



## FINANCE DEPARTMENT

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**TO:** BOCC, Phil Gonshak, Jeff Huntley

**FROM:** David Reynolds, Finance Director

**RE:** Keystone Incorporation Analysis

**DATE:** February 21, 2023

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In 2021, Summit County engaged a consultant to prepare an analysis regarding the impacts of the Incorporation of Keystone as a town to County finances. Proponents of incorporation represented by the Keystone Citizens League (KCL) also prepared their own feasibility study as of December 31, 2021. Attached is a summarized comparison of the conclusions provided by each study.

I reviewed the revenue assumptions included in the County 2021 study and find that they have not changed significantly. Sales tax revenues from the Keystone jurisdiction are up about \$150,000 in 2022 from the analysis prepared in 2021, but that does not have a material impact on those findings. We believe the expenditures are reasonable as presented in the 2021 analysis. The KCL analysis was obtained from the KCL website, and we make no representations as to the accuracy of that data or methods used to obtain it.

### **CONCLUSIONS :**

Revenues are similar in both models. Over the five years presented for analysis, the County estimates \$20MM in revenue for the Town of Keystone and \$19MM in the KCL model. The significant differences lie in the expense assumptions. The County analysis includes \$19.6MM in expenses versus only \$14.3MM in the KCL model over the five-year period. The represents a difference of approximately 37%. The variances are spread similarly across the major expense categories of administration, public safety, community development and public works.

The County analysis indicates that the Town of Keystone general fund will be barely able to operate at break-even level after incorporation. The KCL analysis is much more optimistic with surpluses contributing to a significant general fund reserve. Staff does not believe that the expense assumptions included in the KCL model are sufficient to operate the Town of Keystone.

Summit County Government Keystone Incorporation - Model Comparison Updated: 2/15/2023	County 2023	KCL 2023	County 2024	KCL 2024	County 2025	KCL 2025	County 2026	KCL 2026	County 2027	KCL 2027
<b>General Fund Beginning Balance</b>	\$ -	\$ -	\$ 757,886	\$ 537,529	\$ 373,950	\$ 1,399,590	\$ 396,803	\$ 2,368,087	\$ 432,316	\$ 3,441,971
<b>General Fund Revenues</b>										
Sales tax - 2%	2,736,785	2,286,998	2,818,888	2,668,165	2,903,455	2,801,573	2,990,558	2,941,652	3,080,275	3,088,734
Intergovernmental transfers	258,963	281,426	266,731	325,905	274,733	341,220	282,975	357,497	291,465	374,792
Fees, permits, fines	487,948	289,757	886,468	753,402	913,207	776,756	940,986	801,080	969,848	826,419
Interest and penalties	-	-	-	-	-	-	-	-	-	-
<b>Total General Fund Revenues</b>	<b>\$ 3,483,695</b>	<b>\$ 2,858,181</b>	<b>\$ 3,972,087</b>	<b>\$ 3,747,472</b>	<b>\$ 4,091,396</b>	<b>\$ 3,919,549</b>	<b>\$ 4,214,519</b>	<b>\$ 4,100,229</b>	<b>\$ 4,341,588</b>	<b>\$ 4,289,945</b>
<b>General Fund Expenditures</b>										
Administration/Finance	1,175,038	923,452	1,208,872	953,591	1,243,721	974,483	1,284,340	1,006,153	1,321,311	1,028,623
Public safety	-	17,611	745,556	502,743	767,922	517,466	790,960	532,630	814,689	548,249
Community development	372,112	181,842	766,550	609,580	789,547	630,063	813,233	648,551	837,630	667,594
Public works	144,412	-	644,093	218,545	663,416	225,102	683,318	231,855	703,818	238,810
<b>Total General Fund Expenditures</b>	<b>\$ 1,691,562</b>	<b>\$ 1,122,905</b>	<b>\$ 3,365,071</b>	<b>\$ 2,284,459</b>	<b>\$ 3,464,605</b>	<b>\$ 2,347,114</b>	<b>\$ 3,571,851</b>	<b>\$ 2,419,189</b>	<b>\$ 3,677,447</b>	<b>\$ 2,483,276</b>
<b>Special Fund Allocations</b>										
Capital Improvement Fund	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
TABOR/Rainy Day Fund	50,747	50,747	100,952	100,952	103,938	103,938	107,156	107,156	110,323	110,323
<b>Total Special Fund Allocations</b>	<b>\$ 550,747</b>	<b>\$ 550,747</b>	<b>\$ 600,952</b>	<b>\$ 600,952</b>	<b>\$ 603,938</b>	<b>\$ 603,938</b>	<b>\$ 607,156</b>	<b>\$ 607,156</b>	<b>\$ 610,323</b>	<b>\$ 610,323</b>
<b>Startup Costs</b>										
Administration/Finance	377,500	378,000	130,000	-	-	-	-	-	-	-
Public safety	-	200,000	260,000	-	-	-	-	-	-	-
Community development	16,000	9,000	-	-	-	-	-	-	-	-
Public works	90,000	60,000	-	-	-	-	-	-	-	-
<b>Total Startup Costs</b>	<b>\$ 483,500</b>	<b>\$ 647,000</b>	<b>\$ 390,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Income</b>	<b>\$ 757,886</b>	<b>\$ 537,529</b>	<b>\$ (383,935)</b>	<b>\$ 862,061</b>	<b>\$ 22,852</b>	<b>\$ 968,497</b>	<b>\$ 35,513</b>	<b>\$ 1,073,884</b>	<b>\$ 53,817</b>	<b>\$ 1,196,346</b>
<b>General Fund Ending Balance</b>	<b>\$ 757,886</b>	<b>\$ 537,529</b>	<b>\$ 373,950</b>	<b>\$ 1,399,590</b>	<b>\$ 396,803</b>	<b>\$ 2,368,087</b>	<b>\$ 432,316</b>	<b>\$ 3,441,971</b>	<b>\$ 486,133</b>	<b>\$ 4,638,317</b>

**Summit County Government**  
**Keystone Incorporation - Model Comparison**  
**Updated: 2/15/2023**

	County 2023	KCL 2023	County 2024	KCL 2024	County 2025	KCL 2025	County 2026	KCL 2026	County 2027	KCL 2027
<b>Housing Fund</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>	<b>2024</b>	<b>2025</b>	<b>2025</b>	<b>2026</b>	<b>2026</b>	<b>2027</b>	<b>2027</b>
Beginning balance	\$ -	\$ -	\$ 786,653	\$ 554,179	\$ 1,604,802	\$ 1,194,564	\$ 2,455,471	\$ 1,860,564	\$ 3,339,715	\$ 2,553,204
Revenues	835,653	554,179	868,589	640,385	902,592	666,000	937,695	692,640	200,216	720,346
Expenditures	49,000	-	50,440	-	51,923	-	53,451	-	55,024	-
Ending balance	\$ 786,653	\$ 554,179	\$ 1,604,802	\$ 1,194,564	\$ 2,455,471	\$ 1,860,564	\$ 3,339,715	\$ 2,553,204	\$ 3,484,906	\$ 3,273,550
<b>Trails Fund</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>	<b>2024</b>	<b>2025</b>	<b>2025</b>	<b>2026</b>	<b>2026</b>	<b>2027</b>	<b>2027</b>
Beginning balance	\$ -	\$ -	\$ 13,690	\$ 12,494	\$ 27,517	\$ 26,224	\$ 41,482	\$ 39,954	\$ 55,587	\$ 53,684
Revenues	13,690	12,494	13,827	13,730	13,965	13,730	14,105	13,730	14,246	13,730
Expenditures	-	-	-	-	-	-	-	-	-	-
Ending balance	\$ 13,690	\$ 12,494	\$ 27,517	\$ 26,224	\$ 41,482	\$ 39,954	\$ 55,587	\$ 53,684	\$ 69,833	\$ 67,414
<b>Capital Fund</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>	<b>2024</b>	<b>2025</b>	<b>2025</b>	<b>2026</b>	<b>2026</b>	<b>2027</b>	<b>2027</b>
Beginning balance	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ 1,000,165	\$ 1,000,000	\$ 1,501,432	\$ 1,500,000	\$ 2,007,711	\$ 2,000,000
Revenues	500,000	500,000	500,165	500,000	501,267	500,000	506,279	500,000	511,342	500,000
Expenditures	-	-	-	-	-	-	-	-	-	-
Ending balance	\$ 500,000	\$ 500,000	\$ 1,000,165	\$ 1,000,000	\$ 1,501,432	\$ 1,500,000	\$ 2,007,711	\$ 2,000,000	\$ 2,519,053	\$ 2,500,000
<b>Tabor Fund</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>	<b>2024</b>	<b>2025</b>	<b>2025</b>	<b>2026</b>	<b>2026</b>	<b>2027</b>	<b>2027</b>
Beginning balance	\$ -	\$ -	\$ 50,747	\$ 50,747	\$ 152,206	\$ 151,699	\$ 257,667	\$ 255,637	\$ 367,399	\$ 362,793
Revenues	50,747	50,747	101,460	100,952	105,460	103,938	109,732	107,156	113,997	110,323
Expenditures	-	-	-	-	-	-	-	-	-	-
Ending balance	\$ 50,747	\$ 50,747	\$ 152,206	\$ 151,699	\$ 257,667	\$ 255,637	\$ 367,399	\$ 362,793	\$ 481,396	\$ 473,116