

**A RESOLUTION OF THE  
BOARD OF COUNTY COMMISSIONERS OF OURAY COUNTY, COLORADO  
TO ENCOURAGE OURAY COUNTY VOTERS TO VOTE ON NOVEMBER 4, 2008 ON THE  
COUNTYWIDE SALES TAX ISSUE**

**WHEREAS**, there are approximately 290 miles of Ouray County Roads that are maintained by the Ouray County Road and Bridge Department ("Road and Bridge"); and

**WHEREAS**, the revenues that support the Ouray County Road and Bridge Department currently come from two main sources, property tax and Highway Users Tax Fund ("HUTF"), with HUTF monies averaging between forty percent (40%) and forty-six percent (46%) of total Road and Bridge funding; and

**WHEREAS**, the Board of County Commissioners ("Board") of the County of Ouray, Colorado ("County") has received information that suggests that HUTF funds may be reduced by twenty percent (20%) or more for the 2009 fiscal year, thereby significantly reducing Road and Bridge revenues; and

**WHEREAS**, continued reductions in the HUTF funds appear likely; and

**WHEREAS**, the current revenues that are devoted to the Road And Bridge Fund have been inadequate to properly maintain and make capital improvements to Ouray County roads and the expected reduction in revenues from HUTF will significantly affect the road maintenance services provided by Road and Bridge; and

**WHEREAS**, increases in the cost of fuel have had a significant impact on the Road and Bridge Department's budget as fuel prices have increased approximately forty-three percent (43%) over last year and it is expected that fuel prices will remain high and likely continue to increase in future years; and

**WHEREAS**, with the anticipated decrease in revenues and increase in operating expenses for Road and Bridge, the gradual degradation of the Ouray County road system is a reality facing the Board and the citizens of Ouray County; and

**WHEREAS**, Commissioner Batchelder has prepared a detailed analysis of the effects of decreased revenues and increased expenses on the ability of the Road and Bridge Department to provide adequate maintenance, repairs and reconstruction of the roads and bridges within Ouray County (a copy of which is attached hereto as Exhibit "A"), which analysis suggests that unless additional funding for Road and Bridge is secured, the trend of gradual degradation of the county roads will continue in the foreseeable future; and

**WHEREAS**, the Board has looked at possible methods of addressing the loss in funding and the increases in expenses, including reductions in the services provided by the Road and Bridge Department as addressed by a memo from Chris Miller, Road Superintendent, dated July 22, 2008 titled "Potential 2009 Budget Cuts" (Exhibit "B"); and

**WHEREAS**, the Board has determined that the public interest, the needs of the county, and the Board's fiduciary responsibility to preserve the county's largest asset, require that provisions be made for the maintenance, repair or reconstruction of county roads and the acquisition of necessary equipment for the maintenance, repair and reconstruction of county roads in order to stabilize the trend of degradation of the roads in the near-term horizon; and

**WHEREAS**, the Board has determined that a one percent sales tax is an equitable means of addressing deficiencies in the funding mechanism for maintenance, repairs and reconstruction of county roads and bridges; and

**WHEREAS**, after careful consideration of the need to replace expected losses in HUTF funding and provide additional funding for the repair, maintenance and reconstruction of county roads and bridges, the Board has determined that the public interest requires that the rate of the County sales tax should be an additional one percent (1%) with such sales tax receipts being deposited to the "Ouray County Road and Bridge Sales Tax Fund" to be used exclusively for providing funds for the costs incurred to maintain the Ouray County road and bridge system; and

**WHEREAS**, on September 2, 2008, the Board adopted Resolution 2008-046 which refers the one percent sales tax question to the general election ballot on November 4, 2008; and

**WHEREAS**, the Board wishes to encourage all voters of Ouray County to carefully analyze the issues related to road and bridge funding and the possible ramifications if the sales tax measure is not approved in November; and

**WHEREAS**, the Board believes that the voters of Ouray County must make the decision whether the Ouray County Road and Bridge system is a primary, critical asset of Ouray County and whether adequately maintaining this asset is vital to the health, safety and welfare of the citizens and visitors of Ouray County;

**NOW THEREFORE, BE IT RESOLVED** by the Board of County Commissioners of the County of Ouray, as follows:

1. All registered electors in Ouray County are urged to review the sales tax proposal in light of the funding shortfall facing the Road and Bridge Department and to vote accordingly.

APPROVED AND ADOPTED THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2008.

BOARD OF COUNTY COMMISSIONERS  
OF OURAY COUNTY, COLORADO

Attest:

\_\_\_\_\_  
K. Keith Meinert, Chair

\_\_\_\_\_  
Don Batchelder, Vice Chair

\_\_\_\_\_  
Michelle Nauer, Clerk and Recorder  
By: Linda Munson-Haley, Deputy Clerk of the Board

\_\_\_\_\_  
Heidi M. Albritton, Commission Member

POTENTIAL SALES TAX QUESTION  
FOR  
ROAD AND BRIDGE FUNDING

OVERVIEW OF ROAD AND BRIDGE PERFORMANCE

- In the late 1980's the Ouray County Board of County Commissioners [BOCC] started putting a higher emphasis on maintenance and upgrading of the County road system. This effort coincided with increased building outside of the municipalities and a shift in population from the municipalities to the County.
- This increased emphasis yielded a slow incremental improvement to the road system until the beginning of 2006 when budgetary constraints caused a decrease in the amount of gravel put on the roads each year. The budgetary squeeze was caused by a decrease in state and federal funds and the beginning of the fuel price escalation.
- Since 2006, revenues have not been keeping pace with general inflation and fuel increases. Thus the trend of slow incremental improvement has reversed so that we are generally seeing a slow incremental degradation of the road system.
- A primary source of road and bridge revenue comes from the Highway Users Trust Fund [HUTF]. These are federal monies derived from fuel taxes that are distributed to the state and the state then distributes these monies to counties and municipalities for road maintenance. HUTF funds average between 40% and 46% of total road and bridge funding.

FUTURE FUNDING AND EXPENSES FOR ROAD AND BRIDGE

- The federal government through the state departments of transportation has informed all counties in the nation that the Highway Users Trust Fund will probably be bankrupt in 2009. We have been told that we can expect a decrease in HUTF funding of 20% for 2009 and possibly more in subsequent years.
- Fuel is expected to continue to increase. Currently fuel prices are 43% higher than this time last year. Projections for future fuel prices indicate the possibility of gas at \$7.00 per gallon by this time next year. That would be a 60% increase over current prices.
- All road and bridge functions to take care of the county road system are fuel intensive. The change from a road system improvement trend to a road system degradation trend can be seen in a comparison of the 2004 road and bridge budget with the 2008 budget.
- 2008 revenues are projected to be 15% higher than 2004 revenues. Inflation over this period has been about 8%, which means in real dollars the 2008 revenues are 7% higher than 2004. Fuel costs in 2004 were 10% of the budget; in 2008, fuel costs are 15% of the budget as a result of increased fuel costs. This means that the actual increase in funding for 2008 over 2004 was in the neighborhood of 2%. Population during this period has increased about

15%, which indicates a 15% increase in traffic. This means that road and bridge is in a position of mitigating the impacts of a 15% increase in traffic with a 2% increase in funding, thus the trend of gradual degradation of the county road system.

#### FUNDING PROPOSAL FOR CITIZEN CONSIDERATION

- Given the trend expressed above and the potential financial implications as a result of increased fuel costs and decreased funding, the BOCC feels that it has the fiduciary responsibility to explain to the citizens what is happening and to give the citizens an opportunity to increase funding if they so choose.
- The most compelling financial reason that this needs to be brought to the citizens' attention is that the road system is an asset that we all own. The road system if not maintained will cost more to fix after a period of years than the cost of maintaining it during those same years. Think of your car. If you don't do periodic maintenance, then generally the cost of repairs will significantly exceed what the cost of maintenance would have been. The BOCC could *rightly be accused fiscal of mismanagement if it were to simply ignore this situation and not notify the owners of the road system.*
- There was a tax proposal presented to Ouray County voters last fall in the form of a use tax. This proposal would have reversed the trend of incremental road system degradation and set a path for significant road improvement. This proposal failed. Two stated reasons for rejection of this proposal were that the proposal was too ambitious, and that the burden would be unfairly placed on new residents.
- During the process of study for the proposal there were other taxes that were considered including the following:
  1. An increase in property tax. This method of taxation was discarded because it places a disproportionate share of the tax burden on businesses.
  2. Special taxing districts. This method of taxation was deemed to be too administratively cumbersome with a percentage of the taxes going to support the formation and continuation of the districts.
  3. Fee based system. This was rejected by the committee as being incomprehensible and unacceptable to the voters.
  4. Sales tax. This was found to be impractical due to a cap of 7% imposed by State law. This cap was removed during the 2008 legislative session.
- With the option now available to increase sales tax, that is the method of increasing funding that the BOCC is considering presenting to the voters.
- This method of taxation addresses the equity issue that was a concern to many voters. The proposal as explained below is not a specific road improvement project, rather the proposal would allow road and bridge to *maintain the road system at the same level as 2008 [with a .6% sales tax] and/or maintain the road system at the same level as 2000-2005 [with a 1% sales tax].*
- The amounts of money that has been identified to stabilize the current trend of degradation for the next four or five years is as follows [please bear in mind these estimates are based on the best information and projections we have at this point.]:

1. **Funding to replace lost HUTF funds.** This figure represents a 25% decrease over the next 2 or 3 years. HUTF revenues for 2008 are \$ 601,114. 25% of this amount is **\$150,279.**
2. **Funding to cover the increase in fuel costs.** The past year has seen a 43% increase and some projections are that fuel will increase an additional 60%. We have not seen any projections that indicate fuel prices have hit there high or that prices will decrease. For the purposes of this projection an increase of 50% is used. Fuel costs for 2008 are \$240,000. 50% of this amount is **\$120,000**
3. **Rising fuel prices are having an inflationary effect on all materials. The materials used by road and bridge are seeing an exaggerated inflation rate compared to most items.** These include gravel, mag-chloride, tires, culverts and any other items that are shipped from distances. We are projecting that these materials will be about 9% higher discounting inflation over the next 2 to 3 years. The 2008 budget for these materials is \$310,805. 9% of this amount is **\$27,972.**
4. **These three factors lead to a budgetary shortfall of \$298,251.**
  - This amount of money would allow road and bridge to keep the county road system in the same situation as exists today, i.e. a state of gradual degradation.
  - The costs to get back to slow incremental improvement are as follows;
    1. **To purchase the amount of gravel and mag-chloride that was purchased in 2006 adjusted for inflation [the inflation factor is 9% as shown previously] would cost \$79,000**
    2. **With the economic decline we are seeing a 40% decline in building permits.** This translates to a loss of **\$66,400** in impact fees. [Impact fees can only be used for capital purposes]
    3. **With the increase in traffic there is a need to stabilize the road surface so that any gravel applied does not blow away or get pushed off the road with the traffic flow.** This would likely be more mag-chloride. Estimated cost is **\$40,000**
    4. **Total cost of these items is \$185,400**
  - The total cost to stabilize road and bridge funding and to reverse the trend of gradual degradation of the road system is **\$483,651.**
  - Revenue from a 1% sales tax based on an average of the past three years is **\$496,235.**
  - The BOCC is considering a ballot question that would let the voters impose a 1% sales tax with the proceeds reserved exclusively for road and bridge purposes. This would be further restricted such that 60% of the proceeds [\$290,190] could be used for general road and bridge maintenance and operations. And the remaining 40% [\$198,494] could be used only for capital purchases, road reconstruction and significant road improvement.

Prepared by D. Batchelder July 2008 for BOCC consideration



**Road & Bridge Department**

111 Mall Road P.O. Box 456 Ridgway, CO 81432  
 Phone: 970-626-5391 Fax: 970-626-4439

TO: BOCC  
 Connie Hunt County Administrator

FROM: Chris Miller

DATE: Tuesday, July 22, 2008

SUBJECT: Potential 2009 Budget Cuts

Here are the recommended budget cuts for the 2009 budget year:

Personnel/Employee benefits:

- 1) 7160- Travel \$ 500
- 2) 7161- Training \$ 3,000
- 3) 7162- Mileage \$ 500
- 4) 7150- Clothing \$ 7,200

Contractual/Professional Services:

- 5) 7230- Professional Services \$ 12,500

Supplies:

- 6) 7311- Operating Supplies \$ 15,000
- 7) 7320- Medical Supplies \$ 800

Operating Costs:

- 8) 7406- Equipment other \$ 19,305
- 9) 7436- Road materials \$170,500
- 10) 7475- Rentals \$ 3,500

Other Expenses:

- 11) 7800- Avalanche Control \$ 1,000

- 12) High Country Opening & Maintenance \$ 65,000

\$298,805

**Personnel/Employee Benefits:** Travel and Mileage expenses have been removed. \$3,000 of Training has been removed. The Clothing allowance has been removed although we require employees to respond during adverse weather conditions 24/7.

**Contractual/Professional Services:** We have reduced our professional service expenses to \$2,500 reserved for engineering costs.

**Supplies:**

**Operating Supplies:** Culvert purchases, asphalt material and pavement striping will all be eliminated.

**Medical:** We reduced Medical supplies by only \$800 in order to remain in compliance with MSHA regulations.

**Operating Costs:** With the reduction of our operating costs, we can no longer purchase/repair shop tools, as well as purchase/repair tools for the Dept. of Corrections. The rest of this budget was for purchasing traffic counters and a deck-over utility trailer.

**Road Materials:** The entire magnesium chloride budget has been removed. \$10,000 of the \$90,000 crushing budget has been set aside for emergencies.

**Rentals:** We reduced the rental budget by \$3,500. We have reserved \$10,000 due to the age of our equipment and rising maintenance costs.

**Other Expenses:** We have removed the \$1,000 avalanche control budget.

**Services Removed:** For the goal of \$298,251, we will likely be forced to cut the following items: High Country Snow removal and road openings; General maintenance in the High Country; Reduced maintenance on less-traveled roads to once or twice a year; Reduced asphalt/chip seal maintenance on county hard-surfaced roads.

**Safety items to consider:**

- 1) CR1's failing asphalt on the escarpment means going back to a gravel road
- 2) Not being able to mag. any road in the county
- 3) Not changing any culverts or able to purchase any in an Emergency
- 4) Aging equipment/unable to repair/replace
- 5) Not able to replace employees: our average employee is worth approx. \$49,542 a year
- 6) Reduced employee hours
- 7) Reduced employee benefits
- 9) Only maintaining the County's main roads (highest traffic counts)