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Weld County Board of Commissioners
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Board Members:

As Weld County begins 2018 the County is in excellent financial condition with no debt, no sales tax, one of the lowest mill levies among all Colorado counties, a significant cash reserve, and a fully funded pension plan. In August, 2017 Weld County received an honor never before given to a county government. The first-ever award for being the Taxpayer Friendliest Community was given to Weld County by the National Director of the American City County Exchange (ACCE).

The Weld County 2018 Final Budget for operations and capital outlay totals a gross amount of \$298,178,523 with a net of \$292,437,696 when interfund transfers are excluded. The Proprietary Funds total an additional \$35,003,524. The budget has been prepared in accordance with your directives developed during the budget process. The budget is funded with revenue estimates of \$173,539,939, anticipated fund balances of \$121,860,000, and the maximum allowed property tax under Amendment One (TABOR) and the Weld County Home Rule Charter of \$145,754,379.

2018 BUDGET HIGHLIGHTS

- Assessed value increased 2.72%, or \$249.2 million due to reappraisal.
- Complete the five-lane concrete road for the CR 47 extension from CR 60.5 to SH 392.
- Complete bridge mitigation projects resulting from the 2013 flooding.
- Provide for the long-term financial sustainability of the Bright Future program.
- Fund the oil and gas revenue fluctuation reserve in the Contingency Fund at \$36.0 million.
- Fund a Hazardous Material Planning grant and FEMA training exercise in 2018.
- Increase the WCRCC staff by 7 FTE to cope with the E911 call volume.
- Fund FRCC DSR switch and four radio upgrades for redundancy and system upgrades.

- Reallocate four Sheriff Contract Service deputies to Patrol to increase law enforcement services in the field.
- Add 32 FTE in the North Jail due to inmate population growth.
- Begin the design phase of the \$44.5 million jail expansion.
- Create a Criminal Justice Coordinator position.
- Implement the new pay grade and flexible staffing for sworn officers in the Sheriff's Office.
- Add a Family and Consumer Sciences agent in the Extension Service.
- Increase the District Attorney staff by 4 FTE due to 40% increase in caseload since 2011.
- Begin the Lean process to both identify and then implement the most efficient, value added way to provide government services.
- Celebrate the 100th Anniversary of the Weld County Fair.

FINANCIAL PLAN

ECONOMIC CONDITIONS AND OUTLOOK

The U.S. and Colorado economies are expected to continue to expand in 2018 at a moderate pace. Business activity has improved in recent months, sparking renewed optimism in U.S. economic growth prospects. The two-year downturn in the oil and gas industry appears to have ended as rig counts have begun to increase. Consumer spending remains robust and employers continue to add jobs at a moderate rate, further lowering unemployment. However, full employment and an aging population are expected to dampen economic growth. Full employment may subdue economic growth if employers cannot fill vacant positions. A tighter labor market may also fuel inflation. Finally, robust investor confidence, spurred by promises of reduced business regulations and changes to the federal corporate and individual income tax systems, have lifted key stock indices to new highs.

The U.S. labor market continued to add jobs in 2017, giving the nation eight consecutive years of job growth and falling unemployment rates. Job gains were realized across most major industries. Colorado's labor market also continues to improve, but after consistently outperforming the nation since the last recession, Colorado's employment growth is aligning closer to the nation's pace of job growth. The state still boasts one of the lowest unemployment rates in the country. Weld County's unemployment rate has stayed in the 2.1% to 3.5% range for the last year.

Lower oil production and an improving global economy have lifted oil prices from a low of \$26 a barrel in February 2016 to \$53 a barrel one year later. In Colorado, the rise in oil prices has encouraged some producers to start drilling, but activity remains modest. Meanwhile, natural gas prices have failed to gain momentum, as unanticipated warm winter weather has created a backlog. Low natural gas prices continue to depress demand for coal as fuel for electrical generation. However, U.S. coal producers are optimistic that changes in federal regulations may help the struggling industry.

Over the last eight years, Weld County has been the epicenter of oil and natural gas production in the state, and that concentration of activity is only increasing. New drilling activity, as measured by active drilling rigs, has crept up slightly over the last year as oil prices have stabilized and trended modestly upward. While new drilling has been rising, crude oil production continues to fall, reflecting shifts made by producers to curb production in areas that are more costly to drill. In Colorado, energy industry investment has also picked up modestly and is expected to rise further with the recent rise in oil prices. The Denver-Julesburg Basin, located primarily in Weld County, is expected to experience the greatest increase in activity due to lower production costs relative to other areas in the U.S.

Residential real estate indicators remain encouraging for both the national and Colorado housing markets. However, tight inventories continue to push home prices higher, making more homes less affordable and slowing momentum in the market. The Colorado real estate market remains one of the strongest in the nation, but there are indications that rapid price appreciation is dampening growth as first time buyers are being priced out of the market. Although mortgage interest rates remain near historical lows, rate hikes by the Federal Reserve will likely contribute to lower affordability and moderating growth in the industry. Rising prices, healthy demand, and a low supply of available properties continue to drive the U.S. housing market. The number of non-residential construction projects increased this year, but they are smaller projects with less square footage than those built last year.

Weld County's economic future is bright with a strong mix of agricultural, energy, manufacturing, and health industries. Greeley Metropolitan Statistical Area is the fourth-fastest growing area in the country and the fastest in Colorado. People are moving to Weld County because of the quality of life, housing is more affordable, low taxes, and because there are good jobs and we have a growing, healthy economy.

2018 BUDGET PLAN AND FOR THE FUTURE

A cornerstone of a budget process is to convert the County's long-range and strategic plans and policies into services and programs. Once adopted by the Board of Weld County Commissioners, the budget becomes a work plan of objectives to be accomplished during the next fiscal year. As the budget process was implemented, each department head and elected official needs to examine his or her department's operations in relationship to the mission and the strategic goals of Weld County. From this examination budgets to support the programs and services to accomplish the objectives and reach these goals need to be developed.

During the recovery of the Great Recession and last few years of dealing with the volatility of oil and gas prices and production, Weld County has reinforced our commitment to maintaining the legacy of fiscal stability and operational excellence. When one stops and thinks about how County services connect with so many parts of residents' lives, it is inspiring. County employees are involved with and care about the community we serve. From disaster preparedness to human services, voting, health programs, inspections, public safety, providing a transportation system and much more, the County remains committed to upholding public trust by conducting the public's business with excellence and integrity.

Although the financial health of Weld County government is currently excellent, it is important to look to the future issues, possible problems, and alternative solutions to these problems. Besides the traditional role of budgeting to responsibly manage available current year funding, there must be a continued emphasis of long-term planning, recognition of the cumulative of individual

decisions, an awareness of changing realities, flexibility, citizen input in setting priorities, and a focus of goals and objectives consistent with the core services philosophy and mission statement.

Weld County is a leader in innovative approaches to better government and service delivery. We are constantly working to advance our organization and strengthen government in innovative and financially responsible ways that improve the lives of our residents. As we prepared the 2018 budget, we strived for a budget that outlines our plan to optimize the resources we have available to deliver county services and shows the areas of funding challenges facing the county, but also demonstrates our commitment to organizational excellence, our organizational goals and our core values. The 2018 budget is built on several strategies that our organization has implemented over the past few years which continue to make us stronger, more nimble and more focused as a team working toward common goals. The 2018 budget supports strategies for both short-term and long-term success for our organization and for our residents' future. The foundation for our strategies began with creating an aligned county structure that pursues collaboration, cooperation, engagement and accountability in developing common strategies and goals. We are one organization, with aligned strategies to enhance flexibility and communication, reduce duplication of effort, encourage continuous improvement and nurture innovation. We have created this organizational foundation and culture to focus on serving residents in a responsive and compassionate manner with strong stewardship of our valuable resources.

Weld County was recently recognized as the fourth-fastest growing area in the county. The question that we as an organization need to address is how can we keep up with and sustain the level of services and types of growth we are seeing. We must continue to be proactive in our efforts to redesign, innovate, and demand accountability for better outcomes. Weld County is always reinventing what government looks like and acts like, while providing the necessary services mandated by state and federal governments. This is the value proposition. The 2018 budget process represents an opportunity to be proactive in health and human services, workforce development, land use planning, energy development, transportation, and criminal justice with a goal to improve the lives of residents by reducing reliance on government for basic needs. A great example of promoting self-reliance is investing public and private funds to give our young high school graduates through the Bright Futures program the needed skills to be successful in the future Weld County workforce. Through this self-reliance, people can thrive.

In the 2018 budget, besides addressing the growing program service needs the county's capital budget continues to be robust, as we manage our current assets, modernize our buildings and plan new buildings for the future. The county's footprint of owned and managed space is approximately 1.5 million square feet. Given the number of staff, clients and visitors the annual maintenance and day-to-day operations for the county's real estate is significant. In addition, we are looking over the next five years to spend nearly \$50 million on new facilities and equipment, including a \$44.5 million jail expansion, which increases maintenance and operational costs. There are major costs associated with preservation of our existing facilities. Weld County properties and buildings are important assets, ones we are proud of and that are critical to maintain. In 2017, we celebrated our beautiful Courthouse's 100th anniversary. It is still functioning well as a viable court facility due to the care and investment in it over the years. Another capital investment is in our continued effort to keep our technology involving the development, maintenance, and use of computer systems, software, networks, and telecommunications for the processing and distribution of data support services to Weld County at a state of the art level.

The greatest asset we have in this organization is our employees. The 2018 funding recommendations for 2018 reflect the value and commitment to our staff and demonstrate the core values of continuous improvement, customer service, diversity and inclusion, employee engagement and workforce development. The core values directly impact how we provide high-quality, cost-effective, result-focused services and outcomes, and they start with each of our employees. We all need to thank Weld County employees for the work they do and their commitment to serving residents.

As has been true in the past few years there are a number of future issues and concerns that will be impacting Weld County's budget in 2018 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 six to seven 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 developments. 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, even at the lower oil price levels. 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 county's assessed value from oil and gas values peaked in the 2016 budget when oil and gas assessed valuation was close to two-thirds of the county's total assessed valuation. Since November 2014, due to the oversupply of oil worldwide the price of oil has dropped from over \$100 a barrel to a low of around \$26 per barrel in 2015. As we look at the prices in 2017, they seemed to have stabilized in the price range of \$45-55 per barrel. Because of the volatility of production levels and price fluctuations of the oil and gas values, the County must continue to prudently manage the property tax base created by the energy development. As we developed the 2016 budget, we prepared for a significant drop in the assessed valuation for the 2017 and 2018 budgets. The drop in assessed valuation for the 2017 budget lowered the Weld County assessed valuation 21% below the 2016 budget level for property tax. Looking forward to the 2018 budget the assessed value is very near the same level as the 2017 budget due to oil and gas price stabilization and the reappraisal year's increase values from the other classes of property, even with the drop in the residential property assessment ratio to 7.2% from 7.96%. In anticipation of the drop in the county's assessed valuation, the 2016 budget had \$62 million in one-time budget items, and for the 2017 budget there was nearly \$29 million in one-time budget items, so the net operational spending requires around \$130 million in property tax revenue to maintain the current spending levels in 2018. Based upon the price recovery of oil and gas, the 2019 budget should see a 10-15% increase in overall assessed valuation.

The financial planning done by Weld County the last six years has funded the unfunded liability of the retirement plan, a fluctuation contingency reserve of \$36.0 million, and has reserves in the Public Works Fund and Capital Fund. The \$36.0 million contingency fund will provide the financial flexibility to adjust to the volatile property tax revenue patterns in future years without having to make significant reductions to basic operational spending. The capital reserve will leave the County on track to be able to construct the \$44.5 million jail expansion in 2018-2020. The fund balance in the Public Works Fund should be adequate to complete the major capital

improvements to the CR 49/47 Corridor, north from CR 60.5 (SH 263) to SH 392 in 2018, leaving the property tax at \$16.5 million in 2018 to fund the road improvements. To finish the \$160 million CR 49/47 Corridor project, a funding level of \$25 million will be required in 2018. In the 2018 budget there is nearly \$18 million in one-time expenses.

The other challenge for 2018 will be the funding levels of state and federal programs due to the many unknowns about the direction the Trump administration and Congress will take as they develop the federal budget for domestic programs. In addition, the State of Colorado continues to have funding issues due to TABOR limits, and the state-federal funding relationship.

In light of the challenges faced by departments, the 2018 budget development process must continue to be a collaborative effort by staff, department heads, and elected officials. The strategic plan, core values, and the financial policies of Weld County provide the cornerstone for the financial plan to achieve the county's goals and objectives. The Board of Weld County Commissioners provide the consistent leadership and fiscal oversight that maintains Weld County's financial stability and reputation. In support of this fiscal management, the team of department heads, elected officials, and finance staff provide the foundation of the system. The Weld County team continues to mitigate challenging budget obstacles, the fluctuation of energy prices, and the state and federal fiscal realignments to insure strong leadership and stewardship of Weld County's long-term fiscal and operational integrity.

GENERAL GOVERNMENT FUNCTIONS

Revenue for general government functions, including General, Special Revenue, Capital Expenditures, Internal Service, and Enterprise Funds, total \$319,294,318 in 2018, an increase of 5.75 percent over 2017, primarily in property taxes, intergovernmental, and miscellaneous revenues. The amount of revenue from various sources and the changes compared to 2017 are shown in the following tabulation:

	2017 Amount	2017 Percent of Total	2018 Amount	2018 Percent of Total	Increase - Decrease from 2017
Revenue Sources					
Property Taxes	\$141,946,827	47.0%	\$145,754,379	45.6%	\$ 3,807,552
Other Taxes	11,830,000	3.9%	13,630,000	4.3%	1,800,000
Licenses and Permits	5,437,350	1.8%	4,473,750	1.4%	-963,600
Intergovernmental					
Revenues	67,305,192	22.3%	73,012,071	22.9%	5,706,879
Charges for Services	8,898,159	3.0%	9,558,280	3.0%	660,121
Miscellaneous Revenue	23,989,103	7.9%	27,302,514	8.5%	3,313,411
Fee Accounts	11,148,250	3.7%	13,059,800	4.1%	1,911,550
Internal Service Charges	<u>31,383,694</u>	<u>10.4%</u>	<u>32,503,524</u>	<u>10.2%</u>	<u>1,119,830</u>
TOTAL	<u>\$301,938,575</u>	<u>100.0%</u>	<u>\$319,294,318</u>	<u>100.0%</u>	<u>\$ 17,355,743</u>

Expenditures by function for the General, Special Revenue, Capital Expenditures, Internal Services, and Enterprise Funds total \$327,441,220 for 2018, which is a increase of 2.27 percent over 2017. The amounts by function and the increase over 2017 are as follow:

Expenditure Sources	2017 Amount	2017 Percent of Total	2018 Amount	2018 Percent of Total	Increase - Decrease from 2017
General Government	\$ 38,395,981	12.0%	\$ 41,662,912	12.7%	\$ 3,266,931
Social Services	38,680,234	12.1%	40,935,653	12.5%	2,255,419
Road and Bridge	81,400,232	25.4%	82,808,926	25.3%	1,408,694
Public Safety	58,135,561	18.2%	68,886,032	21.0%	10,750,471
Human Services	8,434,300	2.6%	7,493,838	2.3%	-940,462
Health	11,053,379	3.5%	11,790,668	3.6%	737,289
Capital	11,801,500	3.7%	10,775,000	3.3%	-1,026,500
Public Works	22,340,755	7.0%	9,065,907	2.8%	-13,274,848
Contingency	10,000,000	3.1%	10,000,000	3.1%	0
Miscellaneous	5,022,668	1.5%	7,108,958	2.2%	2,086,290
Culture and Recreation	903,868	0.3%	1,106,795	0.3%	202,927
Auxiliary	623,230	0.2%	803,007	0.2%	179,777
Internal Services	<u>33,383,694</u>	<u>10.4%</u>	<u>35,003,524</u>	<u>10.7%</u>	<u>1,619,830</u>
TOTAL	<u>\$ 320,175,402</u>	<u>100.0%</u>	<u>\$ 327,441,220</u>	<u>100.0%</u>	<u>\$ 7,265,818</u>

Capital Expenditures Fund: The Capital Expenditures Fund accounts for various capital improvement projects for county buildings. The 2018 program is funded at \$10,775,000, with \$10,250,000 in property tax, \$225,000 from capital expansion fees, and \$300,000 from interest. Anticipated projects include \$300,000 for a grader shed for Public Works, \$750,000 for Chase Building improvements, \$130,000 for communications equipment, \$1,000,000 to upgrade Human Services Buildings, \$4,500,000 for the design phase of the jail expansion, and \$1,369,000 for special projects. There will be \$1,906,000 going into the jail reserve and \$820,000 into the Communications System reserve. A carry-over beginning fund balance of \$24,950,000 is anticipated, and \$27,676,000 ending reserve fund balance for the future jail expansion (\$26,356,000), Communications System reserve (\$820,000), and Downtown Greeley land reserve (\$500,000) is anticipated at the end of 2018.

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 nearly a \$280 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 2018 is \$2,332,000.

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 2018, 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 remain at 15.800 mills. The assessed value for the 2018 Budget is \$9,224,960,710, which is up \$226,093,790 or 2.51 percent over last year. The assessed value for vacant land is up \$24.30 million, or 37.19 percent. Residential is up \$276.50 million, or 18.28 percent; and commercial property is up \$99.69 million, or 12.37 percent. Agricultural property is up \$25.36 million, or 13.75 percent; industrial is up \$129.46 million, or 16.23 percent; natural resources is up \$0.39 million, or 2.11 percent; and State assessed property is up \$41.68 million, or 5.16 percent. The major decrease is in oil and gas, down \$348.20 million, or 7.02 percent, which is due to oil and gas prices being down. There is an actual value increase of new construction of \$1.011 billion, or 3.50 percent.

Employee Compensation Pay: For the 2018 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 increase 3.2% for the employees and the county for 2018. This is the first health insurance rate increase in four years. 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 \$121,860,000 to begin 2018. 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 \$113,5713,098. 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 2018, 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 2018 budget. All other fund balance amounts are undesignated. With the above projection, ending fund balances should be \$123,713,098. The increase of approximately \$1.85 million in the ending fund balance is primarily attributed to the planned draw down of the Public Works fund balance by \$11.9 million for the WCR 47/49 project, and Solid Waste fund by \$1.4 million, which is offset by adding \$12.0 million to the Contingency Fund, and \$2.94 million to the General Fund's fund balance. 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 2018 BUDGET

As stated earlier, as Weld County begins 2018 the County is in excellent financial condition with no debt, no sales tax, one of the lowest mill levies among all Colorado counties, a significant cash reserve, and a fully funded pension plan. The major factors impacting the 2018 budget continue to be dominated by the oil and gas development in Weld County, population growth, 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 has been the case for the last six or seven 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. As discussed earlier the volatility of the oil and gas assessed values continues to be a major impact to the County’s budget planning the last seven years, and will continue to be going forward with all the long-term energy development planned in the county by energy companies.

Two significant long term capital projects will be the construction of a \$44.5 million addition to the jail in 2018-2020, and the completion in 2018 of the four-year project for capital improvements to the CR 49/47 Corridor, south from Highway 34 to I-76, and north from CR 60.5 (SH 263) to SH 392. The road project will require over \$25 million in 2018.

On May 20, 2014, the Board approved the design/build option for the CR 47/49 Corridor at a total cost of approximately \$160 million. The first section of the project from Highway 34 to CR 60.5 was completed in November, 2015 at a cost of \$25 million. A design/build contract of \$109 million for the section from Highway 34 to I-76 was awarded in August, 2015, with construction was completed in November, 2017. The last section of the project from CR 60.5 to SH 392 is estimated to cost \$25 million in 2018. Savings have been realized by doing a design/build. The schedule is as follows:

CIP	2014	2015	2016	2017	2018	2019
CR 49 South						
US 34 to I-76 (20 miles)	Design/ROW	Design/ROW	Construction	Construction		
Optional Bid CR 47 North						
CR 60.5 - SH 392 (3.5 miles)			Design/ROW	Construction	Construction	

The project has been funded within the resources of the Public Works Fund over the period of 2013-2018. The property tax for the Public Works Fund has been increased \$10 million the last five years from \$6.5 million in 2013, to \$16.5 million in 2018. No debt has been incurred, nor have funds had to be advanced from other county funds to accomplish this project.

Finally, for the sixth year the *Strategic Investment Plan for the Future of Weld County* recommendations are incorporated into the 2018 Budget. The plan calls for developing a long-term strategy of investment in the County’s infrastructure, technology and innovation, staff and workforce 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. In addition, in 2018 the county will initiate a “lean” government process program. Lean government refers to the application of lean production (also known as "Lean") principles and methods to both identify and then implement the most efficient, value added way to provide government services. Resources for the Technology Projects budget unit will also be used for this effort.

The General Fund is funded at the level of \$131,544,733 up \$1,785,984. A major decrease is the \$15.5 million decrease for the engineering costs of the Weld Parkway (WCR 47/49 Corridor) project. Without including adjustments for cost of living, and salary step increases, the budget for general government functions is up \$1,721,292. The Election budget which is up \$767,845 when the \$500,000 included last year for the one-time cost of new elections equipment is adjusted out. The increase is due to 2018 being both a primary and general election year, and the cost impact of Proposition 108 allowing unaffiliated electors to vote in the primary election. The Office of Public Information is up \$69,260 with the addition of two positions. Building and Grounds is up \$156,927 for an additional Building Automation Supervisor, and Grounds Technician. The District Attorney is requesting four addition staff and an upgrade at a cost of \$448,090 as the caseload of the office has increased 40% since 2011.

Information Technology is up \$310,495 due to the addition of two Business Process Analysts for the lean government program efforts, and a Business Intelligence Analyst. *Lean government* refers to the application of *lean* production (also known as "*Lean*") principles and methods to both identify and then implement the most efficient, value added way to provide *government* services. Resources for the Technology Projects budget unit will also be used for this effort. GIS is up \$105,600 primarily due to the need for imagery from Google and Nearmap in 2018.

Public Safety functions are up \$7,955,919 in the budget. The overall net Sheriff's Office recommended budget is up \$2,499,578 or 6.16%. Due to the reduction of four (4) contract positions because outside entities will no longer need their services, revenues for Contract Services are expected to decrease by approximately \$373,150. Based upon a staffing analysis, the Sheriff's Office is requesting the four positions be moved to increase Patrol, as actual 'first responders' to improve the effectiveness and efficiency of the division. Although the number of positions will not increase, the loss of revenue will result in a \$373,150 budgetary impact. The major impact is the addition of 32 positions (\$2,539,565) in the jail due to the growing inmate population, and the need to open the last pod of the jail to bring the overall capacity of the jail to 779 beds. Overall jail detention costs are up \$2,963,465. The Sheriff has increased supplies by \$203,573 for firearm supplies (\$28,976), inmate supplies (\$13,283), computers and software (\$41,384) uniforms, duty belt equipment, and bulletproof vests (\$22,481), and \$86,719 for replacement of small items of equipment in the various Sheriff's Office units. Purchased Services are up \$257,296 for training and travel (\$36,659), CPI increase for inmate medical care (\$153,578), inmate food costs (\$48,715), crime lab facility costs since the grant ended (\$62,000), inmate transports and court security (\$35,657), and phones (\$26,212). Vehicle costs dropped \$114,344. Sheriff's Office equipment is funded at \$18,600 for a DME forensic workstation (\$8,800), and scanner/printer/copier (\$8,000). In the General Fund contingency budget, there is \$1,225,963 to cover the new pay grade plan and flexible staffing for the Sheriff's Office's sworn patrol and correctional officer staff approve mid-year in 2017. This amount was allocated to the appropriate budgets in the final budget process.

Coroner's budget is up \$163,036 primarily for the addition of two Deputy Coroner positions mid-year to deal with the office's workload. Communications is up \$1,136,933 with the addition of two dispatchers for Greeley Police, two supervisors, and three call takers due to E-911 call volume. Greeley will pay for the two Greeley Police dispatchers they requested. Another large item is the \$3,738,985 costs for the Front Range Communication Consortium (FRCC) Dynamic System Resilience (DSR) switch and four radio system upgrades. ADCOM will pay for half of the cost (\$1,934,471). Office of Emergency Management is up \$99,000 primarily for a Hazardous Material Exercise and Planning grant of \$75,000 and \$20,000 for a full scale EOC exercise in 2018. Other Public Safety budgets are stable with little or no increases.

As mentioned earlier, Engineering is down \$15.5 million because the engineering and design fees have decreased for the Weld County Road WCR 49 south corridor and WCR 49/47 north corridor in the 2018 budget. General Fund's subsidy to the Public Health Department is up \$219,788 due to anticipated salary step and cost-of-living increases. The County Fair is up \$165,850 with \$147,850 for a one-time expense for livestock panels, \$28,000 for support for the Island Grove Park services, and \$10,000 in one-time costs to celebrate the 100th Anniversary of the Weld County Fair in 2018. An increase of \$2,758,296 is included for other General Fund departments' anticipated salary step and cost-of-living increases in 2018. Health insurance rates will increase 3.2% for employees and the employer in 2018. This is the first health insurance rate increase in four years.

The budgeted appropriations for Public Works in 2018 total \$82,808,926 up \$1,408,694 primarily due the construction of the CR53/58A Bridge with a FHWA flood grant. Municipal share back is funded at \$2,930,462. 2018 salary increases are for step increases due employees, and a 3.0 percent cost of living salary adjustment in this budget for a total of \$407,272.

Other Public Works budget unit is budgeted at \$46,411,435 based on the Capital Improvement Plan (CIP). Personnel Services are up \$47,703 for cost of living for 47 seasonal employees. Purchased Services decreased \$1,081,159 primarily for the construction of the Weld Parkway (WCR 49). There is \$21,164,225 budgeted for the CR 49/47 project. \$2,965,000 for the CR105/CR390 project to be done with county crews. \$3,000,000 is budgeted for the Haul Route Program (HARP). For flood related projects there is \$11,155,000 (FHWA) for Bridge 53/58A, and \$1,890,000 (FEMA) for Bridge 87/42.5A. Other contract payments are for seeding (\$50,000), low volume roads (\$3,075,000), BMP projects (\$100,000), and bridge rehabilitation (\$275,000). Fixed Charges total \$650,900 for rights-of-way funded at \$50,000, and \$600,900 for a CDOT project for Bridge 44/33A.

Pavement Management is funded at an increased level of \$960,690 primarily due to increased funding for the 5.5 miles of overlay on CR 18 with Solid Waste funds. Asphalt is funded at the same level as last year at \$3,100,000. The Trucking budget is up only \$3,690. Mining operations are up \$796,190 for contract crushing at the Peters Pit. Gravel Road Management operations are up \$56,550 primarily due to dust palliative material costs. Bridge Construction is down \$205,006 primarily due to reduced material costs. Other operating budgets for road and bridge maintenance are funded at near the 2017 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 Weld County Department of Human Services continues to adapt to the legislative and programmatic changes imposed on us from the State and Federal levels. The impacts from prior years' legislation, such as HB 14-1317, SB 15-012, and SB 15-242, continue to impact our decision-making. The funding for additional caseworkers, originally funded through SB 15-242 continues into Fiscal Year 2017-18, providing Weld County with funding for four additional positions, two of which are new and two of which were formerly funded through the IV-E Waiver. Concerns have been raised, both by counties and by the State of Colorado, as to the long-term sustainability of these activities, once the IV-E Waiver period is completed. We are hopeful that enabling legislation and policies will allow for the continued creative use of IV-E funding to avoid costly and non-beneficial out-of-home placements using prevention and early intervention activities, as well as kinship placements. The Colorado Legislature acted in advance of the publication of the County Administration Workload study to appropriate an additional \$19 million, from Federal, State and Local sources, to fund County Administration activities.

The total Social Services Fund budget is \$40,935,653. The programs are funded by property tax of \$11,403,328, state and federal funds of \$29,532,325, and the potential use of fund balance to cover unanticipated cost overruns.

Medicaid caseloads have grown significantly in the past several years, partially due to economic factors and partially due to Colorado's implementation of the Affordable Care Act. From May 2015 to May 2016, the number of Weld County residents enrolled in Medicaid grew from 67,732 to 73,453, an 8.4% increase. However, we are starting to see signs that it is leveling off, with the most recent report showing a total of 75,012 enrollees. Approximately 25% of Weld County residents are now enrolled in Medicaid. The LEAP (Low-Income Energy Assistance Program) is now administered by Discover Goodwill, through a direct contractual agreement with the State of Colorado. Weld County's role in administering the program will be limited to resource referral and marketing.

Prevention and Early Intervention will be a key focus of the department in the coming years. A distinct Division is being created within the department to address needs as they are presented to assist families in resolving conflict or neglect issues before they rise to the level of adjudicated dependency and neglect. We will be utilizing and coordinating a variety of funding sources to provide for these needs, while ensuring fiscal accountability and meaningful outcomes are achieved.

The Human Services Fund is funded at \$7,221,376 for 2018, which is down \$944,962 or 11.57 percent from the previous year. There are shifts in funding by program. The Community Services Block Grant is down only \$1,835, and Senior Nutrition programs are down \$20,703. Department of Labor programs are down \$759,310. Area Agency on Aging is up \$213,114 or 5.91 percent.

The Department of Public Health and Environment's total 2018 budget is \$11,562,443. The Health Department's 2018 budget continues the department's strong fiscal management record, implements thoughtful reforms that streamline staffing, achieve savings and modernize processes, and reinvests those savings in targeted initiatives toward achieving a thriving, healthy Weld County.

Building on successes in 2016 and 2017, the Health Department's 2018 budget reflects the department's commitment to the department-wide 2016-2019 strategic plan that focuses primarily on the key priority of integrating select core public health services in our community to better achieve sustainability, enhance quality, and control costs. During the past two years, the Health Department has been diligently working toward three strategic goals: formal integration of health services into an established and enduring community system of care; supporting the community in addressing behavioral health issues, including mental health and substance abuse; and increasing communication channels, both internally and within the community, using technology and other means.

In support of these strategic goals, budgetary planning for 2018 again includes an emphasis on funding technology additions and improvements in both our Greeley and Southwest Weld locations, strengthening and supporting strategic activities and community partnerships focused on behavioral health in our community, and expanding access to our services in convenient, efficient, and effective ways to engage and support all citizens of Weld County while controlling costs and meeting budget targets.

On the revenue side of the budget, property taxes are budgeted at \$145,754,379, the maximum amount under the Weld County Home Rule Charter's property tax limitation and TABOR. Revenue from interest earnings are up \$800,000 at \$2,000,000 for 2018, as interest rates are projected to increase in the next year. Planning and Building Inspection fees are down \$1,055,000 due to less oil and gas activity than anticipated in the County due to lower oil prices, as well as, the reduction in fees done in 2017 for oil and gas well permits resulted in a much greater drop in revenue than anticipated. Intergovernmental revenues are up slightly by \$127,772. Charges for Services are up \$181,039 primarily from charges related to Elections (\$100,000), and Sheriff's Office revenues. Fines from traffic enforcement are up \$3,000. Indirect cost recovery is down \$20,781 due to Social Services' allocation. Clerk and Recorder fees are up \$700,000. Treasurer's fees are up \$1,180,000. All other revenues are relatively stable with little change.

The 2018 resources for Public Works total \$109,173,797, which includes a fund balance of \$38,000,000, in addition to the revenue shown in the budget. Property tax is set at \$16,500,000 same as 2017. Specific ownership tax is estimated to be \$11,400,000, up \$1,800,000 from 2017, as vehicle sales recover. Total HUTF will be \$10,650,000, up \$150,000 from 2017. Permit revenues are budgeted at \$500,000. Motor vehicle registration fees are \$340,000, and grazing fees are \$1,150,000 due to energy development in the Pawnee Grasslands. Oil and gas revenues are \$9,500,000. The lease/purchase payment from the Hoekstra Pit is \$215,797. Federal mineral lease revenues are \$1,000,000, and PILT is budgeted at \$40,000.

Other revenues from project reimbursements total \$17,878,000, which are up \$4,125,410. Transportation impact fees are budgeted at \$2,000,000, and Solid Waste funds of \$1,850,000 for roads impacted by landfills. There are Energy Impact Assistance grants of \$3,600,000 with \$3,000,000 for the Tier 2 projects and \$600,000 for three Tier 1 projects. There is one state grant to finish Bridge 44/33A for \$600,000. There are two flood project grants for Bridge 87/42.5A (\$1,000,000), and Bridge 53/58A (\$7,540,000). There is NFRMPO funding of \$888,000, and UFRMPO funding of \$400,000. Severance tax is budgeted at \$2,000,000. 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 2018 Budget contains adequate resources to provide a level of service like 2017. The operational plan supported by the 2018 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 will allow 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 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 style with a large, prominent initial "D".

Donald D. Warden, Director
Finance and Administration