

State of the City Remarks for 2013

Good evening everyone and thank you. It is again time for a review of our city's key events from the previous year.

2013 was a year of transitions and challenges all across our community, including our city government.

I'll start out by highlighting some of the transitions that took place.

We saw leadership changes at our economic development partnership, Yampa Valley Data Partners, the Memorial Hospital, Yampa Valley Electric Association, the Craig Daily Press has a new general manager and editor, and in the near future we'll be seeing new leadership in the school district, the high school and at Colorado Northwestern Community College Craig Campus.

The citizens of Craig elected two new councilmembers in April of last year, and with the departure of councilor Gene Bilodeau, we appointed a third councilmember right after the first of this year. Tony Bohrer and Jarrod Ogden were elected last spring, and we appointed former councilmember Kent Nielson to replace Mr. Bilodeau.

In 2013, three senior members of our city's staff moved on, our city attorney, city clerk and our city engineer. At the present time we haven't replaced those folks, and we'll be

looking at the city's organizational structure as we move forward.

After a long tenure on the bench, our municipal court judge, Kevin Peck, left the city's service. The city hired attorney Heather Cannon, now the honorable Heather Cannon, to handle matters that come before the court.

Sadly, we saw the departure of the Safeway supermarket from our community last fall. Safeway came to Craig in 1929; that's 84 years of business done in our city. That was a bit of a heartbreaker for me. I wonder how many other small towns can say that one retail store did business continually in the community for that length of time.

Here's a brief look at city finances.

Although our budgeted vs actual revenue numbers for 2013 lined up pretty well, we were over \$33K below projected revenues, and our actual 2013 total revenues from all categories were almost \$830K down from the 2012 actuals.

Our month-to-month sales tax revenue reports showed significant fluctuation from negative to positive territory throughout the year, but we did wind up a little over \$125K above budget in sales tax revenues for 2013. However, November and December were below our expectations, and

our actual sales tax revenues fell below projected revenues by over \$20K for the year.

For 2013, severance tax direct distribution dollars came in above budget, and federal mineral lease revenues did the same. The total for severance tax direct distribution and federal mineral lease revenues were slightly over \$1.1M. Unfortunately, this is about \$350K below the 2012 totals.

The city's building department reports a sharp decline in the value of construction for 2013. The total for our three building categories (residential, commercial and public building) was a little under \$2.17M for the year. This is significantly less than the \$4.4M+ we saw in 2012.

One bright spot in the building department report is that public building construction was at its highest value level in four years. We saw an \$87K remodel at the Museum of NW Colorado, \$141,800 in roof construction at the Public Safety Center and the Craig Rural Fire Protection District's Fire Training Simulator came in at \$726,495.

To summarize construction activity there were a total of 253 permits issued in 2013 in the combined categories of building, mechanical and plumbing. This is down from the 302 permits issued in 2012.

A total of four mobile homes arrived in our community in 2013, but there were no modular homes on permanent foundations and no stick-built homes constructed in the city last year.

We don't see anything significant coming for the construction industry in 2014. The Kum & Go development on the east end of town seems to have hit a snag with access design. I'm not sure when that project will move forward.

The developer of the Hillside Subdivision came before city council in November and requested an extension to the approval of a preliminary plat originally submitted in 2009. In his application he notes that market conditions are not favorable to the subdivision's construction at this time, but he is still willing to hold on to the plan till conditions improve. Things simply don't look good for residential construction at the moment.

We have a unique construction project that will commence when weather conditions permit. A company called Clean Energy Collective will build a solar array on the city's sewage lagoon property, south of town. There will be about 2000 solar panels on a four acre portion of the city's property. This is about a \$1.25M project that will take a couple of months to complete. I'll have some more comments on this a little later.

The Shadow Mountain infrastructure improvements will begin in the spring. As I have stated in the past, it is a long-overdue project that will not only improve water and sewer service in the subdivision, but it will enable the city to fully integrate, that is loop the water system in Shadow Mountain into the city system. Right now, water service is at a dead end in the subdivision. We will then be able to bring the water pressure in the subdivision to normal, improving service to the customers and improving fire protection. The looped system will ensure that water quality stays at an optimum level as well.

The “Safe Routes to School” sidewalk project will commence this summer. The engineering work is done and so we’ll get going on that one.

City council along with city staff will be looking at how we might pay for more sidewalk improvements around the city. We typically have some money in the curb and gutter fund that doesn’t get spent during the budget cycle. It may be possible to use some of that money to build sidewalks.

Councilman Don Jones suggests that we look at a partnership with property owners: the city will build the sidewalk and the property owner will buy the concrete. I like this idea and I think we’ll explore it further.

We are hopeful that the city will be awarded a \$300K grant from Great Outdoors Colorado for improvements to the Breeze Street Park. We'll get going right away on that one if our grant application is successful.

The Pughe family donated about 26 acres of land to the city this past fall. The property is just above the Sandrocks, on the north end of Finley Lane. The City of Craig is very grateful for this generous donation. It will make a fine recreation area in the future.

A little more information about Park/Rec activities in 2013:

The city's organized sports and outdoor recreation programs were very popular. Outdoor programs include fishing, Trail Busters, a trip to Water World, and the ski club had 25 members in 2013. Our Park and Rec department organized 21 trips for seniors to places like Santa Fe NM, Mount Princeton Hot Springs and a trip to see the Colorado Rockies play baseball.

We had approximately 550 participants in our adult sports programs.

The Craig municipal swimming pool saw an average of 275 people a day from the time it opened on Memorial Day till its closure when school started.

The pool hosted the Craig Sea Sharks annual swim meet with over 250 competitors and about 750 cheering spectators. We also had 15 private parties reserve the city pool facilities during last year's season.

The Craig pool complex partners with the school district to provide a four-week swimming program for middle school students and also provides an eight-week "Learn to Swim" program which is available to the elementary school students in our community.

Finally, I want to note that the Craig Park & Rec department temporarily employs 50 to 60 young people each summer.

Our road & bridge dept. accomplished pavement overlays and chip-sealed various streets throughout the city. The city also acquired a small lot on the north end of town that will be used for more gravel storage.

The city's road & bridge dept. operated in conjunction with the solid waste department to clean up after the severe storm last fall that damaged property all over our community.

We're not finished with that one yet; we still need to find a chipper that can handle the huge amount of wood debris that still remains from the storm.

Our recycling center continues to be busy

Hauled 45 loads of cardboard, 29 loads of co-mingle recyclables and 12 loads of paper, for a total of 86 loads hauled to Waste Management in Steamboat Springs. We now take all seven grades of plastic.

One note of caution: please don't leave plastic bags in the dumpsters at our recycling facility.

Some comments about the budget:

We always formulate a conservative budget, but in the last few years, a number of things have challenged the city's budget. Sales tax is the primary revenue source for Craig. When we examine the city's general fund we see that over 70% of the tax revenue is from sales tax. But we are seeing an overall decline in this traditional revenue stream nationwide. Unfortunately, demographics have not been friendly to sales tax revenues all across the country. A demographic shift in the form of an aging population is resulting in more dollars being spent that do not generate sales tax revenue. In other words, we are becoming a society that buys more in services and less in goods. This is a challenge for every municipal budget.

In just a few short years, healthcare costs have gone from a bright spot in the city's budget to a very big budgetary problem. We saw a significant spike in claims in 2012 and took steps to soften the blow to the budget in 2013. However,

the claim numbers and costs did not abate last year, so we took the drastic step to move from being a self-insured entity to enrolling the city with a self-insured governmental agency trust fund. That move alone should save several hundred thousand dollars by moving us from a pool of 300 insured to a pool of 3000. We are also passing more costs along to city employees.

One significant gray area in terms of healthcare costs for the future is what will happen as the Affordable Care Act becomes more entrenched in our economy.

The infrastructure project in the Shadow Mtn. subdivision will be a budget challenge until it is complete. It is a significant challenge, but a temporary one. Our partnership with the county was a key component in applying to the Colorado Department of Local Affairs for an energy impact assistance grant to help get the project going. The City of Craig is pleased to be working with Moffat County on this project and our strong partnership will bring about its successful and timely completion. We are hopeful that we will see sufficient energy impact assistance grant funds available in the future to soften the impact to our budget.

I mentioned earlier the solar array that will be built this year. Clean Energy Collective has contracted with Yampa Valley Electric Association to supply a small amount of electricity, a

little less than 600 kilowatts, to help YVEA with their obligation to provide some renewable electricity as part of their portfolio.

The City of Craig has entered into a lease agreement with Clean Energy Collective to build the array on our sewage lagoon property. This is a very marginal piece of property that won't see any other form of development. The term of the lease is for 25 years with a 25 year option to renew. In return, the city will receive five kilowatts of free electricity from the array as compensation. This will result in a significant savings on our electric bill for the life of the lease.

The solar panels in the array will be for sale by Clean Energy Collective to the public; they'll be available to private citizens, businesses and governmental entities.

I don't want to get into the specifics of how people may buy into the solar array, but information about the company and their offer is easy to find online.

Final comments:

Energy is what brought me to this community in the seventies. In 1976 and 77 I worked on the Craig station construction project, and in 1978 I went to work for Trapper Mine. It was a great opportunity and that's where I invested the next 30 years of my working life.

The energy industry has enjoyed a long and successful history in Northwest Colorado. Coal, oil, natural gas and yes, uranium have all played important roles in energy development over the years in our part of the world.

The City of Craig has been a hub, an anchor community, a home to those good people who worked to make energy a key factor in the local economy. And as we move forward as a community, I hope we can create the same opportunity for others that I took advantage of and enjoyed when I came here as a young man with a family.

To that end, I believe that we as a community should plant our feet firmly in a leadership position, identify ourselves as a community that leads the way in welcoming energy development of every sort, coal, oil, gas, uranium, solar power, wind power, hydro power. It will be local energy, American energy.