



City of Centennial

Office of the City Manager

November 3, 2008

Honorable Mayor, Council Members and Residents of Centennial:

In accordance with Article 11 of the Centennial Home Rule Charter and Colorado Revised Statutes Title 29, Article 1, Local Government Budget Law of Colorado, I am pleased to present to you the City Manager's 2008 Revised and 2009 Proposed Budgets. The City's annual budget is a document of great importance representing the foundation for how the City government provides the necessary services to the residents and business community.

The Proposed Budget provides the legal authority to obligate or expend funds in each budget year, represents the critical financial planning required in that process, and is a financial tool that provides the resources to support the funding of services. The budget process offers an understanding of the various operations of the City and how those operations relate to each other in attaining the overall goals of the City Council and the community. The Proposed Budget is also a critical communication tool providing a detailed accounting of the revenues received by the City and the way in which those revenues are used.

The 2008 Revised and 2009 Proposed Budgets for the City of Centennial are submitted to you as balanced budgets as required under the State of Colorado budget laws and the City's Home Rule Charter.

The reader of the budget document will notice several aesthetic changes described below. In addition, the reader will notice a higher level of reporting, including comparative financial and staffing data, descriptions of budget variances, details about

the revenues and expenditures, funds, and other critical elements describing the City's financial position.

The City made its first submission to the Government Finance Officers Association (GFOA) for the *Certificate of Achievement for Excellence in Financial Reporting Program* for the 2007 Comprehensive Annual Financial Report, and we will also be submitting the 2008 Revised and 2009 Annual Budget to the GFOA for the *Distinguished Budget Presentation Award*. To qualify for this award the budget document must meet four major elements including, that the budget must serve as a:

1. Policy Document
2. Financial Plan
3. Operations Guide
4. Communications Device

Each element has from four to nine criteria that should be met, and several criteria within each category that are mandatory to be considered for the award. The budget team performed a thorough review of prior budgets, identifying strengths, weaknesses, and opportunities for improvement utilizing the GFOA budget award standards, and has made several improvements to the budget document in order to ensure the document not only meets the expectations for the GFOA award, but provides Council, staff and our citizens with a transparent view into the City's financial and operational structure.

Economic Outlook - National Uncertainty Causes Local Concern

Instability in the national economy due to concerns in the finance, construction, and energy markets continues to influence consumer confidence and is having detrimental impacts on consumer expenditures. The Conference Board Consumer Confidence Index for September 2008 stands at 59.8 (1985=100). National economists are noting that the current market state is "the most troubling economy since the 1980s." (June 24 2008, USA Today).

The national unemployment rate has risen significantly in 2008, with the majority of the job losses in the manufacturing, construction, agriculture, employment services, wholesale trade, and information industries. The mining (energy) and healthcare

industries continue to show positive growth, and are expected to continue seeing gains in 2009. According to September reports, the national unemployment rate (seasonally adjusted) has risen 1.4 percent (1.4%) over the past year to 6.1 percent (6.1%) (September 2008, BLS). Colorado's unemployment rate has risen to 5.2 percent (5.2%) (seasonally adjusted), up 1.2 percent (1.2%) over the same term (September 2008, BLS). As of August 2008, Arapahoe County's unemployment rate was up 1.6 percent (1.6%) over last year, currently at 5.4 percent (5.4%) (CDLE).

Rapid home value increases occurred in 2004 and 2005 with the market hitting its high in the summer of 2006. The hyper markets are now faced with market correction which is impacting stability nationally in the banking and home-related industries. Denver, like its peer cities of Atlanta, Charlotte and Dallas, saw only moderate increases, so while the Denver market is impacted by residential trends in the national economy, its direct impact is significantly less than other markets (S&P/Case-Shiller Home Price Indices).

S&P/Case-Shiller Home Price Indices (January 2000 = 100)

DENVER	COMPOSITE (20 Markets)
August 2006 = 140.27 (H)	July 2006 = 206.52 (H)
August 2007 = 139.7	August 2007 = 197.36
July 2008 = 132.67	July 2008 = 166.23
(5 consecutive months of increase)	(24 consecutive months of decline)

The Consumer Price Index for All Urban Consumers (CPI-U) has increased 4.9 percent (4.9%) for the term of September 2007 to September 2008, with the largest increases in the transportation 10.5 percent (10.5%) and energy 23.1 percent (23.1%) categories. The Midwest region saw the same increases, while Denver-Boulder-Greeley saw a lesser impact with a 3.7 percent (3.7%) increase over last year. The Producer Price Index (PPI) indicates significant increases, with the September year over year change at 8.7 percent (8.7%). The increased PPI will likely have a direct impact on future consumer prices (September 2008, BLS).

Inflation, housing instability, energy costs and job insecurity are having serious and direct impacts on consumer expenditures, which is in turn creating similar concerns in the retail business market. The International Council of Shopping Centers (ICSC) is forecasting nearly 150,000 store closings for 2008, with the impacts spanning across

numerous merchandise groups. While that is significantly higher than in past years, it is substantially fewer closings than in the late 1990s during better economic times. Consumer behavior is also changing with shoppers frequenting wholesale clubs (up 7.9 percent (7.9%) midyear) and discounters (up 2.5 percent (2.5%) mid-year), and foregoing furniture (up 9.2 percent (9.2%) midyear), specialty apparel (up 5.5 percent (5.5%) midyear) and department stores (up 4 percent (4%) midyear). Automobile sales are nearly thirteen percent compared to 2007, with significant declines in truck and sport utility vehicles (SUV) sales. Of the major automakers, Subaru is currently the only brand to show overall year to date growth. (September 2008, MotorIntelligence).

While the national economy is expected to remain sluggish into 2009, the local economy is experiencing varying results. The volatile housing market seems to be calming in Centennial and the surrounding areas, with the S&P/Case-Shiller Home Price Indices showing a modest increase in the Denver market since January. Local consumer behavior is mirroring national trends in relation to increased spending at wholesale clubs and discounters, and decreased spending in the apparel and automotive sectors. Notably, spending in the food and beverage sector remains strong, though there are changes in behavior shifting consumers from higher price points into the fast casual market. The local employment market continues to be the high point for Centennial with local businesses indicating a positive outlook and confidence in profitability and growth in the short- and long-term.

Overview of Financial Information

The 2008 Revised and 2009 Proposed Budgets have been developed within the context of uncertain economic indications. Centennial's economy is proving to be more stable than the national economy largely due to the labor force indicators that show a larger percentage of employees coming to Centennial to work than those that work outside of the City. Additionally, the industries within Centennial are more stable in uncertain economic times. As a result, the projections for revenue and expenditures have remained conservative, but stable.

Three-year look at the Financial Data and the Staffing Levels

To clearly indicate trends and variances for each functional area, a three-year comparison is presented including 2007 Actual, 2008 Revised, and 2009 Proposed.

The reader will find that each functional area is divided into the various disciplines represented within the service area. The financial data and staffing levels for those disciplines and general service areas are also provided within that section. The comparisons include the dollar variances as well as the percentage variances. Likewise, a comparison of Full Time Equivalent (FTE) positions for each area is included with narrative discussion about the variances.

The City of Centennial provides a large portion of its services to the community through contracts with private vendors and/or intergovernmental agreements; therefore, staffing associated with those specific contracts or agreements is not included in the City's budget.

City's Credit Rating in Preparation of a Potential Bond Election

During the 2007 budgeting process, City Council expressed interest in moving forward with obtaining a preliminary credit rating for the City in preparation for a potential bond issue. As a result, the City contracted with Public Finance Associates, LLC (PFA) to compile community and financial data and it is currently anticipated that a presentation will be made to the bond rating agencies in October, 2008.

Obtaining an initial credit rating will allow the City to plan more effectively for future projects and using bonds as a means of financing major capital projects. The bond rating is also important for the City because the rating has an impact on the interest rates for the bonds – or the total cost to the City for the bond issue.

Formulation of the City's Investment Policy for Cash Management

On December 17, 2007, the City Council adopted, by resolution, the City's Investment Policy. The purpose of the policy is to direct staff concerning the investment of the financial assets of the City. The following are the objectives of the policy: (1) The City's investment portfolio shall be managed in a manner to attain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio. Investments shall be based on statutory constraints. The primary investment goals in propriety sequence are safety, liquidity, maximizing yield and avoiding speculation. (2) The investment portfolio shall be managed with the objective of attaining a market rate of return throughout interest rate cycles. Return on investment is

of secondary importance compared to the safety and liquidity objectives described in the resolution. Core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The benchmark, against which the City's portfolio shall be compared, will be the one-year U.S. Treasury Constant Maturity Index published by the Federal Reserve Board.

The City's cash and cash equivalents include amounts that are readily convertible to cash and are not subject to significant risk from changes in interest rates. Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value. The City follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to, and disbursed from, a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

Compensation and Benefits Study

The City Council directed staff to perform a compensation and benefits study during the 2008 budget process to ensure the City was competitive with surrounding and front-range municipalities. That study was completed during 2008 and has provided management with the necessary information to adjust the benefit packages appropriately and to make recommendations concerning the City's total compensation package.

Financial and Strategic Plan Overview

The City has entered into a strategic planning process discussed in the Five Star Institute Vector5™ Solution section. This planning process and resulting achievements have been intentionally incremental with an outside reviewer and facilitator guiding the process. In conjunction with that effort, the financial health of the organization is monitored and measured against the budget each month.

Home Rule Election

On November 6, 2007, Centennial voters approved the first step in the process of changing the City's form of government from a statutory city to a Home Rule city. That

vote established the formation of the Centennial Home Rule Charter Commission. The Charter Commission included twenty-one (21) citizens that undertook the challenge of drafting the City of Centennial's Home Rule Charter and that Charter was approved by a majority vote of the citizens on June 10, 2008. The Home Rule Charter Commission continues to work with City Council and staff to put in place the ordinances and processes needed to realize full advantage of this important vote.

One of the major financial benefits for Colorado cities in going from statutory to Home Rule status is the ability to self-collect local sales taxes rather than having the Colorado Department of Revenue (CDOR) provide that service. On July 8, 2008, the City did inform the CDOR of the intent to begin self-collection effective January 1, 2009. The internal processes and systems are currently underway to ensure a smooth transition, including a proactive business outreach program.

Taking the vote of the citizens and using the home rule authority to further the quality of life for the citizens of Centennial is an opportunity that the City is embracing with humility and a commitment to excellence.

Capital Improvement Program Plan

The Capital Improvement Program (CIP) five and ten year plans provide a guideline for setting priorities for future improvements in the City that have a useful life of at least five years. It is developed with input from a Capital Improvement Committee that includes representatives from several City departments and the City-wide Neighborhood Associations. Cost estimates and project summaries are prepared and potential projects are ranked by various objective criteria.

Based on ranking and available funding, estimated capital improvement project budgets for the next five and ten years are determined and are used to guide future planning and the need for potential supplemental funding. The plan is updated every year as priorities change and studies and master plans identify particular long-term needs.

Our Voice. Our Vision. Centennial 2030

In late 2007, Mayor Pye and City Council were motivated to develop a visioning process that would not only capture the voice of the current citizens, but would also inspire direction for the City's future population. In an effort to better understand the community's expectations as the City entered its eighth year of operations, the City set out to 1) identify citizen expectations, and 2) establish more formalized, long range and citizen-led vision.

Initial to the visioning process, a voter opinion survey was designed to determine the satisfaction level of the citizens of Centennial with the services being received. A sample of 400 respondents was randomly chosen from a list of registered voters, those respondents were interviewed and the results were provided to the Mayor and City Council in a 400 page report.

Key findings of the survey included:

- Satisfaction with life in Centennial and local governance remains high
- Snow removal, weeds, and potholes are potential flashpoints for citizens
- Voters expressed broad support for conservationist or 'green,' environmentally-friendly initiatives
- Maintaining quality schools remains a central focus of the community
- Residents express modest enthusiasm for economic development 'engineering' but, would like to see more high tech jobs in the City

Following the survey, a citizen-led visioning process was initiated, culminating in April 2008, with a seventy-seven page report outlining four major goals and associated strategies as identified by each of the vision committees.

The committees met more than 20 times during a three month period. Each group was tasked with developing a vision statement for their area of focus and an action plan including goals and strategies to achieve that vision by 2030. Participants analyzed research and a variety of current and future trend information. Each committee heard from members of City staff, City contract service providers, and County and regional organizations in order to facilitate the creation of a vision that represented Centennial's citizenry and the relevant challenges they face.

Pervasive in the discussions were several common themes regarding Centennial's future, including:

- Connecting the Community
- A Safe and Secure City
- City Signature Events
- Transportation
- Infrastructure Support/City Services
- Open Space
- Government Accountability and Transparency
- Partnerships
- Open Communication Between Government and Citizens
- Economic Viability

Ultimately, the committees focused on four major core values or elements that they believed strongly affected Centennial's future. These elements include:

- City Services
- Community Quality of Life/Citizen Engagement
- Economic Health
- Environment

The City's Budget Team has integrated these four major core values and common themes as the framework for reporting the 2008 accomplishments and for developing the goals and strategies for 2009. As evidence of the City's commitment to these values, this document is printed on recycled paper. Additionally, this document is available on the City's Web site to reduce the number of copies needed for print.

Comprehensive Plan

With adoption of the City of Centennial Comprehensive Plan in 2004, it was intended that the plan would serve as a framework, to be supplemented with corridor plans, sub-area plans, and other specific plans to achieve the City's vision for the future. To date, the City has adopted two sub-area plans and a Parks, Open Space, Trails and

Recreation Master Plan. Open Space planning contributes to the City's quality-of-life and the long-term attractiveness of the community. Desirable communities consistently support a stronger economy and superior fiscal performance. The City receives several dedicated funding sources for open space improvements and the Plan assists us in directing the use of that funding to maximize benefits to Centennial residents.

Sub-area plans are aimed at encouraging the development and redevelopment of the City in a manner that will achieve the highest and best potential use of land. The fiscal impacts of such planning efforts are very direct. For example, the Arapahoe Urban Center Sub-area Plan has influenced the planning for the development of specific parcels of land in a manner that will have a much greater fiscal benefit to the City. This plan encouraged higher intensity, mixed-use commercial and residential development, which has a much better fiscal impact compared to single-use residential development.

The City intends to continue its sub-area planning efforts. We currently have a sub-area planning effort underway for areas surrounding the new Streets at SouthGlenn commercial redevelopment. This plan is intended to maximize the spin-off benefits of this development to encourage revitalization and redevelopment of the surrounding area.

Transportation Master Plan

A Transportation Master Plan (TMP) will develop the City of Centennial's vision for all modes of transportation that is necessary to accommodate future demands on the transportation network over a set period of time, typically the next 30 years. The process for developing the TMP is scheduled to begin in 2009 and the implementation of components could begin as soon as 2011, depending on budgetary constraints. Short-term and long-term implications on the budget will depend on the TMP components that are selected for inclusion in the City's Capital Improvement Program.

New Centennial Civic Center Facility

The City has leased office space since its inception, and in 2006 diligently began a space planning and design process, looking at both current and future needs. Then, in late October, 2007, the City was approached by Westerra Credit Union to acquire their five acre property that is centrally located and required minor improvements to meet the City's facility needs. In the Spring, 2008 the City completed the acquisition of the 34,000

square foot facility (fully furnished), along with the 15 acres of surrounding vacant land, including eleven acres that was acquired using Open Space Funds and that has been set aside as future park land.

The building and the 3.84 acres of multi-purpose land was acquired for \$4.1M using General Fund dollars, and the eleven acres of park land was acquired for \$2.64M from Open Space funds. The City purchased both the building and surrounding land without the issuance of debt and holds fee-title to the property.

Performance Measurements, Goals and Objectives

The Mayor, City Council and City staff is committed to providing the highest possible level of service to the citizens of Centennial. Toward that end, the City embarked upon two major leadership initiatives in 2008, including a commitment to and participation in the International City/County Management Association (ICMA) Center for Performance Measurement (CPM), and a strategic planning process established through the Five Star Institute's Vector5™ Solution process.

ICMA's Center for Performance Measurement

Centennial has participated in ICMA's Center for Performance Measurement (CPM) since 2007. On an annual basis, jurisdictions throughout the United States and Canada report on their efficiencies within fifteen different service areas, including: Code Enforcement, Facilities Management, Fire and EMS, Fleet Management, Highway and Road Maintenance, Housing, Human Resources, Information Technology, Library Services, Parks and Recreation, Police Services, Purchasing, Refuse and Recycling, Risk Management, and Youth Services.

Centennial entered the program as a unique comparison providing many of the service areas through private industry or intergovernmental agreements. As a member of CPM, Centennial is able to benchmark with other cities to determine service levels and efficiencies for both in-house and outsourced service areas. The City views the program as an accountability check in determining if it is utilizing its resources in the most efficient and productive manner. For example, when the City first started reviewing the transition of Public Works services, a peer city review was necessary to determine how the City's service levels ranked amongst neighboring jurisdictions. Utilizing efficiency data

provided through the CPM program, Centennial decided to make modifications to public works services and increase street resurfacing from 16 – 20 centerline miles to 41 centerline miles (or 10 percent (10%) of the overall network), representing an increase of approximately 122 percent (122%) with fewer dollars expended.

Numerous jurisdictions within Colorado (referred to as the *Colorado Consortium*) are in the process of reviewing which core performance elements are most important to measure, making sure that the jurisdictions are only evaluating those elements that are meaningful and result in higher effectiveness and efficiencies. Essentially the Colorado Consortium is designing a “dashboard” to determine where the focus should be when measuring outputs (results).

Centennial is also integrating performance measurements within the culture of the organization. It is the City’s goal to demonstrate accountability and efficiency through a transparent lens. Staff is taking the fundamental principles of “efficient use of resources” and instilling them into the everyday tasks performed and the organizational philosophy. Staff will begin developing the CPM program within the organization in 2009 to not only include the current work of reporting measurements to ICMA, but to also include the feedback of the results through an annual performance measurement report that will be available to citizens and businesses.

Five Star Institute’s Vector5™ Solution

In January 2008, the City of Centennial’s Elected Officials and the City’s Executive Staff engaged in the Five Star Institute’s Vector5™ Solution. The Five Star Solution assists organizations in attaining critical strategic and financial targets. The process is a collaborative, year-long team process and includes use of a proprietary web-based application that moves teams out of the comfort zone and motivates change. The executive staff meets every six weeks to review the established goals ensuring progress, identifying roadblocks and removing obstacles, and keeping the team focused on collaboration in achieving results. Staff reports are routinely submitted to the City’s Elected Officials creating a high level of accountability.

Centennial Values Its People (CVIP)

In 2008, staff from all departments, including contract employees, created the *Centennial Values Its People (CVIP) Morale, Rewards and Recognition Program*. The program

acknowledged that a crucial part of achieving organizational goals starts with a motivated and high quality staff, and that recognizing outstanding employees strengthens the organization. The purpose of the CVIP is to provide a forum for employees to recognize and acknowledge fellow employees for their professional efforts. Employees are rewarded for demonstrating one or more of the City's ten values, creative and innovative ideas, and commitment to excellence as related to a special project or major or long term task.

ORGANIZATIONAL VALUES

Efficient: We perform at the highest level while best utilizing our time, resources and effort;

Effective: We work together with a shared sense of purpose to achieve the City's priorities;

Responsive: We listen openly to our customers to understand their needs and expectations, and share whole and complete information in order to deliver what we promise in a timely manner;

Innovative: We are empowered to act proactively, to evaluate how we do business and to make recommendations for changes in order to better serve our community;

Accountable: We recognize that our performance is best measured by benchmarks that are tracked and reported to demonstrate our commitment to excellence;

Partnership: We team with each other to work collaboratively and hold a shared responsibility of service;

Integrity: We do the right thing, acting in a truthful, dependable and fair manner;

Trust: We preserve an environment that supports sincerity, honesty and ethical behavior by acting reliably and demonstrating loyalty;

Respect: We treat each person equitably by valuing his or her thoughts, opinions, diversity, and personal needs;

Personal & Professional Enrichment: We acknowledge and encourage individual development and personal well being in a fun and creative environment.

Evidence of the use of these management and organizational tools appears for the first

time in this budget document. Performance measurements are included in the function and discipline sections of the document. The performance measurements reported in this budget document relate to the ICMA Center for Performance Measurements, where applicable, and the goals/strategies that correlate to the Vector5™ Solution and *Our Voice. Our Vision. Centennial 2030.*

Also included in each of the functional sections is an Overview, 2008 Accomplishments tied to the four core values determined in the visioning process, Performance Measurements with three-year comparative data where available, 2009 Goals and Objectives also tied to the four core values determined in the visioning process, financial information, and staffing levels with three year comparisons. The departments have been slightly altered to reflect the actual function of the segment of staff and then within that function, the various disciplines that come together to meet the need of that function. For example, under the Legislative function are the disciplines of Elected Officials, City Attorney's Office, and City Clerk. The four core values are identified by the value and a related symbol/picture.

Community Profile

In 2008, the City obtained a Retail Market Analysis (RMA) that provided qualitative data analysis that utilized Experian Business Strategies' MOSAIC USA group and type descriptions. The analysis obtained gives a comprehensive and unique look at the City's demographics and business culture. The Community Profile section of the budget document shows an innovative view of the City of Centennial. Also included in this section are colorful graphs and charts and a unique view of the culture and composition of Centennial. Sections include a Community Vision, Location, History, Demographic Profile including Sub-Area Profiles, Analysis of the labor force in the City and leaving the City each day, the Local Economy, Major Employers, a Peer City Comparison, Partnerships & Service Providers, and a new section called "Psychographic Profile". All of this information is provided to give the reader a comprehensive view of the City, its citizens and the industries that thrive within its boundaries.

Community Outreach and Input

Community Events. The City has had the privilege of hosting several community events, movie night-outs, charity walks, and other events during 2008 that were

designed to connect citizens, businesses, non-profits and government. Thousands of attendees reflected a growing desire for Centennial to become a unified community.

Community Participation. The City actively solicited the input and participation of citizens and the business community as it developed programming and determined the manner in which the needs of the City are met in the future. Several Requests for Proposals (RFP's) were issued for City services, including public works programs, animal care and control services, and mosquito control services throughout the year, and numerous citizens participated with staff and business experts in the selection committees for these critical services.

Community input was also a critical element in the "Our Voice. Our Vision. Centennial 2030" Community Visioning Process, the Centennial Open Space Master Plan, the Arapahoe Urban Corridor Sub-Area and SouthGlenn Sub-Area plans, and in developing the Home Rule Charter. Additionally, City Council and staff worked with other jurisdictions to combine resources in providing services to the citizens. For example, the City is leading a coordination effort between several jurisdictions to determine the feasibility and nature of a regional animal shelter.

City Council and City management are actively involved in local, regional and national committees keeping the City of Centennial informed and involved in the newest and most collaborative efforts, maximizing the resources available to provide the highest possible quality of life.

Major Impacts to Service Delivery

The City continues to follow the direction of the Mayor and Council to maintain a high-functioning, efficient and effective organization. In 2008, the City had only fifty-one (51.0) approved staff positions serving a population of approximately 100,000. However, in addition to in-house staff positions, in 2008, the City also negotiated numerous contracts for major services including:

Wider, Michow and Cox LLC, City Attorney

SafeBuilt, Building Department

Arapahoe County Sheriff's Department, Law Enforcement

CH2M Hill OMI, Public Works and the City's 24/7 Call Center
Humane Society of the Pikes Peak Region (HSPPR), Animal Services
Community Preservation Specialists, Code Enforcement
Ottertail Environmental, Inc., Mosquito Control
PReMA Corp, Contractor Licensing and Use Tax Administration

Additionally, previously contracted services for planning, development and land use functions were brought in-house in January 2008. This new department has been very successful and their diligence has been complimented throughout the development community.

Finally, in order to better align the organization, the functions of Economic Development and Contract Administration have been moved into the City Manager's Office, and Mosquito Control is now included with the Public Works function.

2008 Revised / 2009 Proposed Budget

General Fund

2008 Revised Budget. As you will see in the General Fund 2007 – 2009 Summary, the 2008 expenditures and net other financing uses are anticipated to close at \$49.3M which is \$5.3M above the 2008 Adopted Budget expenditures of \$44.0M. Revised revenue projections for 2008 are expected to be \$46.0M compared to the Adopted Budget of \$45.5M, or \$.5M above the 2008 Adopted Budget.

Revenue projections for 2008 were planned conservatively given the uncertainties of the economic markets and the redevelopment of the Streets at SouthGlenn. All in all, between the conservative revenue projections and diligence in managing expenditures, we are anticipating the 2008 Revised ending fund balance for the General Fund to be \$11.4M (or 23.1 percent (23.1%) of general fund expenditures and other uses) – a decrease of \$3.3M from the audited 2007 ending fund balance, largely due to the acquisition of the new Civic Center building. The Revised 2008 fund balance includes the required 3 percent (3%) TABOR emergency reserve totaling \$1.4M of operating expenditures, as well as the 10 percent (10%) (\$4.8M) restricted fund balance that is required as a result of Council policy, and numerous other designated reserves.

2009 Proposed Budget. Moving into 2009, revenue projections continue to be somewhat conservative. With the exception of Animal Care & Control Fines and Fees (projected at \$66,000), there are no new taxes or other fees included in the revenue projections for 2009. The projections do however include revenues from new programs to be implemented during 2009 including a sales tax auditing and sales tax delinquency tracking program. Finally, the 2009 Proposed Budget includes projected sales tax revenues from the redevelopment of Streets at SouthGlenn of \$1.65M; it is expected that 80 percent (80%) of the retailers at the Streets at SouthGlenn will be open by June, 2009.

In addition to economic threats to revenue, there continues to be legislative challenges (federal and state) that could impact the City's ability to impose sales tax on telecommunications and cable franchise fees. It is important to note that three of the Top 10 sales tax producers for the City are related to the telecommunication industry and represent approximately \$1.6M annually in sales tax. Cable Franchise fees represent an additional \$1.0M of the City's revenues. Combined, these sources represent nearly \$2.6M or 5.6 percent (5.6%) of the City's General Fund revenues that could be in jeopardy should legislation pass that would limit the City's ability to impose these taxes and fees. We will continue to watch this legislative session very closely.

Given the variables noted above, staff is projecting General Fund revenues (excluding transfers in) for 2009 at \$46.5M, or an increase of \$485,429 1 percent (1.0%) over the 2008 Revised budgeted revenues. General Fund expenditures (including transfers out for the Land Use and Capital Improvement Program funds) are projected at \$49.3M, or \$5.3M, 4.5 percent (4.5%) above the \$44.0M in the 2008 Adopted Budget. It is important to note that approximately \$4.1M was expended from the General Fund during 2008 for the purchase of the City's Civic Center; this amount was supplemented in the 2008 Revised Budget.

Public Safety. The Sheriff's Office submitted a budget request of \$20,037,596 or a 2.7 percent (2.7%) increase over the 2008 Revised Budget of \$19,505,800. Under the current Intergovernmental Agreement (IGA) with Arapahoe County, the Sheriff's Office may request up to a 3.5 percent (3.5%) annual increase in their requested budget. The entire Public Safety budget represents 49.6 percent (49.6%) or \$20.0M of the

General Fund (including the traffic officers that are budgeted and cost-centered in the Municipal Court).

Public Works. During 2008, the City changed Public Works service providers from Arapahoe County to CH2M Hill OMI. The 2008 Adopted Budget includes one-half year of contracted service costs through Arapahoe County and one-half year of contracted service costs through CH2M Hill, OMI. The total net increase in contracted services in the 2009 Proposed Budget is \$4,345,765; however the level and types of services to be provided during 2009 under the CH2M Hill OMI contract vary from services previously provided by Arapahoe County.

Transportation Designations. The City is required by law to use 100 percent (100%) of the auto use tax revenues of \$3.7M and a maximum of \$2.8M of sales tax revenue for the acquisition, construction, operation, maintenance and financing for transportation system improvements (a combined amount of \$6.5M). The City's 2009 Proposed Budget ensures these requirements are fulfilled.

Code Enforcement. The 2009 Proposed budget includes costs for a third party service provider. During 2008 the City contracted all Code Enforcement services, including an enhanced service plan with additional code enforcement officers.

Other Funds

Land Use Fund. The City's Land Use Fund is intended to be an enterprise fund which basically means it is self-funded through charges and fees imposed on development related services. In order to meet the requirements of a fully functioning enterprise fund, the fund must not be subsidized by another fund by more than 10%. In light of the Council's decision to bring planning and development services in-house beginning January 1, 2008, the Land Use Fund has reduced its dependency on the General Fund subsidy. The 2009 Proposed Budget reflects a General Fund subsidy of \$459,829, compared to \$418,202 projected for 2008. The Land Use Fund's Proposed 2009 Budget includes funding for one-time projects, not funded by charges and fees, including the Land Development Code Re-write. The department of Planning and Development has recommended slight changes to the Land Use fee structure based on current costs of providing services.

Capital Improvement Fund. The 2008 Adopted Capital Improvement Fund Budget is presented in the 2009 Budget document by project, and includes amounts reappropriated (but unused) during previous periods. The 2008 Proposed Budget for the Capital Improvement Fund is \$6.1M and includes funding for services and supplies related to Streets Maintenance/Operations, Geotechnical Services and Testing, Major/Minor Structures and Inspections, Traffic System Upgrades, and Capital Improvement Program Management. The cost for the majority of these services was included in the Public Works department in the 2008 Adopted Budget; however, are included in the Capital Improvement Fund in the 2009 Proposed Budget in an effort to better align department services and costs. The 2009 Proposed Budget also includes funding for new streets and intersections, sidewalks, traffic signals and street signs.

In Conclusion

I want to express my appreciation to the Mayor and members of City Council for their continued support of staff, their solid leadership, and their never-ending dedication to the citizens and businesses of Centennial. The staff also amazes me with their continuous commitment to excellence and their on-going desire to ensure transparency in providing the operational and financial details of the organization, not to mention their high degree of professionalism in providing the day-to-day services to the community.

Pulling together a document of this nature is always a complicated and time-consuming process; however, this document in particular, because of the many enhancements that have been included, has been particularly challenging. And, without the dedication of Elisha Thomas, Assistant to the City Manager, Dawn Priday, Acting Finance Director, and Karen Stickland, Management Analyst it simply would not have been a reality. I'd like to thank each of them for their innovation, hard work, and the many tireless hours they put in to the new format design and preparation of the narrative and financial data. The great cover and section tabs were designed by Corri Spiegel, Economic Development Manager, and all department directors as well as numerous other staff, were integral to the entire process. What a TEAM!

Sincerely,

Jacque Wedding-Scott

City Manager



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