

Budget Message

November 28, 2011

Dear Mayor DiTullio and Council Members:

I present to the Mayor and City Council the 2012 Adopted Budget. This Budget provides the framework for providing services and programs to the citizens of Wheat Ridge for the year 2012 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 2012 is \$26,887,109, excluding transfers. The City's total 2012 operating budget represents a 0.8% increase compared to the adjusted 2011 Budget. The projected 2012 General Fund ending fund balance is \$6,670,912 or 23% of expenditures. The total City Budget for 2012, which includes the General Fund, CIP and Special Revenue Funds is \$41,260,340.

Sales tax, the City's largest revenue source, is projected to increase in 2011 by 3.3% compared to 2010 actual revenue, and decrease by 0.9% compared to 2011 projected revenue. Total General Fund revenues for 2011 are projected to increase by 0.4% compared to 2010 actual revenue, and decrease by 1.4% compared to 2011 projected revenue. Sales tax is expected to increase by 2.3% in 2012 and total General Fund revenues should experience about a 3.0% increase.

The 2011 Budget estimated ending fund balance is \$8,770,912 or 31% of operating expenditures. The 2012 Adopted Budget ending fund balance is projected to decrease to \$6,670,912 to allow for a \$2.0 million transfer to the CIP Budget and a \$100,000 transfer to the Capital Equipment Replacement Fund.

WHEAT RIDGE GOALS 2016

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 2012 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 items are included in the budget as a result of the City Council Strategic Planning session in May 2011 and are part of Action Agenda listed as a "Top Priority, High Priority or Priority" for the months ahead:

- Core Services Project - Priority Based Budgeting \$15,000 (Budget 106)
- Aging Needs Assessment/Plan \$1,000 (Budget 111)
- Compensation Project \$15,000 (Budget 112)

- 38th Avenue Corridor Plan Implementation \$30,000 (Budget 120), \$250,000 included in the CIP budget
- Northwest Transit Oriented Development \$10,000 (Budget 120)
- Diverse Housing Plan \$15,000 (Budget 123)
- Martensen Elementary School to Neighborhood Park, \$200,000 Open Space budget

Additionally, the following items have been identified as management priorities and are included in the adopted 2012 budget:

- Citizen Survey \$25,000 (Budget 111)
- PTO Cash Out \$50,000 in Human Resources budget (Budget 112)
- Fleet Replacement \$504,000, \$231,000 in fleet replacement needs are being deferred for 2012 (Budget 303)
- Bus Shelter Maintenance \$20,000 (Budget 303)

The following structural changes/additions have been made to the adopted 2012 Budget:

- The Richards Hart Estate Fund 35 is recommended to be closed in accordance with new GASB standards. The remaining fund balance in 2011 will be transferred into the General Fund as of December 31, 2011. Closure of this fund will come before City Council on October 10, 2011.
- Added Historic Buildings program budget 625 which includes expenses for the Richards Hart Estate.
- Added a Historic Facilities revenue line item under "Intergovernmental" revenue to track the revenue generated from Richards Hart Estate rentals.
- Telephone Expenses previously budgeted in Central Charges 01-610-700-759 were transferred to the IT budget 01-117-700-759.
- The Public Art Fund has been added to the Special Funds section of the Budget.

The following is a list of policy questions that require City Council direction or a result of priorities set forth by City Council Strategic Plan:

- At what level does the City Council want to fund WR2020?
- At what level does the City Council want to fund the Wheat Ridge Business District (WRBD), above and beyond the \$40,000 included in the Economic Development budget (105)?
- Does the City Council want to fund the Air Quality Control Program request in the amount of \$4,300?
- Does the City Council want to fund the Greenbelt Patrol Program for 3.5 months, \$13,480? Previously the program has been funded for 4.5 months at a cost of \$17,280.

In response to the funding related questions listed above, City Council provided the following consensus on these budget items at the Study Session on September 19, 2011 (Council direction provided at the October 3, 2011 Study Session is outlined in bold):

- CIP Budget – City Council provided direction to allocate \$850,000 in funding from CIP reserves in 2012 to address the drainage issue at 29th and Chase. Additionally, City Council provided consensus to use \$70,000 for the grant match for the Kipling Pedestrian improvements out of the Open Space Fund reducing the CIP project amount to \$273,000.
- WR2020 Funding – City Council provided consensus to not to fund WR2020 using reserves and for the

City Manager to bring back funding options at a future meeting. Options will be presented to Council and are not yet included in the budget. The options will be presented to Council prior to the scheduled budget adoption on October 10, 2011. City Council did not provide consensus on funding WR2020 at the October 3, 2011 Study Session.

- Wheat Ridge Business District (WRBD) – City Council provided consensus to keep the WRBD funding level at \$40,000 which is included in the proposed 2012 budget.
- Funding level for Outside Agency Contributions – City Council provided consensus to keep the funding level of this program at \$10,000 as allocated by staff in the Outside Agency Contribution memorandum dated September 19, 2011.
- Regional Air Quality Control Program – City Council provided consensus to not allocate \$4,300 to the air quality control program in 2012 at the September 19, 2011 Budget Retreat. City Council consensus was given at the October 3, 2011 Study Session to fund the RAQC program request for \$4,300 since it will involve traffic monitoring along Wadsworth Boulevard.
- Greenbelt Patrol Program – City Council provided consensus to keep the greenbelt patrol program during the summer months to 4.5 and not reduce the program to 3.5 months. Funding in the amount of \$3,800 was added to the Police Department budget.

Funding in the amount of \$8,100 (\$4,300 for the RAQC program and \$3,800 for the Greenbelt Patrol program was added to the General Fund budget per City Council direction following the October 3, 2011 Study Session). In order to keep the budget balanced, staff decreased the management seminars budgeted in the amount of \$13,000 to \$4,900 in the Human Resources program budget.

REVENUES AND EXPENDITURES

The total 2012 Proposed Budget is \$41,260,340. The Budget is based on projected revenues of \$35,255,216. In addition, the beginning fund balance for 2012 is projected at \$15,886,424 which brings the total available funds to \$51,141,640. This will provide for a projected ending fund balance of \$9,881,300 which is a 26% decrease compared to the 2011 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 \$26,887,109 which is a 3.0% increase compared to 2011 estimated revenues. In addition, the beginning fund balance for 2012 is projected at \$8,770,912 which brings the total available funds for the General Fund to \$35,658,021.

General fund expenditures total \$26,887,109. General Fund expenditures represent a 0.8% increase compared to the adjusted 2011 Budget and a 2.8% decrease compared to the estimated 2011 Budget. This will provide for a projected ending fund balance of \$6,670,912 or 23% of expenditures which is a 24% decrease compared to the 2011 estimated Budget.

Capital Investment Program Fund

CIP Fund revenue is projected at \$6,750,000 (\$2 million transferred from the General Fund) which is a 98% increase compared to the 2011 estimated revenue of \$3,412,470. The CIP Fund will receive a significant amount of grant revenue in 2012. In addition, the beginning fund balance for 2012 is projected at \$4,360,109

which brings the total available funds for the CIP Fund to \$11,110,109.

The 2012 proposed CIP includes the following major projects:

- \$5.5 million for the grant funded 32nd and Youngfield interchange improvements
- \$2.0 million for preventative street maintenance projects
- \$700,000 for Arvada Channel drainage improvements which is the City's required match for the Gold Line Commuter Rail project
- \$273,000 design work and ROW acquisition for the grant funded Kipling Street Pedestrian improvements
- \$250,000 for implementation of the 38th Avenue Subarea Plan recommendations
- \$100,000 for the Gateway Signage Program
- City Council provided direction at the Budget Retreat to allocate funding in the amount of \$850,000 to major drainage projects to address the drainage issues at 29th and Chase Streets.

CIP expenditures total \$9,870,000 which is a 223% increase compared to the adjusted 2011 Budget and a 225% increase compared to the estimated 2011 Budget. This will provide for a projected ending fund balance of \$1,240,109.

The CIP Budget is funded primarily with General Fund undesignated reserves. The City Council adopted a General Fund reserve policy in 2011 setting the minimum reserve level at 17%. In order to maintain this minimum reserve balance in the General Fund in 2013 and beyond, the General Fund will no longer be able to fund the CIP Budget after 2012. To continue funding CIP projects, City Council will need to consider substantial cuts in the City's operating budget or new revenue sources.

Without additional funding, the proposed CIP Budget for 2013 to 2021 will be limited to the following projects:

- \$2.8 million in 2103 for grant funded Kipling Street pedestrian improvements
- \$500,000 in 2013 for preventative street maintenance - funding not available beyond 2013
- \$100,000 in 2013 for Gateway Signage Program - funding not available beyond 2013
- \$115,000 annual average for development related public improvement projects

Open Space Fund

Open Space revenue is projected at \$893,000 which is a 44% decrease compared to the 2011 estimated revenue of \$1,592,741. A significant amount of grants were received in 2011 for major projects. These same grants are not anticipated in 2012 which accounts for the large decreases in revenue. In addition, the beginning fund balance for 2011 is projected at \$359,539 which brings the total available funds for the Open Space Fund to \$1,252,539.

Open Space projects for 2012 include open space sign fabrication; trail replacement and repair; an off-leash dog park; partial funding for the potential acquisition and construction of a District II park; and parks equipment storage facility. Funding is also appropriated for five Parks employees. Open Space expenditures total \$1,076,782 which is a 38% decrease compared to the adjusted 2011 Budget and a 38% decrease compared to the estimated 2011 Budget. This will provide for a projected ending fund balance of \$175,757.

The future 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 \$1 million over a five-year period is proposed

for the potential redevelopment of the Martensen Elementary School site for a District II park. City Council provided direction at the Budget Retreat to allocate funding in the amount of \$70,000 for matching grant funds for the Kipling pedestrian improvement project.

Conservation Trust Fund

Conservation Trust revenue is projected at \$283,000, which is a 0.7% increase compared to the 2011 estimated revenue of \$281,000. In addition, the beginning fund balance for 2012 is projected at \$315,900 which brings the total available funds for the Conservation Trust Fund to \$598,900.

Conservation Trust projects for 2012 include Panorama Park playground; Recreation Center maintenance projects; facility improvements; and District II park site development. Conservation Trust expenditures total \$530,000, which is a 95% increase compared to the adjusted 2011 Budget and a 300% increase compared to the estimated 2011 Budget. This will provide for a projected ending fund balance of \$68,900.

The future Five-Year Conservation Trust Budget proposes to provide funds in the amount of \$500,000 for Recreation Center maintenance needs. Additionally, \$400,000 is budgeted over a two-year period for the development of a District II park.

Recreation Center Operations Fund

Recreation Center Operations revenue for 2012 is projected at \$2,142,887, which is a 2.3% increase compared to the 2011 estimated revenue of \$2,094,227. In addition, the beginning fund balance for 2012 is projected at \$1,497,725 which brings the total available funds for the Recreation Center Operations Fund to \$3,640,612.

Recreation Center expenditures total \$2,452,888, which is a .5% decrease compared to the adjusted 2011 Budget and an 5% increase compared to the estimated 2011 Budget. This will provide for a projected ending fund balance of \$1,187,724.

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, Capital Equipment Replacement, Crime Prevention, and Public Art Fund. As noted earlier, the Richards Hart Estate Fund will be eliminated in 2012. 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. 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. Unfortunately, due to the economic recession, market adjustments have been deferred and we have fallen behind on this goal.

Through a periodic compensation review process, a survey of the 2011 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 survey indicated that to maintain these percentiles and to remain competitive, our compensation plans required upward adjustments of, on average, 4.36% for civilian positions and 5.16% for sworn positions. Due to continued economic uncertainty, City Council consensus was to forgo

2011 mid-year market adjustments.

Employees are eligible to receive a merit increase on their anniversary date if they receive at least a satisfactory performance evaluation. 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 develop a stipend plan for 2011 in lieu of merit increases. Staff developed a stipend plan in July 2011 and employees received a one-time stipend that did not affect their base pay.

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. City Council directed staff in July 2011 to include merit increases for sworn and a 3 percent across-the-board increase for non-sworn staff in the 2012 budget.

You may find the complete Compensation Plan in the "Staffing" section of the Budget.

The 2012 staffing level will increase by .26 FTE's to 226.015 FTE's in all funds due to increased security needs in the Municipal Court. Staffing levels continue to remain well below the 233.755 FTE's authorized in 2002 before the budget reduction program and elimination of positions in 2003 and 2004.



Patrick Goff
City Manager