



December 12, 2017

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

Commissioners Partridge, Weaver, and Thomas:

Please accept for your consideration the 2018 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's Core Priorities and Douglas County budget and financial policies.

This letter provides an overview of the budget including revenues, expenditures and reserves. Economic conditions and forecasts, debt, and highlights of the 2018 budget priorities in all major funds are also provided.

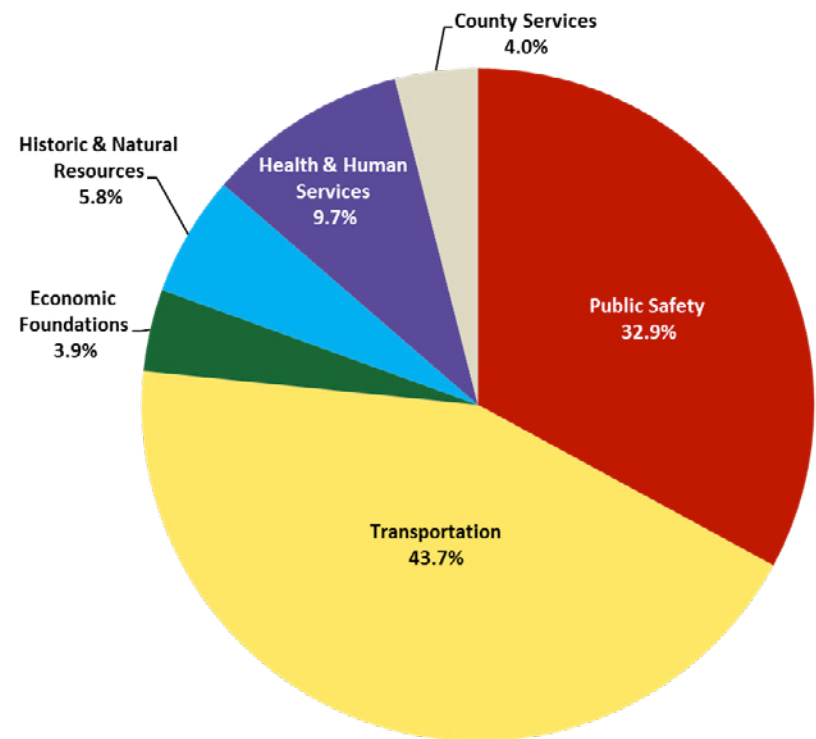
BUDGET OVERVIEW

The recommended Proposed Budget for 2018 is \$390.8 million for all funds: \$197.7 million for on-going operating expenditures; \$4.6 million for debt service; \$156.8 million for one-time initiatives; and \$31.7 million for federal and state funded expenditures.

The 2018 Budget includes \$151.9 million to be utilized for roads and transportation infrastructure initiatives within Douglas County. The operating portion of the budget is increasing by \$6.2 million or 3.3% which is less than the percent of population growth and CPI (2.7% + 3.1 = 5.8%). The budget is balanced for all funds.

In addition to being balanced, all funds meet the fund balance classifications set forth by accounting pronouncements, statute, and policy.

This graph depicts the 2018 Proposed Budget alignment with Board Core Priorities.



DRIVING FORCES

The Board of County Commissioner’s Core Priorities are the foundation for the development of the budget. These Core Priorities, along with citizen input, shape the 2018 recommended Proposed Budget’s major investments of: Transportation, Public Safety, County Services, and Historic and Natural Resources.

The Board’s Core Priorities and fiscally 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;
- Budgeting for one year, managing for two, and planning for five; and
- Matching on-going revenues with on-going expenditures.

The following budget guidelines were used to develop the 2018 Proposed Budget:

- Continue capital investment throughout Douglas County to address traffic congestion, road infrastructure, and public safety priorities;

- Keep the cost of government down through cost-effective purchasing, including cash funding; outsourcing and contracting opportunities; and leveraging local funds;
- Continue emphasis on increased efficiency through technology;
- Maintain efficient staffing levels, with an emphasis on external service areas that directly impact Douglas County communities; and
- Explore options to repair and refurbish equipment and vehicles prior to replacement.



2017 Citizen Survey Findings Reveal Concern for Traffic Congestion

Consistent with the Board of Douglas County Commissioners' commitment to open, transparent and accountable government, for the seventh time since 2006 the Board requested an independent survey of Douglas County voters.

Key findings show satisfaction with the County remains strong, while concern for traffic congestion has intensified.

In response to the survey statement, *traffic congestion across the County seems to be improving*, 73% disagree with this statement, the highest level of dissatisfaction with traffic congestion since the first survey was conducted in 2006 and a 25-point increase in dissatisfaction since the last citizen survey in 2014.

Bearing witness to citizen traffic concerns, when asked if they would prefer to receive property tax relief (like the 2016 temporary tax credit of \$16 per household) again in this year, a 59% majority said they are willing to give up the property tax credit and direct the total, combined revenue of more than \$3 million to other county needs. The top cited spending priority for these dollars– in an unaided follow-up question – was transportation uses, including roads, bridges, and traffic congestion relief.

Regarding voter opinion on public safety, 98% agree Douglas County is a safe place to live and work; 93% express satisfaction with law enforcement by the Sheriff's Office, the highest recorded level of

satisfaction since this baseline survey question was first asked in 2006; and 96% agree they generally feel safe and secure traveling around Douglas County today.

Among other key findings, 88% affirm the accuracy of the statement that Douglas County *has good County government*; 87% are satisfied with five or more of the seven basic services tested; 78% are satisfied with their interactions with County employees; and 72% believe that *the County spends our tax dollars wisely*, a significantly higher percentage than recorded in any of six prior County surveys since 2006.

Further affirmation for good governance is revealed by 70% of voters agreeing that *Douglas County Government listens to the people's voice*, and that *Douglas County is more open and transparent when it comes to the process and procedures whereby policies and budgets for the County are set*.

Using the Douglas County voter registration as the survey baseline, 856 registered voters participated in the survey from May 30-June 9, 2017 by phone (landline and cell phone) and online (open-link and panel).

Transportation Investment 2018

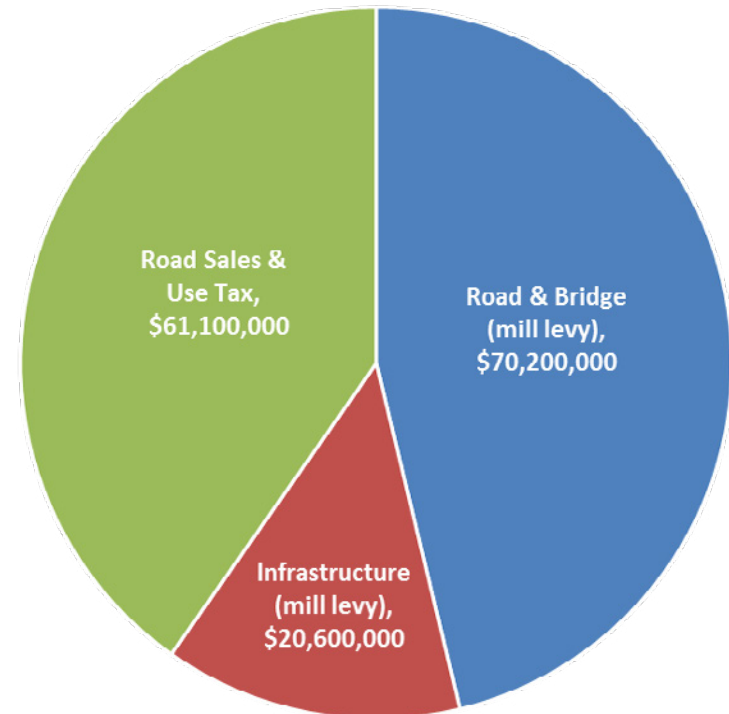
Transportation and critical road and bridge infrastructure investments are front and center in the County's \$390.8 million budget, a reflection of taxpayer priorities and the County's opportunity to reinvest new revenue back into Douglas County communities.

Recent citizen survey findings, countywide traffic congestion, the need to extend the life of existing County roads, paired with limited state funds for the state-owned highways within the County, led to the Board's decision to commit \$151.9 million in 2018 to transportation-related expenditures.

More than 80 percent of Douglas County citizens rely on state highways within the County for commuting to work, school and other day-to-day activities. The County's budget includes significant investments in Highway 85 and I-25, in partnership with the Colorado Department of Transportation, Douglas County Municipalities, the Denver Regional Council of Governments, the Federal Highway Administration, as well as the private sector.

For additional detail, please refer to the 5-Year Capital Improvement Plan [CIP] Documents specific to the Road and Bridge Fund; Road Sales & Use Tax Fund; and the new Infrastructure Fund [pages 132 - 136].

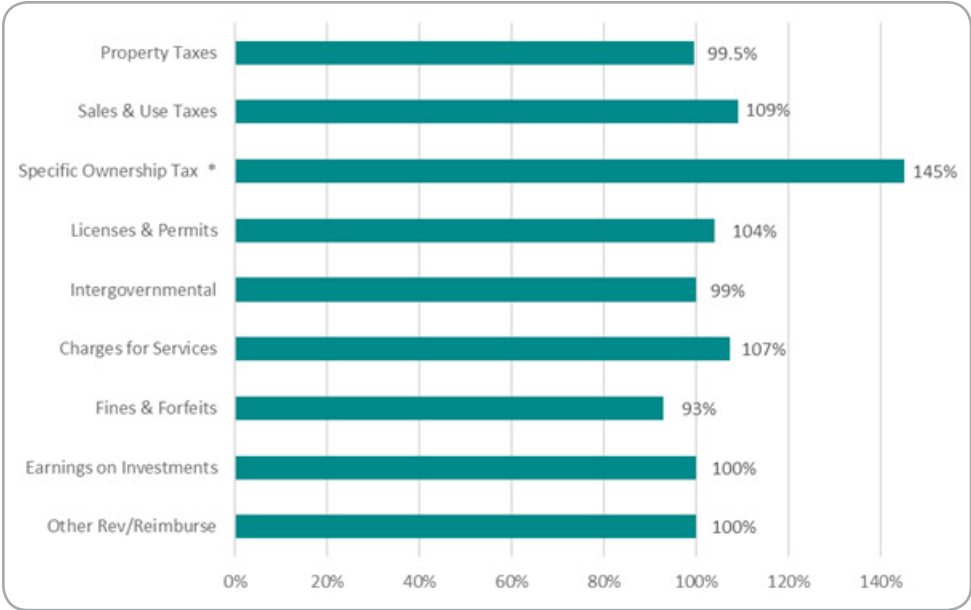
**2018 Douglas County Transportation Investment
Total \$151.9 million**



Revenues

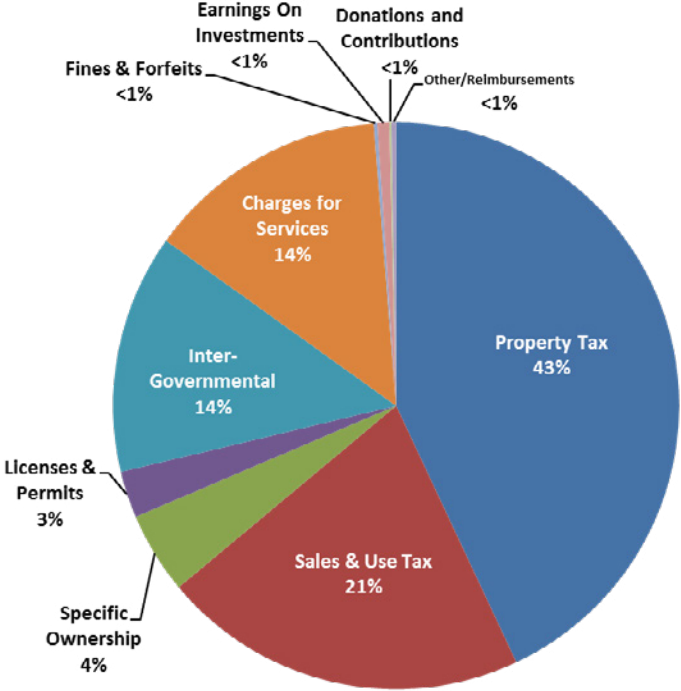
Budgeted revenues for 2018 total \$326.2 million, representing a \$26.9 million (9.0%) increase over 2017 year-end estimates. Revenues are forecast by reviewing actual-to-budget performance and applying a conservative, yet realistic approach to trending the various individual revenue streams. The 2017 Budget vs. Estimated Actuals Year-End Projections chart illustrates this process while the Douglas County Revenue Categories chart showcases the County’s revenue categories.

**2017 Budget vs. Estimated Actuals
Year-End Projections**



*Specific Ownership Tax is projected to be \$4.3 million above budget. A correction in the State’s calculation accounts for \$1.5 million.

Douglas County Revenue Categories



Revenue Sharebacks to Municipalities

There are two types of sharebacks to municipalities: property tax sharebacks and sales tax sharebacks. Property tax sharebacks are distributed quarterly to incorporated municipalities with a presence in Douglas County. The shareback is based on 50% of the assessed valuation of each municipality multiplied by the Road and Bridge Mill Levy [4.493 mills].

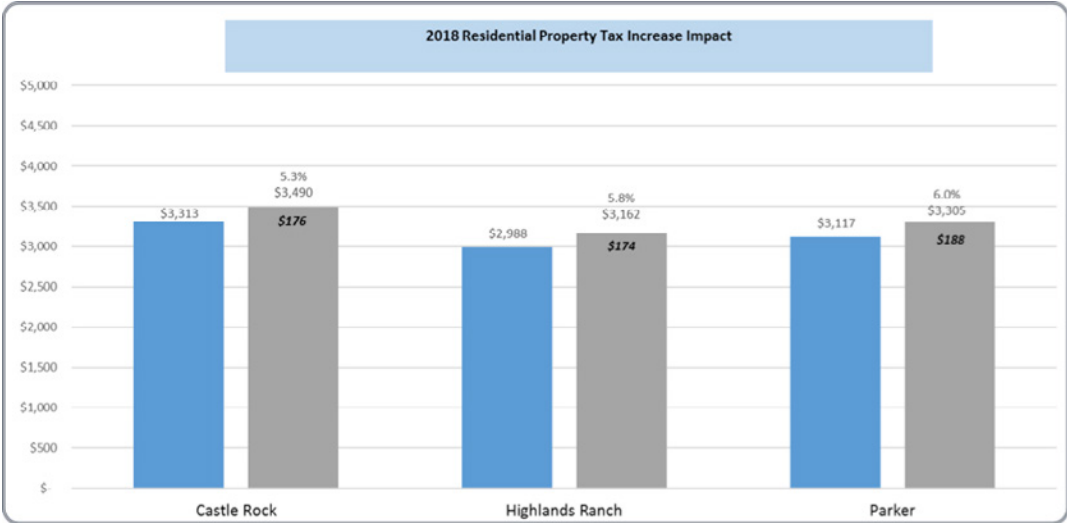
Road sales and use tax is distributed directly to the municipality every month. The amount distributed is 75% of the 0.40% sales tax collected within the wholly incorporated boundaries. Open Space sales and use tax for municipalities is 46% of the 0.17% tax collected divided out based on the prior year auto registrations of that municipality.

2016 Sharebacks to Municipalities	Total Sharebacks	Road and Bridge Shareback (Property Tax)	Roads Sales and Use Tax .40%	Open Space Sales and Use Tax .17%
		(% of Total Collected)	(% of Total Collected)	(% of Total Collected)
Total Tax Collected (County-wide)		\$24,598,239	\$24,222,204	\$10,294,437
Sharebacks:				
Aurora	\$ 25,412	25,412		
Castle Pines	629,834	371,740	258,094	
Castle Rock	5,619,163	1,621,947	3,197,884	799,332
Larkspur	38,780	12,333	23,835	2,612
Littleton	16,579	16,579		
Lone Tree	3,643,554	1,413,676	2,229,878	
Parker	4,908,074	1,416,787	2,826,421	664,864
Total Sharebacks	\$ 14,881,395	\$ 4,878,475 19.8%	8,536,112 35.2%	\$ 1,466,808 14.2%
Calculation Basis		50% of assessed value within the incorporated boundaries times R&B mill levy (4.493 mills)	75% of the actual 0.40% sales and use tax collected within the wholly incorporated boundaries	46% of the actual 0.17% sales and use tax collected divided based on prior year auto registrations
Authority for Shareback		CRS 43-2-202	DC Resolution (R-995-100) - 1995	DC Resolution (R-994-062) - 1994
Distribution Frequency		Quarterly	Monthly	Monthly
Distribution Method		Direct payment to municipality	Direct payment to municipality	Deposited into holding account - funds released upon BCC approval
Accumulated Account Balances:				
Castle Rock				\$ 472,210
Larkspur				45,259
Parker				1,407,903

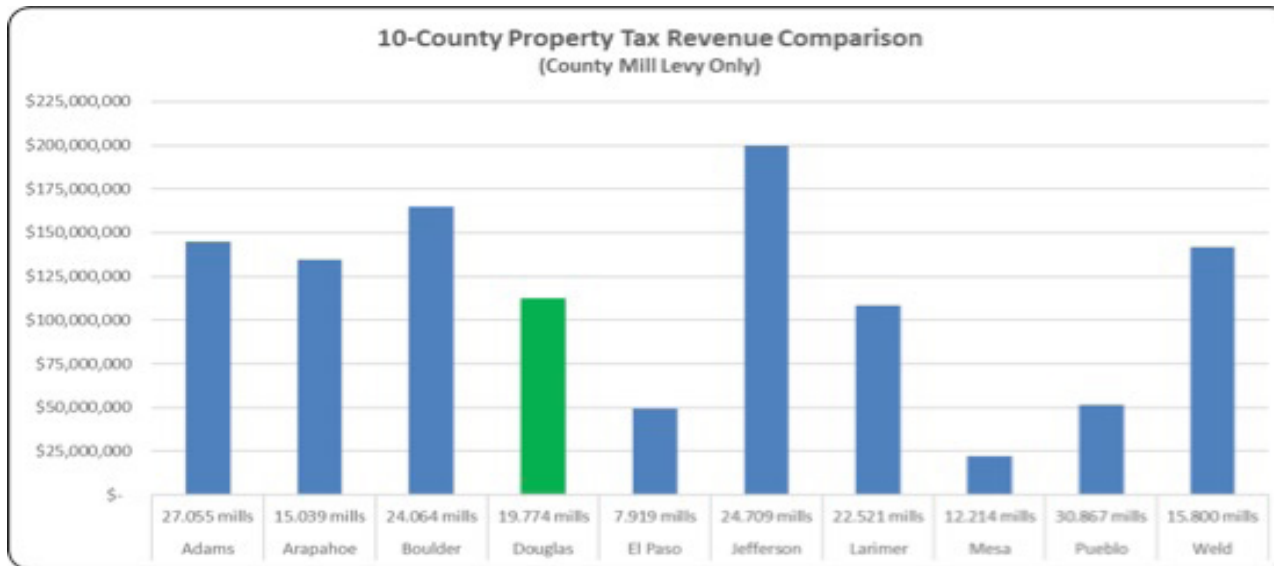
Property Taxes

Property taxes are the largest source of revenue and are used to fund general governmental operations. The county’s mill levy is 18.774 plus 1.000 mills approved by citizens for developmental disability services and 4.500 mills for law enforcement services in the unincorporated portion of Douglas County. Total property tax revenues for the county are projected to be \$140.2 million in 2018. This is an increase of \$16.0 million or 12.9% over the December 2016 certification of value.

This increase is primarily due to the re-appraisal cycle which means property taxes collected in 2018 are based on re-appraised property values assessed as of December 10, 2017. This represents 10.4% or \$13 million. The other factor that is driving the increase is removal of the temporary tax credit of 0.500 mills. The impact is \$3.15 million or 2.5% of property taxes collected.



Advised by the 2017 Citizen Survey findings, the Board has redirected a full 1.000 mills (\$6.3 million) to a new Infrastructure Fund. More information on the projects being funded are provided later in this document. The 18.774 mills mentioned above is distributed at the discretion of the Board of County Commissioners. As such, 12.788 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; 1.000 mills is the source of revenue for the Infrastructure Fund; and 0.177 mills is the source of revenue for the Capital Expenditures Fund.



The above chart provides a mill levy comparison of the top 10 Colorado Counties by population (excluding City/County governments). Douglas County has seen an increase in Tax Increment Financing (TIF) for urban renewal projects. Urban Renewal Authorities (URA) can capture the increases in property taxes in specific areas for up to 25 years. As of the August 25, 2017 certification, \$22.9 million of assessed value is being redirected into the URA and Downtown Development Authorities (DDA) in Douglas County. This is a 134% increase over last year's certification and equals approximately \$450,000 of on-going revenues that are redirected to these entities.

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 \$68.2 million.

For Douglas County's other group of largest revenue streams (excluding property and sales taxes), it is anticipated that there will be \$27.6 million which is an increase of 1.9% or \$521,000 over 2017 year-end estimates.

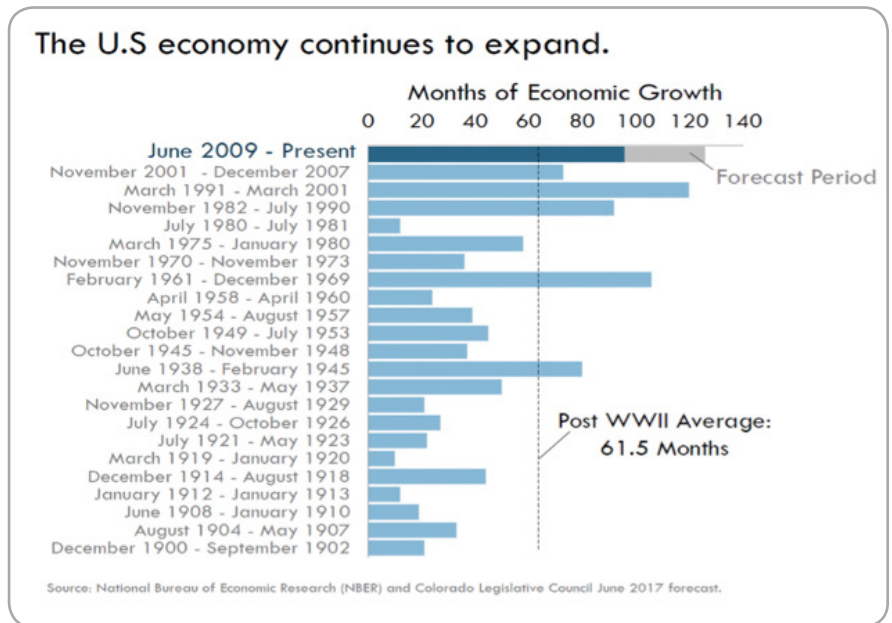
Economic Conditions

Economists anticipate that over the next 2-3 years, Colorado will experience constrained growth. Retail trade is still strong with most retail sectors growing. Also, closely watched, is the significant period of growth the country continues to experience since the Great Recession as illustrated at right – indicating a correction may be likely in the next few years.

The Consumer Price Index for All Urban Consumers (CPI-U) for the Denver-Boulder-Greeley, metropolitan area increased 3.1% from the first half of 2016 to the first half of 2017, the U.S. Bureau of Labor Statistics reported. Nationally, over the last 12 months, the index rose 1.9% for all items.

Based on current 2017 indicators, Douglas County is positioned for continued growth going forward into 2018. The current unemployment rate for Douglas County is 1.9%, the Metro Denver rate is 2.1%, Colorado’s unemployment rate is 2.2%, with the national unemployment rate at 4.5%.

Douglas County’s population estimate for January 1, 2017 is 336,000, and it is estimated that 9,000 new residents will be added by December 2017.



2018 RECOMMENDED PROPOSED BUDGET

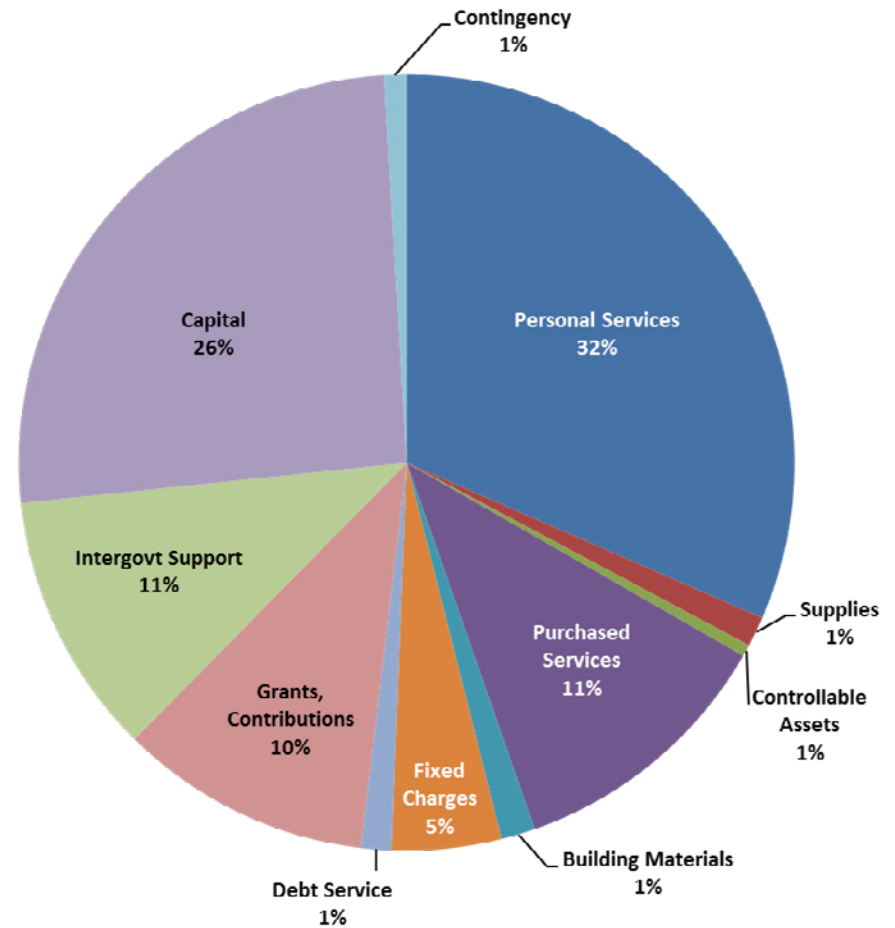
Expenditures

The 2018 expenditure budget is \$390.8 million: \$197.7 million for on-going operating expenditures; \$4.6 million for debt service; \$156.8 million for one-time initiatives including maintenance and capital projects; and \$31.7 million for federal and state funded expenditures.

This chart illustrates the distribution of the budget by spending categories.

New budget requests for 2018 are detailed within individual Fund Summaries that follow and are consistent with one of the Board's guiding principles requiring the pairing of 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 discipline, ensuring the future financial stability of the County.



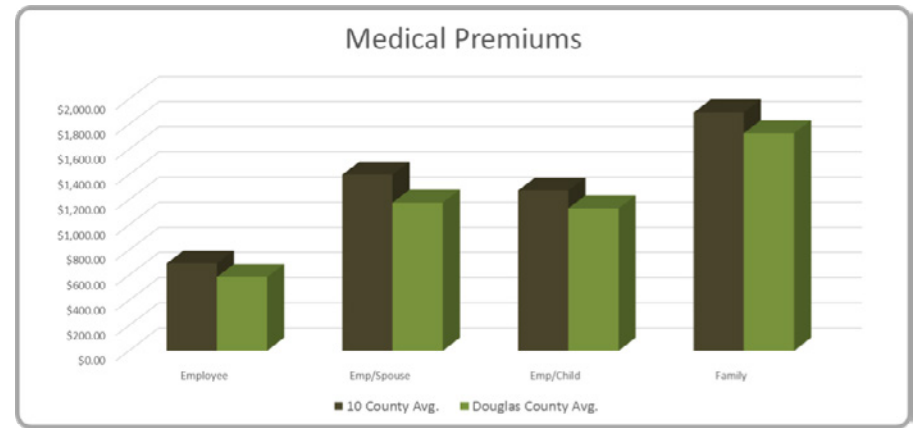
Compensation and Benefit Costs

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 total compensation package for employees is critical to recruit and retain a high performing workforce. The County follows fiscally conservative principles in designing the compensation and benefits strategy that includes the following tenets:

- No pension liability
- Non-union
- No retiree healthcare liability
- No sick leave cash-out upon leaving county employment
- Pay-for-performance based merit increases
- No Cost of Living Adjustments (COLA)
- No bonus structures
- Established market-based pay structure at the 50th percentile

Based on local survey data as of September 2017, a 3.5% merit pool is recommended, which represents the average of local governments within Douglas County and other front-range counties, towns and cities.

Medical benefits over the last five years have increased an average of 5.6% per year. Based on recent comparison data, Douglas County continues to offer medical plans with lower negotiated average premiums than the other large Colorado counties.



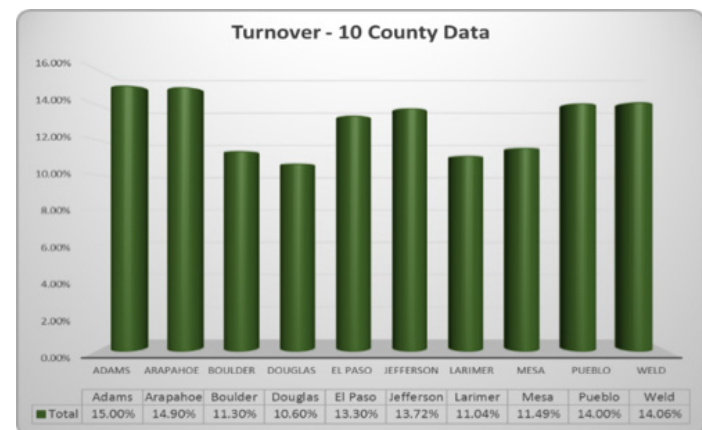
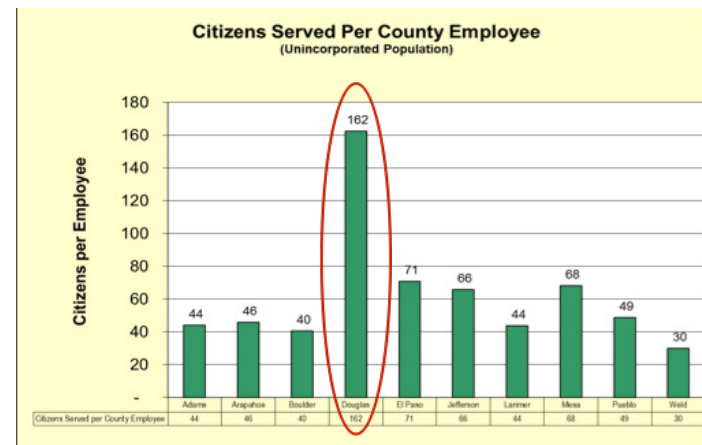
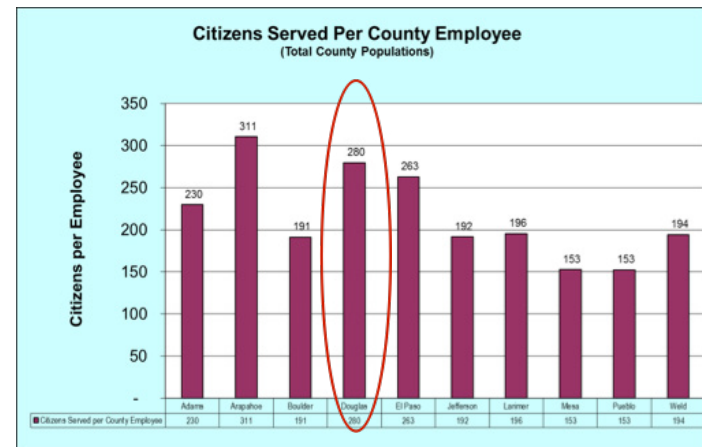
During 2017, the County experienced a higher than expected level of claims. As a result, Douglas County's projected medical plan expenses will increase 12% beginning January 2018. Additional plan design changes have been implemented to help offset high-cost medical claims. The County will increase medical premiums to cover anticipated cost increases, which will be shared by the employer and employees based on an 80/20 split. There are no increases for dental, vision, life, disability, EAP, accident, or critical illness insurance benefits.

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 accompanying graphs, the County has one of the highest levels of citizens served (both overall and in unincorporated areas) per employee.

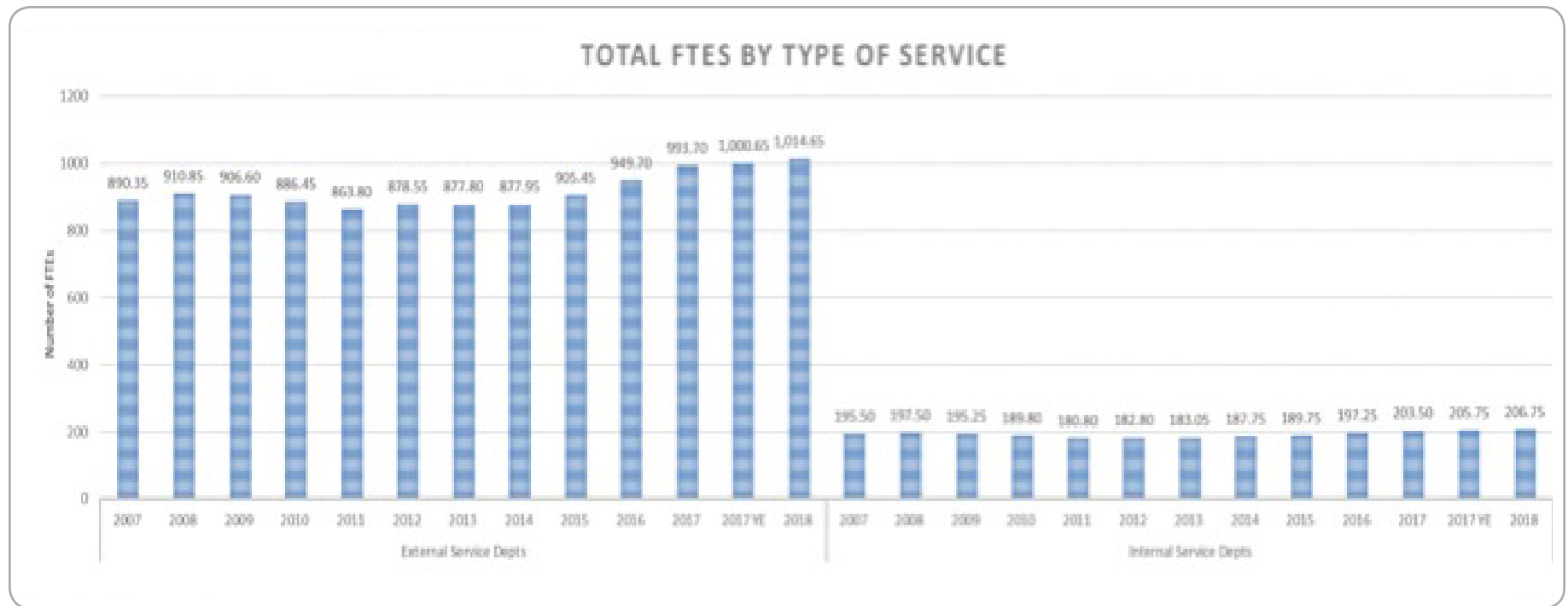
Staffing changes for 2018 include the recommendation to add 15 positions county-wide: four in the General Fund and eleven in the Law Enforcement Fund. In 2017, there were 10.0 FTEs authorized during the year; 4.5 in Human Services, 1.0 in Mental Health Initiative, 1.5 in the Sheriff's Office, 2.0 in the Clerk and Recorder's Office, and 1.0 in Fleet. *Note: Board 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.*

Despite the tight labor market in both Douglas County and the Denver-Front Range corridor, we continue to retain high quality personnel in all areas of the organization. Douglas County experienced the lowest turnover rate of 10.6%.



10-Year FTE History (External vs. Internal Services)

In reviewing the last 10 years of growth in full-time equivalents (FTE's), the majority has been associated with areas of the county that provide direct services to the citizens. During this decade, there has been an increase of 11.6% in external service areas, with only 4.7% growth related to internal service departments.



Note: Internal Service Departments include: Budget, County Administration, County Attorney, Facilities, Fairgrounds, Finance, Fleet, Human Resources, and Information Technology.

New Requests

County-wide new budget requests total \$80.8 million; \$77.4 million represents one-time requests and \$3.4 million is dedicated to on-going requests. Following are key initiatives:

Transportation

- Road repair and maintenance including continued asphalt, concrete and surface treatments to extend pavement life throughout unincorporated Douglas County [\$18 million - this is 20% or \$3 million greater than budgeted in 2017].
- US Highway 85 Corridor Improvements [\$19.9 million from Road Sales and Use Tax Fund and Infrastructure Fund]. Douglas County funds are being used to leverage funds from our other project financial partners to include DRCOG, FHWA, CDOT and developers. The proposed improvements are currently estimated to cost \$62.2 million.
- Partner with the Town of Castle Rock and adjacent developers to relocate the existing west I-25 Frontage Road between Tomah Road and Plum Creek Parkway (Coachline Road) to the west side of the railroad tracks [\$5 million].

Public Safety

- Year-to-date in 2017, Douglas County has seen a 3% increase in overall crime and an 11% increase in urgent calls. Ten Patrol Officers are being requested for the unincorporated portion of Douglas County to respond to these increases in calls for service and reduce response times. The cost is \$1.7 million which includes purchasing eight patrol vehicles.

- The Unified Metropolitan Forensic Crime Laboratory is currently under construction and is anticipated to be completed in September 2018. A total of \$1.1 million is being requested to complete the FF&E portion of the construction.

Historic and Natural Resources

- East West Regional Trail extension between the City of Lone Tree and the Town of Parker [\$2.9 million]. Douglas County has received a grant from Colorado Great Outdoors for \$1.6 million.
- Replacement of the synthetic turf at the Fairgrounds Regional Park [\$950,000].
- Design and construction of acceleration / deceleration lanes for Spruce Mountain, Hidden Mesa, and Prairie Canyon open space properties [\$325,000].
- Maintenance and repair of historic structures on county-owned properties [\$325,500].

County Services

- Three new positions in the Motor Vehicle Division to help with an 11% increase in transactions as well as maintain statutory compliance related to Special Mobile Machinery (SMM) registrations [\$185,000].

A complete list of recommended requests may be found in the 2018 Proposed Budget, including whether requests are one-time or on-going and a detailed explanation of the need.

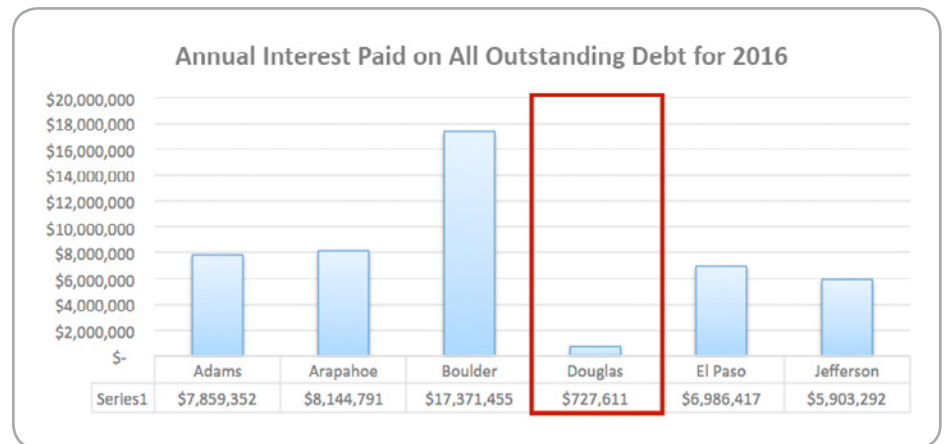
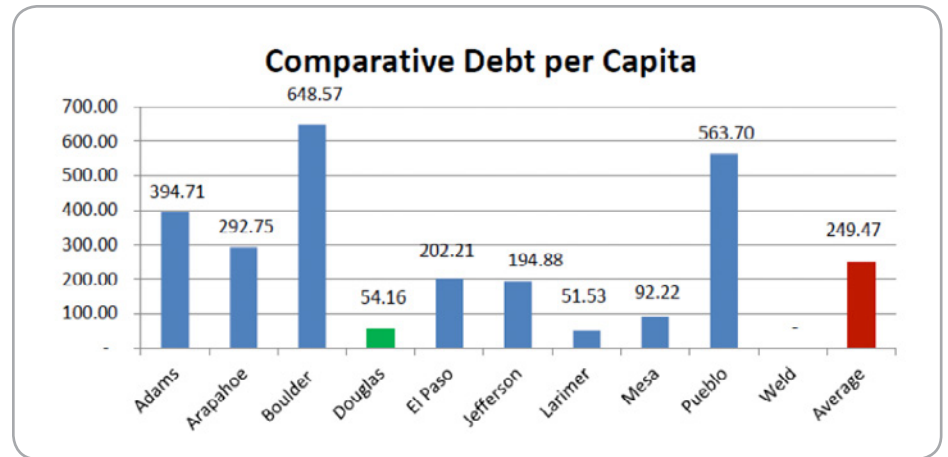
Debt

As of the end of 2017, Douglas County's total debt is \$16.9 million. Douglas County has no general obligation debt and no certificates of participation. The County's debt is solely dedicated to road improvements (\$3.0 million), and open space (\$13.9 million).

By the end of 2018, Douglas County's total debt will be \$12.8 million. These are special revenue obligations secured by pledged revenues from voter-approved sales and use tax.

This debt was leveraged with funding from partners such as the Colorado Department of Transportation (CDOT) and Great Outdoors Colorado (GOCO).

One of Douglas County's guiding principles is to cash-fund capital projects versus incurring debt. By doing so the County minimizes interest paid so that taxpayer money goes to the project, not interest payments. Cash funding of projects requires the County to accumulate the necessary money, in many cases over multiple years. This results in higher levels of fund balance until the project is completed.



MAJOR FUNDS

General Fund Highlights:

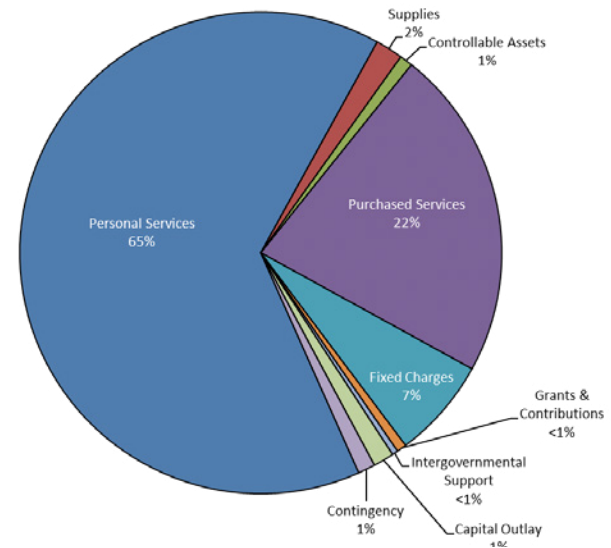
The General Fund, which is the largest and most diverse of all the County funds, accounts for a wide variety of services and functions. Revenues in the General Fund for 2018 are increasing 7.9% or \$8.2 million. Major reasons for this increase are property taxes of \$4.2 million; \$1.3 million for the extra duty program that has been moved from the LEA Fund; as well as \$408,000 for traffic fine revenues that were also moved from the LEA Fund. As indicated earlier, \$6.3 million has been redirected to a new Infrastructure Fund. The remaining increase is due to revenues increasing for building activity, motor vehicle registrations, and collection of municipal taxes.

The 2018 budget is \$130.5 million which is a decrease of 2.8%, or \$3.8 million over the 2017 budget. There are \$5.5 million in new requests. One-time requests equal \$3.7 million. The on-going operating budget is increasing 3.8%, or \$4.4 million. The increase is primarily attributed to new on-going requests of \$1.7 million; \$1.5 million for 3.5% performance merit pool; and \$137,000 for increases to the county's contribution to the medical plan.

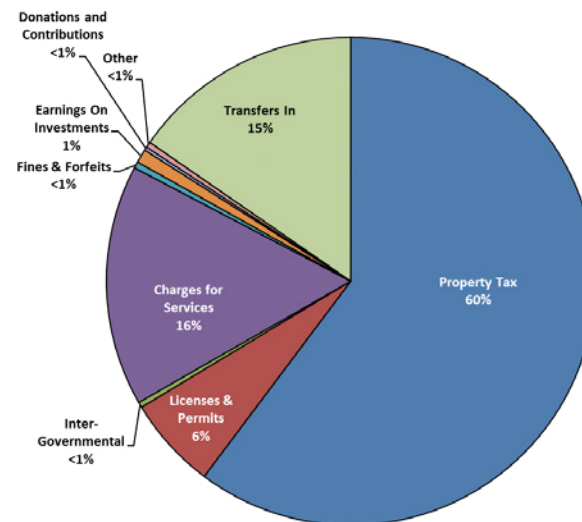
The Proposed Budget recommends funding four new FTE positions at a cost of \$285,000; also included is \$1.2 million for elections costs. Other requests are related to various operating needs and are itemized with detailed explanations in the 2018 Proposed Budget for the General Fund.

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

General Fund Spending Categories



General Fund Revenue Sources



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 2018 are expected to generate \$28.4 million, \$13.3 million and \$8.3 million respectively. In addition to, on-going funding for operational expenditures related to road maintenance, traffic services, and snow removal, this fund also expends \$5.9 million in property tax sharebacks with the municipalities located within the County.

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; stormwater and drainage management; traffic signal repair and replacement; and pedestrian safety. Contracted repair and maintenance is budgeted at \$18.0 million.

Other major budget requests/initiatives for this fund include: \$2.4 million for emergency storm drainage projects, \$2.0 million for stormwater projects, and \$1.9 million for phase 2 of improvements on Daniels Park Road.

This fund includes unspent 2017 project dollars in the amount of \$8.5 million, as well as \$3.5 million in unspent purchase orders encumbered in 2017 that will not be fulfilled until 2018. Total capital projects budgeted in this fund equal \$37.5 million. A complete list with detailed explanations of recommended projects can be found in the 2018 Proposed Budget for this fund.

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 which was 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 road sales and use tax within the boundaries to 75%. On January 1, 2012 the County began sharing back with the City of Castle Pines.

Projected revenues for 2018 from the dedicated sales and use tax are anticipated to be \$27.3 million. After accounting for the \$9.6 million in tax sharebacks to the various municipalities and the debt service payment of \$1.6 million, there is \$16.1 million remaining for projects. This, with an additional \$1.9 million from fund balance, provides a total of \$18.0 million for projects including:

- US Highway 85 Corridor Improvements-Highlands Ranch Parkway to C-470 [\$4.5 million]
- Chambers widening [\$4 million]
- Ridgegate widening [\$2.5 million]

- Meridian intersection improvements (\$2.5 million)
- County Line Road/I-25 Operational Improvements from Chester Street to Inverness Parkway (\$2 million)

This fund includes unspent 2017 project dollars in the amount of \$30.8 million, as well as \$2.7 million in unspent purchase orders encumbered in 2017 that will not be fulfilled until 2018. Total capital projects budgeted in this fund equal \$51.5 million. A complete list with detailed explanations of recommended projects can be found in the 2018 Proposed Budget for this fund.

Infrastructure Fund Highlights:

This is a new fund created in 2017 to account for monies from various sources to be used for infrastructure projects within the county. The 2018 Proposed Budget shows 1.000 mills (\$6.3 million of property tax revenue) has been reallocated from the General Fund to the new Infrastructure Fund with an additional \$16.2 million transfer from the General Fund, for a total of \$22.5 million.

For 2018, several regional road projects are scheduled to be paid for from this fund. This includes: \$15.0 million for US Highway 85 Corridor Improvements (Highlands Ranch Parkway to County Line Road); and \$5.0 million to relocate the west I-25 Frontage Road (Plum Creek Parkway [Coachline Road] to Tomah Road). The 2018 Proposed Budget provides a complete list of projects with detailed explanations.

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, the forecast for which is \$16.6 million.

The major requests for the LEA Fund are ten patrol officers (\$1.7 million) to assist with responding to increased calls for service and a detective position (\$130,000) in Douglas County's Impact Unit. A complete list with detailed explanations of the requests for this fund is included in the 2018 Proposed Budget.

Justice Center Sales and Use Tax Fund Highlights:

The Justice Center Sales and Use Tax Fund accounts for 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. The voters approved extending this sales and use tax 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 December 31, 2020.

Revenues are projected to be \$29.3 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 defrays the cost of operations paid from the General Fund. For 2018, this transfer equals \$19.0 million representing 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 major project for this fund is \$1.0 million for furniture, fixtures, and equipment (FF&E) for the Unified Metropolitan Forensic Crime Laboratory, currently under construction and projected to be completed third quarter 2018. A complete list with detailed explanations of recommended requests for this fund can be found in the 2018 Proposed Budget.

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. This sales and use tax will sunset January 1, 2024. Currently, there are no plans to extend this tax, therefore fund balance is being accumulated to fund maintenance of open space properties after the sunset date.

Revenues are projected to be \$11.6 million; however, per voter approval, a portion of this revenue (\$1.8 million) is for park development and maintenance and is accounted for in the Parks Sales and Use Tax Fund.

The major project for this fund is the design and construction of acceleration and deceleration lanes for Spruce Mountain Open Space, Hidden Mesa Open Space, and Prairie Canyon Open Space for \$325,000. The complete list with detailed explanations of recommended projects for this fund is included in the 2018 Proposed Budget.

Parks Sales and Use Tax Fund Highlights:

The Parks Sales and Use Tax Fund accounts for projects funded with these monies as well as cash-in-lieu monies received from developers dedicated to park lands. This fund is also impacted by the sunset of the Open Space Sales and Use Tax, January 1, 2024. After the sunset of the tax, the General Fund will be responsible for funding on-going maintenance.

The 2018 Proposed Budget reflects a contribution of \$400,000 for the Rueter-Hess Reservoir Partnership. This is a regional partnership for master planned improvements over the next 10 years. Also included is \$1.3 million for continued expansion of the East West Regional Trail from the City of Lone Tree to the Town of Parker. This project is also funded in the Conservation Trust Fund through a grant from Great Outdoors Colorado (GOCO) for \$1.6 million. The complete list of requests with detailed explanations for this fund is included in the 2018 Proposed Budget.

Conservation Trust Fund Highlights:

In accordance with Colorado State statute, this fund accounts solely for the proceeds allocated to the County from the State Lottery Fund, estimated to be \$1.0 million for 2018. Funds may only be used for the development and maintenance of parks, trails, open space and other recreational facilities.

The 2018 priorities for this fund are \$1.6 million for the East West Regional Trail Extension (Great Outdoors Colorado grant of \$1.6 million); \$500,000 to construct a trail in partnership with the City

of Lone Tree; and \$950,000 to replace the synthetic turf field at Fairgrounds Regional Park. The 2018 Proposed Budget has detailed explanations for these projects.

Capital Expenditures Fund Highlights:

This fund pays for routine maintenance on all County facilities except for the Justice Center. Property taxes of 0.177 mills is the sole funding source, generating \$1.1 million in 2018.

The 2018 Proposed Budget reflects a transfer from the Human Services Fund of \$450,000 for remodeling the Human Services building. A complete list with detailed explanations of maintenance requests is included in the 2018 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 \$2.0 million) and from various Federal and State grants (\$28.2 million). The 2018 Proposed Budget reflects \$19.5 million appropriated for direct payments to qualified participants.

Human Services programs are mandated by the State of Colorado. Increases in service levels requires this fund to use existing fund balance to cover operating expenses. Should available fund balance become inadequate to cover operations, additional mill levy may be required from the General Fund. There are no new requests for this fund.

Developmental Disabilities Fund Highlights:

Revenues recognized in this fund are generated from a 1.000 mill property tax approved by the voters in 2001 and is expected to produce \$6.3 million for 2018. Through an interagency agreement, the County remits more than 90% of these funds to Developmental Pathways, Inc., Douglas County's regional provider. These funds support programs and services for the special needs of citizens with developmental disabilities. The remaining funds are then dispersed by the County through its developmental disabilities grant program.

RESERVES

As the budget is developed, attention is focused on each fund's balance to ensure it can absorb the proposed recommendations. The guiding principles that prescribe the use of the County's fund balance are to:

- Seek opportunities to maximize impacts to our communities;
- Leverage funds by partnering;
- Cash fund versus incurring debt;
- Maintain adequate fund balance to withstand economic fluctuations; and
- Prepare for emergencies.

The County's fund balance policy outlines appropriate fund balance levels necessary to conform with legal requirements. These levels also help to maintain a strong financial position. 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.

Douglas County's Proposed 2018 Budget is presented by individual fund to obtain spending authority (per statute). Because of this methodology some expenditures are reflected twice within the overall Summary of Fund Balances, Revenues and Expenditures, (page 26). These expenditures are typically all internal service funds and inter-fund transfers- leading to the appearance that the overall budgeted expenditures of the County are greater than will actually be spent. For specific detailed information on the County's actual annual revenues and expenditures, the reader should refer to the annual CAFR [Comprehensive Annual Financial Report].

CONCLUSION & ACKNOWLEDGEMENTS

The budget process is one of the County's most significant undertakings each year. The process creates opportunities for dialog and priority setting in each Elected Office and Department in the County.

The success of this process is a direct reflection of the efforts of the many participants in the process – including the Board of County


Commissioners, other Elected Officials, Department Directors and the numerous staff throughout the County. We sincerely appreciate the hard work and dedication of all who make this important task possible, especially the members of the Finance Department.

We are pleased to present this 2018 Proposed Budget as our County's financial plan for 2018. We believe this budget reflects our commitment to fiscal stewardship, as well as our resolve to focus on the implementation and achievement of the Board of County Commissioner's Core Priorities.

Respectfully submitted,



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