

October 15, 2023

Board of County Commissioners
Larimer County Residents

SUBJECT: 2023 Revised and 2024 Proposed Budgets

Dear Larimer County Commissioners and Residents,

As County Manager, it is my responsibility to propose an annual budget for presentation to the Board of County Commissioners based on the Board's expressed priorities and direction. The 2023 Revised and 2024 Proposed Larimer County Budgets were both prepared in compliance with state laws, generally accepted budgeting principles, agency funding requirements, and direction of the Board of County Commissioners.

Larimer County government includes various departments and divisions under the ten elected County officials established by the Colorado Constitution. Each of these areas provide a collection of services to residents, property owners, and visitors. Most County services are provided without regard to municipal boundaries; residents who live in cities receive the same level of service as those living in unincorporated areas. The County's net operating budget is organized into five service categories that describe the type of services delivered. The service categories include Public Safety; Human and Economic Health; Community Planning, Infrastructure, and Resources; Public Records and Information; and Support Services. Some service categories incorporate participation by elected offices.

Each year the County budgets for capital improvement projects that provide continuing, long-term value to residents. Generally, these projects exceed \$50,000 in cost and are expected to last for five years or more. Some examples of capital expenditures include construction projects for buildings or roads, major maintenance or rehabilitation of existing assets, real property acquisition, vehicle and equipment purchases for the County's fleet, or replacements of software operating systems. The capital improvement projects reflected in the annual budget are derived from a comprehensive five-year plan.

Disaster response costs are also separated from normal operational budgets to help compare expenses from year to year. Like in prior years, the 2024 Proposed Budget includes expenses related to ongoing recovery from the COVID-19 pandemic, wildfires, and floods.

In addition, the budget includes a group of Non-Operational Governmental Accounts that are necessary to track various financial activities of County government such as transfers between funds, reserve funds for self-insurance needs, and taxes collected and distributed to other entities.

Budget Process and Guidelines

The County's budgeting process is a year-round effort. Throughout the year Commissioners review performance measures for the five service categories. These periodic reviews highlight trends in the outcomes resulting from County services, which assist Commissioners in setting budget guidelines and priorities for the coming year.





Planning for the coming fiscal year begins in the spring with a work session where Commissioners receive information about internal strengths and weaknesses and the external opportunities and threats (SWOT) related to each of the service categories. Themes emerging from this analysis inform budgeting strategies for the coming year. The Budget Office also presents information regarding revenue and expense forecasts at this work session and the Commissioners review and provide direction for preliminary base budget targets for each department and elected office for the upcoming fiscal year.

Throughout the early summer, Commissioners and staff solicit resident input at community meetings and through online submissions while reviewing data on compensation, the economy, proposed and adopted legislation, and revenue projections that may impact the County. Base budget targets are refined, and program leaders prepare and submit budget requests.

Over a nearly two-month period, the County Manager and Office of Performance, Budget, and Strategy meet with each department director and elected official to review submitted budget packets. Requests for funding are thoroughly vetted and validated by supporting data. All programs are reviewed to ensure they are operating efficiently and effectively and are responsive to resident needs and/or service mandates. Larimer County has a long history of prioritizing continuation of existing programs and identified priorities over embarking on new services and this philosophy continues in the 2023 Revised and 2024 Proposed Budgets.

This year, elected offices and departments were required to submit service reduction proposals for 2024 to meet the potential impact of SB23-303/Proposition HH. If approved by voters statewide, Proposition HH will reduce the impact of significant value increases on property taxpayers, curtailing the increase in revenue that taxing authorities like Larimer County would otherwise receive. All elected offices and departments submitted budget proposals according to the guidelines provided by the Commissioners and met their base budget/reduction targets. A list of proposed reductions is included at the end of this transmittal letter.

The 2024 Proposed Budget was prepared under the assumption that Proposition HH will be approved. However, historically elected offices and departments have been able to request funding to meet identified needs beyond the established guidelines through the submission of service proposals. This mechanism allows Commissioners to direct additional revenue, if available, into specific programs and projects in response to community needs and priorities. Some service proposals have been recommended in the event voters do not approve Proposition HH and revenues are not impacted in 2024. Due to ongoing economic uncertainty related to future anticipated ballot questions that could limit County revenue in future years, the number of service proposals recommended is limited to a handful of proposals supporting critical and/or Commissioner prioritized services or programs.

Revenue Highlights

Property Tax: Larimer County's largest General Fund revenue source is property tax. Most of the property tax collected by the County is distributed to other entities, most notably school districts. Portions of property tax also go to municipalities and various special districts. The County's share is approximately 25% of the total property tax collected. Property taxes are assessed annually, but reappraisal of property values occurs biannually.

The County's operating mill levy has been 21.571 mills since 1992. It is divided between General Fund, Road and Bridge, Human Services, and Health and Environment. An additional 0.75 mills are collected



and transmitted by the County to Foothills Gateway which provides services to persons with developmental disabilities.

Colorado property tax law requires County Assessors to conduct countywide reappraisals of property every two years in odd-numbered years. Property taxes based on these updated assessed values are collected the following year. Because of this reoccurring two-year cycle, the total assessed value of property changes more significantly year over year in even-numbered years. The 2023 reappraisal cycle, impacting the 2024 budget, saw a record increase in property values. The average increase across the county for a single-family home was 40% in Fort Collins and 37% in Loveland. The all-time rise in values led the State Assembly to pass SB23-303, which referred Proposition HH to the November ballot.

If approved by a majority of statewide voters, Proposition HH lowers assessment rates, reduces property values, and creates new revenue caps for local governments relying on property tax revenue. Larimer County has a history of budgeting conservatively, so the 2024 Proposed Budget assumes that Proposition HH will pass, and a new revenue cap will be in effect.

Departments and elected offices were asked to propose reductions of programs funded by property taxes to sustainably align ongoing expenses with this new revenue constraint. Reduction proposals are outlined in TABLE 1 at the end of this letter. If Proposition HH fails to receive a majority vote, the 2024 Adopted Budget will not include most of those reductions.

Sales Tax: The second largest source of revenue for Larimer County is sales tax. The County collects four small, dedicated sales taxes that fund specific services and are restricted for specific voter-approved uses. These sales taxes do not contribute directly to the County General Fund. Sales taxes revenue is anticipated to be flat going into 2024 as consumer spending and inflation have both slowed. Program budgets are within these new revenue expectations.

- A 0.15% (1½¢ on \$10) sales tax supports operations at the County jail. This tax currently generates enough revenue annually to cover approximately one-third of the jail's operating expenses.
- A quarter cent (0.25%, 2½¢ on \$10) sales tax currently funds open space and is shared with municipalities. The County retains 50% of the sales tax collected and shares the other 50% with the eight municipalities in the county.
- A separate quarter cent (0.25%, 2½¢ on \$10) sales tax currently funds behavioral health services countywide. A portion of the funds generated by the county are distributed to service providers throughout the community to address mental health and substance use disorder needs. The County also completed construction of a behavioral health facility in 2023 with the first patients accessing the facility in December 2023.
- There is also a 0.15% (1½¢ on \$10) sales tax that funds construction and operation of the county's fairgrounds facility, The Ranch. The County is completing an implementation strategy for the Ranch Master Plan to specify the new facilities to be built, the improvements to existing facilities needed and upgrades to the supporting infrastructure for the complex. Projects are anticipated to be delivered through a combination of county sponsored projects and projects accomplished as public/private partnerships.



Fees and Charges for Service: There has been a significant drop in recording fee revenues in 2023 as higher interest rates have led to fewer home sales and refinances. The Clerk and Recorder’s revenue budgets for 2023 and 2024 have been adjusted accordingly. Higher interest rates have also meant a higher return on Larimer County investments of reserves. As a result, the Treasurer’s revenue budget is higher than in previous years. Interest earnings are not anticipated to remain high in the long term as County fund balances are utilized on capital projects and the Federal Reserve lowers rates. We will continue to monitor these trends.

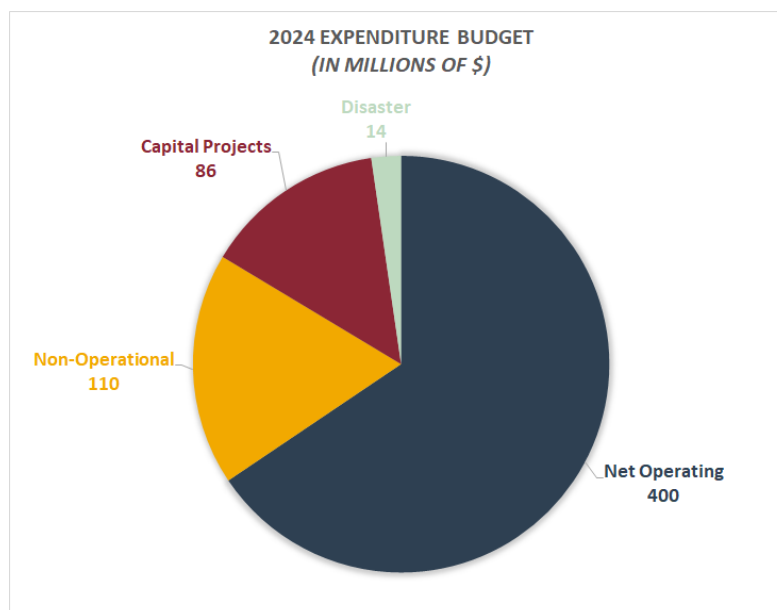
Fees at the County’s landfill are set by the Commissioners. Fees collected are used exclusively for Solid Waste purposes which include household hazardous waste disposal, the operation of transfer stations in communities distant from the landfill, and recycling services. In addition, these fees serve as the source of funding for future solid waste needs in the community as the current landfill reaches the end of its capacity.

Grants from State and Federal Programs: In recent years funding from State and Federal sources that support services provided by Human Services, Economic and Workforce Development, Health and Environment, and Community Justice Alternatives substantially increased due to one-time funding made available for COVID-19 response and recovery efforts. Those funds are ending in 2023 and 2024.

Additionally, in 2021 and 2022 the County received more than \$69 million in Fiscal Recovery Funding (FRF) as part of the American Rescue Plan Act (ARPA). After engaging in robust public outreach, the County developed a strategy for how best to use these funds to achieve transformational improvement in the lives of community members. The County continues to evaluate and utilize these funds consistent with the identified strategy to support such things as improving broadband connectivity in rural areas, affordable housing, transformational community partnerships, and other critical areas.

Expense Highlights

Budgeted expenses are divided into operating, capital improvement plan items, and disaster recovery costs. The chart below illustrates the percentage allocated to each expense type in the 2024 Proposed Budget.



Expenses are categorized into groups of departments and elected offices that provide similar services. The five service categories are:

- Public Safety
- Community Planning, Infrastructure, and Resources
- Human and Economic Health
- Public Records and Information
- Support Services

Public Safety: The Commissioners Office works closely with the elected Sheriff, District Attorney, and Coroner to ensure that public safety is adequately funded. Additional services in this category include Alternative Sentencing, Community Corrections, and Emergency Management. The County provides the services to all residents of Larimer County whether they live in rural areas or within municipal boundaries including operation of the community's jail, funding for the Coroner's Office, an extensive array of alternative sentencing and community corrections programs, pre-trial services, and emergency management and recovery functions. The County is also statutorily responsible for providing primary funding for the District Attorney's office for the Eighth Judicial District as well as providing facilities for the Eighth Judicial District, including courtroom and probation services space.

Because of the role delegated to us by the State Constitution and statutes the County also bears significant responsibility for public safety services in our community. The Sheriff's Office provides patrol services in unincorporated rural areas, and, under Colorado Revised Statute 30-10-513, is responsible for coordination of fire suppression efforts in the case of prairie, forest, or wildland fires or wildfires occurring in the unincorporated areas of the County outside the boundaries of a fire protection district, or those that exceed the capabilities of the fire protection district to control or extinguish. The 2024 Proposed Budget continues to include resources to mitigate the damage of future fires and assist homeowners in forested areas to make their properties less susceptible to wildfire damage.

Public safety programs have seen an unprecedented number of new unfunded state mandates over the last two years. The ever-increasing population growth in Northern Colorado has also led to a strain on facilities and services. The 2023 Revised and 2024 Proposed Budgets include funding required to expand jail inmate medical monitoring, cover significant liability insurance premium increases, and gather new data for new state reporting standards. In 2023, Larimer County completed projects to renovate outdated and crowded detention facilities including the county jail, alternative sentencing, and community corrections buildings. These renovated and expanded facilities are opening in 2023 and 2024.

Community Planning, Infrastructure and Resources: This service category includes the following departments: Community Development, Engineering, Road and Bridge, Solid Waste, Natural Resources and The Ranch.

Major capital improvement spending continues in this service category in the 2023 Revised and 2024 Proposed Budget. In this service category, significant work is ongoing in the Solid Waste Department to develop new landfill facilities and increase diversion of material away from traditional landfilling. A replacement landfill is in the design and permitting process. Construction of a new North Landfill and possibly a modified version of a Central Transfer Station is anticipated to begin as the existing County landfill reaches its capacity. Conversations continue with regional partners regarding services associated with diverting material from the new landfill and this work will continue into 2024.



In 2024 activities at The Ranch will include implementing a revised Master Plan for a new phase of development funded by the extension of the dedicated sales tax. The County intends to use available funds to continue County-sponsored projects while soliciting and reviewing proposals for public/private partnership opportunities.

Natural Resources continues to emphasize partnerships and grant opportunities to fund acquisitions and enhancements. In 2024 the department will continue to focus on preservation and maintenance of existing open spaces while making incremental improvements to both facilities and practices to address growing demands for service by our community.

A significant gap remains between what is needed and available funding for capacity on county roads. County Engineering and Road and Bridge staff continue to research grant opportunities, fine-tune allocations of existing funding streams, and explore new ways to close this gap. Staffing levels in Road and Bridge, Engineering and Community Development are largely unchanged from the 2023 Adopted Budget levels, though Community Development has faced challenges in finding qualified employees to fill professional vacancies. They continue to work with the recruiting team in Human Resources to address this concern.

Human and Economic Health: The County's work in this category addresses the needs of our community related to Human Services, Health and Environment, Economic and Workforce Development, Extension, and Behavioral Health. Departments and programs in this area depend heavily on federal and state funding with matching local dollars. An ongoing challenge for budgeting in this area is the variations between the federal, state, and county fiscal years making program funding levels uncertain until long after the County's budget has been adopted.

The 2023 Revised Budget includes the completion of the long-anticipated new behavioral health facility. The 2024 Proposed Budget provides for the first year of operating costs of this building through a contract with SummitStone Health Partners. Construction of the new Larimer County Longview Behavioral Health facility was completed in September and the first patients are anticipated to be seen in early December. The County is proud to have realized the vision that began when voters approved community support for the behavioral health sales tax in 2018.

The County continues to provide high quality services in food assistance, adult and child protection, childcare assistance, and Medicaid administration. Our Economic and Workforce Development Department is actively engaged with regional partners in economic development, business support, and programs that support community members with disabilities, job seekers, and veterans.

Larimer County is providing a considerable investment in the 2024 budget to support the sustainability of existing affordable housing including engagement with mobile home park residents and owners. Additionally, Commissioners have allocated funding for eviction prevention to continue a service that began under a federal grant program.

Public Records and Information: This service category is comprised of elected offices – the Assessor, the Clerk and Recorder, and the Treasurer and Public Trustee – as well as the Public Affairs office. The 2023 Revised and 2024 Proposed Budget includes funding to conduct the 2024 Primary and Presidential election cycle, including a significant election facility remodel to provide improved sufficient and secure space to process ballots.

The Office of the Treasurer and Public Trustee is working closely with IT project managers on a unified credit card processing project and the Assessor continues work on incorporating a backlog of building permits into property value models. The Public Affairs office is engaged in community outreach and understanding legislative impacts on County services.

Support Services: This service category includes departments that largely support all departments and elected offices and include Human Resources, Information Technology, County Attorney, Facilities, Fleet Services, and Finance. The 2023 Revised and 2024 Proposed budget includes ongoing funding to ensure these programs are as efficient and effective as possible. Cybersecurity, potential collective bargaining, rising technology costs, climate-sensitive services and equipment, facility maintenance, and supporting data-driven decision making across the organization are of particular interest this year.

Looking to the Future

The following are a few key issues facing Larimer County in the coming years. It's likely that many will be addressed in some manner in the Five-Year Strategic Plan (2024-2028) currently in development.

Population Growth: The largest driver of a need for expanded County services is simply the growth of the community. Population growth puts additional demand on existing staff, transportation systems, service needs, and facilities. These are compounded by the challenges of changing workforce demographics and aging population in Northern Colorado. Some impacts of growth that the County will need to address in future budgets include transportation needs, facilities and equipment obsolescence, and an increase in public safety needs.

Inflation: Challenges related to the rising cost of housing, childcare, goods and services, and healthcare are impacting County residents and adding to the strain on those who rely on public services. Since the County administers the bulk of government programs serving vulnerable populations and criminal justice offenders, the demand for our services can be anticipated to be impacted. Additionally, County costs for technology, essential medical and food contracts, and building construction are also rapidly rising and have had a significant impact on the County's budget. These increases can be expected to continue and not drop back to previous rates.

Climate Smart and Future Ready: Larimer County continues to take steps to make our programs, purchasing policies, equipment, and facilities more sustainable. The 2024 Budget includes a position that will continue to develop and further these strategies and partnerships. The County has also been directly impacted by the increase in natural disasters. We have consequently established and maintained a separate Climate Impact Fund to hold reserves to respond to future disasters and mitigation projects. In the event of a major FEMA-qualifying disaster, local governments are required to spend their own revenues to respond and make temporary and permanent repairs before seeking reimbursement from the federal government. Sufficient reserves to pay for this critical disaster response and recovery work are essential for the community.

Revenue Source Stability: The primary source of discretionary revenue for the County is property tax. In 2022 and 2023 the state legislature acted to impact assessment rates/revenue for taxing authorities – resulting in Proposition HH being on the 2023 ballot. Additionally, a 2024 ballot initiative for a potential Constitutional amendment is already underway. "Initiative 50" would further restrict property tax revenues and would go into effect in 2025 if approved by Colorado voters. These efforts, if successful, could impact the County's ability to provide non-statutory services in the future. We can anticipate this trend to address property tax and/or taxable values to continue. The 2024 budget and forecast for



future years includes a conservative estimate of future property tax revenue growth. Likewise, sales tax revenues, which grew in previous years, have slowed. The 2024 budget and longer-term forecasts include the possibility of further slowing sales tax growth. This could impact the specific services funded with restricted and dedicated sales tax dollars (The Ranch, Open Space, Behavioral Health, and the County Jail). Critical programs in Human and Economic Health are funded primarily through state and federal grants. The County similarly makes conservative assumptions about the availability of these funds.

Continued Financial Health: The County currently enjoys a AAA credit rating, a characteristic of less than 2% of counties in the nation. This rating is based on many factors, but two important ones are the County's relatively low debt burden and the current reserve fund balances. The 2024 Proposed Budget strives to maintain these conditions. Moving forward with the next generation of improvements at The Ranch, implementing the Solid Waste Master Plan for the region, and addressing multiple facility needs must be managed carefully to maintain the favorable credit rating currently assigned to the County.

New Strategic Plan: In 2024 Larimer County will finalize a new Five-Year Strategic Plan with focused objectives to address many of the ongoing needs of residents. A Community Snapshot has been completed and a Community Leaders Summit was hosted in July. Outreach to community members through survey is underway and County staff have also had the opportunity to participate through an internal survey. County leaders will review the data and make recommendations for consideration by the Commissioners – who will ultimately establish high-level goals with specific objectives. The 2025 Budget will delineate more specifically how these objectives will be achieved.

Planning for Proposition HH

The inflation-based revenue constraints under Proposition HH will not be voted on until after the 2024 Proposed Budget is statutorily required to be released. As a result, two budgets have been developed for Commissioner consideration.

The 2024 Proposed Budget was prepared under the assumption that Proposition HH will be approved by voters in November. Therefore, it takes a more conservative approach with General Fund spending remaining under the new inflation-based revenue cap. A list of the most significant service/program reductions that will be made under this scenario is contained in TABLE 1 below. It should also be noted that departments and elected offices proposed efficiency reductions, as they do with each budget development cycle. These efficiency reductions will remain in effect regardless of the outcome of Proposition HH.

Because the outcome of the election is unknown, we are also planning for a second scenario that would not require the significant reductions listed in TABLE 1 to be implemented. Additionally, a limited number of requests for service enhancements recommended for inclusion in the second scenario budget are listed in TABLE 2 below. Again, these recommended service enhancements are very conservative given the prospect of a potential Constitutional amendment that could be considered by Colorado voters in 2024 and could further restrict property tax revenues that fund County services.

Finally, Larimer County has a history of providing a temporary mill levy credit when revenues have exceeded operational requirements as they will for fiscal year 2024 if Proposition HH is not approved by voters. Larimer County Commissioners have been consistent in saying they will provide such a temporary mill levy credit to taxpayers if that occurs.



TABLE 1: Reductions Under Proposition HH Revenue Limit (Included in the 2024 Proposed Budget)		Reduction Amount
Assessor	Emergency Damage Assessments	(\$15,000)
Clerk and Recorder	Three Vacant Positions	(\$300,000)
Community Justice Alternatives	Local Funding for State Wellness Court Coordinator	(\$38,600)
County Attorney	Administrative Support	(\$25,000)
County Commissioners	Sponsorships, Projects, Reporting Software, Community Outreach, and Public Engagement	(\$138,300)
District Attorney	Fleet Vehicles and Digital Evidence Technology Projects	(\$60,000)
Economic and Workforce Development	Local Match for Workforce Grants	(\$50,000)
Emergency Management	Emergency Preparedness Projects	(\$20,000)
Facilities	Restructure Building Component Replacement Program	(\$250,000)
Health and Environment	Adult/Youth Internships and Water Association Dues	(\$37,500)
Human and Economic Health	Repurposed Senior Tax Work-Off Program Funds	(\$30,000)
Human Resources	A Vacant Position	(\$90,000)
Human Services	Reduce General Assistance Program	(\$50,000)
Information Technology	Business Application Support, Cross Training and Digital Records Management	(\$150,000)
Natural Resources	General Fund Support for Parks/Open Spaces	(\$75,361)
Sheriff	Vacant Positions in Dispatch, Jail, and Supply	(\$265,000)
The Ranch	General Fund Support for Fair	(\$180,000)
Treasurer and Public Trustee	Treasurer Projects	(\$300,000)



TABLE 2: Service Enhancements to Be Included in the 2024 Adopted Budget If Proposition HH Does Not Receive Voter Approval		Amount
Community Development	Character Area Plans	\$55,000
Coroner	Family Advocate	\$86,760
District Attorney	Domestic Violence Prosecution Team (3.0 FTE)	\$334,432
Emergency Management	Fire Mitigation Grant Program	\$50,000
Engineering	County Transportation Master Plan Update	\$450,000
Human and Economic Health	Eviction Prevention	\$275,000
Information Technology	Cybersecurity Analyst	\$133,800
Sheriff	Civil Unit Sergeant	\$279,670

I want to express my appreciation to the departments and elected offices who helped to develop the 2023 Revised and 2024 Proposed Budgets. Under this year’s unusual circumstances, they were asked to propose ongoing budget reductions for programs funded wholly or in part by property taxes and to describe the impact the proposed reductions would have on the ability to provide essential services. These meetings were critical to ensure the proposed reductions would be sustainable and essential services would continue for the benefit of the community.

The 2023 Revised and 2024 Proposed budgets accompanying this letter comply with County policy and Colorado statutory requirements.

Sincerely,

Lorenda Volker
 County Manager