December 15, 2015

Board of County Commissioners
Douglas County Government
100 Third Street
Castle Rock, Colorado 80104

Commissioners Repella, Weaver, and Partridge:

Please accept for your review and consideration the 2016 recommended Proposed Budgets for Douglas County Government (the County), Douglas County Law Enforcement Authority (LEA), Douglas County Woodmoor Mountain General Improvement District, Douglas County Local Improvement District No. 07-01 Lincoln Station, and Office of the Public Trustee for Douglas County. These budgets have been prepared in accordance with all applicable Colorado State Statutes, Generally Accepted Accounting Principles, Board of County Commissioner Goals and Guiding Principles and Douglas County budget and financial policies.

The recommended Preliminary Budgets was presented to the Board of County Commissioners on October 15 and was discussed in detail at eight work sessions. The Board will consider final adoption on December 15, 2015.

This letter provides an overview of the budget including revenues, expenditures and reserves along with economic conditions and forecasts and highlights 2016 budget priorities. This document reflects Douglas County’s continued focus on furthering the Board’s Goals and serving the citizens and taxpayers of Douglas County.

---

**Executive Summary**

We approached the development of our 2016 budget recognizing that we have just experienced the first year in which we have seen revenues return to 2008 pre-recession levels.

With that in mind, we are now in a position, for the first time in seven years, to invest new revenues in the two areas identified by the citizens and taxpayers of Douglas County as spending priorities – transportation and public safety.

Therefore the primary expenditures in the $346.0 million 2016 Budget are transportation and public safety, a reflection of taxpayer spending priorities and strategies aimed at reducing traffic congestion, extending life of existing roads, and boosting community safety.
While we recognize that traffic congestion is not unique to Douglas County, the Denver metro area, or the state of Colorado. It is the combined impact of traffic congestion, aging County roads, limited state funds to maintain state-owned highways within the County, as well as current citizen survey findings that informed the Board’s decision to commit $118 million in 2016 to transportation-related expenditures. This investment includes improvements to state highways within the County, such as Highway 85 (Santa Fe); C-470; and I-25 in partnership with the Colorado Department of Transportation, cities and towns within the County, area Metro Districts, and the private sector.

The second-highest spending priority, consistent with citizen survey feedback, is reflected by 19% or $64.5 million of the 2016 Budget dedicated to expenditures focused on community safety. This includes the addition of a new Sheriff’s Office District 11, broadening the Sheriff’s patrol presence in the County. The new District includes six new full-time employees. In fact, 14 or 67% of the 21 new employees recommended in the 2016 Budget are dedicated to public safety.

Improving emergency communications for first responders countywide continues to be a major public safety initiative in the 2016 Budget. An additional $5 million will add three new radio towers to the network and add equipment to expand radio frequency capacity in the northern portion of the County.

The County is also supporting the District Attorney’s regional efforts to address, with the Douglas County Law Enforcement community, juvenile sex trafficking concerns.

Total new revenue for 2016 is projected to be $28.3 million or a 11.4% increase, represented by a $16.7 million increase from property tax revenue; $4.5 million in sales and use taxes; as well as $3.2 million in charges for services for a total $278.4 million in projected 2016 revenues.

To clarify, the $16.7 million in new property tax revenues represents the County’s portion of property taxes paid by residential and commercial property owners. Of this new revenue, 61% is dedicated to transportation infrastructure and 23% is dedicated to the General Fund, to address the service demand created by the increase in County population by an additional 21,000. The Law Enforcement Authority (LEA), a voter approved mill levy will see an 11% increase to the fund; and the remaining five percent increase will be seen in the voter-approved Developmental Disabilities mill levy.

In spite of the seven year decline in revenue, Douglas County experienced one of the most successful economic recovery periods in our history due in part to a strategic and transformational approach to conducting business and sustaining services to a population that increased by more than 21,000 during the same time period.

Our approach resulted in jobs coming to the County at an unprecedented level, as well as the resulting low unemployment rate. In 2013 Douglas County was ranked by CNN Money as number 20 in the U.S. for ‘where the jobs are’ due to a 9.7 percent growth in jobs. By 2015 Douglas County was ranked the number one County in the state for highest investment activity by the New York-based financial firm, Smart Asset.
Today, the County’s economy is healthy and yet for us to sustain our economic competitiveness, our budget reflects our intent to invest even more back into our communities, with key partners, in the ways that matter most to our citizens and taxpayers.

**Board’s Guiding Principles**

The Board’s Goals and fiscal conservative guiding principles play an important role in the development of the budget, providing a sound and balanced approach by:

- Avoiding raising fees or taxes;
- Relying upon realistic revenue forecasts;
- Maintaining stable reserves;
- Improving the quality of services provided to our community;
- Budget for one year, manage for two, and plan for five; and
- Matching on-going revenues with on-going expenditures.

The Board endorsed the following budget guidelines in developing the 2016 budget:

- Continue capital improvement projects throughout Douglas County to reduce traffic congestion, invest in road infrastructure, and citizen safety;
- Continued emphasis on increased efficiency through technology;
- Keep the cost of government down through cash funding, outsourcing, and contracting;
- Leverage our funds through partnerships; and
- Maintain efficient staffing levels, which means elected offices and departments may request full-time equivalent (FTE) positions, only after the office or department has exhausted other options such as: use of technology; use of temporary staffing, volunteers, contracting, or job-sharing; and assessing reasonable service levels.

**Board Goals - The Foundation for the Budget**

The goals set forth in the Board’s Policy Manual serve as the foundation for this budget and are defined as:

- Conditions exist that enable people to live in safe and secure communities:
  - Community resources and planning are designed to mitigate, prepare for, respond to, and recover from disasters and incidents, both man-made and environmental.
  - Effective law enforcement, fire protection, emergency management, public health, building construction, child and adult wellbeing, and public infrastructure result in safe and secure communities.
- Conditions exist so that:
  - People and goods move across the County safely, efficiently and affordably.
  - The transportation system has a positive economic, social and environmental impact.

- Conditions exist that enable citizens, taxpayers and businesses the opportunity to prosper:
  - The tax and fee structure are balanced and fair – fostering a strong economy.
  - The County regulatory process is timely, efficient, effective and responsive.
  - Business and community organizations, taxpayers and citizens see Douglas County Government as an effective partner in creating a strong economy.

- Conditions exist that ensure a high quality of land, air, water, and wildlife resources:
  - Highest priority result: Douglas County has sustainable and dependable water supplies of adequate quality and sufficient quantity.
  - Douglas County water providers implement state-approved water conservation plans.

- Conditions exist so that County programs and public/private partnerships foster an effective safety net for the basic needs of qualified residents:
  - Basic and essential services exist that provide people the opportunity to be self-sufficient.

This graph depicts the 2016 Proposed Budget alignment with Board Goals.
**Major Themes – Transportation and Public Safety Investments**

The Board’s direction for the 2016 Budget is to dedicate a significant portion of the revenue growth to reduce traffic congestion and extend the life of existing roads. The Board recognizes how critical our local transportation network is to the vitality of our community. A long-term vision for continued investment in maintenance and expansion of infrastructure contributes to the vitality of the County’s economy.

Public input on spending priorities is obtained via the County’s public opinion poll, most recently conducted in April 2014. The countywide poll, among other pursuits, seeks to assess citizen spending priorities based on Board goals established in 2009 and that remain in place today. Following are key findings:

- 88% recommend Douglas County “spend the same or more money on ensuring conditions that provide personal safety and security.”
- 80% advise Douglas County to spend the same or more money on a safe, efficient and affordable transportation system.”

By redirecting $11.4 million and regularly leveraging funds with community partners, critical transportation projects can be completed in a fiscally responsible manner. We redirected $5.4 million to augment our traffic congestion reduction efforts. Additionally, by transferring fleet maintenance expenditures from the Road and Bridge fund into the General fund $2.8 million will become available for road maintenance projects that will address congestion and capacity. Traffic flows will also be positively impacted by a $3.2 million contribution in support of extension of the southeast light rail and continued improvements on pivotal roadways such as I-25, C-470, US Highway 85 and County Line Road.

Priorities for public safety include the creation of an 11th Patrol District broadening the Sheriff’s presence in the county; the continuation of the radio tower expansion to improve emergency communications for first responders; and support of the 18th Judicial District’s efforts to address juvenile sex trafficking activity in the region.

**Economic Conditions**

Douglas County is positioned for continued growth going forward into 2016, based on current indicators. The County has a 2.6 percent unemployment rate, the fourth lowest in the nation among mid-sized counties. By comparison, Metro Denver’s rate is 3.2 percent, the State’s rate is 3.3 percent and the nation’s rate is 4.9 percent (U.S. Bureau of Labor Statistics, Sept. 2014 – Sept. 2015 comparison).

Analysts believe the U.S. labor market continues to show broad-based, stable growth, with significant milestones such as hiring prospects hitting seven-year high and jobless claims recently reaching a 40-
year low. As the labor market continues to tighten, local employers are increasingly reporting concerns with respect to recruiting skilled employees.

During the second quarter of the year, the residential housing market recorded mixed trends throughout Douglas County. Single-family attached home sales rose 2.4% between the second quarters of 2014 and 2015, while single-family detached home sales fell 1%. The average price of a Douglas County single-family attached home increased 13% between the second quarters of 2014 and 2015. Foreclosures throughout the County continue to be at the lowest levels on record with a 25.2% decline in filings over the year.

Douglas County’s population as of January 1, 2015 is 308,000, and it is estimated we will add 6,000 new residents by December 2015.

Revenues

Budgeted revenues for 2016 total $278.4 million, including a $28.3 million or 11.4% increase over the 2015 Budget.

Revenues are forecast by reviewing actual-to-budget performance and applying a conservative, yet realistic, approach to trending the various individual revenue streams. The forecast data is contained in the annual budget book section labeled Revenue Manual. Within this section the main revenues are described, including historical and future forecasting data.

The graph below illustrates the County’s revenue categories.
Property Taxes

Property taxes are the largest source of revenue and are used to fund general governmental operations. Property taxes are projected to increase $16.7 million or 15.4% over the December 2014 certification of value. Property taxes collected in 2016 are based on taxes assessed in 2015, which is a reappraisal year.

To clarify, the $16.7 million in new property tax revenues represents the County’s portion of property taxes paid by residential and commercial property owners. Of this new revenue, $10.2 million, or 61% is dedicated to transportation infrastructure and $3.9 million or 23% is dedicated to the General Fund, to address the service demand created by the increase in County population by an additional 21,000. The Law Enforcement Authority (LEA), a voter approved mill levy will see a $1.8 million or 11% increase to the fund; and an additional $800,000 or five percent increase will be seen in the voter-approved Developmental Disabilities mill levy.

The Board of County Commissioners has discretion in the distribution of the 19.774 mills - with the exception of the 1.0 mill dedicated by a vote of the citizens to developmental disabilities programs. As such, 13.788 mills is the source of revenue for the General Fund; 4.493 mills is the source of revenue for the Road and Bridge Fund; 0.316 mills is the source of revenue for the Human Services Fund; and 0.177 is the source of revenue for the Capital Expenditures Fund (the 0.177 was reduced from the General Fund allocation).

Douglas County has seen an increase in Tax Increment Financing (TIF) for urban renewal projects. Urban Renewal Authorities can capture the increases in property taxes in specific areas for up to 25 years. As of the November 22, 2015, certification of $5,155,091 of assessed value is being redirected into the Urban Renewal Authorities and Downtown Development Authorities in Douglas County. That number will likely double in the next two years based on current and prospective development, therefore, diminishing the County’s primary source of discretionary revenue.

Earlier this year, the County Commissioners contemplated lowering the County portion of the Property Tax mill levy. Two significant pieces of information that surfaced during the budget process resulted in the decision to maintain the current rate. The first concern centers on the needs for continued investment in transportation infrastructure. It is the combined impact of traffic congestion, aging County roads, limited state funds to maintain state-owned highways within the County, as well as current citizen survey findings from multiple local governments within the County that inform this decision.

The second concern is increased caution about relying on federal funding to serve our most vulnerable citizens due to increasingly overreaching rules and regulations associated with receiving federal funds. There have always been rules and regulations, however, recent experiences with Housing and Urban Development rules regarding Community Development Block Grant funding and Environmental Protection Agency rules regarding local waterways suggest that the rules are becoming more onerous and have a social engineering quality to them that seems to be expanding. As a County, we want to make sure that we can care for our most vulnerable local residents without having to compromise
important principles of local control and a market driven economy. This may well require a judicious local investment in community services along with our non-profit and faith-based partners.

**Other Revenues**

Sales and use tax is the second largest revenue source and comes from the 1.0% sales and use tax within Douglas County. This source of revenue is restricted for specific uses by voters; 0.17% for the acquisition, preservation, development, and maintenance of open space lands, trail systems, and parks facilities; 0.40% is for improvements and maintenance of county roads and bridges; and 0.43% is for the operation, maintenance, and construction of the Robert A. Christensen Justice Center. Sales and use taxes are projected to be $57.8 million, an increase 1.1% or $642,500 over the 2015 year-end estimates.

Other large revenue streams (excluding property and sales taxes), are anticipated to decrease 6.2% or $1.6 million from 2015 year-end estimates. The major revenue streams resulting in the decrease are roofing permits and receptions (fees associated with filing and recording documents).

**Expenditures**

The 2016 expenditure budget is $346.0 million. This includes $186.0 million for on-going operating expenditures; $4.7 million for debt service; $125.3 million for one-time initiatives including maintenance and capital projects; and $30.0 million for federal and state funded expenditures.

The operating portion of the budget is increasing $18.6 million or 11.1%. The majority of the increase is in the General Fund ($11.1 million) and is due to moving Fleet Services from the Road and Bridge Fund to the General Fund ($2.8 million); compensation and benefit increases ($4.1 million), utilities/treasurer fee increase ($1.4 million); software maintenance and hardware increases ($993,000); and other new on-going requests ($1.8 million).

This graph depicts where the County spends its money:
New budget requests for 2016 are reflected on the schedules for each fund and separated between one-time and on-going costs. One of the Board’s guiding principles is to match on-going revenues with on-going expenditures. The County follows this best practice by matching funding sources (one-time or on-going) with consistent uses (one-time or on-going). This method provides a key budgeting component to ensure the future financial stability of the County.

**Salary and Benefit Costs**

As with most service organizations, public or private, the salary and benefit portion is the largest expense within the operating budget. Maintaining a competitive market-based, pay-for-performance compensation package for employees is critical to recruit and retain a high performing workforce. Based on local survey data as of September 2015, we recommend budgeting for a 3.5% merit pool, which represents the average of local jurisdictions within Douglas County and other front-range counties, towns and cities.

Both locally and nationally, costs for medical, dental and vision insurance annually increased, creating continued challenges for organizations to manage. For calendar year 2016, the County is projecting a combined increase (medical inflation and claims costs) of approximately 12.2%. The County transitioned to self-insured medical, dental and vision plans to reserve monies that would otherwise be retained by our various vendors during years of low claims utilization. When claims costs and medical inflation create larger than anticipated increases (as experienced over the last 12 months), the County’s self-insurance strategy allows for a measured response. In 2016, the County will utilize reserves from our self-insurance fund, implement minor plan design changes, and split 50% of additional cost increases between the County and employees. Annual increases for dental and vision insurance will be borne entirely by employees who choose these benefit options.

**Staffing**

Douglas County maintains staffing levels that are prudent in overall numbers of employees while also ensuring that we adequately meet the service needs of our citizens. As depicted in the graphs below, the County has one of the highest levels of citizens served (both overall and in unincorporated areas) per employee.

[Graphs showing citizens served per county employee]

Staffing changes for 2016 include the recommendation to add 21 positions county-wide: ten in the General Fund, eight in the LEA Fund, two in the Road and Bridge Fund, and one in the Human Services Fund. Each fund has detailed explanations for each position. In 2015, there were 29.75 FTEs
authorized during the year, 15 of these were existing temporary positions that were converted to full-time staff. Note: authorization of full-time positions only occurs after departments have demonstrated a sustained need and other options such as external contracting, temporary assistance, and technological solutions are exhausted.

New Requests

Countywide new budget requests total $60.3 million of which $55.1 million represents one-time requests and $5.2 million on-going requests. Following are key initiatives:

Public Safety

- Creation of a new District 11 (6 positions) in southern region of Douglas County ($872,000).
- Implementation of Deputy Cadet Training Academy program for 20 students per year ($559,400)
- Additional Deputy Relief post (6 positions) in the County Jail ($569,700, funded by Justice Center Sales and Use Tax)
- Continuation of the Simulcast Radio Tower Project for increased radio coverage within Douglas County ($5 million)

Multimodal Transportation

- Road repair and maintenance including continued asphalt, concrete and surface treatments to extend pavement life throughout unincorporated Douglas County ($10 million)
- Partner with the City of Lone Tree and RTD to extend light rail to RidgeGate ($3.2 million). Douglas County’s total contribution to this project will be $7.3 million over 3 years
- Hilltop Road Improvements at Legend High School, Crestview, Merryvale and Singing Hills ($5 million)
- County Line Road/I-25 Operational Improvements from Chester to Inverness ($3 million)
- C-470 trail over Yosemite Street bridge ($1.5 million). Total project cost is $4.5 million with funding from the City of Lone Tree, Park Meadows Metro District and DRCOG
- US Highway 85 Corridor Improvements - Highlands Ranch Parkway to County Line Road ($1 million)
- Havana Street – Lincoln Avenue Intersection Reconfiguration ($1.7 million)
- North Meadows Extension to US 85 and to I-25 ($750,000). To date the County’s contribution is $12.4 million (16%) of the total project cost of $78 million. Funds have also been contributed by the Town of Castle Rock, CDOT, and FHWA
- Hazard Elimination / Congestion Management ($750,000) – identification of congested intersections and roadway segments, development of congestion reduction/mitigation measures, and design and construction of necessary improvements
- Lincoln Avenue Widening from First Street to Keystone ($750,000). Approximately $12-14 million is needed in future years to provide other safety, mobility and operational improvements in this area
Economic Foundations

- The County’s investment in transportation infrastructure, natural resources, and public safety are core expectations of the business community that create a stable, predictable, reliable local government partner.

Natural Resources

- Colorado Front Range Trail extension between Columbine Open Space through the Town of Larkspur ($1.4 million)
- East-West Regional Trail extension between the City of Lone Tree and the Town of Parker ($850,000)
- Installation of synthetic turf multi-use fields at Highlands Heritage Regional Park ($900,000)
- Replacement of Bingham Lake Fishing Dock ($175,000)

Community Services

- Additional Senior County Attorney to augment the growth in the current workload in Child Welfare

A complete list of recommended requests may be found in the 2016 Proposed Budget including whether requests are one-time or on-going and a detail explanation of the need.

Debt

As of the end of 2015 Douglas County’s total debt is $27.3 million (interest included). Douglas County has no general obligation debt and no outstanding certificates of participation. Our debt is solely dedicated to road improvements ($6.3 million), and open space/parks ($21 million). These are special revenue obligations secured by pledged revenues from voter-approved sales and use tax. We have leveraged this debt to gain funding from partners, such as the Colorado Department of Transportation (CDOT) and Great Outdoors Colorado (GOCO). The U.S. 85/C-470 flyover, RidgeGate Boulevard, and Greenland Ranch project are all excellent examples of leveraging these dollars. GOCO has provided almost $39 million in grants to Douglas County since 1995.

In August 2014, Standard and Poors (a national rating agency) raised the Douglas County implied general obligation bond rating from AA+ to AAA with a stable outlook. In Standard and Poors press release, they noted the following factors as affecting their assessment:

- Douglas County’s local economy is very strong
- Douglas County’s management conditions are strong with good financial practices
- Very strong liquidity supports Douglas County’s finances
- Douglas County’s debt and contingent liabilities profile is very strong
**General Fund Highlights:**

The General Fund, the largest and most diverse of all the major County funds, accounts for a diverse range of services and functions. The 2016 General Fund budget is $128.3 million, a $13.9 million increase over the 2015 budget. Contributing to this increase is the $2.8 million relocation of Fleet Services from the Road and Bridge Fund to the General Fund; $3.2 million contribution to the City of Lone Tree to extend southeast light rail; and the $4 million set-aside for anticipated partnerships to reduce congestion. Another $8.4 million of new requests are also included. One-time requests equal $6.0 million. The budget is balanced through 2020.

The on-going operating budget is increasing 11.2% or $11.1 million. The increase can be attributed to moving Fleet Services from the Road and Bridge Fund to the General Fund ($2.8 million); compensation and benefit increases ($4.1 million), utilities/treasurer fee increase ($1.4 million); software maintenance and hardware increases ($993,000); and other new on-going requests ($1.8 million).

The graphs below show the primary sources of revenues and expenditure categories for the General Fund.

Overall, revenues in the General Fund are increasing 13.5% or $12.4 million. The major revenue increase is property taxes which are increasing $9.4 million due to re-appraisal values increasing and new construction.
Major initiatives recommended in the General Fund include $3.2 million to partner with the City of Lone Tree and the Regional Transportation District (RTD) to extend light rail to RidgeGate and $4.0 million for regional partnership to reduce congestion.

The Proposed Budget recommends funding 10 new FTE positions at a cost of $769,000; seven of these position have off-setting revenues equaling $569,700, therefore the net effect to the General Fund for the 10 positions is $199,300. There are also requests for temporary staffing in multiple departments totaling $1.2 million. Other requests are related to various operating needs and are itemized with detailed explanations in the 2016 Proposed Budget for the General Fund.

Road and Bridge Fund Highlights:

Property taxes, auto ownership taxes and highway user taxes are the primary revenue sources accounted for in this fund, which for 2016 are expected to generate $24.9 million, $8.0 million and $7.0 million respectively. In addition to ongoing funding for operational expenditures related to road maintenance, traffic services, and snow removal, this fund also expends $5.1 million in property tax sharebacks with Douglas County municipalities.

This fund’s primary focus is road and bridge maintenance and includes both County-performed and contracted maintenance. Maintenance projects include asphalt and concrete repair and replacement; drainage management; traffic signals repair and replacement; and pedestrian safety. Contracted repair and maintenance is budgeted at $10.0 million.

Major budget requests/initiatives for this fund include: $10.0 million for contracted asphalt and concrete maintenance, $1.4 million for regional partnerships to mitigate congestion, and $1.0 million for salt and sand. There are also two positions recommended in this fund for a total of $118,000; one Traffic Technician and one Equipment Operator. There are three Limited Benefit Temporary positions (one Traffic Technician and two Equipment Operators) that are authorized through June 1st; however, funding for these positions will come from base operating budgets within each division.

This fund includes re-appropriations of $20.6 million from purchase orders encumbered in 2015 that won’t be fulfilled until 2016 and 2015 unspent project dollars. Total capital projects budgeted in this fund equal $31.1 million. A complete list with detailed explanations of recommended projects can be found in the 2016 Proposed Budget for this fund.

Currently underway is an update to the 2030 Transportation Master Plan to 2035. The purpose of the Transportation Plan is to define a long-range vision for a multimodal transportation system that offers choices in how people travel. The Plan includes corridor prioritization and improvement priorities for funding future transportation needs. This process will help inform future transportation funding and prioritization.

Road Sales and Use Tax Fund Highlights:

The Road Sales and Use Tax Fund accounts for 0.40% of the County’s one-percent sales and use tax used for infrastructure improvements related to roads and bridges. The voters approved extending
this sales and use tax in November 2007, effective January 1, 2011. The extension included a shareback provision for all wholly incorporated entities at the time of the election. The road sales and use tax is collected within the incorporated boundaries of the Town of Castle Rock, the Town of Larkspur, the Town of Parker and the City of Lone Tree, (excluding Park Meadows shopping center). The extension also modified the amount of the shareback from 100% of collected roads sales and use tax within the boundaries to 75%. January 1, 2012 the County began sharing back with the City of Castle Pines.

Projected revenues for 2016 from the dedicated sales and use tax are anticipated to be $23.1 million. After accounting for the $7.9 million in tax sharebacks with the various municipalities and the debt service payment of $1.6 million, $13.6 million remaining for road projects. Projects of significance include:

- Hilltop Road Improvements – construction of a four-lane arterial between Canterberry Parkway and East Singing Hills Road ($5 million)
- C-470 trail over Yosemite Street bridge ($1.5 million) – trail-user safety and traffic operations improvements
- County Line Road/I-25 Operational Improvements from Chester to Inverness ($3 million)
- Havana Street – Lincoln Avenue Intersection Reconfiguration ($1.7 million)
- US Highway 85 Corridor Improvements-Highlands Ranch Parkway to County Line Rd ($1 million)

This fund also includes re-appropriations of $28.4 million from purchase orders encumbered in 2015 that won’t be fulfilled until 2016 and 2015 unspent project dollars. Total capital projects budgeted in this fund equal $44.9 million. A complete list with detailed explanations of recommended projects can be found in the 2016 Proposed Budget for this fund.

**Law Enforcement Authority (LEA) Fund Highlights:**

The LEA Fund relies primarily on property tax revenue received from property owners within the unincorporated areas of Douglas County and funds the Patrol and Traffic divisions of the Sheriff’s Office, which is expected to be $14.9 million.

Major requests for this fund include:

- Redistricting patrol districts and creating a District 11 in the southern region of Douglas County. The District will have six positions and cost $872,000
- Establish a Deputy Cadet Training Academy at the Highlands Ranch Law Enforcement Training Facility and enroll 20 students per year, this cost is $559,400
- Dedicated Detective position for Rocky Mountain Innocence Lost Task Force to address a growing problem with juvenile sex trafficking, $172,000
- Adding a uniformed commissioned desk officer at the Highlands Ranch Substation to expedite citizen reporting as well as other duties at a cost of $113,800

A complete list with detail explanations of the requests for this fund is included in the 2016 Proposed Budget.
Justice Center Sales and Use Tax Fund Highlights:

The Justice Center Sales and Use Tax Fund accounts for the 0.43% of the County’s one-percent sales and use tax and is for the on-going operations, maintenance, and construction of the Robert A. Christensen Justice Center. Douglas County voters approved this sales and use tax extension in November 2007 effective January 1, 2011. The extension adjusts the percentage of the 0.43% that extends into perpetuity from 0.20% to 0.30% the remaining 0.13% sunsets in December 31, 2020.

Revenues are projected to be $24.8 million. The major expenditure shown in this fund is the transfer to the General Fund, which represents the portion of the sales and use tax that extends in perpetuity and is for helping defray the cost of operations paid from the General Fund. For 2016, this transfer equals $15.3 million, which represents 0.20% of sales and use tax revenues plus the additional operating costs for the Highlands Ranch Substation and new requests recommended in the General Fund for the Sheriff’s Office.

The largest project for this fund is the continuation of the Simulcast Project for $5 million. The Project was established in 2014 and is for the improved emergency communications network for first responders, including law enforcement, fire departments, schools, and public works. A complete list with detailed explanations of recommended requests, including the Simulcast Project can be found in the 2016 Proposed Budget for this fund.

For the 2016 Proposed Budget, the Emergency Vehicle Operations Center funding has not been re-appropriated. A business plan was completed and based on this information the Board has directed staff to reconsider the approach by thoroughly exploring a wide range of both public and private partnerships.

The Sheriff’s Office is currently talking with the City of Aurora and Arapahoe County to partner on a crime lab to help alleviate DNA and other testing currently backlogged through the Colorado Bureau of Investigations. The three jurisdictions are currently undertaking a feasibility study to determine needs before moving forward, however, $6 million has been set aside in fund balance for this project if it is determined by the feasibility study that this initiative should move forward.

Open Space Sales and Use Tax Fund Highlights:

The Open Space Sales and Use Tax Fund accounts for 0.17% of the County’s voter-approved, one-percent sales and use tax and provides for the development, preservation and protection of land dedicated as open space within the County. Revenues generated from this dedicated sales and use tax provide funding for operational needs, as well as capital projects and land acquisitions.

Revenues are projected to be $9.8 million; however, per voter approval a portion of this revenue ($1.5 million) is for parks development and maintenance and is accounted for in the Parks Sales and Use Tax Fund.
The major projects for this fund include the Colorado Front Range Trail ($1,425,575), construction of a trailhead at Iron Horse Open Space ($1,274,887), and replacement of the access bridge to Iron Horse Open Space ($750,000) including the re-appropriation of unspent funds from 2015 of $119,159 for a total of $949,159. The complete list with detailed explanations of recommended projects is included in the 2016 Proposed Budget for this fund.

**Parks Sales and Use Tax Fund Highlights:**

A portion of the voter-approved Open Space Sales and Use Tax is for the development and maintenance of parks and trails. The Parks Sales and Use Tax Fund accounts for projects funded with these monies, as well as cash-in-lieu monies for park lands, received from developers as part of the land use process.

The 2016 priority for this fund is $900,000 for the installation of 4.36 acres of synthetic turf multi-use fields in Highland Heritage Regional Park. Unspent funds from 2015 of $2.0 million are also being re-appropriated for a total of $2.95 million.

While not a 2016 expense, it bears mentioning that Douglas County is a regional partner of the Rueter-Hess Recreation Authority. We are one of five regional partners created to oversee the recreation master planning process. The cities of Lone Tree and Castle Pines, as well as the Towns of Castle Rock and Parker are also Authority partners. This partnership may require future contributions of up to $250,000 per year for 10 years in support of the Authority.

The complete list of requests with detail explanations is included in the 2016 Proposed Budget for this fund.

**Conservation Trust Fund Highlights:**

In accordance with State statute, this fund accounts solely for the proceeds allocated to the County from the State Lottery fund, which are estimated to be $1.0 million for 2016. Funds may only be used for the development and maintenance of parks, trails, open space and other recreational facilities.

The 2016 budget priority for this fund is $850,000 for Phase 2 of the East-West Regional Trail Extension. This consists of construction of the remaining eight miles of the trail connecting the City of Lone Tree with the Town of Parker, three underpasses, and retaining walls for ADA compliance. Unspent funds from 2015 of $1.3 million are also being re-appropriated for a total of $2.135 million. Another $150,000 for two outdoor exercise pads within Highlands Heritage Regional Park is also included.

**Capital Expenditures Fund Highlights:**

This fund pays for routine maintenance on all County facilities with the exception of the Justice Center. The 2016 Proposed Budget reflects a reallocation of General Fund mills of 0.177 mills which will generate $981,000 annually. During the recession, the County pre-funded anticipated maintenance
needs by transferring prior year savings into the Capital Expenditures Fund. This approach is no longer needed; therefore the mill levy has been restored to this fund to provide an on-going revenue source for county facilities maintenance and repairs.

Budget requests for 2016 represent primarily routine maintenance of buildings, parking lots, and upgrading of wiring and security systems. Currently underway is an expansion of the Road and Bridge Galen Buck Maintenance Operations Facility in Parker. The two northern County Public Work’s Districts, serving unincorporated Highlands Ranch and Parker, operate out of this facility. This facility was initially built in 1999 and has not been updated since original construction. Phase I was started in 2015 and will be completed in the 1st quarter 2016 and includes a vehicle/truck wash facility, fuel islands, site work, and utility infrastructure. Not depicted in this proposed budget is Phase II of this project. The County will go out to bid in January 2016. At this time the cost is unknown, therefore, no monies are being appropriated for this project. There are multiple options for funding, as well as possible plans to phase the project over multiple years.

The County is currently engaged in a facilities master plan project for non-law enforcement departments including Douglas County’s needs for services from Tri-County Health Department. The findings of this project are anticipated to drive decisions around relocation, leasing and/or purchasing, or building of new county facilities sometime during 2016. A complete list with detail explanations of maintenance requests is included in the 2016 Proposed Budget.

**Human Services Fund Highlights:**

Funding for the programs and services offered to citizens served by the Human Services Department comes from a portion of the County’s mill levy (0.316 mills or $1.7 million) and from various Federal and State grants ($26.0 million). The 2016 Proposed Budget reflects $18.5 million appropriated for direct payments to qualified participants.

Human Services Programs are mandated by the State of Colorado but serve our local community by preserving and strengthening families, assuring safety and promoting independence and self-sufficiency. Human Services programs support two of the Board’s goals in the areas of Personal and Public Safety and Community Services.

Douglas County Human Services continues to see growth in the demand for services particularly in Child Protection, Food Assistance and Medicaid eligibility determination. The Department makes every effort to provide services and determine benefit eligibility by partnering with the non-profit, business and faith-based community to serve low-income families and children, youth and families facing violence, substance abuse and mental health problems. As a result of these increased demands, the Board authorized five additional positions during 2015. Requests for 2016 include the recommendation to add another Senior Assistant County Attorney to augment the growth in the current workload. Other requests include requests for funding for temporary positions in Administration, Child Welfare, and Title IV-E Waiver project. The 2016 Proposed Budget provides a complete list of requests with detail explanations.
**Developmental Disabilities Fund Highlights:**

Revenues recognized in this fund are generated from a 1.0 mill property tax approved by the voters in 2002 and are expected to produce about $5.6 million for 2016. Through an interagency agreement, the County remits over 90% of these funds to Developmental Pathways, Inc., which is the regional provider of services in Douglas County, to be used in support of programs and services providing for the special needs of citizens with developmental disabilities. The remaining funds are then annually dispersed by the County via the Developmental Disabilities Grant program to support other programs that also serve this segment of the County’s population.

**Capital Replacement Fund Highlights:**

This fund is used to account for the accumulation of funds contributed by departments for the future replacement of county vehicles used by those departments. The County has taken different approaches to funding vehicle replacements over the years. In the past decade, our approach was to fully fund replacements which required that the Capital Replacement fund balance exceed $25 million, as the total replacement cost of the County’s fleet is $30 million. After reviewing best practices from the Government Finance Officers Association (GFOA) and other local governments, the County will move towards cash funding vehicle replacements beginning in 2016. This transition will take multiple years as we utilize existing fund balance, allowing affected funds to transition to an operating expense methodology (cash fund).

**Reserves**

As the budget is developed, attention is focused on each fund’s balance to ensure it is able to absorb the proposed changes. The guiding principles that dictate the use of the County’s fund balance are:

- Seek opportunities to maximize impacts to our communities through investment;
- Leverage funds by partnering;
- Cash fund vs. incurring debt;
- Maintain adequate fund balance to withstand economic fluctuations; and
- Emergency preparedness.

The County’s fund balance policy outlines appropriate fund balance levels necessary to conform to legal requirements. These reserve levels also assure a continued strong financial position for the County. The County has met its TABOR requirements, which specify that 3% of operating expenditures must be reserved for emergencies.

**Basis of Budgetary Accounting**

The budgets for the County, Law Enforcement Authority (LEA), Woodmoor Mountain GID, and Lincoln Station LID are all presented on the modified accrual basis, which is consistent with generally accepted accounting principles (GAAP). Under modified accrual accounting, revenues are recognized as soon as
they are both measurable and available. Expenditures are recognized when the liability is incurred. Governmental funds financial statements are also presented on a modified accrual basis of accounting. However, the government-wide financial statements and the proprietary funds financial statements are presented on a full accrual basis of accounting which means all transactions and events that affect the total economic resources (net assets) during the period are reported. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time an obligation (liability) is incurred, regardless of the timing of related cash inflows and outflows. Fiduciary funds use the accrual basis of accounting.

## Conclusion and Acknowledgements

The budget process is one of the County’s most significant and important undertakings each year. The process creates opportunities for dialog and priority setting in each Elected Office and Department in the County. The 2016 recommended Proposed Budget continues to emphasize the following baseline principles:

- Avoiding raising fees or taxes;
- Relying upon realistic revenue forecasts;
- Maintaining stable reserves; and
- Improving the quality of services provided to our community.

The success of this process is a direct reflection of the efforts by many participants in the process – including the Board of County Commissioners, other Elected Officials, Department Directors and the numerous staff throughout the County who dedicate numerous hours to work through the budget development process. We sincerely appreciate the hard work and dedication of all who make this important task possible but especially the members of the Finance Department staff.

We are honored to present this 2016 Proposed Budget as our County’s financial plan for 2016. We believe this budget reflects our commitment to fiscal stewardship, investment in community priorities, as well as our resolve to focus on the implementation and achievement of the Board of County Commissioner’s goals.

Respectfully submitted,

Douglas J. DeBord  
County Manager

N. Andrew Copland  
Finance Director

Martha M. Marshall  
Assistant Finance Director