

2012 BUDGET PLAN

As we enter the 2012 budget process we are told that the “Great Recession” is over and better times are right around the corner. While we all hope this is the case, unfortunately this not yet true for either Weld County government or for the citizens that we serve. We all continue to struggle with diminished resources and greater needs. Many people in Weld County remain unemployed, real estate values remain somewhat soft, and rates of individual bankruptcies and home foreclosures remain high. For our county government we have seen demand for services grow in the areas of human services caseloads and health services. At the same time our resources have dropped in areas, such as state and federal revenues, and our property tax revenues have only grown in the last three years due to oil and gas production and price increases.

As with any budget, we are very dependent upon state and federal support. Since the start of this recession we have sustained a decline in state revenues. The state support for many programs has reached new lows. This partnership with the state was once one of the pillars of our financial foundation. Economists at the University of Denver’s Center for Colorado’s Economic Future are projecting that Colorado’s economy is expected to come back in 2012, but even with several years of robust growth that may follow, the state budget will not grow fast enough to keep up with the demands of schools, prisons, and health care for the poor. The same economists have concluded that the state budget faces a persistent structural imbalance. Based upon their forecasts, all the growth in state revenues will be consumed by schools, Medicaid and corrections for the foreseeable future and beyond this decade. The state has a structural problem where spending expectations exceed revenue expectations. We must now face the new reality that county governments in Colorado will have far less state funding in the future.

At the federal level, stimulus money has come to an end. In Washington both political parties are calling for action to get the nation’s fiscal house in order. Although there is disagreement on the specifics of how to reduce federal spending, there is agreement that federal spending must be reduced to control the federal deficit. The federal government cannot continue to be financed with borrowed money at the level it has been. A predictable result is that federal spending for social programs and aid to state and local governments will shrink. Impending budget cuts at the state and federal level mean that local government will need to change the way it works.

We all must recognize that in this challenging economy, citizens and businesses are strapped to meet their obligations and there is little or no appetite on the part of voters to raise taxes at any level of government. Weld County government must continue to prepare a budget that reflects the new fiscal reality with reduced resources and rising demands. There is no quick or dramatic or imminent recovery on the horizon. This new fiscal reality is not temporary, but a permanent change. Weld County elected officials, managers, and employees must continue to make every effort to maintain service levels, but to do so with declining resources will demand resourcefulness. We will need to rethink and realign many of our services in order to continue to address public safety, health needs, human services demands, job creation, community aesthetics, growth, and infrastructure requirements without asking for additional tax dollars.

Because of this recession, we have leveraged our county workforce talents and examined every county program to make it through the recessionary period. During this recessionary period it has been all about sustainability and leveraging resources for continuation of excellence. As we look to the next phase of this economic cycle, the current recession has taught us that sustainability is a necessary but insufficient condition to ensure the ongoing health of a local government. A sustainable system is balanced, but an external shock (like a severe economic downturn) can unbalance the system and perhaps even collapse it. Local governments will continue to face serious challenges from outside, including, but not limited to, economic adjustments, natural disasters, and important policy changes by other levels of government, i.e. state and federal budget reductions. As such we must strive to help Weld County, as an organization, go beyond sustainability to a system that is adaptable and regenerative - in a word resilient.

The Government Finance Officers Association (GFOA) is calling for local governments to become “financially resilient”. A financially resilient organization is adaptable to changing conditions, regenerative in the face of setbacks, and produces superior value for constituents. Long-term financial planning is a closely related concept to financial resiliency, but also involves a strategic intent that is shared by all the organization’s leaders of how the organization’s capabilities should develop so as to remain effective in the future. Strategic intent is not a plan or set of authoritative decisions. Rather, it represents an institutional argument about how the organization seeks to create value for the public over the long run.

As one examines the characteristics of a resilient local government, Weld County as an organization, possesses many of those characteristics. Weld County has developed solid mission, vision, and value statements. Strong financial policies have been adopted and have been followed for a number of years. Strong Board of County Commissioner’s policies are in place with respect to how the organization will be run and are understood. This gives the governing board the confidence that allows for the empowerment of managers and employees in their respective departments. This empowerment at the departmental level allows departments to identify issues, analyze them, and develop strategic solutions. It also fosters departmental managers taking on more responsibility for their budgets, and most importantly, fostering a strategic framework for creating value for the public through the government programs Weld County delivers.

Financially resilient local governments are distinguished by the adoption of a policy supporting a financial planning process that assesses the long-term financial implications of current and proposed operating and capital budgets, financial policies, and service policies. In resilient local governments, long-term financial planning is institutionalized in the governance of the organization. This leads to consistent decisions. Financial policies are the cornerstone to financial well-being of the organization because they help preserve good practices through changes in elected officials and top management personnel. Weld County has long had these financial policies in place.

Another characteristic of a resilient local government is having healthy fund balances and reserves in place with strong policies that create those reserves for specific purposes. This preserves the credibility of the reserve system. The reserves are there for a widely understood and agreed upon reason, not as a slush fund to be raided without a good reason. Weld County has fund balances and reserves that approach over one-third (33%) of our operating budget. The ratio of Weld County’s fund balance and reserve level to annual expenditures is one of the highest of any local government in the nation. Most local governments have reserves in the 5 to

15 percent range. Weld County's fund balance and reserve levels give the county a great deal of security and flexibility to deal with changing environments, downturn in economic conditions, or any serious fiscal challenge.

Weld County has demonstrated our financial resilience the last three years by dealing with the volatility of our property tax revenues, declining state revenues, and the severity of the current economic downturn at the same time. As a resilient government, when we were caught in a financial and economic decline we quickly recognized it and reacted by updating our strategic plan, continually monitoring the environment for change, and maintaining open communication with departments and the governing board so corrective actions could be taken. This is an ongoing process and part of the Weld County corporate culture.

As a resilient organization, Weld County has been good at using forecasts to identify the parameters within which to develop and execute strategies, rather than trying to "predict" the future. All departments are involved in regularly reviewing the environment they operate in and help diagnose strategic issues. The involvement of the elected officials and departmental managers in strategic diagnosis promotes informed and realistic decision making in the county. All Weld County departments put a great deal of effort into their long term plans. Resilient governments connect their long term financial planning with all the long term plans to increase the quality of their forecasting and strategic diagnosis. For example, in Weld County the Comprehensive Land Use Plan suggests long-range transportation and facility requirements that must be coordinated and taken into account when developing long range financial capital funding plans. This process has allowed Weld County to accommodate the capital and transportation needs of the county without incurring any long term debt.

Financial resiliency is essential to continuing a consistent program of public service despite the current volatile economic environment. As many local governments across the country struggle to develop the characteristic of being a resilient government Weld County can be proud that as a county government we have achieved financial resiliency and have realized the benefits of no long term debt, good strategic planning, and a soft landing in the current recession. Most importantly, though, Weld County has been able to maintain the trust and confidence of our constituents and continues to create value for the public through government action and programs.

As we embark on the preparation of the 2012 budget, we must continue our strategic planning process and our budget processes that have made Weld County a financially sound local government. With the decline in residential and commercial property values, it is not anticipated with the reappraisal of properties this year that the assessed value of Weld County will grow significantly. Any increase in property tax revenues realized from increased oil and gas assessed values will most likely have to be devoted to backfill the loss in state grant funding. Fortunately, we have planned for the reappraisal's impact on property tax revenues and state budget cuts by not fully utilizing all of the property tax capacity we had available in the 2011. The nearly \$3 million in property tax carry over from 2011, coupled with the slight grow in assessed values from oil and gas will allow us to fund the 2012 budget at the same level as 2011, even with the reductions of state funding, the added costs of the 2012 Presidential election, increased energy costs, and increased health insurance rates.

During the economic down turn and challenging fiscal times, Weld County has called upon our employees to share in the solution by not being granted any cost of living pay increases for two years. Fortunately, the Consumer Price Index for the area has not increased measurably during the last two years. We have tried to minimize the financial impact by avoiding some of the

actions that other local governments and the state have had to take, such as large layoffs, furlough days, pay reductions, and employee benefit “give backs”. Weld County has still granted longevity and merit increases and provided increased employer contributions to health insurance so that employees would have no “net pay” decrease the last two years. Until all the budgets are presented, the state finalizes its budget, there is more clarity on the impacts of the federal budget cuts, and the assessed value is finalized, there is no decision regarding any salary adjustments. In the Final Budget the decision was made to grant a cost of living amount for 2012.

By using our sunset review process we will continue to look at every new vacancy that arises as an opportunity to further realign staff resources. Our employees have risen to the challenge of finding new ways to provide current services and work above and beyond their job descriptions to help their fellow employees throughout the organization. In addition, we have solicited cost savings suggestions from all employees and we are grateful for their ideas. Departments acted upon many of their ideas that range from a few dollars to hundreds of dollars.

Finally, as we put together the 2012 budget, parts of our financial plan and the related key services will be dependent upon state funding assumptions. We must all commit ourselves to work with our legislative delegation to craft budgets which will maintain appropriate levels of state support for programs and mandates the state has placed upon us and to use these resources to maximize their impact to the citizens of Weld County.

Weld County government has survived the most severe economic downturn in the last 70 years, and we have done so in a fashion of teamwork, collaboration, and a focus on sustaining our core services while planning for the future. Will the future be easy? No, but we are confident it will improve and we are committed to continuing our mission so all Weld County citizens are proud of their county government and pleased with the county services provided them.