

**La Plata County**  
**Fiscal Sustainability Community Steering Committee Agenda**  
**Thursday, June 25, 2015**  
**Meeting Notes**

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**1. Introductions**

Roger Sherman with CRL Associates called the meeting to order and asked those present to introduce themselves. Sherman reviewed his role as facilitator and briefly discussed the purpose of the Committee:

- To become familiar with the Long Term Finance Committee's (LTFC) County Fiscal Sustainability and Capital Improvements Analysis dated January 28, 2015;
- To review previously completed studies, analysis, proposals and recommendations regarding Capital Improvements to include facilities and the County road and bridge Infrastructure;
- To assist the county in weighing various funding options identified by the Long Term Finance Committee (LTFC);
- To act in an advisory capacity to the BOCC by providing input and feedback during the process regarding the preferred approach(es) to addressing the county's fiscal situation and capital improvement project needs; and
- To promote public awareness of the county's fiscal sustainability projections and support for an appropriate funding solution.

In general, the Committee will operate on a consensus-basis, whenever possible, to formulate input and advice on matters being considered. Sherman reiterated the county wants input and feedback – so will be listening more than talking. He also will be responsible for getting meeting materials to the group in advance, as well as providing meeting notes as quickly as possible following the meeting.

**2. Commissioners' Welcome**

Commissioners Gwen Lachelt, Brad Blake and Julie Westendorff welcomed members of the steering committee and thanked them for agreeing to assist the county as it works through the issues of declining revenues and increasing demands for services. Committee members were encouraged to make their thoughts and concerns known during this process as the county will strongly consider any recommendations the group might make. The BOCC wants the meetings to be productive and the county will be respectful of your time. The county endeavored to convene a committee that is geographically diverse and includes representatives from a broad spectrum of industries and organizations. There are a number of people who were unable to attend today, so you may be seeing more folks join in subsequent meetings.

**3. La Plata County Financial Overview and Projections**

Joe Kerby, county manager, begin with county financial overview (presentation attached). The county is faced with a number of challenges including property tax revenue decreases due to oil and gas revenue declines; and the county's long term road and bridge operations and capital project needs exceed available resources. Given this situation, the county has worked closely with the Long Term Finance Committee which completed financial forecasting and provided six possible options for the county to consider for addressing the above. It was noted the county's long-term Capital Facilities plans will be using reserves.

Over the last several years, the county has endeavored to manage its finances conservatively and use reserves appropriately while maintaining county infrastructure and service levels. The county is required by TABOR to maintain a structurally balanced budget, which requires paying as we go and maintain very little debt.

The county has been actively engaged for the last year to prepare a 10-year Facilities Capital Plan and Road Infrastructure Plan. The county had previously projected five years out. These plans were provided to the LTFC for consideration in its work. The county also has developed a long term financial forecasting model which is continually refined with the assistance of the LTFC.

In 2015 county management evaluated every line item in each department's requested budget, and asked department heads with line items that historically have been underspent to reflect the actual anticipated need or historic actual spending pattern.

The county also developed and implemented earlier this year a budget work plan which has provided direction in scrutinizing specific areas of its budget. The county implemented a new Fund Balance Reserve Policy, completed an overtime analysis, and implemented a mid-year expenditure reduction in Road and Bridge.

Finally, Kerby noted improving and upgrading the county's technological resources is another goal for the BOCC and administration. The county is particularly interested in technology projects that assist with streamlining business practices, improve organizational efficiency, and improve customer service. As part of its Organizational Development Initiative, the county launched a LEAN initiative that will assist with managing county staffing levels by increasing internal capacity through increased efficiency thereby minimizing the need to add new positions in the future.

Diane Sorensen, county finance director, reviewed various county funds and 2014 year-end balances. The general fund is the primary operating fund and is used for day-to-day operations. Sorensen walked the committee through each reserve fund and provided information on applicable restrictions to these funds. The Road and Bridge fund is required by state statute and must report all costs associated with roads and bridges. The increase in fund balance for R&B operations is a combination of unanticipated revenues and the intentionally cost cutting during the 2014 year.

The committee was provided county comparison information compiled by the Colorado Department of Local Affairs for Colorado's 52 small and medium sized counties. La Plata County's assessed valuation for 2014 was \$1.84 billion. This represents a -18.97% decrease from 2013 and -35.79% from 2008. LPC assessed valuation is ranked 19th and property tax revenue per capita is ranked 41st. The 2014 median mill levy was 20.021, ranging from 7.500 to 46.553. La Plata County's mill levy is 8.500, or 42% of the median mill levy and has not changed in the last 25 years. Compared to the other 63 Colorado Counties, La Plata County has the fourth lowest mill levy in the state. Sorensen noted an average home in the County valued at \$350,000 would pay \$779 in property taxes based on 27.952 mills (does not including any special districts).

Sorensen reviewed property and sales tax revenue history from 2005 to the present. In 2011, the county began to see a decline in property taxes received tied to declines in oil and gas revenue. The

property taxes received in 2014 from oil and gas revenues was the lowest since before 2005. Sorensen next reviewed oil and gas assessed valuation history and projections. Assessed valuation is set by multiplying production by price. Production has declined about 7% over the last two years. 2017 revenue projections are based on 2015 prices and we have seen a 47% decrease in gas prices during this period.

Doyle Villers, supervisor of road maintenance, reviewed road and bridge expenditures since 2010 and projections through 2020. Operating costs increased over the five year period from 2010 to 2014 a total of 8.7%, averaging 1.74% a year. The county is projecting an increase of only 6.2% in the next five year period, averaging 1.2% a year.

Kerby reviewed long-term forecasts for the road and bridge revenues and expenditures. The projections include both operations and maintenance, plus capital projects looking ahead ten years. It is clear the county faces a gap between revenue and expenditures that will mean the county will be unable to maintain current infrastructure, nor fund improvements. Villers reviewed a number of strategies the county has undertaken to reduce costs.

Finally, Kerby closed the presentation by highlighting four key takeaways:

- La Plata County has demonstrated responsible stewardship with the resources entrusted to us
- La Plata County has the 4th lowest mill levy in state
- Road & Bridge funding is insufficient to maintain current level of services
- Some action is required to stabilize and sustain the Road & Bridge Fund and plan for the future

#### Questions/Comments

- Are the O&G taxes collected a year later? *2 years later.*
- Are R&B funds all locally generated or does some come from CDOT? *There are two major sources of revenue: HUTF (gas taxes from state) and portion of 8.5 mil levy. In addition, the county has successfully applied for grants. Sorensen noted the county has been allocating \$2.7 million from sales tax revenues to R&B annually (plus additional amounts when possible).*
- Are the grant funds we have received really just the return of tax dollars we have paid to the state? *The grant program the county has accessed most frequently are funds from severance taxes paid by the energy industry.*
- Does the county receive money from the general fund? *No.*
- When comparing LPC against the other 52 counties, which are them are high O&G producing counties? *The report is on the website. Weld County would not be included as it is one of the state's 10 largest counties. Garfield County would be included.*
- Christi Zeller requested side-by-side comparisons using the assessment rate for commercial owners (29%) and oil and gas producers (87.5%). The assessment rate for residential property is 7.94%.
- Christi Zeller noted entities within La Plata County have received Energy Impact Grants to fund 172 projects totaling \$65.9 million. Please provide a list of projects funded that the county specifically applied for?
- How much does the county receive from HUTF funds?

- What is the actual median home value in LPC?
- Is there a ranking system for how our roads compare to other counties? LPC uses the HUTF rating form as required. The state does not issue a report comparing counties. However, the county has done a more throughout assessment (PASER Report) which is noted on the resource list and can be viewed on the website. Resource and reference documents can be accessed on the La Plata County Fiscal Sustainability page located on the website at: [http://co.laplata.co.us/departments and elected officials/finance/fiscal sustainability](http://co.laplata.co.us/departments%20and%20elected%20officials/finance/fiscal%20sustainability)
- Does the DOLA report show how county R&B funds compare? *No, the report doesn't show how counties allocated funds. The .710 mils shown being allocated to R&B from the overall mil levy is based on BOCC policy and the amount can be adjusted.*
- There was a question regarding the 2014 R&B fund expenditures in slide 6 totaling \$9.6 million, but on slide 11 total expenditures for 2014 is \$12.2. Is the difference due to a one-time transfer to increase the fund balance? *No, the two funds are separate. The two figures should match, so there is likely an error. Sorensen will review and provide updated charts at the next meeting.*
- If the county continues to maintain roads at the current rate, do we get to a point where it will increase our capital costs? *Yes, by deferring maintenance the county runs the risk of increasing capital needs later. The cost to chip and seal an asphalt road, 24-feet wide, is approximately \$60,000 per mile. If you don't maintain the road and let it deteriorate you end of paying \$450,000 per mile to \$1.5 million per mile depending on the level of reconstruction required.*
- How many of miles of road in the county? *660 – 440 gravel (including 304 miles class 6) and 220 miles of asphalt.*

#### 4. Committee Logistics

Sherman reviewed a tentative meeting schedule and topics. The original schedule was based on Thursday afternoon meetings, but several conflicts were noted including planning commission and airport commission meetings. Sherman also noted several of the Long Term Finance Committee members are not available on July 9 for meeting #2 when the work of the LTFC was to be discussed. Based on input from committee members, the preference was to delay meeting #2 one week. A final schedule will be finalized and distributed with the meeting notes with the understanding that it will not be possible to accommodate all members' schedules. Meeting notes and presentation materials will be distributed promptly following each meeting so those absent may review.

Finally, Sherman asked for two volunteers to serve as co-chairs. The co-chairs will work with the facilitator and county staff to develop agendas, review presentation materials and help keep the committee process moving along. Christi Zeller and Jim Tencza volunteered.

## Attendance

### **Members present:**

Bob Allen  
Bob Kunkel  
Bob Volger  
Buck Skillen  
Caye Geer  
Charley Kier  
Christi Zeller  
Dale Kneller  
Dave Kramer  
David James  
Laura Marchin  
J. T. Coyne  
Jim Tencza  
Ken Fusco  
Liane Jollon

Lovvis Downs  
Marsha Porter-Norton  
Martha Mason  
Patrick Morrissey  
Roger Zalneraitis  
Ron Corkish  
Shane Dawson  
Sheryl Ayers  
Sidny Zink  
Steve Parker  
Steve Schwartz  
Tim Blake  
Tim Walsworth  
Wayne Semler

### **Others present:**

Commissioner Gwen Lachelt  
Commissioner Brad Blake  
Commissioner Julie Westendorff  
Joe Kerby, County Manager  
Joanne Spina, Assistant County Manager

Diane Sorensen, Finance Director  
Sheryl Rogers, County Attorney  
Doyle Villers, Superintendent of Road Maintenance  
Roger Sherman, CRL Associates