



**Date:** December 4, 2012

**To:** Jefferson County Board of Commissioners

It is a pleasure to present the *2013 Adopted Operating and Capital Improvement Budget* for Jefferson County, Colorado. The *2013 Adopted Budget* represents the County's overall financial plan for the upcoming fiscal year beginning January 1, 2013 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 County Commissioners, to help set the framework for the 2013 Adopted Budget:

- Allocate 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 recommendations limited due to decreasing revenue forecasts
- New capital projects will be considered, but recommendations limited due to decreasing revenue forecasts

### **Economic Assumptions**

Jefferson County has experienced many of the same economic constraints as the rest of the Denver-metropolitan area. In 2012, the County saw a reduction of nearly 5% in property tax revenues and is anticipating these revenues to have a slight decrease in 2013. Due to early fiscal planning and preservation of General Funds, Jefferson County has created an environment where significant service level reductions are not anticipated in 2013. However, a preplanned use of fund balance to sustain operations will be needed in 2013. Staff will continue to evaluate how much property tax revenue is anticipated in 2014 for future planning purposes. Nevertheless, 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.

### **Strategic Financial Directives**

The Board of County Commissioners has requested that the condition of the projected fund balances be examined in order to achieve future sustainability. This was done by starting the budget process early in the year and looking forward to year 2017. Property Tax is the most important source of revenue to fund services to citizens. The Assessor has estimated that overall property tax revenues will slightly decrease from 2012 estimated revenues to 2013 estimated revenues. Therefore the Board of County Commissioners has instructed the Budget Office to use this projection in building the 2013 budget. In prior years, adjustments were made to operating budgets in anticipation of a two-year decline in property tax revenue (2012 and 2013). The fund balance in the General Fund was allowed to grow to ensure services would not decrease, even though property taxes would decline.

Three county funds are expected to continue to face significant challenges during the next few years, the **Social Services, Road & Bridge and Library Funds**. County support for the Social Services Fund is \$13.3 million, which includes \$9.9 million in property tax revenues and up to \$3.4 million in revenue transferred from the General Fund. This transfer, without additional Mill Levy for 2013, is to assist in handling ongoing demands due to the challenged economy. It is not intended to be long-term financial support for the Social Services Fund, as it is hoped that once the economy has recovered that demand for Social Services programs will decrease.

Similarly, the **Road & Bridge Fund** is also facing increasing demand for services. In an effort to realign Auto Ownership revenues towards road & bridge projects and offer additional support to this Fund, mill levy allocations and auto ownership taxes have been adjusted for 2013. It is recommended that 0.300 Mills (\$2.06 million) be allocated from the Road & Bridge Fund with 0.200 Mills going to the Library Fund and 0.100 Mills to the General Fund. In exchange, the allocation of Auto Ownership revenue in the Library Fund (approximately \$1.4 million) would go to the Road & Bridge Fund. Also, approximately \$2.6 million of Auto Ownership revenue would be moved from the General Fund to the Road & Bridge Fund. With this reallocation of Mill Levies, the Library Fund Mill Levy allocation would be increased to 3.425 Mills in the 2013 Adopted Budget and the General Fund would be increased to 15.999 Mills. The Road & Bridge Fund would be decreased to 1.400 Mills.

The **Library Fund** also continues to see challenges in 2013. The Library Board of Trustees has asked their staff to make reductions in their expenditures for a few years to better align revenues and expenditures. In 2014, the Library Fund should see some relief with the Belmar Library bonds being paid off in 2013. It is also hoped that property tax assessments will increase in 2014 (a reassessment year) bringing more revenue into this fund to offset operations.

## **Budget Overview**

The total **2013 Adopted Budget** for Jefferson County is \$468.3 million. This represents a **1.3% decrease** over the **2012 Adopted Budget**. The total adopted budget includes an operating expenditure budget of \$344.5 million which is a \$3.1 million decrease over 2012. It also includes a capital expenditure budget of \$38.4 million that increased by \$7.9 million over the previous budget. Also included in the Adopted Budget is **\$85.4 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 2013 fiscal year are estimated to be **\$362.0 million**, excluding interfund transfers of \$85.4 million. This represents a slight increase of 0.5% when compared to the \$360.3 million in revenues projected to be received in 2012. To balance the budget, the County anticipates the net use of available and unrestricted fund balance in the amount of \$20.9 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. Generally, the philosophy has been that fund balance represents a one-time funding source to be appropriated only to pay for one-time or cyclical operating costs, the purchase or replacement of equipment, and projects requested in the County's Five-Year Capital

Improvement Plan. However, this budget includes a transfer of approximately \$3.4 million from the General Fund to the Social Services Fund to maintain current service levels. In addition, the General Fund will move \$2.6 million in Auto Ownership tax allocation to the Road & Bridge Fund for maintenance of roads and bridges. These shifts in revenue will cause an accelerated depletion of available fund balance in the General Fund that cannot be maintained over a prolonged period of time.

**Property Taxes** represent the largest single source of revenue for Jefferson County. Estimated collections will be approximately \$172.4 million for 2013. This represents a slight decrease of approximately 1.3% 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 and with 2013 estimated to have little movement. The current five-year revenue forecast anticipates 2% growth in property tax revenue in 2014 (a reassessment year).

The **2013 Adopted Budget** projects that revenues from other tax sources will slightly decrease in 2013. The County anticipates \$39.4 million from **Sales Tax** collections, an increase of 2.4% or \$919,000 over 2012. 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 2012 projections, **Auto Ownership Tax** for 2013 is estimated at \$12.8 million, 10.4% lower than the previous year budget. However, this revenue is anticipated to come in higher in 2012 than in 2011 and appears to be trending up. Revenue from **Highway User (Fuel) Tax** is projected to increase by 2.1% to \$13.4 million. This dedicated funding source is used to provide for roadway maintenance.

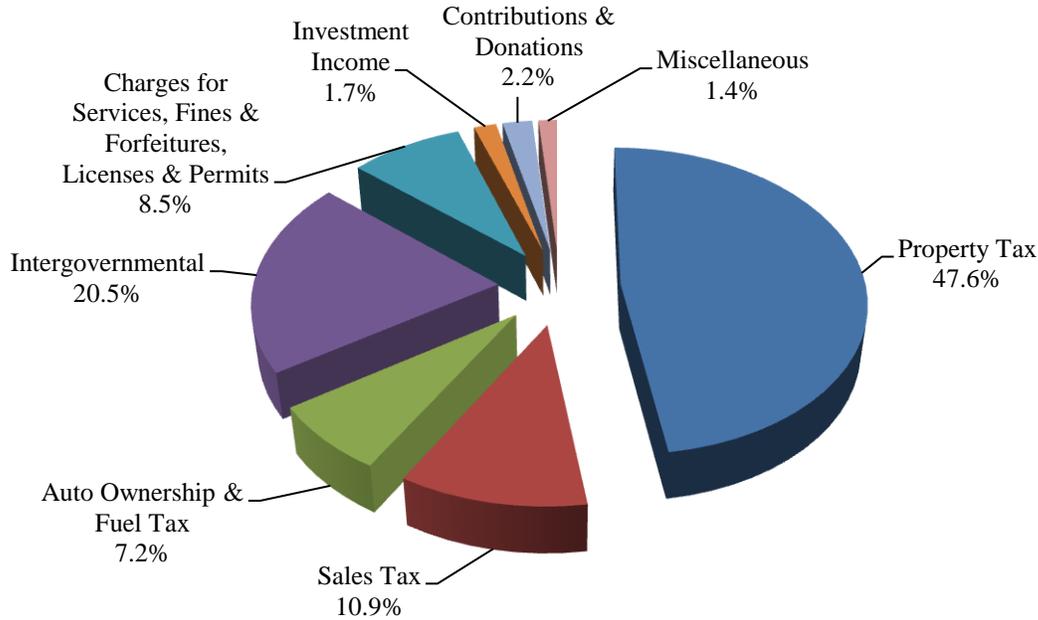
Revenues from **Charges for Services, Fines & Forfeitures and Licenses & Permits** are expected to generate \$30.6 million in 2013, up \$767,000 from 2012. Fees for services in the aggregate are expected to increase by approximately \$1.5 million when comparing 2013 with the prior fiscal year's budgeted estimates. Much of this increase is for anticipated increases in demand for services in the Clerk & Recorder's Office as well as the Building Safety Division. The Detentions Division of the Sheriff's Office has also increased this budget category in 2013 to align it more with actual revenues that have been collected.

**Investment Income** (which includes rental income) is conservatively forecasted at \$6.1 million to align more closely with actual earnings reported in 2011 and 2012 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 \$5.0 million, an increase of \$744,000 in anticipation of the County selling buildings as departments are able to consolidate space. This revenue source can change year over year depending on if there are any plans to sell off properties which gain one-time revenue to the County.

The graph that follows provides a summary of all County revenue sources by category that is being projected as part of the **2013 Adopted Budget**. These projections are estimations based on current information and may be impacted during the 2013 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: 2013 Summary of Revenues by Category**



Revenues	2010 Actual	2011 Actual	2012 Adopted	2013 Adopted	Variance 2012 to 2013	% Inc / (Dec)
<b>Taxes &amp; Special Assessments</b>						
Property Tax	\$ 183,208,441	\$ 183,625,222	\$ 174,641,165	\$ 172,448,326	\$ (2,192,839)	-1.3%
Sales Tax	49,750,639	38,653,769	38,447,365	39,366,592	919,227	2.4%
Fuel Tax	13,134,744	13,232,236	13,075,000	13,350,000	275,000	2.1%
Auto Ownership Tax	12,639,473	12,099,031	14,279,914	12,789,785	(1,490,129)	-10.4%
<b>Subtotal</b>	<b>258,733,297</b>	<b>247,610,258</b>	<b>240,443,444</b>	<b>237,954,703</b>	<b>(2,488,741)</b>	<b>-1.0%</b>
Licenses & Permits	5,308,677	4,134,012	3,987,370	3,509,165	(478,205)	-12.0%
Intergovernmental	69,534,417	66,461,258	71,433,469	74,291,565	2,858,096	4.0%
Charges for Services	26,903,256	28,392,193	23,991,262	25,481,201	1,489,939	6.2%
Fines & Forfeitures	2,048,317	2,043,250	1,890,100	1,645,100	(245,000)	-13.0%
Investment Income	7,377,866	7,516,756	6,385,270	6,062,601	(322,669)	-5.1%
Contributions & Donations	14,314,287	8,580,980	7,874,040	8,026,320	152,280	1.9%
Miscellaneous	2,435,865	2,476,564	4,267,343	5,011,484	744,141	17.4%
Proceeds from Debt	22,162,091	-	-	-	-	-
<b>Subtotal</b>	<b>150,084,776</b>	<b>119,605,013</b>	<b>119,828,854</b>	<b>124,027,436</b>	<b>4,198,582</b>	<b>3.5%</b>
<b>Subtotal</b>	<b>\$408,818,073</b>	<b>\$367,215,271</b>	<b>\$360,272,298</b>	<b>\$361,982,139</b>	<b>\$ 1,709,841</b>	<b>0.5%</b>
Intra-County Transactions	99,995,863	99,514,856	98,107,196	85,403,778	(12,703,418)	-12.9%
<b>Subtotal</b>	<b>\$508,813,936</b>	<b>\$466,730,127</b>	<b>\$458,379,494</b>	<b>\$447,385,917</b>	<b>\$ (10,993,577)</b>	<b>-2.4%</b>
Use of Fund Balance	3,417,068	21,868,119	17,898,202	20,924,690	3,026,488	16.9%
<b>Total Revenues &amp; Transfers</b>	<b>\$512,231,004</b>	<b>\$488,598,246</b>	<b>\$476,277,696</b>	<b>\$468,310,607</b>	<b>\$ (7,967,089)</b>	<b>-1.7%</b>

## County Mill Levy

The **2013 Adopted Budget** does not recommend an adjustment to the overall mill levy for the 2013 fiscal year. Therefore, property tax revenues will continue to be based on the current reduced mill levy of 24.346 mills (*see Table 1 below*). 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 \$11.2 million when compared with revenues that would be generated from assessing the official mill levy. The adopted budget does include a movement of 0.300 Mills from the Road & Bridge Fund with 0.200 Mills to the Library Fund and 0.100 Mills to the General Fund. This movement of Mill Levy is offset in kind with Auto Ownership Tax allocation from the **General Fund** and **Library Fund** to the **Road & Bridge Fund**.

**Table 1. 2013 Adopted Mill Levy by Fund**

County Funds	Official Mill Levy	Temporary Adjustment	2013 Adopted Mill Levy
General Fund	14.576	1.423	15.999
Developmentally Disabled Fund	1.000	0.000	1.000
Road & Bridge Fund	3.280	-1.880	1.400
Social Services Fund	1.710	-0.245	1.465
Capital Expenditure Fund	1.912	-0.855	1.057
Library Fund	3.500	-0.075	3.425
<b>Mill Levy Total</b>	<b>25.978</b>	<b>-1.632</b>	<b>24.346</b>

## Expenditures

The **2013 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 \$344.5 million, a decrease of \$3.1 million, -0.9% over the **2012 Adopted Budget**, and a capital improvements budget of \$38.4 million, an increase of \$7.9 million, and 25.8% over 2012. The highlights of the capital portion of the **2013 Adopted Budget** will be discussed in a subsequent section of this message.

There are a couple items to note in the 2013 Adopted Budget. Based on meetings between the Board of County Commissioners and staff, some significant changes were made between the 2013 Proposed Budget and the 2013 Adopted Budget:

- All business cases to increase staffing that were recommended as part of the Proposed Budget were denied
- Expenditures in the Road & Bridge Fund were reduced by \$1.0 million
- The Planning & Zoning Division in the Development & Transportation Department eliminated a vacant position
- The transfer from the General Fund to the Social Services Fund was reduced from \$5.1 million in the Proposed Budget to \$3.4 million in the Adopted Budget

- The Sheriff's Office expenditure budget was reduced by \$500,000 and several business cases were denied
- The District Attorney's Office was awarded 2.5 Full Time Equivalent positions and the ability to lease an investigator vehicle for a high profile trial. Once the trial is over, the positions and vehicle will be removed from their budget. This request came in after the business case process had been completed
- Intergovernmental payments to chambers and outside organizations were reduced by \$83,362

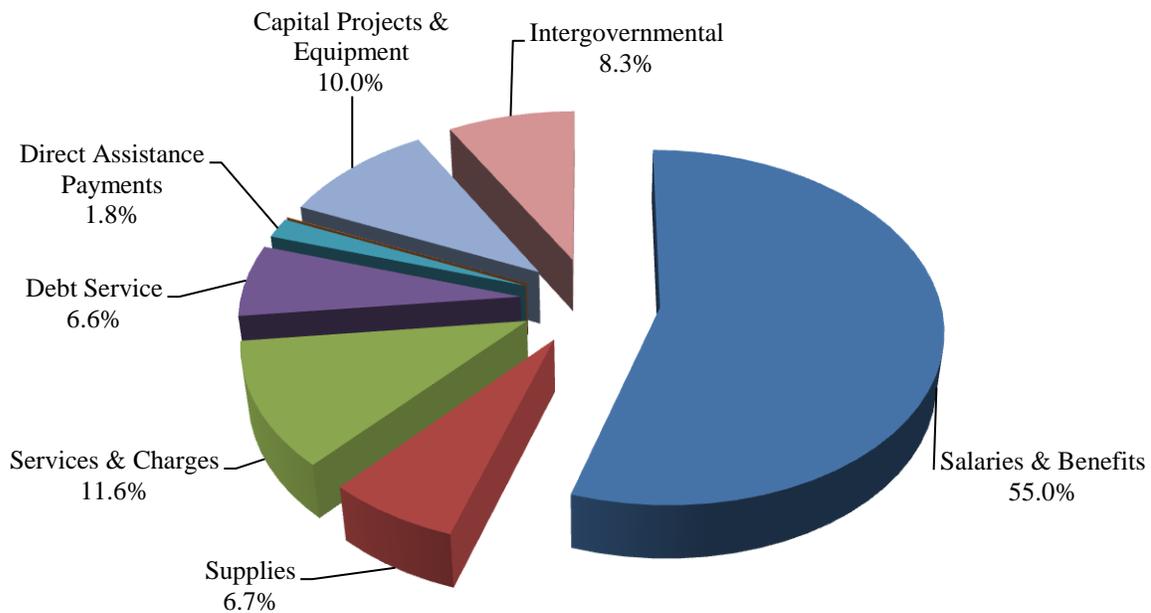
The largest expenditure category for the County, representing 55.0% of total expenditures before transfers, continues to be **Salaries and Benefits**. This category amounts to \$210.6 million for the 2013 fiscal year, **down 0.4% over 2012**. Some departments have given up positions or reduced salaries in anticipation of not filling vacant positions. The Clerk & Recorder's budget was reduced due to 2013 being an odd year election. However, most of these savings were offset by an approximate 2.5% increase in benefit costs. The **2013 Adopted Budget** does not include any budgeted salary increases; however, the County will share 50.0% with employees of the cost of an approximate 5.0% increase in medical insurance premiums.

Expenditures for **Supplies and Services & Charges** are expected to be \$69.9 million for 2013, a decrease of \$4.1 million over 2012. This decrease is due to one-time funding needed in 2012 to run the Presidential Election as well as the reductions to these categories in both the Social Services Fund and Road & Bridge Fund 2013 operating budgets. Human Services provides approximately \$7.0 million in **Direct Assistance Payments** directly to Jefferson County citizens. This is an increase of approximately \$730,000, or 11.7%, over 2012 from an increase in Workforce Development federal funding.

Interdepartmental expenditures, which are interfund transfers that allows for monies to be moved between funds but does not represent an actual cash outflow from the County, decreased \$12.7 million or 12.9% over 2012. This is due to the change of the Facilities & Construction Management and IT Services Divisions being classified as General Funded versus Internal Service Funds. Because the General Fund now directly pays for these services, this results in a decrease in transfers between funds.

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

**Graph 2: 2013 Summary of Expenditures by Category**



	2010 Actual	2011 Actual	2012 Adopted	2013 Adopted	Variance from 2012 to 2013	% Inc / (Dec)
<b>Salaries &amp; Benefits</b>						
Salaries	\$ 161,756,917	\$ 157,957,178	\$ 163,730,756	\$ 161,631,359	\$ (2,099,397)	-1.3%
Benefits	44,130,295	45,968,512	47,791,574	48,967,647	1,176,073	2.5%
<b>Subtotal</b>	<b>205,887,212</b>	<b>203,925,690</b>	<b>211,522,330</b>	<b>210,599,006</b>	<b>(923,324)</b>	<b>-0.4%</b>
Supplies	23,615,955	23,880,816	27,332,685	25,776,613	(1,556,072)	-5.7%
Services & Charges	52,584,225	49,968,239	46,642,390	44,077,471	(2,564,919)	-5.5%
Debt Service	47,411,584	28,961,509	25,410,943	25,192,531	(218,412)	-0.9%
Direct Assistance Payments	6,724,975	6,370,557	6,228,420	6,959,302	730,882	11.7%
Intergovernmental	35,125,159	30,525,247	29,856,111	31,788,222	1,932,111	6.5%
Operating Capital	1,720,478	4,656,611	652,193	123,000	(529,193)	-81.1%
<b>Subtotal</b>	<b>167,182,376</b>	<b>144,362,979</b>	<b>136,122,742</b>	<b>133,917,139</b>	<b>(2,205,603)</b>	<b>-1.6%</b>
<b>Subtotal Operating</b>	<b>373,069,588</b>	<b>348,288,669</b>	<b>347,645,072</b>	<b>344,516,145</b>	<b>(3,128,927)</b>	<b>-0.9%</b>
Capital Projects & Equipment	43,699,943	48,054,918	30,525,428	38,390,684	7,865,256	25.8%
<b>Subtotal</b>	<b>416,769,531</b>	<b>396,343,587</b>	<b>378,170,500</b>	<b>382,906,829</b>	<b>4,736,329</b>	<b>1.3%</b>
Interdepartmental	95,461,473	92,254,659	98,107,196	85,403,778	(12,703,418)	-12.9%
<b>Total Expenditures</b>	<b>\$512,231,004</b>	<b>\$488,598,246</b>	<b>\$476,277,696</b>	<b>\$468,310,607</b>	<b>\$ (7,967,091)</b>	<b>-1.7%</b>

## **Personnel**

This budget includes a personnel authorization of **2,893.1** Full Time Equivalents (FTE) for the 2013 fiscal year. This represents a net increase of 6.1 FTE in the total number of authorized FTE for 2013 when compared with the number of positions adopted in 2012. While there have been additions and subtractions of positions during the 2012 calendar year, the Adopted Budget includes the addition of 2.5 FTE. The **District Attorney's Office** has been authorized 2.5 FTE for a high profile trial that is anticipated to last up to two years, if not longer. These positions will be reduced once the trial is completed.

## **Five-Year Capital Improvement Plan (CIP)**

The *2013 Five-Year Capital Improvement Plan*, strives to realistically address the necessary capital needs of the County while being aware of the limited resources available. Included in the *2013 Adopted Budget* are appropriations totaling \$38.4 million for various capital projects related to infrastructure improvements, facility improvements, technology enhancements, and fleet acquisitions and replacements. The anticipated expenditure for CIP projects is 25.8% (\$7.9 million) higher than what was recommended for funding in 2012. This includes an authorization for \$4.3 million of previously acquired Certificates of Participation (COP) funds towards a replacement of the Voting System and Major Maintenance & Repair on the Head Start Building that was previously purchased out of COP's. It also includes \$10.2 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 *2013 Adopted Budget* includes various improvements related to roadways and bridges (\$7.6 million) and Open Space (\$3.9 million). Significant projects include:

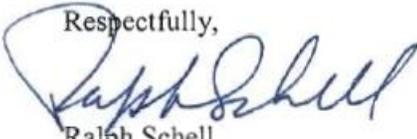
- *\$9.6 million for Safety Area 11L/29R at the Airport*
- *\$4.0 million for Voting System Replacement*
- *\$2.7 million to improve Chatfield Avenue from Garrison to Ken Caryl*
- *\$2.4 million for Fleet Vehicle Replacement*
- *\$2.2 million for anticipated Open Space land acquisitions*
- *\$1.8 million for an IT Network Capacity Upgrade*
- *\$1.6 million for safety related projects associated with FASTER funding*
- *\$1.5 million to improve Quincy Avenue from Kipling to Wadsworth*
- *\$1.4 million for scheduled fleet replacement in the Sheriff's Office*
- *\$1.4 million for trail construction in Clear Canyon Park*
- *\$1.0 million for the Parfet Building remodel*
- *\$1.0 million for the Library for Major Maintenance and Repairs*

Other significant capital related projects include funding for the Sheriff's Office disaster recovery and various smaller roadway and maintenance projects.

## 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 **2013 Adopted Budget** as our County's financial plan for the 2013 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,

A handwritten signature in blue ink that reads "Ralph Schell". The signature is written in a cursive style with a large, sweeping initial "R".

Ralph Schell  
County Administrator