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Weld County Board of Commissioners
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Board Members:

As Weld County begins 2017 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 Weld County 2017 Proposed Budget for operations and capital outlay totals a gross amount of \$292,317,140 with a net of \$286,791,708 when interfund transfers are excluded. The Proprietary Funds total an additional \$33,383,694. The budget has been prepared in accordance with your directives developed during the budget process. The budget is funded with revenue estimates of \$159,991,748, anticipated fund balances of \$125,217,000, and the maximum allowed property tax under Amendment One (TABOR) and the Weld County Home Rule Charter of \$141,946,827.

2017 BUDGET HIGHLIGHTS

- Assessed value decreased 21.4%, or \$2.443 billion, primarily from oil and gas production.
- Plan and accommodate the anticipated drop in assessed valuation in 2018 due to the dramatic drop in oil prices in 2016 with one time expenses in 2017.
- Acquire and install new voting equipment.
- Begin the third year construction of the concrete five-lane CR 49 south corridor from U.S. Highway 34 to I-76 as part of a design/build contract.
- Design for 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.
- Reallocate four Sheriff Contract Service deputies to Patrol to increase law enforcement services in the field.
- Add 1.5 FTE to the Motor Vehicle Department to reduce customer wait time.

- Implement a new integrated public safety information system.
- Fund the oil and gas revenue fluctuation reserve in the Contingency Fund at \$37.5 million.
- Fund two radio technicians in Communications to provide all radio repair in-house instead of contracting out for the services.
- Implement SB 15-242 which expands the Child Welfare staffing by five in reaction to the 2014 Colorado Child Welfare Workload Study.
- Medicaid caseloads have grown by 80% in the past four years, partially due to economic factors and partially due to Colorado's implementation of the Affordable Care Act to the point 25% of county residents are on Medicaid.
- Participate for the fourth year in the Title IV-E (Foster Care and Adoption Assistance Entitlement Grant) waiver project.
- Add a Program Case Manager position to work release to aid offender clientele.
- Add 0.75 FTE to implement a Court Date Notification Program.
- Continue efforts to control health care costs for county employees and their dependents.

FINANCIAL PLAN

ECONOMIC CONDITIONS AND OUTLOOK

According to the Colorado Legislative Council economists the economic expansion is expected to progress at a relatively modest pace in both Colorado and the U.S. in 2017. Low unemployment rates and slowing job growth are signaling full employment, which will contribute to upward wage pressure as labor becomes more difficult to find. The tourism, services, real estate, and construction sectors—industries that depend on the health of the labor market—continue to grow at healthy rates across the nation and in Colorado. More current indicators, including financial markets, consumer spending, and consumer debt, demonstrate economic expansion but at a slowing pace.

Meanwhile, leading indicators of what is to come, including corporate profits, business investment, business credit markets, and manufacturing activity, have weakened. Slow economic growth has left U.S. monetary policy makers with a delicate balance. Raising interest rates too quickly may slow growth further. Yet, maintaining low rates for an even longer period may distort equity markets and savings patterns, and further pinch financial industry earnings.

Much of the weakness in business and manufacturing activity is the result of low commodity prices and a strong dollar, stemming from turbulence in the global economy. Oil prices have reversed their downward trend, relieving some of the pressure on the U.S. energy industry.

After bottoming out at just under \$24 per barrel in February, Colorado oil prices have trended upwards, reaching nearly an average of over \$45 per barrel. The increase in oil prices is good news for an industry that had announced reductions in both workforce and capital investment due to low prices. Throughout 2015, production in Weld County continued to accelerate, with oil production doubling between 2013 and 2015. Weld County is now responsible for nearly 90 percent of the state's oil production, and average monthly production in the county increased to 9.4 million barrels in 2015. Although preliminary data indicate that production is down so far in

2016, this forecast assumes that oil prices will rise gradually through the remainder of the forecast period, averaging about \$50 per barrel in 2017 and \$58 per barrel in 2018, spurring additional production in Weld County and the broader Niobrara formation. Oil producers are benefitting from efficiencies in drilling technology, which allows for increased production from each well. Production companies are still investing in the Denver-Julesburg Basin, likely taking production activity away from other areas of the country and moving resources to Weld County. Because natural gas is a byproduct of oil production, Weld County is now the leading county in natural gas production and the only area of the state where natural gas production is on the rise. Regional natural gas prices have also rebounded slightly in 2016. Prices at regional hubs were around \$1.75 per Mcf (thousand cubic feet) in the middle of March, but rose to about \$2.20 per Mcf by mid-year. Prices are expected to remain relatively stable through the rest of the year.

While the economy of Weld County continues to be among the strongest in the state, the decline in oil and natural gas prices is clearly resulting in adverse economic impacts for the county. In oil-dependent Weld County, employment growth slowed in 2015, and has almost completely stalled thus far in 2016. Accordingly, the Weld County unemployment rate has begun to tick upward.

Residential construction permits in Weld County declined in 2015 and thus far in 2016, that decline has continued. Growth in Weld County retail sales has completely stalled after several consecutive strong years. While oil and gas prices at regional hubs have rebounded somewhat since March, continuing low prices will maintain downward pressure on the regional economy, especially in Weld County. While the labor market remains strong in Weld County, employment growth in Weld County is clearly decelerating with the drop in energy prices. Weld County has plateaued. Overall, in 2016, employment only grew 0.1 percent in Weld County on a year-over-year basis, after growing 3.9 percent and 2.8 percent, respectively, in 2015.

The regional housing market, however, is definitely slowing in response to the decline in energy prices. In the first seven months of 2016, growth in construction activity has also tapered in Weld County, with residential permits declining 1.9 percent through July 2016, after falling 3.5 percent in 2015. This comes after three consecutive years with permit growth in Weld County above 40 percent. In addition, regional non-residential construction appears to be refocusing on smaller projects. While the number of projects started through April is up relative to the same period in 2015, the square footage is down 21.2 percent for roughly the same overall value. Through the first eleven months of 2015, growth in retail sales decelerated in Weld counties compared with 2014. Sales in Weld County increased only 0.4 percent for this eleven month period on a year-over-year basis after growing 11.8 percent in 2014. Even with the slow down Weld County continues to outpace both the state and the nation as a whole.

2017 BUDGET PLAN AND FOR THE FUTURE

The budget has several major purposes. It converts the county's long-range and strategic plans and policies into services and programs; serves as a vehicle to communicate these plans to the public; details the costs of county services and programs; and outlines the revenues supporting the county's services. Once adopted by the Board of Weld County Commissioners, it becomes a work plan of objectives to be accomplished during the next fiscal year. As the budget process begins, 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 to reach these goals need to be developed. In the 2016 budget process, a comprehensive strategic planning process was conducted and a 2016-2020 Strategic Plan was developed for Weld County. In the 2017 budget process the second year of the plan must be executed and

incorporated into the 2017 budgets of the departments.

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 effect 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.

There are a number of future issues and concerns that will be impacting Weld County's budget in 2017 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 five to six 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 last six years. For the 2016 budget, the growth in the county's assessed value from oil and gas values exceeded 25%. For the 2016 budget, 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 the price range of \$30-50 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 increased property tax base created by the energy development and be prepared for a significant drop in the assessed valuation for the 2017 and 2018 budgets the county will be facing. The drop in assessed valuation for the 2017 budget will lower the Weld County assessed valuation approximately 21.4% below the 2016 budget level for property tax. Looking forward to the 2018 budget an even bigger drop in assessed valuation seems inevitable. The 2018 budget could see an additional drop of 8-10% in assessed valuation over 2017 even with the reappraisal year of 2017. In anticipation of the drop in the county's assessed valuation in the 2016 budget of the \$178 million in property tax revenue there was \$62 million in one-time budget items, so the net operational spending requires around \$120 million in property tax revenue to maintain the current spending levels in 2017 and 2018.

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 and workforce 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. This strategy positions Weld County well financially to deal with the future drop in the oil and gas assessed valuation and lower property tax levels to be faced in 2017 and 2018. Based upon industry projections hopefully after the 2018 budget year the price of oil and gas will recover and stabilize at price levels that will be somewhere between the low of \$30 a barrel and the high

of over a \$100 a barrel. Many experts target a \$45-\$60 price range once the market stabilizes with a balance in supply and demand.

The financial planning done by Weld County the last five years has funded the unfunded liability of the retirement plan, a fluctuation contingency reserve of \$37.5 million, and has reserves in the Public Works Fund and Capital Fund. The \$37.5 million contingency fund will provide the financial flexibility to adjust to the volatile property tax revenue patterns in the next two to three 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 \$45.5 million jail expansion in 2020-2021. The fund balance in the Public Works Fund should be adequate to accomplish the major 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 over the next two years, requiring over \$16.5 million in property tax per year to fund the road improvements. To accomplish the project, a funding level of \$25 million per year for five years during 2014-2018 has been required.

In doing a reasonable forecast of assessed values, due to the volatility of oil and gas values the structural and cyclical problem of the property tax revenues for the next three years must be dealt with as one budgetary issue, and not left to be dealt with in the individual years or a major problem will be created for 2018. Even with the drop in assessed valuation in 2017, there should still be property tax revenues in excess of the core operational spending level of around \$120 million in property tax revenue to maintain the current spending levels in 2017. Thus, allowing for the excess amount in 2017 to be placed in the fluctuation contingency reserve to be used in the 2018 budget to maintain the current core operating spending level. This approach should have a leveling effect on the spending patterns of 2016-2018. Hopefully, by 2019 the assessed values will begin to stabilize.

As we approach 2017, the Weld County policy makers and managers must recognize the next two to three years are going to take extra efforts on everyone's part to deliver conservative and balanced budgets. Based upon reasonable projections of future assessed values, and demand for services, it becomes essential to develop budgets that tighten county government's belt, focus on critical services, and reflect the needs of the citizens of Weld County. While continuing to weather the fluctuations in the price of oil that significantly impacts the county's property tax revenue stream the next few years, the budget must continue to deliver essential services and also, make strategic investments in human capital management and the county's infrastructure so our county is well-positioned for the future.

In 2017, to be positioned in 2018, the proposed budget process provides a comprehensive method of addressing issues facing the County. Weld County managers must continue to find ways to reduce costs, increase program productivity, find new revenue sources, and raise revenues without increasing taxes beyond the TABOR and Home Rule Charter limits. Weld County government's trend of being more creative and innovative to make better use of resources - human, financial, and technological - must continue. It is only through improved practices and approaches that services are maintained and public confidence in government is enhanced.

GENERAL GOVERNMENT FUNCTIONS

Revenue for general government functions, including General, Special Revenue, Capital Expenditures, Internal Service, and Enterprise Funds, total \$301,938,575 in 2017, a decrease of 4.08 percent over 2016, primarily in property taxes, intergovernmental, and miscellaneous revenues. The amount of revenue from various sources and the changes compared to 2016 are shown in the following tabulation:

Revenue Sources	2017 Amount	2017 Percent of Total	2016 Amount	2016 Percent of Total	Increase - Decrease from 2016
Property Taxes	\$141,946,827	47.0%	\$153,213,068	48.7%	\$ -11,266,241
Other Taxes	11,830,000	3.9%	11,710,000	3.7%	120,000
Licenses and Permits	5,437,350	1.8%	6,061,000	1.9%	-623,650
Intergovernmental Revenues	67,305,192	22.3%	69,192,838	22.0%	-1,887,646
Charges for Services	8,898,159	3.0%	8,910,798	2.8%	-12,639
Miscellaneous Revenue	23,989,103	7.9%	26,746,798	8.5%	-2,757,695
Fee Accounts	11,148,250	3.7%	10,376,690	3.3%	771,560
Internal Service Charges	<u>31,383,694</u>	<u>10.4%</u>	<u>28,764,247</u>	<u>9.1%</u>	<u>2,619,447</u>
TOTAL	<u>\$301,938,575</u>	<u>100.0%</u>	<u>\$314,975,439</u>	<u>100.0%</u>	<u>\$-13,036,864</u>

Expenditures by function for the General, Special Revenue, Capital Expenditures, Internal Services, and Enterprise Funds total \$320,175,402 for 2017, which is a decrease of 1.95 percent over 2016. The amounts by function and the increase over 2016 are as follow:

Expenditure Sources	2017 Amount	2017 Percent of Total	2016 Amount	2016 Percent of Total	Increase - Decrease from 2016
General Government	\$ 38,395,981	12.0%	\$ 37,619,242	11.5%	\$ 776,739
Social Services	38,680,234	12.1%	34,521,500	10.6%	4,158,734
Road and Bridge	81,400,232	25.4%	101,184,933	31.0%	-19,784,701
Public Safety	58,135,561	18.2%	56,040,974	17.2%	2,094,587
Human Services	8,434,300	2.6%	8,659,774	2.6%	-225,474
Health	11,053,379	3.5%	10,393,180	3.2%	660,199
Capital	11,801,500	3.7%	16,925,000	5.2%	-5,123,500
Public Works	22,340,755	7.0%	14,279,128	4.4%	8,061,627
Contingency	10,000,000	3.1%	10,000,000	3.1%	0
Miscellaneous	5,022,668	1.5%	4,748,212	1.4%	274,456
Culture and Recreation	903,868	0.3%	785,436	0.2%	118,432
Auxiliary	623,230	0.2%	622,596	0.2%	634
Internal Services	<u>33,383,694</u>	<u>10.4%</u>	<u>30,764,247</u>	<u>9.4%</u>	<u>2,619,447</u>
TOTAL	<u>\$ 320,175,402</u>	<u>100.0%</u>	<u>\$ 326,544,222</u>	<u>100.0%</u>	<u>\$ -6,368,820</u>

Capital Expenditures Fund: The Capital Expenditures Fund accounts for various capital improvement projects for county buildings. The 2017 program is funded at \$11,801,500, with \$11,376,500 in property tax, \$200,000 from capital expansion fees, and \$225,000 from interest. Anticipated projects include \$300,000 for a grader shed for Public Works, \$750,000 for Chase Building improvements, \$2,200,000 for jail controls, and \$2,076,500 for special projects. There will be \$5,525,000 going into the jail reserve and \$950,000 into the Communications System reserve. A carry-over beginning fund balance of \$28,700,000 is anticipated, and \$34,225,000 ending reserve fund balance for the future jail expansion (\$31,525,000), Communications System reserve (\$2,200,000), and Downtown Greeley land reserve (\$500,000) is anticipated at the end of 2017.

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 2017 is \$1,457,000.

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 2017, 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 2017 Budget is \$8,893,976,390, which is down \$2,442,850,820 or 21.4 percent over last year. The assessed value for vacant land is down \$10.48 million, or 13.82 percent. Residential is up \$64.55 million, or 4.46 percent; and commercial property is up \$27.38 million, or 3.52 percent. Agricultural property is up \$4.61 million, or 2.56 percent; industrial is up \$158.10 million, or 24.72 percent; natural resources is down \$0.44 million, or 2.33 percent; and State assessed property is up \$35.16 million, or 4.55 percent. The major decrease is in oil and gas, down \$2.710 billion, or 35.34 percent, which is due to oil and gas prices being down. There is an actual value increase of new construction of \$787.35 million, or 2.52 percent.

Employee Compensation Pay: For the 2017 budget, a salary increase of 2.5 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 2017 for the third year in a row. 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 \$125,217,000 to begin 2017. 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 \$106,980,173. 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 2017, 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 2017 budget. All other fund balance amounts are undesignated. With the above projection, ending fund balances should be \$116,980,173. The drop of approximately \$8 million in the beginning and ending fund balance is primarily attributed to the plan draw down of the Public Works fund balance by \$18.5 million for the WCR 49 project, which is offset by adding \$8.5 million to the Contingency Fund. 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 2017 BUDGET

As stated earlier, as Weld County begins 2017 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 2017 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 has been the case for the last five to six 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 six years, and will continue to be going forward with all the long term energy development planned in the county by energy companies.

A significant long term project will be the 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, over the next two years, requiring over \$40 million to fund the road improvements in 2017, and \$25 million in 2018. To accomplish the project, added property tax resources were included in the Public Works Fund.

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 to be completed in 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 will be able to be 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 four years from \$6.5 million in 2013, to \$16.5 million in 2017. No debt has been incurred, nor have funds had to be advanced from other county funds to accomplish this project.

Finally, for the fifth year the *Strategic Investment Plan for the Future of Weld County* recommendations are incorporated into the 2017 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.

The General Fund is funded at the level of \$129,821,749 up \$11,660,485. The major change is the \$8 million increase for the engineering costs of the Weld Parkway (WCR 47/49 Corridor) project included in the 2017 budget. Without including adjustments for cost of living, and salary step increases, the budget for general government functions is down \$119,989. The reduction is primarily in the Election budget which is down \$134,243 even with \$500,000 included for new elections equipment. The drop is due to only one election in 2017, since it's an off year election. Motor Vehicle is up \$89,962 for the 1.5 FTE approved mid-year due to the workload in the department. The Office of Public Information was broken out of the County Commissioners' budget to better track the costs of the function. Human Resources' budget is down \$73,634 since the one-year succession staffing for the Benefits Manager is not necessary in 2017. Building and Grounds is up \$111,086 for an additional HVAC position, and a project coordinator position offset by the reduction of a half-time plumber position. Information Technology is down \$185,236 due to a reduction in software maintenance and computer equipment, which is in accordance with the Five Year Capital Improvement Plan. GIS is down \$145,970 primarily due to a drop of \$125,650 because there is no need for imagery with DRCOG in 2017. The updated imagery is done every 3-5 years depending upon growth and changes. Innovation and Technology Projects budget is funded at \$428,500, which is down \$71,500 from last year.

Public Safety functions are up \$1,233,282 in the budget. The overall net Sheriff's Office recommended budget is up \$853,775 or 2.36%. 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 \$378,000. 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 as a whole. Although the number of positions will not increase, the loss of revenue will result in a \$378,000 budgetary impact. The Patrol division is eliminating a 0.5 FTE under Contract Services for a savings of \$48,442. The Victim Services Unit has received a grant in the amount of \$58,410 to add a position to head the bilingual unit. The Sheriff has increased supplies by \$183,567 for firearm supplies (\$20,847), inmate supplies (\$36,553), uniforms, duty belt equipment, and bulletproof vests (\$82,248), and approximately \$100,000 for replacement of small items of equipment in the various Sheriff's Office units. Purchased Services are up \$680,167 for vehicle costs (\$194,466), CPI increase for inmate medical care (\$171,754), Greeley evidence contract (\$68,000), travel for Investigations Unit for cold cases (\$11,500), training for certifications and accreditations (\$56,700), inmate transports (\$15,750), printing (\$10,000), and phones (\$80,000). Sheriff's Office equipment is funded at \$41,030 for an x-ray machine (\$25,730), DME forensic workstation (\$8,800), and scanner/printer/copier (\$6,500). Coroner's budget is up \$82,450 primarily for autopsies and lab tests. Other Public Safety budgets are stable with little or no increases.

As mentioned earlier, Engineering is up \$8,028,135 because the engineering and design fees have increased for the Weld County Road (WCR) 49 south corridor and WCR 49/47 north corridor in the 2017 budget. Staff costs increased \$14,850 to fund upgrades of an Engineering Tech positions (\$7,086) and an Engineer II to III (\$7,764). General Fund's subsidy to the Public Health Department is up \$332,551 due to anticipated salary step and cost-of-living increases. An increase of \$1,872,874 is included for other General Fund departments' anticipated salary step and cost-of-living increases in 2017. Health insurance has no rate increase for employees or the employer in 2017 for three years in a row.

The budgeted appropriations for Public Works in 2017 total \$81,400,232 down \$19,784,701 primarily due the construction of the Weld County Road 49 Parkway (WCR 49). Municipal share back is funded at \$2,694,555. 2017 salary increases are for step increases due employees, and a 2.5 percent cost of living salary adjustment in this budget for a total of \$297,419.

Other Public Works budget unit is budgeted at \$47,433,991 based on the Capital Improvement Plan (CIP). Personnel Services are up \$46,314 for cost of living for 47 seasonal employees. Purchased Services decreased \$17,767,379 primarily for the construction of the Weld Parkway (WCR 49). There is \$29,403,274 budgeted for the CR 49 project. \$3,400,000 for the SH392/CR 47 RAMP project, and \$5,900,000 for the SH392/CR 74 RAMP project. \$3,000,000 is budgeted for the Haul Route Program (HARP). For flood related projects there is \$1,500,000 (FHWA) for Bridge 53/58A, and \$1,000,000 (FEMA) for Bridge 87/42.5A. Other contract payments are for seeding (\$50,000), low volume roads (\$550,000), BMP projects (\$125,000) and bridge rehabilitation (\$275,000). Fixed Charges total \$640,000 for rights-of-way funded at \$65,000 and, \$575,000 for a CDOT project for Bridge 44/33A.

Pavement Management is funded at a decreased level of \$106,572 primarily due to lower fuel costs. Asphalt is funded at the same level as last year at \$3,100,000. The Trucking budget is up \$216,012 due to fleet costs. Mining operations are down \$2,504,524 since the one time funding in 2016 to fund contract mining and hauling at the Koenig Gravel Pit is not necessary in the 2017 budget. Gravel Road Management operations are down \$556,521 primarily due to fleet operating costs and fuel costs. Bridge Construction is up \$136,379 primarily due to purchasing more Class 6 gravel material. Other operating budgets for road and bridge maintenance are funded at near the 2016 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 it 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 the department's decision-making. The funding for additional caseworkers, originally funded through

SB 15-242 continues into Fiscal Year 2016-2017, providing Weld County with funding for three additional positions. The department's participation in the IV-E Waiver has also expanded to include five additional positions. 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 through the use of prevention and early intervention activities, as well as kinship placements. Senate Bill 16-190 authorizes a County Administration Workload Study, which could provide the defensible evidence of a need for increased funding for eligibility determination and benefit distribution of self-sufficiency programs in Colorado.

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 has grown by from 67,732 to 73,453, an 8.4% increase. Approximately 25% of Weld County residents are now enrolled in Medicaid.

The total Social Services Fund budget is \$38,680,234. The programs are funded by property tax of \$11,532,977, state and federal funds of \$27,147,257, and the potential use of fund balance to cover unanticipated cost overruns. Weld County will be starting Fiscal Year 2016-2017 with a small amount of TANF County Reserve, which will serve to insulate us, to some extent, from the requirement to use county-only funds in covering Child Welfare and Colorado Works over-expenditures.

The Human Services Fund is funded at \$8,166,338 for 2017, which is down \$180,474 or 2.16 percent from the previous year. There are shifts in funding by program. Community Services Block Grant is down \$165,051, and Senior Nutrition programs are up \$1,977. Department of Labor programs are down \$136,475. Area Agency on Aging is up \$131,426 or 3.78 percent.

The Department of Public Health and Environment's total 2017 budget is \$10,850,154. 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 2017 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 \$141,946,827, the maximum amount under the Weld County Home Rule Charter's property tax limitation and TABOR. Revenue from interest earnings are down \$200,000 at \$1,200,000 for 2017, as interest rates are projected to remain low during the course of the year. Planning and Building Inspection fees are down \$680,000 due to the drop in the oil and gas activity in the County due to lower oil prices. Intergovernmental revenues are up \$371,258 primarily due to Sheriff's Office revenues from grants and SCAAP revenues. Charges for Services are up \$24,961 primarily from charges related

to Elections (\$30,000), and printing (\$17,600) revenues. Fines from traffic enforcement are unchanged. Indirect cost recovery is up \$3,002,051 due to Social Services' allocation. Clerk and Recorder fees are up \$600,000. Treasurer's fees are up \$120,000. All other revenues are relatively stable with little change.

The 2017 resources for Public Works total \$100,452,590, which includes a fund balance of \$35,600,000, in addition to the revenue shown in the budget. Property tax is set at \$16,500,000 same as 2016. Specific ownership tax is estimated to be \$9,600,000, up \$600,000 from 2016, as

vehicle sales recover. Total HUTF will be \$10,500,000, up \$600,000. Permit revenues are budgeted at \$500,000. Motor vehicle registration fees are \$340,000, and grazing fees are \$1,120,000 due to energy development in the Pawnee Grasslands. Oil and gas revenues are \$9,500,000. Federal mineral lease revenues are \$1,000,000, and PILT is budgeted at \$40,000.

Other revenues from project reimbursements total \$13,752,590, which are down \$5,334,770. Transportation impact fees are budgeted at \$2,750,000. There are Energy Impact Assistance grants of \$4,700,000 with \$4,500,000 for the CR 49 project and \$200,000 for one Tier 1 projects. There is one state grant to finish Bridge 44/33A for \$460,000. There are two flood project grants for Bridge 87/42.5A (\$800,000), and Bridge 53/58A (\$1,200,000). There is RAMP funding of \$1,842,590 for the intersection of WCR 47/392, and \$2,000,000 for the intersection of WCR 74/392. 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 2017 Budget contains adequate resources to provide a level of service similar to 2016. The operational plan supported by the 2017 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, reading "Donald D. Warden". The signature is written in a cursive, flowing style.

Donald D. Warden, Director
Finance and Administration