



Date: December 7, 2010

To: Jefferson County Board of Commissioners

It is a pleasure to present the *2011 Adopted Operating and Capital Improvement Budget* for Jefferson County, Colorado. The *2011 Adopted Budget* represents the County's overall financial plan for the upcoming fiscal year beginning January 1, 2011 and serves as a guide for allocating available resources based on the stated objectives and goals of the Jefferson County Board of Commissioners. This budget has been prepared in accordance with all applicable Colorado State Statutes, Generally Accepted Accounting Principles and the County's own budgetary and financial policies.

This message provides an overview of the economic forecast assumptions used, strategic financial directives, the County's Prioritization Process and the overall financial condition of the organization. Moreover, this document reflects Jefferson County's continued focus on achieving the desired outcomes stated in its strategic vision, values and goals as follows:

Vision

To Enhance the Quality of Life for Our Citizens

Values

- Is Open and Transparent
- Is Fiscally Responsible
- Provides Excellent Customer Service
- Communicates Effectively

County Goals

- Providing Safe Communities
- Promoting Economic Opportunities
- Maintaining and Enhancing All Modes of Transportation
- Enhancing Our Natural Resources
- Fostering Predictable Growth and Development
- Encouraging Maximum Self-Sufficiency for All Our Citizens

The primary objective is to ensure that the County, through sound fiscal planning, will achieve a desired level of financial stability in these uncertain economic conditions.

The following targets were established at the beginning of the budget process by the Board of Commissioners, or proposed by staff during the budget process, to help set the framework for the 2011 Adopted Budget:

- Sustain the General Fund Balance at or above \$45 million through 2014
- Maintain the expenditures of other property tax funds within their revenue stream for operating budgets
- Reduce the General Fund 2011 Operating Budget by (\$750,000) utilizing the Prioritization Model (four year impact: \$3 million). This equated to the following Department budget reductions:

- Assessor: (\$59,065)
- Clerk & Recorder: (\$109,923)
- Community Resources (General Fund Only): (\$23,867)
- Development & Transportation (General Fund Only): (\$8,783)
- District Attorney's Office: (\$270,348)
- Sheriff's Office: (\$206,548)
- Treasurer's Office: (\$68,075)
- Reduce Internal Service Fund's Operating Budgets by the following:
 - IT Services: -5%; (\$500,488)
 - Fleet Services: -5%; (\$271,225)
 - Facilities: -7%; (\$553,100)
- Move 0.4 mills from the Road & Bridge Fund to the General Fund: (\$2,898,443)
- Allocate approximately \$2.6 million County-wide (\$1.3 million from General Fund; \$5.2 million over four years) to Medical/Dental benefits for 2011 for the County to pay for these anticipated increases on behalf of employees
- No salary increases for 2011
- Retain Savings Incentive Policy for 2010
- Reduce the General Fund's Five-Year Capital Plan budget by at least 20%
- Restrict approval of Business Cases to emergencies, safety, cost avoidance or those with offsetting revenue
- Reduce Travel and Training budgets by 10%
- Reduce General Fund transfer to the Health Fund by -2.5%; (\$131,626)
- Reduce Library Operating Budget to be closely aligned with annual revenues
- Remove \$500,000 from the Non-Departmental associated with Sheriff's Office Contingency
- Remove \$1.3 million in contingency funds from the General Fund, Non-Departmental
- Retain current Vacancy Savings amounts for 2011

Economic Assumptions

Jefferson County has experienced many of the same economic constraints as the rest of the Denver-metropolitan area. A flat assessed valuation from 2010 is anticipated to continue into 2011 and coupled with a diverse economic base, has created an environment where significant service level reductions are not anticipated in the near term. Nevertheless, the economy remains fairly unstable and the County is cognizant that it must remain fiscally responsible while staff assesses the upcoming economic issues that are projected to continue into 2011, while preparing for a potential decrease of assessed valuation in 2012 and 2013. This is a major area of focus considering that property taxes account for over half of Jefferson County's overall revenue source.

Jefferson County residents have experienced a varied amount of job losses over the past year. Currently the national unemployment rate is approximately 9.6%; Colorado has a seasonally adjusted unemployment rate of 8.2% and Jefferson County reports a 7.8% unemployment rate. Although, trending lower than the national average, this is still substantially higher than has been seen in recent years. The County has continued to see demand for many of our core human service programs, such as food stamps, assistance payments and workforce development programs.

Many primary revenues are estimated to remain constant over the next year. Coupled with the collapse of the housing mortgage market, anticipated significant decline in commercial property values, and the fact that property valuations in the metro area are exhibiting mild levels of stagnation in terms of price increases, the prospect of an economic turnaround to fix the County's financial outlook will likely be delayed throughout the 2011 fiscal year and into 2012 and 2013.

Strategic Financial Directives

The 2011 Budget Process continues on a journey started in 2006: stabilizing the ongoing fiscal health of the organization. The Board of County Commissioners has been clear about that purpose and therefore has been fiscally responsible in the way the County uses taxpayer dollars.

In order to ensure that Jefferson County's financial strength and integrity remain intact, as in the previous year, long-term financial control of expenditures has been addressed, while ensuring that revenue collected meets the service demands of citizens now and into the future. The Board of County Commissioners has directed that there be careful analyses of the projected condition of the fund balances into the future. This was done by starting the budget process early in the year and looking through year 2014. Since many of the administrative functions rely on property taxes to fund services to the citizens, a close eye was kept on this revenue source. The next property valuation process will occur for the 2012 budget process. The valuation cycle takes place based on June 30th of the year prior to the reappraisal year. In this case, the current economic conditions will then impact the 2012 estimated property tax revenue. By trying to project what that number could be, the Assessor is estimating that the overall property tax revenue could fall by 5-7% from 2011 estimated revenues to 2012 estimated revenues. The Board of County Commissioners has directed that a budget be prepared utilizing this estimate partnered with the goal of maintaining a healthy fund balance level of \$45 million thru 2014. Preparations are being made now for a two-year dip in property tax revenue with adjustments to operating budgets in order to continue to build a healthy fund balance in the General Fund so that there will be a cushion to get through the anticipated slump in 2012.

Budgets for two departments are expected to face significant challenges during the next few years, the Social Services Fund and the Library Fund. The 2011 Adopted Budget recommends sustaining services at constrained budget levels for 2011, and then to reassess the situation during the next budget cycle at which time more refined property tax estimates for 2012 and 2013 and any legislative actions will be better known.

During 2010 the Library is expected to issue certificates of participation (COP's) for major energy savings and efficiency projects, fixing the HVAC system at the Lakewood Library, and cost avoidance projects. This action will provide \$6,293,000 of additional revenue and spread out capital expenditures over several years. In doing so, the Library Fund is anticipated to see an ongoing operational savings of over \$600,000 starting in 2012. The Library's 2011 adopted budget is recommended to be essentially equal to its 2009 operating expenditures and to use its Library Fund reserve to balance the budget for 2011. With this budget level the Board of County Commissioners is strongly encouraging that libraries remain open to the public on a daily basis.

Similarly, the 2011 Adopted Budget includes provisions for expenditures out of the Social Services Fund reserve for 2011 to enable continuation of current service levels. There may be savings during the 2010 budget year based on the increase in mill levy allocation. The 2011 Adopted Budget and future year estimates assumes that demand for services in these areas will either remain flat or start to decrease as the economy begins to improve. If there is no savings and the economy worsens, there will need to be a reevaluation of programs and funding levels for future services.

The 2011 Adopted Budget also maintains a \$4.0 million reserve in the General Fund for major maintenance and replacement of major capital infrastructure for Facilities and Information Technology.

Budget Prioritization Process

The Budget Prioritization process that the County developed back in 2007 is an innovative budgetary decision-making approach to thoroughly assess programs and their ability to meet the stated goals of the organization. The logic behind Prioritization is that effective resource allocation decisions are transparent when the results of an organization can be identified and defined, and when programs and services can be distinctly (and quantitatively) evaluated as to their influence on the goals of the organization. A concerted effort was placed on programs being valued relative to one another and ultimately prioritized and funded based on their impact on our stated goals and results. The *2011 Adopted Budget* was developed using this Prioritization process. In order to maintain an adequate fund balance through 2015, the Board of County Commissioners used Prioritization to cut \$750,000 of ongoing expenditures from the General Fund for 2011.

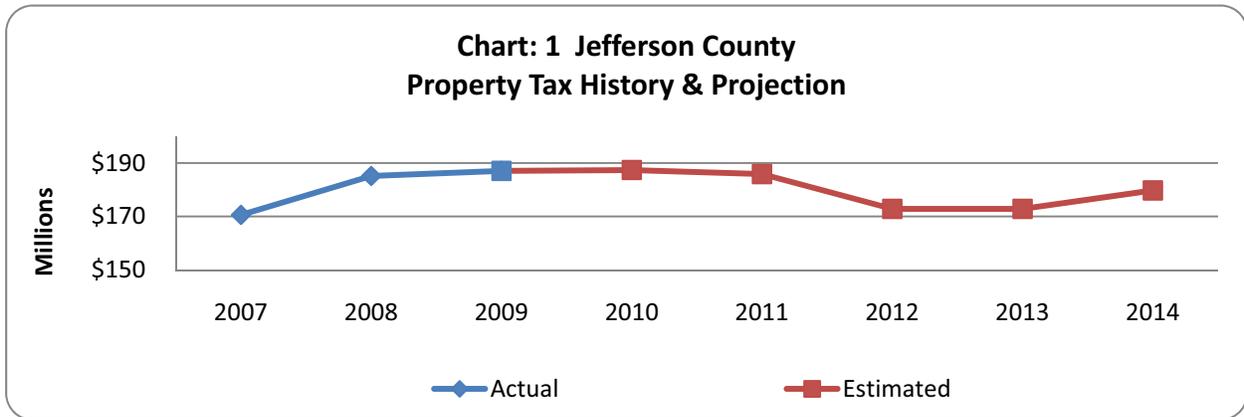
Budget Overview

The *2011 Adopted Budget* for Jefferson County recommends a combined operating and capital expenditure budget of \$382.9 million, excluding interdepartmental and interfund transfers. This represents a 7.1% decrease in expenditures as compared with the *2010 Adopted Budget*, which totaled \$412.3 million, excluding transfers. The adopted budget also includes \$94.0 million in appropriations for interdepartmental and interfund transfers that allow for monies to be moved between funds segregated for accounting purposes, but does not represent an actual cash outflow to the County.

Revenues

Forecasted revenues for the 2011 fiscal year are estimated to be \$364.2 million, excluding interfund transfers. This represents a moderate decrease of 4.1% when compared with the \$379.9 million in revenues projected to be received in 2010. To balance the budget, the County anticipates the net use of available and unrestricted fund balance in the amount of \$18.7 million. This use of fund balance does not impact any restrictions or designations of fund balance related to bond covenants, grant requirements or the County's 10% working capital reserve policy. Because fund balance represents a one-time funding source, it is being appropriated only to pay for one-time or cyclical operating costs, the purchase or replacement of equipment, and projects requested for in the County's Five-Year Capital Improvement Plan (except in the case of the Library and Social Services Funds for 2011 only as stated above).

Property Taxes represent the largest single source of revenue for Jefferson County. Estimated collections will be approximately \$182.3 million for 2011, a very minimal decrease of 1.1% (approx. \$1.9 million) over the prior fiscal year's budget. Property valuations are re-assessed on a bi-annual basis, with the last reassessment occurring in 2009 for the 2010 fiscal year. Typically in the "off year" of the valuation cycle, revenue growth is anticipated to be negligible, especially when new construction activity is relatively stagnant. With record-high property foreclosure rates, the continued leveling off or decline in residential market valuations, and the anticipation that new construction will continue to be less than what the County has experienced in the last decade, it is expected that valuation growth will remain flat into 2011 with anticipation of a decrease into 2012. In an effort to remain conservative while ensuring that Jefferson County is able to meet its financial demands, the current five-year revenue forecast anticipates a 7.0% decrease in property tax revenue in 2012, a reassessment year, and no growth in 2013, the non-reassessment year. It is anticipated that in 2014 property tax revenues will increase once again (See Chart 1).



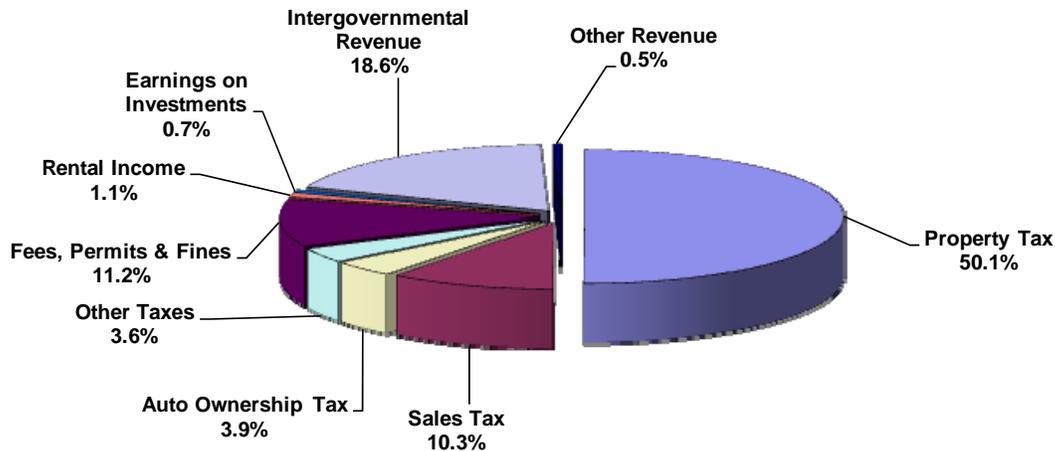
While maintaining a conservative approach to forecasting revenues, the *2011 Adopted Budget* projects that revenues from other tax sources will demonstrate signs of stabilization or minimal growth in 2011 and beyond. The County anticipates \$37.6 million from Sales Tax collections, a decrease of \$691K (1.8%) over 2010. These revenues are generated from a dedicated 0.5% county-wide sales tax for the preservation of open space, as well as 0.5% sales tax revenue for infrastructure improvements assessed only in the southeast portion of the County. In comparison with 2010 projections, Specific (Auto) Ownership Tax for 2011 is estimated at \$14.2 million, or \$280K (2.0%) higher than the previous year. However, revenue from Highway User Taxes is projected to increase to \$13.0 million. This dedicated funding source is used to provide for roadway maintenance and improvements and anticipates a 2.2% increase in collections over 2010. The increase is primarily attributed to the passage of SB108, referred to as the "Faster Transportation Bill" that imposed an additional increase on vehicle registrations and late fees that began July 1, 2010.

Revenues from Charges for Services, Fines and Permits are expected to generate \$40.9 million in 2011, up \$1.0 million or 2.5% from 2010. Most of these revenues are in direct correlation with building activity around the county, Marshal's Contract revenue for housing federal inmates, and motor vehicle revenues. Other fees for services in the aggregate are expected to remain relatively flat when comparing 2011 with the prior fiscal year's budgeted estimates. Earnings on Investments are conservatively forecasted at \$2.5 million to align more closely with actual earnings reported in 2009 and 2010 year-to-date earnings. Because of their volatility, especially under current market conditions, these sources of funding are used for one-time expenditures that can be delayed or avoided in the event that estimates are not achieved in the current fiscal year. Federal and State Intergovernmental Revenues are projected to bring \$67.7 million to the County in 2011, down \$10.1 million (13.0%) over 2010. The Human Services Department has realized a large portion of that decrease due to the loss of one-time federal stimulus and Temporary Assistance to Needy Families (TANF) funding received by the county in 2010. These funds were used in the Social Services, Community Development and Workforce Development Funds to support many of its programs in Human Services which were experiencing double-digit growth in their demands for services over previous years.

The graph that follows provides a more detailed listing of all County revenue sources by category that is being projected as part of the *2011 Adopted Budget*. These projections are estimations based on current information and, as in prior years, may be impacted during the 2011 fiscal year by external factors such as, inflation, consumer confidence, interest rates, and changes in the housing market or commercial growth. These factors could impact revenue collections either positively or negatively throughout the year. Staff will continue to monitor these factors, update revenue projections as warranted, and keep

the Board of County Commissioners apprised of any changes that might require the County to adjust budget appropriations accordingly.

Graph 1: 2011 Summary of Revenues by Category



Revenue Category	2010 Est. Revenue	2011 Est. Revenue	Variance	Percent Change	% of Total
Property Tax	\$184,294,104	\$182,342,547	(\$1,951,557)	-1.1%	50.1%
Sales Tax	38,335,495	37,644,073	(691,422)	-1.8%	10.3%
Auto Ownership Tax	13,999,915	14,279,914	279,999	2.0%	3.9%
Other Taxes	12,765,000	13,045,000	280,000	2.2%	3.6%
Subtotal Taxes	\$249,394,514	\$247,311,534	(\$2,082,980)	-0.8%	67.9%
Fees, Permits & Fines	\$39,927,483	\$40,934,743	\$1,007,260	2.5%	11.2%
Rental Income	3,694,044	3,886,879	192,835	5.2%	1.1%
Earnings on Investments	4,386,427	2,498,845	(1,887,582)	-43.0%	0.7%
Intergovernmental Revenue	77,826,725	67,807,384	(10,019,341)	-12.9%	18.6%
Other Revenue	4,647,435	1,770,916	(2,876,519)	-61.9%	0.5%
Sub-total Other Revenue	\$130,482,114	\$116,898,767	(\$13,583,347)	-10.4%	32.1%
Total Revenue	\$379,876,628	\$364,210,301	(\$15,666,327)	-4.1%	100.0%
Interfund Transfers	\$94,088,254	\$94,003,781	(\$84,473)	-0.1%	
Subtotal	\$473,964,882	\$458,214,082	(\$15,750,800)	-3.3%	
Use of Fund Balance	\$32,404,016	\$18,668,767	(\$13,735,249)	-42.4%	
Total Estimated Revenues & Transfers	\$506,368,898	\$476,882,849	(\$29,486,049)	-5.8%	

County Mill Levy

In response to the Board of County Commissioners' priority of encouraging fiscally responsible government while understanding the unstable economic climate, the *2011 Adopted Budget* does not propose an adjustment to the mill levy for the 2011 fiscal year. Hence, property tax revenues will continue to be based on the current reduced mill levy of 24.346 mills (see *Table 1*). This will continue the County's existing temporary mill levy reduction of 1.632 mills from the citizen authorized maximum mill levy of 25.978 mills. This temporary mill levy adjustment represents an overall tax reduction of approximately \$11.8

million when compared with revenues that would be generated from assessing the official mill levy.

Table 1. 2011 Adopted Mill Levy by Fund

County Funds	Official Mill Levy	Temporary Adjustment	2011 Adopted Mill Levy
General Fund	14.576	1.523	16.099
Developmentally Disabled Fund	1.000	0.000	1.000
Road & Bridge Fund	3.280	-1.780	1.500
Social Services Fund	1.710	-0.245	1.465
Capital Expenditure Fund	1.912	-0.855	1.057
Library Fund	3.500	-0.275	3.225
Mill Levy Total	25.978	-1.632	24.346

Expenditures

The *2011 Adopted Budget* for Jefferson County reflects total expenditures for operations and one-time capital needs of \$382.9 million. This is comprised of an operating budget of \$345.1 million, down \$21.4 million (5.8%) over the *2010 Adopted Budget*, and a capital improvements budget of \$37.8 million, down \$8.0 million (17.5%) over the prior year. The highlights of the capital portion of the *2011 Adopted Budget* will be discussed in a subsequent section of this message. As was accomplished with the 2010 budget process, departments and elected offices accounted for in the General Fund were able to achieve their target budgets by implementing efficiencies and absorbing anticipated costs increases within their 2010 budget appropriation. They achieved the target reduction of \$750,000 in their 2011 operating budgets.

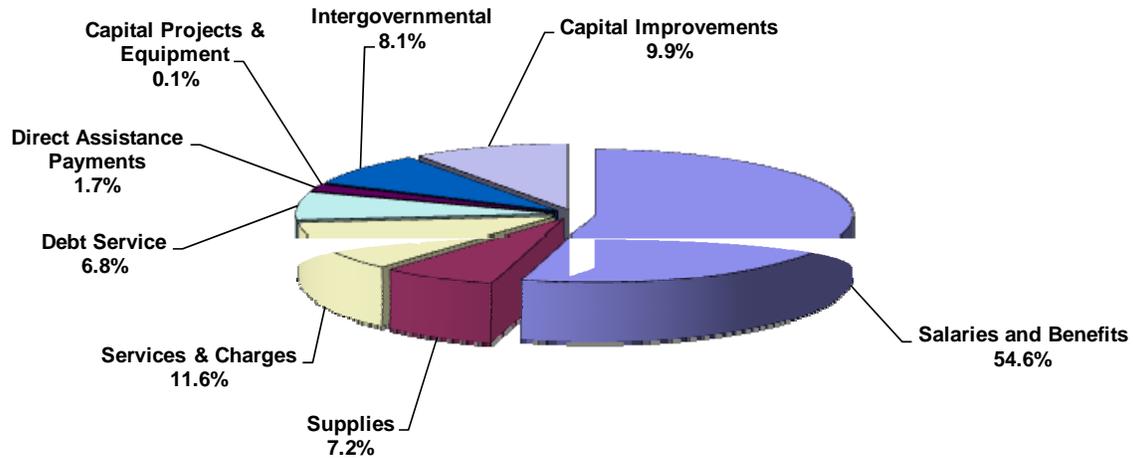
Salaries and Benefits continues to be the largest expenditure category for the County representing 54.6% of total expenditures. This category amounts to \$209.0 million for the 2011 fiscal year, down 0.2% over 2010. Some departments have given up vacant positions and budgeted zero or reduced salaries in anticipation of vacant positions; however these savings were offset by a large increase in benefit costs. This budget does not include any merit increases in the 2011 operating budget.

Expenditures for Supplies and Other Services & Charges are proposed to be \$72.3 million for 2011, a decrease of \$11.6 million (13.9%) over 2010. This is attributed to the use of one-time funding of federal stimulus and TANF funding used in 2010 for contract services and not continued in 2011. This is also the main factor resulting in a 32.0% decrease in expenditures for Direct Assistance Payments of \$6.4 million.

In Debt Service, an extra payment is associated with an increase of \$2.6 million towards the required annual debt service payment. In 2009, the 1999 Open Space Debt Series were refunded. This change in financing resulted in the County not having to make one payment in 2010. In 2011, the payment schedule returns to normal and the additional budget is needed to make a full year's financing cycle.

The graph below illustrates the detailed allocation by category of all expenditures included in this adopted budget.

Graph 2: 2011 Summary of Expenditures by Category



Expenditure Category	2010 Adopted Budget	2011 Adopted Budget	Variance	Percent Change	% of Total
Salaries and Benefits	\$ 209,548,544	\$ 209,025,833	(522,711)	-0.2%	54.6%
Supplies	29,137,559	27,620,507	(1,517,052)	-5.2%	7.2%
Services & Charges	54,801,724	44,730,616	(10,071,108)	-18.4%	11.6%
Debt Service	23,362,494	26,023,264	2,660,770	11.4%	6.8%
Direct Assistance Payments	9,419,451	6,401,847	(3,017,604)	-32.0%	1.7%
Capital Projects & Equipment	1,908,100	299,508	(1,608,592)	-84.3%	0.1%
Intergovernmental	38,296,834	30,965,344	(7,331,490)	-19.1%	8.1%
Sub-Total Base Operating Budget	\$ 366,474,706	\$ 345,066,919	\$ (21,407,787)	-5.8%	90.1%
Capital Improvements	\$45,805,938	\$37,812,149	(7,993,789)	-17.5%	9.9%
Total Uses	\$ 412,280,644	\$ 382,879,068	(29,401,576)	-7.1%	100.0%
Interfund Transfers	\$94,088,254	\$94,003,781	(84,473)	-0.1%	
Total Adopted Expenditures & Transfers	\$ 506,368,898	\$ 476,882,849	(29,486,049)	-5.8%	

Personnel

This budget recommends the authorization of 2,929.5 total Full Time Equivalents (FTE's) for the 2011 fiscal year. This represents a net increase of 4.0 FTE in the total number of authorized FTE for 2011 when compared with the number of positions currently authorized. Several FTE's currently remain vacant and are reflective in vacancy savings.

The Public Trustee has requested the conversion of current temporary positions to that of 3.0 full-time positions. This request is a result of an ongoing increase in need in the Public Trustee's Office that has previously been filled by long-term temporary employees.

The Sheriff's Office has requested 1.0 FTE for janitorial services in their Inmate Welfare Fund. Currently, the Sheriff's Office contracts externally for their janitorial services. This position, coupled with inmate supervised labor, will allow for increased quality of services as well as inmate job-related training.

Five-Year Capital Improvement Plan (CIP)

The *2011 Five Year Capital Improvement Plan* strives to realistically address the necessary capital needs of the County while being aware of the limited resources available. The Board of County Commissioners directed staff to budget for critical and/or safety related projects only. Included in the *2011 Adopted Budget* are appropriations totaling \$37.8 million for various capital projects related to infrastructure improvements, facility improvements, technology enhancements, and equipment and fleet acquisitions and replacements. The proposed expenditure for CIP projects is 17.5% (\$8.0 million) lower than what was recommended for funding in 2010.

Infrastructure improvement projects annually account for the largest portion of the County's capital investments. The *2011 Adopted Budget* includes various improvements related to roadways and bridges (\$17.1 million), Open Space (\$8.0 million) and airport projects (\$5.3 million). Significant projects include:

- \$5.0 million for Open Space land acquisitions
- \$4.8 million for Safety Area 11L/29R at the airport
- \$3.6 million towards the Bowles/Wadsworth Intersection
- \$3.4 million to improve the Quincy/Kipling Intersection
- \$2.5 million for the 32nd and I-70 Interchange
- \$2.5 million to widen Chatfield Avenue from Garrison to Wadsworth
- \$1.1 million to improve the Waterton/Wadsworth Intersection
- \$1.3 million for scheduled fleet replacement in the Sheriff Office
- \$2.1 million for safety related projects associated with FASTER funding
- \$450,000 for the Fairmont Outfall
- \$400,000 for improvements to South Golden Road
- \$207,000 to improve Golden Gate Canyon Road
- \$346,000 to replace aging Telecom System

Other significant capital related projects include \$580,000 in various County-wide technology enhancements and \$3.2 million in fleet replacement needs.

Acknowledgements

Finally, I would like to express my sincere appreciation to our dedicated group of current elected officials, department heads, division directors, and members of our budget staff for their cooperative team approach and valuable leadership in the development of this budget. Through the efforts of all of these individuals, we have developed an effective budget process that provides a strategic financial framework that helps us make difficult resource allocation decisions. I am pleased to present this *2011 Adopted Budget* as our County's financial plan for the 2011 fiscal year. I believe this budget reflects our commitment to ongoing fiscal sustainability, as well as our resolve to continue our focus on the implementation and achievement of the goals set forth by the Board of County Commissioners.

Respectfully,



Ralph Schell
County Administrator

