
Rio Blanco County

Public Facilities Mitigation Fee

Support Study

September 2007

Final REPORT

Prepared By:

RPI Consulting Inc.



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Executive Summary

Introduction

This document establishes impact fees applied to new development in Rio Blanco County, ensuring that revenue is available to build and expand existing facilities for the general/administrative government departments and offices as the County grows. The implementation of the impact fee requires new development to pay its fair share facility needs as anticipated in/by the year 2022. This report outlines two fee schedules. One for Administrative Public Facilities and another for Law Enforcement/Judicial Facilities.

Without a revenue mechanism for expanding facilities, they will inevitably become crowded and result in inefficiencies – decreasing overall government service levels to the entire population and business community. If the County has not charged new development for its fair share of the costs, then the taxpayers at large will bear the burden of building additional facilities, the need for which was generated by new development. This results in a de-facto subsidy of new growth by the existing taxpayers.

While the study is based upon extensive information from several sources and the calculations can be complex, the basic logic leading to impact fee is relatively simple and can be distilled to answering the following ten questions:

1. Does Rio Blanco County have a need for an impact fee to charge new development its share of the cost of expanding facilities currently housed in the Courthouse and Annex buildings?
2. Does Rio Blanco County have the legal authority to charge such a fee?
3. What is the current extent of the Courthouse and Annex buildings?
4. How do residential, commercial, and oil and gas land uses draw upon facilities for basic County services relative to one another?
5. How much does it cost to build or expand facilities like the Courthouse and Annex buildings?
6. What is the current level of service for facilities like the Courthouse and Annex buildings?
7. What should the fee amounts be?
8. How much revenue might the County expect the fees to yield?
9. Should credits or waivers be offered to any types of development?
10. What steps and considerations are involved in implementing the fee?

Need

Increased oil and gas industrial activity, and to lesser degrees, increased non-residential and residential development have and are contributing to marked increases in demand for County Services. Calls to the Sheriff's Department have increased significantly, and so has the average daily population of prisoners in the County jail.

Building permit volumes are significantly higher than they were even five years ago, vehicle registrations are up, court cases are on the rise, and increasing staff levels reflect this increase in demand for County services. Meanwhile, departments located in the Courthouse and Annex buildings are inadequate to meet future demand without significant level of service declines. New development should be expected to continue to exacerbate these problems leading to declining service levels for all citizens.

Legal Authority

In 2001 the legislature adopted SB 15 giving counties and municipalities' authority to charge impact fees to new development to fund capital facilities. This bill established legal parameters for such fees, and the fee calculated within this study meets all statutory criteria as RPI understands them, all calculations and legal aspects and authority of the fee require vetting by an attorney prior to adoption however.

Existing Facilities

Although the facilities are currently at capacity, Rio Blanco County maintains a Courthouse and Annex Buildings utilizing approximately 30,000 square feet.

Proportionate Share

In order to accurately calculate impact fees it is important to determine the difference between residential, non residential, and oil & gas industry demand on facilities and services. Although RPI went to great lengths to determine these ratio's on a case by case basis, this "proportionate share" was concluded to be 34% residential and 27% non residential, and 39% oil & gas industry for general fund/administrative departments and 12.1% residential, 42.4% non-residential, and 45.4% oil & gas industry for Law Enforcement functions. One of the factors influencing the difference between administrative and Law Enforcement demand is the fact that Law Enforcement demand primarily occurs in the unincorporated County while administrative functions serve the County as a whole.

Cost of Building Facilities

A study of 12 recently constructed public facilities serving purposes similar to the Courthouse and Annex buildings indicate that the average construction cost is \$207 per square foot (not including land costs).

Level of Service

Maintaining current service levels is the purpose of the impact fee established in this study. The Level of Service is defined as the quantity of public facility per unit of demand. In this study demand units include; population, housing units, square feet of floor area, and new active wells. If demand units are increased but the community fails or decides not to provide a proportionate increase in the quantity of facilities the community will suffer a decline in the level of service.

In the context of facilities for the departments and offices located in the Courthouse and Annex building, the current level of service is 1.2 square feet of facilities space per capita of residential population - general fund administration, and 1.8 square feet of facilities space per capita - Law Enforcement/judicial functions.

Fee Schedule

Residential

Given the residential levels of service indicated above, the residential fee structure is:

Residential Fee Per Housing Unit	Fee per Unit
GF/Administration Fee	\$ 522
Law Enforcement Fee	\$ 918

Non-Residential

Based on service levels and proportionate share of demand, the following fee structure should apply to non-residential development:

Non-Residential Fee Per 1000 Square Feet	Fee per Unit
GF/Administration Fee	\$ 446
Law Enforcement Fee	\$ 973

Oil & Gas Industry

Oil & Gas industry fees are assessed for each new drilled well.

Fee Per New Active Well	Fee per Unit
GF/Administration Fee	\$ 96
Law Enforcement Fee	\$ 159

Cash Flow

Based on past development, it appears that the County should expect to garner over \$8.3 million in revenue from the impact fees supported in this study by the year 2022. This

revenue stream will be realized if the fees are charged to all new developments within the unincorporated county at building permit/new well permit and no waivers are granted.

Credits and Exemptions

The County budget has historically allocated a percentage of property tax revenues for capital improvements. Revenues anticipated from future allocations are calculated and credited to the gross fee schedule to ensure that new development is not assessed twice for the same purposes.

The County has full authority to create a waiver or discount for affordable housing, but implementing such a waiver or discount requires some careful analysis of regional labor force dynamics, the real estate market, unexpected market cues, and may require some expenditures out of other funds to make up for lost revenue.

Because public facilities provided by governments (local, state, or federal) and special districts generally all work toward the same end of improving the quality of life for residents, businesses, and visitors, the County may choose to exempt such facilities from the impact fee.

Implementation

Implementation is a matter of legally and formally adopting the fee schedule into the land use code. RPI recommends that the fee be due prior to the issuance of a building permit for development on any legally established parcel or lot in the unincorporated County (however this should be done only at the discretion and recommendation of the County's legal council). Collecting the fee on oil & gas activity is essentially a legal question, but the greatest revenues might be collected if the County attempts to collect the fee at or during the drilling permit/production or spudding phase, as this analysis is based on mitigating the impacts of new wells – specifically the average peak year for drilling.

One important component of the implementation process is to carefully configure the accounting such that the fee revenue is sequestered and spent exclusively on constructing additional capacity for General Fund/Administrative and Law Enforcement/Judicial functions.

LEGAL FRAMEWORK

Overview of Impact Fee Authority

Disclaimer: This section of the analysis was put together by RPI analyst/principals. RPI principals and analysts are not attorneys, and RPI Consulting LLC does not employ or retain attorneys. Numbers, fee schedules, and any legal assessments made in this report have not been vetted or examined by attorneys prior to or upon submission of this analysis. Consequently the following legal overview is not, and cannot be considered, legal advice or council. Rio Blanco County and Rio Blanco County Commissioners are solely responsible for consequences and potential impacts of using, employing, assessing, and/or adopting the numbers and fee schedules presented in this report. RPI strongly recommends that Rio Blanco County and commissioners engage licensed attorney's/legal council to vet all calculations and examine the legal parameters prior to adopting or assessing any of the fee schedules in this report.

In 2001 the legislature adopted SB 15 granting statutory counties and municipalities' authority to assess impact fees to fund "expenditures by such local government on capital facilities needed to serve new development."¹

The bill defines "capital facility" as follows:

As used in this section, the term "capital facility" means any improvement or facility that: (a) is directly related to any service that a local government is authorized to provide; (b) has an estimated useful life of five years or longer; and (c) is required by the charter or general policy of a local government pursuant to a resolution or ordinance. § 29-20-104.5(4)

Under this definition, a facility necessary for providing basic County government services (like the Courthouse and Annex buildings) is a capital facility if it is directly related to a service that the County is authorized to provide. This study focuses on the facility needs of the departments and offices located in the Courthouse and Annex buildings providing basic County services. Most of these services are authorized specifically in the CRS Title 30, Article 10, (County Officers), including the Sheriff's department, the Clerk and Recorder, Coroner, Treasurer's Office, Assessor, and the Commissioners and staff. Other functions such as the administrative functions surrounding the budget and other particular duties of the County are authorized in CRS Title 30, Article 25, County Administration. The duties of the County Building and Planning department are authorized in CRS Title 30, Article 28, County Planning and Building Codes. CRS 26-1-115 and CRS 25-1-501 authorize human services (called social services in the statutes) and health services respectively. In short, the facilities considered in this impact fee support study provide a place from which to provide basic County services, all of which the County is legally authorized to provide under the Colorado Revised Statutes.

¹ § 29-20-104.5(1)

Because the County is authorized to provide the services contained in the facilities under consideration in this impact fee support study, the impact fee revenue can only be used to invest in capital facilities “directly related” to providing that service. Assessment of a fee to construct facilities for departments and offices providing the basic County services currently housed in the Courthouse and Annex buildings meets this requirement.

The impact fee statute also requires that the impact fee be based on a quantification of the “reasonable impacts of proposed development on existing capital facilities” and that it be set at a level “no greater than necessary to defray such impacts directly related to proposed development.” What is directly related is not defined by the statute. However in a recent Colorado Supreme Court decision, the Court seems to suggest that a local government does not need to engage in an individualized assessment of each development to determine the reasonableness of the fee.² It appears that the impact fee must be directly related to the cumulative impacts of development in the community, not to a particular development proposal.³ The documentation contained in this impact fee support study considering the needs generated by broad categories of development (residential, non-residential, and oil & gas) for facilities to provide selected basic County services may be adequate to support the relationship between the fee and the impacts on these facilities caused by new development in the County.

The impact fee statute also restricts when a fee may be imposed.

No impact fee or other similar development charge shall be imposed on any development permit for which the applicant submitted a complete application before the adoption of a schedule of impact fees or other similar development charges by the local government pursuant to this section. No impact fee ... shall be collected before the issuance of a development permit for such development activity. Nothing in this section shall ... prohibit ... deferring collection of an impact fee ... until the issuance of a building permit. § 29-20-104.5(6)

Under this section, the County may have the authority to impose the fee at the time of building permit even where the subdivision has been previously approved, so long as a complete building permit application has not been submitted before a fee schedule has been adopted. This report attributes the impacts of oil and gas activity initiated with the granting of a drilling permit issued by the Colorado Oil and Gas Conservation Commission. Currently, no “trigger” exists to stimulate payment by oil and gas drilling permits, however, it is conceivable that a trigger can be created at the “spudding” phase or even at the special use permit stage. Ultimately, determining the application of fees is a legal question – however as a last resort the fee may be applied at a special use permit phase, or the County may consider negotiating a memorandum of understanding between the industry and the County (as has been negotiated in other Western counties) and establish a quasi-voluntary payment by the industry.

² *Krupp v. Breckenridge Sanitation District*, 19 P.3d 687 (Colo. 2001).

³ See White, “A Municipal Perspective on Senate Bill 15: Impact Fees,” 31 Colo. Law. 5 (May 2002)

SCOPE OF THIS STUDY

In order to provide services, Rio Blanco County has acquired and maintains many facilities including the Fairfield building, the County road system, road and bridge maintenance shops, two landfills, the museum, a park, fairgrounds, airport, and the Courthouse and Annex buildings. The focus of this analysis and mitigation fee is on the Courthouse, Annex buildings, and Law Enforcement/justice facility.

While the building, maintenance, and expansion of County facilities is essential to County functions, building new facilities is costly and money for capital improvements is difficult to procure given increasing costs of day to day County operations and maintenance. All County facilities need to be periodically evaluated to determine if their capacity, design, and location are adequate to meet the demand. Where deficiencies are identified or facilities appear to be reaching capacity, it is necessary to undertake the process of planning and financing new facilities or expansions. Given the complexity and expense of this process, County resources are more efficiently utilized when facilities expansions are prioritized.

After discussions with County staff and review of existing capital improvement documents, RPI analysts determined that current efforts should focus on the Courthouse and Annex buildings. These two facilities are currently at capacity. Department heads located in these facilities conclude that any further increase in demand for the functions located in these facilities may not be met due to space and design constraints. The Courthouse and Annex buildings headquarter much of County business. Consequently, declining service levels from departments located in these facilities will adversely affect the performance of all County services. Therefore this impact fee support study will focus exclusively on determining new development's share of the cost of incrementally expanding or building new facilities for departments and functions located in the Courthouse, Annex buildings, and Law Enforcement/Justice Facility.

This study utilizes a capacity year demand approach to impact fee calculation. This fee system recognizes that Rio Blanco County has slated improvements within a capital planning horizon (15 years) and projections have been conducted within that timeframe to estimate total demand, facility capacities, and facility needs. Because the slated improvements will benefit both existing and new development, the fee is configured in such a way that new development will only be assessed its fair share of those improvements and expansions (i.e. the expansions made necessary by new development). Consequently, some share of the improvements and expansion costs will need to be paid for by Rio Blanco County from funds other than impact fee revenues (bonds, grants, property tax assessments, etc.). The capital facilities plan outlines and estimates the total costs including the shares that will be paid for by the impact fee and other revenues.

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 rounding accounts for the discrepancies.

NEED FOR A GENERAL GOVERNMENT FACILITIES IMPACT FEE

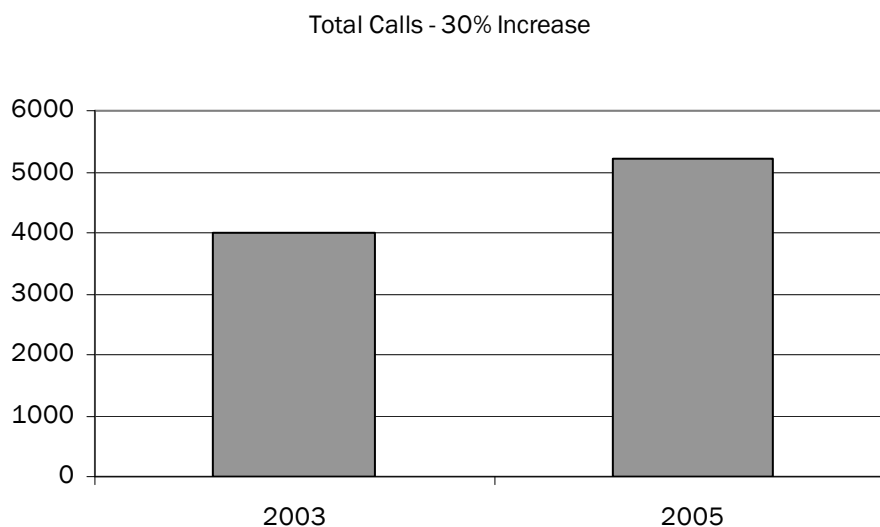
Introduction

The demand for basic County Services has been gradually increasing over the past five years, and significant increases relating to anticipated oil and gas industry development are forecast. Oil and gas activity should result in attendant growth in housing units, residents, and increases in commercial and institutional activities all of which are demand generators for County services. Increased demand for services leads to increasing workloads across all County departments. Increased workloads are typically met by hiring new employees and increasing efficiency. Without increases in service proportionate to increases in demand, the County residents, businesses, and institutions should expect service levels to decline.

Expanding County facilities or building additional facilities in pace with the increasing demand is critical to maintaining service levels for basic County services.

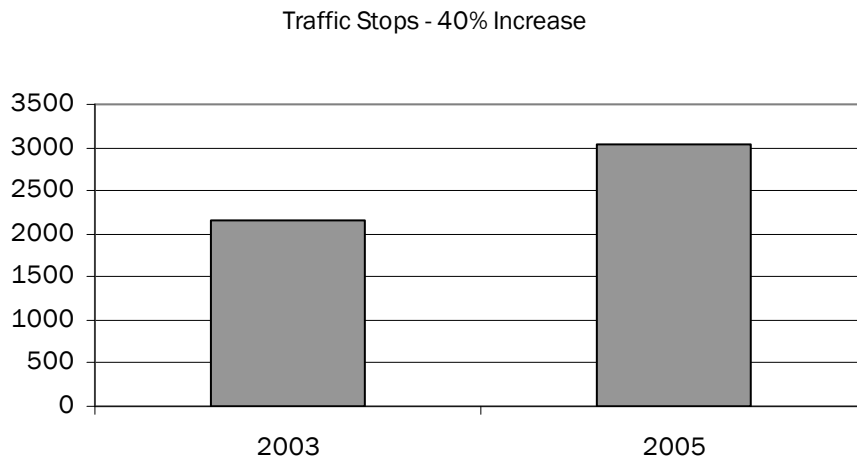
The Rio Blanco County Fiscal Impact Analysis (November 2006) clearly outlines the existing operational and some capital costs anticipated by the County over the next fifteen years. In addition to the data outlined in that report, the County has experienced the following growth in service demand.

Figure 1. Growth in demand for Sheriff Services



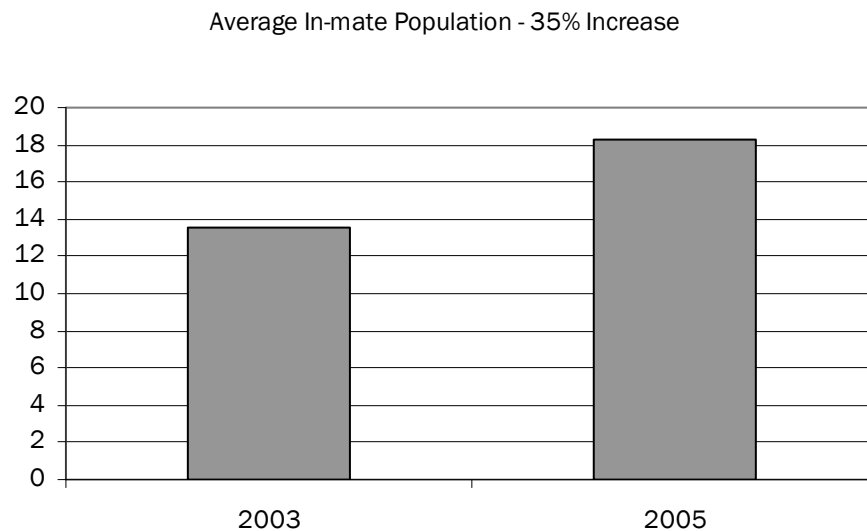
Note that this growth in Law Enforcement service demand has taken place between 2003 and 2005 – despite the fact that the population grew by only 46 people in the same time period.⁴

⁴ Records on calls and inmate populations were not readily available prior to 2003.

Figure 2. Growth in demand for Sheriff Services

According to data contained in a report provided by Rio Blanco County dispatch, Law Enforcement calls increased by more than 1,200 between 2003 and 2005 and total annual traffic stops increased by 40% (figure 1 and 2).

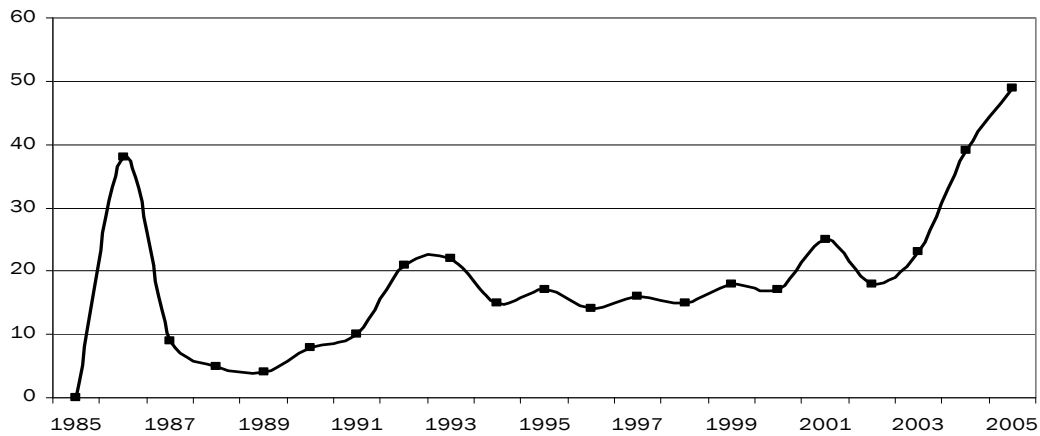
Average daily inmate population also increased by over 35%.

Figure 3. Rio Blanco Detention Center Average Daily Population

While more difficult to track, demand for County administrative services is also on the rise. The process of subdividing and developing property generates workload for several administrative departments including the building and land use department, responsible for developing and enforcing land use regulations and updating the building code; the County

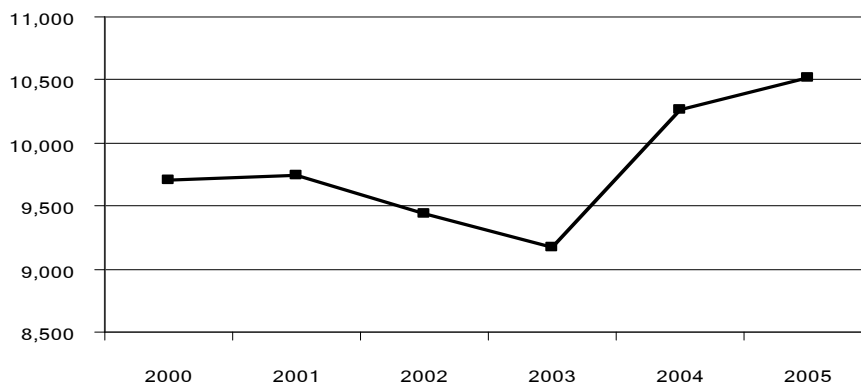
Assessor’s office, responsible for tracking and assessing taxes on all land and improvements as they occur and change hands; the clerk and recorder’s office, responsible for recording the public process and filing land use approvals, deeds, covenants, and all official property related documents; and the Commissioners’ staff responsible for assisting with public process and managing County departments. Annual building permits have increased steadily since 2002 resulting in a total increase of over 50% in the volume of building permits and work associated with increased building (see figure 4).

Figure 4. Annual Building Permits Reviewed by Rio Blanco County 1985-2005



Vehicle registration, covered by the Clerk and Recorder’s office are also indicative of the increase in work volume for County departments. In 2005, over 1,400 more vehicles were registered in Rio Blanco County than in 2003. Not only does this number reflects additional administrative workload, but also implies more traffic in general and its associated impact on the County Road system maintained and improved by the County Road and bridge department. See the accompanying report in this series for more detailed information on the road and bridge system.

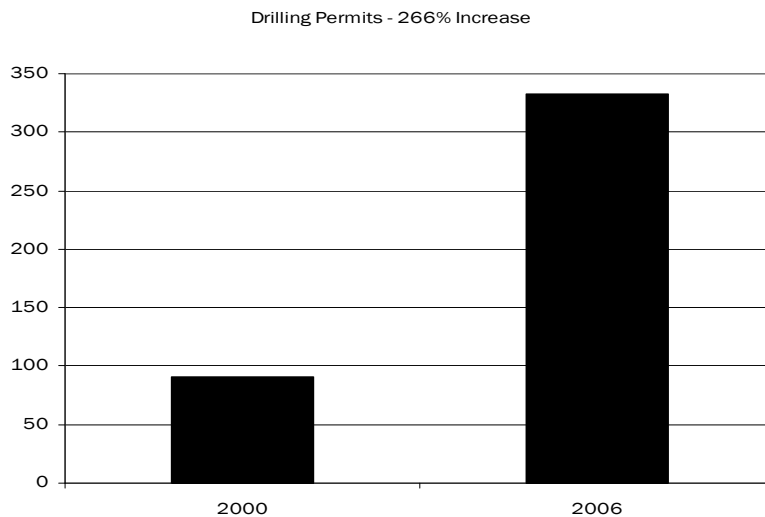
Figure 5. Annual Vehicle Registrations 2000 - 2005



Oil and Gas activity has also seen a rapid increase over the last five years. Although the drilling and spudding permits are initially handled by the Colorado Oil and Gas Commission the planning and development office is responsible for all special use permits associated with getting the wells into the production phase.

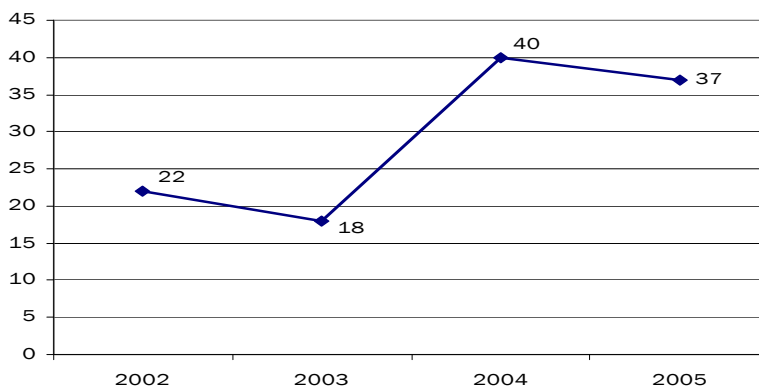
In 2000 91 permits to drill were issued in Rio Blanco County, as of November 2006 333 permits to drill had been issued – a 266% increase.

Figure 6. Rio Blanco County Issued Drilling Permits 2000 - 2006



In addition to drilling and spudding permits the number of special use permits considered and issued by the Rio Blanco County Development Department have also demonstrating significant growth trends. The forecast for future permitting also reveals a dramatic anticipated increase – see the following section for additional information.

Figure 7. Rio Blanco County Special Use Permits (oil & gas) 2002-2005



The Link Between Increased Demand for County Services and Facility Needs

Increasing demand for basic County services becomes evident by looking at key workload indicators outlined above. Increased workload generally means additional employees are needed as well as technological and organizational innovations to increase efficiency. While budgetary constraints make it difficult to keep staffing levels in pace with the increase in demand for services, the County managed to increase its total General Fund staff by 45% in the 3 years between 2003 and 2006 in order to try to meet increasing demand.

Increased demand for services and associated staff increases have not been met with a proportionate increase in County facilities in which to conduct the increased volume of business. To some extent, a proportionate increase may have not been necessary until recently as extra capacity filled. At present, the Courthouse and Annex buildings are at capacity. According to staff members interviewed by RPI analysts, most departments are out of room in which to conduct ever-increasing volume of business. Employees and department heads state that the lack of workspace, meeting space, courtrooms, jail cells, offices, interview rooms, examination rooms, storage, and the like is an increasing constraint on departments – particularly those located in the Courthouse and Annex buildings. Indeed, some staff positions currently rent offices from the Towns of Rangely and Meeker.

Some departments are limited from hiring needed staff because of space and facility constraints alone. Also, office sharing arrangements pose potential problems, such as the risks associated with the co-location of sensitive offices. If the capacity of the facilities are not increased in pace with the volume of business, the resultant constraints and inefficiencies will likely adversely affect the level of service provided by the departments located in these two buildings.

Demand Units: The Forces Behind Increased Demand for Basic County Services

The need for facilities to house expanding general County functions is generated by growth in population and increased commercial, and oil and gas activity.

When an individual or firm builds a new residential unit, it will almost certainly subsequently be occupied by a household of full or part-time residents. The structure itself generates some demand for County Services, such as periodic appraisals from the Assessor's office, the tracking of the deed and covenants by the Clerk's office, the oversight of the construction process by building and land use department, etc. However, the real increase in demand comes from the presence of additional residents making up the new household.

Residents of each additional household incrementally increases demand for basic County services by driving vehicles, voting, calling for Law Enforcement or contributing to additional patrol needs, committing traffic infractions, committing juvenile or other offences, using health and human services, participating in the public process, protesting property tax assessments, speculating or applying for future development, engaging in lawsuits or other legal matters requiring court hearings, and many other needs of residents provided by the County.

Similarly, new commercial or institutional development also contributes to demand for services by increasing the amount activity and commerce in the County. More business and institutional activity leads to increased demand for County services by generating the need for Law Enforcement to protect the property, employees, and customers of establishments; generating traffic to the establishment or facility, increasing the volume taxable sales; attracting tourists, and increasing peak demand for Law Enforcement/road capacity; building and expanding of operations and facilities; participation in the public process; attracting new employees into the County; calls for economic development and community amenities and enhancements that, along with other activities, incrementally add to the increasing demand for basic County services.

Finally, new oil and gas drilling and production activity stimulates need for additional County services as the wells, particularly during the drilling and production phases, generate significant amounts of employee and construction activity. This activity leads to additional Law Enforcement calls, emergency medical services, additional appraisal and review by the assessor's office, extensive permit and site review by the planning department, and increased commissioner and administrative activity associated with reviewing permits and responding to accelerated development through new policy development and implementation (e.g. the generation of these reports and the updating of the comprehensive and capital facilities plans are largely in response to future oil and gas development).

2022 Projected Growth

2022 is the planning horizon for improvements considered in this analysis. A 15 year (beginning 2007) horizon is a typical and realistic timeframe for capital improvements and furthermore the time frame is based on the BLM Reasonable Foreseeable Development Report (RFD). These projections were first presented in the Fiscal Impact Analysis done for Rio Blanco County (November 2006) but are represented here for clarity and continuity in this report.

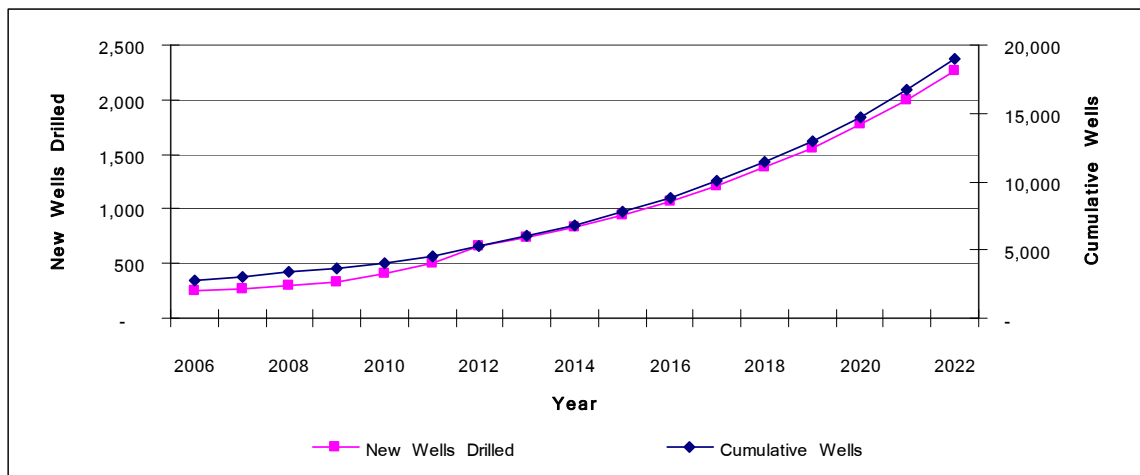
2022 Projections

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 (December 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.⁵ These wells are added to the total projected by the BLM RFD numbers.

Figure 8. 2022 Projected Oil & Gas Wells and New Wells Drilled per Year



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 outline RPI oil and gas well assumptions and the results of analysis.

Figure 9. 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

⁵ 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.

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 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.).

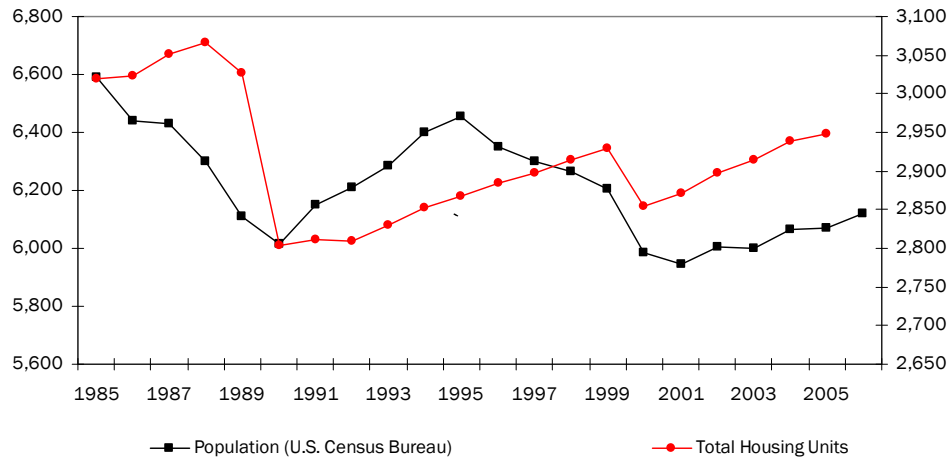
It should be noted that this analysis focuses on providing service levels for the average peak demand year for new well drilling. That is, what is the average peak number of wells that will be drilled in any given year. Due to the temporal nature of well activity, this is the most prudent approach for ensuring that Rio Facility improvements and expansions meet, but do not exceed, the actual demand created by drilling activity. Choosing the average peak demand year will functionally result in some years where capital facilities are technically over or under capacity, but avoids over construction of facilities that may not be required after oil and gas activity subsides. Because oil and gas activity is primarily associated with the drilling to production phase the intent is to ensure that adequate capacity exists to maintain service levels to the total number of new wells that are drilled in any given year – some years the number may be less or more than the selected average peak demand year, but the net result will be that, on average, service levels should be adequate to maintain proximal target service levels over the 15 year timeframe. The average peak demand year is 971 new wells drilled - although the level of service provided to wells is computed based on the number of wells drilled in 2006 (333 wells).

Figure 10. 2022 Projected Oil & 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

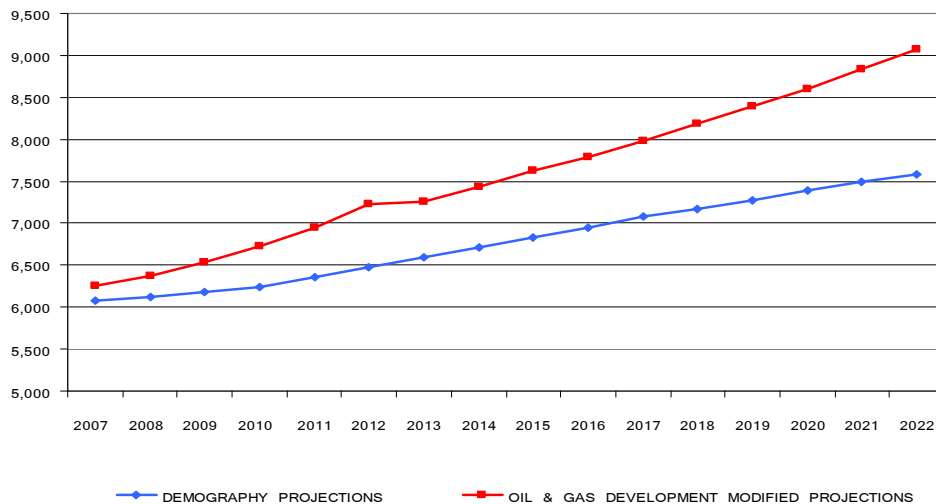
The following chart reveals Rio Blanco’s fluctuating population over the last twenty years. Fluctuating population and housing unit numbers can be correlated fairly well with previous energy/industrial booms and busts.

Figure 11. 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 12. Rio Blanco Projected Population 2007 - 2022



FACILITIES INVENTORY

One of the critical steps in this analysis is evaluating the quantity of facilities space needed per increment of development (e.g. residential unit, well, or commercial/institutional sq. ft.). The incremental increase in demand for services driven by new development is contingent on the characteristics of the County function. For example, while County administrative functions such as the Assessor, Clerk and Recorder, Treasurer etc. service the entire County, and are thus affected by development within and without municipal boundaries, the Sheriff's Law Enforcement function is primarily affected by development in the unincorporated County. Law Enforcement is driven both by residential units, commercial development, and oil and gas activity.

The General Fund departments and services included in this analysis are listed below. Note that the Law Enforcement/Judicial functions have been separated out and considered independently.

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
- EMS Dispatch

- Assistant DA

Plan-Based Improvements: Courthouse and Law Enforcement/Judicial Facility Improvements

The fee developed in this report is a capacity year demand unit fee and includes improvements of specifically identified projects in the Rio Blanco Capital Facilities Plan. The Capital Facility's Plan draws facility planning from RPI based projections and 2022 year needs as well as integrates a facility planning document developed by Archetype Design Group *Current Space Utilization Architectural Program Justice Facility Design*.

The County intends to begin construction on these improvements within the near future (~ within the next 5 years), but these improvements will endure and accommodate growth through 2022. These improvements will benefit both existing and future development. Thus, it would not be equitable to assign the entire cost of these improvements only to future development. To avoid inequity, the cost of these improvements is divided by the total projected 2022 demand units in the entire County generated by both existing and future development. Calculating this component of the fee ensures that new development is charged proportionate to its impact on the overall County Administrative and Law Enforcement/Judicial System.

Structuring the fee in this manner means that impact fees collected from new development through 2022 will not cover the entire cost of these planned improvements (as the improvements will benefit existing residents as well). Consequently, Rio Blanco County will need to find other revenue to cover existing development's share of the cost of these improvements.

The cost of the Courthouse and Annex space expansion included in the planned based component of this fee totals over \$13.4 million. Given the analysis and projections developed previously, the Rio Blanco County Administration will require an additional 34.3 employees by 2022 and Law Enforcement will require an additional 31.2 FTE.

RPI analysts classified County departments located in the Courthouse and Annex buildings into 2 function categories. The departments and offices were placed into the categories based on the manner in which the demand for their respective services changes with new development.

The facilities housing the general fund departments/services in this analysis include the following:

- County Courthouse
- Rangely Office Shop (50% of the floor area)
- Fairfield Building (5% of the floor area)
- Road & Bridge Shop – Meeker (10% of the floor area).

Having categorized the various functions, it was then possible to inventory the square footage of facility space occupied by each of the functions (**figure 8**).

Figure 13. Existing Square Footage of General Fund/Administrative Functions

Function	2005 Sq. Ft. of Floor Area
Administration	17,231
Law Enforcement	12,263
Total	29,494

Figure 14. 2022 Capacity Demand Year Required Square Footage

Function	2022 Capacity Demand Year Sq. Ft. of Floor Area
Administration	33,237
Law Enforcement	37,631
Total	70,868

For a table containing more detail about the square footage of each department or office, see the Rio Blanco County Capital Facilities Plan.

PROPORTIONATE SHARE

Introduction

The proportionate share has been detailed in the *Rio Blanco Fiscal Impact Analysis* (November 2006) but is presented here again for continuity and clarity.

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.⁶ 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.

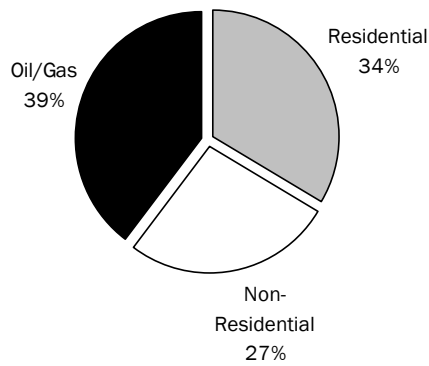
⁶ The Colorado Department of Local Affairs economic base analysis (2003) determined that mining/oil and gas makes up 27 percent of the total employment but 49% of the total income, households (including households', indirect, & tourism category) accounts for approximately 32% of employment and 22% of income, non-residential activities (including manufacturing, regional and national services, and government) account for 28% of employment and 22% of the income.

Proportionate Share by Function

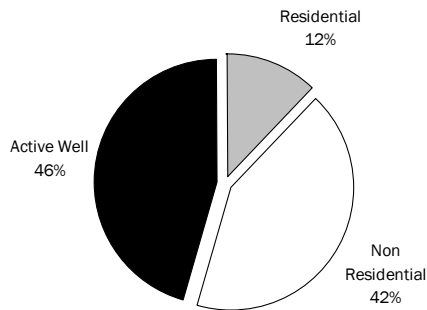
In order to fairly attribute demand to the sectors, it is necessary to determine the proportionate share on departmental basis. The Proportionate share of demand for General Fund/Administrative Services and Law Enforcement are outlined in the following graphs.

Figure 15. General Fund & Law Enforcement Proportionate Share

General Fund



Law Enforcement



Calculating the fee hinges on calculating the facilities square footage needed for each increment of growth (e.g. a housing unit, 1,000 sq. ft. of commercial square footage, or average peak demand year new active wells). In order to make this possible it is necessary to calculate the amount of Courthouse and Annex building facilities sq. ft. demanded. Figure 9 summarizes the results of the proportionate

share analysis for General Fund and Law Enforcement functions. The proportionate share demand percentages were multiplied by the square footage of facility space used by each function in order to calculate the square footage of facilities demanded by each sector.

Figure 16. Proportionate Share of Facilities Square Footage by Function

	Total Capacity Year (2022) Sq. Ft. of Facilities Required	Residential Demand for Facilities Sq. Ft.	Non-Residential Demand for Facilities Sq. Ft.	Average Peak Year Active Wells Demand for Facilities Sq. Ft.
Courthouse				
GF/Administration	33,237	11,171	8,856	13,210
Justice Facility				
Law Enforcement	37,631	4,561	15,971	17,099

CAPACITY YEAR DEMAND FOR FACILITIES

This analysis sets a capacity demand year for facilities (2022) – essentially this approach rests on a target service level year at which the capital facilities will reach capacity based on growth projections. Because these service levels will benefit both existing and new growth, this approach ensures that new growth will not be liable for the total cost of service levels, rather, new growth is assessed only its fair share of the total costs – the remaining costs are outlined in this report and the Rio Blanco Capital Facilities plan and must be borne by the County through mechanisms other than an impact fee. **Moreover, if the County is to charge the fee, it must provision funds for the fulfillment of the full slate of improvements outlined in the Capacity Year approach.**

Rio Blanco County is expecting to do a major renovation on the Courthouse and to build an accompanying Justice Center with detention, Law Enforcement office, and dispatch center facilities. The original design and square footage requirements of these renovations and new facility are based both on the Archetype Design Group plans previously mentioned in this report. In addition to the Archetype plan, projected new growth will require additional space to meet the capacity year demand in 2022.

Based on capacity demand year square footage requirements Courthouse facilities and General Fund Administrative function employees will require approximately 262 sq. ft. per employee. Law Enforcement Judicial Functions will require approximately 389 sq. ft. per employee. Note that the Law Enforcement facility calculations assumes that the Law Enforcement personnel will require additional space with new growth but assumes that the detention center will be adequate to accommodate growth to an indeterminate point in the future (i.e. up to and beyond the capacity demand year) – hence these facilities were not averaged into the per employee square footage requirements and were not specifically included in the growth projections.

Capacity Demand Year total demand units are based directly on the projections outlined in the Rio Blanco County Fiscal Impact Analysis (November 2006), and are re-presented in figure 17. Note that capacity year for oil and gas activity is based on the average peak demand year number of well drilling permits. The reasons for this attribution are discussed in more detail in the oil & gas level of service section of this report

Figure 17. 2022 Demand Units

	Year 2022
New Non-Residential Sq. Ft.	805,600
Population	9,069
Total Non Residential Sq. Ft.	3,381,600
Average Year Peak Wells	971

The 2022 capacity demand year for administration and Law Enforcement/judicial services is outlined in figure 18.

Figure 18. 2022 Capacity Demand Year Facility Requirements

Department/Facility	Capacity Demand Year (2022) Facility Total Square Feet
General Fund/Administration - Courthouse	33,237
Law Enforcement/Judicial Functions -Justice Center	37,631
TOTAL	70,868

The capital facilities plan and this report reveal the total costs expected to be borne by new development and those costs that will need to be covered by Rio Blanco County.

The following section estimates costs to renovate and build needed facilities.

COST OF BUILDING NEW FACILITIES

To determine the cost of expanding available space for departments and functions located in the Courthouse and Annex buildings, RPI first relied on a an analysis conducted by Archetype Design Group Incorporated entitled *Current Space Utilization Architectural Program Justice Facility Design and Capital Improvement Budget* completed in October of 2005. In an effort to augment the very rough estimates provided by Archetype Design group RPI analysts also considered a short survey conducted of 12 Colorado local government facility construction projects completed in the last 6 years – the numbers were then adjusted for inflation. Project coordinators were asked to calculate the construction and site preparation costs (excluding land value) and the total square footage of the project, allowing the calculation of the cost per sq. ft. The projects in the survey include costs for facilities that include jails, offices, Law Enforcement stations, community facilities, generally the same facilities needed by Rio Blanco County.

Figure 19. Cost of Recent Local Government Public Facilities New Construction Projects

Project	Cost	Sq. Ft.	Cost/Sq. Ft. ⁷
Eagle Town Hall	\$ 2,880,000	14,300	\$211.63
Chaffee County Jail	\$ 3,800,000	16,744	\$239.01
Summit County Community Center	\$ 2,780,000	12,000	\$244.27
Steamboat Springs Town Hall	\$ 3,200,000	16,200	\$208.47
Weld County Del Camino Government Facility	\$ 3,892,496	20,000	\$205.31
Garfield County Jail	\$ 14,000,000	60,000	\$245.32
Glenwood Springs Community Center	\$ 9,200,000	60,000	\$161.09
Mesa County Justice Center			\$177.94
Pagosa Town Hall	\$ 2,200,000	13,020	\$166.36
Pagosa Community Center	\$ 3,200,000	20,265	\$207.42
Montrose County Justice Center	\$ 16,563,775	84,223	\$211.63
Mean			\$ 207

The mean cost per square foot of these projects is \$207. RPI utilized the Archetype Design Group estimate of total re-model costs for the Courthouse and assessed a remodel cost per square foot of approximately \$172 and a new build cost of \$207 per square foot. The re-model costs are applied to the Courthouse and General Fund/Administrative functions while the re-build cost is attributed to the Law Enforcement/Judicial functions. RPI believes that utilizing the lower numbers represented by the Archetype Design Group yields a conservative estimate given that the known build costs of similar Colorado local government facilities are somewhat higher.

⁷ Original estimates collected in 2002 then adjusted for inflation (beginning in 2002) based on the Denver-Boulder CPI

RESIDENTIAL LEVEL OF SERVICE (LOS)

Introduction

Maintaining the current level of service (LOS) is the purpose of the impact fee established in this study. The level of service is the quantity of public facility per unit of demand. Commonly used level of service expressions include ADT per housing unit, acres of parks per capita, and employees per capita. If demand units are increased (population/ADT in the examples above) but the community fails or decides not to provide a proportionate increase in the quantity of facilities (e.g. courthouse, detention facilities) the community should expect service level declines. To maintain a level of service, the community must continually plan for and fund incremental expansions or build facilities to handle future capacity.

In this case, the public facility is workspace, public space, and facilities for the General Fund and Law Enforcement/Judicial departments and offices located in the Courthouse and Annex buildings. The demand units are population, non-residential square footage, and average peak demand year for new active wells.

Residential Demand for Facilities

The residential level of service expression is square footage of facilities demand per capita. Multiplication of the residential square footage proportionate share for each County function (calculated in a previous section) by the respective sq. ft. of facilities used by that function yields the residential demand for facilities square footage.

Figure 20. Residential Demand for Facilities Sq. Ft. by Function

	Residential Proportionate Share	Total Sq. Ft. of Facilities Used	Capacity Year Residential Demand for Facilities Sq. Ft.
Administration	34%	33,237	11,171
Sheriff	12%	37,631	4,561

Demand Units

In upcoming years, Rio Blanco County is expected to maintain a moderate growth in residents. Residential demand units consist of members of the residential population.

Figure 21. Residential Populations

Jurisdiction	Residential Population 2022
Entire Rio Blanco County	9,069
Unincorporated	2,545

Level of Service

The level of service is the quotient of the division of the residential demand for square footage (by function) by the 2022 residential population of the appropriate jurisdiction. Since the Sheriff's department focuses its services almost entirely on the unincorporated County, the residential population used to calculate the LOS for Sheriff facilities is the unincorporated County residential population. All other functions serve the entire County and thus the level of service expression is based on the entire County's residential population.

The sum for each function is the final level of service expression to be used in the fee calculation.

Figure 22. Levels of Service

	Residential Demand for Facilities Sq. Ft.	2022 Residential Population	Capacity Year Level of Service 2022 (sq. ft. of facilities per capita of residential population)
Administration	10,578	9,069	1.2
Sheriff	4,561	2,545 (unicorp.)	1.8

NON-RESIDENTIAL LEVEL OF SERVICE

Introduction

Non-residential land uses also contribute to the demand for basic County services, and therefore to the demand for facilities from which to provide these services. Because the proportionate share of the demand differs between residential and non-residential land uses as well as the way non-residential land uses are measured (sq. ft. by type as opposed to population and residential units), the non-residential level of service must be calculated separately.

Non-Residential Demand for Facilities

Non-residential demand for facilities by function calculated in previous section multiplied by the facilities inventory by function yields the non-residential demand for facilities sq. ft. in figure 25.

Figure 23. Non-Residential Share of Demand for Facilities Sq. Ft.

	Total Sq. Ft. of Facilities Used	% Non-Residential Demand	Non-Residential Share of Demand for Facilities Sq. Ft.
Administration	33,237	27%	8,856
Sheriff	37,631	42%	15,971

Demand Units

Rio Blanco non-residential demand growth has been anticipated utilizing a linear projection factor based on historical growth, no secondary or tertiary growth factors have been applied.

Figure 24. 2022 Non-Residential Demand Units

Jurisdiction	2022 Non-Residential Demand Units (square feet)
Entire Rio Blanco County	3,381,600
Unincorporated	452,717

Figure 25. 2022 Non-Residential Levels of Service

	Non-Residential Demand for Facilities Sq. Ft.	2022 Non-Residential Demand Units (square feet)	Capacity Year Level of Service 2022 (sq. ft. of facilities per 1000 sq. ft. of non res)
Administration	8,856	3,381,600	2.6
Sheriff	15,971	452,717 (unicorp.)	4.7

OIL & GAS INDUSTRY LEVEL OF SERVICE

Introduction

Calculating the oil and gas industry level of service requires a compound calculation to determine what the appropriate demand units are and the level of service is – the calculation assumptions follow:

1. Because the majority of impact from the oil and gas industry occurs at the drilling to production phase, the service level is calculated first at the average peak drilling year – the average peak year based on the BLM RFD and RPI calculations is 971 new wells drilled per year. County services and functions need to be built for average peak demand in order to maintain constant service level provision. In this case because the peak year is based on an average of the entire projected 15 year period there may be some years when excess capacity exists and others with a shortage in capacity. However, in an effort to provide a relatively conservative estimate and avoid overbuilding by the County the average peak year has been selected as the reasonable capacity year target. Note that level of service calculations are based on the actual number of wells drilled in 2006 (333 as of November 2006). All service level calculations are based on providing staffing and infrastructure for this 2006 existing service level.
2. To reach capacity (in staff and infrastructure) the 2022 capacity demand year service levels are utilized to determine necessary total infrastructure (courthouse & justice center facilities) square footage based on the average peak demand year minus the existing capacity to yield an average marginal increase peak demand year of 638 (i.e. $971 - 333 = 638$).
3. In order to assess each new well only their fair share of total costs of capacity year infrastructure costs, each new well drilled in the total 15 year projection period (year 2022 – 16,503 new wells total) is only assessed its fraction of the total cost to reach average peak demand (drilling) infrastructure requirements. Note that these demand assessments ensure that the proper fee is charged whether or not new drilling occurs at a faster or slower pace than anticipated in the projections. It is important to ensure that the fee levels are increased on an annual basis commensurate (at least) with CPI inflation to maintain appropriate fee collections.

Oil & Gas Industry Demand for Facilities

Oil & Gas demand for facilities by function calculated in previous section multiplied by the facilities inventory by function yields the oil & gas demand for facilities sq. ft.

Figure 26. Oil & Gas Industry Demand for Facilities Sq. Ft.

	Total Sq. Ft. of Facilities Used	Peak Demand Year Requirement	Oil & Gas Share of Demand for Facilities Sq. Ft.
Administration	33,237	39	13,210
Sheriff	37,631	45%	17,099

Demand Units

Figure 27. Oil & Gas Industry 2022 Demand Units

Jurisdiction	2022 & Average Peak Demand Year Demand Units (new wells)
Total New Wells	16,503
Average Peak Demand Year New Wells	638

Level of Service

The level of service is the quotient of the division of the oil & gas demand for square footage (by function) by the 2022 average peak demand year. Again, please note that the oil & gas levels of service are based on 1) existing service level in 2006, 2) the target level of service in the capacity demand year, divided by 3) the total number of projected new wells. The sum for each function is the final level of service expression to be used in the fee calculation follows.

Figure 28. Oil & Gas Level of Service

	Oil & Gas Demand for Facilities Sq. Ft.	Average Peak Demand Year Wells	Capacity Year Level of Service 2022 (per new active well)
Administration	13,210	638	0.8
Sheriff	17,099	638	1.0

CREDITS AND EXEMPTIONS

Credits

Some impact fees include the provision of credits to avoid “double dipping,” that is, to avoid requiring the developer to pay an impact fee and also require them to pay through other mechanisms for the same purpose. For example, an impact fee might be collected for public facilities while a portion of property taxes are earmarked also for public facilities. Clearly the developer would be paying twice for the same purpose. Because double dipping is inequitable and probably un-statutory, jurisdictions often develop a system of credits to avoid double dipping. Credits are usually applied as a discount (or full exemption in some cases) to the full price of the fee that roughly equals the amount that would otherwise be double-charged.

Rio Blanco County has historically made capital improvements from its capital expenditures fund – this fund has also been historically funded with some measure of property tax revenues.⁸ However, as developments are negotiated and land use code provisions change, the County should always avoid double-dipping. The impact fee statute reads:

Any schedule of impact fees or other similar development charges adopted by a local government pursuant to this section shall include provisions to ensure that no individual landowner is required to provide any site specific dedication or improvement to meet the same need for capital facilities for which the impact fee or other similar development charge is imposed.⁹

Therefore, if through its development review process, the County ever exacts land intended for general government facilities (new facilities serving the purpose currently served by the Courthouse, Annex buildings, or Law Enforcement/Justice Facility) or requires the construction of this type of facility, the fees charged within that development should be credited accordingly.

If at a future date, the County begins to make regular expenditures for general government facilities expansion (like debt payments) or earmarks additional certain revenue sources for such expenditures (sale tax, property tax, use tax, etc.), it would become necessary to establish a credit the impact fee accordingly.

Rio Blanco Capital Funding & Expenditures

Rio Blanco maintains a capital expenditure fund that derives revenues from a number of sources including: specific ownership tax, property tax, intergovernmental funds, private donations, delinquent taxes, and penalties on delinquent tax. Every

⁸ Note that although Rio Blanco County does currently earmark a portion of the specific ownership tax towards the capital fund it was not included in the credit calculations as the amount was (when divided amongst the various demand units) to equal only a fraction of a dollar per demand unit.

⁹ CRS. 29-20-104.5

budgeting season Rio Blanco County administrators and commissioners have made an internal allocation of property tax to this fund. Again, this is not an officially codified earmark of property tax revenues; however there is a historic precedent for transfer of property tax revenues to this account. The following figure demonstrates the historical trend.

Figure 29. Historic Property Tax Allocation to Capital Fund (expressed as mill levy)

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
0.319	0.5	0.1	0.05	0.2	0.7	0.05	0.9	0	0.1	0.504	0.65

Capital Fund revenues are expended by department; the two departments of interest in this report are Administration & Law Enforcement. A four year analysis (2002-2006) of capital fund expenditures to Administrative and Law Enforcement related projects indicates that the median percent of total capital fund expenditures is 9% Administrative and 12% Law Enforcement.

Residential Revenue Credits

As stated previously a portion of the property tax has a history of being allocated to the capital fund. To determine the average credit for new housing in Rio Blanco County, it is necessary to establish the average value for a new home (details provided in the Rio Blanco County Fiscal Impact Analysis November 2006). The average value for a new home in Rio Blanco County was determined to be \$164,974. The following chart reveals to the total estimated capital fund property tax credit for residential units in Rio Blanco. The total annual credit is multiplied by 15 years to express total capital fund contributions of each unit over the time frame of this analysis.

Figure 30. Residential Credit Calculation

	Average Home Valuation	Assessed Valuation (7.96%)	Median Total Property Tax Allocated Annually to Capital Fund (expressed as mill levy)	Median Annual Percent (%) Allocated to Capital Expenditures	Capital Property Tax Revenue Credit per Unit (15 year)
GF/Administratio n Share				9%	\$4.60
Law Enforcement Share	\$164,974	\$13,132	0.2595	12%	\$6.13

Non-Residential Revenue Credits

Similar to the residential calculation, RPI calculated the average value of each new 1000 square feet of non-residential square footage in the County. Note that the calculation includes all categories of non-residential and includes the entire county.

Figure 31. Non-Residential Credit Calculation

	Average Valuation Per 1000 Sq. Ft. Non Residential	Assessed Valuation (29%)	Median Total Property Tax Allocated Annually to Capital Fund (expressed as mill levy)	Median Annual Percent (%) Allocated to Capital Expenditures	Capital Property Tax Revenue Credit per Unit (15 year)
GF/Administratio n Share	\$ 38,211	\$ 11,081	0.2595	9%	\$3.88
Law Enforcement Share				12%	\$5.18

Oil & Gas Industry Revenue Credits

Finally, the same system is used to calculate the average capital contribution per new “active” well. Although RPI acknowledges the many complexities inherent in conducting oil & gas industry property and production assessments, after numerous discussions with the Colorado Department of Property Taxation and the Colorado Oil & Gas Commission it was determined that the following method yielded the most equitable “flat” cost estimates. Note that the value per well includes primary and secondary wells and reflects the total assessed valuation of all of these wells in the county divided by the current (2005) number of active wells. It should be noted that if the County and/or the oil and gas industry determine a better method of appropriating credits on a consistent basis it would be reasonable to attribute those credits to the fee.

Figure 32. Oil & Gas per Well Credit Calculation

	Assessed Value per Well	Median Total Property Tax Allocated Annually to Capital Fund (expressed as mill levy)	Median Annual Percent (%) Allocated to Capital Expenditures	Capital Property Tax Revenue Credit per Unit (15 year)
GF/Administration Share	\$119,182	0.2595	9%	\$41.75
Law Enforcement Share			12%	\$55.67

Exemption for Affordable Housing

The impact fee Statute includes specific provisions allowing (but not requiring) local governments to exempt “low or moderate income affordable employee housing” from impact fees:

*...a local government may waive an impact fee or other similar development charge on the development of low- or moderate- income housing or affordable employee housing as defined by the local government.*¹⁰

If the County chooses to consider an exemption or reduction in fees for affordable housing, several issues should be explored:

- 1) How does the County define affordable housing? The first step would be to determine how to measure affordability. Typically, affordability is based on the earning power of local households or perspective newcomer households, but local circumstances might make additional considerations necessary (such as commuter households with higher earnings in adjacent counties).
- 2) After affordability is defined, the question becomes: How does this affordability, or local households' ability to pay for housing relate to the construction of *new units* of various types and sizes? In other words, how does the County go from defining affordability (usually defined in terms of an affordable price) to setting some exemption threshold? Would the exemption be based on size, unit type, location? Other issues relate to real estate market dynamics and the fact that housing that is affordable in today's market may be unaffordable in next year's market.
- 3) A waived fee can be a market cue, creating incentives for certain types of development and disincentives for other types. For example, the County conducts an analysis and finds that affordable housing, as defined by local earning power, includes mobile homes and apartments. If the County grants an exemption for affordable housing defined in such a way, it may create incentives for this type of development. This may be good, bad, or benign, depending on the County's ability to provide services to these denser development types without jeopardizing service levels or other community goals or values concerning maintaining rural character or open space.
- 4) Finally, if the County waives fees for development of a certain type, or below a certain size, how does it propose to maintain its level of service for general government facilities given the waived revenue? The population occupying the affordable housing will draw upon general government facilities the same as other residents, but will not be paying their fair share of the impacts. Maintaining service levels, the stated goal underlying the impact fee in this support study, may require County make up for the waived revenue from other funds.

In short, the County has full authority to create a waiver or discount for affordable housing, but implementing such waivers or discounts requires careful analysis of regional labor force dynamics, real estate markets, and may require some expenditures out of other funds to compensate for waived revenues.

¹⁰ CRS. 29-20-104.5

Exemptions for Certain Public Facilities

Rio Blanco County may wish to waive impact fees for some public facilities (classified as government/institutional/community facilities). For example, the County might consider exempting all government and special district facilities from the impact fee. Fundamentally, services and facilities provided by governments (local, state, and federal) and special districts all serve the same end, to provide some type of service or to the residents, businesses, and visitors.

FEE CALCULATION

Residential Fee

The residential level of service is stated in terms of the square footage of facilities per capita of residential population (full-time population plus part-time population).

Because the fee is assessed on units but based on population it is important to understand the average number of individuals living in housing units. The 2000 Census summary file 3 has been released and detailed tables available on the website¹¹ allow for the simple calculation of the occupants per housing unit in Rio Blanco County for 2000.

Figure 33. Occupants per Housing Unit

Unit Type	2005 Occupied Housing Units	2005 Population in Housing Units	2005 Average Occupants per Housing Unit
Residential Housing Units	2,948	6,072	2.49

Source: U.S. Census-note that due to USCB methodologies the average occupants per housing units is slightly higher than a pure calculation of the population and housing units would suggest.

To calculate the fee for these unit types, analysts multiplied the occupants per unit by the per capita level of service. This yields the square footage needed.

Finally, the sq. ft. of facilities space required to maintain the current level of service is multiplied by the new construction cost per square foot for facilities like the Courthouse and Annex buildings to yield the residential fee schedule (**figure 19**).

Figure 34. Residential Fee Schedule for County Facilities

Residential Fee Per Housing Unit	Gross Fee	- Credit	Fee per Unit
GF/Administration Fee	\$527	\$4.60	\$ 522
Law Enforcement Fee	\$924	\$6.13	\$ 918

Non-Residential Fee

Because the level of service is stated in terms of the sq. ft. of facilities needed per 1,000 sq. ft. of non-residential floor area, calculation of the fee necessary to maintain the current level of service is a matter of multiplying the square footage of facilities needed per 1,000 sq. ft. by the cost per square foot of construction.

¹¹http://factfinder.census.gov/servlet/DatasetTableListServlet?_ds_name=DEC_2000_SF3_U&_type=table&_lang=en&_program=DEC&_ts=62509460300

Figure 35. Non-Residential Fee Schedule for County Facilities for Basic County Services

Non-Residential Fee Per 1000 Square Feet	Gross Fee	- Credit	Fee per Unit
GF/Administration Fee	\$450	\$3.88	\$ 446
Law Enforcement Fee	\$978	\$5.18	\$ 973

New Well Fee

The following chart presents the fee per new active well, that is, every well which receives a new “drilling” permit from the Colorado Oil & Gas Conservation Commission. Although the individual fee per well is relatively modest, it should be remembered that each well fee is based on an anticipated completion of 16,503 by the capacity demand year 2022.

Figure 36. Oil & Gas Fee per Well

Fee Per New Active Well	Gross Fee	- Credit	Fee per Unit
GF/Administration Fee	\$137	\$41.75	\$ 96
Law Enforcement Fee	\$214	\$55.67	\$ 159

CASH FLOW

Impact fee cash flow is determined and limited by the capacity year demand projections.

Consequently it is difficult to do annual projections, and in any event, it is the total revenue that is the more critical number as the capital facilities plan reflects the total cost of improvements in the capacity demand year.

The following chart outlines the demand units in 2022 driving the revenue projections. Note that it is not necessarily important whether these thresholds are met at a slower or faster pace than anticipated, rather that the County recognize when the threshold values are met, and re-evaluate the capital infrastructure and initiate a new planning process and update the impact fee schedules when they are.

Figure 37. New Units in County 2022

Estimated New Units In Unincorporated County		
	Entire County	Unincorporated County
New Residential Units	1,132	337
New Population	2,820	840
New Non-Residential Sq. Footage	805,600	452,717
New Active Wells	16,503	NA

The following chart outlines the total anticipated revenue from each demand type for both the General Fund and Law Enforcement departments. Note that the total projected revenue (if these fees are adopted) is approximately \$8.3 million. However, due to the nature of this impact fee structure (capacity demand year approach) these fees will not cover the total costs of infrastructure expansions as outlined in the Capital Facilities Planning Document – i.e. Rio Blanco County will be responsible for finding and applying other revenue sources to complete the capacity demand year expansions.

Figure 38. Estimated Total Cash Flow by Capacity Demand Year

Estimated Total Cash-Flow In Capacity Year Timeframe (year 2022)		
	GF/Administration	Law Enforcement
Residential Cash Flow	\$ 701,343	\$ 1,230,332
Non-Residential Cash Flow	\$ 203,527	\$ 442,602
Oil & Gas Cash Flow	\$ 2,267,710	\$ 3,539,585
Total Impact Fee Revenue	\$ 3,172,580	\$ 5,212,519

Important Assumptions

This is an estimated cash-flow intended to provide only a general approximation of potential revenues. Actual revenues collected could vary greatly depending on a variety of variables – also the 2022 cash flows are stated in 2006 dollars, in order to maintain net present value, the County will need to appropriately invest the money and increase the fee schedule annually by the Denver Boulder CPI.

IMPLEMENTATION, ADMINISTRATION, AND PROCEDURAL CONSIDERATIONS

Considerations for Adopting the Fee

In order to capture all of the impacts of development occurring in the unincorporated County and thereby maintain current levels of service, RPI suggests that the County consider applying the fee to all building permits for new construction (both residential and non-residential) in the unincorporated County. To accomplish this, the County needs to address a few formalities in the land use code and comprehensive plan.

- Be certain that the goal of maintaining service levels for County facilities is a clearly stated goal, objective, or policy in the County Master Plan.
- Currently, new construction projects in the building permit review process for development in the unincorporated County must receive a zoning “sign-off” in order to receive a building permit. The purpose of this zoning review is to ensure that the proposed development complies with the applicable policies in the land use code and any specific land use approvals covering the proposed development.
 - RPI suggests the county consider re-naming this zoning “sign-off” to “*land use development permit*” for the project. This may entail code amendments:
 - The County will need to draft and adopt a *development permit* section of the Code formalizing the official permit reviewing process. The development permit will require an applicant to submit their impact fee according to the schedule adopted by the County Commissioners prior to issuance of a building permit.
- Adopt the fee schedule by resolution or ordinance, to amend the land use code. Include within the resolution or ordinance a statement concerning the purpose of the fee (to cover the cost of maintaining the facilities level of service by charging new development its share of the cost of constructing facilities for general County government services). Also note provisions to sequester the funds.
- Assuming the code is adjusted according to the considerations above, the fee should be due at the time of building permit issuance. A building permit should not be issued without the required payment.
- Adopt language into the code allowing for an administrative appeal process for the impact fees.

How to Calculate the Fee

1. Determine the land use category into which the proposed new construction fits based on the unit definitions. See appendix VII for the definitions used in conducting this analysis.
2. For new residential construction multiply the number of units in each category by the per unit fee:

Figure 39. Residential Fee Structure

Residential Fee Per Housing Unit	Gross Fee	- Credit	Fee per Unit
GF/Administration Fee	\$527	\$4.60	\$ 522
Law Enforcement Fee	\$924	\$6.13	\$ 918

For example, if a developer seeks a building permit for one single family home, the cost would be \$1,440 (1 Unit * (\$522+918) per unit = \$ 1,440)

3. Calculating the fee for non-residential development involves the same calculation but the square footage of new development needs to be divided by 1,000.

For example, a developer applies to build a 5,000 sq. ft. of non-residential development will require a \$7,095 fee.

(5,000 sq. ft./1,000 sq. ft.) * (Administrative and Law Enforcement fee) per 1,000 sq. ft. = \$7,095

Figure 40. Non Residential Fee Structure

Non-Residential Fee Per 1000 Square Feet	Gross Fee	- Credit	Fee per Unit
GF/Administration Fee	\$450	\$3.88	\$ 446
Law Enforcement Fee	\$978	\$5.18	\$ 973

If the optional land use by type is used, simply select the category of land use and apply the fee as above.

Fee Revenue Accounting

Fee revenue must be kept in sequestered accounts, with an interest rate equal to or greater than inflation. This account must be officially earmarked exclusively for capital facilities expansion. The County may want to write its intent to accomplish this into the resolution or ordinance adopting the fee.

Appendices

I. County Services Demand Indicators Detailed Tables

Law Enforcement and jail demand indicators

Year	Average Daily Inmate Population	Annual Traffic Stops	Annual Calls to Sheriff's Department
2003	13.5	2157	4000
2004	11.09	1887	3611
2005	18.25	3111	5213
2006	20.9	-	-

Growth in Law Enforcement and jail demand indicators 1992-2001

Demand for Rio Blanco County Sheriff Department Services	
% Increase in Calls to Sheriff's Department 2003-2005	30%
% Increase in Traffic Stops 1992-2001	40%
% Increase in Average Daily Jail Population 1992-2001	35%

Employees by Department

Department/Function	Employees 2005
Accounting	3.68
Assessor	6.05
Building Department	1.6
Building Maintenance	2.3
Clerk	5.96
Commissioner	3.25
Coroner	1.38
GIS	1
Information Technology	2
Personnel	1.75
Planning & Development	2.05
Surveyor	0.1
Treasurer	3.5
Jail/Judicial	8.5
EMS Dispatch	7
Sheriffs Department	12
Asst. DA	2
Total	64.12

Source: County 2005 Budget

II. Courthouse and Annex Buildings Analysis

Detailed Courthouse and Annex Building Space Analysis

Department/Office	Sq. Ft. of Floor Area	Bldg	Function
Accounting	673	CH	Administration
Assessor	1,489	CH	Administration
Building Department	334	CH	Administration
Building Maintenance	256	CH	Administration
Clerk	2,067	CH	Administration
Commissioner	619	CH	Administration
Coroner	H/O		Administration
GIS	800	R&B	Administration
Information Technology	488	CH	Administration
Personnel	658	CH	Administration
Planning & Development	499	CH	Administration
Surveyor	H/O		Administration
Treasurer	1,057	CH	Administration
Jail/Judicial	3,967	CH	Law Enforcement
Judicial Functions	4,629	CH	Law Enforcement
EMS Dispatch	478	CH	Law Enforcement
Sheriffs Department	2,561	CH	Law Enforcement
Asst. DA	628	CH	Law Enforcement

III. Proportionate Share Detailed Analysis

Administration

Sample Proportionate Share of the Components of the Administration Function

Department/Function	Proportionate Share %			Employees		
	% Residential	% Non-Residential	% Oil & Gas	# Residential	# Non-Residential	# Oil & Gas
Coroner	100.0%	0.0%	0.0%	1.38	0.00	0.00
GIS	34%	27%	39%	0.34	0.27	0.40
Information Technology	34%	27%	39%	0.67	0.53	0.79
Personnel	34%	27%	39%	0.59	0.47	0.70
Planning & Development	34%	27%	39%	0.69	0.55	0.81
Surveyor	34%	27%	39%	0.03	0.03	0.04
Treasurer	34%	27%	39%	1.18	0.93	1.39

Sheriff: Law Enforcement and Jail

The residential, non-residential, and oil & gas sectors draw upon the Sheriff's department services. Fortunately, detailed records are kept by the department, some of which are then compiled by the State, providing the basis for determining the proportionate share. Law Enforcement duties are separable into traffic and non-traffic Law Enforcement.

Detailed arrest records are the appropriate data source for determining the proportionate share for the non-traffic portion of the Sheriff's duties. The Colorado Bureau of Investigation compiled the year 2005 standardized crime reports from all jurisdictions and Rio Blanco provided the same.¹² Analysts assigned line-by-line arrests records to traffic or to the residential, non-residential, and traffic sectors depending on the nature of the crime. Some of the crime categories were assigned 100% to either residential or non-residential. For example, family offenses were assigned 100% to the residential sector, DUI's and motor vehicle theft were assigned 100% to the traffic category while disorderly conduct (usually occurring in a public space or establishment), was assigned to the non-residential sector. Other crime categories that relate to property (burglary, vandalism) were broken down according to the ratio of the actual value of residential vs. non-residential value valuation.¹³ This same ratio was also used as a fall-back for categories whose assignment was less obvious (assaults, larceny).

	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	

¹² <http://cbi.state.co.us>

¹³ 2000 Division of Property Taxation Annual Report

The assignment percentages were then multiplied by the number of crimes in each category and then the number of crimes assigned to each of the categories (residential, non-residential, and traffic) were totaled. After traffic arrests were allocated based on the traffic proportionate share and added to the traffic tickets, the residential arrests were added to the residential traffic tickets, likewise with the non-residential arrests and traffic tickets to yield residential, non-residential, and oil & gas totals. All totals were ground-truthed with the Sheriffs department for accuracy.

Proportionate Share Calculations		Calls/Category Incidents	%
Traffic	40%	4633	
Residential Traffic Calls	561	2.5	4.8%
Non-Residential Traffic Calls	1966	8.9	16.8%
Oil & Gas	2105	9.5	18.0%
Crime	60%	581	
Residential Crime	70	3.9	7.3%
Non-Residential Crime	247	13.6	25.6%
Oil & Gas	264	14.5	27.4%

The jail is a facility required in order to provide full Law Enforcement services, and therefore maintains the same proportionate share as Law Enforcement as a whole.

IV. Non Residential Share of Demand by Land Use Category

Employment is the key indicator of the level of activity occurring within a specified area (per 1,000 sq. ft. of floor area, in this case). The more employees a certain type of non-residential land use employs, the more intense the activity. For example, a mini-storage facility might employ one or two people, and its low level of activity reflects this, while a delivery pizza shop might employ 10 or 15 people, and the activity surrounding this land use reflects this higher level of employment.

Employees Generated by Non-Residential Land Uses by Type

Land Use Category	Employees per 1000 sq. ft. of Floor Area
Retail/Service Commercial	2.65
Lodging	0.7
Office	2.5
Commercial Warehousing/ Storage, and Industrial	0.1
Government, Institutional, and Community Facilities	1.1

It follows that the number of employees associated with the five types of existing non-residential square footage should serve as the quantitative measure of how much each contributes respectively to the total non-residential demand for facilities square footage.

The method for establishing employment based on the size and type of land use, commonly used in housing analyses, is to apply an employment generation rate (usually expressed in terms of employees per 1,000 sq. ft.) to the inventory of square footage. Each of the five categories required a unique approach.

RRC & Associates (Boulder, Colorado) has been compiling an employment generation database based on professionally administered employer surveys in nearly 20 communities¹⁴ for over a decade. This is the best employment generation data available for Colorado. The first category, retail and service commercial contains most commercial land uses in the County. RRC has employment generation numbers contained in their “merged database” for both retail and service commercial, which when averaged together yield an employment generation of 2.65 employees per 1,000 sq. ft..

The RRC study does not include an employment generation figure for warehousing and commercial storage nor for general office space, but the employment generation figures were derived from the Institute of Transportation Engineers Trip Generation Manual 6th Edition, 1997 (the ITE). Trip generation is often expressed in terms of average daily trips per employee and average daily trips per 1,000 sq. ft., so employment generation falls out of the ITE’s extensive survey data.

Because the government, institutional, and industrial category were all part of the informal survey and research to inventory the square footage. Key informants were asked not only the square footage of the facility, but also the number of employees in the facility, and where possible, employment numbers were obtained using other sources (such as the County and School payroll summaries). Thus, as with the lodging category, employees were divided by the thousands of sq. ft. of floor area in this category to obtain the employment generation figure of 1.1 employees per 1,000 sq. ft.

V. Definition of Land Use Categories Used in Fee Schedule

Residential

Detached Single Family/Duplex/Manufactured Unit: Any detached unit residential unit categorized by the building department as a single-family unit; any unit, meeting the definition of dwelling unit that is attached to one other unit that together make up

¹⁴ Chaffee County: 1994, Copper: 2001, Eagle County: 1990, 1996, 1999, Estes Park: 1991, 1999, Frisco: 1998, Gunnison County: 1992, 1998, Keystone: 2001, Pitkin County: 1991, Routt County : 1990, San Miguel County: 2000 (plus Telluride 2001), Snowmass Village: 1999, Summit County: 1990, 2001, Telluride: 1993, 1996, Composite of Pitkin, Eagle, and Garfield Counties: 1998, Blaine County, ID: 1990, 1996

one structure; any detached single family unit, meeting the definition of dwelling unit, that is pre-manufactured elsewhere and then assembled or moved to the building site.

Multi-Family Unit: A multi-family dwelling unit is a unit, meeting the definition of dwelling unit, that is part of a structure containing a total of 3 or more such units.

Non-Residential

Retail/Service Commercial: This encompasses developments designed to accommodate any retail establishment (non-wholesale merchandising of any sort, including restaurants) as well as any service oriented establishments where customers regularly come on-site to obtain the service offered (auto repair, dry cleaners, video store, parcel shipping company, medical center, title companies, etc.).

Lodging: Development designed to provide short-term lodging accommodations. Square footage on the same property designed for other purposes (such as an on-site restaurant) should be required to pay the appropriate fee rate for that square footage.

Office: Development designed to provide separated workspace for employees of businesses that will not frequently draw customers into the workspace (accountants, engineers, attorneys, investment firms).

Commercial Warehousing/Storage/Industrial: Any commercial oriented shipping or storage center, mini-storage, or industrial use where the focus of the development is to produce commodities on-site.

Government/Institutional/Industrial: includes industrial facilities and, not-for-profit facilities built to provide a community service or facility. Examples: fire stations, schools, churches, Road and Bridge facilities, public lands agency offices, recreation centers.