Introduction

The August 17, 2009 working group meeting is focused on setting goals for the economic vitality comprehensive plan element. In order to minimize presentations by consultants, we have written the background materials for this meeting into this report to be read in advance, so that we can focus on charting goals instead of reviewing information.

The economic vitality element of the comprehensive plan contains sub-topics for which we hope to have draft goals established by the end of our August 17 meeting:

- Economic development/small business development
- Workforce development
- Tourism
- Revenues/tax base

On the one hand, economic vitality addresses the vitality of our economy, and on the other hand, it relates to the fiscal health of the La Plata County government and the municipalities, districts, and other entities providing public services and facilities.

To inform our working group meeting, we have provided some background information on each of these two dimensions of economic vitality:

Part One – Economic Development and Tourism

Part Two - County Government Fiscal Trends and Revenues

Parts one and two provide background information and questions that we will use to initiate and guide our discussion. Please read the information and be ready to brainstorm some goals.

Part One - Economic Development and Tourism

The state of economic development today

The field of economic development has evolved greatly in the past twenty or thirty years. For economic development professionals in rural areas today, "smokestack chasing" is considered a narrow approach and most advocate the support and fostering of existing businesses. Relying on recruitment of large industry from outside the region has shown great success in some places, but in many others, the increasing mobility of large industry and the web of outsourcing have contributed to tremendous boom-bust cycles. This has led to an increasing trend towards looking within rather than looking outside of the region for growth opportunities.

For example, the now famous "economic gardening" program in Longmont, CO has evolved into a support system designed to create a favorable environment and provide competitive advantage to local entrepreneurs. The program director admits that they are far from understanding what makes economies tick, but are confident that they are on the right path.

Locally, Region 9, the Fort Lewis College School of Business Administration, the Small Business Development Center at Fort Lewis College, and county-level economic development groups are partnering to provide targeted support programs in the Growth Company Initiative. This program is aimed at establishing regional cooperation among firms and providing support and information for specific businesses that are making new jobs. The Durango Chamber of Commerce has been considering an investment into marketing software and information that would provide insights for local businesses usually only available to corporate-scale businesses.

In short, economic development professionals in our area have been focusing on helping businesses help themselves. If a new business wants to locate here, the strategy is still to help them succeed in the transition given what the region has to offer.

Who is working on economic development?

There are several entities working to enhance economic vitality in La Plata County, see Attachment 1 for a catalogue of these entities and a brief recitation of their main philosophy and goals.

What economically-oriented planning is in place today?

Many communities and organizations have charted out visions and goals that relate to economic development. See Attachment 2 for a catalogue of the vision, core philosophy and goals of the various entities. This catalogue includes a summary of economically-related content in the La Plata County district plans and comprehensive plan. Also, see Attachment 3 for the policy portions of the Region 9 La Plata County Comprehensive Economic Development Strategy.

Questions for our discussion:

- Given the array of entities actively working on economic development and the focus of the profession on helping existing businesses and entrepreneurs succeed, what is the role for county government in economic development?
- Are any of the goals stated in existing economic development plans suitable for the county comprehensive plan or can any of them be adapted to the county context?
- Are the vision, goals, philosophies expressed in the economic development plans and the mission of the organizations working on economic development aligned with the goals in the currently adopted district and comp plans? -and- Does the comparison provide guidance for setting economic vitality goals for a comp plan for county government?

Attachment 1 - Catalogue of Local Economic Development Entities

Fort Lewis College Small Business Development Center

Mission: Provide small business assistance, training, information, and leadership in activities which foster the successful growth and development of small businesses.

Services: Provides complimentary one-on-one counseling, consulting and training for small businesses throughout Southwest Colorado.

- Business plans and cash flow projections,
- identifying financing options,
- business health 'checkups',
- marketing advice,
- and business management training.

Ignacio Chamber of Commerce

Mission: The Ignacio Chamber of Commerce supports the economic health of local businesses by working together for community success, advancing economic development and networking with citizens, governments, business and education organizations to achieve common goals.

Services:

- Intergovernmental coordination,
- Visitor information,
- Networking and information for businesses,
- Economic development planning
- Market local events.

Durango Chamber of Commerce

Services:

- Networking, Personal & Professional Development,
- Advertising/Publicity;
- Buy-local support
- Customer/vendor referrals,
- Logistical assistance for businesses considering locating in La Plata County.
- Logistical assistance for businesses struggling to stay in La Plata County.

Next steps: Buy a corporate-level marketing software/database for helping local businesses find vendors and analyze market opportunities and beat competition.

Durango Tourism Office

Services

- Tourism marketing
- Central reservations
- Events promotion
- Networking for tourist businesses
- Leadership for tourism economic development efforts

Bayfield Chamber of Commerce

Services:

- Tourism promotion,
- Visitor information,
- Networking and information for businesses,
- Market local events.

Region 9 Economic Development

Services:

- Financing and grants to assist small business retention, expansion and job creation.
- Administers the Colorado Enterprise Zone tax credit program.
- Provides economic development and transportation planning for local governments and communities.
- Provides technical assistance and information for businesses.

LEAD

Mission: The Mission of La Plata Economic Development Action Partnership (LEAD) is to set the direction and oversee the implementation of ongoing economic development in La Plata County that achieves the community vision for sustainable quality of life and the overall prosperity for the greatest number of citizens. *Goals:*

- Diversify the economy and further expand the economic base of La Plata County.
- Retain and create quality jobs with livable wages for the citizens of La Plata County.
- Ensure availability of adequate infrastructure and services necessary to accommodate desired economic growth.
- Enhance the quality of life and build wealth

Durango Business Improvement District

Mission: To help all types of businesses in the District by assisting with marketing special events, providing research on topics of concern to the District (facilities, special events, best practices), planning & development of new facilities and providing capital budget for equipment that helps support business in the district.

Services:

- Downtown planning
- Downtown marketing
- Event promotion
- Capital improvements
- Visitor information

Attachment 2 - Catalogue of Vision and Goals in Existing Economic Plans

Region 9: La Plata County Comprehensive Economic Development Strategy, 2006

Vision: A healthy community that invests in sustainable systems while pursuing local economic development and environmental stewardship for the benefit of future generations who will call this place home.

Goals:

1. Achieve a diversified, sustainable and growing economy in La Plata County that is compatible with the local environment and small town atmosphere.
2. La Plata County contains a vibrant, growing, and sustainable tourism industry.
3. Business mentoring and support will be available to expand and sustain local businesses.
4. A well-trained, skilled workforce will be available to support business employment needs.
5. The necessary facilities and programs are available to meet the socio-cultural needs of the community.
6. Adequate infrastructure, such as roads, water, electric, gas, Internet, telecom, etc; is ready and available for commercial use.
7. Support the completion of all projects listed in the La Plata County Community Development Action Plan.

La Plata County Compass: Economic Vitality, 2008

Over-arching statement: La Plata County optimized partnerships with other governments and stakeholders to foster a diverse and stable economy.

Goals:

1. Mitigate economic leakage / support local buying
2. Business attraction, enhancement and retention
3. Workforce development at all levels
4. Enhanced cultural, tourism and environmental attractions
5. Improved technological connectivity
6. Monitor and prioritize tax funding mechanisms

Colorado Workforce Center

Workforce Centers provide a variety of free services to assist employers and job seekers alike. These include: job listings, computer & internet access, career counseling & training for job seekers; and recruitment of workers, pre-screening & referral services, tax credits, and training reimbursement for employers.

Ignacio: Community Revitalization Partnership, 2009

Vision:

"Diversity inspires and challenges you to improve"

"Partnerships with all kinds of people/ organizations"

"A clean and safe place to live and work"

"A beautiful town that honors southwest traditions"

Recommendations

1. Lead the way to development
2. Understand Ignacio as a product you are promoting
3. Infiltrate your message into the community
4. Evolve and review downtown design guidelines
5. Improve signage
6. Place-making: There is a need for downtown to serve as a "community center."
7. Be a part of your region.
8. Resource Management and Planning: The Downtown Committee should actively engage in fundraising to support downtown initiatives.
9. Partnerships: Develop a plan for communications amongst stakeholders in and around Ignacio and with diverse audiences.

La Plata County District Plans

Ft Lewis Mesa

Guiding Principles

- We believe that our livelihoods are centered around our rural culture.
- We wish to encourage appropriate development in Kline, Marvel, Breen, and Hesperus.

Vision for the future: Business development emphasizes our rural and agricultural focus with small value-added processing facilities, markets, and retail food outlets all locally controlled and sustained.

Junction Creek

An objective to restrict commercial development and signage states that only certain commercial uses are allowed in the Junction Creek District: bed-and–breakfasts, day-care homes, and home occupations. The plan contains no commercial or industrial land-use classifications.

Bayfield

Vision states that one strength of the district is "lack of commercial development. One objective states the intent to restrict commercial development outside of Bayfield and Gem Village to that which is in keeping with the rural characteristics of the area."

Florida Mesa

To preserve agriculture and other rural open lands, the plan encourages future commercial, light industrial, and mixed-use development to be channeled to several "growth centers" in the district, naming Grandview, Elmore's Store and Sunnyside as possible commercial growth areas and the areas around the airports and portions of Koshak Mesa as industrial areas, all of which already contain "some degree of such use".

Vallecito

Vision calls for a "..broad range of socio-economic diversity…".

The introductory narrative cites a general concern about commercial use proliferating in residential areas and voices a preference for locating commercial uses as designated on the map (near existing commercial uses).

The plan contains a goal to preserve the rural residential character of the valley with compatible resort, commercial and recreational uses for confining "compatible commercial development to areas designated on the Vallecito District Map", implying that applications for map amendments and commercial uses outside of the currently designated commercial areas will not be looked upon favorably.

North County

Vision: The plan envisions "future growth that occurs in a compact pattern with a mix of residential, commercial and retail to enhance the surrounding community" and provides clear direction to "limit new commercial development to existing commercial centers."

Plan narrative emphasizes a regional perspective of the North County district with the rest of the county, especially Durango and what is now the Glacier Club.

One policy encourages "small businesses that will benefit the community: country-tourist land uses and cottage industries that provide services and jobs for local residents."

West Durango

Vision: "Preserve the beautiful natural setting and resources while maintaining a sound economic base; manage growth in a way that ensures the character of the area, residents' safety, and equity for citizens."

Commercial development objectives seek to keep commercial development near other commercial development and in designated areas only, with proposed future development "clustered near population centers".

Part Two - County Government Fiscal Trends and Revenues

To inform our discussion we have provided some information that reveals a set of circumstances that have raised concern in the community over declining property tax revenues in the future and what it will mean for county levels of service and mill levies. Each of these factors is summarized in bullets below, followed by descriptive statistics supporting each of the points.

A recipe for concern?

- Property tax holds an increasing share of total county revenues
- Property tax collected from the natural gas industry accounts for over half of total property tax revenues.
- Natural gas production is projected to decline, and so is the property tax revenue it generates
- The fiscal planning in place today fall short of addressing these trends

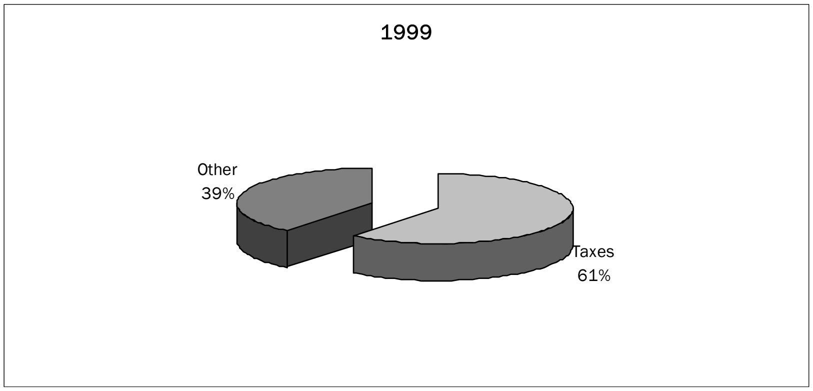
A wise response in 2000, but was it enough?

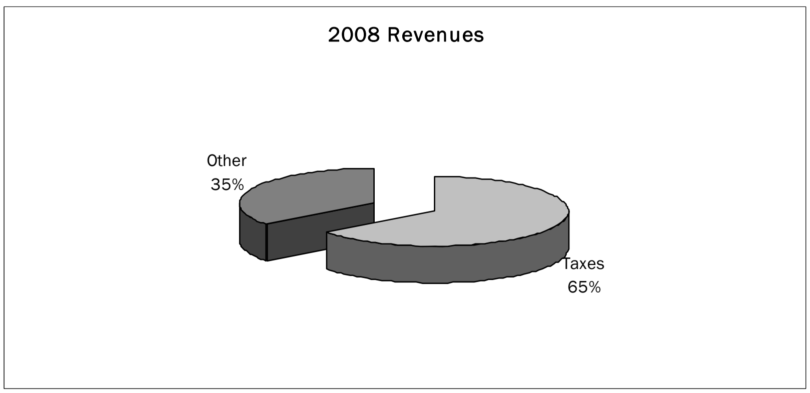
- In 2000, County Commissioners recognized that gas revenues were a temporary revenue source and vowed to freeze the dollar amount of gas industry property taxes that could be spent on day-to-day operations and maintenance. Since then, all revenues above the 2000 freeze-line have been spent on capital investments.
- By 1999, property taxes already made-up 52% of the tax base, meaning that there is still a substantial dependence on property tax for operations and maintenance despite the wise move to redirect funds into capital improvements in 2000.
- The share of total county expenditures held by operations and maintenance is holding steady/increasing and is now around 2/3 of the expenditures, despite the 2000 response by commissioners.

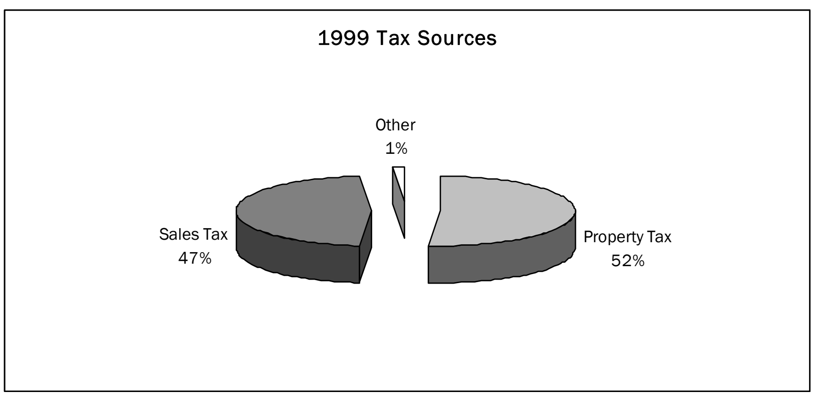
Question for our discussion:

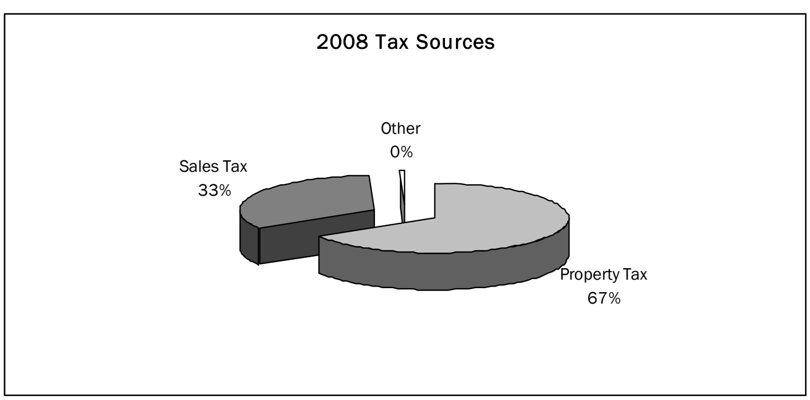
Given our clear dependence on natural gas industry property tax revenues, do we need to set some planning-level goals to address the decline in revenue sources for county operations, maintenance, and capital investment?

Property tax holds an increasing share of total county revenues









Source: Adapted from La Plata County Comprehensive Annual Financial Report

Property tax collected from the natural gas industry accounts for over half of total property tax revenues

	2008			
Taxpayer	Type of Business	2008 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
BP America (formerly Amoco)	Energy	$ 922,686,750	1	30.57%
Samson Resources	Energy	197,217,200	2	6.53%
XTO Energy Company	Energy	91,615,790	3	3.04%
Conoco Phillips Company	Energy	89,950,250	4	2.98%
Red Cedar	Energy	88,351,250	5	2.93%
Four Star Oil & Gas Co	Energy	67,154,930	6	2.23%
Burlington Resources Oil & Gas	Energy	65,989,360	7	2.19%
Red Willow Production Company	Energy	62,089,020	8	2.06%
Chevron Texaco	Energy	34,389,170	9	1.14%
Williams Gas Processing	Energy	28,010,820	10	0.93%
Vastar Resources, Inc	Energy	-		0.00%
Hart Canyon LTD	Energy	-		0.00%
La Plata Electric	Utility	-		0.00%
Enervest	Energy	-		0.00%
S G Interest I LTD	Energy	-		0.00%
White Aspen/Cedar Ridge	Energy	-		0.00%
Total Assessed Valuation for 10 largest taxpayers		$ 1,647,454,540		54.59%
Total Assessed Valuation for all taxpayers		$ 3,017,991,395		100.00%

Source: Clipped from the La Plata County Comprehensive Annual Financial Report: Principal Property Taxpayers

Natural gas production is projected to decline, and so is the property tax revenue it generates.

Nicely written and accurate Herald article from summer of '08:

Report foresees natural-gas decline

Production at county wells falling an average of 12 percent a year

June 29, 2008

By Katie Burford | Herald Staff Writer

In a decade, revenue from gas companies' operations in La Plata County will be nearly half what it is today, even with the addition of hundreds of new wells.

Coal-bed methane production began in earnest here in the early '90s and peaked in 2003. Companies hoped to forestall a decline by drilling more wells but still saw a drop of more than 5 percent in 2007, according to data from the state .

Company revenue from gas production is forecast to fall 46 percent, from $1.6 billion in 2008 to $864 million in 2018. By 2021, revenue is forecast to shrink to $571 million.

The forecast report, produced by Fort Worth, Texas-based Cawley, Gillespie & Associates, predicts that companies will see their does not take into account fluctuations in market price, technological advances or changes in regulations.

According to the report, gas production from the county's coal-bed methane wells are declining at an average rate of 12 percent per year. Conventional gas well production, which accounts for a far smaller portion of gas production, are declining about 7 percent a year.

The report says there are 1,022 proved undeveloped locations to be drilled in the Fruitland coal reservoir in La Plata County based on current spacing requirements. Today, there are about 1,700 coal-bed methane wells in the county.

Even with new wells, the report foresees gross gas production declining 65 percent from 2008 to 2021, from about 403 billion cubic feet to 140 billion cubic feet.

County officials say the news could be worse.

"It looks to me like we're in a slow decline," County Assessor Craig Larson said. "You don't want to have a precipitous drop."

Data for the report was supplied by the assessor's office. Revenue predictions assume a price of $6 per thousand MBtu, which is about the average index price for 2007.

The county commissioned a similar report from the same firm in 2003. Neither report released data on individual well production, which is considered proprietary information.

Commissioners will receive a presentation about the report's findings July 8. Commissioners requested the presentation as they begin working on the budget for 2009.

The 2003 report forecast gas production in 2007 would be 386 billion cubic feet, but actual production that year was higher, about 393 billion cubic feet not including conventional gas production.

"He's not too far off," Larson said, referring to the report's author. "We're doing a little bit better than what he had estimated."

Larson attributed this to more new wells coming online than anticipated and improvements in technology that allow companies to extract gas more efficiently.

The role of price

The price of natural gas is a significant unknown in the equation. The county's netback price - which is the price of gas minus certain expenses producers are allowed to subtract, such as processing and transportation - in recent years has varied from $1.88 per MCF in 2003 to $4.66 in 2006. This year, the average netback price is $4.01.

The price is influenced by a wide array of factors, including weather and supply.

"If you don't have a cold year, you don't need gas," Larson said.

A new pipeline that heads east out of northern Colorado also is expected to play a part.

"The San Juan (Basin) will more become its own supplier," Larson said. "We won't have to worry about it coming in from the Piceance Basin to our southern markets."

The cheap price of gas earlier in the decade made it attractive for electricity generation. But when various new plants in Texas started using it, the price quickly escalated, discouraging more plants and easing demand.

In 2008, natural-gas prices are on the rise again. In June, Atmos Energy, which secures its supplies of natural gas from producers months in advance, increased the price it charges customers by 25 percent.

Kevin Kerrigan, a spokesman for the company, said that normally the price it pays for gas declines after winter, but this year has been an exception. The market price of natural gas in June was 72 percent higher than the same month a year before, he said. This winter could be worse.

"It is not forecasted to come down," he said.

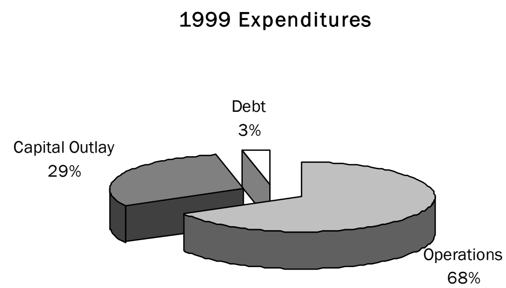
Atmos shops around for its gas, which may or may not come from the San Juan Basin.

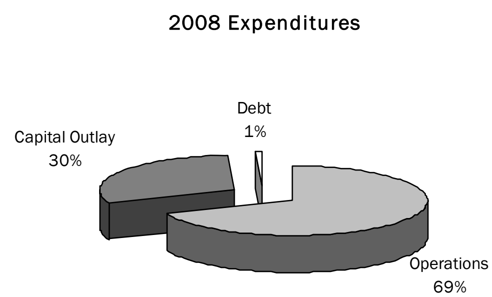
High natural-gas prices may drive up residents' energy bills, but it helps keep their property taxes low.

In 2006, gas and oil represented 66 percent of the county's property-tax revenue. In 2007, that dropped to 56 percent and it is predicted to be about the same in 2008. Property taxes are based on the previous year's production.

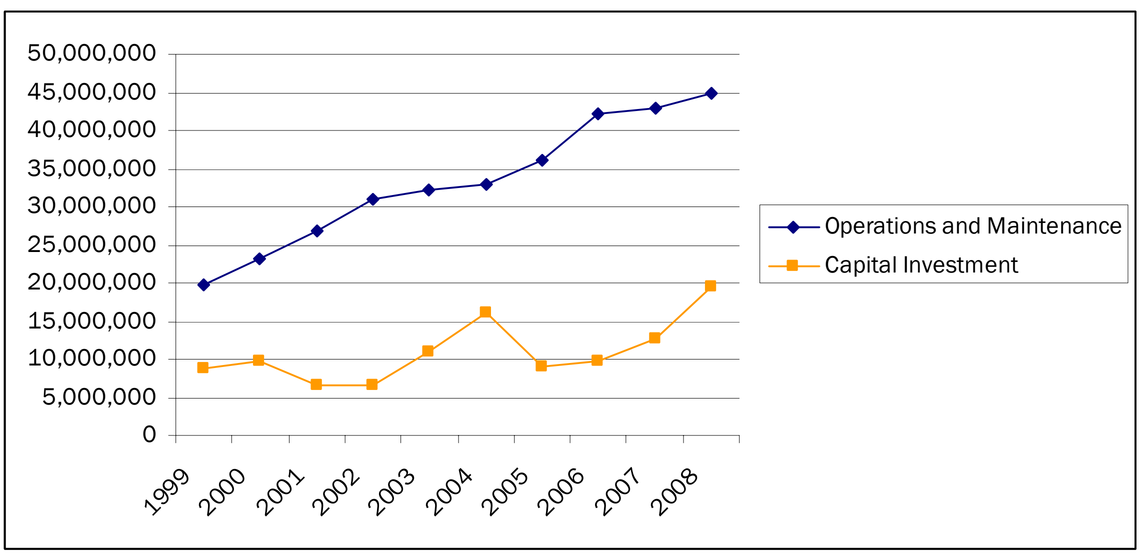
The eventual decline in revenue will not affect all county residents equally, because the mill levy varies depending on the tax districts residents fall in. Larson said Ignacio property owners pay just 19 mills, while in Bayfield they pay 34 mills, and in Durango they pay 25 mills.

The share of total county expenditures held by operations and maintenance is holding steady/increasing





Expenditures 1999-2008



The fiscal planning in place today falls short of addressing these trends

District Plans

The Florida Road, West Durango, and North County plans all express the need to obtain or require improvements made necessary by future development before or as that development is approved/implemented. The West Durango, Bayfield, and Florida Mesa plans all suggest that development impact fees be implemented to offset costs of future development. Most references to impact fees are general (not tied to a specific type of capital facility), but the Florida Mesa plan mentions both fire protection and parkland as possible facilities for impact fees.

2001 Comp Plan

The plan contains a goal stating that "emergency preparedness planning and provision of emergency services continues to meet the growing demands of residents and visitors" but does not offer clear direction on how to pay for it.

The plan also seeks "to ensure that recreational program and facility needs of county residents are met as the county grows" and offers a list of funding options including sales tax, impact fees, property tax increase, a use tax, or a recreation district.