



November 2, 2015

Mayor Noon and Members of City Council:

I am pleased to submit for your consideration the 2015 Revised and 2016 Annual Budgets. As required by the Centennial Home Rule Charter and the Colorado Local Government Budget Law, each Fund in the 2015 Revised and 2016 Annual Budgets is balanced.

This document constitutes the legal authority of the City to appropriate and expend public funds. It also serves as a communications and operations guide for the City by detailing service levels, projects, and programs that are in line with policy direction from City Council. The focus of the 2015 Revised and 2016 Annual Budgets, as in the past, is continuous improvement of the City's goal to operate as effectively and efficiently as possible.

The 2015 Revised/2016 Annual Budget Process

The budget process is an ongoing effort of strategic planning, monitoring of revenues and expenditures, Budget Committee review, and Council allocation of resources that concludes with Council's adoption of the current year revised and upcoming year budgets. This process matches desired service levels and anticipated expenditures with projected revenues.

Throughout the year, Staff monitors expenditures and revenues to identify needed amendments or changes from the adopted budget. We work with Council through workshops, supplemental budget appropriations, policy discussions, and Budget Committee meetings to provide the City opportunities to revise the adopted budget as the need arises.

Strategic Planning

The 2015 Revised/2016 Annual Budgets reflect the ongoing strategic priorities of the City, as well as those developed at workshops held in March, April and September. During the March Strategic Planning Workshop, Council identified specific priorities including annexations, economic development and future planning. In developing the 2015 Revised and 2016 Budgets, Staff incorporated Council's direction during each Workshop and will continue to proceed forward with planning and implementation efforts of these priorities. Discussed below are some of the priorities included in the 2015 Revised/2016 Annual Budgets.

- Funding for a comprehensive, city-wide survey that will provide residents with the opportunity to rate the quality of life in the City, as well as the service delivery and overall workings of the City (\$20,000).
- Approval of four (4) full-time positions, including two (2) positions in the Communications Department, one (1) GIS position and one (1) economic development position. These

positions will assist in providing higher levels of service for the City's Centennial 101 program, expanded social media content and response, enhanced geographic information systems, and economic development programs (\$620,000 for 2016).

- Approval of funding for an updated comprehensive plan for the City. The existing plan was adopted in 2004 and has become outdated; this plan will be critical in the future planning efforts for the City (\$150,000).
- During 2015, the City implemented a pilot program to focus on new business development, business retention as well as the development of strategic economic development objectives for the City. Council approved funding to continue the pilot program for 2016 (\$150,000).
- Funding of \$6.6 million for the annual road maintenance needs of the City, ensuring the City's infrastructure assets remain sound.

In addition to the strategic priorities included in this document, I have worked with Staff and Council to examine and improve our core competencies and programs. The City's core services remain intact, focusing on innovation and customer service, and we strive to further improve services.

Centennial Budget Committee

The Centennial Budget Committee (CBC) is comprised of the Mayor, one Council Member, three citizen representatives, the City Manager, and the Finance Director. The CBC convenes several times during the year to review specific program areas of the City, City finances, revenue projections, departmental budgets, and proposed decision packages for the current and upcoming years. As a result of these meetings, the citizen members of the CBC provided comments and recommendations to Council. Highlights of the comments and recommendations made to Council include:

- The citizen members of the CBC are satisfied with information received during the 2015 Revised/2016 Budget process; the citizen members believe the City is well positioned financially and the budget process serves the City well.
- The General Fund fund balance and current revenue estimates will allow City Council to make further investments to improve service levels in key areas including Public Safety, Public Works and overall business climate.
- The General and Capital Improvement Fund's fund balances and revenue levels have allowed the City to continue investing in critical, long-term infrastructure projects.
- Several of the decision package requests [presented at the April and September Budget Workshops] represent ongoing costs for the City, rather than one-time costs.
- Certain 2016 Capital Improvement Fund projects are to pay for the design phases of future major projects; the magnitude of the total cost to complete these projects are not currently known (e.g. Big Dry Creek Bridge).
- Last year, the citizen members of the CBC recommended that City Council consider having a citizen member of the CBC serve on City subcommittees for the issues Council considers most important and that may eventually be matters considered by the full CBC. During

2015, citizen CBC members have participated on the fiber, security and court software selection subcommittees.

Decision Packages

In September, the City Manager's Proposed Budgets were presented with decision packages for Council consideration and reflected the results of operational adjustments suggested by Staff and contractually required changes. Council provided concurrence on the inclusion of the following major items in the 2015 Revised/2016 Annual Budgets, among others.

General Fund:

- Funding for a third-party to conduct a City-wide survey that will allow residents to rate the quality of life in the City, as well as the service delivery and overall workings of local government;
- Addition of 2.0 full-time equivalent positions, including a Communications Specialist and Social Media/Digital Strategist. These positions will address an increased workload in the Communications Department and expand social media content and response;
- Funding for the implementation of body worn video cameras for City deputies through the Arapahoe County Sheriff's Office, including cameras, related equipment as well as one (1) Digital Evidence Technician;
- Addition of 1.0 full-time equivalent position for a GIS Analyst position. This position will be responsible for GIS database maintenance and data design to enable connecting geographic features to other information systems;
- Funding for a consultant to perform a comprehensive information technology system review. The consultant will conduct a comprehensive assessment of the City's organizational structure and existing systems, infrastructure, documentation and data storage;
- Funding to update the Comprehensive Plan in Community Development;
- Continued funding for Economic Development Consulting Services to develop the strategic economic development objectives for the City;
- Addition of 1.0 full-time equivalent position, an Economic Development Specialist, to handle the implementation of the Economic Development Strategic Plan and work on new business development and retention;
- Funding for the Employee Compensation Philosophy which includes a pool of funds for the 2016 raise pool, select salary adjustments, spot bonuses and promotions based upon a pure pay-for-performance philosophy;
- Funding for the Civic Center Space Utilization plan, including the redesign and construction of the first and second floors of the Civic Center building. Ultimately this redesign and construction will allow for more efficient use of the building's current space, in addition to replacing outdated, inefficient mechanical systems;
- Funding for signal pole maintenance and replacement following a once every five year inspection and testing program of the City's traffic signal poles;

- Implementation of a roadside improvement and maintenance program which will allow the frequency of mowing to be accelerated (from 6 weeks to 3 weeks) and increase the total number of roadside areas to be maintained. In addition, this funding will cover the cost to implement a pilot program to improve the landscaping of roadside areas currently maintained by the City; and
- Addition of 1.0 4-wheel drive vehicle for the Public Works Department which will be appropriate to use in moderate to heavy snow conditions and during other emergencies.

Open Space Fund:

- Funding for maintenance of Parker Jordan Open Space, Centennial Center Park and other parks, trails, and open space;
- Project management funding for the support and implementation of Open Space projects;
- Funding for one-time projects and repairs to Centennial Center Park;
- Funding for Lone Tree Creek Trail;
- Various City-wide neighborhood as well as regional park improvements;
- Funding for construction to enhance neighborhood trail connections; and
- South Suburban Park and Recreation District (SSPRD) and Arapahoe Park and Recreation District (APRD) projects.

Conservation Trust Fund:

- Funding for a trail along Arapahoe Road, from Waco to Himalaya; and
- Funding for Centennial Center Park operations and maintenance, custodial services, water and other maintenance and repairs.

2015 Revised / 2016 Annual Budgets

2015 Revenues

Revenues have been revised to \$88.6 million, an increase of \$12.6 million (16.6%) overall from the 2015 Adopted Budget. This increase is largely due to better than anticipated Sales Tax, Building Materials Use Tax, Automobile Use Tax, and Other Contributions and Grant revenue. The increase in Sales Tax revenue is the result of an improving economy at retail centers, higher consumer spending and the compliance program (including sales tax audits and licensing). The City also received higher than projected revenues for Building Materials Use Tax as a result of a late hail storm during 2014 which has caused a significant increase in re-roofing permits. Automobile Use Tax has increased sharply during 2015, and the auto industry continues to see growing consumer demand for new vehicles due to a better economy, slightly lower gas prices, available credit and new products. Finally, the City received more revenue than expected from grants and other contributions for projects during 2015. These funds are for several projects, including Arapahoe Road - Waco to Himalaya reconstruction, Peoria/Briarwood traffic signal, Dry Creek light rail station, Tagawa Road construction, and Yosemite sidewalk project.

2015 Expenditures

Expenditures have been revised to \$120.3 million, an increase of \$35.5 million (41.8%) from the 2015 Adopted Budget. The increase is primarily due to grant and carryover funding in the capital improvement program; specifically the 2015 Revised Budget includes carryover funding for the Capital Improvement Fund (\$29.2 million) and Open Space and Conservation Trust Funds (\$4.2 million).

2016 Revenues

Revenues are expected to increase \$3.8 million (5.0%) from the 2015 Adopted Budget. Sales tax revenues have trended upwards and the City has seen an overall increase in consumer spending in addition to new retailers in the City. The City is also projecting an increase in Automobile Use Tax based on the large increase in automobile sales during 2015. Finally, the Arapahoe County Assessor has provided preliminary assessed property valuation information and based on this information, the City expects an increase in Property Tax. No increases in tax rates were proposed or adopted during this budget cycle.

2016 Expenditures

2016 expenditures decreased \$1.9 million (2.2%) from the 2015 Adopted Budget. The decrease in expenditures is primarily due to funding in the 2015 Adopted Budget for one-time capital projects (Arapahoe Road – Waco to Himalaya and Signal Communication Improvement projects). Certain changes, discussed above as decision packages, offset the overall decrease in expenditures. Further detail for expenditure changes is provided in the Executive Summary section of the budget document.

Staffing and Benefits

Three (3) additional Full-Time Equivalent (FTE) positions are included in the 2015 Revised Budget, and an additional FTE position is included in the 2016 Budget. The positions include the following: Communications Specialist, Social Media/Digital Strategist, GIS Analyst and Economic Development Specialist. The Communications Specialist will address the growth of the Communications Department and functions by providing overall department support. The Social Media/Digital Strategist will assist in the development of the City's online presence by enhancing current features as well as implementing additional web-based strategies. The GIS Analyst will be responsible for GIS database maintenance and data design to enable connecting geographic features to other information systems. The Economic Development Specialist will provide support to the Economic Development Manager and assist with the implementation of the economic development strategic plan, as well as other responsibilities related to business retention and attraction. These additional positions will enhance the service level and core competencies the City provides. Finally, the 2015 Revised/2016 Annual Budgets include four (4) full-time positions related to the Bloomberg Philanthropies Grant. These positions are funded for a three-year period and are funded through the grant.

For additional information regarding City Staffing, see the Organizational Chart and Staff Resources Summary by Position in this budget document.

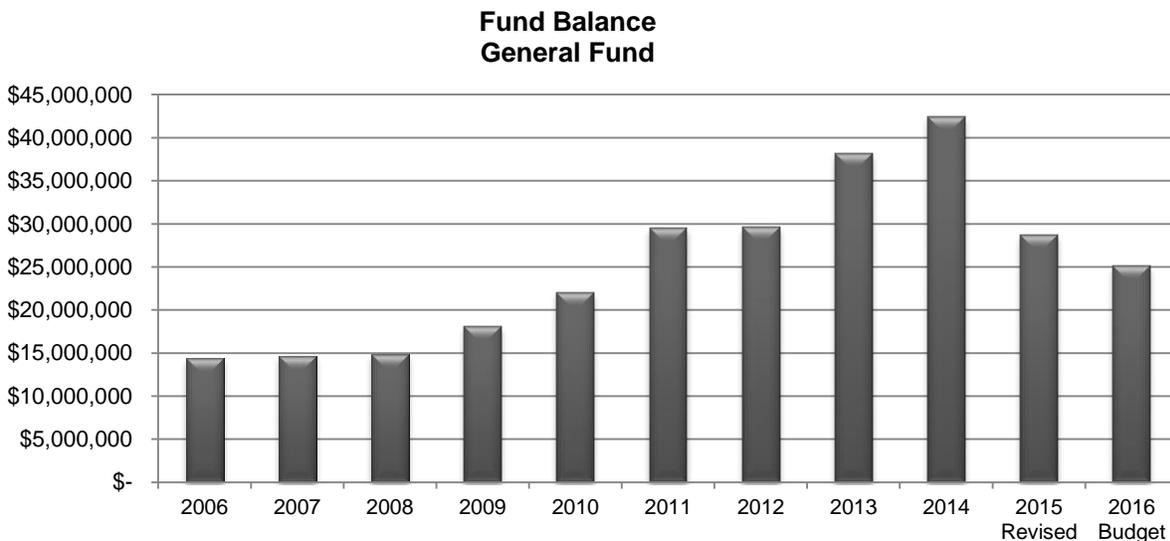
Fund Balance

A significant part of the fiscal strength of the City is owed to the healthy fund balances of the City. It is the policy of the City to maintain a General Fund fund balance of at least 25% of General Fund expenditures and transfers.

In the past, the City has maintained a fund balance above that amount. This budget is no exception. Although we anticipate the 2016 General Fund fund balance to decrease by \$3.6 million from the 2015 Revised Budget, for a total fund balance of \$25.1 million, this continues to represent 35.7% of the General Fund expenditures and transfers.

The City’s debt policy states that the City will maintain outstanding debt limits at levels consistent with City Council direction. Following Council direction, major capital projects are funded with the use of cash, and as a result, the City remains debt-free. The City anticipates funding several major capital projects in upcoming years, which will significantly affect the General Fund fund balance. For example, the 2015 Revised Budget includes a total of \$11.9 million in the Major Capital Project Reserve and the 2016 Budget includes an additional \$8.1 million in the reserve.

The General Fund fund balance trend since 2006 is shown in the following chart:



Capital Improvement Projects

In addition to the changes in operating expenditures highlighted above, I would like to bring attention to several major capital projects included in the 2015 Revised/2016 Annual Budgets. Several major projects in the City are underway, and the funding for these projects carried over from 2014. Some of these projects are described below.

- *Arapahoe Road Design – Waco to Himalaya:* Funding is included in the 2015 Revised Budget for improvements to Arapahoe Road, from Waco to Himalaya. This project is funded through the use of cash reserves, in addition to some funding from City partners.
- *Arapahoe Road & I-25 Interchange Construction:* Funding is included in the 2015 Revised Budget for the City’s portion of improvements to be made to this interchange.
- *Tagawa Road:* Funding for this project is included in the 2015 Revised Budget; the additional funding included in the 2015 Revised Budget is from a funding partner.
- *Quincy Avenue Widening Design:* Funding is included in the 2016 Budget for the design costs related to this project.
- *Major Capital Project Reserve:* The 2015 Revised/2016 Annual Budget includes funding to address future capital needs.

These projects represent the strategic priorities of the City, including improving and maintaining infrastructure, improving safety and quality-of-life within our neighborhoods, and prudent fiscal management for future major capital projects.

Conclusion

I would like to extend my thanks to the Mayor and City Council Members who worked tirelessly in providing policy direction in the development of this document. I would also like to express my gratitude to the members of the Centennial Budget Committee for volunteering their time to serve the City of Centennial. Finally, my thanks to the Staff members and City partners who assisted with the development and preparation of the 2015 Revised/2016 Annual Budgets.

The 2015 Revised/2016 Annual Budgets reflect the alignment of City operations with the strategic goals of our citizens and the City Council. Staff will continue to examine business strategies and core competencies to ensure the City is managed in the most effective and efficient manner possible.

The success of our City is no accident, and this document reflects the deliberate planning and action that guides our operations. I am pleased to recommend the adoption of the 2015 Revised/2016 Annual Budgets by the City Council.

Respectfully Submitted,

John H. Danielson

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City Manager