

BUDGET MESSAGE
2015 BUDGET
RIO GRANDE COUNTY

Attached is the 2015 Rio Grande County Budget. This budget includes the following county funds: County General, Road & Bridge, Social Services, Capital Expenditures, Airport, Conservation Trust, Tourism, and Public Health Agency. Also included in the document is the RIO GRANDE COUNTY WEED CONTROL DISTRICT'S 2015 budget.

The annual budget is the County's most important financial management document. It is a financial road map for the coming year for all of the various departments and offices. The budget process is a joint effort between the Commissioners, the department heads, and the elected officials to maximize services in the most efficient way possible. The Board of County Commissioners has exclusive power to adopt the annual budget for the operation of the county government, including all offices, departments, boards, commissions, other spending agencies of the county government and other agencies which are funded in whole or in part by county appropriations. (CRS 30-11-107 (2)(a)).

The 2015 County Budget is \$20,224,967 and the Weed Control District Budget is \$153,968. This is an increase of \$360,263 (1.8%) for the County budget and an increase of \$10,193 (7.1%) for the Weed Control District. The Budget, as presented, is balanced in accordance with Colorado Revised Statutes § 29-1-101 through 115. The budgeted revenue amounts for the Weed Control District are under the amount of increase allowed under the TABOR amendment and the 5.5% Statutory Property Tax Revenue Limit. Rio Grande County did successfully pass the removal of the TABOR amendment and the 5.5% Statutory Property Tax Revenue Limit in November 1999. The accounting basis of modified accrual is utilized for Rio Grande County.

In 2015, the County's mill levy will remain the same as previous years at 15.567 mills. This is the maximum number of mills Rio Grande County can levy without going to the vote of the people. The total property tax revenue will decrease in 2015 is by \$74,475 (0.04%).

The major points of interest in the 2015 budget are as follows:

- A two percent wage increase for merit was given to the employees on their anniversary date upon receiving a satisfactory evaluation. The health insurance premiums increased by ten percent (10%) for the upcoming year and the county will contribute an additional \$79 per month per employee and the employee will contribute an additional \$43.26 to \$72.56 per month depending on coverage. It was calculated that for the month of October, 2014, the average take home pay across all county employees was \$1,865.62.
- The funding from both the State of Colorado and the Federal Government is projected to increase by \$13,404 (0.01%) this coming year.
- Upgrading of computer equipment in the Sheriff's Office was funded.
- Increased the Road & Bridge asphalt budget up by \$325,000 to \$650,000 for additional paving maintenance and new construction.
- One new sheriff vehicle will be purchased.

The 2015 budget will be funded from the following sources:

	2015 Budget		2014 Budget
Property Tax	\$2,588,417	12.8%	13.0%
Other Local Sources	\$1,724,540	8.5%	9.2%
Federal and State	\$14,048,134	69.5%	70.6%
Fund Reserves	\$ 1,863,876	9.2%	7.2%

As reflected above as a percentage of the total budget, all revenue sources declined. This shortfall is made up of a 2% increase from fund reserves.

The accomplishments for 2014 were:

- Completed the Ski Hi Park Pavilion and the San Luis Valley Trails Master Plan.
- Received a grant from the Colorado Department of Transportation for installation of a fuel distribution system at the Astronaut Rominger Airport. Also completed a Master Plan for the airport and have started the process of getting an FAA approach plan.
- Working with RWEACT to improve local sales.
- Worked with the Upper Rio Grande Economic Council in raising funds to hire a full-time economic developer for Rio Grande County.

Projects Goals for 2015 are:

- Complete the new tie-down areas at the airport along with rehab of several taxiways.
- Continue work with the municipalities, URG EDC and SLV Development Resource Group to improve the economic base in the County in the hiring of a professional economical developer.
- The Road & Bridge Department is scheduled to do additional asphalt maintenance and pave two new miles of roadway.
- Work closely with all county departments in determining ways to reduce expenditures and increase revenues to reduce the depletion of unappropriated funds.

The County has six lease agreements: Four agreements with Business Solutions Leasing for four copiers, a lease purchase with San Luis Valley Federal Bank for the addition and remodeling of the jail, and a lease purchase for financing of the energy upgrades with All American Investment Group, LLC.

The 2015 County Budget shows an ending fund balance of \$6,475,067 which is down by \$1,863,876. By utilizing \$1,863,876 of unappropriated funds to balance the 2015 budget the county continues to utilize its savings; this policy is un-sustainable and in the future either revenue will have to increase or the county will be forced to further reduce expenditures. To fund this short-fall, it would require an additional 10.767 mills or a 69% increase or an additional 2% sales tax. Both of these will require voter approval.

Another major concern is the failure of the Federal Government to authorize the Payment in Lieu of Taxes (PILT) program. PILT reimburses counties for the loss of tax revenue for federally owned lands. For Rio Grande County, this is \$685,000 per year. These funds are

deposited in the County General Fund and the Airport Fund. This would equate to a reduction of 3.4% in the 2015 budget immediately. This reduction will have to be accomplished by reducing or eliminating various services and staff.

The following is a brief synopsis of the various funds that have a significant impact on the 2015 budget that were not discussed above:

General Fund: The Sheriff's department will be replacing one vehicle and lap top computers for all the road officers. The Administration Department has increased employee costs since the Administrator's position will be split into a County Administrator and a Chief Financial Officer. All other departments saw little or no increase except for the merit step and increase health insurance premiums. Rio Grande County is the fiscal agent for the San Luis Valley Homeland Security Grants and the two Recovery Grants (Rio Grande, Mineral, Hinsdale, and Archuleta counties), and the San Luis Valley Revolving Loan Fund. Fifty-three percent of this fund is personnel expenditures since the following departments are funded through County General: Commissioners, Finance, Land Use, Building, Clerk and Recorder, Elections, Assessor, Treasurer, District Attorney, Sheriff, Jail, Coroner, Emergency Preparedness, Veteran's Officer, Extension Service, Museum and Buildings & Grounds.

Road & Bridge Fund: In 2010, 94% of the Road & Bridge Department was funded by HUTF. HUTF is gas tax placed on both gasoline and diesel and is distributed by the State to operate Colorado Department of Transportation, municipal streets and county roads. In 2015, HUTF to Rio Grande County is projected to fund only 83%. Additional paving maintenance and two miles of new paving is planned for 2015. Major equipment purchases will be for a pickup, broom, high pressure cleaner, cones and barricades. Also two motor graders will be leased.

Social Services Fund: The funding for the Social Services' budget is based upon the allocations issued by the Operations Office, Colorado Department of Human Services. All allocations from the State must be matched by local funds. Programs such as Child Day Care, Child Welfare and County Administration have been underfunded by the State in past years which has required transfer of funds from Temporary Assistance for Needy Families (TANF) or County tax dollars. The "Employment First" program will continue for the third year. This program assists people in getting more people employed and off the assistance payrolls. The State has not proposed any changes to the program benefits guidelines.

The upcoming year is full of uncertainty. The County has seen another decrease in property values and 2015 will be a re-appraisal year. The full effect of the housing/lending crash will be fully realized resulting in 2016 property assessment continuing its down-way trend. With the West Fork Complex Fire during the summer of 2013, the County's revenue from sales tax was down approximately 3% and for 2014 is up five percent. Several more businesses in South Fork and Monte Vista have closed. Combine the current economic environment and taxpayers hurting from increased governmental mandates resulting in less individual disposal income, it is understandable that finding additional tax dollars at the local level is very difficult. The County was cautious when projecting revenues reflected in the 2015 budget. Most of the Federal and State revenues are for Social Services programs, (\$9,437,618), HUTF (\$2,000,000) and Payment In Lieu of Taxes (\$685,000).

However, County government is operated by State Statutes and most of the services provided are mandated by these Statutes. The Affordable Care Act is just one mandate that not only the Commissioners have to wrestle with but all business employing over 50 persons. Rio Grande County must offer a health plan that meets all the ACA requirements in coverage and yet we are not allowed to pass more than 9.5% the premium cost to the employee. In 2014, the Commissioners decided to raise wages to meet this requirement. This year, they could not do that again, but decided to pay the bulk of the premium increase. For 2015, the health care premium payments will \$953,439 or 4.7% of the total budget.

All costs of doing business continue to rise for government just as it does for other businesses and private individuals. The County has to purchase supplies, insurance, utilities, food, and equipment. These costs have perpetually increased without corresponding revenue increases. Businesses may pass along these increases to their consumers, but the County does not have this option.

With the revenue uncertainties that exist, the officials of Rio Grande County will need to work closely with the State to assure our current level of funding is maintained and also work with the various offices to reduce spending throughout 2015 so the expenditures balance more closely with the incoming revenues. Our current unappropriated fund balance is equivalent to just over a three month's cash flow. This is dangerously low and constant monitoring will be necessary during the year to respond quickly to any changes. If revenues fail to be generated, the budget will be amended downward quarterly to prevent future eroding of the stability of the county's finances.

As stated above, the Board of County Commissioners are mandated by statute to be the custodians of the financial assets of the County. They are elected by the voters of Rio Grande County to uphold this duty as are all the other elected officials. In times of revenue shortages, the responsibility to meet the needs of the citizens of the County and provide enough funds for the other elected officials to fulfill their statutory responsibility collide. But, the Commissioners do not have the luxury of the federal government to print money or to go into debt. They must budget only the funds they expect to receive or have in the bank. The next several years will be very challenging and will not be resolved quickly. The taxpayers and citizens of Rio Grande County need to understand and work with the Commissioners and the other elected officials in managing expenditures versus revenues and services provided or expected. The thirty-six years I have worked with the Commissioners and prepared annual budgets, I can assure all taxpayers that prudent thought and multiple oversight has occurred. The various Commissioners I have work for have always made spending decisions as if they were personally paying. Never was there the attitude that it is "just tax dollars". However, government services are not free.

Budget prepared by:

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