

DRAFT

Appendix 3 - Fiscal Outlook and Funding Scenarios

Town of Blue River Comprehensive Plan

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FISCAL SOLUTIONS

Accomplishing the goals and strategies [see 1 - Strategic Plan Goals and Strategies] will require deliberate fiscal planning. This interim draft component of the Blue River Comprehensive Plan outlines fiscal strategies for maintaining fiscal sustainability and implementing the goals. This portion of the plan is broken into three sections:

Fiscal Background - The most important fiscal characteristic of Blue River is that it is almost entirely dependent on property tax. Also, Blue River registers lower per capita expenditures compared to other communities, reflecting that fewer services and facilities are offered in Blue River compared to regional towns.

Revenue Outlook - Because the Town is reliant on property taxes, and these revenues are projected to decline for the next few years only to flatten out until 2018, the revenue outlook for the town indicates that more fiscal challenges are coming.

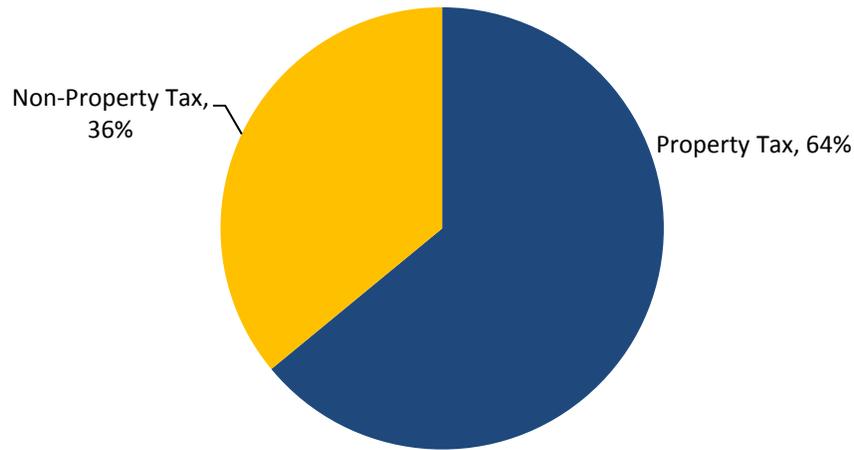
Near and Long Term Strategies and Funding Solutions - This includes a costs and revenue analysis of short term and long term strategies and funding solutions for accomplishing the goals and strategies.

- Near Term Strategy - Provide core services with funded with existing revenues to include law enforcement, accident response and traffic patrol through partnerships with local governments and staff a town administrator and a community services officer.
- Long Term Strategy -- In-house law enforcement department funded with existing revenues and a mill levy Increase and/or additional retail sales tax revenues. This also includes continued funding for a town administrator and a community services officer.
- Long Term Strategy - Increased capital investment funded with existing revenues and a mill levy increase and/or additional retail sales tax revenues. Once the core services are covered make revenue available for capital improvements.

FISCAL BACKGROUND

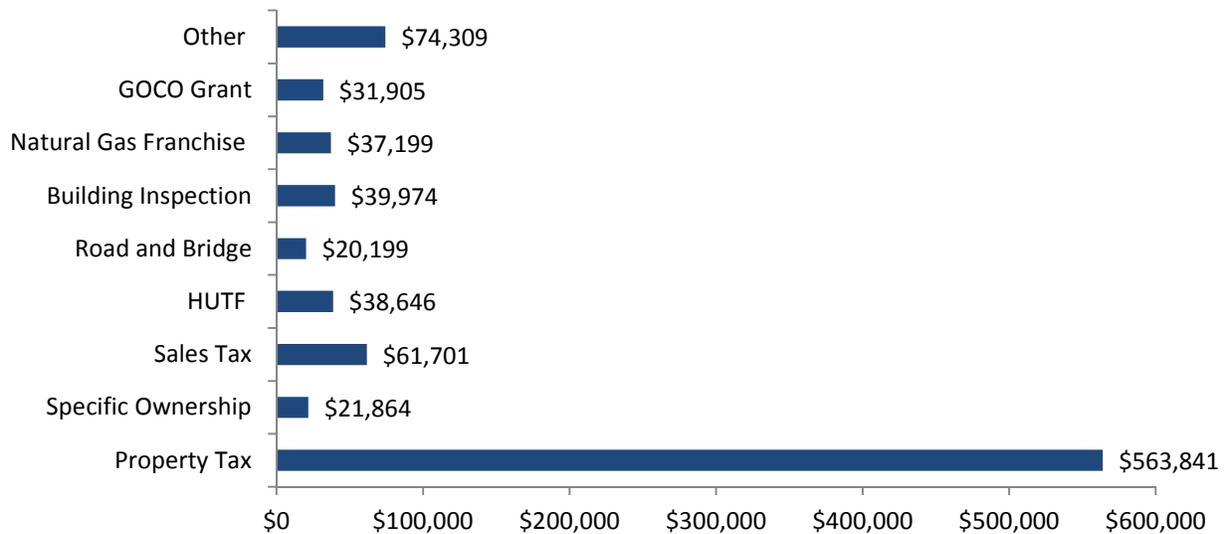
Blue River has no retail commercial uses and is heavily reliant on property tax. On average between 2009 and 2011, 64% of total revenues originated from the Town's general operating mill levy.

Figure 1- 2009-2011 Average Property Tax and Non-Property Tax Revenues by Percentage



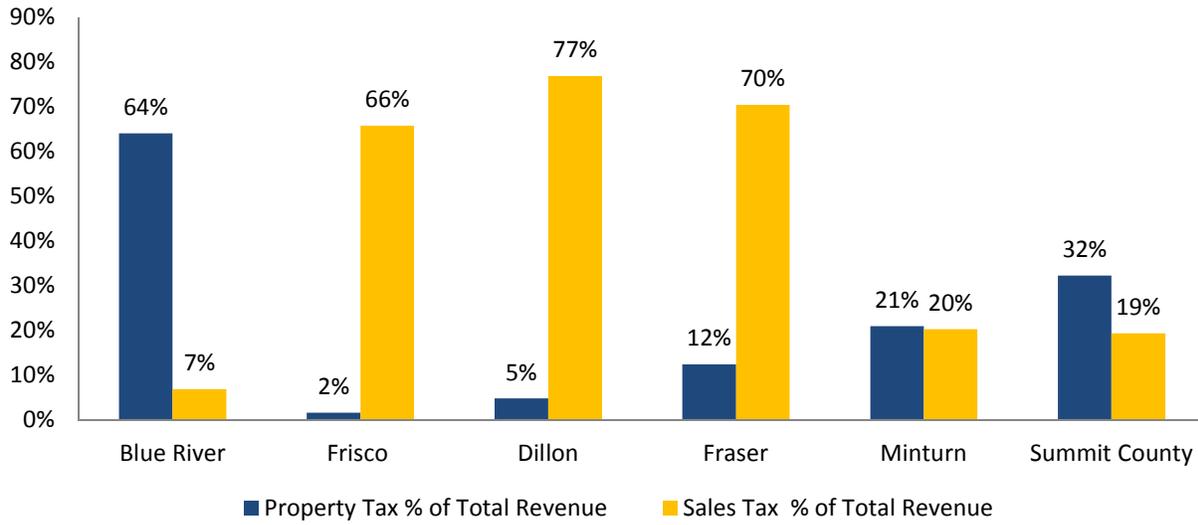
The Town’s remaining revenues originate from a mixture of taxes, fees and intergovernmental revenues such as specific ownership taxes, sales taxes from lodging, highway user’s taxes, natural gas franchise fees, building department inspection fees, and road and bridge revenues. Between 2009 and 2011 Blue River collected just under one million in non-property tax revenues.

Figure 2-2009 -2011 Aggregate Revenues by Type



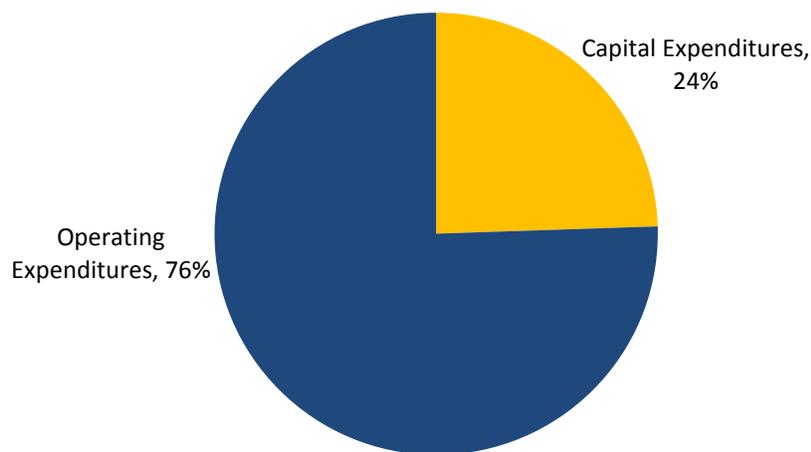
In regional communities such as Frisco, Dillon, and Fraser 66%-77% of revenues originate from sales taxes and only 2%-12% originate from property taxes.

Figure 3 - Property Tax as Percent of Total Revenues



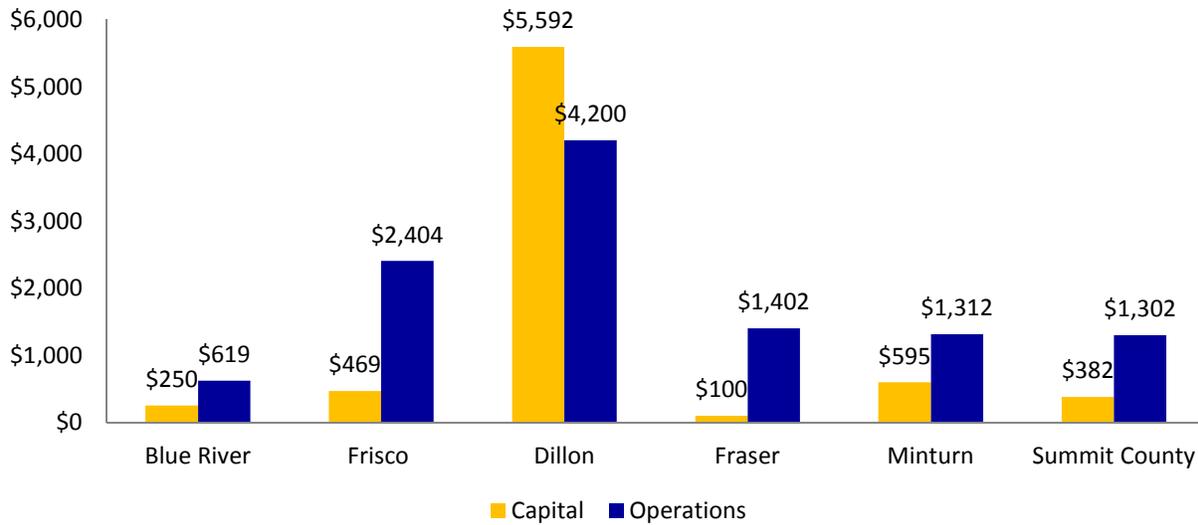
24% of Blue River’s total expenditures are related to capital purchases, and 76% are related to operations. During this time, Blue River’s capital expenditures included improvements to Goose Pasture Tarn, development of a Town Park, and the construction of a bridge. It should be noted the bridge project, which totaled \$468,000 accounted for 47% of total expenditures in 2010 and represents a significant increase in capital spending. The town had \$97,000 in capital expenditures in 2009 and \$42,000 in 2011. Without the bridge project, the three year capital spending average would drop from 24% to 10%.

Figure 4- Average Operations and Capital Expenditures Ratio



On average the town spends \$619 per resident on operations and \$250 per resident on capital per year. This is much lower than comparable municipalities which have average per capita operations expenditures of \$2,300 and average per capita expenditures of \$1,700. The additional spending in other communities is related to the amount of services provided by them. These towns have police departments, provide services to commercial development, water and sewer infrastructure, and have more established and extensive parks systems.

Figure 5- Per Capita Operations and Capital Expenditures



REVENUE OUTLOOK

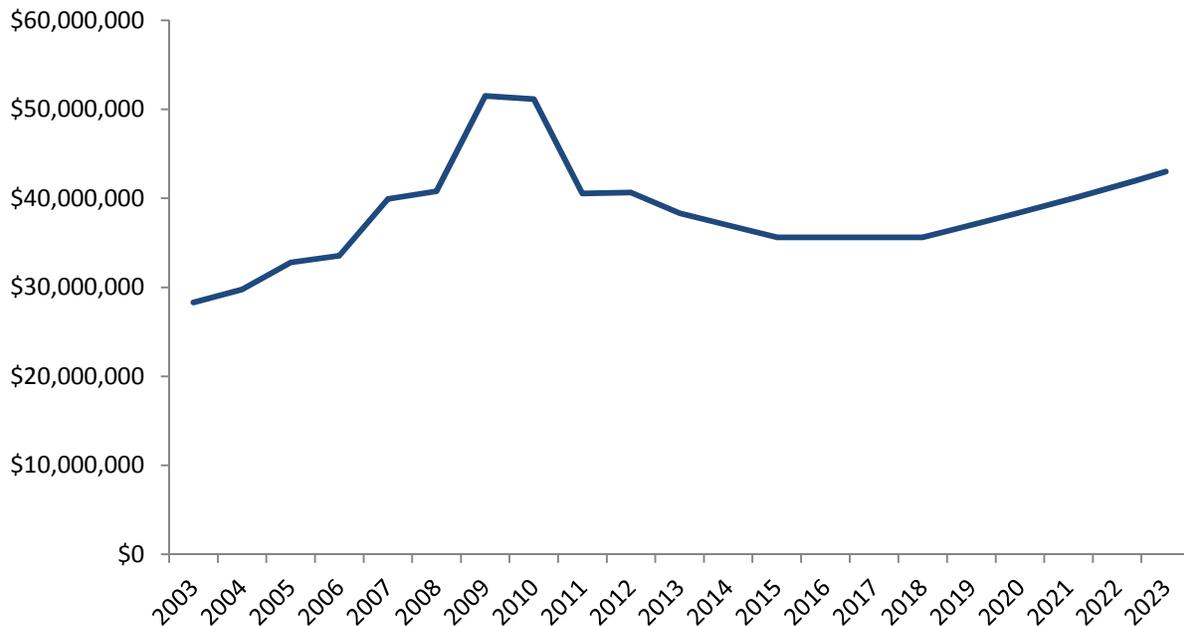
Because property taxes make up the majority of the Town’s revenue (2001-2011 average 62%) the budget projection in this analysis relies on projecting assessed valuation through 2023. Based on information from the Summit County Finance and Assessor’s Departments the following conclusions were made:

- It is unlikely that the Town will continue to have budget surpluses similar to those experienced in 2011, 2011 property tax revenues totaled over \$600,000.
- The 2013 valuation from Summit County Assessor totals \$38,347,150, a 6% decrease from 2012 levels.
- Summit County is projecting decreases in value for 2014 & 2015, and flat valuations thru 2018

The assessed valuation projection relies on the following assumptions:

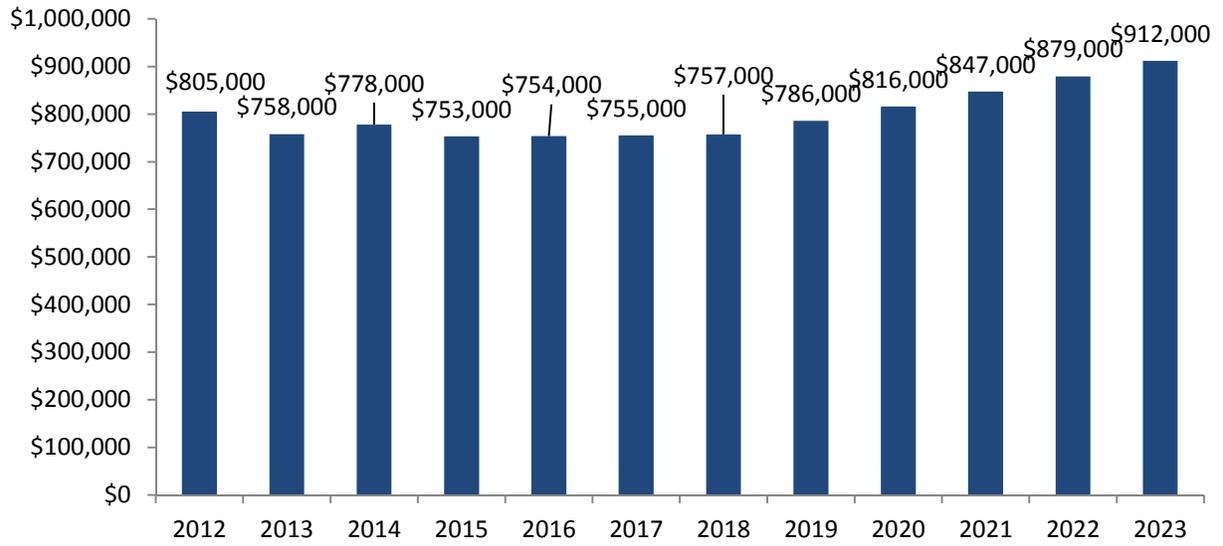
- 3.6% depreciation for 2014 & 2015
- No appreciation for 2016-2018
- 3.8% appreciation rate (2003-2013 average) for 2019-2023

Figure 6- Assessed Valuation



Total revenue projection was generated by combining of non-property tax revenue projection with the assessed valuation projection, and anticipated revenues from sales taxes. Between 2001 and 2011 the Town non-property tax revenues accounted for 38% of the Town’s total revenues(not including anticipated sales tax revenues). The analysis assumes that this pattern will continue through 2023 when revenues are projected to total \$912,000.

Figure 7 – Total Projected Revenues Through 2023

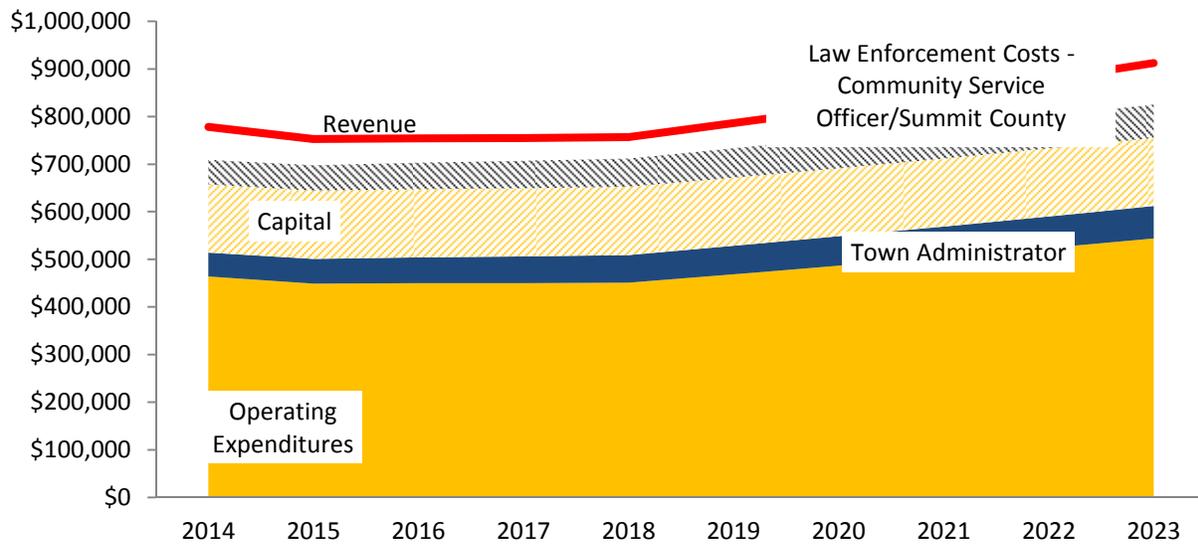


NEAR TERM STRATEGY AND FUNDING SOLUTION

NEAR TERM STRATEGY - PROVIDE CORE SERVICES

The near term strategy is to maintain all of the services offered by the town at this time, and historic capital investment levels, and to add staff capacity with a town administrator. Combining the projected revenues with anticipated costs for implementing this strategy shows that the town will operate with moderate surpluses through 2023. Implementing this strategy would mean that the town would will have an annual surplus of around \$61,000. Unforeseen one-time or annual expenses, increasing costs for services and other cost factors could quickly eat away this buffer and accomplishing this strategy will likely require additional revenues.

Figure 8- Budget Capacity Analysis - Core Service Scenario



According to the blue book for Ballot Issue 2D, the recently voter approved 2.5% sales tax in Blue River will result in \$47,000 in additional revenues originating from taxes on existing utility bills, short term lodging, and sales tax on goods sold from cottage businesses. It should be noted that this is a rough estimate, prepared by the town treasurer.

While this is not enough to pay for expanded law enforcement services, or increased levels of capital spending, the sales tax would ensure that the town had enough revenues maintain reserve funds for the core services strategy.

The estimated sales tax revenue would enable the town to hire a town administrator and still maintain adequate surpluses to maintain a healthy reserve fund.

Figure 9 – Revenues Budget Gaps



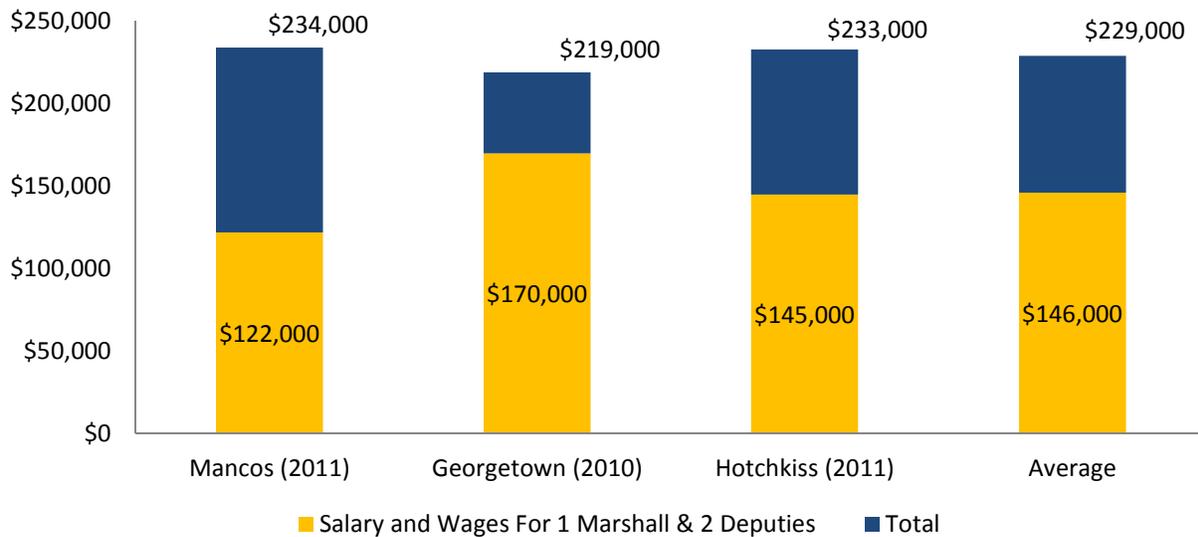
One possible additional source of sales tax revenue would be small scale retail located in town. The sales at an in-town business would be taxable as well. According to ESRI business data, the convenience stores in Summit County without fuel pumps have annual sales between \$600,000 and \$1.4 million. A 2.5% sales tax would result in annual revenues between \$15,000 and \$35,000. While this alone would not facilitate major improvements to the level of service, it would help the town make progress.

LONG TERM STRATEGIES AND FUNDING SOLUTIONS

LONG TERM STRATEGY - IN-HOUSE LAW ENFORCEMENT DEPARTMENT

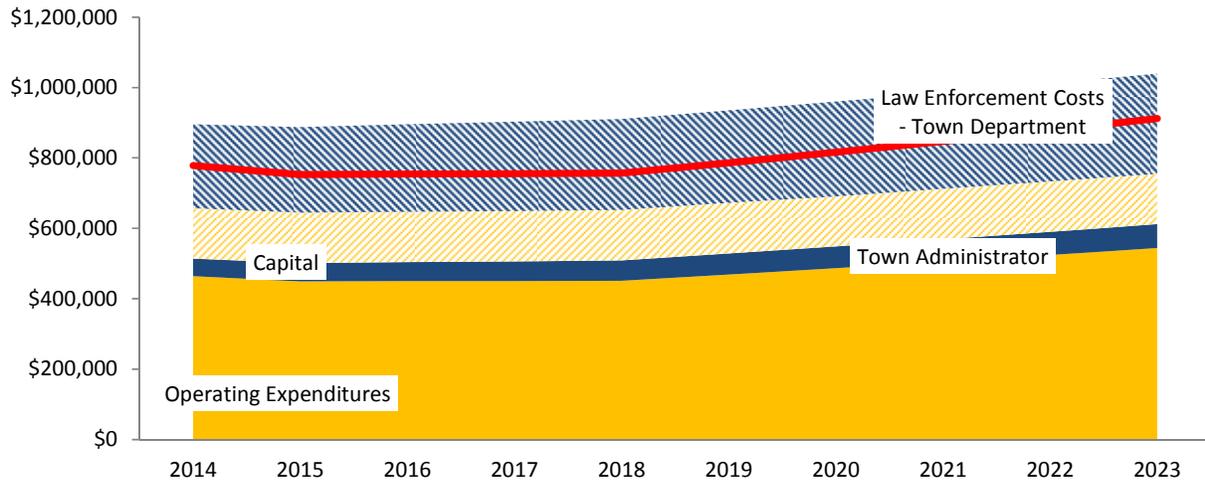
Costs for staffing and operating a law enforcement department vary depending on a municipality’s needs, location and fiscal environment. The estimate used in this analysis is an average of budget expenditures from three small Colorado towns each with a population similar to Blue River, and each with a department consisting of a Marshall and two deputies. This strategy assumes that the Community Service Officer’s code enforcement duties would be absorbed by the law enforcement department.

Figure 10- Law Enforcement Cost Estimate



If the town decides to staff and operate its own full service law enforcement department a budgetary deficit will occur. On average this scenario results in an average annual deficit of \$139,000 and an aggregate deficit of \$1.4 million by 2023. The town’s reserve funds would be depleted within 7 years.

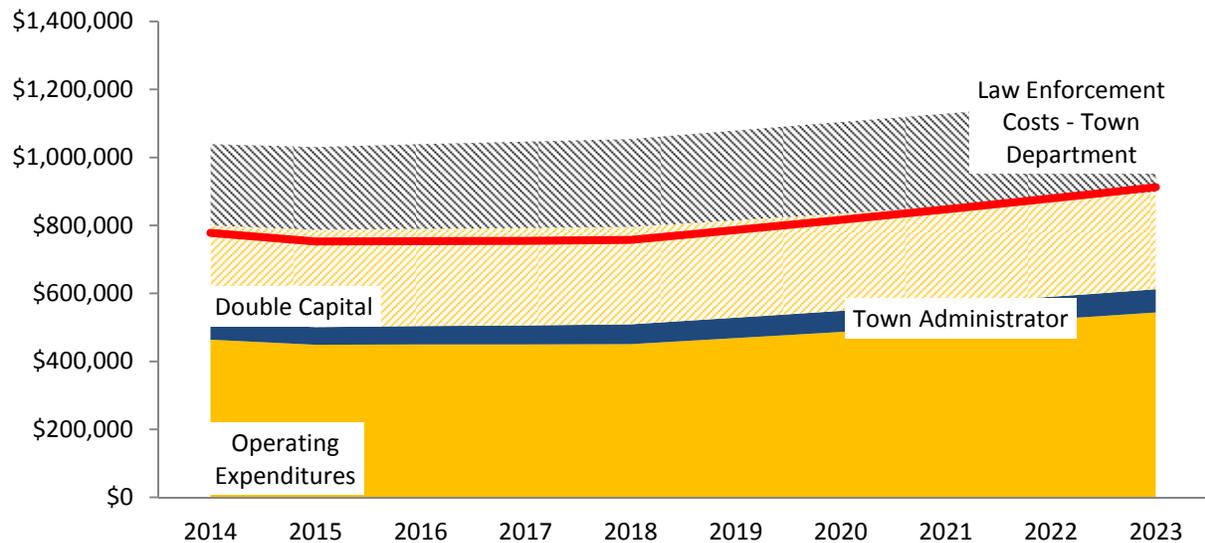
Figure 11- Budget Gap Analysis – Expanded Law Enforcement Scenario



LONG-TERM FUNDING SOLUTION - INCREASED CAPITAL INVESTMENT

On average the shortfall of funding a law enforcement department would be \$282,000 annually and combined would total \$2.8 million. Existing reserves would only cover one third of the combined deficit and would be depleted with in under 4 years.

Figure 12- Budget Gap Analysis –Increased Capital Investment Scenario

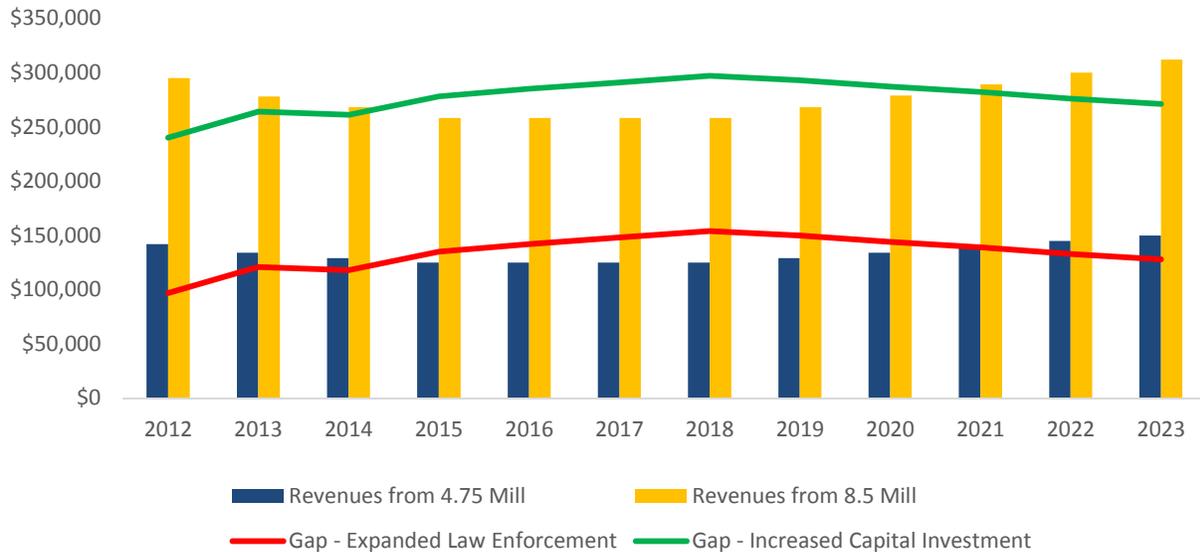


LONG-TERM FUNDING STRATEGY - PROPERTY TAXES

Both long term strategies will require future revenue sources to implement. Currently the town cannot raise the general fund mill levy above 12.29, however if taken to a vote the town could potentially increase the mill levy in order to pay for capital investment and increased law enforcement services.

Based on the projected assessed valuation presented in the revenue outlook section the town would need to increase the mill levy 3.5 mills to adequately pay for increased costs under the expanded law enforcement scenario. This increase would not eliminate budget gaps for every year, the total combined deficit would total \$6,000. Which could be absorbed by existing reserve funds or other small revenue source. The town would need to increase the mill levy by 7.24 mills to pay for cost increases to implement the increased capital investment strategy. This increase would not totally eliminate all deficits, but the combined deficit through 2023 would total \$4,000.

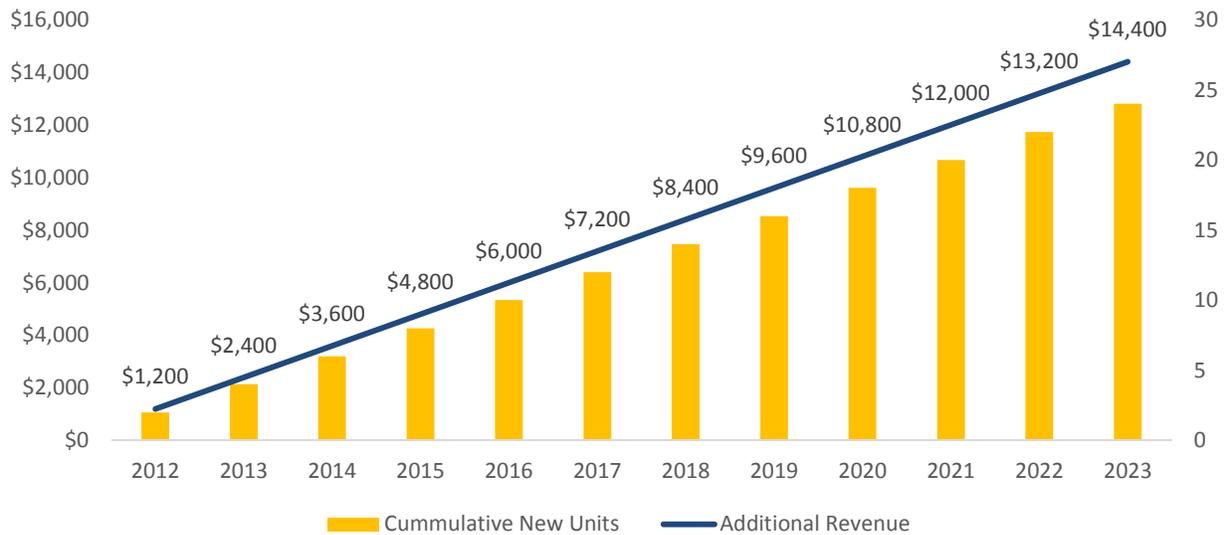
Figure 13 – Property Taxes Resulting from Increased Mill and Budget Gaps



LONG TERM FUNDING SOLUTION - CONTINUE TO COLLECT LODGING TAXES

Increasing the number of short term rentals produces a relatively small additional revenue stream. In 2011 the 54 short term rentals in Blue River brought in \$35,000 in lodging tax revenues, an average of \$600 per unit. If the town adds two short term rentals per year, by 2023 the town would earn an additional \$14,400 per year.

Figure 14 – Revenues from Increased Short Term Rentals



STRATEGIES AND FUNDING SOLUTIONS ANALYSIS ASSUMPTIONS

- Hiring a town administrator will cost \$50,000 per year, similar salary range as other small town managers.
- Town administrator salary will increase at 3% annually.
- Annual capital investment spending will continue at historic levels of \$143,000 or double to \$286,000.
- Staffing a law enforcement department will require hiring a Marshal, and two additional positions, likely a deputies and a code enforcement officer. The Department will have an estimated annual operations cost of \$229,000, based on similar department costs.
- Law enforcement costs will increase by 2% annually, based on historic law enforcement increases from town budget.
- Hiring a Community Service Officer will cost \$40,000 per year, and still require the Town to pay Summit County Sheriff department for \$20,000 for call response services.
- Community Service officer salary will increase at 3% annually.

Note on Budgetary Reserves:

According to the 2013 budget, the town is projected to have an ending balance of \$897,000 dollars. It is important that the town maintain a healthy general fund reserve. Historically surpluses from past years have been held as reserves and used to pay for large capital expenditures. It is important that the town maintain its reserve funds. The near and long term strategies above do not include a specific line calculation for transfers to cash reserves.