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**GRAND JUNCTION CITY COUNCIL
MONDAY, JUNE 28, 2021
WORKSHOP, 5:35 PM
FIRE DEPARTMENT TRAINING ROOM AND [VIRTUAL](#)
625 UTE AVENUE**

1. Discussion Topics

- a. Annexation Fiscal Impact Analysis
- b. 4th-5th Street One-way to Two-way Feasibility Study Update
- c. Outdoor Burning Ordinance/Air Quality
- d. American Rescue Plan Funds Committee

2. City Council Communication

An unstructured time for Councilmembers to discuss current matters, share ideas for possible future consideration by Council, and provide information from board & commission participation.

3. Next Workshop Topics

4. Other Business

What is the purpose of a Workshop?

The purpose of the Workshop is to facilitate City Council discussion through analyzing information, studying issues, and clarifying problems. The less formal setting of the Workshop promotes conversation regarding items and topics that may be considered at a future City Council meeting.

How can I provide my input about a topic on tonight's Workshop agenda?

Individuals wishing to provide input about Workshop topics can:

1. Send an email (addresses found here www.gjcity.org/city-government/) or call one or more members of City Council (970-244-1504);
 2. Provide information to the City Manager (citymanager@gjcity.org) for dissemination to the City Council. If your information is submitted prior to 3 p.m. on the date of the Workshop, copies will be provided to Council that evening. Information provided after 3 p.m. will be disseminated the next business day.
 3. Attend a Regular Council Meeting (generally held the 1st and 3rd Wednesdays of each month at 6 p.m. at City Hall) and provide comments during “Citizen Comments.”
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Grand Junction City Council

Workshop Session

Item #1.a.

Meeting Date: June 28, 2021

Presented By: Tamra Allen, Community Development Director, Kevin Williams

Department: Community Development

Submitted By: Jace Hochwalt, Senior Planner

Information

SUBJECT:

Annexation Fiscal Impact Analysis

EXECUTIVE SUMMARY:

In 2020, the City of Grand Junction (the City) retained BBC Research & Consulting (BBC) to analyze the fiscal impact of the Redlands 360 development. BBC has since then expanded the fiscal impact model to allow the City to analyze the fiscal impacts of any proposed annexation. To that end, the City and BBC have identified three prototypical annexations to achieve two goals: i) to delineate the overall and comparative fiscal impacts of recent developments through a concise snapshot of annually recurring and one-time fiscal changes; and ii) build a comprehensive generalized model that can be used to evaluate the fiscal impacts of future proposed annexations close to City limits.

This meeting is intended to provide an overview to City Council on the findings of the model and the direct fiscal impacts of annexation proposals for the City.

BACKGROUND OR DETAILED INFORMATION:

Please refer to Attachment #1, which is the finalized report provided by BBC Research & Consulting.

FISCAL IMPACT:

While not project specific, this study is meant to reflect the fiscal impacts of annexations within the City of Grand Junction.

SUGGESTED ACTION:

For discussion purposes only.

Attachments

1. Final Report - Modeling Fiscal Impact of Annexations
2. Presentation



Modeling Fiscal Impacts of Annexations

FINAL REPORT

Final Report

June 10th, 2021

Modeling Fiscal Impacts of Annexations

Prepared for:

The City of Grand Junction
250 North 5th Street
Grand Junction, CO 81501

Prepared by:

BBC Research & Consulting
1999 Broadway, Suite 2200
Denver, Colorado 80202-9750
303.321.2547 fax 303.399.0448
www.bbcresearch.com
bbc@bbcresearch.com



SECTION I.

Introduction

In 2020, the City of Grand Junction (the City) retained BBC Research & Consulting (BBC) to analyze the fiscal impact of the Redlands 360 development. Redlands 360 is a proposed 624-acre development in southwest Grand Junction located at the southern end of 23 Road. BBC worked closely with the City to develop a model using appropriate methodology for analyzing the fiscal impacts of the Redlands 360 development and the related annexation of portions of Mesa County. BBC has since then expanded the fiscal impact model to allow the City to analyze the fiscal impacts of any proposed annexation. To that end, the City and BBC have identified three prototypical annexations from nine recent developments to achieve two goals: i) to delineate the overall and comparative fiscal impacts of recent developments through a concise snapshot of annually recurring and one-time fiscal changes; and ii) build a comprehensive generalized model that can be used to evaluate the fiscal impacts of future proposed annexations close to City limits.

A. Grand Junction Fiscal Background

The City of Grand Junction is the largest municipality in the Western Slope of Colorado with more than 63,000 residents. The total annual budget for the City in 2020 was \$161 million. More than 80 percent of the total budget was allocated to public safety, planning, and infrastructure investment. The City allocates its budget over two major fund categories:

- **General government funds**, which includes the general fund and other funds associated with providing basic government services, such as public safety, parks, and transportation; and
- **Enterprise funds**, which are for self-supporting government activities where the jurisdiction provides goods or services to the public for a fee such as utilities, trash service, and parking.

B. Persigo Agreement

As part of a lawsuit settlement in 1998, the City and County agreed on the requirements for any annexation occurring in the designated service area of the City's Persigo Wastewater Treatment Plant. The service area is called the Persigo 201 service area and includes all of the nine annexations built into the generalized fiscal impact model. The agreement specifies that any development land within the service area boundaries that meets certain criteria will be annexed into the City. One of those criteria include the development being located within one-quarter mile of the City's boundaries.

C. Fiscal Impacts of Annexations

BBC has built a generalized model to estimate fiscal impacts of annexations in terms of both *one-time capital investments* and *recurring operations*. The model uses characteristic information on nine recent annexations to show fiscal impact results. From these nine annexations, three prototypical annexations have been identified. First, *small outlying developments* of 2-4 lots common in Redlands and Orchard Mesa, which are also typically close to public sewer and

include some right-of-way (e.g., Kiser, Arlington and McHugh annexations). Second, *large fringe developments* of 40-80 lots commonly seen in outlying areas of Mesa County. These include substantial right-of-way infrastructure and require extension of public sewer (e.g., South Twenty, Maverick, Magnus Court and Fox Meadows annexations). Third, *infill subdivisions* of 5-10 acres close to surrounding City limits, comprising of high-density housing developments typically with limited right-of-way and adequate public sewer (e.g., Connor and Hosanna annexations). Generally, roadway infrastructure is inadequate across all three types of annexations. The fiscal impacts across the nine recent annexations are therefore categorized into the three prototypical annexations to provide the City with a comparative fiscal analysis.

SECTION II. Methodology

BBC worked closely with the City to develop an appropriate methodology for analyzing the fiscal impacts of the Redlands 360 development and the related annexation of portions of Mesa County. BBC has further expanded the methodology to build a generalized model that can analyze the fiscal impacts of any given annexation. The study team relied on information and previous analyses that the City provided alongside budget data to estimate fiscal impacts in terms of both *one-time capital investments* and *recurring operations*.

A. One-time Capital Investments

A city must make several capital investments upon completion of new developments to extend its services to new residents and businesses. Cities often implement *development impact fees* to compel developers to contribute financially to those investments and ensure that existing residents, businesses, and services are not financially burdened by new growth. In 2019, the City approved development impact fees in an effort to help offset the costs of new development. In calculating those fees, the City followed Ordinance No. 4878, and estimated the maximum defensible amount for each category of impact fee based on the following land use categories: single family homes, multi-family homes, retail and commercial development, office and institutional construction, industrial development, and warehouse development. Below is a summary of how the impact fees for each relevant service category, have been incorporated into the generalized fiscal impact model:

- **Police and Fire.** The City will charge the maximum defensible impact fees related to police and fire services beginning on January 1, 2022, thereafter, increasing fees annually to account for inflation. As the costs are offset completely by the impact fees, the model assumes zero one-time capital cost from annexations for these service categories.
- **Parks and recreation.** The City has previously implemented impact fees related to parks and recreation and decided to increase those fees to reach 75 percent of the maximum defensible amount by 2023, and will thereafter increase fees annually to account for inflation. The model uses fees schedule for 2023 and calculates the net cost to the City by offsetting the actual cost by the impact fees, on a per unit basis. Total one-time annexation cost is then calculated by multiplying the sum of net cost (i.e., Actual cost – Impact fees) to the City and the number of units in the relevant annexation. The total costs associated with

a relevant annexation is further adjusted by GRASP scores provided by the City, which is a comprehensive indicator of the level of service available to residents within a reasonable proximity. GRASP scores can vary from 0 to 775, with the City average being 163. BBC applied a log transformation method to normalize the widespread scores and to convert the scores into annexation ratings, such that lower GRASP scores correspond to higher cost from proposed annexation, and vice versa.

- **Transportation.** As with parks and recreation, the City has also previously implemented impact fees related to transportation and also decided to increase those fees to reach 75 percent of the maximum defensible amount by July 1, 2023. The model uses fees schedule for 2023 and calculates the net cost to the City by offsetting the actual cost by the impact fees, on a per unit basis. Total one-time annexation cost is then calculated by multiplying the sum of net cost (i.e., Actual cost – Impact fees) to the City and the number of units in the relevant annexation. Additionally, the model also incorporates the one-time capital cost of any transportation upgrade or maintenance identified by the developer or the transportation team at the City, typically estimated from the location and scale of the proposed annexation. The total one-time capital cost of the proposed annexation is thereby calculated by summing the total net cost to the City with impact fees, and the cost of maintenance or upgrades, if identified.

BBC used information from City staff to determine one-time capital investments associated with the annexations (i.e., *expenditures*) and information on impact fees (i.e., *revenue*) to estimate how much the City will be able to collect from the developer to offset those costs. On the expenditure side, one-time capital expenditures are calculated by multiplying per unit cost to the City prorated by property type (e.g., \$785 for single family units, \$516 for multi-family units, etc.), with the number of units in the proposed annexation. The study team then used these estimates in the following calculation:

$$\text{Fiscal impact} = \text{Estimated revenue} - \text{Estimated expenditures}$$

The result was an estimate of the total fiscal impact for the City of one-time capital investments.

B. Recurring Operations

BBC worked with the City to estimate the expenses and revenue that would result from annual recurring operations in connection with the nine annexations and providing services to its residents and businesses. BBC used information on the City's current development, annual budget, and taxes and fees to estimate recurring expenditures and revenues associated with serving new annexations on an annual basis. Summarized below are assumptions and analyses that underscore the total recurring operational revenue and expenditure associated with an annexation broken down by department and revenue sources.

**Figure II-1.
Recurring expenditure
categories**

Source:
City of Grand Junction and
BBC Research & Consulting.

Budget category
City manager, attorney, clerk
Community development
General services
Human resources
Finance
City council

1. Expenditures. The City’s budget included approximately \$84 million of expenditures on general government in 2020, nearly all of which is related to providing services to residential development. BBC worked with the City to categorize recurring expenditures by department, as presented in Figure II-1. BBC used that information as the basis to estimate the recurring expenditures on a per household basis. This was further scaled by property type based on average number of residents per household (i.e., 2.37 residents per single-family unit, and 1.56 residents per multi-family unit). The scaled expenditure value on a per household basis is then multiplied by the number of housing units in each annexation to model appropriate recurring expenditures required by the annexation. Besides general government expenditures, BBC has also determined scaled expenditures for various service categories detailed below:

- a. **Parks and recreation.** Based analyses using data from Colorado Department of Local Affairs State demography Office; Mesa County Regional Transportation Planning Organization; and Visit Grand Junction, BBC estimates that 67 percent of City expenditures associated with parks and recreation are attributable to residents of Grand Junction. The resident share of expenditures is then divided by the total number of households in Grand Junction (currently 26,141) to determine the total annual expenditure on a per household basis. This is further adjusted by property type to reflect the distinctive resident density (e.g., 2.37 residents in single-family units, 1.56 residents in multi-family units, etc.). Finally, the scaled household share by property type is multiplied to the number of units in the proposed annexation to estimate the total recurring expenditures required for the annexation.
- b. **Fire.** For the fire department, BBC used the location data for service calls to estimate that 83 percent of the fire department’s expenditures are attributable to City residents. Using the resident share, BBC has calculated the total annual fire department expenditures adjusted for property type and resident density (e.g., 2.37 residents in single-family units, 1.56 residents in multi-family units, etc.). This is further adjusted for response time to reflect any additional resources to serve the annexation and district revenue loss to the fire department from property tax overlays. In the final step, the total recurring expenditures required by the annexation is calculated by multiplying adjusted operational cost to serve the annexation by the number of units that are newly developed.
- c. **Police.** As with parks and recreation, BBC has gathered information to estimate that 67 percent of City expenditures associated with police services are attributable to residents

of Grand Junction. Remaining expenditures are primarily attributable to visitors and daily commuters. The resident share of expenditures is then divided by the total number of households in Grand Junction (currently 26,141) to determine the total annual expenditure on a per household basis. This is further adjusted by property type to reflect the distinctive resident density (e.g., 2.37 residents in single-family units, 1.56 residents in multi-family units, etc.). The scaled household share by property type is multiplied to the number of units in the proposed annexation to estimate the total recurring expenditures required for the annexation. This is further adjusted for the prevailing average response and drive times; average distance of residential units from police station at the center of the City; as well as the distance of the proposed annexation from the police station. Adjusting for these metrics provide the final tally for the total recurring expenditures required by the police department for a proposed annexation.

- d. Transportation.** With the help of traffic analyses from Mesa County Regional Transportation Planning Office, BBC has determined that 69 percent of public works expenditures are attributable to Grand Junction residents, and this share underscores the resident share of public works expenditures by dividing 69 percent of expenditures with the number of households in the City (currently 26,141). This is further adjusted by vehicle miles travelled (VMT), indicating additional transit-oriented impacts and costs required by the proposed annexation on a recurring basis. The adjusted household share is then multiplied by the total number of units in the annexation to estimate the total expenditures required by the annexation annually.

2. Revenue. For 2020, the City projects that more than \$100 million in general government fund revenue will be directed toward general government activities for residential and commercial development. The City generates the majority of that revenue from eight sources, which are presented in Figure II-2. These include various sources of recurring revenues for the City based on various taxes and fees it collects. The City and BBC has estimated the proportion of revenue from each source that is attributable specifically to Grand Junction residents. This proportion is then used to calculate the per household responsibility of each revenue category and summed across all sources to determine the total revenue generated on a per household basis. Then, total recurring revenues from an annexation is calculated by multiplying the total revenue generated by residents on a per household basis, with the number of housing units that are newly developed in a annexation. Further details on each revenue category are provided below, accompanied by assumptions made by the study team:

**Figure II-2.
Recurring
revenue sources**

Source:
City of Grand Junction and
BBC Research & Consulting.

Revenue category
Sales and use taxes
Property taxes
County sales taxes
Charges for services
Intergovernmental charges
Franchise fees
Economic development
Other fees and services

a. City general government sales and use taxes. The largest component of general fund revenue is from sales and use taxes. The City has a 3.25 percent sales and use tax made up of three components: 2.0 percent general fund tax, 0.5 percent first responder tax, and 0.75 percent capital improvement program tax. Two of those components—the general fund tax and first responder taxes—fund general government operational activities. A recent sales tax study conducted by BBC reveal that 22 percent of sales tax revenue in Grand Junction whereas commuters, businesses and visitors generate the other 78 percent of that revenue.

b. Property taxes. The City has a property tax of 8 mills on commercial and residential property homeowners. This sets the amount per \$1,000 in assessed value that the City charges. Below is the equation used to calculate the property tax owed to the City:¹

$$\text{Value of the property} \times \text{Assessment rate} \times \text{Mill Levy}$$

BBC has also determined that approximately 70 percent of the City’s property taxes is attributable to residential development, while the remaining 30 percent pertains to commercial development. To estimate property taxes to be generated from new development, the residential share is further adjusted to reflect the prevailing median residential property value and the average home values in proposed annexations, on a per unit basis.

c. County sales tax revenue. The County provides a portion of its general sales tax and public safety sales tax revenue to each city and town in the County. As with City taxes, BBC has determined that 22 percent of county tax revenues for the City are attributable to Grand Junction residents.

d. Charges for services. The City also collects fees and charges for services, such as recreation classes, ambulance transportation, and facility rental, all of which are attributable to Grand Junction residents.

e. Intergovernmental charges. Certain City departments support enterprise fund activities by providing accounting, human resources, and information technology services. The City collects revenue from the enterprise funds to offset the cost of providing those services. The enterprise funds pass those costs on to their customers, all of whom are Grand Junction residents.

f. Franchise fees. The City charges fees to utility companies, including electricity providers, natural gas providers, and cable television companies. The utility companies pass those fees along to Grand Junction residents as part of their monthly bills.

g. Economic development. The Grand Junction City Council receives a portion of the 0.75 percent capital improvement sales tax to fund economic development activities, and as with city and county sales tax, 22 percent of this is attributable to Grand Junction residents.

¹ Due to the Gallagher Amendment to the Colorado State Constitution, the assessment rate is higher for commercial property (29%) than residential property (7.15%).

h. Other fees and services. The City also collects additional taxes and fees such as motor vehicle registration, cigarette taxes, and liquor taxes, all of which are wholly attributable to Grand Junction residents.

C. Annexation Characteristics

The fiscal impacts, both one-time and recurring, are built into the generalized model based on city budget and current demographic data, as detailed above. These results are additionally driven by the characteristics of the annexation in question. In the initial model, BBC has incorporated characteristics of nine recent annexations, broken down by three types of development: outlying development, large fringe development, and infill subdivisions, as shown in Figure II-3.

Figure II-3.
Annexation characteristics.

Annexation	Total size	Right-of-way size	Distance to closest park	Distance to police station	GRASP score	Additional capital expenses	Average market value	Number of units
Outlying development								
Kiser Annexation	1.34	0.2	1.0	3.75	161	5,653	309,200	2.35
Arlington Annexation	1.38	0.77	1.4	3.5	57	16,502	189,400	6.76
McHugh Annexation	1.69	0.49	0.8	3.6	139	16,000	309,200	2.82
Large fringe development								
South Twenty Annexation	20.18	0.35	0.8	6.0	131	141,610	250,000	66.59
Maverick Annexation	19.60	2.1	0.8	5.9	224	659,746	425,000	60.76
Magnus Court Annexation	44.96	0.37		5.3	43	563,400	309,200	49.45
Fox Meadows Annexation	8.96	0.65	1.2	6.0	2		237,100	40.32
Infill subdivisions								
Connor Annexation	6.36	0	1.5	2.2	39		237,100	31.16
Hosanna Annexation	5.72	0.15	0.4	4.7	265		425,000	31.46

Note: All housing units are single-family homes. Additional capital expenses include one-time expenditures for transportation-related maintenance and upgrades.

Source: City of Grand Junction and BBC Research & Consulting.

SECTION III.

Results

BBC estimated the fiscal impacts of the nine recent annexations for the City in terms of both *one-time capital investments* and *recurring operations* based on information and previous analyses that the City provided. BBC has further compiled the fiscal impacts for each type of development to present a concise snapshot and a comparative fiscal analysis.

A. One-time Investments

Using impact fees schedule and adjusting for one-time capital expenses associated with each annexation, BBC has modelled the total capital cost associated with an annexation, on a per

household basis. A summarized version of the results of the nine recent annexations broken down by type of development is shown in Figure III-1.

B. Recurring Operations

In addition to one-time capital investments, there are fiscal impacts for the City associated with recurring operations in connection with serving new development. BBC used information about the City’s current development, annual budget, and taxes and fees to estimate recurring expenditures, revenues, and calculate net cost to the City on a per household basis. A summarized version of the results of the nine recent annexations broken down by type of development is shown in Figure III-2.

Figure III-1.
Recurring expenditure categories

Source:
BBC calculations using results from generalized fiscal impact model.

Annexation Type	Capital cost	Cost per unit
Outlying development	\$ 20,844	\$ 5,521
Large fringe development	\$ 454,162	\$ 8,207
Infill subdivisions	\$ 77,082	\$ 2,232

Figure III-2.
Recurring expenditure categories

Source:
BBC calculations using results from generalized fiscal impact model.

Annexation Type	Revenues	Expenses	Net cost	Net cost per unit
Outlying development	\$ 6,417	\$ 10,957	\$ (4,540)	\$ (1,110)
Large fringe development	\$ 91,469	\$ 159,144	\$ (67,675)	\$ (1,248)
Infill subdivisions	\$ 53,446	\$ 87,583	\$ (34,137)	\$ (1,090)

SECTION IV.

Discussion

BBC estimated the fiscal impacts of nine annexations with respect to both *one-time capital investments* and *recurring operations*. The results from the generalized fiscal impact model provide a foundation for relative and comparative fiscal analysis across various types of annexations. Evidently, nearly all residential expansions have negative fiscal impacts, and furthermore, annexations with substantial right-of-way have the largest deficit impacts to the City. Overall, large fringe developments have the largest negative fiscal impacts both in terms of one-time capital investments required as well as recurring operations and service provisions.

A. Summary of Results

Our analyses based on recent new developments indicate that on average, annexations pertaining to outlying development will cost the City approximately \$5,521 per household unit in one-time capital investments during development and approximately \$1,100 in annually recurring deficits upon completion. For large fringe development, one-time capital investments

amount to \$8, 207 per household unit and annual recurring deficits measure to about \$1,248. Finally, for infill subdivisions, one-time capital investments are \$2,232 per household unit and \$1,090 in annual recurring deficits per unit. Those results are not entirely surprising, given certain state and local policies:

- The Gallagher Amendment to the State of Colorado Constitution requires that state and local governments maintain a consistent ratio from year-to-year of the property taxes that they collect from residential and commercial properties. Since its enactment in 1982, residential property values have increased much more rapidly than commercial property values. As a result, the assessment rate for residential properties has been reduced from 21 percent to 7.15 percent while the commercial assessment rate has remained constant at 29 percent. Those changes have resulted in substantially lower property tax collections per dollar of valuation for residential units.
- The City, along with most other Colorado communities, relies heavily on sales tax to fund general government expenses. For regional economic centers and tourist-oriented communities such as Grand Junction, non-residents generate a substantial proportion of sales tax revenue. As a result, increases in the number of residents that the City must serve, results in spreading sales tax revenue generated from non-residents over a larger number of people.
- As discussed in Section I, the Persigo agreement requires the City to annex new development within the boundaries of the Persigo 201 service area. Because of that requirement, the City must annex developments with relatively large amounts of commercial land use, which usually result in net fiscal benefits for municipalities. However, the City must also annex developments with relatively large amounts of residential land use, which usually result in net fiscal deficits for municipalities, as seen across the three types of development in the initial model.
- According to Ordinance No. 4878, the City's impact fees related to parks and recreation and transportation will only reach 75 percent of the maximum defensible amount by 2023. As a result, the City's one-time capital investments related to those services show deficits for all types of residential and commercial development. (The City does not provide parks and recreation amenities or services to commercial development.)

B. Considerations

Given the policy considerations that they must make, many Colorado communities struggle with the fiscal impacts of increasing the number of households they serve. Below are some considerations that City leaders should make in analyzing future development:

- Many communities authorize new metro districts along with new developments. Metro districts are independent governmental entities that are established to finance, design, acquire, install, construct, operate and maintain public improvements that are not otherwise being provided. Some communities work with metro districts to find ways to offset costs of development.
- Some communities use the annexation process to ensure that new development meets other goals such as affordable housing as well as increasing open and public space.

Although such concessions rarely offset costs of development, they can further different City priorities.

- As with the agreement the City has with Mesa County regarding City and County sales taxes, many municipalities have agreements with their county governments and neighboring municipalities to share sales tax in an effort to prevent competition among municipalities for new commercial development.

C. Caveats and Limitations

BBC's analyses provide estimates of the potential fiscal impacts of the nine recent annexations based largely on past fiscal data from the City and a number of annexation characteristics (e.g., size of annexation, right-of-way required, capital expenses, number and type of new housing units, etc.). Although those estimates are based on the best information available to BBC and the City, many uncertainties about future fiscal projections remain:

- The relative competitiveness of Grand Junction's retail offerings among residents, commuters, and visitors compared with alternatives online or from other communities has a substantial impact on the overall fiscal health of the City and new developments. Any changes in the competitiveness of Grand Junction's retail offerings would have related, fiscal impacts.
- The analyses presented in this report assume that the City would provide levels of service to residents and businesses in the nine recent annexations, that are comparable to the levels of service that the City currently provides to Grand Junction residents and businesses. If those levels of service change due to changes in the City's objectives or budget or due to changes in resident expectations, then adjustment to the analyses might be warranted.
- The current decrease in sales taxes and unemployment resulting from the COVID 19 pandemic will have a substantial impact on sales tax in 2020 and perhaps in subsequent years. Beyond current economic conditions, a large share of Grand Junction's economy relies on the oil and gas industry, which has experienced substantial fluctuations over the past decades. Those fluctuations impact all City revenue and have required the City to reduce its level of resident service and forego or delay maintenance and replacement of capital infrastructure.
- The fiscal impact of the nine recent annexations, broken down by type of development, depends on assumptions that the City and BBC made about the mix of property types, and physical characteristics of public infrastructure within the development. It is also contingent on the assumptions made for various service user distribution (resident vs. visitors and commuters) that are subject to post-COVID 19 trends. Any changes in those assumptions or economic conditions (e.g., budget, median home values, etc.) could result in different estimates of fiscal impacts.

MODELING FISCAL IMPACTS OF ANNEXATION

May 5, 2021



Kevin Williams, *Managing Director*
1999 Broadway, Suite 2200
Denver, CO 80202
(303) 321-2547
kwilliams@bbcresearch.com

BACKGROUND

- ▶ Developed initial model for Redlands 360 annexation process
- ▶ Worked with City staff to:
 - Refine current model
 - Identify typical annexations for the City
 - Create generalized model for future City use
- ▶ Fiscal elements:
 - One-time (capital) expenditures and revenues
 - Annual recurring operations (providing services for the new development)

EXAMPLE ANNEXATIONS

PROTOTYPICAL ANNEXATIONS

- ▶ Small outlying developments (2-4 lots)
 - Small parcels
 - Typically seen in Redlands and Orchard Mesa
- ▶ Large fringe developments (40-80 lots)
 - Flagpole annexations
 - Outlying areas of Mesa County
- ▶ Infill subdivisions
 - Close to City limits
 - Minimal right-of-way annexations

OUTLYING DEVELOPMENTS

- ▶ Annexation characteristics
 - Typically one parcel
 - Usually include some right-of-way
 - Public sewer is typically close
 - Roadway infrastructure is typically lacking
- ▶ Examples
 - Kiser (135 Vista Grande Drive)
 - Arlington (265 Arlington)
 - McHugh (115 Vista Grande Drive)



LARGE FRINGE DEVELOPMENTS

- ▶ Annexation characteristics
 - Typically one larger parcel (10-50 acres)
 - Usually includes substantial right-of-way infrastructure
 - Public sewer typically needs to be extended
 - Roadway infrastructure is typically lacking

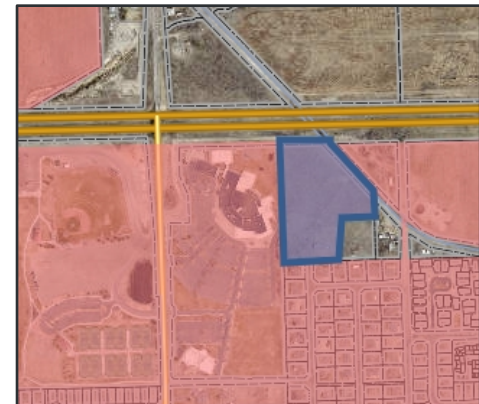
- ▶ Examples
 - South Twenty (2335 H Road)
 - Maverick (2468 H Road)
 - Magnus Court (North of Broadway and Camp)
 - Fox Meadows (3175 D ½ Road)



INFILL SUBDIVISIONS DEVELOPMENTS

- ▶ Annexation characteristics
 - One or more medium parcels (5-10 acres)
 - Adjacent to City limits (often in multiple directions)
 - Higher density
 - Public sewer typically adequate
 - Roadway infrastructure is typically lacking
 - Limited right-of-way

- ▶ Examples
 - Connor
 - Hosanna (743 24 ³/₄ Road)



ONE-TIME REVENUES AND EXPENSES

METHODOLOGY

▶ Revenues

- Impact fees implemented in 2019
- Increase to full fees by July 1, 2023
- Beyond 2023 will increase with inflation

▶ Expenditures

- Impact fees based on capital models and level of service for:
 - *Police*
 - *Fire*
 - *Transportation*
 - *Parks and Recreation*
- Police and Fire revenues were implemented at 100 percent of capital needs.
- Parks and Recreation and Transportation were implemented at 75 percent of capital needs
- Transportation infrastructure upgrades included

RESULTS

Annexation Type	Capital cost	Cost per unit
Outlying development	\$ 20,844	\$ 5,521
Large fringe development	\$ 454,162	\$ 8,207
Infill	\$ 77,082	\$ 2,232

RECURRING REVENUES AND EXPENSES

METHODOLOGY - REVENUES

- ▶ Property taxes
 - Subject to Gallagher Amendment assessment ratio
 - Based on real estate values from the developer

- ▶ Sales and use taxes*
 - Based on current per-household sales tax estimate
 - Adjusted based on sales tax sources study (22% of sales taxes generated by residents)

- ▶ Charges for services
 - Payments for rec center classes, ambulance transport, and other defined services
 - Allocated on a per-household basis

- ▶ Other revenues
 - Allocated on a per-household basis

*Based on 2020 budget projections. These estimates will likely diminish due to COVID 19 and the associated economic downturn.

METHODOLOGY - EXPENSES

▶ Budget overview

- Total of \$161 million annual operating revenues
 - \$84 million in *General Fund Expenditures*
 - \$36 million in *other general government funds (CIP fund, debt service, communications center)*
 - \$40 million in *Enterprise Fund Expenditures*
- Analysis focuses on General Fund and a portion of general government
- Enterprise funds will adjust to additional costs and revenues of the new development as needed

RESULTS

Annexation Type	Revenues	Expenses	Net	Net per unit
Outlying development	\$ 6,417	\$ 10,957	\$ (4,540)	\$ (1,110)
Large fringe development	\$ 91,469	\$ 159,144	\$ (67,675)	\$ (1,248)
Infill	\$ 53,446	\$ 87,583	\$ (34,137)	\$ (1,090)

MODEL EXAMPLE

INPUTS

INPUTS													
	Annexations	Total Size (acres)	Right-of-way size (acres)	Distance to closest park	Distance to police station	Total additional capital cost	Annexation rating	Market value*	App. Density	Unit**	Revenue	Exper	
Model #1	Kiser Annexation	1.34	0.2	1	3.75	\$ 5,653	100.4	\$ 309,200	1.75	2.345	\$ 3,953	\$ 6,	
	Arlington Annexation	1.38	0.77	1.4	3.5	\$ 16,502	138.9	\$ 189,400	4.9	6.762	\$ 10,555	\$ 18,	
	McHugh Annexation	1.69	0.49	0.8	3.6	\$ 16,000	105.2	\$ 309,200	1.67	2.8223	\$ 4,753	\$ 7,	
Model #2	South Twenty Annexation	20.18	0.35	0.8	6	\$ 141,610	107.2	\$ 250,000	3.3	66.594	\$ 108,146	\$ 193,	
	Maverick Annexation	19.6	2.1	0.8	5.9	\$ 659,746	90.5	\$ 425,000	3.1	60.76	\$ 109,728	\$ 182,	
	Magnus Court Annexation	44.96	0.37	N/A	5.3	\$ 563,400	150.5	\$ 309,200	1.1	49.456	\$ 86,359	\$ 143,	
	Fox Meadows Annexation	8.96	0.65	1.2	6	\$ -	225.2	\$ 237,100	4.5	40.32	\$ 64,937	\$ 117,	
Model #3	Connor Annexation	6.36	0	1.5	2.2	\$ -	154.5	\$ 237,100	4.9	31.164	\$ 50,191	\$ 83,	
	Hosanna Annexation	5.72	0.15	0.4	4.7	\$ -	85.9	\$ 425,000	5.5	31.46	\$ 56,815	\$ 91,	

DEPARTMENTS

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C30

	A	B	C	D	E	F	G
					Per household resident responsibility		
1	Operations	Expenditures (in thousands)	Resident share	Resident responsibility			
2	City manager, attorney, clerk	\$ 2,312	100%	\$ 2,312	\$ 88		
3	Community development	\$ 1,687	100%	\$ 1,687	\$ 65		
4	General services	\$ 1,845	100%	\$ 1,845	\$ 70		
5	Human resources	\$ 2,048	100%	\$ 2,048	\$ 78		
6	Finance	\$ 2,111	100%	\$ 2,111	\$ 81		
7	City council	\$ 4,059	100%	\$ 4,059	\$ 155		
8	TOTAL				\$ 537		
9							
10	Calculations by property type						
11	Category	Residents	Scaled household share		Annexation totals		
12	Single-Family	2.37	\$ 556		\$ 17,491		
13	Multi-family units	1.56	\$ 366		\$ -		
14	All units	2.29					
15	Annexation Operational Cost				\$ 17,491		
16							
17							
18	Capital						
19	Impact Fees	Fee (2023)	Actual cost	Net cost to City	Total annexation cost		
20	Single-family units	\$ -	\$ 785	\$ 785	\$ 24,696		
21	Multi-family units	\$ -	\$ 516	\$ 516	\$ -		
22					\$ 24,696		
23							

Summary Inputs Operational Revenues **General Government** Parks Fire Police Tr

RESULTS

The screenshot displays an Excel spreadsheet with the following data:

	A	B	C	D	E	F	G
1	Operations						
2	Revenues	\$ 56,815					
3	Expenses	\$ 91,999					
4	Net	\$ (35,185)					
5							
6	Capital						
7	Total cost	\$ 63,530					
8							
9							
10							
11							

The formula bar for cell B2 shows: `= 'Operational Revenues' !G14`

CONCLUSIONS

RESULTS

- ▶ Annexation model that can be used for comparative analysis
- ▶ Results provide relative fiscal comparison
- ▶ Nearly all residential expansions have negative fiscal impacts
- ▶ Annexations with substantial right-of-way have the largest impacts
- ▶ Inputs can be adjusted by the City
 - Annexation specific (size, home values, GRASP)
 - Economic conditions (budget, median home value)

QUESTIONS?

THANK YOU!

BBC
RESEARCH &
CONSULTING

Kevin Williams, *Managing Director*
1999 Broadway, Suite 2200
Denver, CO 80202
(303) 321-2547
kwilliams@bbcresearch.com



Grand Junction City Council

Workshop Session

Item #1.b.

Meeting Date: June 28, 2021

Presented By: Trent Prall, Public Works Director, Brandon Stam, DDA Executive Director, Denise Aten

Department: Public Works - Engineering

Submitted By: Trent Prall, Public Works Director

Information

SUBJECT:

4th-5th Street One-way to Two-way Feasibility Study Update

EXECUTIVE SUMMARY:

DDA has hired the consulting engineering firm of Bohannon Huston to conduct a Feasibility Study on the One-Way to Two-Way Conversion of 4th and 5th Streets in conjunction with City staff. A technical team comprised of CDOT, City and County staff and a project advisory committee made up of various downtown business and residential interests have met a couple of times and a public open house was held May 4. Based on this public engagement, project goals and priorities have been developed.

This meeting is intended to update City Council on the public engagement to date as well as the status of the project.

BACKGROUND OR DETAILED INFORMATION:

In 1981, the Downtown Development Authority (DDA) identified the conversion of 4th and 5th Street from one-way to two-way as a goal in its original Plan of Development. In 2013, the City's Greater Downtown Plan also called for looking at the configuration of 4th and 5th Street. This was also confirmed again in the 2019 DDA Plan of Development and the City's updated Comprehensive Plan also identifies utilization of Complete Streets within the Downtown core.

In late 2020, the DDA hired the consulting engineering firm of Bohannon Huston of Englewood Colorado to conduct a Feasibility Study on the One-Way to Two-Way Conversion of 4th and 5th Streets in coordination with City Staff.

Bohannon Huston is teaming with MaxGreen Transportation Engineers for the engineering and traffic analysis portion of the work and MIG for outreach and stakeholder coordination and some of the Urban Planning and Design/Economic Development elements of the proposed scope of work.

The study tasks include determining existing conditions with traffic counts and review of land use/demographics; future conditions forecast and feasibility assessment. Conceptual plans will be prepared that include visual renderings to help stakeholders envision potential changes. The feasibility assessment will be based on an evaluation of traffic circulation, safety, accessibility, parking, economic viability along with bicycle, pedestrian, transit and the movement of freight. Analysis of pros/cons and public outreach are included along with the final feasibility.

A technical team and project advisory committee have both been formed to help provide input and review findings. A public open house was held May 4 and another will be held in July near the end of the study.

The study team has published a project website (<https://project.bhinc.com/4th5thStudy>) with a dedicated page for an interactive map. The project website and interactive map allow the public an ongoing opportunity to provide input while respecting pandemic conditions as well as allowing flexibility with busy schedules. This helps accommodate those that might not be able to attend the public meetings while still being able to capture their feedback and provides an anonymous platform for sharing input for those who may not feel comfortable speaking out through other means. A dedicated email address (4th5thStudy@bhinc.com) is also available where the public can ask any questions or share comments throughout the duration of the study.

The attached Public Engagement Summary outlines vision and goals that have been developed as a result of the outreach as well as the study area priorities.

Goals surrounding the project include:

1. Enhancing Safety
2. Improve Walkability and Bikeability
3. Activate Economic Development
4. Optimize Traffic Circulation

Next steps will include finalizing the traffic modeling as well as a pro/con analysis for both one-way to two-way impacts to traffic congestion and circulation, safety, parking, bicyclists, pedestrians, transit, and freight.

Project Advisory Committee meeting #3 is anticipated toward the end of summer with

Public Meeting #2 to be scheduled early fall after the joint Council/DDA meeting currently scheduled for August 12.

FISCAL IMPACT:

No fiscal impact at this time. Depending on proposed solutions and Council support, projects would be budgeted and added to the capital improvement program.

SUGGESTED ACTION:

For discussion purposes only.

Attachments

1. Grand Junction 4th-5th St Feasibility Study - May 2021 Public Engagement Summary



4TH STREET & 5TH STREET FEASIBILITY STUDY

PUBLIC ENGAGEMENT SUMMARY MAY 2021



ABOUT THE STUDY

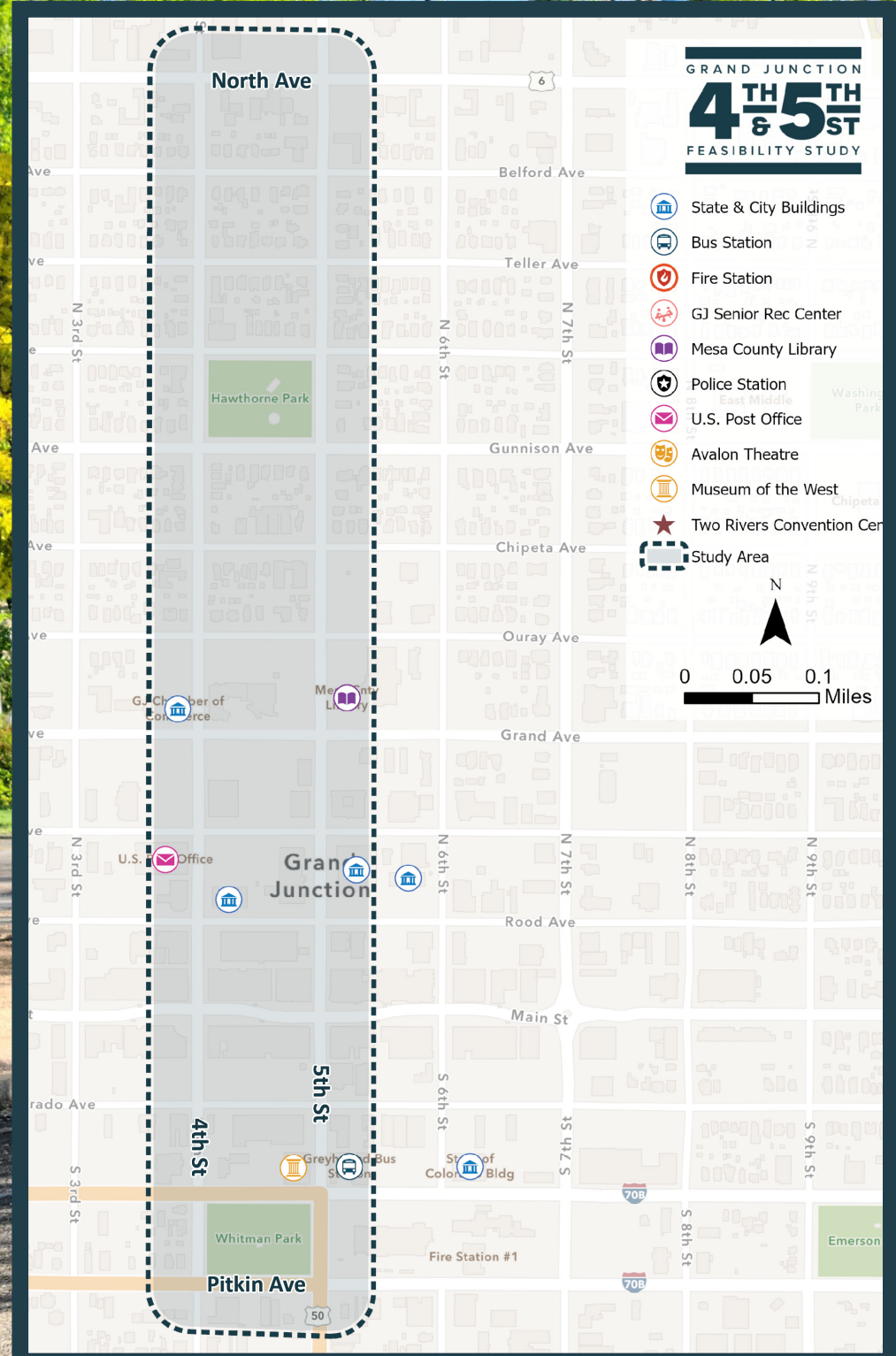


The 4th Street and 5th Street Feasibility Study is being led by the Grand Junction Downtown Development Authority, in conjunction with the City of Grand Junction.

The purpose of the feasibility study is to evaluate potential improvements along both corridors and within the Study Area, focused on the following:

- **Safety**
- **Traffic Circulation**
- **Walkability**
- **Bicycle Facilities**
- **Parking**
- **Transit**
- **Land Use**
- **Economic Development**

Proposed alternatives include maintaining the transitioning to two-way travel corridors.





VISION & **GOALS**



ENHANCE SAFETY

- Support Traffic Calming
- Enhance Crossings

IMPROVE WALKABILITY & BIKEABILITY

- Improve accessibility
- Promote connections to nearby destinations

ACTIVATE ECONOMIC DEVELOPMENT

- Enhance Access to Downtown
- Create an Inviting Environment

OPTIMIZE TRAFFIC CIRCULATION

- Provide functional and intuitive circulation
- Manage travel patterns



PUBLIC **INPUT**

The 4th Street and 5th Street Feasibility Study is dedicated to meeting the needs and priorities of the Grand Junction community. From the onset of the planning process, the City and Downtown Development Authority created opportunities for the general public, study area business owners and residents, and technical experts to share opportunities and challenges and their overall vision for the two corridors.

To expand the reach to welcome as many voices and perspectives as possible, public engagement efforts have focused on a variety of in-person and online activities.

The following activities have been completed to date:

- *Small-group discussions with the Project Advisory Committee (PAC) and Technical Team made up of business owners and representatives from the City, Mesa County Transportation Planning Region (TPR) and Grand Valley Metropolitan Planning Organization (MPO), and Colorado Department of Transportation (CDOT)*
- *An online project website with an interactive mapping activity and online survey*
- *In-person public open house at the Avalon Theatre*
- *Dedicated project e-mail to solicit comments and answer questions*

WHAT WE **HEARD**

Over 300 total comments were collected using a combination of an interactive map, project e-mail, public open house, and an online survey.



“Enhance Safety” and “Improve Walkability and Bikeability” were the highest-ranked Vision Elements



Corridor users typically drive or walk when utilizing 4th and 5th Street



What are the top three elements that would make 4th & 5th Street more enjoyable?

- 1. SLOWER SPEEDS**
- 2. IMPROVED CROSSINGS**
- 3. MORE CROSSING LOCATIONS**

STUDY AREA **PRIORITIES**

ENHANCE SAFETY

- Speeding
- Driver Inattention
- Crashes
- Wrong-Way Drivers
- Backing Out of Parking

IMPROVE WALKABILITY & BIKEABILITY

- Needs More and Safer Pedestrian Crossings
- Issues with Noncontinuous Bike Lane on 5th St
- More Bike Lanes are Desired
- Improve Access to Parks

ACTIVATE ECONOMIC DEVELOPMENT

- Improve Access to Businesses
- Expand Sidewalk for Seating Areas
- Draw More People into the Area
- Create Pedestrian-Friendly Places
- Incorporate Art and Landscaping into the Corridor
- Signage During Construction

OPTIMIZE TRAFFIC CIRCULATION

- Reduce Driver Confusion
- Increase the Amount of Signage
- Reduce Traffic Congestion
- Opportunities Exist to Re-Route Through Traffic

GRAND JUNCTION
4TH & 5TH ST
FEASIBILITY STUDY





Grand Junction City Council

Workshop Session

Item #1.c.

Meeting Date: June 28, 2021

Presented By: Ken Watkins, Fire Chief, Steven Kollar, Fire Marshal

Department: Fire

Submitted By: Steve Kollar

Information

SUBJECT:

Outdoor Burning Ordinance/Air Quality

EXECUTIVE SUMMARY:

Citizens for Clean Air requested an opportunity to discuss with City Council topics related to the City's outdoor burning ordinance, enforcement, and air quality.

City Council adopted Ordinance No. 4733 regulating outdoor burning within city limits on January 18, 2017. The ordinance regulates fire hazards related to outdoor burning, not air quality as a result of outdoor burning. These regulations are also included in Ordinance No. 4830, adoption of the International Fire Code (2018 edition).

This presentation will provide City Council information concerning outdoor burning regulations within the municipal limits and the primary types of enforcement mechanisms available.

BACKGROUND OR DETAILED INFORMATION:

Outdoor burning, including open burning and recreational fires had been a topic of importance for citizens, policy makers and City staff for many years prior to 2016. After significant research and community input, City Council adopted Ordinance No. 4733 regulating outdoor burning within city limits on January 18, 2017. Exceptions for agriculture burning and maintenance of waterways, fire mitigation and training, and specific allowances for cooking and recreational fires were included. The regulations were further included in Ordinance No. 4830 which adopted the International Fire Code (2018 edition) as amended on January 16, 2019 and is the most recently adopted fire code within the jurisdiction. The processing and issuing of open burning permits (Spring and Fall Seasons) within the municipal limits was transferred to the Mesa County Department of Public Health in February 2020.

The following outdoor burning activities are generally recognized within municipal limits separated by category:

Permit Required:

- Open Burning (Seasonal)
- Bonfires (Ceremonial purposes only by govt., non-profits, schools, etc.)
- Specific permits uncategorized by this ordinance

Permit Not Required:

- Recreational fire pits
- Portable outdoor fire places
- Permanent fire pit or fireplace
- Open flames at one- & two- family homes (candles, lanterns, tiki-torches, etc.)

Exceptions:

- Agricultural
- Maintenance of waterways, irrigation canals, etc.
- Fire suppression and training activities
- Various cooking fires (i.e. LP-Gas, Charcoal, etc.)
- Burning (Flaring) of natural gas (occupancy type dependent)

Prohibited Burning Activities:

- Burning of trash, rubbish or household waste
- Burning on the land of another without the owner's permission
- Burning during lawful burn restrictions and burn bans
- Burning during adverse atmospheric conditions (i.e. high winds, red flag, etc.)
- Burning during Mesa County "No Burn" day

The fire code regulates fire hazards, not perceived poor air quality caused by smoke or other odors as a result of legal burning in accordance with Ordinance No. 4830. The Fire Department primarily utilizes a combination of education, extinguishment and verbal warnings to mitigate identified violations. Municipal citation is issued by law enforcement for serious violations. Complaints concerning air quality issues are referred to Mesa County Department of Public Health.

FISCAL IMPACT:

For information only.

SUGGESTED ACTION:

For City Council information and discussion.

Attachments

1. Outdoor Burning Update_2021

Outdoor Burning

Informational Presentation for City Council Workshop

June 28, 2021

History

- **January 4, 2017** – First reading and order published for Ordinance 4733 (Outdoor Burning).
- **January 18, 2017** – Ordinance 4733 - Outdoor Burning Amendments to 2012 International Fire Code (IFC) was read, considered, adopted and ordered published by City Council.
- **January 16, 2019** – Ordinance 4830 (2018 IFC Adoption) was read, considered, adopted and ordered published. Amendments to 2018 IFC included original outdoor burning regulations.
- **Spring 2020** – Open Burning Permit issuance in the City of Grand Junction transitioned to the Mesa County health Department.

GRAND JUNCTION BURN ORDINANCE



Open Burning

Burning is prohibited during times of sustained or prevailing winds, no burn days, and Red Flag warnings. Burning of tree stumps, leaves, grass clippings, garbage, trash, rubbish, scrap lumber, tires, etc. is prohibited.

Fire must be constantly attended by a competent adult.



Burning must be conducted at least **50 feet** from any structure (including combustible fences), occupied dwelling, workplace, or any other place people congregate.

Burning of leaves (exceeding 3 cubic feet) is prohibited.

Burning of fields is limited to ten (**10**) acres or less per day.

Burning materials in excess of 1 inch is prohibited.

Pile size is limited to 250 cubic feet per day. Burn piles located within 300 ft of each other are considered a single burn if burning occurs on the same day and on properties of the same owner.

An extinguishing source of adequate type and size must be available for immediate use (i.e. water hose, fire extinguisher, etc.)

Open burning must occur during the City of Grand Junction burn season. Burning must begin 1 hour after sunrise and must conclude 1 hour before sunset.

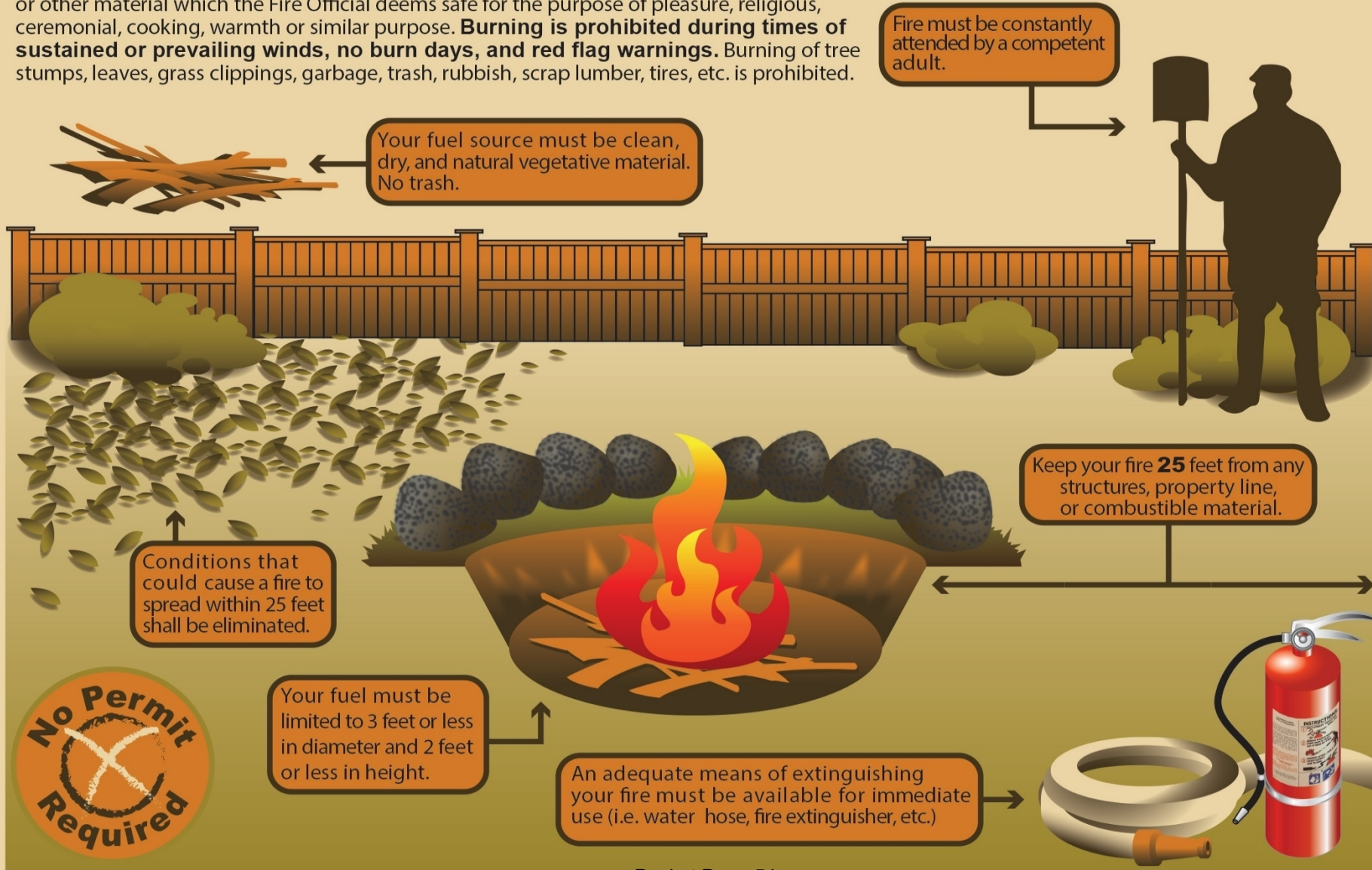


GRAND JUNCTION BURN ORDINANCE



Recreational Fire Pits

A wood burning outdoor fire, typically in a homemade enclosure constructed of rocks or bricks or other material which the Fire Official deems safe for the purpose of pleasure, religious, ceremonial, cooking, warmth or similar purpose. **Burning is prohibited during times of sustained or prevailing winds, no burn days, and red flag warnings.** Burning of tree stumps, leaves, grass clippings, garbage, trash, rubbish, scrap lumber, tires, etc. is prohibited.

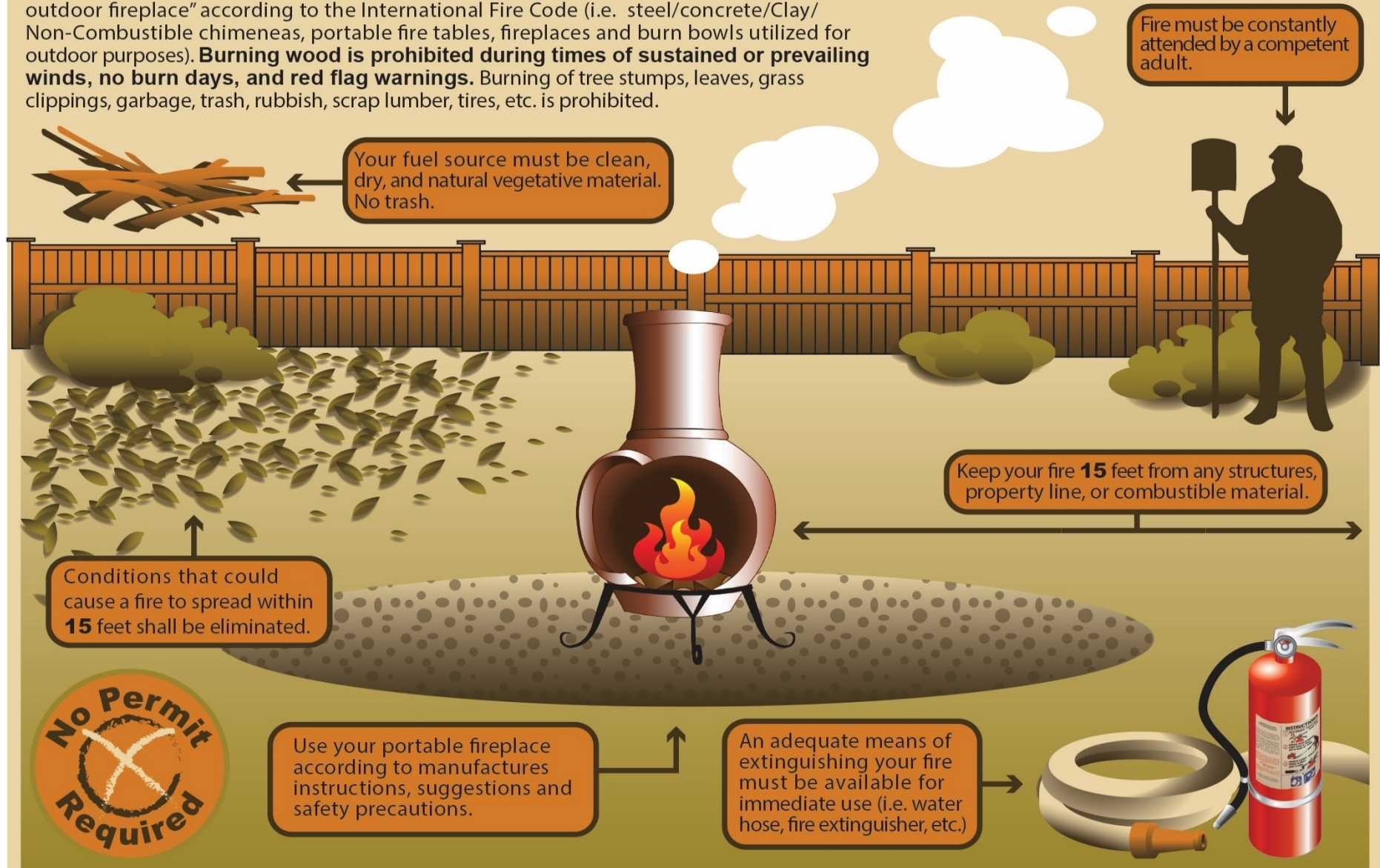


GRAND JUNCTION BURN ORDINANCE



Portable Outdoor Fireplace

A commercially built and purchased, above ground portable device regulated as a "portable outdoor fireplace" according to the International Fire Code (i.e. steel/concrete/Clay/ Non-Combustible chimeneas, portable fire tables, fireplaces and burn bowls utilized for outdoor purposes). **Burning wood is prohibited during times of sustained or prevailing winds, no burn days, and red flag warnings.** Burning of tree stumps, leaves, grass clippings, garbage, trash, rubbish, scrap lumber, tires, etc. is prohibited.



GRAND JUNCTION BURN ORDINANCE

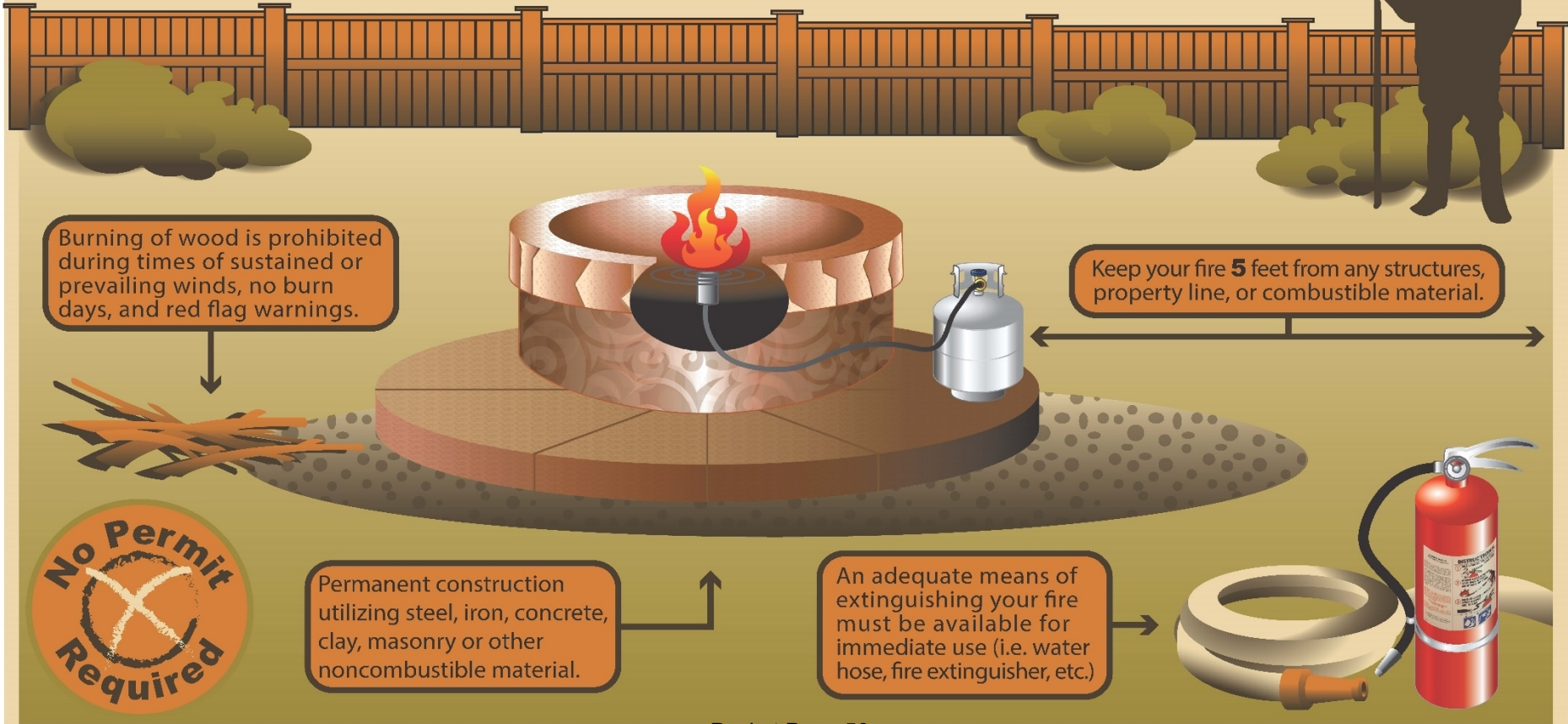


Permanent Fire Pit or Fireplace

A permanent outdoor, wood burning or gas fire pit or fireplace is constructed of steel, iron, concrete, clay, masonry or other noncombustible material(s). A permanent outdoor fire pit or fireplace is above ground and purchased or constructed in a manner that attaches the component to a deck, patio or ground such that it is not portable. The design may be open or may be equipped with a chimney and/or a hearth. Fuel source may be wood or gas. **A permit may be required from the building department.**

Burning of tree stumps, leaves, grass clippings, garbage, trash, rubbish, scrap lumber, tires, etc. is prohibited.

Fire must be constantly attended by a competent adult.



GRAND JUNCTION BURN ORDINANCE



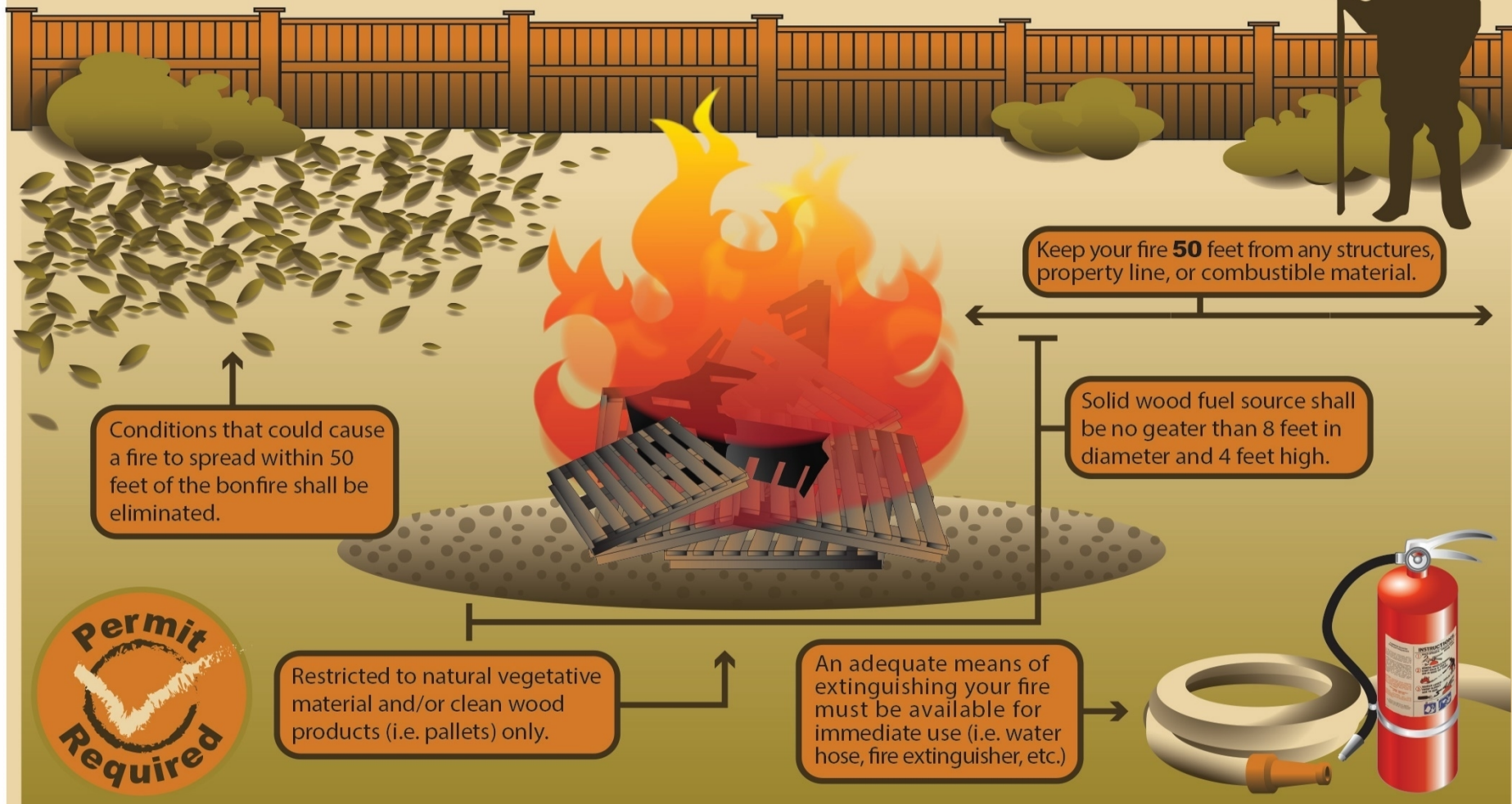
Bonfire

An outdoor fire utilized for ceremonial purposes which is conducted by **non-profit organizations, religious institutions, school districts, or governments at locations owned by the entity. Burning is prohibited during times of sustained or prevailing winds, no burn days, and red flag warnings.** Burning of tree stumps, leaves, grass clippings, garbage, trash, rubbish, scrap lumber, tires, etc. is prohibited.

Fire must be constantly attended by a competent adult.



Keep your fire **50 feet** from any structures, property line, or combustible material.



Conditions that could cause a fire to spread within 50 feet of the bonfire shall be eliminated.

Solid wood fuel source shall be no greater than 8 feet in diameter and 4 feet high.



Restricted to natural vegetative material and/or clean wood products (i.e. pallets) only.

An adequate means of extinguishing your fire must be available for immediate use (i.e. water hose, fire extinguisher, etc.)



Prohibited Outdoor Burning

- Burning of trash, rubbish or household waste
- Burning on the land of another without the owner's permission
- Burning during lawful burn restrictions and burn bans
- Burning during adverse atmospheric conditions (i.e. high winds, red flag, etc.)
- Burning during Mesa County "No Burn" day

Types of Enforcement

- Education (primary)
 - Discussion
 - Educational handouts
 - Referral to website
- Enforcement
 - Extinguishment Authority
 - Warnings
 - Municipal Citation (requires law enforcement involvement)
- Other
 - Cost Recovery Fee



Grand Junction City Council

Workshop Session

Item #1.d.

Meeting Date: June 28, 2021
Presented By: Greg Caton, City Manager
Department: City Manager's Office
Submitted By: Greg Caton

Information

SUBJECT:

American Rescue Plan Funds Committee

EXECUTIVE SUMMARY:

This item is for a City Council discussion about the development of a committee to explore how American Rescue Plan (ARP) funds are utilized.

BACKGROUND OR DETAILED INFORMATION:

The \$1.9 trillion-dollar American Rescue Plan (ARP) is the latest iteration of federal spending legislation designed to address the impacts of COVID-19 in the U.S. Included in this bill is a significant investment in state and local government. Federal aid to state and local governments totals \$350 billion dollars, including \$195.3 billion to states and \$130.2 billion directly to cities and counties. According to Treasury data, the City of Grand Junction's allocation from the local fiscal recovery funds was set at \$10,484,608. On May 10, 2021, the Treasury adopted and released additional guidance via the Interim Final Rule.

The City has received \$5,242,304 in the initial disbursement of funds. Among the allowed uses for these funds is replacing the loss of revenue due to the pandemic. The amount of lost revenue for the City in 2020 is calculated as \$3,967,323. The attached memo dated June 16, 2021 outlines requirements and eligible uses regarding ARP funds.

FISCAL IMPACT:

N/A

SUGGESTED ACTION:

For City Council discussion.

Attachments

1. Memo ARPA Update and Eligible Uses

Memorandum

TO: Members of City Council
FROM: Greg Caton, City Manager
DATE: June 16, 2021
SUBJECT: ARPA State and Local Fiscal Recovery Funds Eligible Use Summary and City Revenue Loss Calculation

The \$1.9 trillion-dollar American Rescue Plan is the latest iteration of federal spending legislation designed to address the impacts of COVID-19 in the U.S. Included in this bill is a significant investment in state and local government. Federal aid to state and local governments totals \$350 billion dollars, including \$195.3 billion to states and \$130.2 billion directly to cities and counties. According to Treasury data, the City of Grand Junction's allocation from the local fiscal recovery funds was set at \$10,484,608. On May 10, 2021, the Treasury adopted and released additional guidance via the Interim Final Rule.

The City has received \$5,242,304 in the initial disbursement of funds. Among the allowed uses for these funds is replacing the loss of revenue due to the pandemic. The amount of lost revenue for the City in 2020 is calculated as \$3,967,323. This document outlines specific requirements and eligible uses regarding local fiscal recovery funds.

Replace Public Sector Revenue Loss – Provides for eligible use of funds toward the provision of government services to the extent of the reduction in revenue experienced due to the COVID-19 public health emergency:

- Definition of "General Revenue" is based on Census Bureau's definition and includes revenue from taxes, current charges, miscellaneous general revenue and intergovernmental transfers between state and local governments.
- Excludes proceeds from the issuance of debt, sales of investments, agency or private trust transactions and revenue generated by utilities and intergovernmental transfers from the federal government.
- Interim Final Rule guidance provides a step-by-step calculation for local governments to use in determining the extent of the reduction in revenue between the base year (prior to Jan 27th, 2020) and a counterfactual trend representing what could have been expected to occur in the absence of the pandemic.

The amount of lost revenue for the City in 2020 is calculated as \$3,967,323. This loss is predominantly from tax revenues as the City received \$2.8 million less in sales and use tax revenues and \$1.4 million less in total lodging tax revenues. The shared lodging tax loss individually is \$704k which would allocate \$293k, \$176k, and \$235k to Visit Grand Junction, Sports Commission, and Air Alliance, respectively.

Support Public Health Response – Funding may be used for a broad range of services and programs for prevention and response to COVID-19 such as:

- Prevention and Mitigation of COVID-19 including vaccination programs, testing, monitoring, isolation, and quarantine as well as contact tracing. Paid sick and paid family

and medical leave for public employees involved in COVID-19 response. Purchasing PPE and disinfection of public areas and other facilities.

- Enhancing Behavioral and Mental Health Services – may include mental health and substance abuse treatment, hotlines, and crisis intervention.
- Support for local health and safety workforce including eligible workers in public safety, public health, health care, human services, or other similar employees.
- Improving the design and execution of health and public health programs, including targeted consumer outreach, improvements to data or technology, impact evaluation and data analysis.

Address Negative Economic Impacts – Provides that eligible uses may include addressing specific economic impacts related to COVID-19 including:

- Assistance to households.
- Small business and non-profit support.
- Aid to impacted industries.
- Rehiring state and local government staff.
- Assistance to unemployed workers.
- Expenses to improve efficacy of economic relief programs.

Premium Pay for Essential Workers – Provides that funds may be utilized toward premium pay for specific classes of workers, including:

- Staff at nursing homes, hospitals, and home care settings.
- Workers at farms, food production facilities, grocery stores and restaurants.
- Janitors and sanitation workers.
- Truck drivers, transit staff and warehouse workers.
- Public health and safety staff.
- Social service and human service staff.

Water, Sewer and Broadband Infrastructure – Provides that cities may use their funds toward a broad range of necessary investments in projects that improve access to clean drinking water, wastewater and stormwater infrastructure and broadband infrastructure. Specific eligible uses are listed below:

- Aligns eligible uses with the Environmental Protection Agencies Clean Water State Revolving Fund and the Drinking Water State Revolving Fund.
- May include projects to construct, improve and repair wastewater plans, control non-point sources of pollution, create green infrastructure and protect waters from pollution.
- Also includes eligible use of funds for projects related to stormwater runoff, water pollution, flood control and green infrastructure that supports resiliency.
- Eligible uses for broadband include investments to broadband aimed at unserved or underserved communities, defined as speeds below 25 Mbps download and 3 Mbps upload.
- Eligible broadband projects are expected to meet or exceed symmetrical upload and download speeds of 100 Mbps.

Uses within Qualified Census Tracts (QCT) and Other Disproportionately Affected Communities – The Treasury Interim Final rule contains specific areas wherein they outline additional ways Recovery Funds may be utilized to address disproportionately impacted communities, including disparities in public health outcomes and negative economic impacts in QCTs.

The Interim Final Rule identifies a broader range of services and programs presumed to be responding to the public health emergency when provided within a Qualified Census Tract (QCT):

- Community health workers and public benefits navigators.
- Housing services.
- Lead paint remediation.
- Evidence-based community violence intervention programs.
- Housing insecurity – lack of affordable housing or homelessness.
- Impacts of COVID-19 on education, including new or expanded learning services.
- Childhood health or welfare – including childcare, home visits by health professionals, parent educators and social service professionals.

Services to address negative economic impacts in QCTs and other disproportionately impacted communities include:

- Investments in housing and neighborhoods:
 - Services to address homelessness.
 - Affordable housing development.
 - Housing vouchers, residential counseling, or housing navigation services.
- Addressing educational disparities:
 - New, expanded or enhanced early learning services and assistance to high-poverty school districts.
 - Evidence-based educational services.
- Promoting Health Childhood Environments:
 - New or expanded high-quality childcare.
 - Home visiting programs.
 - Enhanced services for child-welfare.

Ineligible Expenses – Treasury defines several ineligible uses for Recovery Funds. According to the Interim Final Rule, the Recovery Funds are intended to help meet pandemic response needs and provide relief for households and businesses facing near- and long-term negative economic impacts. As a result, certain uses have been determined as not meeting this requirement, including:

Deposits into pension funds – As defined in the ARPA bill text, pension fund contributions do not meet the immediate need of pandemic response and recovery.

Using funds for non-federal match – Subject to pre-existing limitations provided in other Federal statutes and regulations. Recovery funds may not be used as a non-Federal match for other Federal programs whose statute or regulations bar the use of Federal funds to meet matching requirements.

Funding debt service – Costs toward payments of debt services would not themselves have been incurred to address the needs of pandemic response or its negative economic impacts and have, thus, been deemed ineligible.

Legal settlements, judgement, consent decrees or judicially confirmed debt restructuring plans – This use would not meet the immediate needs of pandemic response, except to the extent that a judgement or settlement requires the provision of services that would respond to the public health emergency.

Deposits into rainy day funds – This would constitute a savings for future spending needs, not immediate pandemic response efforts and is, therefore, ineligible.

General infrastructure – Includes any infrastructure outside of water, sewer, and broadband investments or above the amount allocated under revenue loss provisions. General infrastructure is not considered an eligible project unless the project responds to a specific pandemic public health need (e.g., investments in facilities for the delivery of vaccines) or a specific negative economic impact described above regarding QCTs.

C: Department Directors