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Weld County Board of Commissioners
1150 O Street
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Board Members:

The Weld County 2015 Final Budget for operations and capital outlay totals a gross amount of \$281,100,398 with a net of \$276,184,753 when interfund transfers are excluded. The Internal Service Funds total an additional \$30,846,336. The budget has been prepared in accordance with your directives developed during the budget process. The budget is funded with revenue estimates of \$143,228,902, anticipated fund balances of \$145,895,000, and the maximum allowed property tax under Amendment One (TABOR) and the Weld County Home Rule Charter of \$141,724,346.

2015 BUDGET HIGHLIGHTS

- Assessed value increased 28% or \$1.955 billion primarily from oil and gas production
- The county's mill levy will be reduced by over one mill to 15.800 mills
- Complete the design for the construction of 20 miles of the five-lane WCR 49 south corridor from US 34 to I-76 as part of a design/build contract
- Complete road and bridge mitigation projects resulting from the September 2013 flooding
- Continue to fund a Haul Route Program (HARP) to improve county roads impacted by the energy industry due to new oil and gas drilling exploration
- Continue implementation of the *Strategic Investment Plan for the Future of Weld County*
- Complete a major capital upgrade of the information technology (IT) infrastructure in the county as part of the 2015-2019 Five Year IT Capital Plan

- Information Technology will do a major PC and computer monitor refresh along with a major Microsoft upgrade
- Implement a new integrated public safety information system to replace the Spillman public safety system
- Fund the oil and gas revenue fluctuation reserve in the Contingency Fund
- Operate a Restorative Justice Program in the District Attorney's Office for juvenile offenders
- Add two Pretrial Specialists to accommodate HB 13-1236 changes to jail bonding criteria
- Create an Oil and Gas Liaison/Coordinator position to deal with oil and gas issues
- Implement a storm water management program for MS4 compliance
- Fund current and past administrative costs of the Weld County Retirement Plan
- Continue efforts to control health care costs for county employees and their dependents
- Accommodate the impacts of the Affordable Care Act on Medicaid eligibility applicants
- Implement a number of cost containment and strategies to mitigate growing cost of Human Services programs
- Accommodate the impact of HB14-1317 on the delivery of day care

FINANCIAL PLAN

ECONOMIC CONDITIONS AND OUTLOOK

Economic activity will grow at a more earnest pace in 2015. Headwinds created by fiscal and monetary policy have diminished and the global economy is improving, allowing the private sector to gain momentum. Most economic uncertainty in 2015 will center on whether the Federal Reserve can achieve a smooth deceleration of its monetary expansion policies.

Economic growth will accelerate in 2015, with GDP increasing 3.5 percent. The gains will come from household and business spending. However, growth will continue to be slightly offset by reduced government spending.

In December 2013, Congress approved a spending plan that would fund the federal government for two years. The plan modifies the sequestration cuts by increasing spending \$45 billion and \$20 billion in Federal FYs 2013-14 and 2014-15, respectively, over current law levels. In addition, Congress approved a suspension of the debt limit through March 15, 2015. When the debt limit suspension ends, the debt limit will automatically increase to reflect the amount of borrowing that occurred since the last debt limit.

The Federal Reserve continues to indicate that further reduction in its stimulus would be appropriate as long as the economy continues to improve. The Federal Reserve has supported the nation's recovery over the last five years with an unprecedented expansion of assets on its balance sheet. In a fully mature economic expansion, the Federal Reserve's balance sheet should be close to \$1 trillion and the federal funds rate should be around 4 percent. Many

analysts do not expect monetary policy to return to these levels until 2017 or 2018. This requires the economy to recover gradually and assumes that long-term interest rates rise steadily and in an orderly fashion.

In addition, the Federal Reserve has held the effective federal funds rate, the rate at which banks lend money to each other overnight, close to zero. Tightening, or a reduction in the money supply, will not occur in earnest until the Federal Reserve begins selling securities in order to increase its target for the federal funds rate. The Federal Open Market Committee (FOMC) has indicated it will not move to tighten until the unemployment rate is 6.5 percent or lower. Many economic forecasts predict that tightening will begin in late 2015.

There continues to be very little inflationary pressure, giving the Federal Reserve room to maintain monetary policies to allow the nation's economy to strengthen further. Inflationary pressure has remained muted even as the Federal Reserve has rapidly expanded the money supply. Weak global economic conditions and excess capacity in manufacturing and the labor market have contributed to this situation. However, a significant contributor to the lack of inflationary pressure is the increasingly low rate at which money moves through the economy. Little inflation pressure is expected as long as slack remains in the labor market. As the U.S. economy improves, the Federal Reserve will tighten monetary policy, keeping inflation in check throughout 2015. Prices are projected to increase 2.0 percent in 2014 and 2.4 percent in 2015.

The world economy continued to show improvement. Global conditions are expected to improve further in 2015. The Euro region's financial crisis appears to be stabilizing. The United Kingdom's economy is improving, and its unemployment rate is declining much faster than previously expected. Japan's economy has shown improvements because of recent fiscal policy, and the emerging and developing economies, which include Asia and Latin America, are expected to pick up momentum and experience a more broad-based recovery in 2015. The Organization for Economic Co-operation and Development (OECD) expects world output to grow 3.9 percent in 2015.

The unemployment rate will hover around 4.0 percent in 2015 as continued improvement in the labor market will encourage people to return to the labor force. In the fall of 2014 the Weld County unemployment rate fell to 3.6%, which is the lowest in years. Economic activity will continue to gain momentum in 2015. Although growth slowed in 2013 relative to 2012, significant improvements occurred in major sectors of the economy, placing the economy on healthier footing for stronger expansion in the coming years. The labor market continued to incrementally improve, while gains in the housing market and residential construction helped drive growth.

The Colorado economy continued to improve through 2013 and growth is expected to accelerate into 2014 and 2015. The labor market added jobs throughout the year, with especially strong growth in the private sector. The unemployment rate is falling while wages and salaries are rising. Inflationary pressures will be moderate as long as the unemployment rate stays elevated. Inflation in Colorado is expected to be 2.8 percent in 2014 and 2.4 percent in 2015.

The Weld County economy continues to be one of the strongest in the state. The unemployment rate continues to decline, consumer spending continues to outpace the rest of the state, housing permits continue to grow at a rapid rate, and nonresidential construction has maintained strength. Oil and gas exploration, as measured by the number of rigs operating in the region,

continues to thrive. Growth in the county's labor market remains steady. Weld County, booming because of the oil and gas exploration in the Niobrara shale formation, had the largest increase in employment in the United States between December 2012 and December 2013, according to the U.S. Bureau of Labor Statistics. The county's economic output grew 10.1 percent from 2012 to 2013, putting Weld County at No.2 in the nation for GDP growth. Weld County's GDP was \$7.3 billion in 2008, and has grown steadily to \$8.59 billion in 2013, or 17.7 percent, according to the Bureau of Economic Analysis numbers. The driver of growth has been the oil and gas development.

The northern Colorado region's real estate market continues to be vibrant. New residential construction permits for all properties were up 37.7 percent in the Greeley area on a year-over-year basis in 2014. While prices are projected to continue to rise in 2015 growth may not be as rapid as in 2014, as increasing interest rates may dampen the market. The value of nonresidential projects continues to grow. This, along with housing growth, has also helped maintain steady growth in construction jobs for the region's labor market. In Weld County, the majority of projects were for commercial and education facilities. Retail sales continue to be strong in Weld County. Consumer spending has outperformed the state.

Oil and gas development in Weld County continued to thrive. Throughout 2014, rig counts across the region steadily increased, even as the overall number operating in Colorado declined. This increase was the result of relatively high oil prices and the continued success of plays in the Wattenberg field within the Denver-Julesburg Basin. In January 2014, there were 47 rigs operating in the region, accounting for 76 percent of the 62 total rigs in the state.

According to a study by the University of Colorado, Colorado's oil and gas industry reported an average direct employment of more than 51,200 jobs with average wages of nearly \$75,000 in 2012. Collectively, the industry contributed slightly more than \$3.8 billion in employee income, or 2.8% of total salaries and wages in the state. Additionally, that same year, over \$614 million went to private land owners through lease agreements with oil and gas companies. The industry also contributed nearly \$1.6 billion in public revenues, \$1 billion of which was derived directly from severance taxes, public leases, public royalties, and property taxes. With the impact of the recent recession on Colorado's economy, the oil and gas industry's jobs and monetary contribution played a critical role in our recovery, and its importance today has not waned. The industry continues to prove itself an enormous driver not only to this recovery, but to the continued economic growth of Weld County and Colorado.

2015 BUDGET PLAN AND FOR THE FUTURE

There are a number of future issues and concerns that will be impacting Weld County's budget in 2015 and subsequent fiscal years. The continued impact of oil and gas development in the county touches on many aspects of Weld County currently, and in planning for the future. The energy development presents both challenges and opportunities for Weld County government. As has been the case for the last four to five years, 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, new pipelines, 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. Although the future of energy development in Weld County appears bright, it is not without risks. Oil and gas production in Colorado has risks associated with the potential of more government regulations and voter initiatives trying to restrict or limit fracking in

Colorado communities. These regulatory risks, if implemented, could dramatically impact future oil and gas development in Colorado.

The volatility of the oil and gas assessed values continues to be a major impact to the County's budget planning the last five years. For the 2015 budget, the growth in the county's assessed value from oil and gas values will exceed 28%. Oil and gas assessed valuation will be over three-fifths of the county's total assessed valuation. Because of the volatility of production levels and price fluctuations of the oil and gas values, the county must continue to prudently manage the increased property tax base created by the energy development. In February, 2012, staff developed and the Board of Weld County Commissioners approved the *Strategic Investment Plan for the Future of Weld County*. The purpose of the *Strategic Investment Plan for the Future of Weld County* was to provide the Board of Weld County Commissioners an analysis of the optional uses of the projected property tax revenues from the new oil and gas development in Weld County. The option selected was to develop a long term strategy of investment in the county's infrastructure, technology and innovation, staff training and development, economic development for diversification of the local economy, and to establish a fluctuation reserve to deal with the volatility of the peaks and valleys in energy prices and production. If the projected energy production figures materialize eventually, even with the long term investment strategy with the Weld County Home Rule Charter 5% property tax limitation and TABOR limitation lower property tax rates will result for all taxpayers in Weld County.

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 will have to add significant resources to the Public Works budget again in 2015 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 new exploration. A five-year Public Works Capital Improvement Plan will continue to be updated annually and will ensure a fair and reasonable determination of project priorities in accordance with the county's overall transportation needs, especially in dealing with the impact of energy development in the county. A significant long term project will be the capital improvements to the WCR 49/47 Corridor South from SH 34 to I-76 and North from WCR 60.5 (SH 263) to SH 392 over the next five years requiring over \$25 million per year to fund the road improvements. To accomplish the project, a funding level of \$25 million per year for five years is required. Thus, added property tax resources will have to be included in the Public Works Fund in 2015-2019. The schedule and plan approved by the Board on March 5, 2014, is as follows:

CIP	2014	2015	2016	2017	2018	2019
CR 49 South						
US 34 to CR 36 (10 miles)	Design/ROW	Design/ROW	Construction	Construction		
CR 36 to I-76 (10 miles)			Design/ROW	Design/ROW	Construction	Construction
CR 47 North						
CR 60.5 - SH 392 (3.5 miles)		Design/ROW	Design/ROW	Construction	Construction	

Investing in technology and innovation will continue to be a priority in Weld County. In February, 2014, Weld County opened its new state-of-the-art regional communication center to serve all public safety agencies in Weld County. January 1, 2014, Weld County terminated the outsourcing contract for information technology services with Xerox and now provides those services with county employees under the leadership of a new Chief Information Officer. This change is a strategic decision to improve technology services, increase customer satisfaction and provide accountability for IT related projects. The new organizational structure will allow the department to be dynamic and flexible as technology continues to be an integral part of our daily work lives. This organizational support framework will provide Weld County a model for IT support success. It blends additional resources for both technical and leadership positions and provides a strong focus on creating a team environment. The change creates a county department that will embrace project management, customer service, and still retain the technical focus that is needed for an organization to be dynamic enough to meet the day-to-day activities, but also be innovative and forward thinking. The County's goal is to provide a reliable, integrated information services environment that meets not only today's needs for communication and business efficiency, but positions the County to leverage new technology innovations and best practices for business transformation and improved service delivery in the future.

Weld County continues to invest in training and staff development as part of its *Strategic Investment Plan for the Future of Weld County*. A full time county training coordinator position has been added to the Human Resources Department. A comprehensive training catalogue of training opportunities for Weld County employees has been developed, and the training sessions will be offered throughout the year with the goal of providing training to every county employee. A management and supervisor program has been developed and will be offered annually. In an era of rapid change, the need for knowledgeable, active, and engaged employees will be greater than ever. The county must continue to attract and sustain a highly qualified workforce that is responsive to the needs of the community now and in the future. Building a skilled and adaptable workforce requires that the county continue to recruit qualified employees and provide competitive salary and benefit packages. Sustaining such a workforce includes ongoing training, professional development, and engagement in succession planning. Employees must be encouraged to become adaptable, take initiative, and keep skills current through organization-wide initiatives and ongoing departmental efforts.

The Strategic Investment Plan for the Future of Weld County calls for the county to have the long term vision to diversify the economic base and assessed value base of the county to become less dependent upon oil and gas assessed values. Investment in economic development for the diversity of the local economy will lay a solid foundation for long-term economic growth in the county and allow Weld County to be competitive in retaining and attracting quality companies and a labor force to support those companies. Innovative economic development initiatives must bring together the synergy that Weld County has, such as, no sales tax, low property tax rates, leveraging of oil and gas assessed value to nurture other economic development, use of the natural gas and wind power in the area to provide low cost electricity, and having an infrastructure that is strategically situated for the location of businesses and high technology installations of the future. Weld County has to focus on investing rather than spending in order to ensure long-term economic prosperity, not only while the energy boom is happening, but when it eventually ends. To accomplish long-term economic prosperity and maintain the county's strong fiscal health Weld County must use its financial resources to drive innovation to foster more productive, inclusive, and sustainable growth by better use of the assets and creativity of the county and our private partners, such as the Niobrara Energy Park. This could mean looking at current economic development incentives,

such as personal property tax credits, and providing infrastructure to accommodate new companies in innovative and creative ways. Weld County is fortunate that it has the financial resources to initiate, direct, and implement innovative economic development ideas when the opportunities present themselves.

Beginning in 2010, to cope with the volatility of the oil and gas assessed values due to variations in price and production that cause increases and decreases in the resulting property tax levels it was decided to create a fluctuation reserve (Contingency Fund) where funds are added to the reserve in years where the assessed value is greater and withdrawn from the reserve in years where the assessed value from oil and gas is down. Such a fluctuation reserve allows time to adjust to permanent changes, and guarantee a stable property tax revenue stream to fund county programs. The fund balance of the Contingency Fund is approximately \$35 million. Reserves are the cornerstone of financial flexibility. Reserves provide a government with options for responding to unexpected issues and buffer against shocks and other forms of risk. Managing reserves, however, can be a challenge. The main question is how much money to maintain in reserve - how much is enough, and when does it become too much? This can be a sensitive question, since money held in reserve is money taken from constituent, and it can be argued that excessive reserves should be returned to citizens in the form of lower taxes.

In light of the Weld County's volatile property tax revenue base due to the high percentage of oil and gas assessed value and the fact that it cannot easily increase taxes to compensate for other changes in its financial condition, due to TABOR and the Home Rule Charter restricting tax increases without a vote of the people, it is prudent that Weld County balances the need for the reserve and a property tax rate cut. The county must analyze the factors that influence the level of reserves the county needs to hedge against uncertainty and loss. The primary risks are volatility of property tax revenue due to oil and gas assessed valuation fluctuations; and extreme events such as floods, and to a lesser extent, snowstorms. Secondary risks factors include cash flow and unexpected spikes in expenditures.

The volatility of property tax revenue due to oil and gas assessed valuation fluctuations has a two year window to manage the situation due to the lag in the time of production to payment of taxes. A drop in price of oil and gas often results in a drop in production. Looking back over a 10-20 period the swing can be as much as a 40% drop in production value. Based upon this one risk the county could justify a \$50-60 million reserve. Infrastructure risks from a failed bridge could approach \$5 million. Extreme event risk, such as the 2013 flood, assuming FEMA assistance of 75%, could approach \$10-15 million for one event. Adding all these risks up the county can justify a \$65-80 million reserve among all of its funds. Counting the reserves in the General Fund, Public Works Fund, and Contingency Fund Weld County is well positioned, but must continue to monitor and add to the reserves to accommodate inflationary trends and other changing conditions.

In 2015, with the anticipated increase in the assessed valuation Weld County will reach its TABOR and Home Rule property tax limitation and will have to lower the mill levy by over one mill to 15.800 mills. For a number of years Weld County has given a temporary property tax credit equal to the difference of the limit of 22.038 mills and the 15.800 mills used to fund the budget. The biggest risk that the county would run in reducing the mill levy without having an eye on the future is the volatility of the price and production levels of oil and gas. One only has to look back to the 2008-2009 production years when the average annual price of oil went from \$90.03 per barrel to \$50.87 per barrel, and the average annual natural gas went from \$6.94 per mcf to \$3.21 mcf. Production levels can also have big swings due to the economy, governmental regulation changes, and demand caused by weather changes. The temporary tax credit has allowed Weld County to deal with the volatility of the oil and gas price and production.

Even though the Board of Weld County Commissioners could legally reduce the temporary tax credit and raise the net mill levy above the 15.800 mills in a year with a significant drop in assessed value there is a political reluctance to do so, because there would be a perception by many taxpayers that their property taxes were raised. The option of simply reducing the property tax of taxpayers is tempting, but until the tax limitations are reached this option may be shortsighted and eliminate long term financial options that ensure long term financial viability for Weld County. However, in 2015, the property tax limits will dictate the reduction in the county mill levy by over one mill to 15.800.

In summary, as Weld County elected officials and managers approach the 2015 budget process there will be the continuation of the long-term strategy of investment in the county's infrastructure, technology and innovation, staff training and development, and economic development to diversify the local economy which will all have a demonstrable long-term payoff. In addition, the financial reserves of the county are adequate at this time to deal with the volatility of the oil and gas assessed values and the risks faced by the county. The 2015 Budget Plan is a continuation of Weld County's historical discipline of fiscal stability. The commitment to the discipline of fiscal stability has enabled Weld County to remain solvent and responsive in an uncertain economic environment and provide the services the public needs and expects. Adherence to conservative and prudent fiscal management practices have enabled the county to maintain balanced budgets and stable reserves, implement proactive strategies to manage county programs, avoid debt entirely through cash financing of capital projects, and provide core services to residents.

GENERAL GOVERNMENT FUNCTIONS

Revenue for general government functions, including General, Special Revenue, Capital Expenditures, Internal Service, and Enterprise Funds, total \$284,953,248 in 2015, an increase of 16.98 percent over 2014, primarily in property taxes, intergovernmental, charges for service, fees, internal service charges, and miscellaneous revenues. The amount of revenue from various sources and the changes compared to 2014 are shown in the following tabulation:

Revenue Sources	2015 Amount	2015 Percent of Total	2014 Amount	2014 Percent of Total	Increase - Decrease from 2014
Property Taxes	\$141,724,346	49.7%	\$117,873,505	48.4%	\$ 23,850,841
Other Taxes	11,600,000	4.0%	9,450,000	3.9%	2,150,000
Licenses and Permits	4,721,600	1.7%	3,450,225	1.4%	1,271,375
Intergovernmental					
Revenues	65,272,311	22.9%	52,977,866	21.7%	12,294,445
Charges for Services	9,103,378	3.2%	8,242,560	3.4%	860,818
Miscellaneous Revenue	13,581,877	4.8%	13,450,439	5.5%	131,438
Fee Accounts	10,353,400	3.6%	9,975,250	4.1%	378,150
Internal Service Charges	<u>28,596,336</u>	<u>10.1%</u>	<u>28,166,292</u>	<u>11.6%</u>	<u>430,044</u>
TOTAL	<u>\$284,953,248</u>	<u>100.0%</u>	<u>\$243,586,137</u>	<u>100.0%</u>	<u>\$41,367,111</u>

Expenditures by function for the General, Special Revenue, Capital Expenditures, Internal Services, and Enterprise Funds total \$307,031,089 for 2015, which is an increase of 20.01 percent over 2014. The amounts by function and the increase over 2014 are as follow

Expenditure Sources	2015 Amount	2015 Percent of Total	2014 Amount	2014 Percent of Total	Increase - Decrease from 2012
General Government	\$ 36,408,667	11.9%	\$ 33,664,707	13.1%	\$ 2,743,960
Social Services	31,570,900	10.3%	30,399,000	11.9%	1,171,900
Road and Bridge	84,449,304	27.5%	55,581,423	21.7%	28,867,881
Public Safety	53,828,986	17.5%	51,778,225	20.2%	2,050,761
Human Services	8,102,531	2.6%	8,260,245	3.2%	-157,714
Health	9,651,180	3.0%	9,129,247	3.6%	521,933
Capital	1,114,000	0.4%	8,650,000	3.4%	-7,536,000
Public Works	10,327,026	3.4%	2,513,099	1.0%	7,813,927
Contingency	10,000,000	3.3%	10,000,000	3.9%	0
Miscellaneous	29,472,024	9.6%	14,287,143	5.6%	15,184,881
Culture and Recreation	840,004	0.3%	735,258	0.3%	104,746
Auxiliary	420,131	0.2%	418,227	0.2%	1,904
Internal Services	<u>30,846,336</u>	<u>10.0%</u>	<u>30,416,292</u>	<u>11.9%</u>	<u>430,044</u>
TOTAL	<u>\$ 307,031,089</u>	<u>100.0%</u>	<u>\$ 255,832,866</u>	<u>100.0%</u>	<u>\$ 51,198,223</u>

Capital Expenditures Fund: The Capital Expenditures Fund accounts for various capital improvement projects for county buildings. The 2015 program is funded at \$1,114,000, with \$125,000 from capital expansion fees, and \$400,000 from interest. Anticipated projects include \$300,000 for a grader shed for Public Works, and \$814,000 for special projects. A carry-over beginning fund balance of \$24,400,000 is anticipated, and \$23,811,000 ending reserve fund balance for the future jail expansion (\$19,561,000), Communications System reserve (\$2,850,000), and Downtown Greeley land reserve (\$1,400,000) is anticipated at the end of 2015.

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 \$270 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 in the nation 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 2015 is \$1,532,500.

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 2015, 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 reduced by over one mill to 15.800 mills. The assessed value for the 2015 Budget is \$8,969,895,330, which is up \$1,955,285,393, or 28 percent over last year. The assessed value for vacant land is down \$5.02 million, or 7.42 percent. Residential is up \$28.3 million, or 2.52 percent; and commercial property is up \$16.2 million, or 2.26 percent. Agricultural property is up \$6.6 million, or 4.67 percent; industrial is up \$95.9 million, or 21.56 percent; natural resources is up \$0.39 million, or 2.68 percent; and State assessed property is up \$30.9 million, or 4.37 percent. The major increase is in oil and gas, up \$1.838 billion, or 47.12 percent, which is due to price and production being up with the new energy development. There is an actual value increase of new construction of \$313.8 million, or 1.43 percent.

Employee Compensation Pay: For the 2015 budget, a salary increase of 3.0 percent to Weld County employees is included. Employees will get step increases for longevity and performance. Health insurance rates will not increase for the employees or the county for 2015. This is the first time in years that health insurance rates have not increased. Measures to control health care costs, such as the wellness program, employee clinic, consumer driven plans, and health reimbursement accounts have been making a positive impact on controlling the health insurance costs for the county. 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. No other benefit changes are anticipated.

Fund Balances: County fund balances continue to remain very healthy, with an anticipated \$145,895,000 to begin 2015. 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 \$123,817,159. However, the ending fund balance is actually understated because \$10,000,000 in the Contingency Fund is appropriated, thus not showing up in the ending fund balance figure. The \$10,000,000 is not anticipated to be spent in 2015, and if no emergencies or unforeseen events happen, the amount should be in the ending fund balance. There is no fund balance earmarked in the 2015 budget. All other fund balance amounts are undesignated. With the above projection, ending fund balances should be \$133,817,159. The Contingency Fund also serves as a stabilization reserve for the fluctuating revenues due to Weld County's heavy dependency on oil and gas assessed values that can fluctuate dramatically from year to year due to production levels and price changes.

MAJOR FACTORS IMPACTING THE 2014 BUDGET

The major factors impacting the 2015 budget continue to be dominated by the oil and gas development in Weld County, state and federal budget issues, service restructuring in Weld County government, and the execution of the *Strategic Investment Plan for the Future of Weld County*.

As discussed earlier there are plenty of reasons to feel good about the economic prospects of Weld County. In fall unemployment was at 3.8%. Unemployment was the lowest level in years and below the state as a whole for the first time in more than five years. Forbes Magazine ranked the Greeley area as No. 4 in the nation for projected job growth. The magazine projected

jobs in this area would grow at 3.8 percent annually. In June, a study done by the U.S. Conference of Mayors predicted the Greeley area's economy would grow at 4.8 percent through 2020. Much of the recent growth, both in jobs and economic activity, comes from the oil and gas industry. The bulk of the job growth of 4,800 in the second quarter of this year came from oil and gas (2,500). Beside the oil and gas industry Vestas, which has plants in Windsor and Brighton, has announced they will add 800 new jobs, and the dairy industry, driven by Leprino Foods, has continued its surging growth. All are signs that the county has come through the challenging economic times with budgets that remain strong and a business climate that remained friendly.

As has been the case for the last three to four years 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, new pipelines, 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.

The volatility of the oil and gas assessed values continues to be a major impact to the County's budget planning the last five years. For the 2015 budget, oil and gas assessed values are up 1.838 billion dollars with a 47.12 percent increase. As pointed out in the *2015 Budget Plan and For the Future* section 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 will have to add significant resources to the Public Works budget again in 2015 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 new exploration. On May 20, 2014, the Board approved the design/build option for the WCR 47/49 Corridor at a total cost of \$125 million. It will require a cash flow mechanism of advancing funds to the Public Works Fund in 2015-2016 from the Contingency Fund and Capital Expenditure Fund to be repaid in 2017-2018. Savings should be realized by design/build in three years reducing the \$125 million estimated costs. The WCR 47 north portion will bid as an optional bid in the same package or an option to add onto the bid at the end of the construction:

2015 is shaping up to be a year of significant change for the Weld County Department of Human Services. Internally, the department is putting the final touches on the implementation of its up-front document imaging system and evaluating the level of success achieved through various departmental staff reorganizations. Externally, the department will continue to participate in the state-wide Title IV-E (Foster Care and Adoption Assistance Entitlement Grant) Waiver Project, designed to provide permanent connections for children entrusted to the department's care, expanding the scope of the project to include trauma-informed care services. Counties in Colorado will likely take on the responsibility of determining eligibility for all Medicaid applicants, including those previously served through a state-wide vendor, due to their choice to apply on-line for Medical services, only. This and other issues arising from implementation of the Affordable Care Act (ACA) will continue to drive the need toward more innovation and efficiencies within the Assistance Payments Division of the Department. The passage of HB 14-1317 will produce noticeable changes in the delivery of Child Care services throughout the State. It strips away many of the tools counties previously had to control costs and stay within budget, leaving Waiting Lists as a last resort tool. Weld County has historically avoided the use of such Waiting Lists, because they tend to reward those residents who apply early for assistance, while leaving others who may be at greater need for those services behind, simply because of their relative delay in applying. Finding ways to abide by the requirements of this Act while, at the same time, maintaining a fair and equitable means of delivering services will be one of the department's most significant planning challenges.

Finally, for the third year the *Strategic Investment Plan for the Future of Weld County* recommendations are incorporated into the 2015 Budget. The plan calls for developing a long-term strategy of investment in the County's infrastructure, technology and innovation, staff training and development, economic development for diversification of the local economy, and establishing a fluctuation reserve to deal with the volatility of the peaks and valleys in energy prices and production.

The General Fund is funded at the level of \$135,110,244 up \$28,104,382. Without including adjustments for cost of living, and salary step increases, the budget for general government functions is up \$2,156,002. 2015 will have just a mail general election resulting in lower costs of \$568,461. Motor Vehicle has four additional Office Tech II/III positions (\$172,004) due to the workload increase in Motor Vehicle with increased vehicle sales and transactions. Under the District Attorney the new Juvenile Restorative Justice program has been added in response to the passage of HB 12-1254. The program will cost \$122,973, but is fully funded from state court fees. Finance is down \$203,497 with the mid-year combining of the Finance Director and Budget Director positions into one. Human Resources' budget is up \$73,578 for an additional HR Generalist position approved mid-year along with addition funds for training and advertising for vacant positions. The Planning Department is down \$66,654 with the transfer of two engineering positions (\$353,317) from the Engineering budget the charge backs for services from the Engineering budget were reduced by \$471,266. In the final budget an Oil and Gas Liaison/Coordinator position (\$93,481) was added to deal with oil and gas issues. Building and Grounds is up \$136,911 primarily for increased costs of utilities, services and supplies to maintain all county facilities. The budget also reflects one Building Maintenance Worker III position (\$67,861) addition to provide a low voltage technician to troubleshoot and repair cameras, security systems, speaker systems, and fire alarm systems with the goal of eliminating the outsourcing of these repairs for a cost savings to the County. In the final budget the Board approved the transfer of 6 FTE for the custodian/maintenance jail inmate supervision function to the North Jail budget from Building and Grounds for a total reduced cost of \$328,315.

The 2015 budget will be the first budget year that Weld County will have had an opportunity to completely evaluate the staffing, organizational, and capital needs of the county's information technology requirements. January 1, 2014, Weld County terminated the outsourcing contract for information technology (IT) services with Xerox and now provides those services with county employees under the leadership of a new Chief Information Officer. Personnel Services for IT are up \$629,006 with 44 FTE. The staffing level and organizational structure was approved by the Board mid-year 2014 to support the IT needs in the county. Supplies are up \$1,210,900. The big increases are \$981,400 for a PC refresh, \$50,000 for monitor refresh, software, and other miscellaneous supplies. Purchased supplies are up \$19,504 primarily for training. Capital is funded at \$2,673,912, up \$1,873,264 compared to 2014. The 2015-2019 Five Year IT Capital Plan averages \$1,183,100 per year. 2015 is a catch up year and when it is accounted for the average annual amount for capital will drop to approximately \$1,000,000 per year. The operating costs for PC refresh and Microsoft licensing will be \$1,300,312. In doing a 2016-2020 replacement plan the average annual amount for these items will be approximately \$860,000. After the 2015 catch-up expenses are funded the long term capital, PC refresh, and Microsoft upgrade average annual funding requirement will be \$1,930,000 less. The result is although the 2015 IT budget is \$8,094,264 after the 2015 catch up expenses are incurred the average annual ongoing costs will be approximately \$6,200,000. Due to the one-time additional resources budgeted in the 2015 IT budget the Innovation and Technology Projects budget was reduced by \$1,000,000.

Public safety functions are up \$758,106 in the budget. The Sheriff increased costs in the recommended budget by \$605,421. There are no additional positions requested by the Sheriff. The Sheriff's increases are primarily associated with the jail, which will experience some inflationary cost increases and added costs from additional inmates to be served for medical services (\$110,465) and food services (\$59,351). Counting the 54 beds put into service this year there are 95 extra beds which allow the delay for any new jail construction until the 2018-2020 timeframe. Sheriff's Office capital is down \$22,350, and uniform costs are up \$32,000. Other expenditures in the Sheriff's office are stable at the current level. The Criminal Records Management IGA with the City of Greeley in the amount of \$545,066 was transferred from the Criminal Justice Information System (CJIS) budget to the Sheriff's Operations budget, since they are the users of the service. The Community Corrections budget is up \$274,004 with all costs being offset by state revenues. Justice Services has requested two Pretrial Service Specialist positions (\$121,138) for Pretrial Services to handle the additional evaluation workloads with passage of HB 13-1236 encouraging judges to rely less on monetary bond schedules, and to use Pretrial Services more. The additional positions will produce cost avoidance in the jail and generate approximately \$5,000 in service fees. The Coroner is requesting that the part-time clerical position be funded full-time (\$30,715), and capital expenses are up \$29,649. Building Inspection is up \$71,423 for an additional Electrical Inspector and an upgrade of a Lead Inspector position (\$3,261). The Noxious Weeds budget is up \$54,940 to fund an addition seasonal mowing position (\$15,290), \$30,000 to fund tub grinding of trees, and \$12,000 to rent two mowers.

The Weld County Regional Communication Center (WCRCC) budget is down \$236,137 in gross costs and down \$584,565 in net costs. On the expense side of the budget all the costs of the WCRCC are included in this budget for a total cost of \$7,026,617. The budget includes the added costs for the back-up communications center opened in July of this year. Of the total costs E911 will pay \$2,026,158. The personnel costs are lower in 2015 due to actual costs of the 61 FTE assigned to the WCRCC and the realignment of information technology staff to Criminal Justice Information System (CJIS) and Information Technology budgets. The CJIS budget is down \$517,975 primarily due to the transfer of the Criminal Records Management IGA costs to the Sheriff's Operations budget. There is \$166,678 included for computer equipment. The Commissioners made the decision mid-year to replace the Spillman public safety information technology system with a new system. The new system was paid for with 2014 funds, but will be fully implemented during 2015.

Engineering is funded at \$10,327,026. The budget includes \$7,130,000 for design fees for the Weld County Road (WCR) 49 south corridor (\$4,880,000), WCR 49/47 north corridor (\$2,000,000), and the RAMP project design of WCR 74/SH 392 intersection improvements (\$250,000). The Board added a position (\$84,011) to administer the Municipal Separate Storm Sewer (MS4) storm water management program. General Fund's subsidy to the Public Health Department is up \$445,833 due to anticipated salary step and cost-of-living increases, plus health insurance costs being up due to more participation in the plan. With the underfunding of the Weld County Retirement Plan the Board has decided to reimburse the Retirement Fund for the administrative costs of the plan. The administrative costs include the investment fees and other administrative costs. Annually the costs are over \$1 million. The county stopped paying the fees in the 1980's, so the \$25,000,000 in the final budget is to not only pay the current fees, but reimburse for the years that the General Fund did not pay due to surplus funding. The added funding will help make the plan fully funded by the end of the year. The amount is \$15,000,000 more than last year. An increase of \$1,155,554 is included for other General Fund departments' anticipated salary step and cost-of-living increases in 2015. Health insurance has no rate increase for employees or the employer in 2015.

The budgeted appropriations for Public Works in 2015 total \$84,449,304 up \$28,867,881. Municipal share back is funded at \$2,274,091. Budget reflects no increase in health insurance costs. 2015 salary increases are funds for step increases due employees in 2015 and a 3.0 percent cost of living salary adjustment is included in this budget for a total of \$525,530.

Other Public Works budget unit is budgeted at \$52,117,110 based on the Capital Improvement Plan (CIP). Purchased Services increased \$26,250,381 for the following: Contract Payments increased \$910,000 based on capital improvement projects for 2015. Strategic Roads decreased \$7,849,619 to fund only construction costs for capital improvement projects for a total of \$11,545,381, which include CR 49/CR44 intersection (\$4,545,381), flood project bridge CR 87/42.5A (\$1,000,000) and flood project bridge 53/58A (\$6,000,000). The Haul Route Program increased \$11,190,000 for a total of \$13,435,000 based on anticipated 2015 projects. Right-of-Way and Utility Purchases increased \$21,100,000 for a total of \$21,250,000 for right-of-way purchases for CR 47/SH 392 Ramp project (\$800,000), CR 74/SH 392 Ramp project (\$300,000), CR 49/47 south from US 34-CR 38 (\$4,000,000), CR 49/47 south from CR 38-I-76 (\$3,000,000), CR 47/49 north corridor CR 64-SH 392 (\$1,000,000). Utilities are budgeted for the CR 49 south corridor (\$10,000,000) and CR49/47 north corridor (\$2,000,000). Grants and Donations increased \$900,000 for a total of \$2,400,000 based on two bridge grant projects for Bridges 26/25A (\$850,000) and 68/59A (\$1,550,000).

Pavement Management is funded at an increased level of \$429,777 due to vehicle costs. The Trucking budget is up \$315,787 due to vehicle costs and adding six weeks onto the hauling contract (\$159,264). Mining operations are up \$108,047 with the addition of two additional positions to handle the 2015 mining workload. Seasonal staffing is up \$229,150 due to cost of living adjustment and staffing levels for the 2015 workload. Motor grader operations are up \$472,364 primarily due to vehicle costs, and the transfer of the Property Accountability Specialist position from Administration to the Motor Grader Division. Bridge Construction is up \$489,849 to primarily due to vehicle costs. Other operating budgets for road and bridge maintenance are funded at near the 2014 funding level. With some operational economies to offset some of the inflationary costs the current service level should be able to be maintained with the funding recommended.

The total Social Services Fund budget is \$31,570,900. The programs are funded by property tax of \$8,438,837, state and federal funds of \$23,902,000, and the potential use of fund balance to cover unanticipated cost overruns. 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.

The Human Services Fund is funded at \$7,821,475 for 2015, which is down \$166,593 or 2.08 percent, from the previous year, even though there are major shifts in funding by program. Community Services Block Grant is up \$135,077, and Senior Nutrition programs are up \$57,646. Department of Labor programs are down \$47,910. Area Agency on Aging is up \$260,859 or 8.96 percent.

The Department of Public Health & Environment's total 2015 budget is \$9,447,955. The department remains challenged to keep pace with service needs as the county population continues to grow and more families are living in poverty. The complexity of work, shortage of qualified Public Health personnel and intermittent surges in activity (e.g., disease control and investigation of various communicable diseases endemic to our region, oil and gas expansion, etc.) create unique staffing issues that stress routine operations. The proposed 2015 budget

was prepared to ensure adequate resources will be available to efficiently and effectively deliver essential services to the increasing number of residents and businesses in Weld County.

On the revenue side of the budget, property taxes are budgeted at \$141,724,346, the maximum amount under the Weld County Home Rule Charter's property tax limitation and TABOR. Revenue from interest earnings remain at \$1,100,000 for 2015, as interest rates are projected to remain low through 2015. Planning and Building Inspection fees are up \$1,185,000 due to all the new oil and gas activity in the County and some upturn in development. Intergovernmental revenues are up \$360,642 primarily due to higher Community Correction grants of \$274,004, and the new Juvenile Restorative Justice grant (\$122,973). Charges for Services are up \$632,056 primarily from charges related to the WCRCC (\$348,428), and Elections (\$230,000). Fines from traffic enforcement have dropped \$132,000 due to staffing issues and historical revenue patterns. Indirect cost recovery is up \$72,169. Revenue from Clerk and Recorder fees are up \$400,000 as vehicle sales and housing sales have recovered, and all the recording activity from oil and gas activity. All other revenues are relatively stable with little change.

The 2015 resources for Public Works total \$132,948,000, which includes a fund balance of \$59,635,000, in addition to the revenue shown in the budget. Property tax is set at \$16,500,000 up \$5,000,000. Specific ownership tax is estimated to be \$7,400,000, up \$100,000 from 2014, as vehicle sales recover. Total HUTF will be \$9,700,000 up \$150,000 from 2014. Permit revenues are budgeted at \$500,000. Motor vehicle registration fees are \$340,000, and grazing fees are \$70,000. Oil and gas revenues are \$16,000,000. Federal mineral lease revenues are \$1,425,000, and PILT is budgeted at \$330,000.

Other revenues from project reimbursements total \$17,048,000, which are up \$7,909,765. Transportation impact fees are budgeted at \$1,500,000. There are Energy Impact Assistance grants of \$6,200,000 for HARP projects of \$4,000,000 and \$2,200,000 for CR 390. A HES grant for \$828,000 for the intersection of CR 44/49 is funded. There are state grants for \$1,200,000 for Bridge 68/59A, and \$320,000 for Bridge 26/25A. There are two FHWA flood project grants for Bridge 87/42.5A (\$1,000,000), and Bridge 53/58A (\$6,000,000). Severance tax is budgeted at \$4,000,000. 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.

The 2015 Budget contains adequate resources to provide a level of service similar to 2014. The operational plan supported by the 2015 budget maintains Weld County Government's commitment to excellence and efficiency in carrying out our continued responsibilities to taxpayers. First and foremost we will maintain the fiscal discipline and prudent use of resources that have earned the County the excellent reputation it has for financial management with no bonded indebtedness. The County will continue our commitment to the highest standards of service, continuing 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 operate in an environment of constant change that has never been more apparent. The State of Colorado faces long term structural budget issues 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.

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