
Budget Message

January 1, 2015

Dear Mayor Jay and Council Members:

I present to the Mayor and City Council the 2015 Adopted Budget. This Budget provides the framework for providing services and programs to the citizens of Wheat Ridge for the year 2015, 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 2015 is \$28,990,382 excluding transfers. The City's total 2015 operating budget represents a 7% decrease compared to the adjusted 2014 Budget. The projected 2015 General Fund ending fund balance is \$5,900,246. Of this amount, \$4,830,535 or 17% of expenditures is considered the unrestricted fund balance. The City's financial policies require that the City maintain a minimum unrestricted fund balance of at least two months or approximately 17% of its General Fund operating expenditures, as recommended by the Government Finance Officers Association.

The total adopted City Budget for 2015, which includes the General Fund, CIP and Special Revenue Funds, is \$41,393,994. The CIP Budget is at \$7,705,228 and the eight Special Revenue Funds' adopted budgets total \$4,698,384.

Sales tax, the City's largest revenue source, for 2015 is projected to increase by 3% compared to 2014 estimated revenue. Sales tax revenue is projected to increase by 7% compared to 2014 adjusted revenue. Overall, total General Fund revenues for 2014 are projected to increase by 10% compared to 2013 actual revenue and increase by 10% compared to 2014 adjusted revenue.

However, 2015 adopted total General Fund revenues are projected to decrease by 5% compared to 2014 primarily due to one-time revenue generated from a sales tax audit in 2014.

The estimated 2014 Budget ending fund balance is \$8,470,246, of which \$7,395,246 or 25%, of operating expenditures is considered the unrestricted fund balance. The adopted 2015 Budget ending unrestricted fund balance is projected to decrease to \$4,830,535, or 17% of operating expenditures, to allow for a \$2,570,000 transfer to the CIP Budget.

LONG-TERM FISCAL CHALLENGES

Long-term fiscal sustainability remains one of the City's greatest challenges. The City's adopted 2015 – 2023 Capital Investment Program (CIP) budget demonstrates the severity of our funding gap in regard to unfunded capital needs. The 2015 Adopted Budget includes a minimal transfer of \$2,570,000 from General Fund undesignated reserves to the CIP budget. Beyond 2015, funds will

not be available for capital needs unless significant cuts are made to operating expenses or additional revenues are found.

The proposed 1% sales and use tax increase that was on the November 2014 ballot did not receive voter approval. The requested tax increase would have generated approximately \$6.4 million in new revenues annually that would have been dedicated to critical public works and parks and recreation capital infrastructure projects. Because the tax increase did not pass, critical discussions with City Council will have to take place in 2015 to determine how the City will manage its capital infrastructure assets moving forward.

WHEAT RIDGE FIVE-YEAR GOALS

The Mayor, City Council and staff work together annually to develop and update a strategic plan that includes a vision, goals and action agenda. Staff used these goals as a guide to develop strategies and prioritize projects for the 2015 Budget.

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

1. Economically Viable Commercial Areas
2. Financially Sound City Providing Quality Service
3. Choice of Desirable Neighborhoods
4. More Attractive Wheat Ridge

In addition, at the March 2014 retreat, the Mayor and City Council agreed to the following 2014/2015 Action Agenda:

- Revenue enhancement
- Engage development and redevelopment opportunities
- Community / neighborhood building
- Code enforcement
- 38th Avenue Corridor implementation
- Targeted housing incentive policies
- Multi-modal transportation

The proposed 2015 Budget includes the following expenditures to address the Five-Year Goals and the 2014/2015 Action Agenda: (Division #)

Goal 1: Economically Viable Commercial Areas

- Urban renewal funding for Renewal Wheat Ridge (RWR) projects \$300,000 (105 to RWR)
- Enhanced Sales Tax Incentive Program (ESTIP)/Tax Increment Financing (TIF) \$400,000 (105)
- Ridge at 38 public events \$88,600 (105)
- Citywide public relations and marketing efforts \$80,000 (105)
- Wheat Ridge Business District (WRBD) grant program \$45,000 (105 to WRBD)
- Live Local events \$40,000 (105 to WR2020)
- Building up Business Loan Program (BUBL) \$25,000 (105 to WR2020)
- Citywide marketing and positioning tours \$15,000 (105 to WR2020)

- 44th Avenue Corridor marketing efforts \$10,000 (105)
- 29th Avenue Marketplace marketing efforts \$5,000 (105)
- Kipling Corridor planning efforts \$101,700 (123)
- Ridge at 38 banners and lights program \$15,000 (105)

Goal 2: Financially Sound City Providing Quality Service

- Preventative street maintenance \$3.2 million (CIP Fund)
- Fleet acquisition and replacement \$471,000 (303)
- Employee compensation – 3% projected Pay-for-Performance \$450,000 (610)
- Regionalization of the Police Department's records management system (RMS) \$100,000 (Fund 57)
- Funding for a new financial management system \$135,000 (Fund 57)
- Lakewood crime lab services \$69,600 (212)
- Regional crime lab \$31,280 (212)
- Employee safety and wellness programs \$21,950 (112)
- Priority Based Budgeting (year 4) \$15,063 (111)

Goal 3: Choice of Desirable Neighborhoods

- Prospect Park improvements \$300,000 (OS Fund)
- Outdoor pool maintenance \$180,000 (OS Fund)
- Pedestrian/bicycle Improvements \$100,000 (CIP)
- Recreation Center maintenance \$100,000 (CT Fund)
- Hank Stites Park playground replacement \$85,000 (CT Fund)
- Active Adult Center parking lot replacement \$75,000 (CT Fund)
- Kipling Pedestrian Trail improvement grant match \$70,000 (OS Fund)
- East Wheat Ridge Block Improvement Program \$35,000 (105 to WR2020)
- Traffic signal upgrades \$28,500 (303)
- Home Investment Loan Program (HIP) \$25,000 (105 to WR2020)
- Hayward Park outdoor fitness equipment \$25,000 (CT Fund)
- Police Department community-oriented neighborhood programs \$17,655 (211)
- Police Department greenbelt patrol \$17,280 (211)
- Police Department special events overtime \$10,000 (211)

Goal 4: More Attractive Wheat Ridge

- Kipling Street multi-use path and lighting \$2,835,000 (CIP Fund) - partially grant funded
- Parks & trails maintenance projects \$230,000 (CTF and OS Funds)
- Open Space improvements \$90,000 (OS Fund)
- Citywide right-of-way maintenance \$55,636 (603)
- Bus shelter and bench maintenance and cleaning \$36,000 (303)
- Public art acquisition \$20,000 (Public Art Fund)
- Ridge at 38 annual plantings \$5,000 (604)
- Large-item pickup program \$5,000 (303)

Additionally, the following budget expenditures are not directly related to any one of the City Council goals, but are worthy of noting and are included in the proposed 2015 Budget:

- City sponsorships/community partnerships:
 - Carnation Festival/Zoppe Family Circus \$52,500 and in-kind assistance \$28,000 (102)
 - Senior Resource Center (SRC) circulator bus \$30,000 (102)
 - Arvada Food Bank \$10,000 (102)
 - Feed the Future Backpack Program \$10,000 (102)
 - Outside agency requests \$10,000 (102)
 - Regional Air Quality \$4,000 (102)
 - Kite Festival \$3,000 (102)
 - Exempla Lutheran Leaves of Hope event \$2,500 (102)
 - Jefferson Center for Mental Health \$2,500 (102)
 - Wheat Ridge High School Farmers 5000 \$2,500 (102)
 - Wheat Ridge Active Transportation Advisory Committee \$1,000 (102)
- Management contingency fund \$100,000 (106) – consolidation of Citywide contingency funds
- Biennial citizen survey \$21,000 (111) – *project was budgeted in 2014 and put on hold until 2015*

A TRADITION OF EXCELLENCE IN A.C.T.I.O.N!

The City of Wheat Ridge has earned a reputation for repositioning itself and becoming a community of choice. In 2015, the City will celebrate the 10th anniversary of the development of the Neighborhood Revitalization Strategy (NRS) plan. This grassroots, community-driven planning document has guided the transformation the City has experienced over the past ten years. The City has received numerous state and national awards for its local partnerships and innovative approaches to service delivery. The City's reputation was created by the excellent stewardship provided by past City Councils and staff at all levels.

An Engaged Community

A commitment to excellence has helped position the City to respond and plan for the needs of the future. The City prudently responded to the fiscal challenges of the recent recession by making cuts and deferring expenses while minimizing impacts to the levels of service. As the recessionary period winds down, the City is seeing a positive shift in community engagement. The demand for services, amenities, and community events that provide opportunities for citizens to come together has increased. Participation in educational academies, involvement on boards and commissions, and overall, participation in community and neighborhood planning efforts has also increased. The City has an extremely engaged community, focused not only on the short-term viability of the City, but more importantly, on the long-term sustainability of the City.

An Engaged Organization

City staff, at all levels, continually approach their jobs looking for ways to improve the level of service, contain costs, improve efficiency, leverage partnerships and generate innovative ideas so the community receives the best possible service. The City actively pursues grant opportunities and has a solid track record of success in receiving grants. City staff is empowered to continue to look

for additional cost-effective opportunities to partner with local and regional organizations, to explore and expand the use of alternative service delivery opportunities, to continue to use volunteers where feasible, to increase cost recovery, and to discontinue or reduce service standards for those programs that are that are less of a priority.

Priority Based Budgeting

In 2014, the City embarked on year three of the Priority Based Budgeting (PBB) process. The City has received national recognition and interest from other local governments who are considering switching to a priority-driven budget. The City engaged the Center for Priority Based Budgeting in 2012 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 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.

The primary area that we continue to integrate into the budget process is the focus on 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. For example, if we experience an unusually bad winter or fuel prices skyrocket, mid-year supplemental budget appropriations may be required.

In addition to continuing the variance exercise for development of the 2015 Budget, staff added a contingency reduction exercise. Included in the City Manager's Budget is a management contingency fund in the amount of \$100,000. This is the result of a consolidation of Citywide contingency funds in 2014 which enabled staff to cut approximately \$70,000 from the 2014 proposed budget. In the past, contingency funds have been budgeted for carrying out policy direction by City Council that may not be planned for at the time of budget development. An example of this would be engineering or design work required for a public project. Contingency funds were used in 2014. However, those items placed on the contingency fund list were not re-budgeted in 2015.

Overall, for the 2015 Budget, staff reduced funding by approximately \$589,649 for requests that were not considered critical to meeting the City's defined results. Collectively, the variance and contingency fund tools have played an important role in the continued integration of a priority-driven budget system. This process has enabled staff to look at the budget data through a different lens.

REVENUES AND EXPENDITURES

The total 2015 Adopted Budget is \$41,393,994. The Budget is based on projected revenues of \$36,104,362. In addition, the beginning fund balance for 2015 is projected at \$13,027,058 which brings the total available funds to \$49,131,420. This will provide for a projected ending fund balance of \$7,737,426, which is a 20% decrease compared to the 2014 Adopted 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 \$28,990,382, which is a 5% decrease compared to 2014 estimated revenues. In addition, the beginning fund balance for 2015 is projected at \$8,470,246, which brings the total available funds for the General Fund to \$37,460,628.

General Fund expenditures total \$28,990,382, excluding transfers. General Fund expenditures represent a 7% decrease compared to the adjusted 2014 Budget and a 2% decrease compared to the estimated 2014 Budget. This will provide for a projected ending fund balance of \$5,900,246, of which \$4,830,535 (17% of operating expenditures) is considered unrestricted.

CAPITAL INVESTMENT PROGRAM FUND

CIP Fund revenue is projected at \$5,890,228 (\$2,570,000 transferred from the General Fund) which is a 29% increase compared to the 2014 estimated revenue of \$4,541,601. In addition, the beginning fund balance for 2015 is projected at \$1,879,302 which brings the total available funds for the CIP Fund to \$7,769,530.

The proposed 2015 CIP includes the following major projects:

- \$2.8 million for Kipling Street pedestrian trail improvements – partially grant funded
- \$3.2 million for preventative street maintenance projects
- \$630,228 for Gold Line Station street project – fully grant funded
- \$470,000 for Wadsworth Planning Environmental Linkage (PEL) – partially grant funded
- \$260,000 for drainage improvement projects (mainline storm sewer outfall replacements along Clear Creek, and Maple Grove Reservoir improvements)
- \$100,000 for Traffic Management Program (traffic calming improvements and neighborhood monument signage)
- \$100,000 for Bike/Pedestrian trail improvements
- \$50,000 for ADA transition plan for improving sidewalk accessibility Citywide
- \$10,000 for street lights

CIP expenditures total \$7,705,228 which is a 16% decrease compared to the adjusted 2014 Budget and a 52% increase compared to the estimated 2014 Budget. This will provide for a projected ending fund balance of \$64,302.

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 2015 and beyond, the General Fund will no longer be able to fund the CIP Budget after 2015. To continue funding CIP projects, City Council will need to consider substantial cuts in the City's operating budget or find new revenue sources for 2016.

Without additional funding, the proposed CIP Budget for 2016 to 2023 will be limited to the following projects:

- \$350,000 for minor street improvements in 2016
- A total of \$1.5 million available for preventative street maintenance over an eight-year period. Staff has identified the need for \$3.9 million annually to maintain an appropriate street pavement Overall Conditions Index (OCI) of at least “good.”

OPEN SPACE FUND

Open Space revenue is projected at \$967,000 which is a 45% decrease compared to the 2014 estimated revenue of \$1,769,346. The large decrease is primarily due to Jefferson County grants received in 2014. In addition, the beginning fund balance for 2015 is projected at \$442,511, which brings the total available funds for the Open Space Fund to \$1,409,511.

Open Space projects for 2015 include:

- Open Space improvements
- Improvements to Prospect Park
- Completion of the master plan design for the renovation and improvements to Prospect Park
- Parks maintenance projects
- Trail replacement and repair
- Outdoor pool maintenance and repair
- Matching funds for the Jefferson County Opens Space River Corridor signage project and Kipling Trail pedestrian improvements

Funding is also appropriated for five Parks maintenance workers. Open Space expenditures total \$1,307,379 which is a 51% decrease compared to the adjusted 2014 Budget and a 48% decrease compared to the estimated 2014 Budget. These expenditure decreases are due to construction of Hopper Hollow Park in 2014 and a Parks vehicle storage building. This will provide for a projected ending fund balance of \$102,132.

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

CONSERVATION TRUST FUND

Conservation Trust revenue is projected at \$301,000, which is equal to the 2014 estimated revenue. In addition, the beginning fund balance for 2015 is projected at \$315,538, which brings the total available funds for the Conservation Trust Fund to \$616,538.

Conservation Trust projects for 2015 include:

- Recreation Center maintenance projects
- Active Adult Center parking lot replacement
- Installation of outdoor fitness equipment at Hayward Park

- Playground equipment replacement at Hank Stites Park
- Parks maintenance projects
- Resurfacing of tennis and basketball courts

Conservation Trust expenditures total \$365,000, which is a 54% decrease compared to the adjusted 2014 Budget and a 35% decrease compared to the estimated 2014 Budget. These expenditure decreases are due to construction of Hopper Hollow Park in 2014. This will result in a projected ending fund balance of \$251,538. The future Five-Year Conservation Trust Budget proposes to provide funds for Recreation Center maintenance needs, Anderson Building replacement, parks maintenance projects, resurfacing of tennis/basketball courts, Discovery Park ADA playground and Boyds Crossing playground.

RECREATION CENTER OPERATIONS FUND

Recreation Center Operations revenue for 2015 is projected at \$2,074,642, which is a decrease of 0.2% compared to the 2014 estimated revenue of \$2,079,559. In addition, the beginning fund balance for 2015 is projected at \$1,000,075 which brings the total available funds for the Recreation Center Operations Fund to \$3,074,717.

Recreation Center expenditures total \$2,363,101, which is a 4% increase compared to the adjusted 2014 Budget and a 6% increase compared to the estimated 2014 Budget. This will provide for a projected ending fund balance of \$711,616.

OTHER SPECIAL REVENUE FUNDS

Several other Special Revenue Funds are also included in this Budget to track revenues and expenditures that are designated by law to be used for specific purposes or are used to simplify the budgeting process. Those funds include the Public Art, Police Investigation, Municipal Court, Equipment Replacement, and Crime Prevention/Code Enforcement funds. 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.

DEBT

The City currently has no debt. However, the City's Urban Renewal Authority (Renewal Wheat Ridge), is a component of the City and does have a loan in the amount of \$728,838 for the Town Center North project. The Urban Renewal Authority also has a loan with the City in the amount of \$690,000 for infrastructure improvements at Town Center North and the purchase of an environmentally contaminated property at 38th and Yukon Court. These loans will be paid-off with the sale of properties at Town Center North and 38th and Yukon in 2014 and 2015. Additionally, the Urban Renewal Authority provided a loan in the amount of \$2.4 million for the Kipling Ridge commercial center development. The term of this loan is for 10 years and will be paid from sales and property tax incremental revenue from the Kipling Ridge project.

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. In 2013, the City launched a new compensation plan

for full-time/part-time benefited employees that is financially sustainable and is a plan that will help the City recruit and retain top talent. Additionally, the compensation plan is market-based and fully aligned with the Performance Management Project (PMP) that has culminated in the full implementation of a pay-for-performance system. The City's pay-for-performance model is consistent with the culture and commitment to A.C.T.I.O.N! – the City's core values of Accountability – Change – Teamwork – Integrity – Opportunity – Now!. It is important for the City to reward employees who exemplify these core values and who help achieve the City's strategic results.

The new compensation plan consists of two sub plans 1) a pay-for-performance open range plan, which includes civilian and police sergeants and higher ranks, and 2) a sworn step plan, which includes Police Officer I and II positions. Employees will be eligible for a performance increase on January 1, 2015, based on how well they meet the core values and competencies of the new PMP system.

The pay-for-performance budget is determined on an annual basis according to what comparable organizations are providing and what the City can afford for that fiscal year. The City conducted a biennial market review in 2014. For 2015, the market shift in compensation is 3% for the City plans noted above. The proposed 2015 budget includes \$450,000 in the Central Charges budget to fund both sub plans.

The City continues to provide a competitive benefits package to employees that includes medical, dental, life and disability benefits. Throughout the year, staff works closely with the City's benefit broker, IMA, to ensure that the City is controlling benefit costs while still providing a competitive benefits package to its employees, which is a vital part of the City's total compensation approach to pay.

The City currently provides Kaiser Permanente plans for employee medical benefits. Medical premiums will increase by 5% for 2015. There are several key factors that play a role in calculating the City's health care premium renewal. Participation in the Wellness Program is a positive contributing factor to the minimal premium increase. Historically, the City's premium increases ranged from 10 – 15%, which is the market average. The 5% increase for 2015 is well below that average. The City will continue to encourage enrollment and active participation in the Wellness Program. There is minimal increase to the dental premium, but the life and short-term disability premiums will remain constant.

In 2015, the City will continue to offer the High Deductible Health Plan (HDHP). This plan was added in 2013 and is a consumer model of health care paired with a Health Savings Account (HSA). The City will also continue to offer the traditional HMO plan. 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.

The 2015 staffing level will increase by a net of 3.11 FTE's for a total of 230.375 FTE's in all funds. Staffing levels continue to remain below the 233.755 FTE's authorized in 2002 before the budget reduction program and elimination of positions in 2003 and 2004.

New Positions:

1.0 FTE Permit Technician – Community Development

- Over the past six years, the Building Division has seen a significant increase in the volume of building permits in the City. The division is understaffed to meet the current demands with the existing Senior Permit Technician. The creation of this position will increase customer service by expediting the processing of building permits and allowing for expansion of over-the-counter permitting. Additionally, this position will allow for the division to expand its hours of operation and eliminate waiting times for customers seeking permits or code information.

2.0 FTE Emergency Services Specialist (ESS) – Police Department

- Currently the Communications Center which operates 24 hours a day/7 days a week is not adequately staffed according to the Association of Public Safety Communications Officials International (APCO) staffing standards, which creates a public safety issue. The APCO studies conducted in 2007 and 2013 recommended that the City needs to add 5.3 dispatcher positions. Due to the limited staffing in the center, there may be only one dispatcher in the Communications Center at any given time. While the gaps in adequate coverage have been managed by existing staff working additional hours and with a Lead ESS, the result has been increased turnover, fatigue, loss of focus on the job and overall burnout. The liability of not increasing staffing in the Communications Center is the potential for service impacts if a major incident occurs and a single dispatcher is not able handle the call volume.

1.0 FTE Deputy Court Administrator – Municipal Court

- This position will support the Court Administrator in the supervision of six Deputy Court Clerks I/II. This reorganization will reduce the number of direct reports to the Court Administrator and create capacity within the department for improved communication, and the coaching and mentoring of employees.

Eliminated Positions:

0.875 FTE Deputy Court Clerk – Municipal Court

- This allocated FTE has been vacant for several years. With the addition of a Deputy Court Administrator this FTE can be eliminated.

0.010 FTE Court Marshal – Municipal Court

- An adjustment of .010 FTE (previous years rounding error for Court Marshal position(s)) for a total decrease of 0.010 FTE.

0.005 FTE Recreation Coordinator – Parks and Recreation

- An adjustment of .005 FTE (previous years rounding error for recreation coordinator) for a total decrease of 0.005 FTE.

Grant Funded Positions:

2.0 FTE Police Officer(s) – Police Department

-The Police Department was awarded a Community Oriented Policing Services (COPS) grant in September 2010 for a total of \$508,902. Funding for this grant will be expended during the first pay period in January 2015. Receipt of the COPS grant included the requirement to continue funding these two positions for a one year period. After grant funds have been fully expended, these positions will be funded through the General Fund.



Patrick Goff
City Manager

