

# **RIO BLANCO COUNTY 2009 BUDGET**

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# Rio Blanco County, Colorado

## 2009 Adopted Budget

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DATE: December 8, 2008  
TO: The Board of County Commissioners and Citizens of Rio Blanco County  
FROM: Diane K. Sorensen, CPA, Budget/Finance Director  
SUBJECT: **2009 Budget Message**

I am pleased to submit herewith the 2009 budget that is in balance and in conformance with Colorado law. The budget is in compliance with state statutes, Generally Accepted Accounting Principles, and in compliance with the priorities and direction of the Rio Blanco County Board of Commissioners.

The following pages are an overview of the 2009 budget and an overview of the process and issues that drove the development of the 2009 budget including a discussion of economic factors, trends in revenues and expenditures.

The purpose of this budget is to provide the county with a fiscally responsible plan. The formal budget development process and the use of a budget helps to ensure that the county's financial strength and integrity is maintained and enhanced.

Once adopted the budget is a legal document that serves many purposes, it embodies the priorities and objects of government. It defines not only financial aspects of government, but government organization and operations as well. This budget contains vast amounts of information that gives citizens insight into government activities.

### **Financial Projections**

A major concern during the development of the budget is the amount of fund balance that will be available by the end of 2009 and in future budget years. Rio Blanco County has maintained a reasonable fund balance in all funds since 2004. Total fund balances at the end of 2008 are expected to be approximately \$50.6 million. At the end of 2009, fund balances are expected to decrease \$9 million to \$41.3 million. The General Fund fund balance is expected to decrease 7% to \$11.2 million in 2009. The largest decreases in fund balances are expected in the Use Tax Fund, Road & Bridge Fund, Social Services Fund, and Weed & Pest Control Fund, 93%, 63%, 63%, and 37% respectively .

The county's overall appropriations budget for 2009 is approximately \$49.7 million. This compares with an amended 2008 budget of \$33.7 million or \$15.9 million dollar increase. Of the \$15.8 million dollar increase in appropriations 65% or \$10.4 million is a rough estimate of the potential cost to Rio Blanco County related to the court case defining construction and building materials not subject to the county's use tax.

The remaining increases in appropriations is related to the growth in the oil and gas industry over the last several years. The growth has put an ever increasing demand on the county's infrastructure and has increased the use of county roads. The Public Works service costs are expected to increase 60% in 2009. Growth is putting demands on the criminal justice system, plus the continued demand for more law enforcement. Public Safety continues to have a significant impact on the budget with an increase in costs of 24% in 2009.

## Total County Expenditures by Function

Expenditures by Functions	2006 Actual	2007 Actual	2008 Budget	2008 Estimated	2009 Adopted
General Government	\$ 3,517,662	\$ 3,718,613	\$ 4,742,114	\$ 4,303,099	\$ 5,535,497
Public Safety	2,153,870	2,620,224	3,936,511	3,946,561	4,862,529
Health and Welfare	1,471,911	1,582,789	3,055,416	3,031,022	3,325,169
Recreation and Culture	433,858	399,195	508,888	492,712	574,080
Public Works	9,121,575	9,800,548	7,869,342	6,725,722	12,600,537
Intergovernmental	556,185	462,574	1,696,696	1,370,948	2,171,271
Internal Services Funds	1,615,114	1,606,733	3,622,159	3,617,971	3,887,094
Capital Projects	900,402	518,494	8,277,357	7,523,973	6,376,984
Contingency	-	-	-	-	10,357,943
<b>TOTAL EXPENDITURES</b>	<b>\$ 19,770,576</b>	<b>\$ 20,709,171</b>	<b>\$ 33,708,483</b>	<b>\$ 31,012,008</b>	<b>\$ 49,691,103</b>

### Reserves

The county makes two designations of fund balance of operating funds annually. One is a required emergency reserve of 3% of fiscal year spending, and the other is a working capital reserve to provide cash flow for operating funds throughout the fiscal year. These designations are held and have been included in the budget. The 2009 budget provides for a working capital reserve calculated at three months' expenditures, or \$4.2 million, and an emergency reserve of 3%, or approximately \$782,000. Overall fund balances are projected to exceed all reserve requirements and place the county in a healthy financial position.

### Significant Issues Addressed in the 2009 Budget

The following are several of the significant issues addressed in the development of the 2009 budget.

- The budget cycle began in July 2008. Since that time every day seemed to bring darker news of the looming financial turmoil and economic downturn. Rio Blanco County is not unaffected to what is happening. That became evident by the recent articles regarding the oil and gas industry expecting to cut back, both in production and investments, in 2009.
- Revenues and expenditures were re-examined and adjusted several times during this budget cycle. The budget is completed and ready to print, however, it is based upon projections which may not materialize, due to the financial turmoil and economic downturn which has accelerated since July.
- With these are uncertain economic times, we must take steps to protect the taxpayers of Rio Blanco County. With this in mind the Board of County Commissioners, at the recommendation of the Budget Director, have requested that all department heads delay hiring any new positions, delay purchases not directly related to operations and all large purchases over \$5,000, and the monitoring of revenues for unexpected decline a priority throughout 2009.

- Cost of operations and the demand on Rio Blanco County services continue to increase while available resources decrease. The county has experienced rising prices throughout 2008. Inflation for purchases were up 6.6 % in 2008. The tighter labor markets has impacted recruitment and salary levels in several of the county jobs. This adds cost to providing services.
- Like most local governments, Rio Blanco County relies heavily on property taxes, which tend to be relatively stable. Due to the timing of adopting the 2009 budget, property tax revenue is based on August 25th assessed valuations. The County Assessor will make necessary adjustments on Dec. 10, 2008, but that information will not be reflected in this budget.
- Use tax revenue prediction is a major concern for Rio Blanco County in the planning of the 2009 Budget. If the Colorado Supreme Court does not overturn the Colorado Court of Appeals' decision regarding definition of construction and building materials, Rio Blanco County estimates it could impact the county millions of dollars in collected use tax. Additionally, future use tax would decline substantially.

### **Economic Factors**

The national economy has not faced such dire troubles in decades. Rio Blanco County is not immune from what is happening in the nation. The rapid local increase in costs and the need to raise salaries and material purchases to compete for scarce labor and supplies combined with revenues predicted to decline makes the priority setting role of the budget more critical. Property taxes have increased 15% from \$6.4 million to \$7.4 million. The major cause for the increase is due to the increase in assessed valuation of the oil and gas industry in the county. The economic climate not only impacts the numbers for 2009 but also for years beyond, as the growth in oil and gas industry continues to impact the county. Financial forecasts indicate that revenues will continue to increase but at a slower pace than costs. This financial reality means that the county must continue to prioritize how scarce resources are allocated and continue the county's quest for efficiencies.

### **Trends in Revenues and Expenditures**

A major factor in the development of the 2009 budget was a consideration of the trends in county revenues and expenditures. Since 2004 many of the county's major revenue sources have shown a growth trend higher than the previous year. Total revenues are predicted to grow 7% from 2008 estimated. The most significant changes in revenues are as follows:

*Intergovernmental:* Is the county's largest source of revenue at \$9.1 million or 25% of the county's total net revenue. This revenue is received from state and other governmental sources, and are expected to increase 18% in 2009.

*Property Tax:* Assessed valuations continue to grow with net assessed value increasing by approximately 15%. The base mill levy will remain at 9.05 mills. Property tax represents 21% of the county's total net revenue and is the second largest source of revenues for the county.

*Impact Fees:* Is the county's third largest revenue source. The revenue is predicted to increase 185% in 2009, and represents 12% of the county's total net revenues. The increase in revenue is directly related to the increased oil and gas industry activities in the county.

*Use Tax:* Use tax is budgeted to be the county's fourth largest source of revenue at \$3.7 million and 10% of total net revenue. However, this source of revenue will substantially decline if the Colorado Supreme Court does not overturn the Colorado Court of Appeals' decision regarding definition of construction and building materials. Use Tax revenues is based on purchases of construction and materials used in the County and with the expected decline in operations in the county, use tax could decline significantly.

*Sales Tax:* Rio Blanco County has experienced a sales tax growth trend of 12% since 2004. Sales tax revenues are expected to slow due to the economic and financial unstableness. Sales tax represents 8% of the county's total revenues.

*Licenses, Permits, and Fees:* This revenue is predicted to decrease 27% to \$2.7 million in 2009 and represents 8% of the county's total net revenues.

The growth in expenditures is related to rapid local increases in costs and the need to raise salaries and material purchases to compete for scarce labor and supplies. Salaries and benefits are expected to increase 17% in 2009. The increased energy exploration activity has had a significant impact on Rio Blanco County's labor force. Recruiting and retention of qualified employees is becoming increasingly difficult in the county.

Interfund charges are expected to increase 16% over 2008. These interfund charges include charges for the Fleet Management Internal Service Fund and Central Service Fund.

Capital outlay and major repairs are expected to increase over 38% in 2009 and are 26% of all expenditures budgeted in 2009. This increase is due largely to the increase on demand for services.

### **Basis of Accounting**

Basis of accounting refers to the specific time at which revenues and expenditures are recognized in the accounts and reported in the financial statements. The method of accounting utilized depends on the purpose for which the fund has been established. Proprietary funds (Fairfield Fund, Solid Waste Landfill Fund, Weed & Pest Fund, Fleet Management Fund, and the Central Services Fund) utilize the accrual basis of accounting, while all other county funds utilize the modified accrual basis.

Under the modified accrual basis of accounting, expenditures are recorded when a liability is incurred. Revenues are recognized when they are received in cash or become both measurable and available during the year. Revenues collected by another governmental unit are considered measurable and are recognized at that time.



Proprietary funds follow the accrual basis of accounting, whereby revenue is recognized in the year in which it is earned. Expenses are recorded when liabilities are incurred. In the proprietary funds, depreciation is recorded as an operating expense.

**Budgetary Basis of Accounting**

The main difference between the basis of accounting used for accounting purposes and the basis of accounting for budgeting purposes is that the budgets for the Proprietary funds (Fairfield Fund, Solid Waste Landfill Fund, Weed & Pest Fund, Fleet Management Fund, and the Central Services Fund) are prepared on a cash basis.

Under the cash basis, capital expenditures are recorded as expenditures. Depreciation and amortization costs are not budgeted since these costs are non-cash transactions. The budget for all other funds is prepared on a modified accrual basis.

State law requires budgets for the county's governmental and proprietary fund types. Budgets for governmental types are adopted on a basis consistent with Generally Accepted Accounting Principles. Budgets for proprietary fund types are adopted on a Non-GAAP basis using the same measurement focus of governmental funds.


**Budget Process and Purpose**


The budget is a formal expression of public policy on the county's plan of financial activity. It allocates finite resources in the pursuit of goals, within the constraints of those resources.

The budget is a form of control having the force of law. The legally adopted budget provides both authorizations of and limitations to spend money. The county plans to demonstrate accountability from both the authorization and the limitation perspectives.

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Approved this day December 8, 2008

  
Forrest F. Nelson  
Chairman

  
Kenneth C. Parsons

  
Joe Collins

## PROFILE OF RIO BLANCO COUNTY

Located in Northwestern Colorado on what many refer to as the Northwest Plateau, Rio Blanco County comprises approximately 3,226 square miles, ranked 6<sup>th</sup> in the state of Colorado, with approximately 2,064,791 acres. Public lands (Forest Service and BLM) account for 75% of the county and private deeded lands (approximately 500,000 acres) make up the remainder.

For such a vast county in terms of square miles and acres of land, Rio Blanco County is sparsely populated. In 2007, the county's population was estimated to be 6,434 (approximately 1.99 persons/sq mile) with growth projected to be 13,702 by the year 2020. Of the 6,434 people living in the county, 2,407 (37%) live in Meeker, 2,190 (34%) live in Rangely, and the remaining 1,837 (29%) live in the unincorporated parts of the county. By 2035, the estimated population is projected to be in excess of 18,000 with a significant shift in how the population is distributed within the county as follows: unincorporated 49%, Meeker 27% and Rangely 24%. In 2008, the County initiated an update to the County's Comprehensive Master Plan. The project will continue into and will be complete by late 2009.

From its founding in the mid eighteenth hundreds, the county has relied heavily upon agricultural activities, farming and ranching, to support its economy. Since the early nineteenth hundreds, recreational activities (primarily hunting and fishing) have played an important part in the county's economy. For many years, Rio Blanco County has been known to be home to the state's largest mule deer and elk herds. The Flattops Wilderness elk herd is one of the largest elk herds in the United States.

In the mid nineteenth hundreds, Rio Blanco County's economy was positively impacted by the discovery of oil near the Town of Rangely. For several years, the revenues from this oil field contributed significantly to the county's economy. Then in the early 1980's, the oil shale boom in the Piceance Creek Basin and nearby Roan Plateau contributed once again to Rio Blanco County's economy-- only to end with a significant bust just a few short years later.

In the late 1990's, Rio Blanco County once again felt the impact of yet another energy boom. This time it was natural gas. The exploration of natural gas, from drilling wells to building transportation lines to getting the raw gas to gas plants for processing, has set off yet another boom cycle to the county's economy.

In recent years, energy development has become the major driver of the county's economy. In 2007, for property tax assessment purposes, the top 10 valued companies were directly related to energy development comprising 76% of the county's total assessed value.

The remaining 24% is derived as follows:

Agricultural	1%
Industry	3%
Commercial	3%
Residential	4%
Vacant Land	1%
Public Utilities	8%
Natural Resources	4%