

BUDGET MESSAGE

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THE BUDGET MESSAGE FROM THE THE CITY MANAGER ADDRESSES THE MAJOR POLICIES AND PRIORITIES OF THE CITY COUNCIL AND FINANCIAL ESTIMATES AND OPERATIONAL PLANS FOR THE FISCAL YEAR.





Honorable Mayor Piko and Members of City Council:

The Annual Budget 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 strategic projects, service levels, and programs that are in line with the policy direction of City Council.

Section 11.5 of the Centennial Home Rule Charter requires the Proposed Budget to be presented to City Council on or before September 20th of each year. A Proposed Budget was delivered to City Council on September 17th, publicly-noticed budget workshops were held to review the Proposed Budget on October 8th and 9th, and a public hearing adopting the 2019 Budget took place on November 5th, 2018. As required by the Centennial Home Rule Charter and the Colorado Local Government Budget Law, each Fund found in the 2019 Annual Budget is balanced.

STRATEGIC PLANNING & OUTCOMES

Strategic planning was reintroduced into the organizational culture in 2018, and a concerted effort was made to align the budget with Council priorities and community needs. Six Key Performance Areas (KPA) were identified during the strategic planning sessions with each initiative having multiple objectives. Working toward implementation or achievement of these objectives was the basis for staff budget proposals and funding recommendations. The six KPAs and the total dollar amount committed to decision packages that received Council consensus for funding are included below (a complete description of the approved decision packages is found within the budget document):

Creating Centennial:

By intentionally planning and investing, Centennial will be a desirable, inclusive community through the creation of a lasting built environment that is responsive to current and future generations.

- One decision package totaling \$75,000, less than 1% of the total decision packages

Economic Vitality & Fiscal Responsibility:

Our City is successful because of intentional anticipation of economic trends. By doing this, we are sustainable, adaptable, and resilient against economic change. Centennial is dedicated to remaining debt-free by maintaining an appropriate reserve level and continuing responsible budgeting, spending, and investment practices.

- Two decision packages totaling \$315,000, ~2% of the total decision packages

Future Ready City Government:

Our City government is attentive to the community's current needs while anticipating future trends. Centennial embraces the infinite life cycle of technology and innovation to increase its competitiveness. The City will continue to be innovative, prepared to leverage our resources and respond to opportunities as they arise.

- Six decision packages totaling \$502,000, ~3% of the total decision packages

Public Safety & Health:

Centennial will continue to be one of the safest cities in Colorado by delivering and supporting essential public safety services for its citizens. Our City will partner with others to enable access to public safety and health services that meet the needs of the community.

- Two decision packages totaling \$3,582,828, ~19% of the total decision packages

Signature Centennial:

Centennial is dedicated to creating a unique sense of community pride by developing memorable places and experiences that bring us together.

- Nine decision packages totaling \$2,025,690, ~11% of the total decision packages

Transportation & Mobility:

Centennial's transportation infrastructure provides for the safe, efficient, and reliable movement of people, goods, and services through a variety of networks.

- Two decision packages totaling \$11,890,000, ~65% of the total decision packages

2019 ANNUAL BUDGET SUMMARY

Revenues:

General Fund revenues for 2019 are budgeted at \$76.0 million, an increase of approximately \$1.2 million (1.5%) from the 2018 Adopted Budget (\$74.9 million). The increased revenues are largely due to higher-than-budgeted sales and use tax receipts, increases in the City's property valuations, and higher investment earnings in 2019.

Revenues for All Funds are budgeted at \$91.3 million, an increase of approximately \$2.4 million (2.7%) from the 2018 Adopted Budget (\$88.9 million). The increased revenues are attributed to the General Fund increases, grant opportunities and development activity in the Capital Improvement Fund, and other miscellaneous revenues.

Expenditures:

General Fund expenditures for 2019 are budgeted at \$67.4 million, an increase of \$6.4 million (10.5%) from the 2018 Adopted Budget (\$60.9 million). The increase in General Fund expenditures is primarily due to contractual increases for services and adjustments in levels of service for Law Enforcement and Public Works. Further detail for expenditure changes is provided in the Executive Summary of Budget Variances.

Expenditures for All Funds are budgeted at \$94.0 million, an increase of approximately \$1.7 million (1.8%) from the 2018 Adopted Budget (\$92.3 million). The increased expenditures are attributed to increased expenditures within the General Fund, and Open Space Fund and the Capital Improvement Fund. Total expenditures exceed total revenues due to the use of fund balance to pay for large capital improvement projects. The use of fund balance to balance the budget is a result of the City's practice to save for capital projects instead of incurring debt which results in expenditures exceeding revenues in certain years. However, the budget for each fund remains balanced as required by the Home Rule Charter and the Colorado Local Government Budget Law.

All changes in revenues and expenditures exclude transfers between funds. The table below shows all fund expenditure comparisons to the 2018 Adopted Budget. Detail on the changes between the 2018 Adopted Budget and the 2019 Adopted Budget are included in this message and the budget variances.

ALL FUNDS EXPENDITURES - COMPARISON TO 2018 ADOPTED BUDGET*

FUND	2018		2019		CHANGE	
	ADOPTED		BUDGET		\$	%
General Fund	\$ 60,990,911		\$ 67,404,910		\$ 6,413,999	11%
FiberWorks	-		272,000		272,000	N/A
Land Use Fund	3,491,722		3,505,900		14,178	0%
Capital Improvement Fund	16,220,000		13,466,200		(2,753,800)	-17%
Conservation Trust Fund	432,500		632,500		200,000	46%
Open Space Fund	4,375,000		2,000,000		(2,375,000)	-54%
General Improvement Districts	447,250		412,580		(34,670)	-8%
Centennial Urban Redevelopment Authority	6,346,651		6,292,800		(53,851)	-1%
TOTAL	\$ 92,304,034		\$ 93,986,890		\$ 1,682,856	2%

* Amounts shown exclude transfers between funds

DECISION PACKAGES, BUDGET HIGHLIGHTS, AND MAJOR PROJECTS

In addition to the KPAs and associated funding included in the 2019 Budget, the City continues to examine and improve the core services and programs. The focus remains efficiency, innovation and customer service with the intent of continuously striving to improve service delivery.

In preparing the 2019 budget, departments were directed to limit increases to our core service delivery responsibilities. Contractual increases and costs beyond the control of the City (e.g., snow and ice control materials, gas, asphalt, concrete, among other material costs) were also authorized. Departments also proposed several budget revisions or changes to service delivery that resulted in the service efficiencies and alignment of resources with strategic priorities. These parameters ensure that the City continues to deliver services in an efficient and effective manner.

Both the Decision Packages and Budget Highlights reflect Council strategic direction, operational adjustments recommended by Staff, and contractually required changes. The strategic priorities of the City are represented within the Annual Budget, including the six KPAs discussed previously. Council provided concurrence on the inclusion of the following items in the 2019 Annual Budget.

General Fund:

- City Clerk's Office – inclusion of funding for the 2019 municipal elections;
- Office of Technology and Innovation – changes in funding based on delivery of services; annual adjustments to equipment, software licensing, and maintenance;
- Finance – mandated contract increases for various services;
- Law Enforcement – setting aside funding for additional personnel and a behavioral health response program;
- Public Works – mandated contract adjustments and improved levels of service for city-wide street striping and signal light maintenance.

Capital Improvement Fund:

- Transportation studies, including the Colorado Boulevard Corridor study;
- Continued emphasis on roadway rehabilitation and maintenance;
- Additional funding dedicated to sidewalk construction;
- Dedicated funding for new signal light installation when warrants occur.

Conservation Trust Fund:

- Reorganized the Open Space Fund to reflect the newly adopted Council policy for use of open space funding;
- Construction of Lone Tree Creek Trail.

Open Space Fund:

- An increase in funding for Centennial Center Park operations and maintenance based on a comprehensive, long-term operations and maintenance plan. Reorganized the Open Space Fund to reflect the newly adopted Council policy for use of open space funding.

STAFFING & BENEFITS

Authorization for City staffing responsive to current City needs is included in the 2019 Annual Budget. Council authorized an additional Planner I for 1.0 additional FTE in the Land Use Fund. Total staffing for 2019 reflects a net decrease of 1.75 full-time equivalent positions compared to the 2018 Adopted Budget, for a total of 68.0 FTE.

The 2019 Budget includes a benefit increase of 6% for health. Vision costs were unchanged, while dental insurance costs increased by 3%.

The 2019 Budget includes \$354,000 for the compensation pool to be used for performance increases, market adjustments, structure adjustments, and promotions.

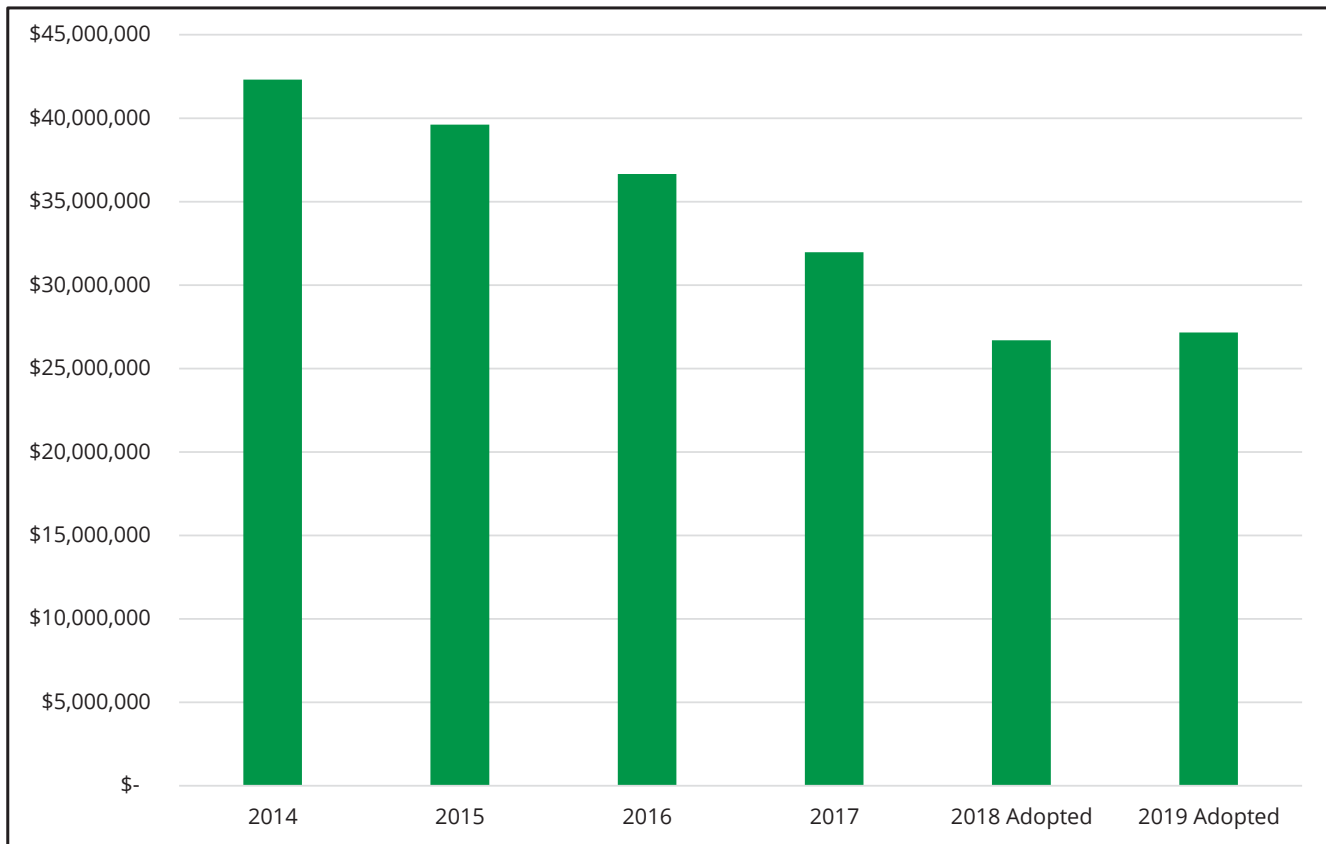
For additional information regarding City Staffing, see the Organizational Chart and Staff Resources Summary by Position in this budget document.

FUND BALANCE

The healthy condition of the City's fund balances demonstrates fiscal strength. The City has historically maintained a fund balance above the required 25% and this budget is no exception. With Council's direction for the 2019 Annual Budget, the General Fund fund balance is budgeted at 35.24% of General Fund expenditures and transfers, for a total of \$27.2 million. The adopted Fund Balance & Reserve Policy requires a General Fund fund balance of at least 25% of 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 may affect fund balance. The General Fund fund balance trend since 2014 is shown below. The reduction in fund balance from 2014 through 2017 was largely the result of the City's completion of the Arapahoe Road widening project from Waco to Himalaya.

FUND BALANCE - GENERAL FUND (2014-2019)



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 convened several times during the year to review specific program areas of the City and provide input and recommendations on budget matters related to identified strategic priorities. In addition, the CBC reviewed certain 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 written 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 2019 Budget process; the citizen members believe the City is well positioned financially and the budget process yields a budget that reflects Council's policies;
- The General Fund ending fund balance and current revenue estimates will allow City Council to make continued investments in public safety, public works, and open space enhancements.
- The General and Capital Improvement Funds' fund balances and revenue levels have allowed the City to continue investing in critical, long-term infrastructure projects, such as street rehabilitation, information technology, fiber, and ITS, while setting aside funds for known future projects.
- The CBC provided valuable input on the contract for law enforcement services with the Arapahoe County Sheriff's Office, the City's compensation and benefits policies, the City's revenue model, and the Colorado Municipal League sales tax project.

CONCLUSION

I would like to extend my thanks to City Council 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 2019 Annual Budget.

The 2019 Annual Budget reflects the alignment of City operations with the strategic goals of our citizens and 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 deliberate and this document reflects the careful planning and action that guides municipal operations. I look forward to working with Council to ensure that strategic planning in future years will continue to enhance the City's budget process.

I am pleased to recommend the adoption of the 2019 Annual Budget by City Council.

Respectfully Submitted,

Matthew Sturgeon
City Manager



EXECUTIVE SUMMARY OF NOTEWORTHY BUDGET CHANGES

VARIANCE DETAIL	2018 ADOPTED	2019 BUDGET	NET CHANGE
ALL FUNDS			
City-Wide			
The 2019 Budget reflects an increase to the raise pool which will be allocated to General Fund departments and the Land Use Fund in Personnel Services.	299,200	375,840	\$ 76,640
The 2019 Budget reflects an increase in healthcare and benefit costs in 2018 for the General Fund and Land Use Fund, including a 6% increase for medical and a 3% increase for dental coverages.	1,855,147	1,969,391	114,244
GENERAL FUND			
Elected Officials			
Dues & Memberships have been re-organized to the Central Services department in 2019.	145,605	-	(145,605)
Miscellaneous expenses have been re-organized to the Council Meetings line item in 2019 to more efficiently allocate resources.	15,000	-	(15,000)
City Attorney's Office (CAO)			
City Attorney costs increased in 2019 due to a re-organization of attorney services costs from several General Fund departments to the CAO, and increased workload.	720,000	840,000	120,000
Outside Counsel decreased in 2019 in order to more efficiently allocate resources based on historical trends.	50,000	10,000	(40,000)
City Clerk's Office			
Election Services increased in 2019 due to an election year. Municipal elections are held only in odd-numbered years, and the City has budgeted for an anticipated special election in 2019.	-	250,000	250,000
Enforcement Services have been re-organized to the Law Enforcement department in 2019.	52,506	-	(69,209)
City Manager's Office (CMO)			
Project Specific increased in 2019 due to the approval of several projects planned for the budget year.	250,000	351,500	101,500
The Centennial i-Team has been re-organized to be included within the operating budget of the CMO and will continue to operate in this capacity.	174,025	-	(174,025)
Project Specific within the Economic Development department increased due to the approval of several projects planned for the budget year.	95,000	270,000	175,000
Professional Services increased in 2019 due to the approval of several Economic Development programs planned for the budget year.	5,000	142,500	137,500
Dues & Memberships have been re-organized to the Central Services department in 2019.	40,000	-	(40,000)
Office of Technology & Innovation (OTI)			
IT Services decreased in 2019 due to a re-organization within OTI in which 3 contracted positions were hired fulltime in-house. The decrease is offset by an increase in overall salaries and wages within the OTI department.	914,000	496,950	(417,050)
Software Licensing & Maintenance increased in 2019 due to the purchase and upgrade and associated maintenance of various IT software tools.	225,000	356,440	131,440
Equipment - Purchased increased in 2019 due to the purchase, replacement and upgrade of IT equipment in order to ensure the IT systems remain operational.	108,000	245,400	137,400
Human Resources			
Personnel Raise Pool has been re-organized to the Non Departmental in 2019.	277,000	-	(277,000)
Internships have been re-organized to Non Departmental department in 2019.	107,121	-	(107,121)
Communications			
Professional Services decreased in 2019 due to the removal of a Communications project per City Council direction.	75,000	35,000	(40,000)

VARIANCE DETAIL	2018 ADOPTED	2019 BUDGET	NET CHANGE
Finance and Risk Management			
Sales Tax Services increased in 2019 due to a mandated 5% increase for the City's sales tax administrator.	464,900	488,000	23,100
Project Specific decreased in 2019 as remaining funds from the financial software system implementation in 2018 have reduced and will carry into the budget year.	179,500	103,000	(76,500)
Miscellaneous expenses have been re-organized within the department in 2019 to more efficiently allocate resources.	42,150	-	(42,150)
Non Departmental			
Personnel Raise Pool has been re-organized from the Human Resources department in 2019.	-	354,490	354,490
Internships costs have been re-organized from the Human Resources department in 2019.	-	80,000	80,000
Incentive Agreements decreased in 2019 due to a project that receives 100% use tax is not anticipating construction in the 2019 budget year.	5,534,000	5,439,800	(94,200)
Miscellaneous expenses have been re-organized within the department in 2019 to more efficiently allocate resources.	75,000	-	(75,000)
Central Services			
Dues & Memberships have been re-organized from eleven General Fund departments in 2019.	37,673	229,050	191,377
Training and Travel costs have been re-organized from ten General Fund departments in 2019.	175,815	293,500	117,685
Miscellaneous expenses have been re-organized within the department in 2019 to more efficiently allocate resources.	25,000	-	(25,000)
Public Works (PW)			
Public Works Service Provider increased in 2019 due to a mandated contract increase through the City's public works services provider.	11,489,182	12,553,400	1,064,218
Roadside Improvements increased in 2019, as approved by City Council, for the restoration and maintenance of the City's roadsides.	165,000	325,000	160,000
Roadway Data Collection decreased in 2019 due to the completion of the pilot program.	165,000	-	(165,000)
Signal Additions and Repair decreased in 2019 due to the PW services adding street maintenance to their scope of work.	230,000	50,000	(180,000)
Traffic Infrastructure Maintenance increased in 2019 due to a City Council approved collocation program related to the City's ITS and Fiber initiatives.	150,000	300,000	150,000
Facilities & Fleet			
Professional Services decreased in 2019 due to a budget re-organization of funds within the department to more efficiently allocate resources to grounds maintenance costs. The decrease is offset by a mandated 3% increase through the City's public works provider and custodial services, as well as an increase to the Repair & Maintenance Grounds line item in 2019 as a result of the budget re-organization.	500,964	400,000	(100,964)
Repair & Maintenance Grounds increased in 2019 due to a budget re-organization within the department.	25,000	75,000	50,000
Law Enforcement			
Sheriff's Office Services increased in 2019 due to a mandated 4% increase through the Arapahoe County Sheriff's Office, as well as two City Council approved decision packages, including: additional FTE law enforcement officers in 2019 and the funding of a new behavioral health response program through Arapahoe county.	24,791,600	29,220,660	4,429,060
Animal Services			
Animal Control increased in 2019 due to a mandated 2.2% increase through the City's animal control services provider.	629,465	648,570	19,105

EXECUTIVE SUMMARY OF NOTEWORTHY BUDGET CHANGES

VARIANCE DETAIL	2018 ADOPTED	2019 BUDGET	NET CHANGE
Facilities & Fleet			
Professional Services decreased in 2019 due to a budget re-organization of funds within the department to more efficiently allocate resources to grounds maintenance costs. The decrease is offset by a mandated 3% increase through the City's public works provider and custodial services, as well an increase to the Repair & Maintenance Grounds line item in 2019 as a result of the budget re-organization.	500,964	400,000	(100,964)
Repair & Maintenance Grounds increased in 2019 due to a budget re-organization within the department.	25,000	75,000	50,000
Law Enforcement			
Sheriff's Office Services increased in 2019 due to a mandated 4% increase through the Arapahoe County Sheriff's Office, as well as two City Council approved decision packages, including: additional FTE law enforcement officers in 2019 and the funding of a new behavioral health response program through Arapahoe county.	24,791,600	29,220,660	4,429,060
Animal Services			
Animal Control increased in 2019 due to a mandated 2.2% increase through the City's animal control services provider.	629,465	648,570	19,105
Municipal Court			
Traffic Officer services have been re-organized to the Law Enforcement department in 2019.	1,510,837	-	(1,578,548)
Law Enforcement Liability costs have been re-organized to the Law Enforcement department in 2019.	174,143	-	(181,979)
Software Licensing & Maintenance decreased in 2019 due to various software items being centralized within OTI.	40,700	-	(40,700)
Community Development (CD)			
N/A	-	-	-
Code Compliance			
Code Enforcement costs increased in 2019 due to a mandated 3% increase through the City's public works provider, as well as costs related to an additional Code Compliance Officer FTE approved by City Council beginning in the 2019 budget year.	474,350	611,140	136,790
TOTAL GENERAL FUND			\$ 4,134,498
LAND USE FUND			
Land Use			
Professional Services increased in 2019 due to a City Council approved program for scanning of historical documents in 2019.	60,000	130,000	70,000
TOTAL LAND USE FUND			\$ 70,000

VARIANCE DETAIL	2018 ADOPTED	2019 BUDGET	NET CHANGE
CAPITAL IMPROVEMENT PROGRAM			
Capital Improvement Fund			
General Transportation Studies increased in 2019 due to the City Council approved CIP plan update, including the Corridor Study along Colorado Boulevard.	50,000	150,000	100,000
IT Systems Upgrade decreased due to the completion of several projects in 2018 and no projects programmed in 2019.	580,000	-	(580,000)
Street projects decreased in 2019 due to the completion of several roadway projects in 2018.	3,850,000	1,335,000	(2,515,000)
Sidewalk projects increased in 2019 due to the addition of several City Council approved projects included in the CIP project planning for the 2019 budget year.	625,000	1,675,000	1,050,000
Traffic Control & Signals decreased in 2019 due to ITS Master Plan cost reductions.	1,680,000	830,000	(850,000)
Project Contingency decreased in 2019 due to the net decrease to the CIF budget.	2,000,000	1,224,200	(775,800)
Roadway Rehabilitation increased in 2019 due to several street projects identified in the budget year as a result of the annual roadway survey.	6,750,000	7,500,000	750,000
Capital Outlay increased in 2019 due to the purchase and replacement of a City fleet vehicle in the 2019 budget year, as approved by City Council.	-	42,000	42,000
Equipment increased in 2019 due to the addition of funding to upgrade City Council chambers in the 2019 budget year, as approved by City Council.	-	200,000	200,000
Open Space Fund			
The Open Space Fund decreased in 2019 due to the completion of many projects in 2018 as well as a re-organization to the Open Space Fund in 2019.	4,375,000	2,000,000	(2,375,000)
Conservation Trust Fund			
Park Maintenance increased in 2019 due to a replacement and upgrade to a park structure in the 2019 budget year, as approved by City Council.	402,500	602,500	200,000
TOTAL CAPITAL IMPROVEMENT PROGRAM			\$ (4,753,800)