



CITY OF LONE TREE
COLORADO



2016 BUDGET

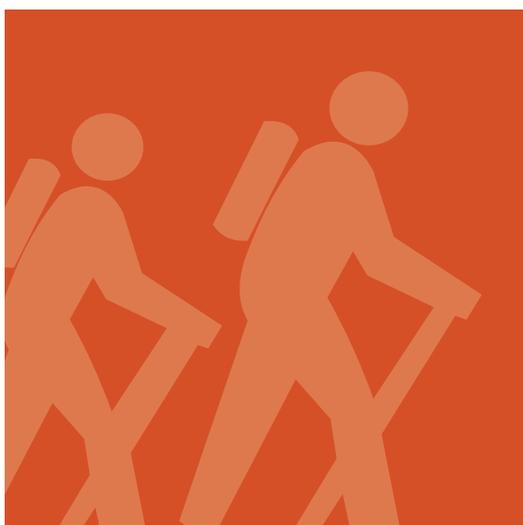


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USING THE BUDGET DOCUMENT

Each year, the City Manager and staff prepare an Annual Budget that is presented to, reviewed in detail and approved by City Council, that serves as the funding plan for the policies, goals, and service-levels as determined by City Council. This document is a comprehensive decision-making tool that provides detail for the 2015 estimated Budget and the 2016 adopted Budget.

The City of Lone Tree prepares a modified programs-based Budget. The Financial Summaries section which includes the individual fund information, and the Budget Message are found on pages 28–64, which provide fund summary information, revenue details, as well as program budgets that identify activities and financial detail for each City function based on generally accepted accounting principles. Additional information on Capital and Debt can be found on pages 66–72 and Department details are on pages 74–92. Additionally, in 2015, the City began developing a Community Vision and Mission Statement, along with a set of values, or “Big Ideas” to serve as guiding principles for the City. This model will guide the development of the City’s Long-Range Strategic Plan, which is planned to be completed in 2016. Throughout this process in 2015, it was determined that the City would transition from using the Budgeting For Outcomes (BFO) methodology to utilizing the Community Vision and Mission Statement, along with the Long-Range Strategic Plan as the guiding methodology for how the City’s resources will be allocated and create the link between authorized spending and broad organizational goals. As the City moves into 2016, City staff and City Council will be dedicated to formulating the details of the City’s Long-Range Strategic Plan. The Community Vision and Mission Statement, along with the six Big Ideas can be found on page 76.

The City utilizes a decentralized “bottom up” approach in the development of the Annual Budget. Each Department is responsible for developing the financial data and narratives that are to be incorporated into the Budget document. Guidelines and instructions are established by the Finance Department in cooperation with the City Manager’s office and City Council’s policy direction. The Finance Department coordinates and compiles all the Budget information from the Departments into the final Budget document that is presented by the City Manager to City Council.

There are five main sections to this document including: Introduction and Overview; Financial Structure, Policy, and Process; Financial Summaries; Capital and Debt; and Departmental Information.

INTRODUCTION AND OVERVIEW

This section provides general information about the City including budget highlights from the City Manager, GFOA Distinguished Budget Award, a list of Principal Officials, a City of Lone Tree fact sheet and a snapshot of the City's total Budget, including revenues and expenditures for all funds.

FINANCIAL STRUCTURE, POLICY, AND PROCESS

This section provides the reader with the citywide Organization Chart and a description of the four City Funds, including their structure and how they relate to each department. Additionally, a discussion is presented on the basis of budgeting, the City's financial policies, and the budget process.

FINANCIAL SUMMARIES

This section provides the reader with supporting detail for the revenues and expenditures for all funds requiring appropriation. Additionally, a budget message is presented to provide detailed information about the City and each fund, as well as information on each revenue type, department expenditure information, capital expenditure information, debt and leases, compensation, benefits and staffing, and reserve funds.

CAPITAL AND DEBT

This section outlines the City's capital expenditures and discusses the difference between routine and one-time capital expenditures. The City's debt instruments are discussed and the debt schedules are also presented in this section.

DEPARTMENTAL INFORMATION

This section informs the reader about employee counts by function/program. Department descriptions are also provided with unit goals and objectives.

INTRODUCTION AND OVERVIEW



INTRODUCTION AND OVERVIEW

CITY MANAGER'S BUDGET HIGHLIGHTS

To the Citizens of Lone Tree and other interested parties:

I am pleased to present the 2016 City Budget. This Budget is the result of many hours of work by City Council and City staff who jointly participated in the budget process. The Budget was adopted by the City Council by Resolution No. 15-18 on December 1, 2015.

This balanced Budget will allow the City to continue to provide a high level of services to our community and will fund several long-sought infrastructure investments, while still allowing the City to maintain its operating reserves. Early this year, the Council adopted a new vision statement for the City, which states: Lone Tree is a premier Colorado community connected by great neighborhoods, vibrant public spaces, a beautiful natural environment, and thriving businesses.

This Budget, which is as much of a policy instrument as a financial document, focuses on our community's priorities to work toward that vision.

BUDGET HIGHLIGHTS

The City's 2016 Budget reflects Council's objective to develop a fiscally responsible budget – a budget built on conservative revenue projections, prudent expenditure levels, and required and reasonable reserves and designations. Highlights of the City Budget include:

- Total budgeted revenues for all City funds are approximately \$53 million.
- Taxes make up approximately 54 percent of total revenues. The primary source of this revenue is sales and use tax which is projected to increase by 3.4 percent in 2016. The City does not assess a mill levy for the collection of property taxes.
- Total budgeted expenditures for 2016 for all City funds are approximately \$55 million. Budgeted expenditures are projected to be paid from projected 2016 revenues received as well as prior years' accumulated fund balances.
- The operating Budget maintains the same high quality level of service as 2015.
- 2016 anticipates hiring three-and-one-half new positions within the City.
 - ◆ New positions in Information Technology and the City's Clerk's office are needed for succession planning and to maintain the City's current outstanding level of service to its customers. These positions will include a Deputy City Clerk position and an IT Systems Specialist position, both in the Administrative Services Department.
 - ◆ At the Lone Tree Arts Center, a Corporate and Foundation Manager will be hired to further capitalize on private sector and foundation financial support. This mid-level position is an affordable way to ensure we continue to engage our growing business community.

- ◆ The City is exploring creating a Teen Court program in 2016. Teen Court programs provide an alternative for first-time offenders by providing a peer-driven sentencing mechanism that allows young people to take responsibility, be held accountable, and to make restitution. A part-time Teen Court Coordinator position will be hired to oversee this new program in the Municipal Court Department.
- Major Capital improvement projects for 2016 include:
 - ◆ Entertainment District Improvements
 - ◆ Southeast Light Rail Extension
 - ◆ Library Building Purchase
 - ◆ Lincoln Avenue Pedestrian Bridge
 - ◆ Annual Street Overlay and Construction including Parkway Drive, County Line, Lincoln Avenue and Heritage Hills Circle, and an additional turn lane on Yosemite Street from Maximus to Park Meadows Drive.
- A 25 percent working reserve has been included in the 2016 Budget. This reserve is set aside for unanticipated revenue shortfalls and unanticipated expenditures.
- Capital reserves have been established for capital replacement and new capital projects based on the City's 10-year capital plan.

Priorities and issues for the upcoming year include outlining a long-term fiscal analysis that ensures stability and success. The City will soon begin a growth stage different from any previous period with the development on the east side of I-25 as well as several large capital project initiatives planned in the near future. With the City being highly dependent on sales tax revenues, careful consideration and long-term planning is even more critical. Work on these projects have been ongoing, but construction will begin in 2016 and continue into future years for some of the larger projects. Specific projects planned for next year include:

- 2016 will bring visible progress on many projects that have been in the pipeline for many years including the Entertainment District improvements, Southeast light rail extension, the Lincoln Avenue pedestrian bridge and capacity improvements on C-470 and I-25. The City is fortunate on these projects to be able to leverage millions of dollars from a variety of partners to see these projects through.
- The City will be taking ownership of the library branch building on Lone Tree Parkway and Yosemite Street. While the final use of the building is still being discussed, funds are in place in 2016 to purchase the building and complete minor renovations.
- During 2016, several other strategic planning documents are planned to be developed including a City-wide Long-Term Fiscal Analysis, which will be developed in conjunction with the City's overall strategic planning initiative.

In 2016, the City will be dedicated to formulating the details of the City's Long-Range Strategic Plan. As a first step in 2015, Council adopted the new vision statement and from that staff has been working to draft the City's mission statement and related goals or "Big Ideas." This effort will be replacing the Budgeting for Outcomes (BFO) methodology the City has utilized over the last few years. The adopted Long-Range Strategic Plan will serve as the guiding methodology for how the City's resources will be allocated. The draft Mission Statement expresses that "we will achieve Lone Tree's community vision by doing things the best way, not just the expected way." From that, six "Big Ideas" have been developed and will be expanded as the Long-Range Strategic Plan is further constructed in 2016. The six "Big Ideas" are as follows:

We will be a national model for:

- 1) Our deep, active commitment to safety
- 2) Visionary transportation network
- 3) Fostering a highly desirable community, where residents and visitors recognize and value Lone Tree as a unique place
- 4) Creating signature cultural and recreational opportunities
- 5) Attracting and growing top-tier businesses and a diverse economy
- 6) Innovative, customer-focused and efficient city government

The Budget Summary section provides a brief summary on the budgeted revenues, expenditures, and ending fund balances for each of the City's Funds, while the Budget Message section details information about services provided by the City, revenues and expenditures, City's current debt and reserve funds that are included in the 2016 Budget.

Finally, I would like to acknowledge City staff for their hard work, dedication and innovation and thank the Mayor and City Council for their deep public service commitment to the citizens of Lone Tree. The foundation they and their predecessors have laid has made Lone Tree what it is today, and their continued leadership promises to make 2016 a momentous year in our City's history. This Budget is truly reflective of a group effort.

The Council and I welcome any questions or comments concerning the 2016 Budget and budget process.

Sincerely,



Seth Hoffman
City Manager



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Lone Tree
Colorado**

For the Fiscal Year Beginning

January 1, 2015

Executive Director

INTRODUCTION AND OVERVIEW

PRINCIPAL OFFICIALS

CITY COUNCIL

Mayor	James D. Gunning, At-Large
Mayor Pro-Tem	Jacqueline Millet, District 1
Council Member	Harold Anderson, District 1
Council Member	Kim Monson, District 2
Council Member	Susan Squyer, District 2

MUNICIPAL JUDGE

Municipal Judge	Louis Gresh
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CITY OFFICIALS

City Manager	Seth Hoffman
Deputy City Manager	Steve Hebert
City Attorney	Gary White
Finance Director	Kristin Baumgartner
Public Works Director	John Cotten
Community Development Director	Kelly First
Chief of Police	Jeff Streeter
Lone Tree Arts Center Executive Director	Lisa Rigsby Peterson
Economic Development Director	Jeff Holwell
City Clerk	Jennifer Pettinger



The Lone Tree City Council • December 31, 2015

INTRODUCTION AND OVERVIEW

LONE TREE FACTS



OVERVIEW

- Incorporated in November 1995
- Became a Colorado Home Rule City on May 5, 1998
- Council-Manager form of government where Council sets the City policy and the City Manager is responsible for City operations
- City Council is made up of five Council members, including the Mayor, elected in non-partisan elections. Each member serves a staggered four-year term and represents one of the two districts within the City except for the Mayor, who serves as an at-large member
- The City provides a full range of services including public safety, construction and maintenance of streets and other public infrastructure, planning and building permit and inspections, arts and cultural activities, financial management and municipal court services



LOCATION

- Located in the southern Denver metropolitan area at the junction of C-470/E-470 and I-25
- Comprises approximately 6,162 acres or 9.6 square miles
- Located in northern Douglas County



GENERAL POPULATION

- Population estimated at 12,799 as of December 31, 2015 (with a daytime population estimated at 25,216)
- Average household income of \$149,232
- Median Age — 39.4



ECONOMY

- Lone Tree is located within the boundaries of the Denver South Economic Development Partnership which includes 39 million square feet of office space and employment of more than 300,000 people.
- The City is home to the Park Meadows Retail Resort, Colorado's only retail resort with over 185 unique retailers and restaurants including American Girl, Nordstrom and a Microsoft Store. During 2015, new vendors included Lolli & Pops, Oil and Vinegar, and Grimaldi's Pizzeria.
- RidgeGate is a 3,500-acre master planned community located within the City and is home to the Lone Tree Recreation Center, the Lone Tree Arts Center as well as diverse retail, dining, office space and home offerings.
- During 2015, Charles Schwab completed their third office building and a second parking garage. Charles Schwab also became the largest employer in Lone Tree and Douglas County with an estimated 3,000 employees.
- The Lone Tree Entertainment District includes a movie theater, miniature golf, bowling, indoor skydiving and numerous restaurants.
- Sky Ridge Medical Center opened in the City in 2003 and is a state-of-the-art regional medical facility located on 42 acres. In 2013, Sky Ridge began an estimated \$117 million expansion plan which added 90 beds, a women's center, a new medical office building, additional spine/ortho operating rooms and a parking structure. The expansion was completed in 2015.
- The City sales tax rate of 1.8125 percent is among the lowest in Colorado.



PARKS, RECREATION AND CULTURE

- The City has an extensive trail system comprised of 34.5 miles in City limits and numerous parks totaling 243.79 acres including the Bluffs Regional Park and Prairie Sky Park.
- Lone Tree Golf Club and Tennis Center includes a championship Arnold Palmer-designed 18-hole public course, two championship/teaching tennis courts with terraced seating, four-court tennis complex with lighted courts and a pavilion with picnic tables and children's playground.
- Cook Creek pool features a 4,600-square-foot outdoor leisure pool, 23-foot tower slide, zero depth entry, basketball and lesson area and interactive water feature.
- Lone Tree Arts Center includes a 500-seat main stage theater with orchestra and balcony seating, an adaptable 150–225 seat event hall for intimate performances and events and a 300–350 seat outdoor terrace theater.

- Each summer the City features free summer concerts at Sweetwater Park as well as free outdoor movie nights with food and fun activities at Prairie Sky Park.
- The Annual Independence Day celebration at Sweetwater Park features music, trampolines, climbing walls, face painters, caricature, inflatables, clowns, petting zoo, fireworks and much more.



2015 HONORS AND AWARDS

- For the last nine years, the City has been awarded the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is a national award recognizing conformance with the highest standards for preparation of state and local government financial reports.
- For the first time, the City of Lone Tree is the recipient of the Distinguished Budget Presentation Award for excellence in municipal budget reporting by the Government Finance Officers Association (GFOA). The award was given for the City's 2015 budget, which was the first year the City applied for the award. This award represents a significant achievement by the City of Lone Tree and reflects the commitment of the City and staff to meet the highest principles of governmental budgeting.
- The Lone Tree Arts Center continued to receive awards in 2015 such as the Award for Innovator of the Year from the Sensory Processing Disorder Foundation, which was given to the Arts Center in recognition of its leadership in creating the first Sensory Friendly Summit held in Colorado. This meeting brought together nearly 100 representatives from throughout the state to discuss ways to make arts and culture accessible to individuals with intellectual or developmental disabilities, autism, and other conditions. Additionally, the Arts Center received the Denver Mayor's Award for Excellence in Arts & Culture in both Innovation and People's Choice for Best Collaboration. This award is given to exemplary and innovative organizations making an important impact in and around the City and County of Denver. Both of the Mayor's Awards were in recognition of the Sensory Friendly Summit, which was co-hosted by Phamaly Theatre Company (hence the People's Choice Award for Best Collaboration).
- In 2015, the City's Chief Building Official, was elected President of the Colorado Chapter of the International Code Council. This organization promotes and improves the International Codes, educating the building industry, public and its membership.
- In 2015, the City's Facilities Manager, received the International Facilities Management Association – Denver Chapter's 2015 Lou Doyle Distinguished Member Award.

INTRODUCTION AND OVERVIEW

TOTAL BUDGET SUMMARY

REVENUES

The 2016 Budget has been prepared with no tax rate increases. Total budgeted revenues for all City funds are \$53,237,041. This is an increase of 34.4 percent from 2015 estimated. This increase is largely the result of one-time partner contributions for large capital projects including, the Lincoln Avenue pedestrian bridge as well as the extension of the light rail further south on I-25. Additionally, this includes anticipated intergovernmental revenue based on the City's share of allocated funds from the State of Colorado and Douglas County. Intergovernmental revenue makes up approximately 35.4 percent of total revenue. Additionally, the increase assumes a 3.4 percent increase in sales tax revenue and a 2.0 percent increase in all other taxes, including use tax retail, use tax building materials, lodging tax and admissions tax. Total taxes collected makes up approximately 54 percent of total revenue. The primary source of the City's tax revenue is sales tax and use tax.

The rate for sales and use tax for general operations remains at 1.5 percent. The total sales and use tax rate for the City is 1.8125 percent of which .125 percent is pledged to bond repayment related to park and recreation improvements and .1875 percent is pledged to bond repayment related to the construction of the Lone Tree Arts Center. These sales and use tax increases, which are pledged to the current City bonds, will end December 1, 2023, or after full payment of the bonds, whichever occurs first. The City's comparative low sales tax rate makes it attractive for consumers to visit and shop in the City. The following table compares the City's sales tax rate with other communities along the Front Range:

MUNICIPALITY	LOCAL SALES TAX RATE
Lone Tree	1.8125%
Greenwood Village	3.0%
Centennial	2.5%
Parker	3.0%
Castle Rock	4.0%
Denver	3.65%
Lakewood	3.0%
Broomfield	4.15%
Boulder	3.86%
Colorado Springs	3.12%

The total sales tax rate in the City of Lone Tree is 6.8125 percent. For every dollar you spend on retail purchases, you pay 6.8 cents in sales tax. Only 1.8 cents of this comes back to the City.



EXPENDITURES

The total budgeted expenditures for all City funds for 2016 is \$54,899,811. The net operating budget, which represents the funds needed for operating day-to-day services, excluding debt service and capital projects, increased by 13.6 percent in 2016 from 2015 estimated.

Included in this increase were three-and-one-half new positions including a Deputy City Clerk, an IT Systems Specialist position, both in the Administrative Services Department, as well as a Corporate and Foundation Manager at the Lone Tree Arts Center, and a Part-Time Teen Court Coordinator position in the Municipal Court Department. Also included in this increase were general repairs and maintenance of the City's primary assets, including the City's three facilities and streets, as well as contracting personnel for public works projects, building inspections, and administrative support.

The increase in capital funding from 2015 to 2016 includes the Lincoln Avenue pedestrian bridge, the extension of the light rail further south on I-25, improvements to several roads including County Line Road and Yosemite Street, continued improvements to the Entertainment District, and the purchase of the prior Douglas County library. The change in fund balance between 2015 and 2016 in the General Fund is primarily a result of the large capital projects planned for 2016 with the use of fund balance coming from the City's capital reserve. The use of the capital reserve is pursuant to the City's 10-year capital improvement plan and the Capital Reserve Policy.

The following table compares the 2014 actual, 2015 estimated and 2016 budgeted amounts for revenues, expenditures and fund balance:

TOTAL BUDGET

	2014 Actual	2015 Estimated	2016 Budget	% Change 2015 Estimated to 2016 Budget
Beginning Fund Balance	15,797,988	19,362,787	21,919,715	13.2%
Revenues	36,931,739	39,614,494	53,237,041	34.4%
Expenditures:				
Operating	19,491,325	20,583,907	23,376,025	13.6%
Debt	2,434,819	2,496,869	2,564,000	2.7%
Capital	11,440,796	13,976,790	28,959,786	107.2%
TOTAL	33,366,940	37,057,566	54,899,811	48.1%
Ending Fund Balance	19,362,787	21,919,715	20,256,945	(7.6%)

CHANGE IN ENDING FUND BALANCE

(2015 Estimated compared to 2016 Projected)

	2015 Estimated Ending Fund Balance	2016 Projected Ending Fund Balance	Change in Fund Balance	% Change
General Fund	19,921,930	17,947,240	(1,974,690)	(10.0%)
Cultural & Community Services Fund	-	-	-	0.00%
Arts & Cultural Facilities Debt Service Fund	983,371	1,066,371	83,000	8.5%
Park & Recreation Improvements Debt Service Fund	1,014,414	1,243,334	228,920	22.6%
TOTAL	\$21,919,715	\$20,256,945	(\$1,662,770)	(7.6%)

In the General Fund, the percentage change from 2015 estimated to 2016 projected is a result of using funds in the capital reserve (part of the 2015 ending fund balance) to pay for capital expenditures in 2016 pursuant to the Capital Reserve Policy.

The Arts and Cultural Facilities Debt Service Fund and the Park and Recreation Improvements Debt Service Fund shows a positive percentage change from 2015 estimated to 2016 projected due to the projected increase in sales and use tax-retail revenue to be collected in 2016. The percentage increase is lower for the Arts and Cultural Facilities Debt Service Fund due to the 2016 budgeted transfer of funds to the General Fund to pay for capital projects to be completed at the Lone Tree Arts Center.

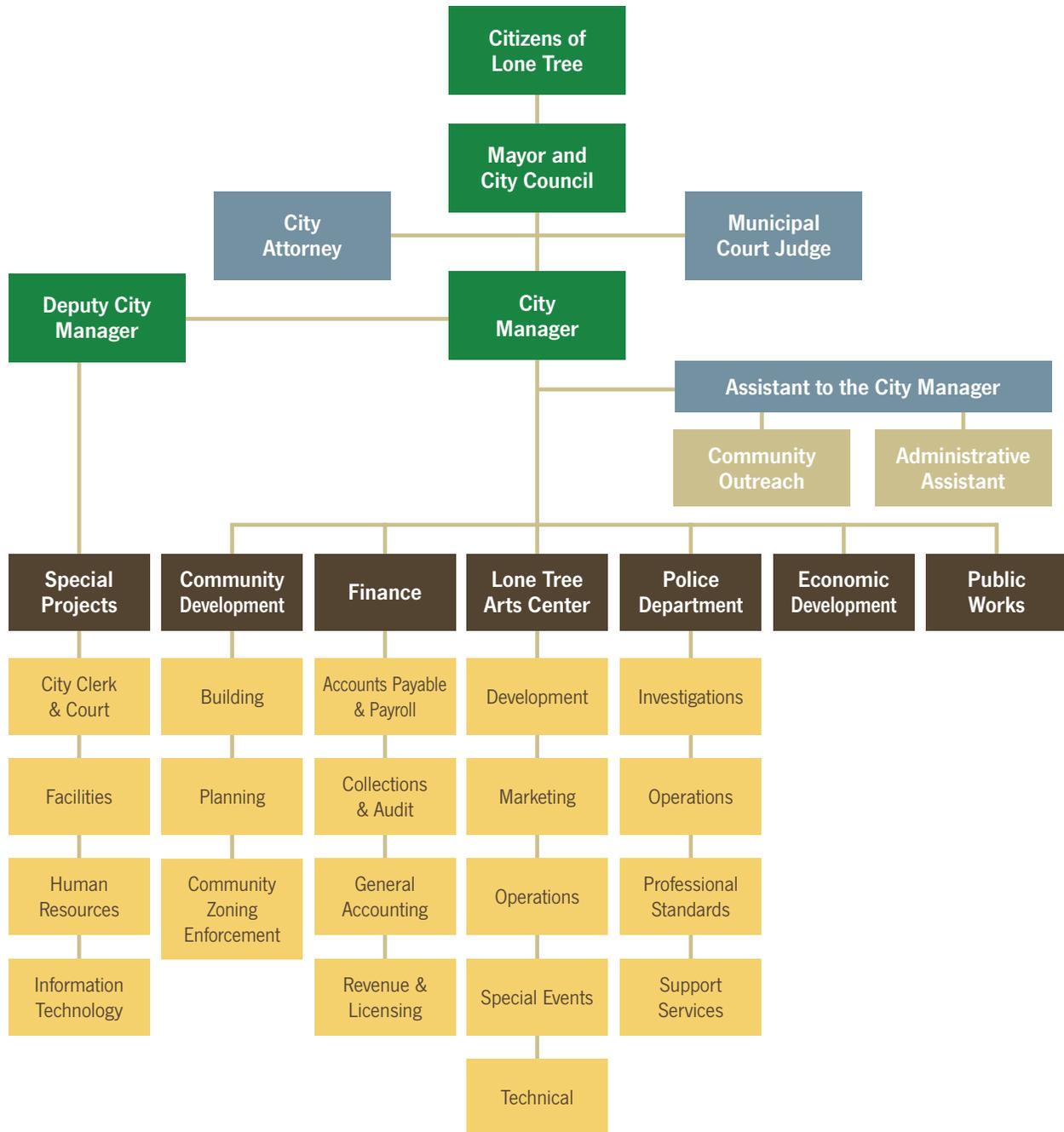




FINANCIAL STRUCTURE, POLICY, AND PROCESS

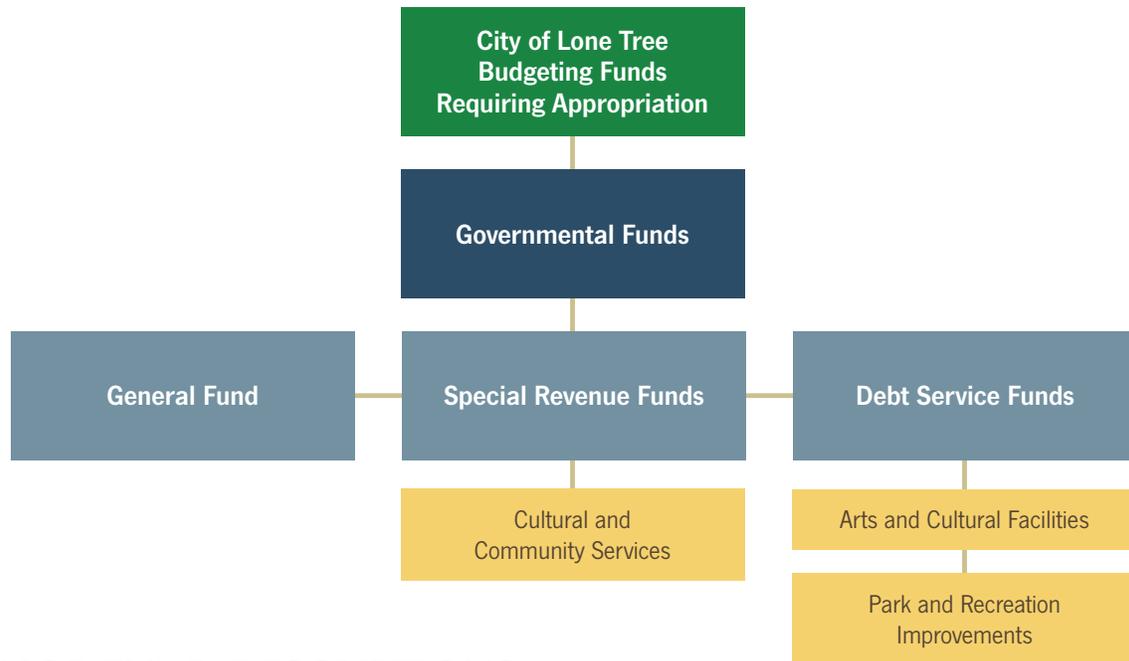
FINANCIAL STRUCTURE, POLICY, AND PROCESS

DEPARTMENTAL STRUCTURE



FINANCIAL STRUCTURE, POLICY, AND PROCESS

BUDGET FUND STRUCTURE



MAJOR FUND DESCRIPTIONS:

GENERAL FUND

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

SPECIAL REVENUE FUND

The **Special Revenue Fund – Cultural and Community Services** is used to account for revenues and expenditures related to the operations of the Lone Tree Arts Center, as well as other City sponsored events and cultural services. Revenue reported in this fund include all sales at the Lone Tree Arts Center, which include ticket sales and related fees, rental fees, concessions, donations, and grants.

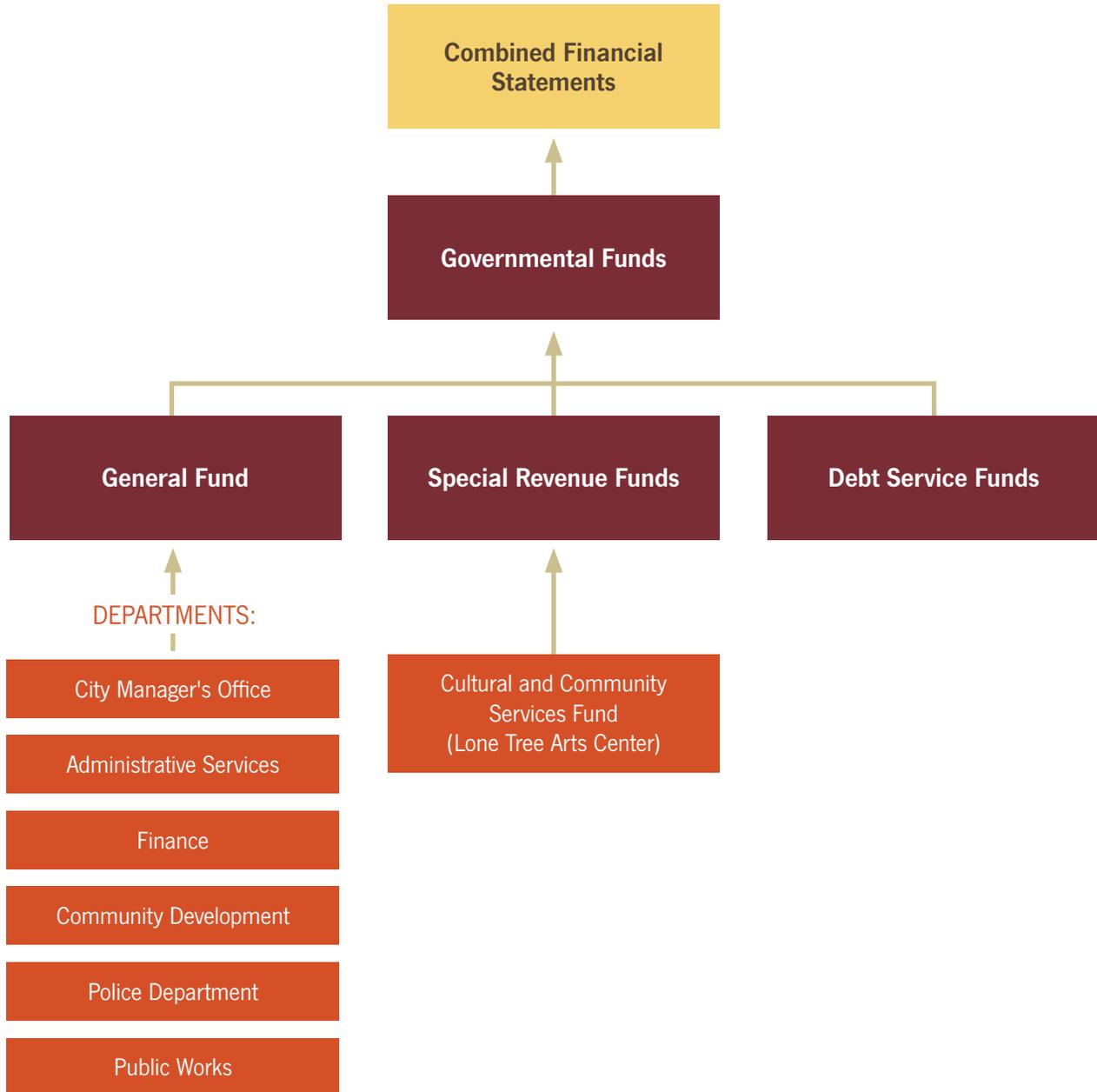
DEBT SERVICE FUNDS

The **Debt Service Fund – Arts and Cultural Facilities** is used to account for the resources accumulated and payments made for principal and interest on long-term debt related to arts and cultural facilities improvements.

The **Debt Service Fund – Park and Recreation Improvements** is used to account for the resources accumulated and payments made for principal and interest on long-term debt related to park and recreational improvements.

FINANCIAL STRUCTURE, POLICY, AND PROCESS

DEPARTMENT / FUND RELATIONSHIP



FINANCIAL STRUCTURE, POLICY, AND PROCESS

ACCOUNTING, BUDGETING AND FINANCIAL POLICIES

The City of Lone Tree, Colorado financial policies set forth the basic framework for the fiscal management of the City. These policies were developed within the parameters established by applicable provisions of the Colorado Revised Statutes and the City of Lone Tree City Charter. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

BASIS OF ACCOUNTING

The City's finances are accounted for in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB).

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Under accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the cash is received.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Modified accrual accounting recognizes revenues when they become measurable and available. Measurable means that the dollar value of the revenue is known. Available means that it is collectible within the current period, or soon enough after the end of the current period to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within a reasonable period (typically within 60 days) following the end of the current fiscal period. The major sources of revenue susceptible to accrual are sales, use, lodging and admissions taxes. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

BASIS OF BUDGETING

Basis of budgeting refers to the methodology used to include revenues and expenditures in the budget. The City of Lone Tree budgets on a cash basis. The City does not budget for non-cash items such as depreciation and amortization. The revenues and expenditures are assumed to be collected or spent during the period appropriated. Using this assumption, the current year revenues are compared to expenditures to ensure that each fund has sufficient revenues to cover expenditures during the budget year, or that there are sufficient cash reserves in the fund to cover a revenue shortfall. The City's operating and capital budget, special revenue fund and all debt service funds are adopted on an annual basis (the fiscal year begins with the first day of January and ends on the last day of December) with all appropriations lapsing at fiscal year-end.

BASIS OF BUDGETING vs. BASIS OF ACCOUNTING

The basis of budgeting differs from the basis of accounting only by the assumptions that are made in regard to the timing of the recognition of revenues and expenditures. The budget assumes that all revenues and expenditures, as well as the associated cash, will be expended or received during the budget period. Conversely, the basis of accounting only recognizes revenues when they become both measurable and available, and expenditures when incurred. Cash is not necessarily received or expended at the same time. Additionally, compensated absences liabilities that are expected to be liquidated with expendable available financial resources are accrued as earned by employees with GAAP as opposed to being expended when paid on the budget basis.

BASIS OF PRESENTATION – FUND ACCOUNTING

The activities of the City are organized into separate funds that are designated for a specific purpose or set of purposes. Each fund is considered a separate accounting entity, so the operations of each fund are accounted for with a set of self-balancing accounts that comprise its revenues, expenses, assets, liabilities, and fund equity as appropriate.

The number and variety of funds used by the City promotes accountability but can also make municipal budgeting and finance complex. Therefore, understanding the fund structure is an important part of understanding the City's finances. The City of Lone Tree currently has four funds. Each of the City's funds are major funds and each fund is appropriated for annually.

BUDGET PHILOSOPHY

The budget is the long-range plan by which financial policy is implemented and controlled. The City Charter, Colorado Constitution, and Colorado State Statutes provide the basic legal requirements and time lines for the City's budget process. Council goals, ordinances, and resolutions provide policy direction that respond to the needs and desires of the community.

The City considers the budget balanced when total expenditures are equal to total revenues. However, the budget is also balanced in situations where total expenditures are less than total revenues, which is technically a surplus. There are also instances when the City might plan to spend fund balances from previous years on one-time or non-routine expenditures, such as capital projects. The City considers the budget to be balanced in this case also, provided the funding from previous years is available, and a plan is in place to not build ongoing expenditures into this type of funding. For 2016, the City's budget is balanced with revenues and appropriated fund balances equaling expenditures, as well as beginning fund balance from capital reserves.

Municipal services are funded through a variety of taxes, fees, charges for service, and intergovernmental assistance. Generally, the City:

- Utilizes conservative growth and revenue forecasts
- Appropriates the budget in accordance with the City Charter, the Colorado Constitution, and Colorado laws
- Adopts financial management policies that establish guidelines for financial plans
- Establishes budgets for all funds based on adopted policies and practices
- Organizes the budget so that revenues are related to expenditures, as much as possible
- Prepares a multi-year financial plan for capital improvements

- Manages the operating and capital budgets, with City Council approval
- Provides department directors with immediate access to revenue and expenditure information to assist their efforts in controlling annual expenditures against appropriations

BUDGET PROCESS & TIMELINE

The City of Lone Tree’s 2016 Budget provides the framework for providing services and programs to its approximate 12,800 citizens based on the delivery of core services. Municipal services for the City are financed through a variety of taxes, fees, intergovernmental revenues, charges for services and fines. In order to provide the services needed as well as efficiently allocate the revenues that support the services, the City adopts an annual budget.

The fiscal year of the City is the calendar year and the budget process occurs throughout most of the year.

The intent of the budget process is more than just a financial presentation of revenues and expenditures; instead, the most important step in the process is to formulate a sound operational plan to serve the residents of the City. The timeline for adoption of the budget is designed to meet the City Charter and state mandates as well as allow active and early participation by City staff and City Council. Additionally, City policies guide preparation and long-range planning during the budget process.

In May, City Council holds a budget retreat to discuss policy decision for the year with City staff. From June through August, the Management Team (consisting of the City Manager’s Office, department directors and finance) holds meetings and collects information, and a draft budget is compiled. In late August or early September, Council work sessions are held and a public draft of the budget is available on the City’s website October 15th of each year. In November, a budget public hearing is held and in December the budget is adopted by City Council.

If during the year it is decided that a budget amendment is needed either due to budget transfers between funds, unanticipated revenues or revenues not assured at the time of budget adoption or revenues coming in lower than anticipated requiring revised appropriations pursuant to State Statute 29-1-109, the City will publish notice as required and conduct a public hearing and adopt a resolution for the budget amendment.

BUDGET TASK:	J	F	M	A	M	J	J	A	S	O	N	D
Council Retreat with City Staff to discuss policy decision topics												
City staff collaborate and draft proposed Budget for City Council												
City Council work sessions with staff to review the Budget draft in detail												
Budget draft made available to the public on the City's website												
Budget public hearing												
Budget adoption												
Budget booklet published and made available to the public												

PROCUREMENT PLANNING

All City purchases of goods or services are made in accordance with the State of Colorado Revised Statutes, City of Lone Tree City Charter and the City's Purchasing Guidelines.

FINANCIAL REPORTING

The City's accounting records are audited by an independent certified public accounting firm following the conclusion of each fiscal year in accordance with the City Charter and state law. The City Manager and Finance Director prepares a Comprehensive Annual Financial Report (CAFR) in accordance with generally accepted accounting principles (GAAP) as applicable to state and local governments established by the Governmental Accounting Standards Board (GASB) for governmental accounting and financial reporting principles. The CAFR shows the status of the City's finances on the basis of GAAP. The CAFR shows fund revenues and expenditures on both a GAAP basis and budget basis for comparison purposes.

FUND BALANCE POLICIES

A top priority of the City Council is to maintain the fiscal health of the City. Revenue projections are conservative and authorized expenditures are closely monitored. In stable economic times, the combination of these two strategies lead to revenue collections higher than actual expenditures. The accumulation of these fund balances protects the City from uncontrollable increases in expenditures or unforeseen reductions in revenue, or a combination of the two. It also allows for the prudent financing of capital construction and replacement projects. Fund balances provide for the temporary financing of unforeseen opportunities or needs of an emergency nature.

Within the governmental funds, fund balances are reported based on financial reporting standards that establish criteria for classifying fund balances into specifically defined classifications to make the nature and extent of constraints more useful and understandable. The classifications comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances can be classified as non-spendable, restricted, committed, assigned, or unassigned.

FUND BALANCE CLASSIFICATIONS

Non-spendable Fund Balance — The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance — The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance — The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, City Council. City Council will either pass an ordinance or resolution as the highest level of decision making dependent on the subject matter.

Assigned Fund Balance — The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the City Council to be used for specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. The City's Working Reserve Policy as well as the Capital Reserve Policy are shown as assigned fund balance in the Budget. See below for more information on these policies.

Unassigned Fund Balance — The residual portion of fund balance that does not meet any of the criteria described above.

WORKING RESERVE POLICY

The City Council adopted a Working Reserve Policy or Unrestricted Fund Balance Policy in January 2012. This policy is included on pages 94–95.

CAPITAL RESERVE POLICY

The City Council adopted a Capital Reserve Policy in January 2013. This policy is included on pages 96–97.

DEBT MANAGEMENT POLICY

The City Council adopted a Debt Management Policy in July 2013. This policy is included on pages 98–101.

INVESTMENTS POLICY

The City Council adopted an Investments Policy in July 2013. This policy is included on pages 102–106.

VEHICLE REPLACEMENT FUND POLICY

The City Council adopted a Vehicle Replacement Fund Policy in July 2013. This policy is included on pages 107–108.





FINANCIAL SUMMARIES

FINANCIAL SUMMARIES

SUMMARY — ALL FUNDS

Forecasted 2016 budget as adopted with 2014 actuals and 2015 estimated

	2014 ACTUAL	2015 ESTIMATED	2016 ADOPTED
BEGINNING FUND BALANCES	\$ 15,797,988	\$ 19,362,787	\$ 21,919,715
REVENUE			
TAXES	26,158,079	27,571,200	28,753,000
FRANCHISE FEES	1,033,993	1,041,000	1,061,000
INTERGOVERNMENTAL	4,991,287	5,709,258	18,825,997
LICENSES, FEES AND CHARGES	2,124,212	1,409,500	1,417,000
FINES AND FORFEITURES	540,304	726,000	742,000
ARTS CENTER	1,639,948	1,799,275	2,006,739
OTHER	443,916	1,358,261	431,305
Total revenue	<u>\$36,931,739</u>	<u>39,614,494</u>	<u>53,237,041</u>
TRANSFERS IN			
General Fund	173,024	127,500	350,000
Special Revenue Fund - Arts Center	857,041	898,831	1,099,534
Total transfers in	<u>1,030,065</u>	<u>1,026,331</u>	<u>1,449,534</u>
Total funds available	<u>53,759,792</u>	<u>60,003,612</u>	<u>76,606,290</u>
EXPENDITURES			
GENERAL GOVERNMENT	4,774,300	4,960,000	5,673,650
MUNICIPAL COURT	213,810	193,689	253,174
COMMUNITY DEVELOPMENT	1,025,520	1,005,652	1,140,919
POLICE DEPARTMENT	6,419,164	6,914,960	7,384,509
PUBLIC WORKS	4,270,688	4,607,500	4,837,500
ARTS AND CULTURAL	2,783,698	2,854,606	3,586,273
PARKS AND RECREATION	4,146	47,500	500,000
CAPITAL OUTLAY	11,440,796	13,976,790	28,959,786
DEBT SERVICE	2,434,819	2,496,869	2,564,000
Total expenditures	<u>33,366,940</u>	<u>37,057,566</u>	<u>54,899,811</u>
TRANSFERS OUT			
General Fund	857,041	898,831	1,099,534
Debt Service Fund - Arts and Cultural Facilities	173,024	127,500	350,000
Total transfers out	<u>1,030,065</u>	<u>1,026,331</u>	<u>1,449,534</u>
Total appropriation	<u>34,397,006</u>	<u>38,083,897</u>	<u>56,349,345</u>
ENDING FUND BALANCES	<u>\$ 19,362,787</u>	<u>\$ 21,919,715</u>	<u>\$ 20,256,945</u>

FINANCIAL SUMMARIES

SUMMARY — ALL FUNDS

Forecasted 2016 budget as adopted with 2014 actuals and 2015 estimated

	2014 ACTUAL	2015 ESTIMATED	2016 ADOPTED
FUNDS RESERVED FOR:			
Emergency reserves (TABOR)	786,476	1,001,000	1,026,000
Emergency maintenance and repair	52,601	52,601	52,601
Prepaid items	447,778	450,000	450,000
Emergency disaster management	99,273	108,077	130,385
Bond proceeds - Park and Rec Improvements	934,909	935,471	-
Park fee in lieu of land	74,194	110,194	110,194
Conservation Trust Fund	172,398	233,398	45,398
Brick fence replacement reserve	986,200	986,200	986,200
Lone Tree Link Shuttle	425,812	340,812	175,812
Kaiser Walk/Wheel grant	11,140	-	-
Light Rail	-	-	5,445,832
Debt Service - Arts and Cultural Facilities	655,277	983,371	1,066,371
Debt Service - Park and Recreation Improvements	778,577	1,014,414	1,243,334
FUNDS DESIGNATED FOR:			
Working reserve	3,528,000	4,458,000	4,847,000
Capital reserve - capital projects	3,817,000	11,200,000	4,655,000
Subsequent year's expenditures	3,004,955	-	-
UNDESIGNATED AND UNRESERVED FUNDS	3,588,197	46,177	22,818
	\$ 19,362,787	\$ 21,919,715	\$ 20,256,945

FINANCIAL SUMMARIES

SIGNIFICANT CHANGES IN ANTICIPATED FUND BALANCE ANALYSIS

The following analysis focuses on available fund balances of the City's major funds anticipated to increase or decrease by 10 percent or more.

GENERAL FUND

	Anticipated FY16 Beginning Balance	Anticipated FY16 Ending Balance	Increase (Decrease)	Percent Change
Working Reserve	\$4,458,000	\$4,847,000	\$389,000	8.7%
Capital Reserve	\$11,200,000	\$4,655,000	(\$6,545,000)	-58.4%
Unreserved	\$46,177	\$22,818	(\$23,359)	-50.6%
Unreserved Fund Balance	\$15,704,177	\$9,524,818	(\$6,179,359)	-39.3%

DISCUSSION:

The above table represents information for the General Fund only. The City's Special Revenue Fund and Debt Service Funds do not have unreserved fund balances.

The City's unreserved fund balance consists of the working reserve, the capital reserve, and unreserved funds. It is the City's policy to maintain a working reserve of at least 16.7 percent of the current year's budgeted operating expenditures with the goal of moving towards 30 percent. The 2015 estimated and 2016 projected budgets include 25 percent. Additionally, the City's capital reserve policy states that the City needs to maintain adequate cash fund balances to help offset costs of future capital expenditures. The City believes that establishing and maintaining such reserves will assist the City to take greater advantage of the pay-as-you-go philosophy versus relying entirely or primarily on debt financing. The minimal amount remaining is the undesignated and unreserved fund balance.

The significant decrease in the capital reserve is the result of the use of a portion of capital reserves in 2016 for planned capital expenditures per the City's ten-year capital plan. Additionally, the City's Capital Reserve Policy states that the funds in the capital reserve can only be used for capital projects. The minimal amount that comprises the unreserved balance (separate from the working reserve and capital reserve), is purposely kept at a low balance, so the City's total unreserved funds are maximized in either the working reserve or capital reserve account.

FINANCIAL SUMMARIES

GENERAL FUND

Forecasted 2016 budget as adopted with 2014 actuals and 2015 estimated

REVENUE DETAIL

	2014 ACTUAL*	2015 ESTIMATED	2016 ADOPTED
BEGINNING FUND BALANCE	\$ 14,546,061	\$ 17,928,933	\$ 19,921,930
REVENUE			
TAXES			
Sales tax	20,247,946	21,245,000	21,973,000
Use tax-retail	726,590	637,000	670,000
Use tax - building materials	982,359	1,070,000	1,373,000
Lodging tax	908,192	1,036,000	1,108,000
Admissions tax	503,914	397,000	405,000
TOTAL TAXES	23,369,001	24,385,000	25,529,000
FRANCHISE FEES			
Electric and gas	834,725	829,000	845,000
Cable TV	199,268	212,000	216,000
TOTAL FRANCHISE FEES	1,033,993	1,041,000	1,061,000
INTERGOVERNMENTAL			
Highway Users Tax (HUTF)	328,143	334,000	339,000
Conservation Trust Fund (Lottery)	57,280	61,000	62,000
Cigarette tax	196,839	199,000	199,000
County Road & Bridge shareback	1,083,245	1,175,000	1,410,841
Douglas County Shareback - transportation	2,129,017	2,498,000	2,648,000
Motor vehicle registration fees	43,150	44,000	45,000
Regional improvements contribution - RRMDs	101,656	126,258	183,990
Reimbursable costs	938,772	1,254,000	13,819,166
Grants	113,185	18,000	119,000
TOTAL INTERGOVERNMENTAL	4,991,287	5,709,258	18,825,997

Notes:

*2014 includes RidgeGate totals on all applicable revenue and expenditures lines for ease of comparison year to year; discontinued fund in 2015

FINANCIAL SUMMARIES

GENERAL FUND

Forecasted 2016 budget as adopted with 2014 actuals and 2015 estimated

REVENUE DETAIL - Continued

2014 ACTUAL*	2015 ESTIMATED	2016 ADOPTED
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REVENUE (Continued)

LICENSES, FEES AND CHARGES

Sales and use tax and business license fees	22,320	33,500	2,000
Liquor license fees	13,589	20,000	20,000
Building permit fees	1,924,577	1,165,000	1,198,000
Planning and zoning fees	29,746	33,000	34,000
Engineering fees	94,780	115,000	117,000
Other	39,200	43,000	46,000
TOTAL LICENSE, FEES AND CHARGES	2,124,212	1,409,500	1,417,000

FINES AND FORFEITURES

Court fees	71,630	87,000	90,000
Vehicle and other code violation fines	422,071	584,000	596,000
Victims assistance surcharge	46,603	55,000	56,000
TOTAL FINES AND FORFEITURES	540,304	726,000	742,000

OTHER

Net investment income	12,358	12,200	15,385
Miscellaneous	168,627	1,057,960	62,000
Police Department fees and other charges	39,673	60,000	102,000
Tenant rental income	222,567	226,000	250,000
OTHER	443,225	1,356,160	429,385

Total revenue	32,502,022	34,626,918	48,004,382
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TRANSFERS IN

Debt Service Fund - Arts and Cultural Facilities	173,024	127,500	350,000
Total transfers in	173,024	127,500	350,000
Total funds available	\$ 47,221,107	\$ 52,683,351	\$ 68,276,312

FINANCIAL SUMMARIES

GENERAL FUND

Forecasted 2016 budget as adopted with 2014 actuals and 2015 estimated

EXPENDITURE DETAIL

2014 ACTUAL*	2015 ESTIMATED	2016 ADOPTED
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EXPENDITURES

GENERAL GOVERNMENT

City Council expenditures	\$ 26,987	\$ 31,500	\$ 49,500
City Council stipend	58,456	60,225	62,029
Administrative Services - salaries and benefits	593,929	637,661	865,365
City Clerk	28,942	18,500	81,200
Human Resources	83,147	83,923	84,200
Information Technology	453,380	483,730	467,320
Municipal office building maintenance & utilities	380,670	482,812	513,970
Civic Center maintenance & utilities	71,137	84,560	86,810
LTAC maintenance & utilities	290,134	352,300	355,189
Restroom maintenance	8,807	9,300	11,500
Fountain maintenance	20,095	24,000	24,520
Yosemite library maintenance & utilities	-	-	30,000
Insurance	397,029	405,300	425,600
Finance - salaries and benefits	390,158	425,285	445,101
Finance - consulting	7,345	-	-
Finance - banking services	-	-	45,000
Audit	32,935	45,000	35,000
City Manager's Office - salaries and benefits	768,761	720,663	759,854
Dues and memberships	111,636	99,811	102,554
Legal - general	651,594	510,000	510,000
Legal - special	8,672	20,000	100,000
Consulting	48,625	52,000	85,000
Community support	46,716	50,000	28,600
Community garden	-	3,000	-
Youth initiatives	19,800	19,800	19,800
Housing Partnership	35,000	35,000	35,000
Community education programs	1,025	1,000	1,000
Living and aging well	-	-	2,600
Communications	70,018	70,000	141,900
Economic development	135,551	210,000	270,000
Miscellaneous	33,752	24,631	35,038
TOTAL GENERAL GOVERNMENT	4,774,300	4,960,000	5,673,650

FINANCIAL SUMMARIES

GENERAL FUND

Forecasted 2016 budget as adopted with 2014 actuals and 2015 estimated

EXPENDITURE DETAIL - Continued

	2014 ACTUAL*	2015 ESTIMATED	2016 ADOPTED
EXPENDITURES (Continued)			
MUNICIPAL COURT			
Municipal Judge	25,361	25,000	30,000
Legal	36,000	36,000	36,000
Administration	135,764	119,100	174,174
Office supplies and software	3,241	3,000	3,000
Victims assistance	13,444	10,589	10,000
TOTAL MUNICIPAL COURT	213,810	193,689	253,174
COMMUNITY DEVELOPMENT			
Salaries and benefits	629,538	686,155	735,539
Contract services	5,807	1,500	67,700
Field supplies	4,304	1,356	1,550
Planning Commission	2,184	2,500	2,500
Document scanning	6,725	8,050	5,000
Plan review and other inspections	49,713	66,950	110,000
Elevator inspections	80,201	61,920	74,250
Engineering	239,826	150,000	125,000
Sustainability program	-	3,000	1,000
ROW mowing	-	7,313	7,600
Miscellaneous	7,222	16,908	10,780
TOTAL COMMUNITY DEVELOPMENT	1,025,520	1,005,652	1,140,919
POLICE DEPARTMENT			
Salaries and benefits	5,118,378	5,401,000	5,690,000
Office and administration	111,910	111,380	111,900
Uniforms and equipment	52,485	62,600	62,700
Vehicles and equipment	518,516	529,797	546,425
General equipment	17,948	27,000	143,950
Intergovernmental agreements	519,358	661,568	690,004
Training	62,969	98,200	114,600
Community outreach and miscellaneous	17,599	23,415	24,930
TOTAL POLICE DEPARTMENT	6,419,164	6,914,960	7,384,509

FINANCIAL SUMMARIES

GENERAL FUND

Forecasted 2016 budget as adopted with 2014 actuals and 2015 estimated

EXPENDITURE DETAIL - Continued

2014 ACTUAL*	2015 ESTIMATED	2016 ADOPTED
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EXPENDITURES (Continued)

PUBLIC WORKS

Public Works Department	616,066	667,000	710,000
Street lighting	390,827	396,000	396,000
Street maintenance	577,512	650,000	755,000
Drainage maintenance	77,162	60,000	60,000
Street & sidewalk sweeping	25,915	50,000	52,000
Traffic signal energy cost and maintenance	123,781	135,000	95,000
Signal timing	-	2,000	32,000
Snow removal	1,208,947	1,200,000	1,200,000
Landscaping maintenance	23,813	50,000	50,000
Trash and recycling service	507,076	531,000	520,000
Household hazardous waste program	4,506	6,500	6,500
Engineering	264,910	300,000	340,000
Fence maintenance	-	80,000	80,000
Geographic Information System (GIS)	146,327	150,000	150,000
Website mapper	5,000	-	-
Materials and equipment	10,010	14,000	14,000
EPA Phase 2 Drainage	55,954	50,000	100,000
Noxious weeds control	22,207	20,000	20,000
Signage and striping	119,295	120,000	120,000
Accident repairs	4,732	10,000	20,000
Public Works Facility operations and equipment	41,689	54,000	50,000
Software and support	9,311	17,000	19,000
Street amenities	-	5,000	5,000
Mutt mitts contract	10,338	10,500	10,500
Holiday lighting and decorations	23,589	26,500	25,000
Miscellaneous	1,722	3,000	3,000
Public Works vehicle maintenance and gas	-	-	2,500
Lincoln pedestrian bridge maintenance	-	-	2,000
TOTAL PUBLIC WORKS	4,270,688	4,607,500	4,837,500

ARTS AND CULTURAL

Arts Center repairs and maintenance	113,685	104,000	100,000
Arts Center capital improvements	173,024	52,500	350,000
Vehicles	-	-	30,000
TOTAL ARTS AND CULTURAL	286,709	156,500	480,000

PARKS AND RECREATION

Joint recreational projects with South Suburban	4,146	47,500	300,000
Park and recreation capital improvements	-	-	200,000
TOTAL PARKS AND RECREATION	4,146	47,500	500,000

FINANCIAL SUMMARIES

GENERAL FUND

Forecasted 2016 budget as adopted with 2014 actuals and 2015 estimated

EXPENDITURE DETAIL - Continued

2014 ACTUAL*	2015 ESTIMATED	2016 ADOPTED
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EXPENDITURES (Continued)

CAPITAL OUTLAY

Software packages	76,496	-	64,280
CarteGraph/ArcServer upgrade	-	30,000	20,000
Website redesign	-	51,000	13,130
Overlay/reconstruction projects	1,213,325	1,600,000	1,800,000
Traffic signalization	58,892	-	275,000
Pedestrian lights	205,645	-	-
Community sign plan	65,287	10,804	25,000
Municipal office building capital improvements	13,744	26,000	85,000
Municipal office building - capital leases	1,009,664	1,290,006	-
Municipal office - letter of credit fees/remarketing fees	29,633	-	-
Civic Center capital improvements	54,906	25,000	50,000
Concrete panel replacement	472,942	-	250,000
Entertainment District improvements	2,059	725,000	100,000
Park Meadows Drive median improvements	3,230	-	-
Park Meadows Dr. regional pond upgrade	-	-	10,000
Landscaping PM Center Dr/County Line	31,250	-	-
Transportation study	-	50,000	-
Landscape improvements	45,704	-	-
Yosemite landscaped medians	115	-	-
Parkway Drive medians	-	-	20,000
Storm sewer improvements	39,805	305,000	140,000
Park Meadows Medians (W of Acres Green)	9,136	-	-
Parkway Drive crossing Willow Creek	36,761	7,962	-
Light Rail extension	-	-	6,333,334
Lone Tree Link	249,414	550,000	550,000
Walk and Wheel Study	88,859	1,254	-
Lincoln pedestrian bridge	-	190,000	7,000,000
Parkway Drive reconstruction	-	280,000	450,000
Yosemite turn lane (Maximus to PMD)	-	105,000	595,000
Lincoln/I-25 ramp improvements	-	430,000	-
County Line/PMCD intersection improvements	-	-	450,000
LTAC Road construction	-	165,000	-
LTAC plaza	-	5,000	120,000
Town Ridge Drive construction	-	170,000	-
Public art projects	12,461	-	21,000
Police Department substation	-	60,000	-
Schweiger Ranch preservation	75,000	75,000	50,000

FINANCIAL SUMMARIES

GENERAL FUND

Forecasted 2016 budget as adopted with 2014 actuals and 2015 estimated

EXPENDITURE DETAIL - Continued

2014 ACTUAL*	2015 ESTIMATED	2016 ADOPTED
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EXPENDITURES (Continued)

CAPITAL OUTLAY (Continued)

Yosemite library building purchase	-	-	800,000
Yosemite library remodel	-	27,000	423,000
Yosemite library capital improvements	-	-	474,000
Town Ridge Drive pedestrian lights	-	-	45,000
Reuter Hess	-	25,000	25,000
Boom truck and signal maintenance equipment	-	-	120,000
West Cook Creek tributary improvements study	-	-	50,000
Lincoln Avenue/Heritage Hills Circle intersection imp	-	-	350,000
Mall entry traffic improvements	-	-	50,000
Timberline storm sewer	-	-	150,000
Retail retention agreement	75,000	75,000	75,000
Service provider shareback agreement	-	5,000	5,000
Annexation shareback agreement	-	70,000	70,000
Service provider shareback agreement	200,000	-	-
Retail shareback	582,924	579,264	596,642
Developer revenue shareback	1,335,984	1,194,000	1,292,400
Reimbursement of sales taxes to PMBID	5,242,599	5,562,000	5,717,000
Reimbursement property taxes-PMBID for PMMD	209,962	287,500	295,000
TOTAL CAPITAL OUTLAY	11,440,796	13,976,790	28,959,786

Total expenditures	28,435,132	31,862,590	49,229,538
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TRANSFERS OUT

Special Revenue Fund - Arts Center	857,041	898,831	1,099,534
Total transfers out	857,041	898,831	1,099,534

Total appropriation	29,292,173	32,761,421	50,329,072
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ENDING FUND BALANCE	\$ 17,928,933	\$ 19,921,930	\$ 17,947,240
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FINANCIAL SUMMARIES

SPECIAL REVENUE FUND CULTURAL & COMMUNITY SERVICES FUND

Forecasted 2016 budget as adopted with 2014 actuals and 2015 estimated

	2014 ACTUAL	2015 ESTIMATED	2016 ADOPTED
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUE			
LONE TREE ARTS CENTER			
Operating			
Ticket sales	893,739	866,000	1,015,900
Ticket handling fees	110,849	110,000	117,000
Rental fees	109,624	125,125	125,000
Concessions and catering	92,962	123,000	107,000
Labor charge backs	74,952	88,700	86,000
Miscellaneous	4,621	4,500	3,000
Non-Operating			
Individual, corporate and foundation contributions	150,223	205,000	255,000
Government grants	156,019	251,440	272,839
TOTAL LONE TREE ARTS CENTER	1,592,989	1,773,765	1,981,739
OTHER			
Annual Events	36,017	16,510	16,000
Arts and cultural events	10,941	9,000	9,000
TOTAL OTHER	46,958	25,510	25,000
Total revenue	1,639,948	1,799,275	2,006,739
TRANSFERS IN			
General Fund - Lone Tree Arts Center	606,102	565,999	783,384
General Fund - Annual events	201,854	266,431	254,900
General Fund - Arts and cultural events	44,154	59,400	54,250
General Fund - Park and recreation	4,932	7,000	7,000
Total transfers in	857,041	898,831	1,099,534
Total funds available	\$ 2,496,989	\$ 2,698,106	\$ 3,106,273

FINANCIAL SUMMARIES

SPECIAL REVENUE FUND CULTURAL & COMMUNITY SERVICES FUND

Forecasted 2016 budget as adopted with 2014 actuals and 2015 estimated

	2014 ACTUAL	2015 ESTIMATED	2016 ADOPTED
EXPENDITURES			
LONE TREE ARTS CENTER			
Administration	157,867	156,554	160,671
Programming	1,621,053	1,559,377	1,830,335
Marketing	377,719	440,650	496,987
Education	5,772	-	-
Facilities	11,155	15,000	10,500
Development	25,526	128,183	226,630
Contingency	-	40,000	40,000
TOTAL LONE TREE ARTS CENTER	2,199,091	2,339,763	2,765,122
OTHER			
Annual events	237,871	282,941	270,900
Arts and cultural events	55,095	68,400	63,250
Recreational activities and support	4,932	7,000	7,000
TOTAL OTHER	297,898	358,341	341,150
Total expenditures	2,496,989	2,698,106	3,106,273
TRANSFERS OUT			
Total transfers out	-	-	-
Total appropriation	2,496,989	2,698,106	3,106,273
ENDING FUND BALANCE	\$ -	\$ -	\$ -

FINANCIAL SUMMARIES

DEBT SERVICE FUND ART AND CULTURAL FACILITIES

Forecasted 2016 budget as adopted with 2014 actuals and 2015 estimated

	2014 ACTUAL	2015 ESTIMATED	2016 ADOPTED
BEGINNING FUND BALANCE	\$ 568,947	\$ 655,277	\$ 983,371
REVENUE			
Sales tax	1,632,014	1,798,000	1,854,000
Use tax - retail	25,443	41,000	43,000
Use tax - building materials	15,984	72,400	37,000
Net investment income	319	1,150	1,000
Total revenue	<u>1,673,760</u>	<u>1,912,550</u>	<u>1,935,000</u>
TRANSFERS IN			
General Fund	-	-	-
Total transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total funds available	<u>2,242,707</u>	<u>2,567,827</u>	<u>2,918,371</u>
EXPENDITURES			
Bond interest	499,206	471,756	439,744
Bond principal	915,000	985,000	1,060,000
Paying agent fees	200	200	200
Contingency	-	-	2,056
Total expenditures	<u>1,414,406</u>	<u>1,456,956</u>	<u>1,502,000</u>
TRANSFERS OUT			
General Fund	173,024	127,500	350,000
Total transfers out	<u>173,024</u>	<u>127,500</u>	<u>350,000</u>
Total appropriation	<u>1,587,430</u>	<u>1,584,456</u>	<u>1,852,000</u>
ENDING FUND BALANCE	<u>\$ 655,277</u>	<u>\$ 983,371</u>	<u>\$ 1,066,371</u>

FINANCIAL SUMMARIES

DEBT SERVICE FUND PARK AND RECREATION IMPROVEMENTS

Forecasted 2016 budget as adopted with 2014 actuals and 2015 estimated

	2014 ACTUAL	2015 ESTIMATED	2016 ADOPTED
BEGINNING FUND BALANCE	\$ 682,980	\$ 778,577	\$ 1,014,414
REVENUE			
Sales tax	1,088,009	1,199,000	1,236,000
Use tax - retail	16,962	28,000	29,000
Use tax - building materials	10,666	47,800	25,000
Net investment income	372	950	920
Total revenue	<u>1,116,010</u>	<u>1,275,750</u>	<u>1,290,920</u>
TRANSFERS IN			
General Fund	-	-	-
Total transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total funds available	<u>1,798,990</u>	<u>2,054,327</u>	<u>2,305,334</u>
EXPENDITURES			
Bond interest	420,213	394,713	365,687
Bond principal	600,000	645,000	695,000
Paying agent fees	200	200	200
Contingency	-	-	1,113
Total expenditures	<u>1,020,413</u>	<u>1,039,913</u>	<u>1,062,000</u>
TRANSFERS OUT			
Total transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total appropriation	<u>1,020,413</u>	<u>1,039,913</u>	<u>1,062,000</u>
ENDING FUND BALANCE	<u>\$ 778,577</u>	<u>\$ 1,014,414</u>	<u>\$ 1,243,334</u>

FINANCIAL SUMMARIES

CITY OF LONE TREE 2016 BUDGET BUDGET MESSAGE

SERVICES PROVIDED

On November 7, 1995, a majority of the qualified voters at a general election voted to incorporate the City of Lone Tree (the City). Following incorporation, on May 5, 1998, a majority of the qualified voters adopted a Home Rule Charter thereby granting the City all powers accorded to cities by the laws of the State of Colorado. The City provides numerous services to its residents including general government, municipal court, community development and building regulation, public safety, public works, arts and cultural and capital improvements.

In 2000, RidgeGate, formerly known as Rampart Range, was annexed into the City by voter approval. The annexation agreement with the developers of RidgeGate require accounting for revenue and expenditures related to the RidgeGate development in a separate Special Revenue Fund. Subsequent to the Budget being adopted, an amended annexation agreement was entered into which does not require a Special Revenue Fund beginning in 2015. A budget amendment for the City was approved in February 2015 and beginning with the 2016 budget document, this Special Revenue Fund is no longer reflected and activity is now included in the General Fund.

Starting with the 2011 fiscal year, the City has elected to account for all revenue and expenditures related to the Lone Tree Arts Center in a separate Special Revenue Fund. In 2013, City Council decided to expand the use of this fund to account for the Lone Tree Arts Center along with City programs focused on the arts and other types of community activities. Beginning with the 2014 budget, this fund is now referred to as the Cultural and Community Services Fund.

In addition to the General Fund and Special Revenue Fund described above, the City also has two separate Debt Service Funds. The Debt Service Funds segregate monies related to the sales tax increases that were approved by City voters on May 6, 2008. Pursuant to that election, City voters authorized the issuance of indebtedness in an amount not to exceed \$18.5 million by increasing the rate of sales and use tax levied by the City by 0.1875 percent to be used to finance the cost of cultural facilities. Additionally, City voters authorized indebtedness in an amount not to exceed \$12.5 million by increasing the rate of sales and use tax levied by the City by 0.125 percent to be used to finance various park and recreational improvements. The increase in the sales and use tax rate for both initiatives commenced on July 1, 2008.

The City's Budget does not include any component units, such as the Lone Tree Business Improvement District, the Lone Tree Building Authority or the Park Meadows Business Improvement District. A separate budget has been prepared for these entities.

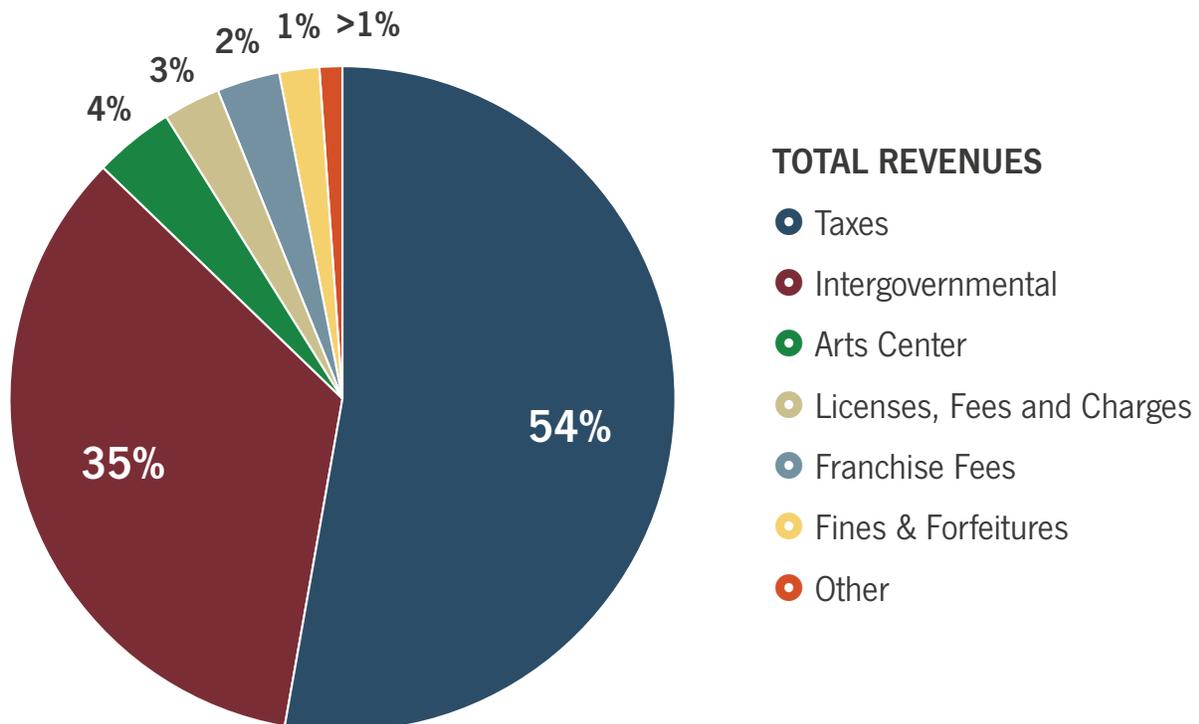
Currently, the majority of the services related to legal and public works are contracted by the City. City Council has determined it to be economically prudent to outsource these services rather than incur the payroll, benefit costs and related liabilities associated with maintaining permanent city employees.

The Budget is in accordance with the TABOR Amendment limitations that were modified by the citizens at elections held in November 1999 and May 2008. Emergency reserves, required under TABOR, have been provided for.

REVENUES

The City diligently works to maintain a strong, diverse revenue base recognizing that a dependence upon any individual source makes revenues more vulnerable to economic cycles. All revenues are conservatively projected and are monitored and updated as necessary. The City uses historical trends, current trends, judgmental forecasting, and unique adjustments (i.e. new retail, new fees, data from a specific source, etc.) for its revenue projections.

The total revenues collected by the City are summarized in the following graph. Additionally, the major revenue sources are highlighted individually.



REVENUE	2014 ACTUAL	2015 ESTIMATED	2016 ADOPTED
Taxes	26,158,079	27,571,200	28,753,000
Franchise Fees	1,033,993	1,041,000	1,061,000
Intergovernmental	4,991,287	5,709,258	18,825,997
Licenses, Fees and Charges	2,124,212	1,409,500	1,417,000
Fines and Forfeitures	540,304	726,000	742,000
Arts Center	1,639,948	1,799,275	2,006,739
Other	443,916	1,358,261	431,305
TOTAL REVENUES	\$36,931,739	\$39,614,494	\$53,237,041

SALES TAX AND USE TAX – RETAIL REVENUE

SOURCE

The primary source of revenue for the City is Sales Tax and Use Tax – Retail. The City assesses a 1.8125 percent sales tax (1.5 percent base tax, 0.125 percent for park and recreational improvements, and 0.1875 percent for cultural facilities) on all taxable retail transactions. The tax is collected by the retail businesses and remitted to the City. The use tax on retail transactions is due upon the purchase of any tangible property on which sales tax was not paid. Use tax is included with the business' sales tax return. The base tax of 1.5 percent does not have restrictions on use other than to fund general City services in the General Fund and Cultural and Community Services Fund, whereas the 0.125 percent is allocated to the Debt Service Fund: Park and Recreation Improvements and 0.1875 percent is allocated to the Debt Service Fund: Arts and Cultural Facilities.

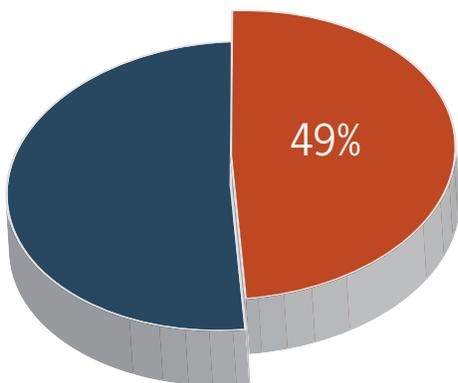
RATIONALE

2016 Sales Tax and Use Tax – Retail revenue is estimated for 2016 using historical trends, current economic conditions, as well as projections based on expected new retail openings in the City and store closings, if any. The 2016 sales tax budget reflects an overall increase of 3.4 percent which assumes growth of existing vendors, as well as new vendors that will be opening in 2016. Historically, Sales Tax and Use Tax – Retail revenue have increased on average 5 percent per year; however, to be conservative, the City budgets Sales Tax and Use Tax – Retail revenue on the lower end of the historical trends due to the sometimes volatile environment related to consumer spending and the economy.

A considerable amount of time is spent projecting sales tax, since this is the City's primary revenue source. Projections are initially completed at the beginning of the budget process in June, based on actuals through May and again assessed and updated, if needed, in August through November (based on actuals for July through October).

2016 Budget Total Revenue:

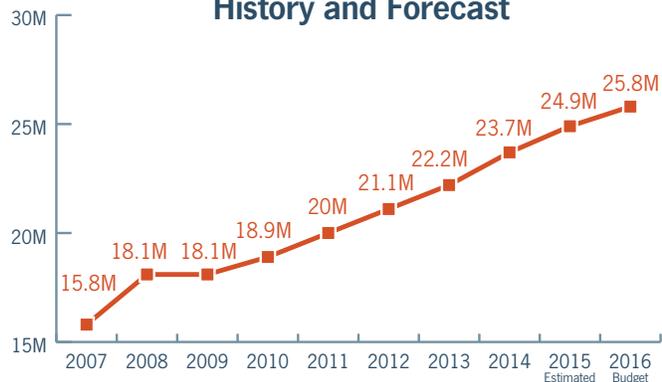
\$53,237,041



2016 Budget Total Sales Tax and Use Tax – Retail Revenue:

\$25,805,000

Sales Tax and Use Tax – Retail Revenue History and Forecast



The increase in 2008 is due to a change in the City's tax rate on July 1, 2008, from 1.5% to 1.8125%. 0.125% was added for park and recreational improvements and 0.1875% for cultural facilities. This increase of 0.3125% will expire in December 2023.

INTERGOVERNMENTAL REVENUE

SOURCE

Intergovernmental revenue, which is the second largest revenue source for the City consists of various sources of revenue that are received by the City from the State of Colorado or Douglas County that are listed below. These revenues are budgeted each year based on set factors and formulas, and are somewhat stable for the City unless legislature is revised. These funds do have restrictions on use, except for the Cigarette Tax and the Motor Vehicle Registration Fees. The Sharebacks for Transportation and Road and Bridge funds as well as the Highway Users Tax must be spent on transportation projects, and the Conservation Trust Funds must be used for parks, recreation, or open space improvement/development. Additionally, the City receives reimbursable costs received from partnering organizations on specific projects.

The **Highway Users Tax Fund (HUTF)** is state-collected, locally-shared revenue that is distributed via electronic funds transfer on a monthly basis to the City of Lone Tree in accordance with a formula based on receipts from gasoline taxes, motor vehicle registration and license fees. Those funds may be spent on acquisition of rights-of-way for, and the construction, engineering, safety, reconstruction, improvement, repair, maintenance, and administration of streets, roads and highways as well as on road improvements including new construction, safety improvements, maintenance and capital improvements.

Conservation Trust Funds are from lottery proceeds that are collected from retail merchants selling lottery products by the State of Colorado. Municipal lottery proceeds are distributed to municipalities based upon current population estimates prepared by the State Division of Local Governments. Lone Tree's share is electronically transferred to the City's bank account on a quarterly basis.

Cigarette Tax is a tax the state imposes and collects a 4.2 cent tax per cigarette, of which 27 percent of the proceeds are distributed to municipalities and counties according to the ratio of the state sales tax collected in the entity to the total state sales tax collected in the prior year. The state disburses the funds two months after they are collected. (Note: Voters in Colorado approved an increase in the cigarette tax, effective January 1, 2005. However, the increase is earmarked for specific purposes and is not included in the distribution to municipalities and counties.)

The **Douglas County Road and Bridge Shareback** is a mill levy imposed by Douglas County that is dedicated to road and bridge improvements throughout Douglas County. Because Douglas County's efforts only include unincorporated areas and the property tax is collected from all areas, the State requires that Douglas County return one half of the road and bridge levy to each municipality. The formula used to compute the amount returned to Lone Tree is as follows:

$$\text{County Road and Bridge Levy} \times \text{Total City Assessed Value} / 2 = \text{City Portion}$$

The money is distributed via electronic funds transfer on a quarterly basis to the City of Lone Tree.

The **Douglas County Shareback for Transportation**, effective as of January 1, 2011, is based on the County who collects a 0.4 percent roads sales and use tax (building materials) county-wide and then remits 75 percent of the amount collected within Lone Tree city-limits to the City (with the exception of the Park Meadows Retail Resort) and is to be used for transportation projects. This revenue helps fund the construction of new road projects. Funds are received electronically directly to the City's bank account on a monthly basis. This shareback will be in effect until December 31, 2030.

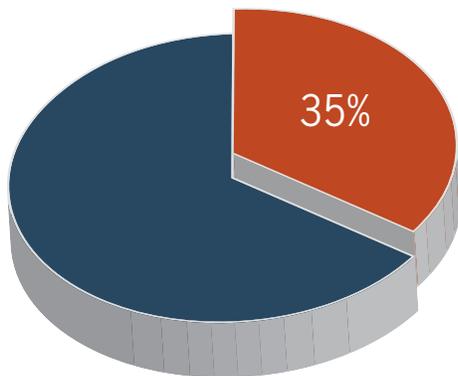
Douglas County Motor Vehicle offices title and register vehicles of residents of Douglas County includes those of the City of Lone Tree. Fees are assessed based on the vehicles trailer weight in pounds. The funds are allocated per statute between the State, Counties, and Cities/Towns based on a funding formula.

In addition to the State and County revenue items above, the City also partners with other governmental entities including the Park Meadows Metropolitan District, Rampart Range Metropolitan District, Douglas County and various other entities for capital projects and shared maintenance costs. These amounts are reflected under reimbursable costs for amounts received for City contracted projects and services.

RATIONALE

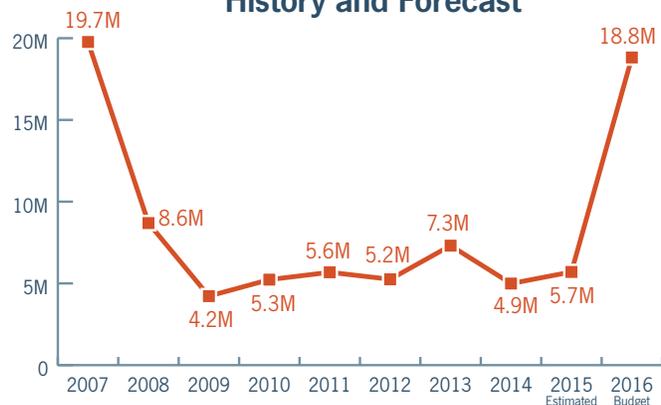
Reimbursable Cost for 2016 is based on known capital projects where the City is joining with other partners to fund the projects. The significant increase from 2015 estimated to 2016 budget is due to a couple of very large capital projects including the Lincoln Pedestrian Bridge and the Southeast Light Rail extension, where the City will be receiving reimbursable costs from project partners. Over \$13 million is anticipated in 2016.

2016 Budget Total Revenue:
\$53,237,041



2016 Budget Total Intergovernmental Revenue:
\$18,825,997

Intergovernmental Revenue History and Forecast



Intergovernmental revenues fluctuate year to year primarily due to reimbursable costs and the projects that are being completed between the City and various partners. The large amount in 2007 is due to the construction of the RidgeGate Parkway Interchange, which consisted of reimbursable costs from the Colorado Department of Transportation and the Rampart Range Metropolitan District. The 2013 increase is due to a one-time reimbursement from Douglas County for transportation improvements.

USE TAX – BUILDING MATERIALS REVENUE

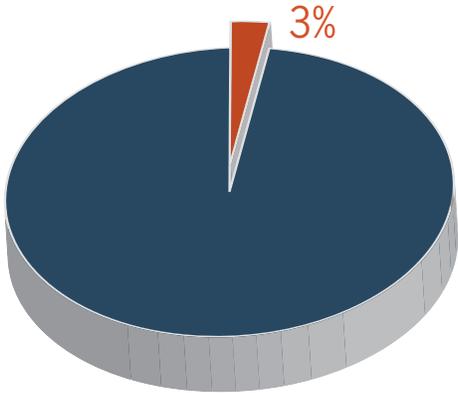
SOURCE

The City assesses a 1.8125 percent use tax (1.5 percent base tax, 0.125 percent for park and recreational improvements, and 0.1875 percent for cultural facilities) for building construction materials. The use tax on building construction materials is collected by the City when a building permit is issued for the project. The base tax of 1.5 percent does not have restrictions on use other than to fund general City services in the General Fund, whereas the 0.125 percent is allocated to the Debt Service Fund: Park and Recreation Improvements and 0.1875 percent is allocated to the Debt Service Fund: Arts and Cultural Facilities.

RATIONALE

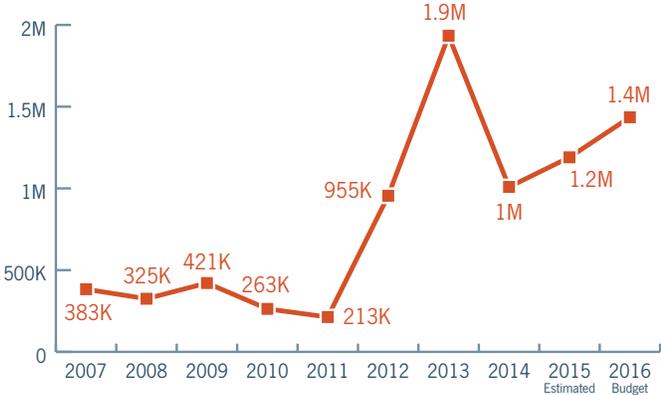
2016 Use Tax – Building Materials revenue is estimated for 2016 using historical trends, current economic conditions, as well as projections based on anticipated construction projects and new businesses. The 2016 Use Tax – Building Materials budget reflects an overall increase of 2.0 percent which assumes new construction projects and remodels of current businesses/homes.

2016 Budget Total Revenue:
\$53,237,041



**2016 Budget Total
Use Tax – Building Materials
Revenue:**
\$1,435,000

**Use Tax – Building Materials Revenue
History and Forecast**



The increase in 2009, as well as the increase seen in 2012 through 2016, is related to significant development in the RidgeGate area of the City, specifically a new corporate campus, a hospital expansion, and construction of multiple single-family-homes and multi-family communities.

LODGING & ADMISSIONS TAXES REVENUE

SOURCE

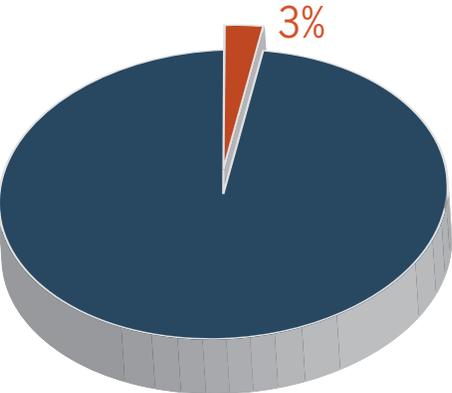
The City collects a Lodging/Accommodations Tax and an Admission/Event Tax, which were approved by election in November 1998. Lodging/Accommodations Tax is a tax assessed on guest lodging in hotels and motels located within the City limits at a rate of 6.0 percent to be charged on renting or leasing lodging accommodations for a period of sixty consecutive days or less since February 2001. Additionally, in February 2001, the City initiated a 4.0 percent Admissions/Event Tax to be charged on every person who pays to gain admission to any place or event open to the public, as defined by City Ordinance. Venues subject to admissions tax include movie theaters, golf courses, etc. Both types of taxes do not have restrictions on use other than to fund general City services in the General Fund.

RATIONALE

2016 Lodging/Accommodations Tax revenue is estimated to increase by 2 percent in 2016 based on historical trends and the opening of a new lodging establishment. Historically, this tax has fluctuated year to year depending on traveling patterns seen in business travel and personal vacations, as well as the addition of new lodging establishments as the City continues to grow.

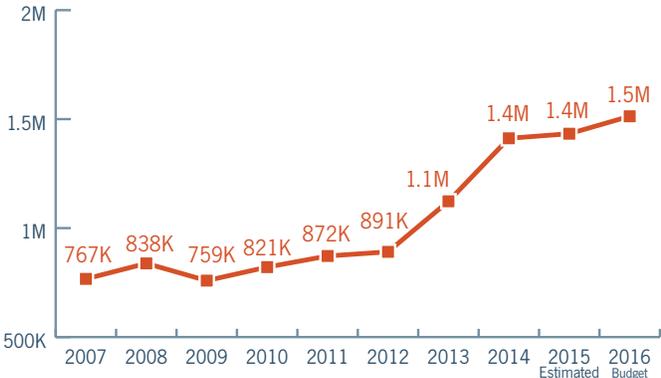
2016 Admissions/Event Tax is estimated to increase by 2 percent in 2016 based on historical trends. Historically, the revenue generated from this tax has fluctuated from 1 percent to 7 percent, so to be conservative, the City budgets according to the lower end of the spectrum.

2016 Budget Total Revenue:
\$53,237,041



**2016 Budget Total
Lodging & Admissions Taxes
Revenue:**
\$1,513,000

**Lodging & Admissions Taxes Revenue
History and Forecast**



The large increases in 2013 and 2014 were due to growth of the City, particularly with the construction of one additional lodging establishment. Additionally, the increase in 2014 includes a significant one-time payment from a vendor for adjustments to prior year's remittances of admissions tax that were filed incorrectly.

LICENSES, FEES, AND CHARGES REVENUE

SOURCE

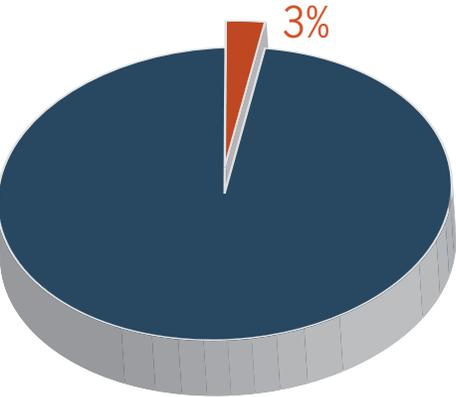
Licenses, fees, and charges consist of various fees including business license, liquor license, building permit, planning and zoning, and engineering fees. Many of these fees are based on residential and commercial development within the City.

RATIONALE

2016 budget is estimated based on building permit information as well as information received from developers within the City. Historically, building permit fees are the primary component of this revenue source. This revenue source can fluctuate greatly depending on the development projects that are being completed in the City at any given time, so considerable time is spent projecting the building permit revenue based on information received from developers and the City's Community Development Department.

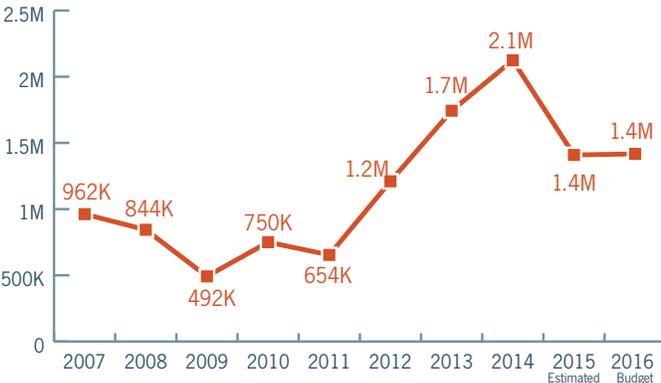
Additionally, the planning, zoning, and engineering fees are included in this revenue source, which comprises only 15% of the licenses, fees, and charges revenue source. These fees are based on historical trends and include a 2.0% increase for 2016. Historically, the revenues generated from the planning, zoning, and engineering fees somewhat fluctuate as the timing of development projects occur.

2016 Budget Total Revenue:
\$53,237,041



2016 Budget Total Licenses, Fines, and Charges Revenue:
\$1,417,000

Licenses, Fees, and Charges Revenue History and Forecast



The decrease shown from 2008 to 2009 is a direct result of the downturn of the economy and a significant reduction in new development, which would have a drastic impact on building permit fees collected, as well as planning, zoning, and engineering fees. This also impacted the increase seen from 2009 to 2010. As the economy was starting to slowly improve, revenues from this source were also shifting upward. The spike seen in 2012 through 2014 is related to significant development in the RidgeGate area of the City, particularly a new corporate campus, a hospital expansion, and construction of multiple single-family-home communities. Construction of single-family-home communities continued into 2015, as well as the construction of new facilities such as a library and a senior-living community.

FRANCHISE FEES REVENUE

SOURCE

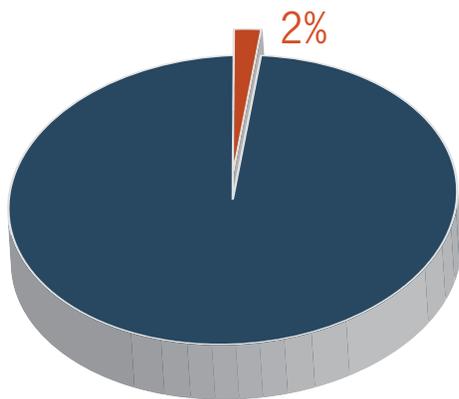
Franchise fees are revenues derived from fees levied on companies in exchange for the right to use public right of way and otherwise operate as a franchise. Franchise fees for the City are generated from a negotiated franchise license with Xcel Energy for gas and electric service in the City as well as cable franchise fees with Comcast and Century Link. Both types of franchise fees do not have restrictions on use other than to fund general City services in the General Fund. Xcel Energy and Comcast franchise fees are submitted electronically to the City's bank account on a monthly and quarterly basis, respectively. The Century Link franchise fees are submitted via check to the City on a quarterly basis.

RATIONALE

The electric and gas franchise fee is based on 3.0 percent of gross revenue collected from customers in the City. Fees are estimated based on historical trends and new building permits issued in the prior year.

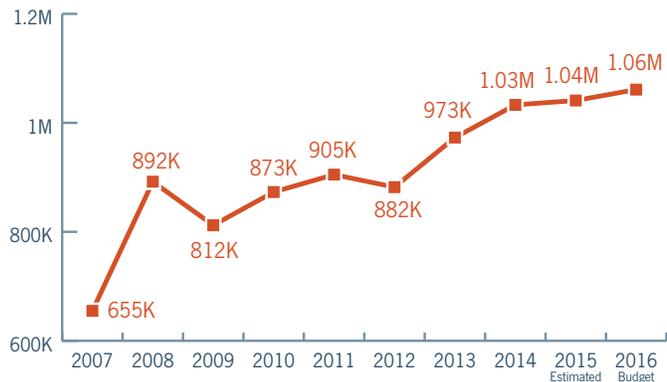
The cable franchise fee with Comcast and Century Link is at the rate of 5.0 percent for cable service provided to City residents. Franchise fees are estimated to increase by 2 percent in 2016 due to utility cost increases as well as anticipated residential development.

2016 Budget Total Revenue:
\$53,237,041



2016 Budget Total Franchise Fees Revenue:
\$1,061,000

Franchise Fees Revenue History and Forecast



Fluctuations from year-to-year are due to changes in gross revenue received from Comcast and Century Link based on usage of cable services, and from Xcel Energy based on usage of electric and gas services. As the City continues to grow with more housing developments being built, this will cause this revenue to increase, as evidenced from 2012 through present.

FINES AND FORFEITURES REVENUE

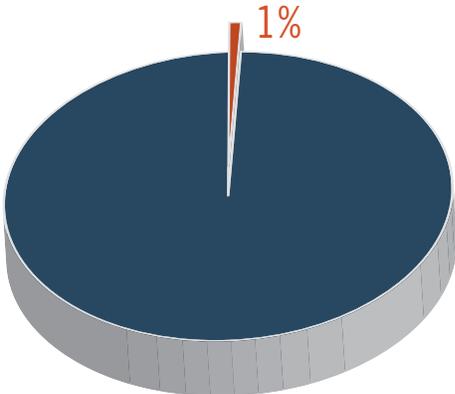
SOURCE

Fines and forfeiture revenue include court fees as well as vehicle and other code violation fines, including red light ticket revenue.

RATIONALE

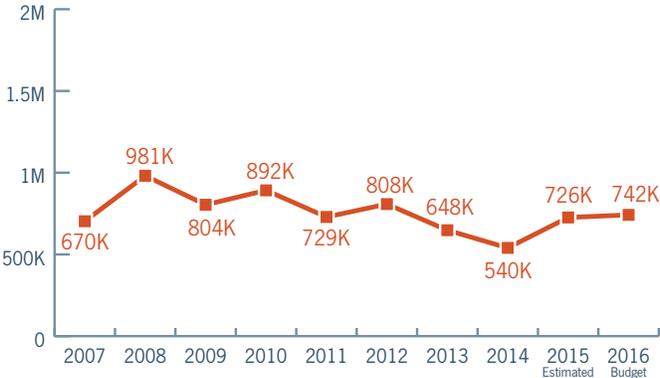
2016 budget is estimated based on historical trends. Historically, the fluctuation ranges from 10–20 percent increase, with some years having this as a decrease, depending on the number and types of citations issued. Court fees includes a 3 percent increase, and vehicle and other code violation fines includes a 2 percent increase to remain conservative on revenue projections.

2016 Budget Total Revenue:
\$53,237,041



**2016 Budget Total
Fines and Forfeitures Revenue**
\$742,000

**Fines and Forfeitures Revenue
History and Forecast**



The significant decreases seen between 2012 and 2014 are due to red light cameras being reduced from three to one with the one camera being inoperable during parts of the year as a result of road construction projects, as well as fewer citations being issued. The increase from 2014 to 2015 is largely due to the red light camera being operational for the full year and an increase in police presence throughout the City.

LONE TREE ARTS CENTER REVENUE

SOURCE

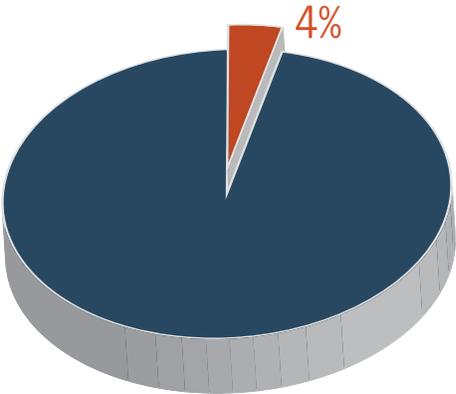
The revenues listed in the Special Revenue Fund – Cultural and Community Services are associated with the operations of the Lone Tree Arts Center and include various ticket sales, handling fees, rental fees, concessions and catering revenue as well as various estimated contributions and grants.

RATIONALE

The 2016 operating revenue generated from the Lone Tree Arts Center is estimated based primarily on the programming schedule and availability of space for event rentals, while utilizing historical trends and past performances as a guide. Additionally, the 2016 non-operating revenue, which consists of contributions and grants, are based on historical trends and the addition of a full-time Corporate and Foundation Manager that will be a dedicated position for raising these types of funds. Historically, the revenues have been increasing each year between 10–20 percent.

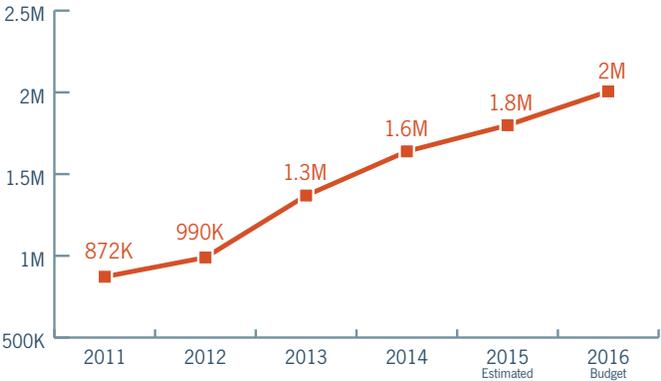
Historical data starts in 2011 when the Lone Tree Arts Center opened.

2016 Budget Total Revenue:
\$53,237,041



2016 Budget Total Lone Tree Arts Center Revenue:
\$2,006,739

Lone Tree Arts Center Revenue History and Forecast



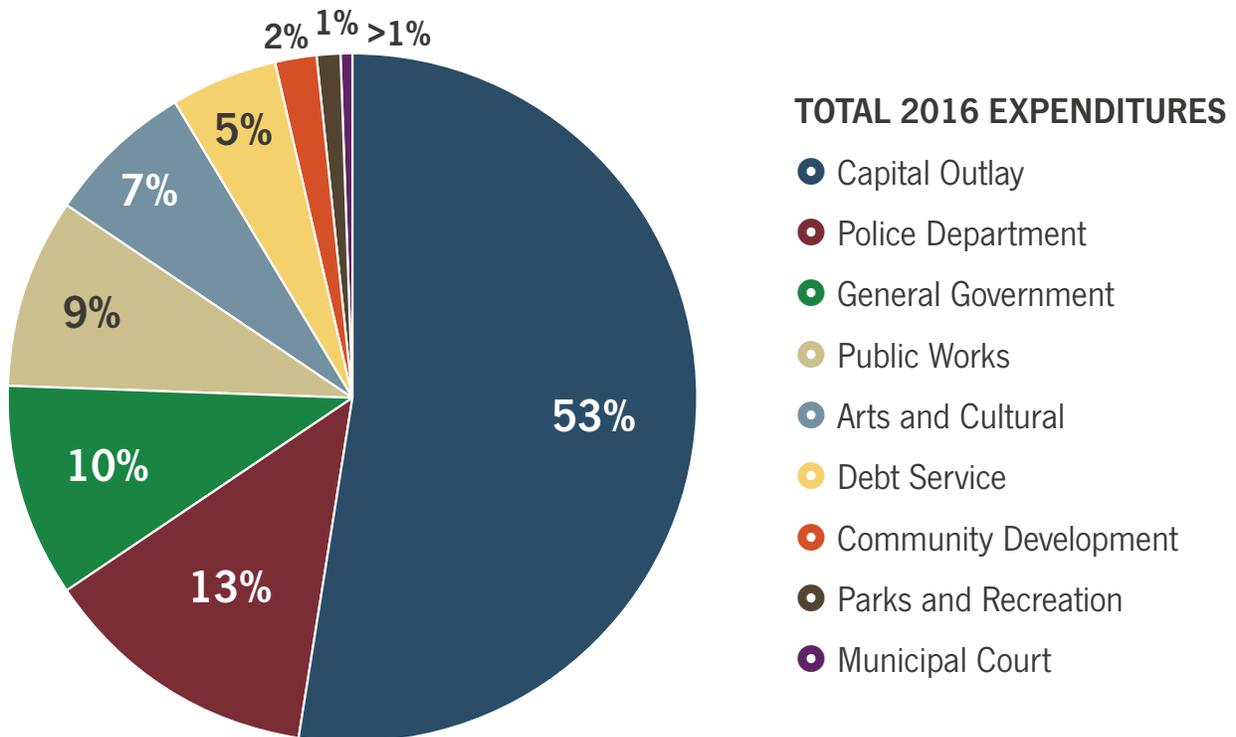
The increase from 2011 to 2012 is a result of the Lone Tree Arts Center being operational for a full year, as the Arts Center opened in the latter half of 2011. The increases are the results from analyses and comparisons of historical data of what types of performances best attract audiences and using those findings to develop a programming schedule that will generate a solid revenue stream. Additionally, the Lone Tree Arts Center has been mentioned in multiple local media outlets, which is increasing the public’s awareness of the facility.

Lastly, the City receives various other revenue sources, including interest income and tenant rental income received by parties leasing space in the Municipal Office Building, and miscellaneous revenue. Miscellaneous revenue is not a primary revenue source for the City (less than one percent in 2016), so a graph is not presented.

EXPENDITURES

The 2016 Budget evaluates available resources and allocates revenues to maintain the general operations of the City and to fund the capital projects outlined in the ten-year capital plan based on the City's priorities and guidance of City Council. The objective is to fund services and programs that are the most likely to achieve the goals of the strategic plan of the City.

The total expenditures incurred by the City are summarized in the following graph. Additionally, the major expenditure sources are highlighted individually.



EXPENDITURES	2014 ACTUAL	2015 ESTIMATED	2016 ADOPTED
General Government	4,774,300	4,960,000	5,673,650
Municipal Court	213,810	193,689	253,174
Community Development	1,025,520	1,005,652	1,140,919
Police Department	6,419,164	6,914,960	7,384,509
Public Works	4,270,688	4,607,500	4,837,500
Arts and Cultural	2,783,698	2,854,606	3,586,273
Parks and Recreation	4,146	47,500	500,000
Capital Outlay	11,440,796	13,976,790	28,959,786
Debt Service	2,434,819	2,496,869	2,564,000
TOTAL EXPENDITURES	\$33,366,940	\$37,057,566	\$54,899,811

CAPITAL OUTLAY EXPENDITURES

SOURCE

The City defines capital outlay to be purchases over \$5,000 that have a useful life of over one year. To the extent funds are available and the need is established, the 2016 Budget provides for reoccurring capital expenditure costs including software packages, street construction and overlay, City-owned building improvements, landscape improvements, traffic signalization improvements and storm sewer improvements. Additionally, significant nonrecurring capital expenditures are described below:

Lincoln Avenue Pedestrian Bridge — \$7,000,000: This amount is for the Lincoln Avenue pedestrian bridge design and construction. A significant portion of this will be reimbursed from project partners.

Southeast Light Rail Extension — \$6,333,334: This project adds three additional light rail stations that will extend the line further south on I-25. A significant portion of this will be reimbursed from project partners.

Yosemite Library Purchase and Renovation — \$1,697,000: This purchase takes possession of the Yosemite Library from the Douglas County Library District and enables the City to perform minor renovations to transform the building into a facility for civic use.

Yosemite Turn Lane (Maximus to Park Meadows Drive) — \$595,000: This project adds an additional right turn lane on Yosemite Street between Maximus and Park Meadows Drive.

Parkway Drive Reconstruction — \$450,000: This amount is for the reconstruction of Parkway Drive west of Acres Green Drive. A significant portion of this will be reimbursed from a project partner.

County Line Road and Park Meadows Center Drive Intersection Improvements — \$450,000: This is a placeholder for improvements to be made at this intersection based on a transportation study that is being conducted on County Line Road.

Lincoln Avenue/Heritage Hills Circle Intersection — \$350K: These funds are to add a right turn lane to southbound Heritage Hills Circle at Lincoln Avenue. This includes the relocation of the traffic signal pole.

Please see the capital expenditures section on pages 66–69 for a summary of capital/fixed assets and their impact to the operating budget.

Also included in this section of the budget are amounts for reimbursement of sales taxes to Park Meadows Business Improvement District associated with the annexation of Park Meadows Mall, as well as pursuant to the RidgeGate annexation agreement and other incentive agreements.

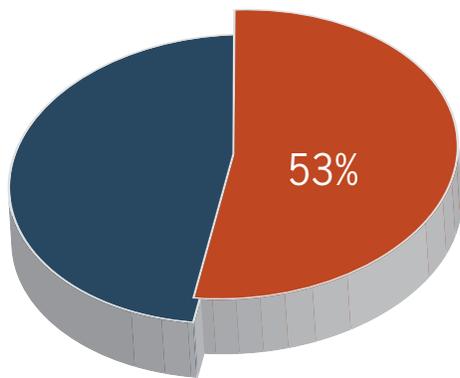
RATIONALE

The 2016 budget is based on scheduled capital projects for the year per the City's ten-year capital plan. The capital projects are prioritized based on the assets' remaining life, the community needs, staff recommendations and at the guidance of City Council.

The reimbursement of sales taxes to Park Meadows Business Improvement District is calculated based on 50% of the sales tax remitted for retailers at the Park Meadows Mall per the annexation agreement. This agreement expires December 31, 2031. Additionally, the sales tax reimbursement to Rampart Range Metro District is calculated based on 45% of the sales tax remitted for retailers within the RidgeGate area of the City. This agreement is tiered where the percentage reimbursed decreases every five years and expires on December 31, 2032.

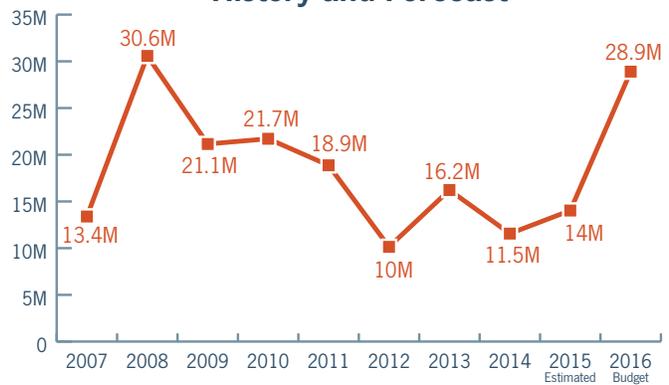


2016 Budget Total Expenditures:
\$54,899,811



**2016 Budget Total
Capital Outlay Expenditures:**
\$28,959,786

**Capital Outlay Expenditure
History and Forecast**



Fluctuations from year-to-year are based on the capital project plan for each year. 2007 through 2009 included cost related to the RidgeGate interchange. 2008 and 2009 included costs related to the construction of Cook Creek Pool and the tennis courts at the golf course. 2009 through 2011 included costs related to the construction of the Lone Tree Arts Center. 2016 is a significant year due to several large projects, including the Southeast Light Rail Extension and the Lincoln Pedestrian Bridge. However, a significant portion of each of these projects involves funding from other partners.

POLICE DEPARTMENT EXPENDITURES

SOURCE

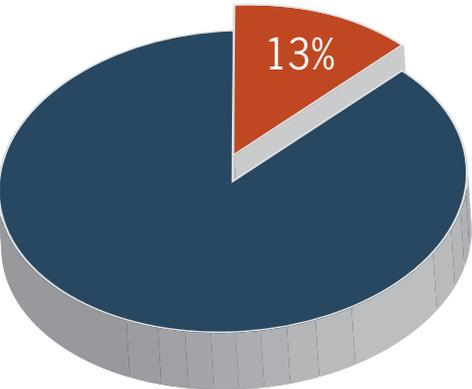
The Police Department is dedicated to protecting, defending, and serving the residents, businesses and visitors of Lone Tree. A commitment to maintaining a safe community can be seen through the City’s community outreach programs and the implementation of local laws backed by the Police Department’s commitment to community policing concepts.

The 2016 budget includes payroll and related benefit expenditures for a total of 57 employees. Additionally, the police department includes costs related to office and administration; uniforms; general equipment; vehicles and equipment based on the City’s vehicle replacement plan; training, recruitment, and testing; community outreach, and intergovernmental agreements with the Town of Parker for dispatch services, crime scene and analysis services, as well as evidence processing and storage.

RATIONALE

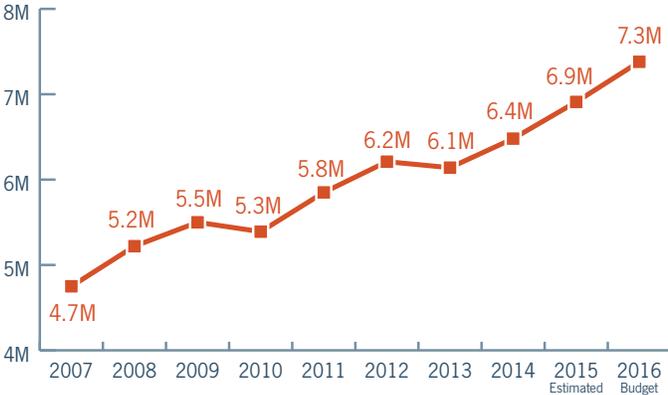
The 2016 budget is based on historical trends, intergovernmental agreements with the Town of Parker, and the City’s vehicle replacement plan. Historically, the overall police department budget has an annual increase between 6–8 percent, which approximately half of this reflects the increase in payroll and related benefit expenditures. Additionally, the increase reflects increases with the intergovernmental agreement with the Town of Parker. Historically, the costs associated with all expenditures outside of payroll and related benefits and the intergovernmental agreements do not increase substantially year to year.

2016 Budget Total Expenditures:
\$54,899,811



**2016 Budget Total
Police Department Expenditures:**
\$7,384,509

**Police Department Expenditure
History and Forecast**



Increase between 2007 and 2008 was a result of the annexation of the Park Meadows Mall into the City and staffing the Mall substation.

GENERAL GOVERNMENT EXPENDITURES

SOURCE

This area of the Budget includes the Administrative Services department, Finance and the City Manager's Office. The Administrative Services Department is responsible for providing and maintaining technology, risk management, facilities management, court services and personnel related services to the various City Departments. The success of Administrative Services is measured by how seamlessly and effectively employees are able to provide services to citizens and businesses in the community. The Administrative Services Department is divided into four divisions including Human Resources, Facilities, Information Technology, and City Clerk. Additionally, the City's Finance department includes sales tax administration and auditing, payroll processing and accounts payable as well as financial statement reporting and accounting records management. The goal of the Finance Department is to keep the City compliant with various state and federal requirements related to having up to date, accurate financial information.

The City Manager's Office facilitates the work of the City Council by developing and implementing the details of City Councils' goals and policies. The City Manager provides leadership in all areas of municipal services to the community in accordance with the City Charter and provides strategic vision and priorities of the organization through intergovernmental relationships, community outreach, and economic development. The City Manager's Office staff also serves as liaisons between the City Council and City staff for carrying out service requests and supporting the many activities in which the City Council and the City Manager are engaged.

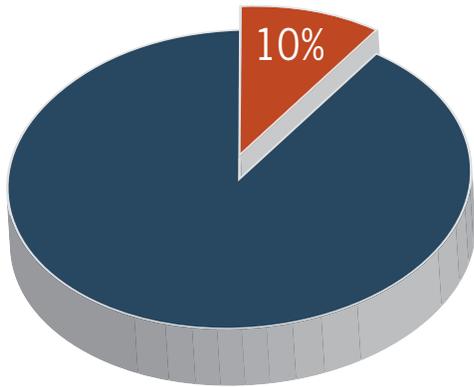
Other costs reflected under General Government include legal, insurance, economic development and other City programs.

RATIONALE

2016 estimates for General Government have been determined based on historical costs, anticipated cost increases related to salary and benefits as well as known contract price changes. Additionally, in 2016, the City is hiring two new positions, including a Deputy City Clerk and IT Systems Specialist. These new positions are a result of a need related to growth of the City as well as succession planning.

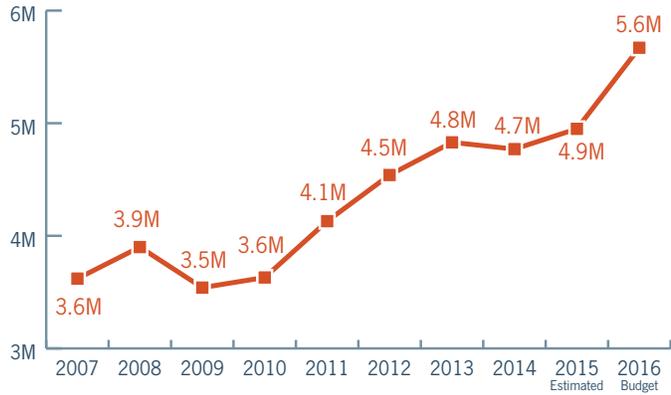


2016 Budget Total Expenditures:
\$54,899,811



2016 Budget Total General Government Expenditures:
\$5,673,650

General Government Expenditure History and Forecast



The significant increase in costs from 2010 to 2011 is primarily associated with increased legal fees, contract services for outsourcing finance functions and an increase in city administration costs. The increase from 2011 to 2012 includes a significant increase in legal fees associated with a litigation case the City was involved in. The increase from 2015 to 2016 mainly includes the new positions listed above and a citizen survey.

PUBLIC WORKS EXPENDITURES

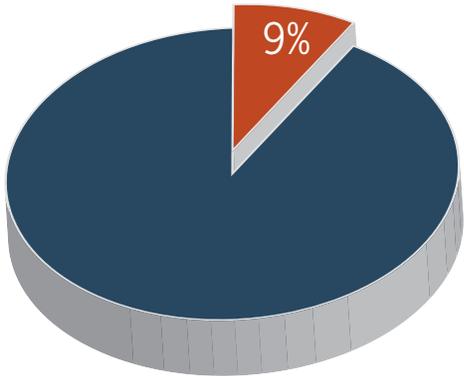
SOURCE

The Public Works Department is outsourced to a company that is responsible for maintenance and repair of streets; storm drainage and open space, design, bidding and construction management of the City’s capital improvement projects; the City’s snow removal services; to review plans and issue permits for all work within City rights-of-way and City owned property; maintain and operate the traffic signals within the City; coordinate improvements and construction with related entities including Douglas County, Park Meadows Metropolitan District, Southgate Districts, South Metro Fire Department, CDOT and respond to citizen requests and concerns and represent the City on technical committees of numerous regional organizations. Additionally, solid waste pickup as well as recycling is provided to all single-family residents in the City.

RATIONALE

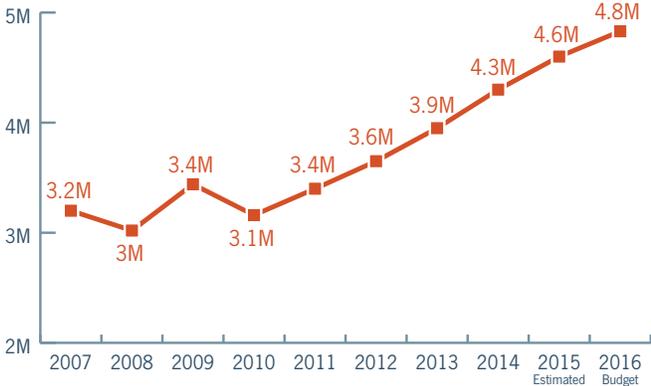
The 2016 budget is based on historical trends and reflects an increase of 5 percent from 2015. Historically, the overall expenditures for public works increase between 4–8 percent each year. The main costs are for contracting services for the public works department, snow removal, street maintenance and lighting, and the City’s trash and recycling program. Snow removal is based on historical data, but is a best estimate due to the unpredictable nature of this expense.

2016 Budget Total Expenditures:
\$54,899,811



**2016 Budget Total
Public Works Expenditures:**
\$4,837,500

**Public Works Expenditure
History and Forecast**



The significant increase seen from 2008 to 2009 is due to multiple factors which include street maintenance costs, snow removal (which can vary significantly from year to year), and the trash and recycling program. The trash and recycling program started recycling services in 2009 and a large number of recycle carts were purchased as well as an increase in monthly costs for the additional service. The increase shown from 2013 to 2014 is due to contracting services for the public works department, snow removal, and signage and striping.

COMMUNITY DEVELOPMENT EXPENDITURES

SOURCE

The Community Development Department consists of the Planning Division, the Building Division and the Code Enforcement Division.

The Planning Division administers land use projects including site improvement plans, subdivision plats and zoning changes. The Planning Division also provides long-range planning services including the preparation and periodic update of various planning regulations and tools, as well as other services including those related to historic preservation, signage and identification programs, streetscape programs and community facilities. The Building Division serves the community by administering the City's building codes to ensure all buildings are safe for occupancy. This is accomplished through reviewing building plans, issuing building permits and conducting inspections. The Code Enforcement Division is responsible for working with our residents, business owners and property owners to achieve a clean, safe and attractive community through enforcement of the City's zoning and nuisance regulations. This division also issues sign, banner and temporary use permits.

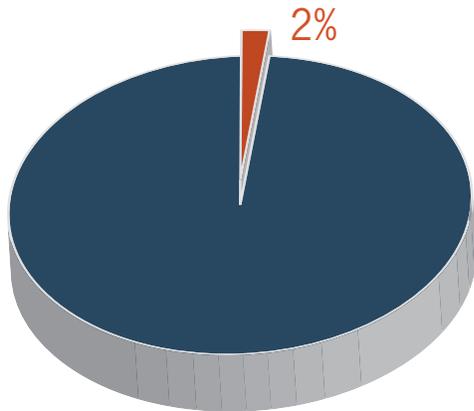
It should also be noted that a majority of these costs are offset with building permit fees as well as licenses, fees and other charges.

RATIONALE

The 2016 budget is based on historical trends and reflects an increase of 13 percent from 2015. The historical trends, along with the known large-scale construction projects to be completed, are used to develop an estimate of the number of hours to be spent on inspections times a known hourly rate. Historically, the overall expenditures for community development vary year to year, depending on the timing of construction and remodeling projects. The largest costs are for engineering costs associated with grading inspections, building inspections, elevator inspections, plan review and electrical inspections.

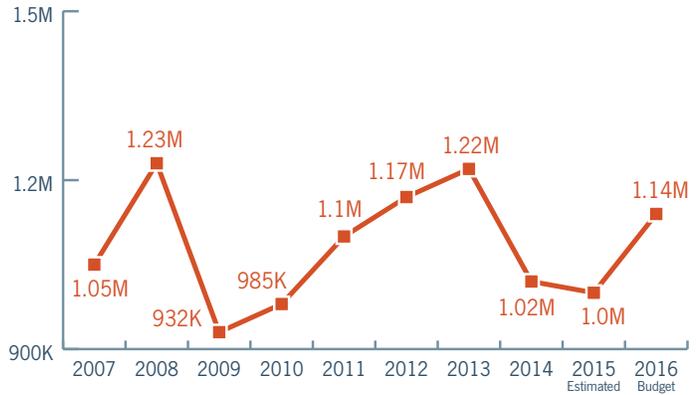


2016 Budget Total Expenditures:
\$54,899,811



**2016 Budget Total
Community Development
Expenditures:**
\$1,140,919

**Community Development Expenditure
History and Forecast**



The spike from 2007 to 2008 represents an increase in building department management fees for contract personnel and engineering fees related to the RidgeGate area. The significant decrease from 2008 to 2009 is a result of the economy decline causing a decrease in building inspection fees. The decrease in 2014 is due to a reduction in engineering fees related to the RidgeGate area, based on the timing of projects being completed. The increase in 2016 is due to contracted personnel costs related to building inspections, administrative support, and plan review and electrical inspections.

ARTS AND CULTURAL EXPENDITURES

SOURCE

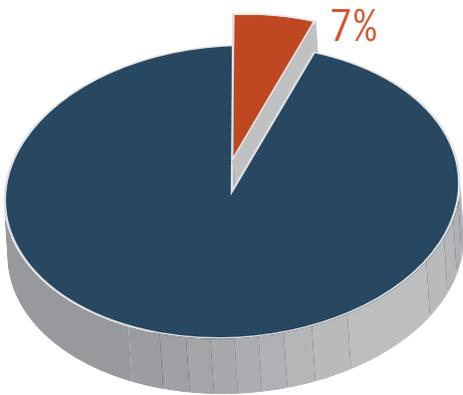
The Lone Tree Arts Center serves as a community resource, providing cultural and entertainment programming to residents of all ages, offering unique and affordable meeting services to local businesses and civic groups, and encouraging community participation by hosting a wide range of local performing arts groups. The Arts Center helps bring wider recognition to the City by drawing audiences and meeting attendees from throughout the seven-county metro Denver region. Additionally, Lone Tree Arts Center staff oversees the City’s robust public art programs as well as implement community-wide events for Lone Tree residents including summer concerts, the Independence Day celebration and Arbor Day.

Expenditures for the Lone Tree Arts Center include the administration, programming, marketing, development, annual City events, and arts and cultural events.

RATIONALE

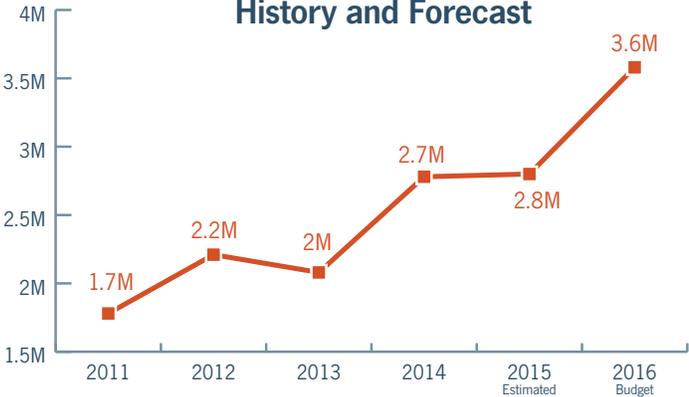
The 2016 operating expenditures for the Lone Tree Arts Center are estimated based primarily on the programming schedule, while utilizing historical trends and past performances as a guide. The primary expenditures are related to programming costs as well as payroll and related benefits.

2016 Budget Total Expenditures:
\$54,899,811



**2016 Budget Total
Arts and Cultural Expenditures:**
\$3,586,273

**Arts and Cultural Expenditure
History and Forecast**



The increase from 2011 to 2012 is a result of the Lone Tree Arts Center being operational for a full year, as the Arts Center opened in the latter half of 2011. The decrease shown in 2013 is due to a change in allocation of the Arts Center facility maintenance costs from the Special Revenue Fund – Cultural and Community Services to the General Fund. The significant increase from 2013 to 2014 and 2015 to 2016 is due to programming costs for contracted personnel, as the Arts Center transitioned from a presenting center to a presenting and producing center. Additionally, the increase from 2015 to 2016 is due to the addition of a new position in the development division, Corporate and Foundation Manager.

The additional expenditure sources comprise many important functions of the City, but they do not comprise the major expenditures of the City and are therefore summarized below:

MUNICIPAL COURT

Municipal court expenditures are based on the City's creation of a municipal court in 2002. Costs in this area consist of judge fees, legal fees, court clerks' salaries and benefits as well as office supplies and software. Municipal court expenditures are estimated to increase in 2016 based on the addition of a new part-time Coordinator position to facilitate the teen court program.

PARKS AND RECREATION

Parks and recreation services for the City are provided by the South Suburban Parks and Recreation District (SSPRD). The 2016 Budget includes City funds for several events including day events at Cook Creek pool for City residents and tennis events at the tennis and park facility at the golf course, as well as a contribution to Douglas County for the continuance of the East/West Trail. Additionally, this cost includes a placeholder for a contribution to South Suburban Park & Recreation District for a park to be constructed in the Entertainment District, other capital contributions at the Cook Creek Pool, and trail signage.

DEBT SERVICE

Principal and interest payments are provided based on the debt amortization schedule from the Series 2008A Sales and Use Tax Revenue Bonds (Recreation Projects) as well as the Series 2009 Sales and Use Tax Revenue Bonds (Cultural Facilities Projects).

The Series 2008A Bonds and the 2009 Bonds are the only debt instruments that the City possesses. The debt limit on the 2008A Bonds is \$12,500,000 and \$18,500,000 for the 2009 Bonds. The City utilizes a pay-as-you go philosophy, so if additional debt issuances were recommended, the City would need to have the voters authorization to do so.

Additional details of the City's debt, as well as the current debt service schedules are included in the capital and debt section of the budget document (see pages 70–72).

COMPENSATION, BENEFITS AND STAFFING

Personnel-related expenses account for the largest operations portion of the City's Budget; therefore, maintaining this investment is a high priority. In 2013, the City hired Mountain States Employers Council to develop a compensation and benefits study to better define a compensation philosophy for the City. This study determined that the City was competitive with the surrounding market with its salary and benefit packages offered.

The City of Lone Tree's objective is to compensate employees for their performance and contribution to the City's goals. The City considers a number of factors in compensation, including overall organizational effectiveness and the need to attract and retain qualified, talented employees. The City recognizes that employees are critical to the success of the City and must attract and retain competent, professional, and results-oriented staff.

Therefore, the City's total compensation package of pay and benefits, within our ability to pay, is competitive or exceeds the market of other governmental and private employers in the Denver/Boulder area. The City supports skill development, increased knowledge, flexibility, customer service, communication, teamwork, and job results. The City rewards employees who meet the above performance objectives to help achieve the mission and adhere to the City's stated values.

Utilizing the 2015 Mountain States Employers Council survey data, the 2016 Budget includes a 3.5 percent merit pool based on the current Denver/Boulder market data.

RESERVE FUNDS

The City has provided for an emergency reserve equal to at least 3 percent of the fiscal year spending for 2016, defined under TABOR. Additionally, the City has provided for emergency maintenance and repair reserves in 2016 as defined per the RidgeGate Annexation and Development Agreement, and an emergency disaster management reserve pursuant to an intergovernmental agreement with Douglas County estimated at 0.02 percent of the City's assessed value. Pursuant to bond restrictions, reserves are also set aside for remaining bond proceeds related to park and recreation bonds issued in 2008 as well as revenue received from the sales tax increases approved in 2008 by City voters which are pledged for payment of interest and principal payments on the 2008A and 2009 Bonds. Additionally, funds are also reserved for park and recreation improvements and related maintenance costs with City funds received from the State's Conservation Trust Fund as well as park fees which have been collected by developers in lieu of land dedication as a requirement under certain site improvement plans and funds received from litigation settlements. Funds are also reserved at the end of 2016 for funds received from partners for the light rail extension and the Lone Tree Link.

In addition to the funds reserved by the City pursuant to laws or other contractual obligations outlined above, the City also has designated 25 percent of its operating costs as a working reserve to account for unanticipated revenue shortfalls, unanticipated expenditures as well as to ensure stable tax rates for the City. The City also has designated certain funds as capital reserves specific to future capital projects.

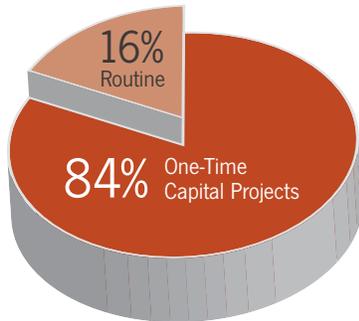


CAPITAL AND DEBT



CAPITAL AND DEBT

CAPITAL EXPENDITURES



ONE-TIME CAPITAL PROJECTS

Traffic Improvements.....	\$1.5M
Transportation.....	\$13.5M
Roads (non-overlay).....	\$720K
Buildings.....	\$1.7M
Other.....	\$544K
Total One-Time Capital Projects.....	\$18M

ROUTINE

Vehicles.....	\$280K
Technology.....	\$190K
Storm Sewer.....	\$290K
Buildings.....	\$605K
Street Overlay.....	\$1.8M
Other.....	\$375K
Total Routine.....	\$3.5M

Total Capital..... \$21.5M

This section of the budget highlights the City's capital investments for 2016 that qualify to be capitalized and are therefore depreciated using the straight-line method over the assets' useful life. These amounts differ from the capital outlay described on page 54, as the main budget document includes tax shareback amounts under capital outlay, which would not be a depreciable asset. The capital/fixed asset section above focuses on showing all capital expenditures comprehensively, regardless of departmental function.

2016 CAPITAL/FIXED ASSET BUDGET

The City defines capital expenditures to be purchases over \$5,000 that have a useful life of over one year. The 2016 budget contains \$21.5 million in total capital expenditures. As displayed in the graph to the left, the majority of these expenditures (\$18 million or 84 percent) are projects that are one-time capital improvements. The remainder (\$3.5 million) are routine capital expenditures.

The funding source for capital projects, routine and one-time, are from the general fund to the extent allowed based on projected revenues exceeding operating expenditures. In the event that revenues are not enough to cover capital projects contained within the capital replacement plan, the City maintains a capital reserve account to help offset costs of capital replacement and project needs. The reserve account includes excess funds that are rolled over, subsequent to year-end closing, of unanticipated accumulated fund balances. The funds in the capital reserve can only be used by the City for capital projects and at no time shall the accumulated capital reserves be used for City operational costs.

Additionally, the City receives sharebacks from Douglas County that can only be used for transportation and street/road improvements. The City also receives funds from the State of Colorado from lottery proceeds that can only be used for park and recreational improvements. The City currently has two Sales and Use Tax Revenue Bonds that when excess revenues from sales and use tax are collected can be used specifically for arts and cultural improvements as well as park and recreational improvements.

The capital expenditures generally have a positive impact on the operating budget by helping to minimize unforeseen maintenance and repair costs associated with the City's infrastructure. The City takes a proactive and forward-thinking approach that addresses the City's needs through strategic investments. Investments in such projects as the Southeast Light Rail extension is estimated to drastically increase the property values in Lone Tree and to create a significant number of new jobs over the next 25 years. Additionally, the City's commitment to maintaining a capital reserve helps to minimize any negative impacts on the operating budget.

One-time capital projects and routine projects can be further broken down into expenditure categories. The graph on the previous page shows the expenditure categories by type of project. The paragraphs below describe the categories by providing additional detail on the types of projects that make up each category.

ONE-TIME CAPITAL PROJECTS

TRAFFIC IMPROVEMENTS

The Public Works Department is responsible for the management of many capital projects in the City, including traffic improvements. Traffic improvements are primarily comprised of multiple intersection improvements to improve the flow of traffic.

TRANSPORTATION

The City's continued investment to improve the transportation network throughout the City can be highlighted in a few large projects, including the construction of the Lincoln Avenue Pedestrian Bridge and the Southeast Light Rail extension. The Lincoln Avenue Pedestrian Bridge will connect the Willow Creek Trail to the RidgeGate linear open-space trail. The Southeast Light Rail extension is a 2.2 mile extension that will bring three new light rail stations to the City. Both of these projects have a significant amount of funds being contributed from local partners.

ROADS (NON-OVERLAY)

The Public Works Department is responsible for the management of all of the capital projects related to street/road improvements in the City. The multiple projects included in the 2016 budget are a result of the City's commitment to keeping the City's infrastructure system in good condition.

BUILDINGS

The 2016 budget incorporates the purchase of the City's prior library building. Douglas County Libraries is building a new library in the RidgeGate area of the City. Final decisions on the building use are still being discussed, but it is hoped that this will serve as a facility that can be used as a gathering space for its residents that will offer activities to all age groups.

OTHER

The City has capital projects that have varying focuses, such as public art projects, contributing to the new Entertainment District park through South Suburban and contributing to Douglas County toward the East/West trail connection.

ROUTINE CAPITAL PROJECTS

VEHICLES

The City's police department has a five-year replacement schedule for the police vehicles and emergency equipment installed within each vehicle. Additionally, the City administration maintains a small number of vehicles for City business use.

TECHNOLOGY

The City's Information Technology Department conducts annual analyses to determine what hardware and software programs need to be purchased to ensure that the City is able to function efficiently. The 2016 budget accounts for new equipment and software programs that are needed to sustain current operation workloads and for replacement of hardware and software based on their replacement cycles.

STORM SEWER

The Public Works Department is responsible for maintaining and replacing storm sewer lines that are distressed. The City utilizes a proactive approach to try and detect issues before they arise by video inspecting all steel storm sewer lines in the City and formulating a replacement schedule when needed.

BUILDINGS

The City currently owns four facilities, which include the Municipal Office Building, Civic Center, the Lone Tree Arts Center and Public Works facility. The 2016 budget incorporates the purchase of a fifth facility, which was previously owned by the Douglas County Library District. The City is committed to investing each year in these facilities to ensure that visual quality is maintained, while also providing modern facilities that are operating efficiently and functionally for the needs of the City. The 2016 budget incorporates many improvements for each of these facilities, but the largest projects are upgrades to the server room, interior and exterior lighting enhancements at the Municipal Office Building, and parking lot repairs at the Arts Center. Additionally, the Lone Tree Arts Center has projects related to a sound system upgrade, a projector in the main theater, and lighting improvements in the lobby to continue to ensure a high quality experience for patrons.

STREET OVERLAY

The Public Works Department is responsible for the management of all of the capital projects related to street/road improvements in the City. Overlay occurs on a routine or reoccurring basis each year and is included in the 2016 budget as a result of the City's commitment to keeping the City's infrastructure system in good condition. Overlay is able to extend the useful life of the street and delay having to completely replace the existing street. While there are many streets that may need improvements each year, the City cannot perform major improvements on every road in one year due to the significant costs, so the City needs to spread out the improvements over a length of time and prioritize the streets that need improvements based on their structural quality and according to the remaining life of the street.

OTHER

The City has capital projects that have varying focuses that are recurring in nature, such as landscaping improvements throughout the City. The 2016 budget incorporates a landscaping improvement project within the Entertainment District upon the completion of an additional intersection that will provide convenient access and improved traffic flow into the area.



CAPITAL AND DEBT

DEBT AND DEBT SERVICES SCHEDULES

DEBT

On May 6, 2008, Lone Tree voters authorized the issuance of indebtedness in an amount not to exceed \$18,500,000 and \$12,500,000 (legal debt limits), for sales and use tax revenue bonds for funding capital improvements for cultural facilities and park and recreation respectively. The voters also authorized a temporary sales and use tax rate increase of 0.1875 percent for arts and cultural facilities and 0.125 percent for park and recreation improvements effective July 1, 2008 through December 31, 2023 or until the full payment of such debt if occurring earlier. Since a sales tax increase was approved and is pledged to the bond repayment, there is minimal, if any, impact on the operating budget. The exception would be if sales tax revenue significantly decreased below the amount needed to meet repayment, which in this unlikely event, a reserve account would need to be implemented to meet the obligations set forth in the bond agreements.

As of December 31, 2015, the City had authorized but unissued bond indebtedness totaling \$3,120,000 of which \$1,620,000 is for arts and cultural facilities and \$1,500,000 is for park and recreation improvements. The City utilizes a pay-as-you go philosophy, so if additional debt issuances were recommended, the City would need to have the voters authorization to do so, with the exception of the minimal outstanding authorization amounts listed above.

The debt schedules for the 2008A and 2009 Sales Tax and Use Tax Revenue Bonds start on the next page, as well as a description of the debt obligations.



DEBT SERVICE REQUIREMENTS TO MATURITY

SERIES 2008A PARK AND RECREATION BONDS

	PRINCIPAL	INTEREST	TOTAL
2016	695,000	365,687	1,060,687
2017	750,000	332,675	1,082,675
2018	805,000	295,175	1,100,175
2019	870,000	254,925	1,124,925
2020	940,000	209,250	1,149,250
2021	1,005,000	162,250	1,167,250
2022	1,080,000	112,000	1,192,000
2023	1,160,000	58,000	1,218,000
	\$ 7,305,000	\$1,789,962	\$9,094,962

Note: The 2008A Bonds maturing on or before December 1, 2018 are not subject to redemption prior to maturity. The 2008A Bonds maturing on or after December 1, 2019 are subject to redemption prior to maturity at the option of the City with no redemption premium.

Purpose of Issue: Design and construction of the Cook Creek Pool, tennis courts, and other park and recreational projects	Interest Dates: June and December	Debt Limit: \$12,500,000
Support Type: 100% Self-Supported	Date of Issue: November 19, 2008	Authorized but Unissued: \$1,500,000
Financial Classification: Revenue Bond	Interest Rate: 3.50% to 5.25%	Payoff Date: December 1, 2023
	Amount of Issue: \$11,000,000	Paying Agent: UMB Bank Trust Operations

DEBT SERVICE REQUIREMENTS TO MATURITY

SERIES 2009 ARTS AND CULTURAL BONDS

	PRINCIPAL	INTEREST	TOTAL
2016	1,060,000	439,744	1,499,744
2017	1,140,000	403,044	1,543,044
2018	1,225,000	363,481	1,588,481
2019	1,325,000	314,481	1,639,481
2020	1,425,000	261,481	1,686,481
2021	1,535,000	204,481	1,739,481
2022	1,645,000	143,081	1,788,081
2023	1,770,000	75,228	1,845,228
	\$11,125,000	\$2,205,021	\$13,330,021

Note: The 2009 Bonds maturing on or before December 1, 2019 are not subject to redemption prior to maturity. The 2009 Bonds maturing on or after December 1, 2020 are subject to redemption prior to maturity at the option of the City with no redemption premium.

Purpose of Issue: Design and construction of the Lone Tree Arts Center	Interest Dates: June and December	Debt Limit: \$18,500,000
Support Type: 100% Self-Supported	Date of Issue: August 11, 2009	Authorized but Unissued: \$1,620,000
Financial Classification: Revenue Bond	Interest Rate: 2.50% to 4.25%	Payoff Date: December 1, 2023
	Amount of Issue: \$16,880,000	Paying Agent: UMB Bank Trust Operation



DEPARTMENTAL INFORMATION

DEPARTMENTAL INFORMATION

STATISTICS EMPLOYEES BY FUNCTION/PROGRAM

FUNCTION/PROGRAM	Full-Time Equivalent Employees		
	2014	2015	2016
GENERAL GOVERNMENT			
City Manager's Office			
City Manager	1.00	1.00	1.00
Deputy City Manager	1.00	1.00	1.00
Economic Development Director	1.00	1.00	1.00
Assistant to the City Manager	1.00	1.00	1.00
Community Outreach Coordinator	1.00	1.00	1.00
Administrative Assistant	1.00	1.00	1.00
Administrative Services Department			
Human Resources	1.75	1.75	1.75
Facilities Manager	1.00	1.00	1.00
Information Technology	2.00	2.00	3.00
City Clerk	2.00	2.00	3.00
Finance			
Finance Director	1.00	1.00	1.00
Accountant	1.00	1.00	1.00
Accounting Technician	1.00	1.00	1.00
Revenue and Licensing Clerk	1.00	1.00	1.00
Sales and Use Tax Auditor	1.00	1.00	1.00
MUNICIPAL COURT			
Court Clerk	2.00	2.00	2.00
Teen Court Coordinator	—	—	0.50
COMMUNITY DEVELOPMENT			
Community Development Director	1.00	1.00	1.00
Planning	1.00	2.00	2.00
Code Enforcement	1.00	1.00	1.00
Building	3.00	3.00	3.00

FUNCTION/PROGRAM	Full-Time Equivalent Employees		
	2014	2015	2016
ARTS & CULTURAL			
Arts Center Executive Director	1.00	1.00	1.00
Administration	1.50	1.50	1.50
Programming/Box Office	11.00	11.00	11.00
Marketing	1.50	1.50	1.50
Development	1.00	1.00	2.00
Events Coordinators	2.00	2.00	2.00
POLICE			
Chief	1.00	1.00	1.00
Commander	2.00	2.00	2.00
Sergeant	9.00	9.00	9.00
Corporal – Investigations	1.00	1.00	1.00
Detective	4.00	4.00	4.00
Corporal – Patrol	7.00	7.00	7.00
Patrol	24.50	24.50	24.50
Community Resource	1.00	1.00	1.00
Police Service Coordinator	1.00	1.00	1.00
Support Services Manager	1.00	1.00	1.00
Administrative Assistant	1.00	1.00	1.00
Receptionist	1.00	1.00	1.00
Records Tech	3.00	3.00	3.00
Emergency Preparedness Manager	–	0.50	0.50
TOTAL	100.25	101.75	105.25

Note: Position changes between 2015 and 2016 included a Deputy City Clerk in the City Clerk Office, an IT Systems Specialist in Information Technology, a Corporate and Foundation Manager at the Lone Tree Arts Center, and a part-time Teen Court Coordinator in Municipal Court. The City outsources Public Works and Legal.

DEPARTMENTAL INFORMATION

STRATEGIC PLAN

In 2015, management of the City of Lone Tree embarked on a journey of developing a long-term strategic plan for the City. This process began with staff working with the community to create a new vision statement, which was adopted by City Council in 2015. From there, staff has continued this effort in developing an organizational mission statement and the City's goals or "Big Ideas." Within the "Big Ideas" are objectives and tactics the City will follow to uphold the strategic plan and to provide exceptional service to the City's residents and businesses. The objectives and tactics for the "Big Ideas" are being developed and this process will continue into 2016.

COMMUNITY VISION STATEMENT

Lone Tree is a premier Colorado community connected by great neighborhoods, vibrant public spaces, a beautiful natural environment, and thriving businesses.

ORGANIZATIONAL MISSION STATEMENT

We will achieve Lone Tree's community vision by doing things the best way, not just the expected way.

BIG IDEAS (GOALS)

We will be a national model for:



Our deep, active commitment to **safety**



Creating signature **cultural and recreational** opportunities



Our visionary **transportation** network



Attracting and growing **top-tier businesses** and a diverse economy



Fostering a highly desirable **community**, where residents and visitors recognize and value Lone Tree as a unique place



Innovative, customer-focused and efficient **city government**

The following department summaries outline accomplishments for 2015 and objectives for 2016 that strive to continually work toward the goals as described above.

DEPARTMENTAL INFORMATION



ADMINISTRATIVE SERVICES DEPARTMENT

The Administrative Services Department includes six major functions: City Clerk, Municipal Court, Information Technology, Facilities Management, Human Resources and Risk Management. The Administrative Services department focuses on being good municipal stewards, providing services to our internal and external customers with excellence, integrity and care. This focus expands upon two of the City's Big Ideas of being an innovative, customer-focused and efficient city government, while fostering a highly desirable community.

2015 HIGHLIGHTS:

- Continued to emphasize improving the visual quality of city-owned properties through upgrades, repairs, annual flower plantings and more frequent maintenance.
- Installed acoustic panels in the Municipal Office Building main lobby, reducing distracting noise and making the adjacent work spaces more conducive to productive work.
- Completed installation of the redundant uninterruptable power supply (UPS) at the Lone Tree Arts Center to enhance reliability in the event of an emergency, thereby enhancing safety of our patrons and staff in the event of a power outage.
- Completed electrical upgrade and installation of redundant uninterruptable power supply (UPS) at the Municipal Office Building. The UPS will provide battery power to critical network equipment in the event of a power surge or power failure impacting the computer room.
- Installed an email storage and recovery system (SonaVault) that will ensure continued email communications during catastrophic events, disasters or other emergencies, making the community safer. The new system also enhances "e-discovery" if requested.
- Completed remedial activities identified in the SQL Server analysis and health check, and developed a "best practices" methodology for future growth and implementations. The SQL Server is the database engine that drives several critical department applications including Caselle, Docuware and EForce.
- Identified an appropriate employee assessment tool (Emergenetics) to further develop our employees, teams, and overall organization. The Emergenetics program identifies individual thinking and behavioral preferences, and helps enhance interpersonal effectiveness and team performance, making us a stronger and more productive organization.
- Continued to improve the city's performance scores with CIRSA, our member-owned self-insurance pool, reaching a score of 102 for our Workers' Compensation program and 101 for our Property/Casualty program. Continued diligence promotes safety for our staff and customers as well as keeps insurance premiums in check.

OBJECTIVES FOR 2016

- Upgrade and replace landscaping at the City's facilities (Municipal Office Building, Civic Center, and Lone Tree Arts Center)
- Install Phase One improvements to the Lone Tree Arts Center Plaza
- Install a new air conditioning system for the main IT Server room
- Continue to develop a work environment to nurture good people who are hired, build effective teams, promote ethical practices and commit to service with integrity
- Automate the recruitment, on-boarding and performance management process via a new software application
- Install redundant firewalls at the Lone Tree Arts Center to provide high availability and connectivity to Internet and cloud applications
- Remotely monitor our various building generators and building security alarm systems

EXPENDITURES

	2015 Estimated Actuals	2016 Adopted Budget	Percent Change
Salaries / Wages / Benefits	\$637,661	\$865,365	36.0%
Facilities	\$952,972	\$1,021,989	7.0%
Information Technology	\$483,730	\$467,320	(3.0%)
Risk Management	\$405,300	\$425,600	5.0%
City Clerk	\$19,500	\$82,200	322%
Municipal Court	\$193,689	\$253,174	31.0%
Human Resources	\$83,923	\$84,200	0.3%
TOTAL	\$2,776,775	\$3,199,848	15.0%

The increase in salaries is due to the addition of two positions, Deputy City Clerk and IT Systems Specialist. City Clerk in 2016 includes the City Council election. The increase in Municipal Court in 2016 is related to the addition of the part-time Teen Court Coordinator.

DEPARTMENTAL INFORMATION



CITY MANAGER'S OFFICE

The City Manager's Office executes the directions and guidance of the City Council by developing and implementing Council's goals and policies, and leads City staff's intergovernmental relationships, community outreach, and economic development. The City Manager provides leadership in all areas of municipal services to the community in accordance with the City Charter, and provides professional management, strategic vision, and priorities for the staff and organization to promote excellence in the services we offer. The City Manager's Office staff members also serve as liaisons between the City Council and City staff for carrying out service requests, and support the many activities in which the Mayor, the City Council, and the City Manager are engaged.

The goals for the City Manager's Office are closely aligned with the Community Vision and Mission Statement, along with all of the Big Ideas. The City Manager's Office has an important and vital role that consists of being the liaison between all external and internal facets of the City, which lends itself to a commitment to safety, possessing a visionary transportation network that will allow for the desired growth, fostering a highly desirable community, creating signature cultural and recreational activities, attracting and growing top-tier businesses and a diverse economy, while also demonstrating innovative, customer-focused and efficient city government.

2015 HIGHLIGHTS:

SUPPORT FOR COUNCIL INITIATIVES:

- Helped Council create and approve an ordinance on construction defects reflective of community values.
- Designed and led public outreach to share information and solicit feedback on a pedestrian bridge across Lincoln Avenue, which Council approved.
- Provided staff leadership in securing RTD Board approval for Southeast Light Rail Extension acceleration.
- Led a public and stakeholder outreach process to solicit ideas for civic reuse of the current Douglas County Libraries branch building.
- Provided policy support for Council involvement in DRCOG and regional issues.

ORGANIZATIONAL LEADERSHIP AND MANAGEMENT:

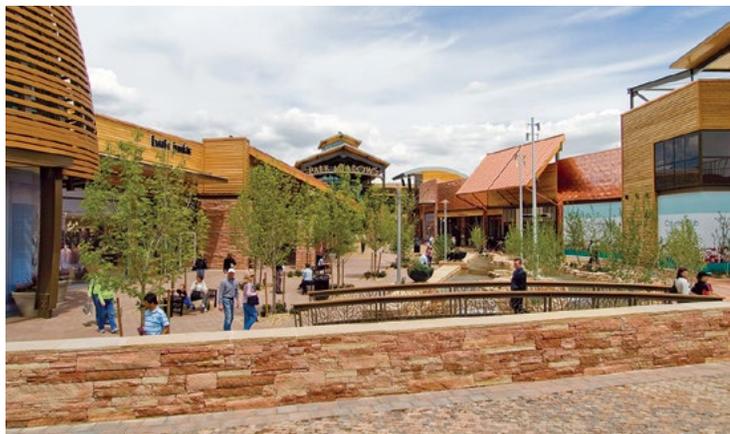
- Coordinated development of first City organizational strategic plan, in anticipation of further phases being executed in 2016-2018.
- Planned and organized 2015 Council mini-retreat to facilitate discussion among City leadership of City's long-term strategy, development, and outlook.
- Led internal staff focus group process to solicit feedback on areas for organizational continuous improvement. Now spearheading an initiative to build a stronger organizational culture.
- Created and established new twice-yearly All Hands Meetings to communicate effectively with staff about City initiatives and priorities, and encourage dialogue among all levels of the organization.

PARTNERSHIPS AND NEGOTIATIONS:

- In 2015, the City led a successful effort to create the new Lone Tree Business Improvement District (BID). Property owners of the Entertainment District came together to establish a public-private partnership that includes most of the businesses located on the north side of Park Meadows Drive. The BID has the authority to maintain and construct improvements and promote and market its facilities, with a goal of enhancing the economic development opportunities of the region. In order to raise revenue, the BID held an election to authorize an ad valorem property tax of its members, which its new board approved in December. In 2016 we will begin to see the results of this collaboration, and the BID will complement other city investments designed to improve the vitality of the Entertainment District.
- Secured partnership funding for Lincoln Avenue Pedestrian Bridge.
- Secured partnership funding for Entertainment District Park.
- Secured continued significant private-sector investment for Lone Tree Link free circulator shuttle service into a second year, as part of a public-private partnership with major employers along Park Meadows Drive.
- Assisted existing Lone Tree employers with their expansion plans and assisted relocating employers with their entry into the Lone Tree market.
- Negotiated IGAs with RTD, Rampart Range Metro District, SPIMD, and Douglas County to support the Southeast Light Rail Extension.

COMMUNICATIONS AND PUBLIC OUTREACH:

- Recognized by website NerdWallet as 10th Best Place in Colorado to Start a Business, 8th Best Place in Colorado for Millennial Job Seekers, and 7th Best Place for Young Families
- Executed a strategic economic development marketing campaign targeting site-selectors, corporate and residential real estate brokers, primary employers, retail employers, and developers.
- Began a tourism marketing plan, with an emphasis on retail tourism that will extend into 2016 and beyond.
- Produced and distributed the City's first Annual Report.
- Coordinated the selection and design process for a new website and hosting vendor for the City's website and employee intranet. Website redesign completed at the end of 2015.
- Redesigned and launched the economic development piece of City website to better and more professionally communicate City's business climate and site selection options to business community interested in moving to and expanding in Lone Tree.
- Completed the City's first communications plan for the purpose of providing positive, proactive, consistent communication with residents and staff and to foster an open, two-way dialogue with them.



OBJECTIVES FOR 2016

- Provide support for the May 2016 Council election, including education of candidates and orientation of the new Mayor and Council members
- Lead the implementation of the reuse of the Yosemite Library building, after the City acquisition of the property in spring 2016
- Coordinate City efforts to ensure receipt of a March 2016 full funding grant agreement (FFGA) from the Federal Transit Administration (FTA) for the RTD Southeast Light Rail Extension
- Strategize how to position Lone Tree as a leader in transit-oriented development and then begin the implementation of such a strategy
- Implement the City's organizational strategic plan across all departments
- Operate the Lone Tree Link on behalf of the City-led partnership
- Implement a new City communications plan
- Increase Economic Development efforts by leveraging our strong partnerships
- Conduct a Citizen Survey to assess perceptions of quality of life and services provided by City and partnering organizations, and to search for areas of continuous improvement

EXPENDITURES

	2015 Estimated Actuals	2016 Adopted Budget	Percent Change
Salaries / Wages / Benefits	\$720,663	\$759,854	5.0%
Dues & Memberships / Community Support	\$207,611	\$185,954	(10.0%)
Communications / Misc.	\$146,631	\$264,538	80.0%
Economic Development	\$210,000	\$270,000	29.0%
Total	\$1,284,905	\$1,480,346	15.0%

The increase in Communications is due to the addition of services in this area, such as marketing and advertising for Council and City items, media training for employees, and annual website training. Economic Development shows an increase in 2016 for additional marketing related to the REALTOR Summit, CRE Summit, State of the City, a Lone Tree Visitor's Guide, and tourism marketing.

DEPARTMENTAL INFORMATION



COMMUNITY DEVELOPMENT

The Community Development Department consists of three divisions: Planning, Building, and Zoning Enforcement/City Forestry. Together, this team provides a wide range of professional services that contribute to a safe, connected, vibrant, and thriving City for today and generations to come. This goal closely aligns with many of the City's Big Ideas by fostering a highly desirable community, where residents and visitors recognize and value Lone Tree as a unique place. Additionally, this goal aligns with a commitment to safety, while providing innovative, customer-focused and efficient city government.

Planning Division services generally fall into one of two categories: Current/Land Use Projects and Long Range/Special Activities. The former category includes day-to-day coordination with customers on various land use issues and processing of development applications through multiple stages of the review process. The latter category encompasses the research, analysis, development and implementation of programs, regulations and policy proposals that guide the City's long-term growth and development.

Building Division services involve administering the City's building codes to ensure all buildings are safe for occupancy. This is accomplished by reviewing building, electrical, mechanical and plumbing plans, issuing permits, and conducting inspections. Services have expanded in the past year to include review and permit of all permanent signs, and the popular "House Calls" program, in which building inspectors assist customers with general information.

Zoning Enforcement/City Forestry services involve working with residents, business owners, and property owners to achieve a clean, safe, and attractive community through enforcement of the City's Zoning Code and provision of ongoing education and guidance regarding tree health and landscaping design. This division also administers permits related to temporary banners and temporary uses and special events.

2015 HIGHLIGHTS:

PLANNING:

- Facilitated development of the first community garden in Lone Tree — has been growing since May!
- Welcomed a new planner to the team in January.
- Updated the City Comprehensive Plan including facilitating approval of a new Vision Statement.
- Processed new Site Improvement Plans (SIPs) along with numerous SIP amendments for changes to existing developments
- Facilitated the development of a new and improved General City Map and other land use maps to accurately reflect the growing City and future conditions.
- Participated in planning, design review and platting associated with the RTD Southeast Light Rail Extension Project.

BUILDING:

- Implemented new online building permit software to improve systems and customer service.
- Consolidated the Building Division offices and modified office hours to better serve customers.
- Performed ongoing review and inspections of major development projects.
- Branded and marketed the “House Calls” program to assist Lone Tree residents.

ZONING ENFORCEMENT/CITY FORESTRY:

- Successfully worked with hundreds of businesses to resolve zoning/nuisance cases without issuance of a summons.
- Developed a new partnership with the CU Extension office and Master Gardener’s Program to offer education and assistance to residents and business owners in Lone Tree through newsletters, workshops and social media.

OBJECTIVES FOR 2016

- Build upon the work of the City’s Strategic Plan to complete a department plan by year-end
- Obtain the ability to incorporate Geographic Information Systems into the Planning Division to take advantage of the many tools for enhanced mapping, presentation materials, spatial data analysis, document management, and communication with customers
- Facilitate regular and ongoing communication between Coventry, City staff, and other agencies regarding east-side development
- Initiate a review of updates to the City Zoning Code
- Provide outstanding customer service in the planning, processing, review, and inspection of several important upcoming developments



EXPENDITURES

	2015 Estimated Actuals	2016 Adopted Budget	Percent Change
Salaries / Wages / Benefits	\$686,155	\$735,539	7.0%
Planning	\$158,800	\$132,550	(17.0%)
Building	\$150,848	\$262,050	74.0%
Code Enforcement	\$9,849	\$10,780	9.0%
Total	\$1,005,652	\$1,140,919	13.0%

The Planning division shows a decrease in 2016 due to a reduction in engineering consultant fees. The increase within the Building division is related to plan reviews, electrical inspections, elevator inspections, and contracted personnel. A portion of plan reviews and electrical inspections are contracted out to Douglas County and part of this increase is a result of an hourly rate increase from Douglas County to align their billed rate with their actual expense.

DEPARTMENTAL INFORMATION



CULTURAL AND COMMUNITY SERVICES

The Lone Tree Cultural and Community Services Fund provides cultural and community programming to residents of all ages at the Lone Tree Arts Center (LTAC) as well as at public gathering places throughout the City. In addition, LTAC serves as an economic development driver for the City by offering unique and affordable meeting services to businesses and civic groups and by serving as a convening spot for regional leaders to discuss important issues facing our community. The Arts Center attracts wide recognition to the City by drawing audiences and meeting attendees from throughout the region. Services provided by the Cultural and Community Services Fund include performing and visual arts presentations, affordable programs for children and families, community celebrations in local parks, and cultural heritage events.

The goals of the Lone Tree Arts Center are directly related to a few of the City's Big Ideas, specifically the fostering of a highly desirable community, where residents and visitors recognize and value Lone Tree as a unique place. Additionally, LTAC creates signature cultural opportunities as evidenced by the quality and variety of performances that are offered each year. The LTAC also serves as a driver for attracting top-tier businesses and plays a part in providing a diverse economy.

2015 PROGRAMMING HIGHLIGHTS:

- LTAC's 69 distinct performances and productions continued their commitment to performances of high artistic quality. Artists included longtime international jazz favorites the Yellowjackets, guitar legend Bucky Pizzarelli, Broadway star Jarrod Spector, international opera superstar Nathan Gunn, as well as top tier local and regional collaborations with fellow SCFD organizations. In 2015, the LTAC produced two major plays: *The 39 Steps* and *The Explorers Club*, an off-Broadway hit. The LTAC's production of the latter play was the regional premiere of the play in Colorado.
- Senior programs thrived, and the Arts in the Afternoon series expanded to year-round programming in response to demand. In 2015, a concerted effort was made in season planning to maintain high artistic quality and showcase new performers for the often-repeat audiences. LTAC also offered senior matinees for all of theatrical plays and musicals.
- Programs for children and families engaged more than 8,500 children and their families in the arts. The student matinee program entered its fifth season, reaching between five thousand and seven thousand students a year from 35 schools across six school districts. In response to parent requests, all LTAC student matinee productions also had a public performance so that families could attend together. *Passport to Culture* continued to be a big draw. Many performances of *Seedlings* for the youngest audiences were selling out weeks in advance, even with the addition of a second show each month this season.
- A new program was launched this fall with the National Geographic Live Speakers series, bringing in a NASA engineer, a female Austrian extreme mountain climber, and a husband/wife aquatic biology and photography

team. LTAC is the only Nat Geo partner on the Front Range (and one of only two in Colorado — Breckenridge is the other). Student or senior matinees were presented for all Nat Geo Live speakers.

- LTAC's sensory friendly initiatives, from performances to the highly regarded Sensory Friendly Summit in June, attracted wide attention not only metro-wide, but also throughout the country. These programs also received considerable philanthropic support. The Wellspring usher training program, incorporating those with developmental disabilities into LTAC's traditional usher corps, has been a terrific success. A second cohort of ushers were trained in the fall.
- City events included a successful Kids Fest with Arbor Day activities and a sensory friendly "relaxed hour"; a full capacity Independence Day celebration; summer concerts and movies; and Schweiger Ranch Fall Festival.
- LTAC continued to serve as a complement to the City's economic development efforts, hosting over 75 business meetings. LTAC has established mutually-beneficial relationships with some of the area's leading businesses and employers, hosting regional training sessions, executive leadership meetings, and other events. LTAC also hosted its first major conference, drawing attendees from across the country in partnership with the Lone Tree Police Department. LTAC has been cited as an important factor in business relocation to the area, and also appears frequently as a sought-after amenity in many Lone Tree home real estate listings.
- Public art accomplishments included placement of several pieces from the donated art collection acquired by the City in 2012, the presentation of two noted artists in the Commissioners' Choice Program, continued participation in the county-wide Art Encounters program, successful Photo Show and Art Expo programs, and well-received rental exhibits.
- LTAC welcomed a wide variety of community performing organizations, and continues to receive many more applications for the Main Stage space than the calendar can accommodate.

2015 ADMINISTRATIVE AND FUNDRAISING HIGHLIGHTS

- The entire LTAC staff participated in the creation of a strategic plan. This plan will guide the future direction of LTAC, Arts and Culture, and City events and activities by establishing goals and strategies for community, artistic, and financial success.
- LTAC commissioned a significant upgrade to its ticketing system, allowing for a better patron experience, including the ability to purchase tickets through a mobile interface (phone, tablet, etc.), unifying the look of the ticket buying website, and mitigating technical problems that were barriers to purchasing for many patrons. This upgrade also maintains "PCI compliance", a designation necessary to accept credit card payments online.
- Two new fundraising advisory boards were created at the beginning of the year. The Community Fundraising Advisory Board is a grassroots group of longtime LTAC supporters and community advocates. The Fundraising Leadership Council is a high-level working advisory board with representation from some of Lone Tree's biggest businesses, as well as LTAC's biggest individual donors. The assistance of these two advisory boards has been critical to opening doors that staff alone have not been able to open.
- In addition to the boards' important assistance, significant focus and work from LTAC's Executive Director and Development Associate resulted in a marked increase in contributed income. Staff members began to create relationships with donors and prospects that will lead to even more fundraising success. Additionally, LTAC's careful stewardship of its SCFD relationship helped propel an SCFD funds increase.

OBJECTIVES FOR 2016

- Offer remarkable programming that includes regional and world premieres on LTAC's Mainstage.
- Emphasize the patron experience through improvements to the theatrical systems, including sound and audio/visual, as well as the installation of a new assistive listening device system
- Find our place in the community through a continued commitment to reach multiple constituencies, including children, seniors, and individuals with intellectual or developmental disabilities, and others that may be identified. City events will continue to provide community-building opportunities for Lone Tree residents and businesses by providing free events in public spaces. Additionally, discussions are underway to acquire an interior art piece at LTAC.
- Professional stewardship and planning through growth in contributed income and sustained, moderate growth in earned-ticket revenue.

EXPENDITURES

	2015 Estimated Actuals	2016 Adopted Budget	Percent Change
Salaries / Wages / Benefits	\$1,156,803	\$1,326,783	15.0%
Development	\$25,931	\$27,250	5.0%
Programming	\$891,062	\$1,106,840	25.0%
Marketing	\$315,724	\$363,700	15.0%
Administration / Misc.	\$20,595	\$16,650	(19.0%)
Arts and Cultural	\$68,400	\$63,250	(8.0%)
Events	\$219,591	\$201,800	(8.0%)
Total	\$2,698,106	\$3,106,273	15.0%

The increase in salaries and benefits in 2016 is a combination of merit pay and benefit increases, as well as a new development position, Corporate and Foundation Manager, to provide fundraising leadership from a dedicated staff member. Programming represents an increase in contracted personnel based on a detailed analysis of the shows that are planned for 2016. The increase in Marketing is a result of design costs for advertising items, as well as an increase in the volume of advertising with the intent to expand the patron base.

DEPARTMENTAL INFORMATION



The Finance Department includes general accounting services, budgeting, payroll, tax administration and collection, business licensing and auditing, and includes five FTEs: the Finance Director, Accountant, Accounting Technician, Revenue and Licensing Clerk and Collections and Audit Agent.

The success of the Finance Department is measured by both meeting the needs of internal and external customers, as well as keeping the City compliant with the various state and federal requirements related to having up-to-date, accurate financial information. The goals of the Finance Department closely align with many of the City's Big Ideas, but offering innovative, customer-focused and efficient city government is a key focus of the Finance Department.

2015 HIGHLIGHTS:

- Updated the 2015 budget document to meet initial GFOA budget award guidelines and received the Distinguished Budget Presentation Award for the first time. These enhancements to the budget document continue to work towards better transparency to our citizens with our budget presentation.
- Provided purchasing training to all departments and implemented a new electronic invoice approval process decreasing the amount of paper retained and allowing invoices to be tracked better during the approval process.
- Supported the LTAC staff in preparing the necessary documents required for the SCFD Tier II grant application process and oversaw the related external audit procedures.
- Prepared the 2014 audit report and Finance staff worked with the external auditors to complete and file (no adjusting entries needed or internal control weaknesses noted).
- Researched and implemented a city-wide process to accept credit cards for any City service, tax or fee. Additionally, as part of this process we were able to offer online payment options for business licenses, recycle carts and court payments. This is just one way the City can provide better customer service to our external customers and add internal efficiencies.
- Negotiated a new contract with the City's accounting system provider, Caselle, in anticipation of the new reporting requirements with the Affordable Care Act. The new upgrade will also provide enhanced dashboard capability to our internal users of the system.
- The Finance Director participated in quarterly meetings with the Douglas County Finance Director group. These quarterly meetings allow this group to exchange best practices, as well as discuss challenges in the finance area.
- Oversaw the Request for Proposal for external audit services per the direction of the audit committee. Engaged with a new audit firm.
- Three new audit committee members were oriented to the City and welcomed to the committee.

- Oversaw the 2016 budget process which included enhanced planning with the department directors on long-term capital planning and long-term staffing needs.
- Evaluated the business license process. Extended the period of a license to two years to be on the same cycle as the State, making it easier for our businesses to stay compliant, and reducing internal processing time.
- Sales tax compliance continued to be enforced by completing audits, as well as evaluation of late returns, misfiled returns, etc.

OBJECTIVES FOR 2016

- Continue to expand the criteria outline related to the GFOA Distinguished Budget Presentation Award with the City's 2016 published budget booklet.
- Implement the GASB 68 requirements as part of the annual audit process, which relates to additional reporting requirements on pension accounts. This ensures the City's compliance to accounting standards.
- A Request for Proposal for banking services was prepared and published in 2015 and the negotiation of a new agreement will be completed in early 2016 (current banking contract expires April 1, 2016).
- Continue to evaluate financial best practices and recommend any needed enhancements.
- Continue to evaluate the automation of renewal and penalty notices out of our current accounting software system to increase efficiencies in the tax return process.
- Finalize the City-wide long-term fiscal analysis, allowing City staff to have an interactive model for projections and better long-term planning.

EXPENDITURES

	2015 Estimated Actuals	2016 Adopted Budget	Percent Change
Salaries/Wages/Benefits	\$425,285	\$445,101	5.0%
Financial Services	\$45,000	\$80,000	78%
Total	\$470,285	\$525,101	12%

The increase in financial services seen in 2016 is the result of the City's current banking services contract expiring, resulting in an updated earnings credit that is in line with the current market. The City had been receiving a very favorable earnings credit in previous years that was well above market.

DEPARTMENTAL INFORMATION



POLICE DEPARTMENT

The Police Department is dedicated to protecting, defending, and serving the residents of, businesses, and visitors to Lone Tree. We are committed to the community and will patrol with pride and professionalism.

The department has an excellent “Volunteers in Policing” (VIP) program. Much of the interest is attributed to the Citizens Police Academy (CPA). Volunteers work both on the road and in the office in a variety of administrative jobs. Since the inception of the program in 2007 the VIPs have logged more than 44,000 hours for a savings in salaries to the City of nearly \$1,250,000. The volunteers are a large part of our success in community policing; the work they do supports our overall goals and lends itself to our commitment to safety. We currently have 15 volunteers.

The Community Partnership Unit will continue to have an active role in 2016 with additional Community Policing events. One program that will be implemented is Coffee with a Cop. We are working with area businesses, and this will be held at a local coffee shop which will allow residents to meet with a variety of officers to network on current issues in their neighborhoods.

The goals of the Police Department align with some of the City’s Big Ideas, particularly by being centered on providing a deep and active commitment to safety for all who enter the City, fostering a highly desirable community, and providing customer-focused service.

2015 HIGHLIGHTS:

- The addition of an Emergency Preparedness Coordinator, which is a shared position with the Town of Parker.
- The police department substation at the Park Meadows Retail Resort was relocated to a larger space to provide a better working environment for patrol and a more visible presence in the retail resort.
- The City received a grant from the Colorado Department of Transportation to implement an e-ticketing program, which will allow patrol to be outside of their vehicles at traffic stops for a shorter period of time, which will increase the safety for those patrol officers.
- The patrol activity increased for officer initiated contact and traffic stops, while calls for service decreased from 2014.
- The police department saw a decrease in reported crimes/incidents by approximately ten percent from 2014.

- Crime clearance rates for 2015 have increased approximately ten percent from 2014 for violent crime and has remained about the same for property crime. Furthermore, the City’s police department has a crime clearance rate approximately twice as high as the national average and the Mountain Region for both violent crime and property crime. This is partially due to the minimal incidents classified as violent crime and the diligence put forth to solve and close out each incident. This emphasizes the priority the City places on safety and maintaining this community as a safe place to live and conduct business.

OBJECTIVES OF 2016

- The focus will be to improve communication within the department, specifically to clarify the organizational culture and to inform staff of the expectations within the police department.
- Annually evaluate the cost effectiveness of the Intergovernmental Agreement with the Town of Parker for dispatch, crime scene services, and fleet maintenance.
- Conduct a needs assessment each year to ensure that the vehicles proposed to be replaced in the City’s vehicle replacement program actually need to be replaced.
- Increase traffic safety and reduce traffic accidents, which includes strong DWI enforcement
- Maintain high crime clearance rates in comparison to the Mountain Region and national averages

EXPENDITURES

	2015 Estimated Actuals	2016 Adopted Budget	Percent Change
Salaries/Wages/Benefits	\$5,401,000	\$5,690,000	5.0%
Office and Administration	\$111,380	\$111,900	0.5%
Uniforms and Equipment	\$62,600	\$62,700	0.2%
Vehicles and Equipment	\$529,797	\$546,425	3.0%
General Equipment	\$27,000	\$143,950	433.0%
Training, Recruitment, & Testing	\$98,200	\$114,600	17.0%
Community Outreach & Misc.	\$23,415	\$24,930	6.0%
Intergovernmental Agreements	\$661,568	\$690,004	4.0%
Total	\$6,914,960	\$7,384,509	7.0%

The increase in 2016 for general equipment is for the purchase of equipment to implement the E-Ticketing System discussed above, which is being funded 100% with grant revenue. The 2016 amount for training, recruitment, and testing increased due to a greater interest from police department personnel to participate in the City’s tuition reimbursement program.

DEPARTMENTAL INFORMATION



Public Works supplies the following services to the City:

- Provides recommendations and assistance to the City Council, City Manager and other staff on development engineering and public works issues
- Assists citizens with concerns and responds to questions regarding the physical improvements of the City
- Reviews roads, storm drainage, erosion control, traffic and platting for new development
- Provides construction field review of development grading, drainage, roads and erosion control
- Acts as the City's public works department for maintenance and repair of streets, storm drainage and open space to include management and direction of contracted maintenance crews
- Represents the City on technical committees at several regional organizations
- Prepares and administers the program in support of the City's EPA Phase II Drainage permit as issued by the Colorado Department of Public Health and Environment
- Constructs, updates and maintains the City geographic information system (GIS)
- Provides for traffic signal and signage maintenance, timing, coordination and construction throughout the City
- Coordinates and administers the City's snow removal services
- Coordinates capital improvements and construction with partner entities including Douglas County, Park Meadows Metropolitan District, CDOT, RTD and others

The Public Works Department is involved in multiple projects throughout the City, whose goals are closely aligned with the City's Community Vision Statement and Mission Statement in that they ensure that Lone Tree is a community connected by great neighborhoods and vibrant public spaces. A few of the large projects with construction beginning in 2016, include the Lincoln Avenue Pedestrian Bridge and the Southeast Light Rail extension directly align with the City's Big Idea of constructing a visionary transportation network. The Southeast Light Rail extension will also attract top-tier businesses and offer a diverse economy.

2015 HIGHLIGHTS:

- Managed the conceptual design contract for the Lincoln Avenue Pedestrian Bridge. Presented the design concepts to 13 groups and coordinated the City's first telephone town hall to present the bridge to a wider audience.
- Assisted in the project development and agreements for the RTD Southeast Rail Extension. Reviewed the contractor proposals and made recommendations to the RTD staff.
- Continued to represent the City on the C-470 Coalition Technical Working Group and CDOT's Project Management Committee for the implementation of the C-470 Express Lane project.

- Applied for and was selected to receive a Denver Regional Council of Governments \$6.4 million TIP grant for the widening of RidgeGate Parkway east of Havana Street including bike facilities. Funds will be available in FY 2018 and 2019.
- Developed and implemented plans for the addition of bicycle lanes on Yosemite Street from Lincoln to Park Meadows Drive and on RidgeGate Parkway between the roundabouts.
- Replaced the Geographical Information System (GIS) server and upgraded the platform to Arc GIS Server. Migration of data is ongoing in preparation to implement an upgraded Cartegraph package that enhances coordination between Public Works field and office personnel and implements a work order system for the department. This platform also provides the ability to publish web applications to the City's web site.
- Designed and constructed access modifications for the Entertainment District allowing a more central signalized access at Kimmer and Park Meadows Drive and limited the access near Mimi's to improve safety and traffic flow on Park Meadows Drive.
- Video inspected all corrugated steel storm sewer lines within the City in order to develop a proactive repair and replacement program for these lines.

OBJECTIVES FOR 2016

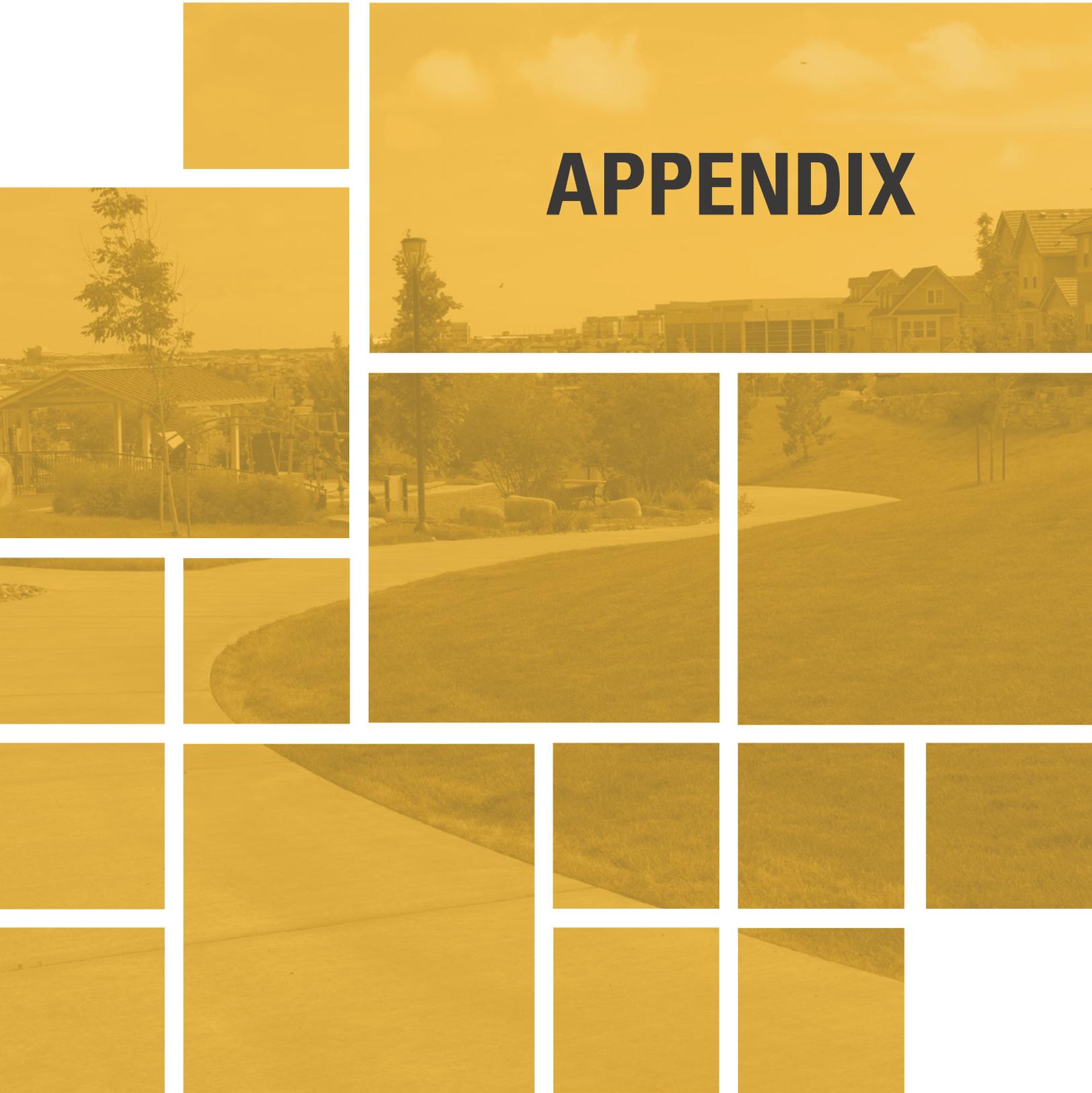
- Manage the design and construction of the Lincoln Avenue pedestrian bridge by connecting the Willow Creek trail to the RidgeGate linear open space trail.
- Add an IMSA level 3 certified traffic signal technician which will allow for Public Works to reduce the number of maintenance calls and provide quarterly signal inspections on all 40 of the City's signal systems as well as maintaining the City owned street and pedestrian lights.
- Complete a Public Works policy manual with policies documenting standards, processes and procedures for all Public Works operations – documenting the standards and policies related to Public Works.
- Coordinate with RTD on the final design and construction of the Southeast Rail Extension.
- Represent the City on project selection for improvements to the County Line Road corridor. Negotiate the turnover of the traffic signals at the ramps on County Line road at I-25 from CDOT to the City.

EXPENDITURES

	2015 Estimated Actuals	2016 Adopted Budget	Percent Change
Operations	\$4,607,500	\$4,837,500	5.0%
Total	\$4,607,500	\$4,837,500	5.0%

For line item detail on public works operations, refer to page 35 of the budget document.

APPENDIX



**CITY COUNCIL ADOPTED POLICY
CITY OF LONE TREE**

SUBJECT: Working Reserve Policy

CAP#: 11-01

ISSUE DATE

December 20, 2011

EFFECTIVE DATE

January 1, 2012

INTENT

It is essential that the City of Lone Tree (the City) maintain an adequate working reserve in order to mitigate current and future risks such as revenue shortfalls and unanticipated expenditures as well as to ensure stable tax rates. Furthermore, an adequate working reserve is a critical consideration to the City's long-term financial planning.

POLICY:

In this regard, the City has established the following fiscal policy related to its working reserve.

Minimum and Target Levels

The City will maintain a minimum working reserve balance of at least two months (16.7%) of the current year's budgeted operating expenditures. At the same time, the City will strive to achieve and maintain a 30.0% working reserve balance (which would include the 3% Emergency Reserve as required by TABOR) as part of its annual budget process.

Use of Funds

While targeting to maintain an annual working reserve of 30.0%, the City understands that there may be circumstances which warrant that the City use these funds temporarily. The City has established the following instances where it may elect to use these funds:

- An economic downturn in which revenues are below budget
- Unexpected and unappropriated price increases to service and maintain current City operations
- Early retirement of indebtedness
- Unexpected and non-budgeted emergencies, natural disaster costs, and/or litigation
- Capital asset acquisition, construction and improvement projects

The use of the working reserve for any of the permitted circumstances described above will require an affirmative vote of eighty percent (80%) by members of City Council.

Terms for Replenishing

In the event the City elects to use its working reserve in the aforementioned instances, the City will, concurrently in deciding to use its working reserve funds, establish a plan for replenishing the working reserve to its previous levels. When the working reserve is utilized, the City's priority will be to replenish the working reserve as soon as revenues are available.

Policy Review

The City's Finance Director will be responsible for reviewing the Working Reserve Policy semiannually in connection with the City's annual budgeting process and preparation of yearend financial statements to ensure that the City is maintaining an adequate working reserve level as established by this policy. Moreover, at least once every three years, the City Manager will review the policy and will make recommendations for revisions to the policy as deemed appropriate. Adoption and changes to this policy will require an affirmative vote of eighty percent (80%) by members of City Council.



James D. Gunning
James D. Gunning
Mayor

Jennifer Pettinger
Attest: Jennifer Pettinger
City Clerk

**CITY COUNCIL ADOPTED POLICY
CITY OF LONE TREE**

SUBJECT: Capital Reserves Policy

CAP#: 12-02

ISSUE DATE

December 18, 2012

EFFECTIVE DATE

January 1, 2013

INTENT

The City of Lone Tree (the City) has determined that accumulating and maintaining capital reserves as part of its annual budgeting process helps ensure that the City maintains adequate cash fund balances to help offset costs of future capital replacement and project needs. The City believes that establishing and maintaining such reserves will assist the City to take greater advantage of the “pay as you go” philosophy versus relying entirely or mostly on debt financing. As such, the City will be able to minimize the costs related to debt borrowing which in turn will make future revenues available for other purposes rather than interest payments on debt. In this regard, the City has established the following fiscal policy as it relates to capital reserves.

POLICY:

Capital Projects and Replacement Program

On an annual basis and concurrently with the City’s budgeting process, City Finance will ensure that ten-year capital projections are compiled by soliciting information from the City staff which reflects significant, contemplated capital projects, the associated costs, and the projected timeframe for the projects. The projections will be used for long-term financial planning purposes only and will in no way be intended to obligate the City in any manner to building or constructing the capital projects contained within the projections.

Budgeting for Capital Reserves

Utilizing the ten-year capital projections, the City will strive to fund a designated capital reserves fund balance within its budget that will be equal to at least twenty-five percent (25%) of the amount of the average aggregate projected cost over the ten year period for all of the projects based on the scheduled timing of the projects. Moreover, the City will roll over any excess funds, subsequent to year-end closing, of unanticipated accumulated fund balances and will include any such excesses as part of the City’s capital reserves.

Use of Funds

Capital reserves will be utilized by the City for capital projects, as contained within the ten-year capital projections, as they are constructed. While it is the City's intent to only utilize its capital reserves for planned projects as contained in its ten-year capital projections, it is understood that there may be unusual circumstances which may cause the City to desire to use its capital reserves for unplanned and unanticipated capital purposes. In instances where such an event may occur, an affirmative vote of eighty percent (80%) by members of City Council will be required. At no time shall accumulated capital reserves be used for City operational costs. Furthermore, should the City use its capital reserves for unplanned and unanticipated capital outlay purposes, the City will cause any such utilized reserves to be replenished within two years from the date of the reserves being drawn on.

Investing Capital Reserve Balances

As established in this policy, the City acknowledges that it will be accumulating capital fund balance reserves that may and/or will not be used for an extended period of time. In order to maximize the City's investment earnings, City Finance will periodically, but no less than annually, analyze the capital reserves fund balance and recommend to Council various investment options available to the City. Any and all recommendations made by City Finance will adhere to state statutes regarding investments permitted by governmental entities. Investment revenue earned on capital reserve balances will be used for costs incurred under this policy.

PROCEDURES:

Policy Review

City Finance will be responsible for reviewing the Capital Reserves Policy on an annual basis in connection with the City's annual budgeting process to ensure that the City is maintaining appropriate capital reserves as established by this policy. Moreover, on an annual basis, but at least once every three years, the City Manager will review the policy and will make recommendations for revisions to the policy as deemed appropriate. Adoption and changes to this policy will require an affirmative vote of eighty percent (80%) by members of City Council.



James D. Gunning
James D. Gunning
Mayor

Jennifer Pettinger
Attest: Jennifer Pettinger
City Clerk

**CITY COUNCIL ADOPTED POLICY
CITY OF LONE TREE**

SUBJECT: Debt Management

CAP#: 13-03

ISSUE DATE

June 18, 2013

EFFECTIVE DATE

July 1, 2013

INTENT

The City of Lone Tree (City) understands the importance of long-range, financial planning in order to meet its capital asset needs. The following debt management policy establishes parameters on the issuance of debt to help ensure that the City maintains a sound debt position and that its credit rating is protected. As such, the policy allows for an appropriate balance between establishing debt limitations while also providing flexibility to respond to unforeseen circumstances and new opportunities. This policy applies to City derived revenues and revenues the City is entitled to receive. It is the intent of this policy to provide both a framework relating to current circumstances as they exist today as well as to address the City's future position relating to debt management.

POLICY

The City has established the following fiscal policy related to debt management.

Development of Long-Term, Financing Recommendations

The primary responsibility for developing long-term, financing recommendations rests with the City Manager. During the annual budget process, and at any other such times during the year in which the need may arise, the City Manager will work collectively with the City's Finance Director and any other deemed necessary City staff (the Internal Working Group) to determine if there is a need for long-term borrowing. As part of the determination process, the Internal Working Group shall review the financing needs outlined by the Capital Improvement Plan (see below) to analyze the future capital financing needs as compared with the City's currently available cash resources and projected revenues. The Internal Working Group will also provide recommendations regarding refunding and restructuring of existing debt.

Once determination is made by the Internal Working Group to pursue long-term financing, a refunding, or restructuring of debt, the City Manager or City Manager designee, shall prepare and present to City Council a resolution of intent to issue, refund or restructure debt and authorization of City staff to proceed with the necessary preparations.

Approved on June 18, 2013 CAP# 13-03

Capital Improvement Plan

On an annual basis and as part of the City's budgeting process, the City will prepare and/or update a ten (10) year Capital Improvement Plan (CIP) identifying capital projects that are part of the City's long-term strategic vision and economic development plan. The CIP forecast process should include the associated, estimated ongoing operations and maintenance costs of such capital assets so that the total costs of the projects are considered for budgeting and projection purposes.

Purpose of Debt

Incurrence of long-term debt will only be used for the purpose of financing capital assets, which include but are not limited to buildings, infrastructure, land acquisition and purchase of significant equipment. The City, under no circumstances, will issue debt or borrow funds to finance the City's on-going costs for operations and services.

The City will strive to maximize the pay-as-you-go approach for its capital projects expenditures (see Capital Reserves Policy). Debt financing will be considered when annual revenues and accumulation of capital cash reserves are not sufficient to provide the necessary funding for such projects within a timeframe deemed necessary or adequate by City Council.

Types of Debt

The types of debt instruments to be used by the City will include:

- General Obligation Bonds
- Revenue Bonds
- Short-term Notes
- Special or Local Improvement Bonds
- Tax Increment Securities
- Any other legally recognized security approved by City Council and deemed advantageous to the City

In order to mitigate any uncertainty of annual debt payment amounts due, the City will strive, if deemed practical and beneficial, to secure a fixed rate structure when issuing debt. The City will consider a variable rate structure when market conditions favor this type of issuance, and when feasible, ensure there is a maximum interest rate provided within the variable rate structure. Credit enhancements will be used only in instances where the anticipated present value savings in terms of reduced interest expense exceeds the cost of the credit enhancement.

Level of Debt and Restrictive Provisions

The City will strive to limit its general obligation debt (i.e., where ad valorem property taxes are the main and underlying security pledged on the debt) so as not to exceed fifteen percent (15%) of the City's total assessed valuation as shown by the last preceding assessment received from the Douglas County's Assessor's Office. Additionally, the City will strive to maintain its annual

general obligation debt service costs (principal and interest) for its governmental activities at a level of no greater than fifteen percent (15%) of the City's governmental expenditures. Any debt issued by the City, other than general obligation debt, wherein other revenue sources serve as security on the debt (e.g., revenue bonds), will not have any specific debt level restrictions, provided that each of such issuances will be evaluated on a case by case basis so as to ensure that the City has adequately provided for conservative revenue projections relating to principal and interest repayment purposes.

The repayment terms of all debt issued by the City will not exceed the useful life of the capital assets financed. Additionally, the City will seek level or declining debt repayment schedules and will not issue debt that provides for a balloon principal payment reserved at the end of the term of the issue. Furthermore, the City will strive to obtain redemption terms that allow for the prepayment of debt without paying a redemption penalty.

Debt Issuance Practices

As part of its debt issuance process, the City will at all times manage its debt and sustain its financial position in order to secure and maintain an AA/Aa2 (long-term) or higher bond rating.

The City will market its debt through the use of a competitive bid process when issuing general obligation debt. The competitive bid process will also be used for other debt issuances unless time, interest rates and/or other factors make it more favorable for the City to use a negotiated process.

If needed, the City will hire an independent financial advisor, and any other professional service provider (e.g. bond counsel), to assist in the structuring of the debt transaction and to provide overall guidance throughout the process.

Guidelines for Refunding

The City shall consider refunding (advance and current refunding) outstanding debt whenever an analysis indicates the potential for net present value (NPV) savings of at least three percent (3%) can be achieved. The City shall also consider restructuring its existing debt in order to extend the payment terms to meet cash flow needs if deemed beneficial to the City's long-term financial and strategic planning. The City may also consider refunding outstanding bonds to remove existing restrictive covenants.

Post Issuance Management

The City will invest its debt proceeds in accordance with the City's investment policy and statutory requirements. Funds will be invested in instruments and with related maturities that will provide the liquidity needed to meet the cash flow needs of each project. In this regard, the City's Finance Director will prepare cash flow projections to determine the availability of funds to be invested and their respective required maturities.

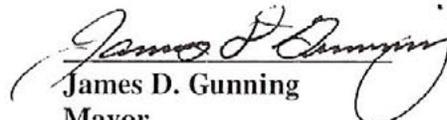
The City will comply with all arbitrage rebate requirements as established by the Internal Revenue Service. Arbitrage will be calculated at the end of each fiscal year and interest earned on the investment of debt proceeds will be reserved to pay any penalties due. Secondary market disclosures requirements established within the terms of the debt transaction will be adhered to and filed on a timely basis.

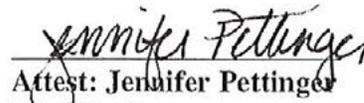
The City's Finance Director will be responsible for managing the post issuance requirements listed above and/or cause any post issuance requirements to be completed.

Policy Review

The City Manager and the City's Finance Director will review the Debt Management Policy in connection with the City's annual budget process as well as the year-end audit process to ensure that the City is adhering to the framework outlined in this policy and will make recommendations to revise the policy as needed. Adoption and changes to this policy will require an affirmative vote by City Council.




James D. Gunning
Mayor


Attest: Jennifer Pettinger
City Clerk

**CITY COUNCIL ADOPTED POLICY
CITY OF LONE TREE**

SUBJECT: Investments

CAP#: 13-02

ISSUE DATE

June 18, 2013

EFFECTIVE DATE

July 1, 2013

INTENT

The City of Lone Tree (City) recognizes the need to adopt an investment policy to establish parameters and guidelines for the efficient management of the City's funds and for the purchase and sale of investments. This policy applies to the investments of all funds of the City. Except for funds held in trust or special funds that are otherwise specifically provided for, the City will consolidate the balances from all funds to maximize investment earnings and meet the liquidity requirements of the City subject to the primary objective of providing security of principal. Any and all investments made by the City must be allowable, as provided for, by state statute.

POLICY

The City has established the following fiscal policy related to investments.

Objectives

It is the policy of the City to invest idle public funds in a manner to meet the daily cash flow demands of the City with the primary objectives, in priority order, being: a) Safety of Principal b) Liquidity and c) Return on Investments.

A.) Safety of Principal

Safety of principal is the foremost objective of the City's investment activities. Investments will be undertaken in a manner that seeks to ensure the preservation of principal in the overall investment portfolio. The objective will be to mitigate the following risks:

1.) Credit Risk

The City will minimize credit risk, which is the risk of loss due to the failure of the investment issuer or backer. As such, the City shall place reliance upon nationally recognized credit rating agencies in evaluating credit risk of obligations not issued by the U. S. government and Federal Instrumentalities (Agencies and Government Sponsored Enterprises). Credit risk shall be limited by restricting the credit ratings on securities that

Approved on June 18, 2013 CAP# 13-02

may be purchased and through diversification in order to reduce exposure to any one security type or issuer.

2.) Interest Rate Risk

The City will minimize its interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to the changes in market interest rates, by structuring the portfolio to meet the cash requirements of the City's ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity.

3.) Concentration Risk

The City will minimize concentration of credit risk, which is the risk of loss due to having a significant portion of resources invested in a single issuer, by diversifying its investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

B.) Liquidity

The investment portfolio shall remain sufficiently liquid to meet all of the City's operating requirements that may be reasonably anticipated. Investments shall be managed in order to avoid, although not prohibit, the sale of securities before their respective maturities to meet anticipated cash flow needs. Since all possible cash demands cannot be anticipated, the investment portfolio should contain a significant quantity of active secondary or resale markets. As such, at least twenty percent (20%) of the investment portfolio will be invested in overnight instruments, money market funds, Colorado local government pools, or in marketable securities which can be sold to raise cash within one day's notice.

C.) Return on Investments

The investment portfolio shall be designed and managed with the objective of attaining a market rate of return throughout interest rate cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to safety of principal and liquidity. The core investments are limited to relatively low risk securities in anticipation of earning a fair, although lower, return relative to the risk being assumed.

Delegation of Authority

Authority to oversee and manage the City's investment program is granted to the City's Finance Director. Responsibility for the operation of the investment portfolio may be delegated to an investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except

as provided under the terms of this policy along with the procedures established by the investment officer. The investment officer will be responsible for all investment transactions undertaken and shall establish a system of controls to regulate the activities of any subordinate officials. Any investments with a maturity of two years or more shall be approved by Council.

Authorized Investments

The City's authorized investments shall consist of the following:

- 1.) U.S. government obligations, U.S. government agency obligations and U.S. government instrumentality obligations that have a liquid market with a readily determinable market value.
- 2.) Any U.S. dollar denominated corporate or bank debt issued by a corporation or bank which is organized and operated with the United States and has a net worth in excess of two hundred fifty million dollars; except that the notes evidencing the debt must mature within three years from the date of settlement and, at the time of purchase, the debt must carry at least two credit ratings from any of the nationally recognized credit agencies and must not be rated below "AA- or Aa3" by any credit rating agency. These may comprise of up to thirty percent (30%) of the book value of the City's investments at the time of purchase, with no more than five percent (5%) of the book value concentrated in any single obligor regardless of investment type.
- 3.) Commercial paper rated A-1, P-1, or their equivalent by any nationally recognized credit rating agencies. Commercial paper shall not exceed thirty percent (30%) of the book value of the City's investment portfolio with no greater than ten percent (10%) exposure to any single issuer at the time of purchase.
- 4.) Bankers Acceptances, the issuers of which are banks organized under U.S. laws or their parent companies, are rated A-1, P-1 or their equivalent by any nationally recognized credit rating agencies. Bankers acceptances shall not exceed thirty percent (30%) of the total par value of the City's investment portfolio.
- 5.) Repurchase Agreements and Reverse Repurchase Agreements may be done only with approved dealers with whom the City has signed a master agreement governing such transactions, and must mature within 90 days. U.S. Treasury, agency, or instrumentality securities must collateralize any such transactions, the market value of which shall be at least 102% of the funds invested in the transaction at inception, and not less than 100% of the funds invested during its life. Securities collateralizing such transactions shall be delivered to the purchaser or their securities' custodian.
- 6.) General Obligations of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any such governmental entities. No security may be purchased pursuant to this paragraph unless, at the time of

purchase, the security is rated in one of the three highest rating categories by any nationally recognized organization that regularly rates such obligations. General obligations shall not exceed fifty percent (50%) of the total par value of the City's investment portfolio.

- 7.) Guaranteed Investment Contracts of domestically-regulated insurance companies having a claims-paying ability rating AA or its equivalent by any nationally recognized credit rating agencies.
- 8.) Money Market Mutual Funds and Local Government Investment Pools as permitted by Colorado statute, provided that such funds are either registered with the SEC or rated AAA by any nationally recognized credit rating agency.

Interest Earnings

Investment income will be allocated to the various funds based on the respective participation of principal in the overall investment portfolio.

Investment Limitations

The City will adhere to the following investment limitations:

A.) Diversification

The City's investments shall be diversified by:

- 1.) Limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities)
- 2.) Limiting investment in securities with higher credit risks
- 3.) Investing in securities with varying maturities, and
- 4.) Continuously investing a portion of the City's investment portfolio in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet the City's ongoing obligations

B.) Maturity

To the extent possible, the City shall attempt to match its investments with anticipated cash flow needs. Unless matched to a specific cash flow, the City will not directly invest in securities with maturities of more than five (5) years from the date of purchase.

C.) Sale of investments prior to maturity

Investments may be sold prior to their maturity date if the City determines that it is in the best interest of the City to do so. Sales shall not be made to speculate upon future market trends. It is the City's intent to purchase and hold securities until maturity; however, from

time to time, it may become necessary to sell a security at a loss in order to meet cash flow requirements or to take advantage of certain exchange advantages.

D.) Derivatives

Securities which derive their value from an underlying asset, group of assets, reference rate, or index value are not permitted as an authorized investment under this policy.

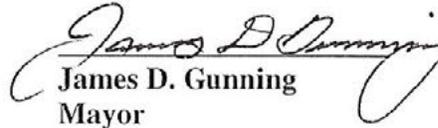
Reporting of Investments

A report containing current investment activity and balances will be provided to City Council on a monthly basis.

Policy Review

The City's Finance Director and City Manager will review the Investment Policy annually in concert with the preparation of the City's year-end financial statements to ensure that the City is adhering to the framework outlined in this policy and will make recommendations to revise the policy as needed. Adoption and changes to this policy will require an affirmative vote by City Council.




James D. Gunning
Mayor


Attest: **Jennifer Pettinger**
City Clerk

**POLICY MEMORANDUM
CITY OF LONE TREE**

SUBJECT: VEHICLE REPLACEMENT FUND POLICY

CAP#: 13-04

ISSUE DATE

EFFECTIVE DATE

July 2, 2013

July 2, 2013

Purpose

The intent of this policy is to establish guidelines on funding and maintaining the City's Vehicle Replacement Fund. This fund will ensure vehicles are funded and replaced according to their anticipated lifecycle, reduce maintenance costs, and eliminate reliance on the operating budget and large cash outlays for vehicle purchases. This policy shall be used in conjunction with the Vehicle Replacement and Utilization Policy.

Objective

The objectives of this policy are as follows:

1. Provide a mechanism in which funding for vehicle replacements is available, in advance of the need, through the establishment of a Vehicle Replacement Fund.
2. Provide for the timely acquisition and disposal of vehicles, therefore maximizing the dollar resources available for meeting the needs of the fleet.

Replacement Plan Funding

Vehicle replacement criteria are determined by anticipated useful service life. Refer to the Vehicle Replacement and Utilization Policy for detailed information.

Funding for vehicle replacement shall be incrementally allocated from department operating funds to a restricted capital replacement fund – the Vehicle Replacement Fund. Future vehicle replacement will be funded from the Vehicle Replacement Fund, which receives accumulated operating fund transfers based on the vehicle depreciation schedule.

The annual set-aside is calculated by determining the future value of a vehicle and using a straight-line depreciation. This method determines the dollar amount that will be set aside each year throughout the vehicle's lifecycle.

CAP 13-04

The Vehicle Replacement Fund would be operated as follows:

- For each new vehicle purchased and associated equipment attached to the vehicle, a forecast replacement cost will be established based on its economic life.
- In order to replace existing vehicles that have not made a complete contribution to the Vehicle Replacement Fund equal to the full replacement cost (of the vehicle and associated equipment), a capital contribution to the Vehicle Replacement Fund shall be made equal to the new purchase cost minus all contributions previously made for the vehicle.
- The annual set-aside amount will be based upon a straight-line depreciation for each vehicle over the course of its lifecycle and budgeted as part of the annual budget process and charged to the using department/division.
- The annual set-aside amount will be credited to the Vehicle Replacement Fund.
- At the end of the vehicle's economic life, funding for its replacement will be provided by the Vehicle Replacement Fund.
- Proceeds received through the resale of any vehicle removed from City services will be deposited back into the Vehicle Replacement Fund to help defray unanticipated new vehicle cost increases.

Policy Review

The City Manager and the City's Finance Director will review the Vehicle Replacement Fund Policy in connection with the City's annual budget process as well as the year-end audit process to ensure that the City is adhering to the framework outlined in this policy and will make recommendations to revise the policy as needed. Adoption and changes to this policy will require an affirmative vote by City Council.



James D. Gunning
James D. Gunning
Mayor

Jennifer Pettinger
Attest: Jennifer Pettinger
City Clerk