



ARAPAHOE COUNTY
COLORADO'S FIRST

Board Summary Report

Date: February 28, 2020
To: Board of County Commissioners
From: Lisa Stairs, Sr. Budget Analyst
Subject: 2020 Reappropriation of 2019 Budget

Request and Recommendation

The purpose of this study session is to review the recommended funds to be reappropriated during 2020, as well as the fund amounts to be committed for Board policy reserves. The budget adoption resolution for 2020 gives the County Finance Director the discretion to recommend which items are eligible and appropriate for reappropriation pursuant to County's policies. The recommendations are subject to approval by the Board of County Commissioners. The adopted resolution to reappropriate funds will increase the 2020 appropriations for elected offices and departments, and therefore requires the Board to adopt a resolution at a public hearing, which is currently scheduled for March 24th, 2020.

Links to Align Arapahoe

The reappropriation process links to the Align Arapahoe objective Fiscal Responsibility. It aligns with this objective by providing a process for the deliberative review and reauthorization of unspent appropriated funds from prior years, so that work on important projects and programs can continue uninterrupted. It also improves the efficiency of departments and elected offices because they do not have to expend the time and resources to formally re-request funds for projects whose lifecycle spans multiple fiscal years.

Background

Reappropriation is the process of reauthorizing spending for funds that were appropriated for the prior year and remain unspent, so that the department or elected office may expend the funds during the current fiscal year. The reappropriation process is limited to certain types of appropriations and funds, as well as to specific circumstances. The County's reappropriation policy specifies that reappropriated funds may be spent only for the original purpose. It also limits the total reappropriation amount for any department, elected office, or any one fund to no greater than the amount of the actual unspent appropriation during the prior fiscal year and/or the available unreserved fund balance.

Certain funds have their entire fund balance reappropriated for the following fiscal year, pursuant to Board policies. Since the year-end fund balance is unknown at the time that the annual budget is adopted, the available fund balance is appropriated during the County's reappropriation process, when the Finance Department has more information about the remaining year-end balances for each fund.

The most common types of reappropriation are:

- Funds Encumbered for Purchase Orders: Funds that were encumbered by a purchase order during the prior year and remain unspent may be reappropriated for the same purchase order during the following fiscal year for the original purpose.
- Capital Projects: The unspent balance of prior year appropriations for ongoing capital projects.
- Grants: The unspent balance of prior year appropriations for grants that do not also include deferred revenues. Grants with deferred revenue will be brought forward at the 1st Quarter Budget Review.
- Fund Balance: Certain funds are eligible to have a portion, or all, of its available fund balance reappropriated for the following fiscal year, when appropriate.
- Fixed Assets: Funds appropriated for the purchase of fixed assets during the prior year, that have not been purchased or received, may be reappropriated for the same fixed asset, depending upon review and discussions with the Finance Department.

The Finance Department recommends reappropriating the available fund balance for the following funds:

- Arapahoe County Fair Fund
- Cash-in-Lieu Fund
- Communication Network System Replacement Fund
- Conservation Trust Fund
- Electronic Filing Technology Fund
- Forfeited Property Fund
- Open Space Sales and Use Tax Fund
- Sheriff's Commissary Fund
- The capital construction portion of the Arapahoe County Recreation District Fund
- The capital construction portion of the Arapahoe County Water and Wastewater PID
- The capital construction portion of the Infrastructure Fund

Discussion

Please refer to the following 2020 Reappropriation Summary for detailed information regarding the recommended amounts to be reappropriated from the 2019 fiscal year. The total requested reappropriation amount for all the County's funds in 2020 is \$92.1 million, which is an increase of \$7.6 million from the 2019 amount of \$84.5 million. The Finance Department collaborated with all the County's departments and elected offices to identify purchase orders, remaining funds for ongoing projects, and fund balances that are eligible to be reappropriated in 2020. The 2020 Reappropriation Summary provides an overview of the recommended General Fund amounts for each department and elected office, as well as the recommended reappropriation amounts for all other County funds. It also includes supplementary information about the recommendations for other items such as capital improvement projects. A detailed schedule of the individual requests is attached to this document.

2020 Reappropriation Summary

General Fund Reappropriations for 2020

As reflected in the following table, the requested General Fund reappropriation for 2020 is \$2,706,398, which is an increase of \$98,601 in comparison to the 2019 General Fund reappropriation amount of \$2,607,797.

Departments and elected offices requesting an increased amount over 2019 for 2020 are Administrative Services, District Attorney's Office, Finance, Human Resources, Public Works & Development, the Sheriff's Office, and the Treasurer's Office. Administrative Services has a little over \$10,000 more in requests than in 2019 as it has requested \$103,430 in unspent funds for continuing the work of the Long-Range Planning Committee. The District Attorney's Office does not normally have reappropriation items but the 2020 request is for the remaining unspent balance of the Gray and Black Marijuana Enforcement Grant. Finance's request of \$182,185 is \$123,456 more than in 2019 with funding allocated for professional services related to the SAP upgrade. Public Works & Development has \$759,342 in requests which is \$246,972 more in requests than the prior year. A little more than half of the requests are to close out contracts from previous years for various projects. The other half pertains mostly to the Wolf Creek Master Drainage Plan and the eminent domain counsel for the Iliff Operational Improvements project. The Sheriff's Office total reappropriation request of \$1,282,998 includes \$1,098,49 for the specifically designated detention booking fees, driver training track fees, and the Detention RISE program. There is also a request of \$145,490 for school resource officers and \$39,459 for pre-employment exams and employee treatment. The Treasurer's Office is requesting \$20,289 for the 2020 Reappropriations for requests related to open purchase orders that have not had the final invoice received and paid for the prior year.

A number of departments and elected offices have decreased reappropriation requests in the General Fund for 2020 when compared to the 2019 reappropriation. There are four departments/offices that did not have any requests for 2020: Aid to Agencies, Communications & Administrative Services, Community Resources, and the Coroner's Office. The Clerk & Recorder's Office is requesting to have the funding that they identified for a 2019 study session with the Board for the increased cost of the approved motor vehicle queuing system. This is their only request and is \$179,356 less than the 2019 approved requests. Facilities and Fleet Management has requests totaling \$15,629 for outstanding invoices or an incomplete project. Information Technology had a few outlying invoices and one unfinished project from 2019 totaling \$30,955, which is \$182,188 less than the prior year. Strategy & Performance has reappropriation requests of \$11,970 for the Leadership Workshop and the completion of the BPI Best Practice program.

General Fund Reappropriation Requests

Elected Office or Department	2019	2020	Variance
Administrative Services	\$ 93,023	\$ 103,430	\$ 10,407
Aid to Agencies	70,856	-	(70,856)
Clerk & Recorder's Office	279,356	100,000	(179,356)
Communications & Administrative Services	16,109	-	(16,109)
Community Resources	7,082	-	(7,082)
Coroner's Office	8,524	-	(8,524)
District Attorney's Office	-	120,492	120,492
Facilities and Fleet Management	45,659	15,629	(30,031)
Finance	58,729	182,185	123,456
Human Resources	36,358	79,108	42,749
Information Technology	213,143	30,955	(182,188)
Public Works and Development	512,371	759,342	246,972
Sheriff's Office	1,248,586	1,282,998	34,412
Strategy & Performance	18,000	11,970	(6,030)
Treasurer's Office	-	20,289	20,289
General Fund Total	\$ 2,607,797	\$ 2,706,398	\$ 98,601

Non-General Fund Reappropriations for 2020

The 2020 requested reappropriation for all funds other than the General Fund is \$89.8 million, which is an increase of \$7.9 million from the 2019 amount. The bulk of that difference coming from the Infrastructure Fund where there was more revenue than expenditures for the year. Conversely, the Open Space Sales and Use Tax Fund and Capital Improvement Fund has less requested for 2020 than the prior year.

Significant changes in the 2020 Reappropriation compared to 2019:

- The Open Space Sales and Use Tax Fund requests to reappropriate \$41.0 million for 2020, a decrease of \$1.1 million when compared to last year.
- The Capital Expenditure Fund has a total of \$6.1 million in requests which is a \$645,669 decrease from the prior year.
- The Infrastructure Fund is requesting that \$32.6 million be reappropriated to 2020. This is \$8.8 million more than what was reappropriated from 2018 to 2019.

Reappropriation Requests for Other Funds

Fund	2019	2020	Variance
Social Services	\$ 183,078	\$ 249,706	\$ 66,628
Electronic Filing Technology Fund	617,063	610,567	(6,496)
Cash in Lieu Fund	1,129,133	1,228,943	99,810
Arapahoe Law Enforcement Authority Fund	16,594	2,939	(13,655)
Road and Bridge Fund	374,414	575,981	201,567
Conservation Trust Fund	1,195,882	1,434,357	238,475
Communication Network Replacement Fund	358,413	318,763	(39,650)
Sheriff's Commissary Fund	862,923	1,114,492	251,569
Forfeited Property Fund	155,611	152,654	(2,957)
Open Space Sales and Use Tax Fund	42,111,689	41,012,689	(1,099,000)
Building Maintenance Fund	220,743	382,578	161,836
Arapahoe County Fair Fund	88,749	121,287	32,538
Capital Expenditure Fund	6,729,630	6,083,961	(645,669)
Infrastructure Fund	23,723,955	32,551,439	8,827,484
Arapahoe County Recreation District Fund	90,090	-	(90,090)
Central Services Fund	3,913,200	3,950,814	37,614
Self Insurance Liability Fund	95,000	-	(95,000)
Self Insurance Dental Fund	-	18,144	18,144
Other Funds Total	\$ 81,866,167	\$ 89,809,313	\$ 7,943,146

Capital Expenditure Fund

Capital projects have the unspent balance of the budget reappropriated to allow for completion of the project. For the 2020 reappropriation, a decrease of \$645,669 in reappropriation requests for ongoing capital projects when compared with 2019. Among this year's significant requests, there is \$1.2 million for the Peoria Salt Dome Replacement project and \$1.1 million for the Detention Center Infrastructure Improvements project. Other significant projects that have continued funding needs in 2020 include the SAP S/4 Upgrade project, the Intake Center Planning project, the District Attorney's Office Roof Replacement, and the irrigation system replacement at the Administration I Building.

**Reappropriation Requests for
the Capital Expenditure Fund**

<u>Project</u>	<u>Amount</u>
Peoria Salt Dome Replacement	\$ 1,188,876
Detention Center Infrastructure Improvements	1,067,209
SAP S/4 Upgrade	800,000
Intake Center Planning	523,264
District Attorney's Office Roof Replacement	352,500
Admin I -Irrigation replacement	297,650
ACJC Elevator Upgrades	260,014
Detention Facility Door Control/Intercom	189,134
Sheriff's Office CAD/RMS	159,369
Sheriff's Office Security Measures	154,964
Construction Management Software	100,000
ACJC Courthouse 2 Courtroom	100,000
Other Capital Projects	890,981
Ongoing Capital Projects Total	\$ 6,083,961

The Infrastructure Fund is another fund that contains a number of large roadway capital improvement projects. Due to the large amount of funding coming in from the federal government and other government partners for projects such as the Iliff Avenue Corridor and Quincy/Gun Club Intersection Improvements, there is a need to recognize this anticipated revenue along with the appropriations to complete the work. This additional resolution is for Public Works & Development's expected revenue for project reimbursements in the Infrastructure Fund to have \$21,264,660 in revenue and \$21,001,013 for expenditures added to the 2020 adopted budget. Due to this resolution including additional revenue, it is separate from the reappropriation resolution.

Additional Considerations

It is important to note that the numbers within this Board Summary Report are subject to change as final adjustments to 2019 are ongoing. Any adjustment to revenues or expenditures for the balances of projects or fund balances could impact the final amount available to reappropriate. If the changes occur after the Public Hearing, the reappropriation amount(s) for a department or fund may be adjusted during the next quarterly review.

Additionally, the unspent fund balances of certain County grant funds, such as the Community Development Fund, the Grant Fund, the Arapahoe/Douglas Works Fund, and the Homeland Security Fund, will be addressed during the 1st Quarter Budget Review. The County adopted this policy because the supplemental requests for these funds must address both the unspent expenditures and the deferred revenue. These amounts are not always clear until later in the year.

Policy Reserve Amounts

The resolution to reappropriate funds from 2019 to 2020 is accompanied by another resolution that commits the Board of County Commissioners' policy reserve amounts for several of the County's funds. Per policy, the County designates a fund balance reserve amount for the General Fund that is equivalent to 11.0 percent of the annual operating budget. This 11.0 percent reserve includes the County's 3.0 percent Taxpayer's Bill of Rights (TABOR) reserve amount as required by the State Constitution. For 2020, the 11.0

percent General Fund reserve is \$21,874,615. This amount is based on a \$209.9 million budget but only a \$198.9 million operating budget in the General Fund. Under Governmental Accounting Standards Board rules, the 11.0 percent policy reserve is held in the General Fund rather than the Board Designated Reserve Fund, but it will be considered committed through the approval of the Board resolution.

The Social Services Fund, Road & Bridge Fund, and the Law Enforcement Authority Fund also have fund balance reserve requirements pursuant to Board policy. The policy reserve for the Road & Bridge Fund and the Law Enforcement Authority Fund is 1/6th of the current annual operating budget. For 2020, the Road & Bridge Fund's reserve is \$2,570,616 and the Law Enforcement Authority Fund's reserve is \$1,509,632. The mandatory 3.0 percent TABOR reserve is included within these amounts. The Social Services Fund's policy reserve is 1/6th of the County's portion of the Fund's annual operating budget, which is equivalent to approximately 1/6th of 20.0 percent of the annual operating budget. For 2020, this amount is \$2,298,961 based on a \$70.0 million operating budget. The required TABOR reserve for the Arapahoe County Recreation District is \$40,595 for 2020. The Recreation District's TABOR reserve is required by law, so it does not require a Board resolution.

Additional Budget Cleanup for 2019

The other two resolutions related to the 2019 Budget and are the result of further adjustments made by the accountants following the completion of the 2019 4th Quarter Budget Review. The first is to increase the expenditure budget for the Coroner's Office by \$5,000 to cover additional supply expenses to prevent the office from exceeding their annual appropriation. The second resolution is to account for \$56,758,178 in transactions related to the debt refunding of the Arapahoe County Water & Wastewater Public Improvement District. These transactions will have no net impact to the PID Fund but are required to be recorded against the 2019 budget.

Alternatives

Although this request for reappropriation is in accordance with County policy, the Board of County Commissioners could change or eliminate some of the reappropriation requests.

Fiscal Impact

The fiscal impact of the 2020 reappropriation is equivalent to the total amount specified in the above reappropriation summary schedules for the General Fund and other County funds along with the three supplemental budget resolutions included with reappropriations.

Reviewed By

Todd Weaver, Finance Director

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