

# Recognizing La Plata County's Fiscal Reality



**LONG TERM FINANCE COMMITTEE**

**RECOMMENDATIONS  
FOR FISCAL STABILITY**

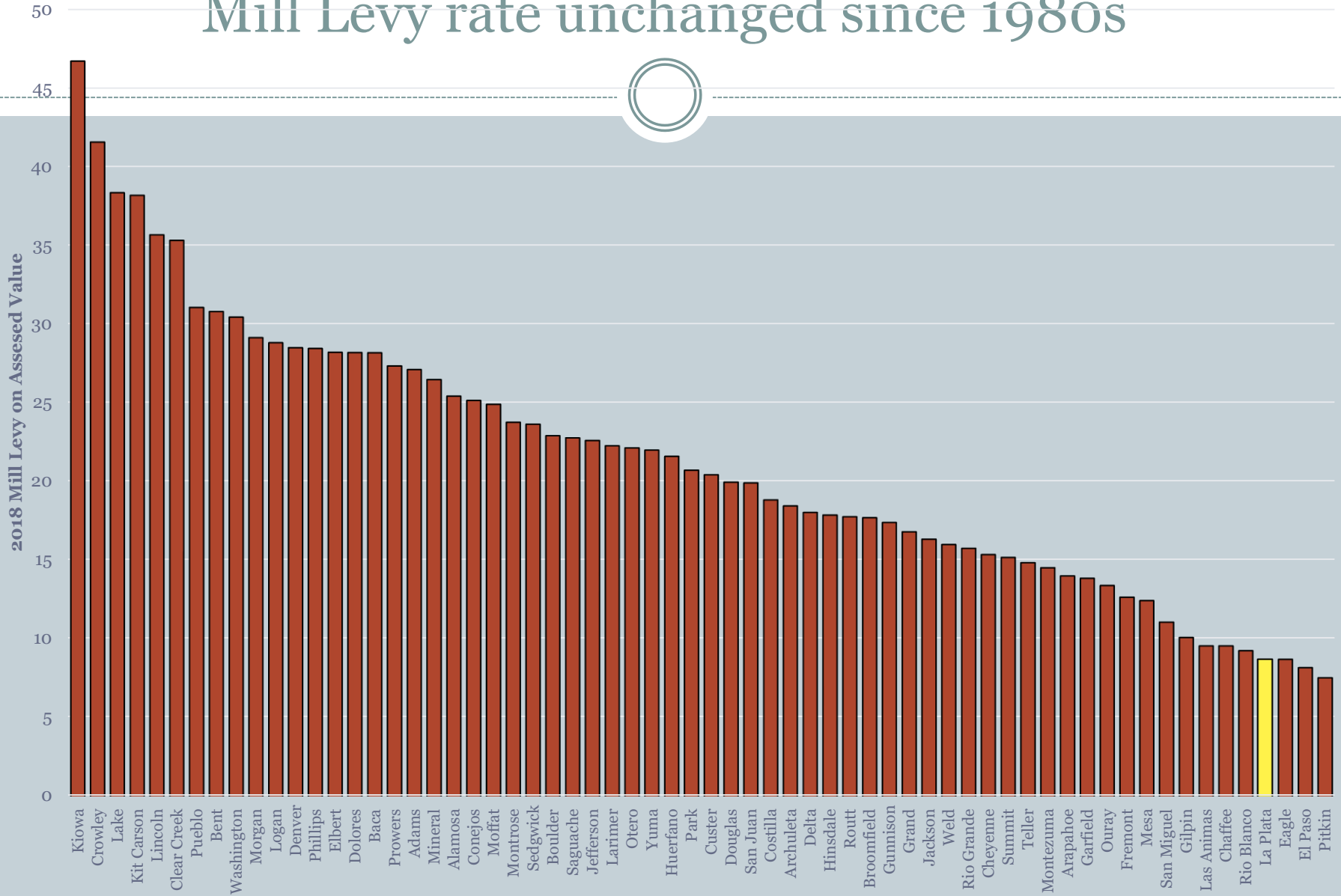
**JANUARY 2019**

# LTFC Recommendations



- Propose a mill levy increase to respond to the new reality of running La Plata County in the post-oil & gas era
  - La Plata County's 8.5 mill levy, unchanged since the 1980s, is no longer a sustainable feature of the county's fiscal structure
  - Property assessment values will not recover sufficiently to solve the problem
  - Size of looming deficits are too significant to manage with maintenance deferral, expense cuts and minor revenue increases from fees and charges
- Work with state and municipal entities to support a Gallagher Amendment fix
- Educate county residents about deteriorating tax revenue situation
- Launch a community wide effort to demonstrate cost savings & benefits of the Innovate La Plata program

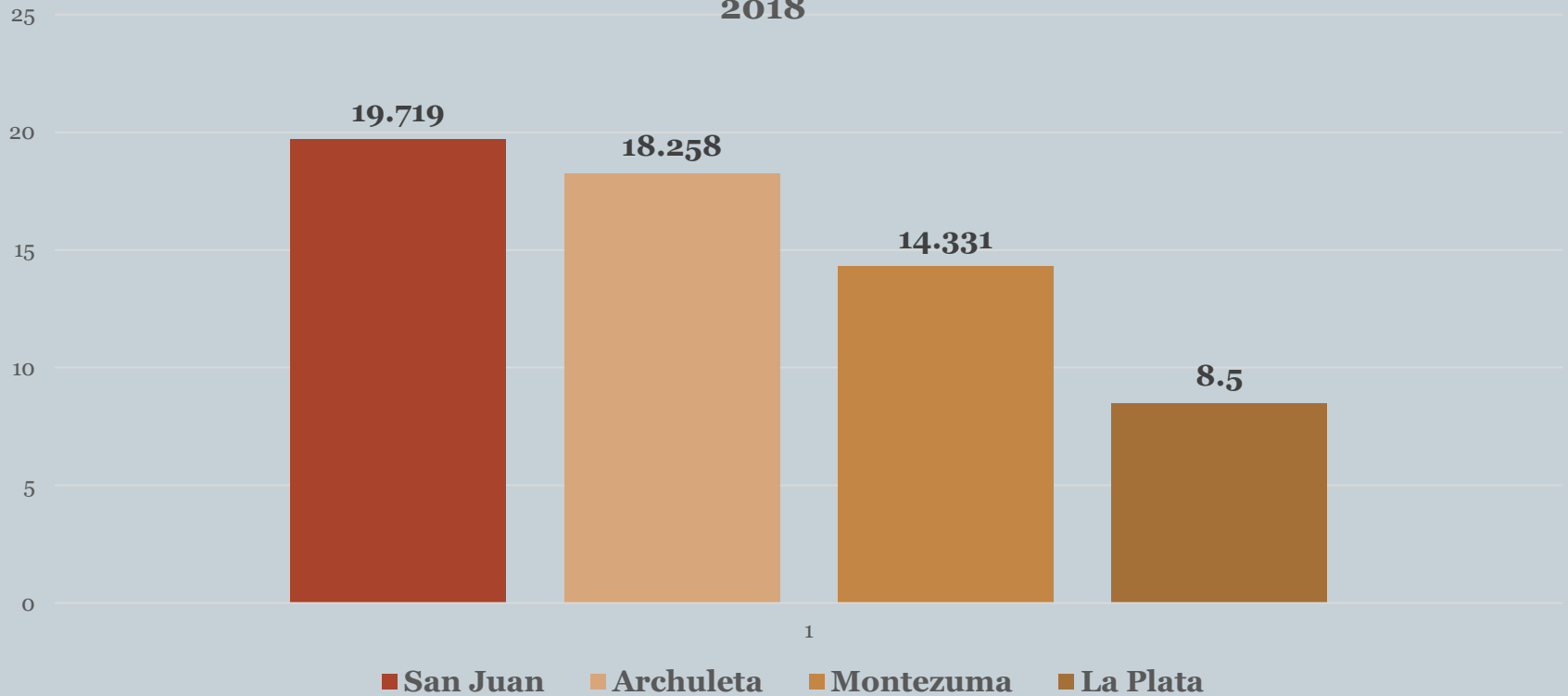
# Mill Levy rate unchanged since 1980s



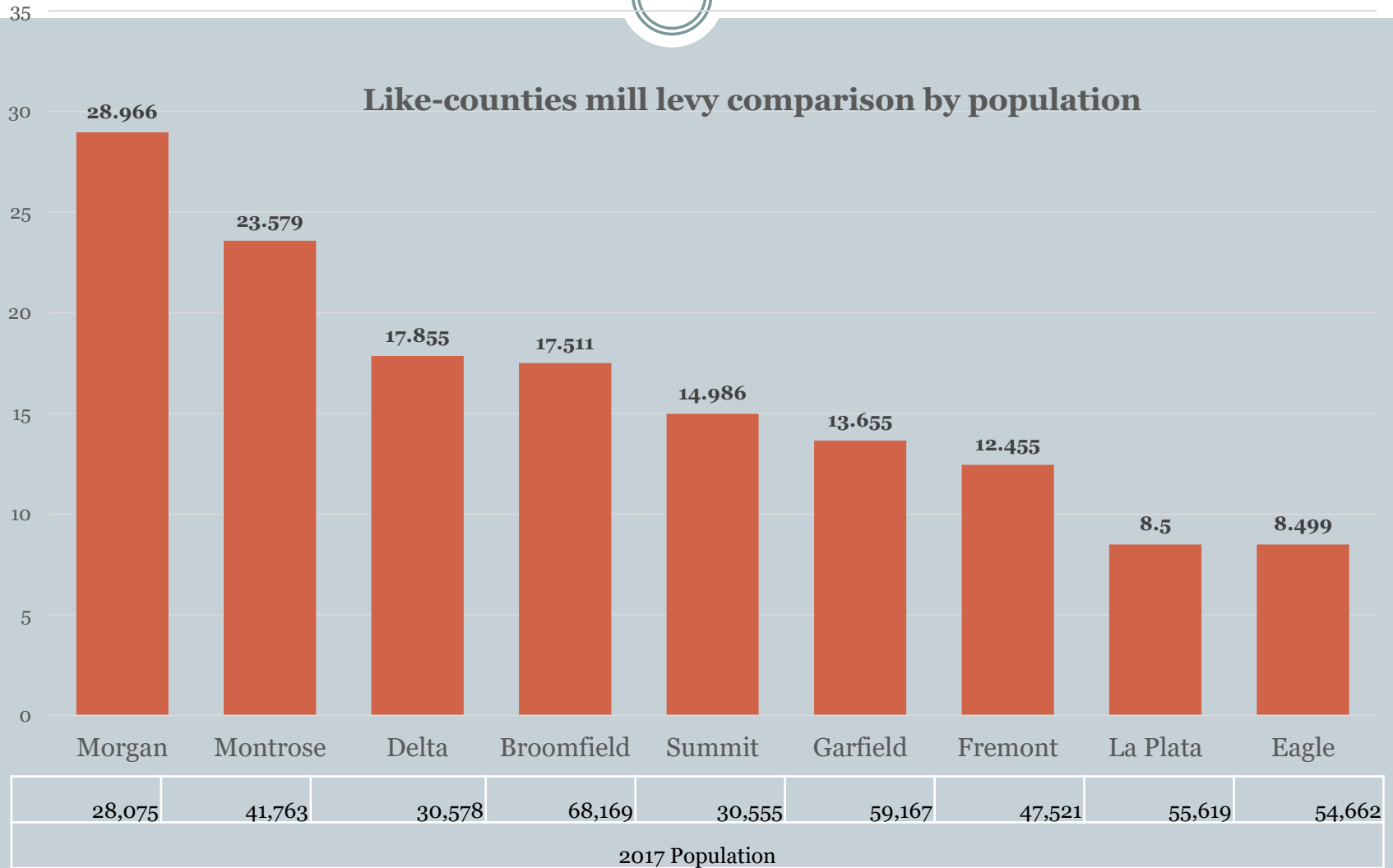
# Mill levy by comparison



**Mill levies in surrounding counties  
2018**



# Mill levy by comparison



**28.966**

**23.579**

**17.855**

**17.511**

**14.986**

**13.655**

**12.455**

**8.5**

**8.499**

Morgan

Montrose

Delta

Broomfield

Summit

Garfield

Fremont

La Plata

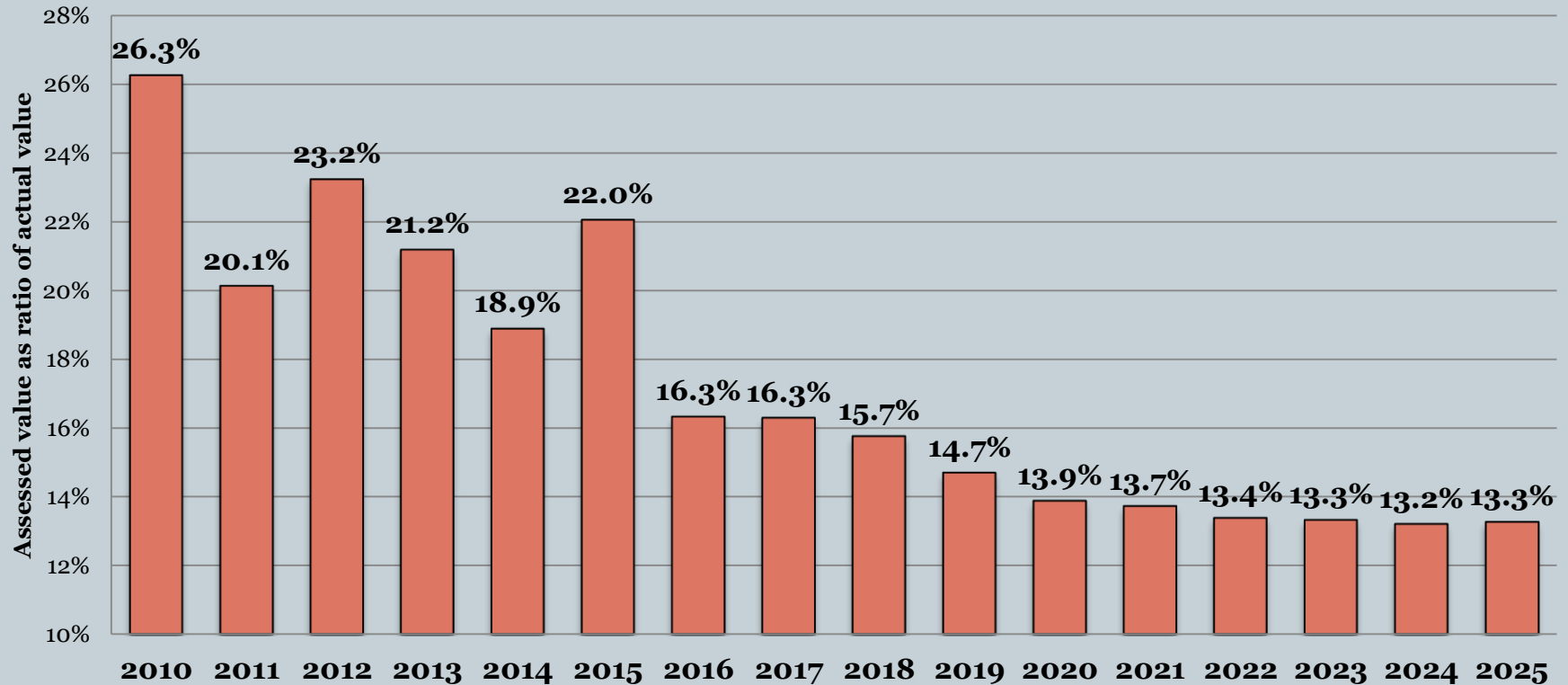
Eagle

# Assessment ratios continue to fall, resulting in declining property tax



## Ratio of assessed value to actual property value

Declining assessment ratios due to Gallagher will depress assessed values by 50%

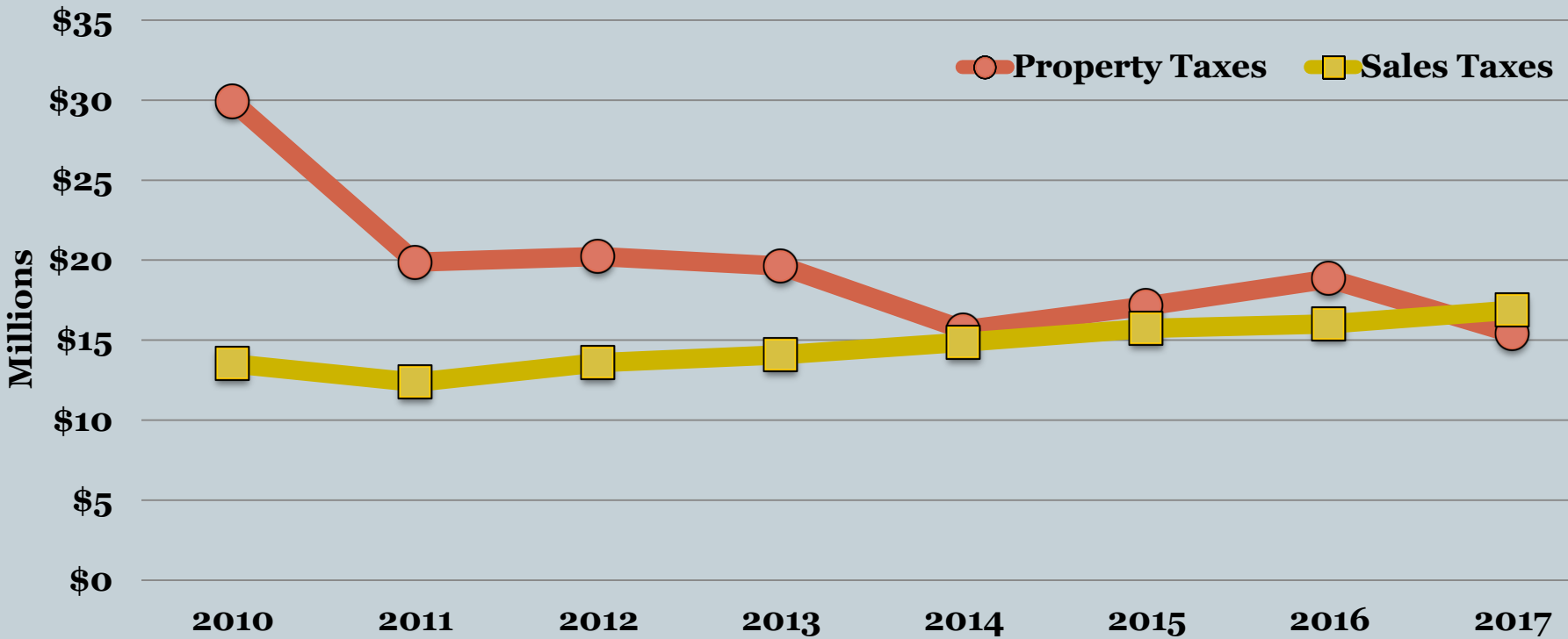


Source: County Assessor Abstracts, County CAFR 2011 to 2017, LTFC Estimates

# Where are we now? La Plata County faces fiscal imbalance



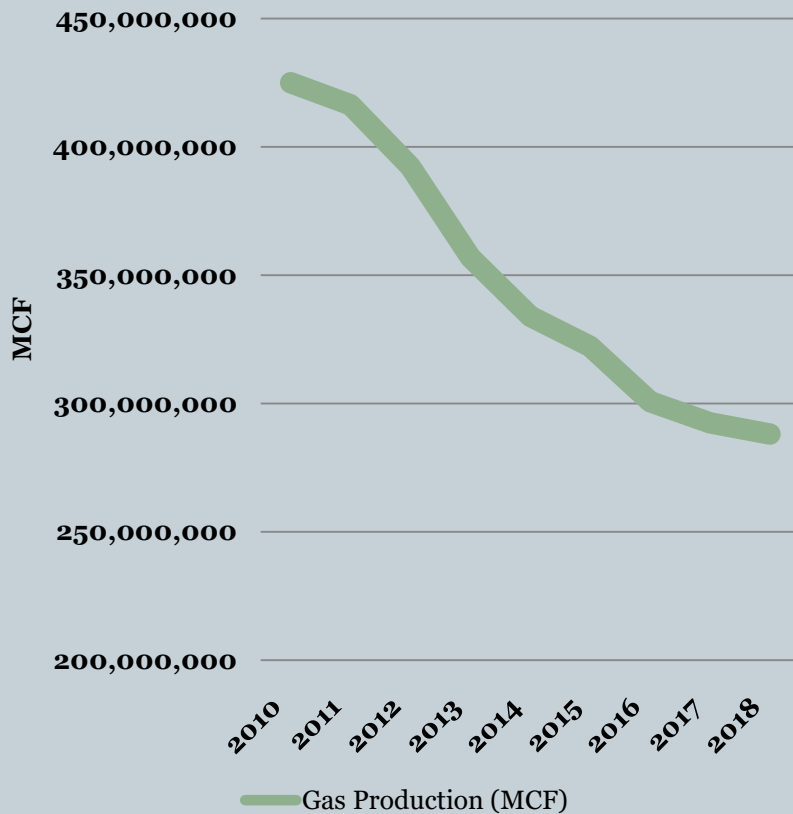
## Sales & property tax revenues 2010 - 2017



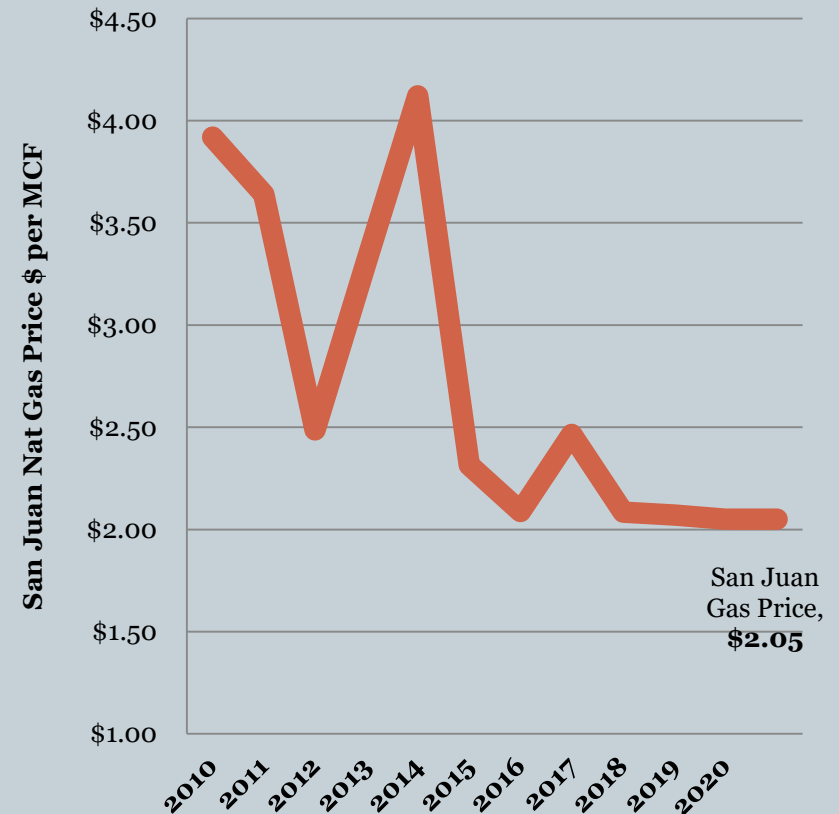
Source: County CAFRs 2011 – 2017, County Budgets 2010 – 2019, LTFC Forecasts

# Global & domestic gas trends make recovery of La Plata gas sector unlikely

## Steady Fall in La Plata Gas Production: ~ 5% per year



## San Juan Gas Price Down >50%



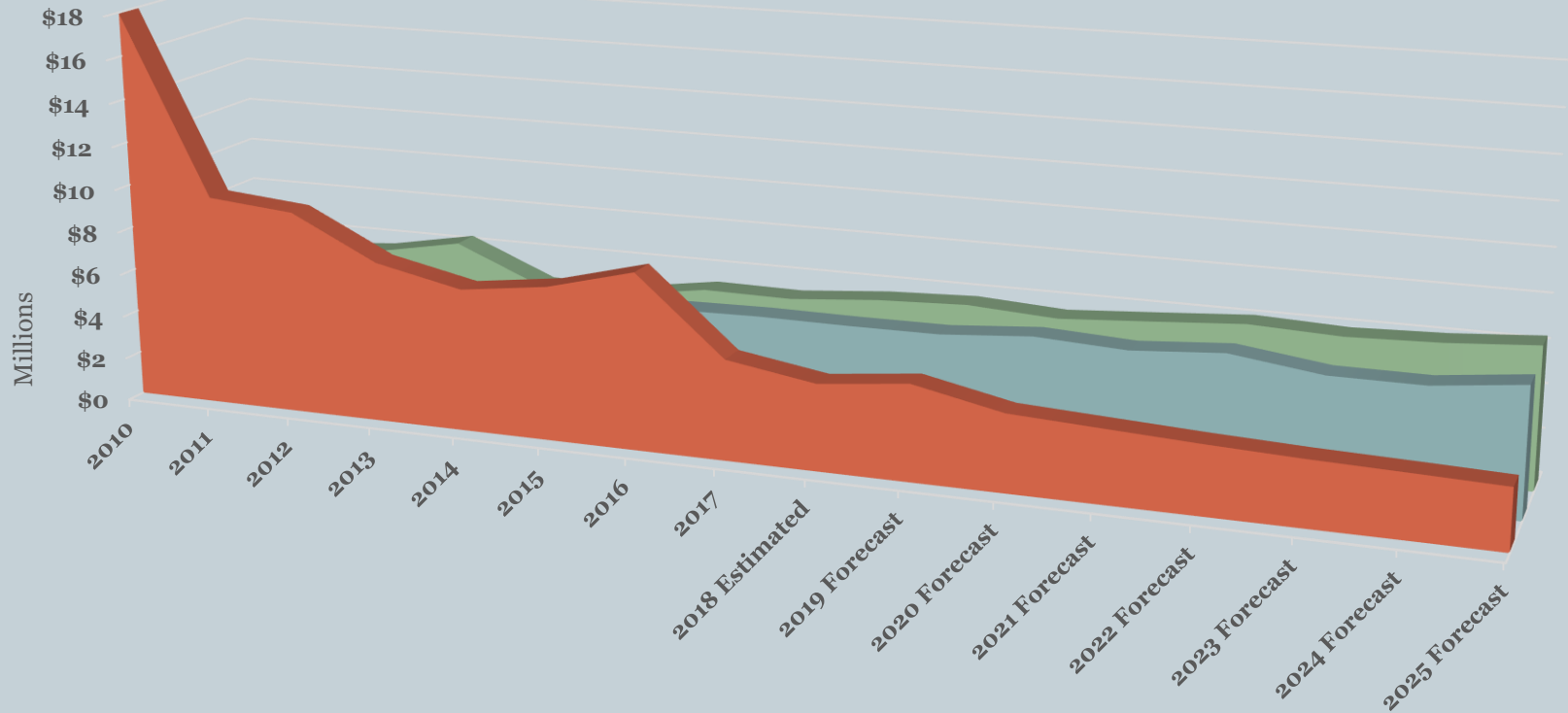


# Residential, commercial property tax not sufficient to offset falling oil & gas revenues

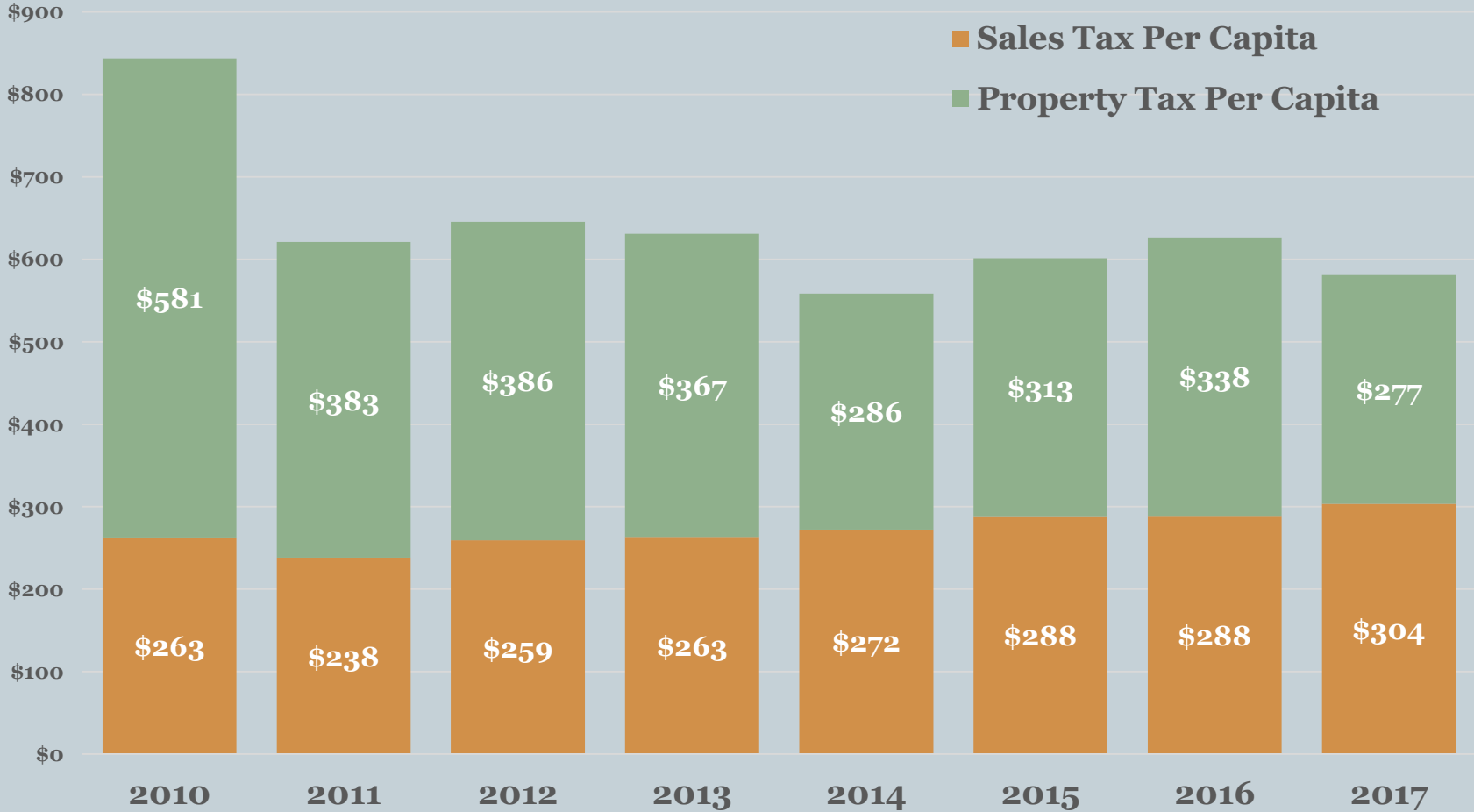


## Property tax revenue by type

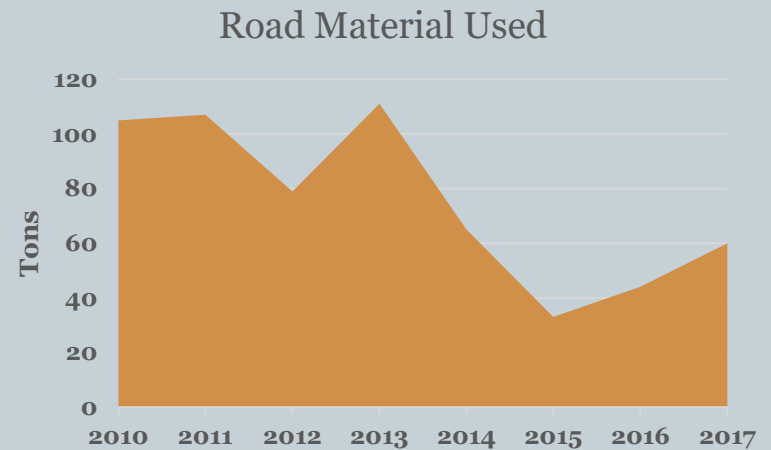
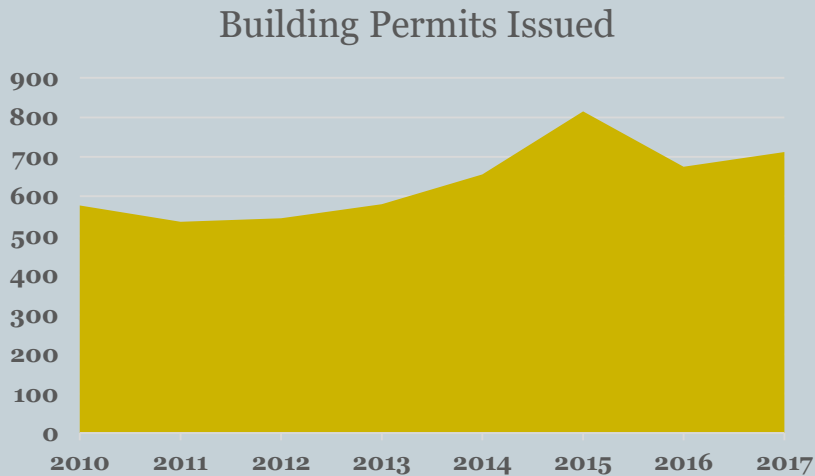
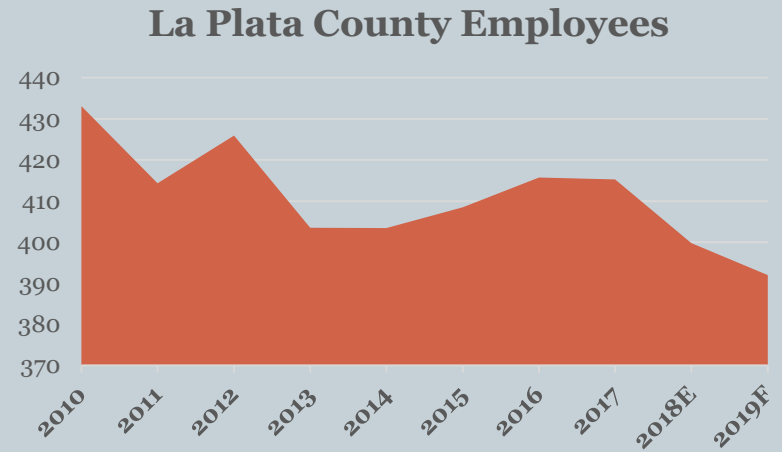
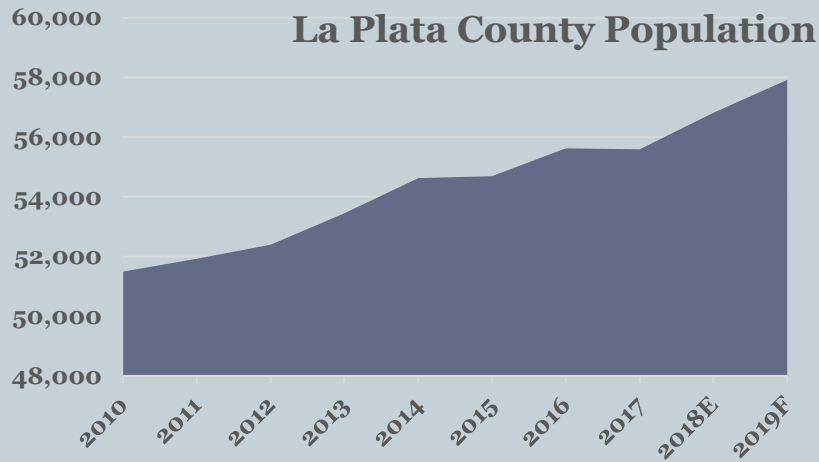
Oil & Gas Residential Commercial & Other



# La Plata County taxes paid per capita



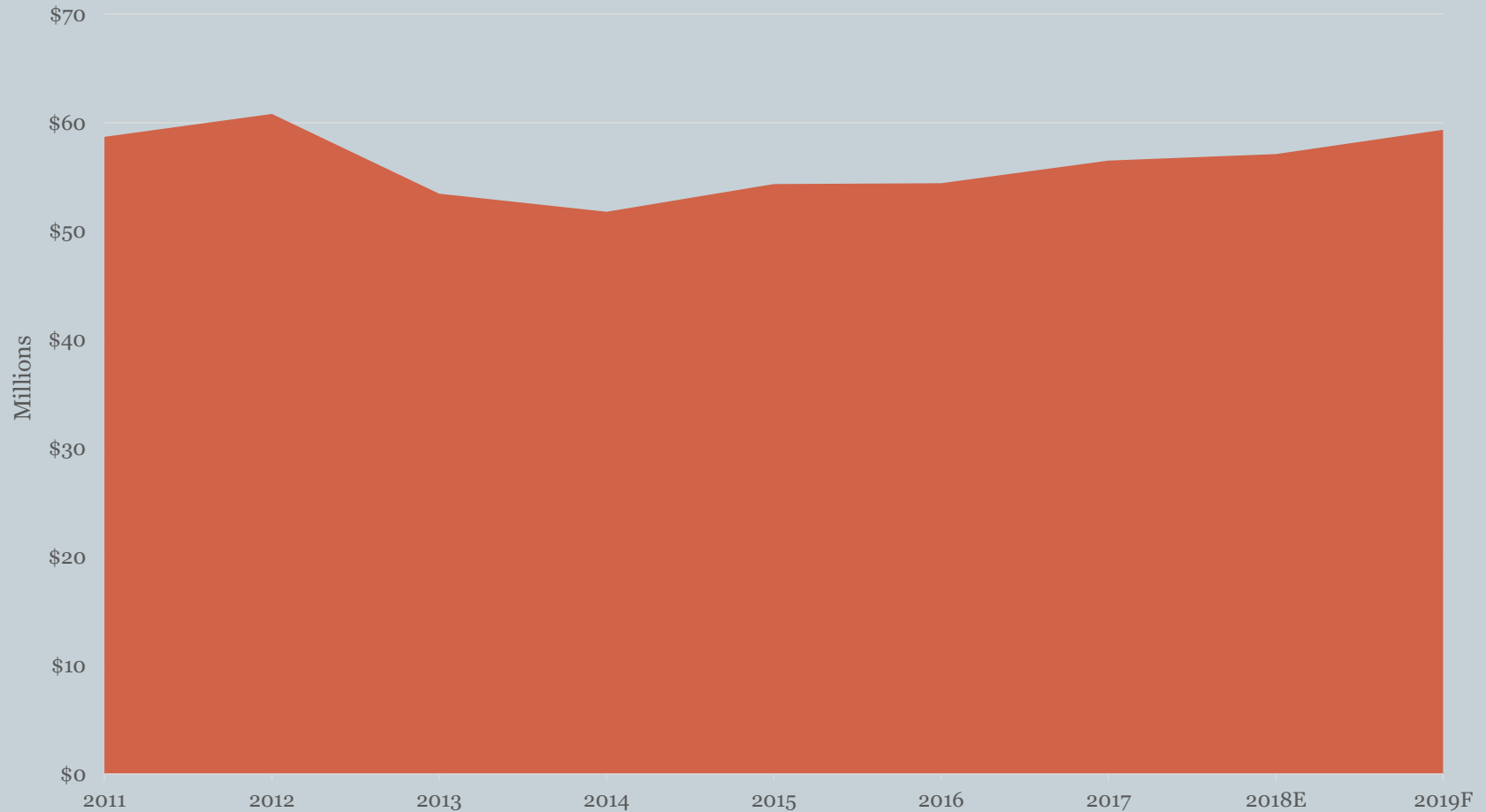
# Population up 10% while per capita taxes paid is down 55% demand for services continues to grow



While demand for service, population has increased,  
county operating expenses have remained relatively flat



## Countywide total operating expenses



# Structural imbalance



- Many county services mandated by statute – their costs cannot be avoided
- Inflation (>10%) has eroded county's expense base while tax revenues declined
- Population growth will strain service levels & costs
- Natural gas property tax, severance tax, energy grants will decline significantly by 2025
- Other revenues (sales tax, fees, government transfers) not sufficient to compensate
- Controlling expenses is not adequate to overcome revenue losses

# Big picture forecast



## **General fund will be constrained to support other funds**

- Operating deficits forecast by 2022, absent new revenue
- External forces – recessions, floods, fires – make General Fund vulnerable

## **Road and Bridge faces maintenance & road quality crisis**

- Staff forecasts additional \$6 million annual need to properly maintain road & bridge resources
- Transfers from General Fund not allowed under statute

## **Human Services relies on federal and state funding**

- Human Services Fund projected to generate minor operating deficits

# Increase of 4 mills to 12.5 mills would stabilize the county La Plata's millage would rank 8<sup>th</sup> lowest still 38% below median



## SUMMARY: LTFU UPDATED MAJOR LA PLATA COUNTY FUNDS FORECASTS BASED ON 2018 DATA

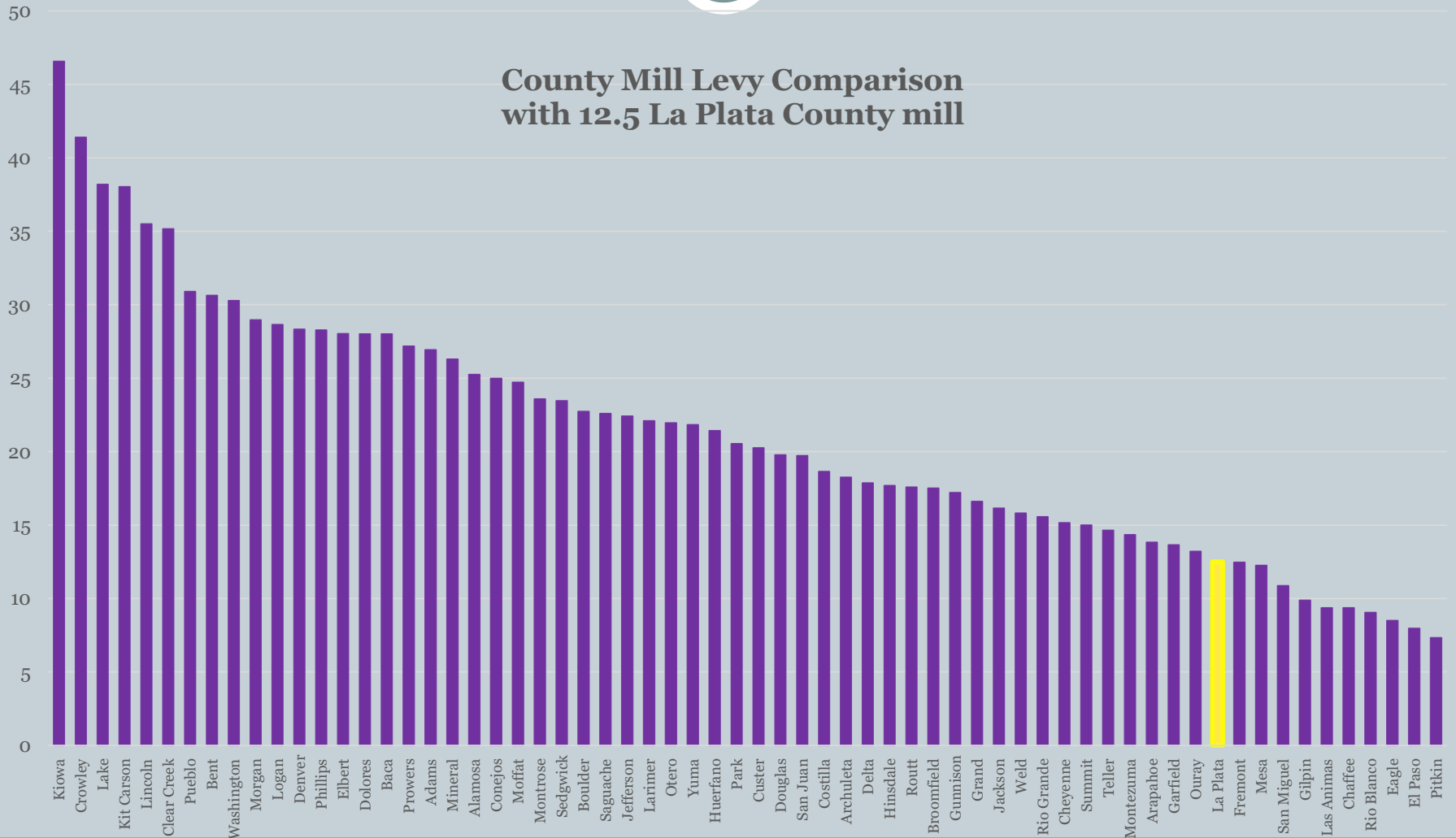
GENERAL FUND SUMMARY	2015(A)	2016(A)	2017(A)	2018(E)	2019(F)	2020(F)	2021(F)	2022(F)	2023(F)	2024(F)	2025(F)	2019-25(F)
GF Total Op Revenues	34,974,725	38,199,612	37,546,407	36,078,213	36,250,815	36,714,218	36,479,968	37,441,811	37,433,000	38,399,680	39,966,115	
Total Operating Expenditures	32,380,881	33,839,832	33,333,280	34,141,040	34,809,010	36,067,985	37,405,848	38,298,643	39,507,113	40,753,771	41,976,384	
GF Operating Surplus/(Deficit)	2,593,844	4,359,780	4,213,127	1,937,173	1,441,804	646,233	(925,879)	(856,832)	(2,074,112)	(2,354,091)	(2,010,269)	(6,133,147)
GF Capital Exps & Transfers	8,461,686	10,043,939	8,461	4,010,000	4,431,000	1,131,000	1,131,000	1,131,000	1,131,000	131,000	131,000	
NET CHANGE GF FUND BALANCE	(5,867,842)	(5,684,159)	4,204,666	(2,072,827)	(2,989,196)	(484,767)	(2,056,879)	(1,987,832)	(3,205,112)	(2,485,091)	(2,141,269)	(15,350,147)
<b>ROAD &amp; BRIDGE SUMMARY</b>												
Total R&B Operating Revs	8,555,974	8,008,724	8,466,436	8,345,901	8,142,369	8,165,218	8,067,647	8,042,128	8,117,798	8,214,735	8,261,947	
Total R&B Operating Expenses	6,780,031	6,850,736	6,952,004	6,878,142	7,908,940	8,176,318	8,749,436	8,909,676	9,185,312	9,469,488	9,753,573	
R&B Operating Surplus/(Deficit)	1,775,943	1,157,988	1,514,432	1,467,759	233,429	(11,100)	(681,788)	(867,549)	(1,067,515)	(1,254,753)	(1,491,626)	(5,140,901)
Net R&B Capital Expenses	(2,151,386)	(1,277,728)	(1,487,634)	(543,258)	(2,817,500)	(4,750,000)	(5,050,000)	(5,300,000)	(5,050,000)	(4,800,000)	(4,550,000)	(32,317,500)
NET CHG R&B FUND BALANCE	(375,443)	(119,740)	26,798	924,501	(2,584,071)	(4,761,100)	(5,731,788)	(6,167,549)	(6,117,515)	(6,054,753)	(6,041,626)	(37,458,401)
<b>HUMAN SERVICES FUND SUMMARY</b>												
HSF Revenues	5,892,528	6,439,208	5,828,440	5,965,415	6,195,777	6,201,613	6,358,063	6,544,827	6,559,928	6,736,800	6,952,066	
HSF Expenses	6,158,811	6,520,601	5,865,675	5,966,416	6,019,108	6,198,181	6,404,292	6,579,954	6,752,644	6,977,513	7,160,717	
HSF Surplus/(Deficit)	(266,283)	(81,393)	(37,235)	(1,001)	176,669	3,432	(46,230)	(35,128)	(192,717)	(240,712)	(208,650)	(929,247)
<b>CAPITAL IMPROVEMENT FUND SUMMARY</b>												
Capital Fund Revenues/Inflows	8,570,641	13,777,678	2,594,980	4,339,953	9,042,478	2,870,000	2,870,000	2,870,000	3,120,000	1,620,000	1,670,000	
Cap Fund Expenses/Contingency	5,912,295	17,113,687	3,258,289	3,560,689	12,899,741	2,625,000	625,000	775,000	925,000	875,000	775,000	
Capital Fund Surplus/(Deficit)	2,658,346	(3,336,009)	(663,309)	779,264	(3,857,263)	245,000	2,245,000	2,095,000	2,195,000	745,000	895,000	8,420,000
TOTAL FUNDS SURPLUS/(DEFICIT)	(3,851,222)	(9,221,301)	3,530,920	(370,063)	(9,253,861)	(4,997,435)	(5,589,897)	(6,095,508)	(7,320,344)	(8,035,556)	(7,496,545)	(39,535,286)
New Prop Tax Revenue @ Mills						6,913,468	7,100,012	6,700,090	6,720,777	7,041,513	7,461,303	41,937,163
NET SURPLUS/DEFICIT AFTER NEW MILLAGE						1,916,033	1,510,114	604,582	(599,567)	(994,043)	(35,242)	2,401,878

# Increase of 4 mills to 12.5 mills would stabilize the county

## Mill would rank 8<sup>th</sup> lowest in Colorado



**County Mill Levy Comparison  
with 12.5 La Plata County mill**





# LTFC Recommendations



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