

DATE: January 1, 2008
TO: The Honorable Board of County Commissioners and Citizens of Arapahoe County
FROM: Janet J. Kennedy, CPA, Finance Director
SUBJECT: 2008 BUDGET MESSAGE

I am pleased to submit herewith a budget for 2008 that is balanced and in conformance with Colorado law, including the Taxpayer's Bill of Rights (TABOR). In addition to the budget of the Arapahoe County Government, included herein are the budgets for the:

- Arapahoe Law Enforcement Authority
- Arapahoe County Recreation District
- Arapahoe County Water & Wastewater Public Improvement District
- Arapahoe County Building Finance Corporation

The Arapahoe County Board of County Commissioners is either the Board of Directors or appoints the Board of Directors for these other entities.

This budget message provides an overview of the process and issues that drove the development of the 2008 budget including a discussion of economic factors, trends in revenues and expenditures, and the recommendations of the Executive Budget Committee. In addition, this message will also address the budget for some of the County's major funds, the capital improvement program, and changes in staffing.

The formal budget development process and the use of a budget assist in ensuring that the County's financial strength and integrity continue to be maintained and enhanced. The budget also supports continuous customer service efforts to foster efficiency, cost effectiveness, accountability and excellence in the provision of services to the citizens of Arapahoe County.

This budget provides funding for services, programs, and projects that support the mission, vision, and values of the Board of County Commissioners. The mission, vision, and values of Arapahoe County were developed in late 2005, implemented in 2006, and will be used as the foundation for further performance and efficiency efforts.

Arapahoe County's Mission, Vision, and Values

Mission

Enhancing your quality of life through exceptional delivery of services and efficient use of public funds.

Vision

Earning your trust every day by delivering seamless service, seeking innovative solutions and exceeding your expectations.

Values

| | |
|---|--|
| <p>Service First Excellent Quality Responsive Government Visionary Thinking Innovation Caring Leadership Effective Communication</p> | <p>Fiscal Responsibility Integrity Respect for Others Safety Teamwork</p> |
|---|--|

The budget for 2008, the budget development process, and the programs, services, and projects it funds for the citizens of Arapahoe County reflect our mission, vision, and values and exemplify the statement “First in Colorado, First in Service.”

Issues Impacting the Development of the 2008 Budget

Budget Submission Guidance and Review

Prior to the development of the 2008 budget, guidance to departments and elected offices was given by the Board of County Commissioners and the Executive Budget Committee (EBC). This committee was facilitated by the Finance Director, Janet J. Kennedy, CPA, by the Budget Manager, Todd Weaver, and by the other Budget Division staff. For purposes of evaluating the 2008 budget, the EBC was comprised of the following members:

- Susan Beckman, County Commissioner
- Rod Bockenfeld, County Commissioner
- Nancy Doty, County Clerk & Recorder
- Shannon Carter, Special Assistant to the Board of County Commissioners

Prior to reviewing the elected office and department budget submissions, the Board of County Commissioners and the Executive Budget Committee addressed the budget development goals of the County by providing direction to County departments and elected offices. The Committee requested that departments and elected offices continue to provide streamlined, realistic budgets that continued the current level of services without significant increases in expenditures. Further guidance on the budget directed departments and elected offices to evaluate their baseline budgets and make adjustments through budget packages as necessary but such requests be prioritized and, if possible, be offset with additional revenues or reduced expenditures.

The County has used a baseline budget process since 2003, and the 2007 budget process marked the first time that departments and elected offices were able to modify the baseline during the budget process and was reviewed by the Executive Budget Committee in detail. For 2008, the County returned to maintaining the baseline budget process whereby the baseline budget provides funding for the current level of services and programs provided. Budget packages are required for any addition, expansion, or reduction in the current level of services and for some specific budget requests such as capital projects or replacement assets.

In September, the Executive Budget Committee reviewed the requested budget submissions and packages, interviewed each department and office, especially regarding their priorities, and prepared a recommendation that was presented to the Board of County Commissioners on October 9, 2007. The budget was further reviewed by the Board of County Commissioners through the months of October and November leading up to its formal adoption on December 11, 2007.

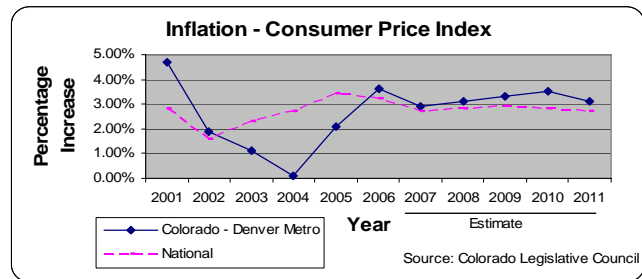
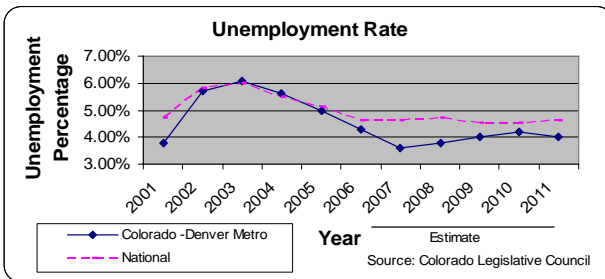
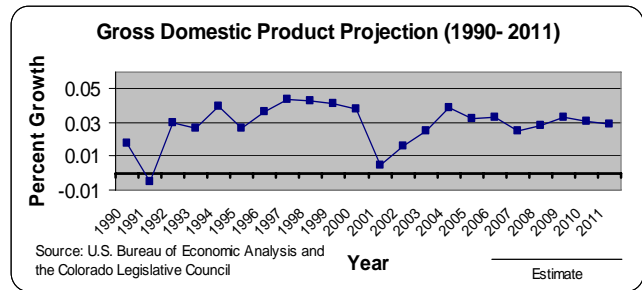
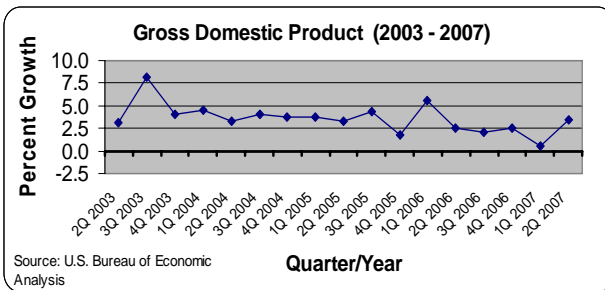
The Economy

The condition of the national and local economy has an impact on the financial condition of Arapahoe County. Growth in residential and non-residential new construction, the real estate market, employment, consumer spending, and inflation all play a role in the local economy and the revenues and expenditures budgeted for 2008. The section below provides an overview of the economic situation as the 2008 budget was developed in the fall of 2007 and may not be reflective of the reader’s current economic climate.

The national economy has continued to grow despite concerns about problems in the real estate and credit markets and a weakening of consumer confidence. Economic growth as measured by gross domestic produce (GDP) has remained positive but economists are projecting lower growth of 2.0% when compared to the 2.8% growth in 2006 or 3.1% in 2005. Consumer spending comprises a large percentage of GDP. As the housing market weakens and the business and labor markets show signs of potential weakness, consumers could cut back on spending on goods and services as their debt levels rise resulting in slower economic growth. The forecast shows continued but slower economic growth but many risks exist for this forecast due to the current economic uncertainty.

For Colorado, the economy has continued steady growth as employment and retail sales continue to grow driven by the oil and gas industry. Economists project a year-end unemployment rate of 3.6% with a slight increase for 2008. Construction activity in Colorado has slowed with residential permits down considerably and nonresidential construction increasing slowly with much vacant space yet to absorb. Growth in consumer spending is expected to remain healthy in the near future and personal income in the State continues to grow after a small decrease in 2008.

Among economic factors significant to County revenues, population growth for Colorado during 2008 is projected at 1.9% and Denver metro-area inflation for 2006 was 3.6% but, 2007 is projected to average around 2.9% with a rate of 3.1% forecast for 2008. Higher inflation translates into higher costs of goods and services for residents and the County but also results in a higher local growth rate under the legal constraints on property tax revenue growth. Below are graphical depictions of some of the key economic indicators and their trends.



Trends in Revenues and Expenditures

A major factor in the development of the 2008 budget was a consideration of the trends in County revenues and expenditures. Since 2005, many of the County's major revenue sources have shown a slightly better growth trend than in the years prior when Colorado was recovering from the last recession. However, the downturn in the real estate market and uncertain economic times could impact the trends in both revenues and expenditures.

Property tax is the largest source of revenue for the County and the General Fund, and is a large source of revenue for several other funds. The budget for 2008 shows an increase of \$5.8 million over the 2007 budget. The economy, through local growth in new construction and inflation, plays a large role in the amount of property tax revenue the County can collect in a given year as a result of the current legal constraints. For 2008, slowing but still positive growth in construction and a moderate rate of inflation result in larger growth in property taxes than in prior budget years. Another large source of General Fund revenues is Specific Ownership Tax collected on the registration of new vehicles within the County. The growth in this revenue source has decreased from its pre-2001 rates, to 3% or less the last several years. For 2007, this revenue is projected to meet the budget after falling short of the budget in 2005 and 2006 and no growth is budgeted for 2008.

Trends in other large revenue sources show a similar pattern of some revenue sources declining while others are growing. Land recording fees grew dramatically from 2001 through 2003 as interest rates declined and home buying and refinancing activity increased dramatically. However, since the Federal Reserve began to raise interest rates early in 2004, this activity has declined and land recording fees are expected to continue to decline in future years until a new equilibrium is found. Revenue from earnings on investments is also tied to interest rates. There has been a much higher increase in interest earning collections and is the result of higher interest rates along with greater levels of fund balance than in prior years. This increase has followed the trend in interest rates and despite volatility in interest rates, a higher revenue amount budgeted was budgeted for 2008 as 2007 collections greatly exceeded budget projections.

Revenues from development-related activities have experienced much slower growth the last few years as construction activity has declined sharply. Building permit revenues have fallen short of budget since 2004 and projections have been revised to show a significant decrease in 2008. The slowdown in construction activity in the metro-area has impacted all development-related revenues for the County. During 2007, healthy planning related revenues have trended well with budget and could be an indicator of stronger growth in building permit and construction inspection revenues in future budget years. Motor vehicle registration, titling, and revenues from the licensing of drivers have remained consistent during the last few years, but the rate of growth is less than was experienced in prior years as population growth in the County has slowed. There are a few motor vehicle revenues that have been revised higher in 2008 due to higher trends in collections.

Overall, General Fund revenues for 2007 are expected to slightly exceed the budget and indicate a much better trend in revenues than the County experienced during 2003 through 2005. However, as 2007 draws to a close, many of the County's revenues seem to be showing signs of slightly lower growth and may continue to slow if the current economic situation worsens. The revenue trends will need to be watched closely during 2008. Please see Attachment A and Section C of the budget for more detailed revenue information.

Inflationary pressures in salaries, benefits, and material costs have driven the growth in expenditures as in prior budget years. During years when revenue growth was slower, steps were taken to try to reduce the growth in expenditures as well. The increase in salaries and salary-related benefits for 2008 was maintained at the 2007 level of 3.5%. The cost of health insurance has been growing across the nation and Arapahoe County is no exception. The 2008 budget factors in the increases from the County's health

insurance provider and includes the equalization of County contributions between the HMO and PPO plans.

Apart from the growth in personnel costs, inflation in the cost of energy, construction materials, and other commodities has also impacted County expenditures. In 2006 and 2007, the County took steps to reduce energy consumption through an energy performance contract whereby savings on energy costs are used to finance energy conservation improvements. This program is already yielding savings to the County and other similar efforts and efficiencies should help the expenditure budget in future budget years. More information on expenditures is available in the attachments to this budget message and in Section D of the document.

The Impact of the Taxpayer's Bill of Rights (TABOR)

The budget for property tax revenue has a significant impact on the projected fiscal health of the County, as it is the largest source of funds. The economy, through local growth in new construction and inflation, plays a large role in the amount of property tax revenue the County can collect in a given year as a result of the Taxpayer's Bill of Rights. Arapahoe County continues to be restricted by most provisions of TABOR. For 2008, the effective limit on the County's property tax revenue growth is the sum of estimated inflation for the Denver metro-area plus the growth of new construction in the previous calendar year (2007). The major impact of TABOR on the budget is that the County may not be able to retain all of the property tax revenue that it has collected.

Because of this growth restriction, the County's property tax revenue growth from 2007 to 2008 is 5.14%, which is the sum of estimated inflation of 3.00% and new construction growth ("local growth"), of 2.14% in 2007. A resulting temporary tax credit of 1.722 mills will be provided to the Citizens of Arapahoe County to adjust for the portion of the 15.821 base mill levy that cannot be collected under the provisions of TABOR. For 2008, this growth rate is slightly lower than 2007 but higher than the growth rates for 2004 through 2006. In addition, inflation is one of the key factors in the local growth formula under TABOR and as the nation and Colorado experience uncertain economic times, this could play a large role in the volatility of the local growth formula for future budget years.

Financial Projections

For the 2008 budget, the Executive Budget Committee had some concern regarding the amount of fund balance in a number of funds. During this year's budget development the discussion surrounding the amount of fund balance was different than in prior budget years. The Executive Budget Committee for 2008 studied ways to use the accumulated fund balance in productive ways such as supplementing capital funding and moving forward on important one-time needs while at the same time preserving some amount of fund balance for unexpected drops in revenue or increases in expenditures.

The first step in finding one-time uses for fund balance was to balance current projected revenues to the current operating budget. In an attempt to accomplish this, the Executive Budget Committee requested that departments and offices submit efficient, streamlined budgets and continued detailed reviews of budget package submissions. Following the presentation of the unbalanced General Fund in the 2008 Recommended Budget, the Executive Budget Committee and BOCC directed staff to go back and make modifications to balance the operating budget. While this process was taking place, financial projections were showing revenues at or slightly above the budget and expenditure projections showing more savings than projections at the time of budget adoption. These projections allowed the budget to include some additional revenue to lessen the reductions necessary to balance the General Fund operating budget.

Table I provides the forecast for the General Fund that is similar to the one used in the development of the 2008 budget but has been updated for preliminary year-end estimates that were not available prior to

adoption. The estimated 2007 revenues and expenditures have changed as the last quarter of the year came to a close and the ending fund balance is expected to be much more positive than originally planned as expenditure projections are reduced from earlier estimates. The last few budget years, the County's departments and elected offices have responded to BOCC and Executive Budget Committee guidance to find ways to be more efficient and tighten spending resulting in greater year-end expenditure surpluses. On the revenue side, the decreased expenditures should mitigate the potential volatility in several of the larger revenues due to an uncertain economy. It should be noted that in early 2008 about \$1.8 million in ongoing projects will likely be reappropriated from the fund balance and added to the 2008 General Fund budget. This will reduce the amount of unappropriated fund balance.

Table I
General Fund Projections

| (Dollars in Millions) | Actual | Actual | Amended | Estimate | Adopted | Forecast | | | |
|--|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|
| | 2005 | 2006 | 2007 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Total Sources | \$ 139.9 | \$ 152.1 | \$ 154.0 | \$ 160.2 | \$ 150.1 | \$ 159.2 | \$ 166.6 | \$ 174.0 | \$ 181.6 |
| Uses | | | | | | | | | |
| Salaries | 62.4 | 67.5 | 72.3 | 69.5 | 72.9 | 77.1 | 80.7 | 84.0 | 87.9 |
| Employee Benefits | 14.3 | 15.5 | 17.8 | 16.6 | 19.3 | 21.0 | 22.9 | 25.0 | 27.5 |
| Supplies | 6.4 | 6.6 | 6.8 | 6.7 | 7.6 | 7.6 | 7.6 | 7.6 | 7.6 |
| Services & Other | 35.9 | 36.3 | 39.5 | 36.4 | 39.6 | 40.3 | 40.8 | 41.4 | 41.8 |
| Community Programs | 0.9 | 0.9 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 |
| Capital Outlay | - | 0.0 | 0.1 | 0.0 | 0.0 | - | - | - | - |
| Central Services | 2.7 | 2.5 | 3.2 | 2.8 | 3.7 | 3.8 | 4.0 | 4.2 | 4.3 |
| Transfers Out | 9.7 | 11.5 | 12.3 | 12.3 | 25.8 | 9.5 | 9.5 | 9.5 | 9.5 |
| Other Uses/Miscellaneous | - | - | - | - | - | - | - | - | - |
| Total Uses | 132.3 | 140.7 | 152.4 | 144.8 | 169.2 | 159.7 | 165.9 | 172.1 | 179.1 |
| Net of Sources/Uses | 7.5 | 11.5 | 1.6 | 15.4 | (19.1) | (0.4) | 0.7 | 1.9 | 2.5 |
| Adjustments to Sources | - | - | - | - | - | - | - | - | - |
| Adjustments to Uses | | | | | | | | | |
| Budget Packages/Supplementals | - | - | - | - | - | 2.9 | 2.9 | 2.9 | 2.9 |
| Reappropriations | - | - | - | - | 1.8 | - | - | - | - |
| Additional Policy Res Transfer | - | - | - | - | - | 1.0 | 0.7 | 0.7 | 0.8 |
| TABOR Refund | - | - | - | - | - | - | - | - | - |
| Other Adjustments | - | - | - | - | - | - | - | - | - |
| Total Adjustments to Uses | - | - | - | - | 1.8 | 3.9 | 3.6 | 3.6 | 3.7 |
| Total Net Sources/Uses | 7.5 | 11.5 | 1.6 | 15.4 | (20.9) | (4.3) | (2.9) | (1.7) | (1.2) |
| Cumulative Balance | | | | | | | | | |
| Beginning Funds Available | 10.8 | 10.8 | 34.7 | 34.7 | 50.2 | 29.3 | 24.9 | 22.0 | 20.3 |
| Change in Fund Balance | 7.5 | 11.5 | 1.6 | 15.4 | (20.9) | (4.3) | (2.9) | (1.7) | (1.2) |
| Ending Funds Available | 18.3 | 22.2 | 36.3 | 50.2 | 29.3 | 24.9 | 22.0 | 20.3 | 19.1 |
| Reservations/Designations | - | 12.5 | (33.5) | (33.5) | (18.7) | (17.3) | (16.1) | (15.6) | (14.4) |
| Funds Available for Appropriation | 18.3 | 34.7 | 2.8 | 16.7 | 10.5 | 7.6 | 5.9 | 4.7 | 4.7 |

Significant Issues Addressed in the 2008 Budget

Following are a few of the significant issues addressed in the development of the 2008 budget. Each issue is described and the associated major new items incorporated in this budget to address those issues are also identified.

Significant Issues Addressed in the 2008 Budget

Balancing the General Fund Operating Budget
Use of Fund Balance for One-Time Needs
Making Progress on the Judicial/Detention Needs
Continue to Allocate Additional Funds for Capital Projects
Changes to the Services Provided to the City of Centennial

Recommendation of the Executive Budget Committee

The Executive Budget Committee (EBC) reviewed budget submissions and met with all of the elected offices and departments to discuss budget issues and budget package requests. The EBC used the budget development memo to guide their review process and to develop the recommended budget. The EBC presented the recommended budget to the Board of County Commissioners on October 9, 2007. In preparing and presenting the recommended budget, the Executive Budget Committee focused its efforts on addressing four major areas while reviewing budget requests. These priorities are listed below:

- Maintaining a structurally balanced General Fund operating budget,
- Strategic utilization of accumulated fund balances,
- Budgeting for progress on future judicial and detention needs, and
- Continuing to allocate fund balance to one-time capital needs.

Several of these priorities build on recommendations made and accepted during the 2007 budget process while others focus on meeting current and future needs. These major priorities and their impact on the 2008 budget are discussed in more detail below.

Maintaining a Structurally Balanced General Fund Budget

In prior years, the County has adopted a budget that relied on the use of fund balance to balance revenues to expenditures in the General Fund. By year-end, the County has routinely ended with more actual revenues than expenditures, resulting in an increasing fund balance. As in 2007, the Executive Budget Committee recommended for 2008 that the budget balance General Fund operating expenses to revenues without the use of fund balance.

Colorado budget law defines a balanced budget as one where expenditures do not exceed available revenues and fund balance. While it is permissible under Colorado statutes to balance the budget using fund balance, the Executive Budget Committee and the Board of County Commissioners see the need to balance expenditures against current revenues to ensure that available fund balance would be used for one-time items such as capital projects and not to fund the operating budget. In the last 12 years, the County has only budgeted expenditures equal to current revenues three times, including the 2008 adopted budget.

To enable the County to meet its goal of balancing operating expenditures to revenues, the 2008 budget process continued the baseline budget process to limit growth in current operating expenses. The process also continued the Executive Budget Committee detailed review of budget packages with the aim of only approving those that are necessary and that could be accommodated in the current revenue projections. The baseline budget was set for 2008 at the 2007 approved baseline plus any ongoing amounts from adopted 2007 budget packages. Therefore, no widespread inflationary adjustments were made outside of budget package requests and budget packages requests were heavily scrutinized.

The Recommended Budget that was presented to the Board of County Commissioners did not contain a

General Fund budget with current expenditures balanced against revenues. The Executive Budget Committee was straightforward in its presentation and stated that more work needed to be done to eliminate the \$2.4 million deficit. In October and November, the Executive Budget Committee and the Finance Department worked with departments and elected offices to reduce expenses, find additional revenues, or eliminate or modify budget package requests. By the time of adoption, the budget was balanced utilizing \$690,000 in new revenues, \$1.1 million in reductions to baseline budgets and budget packages, and the correction of \$700,900 in one-time expenses that were categorized as operating expenses.

Strategic Utilization of Accumulated Fund Balance

During the 2007 budget year and concurrent to the development of the 2008 budget, the Executive Budget Committee realized that the amount of fund balance in the General Fund and other funds had been increasing over the past few years. The increased amount of fund balance was accumulated through a number of factors including increased revenue growth, tightening of expenditure growth, several one-time revenues, and unspent expenditure budget not reappropriated in the subsequent year. Considering the actions needed to balance the General Fund operating budget and understanding the capital needs of the County, the Executive Budget Committee recommended utilizing this accumulated fund balance strategically for specific one-time purposes.

The Board of County Commissioners accepted this recommendation and over \$19 million in General Fund balance was budgeted for one-time capital needs along with \$14.4 million in set-asides for several other significant projects and issues such as remediation and expansion of the County's detention facility and reserving funds for unexpected drops in revenue due to an uncertain economy or unforeseen large expenditures. The projected ending fund balance for 2007 is \$50.2 million. Following the recommendations accepted by the BOCC for current and future one-time expenditures, the remaining unreserved/undesignated fund balance for the General Fund would be \$12.3 million. More details regarding the utilization of the accumulated fund balance can be found in the issues that follow and in the detail of the capital improvement program.

Budgeting for Progress on Future Judicial/Detention Needs

The 18th Judicial District, which serves Arapahoe County, will be receiving additional judges and judicial personnel during 2008. The current facilities provided by the County are almost at their maximum capacity and the addition of the new judges and personnel during 2008 will need to be accommodated. The need to expand the existing courtroom space and the space needed to support those courtrooms was an important consideration in the 2008 budget development process. A committee composed of members from county and municipal government within the 18th Judicial District and representatives from the judicial system met numerous times and provided the Board of County Commissioners recommendations on what was needed for the judicial facilities as well as the potential impact to the detention facility.

The Board of County Commissioners and the Executive Budget Committee carefully considered this input along with other information in formulating a budget that would promote progress towards addressing these judicial and detention needs. Most of the capital improvements needed for the judicial facilities are needed during 2008 and received most of the funding but operating costs along with detention facility needs were also included. To supplement an initial budget of \$1.5 million in 2007, the 2008 budget includes a further \$12.3 million for remodeling, reconfiguring, and expansion of existing courtroom and courthouse space. This funding should result in enough additional space to accommodate the new judges and staff arriving during 2008. Concurrent to new judges, the District Attorney's Office will add two new Deputy District Attorneys, one County Court Deputy District Attorney, and related support staff beginning mid-year for about \$140,000. The Sheriff's Office will also be adding 4 additional Court Services deputies to serve the new courtrooms while the Judicial Services Division of Community Resources will be adding two Judicial Services Officers.

The County's detention facility is also currently near its capacity. The current facility was constructed in the late 1980's and was expanded in 2000. With the addition of new courtrooms and the overall growth of the County, it is anticipated that the detention facility may need to be expanded. To address the current detention population, the 2008 budget includes the addition of 25 new Sheriff's Office deputies for the detention facility at a cost of \$1.3 million. In addition, the budget also sets aside \$3.85 million and \$4.5 million in the General Fund balance for addressing current maintenance needs and planning for potential capital needs for the detention facility, respectively.

Continuing to Allocate Fund Balance to One-Time Capital Needs

In 2007, the BOCC and the Executive Budget Committee agreed that more funding was needed for capital needs. While the County has spent considerable amounts of funds on new facilities since 2000 and will continue to through debt service payments well into the future, there are still other capital needs that have been deferred until funding was available or that have arisen in recent years. The Capital Expenditure Fund is the primary fund for capital projects in the County. Compared to other funds, the Capital Expenditure Fund receives a relatively modest amount of revenue from property and specific ownership tax, approximately \$4.6 million. Recognizing the limited amount of revenues for operating and capital needs, the Executive Budget Committee and the BOCC continued the 2007 recommendation in 2008 through allocating excess fund balance to supplement current capital funding.

For 2008, the Executive Budget Committee evaluated the request for funding coming from elected offices, departments, and the County's Capital Improvement Program (CIP) Committee and recommended increasing the amount of funding available for capital projects. To achieve this increased funding, the Executive Budget Committee recommended transferring \$2.5 million in General Fund balance to the Capital Expenditure Fund as part of the \$19.1 million one-time use of General Fund balance discussed earlier. The result enabled the County to fund additional capital needs without any significant impact to the operating budget. The additional \$2.5 million will be used to increase the amount of funding for transportation infrastructure projects from \$4.0 million to \$5.0 million and to complete additional capital projects such as the upgrades for the elevators in the District Court, upgrade the microwave radio units, and replace the central control and kitchen equipment in the detention facility. The Committee recommended to the BOCC to continue the practice of finding excess fund balance in future years to supplement capital funding and address needs.

City of Centennial Intergovernmental Agreement

The intergovernmental agreement (IGA) with the City of Centennial was a significant issue in developing the 2008 budget. The City of Centennial was formed on February 8, 2001 and the County has provided services to the City under an intergovernmental agreement (IGA) since then. As part of that service provision, the County provided limited municipal services, including: Law Enforcement, Public Works (Road and Bridge, Engineering Inspections, GIS, Traffic Engineering, and Capital Improvement planning), and Animal Control and Mosquito Control. In return for providing these services, the County received revenues from the City, including payment for indirect costs (administrative overhead). During 2007, the City of Centennial and the County agreed to terminate the public works portion of the contract effective July 1, 2008. The law enforcement portion of the contract was extended through 2018 in a new 10-year agreement.

The reduction in revenues and expenditures related to the transition of the public works services became a significant issue in finalizing and balancing the 2008 budget. For 2007, the total revenue received from the IGA with the City of Centennial was \$26.0 million while the 2008 total revenues will decrease to \$22.4 million. The following table (Table II) illustrates the expected revenues associated with providing municipal services to the City of Centennial, excluding other non-IGA services provided to the City. The \$4.0 million reduction in revenue for 2008 reflects the difference between a full-year of public works services versus providing services only through the end of June 2008. As many of the road rehabilitation and maintenance

projects do not occur until the summer months it is not a simple 50% reduction but actually greater than 50%. The transition away from providing public works services will result in a reduction of 28.0 FTE in Public Works & Development and 3.0 FTE in Facilities & Fleet Management. The 2008 budget was adopted with much of the budgetary impact of these reductions included in these departments' budgets, however, the positions will not be reduced until after July 1, 2008. There are also some direct and indirect costs that were reimbursed through the IGA revenues that were not able to be completely reduced as the amounts were not significant or portions of the positions or equipment are still needed by the County for County services. The 2009 budget will reflect the full impact of the transition of public works services from the County to the City of Centennial and will require further reductions in budget as the result of further reductions in revenue.

Table II

| 2008 Centennial Contract Revenues | | |
|--|----------------------|----------------------|
| Service | 2007 | 2008 |
| Public Works - Operations | \$ 1,746,244 | \$ 682,571 |
| Public Works - Road & Bridge | 4,549,704 | 1,912,025 |
| Law Enforcement | 19,246,010 | 19,568,360 |
| Animal/Mosquito Control | 501,424 | 233,157 |
| Total Centennial Contract | \$ 26,043,382 | \$ 22,396,113 |

Other Significant Current and Future Budget Issues

In addition to the issues that have impacted the 2008 budget mentioned above, there were other considerations that were factored into the 2008 budget and planning for future budgets.

County Growth, the Economy, and Revenue Trends

Although population growth in Arapahoe County has slowed since 2001, the County continues to grow. The bulk of this growth continues to occur in the portion of the County that is located along the eastern and southeastern edge of the Denver-metropolitan area. In addition, other development is occurring around transportation hubs such as light rail and in redevelopment areas as older malls and shopping centers are replaced with newer outdoor mixed-use developments. As Arapahoe County continues to grow, so does the desire for County services. Arapahoe County has been able to maintain a very low FTE/population ratio with relatively few staffing increases in the last several budget years. For 2008, the County is increasing staffing in a number of areas related to the growth of the 18th Judicial District and the population in the detention facility.

The economic climate of the metro-area and specifically Arapahoe County also plays a large role in projecting future revenue and expenditures. As discussed earlier, the Colorado economy is fairing well compared to the nation but a downturn in the economy could have negative impacts on both revenue and expenditure growth. The rate of inflation and appreciation in home values impacts the County significantly through property tax revenue growth and limitations on that growth such as TABOR and the Gallagher Amendment. Lower inflation, lower growth in construction, and further reductions in the residential assessment rate would translate into much slower growth in property tax revenue.

The important consideration regarding the economy's impact on County revenues is that it is relatively difficult to predict and as economic indicators change the trends in revenues and expenditures may deviate from current projections. Deviations from projections may require the County to revise the budget and possibly change the programs, services, and capital projects currently budgeted or planned for future years.

Transportation

The transportation infrastructure requirements of the County continue to increase due to aging and growth. The Public Works and Development Department continues to be responsible for the maintenance of those roads and streets within the unincorporated portion of the County and often participates on road projects with other counties and municipalities. An example of this cooperation is the reconstruction of Arapahoe Road and Parker Road interchange that has been in progress for several years and involves several other governmental entities. The capital improvement budget for 2008 includes \$5.0 million for County transportation projects. This represents only new funding for transportation infrastructure. Approximately \$14.0 to \$16.0 million in prior year funding or funding external to the County will supplement this \$5.0 million in early 2008 to complete a wide range of infrastructure projects. Table III below lists the projects budgeted with the \$5.0 million in County funding for 2008.

Table III

| Transportation/Infrastructure Program | |
|--|---------------------|
| Project | 2008 |
| Yale Avenue Bridge over Cherry Creek | \$ 1,854,000 |
| Arapahoe & Parker Road Phase I | 1,496,000 |
| Smoky Hill Road - Versailles - E-470 | 500,000 |
| Picadilly Road at Eaglecrest | 350,000 |
| Brick Center Road - Alameda - Quincy Roads | 450,000 |
| Update County Transportation Plan | 350,000 |
| Total Transportation Program | \$ 5,000,000 |

Open Space Sales/Use Tax

It has been over 4 years since the voters in Arapahoe County approved a new countywide sales tax to preserve open space. The 0.25% sales and use tax will cover the cost of acquiring open space land within the County. This program serves both urban and rural needs by conserving the County's natural resources, important wildlife habitats, cultural heritage areas, and development of a connected system of open space, parks, and trails. The resolution that established the open space sales and use tax stipulated that 50% of the revenue be shared with cities and towns within Arapahoe County for their own open space programs along with an allocation for open space grants. In addition, specific allocations for administration, maintenance, heritage areas, and open space acquisition were also established.

For 2008, \$18.5 million is projected to be collected and therefore, budgeted expenditure amounts available for all areas of the Open Space program have increased since the program's inception. Through the diligent work of County staff, compliance and collection of sales and use tax has increased to the extent that the budget was revised upward in prior budget years. Collections for 2007 are expected to exceed the budget as well. In 2007, nearly \$2.0 million was spent on acquiring open space with several other projects in progress, \$10.4 million in revenue was shared with municipalities, and over \$2.0 million was given out to other entities as open space grants. All unexpended revenues for prior years will be carried forward and added to the 2008 budget. For 2008 and beyond, the Open Space Division will continue its work in researching, acquiring, and developing open space in Arapahoe County.

Budget Overview

Baseline Budget

When the 2008 budget was being developed, each department was given a baseline budget to fund the current level of programs and services. This baseline is the starting point for the budget and was equal to the baseline from the prior year budget process plus any ongoing expenses approved in prior year budget packages, except for the following adjustments made to provide for the 2008 base amount of employees:

- Costs for employee salaries and benefits have been fully funded for all budgeted positions
- A rate of 3.5% has been used to project average increases for employee merit raises except for uniformed law enforcement personnel who are budgeted at a 2.5% increase for 2008 based on the new pay structure
- The County’s share of employee health insurance has been increased in the 2008 baseline budget to reflect increases in rates

Departments and elected offices then had the opportunity to request changes to the current level of programs and services for 2008 through budget packages. These changes were evaluated and reviewed by the Executive Budget Committee and those that were approved were then built into the adopted budget. Those changes that are of a temporary nature do not change future baseline levels, while those that are ongoing will be built into future baselines.

The County’s total budget for 2008 totals \$369.2 million for all funds. This compares with an amended budget of \$429.9 million for all funds for 2007. Table IV below summarizes the appropriations for the major funds of the County.

Of the amount budgeted in 2008, \$32.1 million is for interfund transfers mainly to move budgeted fund balance to the Capital Expenditure Fund. Departmental appropriations for the General Fund are found in Attachment B. Attachment D includes the listing of appropriations for all funds.

The budget is balanced for the General Fund and all other funds. Planned drawdowns of fund balance are generally for one-time expenditures, primarily for capital projects, but in some cases are used to balance the 2008 budget for funds other than the General Fund, where appropriate. Many budget increases for programs in 2008 are to cover increasing costs for current service levels or increase staffing for current services but there are budget packages that introduce new equipment, technology, or services.

Table IV
Total Expenditure Budget

| Fund | (\$ Millions) | | | | |
|-------------------------------------|-----------------|-----------------|---------------------------|------------------|---------------------------|
| | 2005 Actual | 2006 Actual | 2007 Amended Budget | 2007 Estimate | 2008 Adopted Budget |
| General Fund | \$ 132.3 | \$ 140.7 | \$ 152.4 | \$ 144.8 | \$ 169.2 |
| Road and Bridge Fund | 14.8 | 16.3 | 19.7 | 16.9 | 15.9 |
| Social Services Fund | 35.1 | 34.8 | 47.7 | 44.2 | 43.0 |
| Capital Expenditure Fund | 4.4 | 9.0 | 15.5 | 7.3 | 22.7 |
| Other Funds | 60.9 | 74.6 | 129.5 | 75.0 | 75.4 |
| Total County | \$ 247.6 | \$ 275.2 | \$ 364.8 | 288.3 | \$ 326.3 |
| Arapahoe County Recreation District | \$ 1.5 | \$ 1.6 | \$ 4.0 | \$ 4.5 | \$ 1.1 |
| Arapahoe Law Enforcement Auth. | 4.8 | 4.8 | 5.7 | 5.1 | 6.2 |
| Arapahoe Water & Wastewater PID | 11.3 | 20.2 | 49.0 | 23.9 | 29.2 |
| Arapahoe County Bldg. Finance Corp. | 7.4 | 58.7 | 6.5 | 6.5 | 6.5 |
| Total All Funds | \$ 272.6 | \$ 360.6 | \$ 429.9 | \$ 328.2 | \$ 369.2 |

Reserves

County policy requires the Board of County Commissioners to make various designations of fund balance annually. These designations are held to provide working capital for the County, and have been included in the budget. The 2008 budget provides for a reserve calculated as 11% of the original adopted budgeted expenditures of the General Fund, excluding large one-time transfers. This amount includes the 3% TABOR reserve for Arapahoe County and is held in the Board Designated Fund. Reserves for the Road & Bridge Fund, Social Services Fund, Arapahoe Law Enforcement Authority Fund, and the Arapahoe County Recreation District have also been held per County policy and/or State law within the respective funds. More regarding this reserve policy can be found in Attachment G to this Budget Message.

The General Fund

General Fund Revenues

Overall, the revenues for the General Fund are expected to increase by 2.1% in 2008 from the 2007 original adopted budget of \$147.1 million to \$150.1 million. Chart I illustrates the distribution of revenue sources within the General Fund. Property taxes are expected to grow by \$4.7 million in 2008 (5.8%). A detailed General Fund revenue forecast is included in Attachment A.

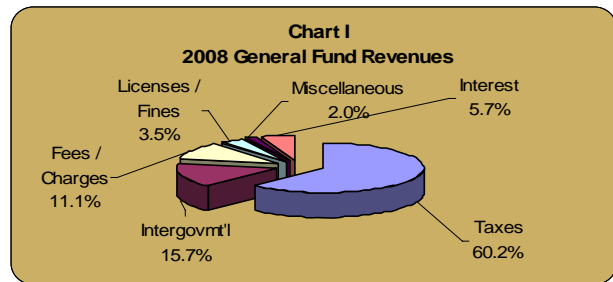


Table V below illustrates the budgeted growth in some key General Fund revenue categories for 2008 from the 2007 budgeted level.

Table V
Projected Percentage Growth in Selected General Fund Revenues

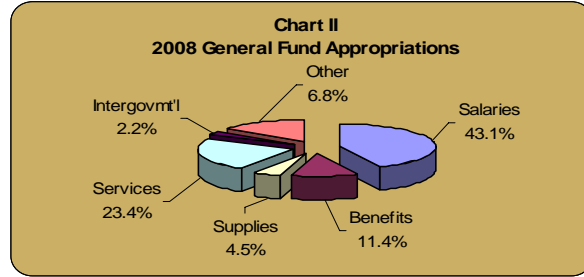
| Revenue Category | 2008 Adopted |
|-------------------------------------|-----------------|
| Taxes | 5.3% |
| Licenses & Permits | 16.0% |
| Intergovernmental/Grants | -12.9% |
| Charges for Service | -2.2% |
| Fines & Forfeits | 38.6% |
| Investment Earnings & Contributions | 41.7% |
| Interfund Revenue | -15.4% |
| Transfers In | -100.0% |
| Other Financing Sources/Misc. | -11.1% |
| Total General Fund | 2.1% |

General Fund Appropriations

General Fund appropriations for 2007 total \$169.2 million. The 2008 amount represents an increase of \$22.2 million (15.1%) above the initially adopted 2007 budget of \$147.0 million. Chart II illustrates the distribution of funding within the General Fund. A large portion of the increase in 2008 is due to increases in one-time transfers or uses of fund balance for capital expenditures such as judicial facility

projects and addressing County space needs. These transfers total over \$19 million for 2008.

Detailed General Fund revenue and appropriation information can be found in Attachments A and B, respectively. A staffing summary is provided in Attachment E. A table showing all sources and uses amounts in the General Fund can be found in Attachment C.



Staffing Changes

The total staffing increase for 2008 for the County is 44.75 full-time equivalent (FTE) positions. A majority of these staffing changes are for positions located within the General Fund. Table VI below provides a listing of staffing changes to the 2008 budget.

Table VI
Staffing Changes

| Department | Description | 2008 | |
|--|---------------------------------|--------------|---------------------|
| | | FTE | Amount |
| General Fund: | | | |
| Administrative Services | Reduce Internal Auditor | (1.00) | \$ (94,151) |
| Clerk & Recorder's Office | Elections Specialist I | 1.00 | 51,529 |
| Clerk & Recorder's Office | Motor Vehicle | 1.00 | 54,232 |
| Community Resources | County Veterans Service Officer | 0.50 | 35,295 |
| Community Resources | Judicial Services Officers | 2.00 | 125,306 |
| Facilities and Fleet Management | Detention Crew Leader | 0.50 | 29,275 |
| Public Works & Development | Reduce Senior Planner | (1.00) | (82,223) |
| Public Works & Development | Reduce Inspector/Sr. Clerk | (2.00) | (124,313) |
| Sheriff's Office | Evidence Custodian | 1.00 | 63,173 |
| Sheriff's Office | Detention Deputy Sheriffs | 25.00 | 1,285,063 |
| Sheriff's Office | Registered Nurse | 1.00 | 82,703 |
| Sheriff's Office | Detention Deputy Sheriffs-Court | 4.00 | 161,790 |
| Sheriff's Office | Victim Assistance Counselor | 1.00 | 70,317 |
| Sheriff's Office | Secretary | 1.00 | 54,232 |
| Treasurer's Office | Business Associate IV | 1.00 | 70,647 |
| Total General Fund | | 35.00 | \$ 1,782,875 |
| Social Services Fund: | | | |
| Human Services | Caseworker, Prog. Specs., Supv. | 5.25 | \$ 388,895 |
| Human Services | Social Caseworkers | 3.00 | 162,696 |
| Total Social Services Fund | | 8.25 | \$ 551,591 |
| Road & Bridge Fund | | | |
| Public Works & Development | Detention Crew Leader | 0.50 | \$ 29,275 |
| Total Road & Bridge Fund | | 0.50 | \$ 29,275 |
| Sheriff's Commissary Fund | | | |
| Sheriff's Office | ADMIT Program -Sr Deputy | 1.00 | \$ 81,616 |
| Total Sheriff's Commissary Fund | | 1.00 | \$ 81,616 |
| All Funds Total | | 44.75 | \$ 2,334,466 |

The largest increase in staff is the increase of 34.0 positions in the Sheriff's Office. These positions have been added mainly in the area of detentions and court services as courtroom space and detention workload

increases. Another large area of staffing increase for 2008 is in the Human Services Department where 5.25 social caseworker FTEs will be added to the Children, Youth, and Family Services program area and a further 3.00 social caseworker FTEs will be added to assist in the Community Support Services call center. Detailed staffing information by fund is also included in Attachment E to this budget message and in the Staffing section later in this document.

Capital Improvement Program

The Capital Improvement Program (CIP) provides funding for projects of \$22.7 million that helps the County provide for its facility, infrastructure, and major technology needs. A staff committee is formed each year to develop a recommended CIP plan to the Executive Budget Committee and the Board of County Commissioners. The committee included Bob Roby, Bryan Weimer, Charlie Robinson, Julie Rich, Todd Weaver, and was chaired by Shannon Carter, Special Assistant to the BOCC along with other representatives such as Janet Kennedy, Anne Cecilione and Dave Schmit. This capital plan continues the funding of programs for:

- Street Construction, Overlay, and Reconstruction
- Construction of Facilities
- Major Maintenance of Facilities
- Technology Advances

A summary schedule of the five-year Capital Improvement Program is included in the Capital Improvement Program section of this document. Capital investments for new facilities made in prior years but that are budgeted as debt service payments can be found in the Debt Summary section of this document. A listing of the projects funded by the 2008 budget is provided in Table VII below.

Table VII
Capital Improvement Program

| Project | 2008 |
|--|----------------------|
| Judicial Facility Short-Term Projects | \$ 12,300,000 |
| County Administrative Space Needs Project | 3,000,000 |
| Detention Center Roof Replacement | 700,000 |
| Elevator Upgrades for District Court | 450,000 |
| Upgrade Radio Microwave Units | 352,450 |
| Wet Seal Windows Altura Plaza | 200,000 |
| Detention Kitchen Equipment | 163,827 |
| Detention Center Control Equipment Replacement | 137,800 |
| Sheriff/Coroner Main Entrance Repair | 90,000 |
| Stainless Steel Showers - Detention Facility | 72,000 |
| Courtroom Upgrades | 70,000 |
| PeopleSoft E-Performance | 70,000 |
| Audio Visual Equipment Replacement | 50,000 |
| Transfer for Infrastructure Project Funding | 5,000,000 |
| Total Capital Improvement Program | \$ 22,656,077 |

Arapahoe Law Enforcement Authority

The Arapahoe Law Enforcement Authority (ALEA) is a special district governed by the Board of County Commissioners. The County Sheriff is the Chief Operating Officer. The ALEA provides law enforcement services only to the unincorporated area of the County. Taxpayers in the unincorporated area of the County

pay property taxes based on a levy of 4.982 mills. The area and the tax base of the Arapahoe Law Enforcement Authority were reduced when the City of Centennial was incorporated in 2001, and ALEA property tax revenue decreased from \$9.5 million to \$4.5 million in 2002. Property tax revenue was certified at \$5.1 million in 2008. The County Sheriff continues to provide law enforcement services to the area within Centennial, but the City pays the County for these services that are located in the General Fund. There are currently 52.0 full time equivalent positions assigned to the ALEA by the County Sheriff.

Arapahoe County Recreation District

The Arapahoe County Recreation District (ACRD) is located in the Southeast part of the urbanized area of Arapahoe County, and provides certain recreation services to citizens in the district. The 2008 budget provides for the operation of the Arapahoe County Community Park, the Cheyenne Arapaho Park, Welch Park, and various trails in the ACRD. The ACRD is also developing the 17-Mile House Property as a historical site and recently purchased additional land for the expansion of the Arapahoe County Community Park. The budget provides for a transfer of \$333,400 to the Arapahoe County Building Finance Corporation to pay for the lease on the Certificates of Participation, which financed the construction of the Arapahoe County Community Park and for the debt on the purchase of additional land to expand the Community Park. Only the property owners in this district pay the property tax used by this district.

Arapahoe County Water and Wastewater Public Improvement District

The Arapahoe County Water and Wastewater Public Improvement District (ACWWPID) was formed in 2001 to construct various water, sewer, and stormwater facilities and to refinance the debt of the Arapahoe Water & Sanitation District. A 2001 election within the district authorized the issuance of \$165.0 million in General Obligation bonds and \$63.9 million of these bonds were issued in 2002 with a further \$26.3 million in debt was issued in 2005 for the expansion of capacity at the wastewater treatment plant and several other water and wastewater projects. In 2006, the Public Improvement District issued \$16.0 million in additional debt for the construction of a water treatment plant. The 2008 budget provides for the continuing construction of projects financed by these debt issues, and for the payment of the scheduled debt service. Only the property owners in this district pay the property tax used by this District.

Arapahoe County Building Finance Corporation

The Arapahoe County Building Finance Corporation (ACBFC) owns the CentrePoint Plaza Building, the Sheriff/Coroner Headquarters Building, the Arapahoe County Justice Center, and the Arapahoe County Community Park. The ACBFC leases these facilities to the County pursuant to the terms of Certificates of Participation issued by the Corporation. When these leases have been fully paid, the County will own the facilities. For further information about these Certificates of Participation please see the Debt Service Summary Section and Appendix 5.

Acknowledgments

I want to especially express my appreciation for the leadership of the Board of County Commissioners in developing progressive goals and a visionary policy framework within which these budget plans and recommendations could be formulated. Difficult decisions were necessary to balance the budget and to plan for the future, and the Board has been willing to address the issues and give the appropriate direction.

Special recognition and gratitude is extended to Susan Beckman, County Commissioner, Rod Bockenfeld, County Commissioner, Nancy Doty, County Clerk and Recorder, and Shannon Carter, Special Assistant to the Board of County Commissioners for their participation on the Executive Budget Committee. They spent many hours in meetings reviewing all budget submissions and packages and did an excellent job in prioritizing expenditures within the County's available resources. Their recommendation is invaluable in balancing the budget.

I would like to thank the Elected Officials (County Assessor, County Treasurer, County Clerk and Recorder, Sheriff, County Coroner, District Attorney), and the Department Directors for their cooperative team-approach in providing valuable assistance in the development of this budget. The process has been instrumental in developing a budget that provides funding for necessary services.

The Citizens' Budget Committee is to be commended and thanked for their valuable efforts in reviewing the proposed County budget and making beneficial recommendations. The thoughtful input from the Citizen Budget Committee can be found in Attachment H to this budget message. I appreciate its independent review and participation in this process.

I wish to thank Todd Weaver, Budget Manager, Sue Wieland, Senior Budget Analyst, Gail Thrasher, Budget Analyst II, Sarah Mills, Budget Analyst II, Lisa Stairs, Budget Analyst I, and Mary Lokatys, Office Manager, and all department budget representatives for their many diligent hours devoted to the development of the budget and this document.

tow/JJK

ATTACHMENTS

| | |
|-------------------|----------------------------------|
| Attachment A..... | General Fund Revenue Projections |
| Attachment B..... | General Fund Appropriations |
| Attachment C..... | General Fund Summary |
| Attachment D..... | Total Fund Appropriation |
| Attachment E..... | Staffing Summary |
| Attachment F..... | Budget-in-Brief |
| Attachment G..... | Budget & Accounting Policies |
| Attachment H..... | Citizen Budget Committee Input |

Attachment A

| General Fund Revenue Projections | | | | | |
|---|-----------------------|-----------------------|---------------------------|-----------------------|---------------------------|
| Revenue Source | 2005 Actual | 2006 Actual | 2007 Amended Budget | 2007 Estimate | 2008 Adopted Budget |
| <u>SOURCES OF FUNDS:</u> | | | | | |
| <u>Taxes</u> | | | | | |
| Property Taxes | \$ 76,341,000 | \$ 79,169,489 | \$ 81,310,540 | \$ 81,310,540 | \$ 86,007,306 |
| Specific Ownership Taxes | 6,806,320 | 6,939,491 | 7,100,000 | 7,168,587 | 7,100,000 |
| Other Taxes | (203,134) | (206,985) | - | (368,623) | - |
| Total Taxes | \$ 82,944,186 | \$ 85,901,995 | \$ 88,410,540 | \$ 88,110,504 | \$ 93,107,306 |
| <u>Licenses & Permits</u> | | | | | |
| Building Permits | \$ 1,545,233 | \$ 1,206,260 | \$ 1,600,000 | \$ 1,257,000 | \$ 1,300,000 |
| Motor Vehicle License Fee | 956,686 | 1,030,228 | 980,000 | 1,305,416 | 1,925,000 |
| Other Licenses & Permits | 1,358,355 | 1,586,963 | 1,421,300 | 1,697,111 | 1,416,500 |
| Total Licenses & Permits | \$ 3,860,274 | \$ 3,823,451 | \$ 4,001,300 | \$ 4,259,527 | \$ 4,641,500 |
| <u>Intergovernmental & Grant Revenue</u> | | | | | |
| Cost Allocation | \$ 2,394,572 | \$ 2,559,943 | \$ 1,800,000 | \$ 1,911,982 | \$ 1,800,000 |
| Revenue from Centennial IGA | 22,660,154 | 23,983,401 | 23,997,196 | 23,939,044 | 20,485,531 |
| Other Intergovernmental & Grant Revenue | 2,334,776 | 1,742,639 | 1,897,852 | 2,381,874 | 1,346,500 |
| Total Intergovernmental & Grants | \$ 27,389,502 | \$ 28,285,983 | \$ 27,695,048 | \$ 28,232,900 | \$ 23,632,031 |
| <u>Fees & Charges</u> | | | | | |
| Land Recording Fees | \$ 4,809,979 | \$ 3,971,632 | \$ 3,900,000 | \$ 3,349,826 | \$ 3,500,000 |
| Tax Collection Fees | 4,445,370 | 4,595,505 | 4,703,950 | 4,958,336 | 5,300,000 |
| Other Fees & Charges | 9,067,102 | 9,726,554 | 8,256,297 | 9,005,305 | 7,901,220 |
| Total Fees & Charges | \$ 18,322,451 | \$ 18,293,691 | \$ 16,860,247 | \$ 17,313,467 | \$ 16,701,220 |
| <u>Other Sources</u> | | | | | |
| Fines & Penalties | \$ 452,055 | \$ 466,238 | \$ 431,700 | \$ 481,190 | \$ 598,420 |
| Earnings on Investments | 3,921,554 | 7,674,794 | 6,006,100 | 10,006,088 | 8,501,700 |
| Internal Charges | 2,282,880 | 2,659,185 | 2,983,557 | 3,358,725 | 2,524,033 |
| Transfers From Other Funds | 78,388 | 660,000 | 7,115,158 | 7,115,158 | - |
| Other Miscellaneous Sources | 633,640 | 4,357,721 | 457,184 | 1,355,173 | 406,450 |
| Total Other Sources | \$ 7,368,517 | \$ 15,817,938 | \$ 16,993,699 | \$ 22,316,334 | \$ 12,030,603 |
| Total General Fund | \$ 139,884,930 | \$ 152,123,058 | \$ 153,960,834 | \$ 160,232,732 | \$ 150,112,660 |

Attachment B

| General Fund Appropriations | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Department Name | 2005 | 2006 | 2007 | 2007 | 2008 |
| | Actual | Actual | Amended | 2007 | Adopted |
| | | | Budget | Estimate | Budget |
| Administrative Services | \$ 3,543,155 | \$ 5,136,340 | \$ 4,205,130 | \$ 2,617,823 | \$ 7,324,258 |
| Aid to Agencies | 1,411,618 | 1,411,618 | 1,450,000 | 1,440,000 | 1,546,500 |
| Assessor's Office | 4,730,778 | 4,789,444 | 5,245,007 | 5,007,172 | 5,580,628 |
| Board of County Commissioners | 1,177,906 | 878,482 | 1,025,994 | 901,181 | 1,053,423 |
| BOCC Administration | - | 555,467 | 600,365 | 590,244 | 602,839 |
| Clerk & Recorder's Office | 6,793,928 | 7,977,965 | 8,303,447 | 7,732,289 | 10,359,071 |
| Communication Services | 975,008 | 1,015,956 | 1,067,312 | 1,062,535 | 1,110,693 |
| Community Resources | 1,500,383 | 1,711,702 | 2,712,729 | 2,258,532 | 3,010,674 |
| Coroner's Office | 1,146,473 | 1,270,259 | 1,413,000 | 1,343,783 | 1,461,213 |
| County Attorney | 2,423,788 | 2,671,611 | 2,350,005 | 2,235,459 | 2,389,284 |
| District Attorney | 10,721,528 | 10,569,358 | 11,649,954 | 11,534,723 | 12,101,949 |
| Facilities & Fleet Management | 11,265,542 | 10,382,207 | 10,817,223 | 10,458,910 | 7,744,663 |
| Finance | 2,061,934 | 2,033,599 | 3,008,905 | 2,737,635 | 2,713,304 |
| Human Resources | 963,221 | 1,048,654 | 1,289,854 | 1,206,697 | 1,310,869 |
| Information Technology | 10,419,025 | 10,154,973 | 11,860,464 | 11,260,049 | 11,727,768 |
| Public Works & Development | 9,006,762 | 8,902,755 | 8,908,317 | 8,525,963 | 7,920,390 |
| Sheriff's Office | 48,844,884 | 53,019,248 | 57,937,976 | 55,463,882 | 59,078,516 |
| Strategic Programs Office | 243,943 | - | - | - | - |
| Treasurer's Office | 1,557,401 | 1,625,318 | 1,911,747 | 1,869,299 | 1,983,982 |
| Tri-County Health | 3,856,053 | 4,039,638 | 4,298,045 | 4,226,431 | 4,422,416 |
| Transfer to Other Funds | 9,699,054 | 11,466,605 | 12,330,935 | 12,330,935 | 25,785,672 |
| Total General Fund Appropriations | \$ 132,342,384 | \$ 140,661,199 | \$ 152,386,409 | \$ 144,803,542 | \$ 169,228,112 |

Attachment C

| General Fund Summary | | | | | |
|---------------------------------|-----------------------|-----------------------|---------------------------|-----------------------|---------------------------|
| Description | 2005 Actual | 2006 Actual | 2007 Amended Budget | 2007 Estimate | 2008 Adopted Budget |
| <u>SOURCES OF FUNDS:</u> | | | | | |
| Property Taxes | \$ 76,341,000 | \$ 79,169,489 | \$ 81,310,540 | \$ 81,310,540 | \$ 86,007,306 |
| All Other Taxes | 6,603,186 | 6,732,506 | 7,100,000 | 6,799,964 | 7,100,000 |
| Licenses & Permits | 3,860,274 | 3,823,451 | 4,001,300 | 4,259,527 | 4,641,500 |
| Intergovt & Grant Revenue | 27,389,502 | 28,285,983 | 27,695,048 | 28,232,900 | 23,632,031 |
| Fees & Charges | 18,322,451 | 18,293,691 | 16,860,247 | 17,313,467 | 16,701,220 |
| Fines & Penalties | 452,055 | 466,238 | 431,700 | 481,190 | 598,420 |
| Earnings on Investments | 3,921,554 | 7,674,794 | 6,006,100 | 10,006,088 | 8,501,700 |
| Internal Charges | 2,282,880 | 2,659,185 | 2,983,557 | 3,358,725 | 2,524,033 |
| Transfers From Other Funds | 78,388 | 660,000 | 7,115,158 | 7,115,158 | - |
| Other Miscellaneous Sources | 633,640 | 4,357,721 | 457,184 | 1,355,173 | 406,450 |
| Fund Balance | - | - | - | - | - |
| Total Sources of Funds | \$ 139,884,930 | \$ 152,123,058 | \$ 153,960,834 | \$ 160,232,732 | \$ 150,112,660 |
| <u>USES OF FUNDS</u> | | | | | |
| Salaries & Wages | \$ 62,424,471 | \$ 67,466,880 | \$ 72,256,222 | \$ 69,532,184 | \$ 72,915,022 |
| Employee Benefits | 14,311,322 | 15,453,840 | 17,758,574 | 16,612,231 | 19,327,755 |
| Supplies | 6,399,548 | 6,568,772 | 6,770,195 | 6,741,328 | 7,574,320 |
| Service & Other | 35,857,577 | 36,257,074 | 39,544,017 | 36,366,020 | 39,554,261 |
| Community Programs | 942,528 | 864,841 | 388,308 | 393,712 | 388,308 |
| Capital Outlay | - | 34,900 | 144,101 | 43,500 | 10,250 |
| Central Services | 2,707,884 | 2,548,287 | 3,194,057 | 2,783,632 | 3,672,524 |
| Transfers to Other Funds | 9,699,054 | 11,466,605 | 12,330,935 | 12,330,935 | 25,785,672 |
| Total Uses of Funds | \$ 132,342,384 | \$ 140,661,199 | \$ 152,386,409 | \$ 144,803,542 | \$ 169,228,112 |
| Annual Net | \$ 7,542,546 | \$ 11,461,859 | \$ 1,574,425 | \$ 15,429,190 | \$ (19,115,452) |

Note: Sources of Funds includes both revenue and the use of fund balance.

Attachment D

| Total Fund Appropriation | | | | | |
|--|------------------------|------------------------|------------------------------------|--------------------------|------------------------------------|
| Fund Name | 2005 Actual | 2006 Actual | 2007 Amended Budget | 2007 Estimate | 2008 Adopted Budget |
| Non-General Fund | | | | | |
| Arapahoe County Fair Fund | \$ - | \$ 207,562 | \$ 311,706 | \$ 281,353 | \$ 225,000 |
| Arapahoe/Douglas Works! Fund | 5,774,416 | 6,484,990 | 7,249,473 | 6,793,904 | 7,410,887 |
| Board Designated Reserve Fund | - | - | 1,312,657 | 1,312,657 | - |
| Building Maintenance Fund | 2,484,663 | 8,208,435 | 4,619,699 | 3,349,826 | 2,140,382 |
| Capital Expenditure Fund | 4,439,371 | 8,956,909 | 15,521,228 | 7,317,218 | 22,724,099 |
| Cash-In-Lieu Fund | 49,745 | 292,236 | 1,452,101 | 1,261,934 | 191,756 |
| Central Services Fund | 4,070,457 | 4,756,842 | 10,449,743 | 5,538,091 | 6,443,656 |
| Comm Network System Replacement Fund | 21,201 | 65,551 | 309,981 | 38,827 | 78,125 |
| Community Development Fund | 3,420,158 | 1,859,104 | 5,842,318 | 2,624,040 | 4,987,305 |
| Conservation Trust Fund | 914,365 | 2,562,936 | 946,474 | 939,936 | 388,569 |
| Contingent & Emergency Reserve Fund | - | - | 713,106 | - | 713,106 |
| Developmental Disability Fund | 6,491,214 | 6,673,869 | 6,776,539 | 6,783,213 | 7,545,411 |
| Electronic Filing Technology Fund | 29,120 | 11,650 | 698,697 | 28,637 | 170,000 |
| Employee Flex Benefit Fund | 647,114 | 726,014 | 939,132 | 893,245 | 984,000 |
| Forfeited Property Fund | 11,000 | - | 37,197 | 2,325 | - |
| Grant Fund | 7,247,101 | 8,283,334 | 10,492,838 | 9,188,561 | 10,373,531 |
| Homeland Security Fund | 2,961,603 | 2,681,137 | 4,763,817 | 2,381,187 | - |
| Infrastructure Fund | 6,510,323 | 8,209,863 | 22,631,392 | 6,385,677 | 5,000,000 |
| Law Enforcement Cap Improvement Trust | 1,877,886 | 2,105,732 | 3,848,645 | 2,297,604 | 1,870,630 |
| Lease Purchase Agreements Fund | 1,557,611 | 2,192,391 | 2,048,193 | 4,612,405 | 1,595,537 |
| Open Space Sales Tax Fund | 12,573,369 | 14,409,086 | 37,402,218 | 15,472,855 | 19,771,993 |
| Road & Bridge Fund | 14,783,941 | 16,271,672 | 19,703,259 | 16,930,018 | 15,946,224 |
| Self Insurance Dental Fund | 1,401,576 | 1,421,346 | 1,420,065 | 1,400,000 | 1,420,065 |
| Self Insurance Liability Fund | 692,693 | 722,580 | 1,004,293 | 877,541 | 978,650 |
| Sheriff's Commissary Fund | 1,126,180 | 1,527,968 | 3,115,571 | 1,326,471 | 1,868,717 |
| Social Services Fund | 35,105,035 | 34,754,539 | 47,720,642 | 44,203,237 | 42,965,017 |
| Worker's Compensation Fund | 1,010,753 | 1,177,537 | 1,076,441 | 1,150,809 | 1,245,300 |
| Total Non-General Fund | \$ 115,200,895 | \$ 134,563,283 | \$ 212,407,425 | \$ 143,391,571 | \$ 157,037,960 |
| General Fund | 132,342,384 | 140,661,199 | 152,386,409 | 144,803,541 | 169,228,112 |
| Total Arapahoe County | \$ 247,543,279 | \$ 275,224,482 | \$ 364,793,834 | \$ 288,195,112 | \$ 326,266,072 |
| Other Entities | | | | | |
| Arapahoe County Bldg. Finance Corp. Fund | \$ 7,419,292 | \$ 58,747,573 | \$ 6,489,338 | \$ 6,511,838 | \$ 6,496,213 |
| Arapahoe County Recreation District Fund | 1,532,616 | 1,626,859 | 3,958,629 | 4,466,731 | 1,104,863 |
| Arapahoe County Water & Wastewater PID | 11,325,438 | 20,202,247 | 49,031,739 | 23,856,652 | 29,188,500 |
| Arapahoe Law Enforcement Authority Fund | 4,750,035 | 4,779,938 | 5,671,838 | 5,141,965 | 6,190,336 |
| Total Other Entities | \$ 25,027,381 | \$ 85,356,617 | \$ 65,151,544 | \$ 39,977,186 | \$ 42,979,912 |
| Total All Funds | \$ 272,570,660 | \$ 360,581,099 | \$ 429,945,378 | \$ 328,172,298 | \$ 369,245,984 |

Attachment E

| Staffing Summary | | | | | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Fund / Department / Office | 2004 | 2005 | 2006 | 2007 | 2008 |
| General Fund | | | | | |
| Administrative Services | - | - | - | 1.00 | - |
| Assessor's Office | 73.00 | 73.00 | 72.00 | 72.00 | 72.00 |
| Board of County Commissioners | 5.00 | 5.00 | 7.00 | 7.00 | 7.00 |
| Board of County Comm Administration | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Clerk & Recorder | 115.00 | 116.00 | 116.00 | 117.00 | 119.00 |
| Communication Services | 9.00 | 9.00 | 9.00 | 9.25 | 9.25 |
| Community Resources | 31.50 | 30.00 | 30.80 | 39.00 | 41.50 |
| Coroner's Office | 10.00 | 10.00 | 11.00 | 12.00 | 12.00 |
| County Attorney | 19.00 | 19.00 | 19.00 | 21.00 | 21.00 |
| Facilities & Fleet Management | 108.00 | 107.50 | 107.50 | 108.50 | 109.00 |
| Finance | 23.00 | 25.00 | 27.00 | 27.50 | 27.50 |
| Human Resources | 10.50 | 10.50 | 10.50 | 11.00 | 11.00 |
| Information Technology | 75.00 | 75.00 | 74.00 | 73.00 | 73.00 |
| Public Works & Development | 102.80 | 102.80 | 102.80 | 94.00 | 91.00 |
| Sheriff's Office | 576.25 | 577.75 | 579.25 | 591.75 | 624.75 |
| Strategic Programs * | 2.00 | 2.00 | - | - | - |
| Treasurer's Office | 21.00 | 21.00 | 21.00 | 21.00 | 22.00 |
| Total General Fund | 1,185.05 | 1,187.55 | 1,190.85 | 1,209.00 | 1,244.00 |
| Other Funds | | | | | |
| Arapahoe / Douglas Works! Fund | 78.00 | 78.00 | 83.00 | 67.00 | 67.00 |
| Arapahoe Co Recreation District Fund | - | 2.00 | 2.00 | 3.00 | 3.00 |
| Community Development Fund | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 |
| Grant Fund | 44.50 | 44.50 | 45.00 | 46.25 | 46.25 |
| Homeland Security Fund | - | 0.75 | 0.75 | 0.75 | 0.75 |
| Open Space Sales Tax Fund | 4.50 | 3.00 | 3.00 | 5.50 | 5.50 |
| Road & Bridge Fund | 71.50 | 71.50 | 71.50 | 73.50 | 74.00 |
| Sheriff's Commissary Fund | - | 4.00 | 4.00 | 4.00 | 5.00 |
| Social Services Fund | 335.75 | 363.25 | 369.25 | 442.75 | 451.00 |
| Total Arapahoe County | 1,725.30 | 1,760.55 | 1,775.35 | 1,857.75 | 1,902.50 |
| Arapahoe Law Enforcement Authority | 51.00 | 51.00 | 52.00 | 52.00 | 52.00 |
| Total All Funds | 1,776.30 | 1,811.55 | 1,827.35 | 1,909.75 | 1,954.50 |

* *Note:* The Strategic Programs Office was a division of the Board of County Commissioner's Office Budget in 2003. Effective January 1, 2004, it became a County Department. In the 2006 budget, the Strategic Programs Department was moved back as a division of the BOCC, and became the Special Assistant to the BOCC.

Attachment F

| Budget-in-Brief | | | | | |
|--|-----------------------|-----------------------|---------------------------|-----------------------|---------------------------|
| Description | 2005 Actual | 2006 Actual | 2007 Amended Budget | 2007 Estimate | 2008 Adopted Budget |
| Revenues by Source | | | | | |
| Taxes | \$ 127,538,524 | \$ 131,075,117 | \$ 136,010,209 | \$ 136,697,656 | \$ 143,165,290 |
| Licenses & Permits | 4,567,259 | 4,372,554 | 4,366,883 | 4,727,128 | 4,896,500 |
| Intergovernmental | 82,637,585 | 91,192,600 | 93,362,808 | 89,772,431 | 86,306,595 |
| Charges for Services | 20,308,930 | 20,817,340 | 18,901,080 | 19,324,552 | 18,620,120 |
| Fines & Forfeits | 471,427 | 480,519 | 431,700 | 519,254 | 598,420 |
| Investment Earnings / Contributions | 5,127,446 | 10,348,909 | 7,052,801 | 11,024,287 | 8,883,898 |
| Interfund Revenues & Rentals | 10,352,165 | 10,721,392 | 11,885,188 | 11,956,664 | 12,494,018 |
| Transfers From Other Funds | 8,298,765 | 14,083,408 | 23,388,584 | 23,388,584 | 29,284,271 |
| Special Assessment Taxes | 16,588,552 | 7,222,087 | 1,607,528 | 4,946,339 | 1,390,800 |
| Total Arapahoe County Revenues | \$ 275,890,653 | \$ 290,313,926 | \$ 297,006,781 | \$ 302,356,895 | \$ 305,639,912 |
| Expenditures by Category | | | | | |
| Salaries & Wages | \$ 85,779,085 | \$ 91,963,584 | \$ 101,014,978 | \$ 96,329,298 | \$ 103,417,452 |
| Employee Benefits | 19,805,386 | 21,576,677 | 25,564,763 | 23,471,428 | 28,100,330 |
| Supplies | 12,798,556 | 13,285,264 | 14,201,782 | 13,599,362 | 13,737,917 |
| Services & Other | 77,134,112 | 79,121,406 | 142,839,766 | 87,467,762 | 99,921,357 |
| Community Programs | 20,235,286 | 20,049,998 | 17,256,904 | 15,851,548 | 19,352,419 |
| Capital Outlay | 14,506,656 | 27,181,087 | 30,653,180 | 16,302,813 | 23,426,911 |
| Central Services | 5,472,545 | 5,368,510 | 6,592,515 | 5,926,398 | 6,555,944 |
| Transfers Out | 11,811,653 | 16,677,954 | 26,669,946 | 29,246,567 | 31,753,742 |
| Projects & Miscellaneous | - | - | - | (63) | - |
| Total Arapahoe Co Expenditures | \$ 247,543,279 | \$ 275,224,480 | \$ 364,793,834 | \$ 288,195,113 | \$ 326,266,072 |
| Other Entities | | | | | |
| Arapahoe County Bldg Finance Corp | \$ 5,712,345 | \$ 57,240,345 | \$ 4,648,700 | \$ 4,670,934 | \$ 4,557,430 |
| Arapahoe County Recreation District | 902,023 | 1,273,110 | 3,644,689 | 4,329,609 | 1,067,186 |
| Arapahoe Co Water & Wastewater PID | 32,089,516 | 27,113,878 | 6,068,068 | 11,892,989 | 6,106,731 |
| Arapahoe Law Enforcement Authority | 5,336,435 | 5,484,750 | 5,335,310 | 5,352,393 | 5,988,583 |
| Total Other Entity Revenues | \$ 44,040,319 | \$ 91,112,083 | \$ 19,696,767 | \$ 26,245,925 | \$ 17,719,930 |
| Arapahoe County Bldg Finance Corp | \$ 7,419,292 | \$ 58,747,573 | \$ 6,489,338 | \$ 6,511,838 | \$ 6,496,213 |
| Arapahoe County Recreation District | 1,532,616 | 1,626,859 | 3,958,629 | 4,466,731 | 1,104,863 |
| Arapahoe Co Water & Wastewater PID | 11,325,438 | 20,202,247 | 49,031,739 | 23,856,652 | 29,188,500 |
| Arapahoe Law Enforcement Authority | 4,750,035 | 4,779,938 | 5,671,838 | 5,141,965 | 6,190,336 |
| Total Other Entity Expenditures | \$ 25,027,381 | \$ 85,356,617 | \$ 65,151,544 | \$ 39,977,186 | \$ 42,979,912 |
| Total All Fund Revenue | \$ 319,930,972 | \$ 381,426,009 | \$ 316,703,548 | \$ 328,602,820 | \$ 323,359,842 |
| Total All Fund Expenditures | \$ 272,570,660 | \$ 360,581,097 | \$ 429,945,378 | \$ 328,172,299 | \$ 369,245,984 |

Attachment G

BUDGET & ACCOUNTING POLICIES

Budget Process

The County constructs its budget on a calendar year basis as required by Part 1 of Article 1 of Title 29 of the Colorado Revised Statutes, which governs the budget process of Colorado counties. On approximately August 4th of each year, elected officers, directors and department heads submit revenue estimates and expenditure requests to the Budget Division of the Finance Department. On or before August 25th of each year, the County Assessor submits the current total assessed valuations for all taxing entities in the County and the factors needed to compute the statutory property tax revenue limits. Based on this information and following the Executive Budget Committee review process, the Budget Division submits a balanced budget to the Board of County Commissioners on or before October 15th.

The Executive Budget Committee (EBC) is a committee consisting of four members, two County Commissioners, one County elected official other than a County Commissioner and a Department Director tasked with the review of budget submissions and budget package requests. This committee is facilitated by the Finance Director and by Budget Division staff. The Executive Budget Committee spends a considerable amount of time reviewing the budget in-depth and develops the core of the recommended budget presented to the Board of County Commissioners in early October.

The Board of County Commissioners (BOCC) publishes a notice that the budget has been received and is open for inspection by the public and gives notice of the date of the scheduled public hearing at which any elector of the County may register an objection to the proposed budget. Prior to final adoption, changes may be made to the budget provided the budget remains in balance.

Per state statute, the BOCC must certify all mill levies on or before December 22nd of each year. Prior to the beginning of the next fiscal year, the BOCC enacts a budget adoption resolution and an appropriating resolution to approve the total budget and departmental expenditures. The BOCC may make no contract and no liability against the County can be created by any County officer unless an appropriation has been made. In addition, neither the BOCC, nor any County officer, can expend money for any of the purposes set out in the appropriation resolution in excess of the amount appropriated. In the case of an emergency or a contingency that was not reasonably foreseeable, the BOCC may authorize the expenditure of funds in excess of the budget by a resolution adopted by a majority vote.

Budget Adoption

An annual budget adoption resolution and an appropriation resolution are adopted by the BOCC in accordance with Colorado law. The adoption resolution must show that each fund is in balance, with estimated expenditures no larger than the sum of new revenues plus existing fund balance. By County policy, the appropriation specifies the budget for each department in the General Fund. All other funds are appropriated by fund total only. The accounting system is employed as a budgetary

management control device during the year to monitor the individual departments. All annual appropriations lapse at the end of the year.

The County Finance Director is authorized by a resolution of the BOCC to select amounts to be reappropriated and forward them to the Board for approval. The reappropriation process involves the appropriation of amounts that were appropriated in the prior year, had been encumbered as purchase orders in that prior year, but had not been spent in that year. The Finance Director is also authorized to transfer certain appropriations from the Administrative Services Department of the General Fund to other General Fund department budgets. Any other revisions that alter the total appropriation for any department or fund must be approved by the BOCC through a supplemental appropriation resolution. The Budget Manager is authorized to transfer budgeted amounts within departments of each fund.

Budget Calendar

The budget process starts early every year, includes both staff and citizen input, and involves negotiations by the Board of County Commissioners. The following calendar was followed in 2007 for the preparation of the 2008 Budget.

- January 1 Begin Planning for the 2008 Budget
- April 17 First Meeting of the 2007 Citizen Budget Committee
- June 20 Distribution of Budget Guidelines
- July 2 Budget Management System Open for Input of 2008 Budget requests

- August 3 Budget Requests Due to Budget Office
- August 25 Assessor Submitted Abstract of Assessments Reflecting Assessed Values

- September 5-7 Executive Budget Committee Reviewed Budget Requests
- October 9 Executive Budget Committee Submitted Proposed Budget to the Board of County Commissioners

- October 30 Public Hearing on the Budget
- November 5 Citizen Budget Committee Submitted Recommendation to the Board of County Commissioners

- December 10 Assessor Certified Final Assessed Valuation Figures
- December 11 Final Adoption of the 2008 Budget, Adoption of Mill Levy, and Appropriation of Budgeted Expenditures
- December 18 Certification of Mill Levies in Arapahoe County

Citizen Involvement

The Citizen Budget Committee (CBC) is composed of fifteen members appointed by the Board of County Commissioners and generally meets monthly from March through October to become familiar with County operations and to review budgetary issues. Subcommittees meet with County departments or with staff to review budgetary issues selected by the Committee or assigned by the Board of County Commissioners. The Committee then meets to form recommendations of their own to present to the BOCC. These recommendations are presented during a special study session of the BOCC.

2007 Citizen Budget Committee

Jude Sandvall, Chairman
Betty Mirzayi, Vice Chairman

| | |
|-----------------|--------------|
| Derek Dye | Carol Miller |
| Matthew Dunn | Bert Neely |
| Bob Easton | Mel Rawles |
| Susan Hall | Liz Wuest |
| Jared Ingwalson | Tim Yoakum |
| Martha Karnopp | |

After the budget is formally presented to the BOCC, a notice is placed in the Villager Newspaper explaining that the budget has been submitted and is available for inspection and that a public hearing on the budget will be held on a specified date. In 2007, this public hearing was held on October 30th. During this public hearing, the public was invited to speak to the BOCC about their concerns regarding the budget.

Process to Amend the Budget

Colorado law provides that during the fiscal year if the Board of County Commissioners deems it necessary, in view of the needs of the various offices or departments, it may transfer budgeted and appropriated monies from one or more spending agencies in a fund to one or more spending agencies in another fund and/or transfer budgeted appropriated monies between spending agencies within a fund.

Colorado law also provides that if during the fiscal year the Board of County Commissioners, or any spending agency, received unanticipated revenue or revenues not assured at the time of the adoption of the budget from any source other than the local government's property tax mill levy, the governing board of the local government may authorize the expenditure of these unanticipated or non-assured funds by enacting a supplemental budget and appropriation.

Supplemental budget and appropriations require a two-thirds majority vote by the Board of County Commissioners.

To provide an opportunity to review the budget and allow for needed amendments, four study sessions are scheduled during the year. The first quarter budget review is scheduled in May. The second quarter budget review is scheduled in August, the third quarter budget review is scheduled in

November, and the fourth quarter budget review is scheduled early in the following year. During these quarterly review meetings, the status of County finances is reviewed, and staff provides a summary of proposed amendments to the budget. Those proposed amendments are first reviewed by the Executive Budget Committee prior to the quarterly meetings and then scheduled for formal approval during a public hearing. Following approval, the amendments are entered into the budget through the County financial system.

Budget Document

The annual budget document is being enhanced in terms of its use as:

1. A policy instrument;
2. A tool for financial planning;
3. An operations guide; and
4. A communications device.

The Budget Division of the Finance Department prepares two formal documents:

1. The ***recommended budget*** represents the Executive Budget Committee recommendation for the following year budget and is published in mid-October when the recommended budget is formally presented to the BOCC. This document is distributed to key County staff and is not intended for general distribution.
2. For better and enhanced information to the BOCC, management and the general public, the Budget Division produces a second document that provides additional summarized financial analysis, and projections related to the ***adopted budget***. The adopted budget is a result of refinements made to the recommended budget after analysis of overall County needs and available resources. This document is submitted to the Government Finance Officers Association (GFOA) for consideration in their annual budget award program.

Elements of the Budgetary Process

The National Advisory Council on State and Local Budgeting (NACSLB) has published a set of recommended practices. It is the intent of the Budget Division to implement these practices to the extent possible. These practices have been endorsed by a number of major governmental organizations such as the International City/County Management Association (ICMA) and the U.S. Conference of Mayors.

The following table highlights the elements of budgeting recommended by NACSLB.

National Advisory Council on State and Local Budgeting Recommended Elements Of The Budgetary Process

Establish broad goals to guide government decision making

- Assess community needs, priorities, challenges and opportunities
 - Identify opportunities and challenges for government services, capital assets, and management
 - Develop and disseminate broad goals
-

Develop approaches to achieve goals

- Adopt financial policies
- Develop programmatic, operating and capital policies and plans
- Develop programs and services that are consistent with policies and plans
- Develop management strategies

Develop a budget consistent with approaches to achieve goals

- Develop a process for preparing and adopting a budget
- Develop and evaluate financial options
- Make choices necessary to adopt a budget

Evaluate performance and make adjustments

- Monitor, measure and evaluate performance
 - Make adjustments as needed
-

Basis of Accounting

Basis of Accounting refers to the specific time at which revenues and expenditures are recognized in the accounts and reported in the financial statements. The method of accounting utilized depends on the purpose for which the fund has been established. Proprietary funds (Central Service Fund, Flexible Benefit Fund, Self Insurance-Dental Fund, Worker's Compensation Fund, and the Public Trustee Fund) and the Retirement Fund, (a fiduciary fund), utilize the accrual basis of accounting while all other County funds utilize the modified accrual basis.

Under the modified accrual basis of accounting, expenditures are recorded when a liability is incurred. Revenues are recognized when they are received in cash or become both measurable and available during the year. Revenues collected by another governmental unit are considered measurable and are recognized at that time.

Proprietary and fiduciary funds follow the accrual basis of accounting whereby revenue is recognized in the year in which it is earned. Expenses are recorded when liabilities are incurred. In the proprietary funds, depreciation is recorded as an operating expense. Expenditures for property and equipment are shown as an increase in capital assets and redemption of bonds and leases is recorded as a reduction in liabilities.

Budgetary Basis of Accounting

The main difference between the basis of accounting used for accounting purposes, and the basis of accounting for budgeting purposes is that the budgets for the proprietary funds (Central Service Fund, Flexible Benefit Fund, Self Insurance-Dental Fund, and the Worker's Compensation Fund) are prepared on a cash basis. Under the cash basis, capital expenditures and the redemption of bonds and leases are recorded as expenditures. Depreciation and amortization costs are not budgeted since these costs are non-cash transactions. The budget for all other funds is prepared on a modified accrual basis.

Encumbrances

Arapahoe County utilizes the encumbrance method of recording commitments related to unperformed contracts for goods and services. Under this method, outstanding encumbrances at year-end are recorded as a reservation of fund balance since they do not constitute expenditures or liabilities. It is County policy to reappropriate an amount necessary to provide funds for the amounts encumbered at year-end. Since this amount has not been measured when the Budget is adopted, the reappropriation process is handled in the first quarter as a supplemental appropriation and therefore the appropriations shown in this publication do not include an amount for prior year-end encumbrances.

Arapahoe County Policy Manual

Arapahoe County maintains a Financial Policy Manual and a Purchasing Policy Manual both of which control important financial issues. The Financial Policy Manual deals with such issues as a Financial Code of Ethics, Budgetary Policies, Contract Administration Policies, Purchasing Policies, Fixed Asset Policies, Cash Policies, Travel/Per Diem Policies, Improvement District Policies, and Information Services Policies. Some of these policies are further highlighted below.

Investment Policy

The County Treasurer has the authority to make investments on behalf of the County. The statutes defining legal investments are C.R.S. 24-75-601.1 and C.R.S. 30-10-708. Participation in local government investment pooling is authorized by C.R.S. 24-75-702. Investment priorities are (1) safety, (2) liquidity, and (3) yield.

The following institutions can be designated as eligible depositories for public funds:

1. All state and national banks having their principal office in Colorado that are insured by the Federal Deposit Insurance Corporation (FDIC) or its successor and which are approved as eligible public fund depositories by the Colorado State Bank Commissioner.
2. All state and federally chartered savings and loan associations having their principal offices in Colorado which are insured by the Federal Savings and Loan Insurance Corporation (FSLIC) or its successor and which are approved as eligible public depositories by the Commissioner of Savings and Loan Associations.

Further, all eligible depositories must be in compliance with Public Deposit Protection Acts C.R.S. 11-10.5-101 et seq and C.R.S. 11-47-101 et seq.

All banking and investment relationships must be approved and designated by Board of County Commissioner resolution.

The Board of County Commissioners may designate by resolution a distribution of interest income to be paid to a specific fund or funds. All other interest income is deposited to the County General Fund for the purpose of supplementing the County mill levy thus reducing the amount of revenue required from property tax. The budget provides for an allocation of interest earnings to the

Arapahoe County E-911 Emergency Telephone Service Authority, the Forfeited Property Fund, the Conservation Trust Fund, revenues received from the Regional Transportation Improvement Fee Program, and certain Law Enforcement Block Grants. The County is providing accounting and treasury services for the Arapahoe County E-911 Emergency Telephone Service Authority, but this Authority publishes its own budget. All other interest earnings are to remain in the General Fund.

Fund Balance Reserve Policy

It is the policy of Arapahoe County to maintain a satisfactory level of unappropriated fund balance reserves in order to insure a continued strong financial position within the County. This policy was established so that an adequate level of reserves can be maintained for cash flow purposes, to ensure that the annual budgets can be balanced as required by law, and to carry the County through economic fluctuations that reduce annual revenues. These reserves also help to maintain the County's high bond rating.

The Board of County Commissioners has established specific levels for the fund balance reserve policy. General Fund reserves are to be no less than 11% of the current year's total initial adopted budget. This amount includes the mandatory 3.0% Taxpayer's Bill of Rights (TABOR) reserve for the County. (Section 20 of Article X of the Colorado Constitution) In 2002, this 11% reserve was transferred to a separate fund. The Road & Bridge Fund and the Law Enforcement Authority Fund reserves are to be one-sixth of the current year's initial adopted total operational budget. This is to be established as the minimum beginning reserve balance for the next fiscal year. The Social Service fund balance reserve is to be one-sixth of the County's 20.0% contribution of the current year's initial adopted total operational budget. This is to be established as the minimum reserve balance of the next fiscal year.

A 3.0% reserve required by TABOR is maintained in the Arapahoe County Recreation District Fund, and as part of the one-sixth reserve in the Law Enforcement Authority Fund, and as part of the previously mentioned General Fund 11% reserve for the County.

The status of the unappropriated fund balance is reviewed on a monthly basis, and any exceptions to the level as defined in the policy is reported by the Finance Department to the Board of County Commissioners.

Budgetary Fiscal Control

For budgetary control purposes, all expenditures shall be maintained by a detailed line item based upon a chart of accounts, which provides for the uniformity of reporting and is consistent with Generally Accepted Accounting Principles, (GAAP). Information may be summarized by object, center, or other formats that accumulate related groupings of transactions. There are five major responsibilities of the Budgetary Fiscal Control policy:

1. Department heads or elected officials are responsible for reviewing their budgets on a monthly basis. If adjustments are necessary, it is their responsibility to submit a budget transfer/supplemental request to the Budget Division.

2. On a quarterly basis, the Budget Division reviews all requests for appropriation changes and prepares necessary documents as required for submission to the Board of County Commissioners at the quarterly budget review meetings.
3. The Board of County Commissioners must approve all requests for appropriation changes that are needed to transfer budgeted amounts between established departments within a fund or between funds.
4. The Budget Division has the authority to approve all internal transfer requests as long as the transfer does not change the total budgeted amount of that department.
5. In the event that the Budget Division does not approve a transfer, the department head or elected official may appeal the proposed action to the Board of County Commissioners.

Reappropriation Policy

The Reappropriation Policy provides that amounts equal to purchase orders encumbered, but not expended in a budget year, will be reappropriated in the subsequent budget year. This policy also provides that the unspent balance of County Commissioner approved projects and grants will be reappropriated, as well as the unappropriated fund balance of certain funds:

- Infrastructure Fund
- Conservation Trust Fund
- Communication Network System Replacement Fund
- Cash-In-Lieu Fund
- Forfeited Property Fund
- Sheriff's Commissary Fund

The policy provides that the reappropriation not exceed the actual savings from the prior year nor exceed the available fund balance. Since reappropriation is handled as a separate process after the original budget is adopted, the amounts are not shown in this document under current year appropriations. The reappropriation process is expected to be complete in March of this year.

Attachment H

CITIZEN BUDGET COMMITTEE INPUT ON THE 2008 BUDGET

For 2008, the Citizen Budget Committee spent much of their time reviewing the County's efforts for performance measurement and budgeting and exploring the potential expansion of the judicial and detention facilities. The primary focus of their recommendations centered on the next steps for the Mission, Vision, and Values process the County began in late 2005. The Committee recommends that the County continue to move forward with the process of setting new goals and objectives and developing measures to track progress. These recommendations built on the Committee's work from 2006. The Committee believes that more performance information would enable the Board, elected officials, County management, and citizens to provide more useful input into the budget process. Regarding the expansion of the judicial and detention facilities, the Committee recommendations focused on addressing the number of inmates with mental health issues and evaluating operational efficiencies before determining the physical and financial size of any project. Below is the recommendation letter the Citizen Budget Committee submitted to the Board of County Commissioners as the result of their work during 2007.

DATE: November 5, 2007

TO: The Board of County Commissioners

THROUGH: Jude Sandvall, Chairperson

FROM: Citizen Budget Committee

SUBJECT: RECOMMENDATIONS OF THE COMMITTEE FOR 2007

The Citizen Budget Committee met throughout this year with numerous County elected officials and staff discussing a broad range of topics. The Citizen Budget Committee (CBC) would like to take this opportunity to thank the elected officials who attended meetings this year for taking time out of their busy schedules to present information and discuss with the Committee. The Committee appreciates their input and participation as it proved invaluable in putting together the recommendations below.

The primary focus of this memorandum is to discuss the Committee's findings and recommendations for this year. The Committee's focus this year was on several topics including: revisiting and expanding its look into the County's mission, vision, values process and how it could be tied to performance measures and budgeting; following up on the potential expansion/construction of judicial and detention facilities; the transparency of audit reports; and following up on the progress of prior year CBC recommendations. The findings and recommendations are detailed below.

Performance Measures/Budgeting and the Mission, Vision, Values Process

The Committee met with the Coroner, Treasurer, Clerk & Recorder, Sheriff, and the Assessor on how they monitor and track performance and how this impacts their management and budgeting. All of the elected officials were very informative in their presentations. The Committee found that all of the elected offices appear to have a process for tracking and evaluating performance and seem to be moving in the same general direction regarding how the information is used to improve operations and service delivery. The Committee recommends the following:

- The Board of County Commissioners (BOCC) should standardize/consolidate the tracking of performance data into a report or “dashboard.” It appears it is being done differently by each elected office and department.
- The Board of County Commissioners should review the Committee’s recommendations on the future of performance tracking and reporting in prior year reports for the Committee’s guidance on moving forward with this process.
- The Committee would like to encourage looking at new technology to increase efficiencies for County operations as examples in elected offices seem to be yielding benefits.
- In addition to technology, the County should review current business processes and look for ways to improve operations to increase productivity.

Potential Expansion of Judicial/Detention Facilities

The Committee discussed the progress on the Judicial Facilities Review Committee (JFRC) several times this year hearing presentations and updates from numerous sources including the Sheriff, District Attorney, and members of the JFRC both before and after their presentation to the BOCC. The Committee found that the County is moving forward with short-term projects to accommodate additional judges assigned to the 18th Judicial District in 2008, however, no decision on long-term expansion or construction has been made and further evaluation is on-going. The Committee recommends the following:

- The County should emphasize the attention to finding efficiencies in the judicial and detention processes and operations as has already been started this year.
- Solutions and recommendations for inmates in the detention facility with mental health issues should be a high priority for the Board of County Commissioners and the Sheriff.
- The Board of County Commissioners should examine the costs of incarceration for inmates with mental health issues versus other forms of treatment.
- While options for addressing mental health may be limited for the County, the BOCC should make attempts at influencing legislative action and raise the issue statewide through networking with other county commissioners.
- It is the recommendation of the Citizen Budget Committee that issues surrounding efficiencies in the judicial/detention system and mental health should be addressed before determining the size of the expanded facilities and seeking voter approval for financing.

Transparency of Audit Reports

The Committee discussed management and operational changes during the discussion with the Treasurer. The Treasurer stated that many of the changes were the result of audit findings and recommendations. The Committee inquired about the audits and their availability to the public for purposes of holding elected officials accountable for performance. County staff informed the CBC that the financial statements are available via the Internet but that some of the information regarding issues that are management related or recommendations are not easily available. Staff did inform the Committee that the County has an Audit Committee to review the issues and that study sessions are held to discuss issues with the BOCC. The Committee would like to recommend the following regarding audit reports.

The Committee would like more of the audit findings and recommendations made available to the public to allow voters/citizens to be more informed regarding the performance of elected officials and their operations.

Progress on Prior Year Recommendations

Earlier this year, the Committee requested staff to update the progress on prior year recommendations. Many of these recommendations centered on the County's efforts towards tracking and measuring the performance of departments/elected offices, how they use the information to plan and budget, and how the information would be useful in letting policy makers and citizens know how well the County is using taxpayer's funds. It appears that there has not been significant progress on these issues and the CBC would like to re-emphasize the importance of these recommendations. One in particular the Committee feels strongly about is the recommendation to develop a long range strategic plan for the County for the next 5 to 10 years. The Committee feels that without a plan it is difficult for the County to evaluate its progress and performance.

In addition to a long-range, strategic plan, the Committee would like the Board of County Commissioners to review prior year recommendations and provide an update to the 2008 Citizen Budget Committee on the County's efforts on implementing them. The recommendations are listed below for reference.

- Arapahoe County should prepare a report on the progress of the Mission, Vision, Values program and detail what has been accomplished, how the program is being received by managers and employees, and most importantly, what the County's plan is for the future of the initiative.
- Building on last year's recommendation, the County should make progress on developing goals and objectives for County programs and services that tie into the County's mission, vision, and values.
- Once goals and objectives have been set, the County should begin the process of developing metrics and measurements for tracking them. Some departments and offices appear to already be compiling some of this information, and as others do the same, they will approach the means for improving efficiency.

- Development of performance measures and metrics should have guidelines and standards so that comparisons can be made across departments, elected offices, and other local governments. This will enable meaningful comparisons of them all with comparable standards.
- The end product of the goal and objective setting and measurement should be to develop management reports and tools, such as a 'scorecard' or 'dashboard', that the BOCC, directors, and other elected officials could use to guide operational and financial decisions. A similar report should be created for citizens to enable them to evaluate how well their County government is performing. Benchmarking against other local governments is encouraged as well.
- The process of surveying citizens should continue on an every other year basis. Citizen input is important in assessing citizen needs and other less expensive, more routine methods of receiving feedback from citizens should be implemented.
- The Committee strongly encourages the County to speak with State legislators to remove restrictions on the use of credit cards and other methods of on-line payments. One of the Committee's recommendations last year referred to increased development of customer-friendly technology.
- Re-emphasizing last year's recommendation, the Board of County Commissioners and staff should develop a long-range plan for Arapahoe County that would include a vision of what the County could look like in 5 and 10 years from now compared to what it is today. Specific areas of concern should be transportation, water, land use, growth, immigration, and the environment.

Finally, the Citizen Budget Committee sent correspondence to the Board of County Commissioners regarding appointments to the Committee. The Committee would like to suggest to the Board of County Commissioner that future appointees be made prior to the beginning of the 2008 CBC meetings and that they be individuals who are interested in participating actively in Committee meetings and discussions.

Thank you for your consideration of our comments, findings, and recommendations and the Committee looks forward to working on budget items of interest for the Board of County Commissioners next year.