

Keystone Incorporation Feasibility Study

EXECUTIVE SUMMARY

The Keystone Citizens League conducted a study on the feasibility of incorporating the Keystone Community (the “Community”). The approach was to assess the financial viability of incorporation. The benchmark used was whether the community could be incorporated without raising any taxes, and provide at least the level of service being provided today by Summit County.

The study was updated to reflect the decision by Vail Resorts to exclude 5 parcels of land within the community which are larger than 40 acres. These parcels are the Ranch Golf Course, 80% of the River Course, 6 of the 10 buildings in Wintergreen workforce housing and Mountain House and the undeveloped parking lots. The updated study reflects the financial and demographic impacts of the loss of these parcels. In addition, in July 2022, Summit County had a financial consultant review the study. This update includes many of the inputs of the consultant.

Background

The Keystone Citizens League conducted this study on the feasibility of incorporating the Keystone Community. This is the second assessment of incorporating the Keystone Community. The last was made in 1996/7 by a group of Keystone citizens who were predecessors of what is now the Keystone Citizens League. As the study was nearing completion, Vail Resorts purchased Keystone from Ralston Purina. Because of the change of resort ownership and resistance by the new owners, the study group decided not to pursue incorporation.

Since the mid-1990s the population of Keystone has tripled from less than 500 to over 1500 full time residents. This growth has been primarily on the eastern side of the resort with the build out of River Run plus single-family homes, townhomes and condominiums on the eastern side of the Community. Recently, 196 workforce housing apartments and 64 workforce housing townhomes have been built on the northwest side of the Community, which significantly increased the full-time population.

In the future, we expect significant growth with:

1. the completion of the Kindred Hotel with its associated retail space and condominiums;
2. development of additional land parcels in River Run;
3. redevelopment of Mountain House area; and
4. development of land parcels around the Conference Center.

Originally envisioned as a destination resort, Keystone has also become a large draw for day-skiers from the Front Range. This has resulted in significant traffic, parking, and safety issues in the community. These issues will deepen as Keystone continues to grow. Specifically,

- In the past 25 years, the infrastructure of roads and trails has not kept pace with the Community’s growth. Summit County authorities have allocated insufficient funding for maintenance. More important are pedestrian-safety and traffic-overload issues along US 6. Despite the Community’s repeated pleas for reasonable fixes, the Colorado Department of Transportation has chosen to take no significant actions, and Summit County authorities have deferred to CDOT.

- Growth and zoning decisions in Keystone are made by the Summit County Staff and Board of County Commissioners without any direct community involvement except for public comment periods. Decisions impacting the Keystone community are not made by any residents of the Keystone community and without accountability to the community.
- Law enforcement is provided by the Summit County Sheriff. The Sheriff's responsibility in unincorporated Summit County spans from Hoosier Pass to Heeney and Vail Pass to Loveland Pass, nearly 850 square miles. Three deputies are on patrol in this area at any time. In 2020, the Community had 564 calls requiring a Sheriff's deputy response. Severity ranged from parking complaints to domestic violence, suicide threats, and sexual assaults. Response times ranged from 10 to more than 30 minutes.
- In the past, the Summit County staff and Commissioners have indicated that the county is not equipped to handle "town" issues that Keystone faces. The Keystone community generates over \$8 million per year in tax and fee revenues for Summit County. Very little of this revenue is returned to the community and instead is used to fund other "higher priority" requirements in unincorporated Summit County. Of all the unincorporated area in Summit County, the Community is highest revenue contributor.

With the exception of the parcels being excluded by Vail Resorts, the area being considered for incorporation includes all non-forest service land east of Summit Cove. The proposed Community areas, starts on the western edge with the River Course and the Keystone West Ranch HOA, then extends eastward through Keystone Resort areas, up Montezuma Road, ending on the eastern edge just past Settlers Creek Estates. Summit Cove is not included in the proposed area for incorporation.

The Study

The study was completed with a review of budget documents of the town of Silverthorne, Dillon and Blue River to determine (1) areas of differences and similarities, (2) the revenues the towns receive and (3) the costs of providing services. Interviews were conducted with:

- Members of the Summit County Staff to determine
 - the services provided by Summit County today,
 - the revenue that a Town of Keystone would receive if incorporated without raising taxes, and
 - approaches the town could use to provide the services the County currently provides.
 - The Summit County Staff were very supportive of providing information for the study.
- The Colorado Department of Local Affairs, Colorado Municipal League and Northwest Colorado Council of Governments were contacted and provided information on the incorporation process, resources needed to incorporate, and suggestions on how the town could provide needed services.
- The Town Managers of Blue River, Silverthorne and Dillon were interviewed to get their perspectives and how they provide services.
- The Summit County Sheriff and Dillon Chief of Police were interviewed to get their perspectives on providing police support to the town and to benchmark existing service levels. The Town managers of Minturn, Gypsum and Winter Park also provided their perspectives on police support.

After completion of the study it was reviewed by the Summit County staff and Sheriff. The costs and maintenance responsibilities were adjusted to incorporate their comments.

Results

The Keystone community is unique. It is a resort community with a low estimated full time population of over 1500 (1298 in the area being incorporated), and a high peak ski season visitor level of 20-25,000. The community has over \$2.5 billion in actual assessed value of property and over \$124 million in annual retail sales which in 2021 resulted in over \$2.5 million in county sales tax. Because Summit County returns the county sales tax to towns and provides a portion of the roads and bridges property tax and workforce housing tax to towns, the level of revenue is high for a community the size of Keystone. The cost of providing the current level of services to the community is relatively low. Because the community is in unincorporated Summit County, it does not receive the same level of service that residents of the towns of Dillon, Silverthorne and Blue River receive. The biggest cost is law enforcement from the Summit County Sheriff. Summit County expends \$85,000 per year on road maintenance and snow removal. Other services are largely self-funded by fees such as building permits and short term rental licenses.

The Financial Plan developed as part of the study provides the level of service that the Keystone Community currently receives from Summit County with two exceptions.

- It increases the annual public works cost for maintenance of roads from \$85,000 per year to \$478,000 per year and provides an additional \$500,000 per year for new capital improvement projects such as asphalt overlays for existing roads, trails, and US 6 infrastructure and safety projects. Today, Summit County maintains 7.5 miles of the 24.6 miles of roads in Keystone, after incorporation it is estimated that the town would maintain over 14 miles of roads.
- It adds two full-time officers (via contract) dedicated to the Keystone Community. This is in addition to the maintaining the current level of service provided by the Sheriff's office today. This provides a basic level of community policing for day shifts and weekends which the community does not have today.

Exhibit 1 shows the financial pro forma five-year budget for the town of Keystone. The table below provides a summary.

Exhibit 1 Summary	2023	2024	2025	2026	2027
General Fund Revenue	\$ 3,445,065	\$4,024,127	\$4,170,407	\$4,322,527	\$4,480,726
General Fund Expenditures	\$1,383,916	\$3,008,077	\$3,084,939	\$3,186,232	\$3,266,237
Tabor and Capital Fund Allocation	\$841,517	\$290,242	\$592,548	\$595,587	\$597,987
General Fund Surplus	\$1,219,632	\$725,808	\$492,920	\$540,707	\$616,502

This budget projects that at the end of 2027, the General Fund Surplus will have a balance of \$3,595,569. These funds can be used to fund a rainy day fund, safety improvements to US6, and other town priorities. In addition the budget assumes:

- Three percent of general fund expenses is added to the TABOR fund each year. At the end of 2027, the fund balance would be \$417,882.

- An average of \$500,000 per year of revenue is allocated to a Capital Improvement Fund to pay for startup costs, major road repairs and new capital projects such as US 6 safety issues, pedestrian safety, and trails and open space. At the end of 2027, \$2,500,000 is planned to have been added to this fund with a fund balance of \$1,657,000.

The town would receive intergovernmental transfers to support:

- Workforce housing which could be allocated to (A) buy down rent for the Keystone workforce living in Keystone, (B) provide incentives to property owners to long term rent their units, (C) purchase/subsidize workforce housing. At the end of 2027, over \$4 million is projected to have been added to this fund.
- Trails and open space. The town is expected to receive an annual Great Outdoor Colorado allocation to support town trails and open space. At the end of 2027, the fund balance is projected to be \$64,400.

Conclusions

This study and the associated financial plan shows that it is possible to incorporate the Keystone Community without a tax increase while keeping current service levels constant or slightly increased. It has low financial risk. Future financial flexibility would be provided to add additional town services, reserves, and capital improvements with more than a \$3.6 million in General Fund surplus generated in the first five years in operations.

In addition, incorporation would provide the Keystone Community:

- Local Control of Zoning, Land Use and the Keystone Planned Unit Development with elected officials who live in Keystone making decisions for the community.
- Autonomy in dealing with the Colorado Division of Transportation in US 6 issues. The town would get a seat at the table in dealing with CDOT on these issues and have access to additional, funding sources to correct deficiencies that are not available to Summit County. In addition, CRS 1141, gives town's significant rights in terms of state roadways going through their towns in regards to sidewalks/town paths, right of way signage, speed control, law enforcement, and traffic control which counties do not have.
- Enhanced law enforcement for the community. The plan increases the level of policing that the community has today by providing the same level of on call policing that the community has today, and adding two full time officers dedicated to Keystone. This will allow increased presence during peak periods, reduced police response times, and enhanced traffic law enforcement on US 6 to increase safety. There are models in other communities that could be employed which would allow a 24/7 law enforcement presence in the community for about an additional \$500,000 per year.
- An Immediate annual \$390,000 increase in road maintenance funding for town maintained roads. The amount of road miles maintained by the town could increase from the current 7.5 miles to 14 miles, reducing owner costs and reducing the inequities which exist today in which roads the county maintains.

- Startup funding of \$90,000 to assess town long term road maintenance infrastructure needs and trails and open space needs to support the Keystone Community
- Local control of over \$900,000 in annual workforce housing funding to support workforce housing initiatives for the Keystone workforce.
- Incorporation would strengthen the community's relationship with Vail Resorts and result is a partnership focused on what is best for the Keystone Community and Keystone Resort. Both parties would be incentivized to find mutually acceptable solutions to issues facing the resort and the community.

This Feasibility Study shows that the community of Keystone can incorporate without raising taxes while maintaining at least the current level of services received from Summit County. It does not address how to use the surplus generated by incorporation or whether once incorporated, services should be increased. It leaves those decisions to a future Town Council and the citizens of Keystone.

Nothing in Keystone will ever change, except growth without infrastructure to support it, unless Keystone becomes a town.

Throughout the course of this study, we found consistent enthusiasm for the potential benefits to the Community's residents, its visitors, and business operators. We are equally enthusiastic about turning these plans into a positive reality. We invite your questions and comments.

Exhibit 1
Proposed Town of Keystone
Summary Pro Forma Budgets for Years 1-5

	2022	2023	2024	2025	2026	2027
General Fund Revenues (Schedule 1)						
Sales Tax	\$ 2,479,682	\$ 2,682,024	\$ 2,789,305	\$ 2,900,877	\$ 3,016,912	\$ 3,137,589
Intergovernmental Transfers	\$ 290,592	\$ 275,614	\$ 312,635	\$ 320,613	\$ 328,931	\$ 337,602
Fees	\$ 290,000	\$ -	\$ 335,711	\$ 352,497	\$ 370,122	\$ 388,628
Licenses	\$ 508,800	\$ 487,427	\$ 537,476	\$ 547,419	\$ 557,562	\$ 567,907
Fines	\$ 49,000	\$ -	\$ 49,000	\$ 49,000	\$ 49,000	\$ 49,000
Total General Fund Revenues	\$ 3,618,074	\$ 3,445,065	\$ 4,024,127	\$ 4,170,407	\$ 4,322,527	\$ 4,480,726
General Fund Expenditures						
Mayor and Town Council (Schedule 2)	\$ 98,400	\$ 99,445	\$ 100,484	\$ 101,555	\$ 102,658	\$ 103,793
Administrative Services (Schedule 3)	\$ 1,025,600	\$ 988,688	\$ 1,093,425	\$ 1,114,011	\$ 1,159,606	\$ 1,182,241
Community Development (Schedule 4)	\$ 590,300	\$ 211,530	\$ 640,248	\$ 661,307	\$ 680,732	\$ 700,740
Public Works (Schedule 5)	\$ 478,800	\$ 84,253	\$ 492,580	\$ 507,150	\$ 522,158	\$ 537,616
Public Safety (Schedule 6)	\$ 529,260	\$ -	\$ 660,546	\$ 679,498	\$ 699,019	\$ 719,125
Municipal Court (Schedule 7)	\$ 19,600	\$ -	\$ 20,794	\$ 21,417	\$ 22,060	\$ 22,722
Total General Fund Expenses	\$ 2,741,960	\$ 1,383,916	\$ 3,008,077	\$ 3,084,939	\$ 3,186,232	\$ 3,266,237
Gross General Fund Income	\$ 876,114	\$ 2,061,149	\$ 1,016,050	\$ 1,085,468	\$ 1,136,294	\$ 1,214,489
TABOR Fund (allocated from General Fund)						
Revenue (3% of general fund expenses)	\$ -	\$ 41,517	\$ 90,242	\$ 92,548	\$ 95,587	\$ 97,987
Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
End of Year Balance	\$ 41,517	\$ 90,242	\$ 90,242	\$ 92,548	\$ 95,587	\$ 97,987
Capital Fund (allocated from general fund)						
Revenue	\$ 800,000	\$ 200,000	\$ 200,000	\$ 500,000	\$ 500,000	\$ 500,000
Expenses	\$ 743,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -
End of Year Balance	\$ 57,000	\$ 100,000	\$ 100,000	\$ 500,000	\$ 500,000	\$ 500,000
General Fund Surplus	\$ 876,114	\$ 1,219,632	\$ 725,808	\$ 492,920	\$ 540,707	\$ 616,502
Special Fund Allocations (Schedule 8)						
Workforce Housing Fund						
Revenue (tax reduces to .125% in 2027)	\$ 898,884	\$ 972,233	\$ 1,011,122	\$ 1,051,567	\$ 1,093,630	\$ 196,099
Expenses (Housing Auth Fees)	\$ 49,000	\$ 51,984	\$ 53,544	\$ 55,150	\$ 56,804	\$ 58,509
End of Year Balance	\$ 920,249	\$ 920,249	\$ 957,579	\$ 996,417	\$ 1,036,825	\$ 137,590
Conservation/Trails Fund						
Revenue	\$ 12,920	\$ 12,920	\$ 12,920	\$ 12,920	\$ 12,920	\$ 12,920
Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
End of Year Balance	\$ 12,920	\$ 12,920	\$ 12,920	\$ 12,920	\$ 12,920	\$ 12,920
Startup Costs (paid by Capital Improvement Fund)						
Mayor and Town Council (Schedule 2)	\$ 12,000					
Administrative Services (Schedule 3)	\$ 369,500					
Community Development (Schedule 4)	\$ 7,000	\$ 100,000				
Public Works (Schedule 5)	\$ 94,500					
Public Safety (Schedule 6)	\$ 260,000					
Total Startup Costs	\$ 743,000	\$ 100,000				