

Budget Message

November 26, 2012

Dear Mayor DiTullio and Council Members:

I present to the Mayor and City Council the 2013 Adopted Budget. This Budget provides the framework for providing services and programs to the citizens of Wheat Ridge for the year 2013 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.

OVERALL SUMMARY

Wheat Ridge's total adopted General Fund operating budget for 2013 is \$27,746,549, excluding transfers. The City's total 2013 operating budget represents a 0.3% increase compared to the adjusted 2012 Budget. The projected 2013 General Fund ending fund balance is \$7,667,017 or 27% of expenditures. The total City Budget for 2013, which includes the General Fund, CIP and Special Revenue Funds is \$45,735,304.

Sales tax, the City's largest revenue source, is projected to increase in 2012 by 2.4% compared to 2011 actual revenue, and decrease by 1.5% compared to 2012 projected revenue. Total General Fund revenues for 2012 are projected to increase by 2.4% compared to 2011 actual revenue, and decrease by .06% compared to 2012 projected revenue. Sales tax is expected to increase by 3.0% in 2013 and total General Fund revenues should experience about a 2.8% increase.

The estimated 2012 Budget ending fund balance is \$8,627,017 or 30% of operating expenditures. The adopted 2013 Budget ending fund balance is projected to decrease to \$7,667,017, or 27% of operating expenditures, to allow for an \$860,000 transfer to the CIP Budget and a \$100,000 transfer to the Capital Equipment Replacement Fund. The fund balance will not be used to balance the General Fund operating budget in 2013.

WHEAT RIDGE GOALS 2017

The Mayor, City Council and staff work together annually to develop and update a strategic plan including a vision, goals and action agenda. Staff used these goals as a guide to develop strategies and priority projects for the 2013 Budget.

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

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

In addition, at the May 2012 retreat, the Mayor and City Council agreed to continue the 2011/2012 Action Agenda for another year as many of the agenda items are large multi-year projects that require additional staff time or council direction to complete. The adopted 2013 Budget includes the following expenditures to address the 2017 Goals and the 2012/2013 Action Agenda:

Goal 1: Financially Sound City Providing Quality Services

- Employee Compensation
- Implementation of new Compensation Plan \$450,000 (610)
- Implementation of the new Performance Management Program (PMP) \$28,500 (112 & 117)

- Service Priorities and Funding
- Priority Based Budgeting (Year 2) \$15,000 (106)
- Paid Time Off (PTO) Cash-Out \$50,000 (112)
- Fleet Replacement \$385,000 - \$2 million in fleet replacement needs are being deferred for 2013 (303)
- Preventative street maintenance \$1,600,000 (CIP)
- Lakewood Crime Lab services \$68,900 (212)
- Transfer to Equipment Replacement Fund for future equipment replacement \$100,000 (610)
- Employee safety and wellness programs \$13,100 (112)

Goal 2: Economically Viable Activity Centers

- Clear Creek Crossing Development Agreement
- 32nd and Youngfield interchange improvements \$5,517,000 (CIP) - Partially Grant funded
- 38th Avenue Corridor Plan
- 38th Avenue marketing plan implementation \$120,000 (120 and 105 to WR2020)
- 38th Avenue events \$67,000 (105)
- 38th Avenue street improvements \$100,000 (CIP)
- 38th Avenue Corridor marketing map and directory \$7,000 (105)
- Brownfields EPA Grant \$350,000 (123) - Grant funded
- Live Local Events \$20,000 (105 to WR2020)
- Wheat Ridge Business District (WRBD) loan program \$90,000 (105 to WRBD)
- Building up Business Loan Program (BUBL) \$100,000 (105 to WR2020)
- Wadsworth Planning Environmental Linkage (PEL) project \$1,200,000 (CIP) - Partially Grant funded
- Urban renewal funding for Renewal Wheat Ridge (RWR) projects \$400,000 (105 to RWR)

Goal 3: Choice of Desirable Neighborhoods

- Aging population needs assessment and plan \$3,000 (111)
- Block parties \$2,500 (105 to WR2020)
- CDBG Energy Efficiency grant program administration \$6,000 (105 to WR2020)
- Home Investment Loan Program (HIP) \$50,000 (105 to WR2020)
- 29th Avenue storm sewer improvements \$850,000 (CIP)
- Installation of 39 new bus benches \$250,000 (CIP) - Partially Grant funded
- District 2 neighborhood park \$875,000 (CTF and OS) - Partially Grant funded
- Police Department community oriented neighborhood programs \$17,655 (211)
- Police Department greenbelt patrol \$17,280 (211)

Goal 4: More Attractive Wheat Ridge

- Bus shelter and bench maintenance and cleaning \$36,000 (303)
- 38th Avenue annual plantings \$2,000 (604)
- Dumpster days \$5,000 (105 to WR2020)
- East Wheat Ridge targeted maintenance and upgrades \$20,000 (105 to WR2020)
- Kipling Street multi-use path and lighting \$2,835,000 (CIP) - Partially Grant funded
- Gateway signage program \$100,000 (CIP)
- City Hall plaza improvements \$200,000 (CIP)
- Parks maintenance projects \$50,000 (CTF)
- Large-item pickup program \$5,000 (303)
- 50th Avenue median improvements \$10,000 (604)

Additionally, the following budget expenditures, that are not directly related to any one of the City Council goals but are worthy of noting, are also included in the adopted 2013 Budget:

- Zoppe Family Circus \$105,376 (102)
- Outside Agency Requests \$10,000 (102)
- ADA compliance consultants and upgrades for new ADA regulations \$42,300 (602 and 605)
- Carnation Festival cash contribution \$12,500 and in-kind assistance \$28,000 (102)
- City Council table sponsorships \$3,000 (102)

PRIORITY BASED BUDGETING

The City has engaged the Center for Priority Based Budgeting to facilitate the transition from a more traditional incremental budgeting process to a priority-driven budgeting process. The Center's mission is to "lead communities to Fiscal Health and Wellness." Priority Based Budgeting is another tool that will allow department staff and the City's management team to improve the programs and services provided by aligning resource allocation with the results the City is working to achieve.

Although the Priority Based Budgeting process was not been fully ingrained into the 2013 Budget process, the goal is to continue developing this model for a more direct integration into the 2014 budget process. However, the data collected during this year's process has provided valuable information to enable staff and policy makers to look at the budget data through a different lens.

One aspect of the Priority Based Budgeting process we did incorporate into the 2013 Budget process was the focus on annual budget variances. Budget variances generally occur because certain line-items must be budgeted based on projected use such as staffing, fuel, and utilities. However, circumstances such as employee turnover, the weather or the economy dictate what those true expenditures will be on an annual basis. We made approximately \$300,000 in reductions to those line-items where budget variances generally occur. However, if we experience an unusually bad winter or fuel prices skyrocket, for example, mid-year supplemental budget appropriations may be required.

REVENUES AND EXPENDITURES

The total 2013 Adopted Budget is \$45,735,304. The Budget is based on projected revenues of \$40,486,276. In addition, the beginning fund balance for 2013 is projected at \$14,822,762 which brings the total available funds to \$55,309,038. This will provide for a projected ending fund balance of \$9,573,734 which is a 3% decrease compared to the 2012 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 \$27,746,549 which is a 2.8% increase compared to 2012 estimated revenues. In addition, the beginning fund balance for 2013 is projected at \$8,627,017 which brings the total available funds for the General Fund to \$36,373,566.

General fund expenditures total \$27,746,549, excluding transfers. General Fund expenditures represent a 0.3% increase compared to the adjusted 2012 Budget and a 3.1% increase compared to the estimated 2012 Budget. This will provide for a projected ending fund balance of \$7,667,017 or 27% of expenditures which is an 11% decrease compared to the 2012 estimated Budget.

CAPITAL INVESTMENT PROGRAM FUND

CIP Fund revenue is projected at \$9,637,000 (\$860,000 transferred from the General Fund) which is a 289% increase compared to the 2012 estimated revenue of \$2,477,500. The CIP Fund will receive a significant amount of grant revenue in 2013. In addition, the beginning fund balance for 2013 is projected at \$3,479,917 which brings the total available funds for the CIP Fund to \$13,116,917.

The adopted 2013 CIP includes the following major projects:

- \$5.5 million for the 32nd and Youngfield interchange improvements - Partially Grant funded
- \$2.8 million for Kipling Street Pedestrian improvements - Partially Grant funded
- \$1.2 million for Wadsworth Planning Environmental Linkage project - Partially Grant funded
- \$1.6 million for preventative street maintenance projects
- \$850,000 for major drainage projects to address the drainage issues at 29th and Chase Streets
- \$340,000 City Hall Improvements – Courtyard and remodel of Police Crime Lab
- \$250,000 for bus bench installation - Partially Grant funded
- \$150,000 for Public Improvement Projects
- \$100,000 for Revitalization Projects on 38th Avenue Corridor
- \$100,000 for the Gateway Signage Program
- \$150,000 Police Radio Repeater Site

CIP expenditures total \$13,092,000 which is a 26% increase compared to the adjusted 2012 Budget and a 258% increase compared to the estimated 2012 Budget. This will provide for a projected ending fund balance of \$24,917.

Typically 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 2013. 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 2014 to 2022 will be limited to the following projects:

- \$740,000 for Tabor Street improvements associated TOD site in 2015 (100% Grant funded)
- \$1,700,000 between 2016 and 2022 for preventative street maintenance

OPEN SPACE FUND

Open Space revenue is projected at \$1,148,720 which is a 14% increase compared to the 2012 estimated revenue of \$1,008,000. In addition, the beginning fund balance for 2013 is projected at \$473,558 which brings the total available funds for the Open Space Fund to \$1,622,278.

Open Space projects for 2013 include parks and open space sign fabrication; open space improvements; funding for the construction of a District II park; parks equipment storage facility; Anderson Park master plan; City contribution towards the Jefferson County Open Space River Corridor project; and improvements to Happiness Gardens. Funding is also appropriated for five Parks employees. Open Space expenditures total \$1,574,782 which is a 2.6% decrease compared to the adjusted 2012 Budget and a 12% decrease compared to the estimated 2012 Budget. This will provide for a projected ending fund balance of \$47,496.

The future five-year Open Space Budget proposes the continuation of miscellaneous open space improvements, park maintenance projects, trail replacement and repair, a new soccer field, public works and parks operations facility and funding for five Parks employees.

CONSERVATION TRUST FUND

Conservation Trust revenue is projected at \$281,000, which is a 3.5% decrease compared to the 2012 estimated revenue of \$291,100. In addition, the beginning fund balance for 2013 is projected at \$291,973 which brings the total available funds for the Conservation Trust Fund to \$572,973.

Conservation Trust projects for 2013 include Recreation Center maintenance projects; District II park site development; park maintenance projects; resurfacing of tennis/basketball courts; and initial funding for the replacement of the Anderson Building. Conservation Trust expenditures total \$524,600, which is a 2.1% decrease compared to the adjusted 2012 Budget and a 72% increase compared to the estimated 2012 Budget. This will provide for a projected ending fund balance of \$48,373.

The future Five-Year Conservation Trust Budget proposes to provide funds for Recreation Center maintenance needs; park maintenance projects; resurfacing of tennis/basketball courts; and Boyds Crossing and Prospect Park playgrounds.

RECREATION CENTER OPERATIONS FUND

Recreation Center Operations revenue for 2013 is projected at \$2,140,357, which is a 0.2% increase compared to the 2012 estimated revenue of \$2,135,544. In addition, the beginning fund balance for 2013 is projected at \$1,379,639 which brings the total available funds for the Recreation Center Operations Fund to \$3,519,996.

Recreation Center expenditures total \$2,395,076, which is a 2.4% decrease compared to the adjusted 2012 Budget and a 4.1% increase compared to the estimated 2012 Budget. This will provide for a projected ending fund balance of \$1,124,920.

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. 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.

COMPENSATION, BENEFITS AND STAFFING

Personnel-related expenses account for the largest portion of the City's Budget; therefore, maintaining this investment is a high priority. Unfortunately, due to the economic recession, the City's existing pay plan, consisting of market adjustments and step increases, has been deferred for the past three years. In the current pay plan 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.

In 2009 staff did not receive market adjustments and two mandatory furlough days were instituted. In 2010 staff did not receive market adjustments or step increases. In 2011, staff received a one-time stipend of approximately \$700 in-lieu of market adjustments and step increases. In 2012 civilian staff received a 3% increase with sworn officers receiving a step adjustment of 2 to 5.8%, depending on rank.

In 2012, staff conducted a compensation review process and a survey of the 2012 pay scales for City positions was conducted. The survey indicated that for the City to maintain the 70th and 55th percentiles and to remain competitive, our compensation plans required upward adjustments of, on average, 1.6% for civilian positions and 1.5% for police officer positions. However, I felt it was prudent to forgo any mid-year adjustments to the compensation plan while we were in the middle of an extensive compensation plan review and analysis.

To remain competitive and to retain and attract the best employees, it will be crucial to adopt a new compensation plan that provides competitive pay and merit incentives as finances allow. Staff is continuing development of a 2013 Compensation Plan that will be presented to Council by the end of 2012. The new compensation plan will include pay-for-performance for certain positions within the City. Staff has budgeted \$450,000 in the 2013 Central Charges budget to implement the new plan once approved by City Council.

The City continues to provide a competitive benefit package to employees to include medical, dental, life and disability benefits. Staff works closely with the City's benefit broker, IMA, throughout the year to ensure that the City is controlling benefit costs while providing a competitive benefit package to its employees. Medical premiums will experience no increase for 2013 while dental premiums will increase 3%. Life and short-term disability premiums will also remain constant; however long-term disability is quoted to increase 8% and the City has experienced service issues with the carrier so we have asked IMA to obtain quotes for these services from other carriers.

The City currently provides Kaiser Permanente for employee medical benefits. In 2013 the City will be moving towards a consumer model of health care paired with a Health Savings Account (HSA). A High Deductible Health Plan (HDHP) will be added to the plan as an option along with the traditional HMO and Deductible HMO. The premiums for both the employee and the City are lower for a HDHP but the out-of-pocket costs to the employee are higher. The goal of the consumer driven HDHP is to encourage employees to manage costs through effective use of health care.

To incentivize employees to transition from the HMO with no deductible to a HDHP with a \$1,500 deductible, the City will provide one-time seed money in the amount of \$1,000 for employees in the family and employee + 1 plans, and \$700 for employees in the single plan. The seed money will be deposited into a HSA to be used for medical expenses not covered by the insurance plan such as deductibles and coinsurance.

In addition, the City will also be providing incentives to encourage employees to participate in the City's Wellness program to improve employee health and to reduce the risk of long-term health issues that have a significant impact on the City's premiums. Although the City will not realize significant premium reductions at the outset of the transition to a HDHP, the goal of this Integrated Wellness and Health Plan strategy is to control and reduce employee benefit costs over time.

The 2013 staffing level will remain the same at 226.015 FTE's in all funds. 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