



To: **Mesa County Board of Commissioners**
From: **Frank Whidden, County Administrator**
Date: **October 9, 2017**

I am pleased to present Mesa County's 2018 Proposed Budget. This recommended 2018 Budget maintains current service levels while adhering to our guiding values of leadership, service, integrity, respect, dedication, and liberty. This budget supports the strategic plan that serves as a guide for allocating resources and prioritization of services provided.

INTRODUCTION

The 2018 Budget has been prepared in compliance with State statute, generally accepted accounting principles (GAAP) using the modified accrual basis of accounting and the encumbrance basis of budgetary accounting, and in compliance with the priorities and direction of our elected officials. The budget is balanced, as required by Colorado Revised Statutes 29-1-103, in that no budget adopted shall provide for expenditures in excess of available revenues and beginning fund balances. The 2018 recommended budget is focused on managing increasing needs, preserving services for citizens, and providing a fiscally responsible County budget.

MISSION STATEMENT

Mesa County supports and enhances our community by efficiently addressing needs and services.

VISION STATEMENT

Mesa County is a magnet for business opportunity that is an attractive place to live, work, and raise a family, while enjoying our abundant recreational resources.

MESA COUNTY'S GUIDING VALUES

Our guiding values are expected to provide direction to our organization regarding its professional conduct, both collectively and individually.

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| <i>Leadership</i> | We lead efforts that meet our mission, vision and goals by active listening, being approachable, motivating others to action, and by aligning our resources efficiently and responsibly. |
| <i>Service</i> | Our public service is valuable, needed, and respected. We are committed to serving the community through our work and volunteer efforts. |
| <i>Integrity</i> | We are leaders and employees that earn trust and build honest, respectful relationships between our organization and our citizens. |
| <i>Respect</i> | We treat others as we would like to be treated. Everyone should be treated professionally and with dignity. |
| <i>Dedication</i> | We focus our energy on accomplishing our goals and being able to withstand |

setbacks. We work hard to meet the challenges of balancing public service and policy-making.

Liberty We strive to enhance and preserve responsible individual freedoms.

WHAT DOES SUCCESS LOOK LIKE?

- Efficient delivery of services throughout Mesa County by balancing safety, needs, and community priorities.
- Wise investment of public resources into our community, including infrastructure improvements and healthy families.
- Healthy and conservative fund balances that protect County services from unpredictable fluctuations in our economy and environment.
- A positive sense of community safety through collaborative, proactive, and responsive public safety agencies.
- Attractiveness of our business climate that brings economic prosperity to our community. We accomplish this by encouraging business expansion, new business development, and meaningful job growth. A prosperous economy can result in a lower need for government assistance.
- Community plans that are current, relevant, flexible, and reflective of emerging needs.
- Employees that are empowered and highly motivated to contribute to the success of Mesa County and to their own personal success.
- Employees that feel valued and understand that their contributions are critical to Mesa County's success.

MAJOR ACCOMPLISHMENTS FOR THE 2018 BUDGET

- Recommended budgeted expenditures are held to the 2018 Base Budget and in the General Fund the budget is balanced with revenues equaling expenditures.
- Criminal Justice Services expenditures increase with corresponding increased revenues.
- Continued funding for economic development.
- We are seeing increases in sales tax, property tax and specific ownership tax through an improving local economy.
- We have increased franchise fees for the use of County owned utilities
- With the exception of the Sheriff's and District Attorney's Office, all departments reduced their budgets in 2017 by 5%.

MAJOR CHALLENGES FOR THE COUNTY

- Economic Development. There is a need to strengthen our current economic base and attract new companies, particularly companies that diversify our economy for the long term.
- Insurance costs are projected to increase in Health, Legal and Workers Compensation.
- Employee Raises. Lack of organization-wide employee raises continues. The last organization-wide employee merit or market raise was given in early 2015. Many core staff have been without substantial pay increases for even longer, in an environment where staffing has decreased and

workloads have increased. Furthermore, equity issues have developed. These issues pose risks for retention and sustainability.

- **Public Safety Funding.** Demand for public safety in all areas (including Sheriff, District Attorney, Criminal Justice Services, and Child and Adult Welfare First Response) has been growing. Revenues made available to better prioritize these core services have not been able to satisfy this demand.
- **Revenues.** The Mesa County mill levy and effective property tax burden is among the lowest in the state, mainly due to the ratcheting-down effect of TABOR that had not been controlled until recently. It will be incumbent to remove barriers to revenue growth and actively pursue potential revenue opportunities that support our economy and organization for the short and long term. Both tax increase and non-tax increase opportunities will need to be evaluated. Holistic cost-benefit analysis, including community-cost analysis, is a priority in this endeavor.
- **Expenditures.** Continued analysis of right-sizing and innovating Mesa County. Being more business-minded is key.
- **Persons needing assistance in our community continues to rise.** About 25% of Mesa County population requires some form of assistance.
- **Ability for sales tax to help adequately fund the general operations of the County, mainly due to the 1981 voter-approved sales tax requirement to principally fund the Capital Fund.**
- **Unstable funding from the state and federal government.** Severance tax is projected to remain the same in 2018, due to the State keeping some of these revenues. PILT (Payments in Lieu of Tax) is projected to stay relatively the same as 2017, but without permanent enactment of PILT laws from the US Congress, this large funding source of over \$3M each year is not fully predictable.

ECONOMIC SUMMARY

In 2017 Mesa County has experienced sales tax revenue increases of approximately 6.5% year to date. However, this is a very volatile revenue stream and we are projecting a 2% increase for 2018. Unemployment decreased from 5.3% to 3% (August 2016 to August 2017). The dollar volume of home sales in Mesa County has more than doubled since 2016. Building permits increased by 47% from 2016 year to date. The number of individuals receiving assistance increased 10.6%.

2018 property taxes will see an overall increase of 1.1%. Sales tax is forecasted to be up 2% from the 2017 projected. We will be monitoring the potential reductions in PILT (Payment in Lieu of Taxes) even though the federal government claimed there will be no reductions in 2018.

We continue to focus on our community and local economy by providing a strong foundation for the local economy and economic development initiatives. Through the Capital Improvement Plan, with critical projects such as roads and bridges, we improve and maintain the infrastructure of our economy. Funding of these projects puts money back into our community, and maintains our infrastructure for tomorrow.

Mesa County invests directly in private local economic development programs such as the Business Incubator, Grand Junction Economic Partnership, and the Grand Junction Chamber of Commerce. Funding to several other local agencies such as Colorado Mesa University, the Museum of Western Colorado, and the Orchard Mesa Pool provides further direct economic and social benefits to Mesa County citizens. Along with working with other business assistance programs such as the new Rural Jump Start program, Mesa County offers its own business incentive program and provides Private Activity Bonds and other local non-profit funding.

REVENUES

Total budgeted revenues for 2018 are \$151,961,803, a 0.3% increase from the 2017 Adopted Budget.

General fund revenues are budgeted to increase 3.8%, to \$56,662,481. General fund revenues are used for most of our general ongoing operating costs for the services we provide, such as public safety, general government including most elected officials, and administration.

Following are some key revenue assumptions:

Sales Tax \$29.1 Million

2018 sales tax collections are projected to be 2% above the 2017 estimates.

Property Tax \$22.3 Million

Property tax is projected to increase 2% for the General Fund, and 1.3% for all funds. Preliminary assessed values increased by 0.5% for the 2017 Assessment year for taxes in 2018. The base mill levy remains at last year's level, 12.162 mills.

PILT \$3.4 Million

Payments in Lieu of Taxes (PILT) is projected to remain the same as in 2017.

Use Tax \$3.0 Million

Use tax in 2018 is projected to stay the same as the 2017 Adopted Budget due to increased motor vehicle use tax.

Specific Ownership Tax \$3.2 Million

This property tax on vehicles, collected on the registration of vehicles, is expected to increase 9% from the 2017 Adopted Budget.

APPROPRIATIONS

2018 recommended appropriations reflect our investments in the community. The overall budget is \$153,748,992, a 2% increase from the 2017 Adopted Budget. The net budget, with internal services and transfers removed, is \$137,300,794.

The General Fund, which is where most day-to-day operating costs reside, has 2018 appropriations budgeted at \$56,662,481, a \$676,141 decrease from the 2017 Adopted Budget.

County infrastructure is paid for mostly from the Capital Fund. Capital Fund expenditures are projected to decrease 13% to \$31,178,835. This includes \$1.4 million for the debt payments on the Certificates of Participation that were issued in 2010. Funding for capital costs is derived 67% from sales tax.

FUND BALANCE

Thanks to responsible fiscal management and thoughtful stewardship of taxpayer dollars, Mesa County continues to have a healthy fund balance. Together, we have made the difficult but necessary decisions to preserve essential services and streamline our business processes to be even more efficient. Overall fund balances are budgeted to be 24.6% of appropriations, which is \$5.4 million more than the 2017 Adopted Budget Fund Balance. In the General Fund, the fund balance is 22.8% of appropriations, which is \$2 million more than the 2017 Adopted Budget.

This budget estimates an overall \$1.8 million use of reserves, leaving \$37.8 million in reserves. The majority of this use is in the Capital, Fleet, Health and Human Services funds. The 2018 budget exceeds fund balance requirements from a TABOR and cash management perspective, and provides healthy reserves. The 2018 budget accounts for the 3% reserve required by TABOR (Taxpayer's Bill of Rights).

The General Fund is designated as the cash balance fund for all other funds. Generally all other County funds should carry a minimum 5% fund balance unless a fund is primarily used for pass-through revenues, capital expenditures, or grant funded operations, where activity and expenditures can be easily

stopped if anticipated revenues are not forthcoming.

CONCLUSION

I want to acknowledge the hard work and effort of County staff in all departments in preparing the 2018 budget. I am grateful for the leadership and commitment of the County's elected and appointed officials in meeting the challenges of providing value and services to our community while reducing or maintaining expenditures. Our organization has done a tremendous job of expending public funds conservatively in 2017 to maximize the funds available for 2018. Mesa County's 2018 proposed budget provides citizens with a fiscally responsible plan responsive to community needs and changing conditions in the community.

The 2018 budget meets the strategic priorities of public safety and economic development through infrastructure improvements. This budget protects Mesa County's financial health and maintains service levels. Projected ending fund balances keep the County in a fiscally responsible position.

More information about what was proposed and included in Mesa County's 2018 budget is available at www.mesacounty.us on the Finance page.