



Date: December 6, 2011

To: Jefferson County Board of Commissioners

It is a pleasure to present the *2012 Adopted Operating and Capital Improvement Budget* for Jefferson County, Colorado. The *2012 Adopted Budget* represents the County's overall financial plan for the upcoming fiscal year beginning January 1, 2012 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 will provide an overview of the economic forecast assumptions used, a brief description of the major issues and projects surrounding this upcoming year's budget, 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:

Vision

- Providing quality services for residents and businesses to thrive

Values

- Honesty and integrity
- Fiscal responsibility and accountability
- Quality workforce
- Excellence in customer service
- Open and effective communications
- Collaborative environment

Board of County Commissioner Goals

- Promote economic vitality
 - Create and implement a Comprehensive Economic Development Plan
 - Support job development
 - Streamline regulations
 - Partner with businesses and organizations
- Provide safe communities
 - Support crime prevention and law enforcement
 - Enhance public health, safety and environment
 - Protect children, seniors and persons with disabilities from abuse and neglect
- Recruit and retain a quality and engaged workforce
- Maintain and enhance all modes of transportation
- Demonstrate wise use and stewardship of our natural resources
- Cultivate self-sufficiency for all our residents through education, information and involvement
- Enhance the efficiency of internal and external delivery of services

- Foster responsible land use and development
 - Balance competing private property rights
 - Operate with long-term master planning

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 guidance was 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 2012 Adopted Budget:

- Set aside additional funding to offset 50% of the anticipated increase in costs associated with health benefits
- All salary & benefits and direct & indirect costs will be calculated by the Budget Office and funding will be allocated to the appropriate line-items
- Business cases will be considered, but limited due to decreasing revenue forecasts
- New capital projects will be considered, but limited due to decreasing revenue forecasts
- Vacant positions reduced in 2011 will not be reinstated for 2012 without Board of County Commissioner approval
- Employees with salaries below market minimum will be brought up to the market minimum in 2011. Salaries and Benefits will be adjusted accordingly for 2012
- Process Human Services and the Library through a modified Zero Based Budget (ZBB) process for 2012
- Reduce Intergovernmental Payments to Agencies expenditures

Economic Assumptions

Jefferson County has experienced many of the same economic constraints as the rest of the Denver metropolitan area. Property tax revenues are anticipated to decrease approximately 4.2% from 2011 and then to remain flat into 2013. However, due to early fiscal planning, conservation of General Funds and a diverse economic base, Jefferson County 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 2013. This is a major area of focus considering that Property Taxes account for approximately half of Jefferson County's overall revenue source.

Strategic Financial Directives

In order to ensure that Jefferson County's financial strength and integrity remain intact, long-term financial control of expenses and adequacy of revenues in light of service demands has been addressed. The Board of County Commissioners has directed that there be careful analyses of the projected condition of the fund balances into the future to achieve sustainability. This was done by starting the budget process early in the year and looking through year 2016. The Assessor has estimated that the overall property tax revenues will fall by approximately 4.2% 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 through 2016. Preparations were made in 2011 and

prior years in anticipation of a two-year dip in property tax revenue, including reductions 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 continue to face significant challenges during the next few years, **Human Services** and the **Library**. These two departments went through a modified Zero Based Budgeting (ZBB) process for the 2012 Adopted Budget. The County support in 2012 for Human Services is \$18.3 million, which is an increase of \$57,000 from the 2011 Adopted Budget. This increase, without additional Mill Levy for 2012, is to assist in handling increases in demand due to the challenged economy. The Library Fund Mill Levy allocation will be sustained at its current level of 3.225 Mills in the 2012 Adopted Budget. The Library Board of Trustees has submitted a budget that is almost \$2.0 million less than the Library's 2011 Adopted Budget. The Trustee's budget has been incorporated into this Adopted Budget.

Similarly, the **Road & Bridge Fund** is also facing significant challenges in the 2012 Adopted Budget and beyond with increasing demand for services. Therefore, 0.200 Mills (\$1.38 million) will be reallocated from the General Fund to the Road & Bridge Fund to help offset this need.

The 2012 Adopted Budget for **Intergovernmental Payments to Agencies** will be reduced by \$277,107 from 2011 by capping organization dues and memberships and by reducing funding for grants, agreements, non-profits and other funding programs.

Budget Overview

The **2012 Adopted Budget** for Jefferson County includes a combined operating and capital expenditure budget of **\$378.2 million**, excluding interdepartmental and interfund transfers. This represents a **1.2% decrease in expenditures** as compared with the **2011 Adopted Budget**, which totaled \$382.9 million, excluding transfers. Also included in the Adopted Budget is **\$98.1 million** in appropriations for interdepartmental and interfund transfers that allows for monies to be moved between funds segregated for accounting purposes, but does not represent an actual cash outflow from the County.

Revenues

Forecasted revenues for the 2012 fiscal year are estimated to be **\$360.3 million**, excluding interfund transfers of \$98.1 million. This represents a slight decrease of 1.1% when compared to the \$364.2 million in revenues projected to be received in 2011. To balance the budget, the County anticipates the net use of available and unrestricted fund balance in the amount of \$17.9 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 in the County's Five-Year Capital Improvement Plan.

Property Taxes represent the largest single source of revenue for Jefferson County. Estimated collections will be approximately \$174.6 million for 2012. This represents a moderate decrease of approximately 4.2% over the prior fiscal year estimated revenue. Property valuations are reassessed on a bi-annual basis, with the current reassessment occurring in 2011 for the 2012 fiscal

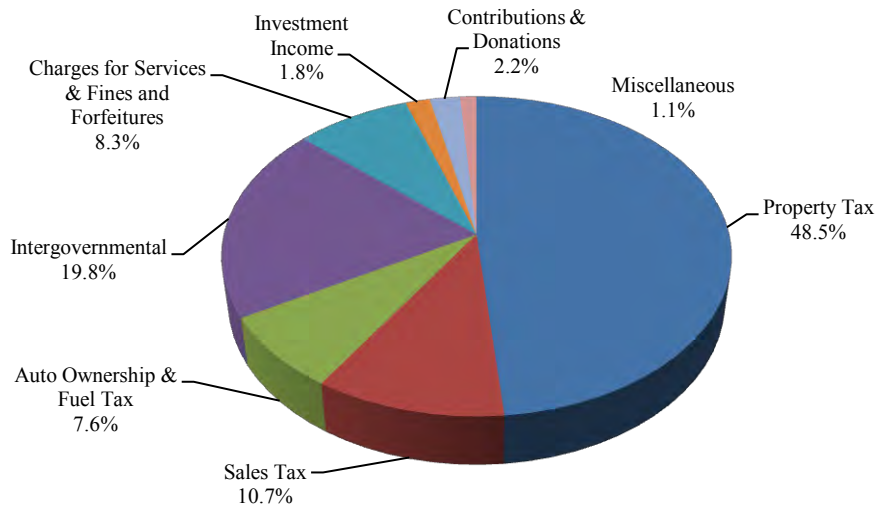
year. In an effort to remain conservative while ensuring that Jefferson County is able to meet its financial demands, the current five-year revenue forecast anticipates a 0% decrease in property tax revenue in 2013, a non-reassessment year, and 2% growth in 2014, the reassessment year, where it is anticipated that in 2014 property taxes revenues will increase once again.

While maintaining a conservative approach to forecasting revenues, the *2012 Adopted Budget* projects that revenues from other tax sources will demonstrate signs of slight increase in 2012. The County anticipates \$38.4 million from **Sales Tax** collections, an increase of \$533,000 over 2011. 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 2011 projections, **Specific (Auto) Ownership Tax** for 2012 is estimated at \$14.3 million, 1.9% higher than the previous year. Revenue from **Highway User (Fuel) Tax** is projected to remain flat at \$13.0 million. This dedicated funding source is used to provide for roadway maintenance.

Revenues from **Charges for Services, Fines and Permits** are expected to generate \$29.9 million in 2012, down \$3.6 million from 2011. This is directly correlated to moving anticipated revenue for the Sheriff's Office Marshal's Contract for housing federal inmates from the **Charges for Services** category to the **Intergovernmental Revenue** category. This movement was done to align with proper accounting practices and increased the **Intergovernmental Revenue** category by \$3.6 million to \$71.4 million from 2011. Other Fees for Services in the aggregate are expected to remain relatively flat. **Investment Income** (which includes rental income) is conservatively forecasted at \$6.4 million to align more closely with actual earnings reported in 2010 and 2011 year-to-date revenue. 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. **Miscellaneous Revenue** is forecasted at \$4.3 million, an increase of \$2.7 million, in anticipation of the County selling buildings as departments are able to consolidate space.

The graph that follows provides a summary of all County revenue sources by category that is being projected as part of the *2012 Adopted Budget*. These projections are estimations based on current information and, as in prior years, may be impacted during the 2012 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: 2012 Summary of Revenues by Category



Revenues	2009 Actual	2010 Actual	2011 Adopted	2012 Adopted	Variance 2011 to 2012	% Inc / (Dec)
Taxes & Special Assessments						
Property Tax	\$ 183,180,526	\$ 183,208,443	\$ 182,342,547	\$ 174,641,165	\$ (7,701,382)	-4.2%
Sales Tax	36,949,788	49,750,639	37,914,073	38,447,365	533,292	1.4%
Fuels Tax	12,526,621	13,134,744	13,045,000	13,075,000	30,000	0.2%
Auto Ownership Tax	13,462,081	12,639,473	14,009,914	14,279,914	270,000	1.9%
Subtotal	246,119,016	258,733,299	247,311,534	240,443,444	(6,868,090)	-2.8%
Licenses & Permits	4,696,970	5,308,677	3,865,209	3,987,370	122,161	3.2%
Integovernmental	68,888,532	69,534,417	67,807,384	71,433,469	3,626,085	5.3%
Charges for Services	29,718,423	26,866,081	27,511,658	23,991,262	(3,520,396)	-12.8%
Fines & Forfeitures	2,693,401	2,048,317	2,088,600	1,890,100	(198,500)	-9.5%
Investment Income	8,443,703	7,415,041	6,385,724	6,385,270	(454)	0.0%
Contributions & Donations	11,174,259	14,314,287	7,681,276	7,874,040	192,764	2.5%
Miscellaneous	4,155,830	2,435,865	1,558,916	4,267,343	2,708,427	173.7%
Proceeds from Debt	147,295,172	22,162,091	-	-	-	-
Subtotal	277,066,290	150,084,776	116,898,767	119,828,854	2,930,087	2.5%
Subtotal	\$523,185,306	\$408,818,075	\$364,210,301	\$360,272,298	\$ (3,938,003)	-1.1%
Intra-County Transactions	90,266,282	99,995,863	94,003,781	98,107,196	4,103,415	4.4%
Subtotal	\$613,451,588	\$508,813,938	\$458,214,082	\$458,379,494	\$ 165,412	0.0%
Use of Fund Balance	(78,960,952)	3,427,172	18,668,767	17,898,202	(770,565)	-4.1%
Total Revenues & Transfers	\$534,490,636	\$512,241,110	\$476,882,849	\$476,277,696	\$ (605,153)	-0.1%

County Mill Levy

The **2012 Adopted Budget** does not include an adjustment to the overall mill levy for the 2012 fiscal year. Therefore, 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 \$11.3

million when compared with revenues that would be generated from assessing the official mill levy. The Adopted Budget does include a movement of 0.200 Mills from the General Fund to the Road & Bridge Fund.

Table 1. 2012 Adopted Mill Levy by Fund

Fund	2012 Official Mill Levy	Temporary Adjustment	2012 Approved Mill Levy
General Fund	14.576	1.323	15.899
Developmentally Disabled Fund	1.000	0.000	1.000
Road & Bridge Fund	3.280	-1.580	1.700
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
Total Countywide	25.978	-1.632	24.346

Expenditures

The *2012 Adopted Budget* for Jefferson County reflects total expenditures for operations and one-time capital needs of \$378.2 million. This is comprised of an operating budget of \$347.6 million, an increase of \$2.6 million, 0.7% over the *2011 Adopted Budget*, and a capital improvements budget of \$30.5 million, a decrease of \$7.3 million, and 19.3% over 2011. The highlights of the capital portion of the *2012 Adopted Budget* will be discussed in a subsequent section of this message.

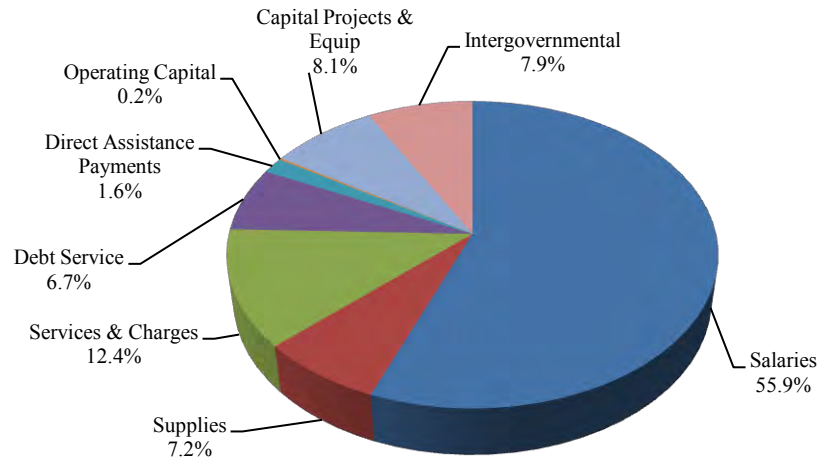
There are a couple items to note in the 2012 Adopted Budget. Fiscal year 2012 is a presidential election year. Therefore, \$3.5 million has been set aside in the budget to fund election-related expenditures. An allowance has been set aside in each department's budget to be used at the discretion of the Department Head or Elected Official for ongoing, one-time or equipment needs.

The largest expenditure category for the County, representing 55.9% of total expenditures, continues to be **Salaries and Benefits**. This category amounts to \$211.5 million for the 2012 fiscal year, up 1.2% over 2011. Some departments have given up vacant positions or reduced salaries in anticipation of not filling vacant positions; however, some of these savings were offset by an increase in benefit costs.

Expenditures for **Supplies and Other Services & Charges** are expected to be \$74.0 million for 2012, an increase of \$1.6 million over 2011. This increase is due to one-time funding needed to run the 2012 Presidential Election. Also, Human Services provides approximately \$6.2 million in **Direct Assistance Payments** directly to Jefferson County citizens.

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

Graph 2: 2012 Summary of Expenditures by Category



	2009 Actual	2010 Actual	2011 Adopted	2012 Adopted	Variance from 2011 to 2012	% Inc / (Dec)
Salaries & Benefits						
Salaries	\$ 162,821,306	\$ 161,793,788	\$ 161,800,934	\$ 163,730,756	\$ 1,929,822	1.2%
Benefits	42,436,359	44,130,295	47,224,899	47,791,574	566,675	1.2%
Subtotal	205,257,665	205,924,083	209,025,833	211,522,330	2,496,497	1.2%
Supplies	22,489,897	24,422,340	27,620,507	27,332,685	(287,822)	-1.0%
Services & Charges	58,028,275	54,502,178	44,730,616	46,642,390	1,911,774	4.3%
Debt Service	87,054,381	47,411,584	26,023,264	25,410,943	(612,321)	-2.4%
Direct Assistance Payments	8,293,206	6,724,975	6,401,847	6,228,420	(173,427)	-2.7%
Intergovernmental	31,761,656	35,125,159	30,965,344	29,856,111	(1,109,233)	-3.6%
Operating Capital	1,827,251	-	299,508	652,193	352,685	117.8%
Subtotal	209,454,666	168,186,236	136,041,086	136,122,742	81,656	0.1%
Subtotal Operating	414,712,331	374,110,319	345,066,919	347,645,072	2,578,153	0.7%
Capital Projects & Equip	32,806,393	42,666,517	37,812,149	30,525,428	(7,286,721)	-19.3%
Subtotal	447,518,724	416,776,836	382,879,068	378,170,500	(4,708,568)	-1.2%
Interdepartmental	88,828,616	95,454,168	94,003,781	98,107,196	4,103,415	4.4%
Total Expenditures	\$ 536,347,340	\$ 512,231,004	\$ 476,882,849	\$ 476,277,696	\$ (605,153)	-0.1%

Personnel

This budget includes a personnel authorization of **2,887.0** Full Time Equivalents (FTE) for the 2012 fiscal year. This represents a net decrease of 42.5 FTE in the total number of authorized FTE for 2012 when compared with the number of positions adopted in 2011. In 2011, the Board of County Commissioners cut vacant and unused positions from departments and elected officials that had held positions open for an extended period of time. This effort allowed staff to more accurately budget for salaries and benefits for 2012.

Justice Services will convert 4.0 grant funded positions to full-time positions. This request is a result of the grant ending for the Pretrial program. **Public Health** has been authorized 1.0 FTE for a project manager for a term of three years to assist in conducting a community health assessment and develop a community health improvement plan.

The **Sheriff's Office** has been authorized 2.0 FTE for their Dispatch Unit. This is to help meet the increase in call volume and to provide the most effective and efficient call response to the citizens of Jefferson County.

Five-Year Capital Improvement Plan (CIP)

The *2012 Five-Year Capital Improvement Plan*, strives to balance the necessary capital needs of the County with the limited resources available. Included in the *2012 Adopted Budget* are appropriations totaling \$30.5 million for various capital projects related to infrastructure improvements, facility improvements, technology enhancements, and fleet acquisitions and replacements. The Adopted expenditure for CIP projects is \$7.3 million, 19.3% lower than what was adopted in 2011. This includes an authorization for \$8.9 million for Airport projects to be primarily funded by grant revenue.

Infrastructure improvement projects annually account for the largest portion of the County's capital investments. The *2012 Adopted Budget* includes various improvements related to roadways and bridges (*\$7.8 million*) and Open Space (*\$5.2 million*). Significant projects include:

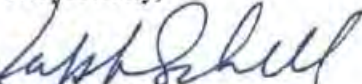
- *\$8.5 million for Safety Area 11L/29R at the airport*
- *\$3.5 million to improve the Quincy, Simms to Kipling Section*
- *\$3.2 million for anticipated Open Space land acquisitions*
- *\$1.4 million for scheduled fleet replacement in the Sheriff Office*
- *\$1.3 million for safety related projects associated with FASTER funding*
- *\$735,000 for improvements to South Golden Road*
- *\$635,000 to improve the Waterton/Wadsworth intersection*
- *\$425,000 for the Meyers Gulch Bridge*
- *\$406,000 to improve the Quincy/Kipling Intersection*
- *\$400,000 to upgrade Network Bandwidth*

Other significant capital related projects include \$521,000 in various County-wide technology needs and \$2.6 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 *2012 Adopted Budget* as our County's financial plan for the 2012 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