

MESA COUNTY FEDERAL MINERAL LEASE DISTRICT

RESOLUTION NO. 2023-01

A RESOLUTION SETTING A BUDGET FOR THE 2023 BUDGET YEAR

1. The Board of Directors of the Mesa County Federal Mineral Lease District adopted its annual budget in accordance with Colorado Revised Statutes § 29-1-113 at a duly noticed public meeting of the Board held on November 16, 2022, as evidenced by the Minutes of the Board, a true and correct copy of which is attached as Exhibit A.

3. Colorado Revised Statutes § 29-1-108 requires an enacting appropriation resolution for the ensuing fiscal year. Therefore, the Board hereby enacts this resolution, which confirms its actions.

4. The Board declares that no expenditures pursuant to this Budget shall exceed the appropriations authorized by the Board, except as may be adjusted by the Board from time to time pursuant to Colorado Revised Statutes § 29-1-109.

5. The Board appropriates the following monies for 2023:

Estimated Beginning Fund Balance:	\$ 337,933
Estimated Beginning Permanent Fund Balance:	\$1,802,252

Revenue

Federal Mineral Lease Direct Payments

Colorado Department of Local Affairs:	\$ 858,635
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Expenditures

Administrative:	\$ 3,000
Audit:	\$ 3,800
Contract Labor, Services:	\$ 57,100
Insurance:	\$ 2,500
Contribution to Permanent Fund:	\$ 125,000
Grants-approved and paid:	\$ 350,000
Grants-available for award in 2023:	\$ 350,000
Total Expenditures (Appropriations):	\$ 891,400

Other Income & Expenditures

Dividends & Cap. Gains/Losses:	\$ 30,000
Investment Fees:	\$ 15,000

Estimated Ending Fund Balance: \$ 305,167
Estimated Ending Permanent Fund Balance: \$1,942,252

The foregoing resolution was passed and adopted by action of the Board at a duly noticed public meeting of the Board at which quorum was present. Approved this 18th day of January 2023.

By: 
Quintin Shear, Board President

Attachment: Exhibit A—Minutes of the Board

MESA COUNTY FEDERAL MINERAL LEASE DISTRICT
2023 ANNUAL BUDGET MESSAGE

Pursuant to C.R.S. § 29-1-103(1)(e), the following is the budget message for the Mesa County Federal Mineral Lease District (the District) for the 2023 fiscal year.

The District operates under the modified accrual basis of accounting. In 2023 revenues from the Colorado Department of Local Affairs (DOLA) are expected to be \$858,635, though that figure is subject to change depending on oil and gas production and royalty remittances. DOLA revenues are typically received in the third quarter of the fiscal year.

The Board anticipates a single grant cycle in the fall due to lower revenue projections (in past years the District awarded grants in both a spring and fall grant cycle). The District budgeted \$350,000 for grants to be awarded to eligible local government entities in 2023. A total of \$350,000 is appropriated for grants already approved by the District.

In 2023 the Board will continue to fund grants for local governments that fall within the District's statutory mandate of providing aid to communities impacted by minerals development. Those grants include payments for construction/upgrades to public facilities, acquisition of equipment used in public services, and provision of public services.

As provided by C.R.S. § 29-1-1307, the District maintains a Permanent Fund, which is invested in accordance with District policies. The Permanent Fund is intended to provide a continuing source of revenue to the people of Mesa County in future years after minerals are severed from the ground. The District typically contributes a portion of its revenues to the Permanent Fund in accordance with Colorado law. The Permanent Fund balance is \$2,022,370 as of December 31, 2022. The District has appropriated \$125,000 to be contributed to the Permanent Fund in 2023.

The District may adjust its budget (including total revenues to be awarded as grants) in the event of unforeseen changes in revenue or expenses, in conformity with applicable law.

Dated this 18th day of January, 2023.

Mesa County Federal Mineral Lease District

By: 

Quintin Shear, Board President

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P.O. Box 3039 • Grand Junction, CO 81502
E-Mail: info@mesaFML.org Web: www.mesaFML.org

BOARD OF DIRECTORS MEETING

Date and Time: 2:00 PM on Wednesday, November 16, 2022

Location: Home Loan Building, 205 N. 4th Street, Grand Junction, CO 81501, in the Community Room on the Basement level

In attendance:

Matt Rosenberg

Craig Springer

Quint Shear

Dusti Reimer

Janet Rowland

Christine Madsen

Chris McAnany

Meeting Minutes

- I. Call to Order at 2:02 pm.
- II. General Public Comment.
 - a. Q. Shear said The Business Time picked up the article and the Colorado Sun did. I sent it out to everyone. Colorado received \$146 million dollars from energy leases. It goes on to talk about how that is split up and the increase we saw last year. Of this \$146 million, I'm not sure it includes our piece without researching. It does say \$10 million comes to Mesa County. Of that, I'm not sure what goes directly to Mesa County. Janet do you know?
 - b. J. Rowland said she is assuming within the boundaries of Mesa County, not Mesa County government. We get some, I can't remember what it's called, but I don't think we get that much anymore. We get a certain amount for employees in Mesa County.
 - c. C. McAnany said there is a formula that has a direct disbursement to counties. Some gets distributed to DOLA and that get distributed. It's complicated.
 - d. D. Reimer said even the school district gets a check.
 - e. Q. Shear said I'd like to talk to Rio Blanco and Routt county and see if we can get an editorial about how much money has come back to the counties and what projects we have funded over the years. Does that sound good?

- f. J. Rowland said I think that's a great idea.
- III. Approval of the October Meeting Minutes.
 - a. C. Springer made a motion to approve meeting minutes. J. Rowland second. Voted. Approved.
- IV. Staff Report.
 - a. D. Reimer for November we posted to our social media pages on Twitter and Facebook the September meeting minutes and September grant workshop minutes were posted to the website, the November meeting agenda was posted, we live streamed our October meeting on Facebook and uploaded it to YouTube, we shared a Happy Vets Day post, we posted notice of our proposed 2023 budget and it was available for public comment. We shared the media news stories on grant award winners that we received.
 - b. D. Reimer said we received media from The Business Times. They did a story on the grant award winners.
 - c. D. Reimer said there were no grants requesting payment at this time.
 - d. D. Reimer said the invoices for October are from Dusti Reimer Invoice #177 for services and supplies for October for \$2,722.27 and Dufford Waldeck Invoice #34689 for services in October for \$300.
 - e. D. Reimer said for upcoming events we are not planning to have a December meeting, if we get the budget approved today. Our first meeting of the 2023 is scheduled for January 18, 2023, and our approved budget will be due to the State of Colorado by January 31, 2023.
 - f. C. Springer made a motion to approve the staff report. J. Rowland second. Voted. Approved.
 - g. C. Springer asked how many people list or watch the meetings?
 - h. D. Reimer said about two people.
- V. Review of Financials.
 - a. C. Madsen said as of October 31st we have \$1,632,589.18 on our fund balance. For our permanent fund we have \$1,987,258.49. Our grants payable we have \$350,000. In retained earnings we have \$2,934,461.92. Net income we have \$335,385.75. In profit and loss for October we have legal fees of \$600, accounting fees of \$1,284.63 and contract services of \$2,666. We have dues and memberships of \$337.47, unrealized gain/loss in permanent fund of \$72,495.08,

interested earned of \$3.32, dividend income of \$1,600.15, and investment fees of \$4,306.81. We have a total net income of \$64,903.64.

- b. C. Madsen said we have grants payable we have \$50,000 to City of Fruita and \$300,000 to Town of Collbran.
- c. C. Madsen said budget to actual, we are still under for outside services of \$9,503.15, under budget for auditing expenses by \$300, and under budget for insurance by \$161.
- d. The board had no questions for C. Madsen on the financials.

VI. Discussion and Approval of Draft Budget for 2023.

- a. Q. Shear asked if anyone had any questions for C. Springer or J. Rowland.
- b. There were no questions.
- c. C. Springer made a motion to approve the proposed budget as presented. J. Rowland second. Voted. Approved.
- d. C. McAnany said we should include a budget message that explains the high points of the budget. Historically, we haven't done that because our financials are pretty simple. If the board wants me to, I can take a crack at a draft. I can circulate that to you. I can circulate that to you and we can address it at the next meeting.
- e. Q. Shear said that would be great. Address the increasing revenues, expenses and other than that there isn't much to address.
- f. C. McAnany said yes the big things are the one grant cycle for the fall, planned contribution for the permanent fund, the revenue outlook and you'll make adjustments if the outlook changes.

VII. Review of Investment Account.

- a. M. Rosenberg said the markets have bounced back as anticipated. I say get invested now, because things are cheap. Portfolio is down 12%, but compared to the benchmark 60/40, we are only down 15.4%. It is doing well. I don't see us changing that for a while, until short term rates come back down and the yield curve normalizes. I still think there will be a lot of fluctuation between now and this time next year. The stock market has come back 10%. I think you'll see these 5% swings as we work our way back. So, watch the rebounds and be responsible. I think we'll look back two and three years from now and be glad.
- b. The board had no questions.

VIII. Approval of Grant Contracts and Resolution for 2022 Fall Cycle.

- a. C. Springer made a motion to approve Resolution 2022-02 for Fall Grant Contracts. J. Rowland second. Voted. Approved.

IX. Unscheduled Business.

- a. D. Reimer asked what they would like to do for meetings with a \$350,000 grant cycle?
 - b. Q. Shear asked what our meeting schedule was for 2022.
 - c. D. Reimer said we did quarterly meetings until September, and then we went monthly with the grant cycle and the budget.
 - d. Q. Shear said let's stick with that same schedule then.
 - e. C. McAnany asked that we put the meeting minutes on the website.
 - f. D. Reimer said she would put them on the website under the meeting minutes.
 - g. Q. Shear asked when we have to post our meeting notices?
 - h. C. McAnany said we have to post our meeting with a notice of 24 hours minimum for advanced noted. We do need to specify in January the list of regular meetings. That needs to be published.
 - i. Q. Shear asked if there was anything else we need to take care of?
 - j. D. Reimer said no.
- X. Adjourn.
- a. C. Springer made a motion to adjourn. J. Rowland second. Voted. Approved. Adjourned at 2:29 pm.

Mesa County Federal Mineral Lease District

	2021		2022		2023
	Budget	Actuals	Budget	Estimated Actuals	Budget
Estimated Beginning Fund Balance	865,295	865,295	307,059	307,059	337,933
Estimated Beginning Permanent Fund Balance	1,507,526	1,507,526	1,688,560	1,688,560	1,802,252
<i>Revenue</i>					
Federal Mineral Lease Receipt	554,477	493,224	583,630	725,630	858,635
Total Revenue	554,477	493,224	583,630	725,630	858,635
<i>Expenditures</i>					
Administrative	3,000	1,849	3,000	1,078	3,000
Audit	3,800	4,000	3,800	3,500	3,800
Contract labor	42,500	43,010	42,500	39,639	57,100
Insurance	2,500	2,601	2,500	2,539	2,500
Advertising	0	0	0	0	0
Contributions to Permanent Fund	100,000	100,000	100,000	100,000	125,000
Contract Payment to Mesa County	0	0	0	0	0
Contract Payment to Mesa County (Pymnt 2)	0	0	0	0	0
Grants	0	0	0	0	0
Grants-approved and paid	0	350,000	200,000	200,000	350,000
Grants-approved but unpaid	0	550,000	0	350,000	0
Grants-Unused/Forfeited Grants	0	0	0	-2,000	0
Grants-To be awarded next year	400,000	0	0	0	350,000
Total Expenditures (Appropriations)	551,800	1,051,460	351,800	694,756	891,400
<i>Other Income & Expenditures</i>					
Dividends & Capital Gains/Losses	30,000.00	97,943.17	30,000	33,775	30,000
Investment Fees	(14,000.00)	(16,909.80)	(14,000)	(20,083)	(15,000)
	16,000.00	81,033.37	16,000	13,692	15,000
Total Other Income & Expenditures					
Estimated Ending Fund Balance	867,972	307,059	538,889	337,933	305,167
Estimated Ending Permanent Fund Balance	1,623,526	1,688,560	1,804,560	1,802,252	1,942,252

Mesa County Federal Mineral Lease District														1852803.33
Cash Basis														
	2017		2018		2019		2020		2021		2022		2023	
	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Estimated Actuals	Budget	
Estimated Beginning Fund Balance	\$ 2,254,505.38	\$ 2,417,298.74	\$ 2,013,864.35	\$ 2,013,864.35	\$ 2,276,035.35	\$ 2,276,035.35	\$ 1,179,180.75	\$ 1,179,180.75	\$ 865,295.19	\$ 865,295.19	\$ 307,059.22	\$ 307,059.22	\$ 337,932.59	Beginning cash balance
Estimated Beginning Permanent Fund Balance			-	-	1,329,696.00	1,329,696.00	\$ 1,461,708.77	1,461,708.77	\$ 1,507,526.45	\$ 1,507,526.45	\$ 1,688,559.82	\$ 1,688,559.82	\$ 1,802,252.25	Beginning cash balance
Revenue														
Anvil Points Disbursement			-	1,703,874.00	120,402.20	120,402.20	-	-	-	-	-	-	-	-
Federal Mineral Lease Receipt	769,338.23	796,245.04	830,881.70	737,322.00	937,504.92	925,022.53	971,273.66	495,556.20	554,477.00	493,224.26	583,630.18	725,629.82	858,634.69	
Total Revenue	769,338.23	796,245.04	830,881.70	2,441,196.00	1,057,907.12	1,045,424.73	971,273.66	495,556.20	554,477.00	493,224.26	583,630.18	725,629.82	858,634.69	
Expenditures														
Administrative	2,000.00	3,301.75	3,500.00	2,908.00	3,500.00	2,559.09	3,500.00	3,201.04	3,000.00	1,849.41	3,000.00	1,078.38	3,000.00	
Audit	5,000.00	4,200.00	4,500.00	4,027.00	4,000.00	3,650.00	4,000.00	3,700.00	3,800.00	4,000.00	3,800.00	3,500.00	3,800.00	32000
Contract labor	58,000.00	55,857.80	58,000.00	51,639.00	72,500.00	69,610.49	72,500.00	63,455.62	42,500.00	43,009.82	42,500.00	39,639.07	57,100.00	45,000.00
Insurance	2,500.00	2,408.00	2,500.00	2,146.00	2,275.00	2,275.00	2,500.00	2,412.00	2,500.00	2,601.00	2,500.00	2,539.00	2,500.00	(13,000.00)
Advertising	200.00	88.58	3,000.00	2,671.00	3,000.00	1,969.00	3,000.00	23.10	-	-	-	-	-	
Contributions to Permanent Fund		-	350,000.00	1,387,727.00	100,000.00	100,000.00	200,000.00	-	100,000.00	100,000.00	100,000.00	100,000.00	125,000.00	← 362,814.91
Contract Payment to Mesa County					1,500,000.00	1,500,000.00	-	-	-	-	-	-	-	
Contract Payment to Mesa County					324,000.00	324,000.00	-	-	-	-	-	-	-	
Grants														
Grants-approved and paid	1,174,626.28	1,133,823.30	972,851.00	727,907.00	481,120.00	-	-	400,000.00	-	350,000.00	200,000.00	200,000.00	350,000.00	
Grants-approved but unpaid	917,129.72		439,513.35	-	208,824.00	189,476.00	-	338,400.00	-	550,000.00	-	350,000.00	-	
Grants-Unused/Forfeited Grants						(51,260.25)		(1,750.00)				(2,000.00)		
Grants-To be awarded next year	769,338.23		830,881.70	-	513,504.92	-	871,273.66	-	400,000.00	-	-	-	350,000.00	
Total Expenditures (Appropriations)	2,928,794.23	1,199,679.43	2,664,746.05	2,179,025.00	3,212,723.92	2,142,279.33	1,156,773.66	809,441.76	551,800.00	1,051,460.23	351,800.00	694,756.45	891,400.00	
Other Income & Expenditures														
Dividends & Capital Gains			-	(52,765.00)	30,000.00	44,020.40	30,000.00	59,437.45	30,000.00	97,943.17	30,000.00	33,774.98	30,000.00	
Investment Fees			-	(5,266.00)	(14,000.00)	(12,007.63)	(14,000.00)	(13,619.77)	(14,000.00)	(16,909.80)	(14,000.00)	(20,082.56)	(15,000.00)	
Total Other Income & Expenditures				(58,031.00)	16,000.00	32,012.77	16,000.00	45,817.68	16,000.00	81,033.37	16,000.00	13,692.43	15,000.00	
Estimated Ending Fund Balance	\$ 95,049.38	\$ 2,013,864.35	\$ 180,000.00	\$ 2,276,035.35	\$ 121,218.55	\$ 1,179,180.75	\$ 993,680.75	\$ 865,295.19	\$ 867,972.19	\$ 307,059.22	\$ 538,889.40	\$ 337,932.59	\$ 305,167.28	
Estimated Ending Permanent Fund Balance			\$ 350,000.00	\$ 1,329,696.00	\$ 1,445,696.00	\$ 1,461,708.77	\$ 1,677,708.77	\$ 1,507,526.45	\$ 1,623,526.45	\$ 1,688,559.82	\$ 1,804,559.82	\$ 1,802,252.25	\$ 1,942,252.25	
		Cash expected												

From Eleanor Thomas at Mesa County
 For Mesa County in 2022, severance tax forecasted to be

Colorado Legislative Council - economic forecast quarterly
 June report estimates current year

Colorado of State Planning and Budget
 Quarterly forecast
<https://drive.google.com/file/d/1f5rOqwPr5sEBcaumNkDc5quOr-zrTIFw/view>

Federal Mineral Lease

Federal Mineral Lease (FML) revenue increased by 52.5 percent to \$125.1 million in FY 2021-22 and is forecast to increase by an additional 10.6 percent in FY 2022-23 to \$138.4 million due to continued elevated oil and gas prices throughout the fiscal year. This is an upward revision of \$20.2 million from the June forecast largely predicated upon higher natural gas price expectations due to low inventories and strong consumption. Oil price expectations for FY 2022-23 remain in line with the June forecast. Revenue derived from natural gas production on federal leases accounts for roughly 50 percent of total FML revenue, so natural gas price fluctuations drive FML revenue collections much more than severance tax revenue, which is more reliant on oil prices.

FML revenue is expected to tick downward over the forecast period. FY 2023-24 revenue is expected to drop by 35.0 percent to \$89.9 million and revenue in FY 2024-25 is forecast to drop 8.0 percent to \$82.7 million. The FY 2023-24 forecast remains relatively static from June despite higher natural gas price expectations, because oil price expectations for that fiscal year are lowered, negating any upward revision from natural gas. Oil prices are expected to drop from 2022 levels in 2023 with overall economic activity expected to slow, and while natural gas prices are expected to drop in 2023 as well, they are forecast to remain higher than previously expected. Detailed FML revenue forecast expectations can be found in Figure 44.

	Preliminary FY 2021-22	Forecast FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25
Total FML Revenue	\$125.1	\$138.4	\$89.9	\$82.7
Change	52.5%	10.6%	-35.0%	-8.0%
Bonus Payments (portion of total FML revenue)				
Local Government Perm Fund	\$0.8	\$1.2	\$1.0	\$1.0
Higher Ed FML Revenues Fund	\$0.4	\$0.6	\$0.5	\$0.5
Other (non-bonus) FML Revenue				
State Public School Fund	\$60.1	\$66.3	\$43.0	\$39.5
Colorado Water Conservation Board	\$12.4	\$13.7	\$8.9	\$8.2
DOLA Grants	\$24.9	\$27.4	\$17.8	\$16.4
DOLA Direct Distribution	\$24.9	\$27.4	\$17.8	\$16.4
School Districts	\$2.1	\$2.3	\$1.5	\$1.4
Total Higher Ed Maintenance Reserve Fund	\$0.4	\$0.6	\$0.5	\$0.5

Table 17
Federal Mineral Lease Revenue Distribution
Dollars in Millions

	Preliminary FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25
Total FML Revenue	\$125.1	\$157.7	\$132.4	\$135.1
Bonus Payments (portion of total revenue)	\$3.8	\$4.7	\$4.0	\$4.1
Local Government Permanent Fund	\$1.9	\$2.4	\$2.0	\$2.0
Higher Education FML Revenue Fund	\$1.9	\$2.4	\$2.0	\$2.0
Other (non-bonus) FML Revenue	\$121.4	\$152.9	\$128.5	\$131.0
State Public School Fund	\$58.6	\$73.9	\$52.0	\$53.3
Colorado Water Conservation Board	\$12.1	\$15.3	\$12.8	\$13.1
DOLA Grants	\$24.3	\$30.6	\$25.7	\$26.2
DOLA Direct Distribution	\$24.3	\$30.6	\$25.7	\$26.2
School Districts	\$2.1	\$2.6	\$2.2	\$2.2
Higher Education FML Revenue Fund	\$1.9	\$2.4	\$2.0	\$2.0

DOLA = Department of Local Affairs.
Note: The table shows the actual and projected revenue distributions to the various FML recipients. It does not reflect transfers of FML revenue from the recipients and funds to other funds, such as the General Fund, that have occurred.

Federal Mineral Lease (FML) revenue is the state's portion of the money the federal government collects from mineral production on federal lands. Collections are mostly determined by the value of mineral production on federal land and royalty rates negotiated between the federal government and mining companies. Since FML revenue is not deposited into the General Fund and is exempt from TABOR, the forecast is presented separately from other sources of state revenue.

As shown in Table 17, FML revenue totaled \$125.1 million in FY 2021-22, a 51.3 percent increase from FY 2020-21. In FY 2022-23, FML revenue is forecast to increase 26 percent to \$157.7 million. The rapid increase in natural gas prices that started in 2021 has led to elevated FML revenues. Prior to the recession, natural gas prices were around \$2.20 per million BTU. As of September 2022, prices were

	Change in Revenue for next year
CGA Forecast	26.06%
CODR	10.60%
Average	18.33%

20- '21 Revenue is distributed in late '21 as a general rule

about \$9.20 per million BTU and are expected to continue rising modestly through January 2023. Prices are expected to fall through much of 2023, leading to declining FML revenues in FY 2023-24.

FY 2021-22	125,100,000.00
FY 2022-23	157,700,000.00
	32,600,000.00
	0.2606