La Plata County
Fiscal Sustainability Community Steering Committee Agenda
Wednesday, August 12, 2015
Meeting Notes

1. **Introductions**
   Co-chair Jim Tencza called the meeting to order.

2. **Review August 5 Meeting Notes**
   Review of the August 5 meeting notes was deferred to next week.

   Roger Sherman asked for an opportunity to address an issue that was raised by a Commissioner regarding various members of the Committee over the course of the process, which was described to the Commissioner as “back room deal making.” Sherman wanted to be very transparent and address this concern directly. First, there is no deal on the table to be negotiating and if there was it is not his role to be a negotiator. He does have regular communication with the co-chairs, members of the LTFC, and county staff in his role facilitating the Committee. He also has had telephone conversations – and in one instance a face-to-face meeting – with various members to respond to questions or to better understand issues that have arisen during a meeting. For example, Sherman said he met with Roger Zalneraitis to obtain background on the use tax and to get a sense of whether or not the issue was a “deal breaker” for the people and entities he represents. Sherman said it is critical he understand the underlying factors that inform the positions being taken.

   Sidny Zink read a statement from Steve Parker to the Committee (attached). Zink noted she shares similar concerns that there was a pre-determined outcome and perhaps the Committee hasn’t been given the complete picture – or even if the Committee has been given the complete picture we don’t “get” the complete picture. In spite of the fact the Committee made a decision to move forward last week, she requested the group revisit some of the things previously discussed include use tax, impact fees and other allocations from the General Fund. The use tax by itself may not provide the level of funding the county needs but to just say “it can’t do it all, so don’t do it at all,” ignores the question the county should have had a use tax a long time ago and now may be the time to rectify the problem. If the county is looking for new sources of revenue, maybe it doesn’t need to raise it all from a mill levy increase. Perhaps it gets some from other sources and can reduce the need for such a high increase.

3. **Discuss Funding Options and Alternatives**

   Tencza suggested the Committee discuss these issues again before moving forward with a discussion about the mill levy.

   Jim Davis provided a quick overview of two previous times the county considered implementing an impact fee. The county looked at impact fees in 1994 and again in 2010. In 2010 the county was looking at a county-wide fee because of limitations on how you can spend the funds. The county divide the county using the four maintenance districts and funds generated in a district would be used for projects in the district. However, given the time it takes to generate enough funds to build a project, segregating funds would only lengthen the time before enough funds are available in any particular district. As has been mentioned before, the county does collect MOU fees from the oil and gas industry and has considered a countywide heavy extraction fee collected from gravel pits, coal mines, heavy industry, etc. The last area that might be an option are impact fees on residential and commercial development. Each would need to be adopted by the BOCC.

<u>Comments and Questions</u>

- The impact fee could be implemented by the BOCC. It does not require going to the voters.
- Would like more information on the impact fee "nexus" discussed last week.
- An impact fee is a one-time charge, correct? *Yes.*
- Is there any estimate of what could be raised from these types of fees? It depends on the growth. Impact fees are collected when building permits are issues. It is generally believed when building activity is down it is not a good time to implement fees.
- From a voters' point-of-view, this might be seen as an equity issue and shows the county is trying to explore every means possible; that every dollar counts.
- Zalneraitis believes implementing an impact fee creates certainty for a developer. LPC has had defacto impact fees, you just don't know what they are until you submit an application. If there was an impact fee list, there might still be griping but at least you know upfront.
- Ted Hermesman reiterated his belief that the county needs to be more receptive to new development. When agricultural land is redeveloped to commercial use the tax base grows and therefore generates more revenue to the county on an ongoing basis. The county needs a change in attitude to support and encourage more businesses coming to the county.
- When you talk about impact fees for new developments, are you talking about specific improvements like turn lanes or access improvements? *Davis noted in many cases there are project-specific improvements that are needed such as turn lanes. These project-specific costs are attributed to the development and are in addition to general impact fees. The county will complete a study to analyze needed improvements.*
- Is there any calibration to what it costs to develop in LPC? *Zeller mentioned Crossfire Aggregate as an example. Crossfire was trying to establish a new gravel pit and were told they would need to spend $4 million on road improvements. After spending $500,000, they withdrew the application.*
- Zeller stated the decisions made in the past are arbitrary. She is looking for integrity in government. The county didn't impose an impact fees in the past and left money on the table from the Three Springs project. A use tax could generate $13 million over 10 years, but this committee isn't considering it. Development is one way to convert ag land from a low property tax use to a high property tax use, but if it takes 2-3 years and a half million dollars to get a project approved that is not a friendly business environment. If the county looks at every option it appears proactive in addressing revenue shortfalls.
- Zeller also stated she believes the Committee has been pushed to a mill levy and not other sources. These other sources need to be addressed first before you ever go to the voters for a tax increase. She has asked for information and believes they have not been addressed adequately (info on dealership advertising, comparisons for counties with oil and gas, etc.) This has been a flawed process.
- Zeller raised an issue about the county purchasing eight cars in May from John Elway. It is insulting to say the county believes in buying local and then purchasing vehicles from Denver. Joanne Spina responded the county always goes out to bid for vehicles. Local dealerships are given a local preference (5%) on all bids put out to try to level the playing field. Competing values at play – stewardship of taxpayer dollars and the importance of

buying local – which is why LPC has a local preference policy. It is important to not look at an expenditure out of context.

- Can you explain what local preference means? *Local preference means the county gives a local company a 5% variance, meaning if their bid is up to 5% higher we will reduce their bid by that amount to level the playing field.*
- Does the county have any idea what an impact fee might raise? *It would be based on what we believe the future needs will be. Davis suggested it could generate $100,000 per year but is dependent on growth levels and where growth occurs. Any income generated would largely depend on commercial development. When last considered, a single-family residential unit would be charged $2,000-$2,400. It is very hard to estimate because we don't know how many permits will be issued from year to year.*
- Hermesman shared his experience when he built two warehouses in the La Posta area and paid $40,000 for the La Posta Bridge. *Davis noted those fees were assessed as part of an impact district specifically set up in 1997 to fund the bridge and expired in 2010. This fee would be above and beyond a general impact fee if one was adopted.*
- We need to find a balance between charging impact fees to fund projects and charging so much that we discourage development.
- If the county were more business friendly, it might not have as large of a shortfall as it does today.
- Ron Corkish asked for more information on what it mean to be friendlier? *Policy, transparency, planning simplification.*
- Tencza reported the Planning Department is working on simplifying the class two permitting process. Applicants are going to be able to come in before submitting an applications, and without spending any money, discuss the project and will leave with a list of all requirements (including other government agencies). Once you tell the Planning Department you have all documents together, they will schedule a hearing before the Planning Board within 14-21 days.
- Sheryl Ayers stated she believes part of the Committee's recommendation should be the BOCC take another look at road impact fees and do everything it can to make the planning process friendlier to businesses because we see the positive impact it could have on tax revenue to the county. She resents feeling like she was brought in to only focus on what tax issue to put on the ballot. The Committee needs to make broader recommendations. The Commissioners have a choice about how much money to put in the road and bridge funding.
- Rich Butler reminded the group the county has tried to get a use tax passed three times. The Committee needs to be realistic about what might be successful. He agrees trying to show equity to voters through reexamining every fee the county charges, but going back for a use tax at this point is not viable.
- Martha Mason asked for clarification on what items would fall under a use tax? *Building materials and automobiles. Those two categories generate about $60 million in sales.*
- Is it possible to charge ongoing impact fees for large vehicles using the roads? *Impact fees are defined by state statute and must have a direct nexus connecting who pays the fee and where it is spent. An ongoing impact fee would be considered a tax and require voter approval.*
- What is the hurry for November? 70% of the roads in the county are in good or excellent condition. The county should try other options including the use tax before going to the voters for a mill levy increase.

- There are a number of other issues that may be on the ballot in 2016. The BOCC would be negligent if it doesn't move forward to address the situation. LPC has not raised taxes in over 25 years.
- Need to make sure it is communicated to the public that the county has tightened its belt and made significant reductions.
- The Committee may agree to a smaller increase but the county needs to figure out how to fund the rest either by the other revenue sources or through cost-cutting.
- What would the breakeven point be if LPC spent the $70 million on a good public transit system instead of spending money on roads?
- How has the county paid for new buildings? *Spina noted a capital facilities needs assessment was completed and identified future needs totaling approximately $50 million. The county has been allocating money to a facilities reserve account totaling $26 million. The funds were set aside for both building acquisitions and needed renovations. She discussed how decisions were made to move certain county departments to various buildings and the desire of the economic development community to have the federal courthouse located downtown. The county continues to apply for grants, such as recent successful applications for funds to remodel the courthouse and county administration. The county does everything it can to stretch taxpayer dollars.*

Zalneraitis moved the Committee strongly recommend to the BOCC it consider adopting impact fees for new development. The motion was seconded and it passed unanimously (20 members present). He asked Jim Davis to provide an estimate of what impact fees on commercial and residential development would be needed to raise .25 mills (roughly $400-500,000) per year.

<u>Questions and Comments</u>

- Butler asked if the Committee should include a recommendation that the county review all fees charged?
- Zeller suggested focusing on road impact fees from the Duncan Report. Use tax should also be on the table.
- We need to take an inventory of all government-owned buildings in the city and county. The county is decreasing its own tax revenues by taking over buildings.
- If the county rents a building, the tax is rolled up into the rent and gets passed right back to the county, so there is no net difference.
- Tencza suggested the Committee was not established to micro-manage the county and we should not be discussing recent building decision.
- Zink stated the Committee needs to make broad recommendations and not zero in on just one thing. The county needs to package this in such a way to demonstrate to the public that it has left no stone unturned. The BOCC builds credibility by being able to say they looked at a number of options.
- The list provided last week listed a number of sales and use tax items that passed. *Sherman noted that in each instance it was either an increase or extension of an existing tax. The most difficult election is the first election to initiate a use tax and will require a lot of education. There has not been a new use tax approved since before 2004.*
- Ayers clarified a use tax would apply not just out-of-state purchases, but any purchase made outside of the county. Zeller noted 27 counties in Colorado have a use tax.

Butler moved (on behalf of Zalneraitis) the Committee recommend to the BOCC it consider referring a use tax to the voters. The motion was seconded and it passed (11 in favor and 7 opposed). Sherman suggested there were ways to approach a use tax proposal that would be more acceptable to the voters; it would require a significant education and outreach effort leading up to the election.

Comments

- Zink stated she believes the Committee should include a recommendation about the importance of looking at the entire budget for ways to allocate more funds to roads and bridges. Ayers agreed.
- Buck Skillen stated he believes the stewardship and management of the county has been exemplary.
- Tencza suggested the recommendations already voted on, plus a lesser mill levy, will by default force the BOCC to look at the budget for more funds.
- Zink stated the BOCC will use the recommendations from this Committee and our names to sell a tax increase to the voters and she wants to be on record the county rethink its allocations to roads and bridges. She doesn't mean to imply the Commissioners aren't doing a good job, but the Committee need to specifically state our positon.
- Butler noted one of the LTFC recommendations to the BOCC was to adopt the Roads and Bridge Plan as an indication the list accurately reflects county needs.
- Corkish stated the Committee needs to recognize there is not enough money in the General Fund to simply reallocate funds without a mill levy.
- Is there an expectation the county will reduce the allocation it currently makes to R&B if they get a mill levy increase? *The county has consistently, for at least 10 years, allocated $2.7 million to R&B. In the last two years, the county has allocated additional funds for specific projects.*

Sherman suggested the Committee vote on the concept of recommending the BOCC review the General Fund allocations to R&B, and the final language of each recommendation can be wordsmithed next week. After further discussion, Tencza suggested Sherman draft language and circulate to the group prior to the next meeting and it would be discussed and voted upon then.

Attendance

Members present:

Sheryl Ayers
Tim Blake
Bruce Baizel
Rich Butler
Ron Corkish
J.T. Coyne
Shane Dawson
Ted Hermesman
Garry Hillyer
Dave Kramer
Martha Mason
Barbara McLachlan
Laura Marchino
Patrick Morrissey
Steve Schwartz
Wayne Semler
Buck Skillen
Jim Tencza
Roger Zalneraitis
Christi Zeller
Sidny Zink

Others present:

Joanne Spina, Assistant County Manager
Diane Sorensen, Finance Director

Jim Davis, Public Works Director
Roger Sherman, CRL Associates