

Orchard City trustees open talks on impact fees to increase revenues

Wednesday, 22 October 2008 00:00 Hank Lohmeyer



The preliminary draft of a "fiscal analysis" of impact fees has been delivered to Delta County and the five municipalities that are participating in the study. The Orchard City trustees saw their version of the study results on Oct. 8.

For example, the RPI analysis for Orchard City concludes that each new home in town creates \$518 in road construction costs but contributes only \$81. Each new home in Orchard City, the study finds, creates \$164 in administrative capital costs but contributes only \$18.

In other words, people are creating a financial burden on the town government.

The purpose of the fiscal analysis is to determine the cost to government for providing government services to new construction, and to calculate the amount of government revenue that new construction contributes.

The analysis, done by RPI consulting of Durango, sifted through reams of financial data to reach its conclusions which show, not surprisingly, that the cost of road maintenance and other government services in the town is far higher than the amount of revenue new homes and businesses contribute.

Orchard City's general fund revenues come largely from the town's share of county sales tax revenues. The town has no property tax nor sales tax.

The funding shortfalls found by the analysis, explained Andrew Klotz of RPI during an Oct. 8 presentation to the town trustees, don't show up as a cash shortfalls in the town budget. Rather, they emerge as "shortfalls in the level of government service" provided by the town, he said.

Klotz explained that the purpose of the study was to provide the town with information. RPI does not make policy recommendations, and it is entirely up to town officials to decide whether and how to implement any impact fees or other policy decisions based on the study's numbers.

The numbers can be taken as a justification for imposing "impact fees" on new construction to make up the apparent funding shortfalls. The study is a straight budget analysis and does not consider various other factors such as the following:

- The impacts to town streets by non-residents' use of those streets;
- The cost of deferred maintenance or "free use" by residents over past years;
- The impacts on town roads by current residents who will continue using roads that new construction has to pay for if impact fees are adopted.

In addition to determining the capital costs to government created by new residents in the town, the study calculated administrative, or ongoing costs to the government for having new people live within its borders. The RPI fiscal analysis also shows a shortfall in the day-to-day administrative costs of government.

Impact fees are seen as a politically attractive and "doable" way to increase government revenues "without raising taxes" and by "making growth pay its own way." RPI did a similar study for Montrose County in 2001 which formed the basis for voter approved impact fees adopted earlier this year.

Before imposing any impact fees, probably most of the jurisdictions in Delta County would have to have to ask voters to "de-Bruce" any impact fee revenue collected.

Mayor Suppes is eager to get his town to adopt an impact fee ordinance and begin collecting money for what he sees as a big challenge for the town — maintaining and upgrading its roads.

But residents of the town express strong no-growth sentiment, so the amount of money an impact fee could generate for roads is questionable. Also, the Orchard Mesa subdivision is not in line to be annexed because some board members believe along with Suppes that doing so would not benefit the town, which has no property tax. So, the Orchard Mesa subdivision on Running Deer Road, the largest subdivision in the town's history, will generate population impacts, but would contribute no

impact fee revenue even if impact fees were in place now.

Suppes was hoping that the RPI fiscal analysis would give him the hard-and-fast numbers needed to establish an impact fee for roads in the town. But Klotz and former mayor Tom Huerkamp explained the RPI study is only a way to assess the fiscal issues involved. A second study would need to be commissioned to determine exactly how impact fees could be imposed, collected, and used, they said.

The RPI analysis also looked at the cost of law enforcement. Orchard City has no municipal police department but rather pays \$80,000 per year to the Delta County Sheriff for an equipped officer to help serve the area.

But if the town did provide its own police force it would need to hire 4.5 full-time officers to meet current national law enforcement standards. The capital cost to establish a force that size would be \$410,000, with annual operating costs of \$480,000. That translates to \$219 capital cost per household and annual operating costs of \$256 per Orchard City residence, the analysis concluded.

Based on growth projections used, if the town had a police force today it would have to grow to 7.5 officers and staff by the year 2018 to maintain consistent national standard service levels, the analysis found.

The town has no plans for establishing its own police force.

Suppes said the results of RPI's analysis could be a topic for discussion at the trustees' November meeting.

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