

Fiscal Impact Analysis of Three Growth Scenarios

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Prepared by:

TischlerBise
Fiscal, Economic & Planning Consultants

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I. EXECUTIVE SUMMARY

A. Background

TischlerBise, Inc. is under contract with Mesa County to evaluate the fiscal impact of development under three growth scenarios between 2006 and 2020. This fiscal impact analysis determines whether revenues generated by new growth are sufficient to cover the resulting costs to the County. The three scenarios were developed by the County for the Lower Valley based on future land use classifications in the Mesa County Master Plan.

As a first step in this analysis, TischlerBise evaluated levels of service (see Appendix LOS) as well as determined cost and revenue assumptions. These assumptions are based on our on-site interviews and subsequent discussions with department heads, their representatives, and other related personnel in addition to a detailed analysis of the Mesa County's adopted FY2007 Budget. A number of these assumptions are included and discussed in this document.

The revenue and cost projections are based on the assumption that in most cases the current level of spending, as provided in the FY07 budget, will continue over time. The current level of spending is referred to as the current level-of-service and is used to calculate the fiscal impact to the County from growth in the Lower Valley for the 14-year period between 2006 and 2020. In addition, current 2006 dollars are used throughout. Certain special revenue funds (i.e., the Insurance Fund) are not included in this analysis since revenues generated from this fund are assumed to be fixed and not related to growth. *Enterprise Funds (i.e. utilities, sewer and water, etc.) are not modeled because the intent of the fiscal analysis is to include only tax supported funds. Also, infrastructure such as water and sewer are not included because these items have their own rate structures created by the utility companies, which are updated annually.*

B. Growth Areas and Scenarios

For purposes of this fiscal analysis, the Lower Valley was divided into eleven fiscal analysis zones (FAZs): 1) RA 35+, 2) LL 35+, 3) RA 17/9, 4) RA 10/5, 5) RR 5 Mack, 6) Mack Estate, 7) Mack Tier 2, 8) Mack Tier 1, 9) RR 5 Loma, 10) Loma Core, and 11) URR (urban residential reserve). The same FAZs and their boundaries were used for all three scenarios: 1) 5-Acre Density Trend, 2) Master Plan Community Centers, and 3) 2-Acre Density. The 5-Acre Density Trend scenario illustrates the continuation of current land use policies and development trends at a 5 acre density or less. The Master Plan scenario concentrates growth around Fruita, Loma, and Mack with high density lots closer to these areas scaling down to lower density lots on the

periphery. Also, this is the only scenario that contains parcels with densities of 10 and 35 acres. The third scenario is the 2-Acre Density, which varies from the 5-Acre scenario with densities of 2 acres or less. The growth scenarios are discussed in more detail in Section III of this report, which also includes a map of the FAZs for each scenario.

Information regarding the population and housing net increases under each scenario by FAZ is shown in Table 1.

Table 1: Population and Housing Units Net Increases, 2006-2020

Characteristics	Fiscal Analysis Zones											Total
	RA 35+	LL 35+	RA 17/9	RA 10/5	RR 5 Mack	Mack Estate	Mack Tier 2	Mack Tier 1	RR 5 Loma	Loma Core	URR	
Population												
5-Acre Density	402	0	872	1,555	0	20	421	92	473	272	503	4,610
Master Plan	115	46	230	578	185	230	923	460	230	460	1,153	4,610
2-Acre Density	840	71	1,369	955	14	18	421	92	55	272	504	4,610
Housing Units												
5-Acre Density	175	0	379	676	0	8	183	40	206	118	219	2,004
Master Plan	50	20	100	251	80	100	401	200	100	200	501	2,004
2-Acre Density	365	31	595	415	6	8	183	40	24	118	219	2,004

The population and housing unit increases are the same under all scenarios at the conclusion of the analysis period. The population is distributed based on the number of housing units in each FAZ for the scenarios (2.3 persons per household). The key factor is the distribution of the housing units under the five densities analyzed for each scenario. This is important because each housing unit generates property tax revenue and in some cases costs to the County based on the lot density. The allocation of the housing units for the five densities considered is shown in Section III.

Table 2: Employment and Nonresidential Square Feet (SF) Net Increases, 2006-2020

Characteristics	Fiscal Analysis Zones											Total
	RA 35+	LL 35+	RA 17/9	RA 10/5	RR 5 Mack	Mack Estate	Mack Tier 2	Mack Tier 1	RR 5 Loma	Loma Core	URR	
Employment												
5-Acre Density	0	0	0	0	25	0	0	0	25	0	0	50
Master Plan	0	0	0	0	25	0	0	0	25	0	0	50
2-Acre Density	0	0	0	0	25	0	0	0	25	0	0	50
Nonresidential SF												
5-Acre Density	0	0	0	0	15,000	0	0	0	15,000	0	0	30,000
Master Plan	0	0	0	0	15,000	0	0	0	15,000	0	0	30,000
2-Acre Density	0	0	0	0	15,000	0	0	0	15,000	0	0	30,000

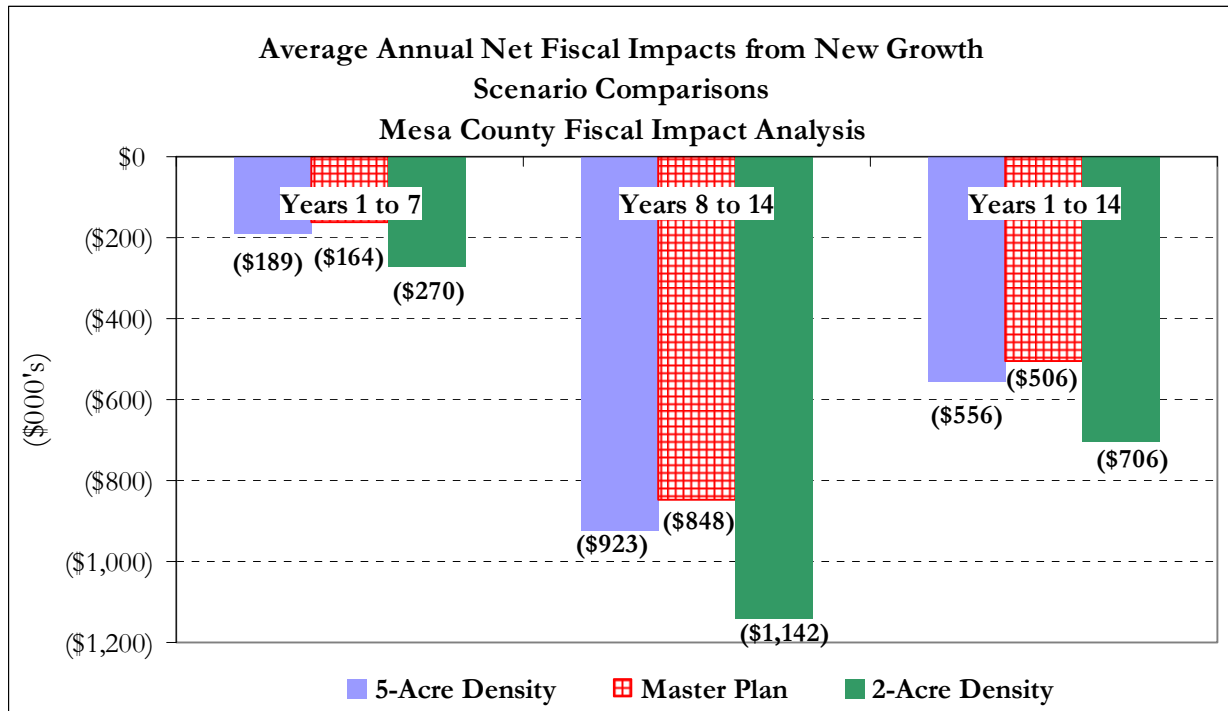
Each scenario has the same employment projection of 50 employees all in the commercial/retail sector.

C. Fiscal Impact Results

1. Average Annual Net Fiscal Impacts

The chart below shows the average annual net fiscal impact (revenues minus expenditures) over the 14-year development period for the three land use scenarios. The fiscal results are shown for three time periods: 1) Years 1-7, 2) Years 8-14, and 3) Years 1-14 and include both operating and capital impacts. *All results are those accruing from new growth only, and do not include costs and revenues from the existing population and employment base of the County.* As Figure 1 below indicates, new growth under all three scenarios generates average annual net deficits in all time periods. Years 1-7 have significantly lower net deficits because major capital facilities for Sheriff and General Government are triggered to be built in the latter half of the analysis period. This means that the full impact of these facilities will not be seen until the second half of the analysis since these expansions are debt financed.

Figure 1:

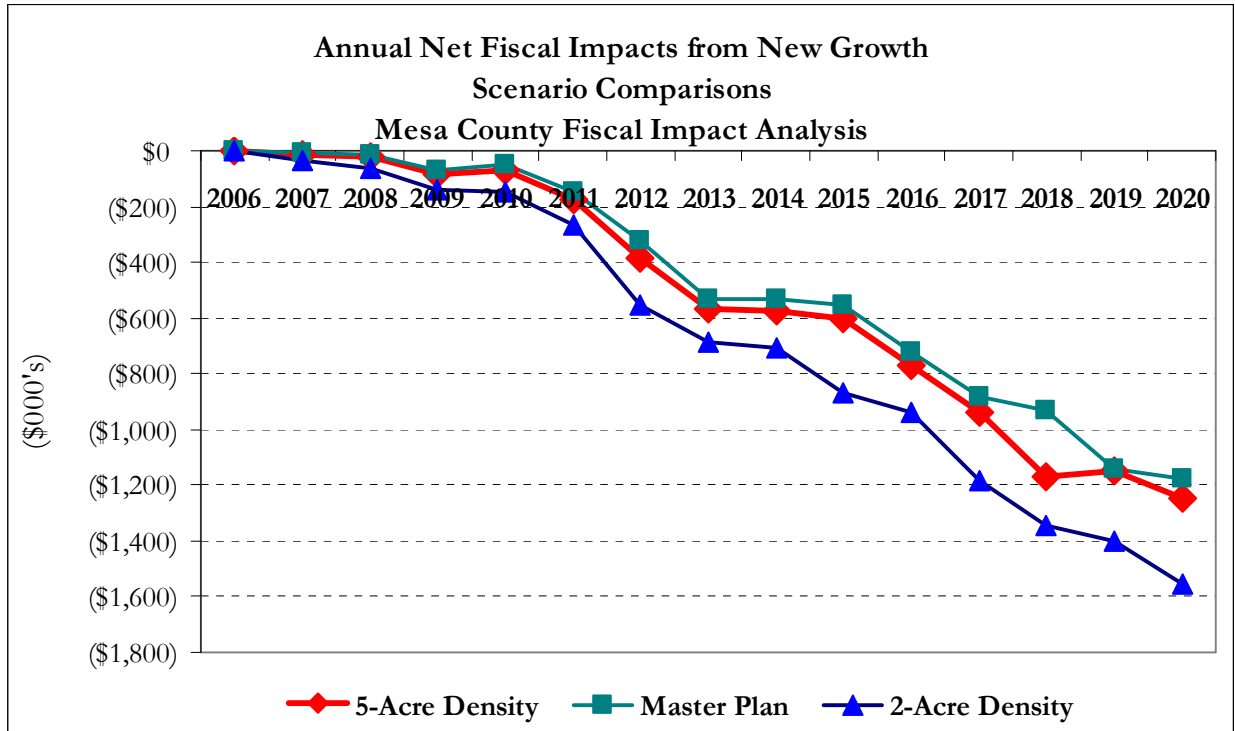


2. Annual Net Fiscal Impacts

Figure 2 shows the annual net fiscal impacts to the County for each of the three scenarios over the 14-year development period. By showing the results annually, the magnitude, rate of change, and timeline of deficits and surpluses can be observed over time. Data points above the \$0 line represent annual surpluses; points below the \$0 line represent annual deficits. The

“bumpy” nature of the annual results during particular years represents the opening of capital facilities and/or major operating costs being incurred. All three scenarios generate deficits in every year of the analysis. The deficits follow similar trends because the same population and housing units are being projected for the scenarios each year but vary in magnitude.

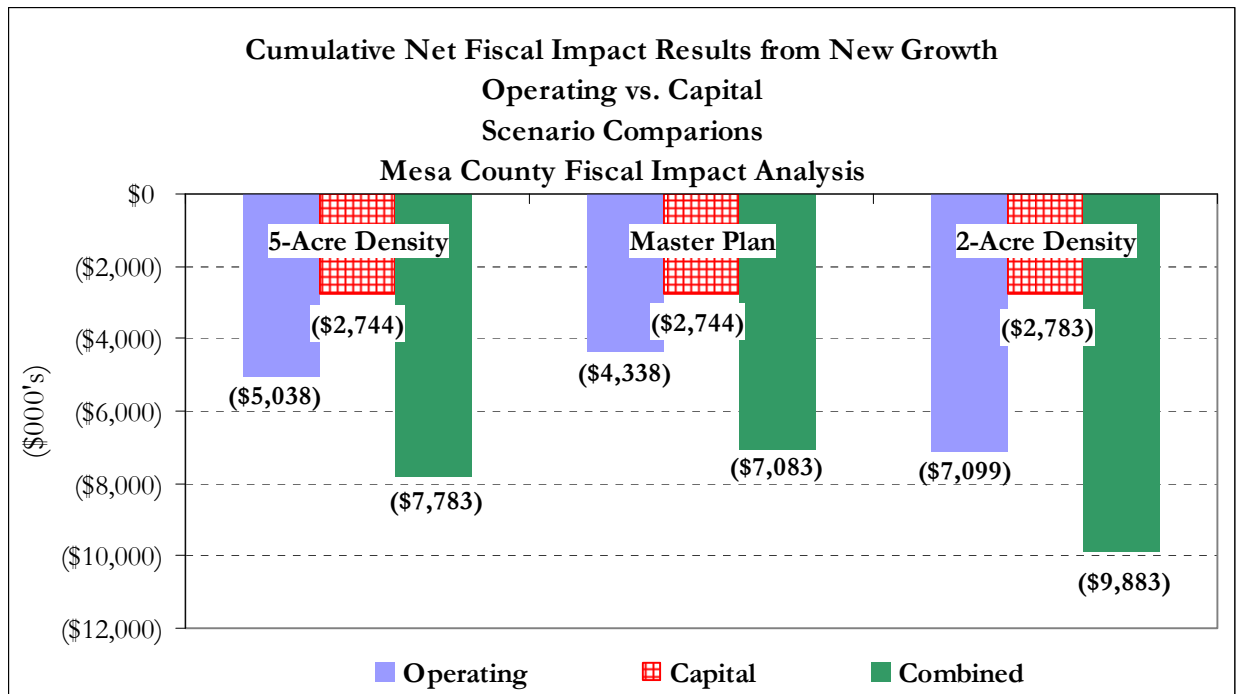
Figure 2:



3. Cumulative Net Fiscal Impacts

Figure 3 below shows the cumulative net fiscal impacts to Mesa County for the operating budget, capital budget, as well as the combined net impact. The cumulative impact is the total amount of money lost or gained over the 14-year analysis period. As the chart indicates, the combined cumulative net deficit totals \$7.8 million for the 5-Acre scenario, \$7.1 million for the Master Plan scenario, and \$9.9 million for the 2-Acre scenario over the 14-year period. The figure shows that the County’s deficits for the three scenarios are primarily due to operating expenditures. Operating expenditures for the 2-Acre scenario are 2.6 times higher than the capital costs, 1.6 times higher for the Master Plan scenario, and 1.8 times higher for the 5-Acre scenario. Road maintenance, the largest operating expense for all the scenarios, accounts for 31% for the 5-Acre scenario to 38% for the 2-Acre scenario of all the operating expenditures.

Figure 3:



D. Discussion of the Results

The following highlights the major reasons for the results of each scenario:

- The Master Plan scenario produces the lowest net deficit among the three scenarios analyzed. This is primarily the result of having 40% of the total housing units being built at urban densities, which has the highest assessed value. Because of the increased property values associated with improvements related to urban density lots, this scenario yields \$1 million more in revenue compared to the 2-Acre scenario and almost \$2 million more than 5-Acre scenario. This scenario generates 21% more road maintenance costs than the 5-Acre scenario despite adding 6% less road mileage to the County system. This is the result of 65% of the housing units being constructed in densities that require urban roads. Sheriff operating costs are the lowest for this scenario because 61% of the housing units are located in the five FAZs that are closest to Grand Junction. The mixture of housing densities allows this scenario to construct more rural than urban roads compared to the 2-Acre scenario, which is a significant reason the 2-Acre scenario performs the worst.
- The 5-Acre Trend scenario has 71% of its housing being constructed in 5-acre density lots, which has the lowest assessed value of the five densities considered. This is 2.3

times lower than the highest property tax producing density considered, which is urban. The importance of this is illustrated as one reason why the 5-Acre scenario performs the worst, in terms of generating revenue, among the three scenarios considered. The 5-Acre scenario also adds the most road mileage to the County system, 37% more than the 2-Acre scenario, which adds the fewest road mileage. However 82% of the roads added to the County system in this scenario will be rural roads. This is significant since rural roads cost 2.5 times less to maintain than urban roads. Also, 54% of the housing units are located in the five FAZs that are closest to Grand Junction, which translates into the second lowest Sheriff operating costs because of shorter travel distances. This scenario produces a net deficit of \$700,000 more than the Master Plan (the lowest net deficit) despite having the lowest road maintenance costs (\$2.6 million less than the 2-Acre scenario and \$1.4 million less than the Master Plan scenario) and second lowest Sheriff operating costs. This is important because the lower operating costs help offset the lack of revenue generated due to 5-acre density lots.

- The poorest result is produced by the higher density 2-Acre scenario, which generates \$2.8 million more in deficits during the 14-year analysis period compared the Master Plan scenario. This scenario generates the highest road maintenance costs while adding the lowest total road mileage to the County system. This is because all of the housing units will be constructed in 2-acre or urban densities, which require urban roads. Also, 83% of the housing units will be constructed at 2-acre density lots, which yields only \$5,000 more per housing unit than the lowest property tax generating density, which is 5-acre at \$20,607 per unit annually. The Sheriff operating and capital costs are also the highest for this scenario compared to the other two scenarios. Of the eleven FAZs that make up the Lower Valley, 60% of the housing units will be constructed in the six FAZs that are furthest from Grand Junction, which translates into longer response times meaning more operating and personnel costs to provide the same level of service. Despite this scenario generating the second highest total revenue, it is not sufficient to overcome the magnitude of higher operating and capital costs.

E. Conclusions

The following major conclusions can be drawn from this analysis:

- **The average annual net deficits generated under the three scenarios indicate the County's present revenue structure cannot provide current levels of service to new development in the Lower Valley without finding new revenue sources or raising existing rates.**

- **While the analysis shows that the Master Plan and 5-Acre scenarios have the lowest net deficits, the full cost of lower density development is not seen in the model.** This is because residential development requires fire and utility services. The Lower Valley Fire Protection District serves residents in the area and if development occurs at one housing unit per 35 acres, one per 10 acres, or even one unit per 5 acres then this could severely limit the ability of the fire department to serve these units safely. Also, utility costs would be very high especially if water and sewer were provided to the lower density housing units.
- **The analysis does show that the County benefits from encouraging development closer to Grand Junction.** This is demonstrated with the Master Plan scenario, which has the lowest Sheriff operating costs because 25% of its projected housing will be constructed in the URR FAZ, which is two times closer than the furthest FAZ, RA 35+. The 2-Acre scenario has 18% of the total units being constructed in the RA 35+ FAZ, which is a main reason this scenario produces more capital and operating costs for Sheriff. Development in the FAZs that are furthest from Grand Junction will also yield higher costs for fire and utility services. Fire costs will be higher because of longer response times, which could produce safety concerns. Even constructing and maintaining a substation will have significant costs. Also, the cost to provide water and sewer services for 2-acre density units in FAZs such as the RA 35+ could be significant. The true costs of providing fire and utility services would probably be more than the County could realistically raise in revenue to pay for these services.
- **Road maintenance is the primary source of all expenses generated by the Lower Valley.** It amounts to 27% of the total expenditures generated for the 5-Acre Trend scenario, 31% for the Master Plan scenario, and 34% for the 2-Acre scenario (this includes both operating and capital costs).
- **Property and sales tax revenue generated in this analysis indicate the Lower Valley is not fiscally balanced.** Sales tax and property tax are the second and third highest sources of revenue for the County, respectively. The County expects to collect 21% of all its revenue from sales taxes and 17% of all its revenue from property taxes based on the FY 2007 Budget. However, sales tax and property tax revenue generated from new growth in this analysis indicate that the County will be heavily reliant on property taxes, which accounts for 42% (for the 5-Acre scenario) to 48% (for the Master Plan scenario) of the total revenue. Sales tax represents around 8% of all revenue produced in each scenario. This imbalance is due to a minimal amount of retail space being projected in the scenarios, which generates sales tax to the County.

- This analysis examines costs only in the Lower Valley due to new growth. Therefore, while deficits are incurred due to new growth in the Lower Valley, the County may be able to offset these with surplus revenue generated in other parts of the County.
- From a land use policy perspective, it is important to acknowledge that fiscal issues are only one concern. Environmental, housing affordability, jobs/housing balance, traffic and other issues must also be taken into consideration when making final assessments on what is best for the County.

II. MAJOR ASSUMPTIONS

A fiscal impact analysis determines whether revenues generated by new growth are sufficient to cover the resulting costs for service and facility demands placed on the County. The fiscal impact analysis conducted by TischlerBise incorporates the case study-marginal cost approach wherever possible. The case study-marginal methodology is the most realistic method for evaluating fiscal impacts. This methodology takes site or geographic-specific information into consideration. Therefore, any unique demographic or locational characteristics of new development are accounted for, as well as the extent to which a particular infrastructure or service operates under, over or close to capacity. Therefore, available facility capacity determines the need for additional capital facilities and associated operating costs. Many of the administrative/general government costs that are impacted by general growth in the County, regardless of location, are projected using a marginal/average cost hybrid methodology that attempts to determine capacity and thresholds for staffing but projects non-salary operating costs using an average cost approach.

The following major assumptions regarding the fiscal impact methodology should be noted.

Marginal, Growth-Related Costs and Revenues: For this analysis, costs and revenues that are directly attributable to new development are included. Some costs and revenues are not expected to be impacted by demographic changes, and are considered as fixed costs and revenues in this analysis. To determine fixed costs and revenues, TischlerBise reviewed the FY2007 budget and all available supporting documentation. Funds evaluated as part of this analysis include the County's tax-supported funds. Based on this review, preliminary assumptions were developed that were reviewed and discussed with appropriate County department representatives. In some cases, a determination was made based on TischlerBise's extensive national experience conducting public sector fiscal impact analyses.

Level of Service: The cost projections are based on the "snapshot approach" in which it is assumed the current level of service, as funded in the County's FY2007 budget, will continue through the 14-year analysis period. Current demand base data was used to calculate unit costs and service level thresholds. Examples of demand base data include population, dwelling units, employment by type, vehicle trips, etc. In summary, the "snapshot" approach does not attempt to speculate about how levels of service, costs, revenues and other factors will change over 14 years. Instead, it evaluates the fiscal impact to the County as it currently conducts business under the present budget.

Revenue Structure and Tax Rates: Revenues are projected assuming that the current revenue structure and tax rates, as defined by the FY2007 budget, will not change during the analysis period.

Inflation Rate: The rate of inflation is assumed to be zero throughout the projection period, and cost and revenue projections are in constant 2007 dollars. This assumption is in accord with current budget data and avoids the difficulty of speculating on inflation rates and their effect on cost and revenue categories. It also avoids the problem of interpreting results expressed in inflated dollars over an extended period of time. It is important to note that the actual fiscal impact model being implemented for the County does have the capability of incorporating inflation in the analyses.

Non-Fiscal Evaluations: It should be noted that while a fiscal impact analysis is an important consideration in planning decisions, it is only one of several issues that should be considered. Environmental, social and public safety issues, for example, should also be considered when making planning and policy decisions.

III. SCENARIOS

County staff developed three growth scenarios within the Lower Valley of Mesa County to analyze their impact on the County’s operating and capital budgets. For purposes of the fiscal impact analysis, these scenarios were developed for eleven subareas, or fiscal analysis zones (FAZs): 1) RA 35+, 2) LL 35+, 3) RA 17/9, 4) RA 10/5, 5) RR 5 Mack, 6) Mack Estate, 7) Mack Tier 2, 8) Mack Tier 1, 9) RR 5 Loma, 10) Loma Core, and 11) URR (urban residential reserve). Figures 4 to 6 show the location of the FAZs and number of housing units in each FAZ.

Figure 4: Fiscal Analysis Zones for the 5-Acre Trend Scenario

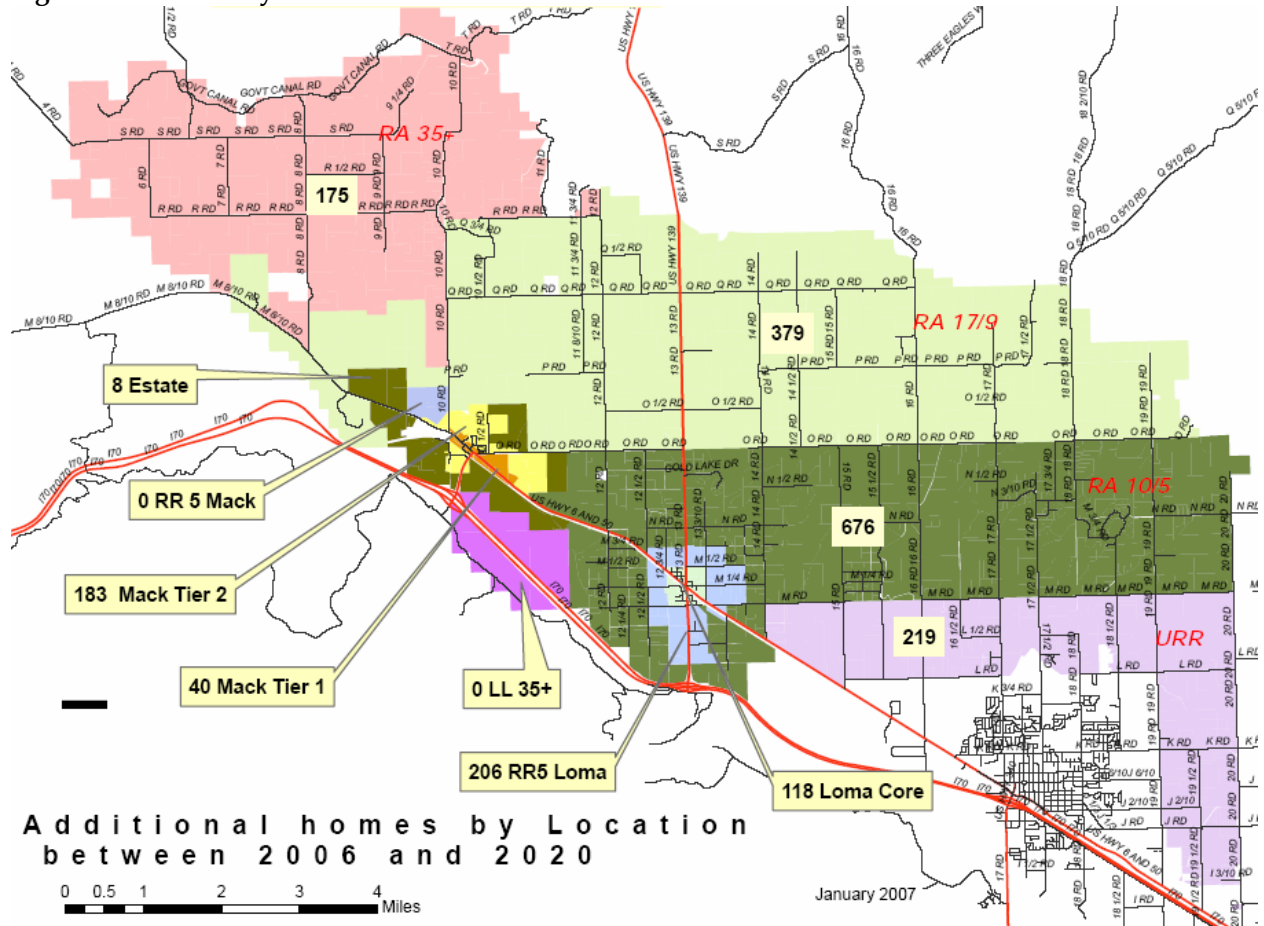


Figure 5: Fiscal Analysis Zones for the Master Plan Scenario

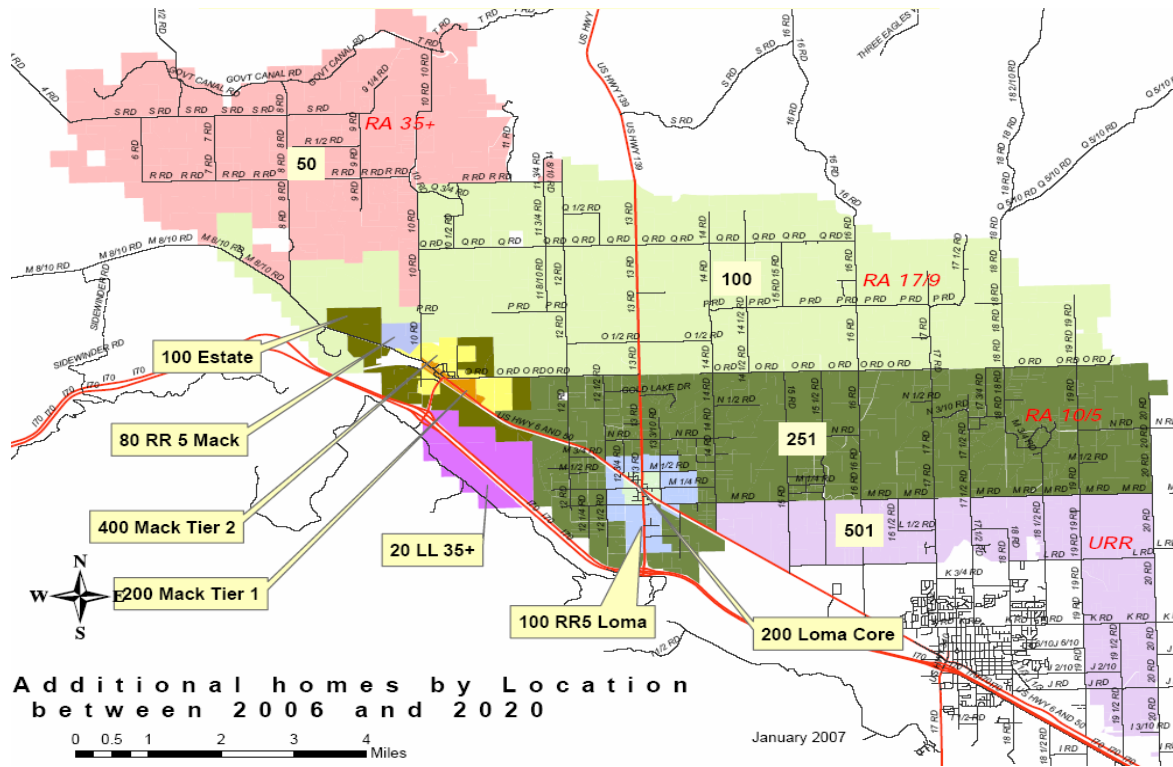
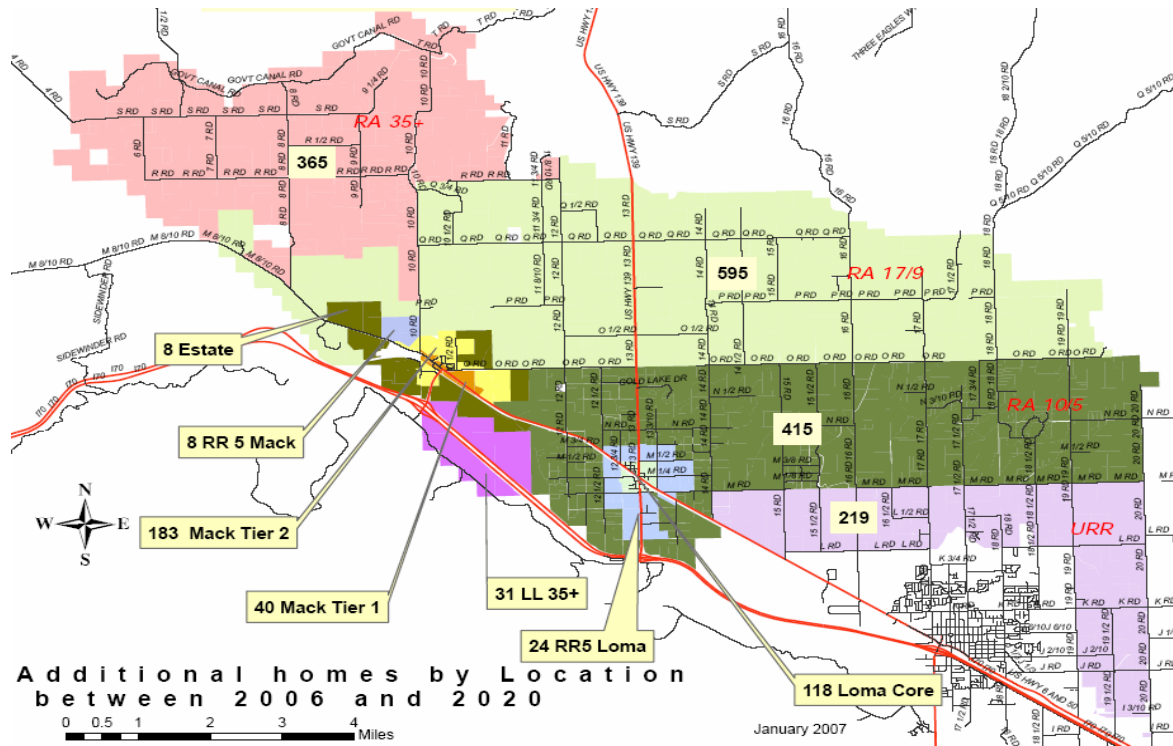


Figure 6: Fiscal Analysis Zones for the 2-Acre Scenario



The three scenarios are intended to show the fiscal implications of public policy decisions about key planning issues on broad land use patterns. The 5-Acre Trend scenario illustrates the continuation of current land use policies and development trends. The Master Plan concentrates growth around Fruita, Loma, and Mack, with lower density lots, such as the 10 and 35 acres, occurring on the periphery of the area. The 2-Acre scenario uses 2-acre density lots instead of the current 5-acre density lots projected in the Trend scenario. Since the County is using the same growth rate to project housing units as well as the same persons per household (2.3) for the three scenarios, identical population and housing unit growth is projected at the end of the analysis period.

A. 5-Acre Density Trend Scenario

The 5-Acre Trend scenario continues the intentions of the County to develop the Lower Valley area with predominately 5 acre parcels and the remainder with lots less than 5 acres.

Only nine of the eleven FAZs are expected to have an increase in population and housing units with the RA 17/9, RA 10/5, and RR 5 Loma FAZs experiencing more than half, 63 percent, of the County’s increase in housing units in the Lower Valley Area. Since the population projections are tied into the housing units, the same FAZs will also contain 63 percent of the increase in population. A marginal amount of employment (50 employees) is projected under this scenario during the analysis period.

**Table 3: 5-Acre Density Trend Scenario
Net Increases by Fiscal Analysis Zone, 2006-2020**

Characteristics	Fiscal Analysis Zones											Total
	RA 35+	LL 35+	RA 17/9	RA 10/5	RR 5 Mack	Mack Estate	Mack Tier 2	Mack Tier 1	RR 5 Loma	Loma Core	URR	
Population	402	0	872	1,555	0	20	421	92	473	272	503	4,610
Housing Units												
35 Acre Density	0	0	0	0	0	0	0	0	0	0	0	0
10 Acre Density	0	0	0	0	0	0	0	0	0	0	0	0
5 Acre Density	175	0	379	676	0	0	0	0	206	0	0	1,436
2 Acre Density	0	0	0	0	0	8	0	0	0	0	219	227
Urban Density	0	0	0	0	0	0	183	40	0	118	0	341
Total	175	0	379	676	0	8	183	40	206	118	219	2,004
Employment												
Commercial	0	0	0	0	25	0	0	0	25	0	0	50
Nonresidential SF												
Commercial SF	0	0	0	0	15,000	0	0	0	15,000	0	0	30,000

B. Master Plan Scenario

The Master Plan scenario contains all five lot densities with growth originating around the rural communities of Fruita, Loma, and Mack. A housing unit located further from these areas will have more acres associated with that particular parcel. Therefore the lowest density lots, 35 acres, will be located on the periphery of development.

As shown in Table 4, the Master Plan scenario has housing unit increases spread out more evenly across the FAZs compared to the 5-Acre Trend and 2-Acre scenarios. While the scenario has about 89 percent of the increase in housing units located on 5 acres or less the scenario still has housing projections for the two lowest densities. These two lot densities will be responsible for lower costs associated with road maintenance. This scenario also projects a modest amount of employment at 50 employees.

Table 4: Master Plan Scenario
Net Increases by Fiscal Analysis Zone, 2006-2020

Characteristics	Fiscal Analysis Zones											Total
	RA 35+	LL 35+	RA 17/9	RA 10/5	RR 5 Mack	Mack Estate	Mack Tier 2	Mack Tier 1	RR 5 Loma	Loma Core	URR	
Population	115	46	230	578	185	230	923	460	230	460	1,153	4,610
Housing Units												
35 Acre Density	50	20	0	0	0	0	0	0	0	0	0	70
10 Acre Density	0	0	100	51	0	0	0	0	0	0	0	151
5 Acre Density	0	0	0	200	80	0	0	0	100	0	101	481
2 Acre Density	0	0	0	0	0	100	0	0	0	0	400	500
Urban Density	0	0	0	0	0	0	401	200	0	200	0	801
Total	50	20	100	251	80	100	401	200	100	200	501	2,004
Employment												
Commercial	0	0	0	0	25	0	0	0	25	0	0	50
Nonresidential SF												
Commercial SF	0	0	0	0	15,000	0	0	0	15,000	0	0	30,000

C. 2-Acre Density Scenario

The 2-Acre scenario contains projections of housing units at a 2 acre density or less. The 2 acre density lots are approximately 83 percent of the housing unit increase.

Similar to the 5-Acre Trend scenario, the 2-Acre scenario concentrates growth in three FAZs. The RA 35+, RA 17/9, and RA 10/5 FAZs contain 69 percent of the housing unit increase and all three FAZs only have 2 acre density lots. This scenario contains more sprawl than the two other scenarios because more than half of the housing units will be constructed in FAZs that are the furthest from the service area. Since this scenario has the highest density of the three scenarios analyzed, it will have the highest costs associated with road maintenance. This scenario, like the two previous scenarios, also projects a marginal amount of employment (50 employees).

Table 5: 2-Acre Density Scenario
Net Increases by Fiscal Analysis Zone, 2006-2020

Characteristics	Fiscal Analysis Zones											Total
	RA 35+	LL 35+	RA 17/9	RA 10/5	RR 5 Mack	Mack Estate	Mack Tier 2	Mack Tier 1	RR 5 Loma	Loma Core	URR	
Population	840	71	1,369	955	14	18	421	92	55	272	504	4,610
Housing Units												
35 Acre Density	0	0	0	0	0	0	0	0	0	0	0	0
10 Acre Density	0	0	0	0	0	0	0	0	0	0	0	0
5 Acre Density	0	0	0	0	0	0	0	0	0	0	0	0
2 Acre Density	365	31	595	415	6	8	0	0	24	0	219	1,663
Urban Density	0	0	0	0	0	0	183	40	0	118	0	341
Total	365	31	595	415	6	8	183	40	24	118	219	2,004
Employment												
Commercial	0	0	0	0	25	0	0	0	25	0	0	50
Nonresidential SF												
Commercial SF	0	0	0	0	15,000	0	0	0	15,000	0	0	30,000

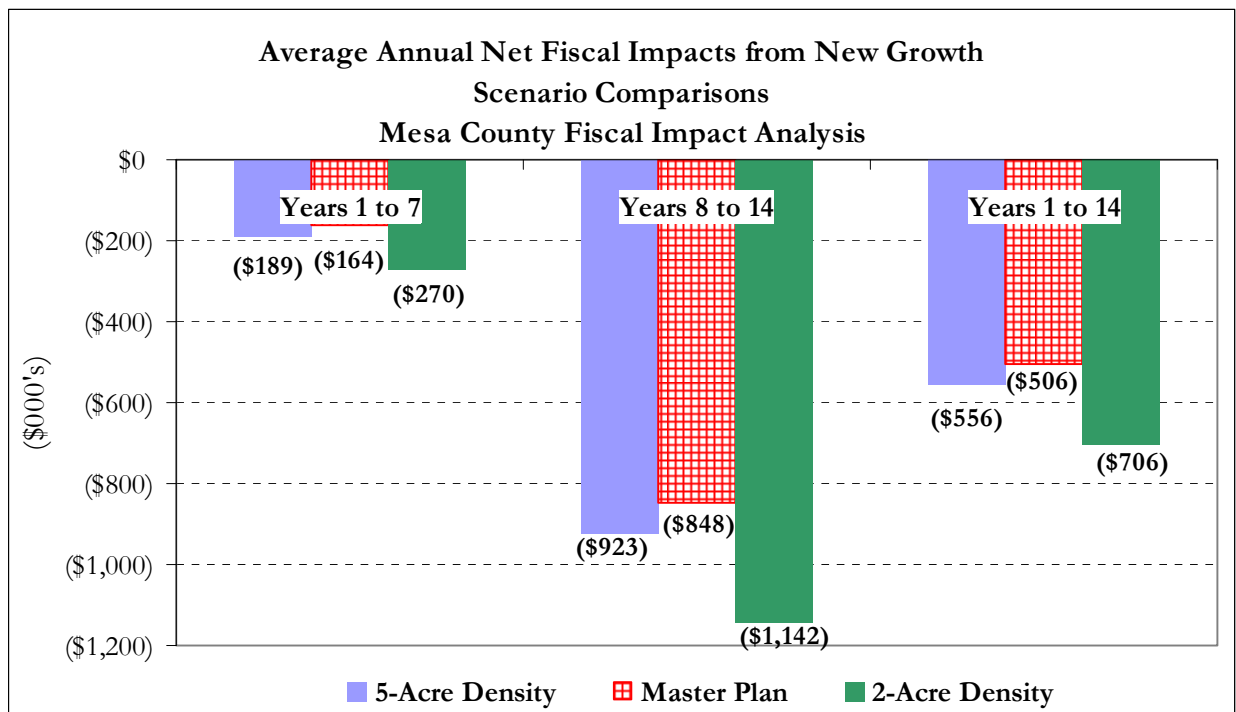
VI. FISCAL IMPACT RESULTS

The fiscal results are discussed in terms of average annual and annual net impacts. The average annual net fiscal impacts are discussed first in Part A below, followed by annual net fiscal impacts. Revenue and expenditure details are discussed in Section V. All net results are those from new growth only and do not include costs and revenues from the existing population and employment base of the County.

A. Average Annual Results

Figure 7 below shows the average annual net fiscal impact (revenues minus expenditures) over the 14-year development period to Mesa County in the Lower Valley for the growth scenarios. The fiscal results are shown for three time periods: 1) Years 1-7, 2) Years 8-14, and 3) Years 1-14 and include both operating and capital impacts.

Figure 7:



As the chart above indicates, all three scenarios generate net deficits throughout the 14-year analysis period, with the 2-Acre scenario producing the greatest deficits. Larger deficits incurred in the last seven years of the analysis are due to the compounding nature of debt service payments primarily for the sheriff and general government capital facilities. The two major capital expansions needed in order to maintain the current level of service (Sheriff and General Government) are occurring in years 6 and 7. Since these capital expenditures are debt

financed most of the impact will be in the latter half of the analysis. Also, road maintenance and Sheriff operating expenditures are costs incurred every year in the analysis. These two expenditures amount to 57% for the 5-Acre scenario to 62% for the 2-Acre scenario of total operating costs. The two main sources of revenue generated from new growth by the County, property tax and sales tax, are insufficient to cover the capital and operating costs incurred.

The Master Plan scenario produces the lowest net deficit because 40% of all its housing units will be constructed in urban density lots, which generate 69% more property tax revenue than 35-acre density lots (the second highest assessed value) and 133% more than 5-acre density lots (the lowest assessed value). The difference in property tax revenue generated by the Master Plan scenario compared to the 5-Acre Trend scenario, despite producing more operating costs, is the reason why the Master Plan scenario has lower annual deficits.

Total capital costs are different for the 2-Acre scenario compared to the 5-Acre and Master Plan scenarios. This can be explained by the Sheriff capital and operating costs, which are determined based on the distance of the FAZs from Grand Junction and number of housing units located in each FAZ. FAZs further from Grand Junction, such in the 2-Ace scenario, require longer response times and lead to higher capital and operating costs. The Master Plan produces less Sheriff operating costs than the 5-Acre scenario because 25% of its housing is located in the URR FAZ, which is the closest to Grand Junction.

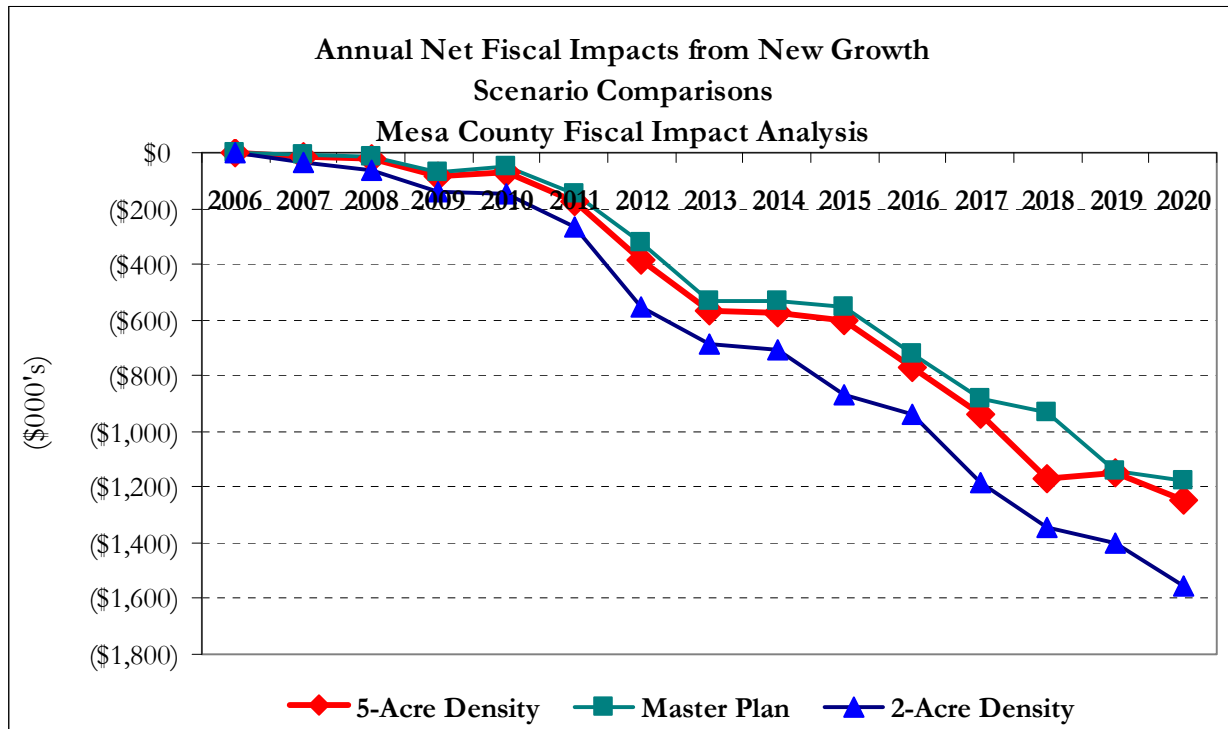
Road mileage is determine based on minimum lot frontages; therefore, lower density units, such as 5-acres may add more road mileage but based on County road maintenance costs, rural roads are 2.5 times less expensive to maintain. The 5-Acre scenario adds the most road mileage to County system, which must be maintained every year. However, while this scenario adds the most road mileage, it generates the lowest total maintenance costs of all the scenarios. This is because 83% of the total road mileage that must be maintained will be rural roads, which cost the County \$12,500 per mile to maintain annually compared to \$32,500 for urban roads. The Master Plan scenario is adding 6% less road mileage to the County system, but is generating 21% more in total costs at the end of the analysis. This is the result of 65% of total housing being constructed at 2-acre and urban densities that require urban roads. This scenario also has 35-acre and 10-acre density lots, while requiring less road maintenance costs, still add more road mileage that the County must maintain compared to 5-acre density lots. The 2-Acre scenario adds the least amount of road mileage but 15% more maintenance costs than the Master Plan scenario and 40% more than the 5-Acre scenario because all of the housing added is 2-acre or urban density development.

General Government and Sheriff capital expenditures along with Sheriff operating costs and road maintenance explain the variation in costs between the scenarios. All other expenditures are equal because population, jobs, or housing, which are the same for all three scenarios, drive the projected need for more services such as planning and zoning from the County.

B. Annual Results

Figure 8 shows the annual net fiscal impacts to the County in the Lower Valley for each of the three scenarios over the 14-year development period. By showing the results annually, the magnitude, rate of change, and timeline of deficits and surpluses can be observed over time. Data points above the \$0 line represent annual surpluses; points below the \$0 line represent annual deficits. The “bumpy” nature of the annual results during particular years represents the opening of capital facilities and/or major operating costs being incurred.

Figure 8:



During the 14-year analysis period all three scenarios produce annual net deficits every year, except for the Master Plan scenario, which produces a net surplus of \$20,000 in year 2010 and the 5-Acre scenario, which produces a net surplus of \$14,000 in year 2010 and \$21,000 in year 2019. All three scenarios follow the same trend the only difference is the magnitude of the deficits. The greatest deficit is for the 2-Acre scenario at \$1.55 million per year by 2020. This means that the annual deficit is increasing by about \$77,700 per year at the end analysis period in 2020. This is shown by the downward slope of the line in Figure 7. In each of the scenarios there are two time periods during the analysis that have spikes in the deficits.

The first time period with a spike is from 2011 to 2013. This can be explained by the opening of capital facilities for Sheriff and General Government. The Sheriff capital facilities are triggered to be built in year 2012 (the Justice Center) and year 2013 (the Criminal Justice Center - Courts).

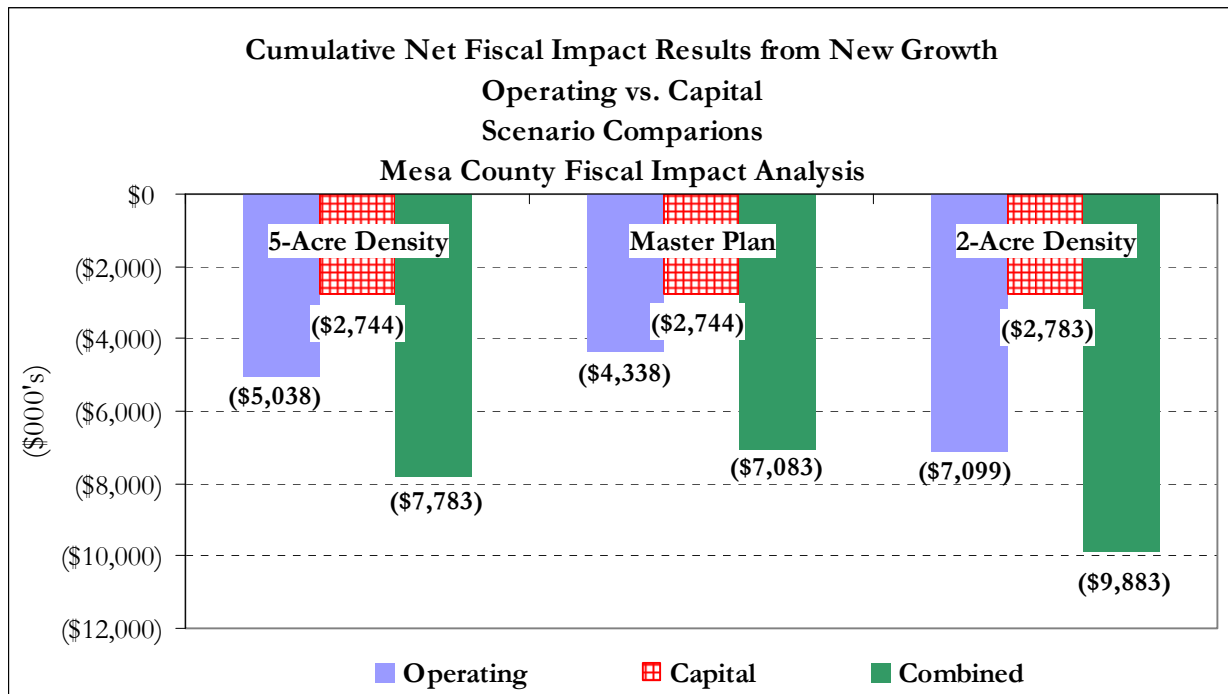
The General Government expansion to accommodate growth is triggered to be built in year 2013. These two capital facilities explain the spike in deficits in between 2011 to 2013.

The second large deficit occurs between years 2015 to 2019. Human Services, Health, and the Criminal Justice departments are adding personnel due to population thresholds that trigger the need for more staff to maintain current levels of service. The Human Services department increased its operating costs from 2016-2018, the Health department from 2015-2017, and the Criminal Justice department from 2016-2017. Another department that is responsible for the large deficit during this time is Sheriff. Sheriff’s largest expenditures occur from 2016 to 2017 for the 5-Acre scenario, 2017-2019 for the Master Plan scenario, and 2017-2019 for the 2-Acre scenario. There is another surge in the deficits for all three scenarios in the last year of the analysis due to additional personnel costs for Sheriff and road maintenance.

C. Cumulative Results

Figure 9 below shows the cumulative net fiscal impacts (revenues minus expenditures) to Mesa County for the Lower Valley for the operating budget, capital budget as well as the combined net impact. The cumulative impact is the total amount of money lost or gained over the 14-year analysis period. As the chart indicates, the combined cumulative net deficit totals \$7.8 million for the 5-Acre Trend scenario, \$7.1 million for the Master Plan scenario, and \$9.9 million for the 2-Acre scenario over the 14-year period.

Figure 9:



The operating costs are higher for the 2-Acre scenario because this scenario produces \$2.6 million more in road maintenance costs over the analysis period than the 5-Acre scenario and \$1.2 million more than the Master Plan scenario. The capital costs are also higher for the 2-Acre scenario because the Sheriff department has to travel further more frequently in order to provide an equal level of service to the same population under all three scenarios. Total net costs are the lowest for the Master Plan scenario because it generates \$1.9 million more in revenue compared to the 5-Acre scenario, which is used to offset the higher operating costs due to road maintenance. The greater revenue is due to property tax generated from the urban density housing type. However, based on these large deficits, primarily due to Sheriff and General Government capital expenditures and the continuing cost of road maintenance and Sheriff/Law Enforcement, the County may need to find additional sources of revenue.

V. REVENUE AND COST DETAIL

A. Revenue

Figure 10 below shows annual growth-related operating revenue under the 5-Acre Trend scenario. (See table on the following page for a complete list of revenue sources.) Results for the other two scenarios are not shown, but the same general relationship occurs, with variations due to the relative differential among revenue categories. Revenue is shown in constant 2007 dollars. As indicated in Figure 10, the largest source of revenue comes from the General Fund.

Figure 10:

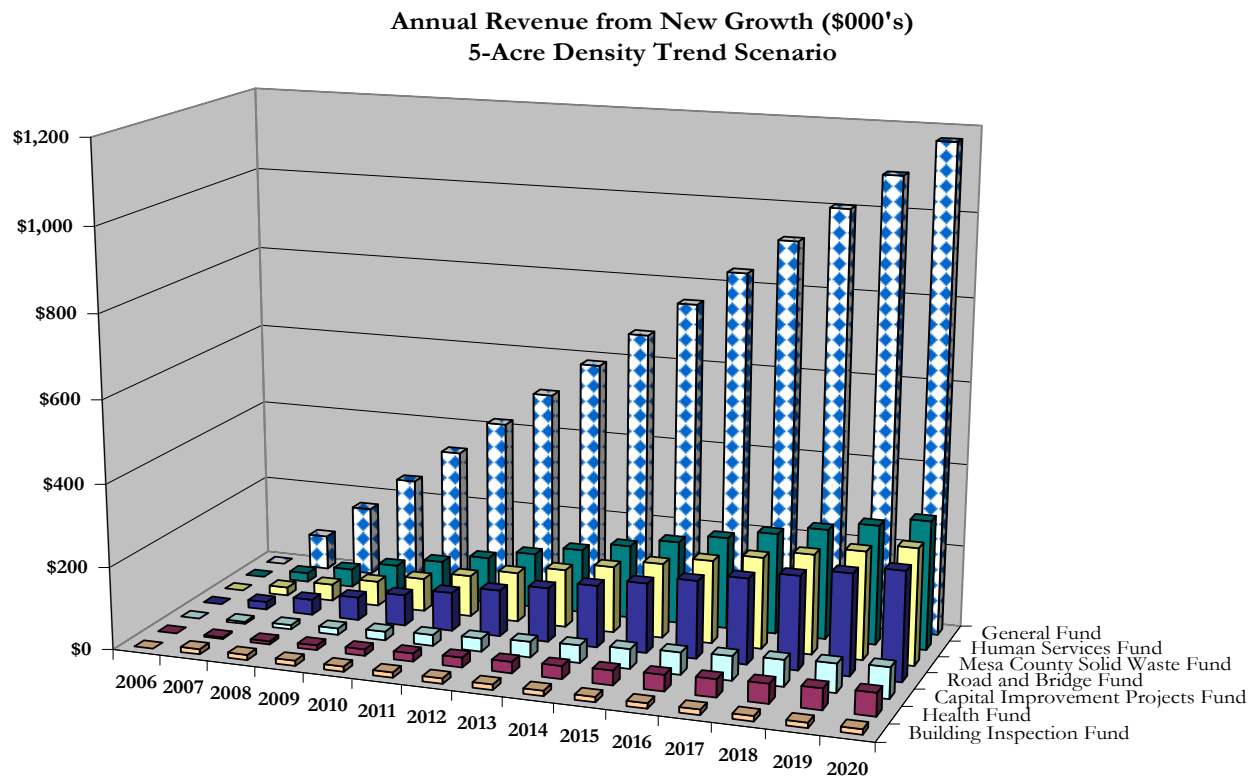


Table 6 shows cumulative revenue for the three scenarios over the 14-year development period, broken down by fund. These sources and the reasons for the results are then discussed briefly. As Table 6 indicates, the Master Plan scenario generates the most cumulative revenue at \$18.4 million. The main reason for higher revenue is due to property tax, which is distributed among several of the funds listed below including the General Fund, Human Services Fund, and Road and Bridge Fund. The revenue is collected based on the assessed value for each density. The two density types with the highest assessed values are the urban density at \$48,038 per unit

annually and the 35-acre density at \$28,463 per unit. The Master Plan scenario has 40% of all the projected housing situated in the urban density, which is the main reason this scenario generates \$850,000 more property tax revenue in the General Fund than the next highest scenario, 2-Acre Density, despite all three scenarios projecting the same total housing units at the end of the analysis. The 2-Acre scenario generates the second highest cumulative revenue of \$17.4 million. This scenario produces the second highest property tax revenue largely due to this scenario having a significant amount of 2-acre density lot development. The 2-acre density lot types generate the third highest amount of property tax for the County at \$25,783 per unit annually. The 2-acre density assessed value is 47% less than the highest density type (urban density) while only 25% higher than the lowest density type, which is 5-acre (\$20,607). The 5-Acre Trend scenario produces the smallest amount of total revenue because 71% of all housing units projected under this scenario will be constructed in 5-acre density lots. As shown in Table 7, other revenue sources are less significant and do not vary between scenarios because the money generated from these sources is dependent upon population and jobs, which are the same for all three scenarios.

Table 6:
Cumulative Revenue from New Growth - Scenario Comparisons (\$000s)
Mesa County Fiscal Impact Analysis

Category	SCENARIO					
	5-Acre Density	%	Master Plan	%	2-Acre Density	%
General Fund	\$8,803	54%	\$10,494	57%	\$9,638	55%
Human Services Fund	\$2,349	14%	\$2,580	14%	\$2,463	14%
Health Fund	\$415	3%	\$415	2%	\$415	2%
Road and Bridge Fund	\$1,980	12%	\$2,030	11%	\$2,005	12%
Building Inspection Fund	\$179	1%	\$179	1%	\$179	1%
Mesa County Solid Waste Fund	\$2,120	13%	\$2,119	12%	\$2,120	12%
Capital Improvement Projects Fund	\$563	3%	\$563	3%	\$563	3%
TOTAL	\$16,411	100%	\$18,381	100%	\$17,384	100%

As Table 7 below indicates, more than 86% of the growth-related revenue from the General Fund comes from taxes for all three scenarios.

Table 7:
Cumulative General Fund Revenue from New Growth - Scenario Comparisons (\$000s)
Mesa County Fiscal Impact Analysis

Category	SCENARIO					
	5-Acre Density	%	Master Plan	%	2-Acre Density	%
Taxes	\$7,533	86%	\$9,224	88%	\$8,368	87%
Licenses, Permits and Fees	\$480	5%	\$480	5%	\$480	5%
Administrative Charges	\$138	2%	\$138	1%	\$138	1%
Other Service Charges	\$620	7%	\$620	6%	\$620	6%
Fines	\$32	0%	\$32	0%	\$32	0%
Other Revenue	\$0	0%	\$0	0%	\$0	0%
Operating Interest	\$0	0%	\$0	0%	\$0	0%
Fund Balance	\$0	0%	\$0	0%	\$0	0%
TOTAL	\$8,803	100%	\$10,494	100%	\$9,638	100%

The Other revenue category as well as Operating Interest and Fund Balance are not projected because of the instability of the categories.

B. Operating Expenditures

Figures 11 and 12 below show the annual operating expenditures over the 14-year development period under the 5-Acre Density Trend scenario. (See Table 8 for a complete list of expenditure categories). Results from the other two scenarios are not shown but the same general relationship exists, with minor differences in magnitude and/or minor variations of the relative differential between expenditure types. As Figures 11 and 12 indicate, the largest operating expenditures are Road and Bridge followed by Sheriff/Law Enforcement and Sheriff/Detention.

Figure 11:

Annual Operating Expenditures from New Growth (\$000's)
5-Acre Density Trend Scenario

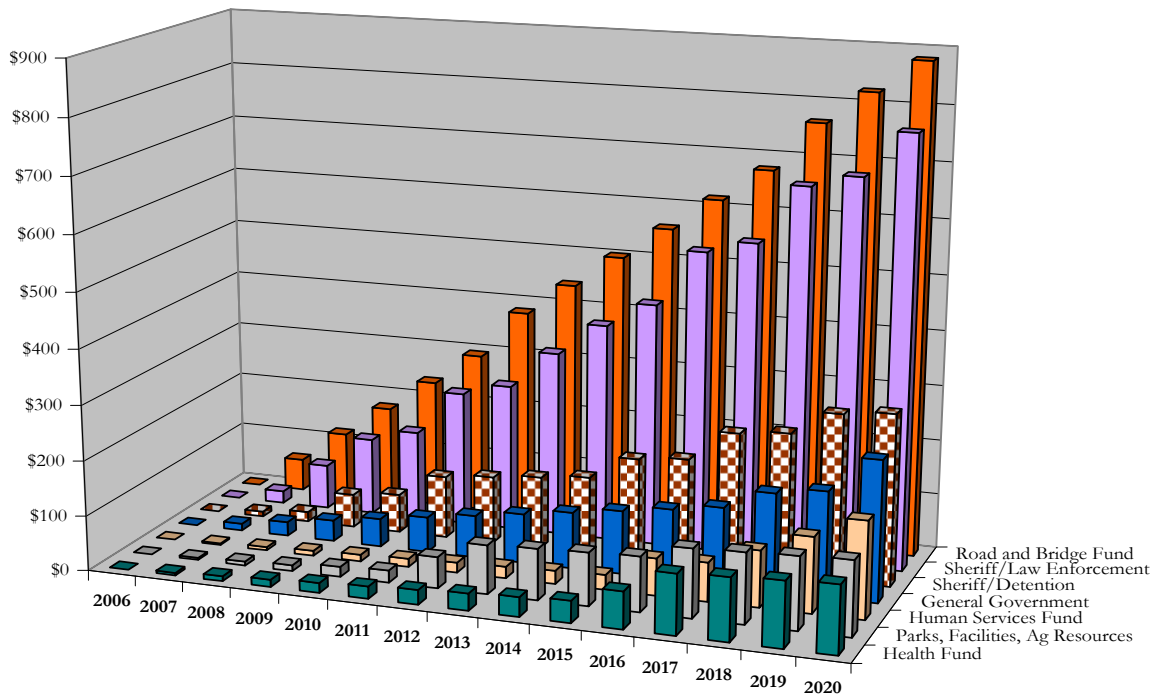


Figure 12:

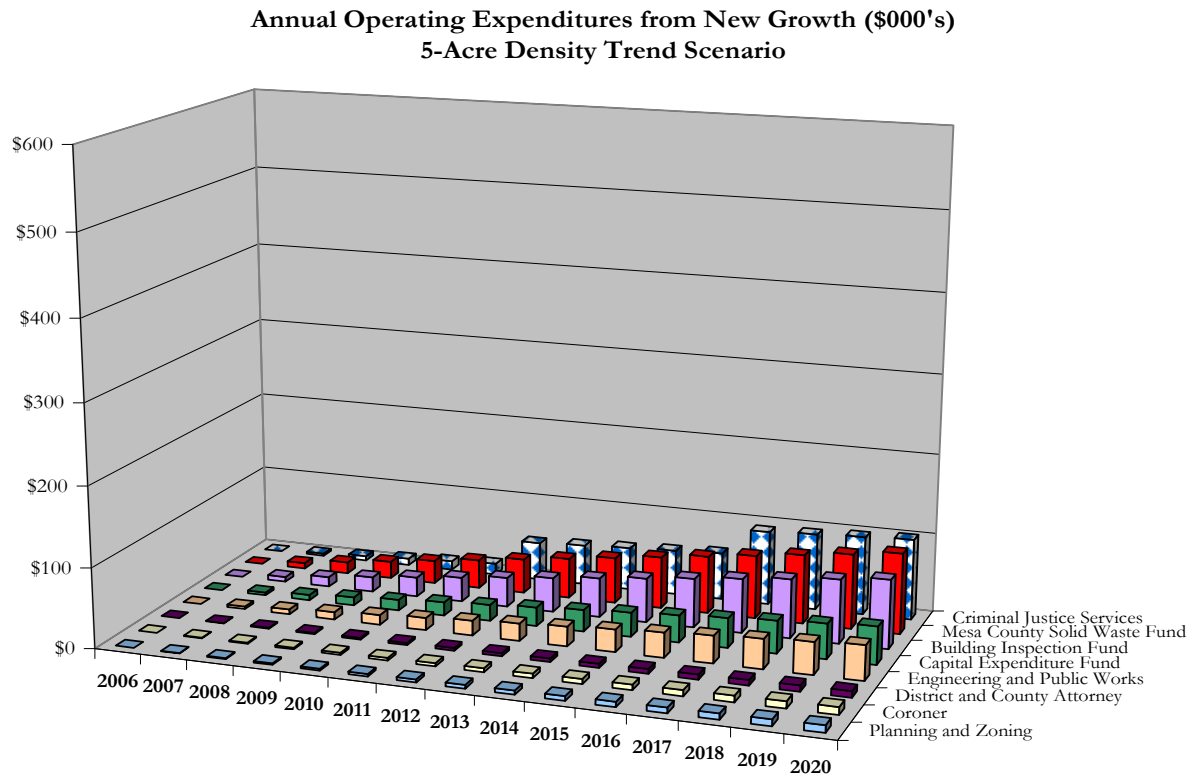


Table 8 shows cumulative operating expenditures for the three scenarios over the 14-year development period, broken down by major category. These categories and the reasons for the results are then discussed briefly. As Table 8 indicates, there are only differences in operating costs between the three scenarios for Sheriff/Law Enforcement and the Road and Bridge Fund. The other departments use the same projection methodologies such as population, population and jobs, or housing. Since these are the same for the three scenarios there is no variation in costs for departments that use these projection methods.

The Sheriff Law Enforcement and Road and Bridge Fund account for 57% for the 5-Acre scenario to 62% for the 2-Acre scenario of operating expenditures. While the other operating expenditures have no variation due to the same amount of development, the analysis does take into account variations of lot density, for the Road and Bridge Fund and the FAZs distances from the service area, Sheriff/Law Enforcement.

Table 8:
Cumulative Operating Expenditures from New Growth - Scenario Comparisons (\$000s)
Mesa County Fiscal Impact Analysis

Category	SCENARIO					
	5-Acre Density	%	Master Plan	%	2-Acre Density	%
General Government	\$1,460	7%	\$1,460	7%	\$1,460	6%
Planning and Zoning	\$66	0%	\$66	0%	\$66	0%
Engineering and Public Works	\$327	2%	\$327	1%	\$327	1%
Parks, Facilities, Ag Resources	\$1,008	5%	\$1,008	5%	\$1,008	4%
District and County Attorney	\$60	0%	\$60	0%	\$60	0%
Criminal Justice Services	\$700	3%	\$700	3%	\$700	3%
Sheriff/Law Enforcement	\$5,340	26%	\$5,211	24%	\$5,751	24%
Sheriff/Detention	\$2,154	10%	\$2,154	10%	\$2,154	9%
Coroner	\$71	0%	\$71	0%	\$71	0%
Road and Bridge Fund	\$6,530	31%	\$7,930	36%	\$9,153	38%
Building Inspection Fund	\$647	3%	\$647	3%	\$647	3%
Mesa County Solid Waste Fund	\$758	4%	\$758	3%	\$758	3%
Health Fund	\$725	3%	\$725	3%	\$725	3%
Human Services Fund	\$685	3%	\$685	3%	\$685	3%
Capital Expenditure Fund	\$355	2%	\$355	2%	\$355	1%
TOTAL	\$20,885	100%	\$22,156	100%	\$23,920	100%

From the General Government to Coroner expenditures are departments that are operated through revenue provided directly from the General Fund. The Road and Bridge Fund to Human Services Fund are Special Funds, with designated revenue sources. Almost all of the expenditures for the Capital Expenditure Fund are through transfers.

The ranking of the expenditure categories is similar for some departments to the ranking under the County’s current FY07 budget. The Sheriff/Law Enforcement category will comprise 24% to 26% of the total operating expenditures during the analysis. Currently, this category has 23% percent of the total General Fund operating budget designated to this department. The third largest cost in the analysis is the Sheriff/Detention department, with about 10% of the total operating expenditures. This department, in the current budget, comprises approximately 12% of the total expenditures for the General Fund. The Road and Bridge, the largest cost, makes up 31% to 38% of operating expenditures, which is significantly higher than what is projected to be sent in this fund for FY 2007. While the FY 2007 budget is countywide, this analysis is examining only growth in the Lower Valley; therefore costs differences will be extreme for some expenditures. The reasons for the differences between the operating budget categories for each scenario are stated below:

The 2-Acre scenario generates more cumulative operating costs primarily due to development in the 2-acre and urban density lots, which will be constructed on the more expensive of the two road types for the County to maintain. The 5-Acre Trend scenario generates less operating expenditures than the 2-Acre scenario because of lower density lot development. For example

the Road and Bridge expenditure category uses lot density as a way to measure operating costs. The higher density lots of 2-acres and urban require more road costs because of construction materials and maintenance costs associated with an urban road type. Sheriff services also costs more for the 2-Acre scenario because more development will occur in the FAZs that are furthest from the service area. The combination of high density lot development and building houses further from the service area leads to more costs for the 2-Acre scenario, which is not covered by this scenario's ability to generate more revenue.

C. Capital Expenditures

Figure 13 below shows annual growth-related capital expenditures incurred by the County over the 14-year development period under the 5-Acre Trend scenario. The expenditures are shown in constant 2006 dollars. This chart illustrates the compounding nature of increasing debt service payments for capital facility construction. Sheriff and General Government are the two largest capital expenditures for the County during the analysis period. Most of the capital expenditures are bonded for 20 years at a rate of 4.5%, except for sheriff vehicles, which are paid in full at the time of acquisition. There are no road costs because the County indicated that there is sufficient road capacity in the Lower Valley area to handle the expected growth from now until 2020.

Figure 13:

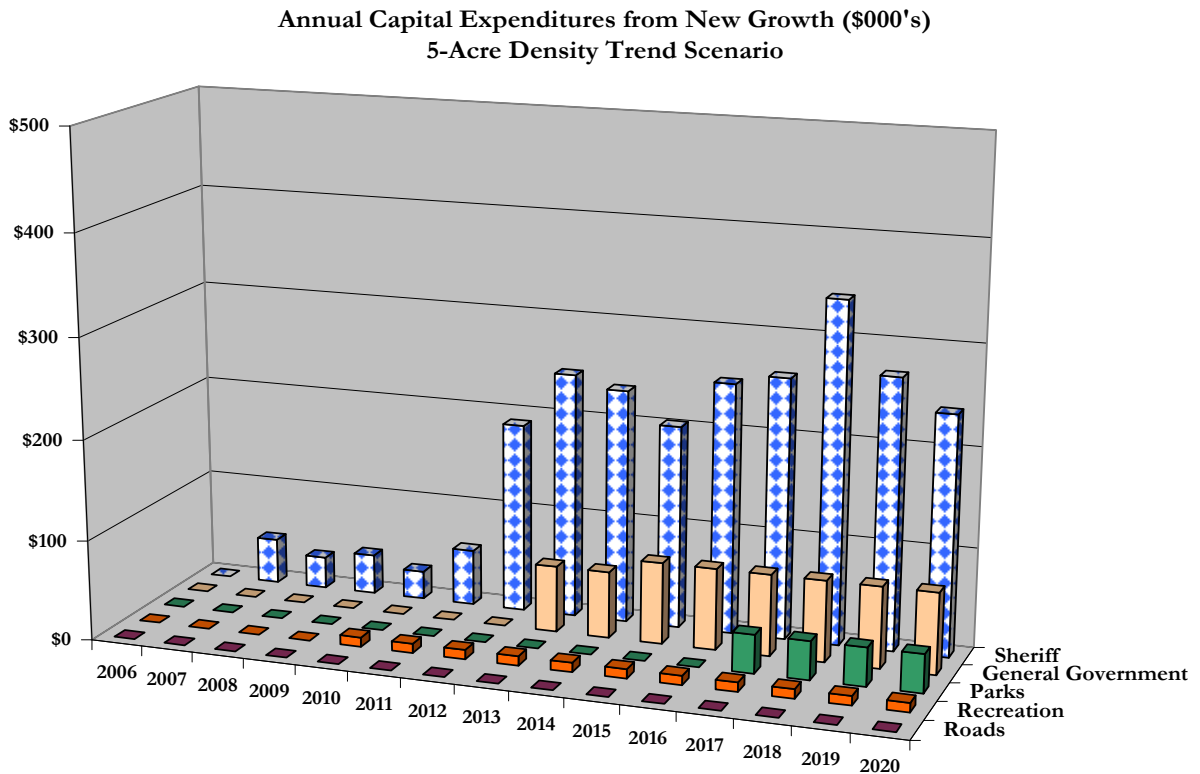


Table 9 shows cumulative growth-related capital expenditures incurred by the County over the 14-year development period under the three scenarios, broken down by category. These categories and the reasons for the results are then discussed briefly. As the table indicates, the largest capital cost for all three scenarios is Sheriff, which accounts for about 73-74% of all capital costs. The 2-Acre scenario generates the greatest cumulative capital expenditures at \$3.34 million, which is expected since this scenario has more than 50% of the expected housing units being constructed in the six FAZs that are furthest from the service area (Grand Junction). This translates into the need for more Sheriff equipment to serve the same population. The Master Plan and 5-Acre scenarios both generate a smaller amount of Sheriff capital expenditures because more than 50% of the housing being constructed in these scenarios is located in the five FAZs that are closest to the service area. Sheriff uses a total calls for service projection factor, which takes into account the distance of each housing unit from the service area. Therefore, higher costs are projected for the 2-Acre scenario because this scenario has more housing units being built in the FAZs that are furthest away, such as the RA 35+ FAZ. All three scenarios will incur the same amount of debt for the General Government, parks, and recreation. This is because each scenario uses the same population for parks and recreation and population and jobs for General Government, to project the future expansion needs of these facilities.

Table 9:

Cumulative Capital Expenditures from New Growth - Scenario Comparisons (\$000s)
Mesa County Fiscal Impact Analysis

Category	SCENARIO					
	5-Acre Density	%	Master Plan	%	2-Acre Density	%
General Government	\$620	19%	\$620	19%	\$620	19%
Sheriff	\$2,429	73%	\$2,429	73%	\$2,468	74%
Parks	\$154	5%	\$154	5%	\$154	5%
Roads	\$0	0%	\$0	0%	\$0	0%
Recreation	\$103	3%	\$103	3%	\$103	3%
TOTAL	\$3,307	100%	\$3,307	100%	\$3,346	100%

The largest capital expenditure under all three scenarios is for sheriff, which comprises about 73-74% of total capital expenditures. The Criminal Justice building and Justice Center for the courts are factored on a marginal basis, using population and jobs as the projection methodology for each scenario. The Detention Center is factored using projected inmates, which is a function of population. Since population and jobs are the same for all three scenarios there is no difference in any of the building capital costs. Sheriff vehicles are projected based on sheriff calls, which uses the FAZ distance from the service area (Grand Junction) to calculate cost differences between the FAZs for each scenario. This allows the County to determine the overall impact of housing location and the costs affects it will have on the Sheriff to be able to provide the current level of service under the different scenarios. The Criminal Justice building has a cost of \$175.74 per square foot and the Justice Center has a cost of \$190.41 per square foot. The Detention Center has a cost of \$52,400 per bed. All building capital costs are financed over 20 years at a rate of 4.5%. Sheriff vehicles are paid in full at the time of acquisition.

General government capital expenditures are the same for all three scenarios because the population and job increases are the same. Population and jobs triggers these capital facilities to be built when a threshold is met. In this case the threshold is met at year 2013 (year 7) because this is when 50% of the projected population and jobs will be in place. The County estimated that the construction cost for a square foot of government office buildings would be \$196.47. Based on the current level of service, TischlerBise calculated that the County would need approximately 4,400 square feet of additional building space during the next 14 years. The construction costs would be financed for 20 years at a bond rate of 4.5%.

The Parks and Recreation capital costs include the construction of additional building space due to residential growth only. This is the reason that the capital costs are the same for all three scenarios. Based on an inventory of existing building facilities for Parks and Recreation a per square foot cost of \$102.93 was used for Parks and \$134.58 was used for Recreation. These construction costs were used instead \$196.47 because the building facilities are generally not built like an office building. The costs were also financed over 20 years at a bond rate of 4.5%.

There is no capital costs associated with Roads because the County stated that there is sufficient capacity to handle the expected growth in the Lower Valley from now until 2020 under all the scenarios. While there are no roads being constructed, there is maintenance costs associated with the Road and Bridge Fund.

It should be noted that fire capital expenditures were not included in this analysis because the services are handled by the Lower Valley Fire Protection District and not by the County. Including the fire capital costs into the analysis would have caused a greater difference between all three scenarios. Also, not included is infrastructure for water and sewer. If water and sewer services were extended to the 10-acre and 35-acre lots under then the Master Plan scenario or FAZs that are furthest from the service area under the 2-Acre scenario then capital expenditures would be significantly higher.