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Designed by Emmett Jordan



Last Call for Speakers and Topics for the 2021 SDA Annual Conference!

SDA 

Time is running out to submit your ideas for speakers and topics for the 2021 SDA Annual Conference!

The deadline is **Friday, March 26 at 5:00 pm** so don't wait any longer!

Although the exact format of Conference this year has not yet been decided, the educational sessions remain one of the key components of the event, whether we are in-person or virtual. Each year we receive a large number of quality suggestions, and we are thrilled to report that this year has been no different! "Our members continue to provide the most timely and informative training ideas," said SDA Executive Director Ann Terry. "I'm looking forward to reviewing all of the submissions we have received!"

If you have been thinking about sending us an idea, there's still time. But, don't delay! Whatever suggestions you have, big or small, we want to hear from you!

As you are thinking about what should be included in this year's breakout sessions, here are a few things that might help get those ideas flowing:

- » What are the hot topics that districts need to know more about?
- » Are there successful projects or case studies from which others could learn?
- » Is there a general subject that you could use a refresher course on (and maybe others could, too)?
- » Are you an expert who has suggestions on important topics to present?

And the best part is the process is super easy. Simply go to the SDA website at www.sdaco.org to share your suggestions for a breakout session, recommend a great speaker, or both!

As always, please call our office at 303-863-1733 if you have any questions. 



And don't forget to mark your calendar to join us in Keystone, September 14-16 (remember, that's **Tuesday**, September 14 through **Thursday**, September 16)!



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? Ask Evan

Q. We are aware of the requirement to have an annual audit done and to file the audit report with the Office of the State Auditor. But we are not sure exactly is included in that audit and if there is a need to have a broader audit done?

A. The audit required by law in Colorado would be categorized as a financial audit. It consists of a thorough examination of the financial books and records of the district and writing a detailed report of the steps taken and the findings of the audit. An audit provides independent third-party assurance to the Board and public that the subject matter is free from misstatement or error. It seeks to provide only reasonable assurance that the statements are free from material error. In the case of financial audits, a set of financial statements are said to be true and fair when they are free of material misstatements.

A couple of caveats:

1. While a financial audit is a legal and practical necessity to identify and guard against either mistakes in accounting or intentional misstatements, it is not an absolute guarantee against embezzlement or theft. A shady employee can find ways to embezzle or steal without the theft ever reaching the financial statements. A sharp-eyed auditor may notice inconsistencies that can be traced, but such theft is more likely to be discovered by a diligent examination of internal controls.
2. While a financial auditor will carefully examine the internal controls of the district and make suggestions for improvements, unless the audit engagement calls for it, the auditor is not a guarantor of the effectiveness of your internal controls.

In addition to the mandatory financial audit, the Board may wish to have a performance audit more specifically geared

to examine other functions of the district. Performance audit refers to an independent examination of a program, function, operation, or the management systems and procedures of a governmental or non-profit entity to assess whether the entity is achieving economy, efficiency, and effectiveness in the employment of available resources. Safety, security, information systems performance, and environmental concerns are increasingly the subject of audits. There has been an increasing need for performance audits, examining their success in satisfying mission objectives.

In general, a performance audit may be engaged to look into the following and other functions:

» **Management**

This will examine the effectiveness of management systems and functions, particularly looking for waste; failure to perform expected and needed functions; HR processes; sufficiency or excess of personnel contingent; compliance with internal rules and regulations; etc.

» **Legal or Regulatory Audit**

The district's legal counsel should be performing this function annually, seeking to make sure that all of the filings and other legal and regulatory duties are fulfilled. Occasionally, however, certain functions are overlooked. It falls to the Board to call in an independent examiner to verify that the district has met all legal and regulatory functions. Incidentally, if a district is contemplating a bond issue, bond counsel will comb the records with a fine-tooth comb to make sure that there won't be a challenge to the bonds due to a failure to perform a function.



Evan Goulding, Consultant and former SDA Executive Director.

» **Forensic Audit**

When there is any suspicion that there may be missing money, embezzlement, or other irregularities, an investigative audit in which accountants that specialize in both accounting and investigation may be called for, seeking to uncover frauds, missing money, or negligence. Forensic accountants may also be called on to gather evidence in case of a prosecution, dismissal, or settlement.

» **Safety or Risk Management**

A safety or risk management audit will observe and analyze the district facilities, procedures, and policies that can prevent accidents and/or injuries as well as repetitive practices that will lead to staff or public harm. The Colorado Special Districts Property and Liability Pool (CSD Pool) is qualified to perform these examinations, and CSD Pool members can contact the CSD Pool to schedule an audit. 📍

An audit is not an
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New Year? Time for a New Records Retention Policy

*Guest article by Carolyn R. Steffl, Esq.
Moses, Wittemyer, Harrison and Woodruff, P.C.*

Have you made a New Year's Resolution to clean up your district's office, sort through old files, or get rid of clutter on your server? Before you follow Marie Kondo and toss anything that does not bring you joy, remember that special districts are legally required to hold on to certain records permanently or for a set period of time. Therefore, your first step toward a more organized 2021 should be to adopt a records retention policy that sets forth which documents need to be kept and which can be destroyed.

Luckily, you are not on your own. The Colorado State Archives works to "provide best practices and guidelines for the administration of government created records," including special district records. In coordination with SDA and DOLA, the State Archives created a Special District Records Management Manual that sets forth guidelines on how long to retain each type of document. The Manual is available at: <https://www.colorado.gov/pacific/archives/special-districts-records-management-manual-0>. In addition, the State Archives provides other resources for organizing your documents and guidance on specific questions like whether to store paper or electronic versions of your records; whether a district needs to retain emails and social media posts; and how to destroy documents when no longer need-

ed. Finally, if a district has records that must be maintained permanently and are not in active use, such as old agendas, minutes, resolutions, or records of historical import, the documents can be transferred to the State Archives for storage.

This article provides additional detail on why and how to adopt a records retention policy, but given the breadth of the subject, feel free to reach out to the State Archives, your district's attorney, or the author, Carolyn Steffl, if you have additional questions.

Why Adopt a Records Retention Policy?

A retention policy is required for digital documents.

Under the Colorado Open Records Act (CORA), a special district's official custodian is required to adopt a policy regarding the retention, archiving, and destruction of public records which are kept only in miniaturized or digital form. (§24-72-203, C.R.S.) Public records are defined broadly as including all writings (books, papers, maps, photographs, recordings, emails, etc.) that are made, maintained, or kept by any special district and held for use in functions required or authorized by law or involving the receipt or expenditure of public funds, unless an exception applies. (§24-72-202(6)-(7), C.R.S.) Many digital documents and files may be considered

Continued on page 9

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public records such as: emails, texts, website postings, GIS maps, videos, word and pdf documents, documents saved on thumb drives or DVDs, audio tapes, and more. As the world becomes increasingly digitized, a records retention policy is required for most, if not all, special districts.

Having a retention policy will minimize the risk of destroying documents that the district is legally required to maintain.

Under Colorado and federal law, special districts are required to maintain different types of documents for specific time periods. Adopting a records retention policy will minimize the risk of destroying documents that your district is required to retain, reducing the risk of legal liability or bad publicity. Some examples of documents that must be retained for a minimum amount of time (this is by no means a complete list) include:

- » Recordings of executive sessions must be retained for 90 days after the executive session.
- » Some documents need to be retained permanently, including annual reports, certified election results, final budgets, agendas, minutes, bylaws, and resolutions.
- » The District *may not* destroy any documents that are relevant to pending or anticipated litigation, claims, actions, or audits.

The State Archives' Records Management Manual for special districts includes required or recommended retention periods for each type of document, based on the type of record (minutes, deeds, etc.). When you adopt a records retention policy, it is also a good time to consider the method of storage to make sure that documents will be available in perpetuity, even if the software for reading electronic documents changes over time.

Having a retention policy will allow you to destroy documents that are no longer needed.

There are lots of reasons why a district would not want to retain every document, including: (a) records take up a lot of physical and digital space; (b) it can be hard to locate the most important documents; (c) responding to document requests becomes more

cumbersome and costly if you hold onto all records perpetually; (d) the district may have duplicate and draft copies which are not needed, creating confusion about the final version; and (e) moving offices or changing computer software means transferring all of the documents to their new home, a costly and time-consuming proposition.

Once a special district adopts the Special District Records Management Manual with approval by the State Archives, the State Archives will send that district an annual letter authorizing destruction of documents that no longer need to be retained under the Manual. Destroying old documents on an annual basis, after receipt of that letter, avoids haphazard destruction that could create a perception that the district is trying to hide something. The district then files a certification of records disposal summarizing the amount of documents destroyed and the method of disposal. This provides a paper trail in case you are looking for a record in the future.

How to Adopt a Records Retention Policy

A special district can adopt the form Special Districts Records Management Manual or draft and adopt its own specific records retention policy. Since it would take a lot of work and legal review to draft a policy from scratch, this is not an appealing option for most districts. However, if you have unique needs, you can adopt the state's Records Management Manual with specific exceptions, for example if district bylaws, rules, or resolutions require retention of a particular type of document longer than the recommended period of time. The records retention policy should be adopted by resolution, and the State Archives provides a sample resolution. See <https://www.colorado.gov/pacific/archives/common-records-management-documents>

Next, the district must complete and submit the approval request form to the State Archives, requesting permission to use the Special District Records Retention Manual and noting any applicable local exceptions. Barring any local exceptions, the standard retention schedule will control. The approval remains effective indefinitely, unless rescinded by the special district or the State Archives. Special districts are required to consult with the State Archives in the event any changes need to be made to the schedule.

There are several advantages to participating in the State Archives' program, two

of which are (1) reassurance that the policy complies with state law and is sanctioned by the State Archives; and (2) support from the State Archives to implement the policy. The Records Management Manual is comprehensive and searchable. It is organized by the type of document -- building records, election records, financial records, etc. Under the policy, the retention period is based on the content, not the physical form of the record (paper, email, computer disk, etc.). If you cannot find a specific type of document on its list, you can call the State Archives with questions.

The State Archives maintains a list of special districts that have adopted the form Records Management Manual. A participating special district will annually receive a records retention disposition authorization from the State Archives. This notice provides legal authorization to destroy certain documents in accordance with the schedule. As necessary, it may require the special district to preserve certain records if required by the Attorney General or the State Auditor or due to pending litigation. Once the special district has disposed of the records, the special district must return a certificate of disposal form to the State Archives.

Adopting a records retention policy is a big task. The Special District Records Management Manual is around 125 pages long. Implementing a records retention policy involves the upfront work of inventorying existing documents, as well as annually reviewing the policy and records, destroying documents, and submitting a report on the records destroyed. But, if you are ready to take on the task of organizing your documents and paring down those that you do not need to keep, a records retention policy is the way to go. In the long run, it will be easier to find what you need and will streamline district operations for 2021. 🍋



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Upcoming Local Government Meetings by DOLA Region

Hosted by Governor's COVID-19 Response Team, DOLA, CDPHE, CDPS

Be sure to tune in to these recurring local government meetings to get the latest COVID-19 updates for your specific region of the state!

Region	Corresponding DOLA Region	Date/Time	Zoom Information
Central/ North Central Colorado	North Central Larimer, Weld, Boulder, Gilpin, Adams, Broomfield	First Monday each Month 12:00pm-12:45pm	Join Zoom Meeting https://bit.ly/2NhhTwa Meeting ID: 849 9910 6928 Passcode: 585709 Phone: 346-248-7799
	Central Clear Creek, Jefferson, Denver, Broomfield, Arapahoe, Douglas, Elbert, El Paso, Teller		
Eastern Colorado	Northeastern Morgan, Logan, Sedgwick, Phillips, Yuma, Washington, Kit Carson, Lincoln, Cheyenne	3rd Wednesday each Month 1:30pm-2:15pm	Join Zoom Meeting https://bit.ly/3qeAY14 Meeting ID: 849 1244 3723 Passcode: 321784 Phone: 346 248 7799
	Southeastern Pueblo, Huerfano, Las Animas, Baca, Prowers, Bent, Otero, Crowley, Kiowa		
South Central Colorado	South Central Lake, Chaffee, Fremont, Custer, Saguache, Mineral, Rio Grande, Alamosa, Conejos, Costilla	3rd Thursday each Month 2:00pm-2:45pm	Join Zoom Meeting https://bit.ly/372RJ7F Meeting ID: 883 6311 3346 Passcode: 393007 Phone: 669 900 6833 US
Southwest Colorado	Southwest Montrose, San Miguel, Ouray, Dolores, San Juan, Montezuma, La Plata, Archuleta	Last Monday each Month 5:45pm-6:15pm	Join Zoom Meeting https://bit.ly/3tRM9iw Meeting ID: 873 3623 6129 Passcode: 823648 Phone: 346 248 7799
Northwest Mountains	Northern Mountains Routt, Jackson, Grand, Summit, Eagle, Pitkin, Park	Last Friday of each Month 12:00pm-12:45pm	Join Zoom Meeting https://bit.ly/3cZsffs Meeting ID: 828 4838 0054 Passcode: 506158 Phone: 346 248 7799
	Northwestern Moffat, Rio Blanco, Garfield, Mesa, Delta, Gunnison, Hinsdale		

Questions?

Email Xander Martin, Deputy Coordinator for COVID-19 Response: Xander.Martin@state.co.us

Special Districts Take on Federal Policy with the National Special Districts Coalition

Guest article by Cole Karr, National Special Districts Coalition and the California Special Districts Association

Colorado's special districts now have a stronger voice in the hallways and offices on Capitol Hill and in the White House through SDA and the National Special Districts Coalition (NSDC).

SDA is one of five founding members of the NSDC along with state special district associations in California, Florida, Oregon, and Utah. The Coalition was formed in 2018 to share best practices and serve as a forum for special district associations across the country. All together, the "Founding Five" state associations represent the interests of approximately one-quarter of the nation's special districts providing a myriad of services to millions of Americans.

Ann Terry, SDA's Executive Director, is thrilled with the creation of the Coalition. "I am so excited that SDA is involved with this new, resource-heavy organization," she said. "The concept of establishing a national-level group to work on behalf of special districts across the country really started with Evan Goulding, and I am delighted that after a lot of collaborative work, this concept has now come to fruition. The new resources that are available for training, education, and advocacy are invaluable for SDA members."

During the COVID-19 pandemic in 2020, NSDC members banded together to take on federal policy matters as a result of the broad exclusion of special districts from accessing fiscal relief for local governments. The Coalition began educating members of Congress on the basics of special districts and conveyed their pandemic-driven needs. This focused, dedicated advocacy campaign resulted in the Coalition's first piece of federal legislation, the Special Districts Provide Essential Services Act, which was introduced in both the U.S. House of Representatives and the U.S. Senate. The bipartisan efforts were capitalized on with the support of more than 80 special district stakeholder partners across the country, with momentum continuing into 2021.

Congressman John Garamendi, D-Calif., and Senator Kyrsten Sinema, D-Ariz., jointly reintroduced the legislation (H.R. 535 and S. 91) in January 2021 with the goal of its inclusion in future COVID-19 relief packages. Colorado's special districts are encouraged to support these measures and communicate their positions to



Senators Michael Bennet and John Hickenlooper as well as their U.S. House Representative, and/or to sign onto the list of national supporters.

Moreover, SDA and NSDC are excited to be working with two top-notch DC-

based advocacy firms, The Ferguson Group and Paragon Government Relations, that both possess local government expertise to represent the federal interests of special districts. With this new partnership, SDA members will not only get the benefit of federal advocacy and representation, but they will also receive enhanced access to federal grant opportunities and services.

COVID-19 relief access is only the beginning for NSDC. The Coalition will be developing its federal advocacy platform over the course of the coming months and will establish its core issues of interest. A top priority will be the establishment of a "special district" definition in the U.S. Code for use in legislation concerning local government programs.

"Establishing a special district definition in law is a key step that will help with future federal legislation, which is of course important to ensure future funding," Ann explained.

Other topics of interest are likely to include infrastructure investment; disaster mitigation and response; refined representation in U.S. Census data; federal forest management; and more.

In addition, the Coalition aims to grow in size with the addition of state-based and national trade associations that have special district memberships. NSDC's new federal advocacy efforts also level special districts nationally with our municipal counterparts, and the Coalition will seek partnerships with their organizations, such as the National Association of Counties and the National League of Cities, when possible.

The future is bright for the nation's special districts. SDA and NSDC will continue to illuminate special districts' issues and increase our districts' national stature. For more information on the Coalition, please visit www.nationalspecialdistricts.org.

Editor's Note: Cole Karr is the National Special Districts Coalition's Federal Advocacy Coordinator and a regional public affairs coordinator for the California Special Districts Association.



Congratulations to the 2021 SDA Leadership Academy Fellows!

The 2021 SDA Leadership Academy got off to a thrilling start in mid-February, and we are very excited to be working with this year's new group of Leadership Fellows!

Our kickoff event was held via Zoom on February 17 and featured keynote speaker Nick Kittle, a government performance and innovation speaker and coach. Nick believes in using our strengths to minimize our weaknesses and build effective teams at any level in an organization. He has created forward-leaning programs and



ideas that have been adopted nationally by Fortune 100 companies and governments across the nation. Nick's presentation was the perfect way to kick off this unique year-long program!

Ann Terry, SDA's Executive Director, looks forward to welcoming the Leadership Fellows each year. "We very much enjoyed meeting our fantastic new group of Fellows! They represent a wide variety of districts and organizations from across Colorado and will undoubtedly bring valuable experiences and knowledge to our group as we work together throughout 2021."

Please join us in congratulating the 2021 Leadership Academy Fellows listed below!

Name	District/Organization	Title
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Krystin Champion	Estes Park Local Marketing District	Executive Administrative Assistant
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Matthew Cohrs	Special District Management Services, Inc.	District Manager
Andrea Cole	Olsson	Senior Specialist
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Jeffrey DeHerrera	Pueblo West Metropolitan District	Deputy Utilities Director
Nicole Detweiler	Spencer Fane LLP	Attorney
Mark Dickerson	Highlands Ranch Metro District	Chair, Board of Directors
Kara Finch	Statewide Internet Portal Authority (SIPA)	Contract Manager & Legislative Liaison
Tracy Forristall	The Romero Group	Senior District Tax Accountant
Preston Fujiki	Hyland Hills Park & Recreation District	Revenue Supervisor
Heather Galbraith	Cherokee Metropolitan District	Billing/Customer Service Supervisor
Polly Gallagher	Grand County Library District	Executive Director
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Jim Grim	Thompson Rivers Parks and Recreation District	Recreation Director
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2021 Government Sector Economic Outlook



Editor's Note: This Government Sector excerpt was originally published in the 2021 Colorado Business Economic Outlook by the Business Research Division, Leeds School of Business, University of Colorado Boulder. The full 2021 Colorado Business Economic Outlook is an extensive and detailed review of the economic, employment, and population outlook for a wide variety of sectors across the state. You can download the entire book at <https://www.colorado.edu/business/brd/colorado-business-economic-outlook-forum>.

The Government Supersector includes federal, state, and local workers and is the second-largest provider of jobs in Colorado, representing roughly one in six jobs. Government activities include a variety of services ranging from space research and technology to public safety, program administration, and education.

In 2019, Government employment in Colorado increased 2.2%, to 455,300. Local government, including public K–12 education, represented 59.7% of government employment, followed by state government, including higher education, with 28.7%. Federal government made up the remaining 11.6%. Government was uniquely hindered by the pandemic—as tax revenue fell, jurisdictions balanced budgets mid-cycle by cutting spending and implementing furloughs and layoffs. Government employment fell just 2.2% from February to April; however, since April, Government recorded the greatest number of job losses and the largest percentage decline of the industries in the state. Government employment is expected to decrease 4.8% to 433,600 in 2020 then decrease 1.6% to 426,600 in 2021.

FEDERAL GOVERNMENT

In 2019, total federal government employment in the state was 53,000, up 0.3% from the previous year. Due in large part to conducting the decennial census, federal employment spiked in 2020, but this is only temporary, as the hiring for the Census has concluded. The U.S. Census Bureau hired

hundreds of thousands of people across the nation to conduct the Census throughout 2020, and as of the week of October 18–24, there were 60,755 paid temporary Census workers, with 13,478 in the Denver region. The decennial census is conducted every 10 years by the United States Census Bureau to update important population and housing count data in order to determine the number of seats for each state in the House of Representatives, to draw congressional and state legislative districts, and to distribute federal funds.

The federal government has instituted numerous programs in 2020 to help weather the recession caused by the COVID-19 pandemic. Chief among those was the Coronavirus Aid, Relief, and Economic Security (CARES) Act, an over \$2 trillion program that provides economic assistance for workers, families and small businesses and preserves jobs. The CARES Act provided \$1,200 Economic Impact Payments to many Americans, the Paycheck Protection program for small businesses, and funding to state, local, and tribal governments through the Coronavirus Relief Fund. The Paycheck Protection Program (PPP) is coordinated through the Small Business Administration and was designed to provide a direct incentive (through forgivable loans) for businesses to keep their workers on the payroll. Between April 3 and August 8, the last day to apply to the program, more than 5 million PPP loans were approved totaling \$525 billion, according to data from the Small Business Administration.

Over 109,000 Colorado businesses and nonprofits borrowed over \$10.4 billion from the PPP, which will reportedly help retain almost 872,000 jobs in the state, according to the Small Business Administration. Full-Service Restaurants were the major industry recipient receiving loans of \$150,000 or more, followed by Offices of Physicians, and Plumbing, Heating, and Air-Conditioning Contractors. The Professional, Scientific, and Technical Services sector reportedly received the greatest benefit in terms of jobs retained with 122,382, followed by Construc-

tion (122,011), and Health Care and Social Assistance (109,252).

Government spending has ballooned as the government looks toward fiscal policy to help ease the effects of the economic downturn. According to the Congressional Budget Office (CBO), outlays have risen sharply in 2020, while revenues have fallen, and the deficit for this year will total \$3.3 trillion, or 16% of GDP—11 percentage points higher than the 2019 shortfall and the largest deficit recorded since the end of World War II. The CBO projects the deficit to decline to 8.6% of GDP in 2021. Additionally, federal outlays in 2020 are projected to total \$6.6 trillion—\$2.2 trillion (50%) more than in 2019—and federal debt held by the public is projected to increase to 98% of GDP in 2020, over 100% in 2021, and 107% in 2023—compared to 79% in 2019 and 35% in 2007.

The U.S. Government Accountability Office's (GAO's) Federal Fiscal Outlook and the Congressional Budget Office's (CBO's) 2020 Long-Term Federal Fiscal Outlook shows that the United States will continue to record unsustainable debt levels in the coming decades due to major revenue and spending imbalances under current fiscal policy. The CBO projects that large budget deficits over the next 30 years will drive federal debt held by the public to unseen levels. Deficits are projected to increase to 13% of GDP by 2050, and federal public debt will increase from 104% of GDP in 2021 to 195% of GDP by 2050—45 percentage points higher than the CBO projected last year. Future policy by the new presidential administration will have a significant impact on future deficits, as well as navigating the uncertain economic times faced by the pandemic-caused recession.

Health care spending and net interest continue to grow and absorb more resources. This is a continuing trend that lawmakers have not comprehensively addressed and will need to develop solutions. Health care spending is growing, with the nation's aging population driving spending increases, and the rising cost of health care is driving debt growth, which may negatively affect future interest rates. It is concerning that while interest rates are currently near historic lows, they are expected to rise over the long term.

Federally funded science and research centers located in the state continue to generate significant employment and economic impacts. Colorado has 33 laboratories that receive significant federal funding—one of the highest concentrations of federally funded science and research centers in the nation. These laboratories employ 7,800 direct workers who earn a total of \$783 million in wages and benefits and generate approximately \$2.6 billion in annual economic impact to Colorado. The labs also contribute greatly to the state's high-tech industries, stimulating significant

Government Employment In Colorado 2011-2021

(In Thousands)

Government Sector	2006	2007	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 ^a	2020 ^b	2021 ^c
Federal	52.2	52.1	53.0	55.7	54.4	54.1	53.0	52.1	52.8	53.5	53.5	52.9	53.0	54.9	53.2
State	82.5	84.7	90.7	93.0	95.4	97.6	107.8	109.6	112.8	116.4	121.3	125.9	130.6	121.6	119.4
State General	30.3	31.3	32.6	32.7	33.2	34.0	42.7	43.2	44.2	45.5	47.3	50.1	51.0	49.0	48.4
State Education	52.2	53.4	58.1	60.3	62.2	63.6	65.1	66.4	68.6	70.9	74.0	75.8	79.6	72.6	71.0
Local	232.6	237.8	246.3	244.7	242.7	242.7	242.4	246.3	250.9	258.2	261.9	266.8	271.7	257.0	254.0
Local General	112.8	115.4	119.2	117.9	116.6	117.3	115.2	116.4	118.1	122.8	125.4	128.3	130.8	125.0	124.0
Local Education	119.8	122.4	127.1	126.8	126.1	125.4	127.2	129.9	132.8	135.4	136.5	138.5	140.9	132.0	130.0
Government	367.2	374.7	390.1	393.4	392.4	394.3	403.2	407.9	416.5	428.1	436.7	445.6	455.3	433.6	426.6

^a Revised. ^b Estimated. ^c Forecast. Note: Due to rounding, the sum of the individual components of government may not equal the total.

Sources: Colorado Department of Labor and Employment and Colorado Business Economic Outlook Committee.

tech-transfer opportunities for higher education and area companies in critical areas, such as renewable energy, space science, and natural resource management. Colorado's federally funded labs face an uncertain future as questions about funding levels in the new administration and next year's budget remain.

STATE GOVERNMENT

The state government industry consists of a variety of public sector activities, such as higher education, law, law enforcement and security, road and other public infrastructure construction, and a range of government administrative services. In 2019, total state government employment was 131,600, up 3.7 percent from the previous year. Excluding public higher education employment, state government employed nearly 51,000 people in 2019, a 1.8% increase from the prior year. In many communities across the state, state government is the largest employer with competitive wages and benefits. State employment has been steadily increasing over the past decade and typically grows with population growth as tax revenues allow.

The impacts of the COVID-19 pandemic resulted in significant state budget actions during the 2020 legislative session. In September, the governor announced that most state government workers would be required to take between one and four unpaid furlough days to help address the state's budget tightening and postpone any potential layoffs. In addition, some state agencies have hired additional employees to aid in the COVID-19 response. State government employment, excluding higher education, is expected to increase 2.5% to 52,300 jobs in 2020 and remain relatively flat in 2021. The state General Fund budget still faces an uncertain outlook with both upside and downside risks that will challenge state hiring decisions. While economic and revenue collections have exceeded expectations in recent months, the pandemic and longer-term impacts of the pandemic on

Colorado's economy and state revenue remain uncertain.

Higher Education

Employment in Colorado's public higher education system accounts for slightly more than 60% of total state government employment. These workers include both part- and full-time faculty and nonfaculty staff. Higher education employment growth has accelerated due to the University of Colorado Hospital System adding hospitals around the state in recent years and the addition of the UCHHealth Yampa Valley Medical Center in Steamboat Springs in 2017. Job growth in Colorado's public higher education sector increased by 5% in 2019. However, in 2020, the outbreak of the COVID-19 pandemic has become a major disruption to colleges and universities, and most have canceled or significantly reduced in-person classes. State higher education employment is expected to decline by 8.8% in 2020 and pick up slightly (0.9%) in 2021 but remain below pre-COVID-19 levels as the pandemic continues to affect college and university enrollment.

Restrictions connected to the COVID-19 pandemic have reduced state funding for higher education and increased costs as institutions have implemented public health measures and expanded their operations for distance learning. In addition, lower enrollment and distance learning requirements have reduced demand for auxiliary services, such as residence halls, dining services, and parking services. Preliminary data from the Colorado Department of Higher Education shows that overall enrollment across the state's public higher education institutions is down approximately 5-10% in the fall of 2020. While some institutions have started mandatory unpaid furlough days for most staff and faculty, in other instances positions have been eliminated due to lack of work. In October, the number of state government educational service jobs was down almost 21% from the same month one year prior.

The forecast assumes a decline of nearly 7,000 higher education jobs, or 8.8%, in 2020 as COVID-19-related restrictions reduce state funding and demand for student services. In 2021, employment in Colorado's higher education system is expected to pick up slightly from 2020 as elevated unemployment increases enrollment. Historically, employment in public higher education is countercyclical as the demand for new credentials increases when fewer job opportunities are available. However, the pandemic has posed unique challenges to higher education and may challenge workforce development given the uncertainties surrounding the pandemic's duration.

LOCAL GOVERNMENT

County Government

There's a colloquial saying in the world of county governments that goes like this: "If you've seen one county, you've seen one county." This sentiment captures the diversity of county communities in Colorado and is a reminder to avoid generalizations based on the reality of a few. In this spirit, the following attempts to capture the range of financial activity counties are experiencing as they head into 2021.

Counties rely heavily on property taxes to get the job done for their communities. Like every other level of government and industry sector, the property tax outlook will depend on commercial vacancy rates, agricultural supply chains, contractions in natural resource development, and the ability for key sectors like ski resorts and casinos to remain open during the pandemic. Negative news in any of these areas will result in a reduced property tax base and ultimately fewer financial resources to meet community needs. The passage of Amendment B will help counties that were on the brink of a shrinking tax base.

Certainty around the residential (71.5%) and non-residential (29%) assessment rates positions counties to better plan for the long-term.

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Another increasingly important revenue stream for counties is sales tax. Over the last two years, the number of tangible products that are subject to the county's sales tax has increased. This is because of Colorado's implementation of 1.) destination-based sourcing and 2.) the South Dakota vs. Wayfair Decision, which authorized the collection of sales taxes on remote sales. The rollout of these two policy changes has helped to offset losses in sales tax revenue due to COVID-19-induced changes in consumer behavior. Generally speaking, counties have seen zero to single-digit increases in their sales tax revenue in 2020 and are planning for flat to modest sales tax growth in 2021.

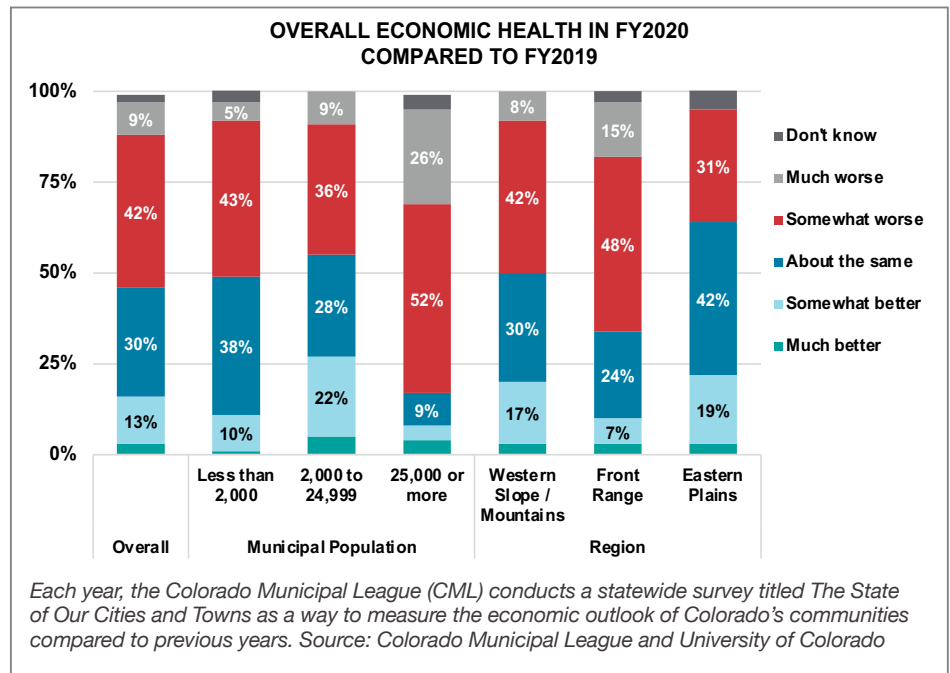
The Highway Users Tax Fund (HUTF) is another source of revenue that counties are watching carefully. HUTF revenues pay the lion's share of local road and bridge maintenance and construction costs. Disrupted driving patterns attributable to the pandemic led to a projected 10% decrease in HUTF revenues for the 2020 calendar year. For 2021, the Colorado Department of Transportation is projecting a 7% decrease in HUTF revenue.

Apart from property and sales tax and HUTF, counties rely heavily on the state general fund to pay for services mandated by the state and federal government. Counties provide services to those in need, maintain hundreds of thousands of miles of roads and bridges, provide access to justice through county courts and district attorneys, and respond to public health crises and natural emergencies. This work can only be accomplished in partnership with the state. As such, reductions in state funds equates to a loss in services at the local level.

Most counties anticipate their 2021 budgets to be flat or slightly worse than their 2020 budgets. Unlike municipalities and the state, both of which saw the immediate impact of COVID-19 in their sales and income tax collections, respectively, property tax collections tend to respond slower to economic conditions. This has allowed counties to adjust their budgets proactively in anticipation for the 2021 budget year. Counties have cut capital projects, reduced travel and conference expenses, delayed equipment purchases, scaled back operational budgets, reprioritized existing staff to essential services, and are reconsidering lease agreements based on the lessons learned about working at home. Reductions that began for many counties in the spring of 2020 will carry over into 2021 and perhaps beyond.

Municipal Government

Each year, the Colorado Municipal League (CML) conducts a statewide survey titled *The State of Our Cities and Towns* as a way to measure the economic outlook of Colorado's communities compared to previous years. CML groups the responses received into



three categories according to a municipality's size (i.e., population of less than 2,000, between 2,000 and 24,999, and 25,000 or greater). It also does so regionally, providing a more realistic snapshot of what is happening on the eastern plains versus the Front Range or Colorado's mountain communities.

The results of this year's survey paint a very different portrait compared to last year when economic confidence was at an all-time high among municipalities across the state. Unquestionably, the fiscal challenges currently experienced by Colorado's cities and towns are directly related to the COVID-19 pandemic that has swept across the country and throughout the world.

Of the 173 municipalities that participated, over half feel their economy is worse now than it was in 2019. Two in five large cities felt their economy was much worse than last year, whereas small towns seemed to be more ambivalent about their present fiscal situation, with 38% saying their economy was about the same. Most survey respondents also expected revenue sources to decrease or stay the same next year. Few revenue categories were expected to increase much, with the exception that 38% of municipalities expected sales and use tax to increase, and 28% expected property tax to increase.

In order to adjust to the new economic realities of COVID-19, a number of cities and towns across Colorado implemented cost-saving and austerity measures to reduce costs and balance their budgets. About 9% of all responding municipalities furloughed full-time employees, 6% laid-off full-time employees, 13% reduced hours of full-time employees, and about one-third of municipalities have not filled full-time positions due to the pandemic. Furthermore, nearly one-quarter

of municipalities have frozen employee salaries due to COVID-19, with nearly half of large municipalities taking this step.

In order to balance their budgets, two in five municipalities were required to make cuts to their general fund—including 2% that were forced to take the painful step of cutting it by one-third or more. Additionally, 10% have not cut their general fund but are considering it. Fortunately, 46% of municipalities have not, and are not, considering cutting their general fund. Capital improvements and parks and recreation funds were the second and third most commonly cut expenditures, followed by arts and culture and public safety.

If a silver lining can be gleaned from the survey results, it is that the fiscal situation of Colorado's cities and towns is better now than administrators had originally anticipated. Close to 60% of municipalities indicated their fiscal situation was better than expected, compared to their outlook in late spring, with 24% saying "much better" than expected. Only about 10% said their fiscal situation was worse than expected. Many of the small towns and most towns on the Eastern Plains were doing about the same as expected.

PK-12 Education

Colorado public school districts educate nearly 900,000 students in preschool through 12th grade every year. Funding for public schools comes from three main sources of revenue: local property tax, state funding, and federal dollars. The state share is primarily from income and sales tax revenues flowing to the state. While federal education law is well established and sets strong requirements for public education, federal dollars are a small overall component of public school funding.

Since March of 2020, public education, like many sectors of the economy, has experienced dramatic changes in the delivery of services. These tectonic shifts, all a result of the global pandemic, are influenced by a multitude of inputs such as health department requirements, safety measures, and capital infrastructure changes, to name a few. Parents and guardians have navigated these shifts, discovering along with teachers what it means to have “home learning,” “hybrid learning,” “remote learning,” and “online education.”

Overall funding of education in Colorado as compared to the national average has declined since 1992, despite such actions as Amendment 23 to the Colorado constitution in 2000 and the passage of cannabis sales taxes to support education. Colorado spent between \$2,100 to \$2,800 less per pupil than the U.S. average in FY2016, according to data from the Census Bureau, Quality Counts, and NCES. Many school districts have turned to increasing local property taxes to support education, but due to the wildly disparate property values within school districts, the ability to generate revenue is a function of property values as well as the local voter’s willingness to support public education. The total revenue that 1 mill of property tax assessed in a district will generate ranges from \$5,852 to \$20.7 million. Or to look at it on a per student basis, 1 mill will generate \$20 to \$6,667 per student (based on Colorado Department of Education - 2019-20 data). These disparities are a result of residential development, non-residential development, oil and gas resources, and the number of students in a district.

An additional impact to school district funding is the interplay of the recently repealed Gallagher Amendment, taxing constraints required by the TABOR Amendment, and local school district general fund mill rates to support education. The rapid rise in the Colorado population and residential construction activity since the early 1990s has pushed the residential assessment rate down from 14.34% in 1992-93 to 7.15% currently, while the nonresidential rate has remained at 29% in order to maintain the 45/55% split between residential and nonresidential assessed values. The drop in statewide assessment rates, when coupled with the TABOR taxing constraints, has forced the local millage rates in some districts to drop while others have remained constant. The current range of general fund mills is 1.68 mills to 27 mills. That means there is a significant disparity in the tax burden between what taxpayers contribute to the local share of education funding. All these factors together have shifted the burden of funding onto the state and the more volatile revenue streams of income and sales tax.

2020 Impacts

The economic crash brought on by the pandemic in the spring of 2020 necessitated

massive cuts to all aspects of state government. Since K-12 public education makes up about 36% of state general fund spending, the cut to K-12 education was a significant \$611 million. This more than doubled the Budget Stabilization factor, or the amount cut from the School Finance Act formula from \$572.4 million to \$1.17 billion. This is a 4.8% year-over-year reduction in per pupil funding, or about \$411 per pupil. While this may seem like a relatively small percentage of a reduction, all the expectations to deliver educational services in a safe and welcoming environment remained in place.

Undoubtedly, the \$500 million in CARES Act funds that Governor Polis distributed to school districts created short-term funding to allow districts to purchase technology devices, increase learning opportunities for students, and provide personal protective equipment, cleaning supplies, and additional cleaning staff to provide a safe and productive learning environment. The challenge is that these non-recurring Coronavirus Relief Fund resources must be used by December 30, 2020, which limits their usefulness for the continued expenditures related to the pandemic such as increased utility costs for improved air circulation, deep cleaning of facilities, substitute teachers, and addressing student learning deficiencies.

Original state revenue projections for 2020-21 indicated a more severe drop in state revenue collections than came to fruition. As of the September revenue forecast, the state had collected nearly \$900 million above the June projection. This improvement significantly reduces the likelihood of a midyear rescission of funding for school districts. Funding cuts in the middle of the fiscal year prove to be very challenging with employees already hired and students already in classrooms, as well as spending over 50% completed for the year.

One significant challenge in the current year is the abrupt loss of students from what was projected during the development of the state and district budgets. Original projections showed statewide growth at about 1,000 students or 0.1% of the nearly 900,000 students in the state. Projections varied by district, with some areas seeing decline and others seeing growth. Typically, kindergarten enrollment happens over the summer and at the start of the school year. Due to the pandemic, parents and guardians chose to hold students out of preschool and kindergarten, which is not compulsory in Colorado, while others transitioned to full online schooling options. It should be noted there is a difference between the “home learning” or “remote learning” implemented by districts and a fully online educational program, with different instructional models and student engagement. Overall, many districts are experiencing a 2% to 3% decline in enrollment, largely focused

on the early grades. This loss of students will translate into a reduction in funding unless the legislature acts early in the 2021 session to pass a supplemental midyear budget that maintains the net investment in public education passed in the original 2020-21 state budget. Increasing the per pupil funding amount will provide districts the much-needed resources in the current year to address the mounting expenses to maintain conditions for a safe educational environment in public schools—PPE, cleaning supplies, custodial services, additional educational supports, technology, health services, contact tracing, utilities for increased air circulation, filter changes, outdoor classrooms, etc.

2021 Outlook

The outlook for the 2021-22 fiscal year has improved dramatically from June. Enrollment may continue to be subdued with uncertainties regarding vaccine availability, choices around homeschooling, and overall comfort level with sending children to school. Despite the uncertainties, the projected enrollment decline is very slight from the current year of approximately 1,000 students. Governor Polis’ 2021-22 budget proposal, as released on November 2, restores K-12 funding back to 2019-20 levels, with increases for inflation. This proposal totals a funding restoration of \$811 million and brings the budget stabilization factor back to the amount in 2019-20 of \$572.4 million, translating into an average of \$492 per pupil more than 2019-20 funding, or a 5.8% increase. While the funding outlook remains positive for the time being, the upcoming FY21 state revenue forecasts in December 2020 and March 2021 will determine where the legislature is able to set the budget for K-12 education in 2021-22.

Fixed Income Market—Local Governments

In 2020, Colorado local governments were presented yet another challenge related to the COVID-19 pandemic that is expected to last through 2021—lower investment earnings. When the Federal Open Market Committee (FOMC) lowered the Federal Funds Target Range in March from 1.50% - 1.75% down to 0.00% - 0.25%, investment income for local governments in Colorado also experienced a significant decrease. With the FOMC indicating that the target range will remain low for an extended period until inflation and unemployment reach their target numbers, investment income is also expected to remain low for local governments in 2021, adding to the decrease in income expected in budgets for local governments.

This time last year, local government investment pools, money market funds, and bank deposits were yielding well above 1%. As we approach the end of 2020, many of the same liquid investment options in Colorado are yielding less than 0.30% while U.S.

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Treasuries with a maturity of less than five years are also yielding around 0.30% as of the end of October. Compared to the last two years, budgets are seeing a noteworthy decrease further compounded by lower tax collections through the end of Q1 and Q2 2020. With bank deposit, CDs, and other allowable investments under the Colorado Revised Statutes paying low yields, local governments are flocking toward the highest allowable yield under state statute to capture return.

Colorado Local Governments Funding Bond Issuance Landscape

Regarding bond ratings, many of the bond rating agencies, such as Moody's, view Colorado as stable, but decreased revenues due to COVID-19 may have an impact on municipal debt ratings in 2021. Shortfalls in tax revenues for local governments are expected through 2021, with many local governments expected to have drawdowns in reserves, federal assistance, and spending cuts to navigate through 2021 and into 2022. As a result, local governments may be forced to decrease their workforce and/or delay capital projects to counteract the decreases in revenues.

Bond ratings are expected to remain stable through 2021. The main components of a potential upgrade would be reserve funds seeing continued stability or substantial increase of liquidity in addition to voter intervention that would boost the state's financial health, providing flexibility. On the other hand, fading fund balances, a conservative approach from voters limiting the state's ability to ensure financial flexibility, and significant decreases in liquidity at the local government level stand as potential headwinds affecting bond ratings in 2021. Another component of a change in stable bond ratings would be a significant decrease in Colorado's diverse economic sectors for a sustained period through the end of 2021 and into 2022.

Although Colorado is faring well compared to other states of comparable population, economic diversity, political landscape, and revenue sources, bond issuances could slow, and ratings could decline should the impact of COVID-19 continue through 2021.

Special Districts

Special districts are a form of local government in Colorado that date back to the early mining camps when the residents sought mechanisms to join together to efficiently and effectively provide essential services. Special districts of one form or another have been utilized since that time. The general source of statutory authorization (and limitations) is the Special District Act (Article 1 of Title 32 of the Colorado Revised Statutes). There are many types of special districts organized under the Special District Act, including, but

not limited to, the following: Ambulance Districts, Fire Protection Districts, Health Service Districts, Metropolitan (Metro) Districts, Park and Recreation Districts, Sanitation Districts, Water Districts, Water and Sanitation Districts, Health Assurance Districts, Mental Health Care Service Districts, Tunnel Districts, and Forest Improvement Districts. Further, there are other types of special districts organized and operating under other statutory schemes, including Business Improvement Districts, Cemetery Districts, Conservation Districts, Downtown Development Authorities, Federal Mineral Lease Districts, Irrigation Districts, Library Districts, Local Improvement Districts, Pest Control Districts, Public Improvement Districts, Regional Transportation Authorities, Special Improvement Districts, Water Conservancy Districts, and Water Conservation Districts. Currently, there are 3,074 special districts in Colorado.

For Colorado special districts, property tax is the primary source of tax revenue, although a handful of districts may impose a sales tax (see, for example, C.R.S. §§ 32-1-1106, 32-19-112(1) and 39-26-729(1)(b)). While property tax is a relatively stable source of tax revenue, assessing, levying, and collecting the tax is a two-year process; therefore, for special districts, it can be very difficult to absorb new or unexpected expenditures. Further, like their county and municipal counterparts, the Taxpayer Bill of Rights (TABOR) constitutional provisions apply to special districts and require voter approval for taxes and debt. For local governments reliant on property tax, however, TABOR interacted with the Gallagher Amendment to further restrain government growth. Finally, special districts have non-tax sources of revenues, such as rates, user fees, and service charges. Some special districts, such as those providing water or sewer services, rates, or fees may comprise the majority of revenues—and, as such, some of these districts may have been structured as government enterprises for which the voter approval provisions of TABOR do not apply.

Looking into 2021, Colorado's special districts face historic challenges. Many special districts serve as first responders or health care providers, with employees acting as essential workers in the public health, welfare, and safety emergencies of the COVID-19 crisis. These special districts faced additional operational costs, supply chain issues (with personal protective equipment, sanitizing supplies, and other health or medical equipment), and staffing challenges (employees being quarantined, or additional work demands leading to increased need for staffing). Other districts, such as Library Districts and Parks and Recreation Districts, had their operations halted by necessary stay-at-home public health orders, leading to a virtual cessation of business and an unanticipated de-

crease of budgeted user-fee revenues. Once the safer-at home orders were in place that reopened public facilities and programs, these districts responded by offering access and programming that required many new health and safety protocols (and the attendant cost-drivers). For a more detailed discussion, please see the "Snapshot of Local Government Fiscal Impacts from COVID-19 Survey Summary, April 2020," which was prepared by the Colorado Department of Local Affairs, in partnership with Colorado Counties, Inc., Colorado Municipal League, and Special District Association of Colorado. Finally, the 2020 wildfire season was one of the worst in Colorado's history, destroying private and public property (and lives), using enormous resources, and testing the capacity of state and local wildfire response.

There is good news to temper the ongoing public health crisis and worsening wildfires. First, by executive order, the Department of Local Affairs provided federal funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act to local governments, including special districts. For districts demonstrating urgent needs, \$27,390,000 of CARES Act funding was available to provide relief for the unanticipated expenditures (but not reduced revenues). The burdens of responding to the public health crisis could be further helped if the U.S. Congress takes action in 2021, including the provision of additional reimbursements for COVID-related costs and relief for impacts to local government revenues. One final piece of good news is that voters approved Amendment B at the 2020 statewide general election, repealing the constitutional requirements of assessment ratios in the Gallagher Amendment. Absent that approval, special district property tax revenues would have been greatly impacted by the expected formulaic reduction in the residential assessment rate (RAR) in 2021, from 7.15% to less than 6%. For a discussion of the revenue impacts from RAR changes, as well as the disparate impacts by region, please see "Fiscal Impacts of the Gallagher Amendment, July 30, 2020," by Marc Carey of the Colorado Legislative Council. The approval of Amendment B and SB20-223 (the moratorium on adjusting the RAR, keeping the rate at 7.15%, which took effect upon approval of Amendment B) will provide significant relief for special districts levying taxes in 2021 for collection in 2022. 🍌

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Greenwood Consolidated Metropolitan District
Jackson Creek North Metropolitan District
Johnstown Farms East Metropolitan District
Limon Area Fire Protection District
Mighty Argo Metropolitan District Nos. 1-3
Miller Ranch Water & Sanitation District
Northfield Metropolitan District Nos. 2 and 3
Prosperity Metropolitan District
Redlands 360 Metropolitan District #1
Redlands 360 Metropolitan District #9
Riverbend Crossing Business Improvement District
Riverbend Crossing Metropolitan District
Silver Peaks Metropolitan District No. 3

Skyview Meadows Metropolitan District
The Retreat Metropolitan District Nos. 1 and 2
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