

Assessment Of The Summit County Keystone Incorporation Financial Review

The Summit County Board of County Commissioners paid a consultant to determine the impact that Keystone Incorporation would have on Summit County and to review the Feasibility Study produced by the Keystone Citizens League (KCL).

The consultant's report modeled a budget for Keystone after incorporation. The report concluded that at the end of five years, the Town would have the following fund balances:

- General Fund: -\$267,251
- Capital Fund: \$56,665
- Tabor Fund: \$2,550,503
- Housing Fund: \$3,484,906
- Trail Fund: \$69,883

Apparently, this report has been released to Vail Resorts and other individuals and is being used to advocate against incorporation.

After the county report was completed, representatives of the Incorporation Committee reviewed the report and met with County Commissioner Pogue, the assistant County Manager and the Consultant who prepared the report. There are some items in the report that we considered valid and incorporated in our final report of August 1st. There are others that we disagreed with and discussed during our meeting. For example:

- The report puts \$500,000 per year of general fund dollars into a Tabor Reserve. The state requirement for the Tabor reserve is 3% of general fund expenses. Correcting this error would result in a 5 year general fund surplus of \$1.49M versus a \$267,251 deficit.
- The report projects that the town would pay \$1.6 million (\$600,000 in 2024, \$500,000 in 2025 and \$500,000 in 2026) for new town signage. We disagree with this expenditure. There are much more pressing safety and infrastructure issues that the community should consider before replacing current signage which is adequate. Eliminating this cost results in a Capital Fund five year balance of \$1.78 million versus their projected \$56,665.

There are numerous inappropriate costs/double counting of projected expenditures in the report. For example:

- In 2023, when by Statute the county has responsibility in the first year of the town to continue to provide services to the community at no charge, there is a charge in Community Development for \$238,000 for building permit and inspection services. The fees paid for the building permits are not reflected in town revenues, consequently, the county is being paid twice for the service and the charge should be eliminated.

- In 2023, when by statute law enforcement is provided by the county at no cost, the report included charges in Public Safety for \$82,000 for costs which would remain a Summit County Cost.
- In 2024 and beyond in Public Safety, the contract law enforcement cost was estimated using the cost that Minturn currently pays for identical service from the Eagle County Sheriff. That contract includes the cost of certifications, supplies, vehicles, and uniforms. However, the report includes additional costs of over \$55,000 per year for those items. At the recommendation of the Summit County Sheriff, we had already inflated the 2020 Minturn actual cost for law enforcement as well as other costs by 30%.
- The report in Public Safety included over \$8,000 per year for wildfire mitigation charges that Minturn pays to Eagle County. However, Summit County has no such charge.
- There are numerous other cases of inappropriate costs/double counting included in each department which we disagree with and did not include in the final Feasibility Study.

The report relies primarily on Fraser and Mount Crested Butte as comparable towns for many of its estimates. The KCL report relied on Dillon, Silverthorne and Blue River which are more appropriate towns for comparison.

The report includes a 5% of projected expenses miscellaneous line item in each department.

During the meeting we believed an agreement was reached that many of the errors identified would be corrected before the report was distributed. Apparently, that has not occurred.

There is a fundamental difference of opinion of the approach taken in the KCL study and the county study. In the KCL study we simply incorporate and maintain at least the level of service the community receives today from Summit County. It is more appropriate to leave decisions on any increased level of service and how to pay for them to the citizens of the Town of Keystone after incorporation occurs. The county believes we should project what those service increases are now and how to fund them (a prime example is the inclusion in the county report of \$1.6 million for town signage).

The bottom line, is that even if all the county report projected expenditures and revenues are accepted, the Tabor fund error is corrected and the \$1.6 million for town signage is eliminated, at the end of 5 years the town would have the following fund balances:

- General Fund: \$1,488,850
- Capital Fund: \$1,779,389
- Tabor Fund: \$ 477,480
- Housing Fund: \$3,484,906
- Trails Fund: \$ 69,833

The county report is a worst case analysis which when corrected shows fund surpluses in all areas, shows incorporation can occur without raising taxes, and results in surpluses to address the Keystone Community's most pressing needs.