

COUNTY FINANCE: BUDGETING IN HARD TIMES

SUMMARY

Last spring's unit on county finances was voted as a study item at the 2010 Annual Meeting "*stressing how services are financed and prioritized in the budget process. The study should look at revenue sources, expenditures, budget policies, state laws that affect the county budget, and changes anticipated in the future.*" A five-page Every Member Material (EMM) walked the membership through the above points and looked at the specifics of the 2011 budget (To review the March 2011 EMM visit www.lwvjeffco.org / Program / Government). The research committee asked for an extension of the study so that a position could be written concerning finances and budgeting in the county government. Positions currently exist on governmental solutions, boards and commissions, county commissioners, and the library.

REVIEW OF STUDY

Things we learned about county finances and budgeting

Tough economic times caused the 2011 budget to be cut 7% from the previous year, and long-range projections indicate that revenue will continue to fall for the next two years because of lowered property assessments. No new capital improvement projects were anticipated in 2011 unless related to safety or a catastrophe. Members saw that the county appeared to be in better financial shape than several other counties and municipalities according to the local news media. Jefferson County keeps a 10% reserve, though only 3% is required by TABOR. The county also has a contingency fund. Long-range planning appears to be built into the budgeting process. The county runs on a calendar year beginning on January 1, and the state uses a fiscal calendar starting July 1. Assessments are made on even numbered years.

Priorities

The budget is meant to reflect Jefferson County's focus on its strategic vision, values, and goals which are: (vision) to enhance the quality of life for our citizens, (values) to be Transparent, to be fiscally responsible, to provide excellent customer service, to communicate effectively, (goals) to provide safe communities, economic opportunities, growth and development, to encourage self-sufficiency for all citizens, and to enhance transportation.

In 2007, the county developed a budgetary prioritization plan to assess programs and departments and measure how well they meet county goals. The programs are valued relative to one another with a very complex scoring criterion. The 2011 budget was the first to use this system, making \$750,000 in cuts from the general fund.

Revenue and Expenditures

Counties lag behind cities in the collection of revenue because cities function primarily by collecting sales taxes while counties rely on real estate taxes. Fifty percent of Jeffco's revenue comes from property taxes and only 10 percent is generated through sales taxes. Other sources of revenue are: auto ownership tax; fees, permits and fines; rental income; investment earnings; and intergovernmental revenue. The county anticipates having to dip into a reserve fund for 18.7 million to make up the gap between revenues and expenditures this year.

A look at the expenditures pie chart in the March 2011 EMM clearly shows where much of the county's money goes; nearly 55% pays salaries and benefits. A wage freeze has been in effect since 2010, and no merit increases will be given. Other expenditure categories include supplies, debt services, direct assistance payments, capital improvements and intergovernmental exchanges. One-time federal grants and stimulus funds have decreased or entirely dried up, which has greatly impacted Public Health and Human Services departments. They have had to cut programs and are concerned about the turnover of their staffs because of low salaries.

Budget Policies - Transparency

All meetings for the nine-month budgeting process are open to the public. In November a public hearing is held when citizens can question the proposed budget before the commissioners vote on it in early December. Meeting schedules are on line.

Budget Policies - Citizen Participation

In 2007 the Citizens Budget Review Panel was created by the commissioners to provide an independent review and analysis of county finances. They selected a 12-member panel which looked into all aspects of the budget and presented a list of nearly two dozen general fund savings to the county. Two years later, the panel was reconvened to look at the capital needs and proposed projects. After months of study, they also made recommendations, including one to reject a tax increase for any capital construction projects.

The Citizen Budget Review Panel was not asked to help with the 2011 or 2012 budget process. It will be up to the commissioners to determine if the citizen panel will ever reconvene.

State Legislation Affecting County Finances

TABOR passed as an initiative in 1992 and dramatically changed how all state and local governments address their finances. A provision that produces major problems is the limitation of the amount of revenue that can be kept using a formula of last year's base + the year's inflation rate + the percent of increased population in the county. While many governmental entities have "debruced;" the commissioners have not passed any laws enabling the keeping of excess revenue from tax collection.

The **Gallagher amendment**, passed in 1982, divides the state's total property tax burden between residential and commercial property. Forty-five percent of the total tax collected must come from residential property and 55% from commercial property with a fixed rate for the commercial property of 29%. The residential rate is annually adjusted.

The amendment has encouraged cities and counties to spar over businesses to enhance their tax base. A county would prefer a shopping center generating 29 % property tax on a prime piece of land, than a housing development producing 7.96%.

COUNTY FINANCIAL NEWS SINCE THE STUDY

County to Test Zero-Based Budget (Wheat Ridge Transcript, June 30, 2011)

The county commissioners want to try zero-based budgeting to see if it makes funding decisions any easier. They have chosen the Library and Human Service departments to try this system in the 2012 budgeting process.

According to Tina Caputo, Budget Management and Analysis Director, zero-based budgeting was popular in the late 70's. It requires that all functions and programs be justified in each department; each program will be examined to see whether it is statutorily required. The two departments will submit their proposed budgets in late July and begin ten to twelve intensive meetings with the commissioners who will dissect the proposal, program by program. The other departments will continue the traditional budget process and present their proposals by Aug. 5. The complete budget is due to the state by Oct. 15. Caputo adds that the process is a lot more work and time consuming, but it is worth a trial.

Commissioners Scrap County Audit Panel (Columbine Courier, June 15, 2011)

The county commissioners have quietly eliminated the audit committee which they established five years ago around the time that former Jeffco treasurer, Mark Paschall, was involved in questionable investments of county money. Committee members were surprised at the dissolution, thinking their volunteer hours were leading to a robust audit function in the county. This action came two years after the commissioners eliminated the two-employee internal auditing department and outsourced all audits.

The audit committee, consisting of citizens and elected officials, worked with independent accountants who audited the county's finances and its federally funded programs. They also created and monitored the county's internal controls to prevent fraud and ensure compliance with state and federal laws.

The county commissioners stated they were merely eliminating a redundant program, and believe that the county's own accountants can review external audits along with the board of commissioners.

County Eyes Northern Hub (Denver Post / Your Hub, June 23, 2011)

In material given to discussion leaders last March, the plans for service hubs were explained. The hubs were suggested by the Citizen Budget Review Panel in 2009 and embraced by the county commissioners, saying it would reduce maintenance costs, improve customer service, provide more convenient locations, and eliminate rentals. The hub in the south part of the county has begun, and plans were made to turn a vacant Target store in Lakewood and property in Wheat Ridge into central service hubs.

A news release on April 5 from the county announced that "the Jefferson County Board of Commissioners modified its recommended 2011 Capital Improvement Plan and will proceed with only the most critical needs." This eliminated the Target and Wheat Ridge plans. But in late June, the commissioners allocated \$60,000 to \$80,000 to evaluate property at the new Head Start center at Allison and 52nd (formerly Russell Elementary) for a new two-story building to serve as the north hub.

Save Jeffco Libraries (Information sheet distributed by this citizen group)

Save Jeffco Libraries is campaigning to convert Jefferson County Public Library into an independent library district because of financial difficulties with the commissioners.

In 1986, voters approved a property tax levy of up to 3.5 mills for library services. The citizen group claims that state law says that the revenue from that levy must be spent only for library services. It claims that the county in 2006 and 2007 gave the library half a million dollars less than expected and put the difference in the general fund. In 2009 and 2010 the commissioners "shifted" another \$1.5 million from the Library to the Human Services department. Save Jeffco Libraries further complains that the county overcharges the library for services such as payroll and human resources.

The county commissioners state that setting mill levies is their job. They feel they are completely within their rights as established in state law. The issue is in court presently.

CRAFTING A POSITION FOR FINANCING COUNTY GOVERNMENT

The research committee and the Jeffco Board are presenting a concurrence statement for you to study and consider. "A concurrence is the act of agreeing with, or concurring with, a statement or position. Groups of League members or League boards can concur with 1) recommendations of a resource committee or a unit group; 2) decision statement formulated by League boards; or 3) positions reached by another League." (In League, 2002) Concurrences were used on the national level for positions on ERA, reproductive choice, gun control, abolishment of the death penalty, and others.

You are being asked to discuss and study the statement printed below. Do you feel it will serve as a comprehensive position to be added to the government section in our Program and History booklet? Concurrence will happen only if there is significant member agreement with this statement, just like consensus. A look back at the March, 2011 EMM might help fill in any gaps that this summary may have glossed over.

Position in Brief

Support policies that promote fiscal responsibility, efficiency, economy, transparency, long range planning, and the inclusion of citizens in the financial process. Budgeting should strive to provide adequate funds for programs and services.

Standards:

County finances should be administered according to sound fiscal procedures.

The county commissioners should create and encourage a fair and flexible system of taxation and speak out against proposals and state laws that impede sound financial practices. They should schedule annual audits performed by independent, external accounting professionals.

The county commissioners should provide and publicize electronically and in print accessible opportunities for public education and citizen input during the budgeting process. The Citizen's Budget Review Panel, whose members should represent a cross section of county residents, should be continued. The panel's mission should be clearly defined, and its work should be publicized.

The budget's format should be understandable to citizens. Budget priorities should be explained.

Financial information, including budgets and audits, should be easily accessible electronically and in printed form. All budget meetings need to be publicized in both electronic and print formats.