

November 4, 2013

Mayor Noon and Members of City Council:

I am pleased to submit for your consideration the 2013 Revised and 2014 Annual Budgets. As required by the Centennial Home Rule Charter and the Colorado Local Government Budget Law, each Fund in the 2013 Revised and 2014 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 2013 Revised and 2014 Annual Budgets, as in the past, is continuous improvement upon the City's goal of operating as effectively and efficiently as possible.

The 2013 Revised / 2014 Annual Budgets 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 dialogues, and Budget Committee meetings to provide the City opportunities to revise the adopted budget as the need arises.

Strategic Planning

The 2013 Revised / 2014 Annual Budgets reflect the ongoing strategic priorities of the City, as well as those developed at workshops held in April and September. Among the priorities included in the 2013 Revised / 2014 Annual Budgets are:

- A new contract with Widner Michow & Cox, LLP for the services of the City Attorney, as a result of Council's evaluation of the previous contract and the Firm's performance,
- Completion of improvements to the Eagle Street facility, which will be the home of the City's Public Works provider, CH2MHill, and other service providers before the end of 2013,
- Revisions to the compensation structure for City Council, in accordance with the City's Home Rule Charter,
- Continuing to fully fund the annual road maintenance needs of the City, ensuring the City's infrastructure assets remain sound, and

- Ongoing funding to the City's Major Capital Project Reserve, in anticipation of utilizing the funding for upcoming major capital projects.

In addition to the strategic priorities included in this document, I have worked and will continue to work with Staff and Council on examining and improving our core competencies and business 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 the City's 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 recommendations to Council. Highlights of these recommendations made at the September budget workshop include:

- Recognition of the review of the Arapahoe County Sheriff's Office and City Attorney's Office contracts as positive developments that increase transparency and accountability,
- Examine areas in which buying power can be increased through pooling purchases of certain items and services with other governmental agencies,
- Explore alternate funding methods for major capital projects, in recognition of the potential danger of stressing the General Fund fund balance,
- Acknowledgement of the continued net decrease in City Staff, even with the proposed position changes in the 2013 Revised / 2014 Annual budgets.

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 contract-required changes. Council provided concurrence on the inclusion of the following major items in the 2013 Revised / 2014 Annual Budgets, among others.

General Fund:

- A reduction in funding for election costs during years with no items anticipated for the 2014 ballot,
- 3.5 FTE positions including a Communications Director, two Management Analysts, and a part-time Commissions Liaison, as a result of resource allocation,
- Funding for continued improvements to the City's traffic signal communications network,
- Landscape improvements to the Civic Center campus and Centennial Center Park, and
- Maintenance of the existing level of service from the City's law enforcement provider, the Arapahoe County Sheriff's Office.

Open Space Fund:

- Funding for Arapahoe Parks and Recreation District improvements to Cherokee Trail Park,
- Development of a trail connection from Centennial Center Park to Cherry Creek State Park,
- Additional improvements to Centennial Center Park, in response to higher-than-anticipated use,
- Several improvements to neighborhood trail connections, and
- Various neighborhood park improvements, City-wide.

Conservation Trust Fund:

- Potomac Site improvements,
- Potential multi-use trails, and
- Ongoing maintenance funding for Centennial Center Park and the Potomac site.

The 2013 Revised / 2014 Annual Budgets

2013 Revenues

Revenues have been revised to \$77.1 million, an increase of \$7.1 million (10.1 percent) overall from the 2013 Adopted Budget. This increase is largely due to better than anticipated Sales Tax revenue and additional federal and state grant revenue. The increase in Sales Tax revenue is the result of increased sales at retail development centers, an increase in consumer spending, and the compliance program. The City also received higher than projected revenues from Building Materials Use Tax, Automobile Use Tax, and Licenses and Permits. These revenues increased as a result of several one-time projects and a recovering economy.

2013 Expenditures

Expenditures have been revised to \$87.2 million, an increase of \$17.0 million (24.2 percent) from the 2013 Adopted Budget. The increase is largely due to appropriated capital improvement funds (\$10.1 million, or 59.2 percent of the increase) and culture & recreation funds (\$6.0 million or 35.5 percent of the increase). The increase in the capital improvement budget is due to projects carried forward from 2012, an increase in funding for building improvements at the Public Works facility, and grant-funded projects.

2014 Revenues

Revenues are expected to increase \$4.6 million (6.6 percent) from the 2013 Adopted Budget. Sales tax revenues have trended upwards, largely due to increased sales at The Streets at SouthGlenn, Centennial Promenade, and an overall increase in consumer spending. There is also an increase in Automobile Use Tax, Property Tax, Building Materials Use Tax, and one-time grant revenue.

No increases in tax rates were proposed or adopted during this budget cycle.

2014 Expenditures

2014 expenditures increased \$1.6 million (2.3 percent) from the 2013 Adopted Budget. The primary increases in expenditures are due to contractual obligations for services as well as additional funding for

capital improvement projects. Certain changes, discussed above as decision packages, also affect expenditures. Further detail for expenditure changes is provided in the Executive Summary section of the budget document.

Staffing and Benefits

Additional Full Time Equivalent (FTE) positions are included in the 2013 Revised and 2014 Adopted Budgets. Funding for these positions was made available as a result of strategic reorganizations following the 2012 reduction in force. The 3.5 FTE positions include two Management Analyst positions, a Communications Director, and a part-time Commissions Liaison. The Management Analyst positions will provide City-wide support for various departments and research projects. The Communications Director will serve as a member of the Executive Team and will be responsible for implementing a strategic communications program, among other duties. The part-time Commission Liaison position will serve as the liaison between City Council, Staff, the Youth Commission, and the Senior Commission. These additional positions will enhance the service level and core competencies that the City provides.

For additional information regarding staffing changes, please see the Organizational Chart (page 7) and the Staff Resources Summary by Position chart (pages 290-292), both in this document.

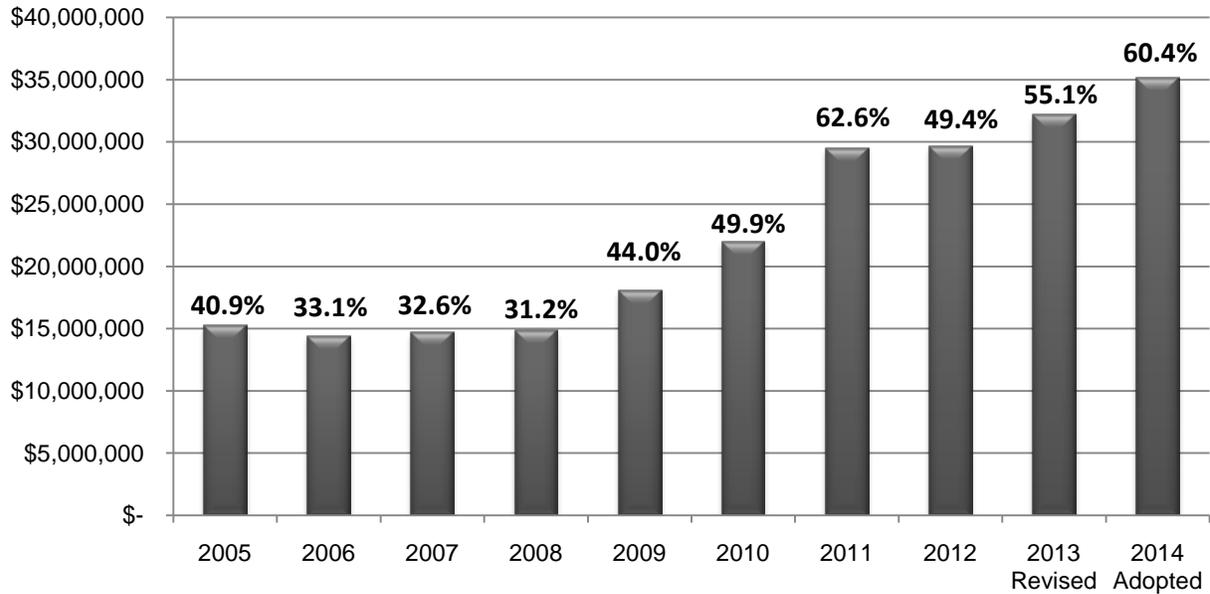
Fund Balance

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 percent of General Fund expenditures and transfers.

In the past, the City has maintained a fund balance above that amount. This budget is no exception. We anticipate a 2014 General Fund fund balance increasing by \$2.9 million (9.1 percent) from the 2013 Revised Budget, for a total of \$35.1 million, or 60.4 percent of the General Fund expenditures and transfers.

Major capital projects are funded with the use of cash, and as a result, the City is debt-free. The City anticipates funding several major capital projects in upcoming years, which will significantly affect the General Fund fund balance. The General Fund fund balance trend since 2005 is shown in the following chart:

Fund Balance General Fund



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 2013 Revised / 2014 Annual Budgets. Council will discuss funding for additional major capital projects into next year.

- *Improvements to the Public Works Facility:* Council approved funding in the 2013 Revised Budget for improvements to the Public Works facility. The fully-functional plan approved by Council includes tenant improvements to the existing office building, conversion of the existing warehouse to a maintenance shop as well as a 5,000 ton salt storage dome.
- *Arapahoe Road – Waco to Himalaya:* Funding is included in the 2013 budget for improvements to Arapahoe Road from Waco to Himalaya.
- *Arapahoe Road and Yosemite Intersection Improvements:* This is the City’s portion for the first phase of construction improvements at the Arapahoe Road and Yosemite Street intersection.
- *Smoky Hill and Himalaya Intersection Improvements:* This project is partially funded through a federal grant and includes median, striping, traffic signal, and sidewalk improvements at the Smoky Hill and Himalaya intersection.
- *University Boulevard – Arapahoe Road to Dry Creek Infill Sidewalk:* This project is partially funded through a federal grant and will install and reconstruct sidewalk at various locations along University Boulevard.
- *Major Structures:* The first of five yearly contributions to a multi-agency project to rehabilitate the Arapahoe Road Bridge over Big Dry Creek.

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 all the Staff members and City partners who assisted with the development and preparation of the 2013 Revised / 2014 Annual Budgets.

The 2013 Revised / 2014 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 2013 Revised / 2014 Annual Budgets by the City Council.

Respectfully Submitted,

John H. Danielson

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City Manager