

**GRAND JUNCTION CITY COUNCIL
WORKSHOP SUMMARY
December 5, 2005**

The City Council of the City of Grand Junction, Colorado met on Monday, December 5, 2005 at 7:04 p.m. in the City Hall Auditorium to discuss workshop items. Those present were Councilmembers Bonnie Beckstein, Teresa Coons, Jim Doody, Jim Spehar, Doug Thomason and President of the Council Pro Tem Gregg Palmer. Absent was Council President Bruce Hill.

Summaries and action on the following topics:

1. **THIRD TIER MINERAL LEASE PAYMENTS/SEVERANCE TAX PAYMENT ISSUES:** City Manager Kelly Arnold introduced the topic, Jim Evans, Associated Governments of Northwest Colorado (AGNC) Director, and Tim Sarmo, of DOLA, noting that this is to update the City Council on current issues related to these topics with the upcoming AGNC meeting and legislative breakfast. Mr. Evans distributed some written material and explained the two types of revenues. He said there is a question on whether the mineral leasing funds should go back to the area of origin or distributed statewide. Regarding the severance tax, Mr. Evans referred to a chart of distributions over the last ten years. He said in 2003, there was a drop in price and a drop in production, then the property tax went up and the next year there was a big jump. He said it is anticipated to continue to climb up to \$239 million in 2007. A number of bills and ideas are circulating as to how to utilize these funds and there is also legislation being drafted regarding distribution.

Council President Pro Tem Palmer inquired if the severance tax is only paid on production workers or applied to administrative personnel too. Mr. Evans said only production workers but there has been a change in interpretation of the law which changed the number of employees counted in Grand Junction. He said that is in dispute and a Task Force is being convened to look into it.

Councilmember Doody asked about technical staff. Mr. Evans said the employer determines that, if they spend more than 50% of their time for a six month threshold at the site then they are considered production staff.

Councilmember Spehar asked if AGNC is seeking legal advice on the Attorney General's opinion and secondly what will AGNC's policy be. Mr. Evans said any policy adopted must be unanimously adopted by the members. If the AG's opinion stands, there are several other distributions that are based on the county of origin so all the distributions would be at stake, not just the Third Tier of Mineral Leasing distribution.

Tim Sarmo, DOLA, Grand Junction, said he doesn't disagree with Mr. Evans regarding severance tax. He does disagree with his interpretation of the AG opinion and DOLA's role. He said DOLA is not about taking funds from western Colorado. Mr. Sarmo said it was a sincere attempt to deal with the interpretation of the law and said there are 44 counties that have activities. He said the third tier is not to be placed back; it is specifically set up to address impacts from the employees to their county. There was an impact to some counties in western Colorado and said DOLA sees a problem with the merging of this issue with all the other types of distributions. Mr. Sarmo said DOLA has done its own projections and worse case scenario will send \$115,000 to the Front Range, but the remaining funds get shifted throughout western Colorado. He said DOLA welcomes the involvement of local government and encouraged the City Council to send representation to the discussions.

Action summary: Council President Pro Tem Palmer thanked both Mr. Evans and Mr. Sarmo and asked Councilmember Spehar to follow up. Councilmember Spehar noted that Councilmember Doody is the City's representative on AGNC and if he would like to be there he should and Mr. Spehar said he would be there in another role, as a CML Board member.

2. **ECONOMIC DEVELOPMENT FOLLOW UP:** Assistant to the City Manager Sheryl Trent reviewed the proposed contracts with the Incubator and GJEP regarding the funding to be distributed from the City. She said both entities have a long history in partnering with the City on economic development efforts. The City has assisted the BIC with a number of projects and has provided annual funding over the years. Ms. Trent said the facility was visited by the City Council at the noon workshop. She said the proposed contract for the 2006 funding includes performance measures, the requirement for a work plan, and regular reporting. The GJEP contract is similar but has two parts for the two funding pieces. The first part has the same requirements as the BIC: performance measurements, a work plan, and reporting requirements. The second piece is for financial incentives, only requires a request letter for the funding, and they will only need to report back on how the funds are working. She said in exchange, the City will have a formal seat on the GJEP board.

City Attorney John Shaver said his concern is that there are time frames inserted into the contract as to when the performance measure, the work plan, and reporting needs are to take place. He said input is solicited and a final contract will be brought back to City Council for formal adoption.

Councilmember Coons inquired if the funds can be transferred from one source to another. Mr. Shaver said as it is written, no.

Council President Pro Tem Palmer asked if the funds are not used what happens to the money. Ms. Trent said the money rolls over into the next year. Mr. Shaver added that the monies can be used for prospect development; it does not have to be for a specific company.

Assistant to the City Manager Sheryl Trent introduced the next topic and gave a brief overview of the history of the Bookcliff Technology Park and introduced Rob Bickley, Chair of Industrial Development Inc. (IDI). Mr. Bickley noted that the City's ownership in the Bookcliff Technology Park was that it would share in the profits from the development of the park to the tune of 2/3rds. Councilmember Spehar noted that the release of that obligation was discussed earlier. Councilmember Coons asked about the downside to the release. City Attorney John Shaver said the downside is relinquishing the rights since it is an asset of the City. City Manager Kelly Arnold asked Mr. Bickley to clarify Bookcliff Technology Park's relation to the other industrial park, Air Tech. Mr. Bickley advised that if Bookcliff gets developed then the monies can be used for development of Air Tech. IDI does not want to be in position where it must compete with the private development sector. Air Tech Park is in the planning process now. The infrastructure funding is in place for Air Tech but not for Bookcliff. IDI is looking for ways to unlock the potential of Bookcliff Technology Park. Councilmember Spehar said this is an unusual situation, but the return of monies to the City is a hindrance to the development of the property.

Action summary: City Council directed Staff to schedule formal action for the BIC and GJEP contracts. City Attorney Shaver advised if direction is given to Staff by Council, then further negotiating can occur and the formal documents can be brought forward for the release of the obligation on Bookcliff Technology Park. Direction as such was given to Staff.

3. **AMENDMENT TO THE MOU WITH THE DDA TO INCLUDE THE BID:** Assistant City Manager David Varley introduced the history of the agreement and relationship with the DDA including the development of the Downtown Partnership and the funding of such. Recently the creation of the Business Improvement District and the subsequent election for the Special Assessment was completed and was successful. The request now is to fold the Business Improvement District into the DDA. He said the DDA currently pays water and sewer but does not pay a 5% administrative overhead or the 2% for budgeting and accounting services and said the BID would be treated the same. Mr. Varley said another change is to amend the reporting requirements in the MOU.

Council President Pro Tem Palmer disclosed that he is a downtown property owner and will be assessed. Council had no problem with Council President Pro Tem Palmer participating.

Mr. Varley continued that lists all the services to be provided will be included in the contract.

Councilmember Spehar had no problem as long as there are mechanisms in place to get records and reports. Mr. Shaver said there are, including such things as the open records act.

Council President Pro Tem Palmer asked Ron Lappi, Finance Director if he is still the DDA's treasurer. Mr. Lappi said he is and all of the DDA's funds are in the City's bank accounts and are under the control of the City's budgeting and accounting division and said that he imagines the same would be true for the BID.

Councilmember Spehar said, having to generate it internally is not the way it should be, but rather DDA should comply with reporting requests.

Councilmember Coons said that other things besides money also need to be reported.

Councilmember Doody said an annual report is fine but there is a good relationship with DDA and they are in contact with the City Council regularly.

Action summary: City Council would like to continue to keep in the contract the requirement of the annual report and the ability to request additional reports as deemed necessary by the City Manager or the City Finance Director. Staff was directed to make the changes to the MOU amendment and place it on Wednesday's agenda for formal approval.

ADJOURN

The meeting adjourned at 8:49 p.m.