

Budget Message

November 8, 2010

Dear Mayor DiTullio and Council Members:

I present to the Mayor and City Council the 2011 Adopted Budget. This Budget provides the framework for providing services and programs to the citizens of Wheat Ridge for the year 2011 based on the delivery of core services and priorities identified in the City Council Strategic Plan. This Budget document includes the General Fund, Capital Investment Program (CIP) Fund and all Special Revenue Funds.

Wheat Ridge's total proposed General Fund operating budget for 2011 is \$26,375,971, excluding transfers. The City's total 2011 operating budget represents a 7% increase compared to the adjusted 2010 Budget. The projected 2011 General Fund ending fund balance is \$8,168,531 or 29% of expenditures. The total City Budget for 2011, which includes the General Fund, CIP and Special Revenue Funds is \$34,023,809.

Sales tax, the City's largest revenue source, is projected to increase in 2010 by 3.2% compared to 2009 actual revenue, and 8.5% compared to 2010 projected revenue. Total General Fund revenues for 2010 are projected to decrease by 1.3% compared to 2009 actual revenue, and increase by 8.5% compared to 2010 projected revenue. Sales tax is expected to increase by 3.2% in 2011 and total General Fund revenues should experience about a 1.2% increase.

The 2010 Budget estimated an ending fund balance of \$10.3 million or 41.6% of operating expenditures. Staff made significant cuts to the 2009 Budget and continued the belt tightening through 2010, which allowed the City to put additional funds into reserves. The 2011 Proposed Budget ending fund balance is projected to decrease to \$8.2 million to allow for a \$2.165 million transfer to the CIP Budget.

The 2010 Budget was adopted as a "bare bones" budget which included only those expenditure requests that were tied directly to a base level of services and programs. A summary of the impacts to the 2010 Budget included:

- The 2010 CIP Budget included limited preventative street maintenance, minor pavement repairs and pavement crack filling and contingency funding for unanticipated public improvement projects.
- All scheduled vehicle replacements were deferred.
- The 2010 Budget held medical insurance premiums to a minimal increase of approximately 8%, by creating a three-tiered City/employee contribution option which required employees to pay a larger percentage of the premium for a richer level of benefits.
- 2009/2010 market adjustments to employee compensation plans were suspended and the 2010 Budget did not include employee salary step increases.
- Two employee furlough days were mandated for the 2010 fiscal year.
- Training, conference and meeting expenses were significantly reduced or eliminated unless specifically required for the job.
- The annual contribution to WR2020 was eliminated.

WHEAT RIDGE GOALS 2015

The Mayor, City Council and staff work together annually to develop and update a strategic plan including a vision, plan and action agenda to define that “desired destination for Wheat Ridge” and to draw the “map to Wheat Ridge’s destination.” Staff used these goals as a guide to develop strategies and priority projects for the 2011 Budget.

The Mayor and Council identified four key strategic prioritized goals for the next five years:

1. Financially Sound City Providing Quality Services
2. Choice of Desirable Neighborhoods
3. Economically Viable Activity Centers
4. More Attractive Wheat Ridge

The following is a list of budget items that are either additions per City Council direction or a result of priorities set forth by City Council Strategic Plan:

- Vehicles \$735,000 - the City Council directed staff at the Strategic Planning retreat to include vehicle replacement in the proposed 2011 budget.
- Bike Master Plan \$50,000 - Phase 3 of the Bicycle & Pedestrian Master Plan is based on City Council direction following completion of Phase 2.
- Street Corridor Design \$40,000 - the City Council directed staff to develop a conceptual design plan for major corridors and funding per the Strategic Plan.
- Wadsworth Corridor Coalition Match \$40,000 - this is the City’s matching grant amount to participate in the regional planning efforts to study Wadsworth Boulevard per City Council direction.
- Employee Appraisal Software \$18,000 - this addition is the result of the Performance Management Project (PMP) which consists of updating the City’s performance appraisal system and is tied to the Customer Service Action Plan/Culture Survey that was completed in 2009 and is listed under “Management in Progress” in the Strategic Plan. This software will automate the performance appraisal system that is on schedule to be implemented in early 2011.
- Early Warning Siren Maintenance \$5,310 - this item is the result of maintenance the City assumes following the installation of the early warning sirens. The funding for sirens was provided by grants in 2009 and 2010.
- Online business tax payments \$15,810 - this reflected the addition of projected fee costs to provide online business tax payments.
- Transfer from General Fund to CIP in the amount of \$2.165 million per City Council direction at the Strategic Planning retreat for preventative street maintenance.

The following items are identified as management priorities to be funded in 2011 based on the positive impact to service delivery and/or infrastructure needs that have been deferred in the 2009 and 2010 Budgets:

- Parks Maintenance Software \$25,000 - this item is the result of the Mercer Group Organizational Structure Assessment which identified the need for implementation of a GIS based tracking system for program costs.
- Mobile Shelving PD Evidence Building \$11,500 - this item is to provide adequate storage for items that are seized by the Police Department.
- Transfer from General Fund to the Equipment Replacement Fund in the amount of \$100,000 for future Police Department CAD/RMS and radio replacement.
- Speed Trailers \$20,000 - two speed trailers will be replaced at a cost of \$10,000 per trailer.
- Patrol of the Greenbelt \$17,280 - was added to cover overtime for officers to provide patrolling services

along the Greenbelt. This item was cut from the budget in 2010. Based on community feedback and an increased number of calls for service, we are recommending re-instatement of the program in the 2011 Budget.

- 44th & Eldridge Traffic Signal - \$30,000 for the upgrade of the signal.
- Addition of professional development training at a minimal level Citywide.
- Property/Casualty Insurance - \$170,897, increase by \$17,734, as a result of our past claims experience.
- Workers' Compensation - \$257,288, increase by \$45,941, as a result of our past claims experience.
- Medical - increase of approximately 5.5%. The first renewal was estimated at a 13% increase. Staff negotiated this increase down to the current level and will continue to try to decrease this percentage. Plan designs have been modified which will increase out-of-pocket expenses for employees. The overall increase is a combination of the market and our past claims history.

The following structural changes/additions have been made to the adopted 2011 Budget:

- Economic Development - the Economic Development program budget is now included with the City Manager's Office in this budget document. In the previous year budget, information for Economic Development is shown under the Community Development Department.
- Police Department Grants - added a grant funding program budget in the Police Department titled Line Item Budget #202. All grant funds are accounted for in this program budget.
- Special Investigations combined with Investigations - the Special Investigations program budget has been eliminated. Budgeted expenses for investigations are now budgeted in the Investigations program budget. This budget includes a Line Item Budget for both; however, no narrative is included for the Special Investigations program.

City Council provided the following direction on these budget items discussed at the City Council Study Session on October 18, 2010:

- Legislative Budget – City Council provided direction to split the \$3,000 budgeted for each Councilmember by half and budget \$1,500 for community outreach and \$1,500 for educational purposes.
- Funding level of the Wheat Ridge Business District (WRBD) – City Council provided direction to budget \$40,000 and the WRBD can make requests of Council for any additional future funding.
- Funding level for Vehicle/Equipment Replacement – City Council provided direction to keep the proposed \$735,000 in funding for vehicle and equipment replacement.
- Funding level of WR2020 – City Council provided direction to provide funding in the amount of \$131,000 to WR2020 for the following three programs: \$106,000 for additional investment in the Building Up Business Loan and Home Investment Loan Programs that are targeted along 38th Avenue. Six percent of these revenues will be used for program administration and the remaining will be reinvested in future grant and loan programs. An additional \$25,000 will be designated for staff and outreach resources for the Community Revitalization Partnership Program implementation on 38th Avenue. WR2020 can make requests of Council for any additional future funding.
- Large-item Pick-up Program – City Council provided direction to add \$5,000 in the budget to re-instate the large-item pick-up program.
- Funding level for Outside Agency Contributions – City Council provided direction to keep the funding level of this program at \$10,000.
- In order to balance the budget with the additions outlined above, staff is deferring the \$76,000 for the AC System in the IT server room until 2012. Additionally, other minor additions and subtractions were made.
- COPS grant funding in the amount of \$110,900 was added to both expenditures and revenues for two Police Officer positions.

REVENUES AND EXPENDITURES

The total 2011 Proposed Budget is \$34,023,809. The Budget is based on projected revenues of \$31,297,478. In addition, the beginning fund balance for 2011 is projected at \$16,411,242 which brings the total available funds to \$47,708,720. This will provide for a projected ending fund balance of \$13,684,911 which is a 20% increase compared to the 2010 Budget. Detailed revenue and expenditure tables are presented in the Revenue and Expenditure Summary section of this Budget.

General Fund

General Fund revenue is projected at \$26,475,971 which is a 2% increase compared to 2010 estimated revenues. In addition, the beginning fund balance for 2011 is projected at \$10,333,531 which brings the total available funds for the General Fund to \$36,809,502.

General fund expenditures total \$26,375,971. General Fund expenditures represent a 7% increase compared to the adjusted 2010 Budget and an 11% increase compared to the estimated 2010 Budget. This will provide for a projected ending fund balance of \$8,168,531 or 29% of expenditures which is a 21% decrease compared to the 2010 Budget.

Capital Investment Program Fund

CIP Fund revenue is projected at \$3,044,000 (\$2.165 million transferred from the General Fund) which is a 143% increase compared to the 2010 estimated revenue of \$1,255,000. In addition, the beginning fund balance for 2011 is projected at \$3,444,288 which brings the total available funds for the CIP Fund to \$6,488,288.

City Council directed staff at the Budget Strategic Planning Retreat in April to include \$2.0 million of funding in the 2011 Budget for preventative street maintenance projects. This funding is included in the proposed budget and is proposed to be used for asphalt overlay on four major streets and miscellaneous slurry sealing, crack sealing, and striping throughout the City.

In addition, the City was awarded a federal highway grant for the construction of a new sidewalk on Wadsworth Boulevard from 26th Avenue to 32nd Avenue. The grant requires a 20% match from the City for a total project cost of \$780,000. Other proposed expenses include \$100,000 for contingency funding for unanticipated street public improvement projects and \$40,000 for a new climate control system for the Police Department Evidence Building, which is required by state law.

CIP expenditures total \$2,920,000 which is an 82% increase compared to the adjusted 2010 Budget and to the estimated 2010 Budget. This will provide for a projected ending fund balance of \$3,568,288. It will be prudent to maintain this fund balance as the City's share of the 32nd and Youngfield interchange improvements are projected to cost at least \$3.3 million.

The Ten-Year CIP Budget proposes to include the following major projects:

- Continued funding for preventative street maintenance projects averaging \$2.0 million per year
- Arvada Channel drainage improvements in the amount of \$1.5 million in 2013 which will count towards the City's contribution for the Gold Line Light Rail project
- Minor street improvements averaging \$560,000 annually, starting in 2013
- Public Works and Parks Maintenance Facility funding of \$500,000 annually over a seven-year period
- Gateway signage funding in the amount of \$400,000 over a four-year period starting in 2012

The Ten-Year CIP Budget anticipates funding from the General Fund in an average amount of \$3.2 million

annually to fund these proposed projects. The current forecast for General Fund revenues and expenditures projects that adequate funds will be available to fund both general operating expenses and CIP expenses at these levels through fiscal year 2010. To continue funding CIP projects at this minimal level, City Council will need to consider substantial cuts in the City's operating budget or new revenue sources.

Open Space Fund

Open Space revenue is projected at \$1,189,432 which is a 40% decrease compared to the 2010 estimated revenue of \$1,987,922. In addition, the beginning fund balance for 2011 is projected at \$358,283 which brings the total available funds for the Open Space Fund to \$1,547,715.

Open Space projects for 2011 include open space improvements, park maintenance projects, open space sign fabrication, trail replacement and repair, an off-leash dog park and Phase III of Discovery Park. Funding is also appropriated for five Parks employees. Open Space expenditures total \$1,540,996 which is a 38% decrease compared to the adjusted 2010 Budget and a 22% decrease compared to the estimated 2010 Budget. This will provide for a projected ending fund balance of \$6,719.

The Five-Year Open Space Budget proposes the continuation of miscellaneous open space improvements, park maintenance projects, trail replacement and repair, open space sign fabrication and funding for five Parks employees. In addition, funding in the amount of \$400,000 annually over a three-year period is proposed for the Public Works and Parks Maintenance Facility and \$200,000 for implementation of Parks Master Plan recommendations.

Conservation Trust Fund

Conservation Trust revenue is projected at \$285,000, which is a 2% decrease compared to the 2010 estimated revenue of \$280,000. In addition, the beginning fund balance for 2011 is projected at \$63,830 which brings the total available funds for the Conservation Trust Fund to \$348,830.

Conservation Trust projects for 2011 include Phase III of Discovery Park, Richards Hart Estate playground, the resurfacing of tennis and basketball courts and the transition of Johnson Park. Conservation Trust expenditures total \$270,000, which is a 71% decrease compared to the adjusted 2010 Budget and a 69% decrease compared to the estimated 2010 Budget. This will provide for a projected ending fund balance of \$78,830.

The Five-Year Conservation Trust Budget proposes to provide funds in the amount of \$1.1 million over a four-year period for the development of a new park at 44th and Kendall, Recreation Center pool maintenance, resurfacing of tennis and basketball courts and other facility repair and maintenance.

Recreation Center Operations Fund

Recreation Center Operations revenue for 2011 is projected at \$2,148,935, which is a 9% increase compared to the 2010 estimated revenue of \$1,972,335. In addition, the beginning fund balance for 2011 is projected at \$1,725,868 which brings the total available funds for the Recreation Center Operations Fund to \$2,148,935.

Recreation Center expenditures total \$2,465,388, which is a 4% increase compared to the adjusted 2010 Budget and an 8% increase compared to the estimated 2010 Budget. This will provide for a projected ending fund balance of \$1,409,415.

Miscellaneous Special Revenue Funds

Several other miscellaneous Special Revenue Funds are also included in this Budget to track revenues and

expenditures that are legally restricted for specific purposes or to simplify the budgeting process. Those funds include Police Investigation, Municipal Court, Richards Hart Estate, Equipment Replacement, and Crime Prevention. Detailed revenue and expenditure information for these funds can be found in the Special Revenue Funds and the Line Item Accounts sections of the Budget.

STAFFING

Personnel-related expenses account for the largest portion of the City's Budget; therefore, maintaining this investment is a high priority. Through a periodic compensation review process, a survey of the 2010 pay scales for the City's positions was conducted for the purpose of determining what wages are generally prevailing in similar cities within the Denver metropolitan area.

The proposed 2011 Budget does not include results from the Employee Compensation/Structure Analysis Study.

As approved by City Council, the City strives to remain at the 70th percentile of the market for law enforcement (sworn) positions and 55th percentile for all civilian positions. The market study for 2010 indicated that to maintain these percentiles and to remain competitive, our compensation plans required upward adjustments of, on average, 2.66% for civilian positions and 2.82% for sworn positions. Due to severe budget constraints, City Council consensus was to forgo 2010 mid-year market adjustments.

Employees are eligible to receive a step increase on their anniversary date if they receive at least a satisfactory performance evaluation. Again, the new performance appraisal system will be implemented in 2011. Step increases were frozen in 2010 but were proposed to be reinstated in the 2011 Budget at a cost of \$145,679. City Council provided direction to staff at the October 18th Study Session to develop a stipend plan for 2011 in lieu of merit increases. To remain competitive and to retain and attract the best employees, it will be crucial to reinstate both the market and merit adjustments as finances allow.

The 2011 Compensation Plan is designed to maintain competitive relationships within the market and provide an unbiased relationship in pay between positions and departments. You may find the complete Compensation Plan in the "Staffing" section of the Budget.

The 2011 staffing level will increase to 225.755 FTE's in all funds. The 2.0 FTE increase is the result of funding from the COPS Grant Award for two Police Officer positions for a three-year period. Staffing levels continue to remain well below the 233.755 FTE's authorized in 2002.

This staffing level was proposed before the budget reduction program and elimination of positions in 2003 and 2004 due to budget constraints.



Patrick Goff
City Manager