CHAPTER 5.

OUR FINANCIAL CHOICES

STEWARDSHIP AND FUNDING ANALYSES

Red Mountain Open Space; photo by Rich Ernst

INTRODUCTION

This section begins by summarizing the current financing practices used by Larimer County and the eight municipalities in the County, and to a lesser extent the Estes Valley Recreation District. It concludes with a discussion of the acquisition, funding, and management constraints facing the partners over the next 10 years and two potential financial scenarios.

Organizations Represented		
Local Governments		Others
Larimer County City of Fort Collins City of Loveland Town of Berthoud Town of Estes Park	Town of Johnstown Town of Timnath Town of Wellington Town of Windsor	Estes Valley Recreation and Park District

Primary Sources of Financing

In addition to the numerous private conservation easement donations, granted property and bequests, open lands acquisition and management revenues have been derived from four primary sources: the county-wide Help Preserve Open Spaces sales tax revenues, City of Fort Collins Open Space Yes! sales tax revenues, and the State's Colorado Lottery Conservation Trust Fund and Great Outdoors Colorado (GOCO) grants have been received in the past through a competitive application process and remain a possibility for the future. This section highlights these four sources of revenue. Subsequent sections discuss how each organization uses these and other revenues in its open lands acquisition and management programs.

Fort Collins Open Space Tax. Larimer County voters have a long history of approving sales tax ballot initiatives to purchase open space. In 1999, the County voters approved the extension of the 1995 County-wide ¼ cent sales tax, called Larimer County Help Preserve Open Spaces (HPOS) Sales Tax. This approval extended the 1995 sales tax from 2004 through 2018.

Between 1996 and 2012, the HPOS Tax initiative generated about $142.8 million. As illustrated in the chart below, sales tax revenues have generally increased each year but for two recessions that began in 2002 and 2008.

The voter-approved resolution states that at least 55% of the revenues, but not more than 65% of revenues, will be distributed back to the municipalities either on the basis of their municipal share of population or share of state sales tax revenue, whichever is higher. While the distribution basis may fluctuate monthly, Table 5.2 summarizes which participation method is currently used for each municipality.

Table 5.1: Larimer County Help Preserve Open Spaces Sales Tax Initiatives (that Provide Some or All Sales Tax Revenue for Open Space, Natural Areas, Wildlife Habitats, Parks and Trails)

Name	Rate	Voter Approval	% Available for Open Space *	Start	Stop
Help Preserve Open Spaces	0.25%	1995	100%; 55%-65% shareback to municipalities	1996	2003
Help Preserve Open Spaces	0.25%	1999	As above; extended the 1995 tax and up to a $54 million bonding authority	2004	2018
*In this chapter, the term "open space" incorporates natural areas, wildlife habitats, trails and parks					

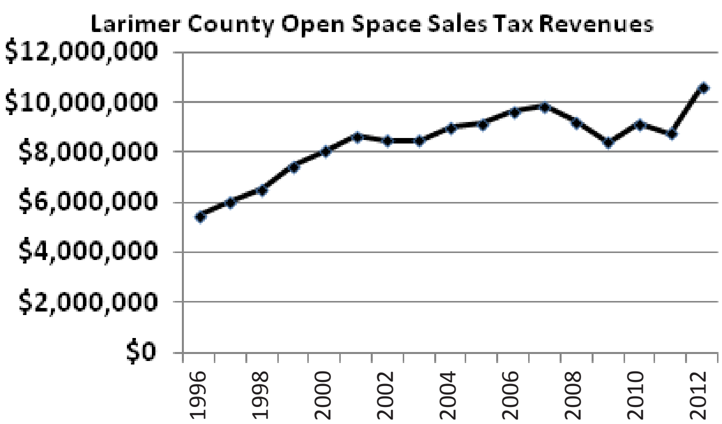


Table 5.2: Current Distribution Method Applied to Munici palities in Larimer County

Based on % Share of Population	Based on % Share of Sales Tax Revenue
Fort Collins Berthoud Wellington Windsor	Loveland Estes Park Johnstown Timnath

Over the years, the County has retained $59.9 million (42%) and the municipalities have shared $82.9 million (58%). Johnstown and Windsor began participating in the municipal share in 2004, after portions of their towns grew into Larimer County. Only the portions of the population or tax generated from the part of the municipality within Larimer County is counted in the distribution formula.

Fort Collins' voters also have repeatedly approved sales taxes that authorized substantial revenue for open space projects, as summarized below.

Since 2000, cumulative sales tax revenues for open space projects from the City's sales tax initiatives have totaled $66,146,909, exclusive of the County shareback of HPOS.

Table 5.3: Larimer County Open Space Sales Tax Revenues: 1996 through 2012

	Total Revenues	County Share	Municipal Share
Cumulative Revenue	$142,841,494	$59,899,174	$82,942,320
Average Annual Revenue	$8,402,441	$3,523,481	$4,878,960
Average %	100%	42%	58%
Source: Larimer County			

Table 5.4: Municipal Share of Larimer County Open Space Sales Tax Revenues: 1996 Through 2012

	Fort Collins	Loveland	Estes Park	Berthoud
Cumulative	$52,115,433	$22,628,727	$3,863,653	$1,925,408
Average Annual	$3,065,614	$1,331,102	$227,274	$113,259
	Johnstown *	**Timnath**	**Wellington**	**Windsor ***
Cumulative	$337,539	$231,589	$1,391,062	$448,909
Average Annual	$37,504	$13,623	$81,827	$49,879
* Participated since 2004. Source: Larimer County				

Table 5.5: Fort Collins - Sales Tax Initiatives that Provide Some or All Sales Tax Revenue for Open Space

Name	Rate	Voter Approval	Available for Open Space?	Start	Stop
Capital Improvement Sales Tax	1.00%	1973	Some		
Capital Funds Tax	0.50%	1984	$1,000,000		
Implement Natural Areas Policy Plan (Choices '95)	0.25%	1992	100%	1993	1997
Building Community Choices (BCC)	0.25%	1997	Major Portion	1998	2005
Open Space Yes!	0.25%	2002	100%	2006	2030
Keep Fort Collins Great (KFCG)	0.85%	2010	Minor Portion	2011	2020

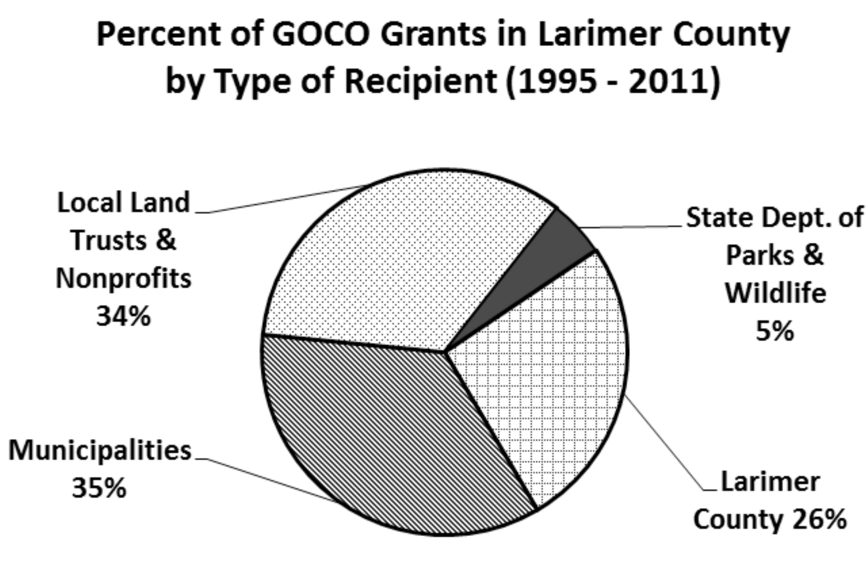
Colorado Lottery

Great Outdoors Colorado Grant Awards in Larimer County. A portion of Colorado Lottery revenues are distributed through Great Outdoors Colorado (GOCO) competitive grant program. Between 1995, the year of the first competitive grant award in Larimer County, through 2011, approximately $32.0 million in GOCO grants have been awarded to project sponsors for projects in Larimer County. Among these, about $23.7 million (74%) have been for conservation purposes and the remainder has been for other purposes including active recreation and environmental education. As illustrated in the chart below, among the 65 grants for conservation purposes, 26% were granted to Larimer County, 35% to municipalities, 34% to local land trusts or nonprofits and 5% to Colorado Parks and Wildlife.

State Conservation Trust Fund. In addition to the competitive grants available through Great Outdoors Colorado, all local governments receive a share of Colorado Lottery revenues based on a formula driven by population. These funds are distributed by the Colorado Department of Local Affairs Most partners use Conservation Trust Fund revenues for recreational park and trail improvements, not land conservation and open space management.

Staffing Arrangements

The County and the cities of Fort Collins and Loveland have full-time permanent staff committed to open space projects. The County has the equivalent of 14 full-time staff, Fort Collins has 31 full-time staff and Loveland has 3.15 full-time equivalents. The other municipalities do not have permanent staff committed only to open space projects.



FINANCING CHALLENGES

How should long term land management be funded? Survey results strongly support increasing land conservation and recreation opportunities, yet a number of local governments have indicated that their most significant financing concern moving forward is having sufficient funds to manage their inventory of open space lands. A primary challenge of Larimer County and the City of Fort Collins is securing sufficient revenue to maintain and manage its open lands with the designated share of open space sales tax revenues. Both the county-wide HPOS and City of Fort Collins open space sales tax initiatives impose an expenditure allocation (for example, Open Space Yes! allocates 80% for land conservation and restoration and 20% for operations and maintenance), constraining the partners' ability to provide public access and facility needs. Operations and management costs include administration; education and outreach; rangers; land management; resource management; public improvements; and facilities development and maintenance.

What is the appropriate balance between the four open space types, given the financial constraints facing the local open space programs? As public use increases – a function of visitation, intensity of recreational activities, and proximity to urban areas – the long-term costs to manage a property also increase. Conversely, properties that generally do not allow public access, such as conservation easements, are cost-neutral and in some cases generate revenue. Costs shown in Figure 5.3 are long-term management costs and do not include the initial startup costs for site planning, capital facility development, and restoration.

Several municipalities have expressed concern that the cost to acquire land in their priority areas will exceed their anticipated revenue. This is especially true in urban areas where land prices can make strategic acquisitions very expensive. The dilemma for open space managers has been how to balance conserving the most threatened lands near or within cities at a premium, or with conserving lands in rural areas where prices have not yet escalated. In most cases, managers have elected to balance the approach by spending roughly equal funds on both priorities. Additionally, urban parcels tend to be smaller than regional parcels, potentially limiting some recreational uses and/or creating the need to purchase more of them depending on the land use goal of the agency.

Source: Larimer County Open Lands Program, 2013.
Costs discussed in this graphic are long-term management costs and do not include initial startup costs and capital facility development.

Figure 5.3 Spectrum of Long-term Management Costs

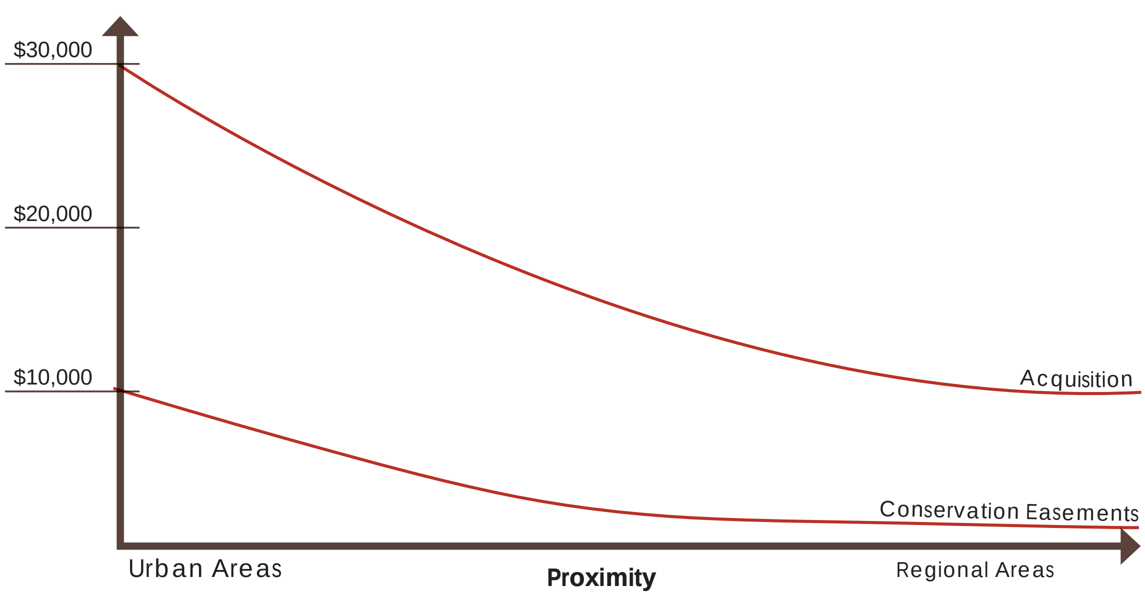


Figure 5.4 Relationship Between Land Conservation Costs per Acre and Proximity to Urban Areas

What is the appropriate balance between conserving more expensive land in urban areas versus less expensive lands in rural parts of the county, given that urban proximity generally corresponds to a higher price per acre? An urban property with prime development potential may cost upwards of $50,000 per acre, whereas a rural property far from urban areas may cost as little as $2,000 per acre, as shown in Figure 5.4.

What is the appropriate balance between the two protection methods – fee simple acquisition versus conservation easements? Obtaining property ownership is generally two to three times more than purchase of a conservation easement. In addition, owning a property creates a long-term maintenance obligation. On the other hand, conservation easements offer limited or no public access.

What is the most appropriate allocation of resources between the needs for new development and management of current recreation and visitor facilities, and ecological stewardship? Early open space conservation efforts focused on protecting high value landscapes and constructing visitor infrastructure. As public use and recreation increases, so does the need for visitor infrastructure development, which can further increase long-term management and stewardship costs. Over time the capital costs associated with site development and restoration and the long-term and ever increasing operation and maintenance costs and capital replacement costs due to increased visitation requires a greater proportion of a program's funding. If the total available funding remains constant, fewer funds are available for land conservation as shown in Figure 5.5.

FINANCIAL MODEL

A financial model has been developed as a tool to estimate the costs associated with continued management of existing open lands plus the acquisition of additional land types identified through this study. The model estimates costs to operate and maintain existing land plus the costs to acquire, operate and maintain any future land acquisitions. The model functions at the collective county scale and can also be adjusted for individual municipalities. It can also allow the user to adjust certain inputs, such as revenue, acreage, and inflation; and can be refined to match each municipalities' specific situations.

Model Scope. This is an all-inclusive financial model that includes all land financially supported by the County Help Preserve Open Spaces (HPOS) county sales tax revenues. It correspondingly only considers funds available through the existing sales tax.

Types of Land. The model provides calculations for three different types of land: regional open space, urban open space and conservation easements. Although this is a shorter list of open space types than used in other portions of the study, conservation easements are defined to encompass the other two types of open space - working farms and ranches and natural resource areas.

Model Duration. The model provides information over a 10-year time horizon, which includes the five years remaining before the HPOS sales tax sunsets (2014 through

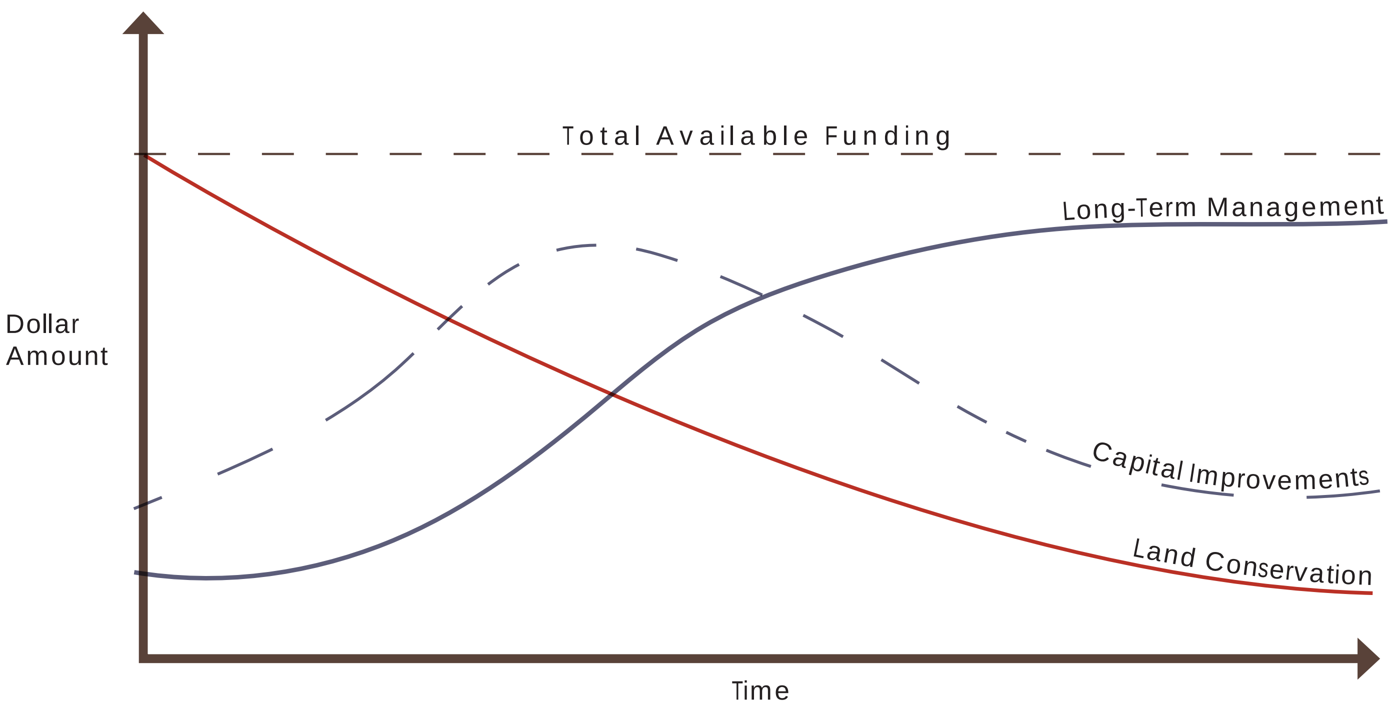


Figure 5.5 Financial Requirements Over Time

Table 5.6: Estimated average costs per acre by open space type			
Type of Land	**Acquisition /and Protection Costs (per acre)**	**Capital Improvement Costs (per acre)**	**Annual Operations & Maintenance (O&M) Costs (per acre)**
Urban Open space	$20,000	$2,000	$300
Regional Open Space	$2,500	$2,000	$150
Conservation Easement	$2,000	$0	$0

2018) and five additional years(2019 through 2023). Using these two scenarios, the model will allow the partners to measure the potential financial effect if the HPOS sales tax were extended at the current level and if the HPOS sales tax expires.

Cost Estimates. Staff from the County and municipalities collaborated on estimated costs, using 2012-2013 information as a basis. The cost estimates are based on recent, actual and collective experience. For each land type, average costs were estimated for land acquisition, capital improvements and operations and maintenance. Specific cost factors used in the model are shown in Table 5.6.

- Land acquisition costs include actual transaction costs, internal administrative costs, and additional transaction costs such as appraisals and land assessments. Conservation easement costs assume no property owner contribution. The cost averages are based on a review of historic transactions.
- Capital improvement costs include the one-time capital costs associated with trails, parking, picnic areas, rest rooms, signage, lighting, major land restoration, and related needs. For simplicity, the financial model does not assume supplemental capital replacement costs during the 10-year study time frame after the initial capital improvement investment.
- Operations and maintenance costs include the on-going costs associated with administrative management, education and outreach, rangers, land management, resource management, public improvements and facilities management.

Revenues. The financial model includes revenues from one source, the County-wide HPOS sales tax. Future HPOS sales tax revenues are assumed to be equal to estimated 2014 revenues plus an annual factor for growth and inflation. Appendix D describes historic, current and new types of funding resources that might be used for open lands; these resources are not quantified or shown in the revenue forecasts included in the model. The model also includes an estimate of non-committed HPOS sales tax revenues that will be in County or municipal fund balances as of December 2013 and that is intended for future acquisitions.

Acreage by Land Type. The model includes an estimate of current (2013) acres of conserved land by land type. This figure includes all open land in the County minus land managed by the City of Fort Collins that is maintained by revenues from the City of Fort Collins open space tax. City of Fort Collins land managed using the County HPOS sales tax revenues are included.

The County and the municipalities collaborated on the number of potential additional acres that could be acquired in 2014 through 2023, that also met two primary criteria: (1) the additional acres could be financially supported by HPOS revenues, and; (2) the distribution of acres among the three land types is generally consistent with this study's survey results and County resident current desires.

Inflation. The model is designed so that the user can individually adjust the rate of growth and inflation for revenues and the rate of inflation for land acquisition, capital improvements and operations and maintenance. The model results presented in the plan assume an annual 2% increase in revenues and 2% increase in expenditures. The model is constructed so users can test the results of other inflation rate combinations.

Scenario Construction. The plan summarizes results for two possible scenarios:

- Scenario #1 assumes that the HPOS sales tax expires in December 2018, the sunset date of the current tax language. The main focus in this scenario is to reserve sufficient funds to provide for a reasonable transition period to allow the establishment of alternative management structures/responsibilities and a consideration of alternative funding sources to replace the revenue that would be lost if the tax expires.
- Scenario #2 assumes that the HPOS sales tax extends at least through 2023 at the current rate.

Model Results

The model calculates annual revenues and annual expenditures for each land type. In practice, capital improvement expenditures will not likely occur the year that the land is acquired. Rather, capital improvement costs would more likely occur when a management plan is completed and the site is ready to be "developed." A summary of the two scenarios is summarized on the next pages. It is important to note that the model results don't necessarily reflect what will occur. Rather, they give the partners a more general idea of possible future scenarios to assist with planning.

Scenario #1

- The HPOS Sales Tax sunsets in 2018, revenues will be collected through the end of 2018 and distributed through the first quarter of 2019
- After 2018, no additional lands would be protected and no additional revenues would be generated by the sales tax for operations and maintenance beyond that date. A limited amount of new lands could be conserved from 2014-2018; approximately 6,500 acres. The distribution of the 6,500 acres, a figure derived from stated citizen preferences along with restrictions on how the revenues are expended could be approximately 500 acres urban; 2,000 acres regional; and 4,000 acres in conservation easements (which would be a combination of working farms and ranches and natural resource habitat protection).
- The ability to perform operations and maintenance of already conserved lands after the tax sunsets in 2018 would vary between County and Municipalities. For example:
    - Larimer County would have to immediately close most if not all public open spaces and consider selling open space lands to provide funds for continued operations of some sites for a limited period of time.
    - Loveland has been setting aside 15% of their annual HPOS revenues into an Operations and Maintenance (O&M) Fund to fund the ongoing maintenance of the lands they have conserved. It is estimated that Loveland would have enough in the O&M Fund to adequately manage sites until 2026.
    - Fort Collins is setting aside enough funds to adequately manage their sites until 2021.
- After 2023, the accumulated reserve funds would be exhausted. Without arrangements for continued funding for land management, Scenario 1 would not be sustainable.

A summary of financial results is provided in Figures 5.6 and 5.7, showing the relationship between annual and cumulative costs and revenues over the 10-year model

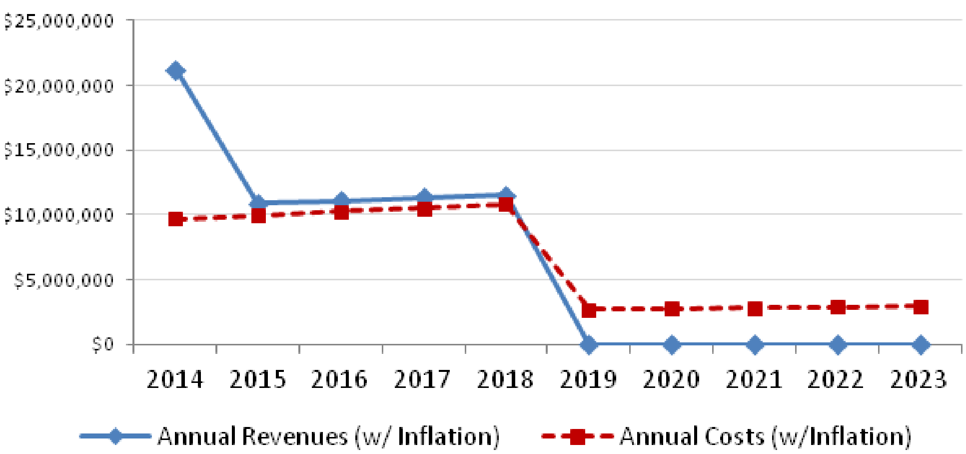


Figure 5.6 Annual Costs and Revenues for Scenario #1 (2018 Sunset of HPOS)

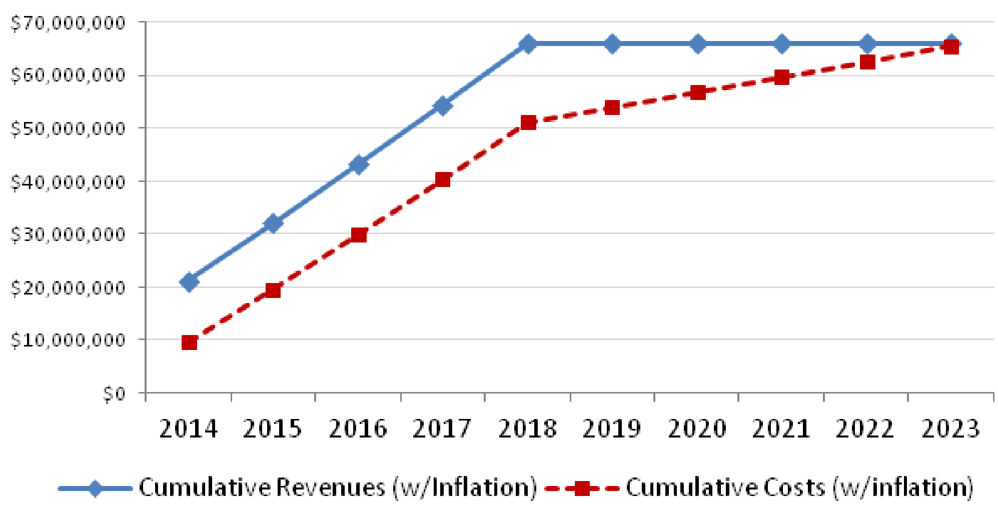


Figure 5.7 Cumulative Costs and Revenues for Scenario #1 (2018 Sunset of HPOS)

period. Figure 5.6 shows that annual costs continue despite the sunset of the HPOS. Figure 5.7 shows that cumulative costs continue to increase while the available balance of HPOS revenues does not increase.

Scenario #2

- With extension of the HPOS sales tax at the current rate; the revenues are available to operate and maintain the existing conserved lands and developed recreation improvements and to continue to conserve land and develop additional recreation improvements. As a result and per citizen stated preferences, more lands can be conserved in Scenario 2; a total of up to 20,000 acres compared to the 6,500 acres conserved in Scenario 1.
- The level of expenditures was structured to assure that funds remain at the conclusion of the 10-year period modeled in the scenario. Specifically, a collective balance of at least $3 million would remain until 2023.
- Public input obtained over the past year has consistently supported the distribution of available funding to each of the four open space types, with a somewhat varying level of emphasis on each type. The allocation recommended by the public for each of the four open space types is typically 20-30%. (Although the model identifies only three open space types, both working farms and ranches and natural resource areas are included under conservation easements). Public input also supported an equal balance between fee simple acquisition and protection through conservation easements.
- Allocation by open space type is based on dollars rather than acres, i.e. if 25% of the funding is intended for a certain open space type that would not necessarily mean that 25% of the lands protected were of that open space type.
- On this basis, funding allocations in Scenario 2 result in 32% of the available funding going to urban open space and trails, 40% to regional open space and trails, and 28% to lands protected by conservation easement. The lands protected by conservation easement would be a combination of working farms and ranches and natural resource areas, generally with public access limited to special events and periodic organized tours. These percentages

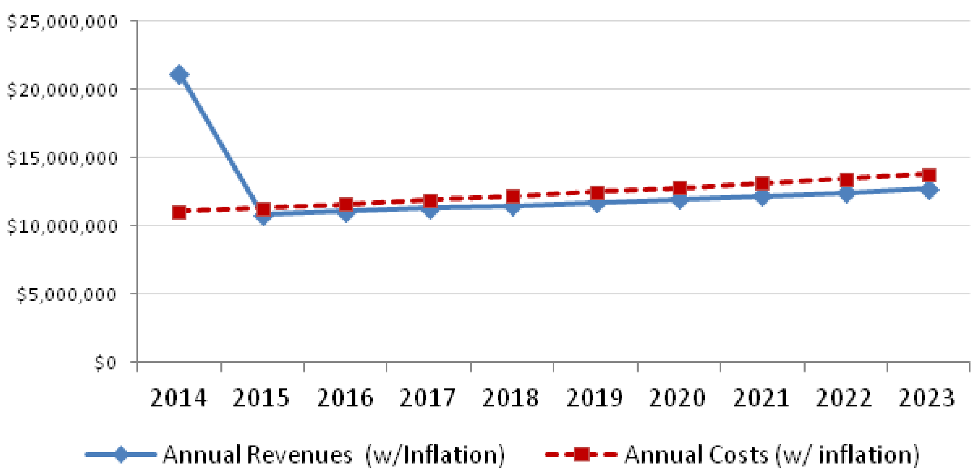


Figure 5.8 Annual Costs and Revenues for Scenario #2 (Extension of HPOS)

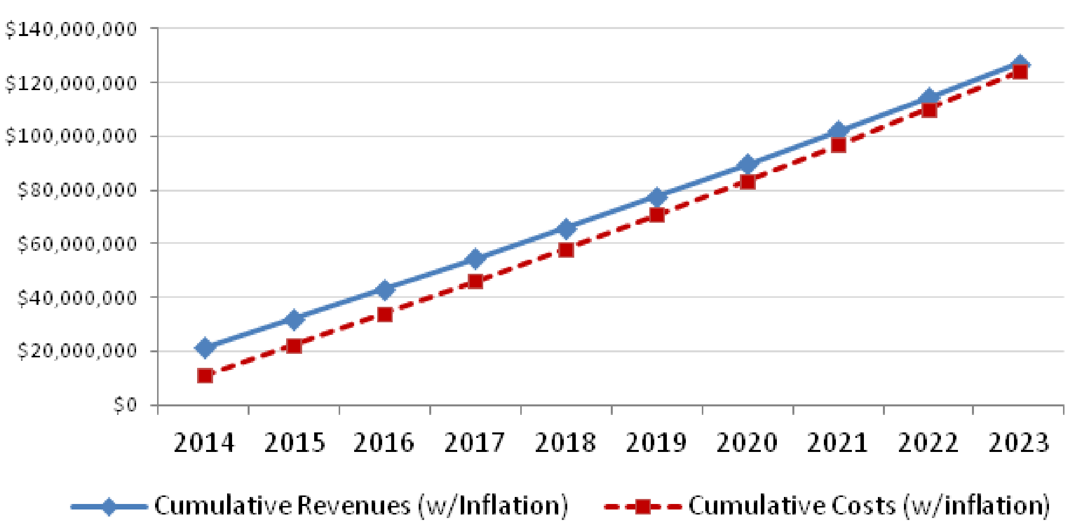


Figure 5.9 Cumulative Costs and Revenues for Scenario #2 (Extension of HPOS)

generally follow 90% of the guidance received from the public. (See 2013 follow-up survey results in Chapter 2.)

- Given the greatly differing costs associated with acquisition and management of each open space type, the number of acres of each type conserved also vary substantially in the model. Of the 20,000 additional acres conserved, 15,000 acres could be protected by conservation easement. Regional open space and trails, the next largest amount protected, could total 4,000 acres, and urban open space and trails could total 1,000 acres. These forecasts exclude the efforts that would be made by other partners through separate funding mechanisms, including the City of Fort Collins' 1/4 cent Open Space Yes! sales tax and City of Loveland's Capital Expansion Fees.
- From a recreation perspective the 1,000 acres of urban open space conserved could be assembled in a variety of ways, such as one new larger open space or five new 200 acre sites opened for public recreation. Similarly, the 4,000 acres of regional lands conserved could be assembled one site or as four new 1,000 acre sites opened for public recreation.

A summary of financial results is provided in Figures 5.8 and 5.9, showing the relationship between costs and revenues over the 10-year model period. If HPOS were extended, revenues would generally keep pace with annual costs. Figure 5.9 shows that the level of expenditures was structured to assure that cumulative funds remained at the conclusion of the 10-year period modeled in the scenario.

FUNDING SOURCES

This section summarizes funding sources that have been used historically in Larimer County and provides an illustrative list of potential or alternative funding sources that could be used to supplement existing sources or replace the HPOS sales tax if voters elect not to extend the tax beyond 2018. As shown in Figure 5.10,Funding resources are presented in two categories: traditional and alternative. Traditional funding sources are those that the County and its municipal partners have historically used on a regular or occasional basis. Alternative funding sources are those that have been used to a lesser extent or not used at all. These alternative funding resources may continue to supplement their current resources. Should the County and/or municipalities find themselves in a situation where sales tax revenues are no longer available for open space acquisition, capital improvements, operations or maintenance, then more aggressive use of these alternative resources should be considered. However, none of these alternative revenue sources would likely generate the same volume of HPOS sales tax revenues in the future.

Traditional Funding Sources. Larimer County and its municipal partners are among the most resourceful group of local governments in the nation in applying various funding resources and partnership opportunities to the acquisition and management of open lands. The table that is presented in Appendix D lists the historic or traditional funding sources that have been used in Larimer County on a regular or occasional basis. The list is organized in three broad categories by source of the revenue: City and County, State and Federal, and non-governmental partnerships and collaborations.

Alternative Funding Sources. With voter approval, Larimer County and its municipal partners have benefited from substantial annual revenues from the HPOS sales tax initiative since 1996. Currently, annual sales tax revenues have averaged $8.2 million. There is no other known source of revenue that will likely generate the same volume in the future.

Larimer County is one of ten counties in Colorado with a dedicated sales tax for open space, the other counties being Adams, Arapahoe, Boulder, Gunnison, Jefferson, Pitkin, Routt, Summit, Clear Creek and Park[1]. If Larimer County voters choose not to extend the sales after 2018, then the County and its partners would need to secure other revenue sources of they wished to continue management of their existing open space acreage, or sell them according to the ballot language provisions. The people surveyed supported the use of user fees to fund operations and maintenance of open space; and the use of user fees as a funding source can be explored by each partner.

With this perspective in mind, a number of alternative revenue sources are outlined in Table 5.10 and further presented in Appendix D. These revenue sources have been used by other counties and municipalities that do not have access to a substantial, dedicated stream of sales tax revenues. None of these alternative revenue sources would likely replace the volume of HPOS sales tax revenues. They are grouped into two categories.

- Revenues, Partnerships & Collaborations. Revenues may be from fees, grants, loans, taxes, or contributions; they may be from corporate, government, non-profit or private resources. Partnerships and collaborations include a few opportunities that the County and its partners have not pursued, historically.
- Cost Savings and Efficiencies. This list includes opportunities to save costs, or postpone costs.

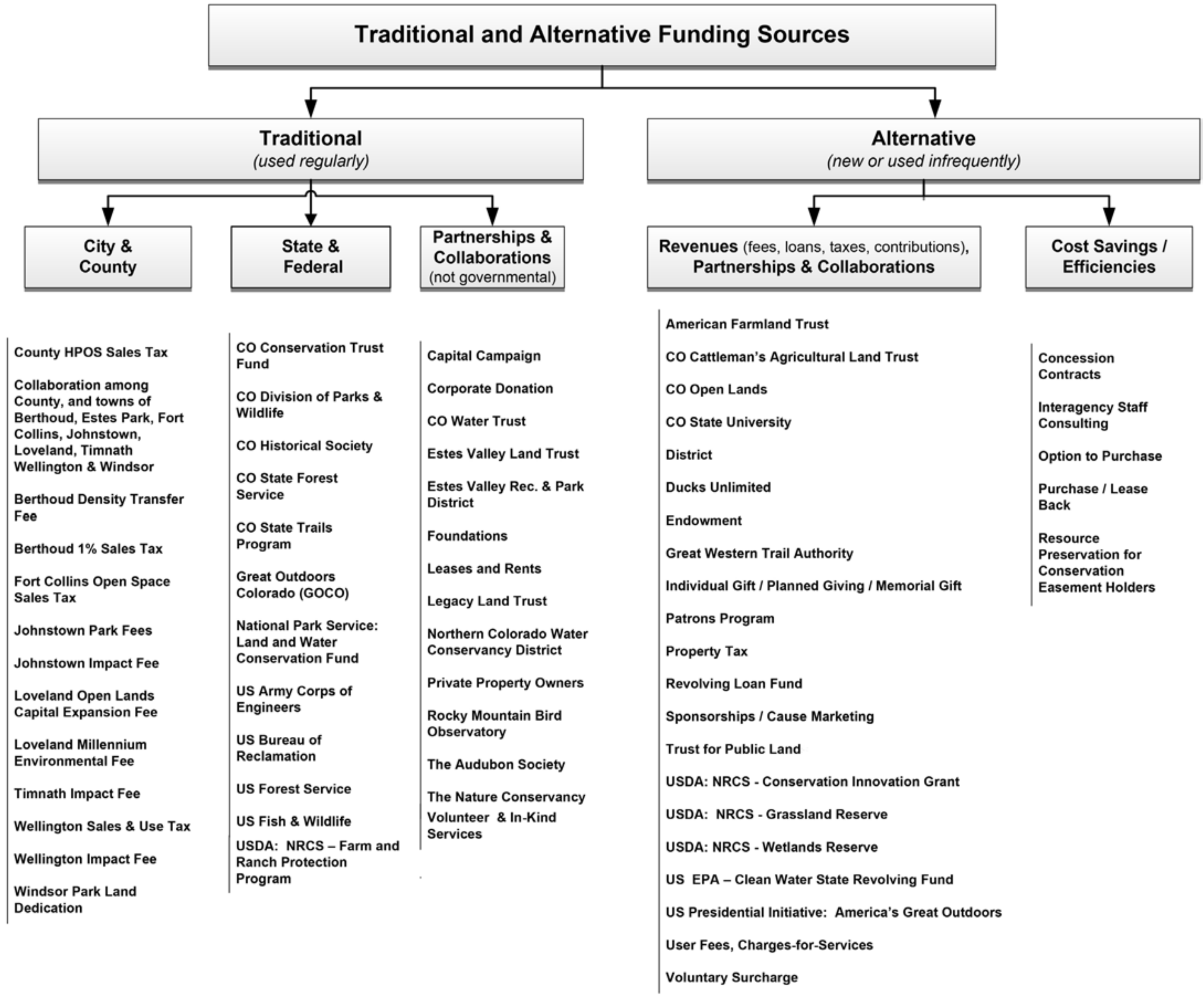


Figure 5.10 Traditional and Alternative Funding Sources

CHAPTER ENDNOTES

1 Trust for Public Land. 2013. LandVote. Available at www.landvote.org/

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