



Severance Tax Credit Study Group Meeting
 Wednesday, August 14, 2008, 1:00 pm
 CCI Conference Room
 800 Grant Street, Suite 500

PARTICIPANTS

Rich Atkinson, Rio Tinte/Colowyo Mine	Tony Hernandez, DOLA
Kevin Bommer, CML	Susan Kirkpatrick, DOLA
Mike Braaten, City of Rifle	Jonathan Marks, DOLA
Steve Colby, DOLA	Carl Miller, Impact Committee Member
Bill Cordova, Las Animas County	Scott Olene, DOLA
Sharon Day, Town of Meeker	Dianna Orf, Colorado Mining Association
Stan Dempsey, CPA	Ken Parson, CCI – Rio Blanco County
Bruce Eisenhauer, DOLA	Linda Rice, DOLA
Jaime Gomez, CHFA (by telephone)	Don Sandoval, DOLA (by telephone)
Connie Grider, Colorado Legislative Services, LLC	Tim Sarmo, Town of Palisade
Charlie Griego, (by telephone)	Jesse Smith, Garfield/Montrose Counties
Susan Hansen, Delta County	Kirk Weber, CDE
Andrew Harper, George K. Baum & Company	Carla Distell, La Plata County (by telephone)

DOLA Executive Director Kirkpatrick called the meeting to order at 1:00 pm. Introductions were made all around.

Socioeconomic Impact of Energy Development:

Ford Frick of BBC Consulting provided an overview of the socioeconomic impact of energy development in Northwest Colorado, indicating:

- Development will peak in 2015 and that uncertainty exists with energy exploration and with it, so does public planning. However, if development happens on schedule, then finances work in the long term. Questions remain on how much mineral revenue get back into the area of exploration.

Some discussion ensued after the presentation, dealing with ideas for regional coordination to prevent duplication and waste in government investments.

Bill Cordova, Las Animas County Administrator presented on Southeast Colorado:

- Las Animas and the region have been through boom and bust periods in the energy industry.
- New natural gas development is on *private* mineral properties.

- The natural gas industry says we are at a mid-point with an active well count of 3000.
- Fiscal capacity is limited. Mill levy ballot measures for Road & Bridge have not passed recently.
- The local economy is not diversified enough, as a new industrial park in town is occupied mostly by the Oil and Gas industry and their support services. There is a new proposal for a Hospital District.

Karla Distel, Finance Director for La Plata County presented (by phone call) information on La Plata County.

- La Plata County is a middle-aged field with ~3500 wells and large numbers of undrilled permits.
- The Southern Ute tribe controls much of the production area.
- Production peaked in 2003, with a 6% per year decline projected.
- Large costs to the County are roads and bridges.
- The County Strategic Plan has been created by thoughtful County Commissioners.
- The Commissioners have set aside Oil & Gas property tax revenues for capital projects.
- Coordination with other districts is new; Tribal relations have been difficult in the past, but are improving. Federal agency partnerships are too complex.

Steve Colby from DOLA then guided discussion on other potential mineral development across the state.

Susan Hansen, Delta County Administrator presented on the local experience with the Severance Tax Credit tool:

- IGAC (Intergovernmental Advisory Council) formed in 1981 included Counties, Towns, Schools and a Hospital District. The Council still meets quarterly for a 5 year plan revision.
- There have been lots of competitive debates between local governments.
- Severance Tax Credit helped fund several projects and a dedicated sales tax was established.
- Communities liked the credit because they did not have to compete with other parts of the state; Industry liked it because they saw their money going back into local communities where they had operations. There is however, little interest these days.

Don Sandoval, former Town Manager of Hotchkiss and North Central Field Representative for DOLA spoke next (by phone) on the Delta County experience with the Severance Tax Credit tool:

- There was a long discussion about what to do with severance tax credit funds. It took the community three years to reach agreement.
- To mitigate this problem, developing metrics for the weighing process and have a preexisting capital improvement plan in place.
- The amount of money from the Severance Tax Credit was a large amount for the small towns and communities to handle.

Tim Sarmo, Town Manager of Palisade discussed the last active credit projects.

- Policy on the use of the Credit was confusing. It was not clear how it was different from a Grant. Credits were too rigid; need greater flexibility.
- The Credit does not generate new money, but it is good for front-end and risk sharing.
- The Credit needs to be used to promote partnership.
- The industry is now different and is made up of multiple Oil and Gas developers, not single ones like before with the coal mines. Partnerships are harder to build because of this.
- There needs to be a differentiation between a Credit and a Grant. The Credit should go to regional problem solving alliances.

Rich Atkinson commented on how his corporation was the biggest user of the Severance Tax Credit:

- We quit using the Credit because there was no longer a difference from the Grant.
- Mine made significant financial contributions to the local governments that were not used as credits.
- Need to keep Severance Tax focused on impact.

Jess Smith, former Garfield County Administrator discussed the recent proposals for the Severance Tax Credit in Garfield County:

- Garfield County is a big area with long roads, which were not built to handle industrial traffic.
- Presently there are 3700 wells in the County with 15,000 projected by 2015 and 30,000 by 2030.
- Impacts hit very quickly. The speed and scale is beyond the capability of rural local governments.
- Revenues lag costs 3-5 years.
- Local government agreed to try for a Severance Tax Credit to meet this “front-end” need.
- DOLA gave roadmap on how to obtain the Credit.
- Met with local representatives of energy corporations to pitch the project, and were received warmly.

Director Kirkpatrick then summarized what had transpired in the meeting so far and appreciated the candid comments. What everyone agrees on is that the current tools do not meet total aggregate impacts.

For the next meeting (9/4/08), the industry perspective will be presented on the Severance Tax Credit.

Meeting adjourned at 3:30 pm.

**Next meeting: Thursday September 4
1:00 – 3:30 pm**