
Budget Message

September 14, 2015

Dear Mayor Jay and Council Members:

I present to the Mayor and City Council the 2016 Proposed Budget. This Budget provides the framework for providing services and programs to the citizens of Wheat Ridge for the year 2016, 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 proposed General Fund operating budget for 2016 is \$30,997,144 excluding transfers. The City's total 2016 operating budget represents a .4% increase compared to the adjusted 2015 Budget. The projected 2016 General Fund ending fund balance is \$6,355,127. Of this amount, \$5,282,127 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 \$42,212,869. The CIP Budget is at \$5,879,821 and the eight Special Revenue Funds' proposed budgets total \$5,335,904.

Sales tax, the City's largest revenue source, for 2016 is projected to increase by 7% compared to 2015 estimated revenue. Sales tax revenue is projected to increase by 8% compared to 2015 adjusted revenue. Overall, total General Fund revenues for 2015 are projected to increase by .2% compared to 2014 actual revenue (3.3% when one-time audit revenue in 2014 are excluded) and increase by 10% compared to 2015 adjusted revenue.

However, 2016 proposed total General Fund revenues are projected to increase by 3.9% compared to 2015 estimated revenue (excluding one-time loan proceeds in 2015 for solar panels).

The estimated 2015 Budget ending fund balance is \$8,271,981, of which \$6,991,485 or 23.8%, of operating expenditures is considered the unrestricted fund balance. The proposed 2016 Budget ending unrestricted fund balance is projected to decrease to \$5,282,127, or 17% of operating expenditures, to allow for a \$2.8 million transfer to the CIP Budget.

LONG-TERM FISCAL CHALLENGES

Long-term fiscal sustainability remains one of the City's greatest challenges. The City's 2016 – 2024 Capital Investment Program (CIP) budget demonstrates the severity of our funding gap in regard to unfunded capital needs. The 2016 Proposed Budget includes a transfer of \$2,800,000 from General

Fund undesignated reserves to the CIP budget. Beyond 2016, funding the CIP will continue to be difficult to fund unless new dedicated revenue sources are identified.

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 2016 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, the Mayor and City Council agreed to the following 2015/2016 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 2016 Budget includes the following expenditures to address the Five-Year Goals and the 2015/2016 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) \$802,000 (105)
- Ridge at 38 public events \$120,000 (105)
- Citywide public relations and marketing efforts \$43,500 (105 & 113)
- Wheat Ridge Business District (WRBD) grant program \$45,000 (105 to WRBD)
- Live Local events \$50,000 (105 to WR2020)
- Building up Business Loan Program (BUBL) \$25,000 (105 to WR2020)
- Realtor, new resident and developer positioning tours \$20,000 (105 to WR2020)
- 44th Avenue Corridor marketing efforts \$5,000 (105)
- 29th Avenue Marketplace marketing efforts \$5,000 (105)
- Ridge at 38 banners and lights program \$25,000 (105)
- Ward Road Gold Line Opening Party \$20,000 (113)

Goal 2: Financially Sound City Providing Quality Service

- Preventative street maintenance \$1.9 million (CIP Fund)
- Fleet acquisition and replacement \$564,200 (303)

- Employee compensation – 3% projected Pay-for-Performance \$450,000 (610)
- Firewall electronic security software – \$230,000 (Fund 57)
- Funding for continued regionalization of RMS \$139,000 (Fund 57)
- Lakewood crime lab services \$63,000 (212)
- Regional crime lab \$31,280 (212)
- Employee safety and wellness programs \$29,680 (112)
- Priority Based Budgeting (year 5) \$15,000 (111)

Goal 3: Choice of Desirable Neighborhoods

- Prospect Park improvements \$700,000 (OS Fund)
- Outdoor pool maintenance \$155,000 (OS Fund)
- Recreation Center maintenance \$236,150 (CT Fund)
- Active Adult Center parking lot replacement \$50,000 (CT Fund)
- Traffic Safety, Life Quality and Crime Reduction (TLC) Program \$40,000 (105 to WR2020)
- Discovery Park Cameras \$20,000 (603)
- Traffic signal upgrades \$16,600 (303)
- Home Investment Loan Program (HIP) \$25,000 (105 to WR2020)
- Police Department community-oriented neighborhood programs \$17,655 (211)
- Police Department greenbelt patrol \$30,000 (211)
- Police Department special events overtime \$15,000 (211)

Goal 4: More Attractive Wheat Ridge

- Kipling Street multi-use path and lighting \$835,000 (CIP Fund) – partially grant funded
- Discovery Park ADA Accessibility Playground-\$80,000 (CTF)
- Parks & trails maintenance projects \$75,000 (CTF and OS Funds)
- Open Space improvements \$50,000 (OS Fund)
- Citywide right-of-way maintenance \$59,530 (603)
- Bus shelter and bench maintenance and cleaning \$16,000 (303)
- 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 2016 Budget:

- City sponsorships/community partnerships:
 - Carnation Festival/Zoppe Family Circus \$67,500 and in-kind assistance \$22,500 (102)
increased request by \$17,500
 - Senior Resource Center (SRC) circulator bus \$35,000 (102) *increased request by \$5,000*
 - Carnation Festival Battle of the Bands \$2,500 (102)
 - Arvada Food Bank \$15,000 (102)
 - Feed the Future Backpack Program \$10,000 (102)
 - Outside agency requests \$11,500 (102)
 - Regional Air Quality \$4,000 (102)
 - Kite Festival \$2,000 (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 \$1,500 (102)
- Outdoor Lab Foundation \$19,940 (102)
- Socrata Open Budget transparency software \$7,500 (101)
- Contractual services for specialized sales and use tax audits \$41,250 (115)

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 celebrates 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. For example, the City received a \$25 million grant from DRCOG in 2015 for the reconstruction of Wadsworth Boulevard. 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 2015, the City embarked on year four 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 2016 Budget, staff added a contingency reduction exercise. Included in the City Manager’s Budget is a management contingency fund in the amount of \$75,000. This is the result of a consolidation of City-wide 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 2015. However, those items placed on the contingency fund list were not re-budgeted in 2016.

Overall, for the 2016 Budget, departmental budget requests were reduced by approximately \$775,000 in order to fund those expenses that were 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 2016 Proposed Budget is \$42,212,869. The Budget is based on projected revenues of \$38,427,846. In addition, the beginning fund balance for 2016 is projected at \$11,490,671 which brings the total available funds to \$49,918,517. This will provide for a projected ending fund balance of \$7,705,648, which is a .4% decrease compared to the 2015 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 \$31,980,290, which is a 1% increase compared to 2015 estimated revenues. In addition, the beginning fund balance for 2015 is projected at \$8,271,981, which brings the total available funds for the General Fund to \$40,252,271.

General Fund expenditures total \$30,997,144, excluding transfers. General Fund expenditures represent a .4% increase compared to the adjusted 2015 Budget and a 5% increase compared to the estimated 2015 Budget. This will provide for a projected ending fund balance of \$6,355,127, of which \$5,282,127 (17% of operating expenditures) is considered unrestricted.

CAPITAL INVESTMENT PROGRAM FUND

CIP Fund revenue is projected at \$5,264,228 (\$2,800,000 transferred from the General Fund) which is a 10% decrease compared to the 2015 estimated revenue of \$5,861,145. In addition, the beginning fund balance for 2016 is projected at \$643,332 which brings the total available funds for the CIP Fund to \$5,907,560.

The proposed 2016 CIP includes the following major projects:

- \$1.9 million for preventative street maintenance projects
- \$1.5 million for Wadsworth EA project
- \$835,000 for completion of the Kipling Street pedestrian trail improvements – partially grant funded
- \$740,000 for Gold Line Station street improvements – fully grant funded
- \$350,000 for 29th Avenue and Fenton Street intersection improvements
- \$279,821 for drainage improvement projects (rehabilitation and replacement of two major storm sewer outfalls to Clear Creek, Maple Grove Reservoir emergency planning, Sloans Lake Master Drainage and Flood Hazard Area Delineation, and Clear Creek CLOMR and LOMR)
- \$100,000 for public improvement development related projects
- \$50,000 for Neighborhood Traffic Management Program
- \$50,000 for entryway signage
- \$50,000 for ADA transition plan for improving sidewalk accessibility Citywide
- \$25,000 for Bike/Pedestrian trail improvements

CIP expenditures total \$5,879,821 which is a 36% decrease compared to the adjusted 2015 Budget and an 18% decrease compared to the estimated 2015 Budget. This will provide for a projected ending fund balance of \$27,739.

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 2016 and beyond, a limited amount of funds will be available to fund the CIP Budget after 2016. To continue funding CIP projects at a more sustainable level, City Council will need to consider substantial cuts in the City's operating budget or find new revenue sources for CIP projects.

The proposed CIP Budget for 2017 to 2024 projects a \$3 million annual transfer from the General Fund for CIP projects. However, in 2019, the City will need to transfer a total of \$5.5 million to fund the City's match for the Wadsworth Boulevard reconstruction project and to continue to minimally fund street preventative maintenance projects.

OPEN SPACE FUND

Open Space revenue is projected at \$1,058,000 which is a 21% decrease compared to the 2015 estimated revenue of \$1,332,036. The large decrease is primarily due to Jefferson County grants received in 2015. In addition, the beginning fund balance for 2016 is projected at \$659,239, which brings the total available funds for the Open Space Fund to \$1,717,239.

Open Space projects for 2016 include:

- Open Space improvements – Bass Lake retaining wall
- Improvements to the Public Works and Parks Operations Facility
- Improvements to Prospect Park
- Completion of the master plan design for the renovation and improvements to Prospect Park
- Outdoor pool maintenance
- Parks maintenance projects
- Trail replacement and repair
- Matching funds for the Jefferson County Open Space River Corridor signage project

Funding is also appropriated for five Parks maintenance workers. Open Space expenditures total \$1,629,337 which is a 37% decrease compared to the adjusted 2015 Budget and a 23% decrease compared to the estimated 2015 Budget. These expenditure decreases are due to construction of Hopper Hollow Park in 2015 and completion of the Parks Operations storage facility. This will provide for a projected ending fund balance of \$87,902.

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, improvements to the new public works and parks operations facility, and funding for five Parks positions.

CONSERVATION TRUST FUND

Conservation Trust revenue is projected at \$300,500, which is equal to the 2015 estimated revenue. In addition, the beginning fund balance for 2015 is projected at \$215,378, which brings the total available funds for the Conservation Trust Fund to \$515,878.

Conservation Trust projects for 2016 include:

- Recreation Center maintenance projects
- Recreation Center swimming pool facility improvements and replacement of frog slide
- Active Adult Center parking lot replacement
- Discovery Park ADA accessibility playground
- Parks maintenance projects
- Resurfacing of tennis and basketball courts

Conservation Trust expenditures total \$493,150, which is an 18% increase compared to the adjusted 2015 Budget and a 20% increase compared to the estimated 2015 Budget. This will provide for a projected ending fund balance of \$22,728. 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, playground replacement, and Anderson Building replacement.

RECREATION CENTER OPERATIONS FUND

Recreation Center Operations revenue for 2016 is projected at \$2,176,828, which is an increase of .6% compared to the 2015 estimated revenue of \$2,164,850. In addition, the beginning fund balance for 2016 is projected at \$796,583 which brings the total available funds for the Recreation Center Operations Fund to \$2,973,411.

Recreation Center expenditures total \$2,382,401, which is a .4% increase compared to the adjusted 2015 Budget and a 2.7% increase compared to the estimated 2015 Budget. This will provide for a projected ending fund balance of \$591,010.

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 does have the following long-term financial obligations:

Renewal Wheat Ridge

The City's Urban Renewal Authority (Renewal Wheat Ridge), is a component of the City and does have a loan in the amount \$390,000 from the City for the purchase of an environmentally contaminated property at 38th and Yukon Court. This loan will be paid-off with the sale of the property at 38th and Yukon in 2015 or 2016. 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.

Community Solar Garden

On March 23, 2015, the City entered into an agreement to purchase electric generating capacity in a solar garden. The agreement was funded on April 13, 2015 with a lease agreement for \$800,000. The solar power capacity is recorded as capital assets in the amount of \$776,628. A portion of the loan proceeds was used to pay issuance costs of \$23,372. Annual payments of \$80,167.08, including principal and interest accruing at 5.75%, are due on June 1, 2015 to May 1, 2030. As of December 31, 2015, the City has a capital lease outstanding amount of \$1,155,742.07. For its participation, the City receives energy credits from Xcel to be used to pay this lease and against energy consumption at various facilities.

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, 2016, 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 was 3% for the City plans noted above. The proposed 2016 budget includes \$450,000 in the Central Charges budget to fund performance increases for 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 8.3% 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 8.3% increase for 2016 is just 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 2016, 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 2016 staffing level will increase by a net of 0.5 FTE's for a total of 231.875 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 Maintenance Worker II – Public Works

- *This position will support ongoing maintenance and repair services required to maintain City infrastructure to include: streets, sidewalks, traffic signals, bus benches and shelters. This position will support in the maintenance of LED street and pedestrian lights within the City's newer residential and commercial areas. Additionally, maintenance of street banners, traffic control devices and preparation of streets for special events. Most importantly, the position will assist with snow removal and provide for scheduling symmetry to the 3-8-hour shift rotations which will increase the safety of staff.*

Previously Grant Funded Positions:

1.0 FTE Vice/Intelligence Detective (Police Officer II) – Police Department

- *In 2011, the City received a COPS grant to fund this position and funding has expired. The City was required to fund this position for one year after the completion of the grant. The City recommends maintaining this position as demand continues to grow in the area of intelligence issues, liquor investigations and human trafficking. The regulatory processes and monitoring of businesses such as massage establishments, liquor, and marijuana is increasing. The IACP Study recommendations completed in August 2015 support the funding of this position.*

Position FTE Increases:

0.5 FTE Recreation Coordinator, Active Adult Center – Parks and Recreation

- *This is a 0.5 FTE increase to an existing part-time position at the Active Adult Center. This FTE increase will allow for additional programming to better serve older adults through recreational programming. The position currently programs special events, drop-in activities and a variety of classes. The position also supervises the Center's volunteer activities. The FTE increase results in a decrease in temporary hourly by \$17,000 and an increase in projected revenue by \$10,000.*



Patrick Goff
City Manager