

November 3, 2014

Mayor Noon and Members of City Council:

I am pleased to submit for your consideration the 2014 Revised and 2015 Annual Budgets. As required by the Centennial Home Rule Charter and the Colorado Local Government Budget Law, each Fund in the 2014 Revised and 2015 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 2014 Revised and 2015 Annual Budgets, as in the past, is continuous improvement of the City's goal to operate as effectively and efficiently as possible.

#### **The 2014 Revised / 2015 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 2014 Revised / 2015 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 2014 Revised / 2015 Annual Budgets are:

- Funding from the fund balance of the General Fund in the amount of \$7.4 million to the City's Major Capital Project Reserve in the Capital Improvement Fund for future major capital projects. This amount is in addition to the current funding to the reserve of \$300,000.
- Creation of a reserve for the undergrounding of overhead utility wires within the City (\$200,000). This funding of this reserve will be ongoing subject to Council's annual approval.

- Additional funding toward public safety, including \$1.1 million for three additional School Resource Officers (SROs), two Investigators, and two Deputy K9 handlers.
- Implementation of an enhanced snow removal program that includes the purchase of three additional snowplows, as well as the implementation of a Residential Ice Control pilot program, and the implementation of ice slicer snow removal material (\$1.0 million).
- 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 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 comments and recommendations to Council. Highlights of the comments and recommendations made to Council include:

- A recommendation to City Council that the Business Personal Property Tax exemption be raised from the City's current exemption level to \$50,000.
- General agreement with the use of a conservative philosophy in forecasting revenue. However, in using conservative projection methodologies, there may be a belief that there is cushion in the budget and lead to further spending.
- The City has made an investment in Civic Center Park, and as such, it is understandable that the investment the City has made in the park leads to a desire to protect the asset. We would highly encourage the Council to consider future investments and expenses in the context of services typically found at parks, especially in areas of security and monitoring.
- 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.
- A recommendation to City Council to consider having a citizen budget committee member serve on City subcommittees for the issues Council considers most important and that may eventually be matters considered by the full City Budget Committee.

### 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 2014 Revised / 2015 Annual Budgets, among others.

*General Fund:*

- Funding for a Pilot Economic Development program;
- Addition of 1.0 full-time equivalent position, GIS Technician, to handle an increased workload;
- Addition of a Summer Kick-Off Concert to complement the series of City annual events; second session of Centennial 101;
- Building improvements and office furniture and fixtures to address identified needs of wear and tear as well as changing use of space within City facilities;
- Maintenance of the existing level of service from the City's law enforcement provider; and
- Maintenance of the existing level of services from the City's public works service provider.

*Land Use Fund:*

- Addition of 1.0 full-time equivalent position, Planning Technician, to handle an increased workload;

*Open Space Fund:*

- Funding for maintenance of Parker Jordan Open Space, Civic Center Park and other parks, trails, and open space;
- Additional improvements to Civic Center Park, in response to use;
- Funding for the Lone Tree Creek Trail;
- Various City-wide neighborhood as well as regional park improvements; and
- South Suburban Park and Recreation District (SSPRD) Neighborhood Park Improvements.

*Conservation Trust Fund:*

- Waco to Himalaya Trail and other multi-use trails; and
- Arapahoe Park and Recreation District (APRD) projects.

**The 2014 Revised / 2015 Annual Budgets**

2014 Revenues

Revenues have been revised to \$78.3 million, an increase of \$3.6 million (4.9%) overall from the 2014 Adopted Budget. This increase is largely due to better than anticipated Sales Tax revenue and additional grant revenue for several capital projects. The increase in Sales Tax revenue is the result of increased sales at retail development centers and consumer spending, and the compliance program, including audits and licensing. The City also received higher than projected revenues from the Highway User Tax Fund, Franchise Fees, and Licenses and Permits.

### 2014 Expenditures

Expenditures have been revised to \$96.0 million, an increase of \$24.2 million (33.7%) from the 2014 Adopted Budget. The increase is largely due to capital improvement funds (\$15.1 million) and Open Space and Conservation Trust funds (\$6.0 million). The increase in the capital improvement budget is due to projects carried forward from 2013 and grant funded projects.

### 2015 Revenues

Revenues are expected to increase \$1.4 million (1.9%) from the 2014 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 in addition to new retailers in the City. There is also an increase in Franchise Fees, Highway Users Tax Fund revenues, and building rent recovery revenues.

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

### 2015 Expenditures

2015 expenditures increased \$13.0 million (18.1%) from the 2014 Adopted Budget. The primary increases in expenditures are due to contractual obligations for services as well as additional funding for public safety, public works and 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

Two additional Full Time Equivalent (FTE) positions are included in the 2014 Revised and 2015 Adopted Budgets. The positions include one GIS Technician and one Planning Technician. The GIS Technician will provide support for the GIS Division. The Planning Technician will review fence and sign permits, business license checks, and provide responses to inquiries through the zoning hotline. The Planning Technician is funded by revenues received through the Land Use Fund for the review of permits and land development applications. These additional positions will enhance the service level and core competencies the City provides.

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

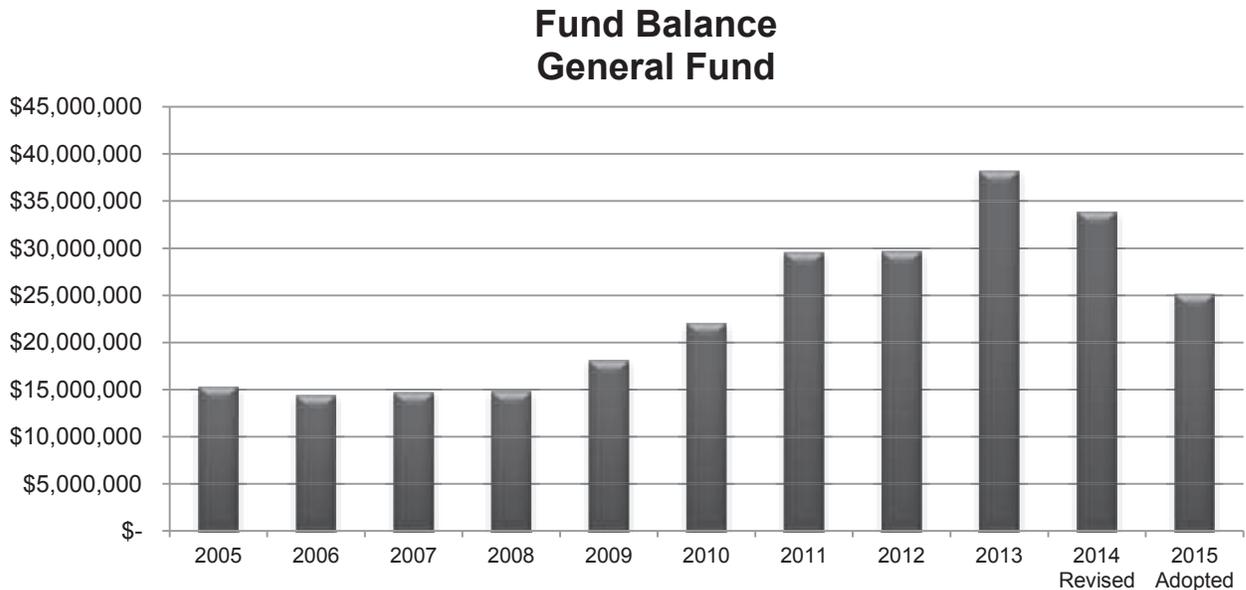
### Fund Balance

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. We anticipate a 2015 General Fund balance to decrease by \$8.7 million from the 2014 Revised Budget, for a total of \$25.1 million, or 35% of the General Fund expenditures and transfers.

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 Budget includes a total of \$7.9 million in the Major Capital Project Reserve.

The General Fund fund balance trend since 2005 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 2014 Revised / 2105 Annual Budgets.

- *Arapahoe Road – Waco to Himalaya*: Funding is included in the 2014 Revised Budget for improvement to Arapahoe Road from Waco to Himalaya.
- *Arapahoe Road & I-25 Interchange Construction*: Funding is included in the 2015 budget for improvements to this interchange.
- *Quebec & County Line Turn Lane*: Funding is included in the 2015 Budget for the design cost for the construction of the southbound to westbound right turn lane.
- *Major Capital Reserves*: The 2015 Budget includes a set aside to address future capital needs.
- *Signal Communication Improvements*: This project is partially funding with a federal grant and will enhance the City’s traffic signal infrastructure. Funding is included in the 2015 Budget.

- *Briarwood and Peoria Traffic Signal:* This project is partially funded with Dove Valley Metropolitan District and will cover the cost of one traffic signal during 2015.

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 2014 Revised / 2015 Annual Budgets.

The 2014 Revised / 2015 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 2014 Revised / 2015 Annual Budgets by the City Council.

Respectfully Submitted,

*John H. Danielson*

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City Manager