

Date: December 8, 2009



To: Jefferson County Board of Commissioners

Please accept for your review and consideration the **2010 Adopted Operating and Capital Improvement Budget** for Jefferson County, Colorado. The **2010 Adopted Budget** represents the County's financial plan for the upcoming fiscal year beginning January 1, 2010 and serves as a guide for allocating available resources based on their ability to meet the stated objectives and goals of the Board of County Commissioners through programs and services that provide for the needs and expectations of our citizens. The **2010 Adopted 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.

As in prior years, 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, with the primary objective of ensuring that, through sound fiscal planning, the County may achieve a desired level of financial stability in these uncertain economic conditions, many of which are being faced by many local governments throughout the state and nationally.

Strategic Financial Directives

With the 2010 Budget Process, Jefferson County continues on a journey started in 2006: seeking to stabilize and foster the ongoing fiscal health of the organization. The Board of County Commissioners has been clear about the purpose and direction of this journey in being fiscally responsible in the way the County uses taxpayer dollars.

In order to ensure that the county's financial strength and integrity remain, as in the previous year, we have addressed the long-term financial stabilization of our expenses, while ensuring that the revenue collected meets the service demands of our citizens now and into the future. This has resulted in continually remaining focused on the organizations core financial objectives:

- 1) Spend within Our Means
- 2) Establish and Maintain appropriate Reserves
- 3) Understand our Variances (Budget vs. Actual) in order to make accurate assumptions
- 4) Be Transparent About the "True Cost of Doing Business"
- 5) Incorporate Economic Analysis and Long-term Planning into our decision making process

In addition, this adopted budget provides the appropriate funding level for county services, programs and projects that are committed to supporting and accomplishing the Board of County Commissioners' stated 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

Prioritization

The County developed The Budgetary Prioritization process in 2007 as an innovative budgetary decision-making approach to assess programs and their ability to meet the stated goals of the organization. The outcome of this process resulted in our organization: 1) being clear about the objectives we're trying to achieve in our community, 2) evaluating the programs we provide, one versus another, 3) understanding more clearly our services in the context of the cause-and-effect relationship they have on achieving the organization's priorities, 4) providing a higher degree of understanding among decision-makers as they engage in a process to rank services based on priorities, and 5) articulating to individuals within the organization and to the public how we value our services, how we invest in our priorities, and how we might divert resources from lower-priority services.

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. The objective is for programs to be valued relative to one another and ultimately prioritized and funded based on their impact on our stated goals and results. This is what we've implemented with the Prioritization process at Jefferson County and will look to expand on in 2010.

All organizations, especially those that are stewards of public resources, establish values and objectives to meet the expectations of those for whom they exist to serve. Prioritization offers an objective process that allows those responsible for resource allocation decisions to ensure that those programs of higher value to citizens, those programs that achieve the organization's objectives most visibly and effectively, those programs that are not just "nice to have" but essential to the success of the organization can be sustained through adequate funding levels. Whether there are more resources to distribute or less to allocate, Prioritization guides that allocation towards those programs most highly valued by the organization and most importantly, by the citizenry that depends on those programs for their well-being, their comfort and their expected quality of life.

The Right Valuation of Programs

Following an extensive strategic planning retreat in March, 2009, the Board of County Commissioners prepared a Vision statement for the organization, established core

organizational Values, and refined the Goals established in 2006 based on the current needs and future policy direction of the County.

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

- Provide 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 revised Goals were used by each of the departments in evaluating their programs relative to how closely they align with the organization's objectives.

Each of the department's major programs and projects were requested to include:

- Each program, service and project being funded should be identified by name, by cost, and then rated as to its believed influence on Results.
- Scoring criteria should be established to allow programs to be compared, one to another, based on overall value to the citizens.
- Scores should be reasonably assigned to programs based on measurable evidence.

The path to completing Program Prioritization incorporated the following steps:

Inventory of Programs

Departments were asked to identify all distinct programs they currently provide to the public, to other departments, and those that support their own department.

Grading Programs (and Grading Criteria)

Departments were then asked to grade their programs based on how they impact stated County Results as defined through the ORC process. A grading criterion was established as follows on a scale of 0 to 4 points:

- ◆ 0 = program has no influence on achieving the Goal
- ◆ 1 = program has some influence, though minimal, on achieving the Goal

- ◆ 2 = program influences achieving the Goal
- ◆ 3 = program has a strong influence on achieving the Goal
- ◆ 4 = program is essential in achieving the Goal

Programs were also evaluated on the following Basic Program Attributes:

1. **Demand for Service** – This criterion rates a program’s future demand for service. Programs demonstrating an increased demand will receive a higher score for this criterion compared to programs that show no growth in demand or demonstrate lowered demand for service.
2. **Self-sufficient** – This criterion rates the ability of a program to pay for itself through fees. Programs will be graded on their ability to cover their costs through program fees (*ex: Building permits fees are revenues that count towards Building Inspections*). Programs that pay for themselves will receive a higher score in this criterion compared to programs with limited to no program fees.
3. **Mandatory vs. Non-mandatory** – Programs that are mandated by the state or federal government will receive a higher score for this criterion compared to programs that are mandated solely by the County or have no mandate whatsoever.

Departments and divisions that do not offer programs or services directly to the public, but serve the County internally in achieving governance, were asked to grade their programs against the following effectiveness measures:

1. **Monitoring Regulatory Compliance** – In general, regulatory compliance refers to external organizations that oversee and set standards for a given local government function. There may also be some element of statutory compliance that becomes the responsibility of the Governance groups to oversee.
2. **Accountability** – Determine the program’s level of governance support to the Commissioners, County Administrator, Elected Officials, and County leadership. This Goal differs from Monitoring Regulatory Compliance, in that accountability is measured against the County’s own internal standards.
3. **Stewardship and Organizational Stability** – How effective is a governance program in protecting, preserving and managing the County’s physical, financial and human resources.
4. **Long Range Planning** – How much does a governance program impact long range County-wide planning – does the analysis and planning provided support and influence the decision making efforts of the Commissioners, County Administration, Elected Officials and other County leadership.
5. **Department / Program Support** – The extent to which a governance program supports other County departments and the programs they offer to the public to meet their respective business needs and Results.
6. **Quality Customer Service** – How a governance program enhances the level of customer satisfaction.

Programs designed to achieve governance are also graded on their mandated versus non-mandated status, and their fee generating ability.

Economic Assumptions

Although Jefferson County has experienced many of the economic constraints as the rest of the Denver-metropolitan area, our modest assessed valuation growth for 2010, coupled with a diverse economic base have created an environment where we are not anticipating any significant service level reductions or staffing layoffs in the near term. Nevertheless, the economy remains somewhat unstable and the County is mindful that we must remain fiscally conservative, all while we assess the upcoming inflationary pressures that are projected to grow into 2010 and prepare for a projected leveling off, and possible decline of assessed valuation growth in the upcoming years. This is a major area of focus considering that Property Taxes account for nearly half of our County's overall revenue source.

Jefferson County residents have experienced a varied amount of job losses over the past year. While the national unemployment rate is approximately (10.2%), Colorado remains far better off with a seasonally adjusted unemployment rate of 6.9%. Although, trending better than the national average, this is still substantially higher than we have seen in recent years. This has resulted in a continued increase in demand for many of our core human service functions. Core services such as food stamps, assistance payments and workforce development programs have seen double digit growth over the past year.

While revenues continue to exhibit minimal growth, many of our primary revenues remain flat while others are trending downward which offset the modest gains we may be experiencing in other revenue areas. Coupled with the collapse of the housing mortgage market, and the fact that property valuations in the metro area are exhibiting mild levels of stagnation in terms of price increases, it is evident that the prospect of an economic turnaround to fix the County's financial outlook will be delayed throughout 2010 and into 2011.

Budget Overview

The County Administrator's *2010 Adopted Budget* for Jefferson County recommends a total combined operating and capital expenditure budget of **\$412.3 million**, excluding interdepartmental and interfund transfers. This represents a 6.5% overall increase in expenditures as compared with the *2009 Adopted Budget*, which totaled \$387.0 million, excluding transfers. Included in the adopted budget is **\$94.0 million** in appropriations for interdepartmental and interfund transfers that allow for monies to be moved between funds segregated for accounting purposes, but do not represent an actual cash outflow to the County.

Revenues

Forecasted revenues for the 2010 fiscal year are estimated to be **\$380.0 million**, excluding interfund transfers. This represents a very moderate increase of only 4.3% when compared with the \$364.1 million in revenues projected to be received in 2009. To balance the budget, the County anticipates the net use of available and unrestricted fund balance in the amount of **\$32.4 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 major operating equipment, and projects included in the County's five-year Capital Improvement Plan.

Property Taxes, the largest single source of revenue for Jefferson County, is estimated at \$184.3 million for 2010. This represents a very minimal increase of .9% (\$1.6 million) over the prior year. Property valuations are re-assessed on a bi-annual basis, with the last reassessment occurring in 2008 for the 2010 fiscal year. Due to record-high property foreclosure rates, the continued leveling off or decline in residential market valuations and new construction continuing to be less than what the County has experienced in the last decade, it is expected that valuation growth will remain flat or even experience a slight decline into the foreseeable future. Current five-year revenue forecasts anticipate less than a 1% growth in reassessment years and no growth in the non-reassessment years.

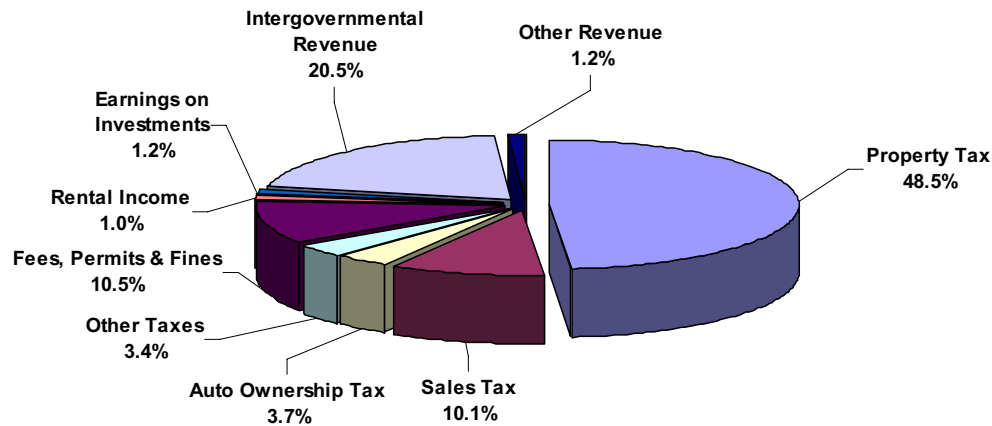
While maintaining a conservative approach to forecasting revenues, the **2010 Adopted Budget** projects that revenues from other tax sources will demonstrate signs of stabilization or minimal growth in 2010 and beyond. The County anticipates \$38.3 million from **Sales Tax** collections, an increase of .6% (\$200,000) over 2009. These revenues are generated from a 0.5% county-wide sales tax dedicated to the preservation of open space as well as a 0.5% sales tax for infrastructure improvements assessed only in the southeast portion of the County. In comparison with 2009 projections, **Specific (Auto) Ownership Tax** for 2010 is projected at \$14.0 million, a 2% decrease over the previous year. However, revenue from highway user taxes, a dedicated funding source to pay for major roadway maintenance and improvements, anticipates a 17% increase in collections over 2009. The increase is attributed to the passage of SB108, referred to as the "Faster Transportation Bill" that imposed an additional increase on to vehicle registrations and late fees beginning July 1, 2009.

Revenues from **Charges for Services, Fines and Permits** are expected to generate \$39.9 million in 2010, down \$908,398 or 2.2% from 2009. Most of these revenues are associated with the decrease in construction activity or declines in the housing market, such as fees for building permits and inspections, traffic impact fees, and recording fees. Other fees for services in the collective are expected to remain relatively flat when comparing 2010 with the prior fiscal year. **Earnings on Investments** are conservatively forecasted at \$4.4 million. This represents a 57.2% decrease from 2009. However, due to fluctuation of interest income year over year, these sources of funding are used for one-time expenditures that can be delayed or avoided in the event that estimates are not achievable. Federal and State **Intergovernmental Revenues** are projected to bring \$77.8 million to the County in 2010, up \$16.2 million (26.3%) over 2009. The Human Services Department has realized a large portion of that increase to support many of its programs in Social Services, Community Development, Justice Services and Workforce Development Divisions, all of which are currently experiencing double-digit growth in the demands for services over previous years. Additional realized revenue will be associated with Rocky Mountain Metropolitan Airport's federal capital improvement projects scheduled in 2010.

The graph that follows provides a more detailed listing of all County revenue sources by category that are being anticipated as part of the **2010 Adopted Budget**. These projections are estimations based on current information and, as in prior years, may be influenced in the

2010 fiscal year by external factors such as, inflation, consumer confidence, interest rates, and changes in the housing market or commercial growth. These factors could effect 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 apprised of any changes that might require the County to adjust budget appropriations accordingly.

Graph 1: 2010 Summary of Revenues by Category



Revenue Category	2009 Est. Revenue	2010 Est. Revenue	Variance	Percent Change	% of Total
Property Tax	\$182,672,733	\$184,294,104	\$1,621,371	0.9%	48.5%
Sales Tax	38,101,425	38,335,495	234,070	0.6%	10.1%
Auto Ownership Tax	14,285,627	13,999,915	(285,712)	-2.0%	3.7%
Other Taxes	11,350,925	12,765,000	1,414,075	12.5%	3.4%
Subtotal Taxes	\$246,410,710	\$249,394,514	\$2,983,804	1.2%	65.7%
Fees, Permits & Fines	\$40,835,881	\$39,927,483	(\$908,398)	-2.2%	10.5%
Rental Income	3,683,402	3,694,044	10,642	0.3%	1.0%
Earnings on Investments	10,236,802	4,386,427	(5,850,375)	-57.2%	1.2%
Intergovernmental Revenue	61,618,236	77,826,725	16,208,489	26.3%	20.5%
Other Revenue	1,336,225	4,647,435	3,311,210	247.8%	1.2%
Sub-total Other Revenue	\$117,710,546	\$130,482,114	\$12,771,568	10.8%	34.3%
Total Revenue	\$364,121,256	\$379,876,628	\$15,755,372	4.3%	100.0%
Use of Fund Balance	\$22,860,095	\$32,404,016	\$9,543,921	41.7%	
Total Resources	\$386,981,351	\$412,280,644	\$25,299,293	6.5%	
Interfund Transfers	\$93,021,185	\$94,088,254	\$1,067,069	1.1%	
Total Estimated Resources & Transfers	\$480,002,536	\$506,368,898	\$26,366,362	5.5%	

County Mill Levy

In response to the Board's priority of encouraging fiscally responsible government as well as an understanding of the current economic climate in Jefferson County, the **2010 Adopted Budget** does not include a recommended increase in the official mill levy for the 2009 tax year (2010 fiscal year). Revenues from property taxes will continue to be based on the current mill levy of 24.346 mills (see Table 1). This will continue the temporary mill levy reduction of 1.632 mills from the County's official 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. 2010 Adopted Mill Levy by Fund

Fund	2010 Official Mill Levy	Temporary Adjustment	2010 Adopted Mill Levy
General Fund	14.576	1.123	15.699
Developmentally Disabled Fund	1.000	0.000	1.000
Road & Bridge Fund	3.280	-1.380	1.900
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 *2010 Adopted Budget* for Jefferson County reflects total expenditures for operations and one-time capital needs of \$412.3 million before interdepartmental transfers which total \$94.0 million for 2010. This is comprised of an operating budget of \$366.5 million, up \$22.6 million (6.6%) over the 2009 adopted budget. The capital improvements budget is \$45.8 million, up \$2.7 million (6.3%) over the prior year. (The highlights of the capital portion of the *2010 Adopted Budget* are discussed in a subsequent section of this message.) As was accomplished with the 2009 budget process, Departments and Elected Offices accounted for in the General Fund were able to achieve their target budgets by seeking efficiencies and absorbing anticipated cost increases within their 2010 target budgets.

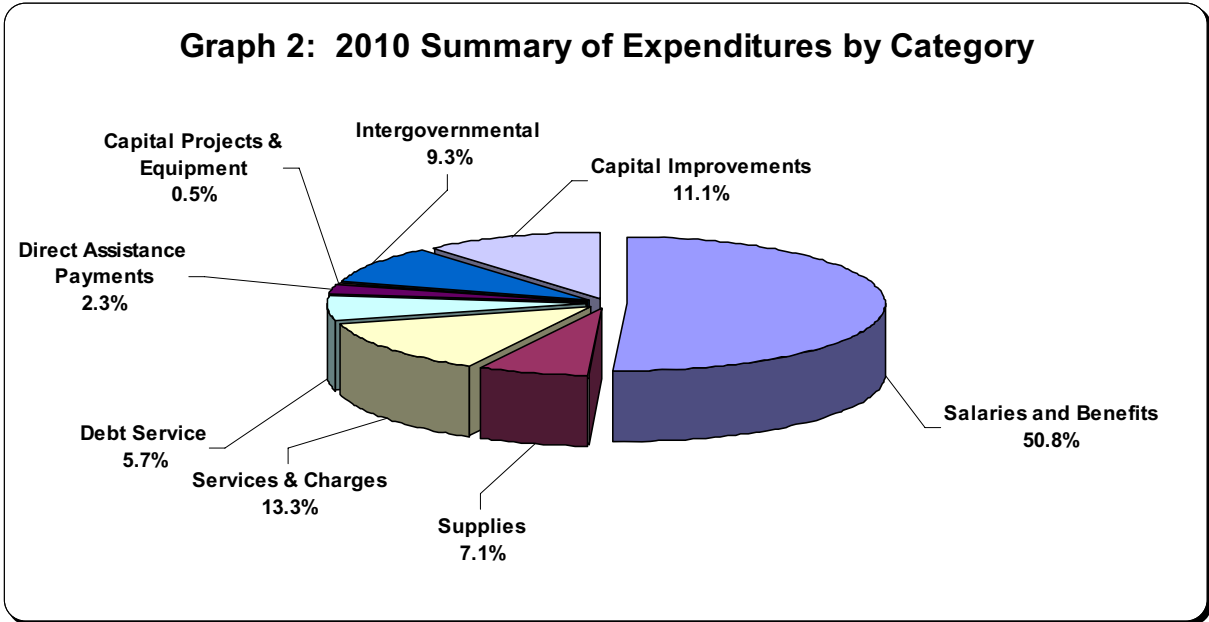
The largest expenditure category for the County, representing 50.8% of total expenditures, continues to be **Salaries and Benefits**, amounting to \$209.5 million for the 2010 fiscal year, up a very modest \$197,645 (.1%) over 2009. This adopted budget does not reflect any merit increases in 2010. However, the County is currently engaged in developing a comprehensive pay and classification plan that will also address market variations by position. These findings will be scrutinized by the Board of County Commissioners who will be evaluating the operational and financial impacts with regards to compensation in 2010.

Expenditures for **Supplies and Services & Charges** are expected to be \$83.9 million for 2010, an increase of \$3.9 million (4.9%) over 2009. While many operating divisions have been able to maintain current budget levels or even achieve reductions in these areas, the rising cost of Sheriff's detention center contracts, coroner services and mid-term election year costs have increased the projected expenditure budgets seen in this category. **Direct Assistance Payments** increased by \$1.4 million (17.7%) over 2009. The majority of this category is found in the Social Services Fund, driven primarily by the increase in State grant revenues anticipated for the upcoming fiscal year. Along the same lines, the County will see an increase of 31.9% in **Intergovernmental** expenses associated with our Human Services

programs that are mostly offset by revenues from federal and state grants. Specific programs include both the Workforce and Community Development Divisions.

The expenditure budget for **Debt Service** for 2010 will be \$23.4 million, an increase of \$6.9 million (42.4%) over 2009. This increase is associated directly to an increase in debt payments for Certificates of Participation (COP) that were issued in 2009 that will be used in the construction of a new community correction facility, detention facility renovation, courtroom expansion needs, data center relocation, and various multi-purpose government “hub” centers throughout the County.

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



Expenditure Category	2009 Adopted Budget	2010 Adopted Budget	Variance	Percent Change	% of Total
Salaries and Benefits	\$ 209,350,899	\$ 209,548,544	197,645	0.1%	50.8%
Supplies	30,108,597	29,137,559	(971,038)	-3.2%	7.1%
Services & Charges	49,903,363	54,801,724	4,898,361	9.8%	13.3%
Debt Service	16,403,097	23,362,494	6,959,397	42.4%	5.7%
Direct Assistance Payments	7,999,810	9,419,451	1,419,641	17.7%	2.3%
Capital Projects & Equipment	1,081,000	1,908,100	827,100	76.5%	0.5%
Intergovernmental	29,042,841	38,296,834	9,253,993	31.9%	9.3%
Sub-Total Base Operating Budget	\$ 343,889,607	\$ 366,474,706	\$ 22,585,099	6.6%	88.9%
Capital Improvements	\$ 43,091,744	\$45,805,938	2,714,194	6.3%	11.1%
Total Uses	\$ 386,981,351	\$ 412,280,644	25,299,293	6.5%	100.0%
Interfund Transfers	\$93,021,185	\$94,088,254	1,067,069	1.1%	
Total Appropriated Expenditures & Transfers	\$ 480,002,536	\$ 506,368,898	26,366,362	5.5%	

Personnel

This budget recommends the authorization of **2,926.30** total FTE for the 2010 fiscal year. This represents a net increase of 3.00 total number of authorized FTE for 2010 when compared with the number of positions authorized for 2009.

The Open Space Division has requested 2.0 FTE to assist in managing the expansive open space parks throughout the County. One position will be for the addition of a Park Ranger and the other position will be the addition of a Park's Maintenance worker.

The Public Trustee's Office has requested the reallocation of a temporary position to a 1.0 full-time permanent position to address increased service level demands within the Office.

Five-year Capital Improvement Plan (CIP)

The *2010 Five Year Capital Improvement Plan* attempts to address the necessary capital needs of the County while being aware of the limited resources available. Included in the *2010 Adopted Budget* are appropriations totaling \$45.8 million for various capital projects related to infrastructure improvements, facility improvements, technology enhancements, and equipment acquisitions and replacements. The anticipated expenditure for CIP projects is \$2.7 million (6.3%) higher than what was recommended for funding in the 2009 adopted budget.

Infrastructure improvement projects annually account for the largest portion of the County's capital investments. The *2010 Adopted Budget* includes various improvements related to roadways and bridges (\$20.2 million), open space (\$6.9 million) and airport projects (\$1.1 million). Significant projects include:

- \$5.0 million for anticipated Open Space land acquisitions
- \$4.7 million to widen Chatfield Avenue from Garrison to Wadsworth
- \$6.7 million to address the Bowles/Wadsworth Intersection
- \$3.3 million to improve the Quincy/Kipling Intersection
- \$1.5 million to improve the Waterton/Wadsworth section
- \$1.5 million for scheduled fleet replacement in the Sheriff Office
- \$1.0 million to improve SH93 – SH58 to SH128
- \$950,000 for enterprise electronic storage upgrade and expansion
- \$850,000 for construction of an auxiliary maintenance shop for the Open Space division
- \$600,000 for intersection improvements at Waterton and Wadsworth
- \$500,000 to improve Golden Gate Canyon Road
- \$400,000 upgrades to improve the County's GIS modernization program
- \$300,000 to incorporate an email archive and retention system
- \$250,000 to address facility security needs in the Human Service Building
- \$450,000 for intersection improvements at Quincy-Simms to Kipling
- \$250,000 for updating of the Clerk & Records E-filing system

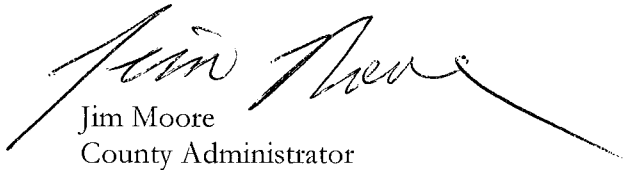
Other significant capital related projects include \$1.5 million for the development and implementation of a new software system for the Treasurer's Office that will be integrated

with the Assessor's Office and Clerk & Recorder's Office; \$1.5 million for an upgrade to the District Attorney's Case Management System; \$1.2 million for the replacement of the Radio Microwave tower that supports radio services for the Sheriff's Office and other regional law enforcement services; \$1.8 million in various County-wide technology enhancements; and \$3.2 million in fleet replacement needs.

Acknowledgements

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 a valuable budget process that provides a strategic financial framework that helps us make difficult resource allocation decisions. I am pleased to present this **2010 Adopted Budget** as our County's financial plan for the 2010 fiscal year. I believe it reflects our commitment to ongoing fiscal health and 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,



Jim Moore
County Administrator

