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December 14, 2011

Weld County Board of Commissioners  
1150 O Street  
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Board Members:

The Weld County 2012 Final Budget for operations and capital outlay totals a gross amount of \$181,945,893 with a net of \$177,968,323 when interfund transfers are excluded. The Internal Service Funds total an additional \$25,608,514. The budget has been prepared in accordance with your directives developed during the budget process. The budget is funded with revenue estimates of \$104,011,852 anticipated fund balances of \$66,145,000, and the maximum allowed property tax under Amendment One (TABOR) and the Weld County Home Rule Charter of \$90,117,557.

***FINANCIAL PLAN***

**ECONOMIC CONDITIONS AND OUTLOOK**

As we approach 2012 we find ourselves facing somewhat mixed economic indicators and possibly new challenges that are different than past economic growing and recovery cycles following a recession. The economy continues to struggle with burdensome forces related to the recent recession, such as high levels of private and public debt, high unemployment, the loss of wealth, tight credit markets, the real estate market decline, and heightened uncertainty. However, there are economic conditions that continue to be favorable, such as strong manufacturing activity, sustained export growth, and the solid financial condition of many businesses, especially large corporations. Due to these positive indicators and because of the economy's resiliency, the economy is expected to continue to grow despite the headwinds. Growth for both Colorado and the nation will be constrained over the next few years as the negative factors are likely to persist and weigh on the economy.

Colorado and Weld County are well positioned for the future due to our diverse economic base and skilled workforce. Entrepreneurship and innovative activity are strengths of the Colorado

economy. These strengths will eventually lead the state to stronger sustained growth. However, in the meantime, the economy will have to navigate its headwinds, as well as heightened risks. These risks include the threat of sustained price increases, increased financial instability, and a rise in interest rates, all of which pose forecast risks to the downside.

The new historic drive for political change across parts of North Africa and the Middle East has created unrest. As this unrest spreads, concerns about future oil supplies have driven the price of oil from under \$90 per barrel to over \$105. As we plan for 2012, we are assuming that the price of oil will remain high, but fairly steady, over the next few months and then gradually settle back under \$90 as conditions in that part of the world stabilize. Many economists believe there is enough momentum in the economy that recent oil increases, by themselves, should not derail the recovery.

With a new Congress in place, the focus is on deficit reduction through spending cuts. As efforts to pass continuing resolutions and a budget package have shown, agreement in this area will be hard to attain. Some deficit reductions are occurring automatically as the 2009 stimulus provisions expire, and lower troop commitments abroad should lead to slower growth in defense spending. We can anticipate moderation in non-defense discretionary spending as well, but spending cuts in entitlements may be difficult politically. Spending and revenue imbalances at the state and local levels nationally will likely be an impediment to economic growth over the forecast horizon.

At the national and state level jobs are being added and recent economic projections indicate that job growth will continue into 2012. Weld County led the state of Colorado in new job growth by percentage in 2010. There was a 1.8% increase in employment in Weld County in 2010. Weld's increase was followed by Denver at 1.1%, Fort Collins at 0.7%, and Boulder at 0.4%. Weld County's qualified workforce, low property taxes, natural resources, and strategic location make Weld County an area that is positioned for sustained opportunity going forward.

Agriculture is Weld County's heritage, and food processing is a logical adjunct. In addition, Weld County leads all of Colorado in the number of active oil and gas wells. With the recent locations of wind and solar equipment manufacturers, Weld County is a regional center for the new energy sector. Other sectors like business services and logistics continue to grow.

Excitement related to exploration of the Niobrara shale formation in northern Weld County remains high, driving several significant job-creating projects in Weld County.

- **Halliburton** broke ground on a 150,000 sq. ft. facility in Fort Lupton on March 18. Although the company has not yet disclosed how many new jobs will be created with the project, initial indications are that it will be in the hundreds. The City of Fort Lupton is in the process of extending water and sewer to the Halliburton site - a project that will open development opportunities for hundreds of acres along the utilities' path.
- **Chesapeake Oil**, the nation's second-largest natural gas company, announced that it closed on 800,000 net oil and natural gas leasehold acres in the Denver-Julesburg (DJ) and Powder River Basins in northeast Colorado and southeast Wyoming. The company expects to have as many as 10 drilling rigs operating in the area by the end of 2011, 20 by the end of 2012, and perhaps 40 at full operation. Each rig represents as many as 100 direct jobs.
- **Noble Energy** will construct a 66,000 sq. ft. field operations office in Greeley. The new facility will house up to 300 field and management jobs.
- **Anadarko** will construct a new 42,000 sq. ft. building in Evans to accommodate new growth. The company expects to double its existing local workforce of 200.

The housing market impacts the economy substantially and is closely linked with the business cycle. Home construction remains at historically low levels. Home values affect personal saving rates and can influence national saving and investment. Home values can also affect consumer spending considerably. A strong recovery in the housing sector is necessary in order for a more robust recovery in the broader economy. Unfortunately, this is unlikely in the near future. Nationally and locally, the number of foreclosed properties continues to depress prices and will likely hamper the housing recovery. Nationally, 13 percent of all living units are vacant. According to a recent CoreLogic negative equity report, 19.8 percent of all Colorado residential properties with a mortgage were in negative equity at the beginning of 2011. Meanwhile, the projected rise in interest rates poses a risk because it would make homes less affordable, which would negatively affect the housing recovery. Building permits for all types of property remain low statewide and in Weld County. The state economist is forecasting that building activity will drop another 3.3 percent in 2011, before increasing a slight 1.3 percent in 2012.

The state's economist projects rising food, fuel, and clothing prices will continue to increase in the Denver-Boulder-Greeley CPI in 2011 to 3.6 percent. Also, a lower rental vacancy rate may push rents higher, which will also contribute to growth in the CPI. Due to expectations for continued expansionary monetary policy, the weaker dollar, and continued worldwide demand for commodities, the CPI should be in the 2.8 to 3.3 range through 2013.

The outlook for the economy is particularly murky at this time given the risks to certain fundamental aspects of the economy. Overall price levels have turned upward recently, and further increases will weaken the economy. Consumers, businesses, and government will have to spend more on goods they need, leaving less for investments needed to help the economy grow. Further, rising prices create uncertainty, which would further dampen economic activity. The unrest in the large oil-producing region of North Africa and the Middle East and the heightened worries about the debt crisis in Europe are adding to the uncertainty.

The challenge will be limited growth in the foreseeable future. This may hinder Weld County's ability to invest in the community or invest in County employees for the next few years. Our challenge will be to leverage any savings to meet inflationary costs, mandated increases and employee investments.

### ***FOR THE FUTURE***

As the 2012 budget was developed 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 service 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. Property tax revenues have grown only in the last three years due to oil and gas production and energy 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 and understood with respect to how the organization will be run. 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 the 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 monitored the environment for change, and maintained 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 helping 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 continue to create value for the public through government action and programs.

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 to them.

### **GENERAL GOVERNMENT FUNCTIONS**

Revenue for general government functions, including General, Special Revenue, Capital Expenditures, Internal Service, and Enterprise Funds, total \$194,129,409 in 2012, an increase of 6.21 percent over 2011, primarily in property taxes and miscellaneous revenues. The amount of revenue from various sources and the changes compared to 2011 are shown in the following tabulation:

<b>Revenue Sources</b>	<b>2011 Amount</b>	<b>2011 Percent of Total</b>	<b>2012 Amount</b>	<b>2012 Percent of Total</b>	<b>Increase - Decrease from 2011</b>
Property Taxes	\$78,371,679	42.9%	\$90,117,557	46.4%	\$ 11,745,878
Other Taxes	8,016,000	4.4%	8,140,000	4.2%	124,000
Licenses and Permits	1,850,500	1.0%	2,237,550	1.2%	387,050
Intergovernmental Revenues	45,638,182	25.0%	41,358,545	21.3%	- 4,279,637
Charges for Services	5,836,057	3.2%	5,332,890	2.7%	-503,167
Paramedic Fees	5,646,856	3.1%	6,230,000	3.2%	583,144
Miscellaneous Revenue	6,785,768	3.7%	8,537,353	4.4%	1,751,585
Fee Accounts	7,722,000	4.2%	8,317,000	4.3%	595,000
Internal Service Charges	<u>22,906,223</u>	<u>12.5%</u>	<u>23,858,514</u>	<u>12.3%</u>	<u>952,291</u>
<b>TOTAL</b>	<b><u>\$182,773,265</u></b>	<b><u>100.0%</u></b>	<b><u>\$194,129,409</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 11,356,144</u></b>

Expenditures by function for the General, Special Revenue, Capital Expenditures, Internal Services, and Enterprise Funds total \$203,576,837 for 2012, which is an increase of 5.22 percent over 2011. The amounts by function and the increase over 2011 are as follows:

Expenditure Sources	2011 Amount	2011 Percent of Total	2012 Amount	2012 Percent of Total	Increase - Decrease from 2011
General Government	\$ 27,377,959	14.1%	\$ 29,603,298	14.5%	\$ 2,225,339
Social Services	28,564,500	14.8%	26,697,167	13.1%	-1,867,333
Road and Bridge	27,110,957	14.0%	32,570,248	16.0%	5,459,291
Public Safety	39,210,086	20.3%	41,627,280	20.4%	2,417,194
Human Services	9,372,035	4.8%	7,344,889	3.6%	-2,027,146
Health	8,269,631	4.3%	8,371,193	4.1%	101,562
Capital	6,800,000	3.5%	7,600,000	3.7%	800,000
Public Works	1,891,263	1.0%	1,972,097	1.0%	80,834
Contingency	12,800,000	6.6%	14,000,000	6.9%	1,200,000
Miscellaneous	699,591	0.4%	699,591	0.3%	0
Culture and Recreation	903,999	0.5%	885,876	0.4%	- 18,123
Auxiliary	419,168	0.2%	419,705	0.2%	537
Paramedic Services	5,646,856	2.9%	6,176,979	3.0%	530,123
Internal Services	<u>24,406,223</u>	<u>12.6%</u>	<u>25,608,514</u>	<u>12.6%</u>	<u>1,202,291</u>
TOTAL	<u>\$ 193,472,268</u>	<u>100.0%</u>	<u>\$ 203,576,837</u>	<u>100.0%</u>	<u>\$ 10,104,569</u>

**Enterprise Operations:** The County's only enterprise operation is the Paramedic Service. The Paramedic Service is a county-wide advanced life support emergency medical service. The program is totally supported by fees. The operation anticipates nearly 18,000 calls in 2012 and generated revenue of \$6,230,000.

**Capital Expenditures Fund:** The Capital Expenditures Fund accounts for various capital improvement projects for county buildings. The 2012 program is funded at \$7,600,000, with \$7,200,000 from property tax, \$100,000 from capital expansion fees, and \$300,000 from interest. Anticipated projects include \$2,350,000 for the communications system upgrade, \$250,000 for upgrades of Public Works facilities, and \$900,000 for special projects. A carry-over beginning fund balance of \$3,300,000 is anticipated, and \$7,400,000 ending reserve fund balance for the future jail expansion (\$6,200,000) and Downtown Greeley land reserve (\$1,200,000) is anticipated at the end of 2012.

**Debt Administration:** The County continues to have no bonded indebtedness. The passage of HB1579, in 1981, Section 30-35-201, C.R.S., now allows the debt ceiling to be three percent of the assessed valuation of the county. Thus, Weld County maintains over a \$160 million allowable debt capacity in accordance with Colorado State statute. The 1997 Certificate of Participation Bonds for the construction of the Correctional Facility were paid off on the call date of August 1, 2007. Weld County currently has no debt of any type and is one of only a few local jurisdictions that can make that claim.

**Cash Management:** Cash temporarily idle during the year will be invested in time deposits ranging up to 180 days to maturity. Interest earned on investments of cash held by the County Treasurer will be recorded as revenue in the General Fund, with the exception of interest attributed to the Conservation Trust Fund, Insurance Fund, Capital Expenditure Fund, Trust Funds, and the interest earned on certain deposits held for other taxing authorities. The amount of interest anticipated in 2012 is \$1,764,500.

The County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits are either insured by federal depository insurance or collateralized. All collateral on deposits is held either by the government, its agent, or a financial institution's trust department in the government's name.

**Risk Management:** During 2012, Weld County will continue to be a member of Colorado Counties Casualty and Property Pool, therefore, all casualty insurance coverage is being provided via pooling with other Colorado counties. The pool offers full safety and risk management programs to minimize losses. Losses are funded on a self-insurance option basis. Worker's Compensation will be provided via a state approved self-insurance program.

**Mill Levy:** The mill levy will be 16.804, unchanged from last year. The assessed value for the 2012 Budget is \$5,362,863,410, which is up \$698,992,948, or 15 percent over last year. The assessed value for vacant land is down \$24.9 million, or 23 percent. With the reappraisal, residential is down \$51.2 million, or 4 percent; and commercial property is down \$13.6 million, or 2 percent. Agricultural property is up \$16.2 million, or 16 percent; industrial is up \$5.5 million, or 2 percent; natural resources is up \$0.45 million, or 4 percent; and State assessed property is up \$22.8 million, or 4 percent. The major increase is in oil and gas, up \$765.5 million, or 46 percent, which is due to price and production being up after a prior year of lower energy prices. There is an actual value increase of new construction of \$225.3 million, or 1.1 percent.

**Employee Compensation Pay:** For the 2012 budget, a salary increase of 2 percent to Weld County employees is included. Employees will get step increases for longevity and performance. Health insurance rates are anticipated to go up 10 percent for 2012. Health coverage will be provided by CIGNA on a partially self-insured basis with a Preferred Provider Organization (PPO) option and a High Deductible Health Plan/Health Reimbursement Account (HDHP/HRA) option. Retirement costs will increase 3.5 percent overall, based upon the Board's policy to fully fund the Annual Retirement Contribution (ARC) calculated by the Weld County Retirement Plan's actuary each year.

**Fund Balances:** County fund balances continue to remain very healthy, with an anticipated \$66,145,000 to begin 2012. This remains at one of the highest levels in many years. The strong fund balance figures have been achieved through conservative budget practices and the high assessed value from oil and gas revenues. The ending fund balances are projected at \$56,697,572. However, the ending fund balance is actually understated because the Contingency Fund and Emergency Reserve Fund are appropriated, thus not showing up in the ending fund balance figure. These two amounts are not anticipated to be spent in 2012, and if no emergencies or unforeseen events happen, the amounts should be in the ending fund balance. There is no fund balance earmarked in the 2012 budget. All other fund balance amounts are undesignated. With the above projection, ending fund balances should be \$70,697,572.



## **MAJOR FACTORS IMPACTING THE 2012 BUDGET**

The major factors impacting the 2012 budget continue to be related to the slow economic recovery. As consumer costs for fuel, utilities, and food continue to rise, high unemployment, and as homeowners face mortgage foreclosure situations, more Weld County citizens are being placed in a position of requiring assistance. Food Assistance and Low Income Energy Assistance (LEAP) caseloads have continued to experience significant increases in the past year. The department anticipates growth in Old Age Pension (OAP) over the next decade due to the number of citizens that are reaching retirement age. As cited earlier, another area of concern is the continued State of Colorado budget crisis with the drop in sales tax and income tax resulting from the economic slowdown. Many of the County's programs are dependent upon our funding partnership with the State. As the State seeks to balance its budget the County can expect cuts to state programs impacting the County until the economy and state revenues improve.

Growth and development activity directly, or indirectly, related to oil and gas exploration seems to be the main economic driver in the majority of positive economic activities in Weld County. The County has seen several compressor stations, injection wells, and other oil and gas support and service industries seeking permits. Given the commitments of the large oil and gas companies in Weld County, the County seems primed to see considerable long-term investment and development in the oil and gas arena.

A major impact to the County's budget planning the last three years has been the volatility of the assessed value associated with oil and gas assessed values. Oil and gas assessed values for the 2011 budget, due to the drop in commodity prices in 2009, were down over 40 percent over the prior year. However, oil prices in 2010, stabilizing at their historical levels of over \$75 per barrel, resulted in a 46 percent increase in the assessed value for oil and gas for the 2012 budget. In addition, new energy discoveries in northeastern Weld County could bode well long-term for oil and gas production in the area. While the growth in the County's assessed value and economic stimulus of the energy industry in Weld County is positive, the downside is the County has had to add \$4,000,000 to the Public Works budget in both 2011 and 2012 for the Haul Route Program (HARP). HARP has been developed, in conjunction with the energy industry, to identify haul routes that need to be improved to accommodate heavy hauling traffic, address safety issues, and improve roads impacted by the oil and gas industry's heavy hauling on county roads due to the new exploration.

Despite the low activity in residential building in the unincorporated part of the County, several factors may be pointing towards an uptick in activity: 1) According to the Colorado Division of Housing, vacancy rates in the Greeley area are as low as they have been in a decade, at 3.8 percent; 2) The Greeley area has, by far, the lowest median sales price when compared to its peers – Loveland and Fort Collins (source: IRES MLS); and 3) According to Upstate Colorado 1,261 new jobs were created and \$877 million in capital investment occurred in 2010.

With economic recovery cautiously returning, it remains challenging to predict 2012 economic growth. However, with Weld County's continuing energy development, population growth and position in regard to affordable housing, it may be only a matter of time before activity begins to rebound. Given these indicators to Weld County's economic growth and recovery, there is reason to be cautiously optimistic about the economic future of Weld County.

The General Fund is funded at the level of \$78,508,097 up \$5,008,385. Without including adjustments for health insurance costs, the retirement increase, cost of living, and salary step

increases, the budget for general government functions is up \$1,436,869. The County Attorney's Office is up \$55,523 for the addition of one more Assistant County Attorney to deal with the added workload of the office. Staff in the County Attorney's Office has not been increased for a number of years. Election costs are up \$552,557 since in 2012 there will be a Primary and a Presidential Election with anticipated high voter turnout. The District Attorney's budget is up \$62,987 due to the upgrading of the classifications of two Deputy DA III to Deputy DA IV (\$21,900) and the addition of a White Collar Crime Investigator starting July 1, 2012 (\$39,087). Human Resources department is up \$38,887 to fund the Wellness Coordinator full-time, versus half-time. The Building and Grounds budget increased by \$543,540, because of the additional maintenance costs of the new Administration Building and increased utility costs caused by higher energy prices. The Planning Department is up \$76,348 with the request for an additional code enforcement position due to the department's workload from zoning complaints. Transportation decreased by \$306,495 due to the elimination of the Medicaid broker function, Medicaid transports, and no longer delivering congregate meals. Information Services has increased \$330,140 with \$120,140 attributed to the 3.5 percent inflationary factor in the ACS contract and \$150,000 additional resources for capital equipment. GIS is up \$78,040 to acquire new aerial imagery in 2012 for portions of the county. The Assessor's budget is down \$41,724 due to some staff restructuring and reduced postage costs (\$25,000) since 2012 is a non-reappraisal year and Notice of Values do not have to be mailed. Clerk and Recording is up \$34,526 for copier supplies to accommodate all the oil and gas lease activity in the county.

Public safety functions are up \$1,051,726 in the budget. The Sheriff increased costs in the recommended budget by only \$27,034. The Sheriff made a major organization change mid-2011 that fundamentally changed the upper command staff and mid-management and realigned work groups and activities to improve span of control. The changes did not result in a change in the total number of FTE's, but did save \$3,964 in personnel costs. Staff and personnel costs were shifted among the various budget units in the Sheriff's Office. In the North Jail budget significant costs have been deferred another year by continuing to hold the total secure jail bed capacity at 630 beds, which is down from 683 in 2010. Inmate census trends indicate the 630 bed capacity should be adequate in 2012; however, approximately \$1,500,000 in deferred jail cost is not a permanent cost savings, since additional staff and capacity will be needed in the future. Medical costs have been reduced by \$138,014 due to contract cost being lower in 2011 than anticipated and the contractor is willing to leave the contract rate the same for 2012. The Coroner's Office is up \$82,726 for the cost of an additional Deputy Coroner, with the mid-year restructuring of the office to assign more administrative duties to the Chief Deputy that was promoted to the Coroner. The Community Corrections budget is up \$290,065 with all costs being offset by state revenues. Justice Services is up \$39,944 to add a position to help create an adult diversion services program in conjunction with the District Attorney's Office. Building Inspection has added an additional inspector to handle the added workload from all the oil and gas well inspection activity for an increase of \$77,348. Communication's costs are up \$324,675 primarily due to the salary adjustments for the dispatcher positions paid through the IGA with the City of Greeley.

Other changes include Engineering, which is down \$22,268 due to consultant contracts and lower engineering costs for projects. The General Fund's subsidy to the Public Health Department is up \$255,242 due to health insurance costs and anticipated salary increases. An increase of \$2,195,185 is included for other General Fund departments' health insurance costs, retirement increases, and anticipated salary increases of 2 percent in 2012. Retirement costs will increase 3.5 percent overall based upon the Board's policy to fully fund the Annual Retirement Contribution (ARC) calculated by the Weld County Retirement Plan's actuary each year.

The budgeted appropriations for Public Works, in 2012, total \$32,570,248 up \$5,459,291. Municipal share back is funded at \$1,452,940. Budget reflects a 10 percent increase in health insurance costs. 2012 salary increases are funds for step increases due employees in 2012, and a 2 percent salary adjustment increase this budget a total of \$363,207. The overall Public Works budget has been impacted \$885,247 due to the increase in fuel costs. The Other Public Works budget is up \$4,905,575 based on the Capital Improvement Plan (CIP). \$4,000,000 has been added for the Haul Route Program (HARP). Contract payments decreased \$396,000 for CIP projects. Strategic Roads increased \$1,021,575 based on CIP projects which include the grant match for the Union Pacific Railroad (UPRR) grant on CR 80 (\$135,000), and the intersections of CR's 49 and 54 (\$65,000), CR 55 and SH 392 (\$925,575), and CR's 60.5 and 53 (\$169,000). Strategic Road ROW and utility costs include funds for the intersections of CR 55 and SH 392 (\$61,500) and CR's 60.5 and 53 (\$50,000). Grants decreased \$80,000, as there will be no bridge grants in 2012. ROW Purchases and utility relocations increased \$360,000 based on CIP projects which include the project at CR 23/SH 392 (\$250,000), CR 28-7/9.5 (\$30,000) and Bridge/Road at 42/29A (\$70,000). Pavement Management is funded at an increased level of \$192,274, with \$3,100,000 included for asphalt purchases. Overtime within the department has been reduced, where possible. Seasonal staffing is maintained at the current level. Other operating budgets for road and bridge maintenance are funded at near the 2011 funding level. With some operational economies to offset fuel costs the current service level should be able to be maintained with the funding recommended.

The total Social Services Fund budget is \$26,697,167. The programs are funded by property tax of \$9,995,400, and state and federal funds of \$16,787,167. Social Services is down \$1,867,333 from 2011 primarily due to the Building Healthy Marriages program's five year grant expiring September 30, 2011. This program was funded at \$2,395,000, in 2011. The Department continues to pursue innovative programs to avoid, or reduce, the duration of clients' need for services. While this may, in some cases, drive greater costs in the current year, it is anticipated that these measures will enable the Department to avoid costs in future years. As mentioned earlier, as consumer costs for fuel, utilities, and food continue to rise, high unemployment, and as homeowners face mortgage foreclosure situations, more Weld County citizens are being placed in a position of requiring assistance. Food Assistance and Low Income Energy Assistance (LEAP) caseloads have continued to experience significant increases in the past year.

Quality daycare, at an affordable cost, will continue to be a challenge for working families to obtain. The Department continues to develop methods of providing appropriate reimbursement to providers, being careful to not monopolize the market. The Child Care Automated Tracking System (CHATS) system has been replaced with an upgraded system, based on an electronic attendance record of children in care to drive an automated payment to the provider for hours for which the care has been authorized.

The demand for Child Welfare services continues to expand in Weld County, as it has throughout the State. The Department is continuing to seek out and encourage the provision of services, with their associated costs, early in the involvement with families, in order to avoid the need for more costly services as the involvement continues. Working with the Inter-agency Oversight Group, the Department has moved toward a policy of utilizing local placement options for children, whenever possible, to increase parental involvement and to decrease case-worker travel costs. The need for Supervised Visitations has become a significant issue in recent years. The Department continues to participate in State-wide discussions regarding the method used to allocate available Child Welfare appropriations among counties. The emphasis is on providing counties with a better understanding of the model, so that we may use this knowledge in making programmatic decisions in such a way that they both provide high quality services to

the citizens of Weld County and maximize our opportunity for available funding. Weld County is anticipating an over-expenditure of its Child Welfare allocation in excess of \$4,000,000. This over-expenditure will be partially mitigated by the usage of excess Federal funds earned, but will require the infusion of additional property tax revenue to fully absorb.

The Human Services Fund is funded at \$7,133,434 for 2012, which is down \$2,032,508, or 22.18 percent, from the previous year, primarily in the area of Jobs programs (\$618,662) and Supplemental Foods (\$1,428,630). Regarding Supplemental Food, the department has requested that the Colorado Department of Human Services (CDHS) contract directly with the Weld Food Bank for the reimbursement of these services, thus removing the County as a middle-man in the process. The change in administration will have no impact on the amount of food commodities that clients will receive in Weld County. Community Services Block Grant is down \$99,270. Area Agency on Aging programs are up \$42,443, or 1.9 percent. Senior Nutrition is up \$35,511, or 8.4 percent. Other programs are stable with little change.

On the revenue side of the budget, property taxes are budgeted at \$90,117,557, the maximum amount under the Weld County Home Rule Charter's property tax limitation and TABOR. Revenue from interest earnings are down \$1,050,000 at \$1,400,000 for 2012 due to lower interest rates. Oil and gas leasing revenue is up \$750,000 due to commodity prices and new drilling activity. Planning and Building Inspection fees are up \$350,000 primarily due to all the oil and gas activity in the County. Intergovernmental revenues are up \$506,726 primarily due to increased Community Correction grants of \$290,065, and tax increment financing district reimbursements are up \$132,338. Charges for Services are down \$414,092 due Elections revenue from coordinated elections being down \$140,000 and a drop in revenues from Transportation. The Treasurer's fees are anticipated to be up \$150,000. Revenue from Clerk and Recorder fees are up \$450,000 as vehicle sales have recovered and increased oil and gas recording activity. In addition HB 10-1007 increased revenue due to uniform filing fees, and a portion of the State vehicle emissions fee is retained by the county. All these factors have contributed to the jump in Clerk and Recorder revenue projections for 2012. All other revenues are relatively stable with little change.

The resources for Public Works in 2012 total \$51,394,191, which includes a fund balance of \$22,800,000, in addition to the revenue shown in the budget. Property tax is set at \$6,987,191. Specific ownership tax is estimated to be \$6,330,000, the same as 2011. Regular HUTF is at \$8,040,000 due to people driving less and more fuel efficient vehicles. However, with the passage of SB09-109, Weld County will receive \$1,810,000 from the added HUTF revenue resulting from this new legislation. Total HUTF will be \$9,850,000, up \$320,000. Other revenues include \$1,792,000 from transportation impact fees. Permit revenues are budgeted at \$400,000. Motor vehicle registration fees are up \$50,000, and grazing fees are up \$10,000. Federal mineral lease revenues are down \$200,000 due to the creation of the Weld County Federal Mineral Lease District. The federal mineral lease revenue will flow through the new district and then Public Works will apply to the district for the funding of projects. In 2012, the district is funding \$790,000 in oil and gas haul route projects. The \$790,000 is budgeted in other revenues from project reimbursements. Other revenues from project reimbursements total \$2,717,000 which is up \$1,882,000. Transportation impact fees are budgeted at \$1,792,000. There is also a grant of \$135,000 from Union Pacific Railroad for the crossing improvement on WCR 80. Severance tax is budgeted at \$1,810,000 up \$210,000 for 2012. In accordance with the policy adopted by the Board of County Commissioners in 2010, the severance tax revenue is budgeted at a five year leveling average due to the fluctuations of the revenue created by the price and production levels of oil and gas commodities.

During the last three years in the budget process all county programs underwent a detailed examination by management and the Commissioners to better understand the needs and value of programs and set a priority process that identified what the County should be doing. This process identified programs that needed to be added, eliminated, restructured, or left unchanged. Together with the review, a re-examination of what Weld County's mission statement should be, core values, core strategic goals, and how each department and office tie their individual goals into the overall county mission and strategic goals to best serve the citizens of Weld County was accomplished.

The 2012 Proposed Budget contains adequate resources to provide a level of service similar to 2011. The County will continue to focus on improving service and communication with our citizens within our resources. Demands in many areas continually exceed resources available. To serve the growing needs in the county, we will continue to explore possibilities for improved efficiency while maintaining excellence in service.

Many uncertainties face county governments like Weld County, as we all deal with the worst economic conditions in a generation. The State of Colorado faces significant budget problems and the federal government continues to wrestle with a major deficit issue. Many tough decisions associated with implementation of programs, and how they are to be funded, must be dealt with by the Board of County Commissioners with citizen input. Hopefully, this budget document has allowed the Board to make those difficult decisions to maximize the value of the tax dollars of the citizens of Weld County.

As a final note, I want to acknowledge again the hard work and spirit of cooperation manifested by the elected officials, department managers, and employees in recognizing the problems and issues confronting the County and responding with creativity and understanding. The County, as a whole, also recognizes the Weld County taxpayers and consumers of county services who provide the economic resources to the County, and we pledge our commitment to continue to provide the best in county services possible.

Copies of all budget documents are available for the public at 1150 O Street, Greeley, Colorado. More information may be found on Weld County's website at [www.co.weld.co.us](http://www.co.weld.co.us).

Very truly yours,

A handwritten signature in black ink that reads "Donald D. Warden". The signature is written in a cursive, flowing style.

Donald D. Warden, Director  
Budget and Management Analysis