among the various departments. Because, fairgrounds, social services, and public health were not included, their fiscal contributions and expenditures were not included in the analysis.

Although the Sheriff's department is a component of the General Fund it was extracted and analyzed separately from the main administrative and General Fund departments.

### PROPORTIONATE SHARE

Demand for General Fund services is the amount of demand for services that each of these development types generates. These proportions of demand are broken out at the line item level of the budget in a variety of different ways (e.g. demand for the coroner is placed wholly on residential as commercial and oil and gas industry are not considered demand generators for these services) as well as in an aggregate level where demand for services is not entirely clear cut (e.g. commissioner, accounting, or assessor departments).

Generally speaking, demand for the multi-sector serving departments is considered in terms of activity. Activity is an estimation of the total amount of time that each department or service spends servicing that particular sector of the economy (i.e. residential, non-residential, oil & gas). For administrative departments RPI interviewed key department heads and commissioners regarding estimates for amount of working and staff time spent on the respective sector (i.e. residential, non-residential, and oil and gas) issues. Analysts determined from these interviews that Administrative staff time is divided approximately into 34% of the time spent on residential, 27% on non-residential, and 39% on oil and gas issues. RPI cross checked these estimates against three other potential proxy indicators for activity (employment, personal income, and actual property tax valuations) and determined that the interview estimates were indeed reasonably accurate and appropriate.<sup>4</sup> Given these numbers it is reasonable to assign those values generally (again, modified individually on a budget line-by-line basis) to those multi-sector serving departments.

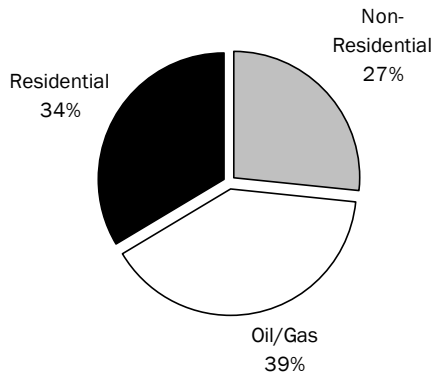
Throughout this report, the breakdown between residential, oil & gas industry, and non-residential demand is referred to as the *Proportionate Share*. To calculate proportionate share for General Fund departments, RPI analyzes General Fund budgets and uses several sub-categorization ratios to estimate the proportion of respective demand.

In order to fairly attribute new demand on basic services and facilities, it is necessary to determine the proportions that 1) residential units 2) oil & gas activity, and 3) non-residential uses create.

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<sup>4</sup> The Colorado Department of Local Affairs economic base analysis (2003) determined that mining/oil and gas makes up 27 percent of the total employment but 49% of the total income, households (including households', indirect, & tourism category) accounts for approximately 32% of employment and 22% of income, non-residential activities (including manufacturing, regional and national services, and government) account for 28% of employment and 22% of the income.

**Figure 8. General Fund Proportionate Share**



**OPERATIONS LEVEL OF SERVICE**

Currently, Rio Blanco County General Fund departments require nearly 94 FTEs (full-time equivalent employees at 40 hours per week) but the administration employees of services analyzed in this report are closer to 35 FTE’s. Administration employees applied to the proportionate share above yields a level of service of 2.09 administration FTEs per 1,000 residents in the County, .004 FTEs per 1,000 sq. ft. non-residential development and .040 FTE’s per active well. 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 9. Administration Operations Current LOS**

	Administration Staff	Operations and Maintenance (Annual Cost)
Per 1,000 Residents	2.09	\$ 160,932
Per 1,000 s.f. Non-Residential Floor Area	0.003	\$ 268
Per Active Well	0.040	\$ 3,092

The cost of staffing one administration employee is about \$77,147 annually. This is an across the board average for the County General Fund employees and includes overhead, insurance, benefits, buildings and grounds maintenance, fleet vehicles, etc. This means that every 1,000 residents cost the General Fund over \$160,000 and each 1,000 sq. ft. of non-residential development costs the Administration over \$268 per year, while each well requires a proximal cost to the General Fund of approximately \$3,092.

## PER UNIT COSTS

In an effort to simplify future land use decisions and reveal County General Fund operations costs, a total cost on a per unit basis is provided. These numbers may be applied to all *new* Rio Blanco County residential, well, and non-residential development. Note that these cost expenditures are not necessary and the failure to expend them will not result in actual budget deficits – however, if they are not made, then Rio Blanco County will experience a concurrent decline in operational service levels.

**Figure 10. Per Unit Administration Operations Costs**

<b>New Residential Unit</b>		
Administration Operations Cost (annual)	\$	401
<b>New 1000 sq. ft. non-residential</b>		
Administration Operations Cost (annual)	\$	308
<b>New Well</b>		
Administration Operations Cost (annual)	\$	3,092

## COST OF MAINTAINING THE CURRENT LEVEL OF SERVICE FOR ADMINISTRATION IN 2022

The projected 2022 population will create a need for approximately 34.3 additional full time equivalent administration employees at an additional cost of over \$2 million in operations costs annually. This represents a significant increase over the existing number of employees and a significant increase of the total General Fund operating budget.

Note that the majority of new employee demand will be caused by the nearly six fold increase in number of active wells in Rio Blanco County. Although **Figure 10** accurately portrays the necessary investment to maintain existing service levels (without which service levels will inevitably decline) it is somewhat distorted by the fact that active wells, once completed, actually require a much smaller amount of service provision than during the construction phase – a phase which typically lasts from 25-40 days. Nonetheless, the high numbers of annual well drilling activity anticipated in future years will necessitate significant amounts of additional staff if service levels are to be maintained.

However, because this activity may not be as consistent or sustained following the 15 year projection time-frame, it may be prudent to utilize and ramp up to a somewhat smaller staff size and the attendant capital investments in recognition of this possibility. To these ends, RPI identified the average peak demand wells drilled per year in the projections – these as a staff and capital investment strategy.

**CONCLUSIONS**

- On average, it costs about \$77,147 annually per administration employee to provide administrative services to the public.
- In order to maintain current service levels, Rio Blanco County will need to staff 34.3 administration employees at a cost of over \$2 million (additionally) annually.

## LAW ENFORCEMENT

### INTRODUCTION

The Rio Blanco County Sheriff's department and judicial services, like other County departments, must increase its resources as the County grows and activity increases. This increase in demand for law enforcement is driven by four trends: 1) growth in resident population, 2) growth in commercial and government/institutional activity accompanied by increased population, 3) increased oil and gas activity associated with new wells, 4) increased traffic. Failure to increase law enforcement and judicial services as County activity levels increase will result in a drop in the level of service. This could translate into lower patrolling intensities, less traffic enforcement, truncated crime prevention programs, crowded courts and jail, and possibly lower response times as the County develops in its more remote areas.

### PROPORTIONATE SHARE

Calculating the proportionate share for the Sheriffs Department and Judicial functions requires a compound calculation. First to split the offenses between traffic and crime and then secondly to divide those two categories again between residential, non-residential, and the oil and gas industry. RPI calculated the residential, non-residential, oil and gas proportionate share for the Sheriff's law enforcement function using a chart of actual offenses as categorized by the Sheriff's dispatch 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, non-residential, and oil and gas industry activity, sectors respectively (see Appendix for a detailed description of the establishment of the Sheriff's Department proportionate share).

#### *Traffic*

Using detailed dispatch information, RPI estimates that about 40% of the department's law enforcement duty time is dedicated to traffic enforcement. The traffic estimated to be generated by existing and uses in the unincorporated County will be about 4.8% generated by residential land uses with 16.8% attributed to non-residential traffic and the remaining 18% to oil & gas related activity (see **Appendix Traffic in Unincorporated Rio Blanco County**).

#### *Crime*

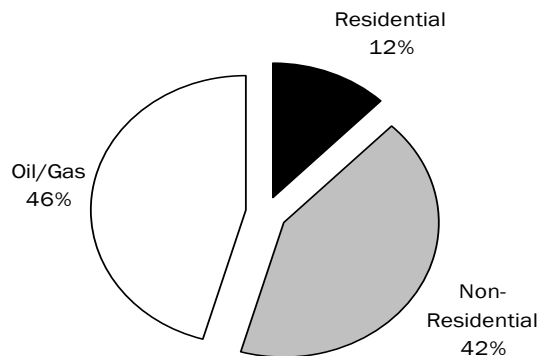
Crime, in Rio Blanco County takes approximately 60% of the Law Enforcement/Judicial Functions time (due to the longer nature of investigating and processing criminal cases).

**Figure 11. Traffic and Crime Demand for Law Enforcement**

Proportionate Share Calculations		
<b>Traffic</b>	<b>40%</b>	
Residential Traffic Calls		4.8%
Non-Residential Traffic Calls		16.8%
Oil & Gas		18.0%
<b>Crime</b>	<b>60%</b>	
Residential Crime		7.3%
Non-Residential Crime		25.6%
Oil & Gas		27.4%

As noted previously, about 60% of law enforcements time is spent on crime (as opposed to traffic) and as a percentage of all law enforcement activity, residential uses account for about 12% (adding together the residential components of traffic and crime) of the demand for Rio Blanco County Law Enforcement while 42% is driven by activity related to non-residential development and 46% driven by oil and gas activity.

**Figure 12. Rio Blanco County Law Enforcement Proportionate Share**



*Operations Current Level of Service*

Currently, the Sheriff’s/Law enforcement consists of a combined staff of 12 full-time equivalent officers and support staff, the Dispatch Center has 6 FTE’s and 2 part time (PTE), the Jail Currently has 7 FTE and 3 PTE. Given the residential proportionate share and the 2005 population, this translates into .59 Officers and Support Staff per 1,000 residents. The non-residential proportionate share together with the 2005 non-residential sq. ft. in Rio Blanco County yields a current level of service for the non-residential sector of .009 officers per 1,000 sq. ft. of non-residential floor area and .04 per active well. The cost of law enforcement/judicial function personnel is approximately \$60,060 and includes law enforcement administration staff, overhead, dispatch services, etc.

**Figure 13. Rio Blanco County Law Enforcement 2005 Operations Level of Service**

	Officers, Administration and Support Staff (FTE)	Operations and Maintenance (Annual Cost)
Per 1,000 Residents	.59	\$ 35,435
Per 1,000 Sq. Ft. Non-Residential Floor Area	0.009	\$ 540
Per Active Well	0.04	\$ 2,402

**PER UNIT COSTS**

In an effort to simplify future land use decisions and reveal County Administrative operations costs, a total cost on a per unit basis is provided. These numbers may be applied to all new Rio Blanco County residential, commercial, and oil/gas development. Note that the expenditures are not necessary – but if they are not made then Rio Blanco County will experience a concurrent decline in operational service levels.

**Figure 14. Rio Blanco County Law Enforcement per Unit Costs**

	Operations (annual)
New Residential Units (per unit)	\$ 88
New 1000 Sq. Ft. of Floor Area	\$ 540
Per Active Well	\$ 2,402

**COST OF MAINTAINING THE CURRENT LEVEL OF SERVICE FOR ADMINISTRATION IN 2022**

Maintaining the level of service for the projected 2,820 new residents in 2022 will require 31.2 additional officers/support staff and will cost over an additional \$1.8 million per year for operations.

Like road and bridge functions – law enforcement is affected by County Development patterns. Although this analysis does not undertake a cost comparison – it is reasonable to assume that more dispersed land uses (i.e. low density land uses) may cost the Sheriff's department a bit more to serve.

Again, the methodology used to calculate total service need is contingent on straight linear projection of total wells and service needs. It may, or may not, be more appropriate to base capital facilities planning based on the methodology used outlined in **Figure 13**.

**CONCLUSIONS**

- The current Level of Service (LOS) the Sheriff's department currently provides is .59 officers and support staff per 1,000 residents and .009 officers and support staff per 1,000 sq. ft. of non-residential floor area and .04 per active well. The level of service standard to residents is below the national standard of 2 FTE's per 1000 residents.
- The operations costs for the law enforcement department are largely supported by General Fund revenues (i.e. property tax & sales tax).
- The Sherriff's department will require significant capital investment in additional building floor area in order to accommodate hiring of additional FTE's to maintain current service levels.

## GENERAL FUND DEPARTMENT REVENUE PROJECTIONS

### INTRODUCTION

While the levels of service and the projected 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 require unique methods to achieve the best possible revenue projections

The purpose of this analysis is to provide a “snapshot” view of Rio Blanco costs and revenues, so to some extent, the title of this section “Projections” is a misnomer as the intent is simply to show the relationship between the approximate costs of serving a demand unit<sup>5</sup> and the approximate revenues that might be expected from that demand unit. Because the purpose of the fiscal analysis is to analyze the costs associated with demand units, the revenues need to be evaluated on a ‘per unit’ basis as well.

### PROPERTY TAX REVENUE

The County collects a total General Fund mill levy of 3.672. The most direct way to evaluate the property tax contributions of individual residential units is to estimate the likely values of new structures.

RPI queried the Assessor database for the average actual sale prices of current (2006) residential properties and found that the average value of a residential property is \$164,974 - multiplying this by the current assessment rate (7.96%) and the mill levy yields the annual General Fund property tax revenue per residential unit of \$48.<sup>6</sup>

**Figure 15. Property Tax Revenue per Residential Unit**

Average Property Value	\$	164,972
Assessment Rate		0.0796
Average Assessed Value	\$	13,132
County General Fund Mill Levy		3.672
Annual Revenue per Unit	\$	48

This per unit revenue was then further broken out for the Administration functions and Sheriff’s department. The revenue was divided based on a percentage of total expenditures by department. This analysis determined that the Sherriff/Judicial accounts for approximately 31% of General Fund Expenditures (as a percentage of the administrative departments analyzed in this report – not all General Fund departments) and consequently this portion of the revenue stream was attributed to the department.

<sup>5</sup> A demand unit in this report is per capita, per active well, or per 1000 sq. ft. of residential floor area.

<sup>6</sup> Subject to a long trend decrease due to the state tax laws.

**Figure 16. Property Tax Revenue per Residential Unit Administration & Law Enforcement Breakout**

Property Tax Revenue Attributed to:	Per Unit Generation
Sheriff Allotment	\$ 19
Administration Allotment	\$ 29

Oil and gas pay significantly higher property taxes than residential and non-residential development and consequently make significantly higher contributions via property taxes. For the purposes of this analysis each active well was assigned an average “flat” value and property taxes on a per unit basis were attributed. Each active well in Rio Blanco County contributes approximately \$1,118 to Rio Blanco County in the form of property tax. Of that, \$438 goes to the General Fund with the remainder going to other Funds and services. Again, further dividing that total into General Fund/Administrative and Law Enforcement/Judicial yields the total annual revenue to General Fund departments, analyzed in this report, of \$267 (i.e. Administrative and Law Enforcement).

## COUNTY SALES TAX

The 3.6% County Sales Tax projections are based on the taxable retail expenditures for full-time and part-time residents buying or building new homes in Rio Blanco County. Part-time and full-time residents have different annual retail expenditures due to duration of occupancy of the unit and income. See **Appendix Full-Time and Part-Time Resident Retail Expenditures** for detailed methods and calculations supporting the taxable retail expenditures.

The taxable retail estimates can be weighted according to the ratio of full-time to part-time residents in Rio Blanco County according to the 2000 Census in order to arrive at one weighted average retail expenditure per occupied housing unit.

**Figure 17. Sales Tax Revenue per Unit**

Annualized Estimates	Annual Household Expenditures on Taxable Retail	% of Occupied Housing Units (Census 2000)
Full Time Residential Unit	\$ 14,881	81%
Part Time Residential Unit	\$ 9,822	19%
Weighted Average Taxable Retail	12,877	
Total Taxable Dollars Spent in Rio Blanco County (modified for leakage)	\$ 8,241	
Annual Sales Tax Revenue per Unit	\$ 296	

The nearly \$13,000 in retail expenditures is modified to account for the fact that significant leakage of sales tax dollars occurs due to shopping by Rio Blanco County locals in other jurisdictions (e.g. Garfield County and internet shopping) – the leakage rate has been

calculated to be approximately 36%. Multiplying the adjusted, per unit, taxable sale expenditures by the 3.6% sales tax rate yields an annual sales tax revenue per household of \$296.

Again, because law enforcement resides in the General Fund the proportions of this revenue were broken out and allotted to Administration and the Sherriff's office in precisely the same way as property tax revenues.

**Figure 18. Sales Tax Revenue per Unit Administration & Law Enforcement Breakout**

Sales Tax Revenue Attributed to:	Per Unit Generation
Sheriff Allotment	\$ 115
Administration Allotment	\$ 181

Note that non-residential revenue generation is essentially captured in the residential sales tax estimates as it is resident spending at non-residential commercial operations that generate the revenue.

Sales tax contributions for oil and gas industry were not calculated because 1) they were not deemed significant by RPI analysts and 2) there is no reliable or cost effective methodology for calculating these expenditures.

Note also that the sales tax revenues are estimated for *new* residents and not existing resident expenditure patterns. New residents in Rio Blanco County are expected to have higher monthly consumer expenditures due to assumed higher incomes necessary to qualify for the purchase new housing in Rio Blanco County.

## OTHER REVENUE SOURCES

Remaining revenue sources were projected on a line by line basis for units according to the appropriate projections factors.

### *Line Item Projections*

The line item estimates included many, but not all, of the line item revenue sources found in the 2005 Rio Blanco County budget (note that all estimates are based on 2005 budget figures). Line item revenues in the budget that are not directly attributable (i.e. would not increase with) new residential, non-residential, or well unit development, (e.g. PILT revenues) were omitted from the calculations.

The per unit estimates are based on a number of multiplier factors relevant to the actual revenue and include: per residential unit vehicles, per capita, per household, etc.

The total other revenues attributable to new housing development is \$81 annually and again is broken into Administration and law enforcement shares.

**Figure. 19. General Fund Revenues: Other Revenue**

Source	Per Residential Unit
Law Enforcement Allotment	\$ 31
Administration Allotment	\$ 49
<b>Total Other Revenues</b>	<b>\$ 81</b>

**TOTAL PER UNIT REVENUE SOURCES**

In an effort to simplify future cost/benefit calculations of new development the revenues have been considered on a per demand unit basis. Again, note that the revenue allotments for property tax, sales tax, and other revenues have been subdivided into Administration and Law Enforcement allotments.

**Figure. 20. Total Per Unit Revenue: - Administration**

<b>Administration – Residential Housing Units</b>	
Operations Revenue Per Unit	
<i>Property Tax</i>	\$ 29
<i>Sales Tax</i>	\$ 181
<i>Other Revenue</i>	\$ 49
Revenue Subtotal	\$ 259
<b>Administration – 1000 Sq. Ft. Non-Residential</b>	
Operations Revenue Per Unit	
<i>Property Tax</i>	\$ 25
<i>Sales Tax</i>	-
<i>Other Revenue</i>	\$ 39
Revenue Subtotal	\$ 64
<b>Administration – Per Active Well</b>	
Operations Revenue Per Unit	
<i>Property Tax</i>	\$ 267
<i>Sales Tax</i>	-
<i>Other Revenue</i>	\$ 64
Revenue Subtotal	\$ 331

The law enforcement revenue allotments on a per unit basis are shown in **Figure 21**.

Figure. 21. Total Per Unit Revenue: Law Enforcement

<b>Law Enforcement Judicial – Residential Housing Units</b>		
Operations Revenue Per Unit		
Property Tax	\$	19
Sales Tax	\$	115
Other Revenue	\$	31
Revenue Subtotal	\$	165
<b>Law Enforcement Judicial – 1000 Sq. Ft. Non-Residential</b>		
Operations Revenue Per Unit		
Property Tax	\$	16
Sales Tax		-
Other Revenue	\$	25
Revenue Subtotal	\$	41
<b>Law Enforcement Judicial – Per Active Well</b>		
Operations Revenue Per Unit		
Property Tax	\$	170
Sales Tax		-
Other Revenue	\$	41
Revenue Subtotal	\$	211

**TOTAL REVENUES 2022**

The total estimated revenue in 2022 can be discerned by calculating the total number of new residents and further estimating the number of new units those new residents will require.

Figure. 22. 2022 Total New Annual Revenue (Administration &amp; Law Enforcement Revenues Combined)

2022 Annual Revenues	2022	Estimated Units	Estimated Annual Operating Revenue from New Units
Projected New Residents	2,820	1,133 (housing)	\$ 481,213
Projected New Non-Residential	1,900,334	1,900(/1000)	\$ 198,906
Peak Demand Year Active Well	16,503	971(638)	\$ 345,796

## GENERAL FUND COST/BENEFIT

Having described the gross, per unit revenues, and costs for the General Fund departments also estimated to 2022, it is now possible to compare the revenues to the costs for annual operations costs in a final General Fund fiscal summary. The General Fund administration department projected operations costs (as previously calculated) and annual revenues are summarized in **Figure 23**.

**Figure 23. Existing General Fund Annual Administration Operations Costs & Revenues**

	Total Annual Expenditures	Total Annual Revenues	Shortfall
<b>Operations</b>			
Per 1,000 Residents	\$ 160,932	\$ 104,409	\$ (56,523)
Per 1000 sq. ft. Non-Residential	\$ 268	\$ 64	\$ (204)
Per Active Well	\$ 3,092	\$ 331	\$ (2,761)

The annual General Fund cost of maintaining the current level of service for residences is approximately \$160,932 per thousand new residents; the revenue projected from these new residents is estimated at \$104,417 for an operations shortfall of approximately \$55,000 or about 34%.

Although this shortfall does not manifest itself as an actual budget dollar shortfall it represents the gap between what it costs to serve new residents and what they are expected to generate in revenue. A sales tax or property tax increase might essentially erase this shortfall although the burden of this tax would be born by existing as well as new residents. Currently, tourist expenditures, grants, and revenues from other sources (e.g. PILT) and attendant sales tax collections in Rio Blanco County are obscuring this mismatch between revenues and costs. Other revenue mechanisms, such as increased building permit fees might help, but as they are a one time fee, they will not ameliorate the ongoing annual cost of service. Another option may be to find other mechanisms to fund capital expenditures (currently primarily drawn from the General Fund, and the capital fund, and grants) to free up those resources for annual operations costs. It should be noted that grant funds were not included in the revenue projections because they may, or may not, be available in upcoming years.

Figure 24. 2022 General Fund Administration Annual Operations Costs &amp; Revenues

	Total Annual Expenditures	Total Annual Revenues	Shortfall
<b>Operations</b>			
2820 New Residents	\$ 453,615	\$ 294,296	\$ (159,319)
971(638) Peak Demand Wells	\$ 1,972,696	\$ 211,178	\$(1,761,518)
Note that the % of shortfall for residential shrinks somewhat due to the relatively higher tax revenues anticipated from new residents			

The per unit costs and revenues are shown in **Figure 25**. The revenue shortfall is fairly typical for Western Slope Counties as most have employed a relatively limited array of revenue mechanisms to capture the costs of growth. Typically, the differences proceed unnoticed because tourist dollars and grants obscure the differences. However, in high growth Counties (any County experiencing growth over 2.5% annually) the accumulation of these losses typically manifests themselves in level of service shortfalls. The level of service shortfall is most typically noticed in staff shortages as there is not enough General Fund revenue to hire additional staff or department heads – while increasing population steadily makes more and more demands on their time. Moreover, capital shortages limit the amount of staff that can be hired, as space and equipment are not available for their use.

Figure 25. General Fund Annual Operations Costs &amp; Revenues: Per Unit

<b>RESIDENTIAL</b>	
<b>COST BENEFIT COMPARISONS</b>	
Operations Costs Per Unit	\$ 466
Operations Revenue Per Unit	
<i>Property Tax</i>	\$ 29
<i>Sales Tax</i>	\$ 181
<i>Other Revenue</i>	\$ 49
Revenue Subtotal	\$ 260
Shortfall	\$ (206)
<b>Non-Residential</b>	
Operations Costs Per Unit	\$ 268
Operations Revenue Per Unit	
<i>Property Tax</i>	\$ 25
<i>Sales Tax</i>	-
<i>Other Revenue</i>	\$ 39
Revenue Subtotal	\$ 64
Shortfall	\$ (204)

<b>OIL &amp; GAS</b>	
Operations Costs Per Unit	\$ 3,092
Operations Revenue Per Unit	
<i>Property Tax</i>	\$ 267
<i>Sales Tax</i>	-
<i>Other Revenue</i>	\$ 64
Revenue Subtotal	\$ 331
Shortfall	\$ (2,761)

## LAW ENFORCEMENT

Law enforcement annual revenues and expenditures and revenues were calculated using the same methodology as the General Fund administration functions. It should be noted that (total – i.e. combined for all demand units) Law Enforcement service levels of 1.63 FTE's per thousand residents is below the national average (and the average found in many Colorado Western Slope municipalities) of 2 FTE's per 1,000 population.

**Figure 26. Existing Law Enforcement Annual Operations Costs & Revenues**

	Total Annual Expenditures	Total Annual Revenues	Shortfall
<b>Operations</b>			
Per 1,000 Residents	\$ 35,435	\$ 66,265	\$ 31,830
Per Active Well	\$ 2,402	\$ 211	\$ (2,191)

The 2022 projections are based on the RPI modified populations number found throughout this report. Again, the data suggests that the Sherriff/Law Enforcement is somewhat adequate with regard to operational expenditures but will need significant capital investments to increase floor area to accommodate additional employees.

**Figure 27. 2022 Law Enforcement Annual Operations Costs & Revenues**

	2022 Expenditures	2022 Annual Revenues	Shortfall
<b>Operations</b>			
2820 New Residents	\$ 99,926	\$ 186,867	\$ 86,941
971(638) Peak Demand Wells	\$ 1,532,476	\$ 134,618	\$ (1,397,858)

Finally, a per unit revenue is supplied to facilitate assessment of future developments of varying numbers of units. It may be advisable to generate an earmarked revenue mechanism for capital improvements so that future General Fund revenues may be freed up to assist with the cost of staffing additional FTE's or to grow the departments force so that it meets national standards.

Figure 28. Existing Per Unit Costs and Benefits – Law Enforcement

<b>RESIDENTIAL</b>	
<b>COST BENEFIT COMPARISONS</b>	
Operations Costs Per Unit	\$ 88
Operations Revenue Per Unit	
<i>Property Tax</i>	\$ 19
<i>Sales Tax</i>	\$ 115
<i>Other Revenue</i>	\$ 31
Revenue Subtotal	\$ 165
Shortfall	\$ 77
<b>NON_RESIDENTIAL</b>	
Operations Costs Per Unit	\$ 540
Operations Revenue Per Unit	
<i>Property Tax</i>	\$ 16
<i>Sales Tax</i>	-
<i>Other Revenue</i>	\$ 25
Revenue Subtotal	\$ 41
Shortfall	\$ (478)
<b>OIL &amp; GAS</b>	
Operations Costs Per Unit	\$ 2,416
Operations Revenue Per Unit	
<i>Property Tax</i>	\$ 170
<i>Sales Tax</i>	-
<i>Other Revenue</i>	\$ 41
Revenue Subtotal	\$ 211
Shortfall	\$ (2,205)

## CONCLUSIONS

Because of Colorado's property tax structure and the relatively low rates in Rio Blanco County, residential property owners enjoy some of the lowest property taxes in the entire country.<sup>7</sup> Coupled with this is the fact that new residents and high intensity industrial activity tends to put the most strain on County services. The result is a chronic shortfall between the costs and revenues generated by residential units in Colorado.

The shortfalls and lack of funding for capital facilities also signals the need to develop sources of revenue for capital facilities. Impact fees are specifically suited for charging new development for its fair share of the costs (the incremental costs) of providing capital facilities for this new development.

<sup>7</sup> The Gallagher Amendment results in a continually decreasing residential assessment rate, while Tabor constrains revenue collections.

The projected General Fund revenues fall short of meeting the annual operations costs of maintaining the current level of service LOS for administration by about 10-35%. Without some other funding sources or a change in direction of the General trends, this should result in a slow decline in the operational level of service (LOS) for General Fund departments. What can Rio Blanco County do to avoid this drop in the LOS?

#### *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. Impact fees do 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 legal standards typically including: demonstration of need, rational nexus, and rough proportionality. 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 which will be included in this series of reports for Rio Blanco County.

## COMMUNITY COMPARISONS

The following chart lists known operations costs on a per unit basis for other Colorado Communities. Although the comparisons may be used generally, they are of limited utility as some of the numbers are several years old, and not all of the numbers can be directly compared to Rio Blanco County because they may reflect differing organizations of cost/revenue estimates based on the specific needs of the community the study was conducted for.

Figure 29. LOS & Service Costs - Community Comparisons

	FTE per 1000 residents	FTE per 100,000 of non-residential	Operations Cost Per Res unit
<b>ADMINISTRATION</b>			
Archuleta County	2.3	0.6	\$ 581
Gunnison County	4.5	0.1	\$ 734
Montrose County	1.3	0.4	\$ 324
Town of Bayfield	1.8	0.2	\$ 291
Town of Pagosa Springs	1.6	0.3	\$ 294
Ouray County	5.1	0.2	\$ 760
<b>Rio Blanco County<sup>8</sup></b>	<b>2.1</b>	<b>0.3</b>	<b>\$ 466</b>
<b>LAW ENFORCEMENT</b>			
Archuleta County	1.6	0.3	\$ 271
Gunnison County	2.1	0.2	\$ 190
Montrose County	1.1	0.2	\$ 218
Town of Bayfield	1.6	0.9	\$ 256
Town of Pagosa Springs	1.9	0.7	\$ 215
Ouray County	1.3	0.1	\$ 180
<b>Rio Blanco County</b>	<b>1.6</b>	<b>0.3</b>	<b>\$ 88</b>

<sup>8</sup> Please note that these employee numbers include statutorily required elected officials including a clerk, treasurer, commissioners, etc.) Consequently, comparisons between Counties with larger and smaller populations may not be appropriate or accurate service level indicators – moreover, other counties in this comparison may or may not include fairgrounds, and/or detention centers etc...

## APPENDIX

### Administration Department Proportionate Share Calculations - Example

	Effective FTEs	Ratio	Proportionate Share			Employees per			Total Dept Budget
			Residential	Commercial	Oil/Gas	Residential	Commercial	Oil/Gas	
Accounting	3.68	assessed valuation	34%	27%	39%	1.24	0.98	1.46	\$ 22,363
Assessor	6.05	assessed valuation	34%	27%	39%	2.03	1.61	2.40	\$ 292,424
Attorney	0.34	assessed valuation	34%	27%	39%	0.11	0.09	0.14	\$ 34,100
Building Department	1.6	assessed valuation	34%	27%	39%	0.54	0.43	0.64	\$ 84,434
Building Maintenance	2.3	assessed valuation	34%	27%	39%	0.77	0.61	0.91	\$ 230,061
Clerk	5.96	assessed valuation	34%	27%	39%	2.00	1.59	2.37	\$ 316,273
Central Services	0	assessed valuation	34%	27%	39%	0.00	0.00	0.00	\$ 109,880
Commissioner	3.25	assessed valuation	34%	27%	39%	1.09	0.87	1.29	\$ 276,630
Coroner	1.38	Residential	100.0%	0.0%	0.0%	1.38	0.00	0.00	\$ 59,856

### Law Enforcement Proportionate Share

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 2005 into residential vs. non-residential 'bins'. Once they are sorted, the proportionate share consists of generating ratios of the totals of each bin. RPI analysts, after discussing the nature of the various crimes with the Sheriff's office first sorted out the crimes that are entirely attributable to either the residential or non-residential sectors. The crimes that could be attributable to both sectors were sorted according to the ration of residentially and non-residentially attributable vehicle trips.

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. To further divide crimes and develop estimates of crimes and traffic associated in each category RPI generated a unit ration between non-residential employees (a methodology employing the average number of employees per 1000 square feet of commercial), per active well, and per housing unit in the unincorporated County. These ratio's established the estimated number of calls within each subcategory of Crime and Traffic.

**Sheriff Proportionate Share – Example Sorting**

	Total Calls	RES	NON_RES	TRAFFIC
assist meeker ambulance	1			X
animal call	170			X
all arsons	2	X		
assaults excluding domestic	4		X	
assist color state patrol	7			X
assist meeker fire dep	1			X
assist meeker police	6	X		
assist other agencies	362			X
assist Rangely police	14			X
all motor vehicle thefts	1			X
all burglaries	8		X	
child abuse/child negligence	1	X		
message delivery welfare	82	X		
all civil situations	45	X		
criminal mischief	12		X	
disturbances disorderly conduct	11		X	
domestic violence	9	X		
all dui	50			X
all fire call not arson	59	X		
all fraud	11		X	
harassment	12		X	
homicide	1	X		
incident detention	10		X	

Source: 2005 Rio Blanco County Sheriff Crime Statistics

**Full-Time and Part-Time Resident Retail Expenditures**

Rio Blanco County	Full Time Residence	Part Time Residence
Median Home Value	\$ 164,974	\$ 164,974
Down Payment (15%)	\$ 24,746	\$ 24,746
Mortgage Principal	\$ 140,228	\$ 140,228
Monthly Payment (7.5%, 30 yr. Mortgage)	\$ 979	\$ 979
Household Monthly Income	\$ 3,263	\$ 3,916
Minimum Median Household Annual Income	\$ 39,160	\$ 46,992
% Spent on Retail	38%	38%
Annual Retail Spending/ Full-Time Residence	\$ 14,881	\$ 17,857
Spending in Rio Blanco County	\$ 14,881	\$ 4,464
Taxable sales per unit	\$ 536	\$ 161

The core methodology underlying this estimate is based on estimating the income of the residents based on the value of residence. Because new homes are relatively expensive, we cannot assume that the occupants of relatively new homes will be represented by the area median income.

The primary differences between the full and part-time residence estimates lie in the assumed percentage that the housing payment constitutes relative to their entire household income. For locals we assume 30%, fairly typical desirable areas in Colorado and 25% for part-time residents, who clearly have higher incomes by virtue of the fact that they own a second residence. Using these percentages applied to the median home value, RPI obtained a necessary annual income.

The Bureau of Labor Statistics conducts the Consumer Expenditure Study annually which provides detailed average household expenditures. Generally, households spend 38% on taxable retail goods.

The part-time residence expenditures had to be tempered to account for part-time occupancy. Part-time units were assumed to be occupied 25% of the time as concluded in the NWCOG 2003 survey of second home owners. Thus total household retail expenditures were multiplied by 25% to obtain the taxable expenditures. The total taxable sales per unit were factored by a weighted average to yield an average taxable sales per unit. This number was then further modified to account for leakage (i.e. spending outside of Rio Blanco County) leakage was estimated to be 36% based on an off season sales tax collection analysis in Rio Blanco County (2005) and considered actual median area income, consumer expenditures, and actual sales tax collections.