

Introduction



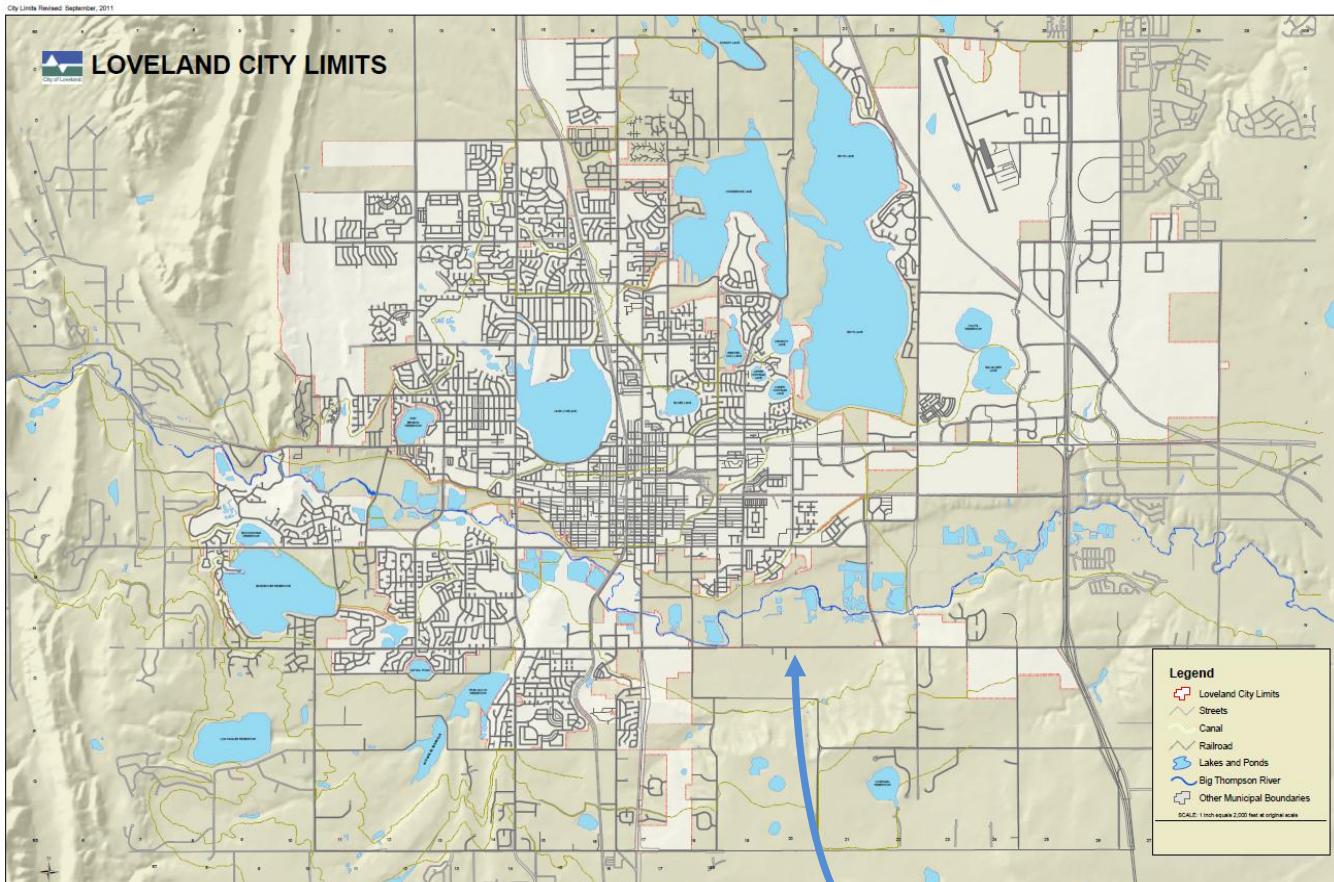
Introduction

This section provides general information about the City including:

- a list of City officials;
- a City organization chart;
- a summary of the budget process;
- a brief description of each fund type;
- demographics and economic information; and
- the policies that guide budget development

City of Loveland, Colorado

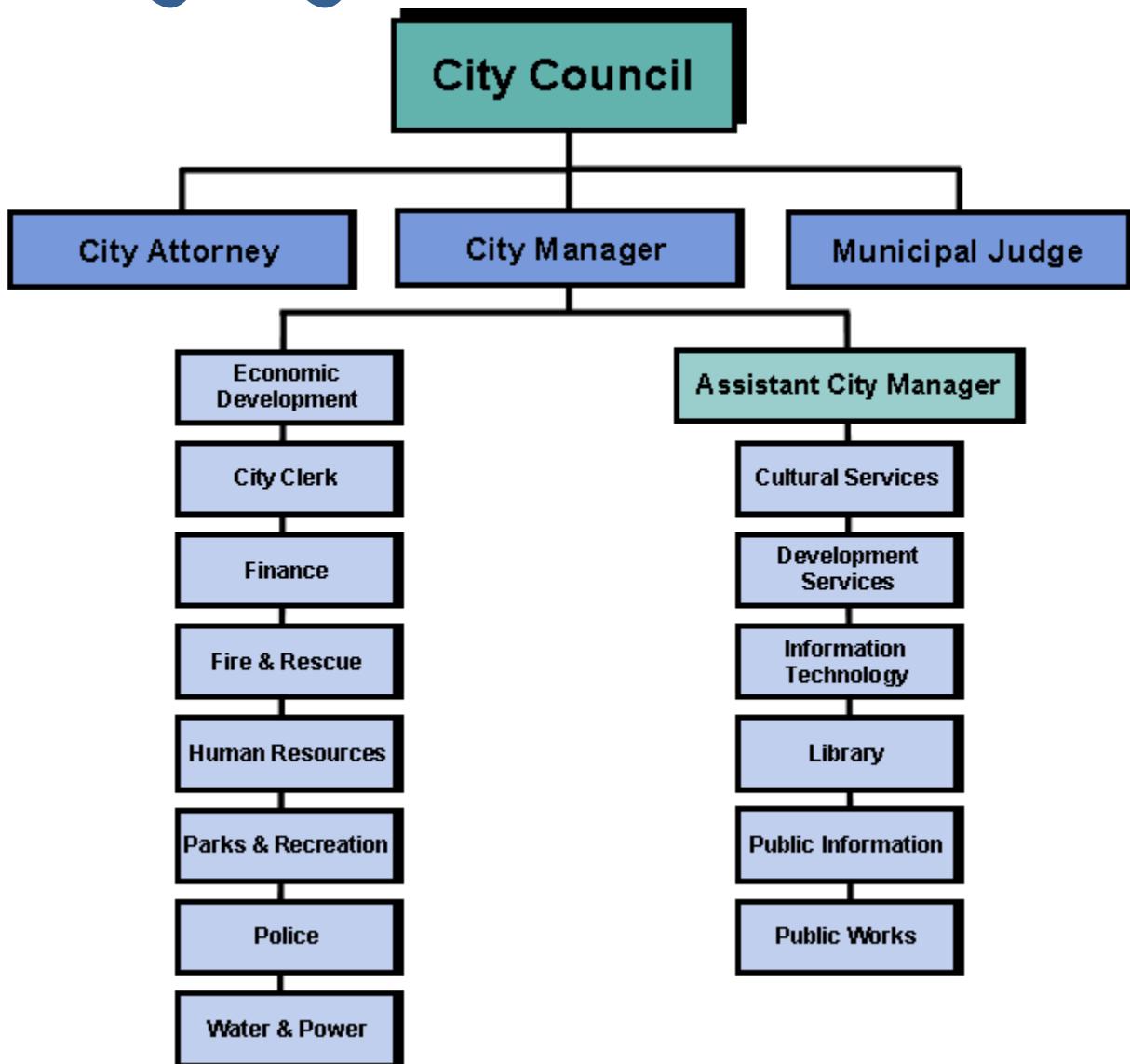
City Limits



Larger map can be found at
<http://logic.ci.loveland.co.us/Maps/CityLimits2000Scale.pdf>



City Organizational Structure



Citizens' Finance Advisory Commission

John Case, Chair

Jennifer Travis, Vice Chair

Jim Atkins

Dave Clark

Gerry Fleischer

Julie Harden

Jason Napolitano

Bradley Pierson

Jodi Radke

Youth Advisory Commission

Representatives

Mary Askham

Erik Ternary

City Council Liaison

Ralph Trenary

Loveland's Boards & Commissions

Affordable Housing Commission

Citizens' Finance Advisory Commission

Community Marketing Commission

Construction Advisory Board

Creative Sector Development Advisory

Commission

Cultural Services Board

Disabilities Advisory Commission

Fire and Rescue Advisory Commission

Golf Advisory Board

Historic Preservation Commission

Housing Authority

Human Services Commission

Library Board

Loveland Utilities Commission

Open Lands Advisory Commission

Parks and Recreation Commission

Planning Commission

Police Citizen Advisory Board

Senior Advisory Board

Transportation Advisory Board

Visual Arts Commission

Youth Advisory Commission

General Information

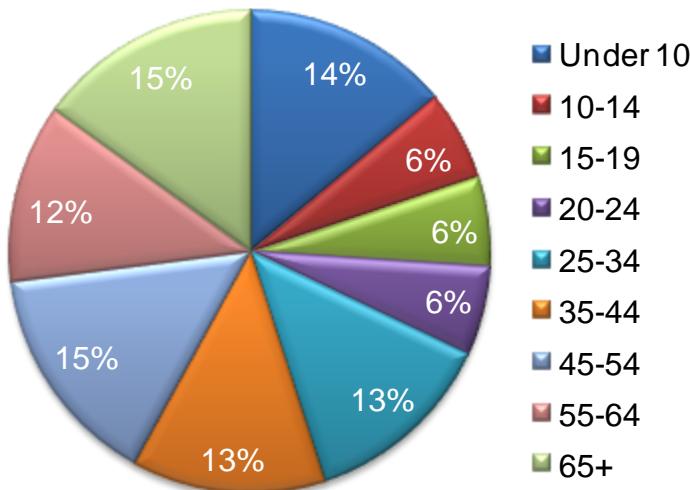
History and Location

The City of Loveland, Colorado, is located approximately 50 miles north of Denver, directly east of the Big Thompson River's emergence from the Front Range of the Rocky Mountains. Situated in southeastern Larimer County, the City limits encompass 35.21 square miles and a population of 66,859 in 2010. Loveland is the 14th largest city in the state of Colorado.

Demographics

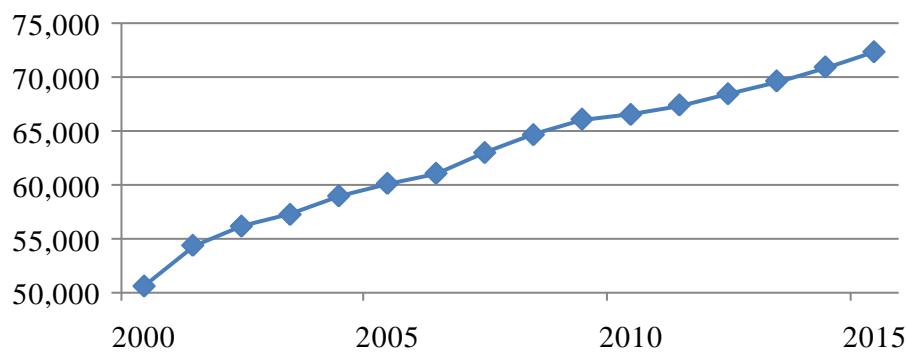
Loveland's population is older, with a median age of 38.7 in 2010, than Larimer County, the State, and the national averages at 35.5, 36.1, and 37.2 respectively. People 65 years of age or older represented 14.9% of Loveland's total population in 2010. By comparison, the percentage of persons 65 years or older in Larimer County, the State, and the nation were 11.9%, 10.9%, and 13.0% respectively. However, there is an indication that this trend may change. Persons under 18 years of age represented 23.9% of Loveland's total population in 2010. By comparison, the percentage of persons under 18 years of age in Larimer County, the State, and the nation were

Age Distribution



21.4%, 24.4%, and 24.0% respectively.

Population Growth



The City's population is 22.3% of Larimer County. The City is expected to see an annual population growth rate of between 1.9% and 2.1% through 2015. However, the number of persons per household has declined since 1990. In 2010, the average number of persons per household was 2.44, compared to 2.55 in 2000.

Major Employers in Loveland by Employee Range

Wal-Mart Stores 2,500-4,999
Lutheran Health Systems 2,500-4,999
Poudre Valley Health Care 2,500-4,999
Thompson School District 2,500-4,999
Hach Chemical Company 500-999
Evangelical Lutheran Good Sam Society 500-999

City of Loveland 712.92 (FTE)
L P R Construction 250-499
Agilent Technologies 250-499
Group Publishing 250-499
US Engineering 250-499

Unemployment Rate for April 2012 (Not seasonally adjusted) (Bureau of Labor Statistics)

Loveland	7.3%	Colorado	8.0%
Larimer County.....	6.4%	US.....	7.7%

Family Income (2010 Estimate from U.S. Dept. of Housing and Urban Development)

Median family income (includes all earners in household)	\$76,700
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Larimer County Income (2010 Bureau of Labor Statistics)

Average annual wages (all occupations)	\$40,093
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Housing Costs in Loveland

Average sale price for a detached single family home (2010 - <i>The Group, Inc</i>)	\$252,204
Average apartment rental rates (2011 - <i>Colorado Dept. of Local Affairs, Division of Housing</i>).....	\$1,006.51/month

Commercial Vacancy Rates (2011 - Sperry Van Ness Group, Colorado Department of Local Affairs)

Industrial.....	18.0%	Office	10.0%
Retail.....	6.0%	Apartment	3.4%

Taxes

City property tax levy for 2010.....	9.564 mills	Larimer County sales tax levy	0.8%
City sales tax levy.....	3.0%	State of Colorado sales tax levy.....	2.9%

Governing Body

Loveland operates as a home rule city according to a city charter and ordinances, under a council-manager form of government.

Voters select members of the City Council in elections on the first Tuesday in November of odd-numbered years. The Council has a total of nine members. Each of four city wards elects two councilors to serve staggered four-year terms. The mayor is elected at large to serve a two-year term. The mayor pro-tem is chosen by the Council from its membership.

**City Council**

From left to right:
Back row: Ralph Trenary; John H. Fogle;
Mayor Cecil Gutierrez; Hugh McKean,
Front Row: Chauncey Taylor, Joan Shaffer,
Daryle Klassen; Mayor Pro Tem
Cathleen McEwen, and Phil Farley.

Scope of Services

Loveland is a full service municipality. The major services provided by the City include:

- Building
- Cemetery
- Community Planning
- Engineering
- Fire & Rescue
- Fort Collins–Loveland Municipal Airport
- Loveland Museum & Gallery
- Loveland Public Library
- Municipal Court
- Mosquito Control
- Parks & Recreation
- Police
- Power Utility
- Public Transportation
- Rialto Theater
- Solid Waste & Recycled Materials Collection
- Stormwater Utility
- Streets Maintenance
- Wastewater Utility
- Water Utility

Employees and Benefits

The City's 2013 Recommended Budget authorizes regular full-time and part-time positions total of 712.92 on a full-time equivalent basis. In addition, a varying number are employed on a temporary and seasonal basis as needed. Loveland neither recognizes nor bargains with any employee union.

The City determines employee compensation by performance within a market based pay plan. Using market pay established through an independent survey as the midpoint, the salary range for each level is set at 12.5%-20.0% above and below the midpoint.

Benefits include medical, dental, disability and life insurance, and a retirement plan for all full-time regular employees. Part-time employees who work at least 20 hours per week are eligible to participate in benefit plans under a prorated cost sharing arrangement.

Budget Process

Budget Administration

This budget has been structured and prepared using the guidelines of the Government Finance Officers Association (GFOA). Two publications, Governmental Accounting, Auditing and Financial Reporting (GAAFR) and the Governmental Accounting and Financial Reporting Standards as adopted by the Governmental Accounting Standards Board (GASB) guide the budget process. The City of Loveland prepares its budget on a calendar year basis as required by the City Charter. The budget must be balanced or show a revenue surplus.

Basis of Accounting

The budget parallels the City's accounting system. A modified accrual basis is used for general government operations. Significant revenues are recorded when measurable and available. Expenditures are recorded when incurred. Records for the City's Enterprise Funds, Proprietary Funds, and non-expendable Trust and Pension funds are maintained on a full accrual basis. For budgetary purposes, depreciation, accrued liabilities for accumulated leave balances, and market value adjustments to City investments are not included in calculating fund balances. Building and equipment repair and maintenance are budgeted for annually. Payments for accrued leave are paid within the existing budget as employees leave. Investments are held to maturity so market value during the term of the investment is not an issue when allocating resources.

Citizens' Finance Advisory Commission

A Citizens' Finance Advisory Commission (CFAC) is appointed by City Council to participate in a review of the budget, evaluate all financial policies, and report its findings to the Council. The commission consists of nine members who serve staggered terms of three years each. Its members are involved in the budget process and provide input to the Council during the adoption process.

Budget Preparation Schedule

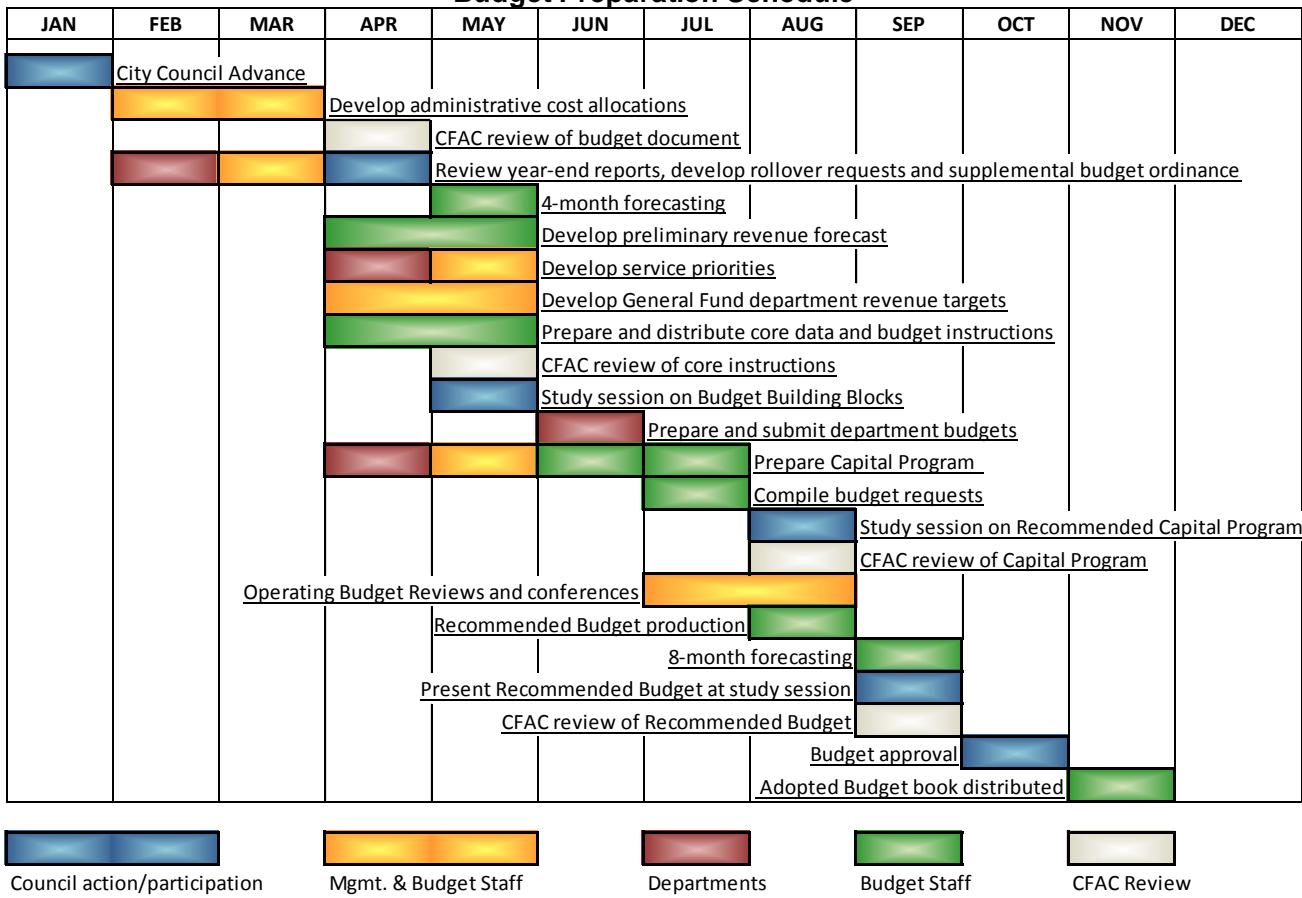
The budget process begins in January with the annual Council advance. At the advance, City Council establishes goals and objectives for the coming year and direction for future budgets.

In April, the capital planning process begins. Departments develop 10-year capital project lists. From these, the City Manager develops a 5 and 10 year Capital Program to present to Council in August for review. The Capital Program provides the basis for developing the budget for the next year.

Also in April, the Budget Division prepares core data, such as salary information, health insurance rates, rates for vehicle maintenance and rental, workers' compensation, and general liability. Along with this data, forecasts of current year revenue and preliminary revenue forecasts for the next year are completed. In late May, the core data is distributed to departments, along with budget instructions for the upcoming year.

Departments meet internally and with their respective advisory commissions to develop their budget requests. The requests are due back to the Budget Division the first week of July. The Budget Division compiles all the submissions in preparation for budget conferences with the City Manager and the departments. The conferences are held in late July, with final decisions on what will be included in the Recommended Budget completed by early August. Through August, the Budget Division prepares the Recommended Budget. The document is submitted to City Council in early September, with a study session on the Recommended Budget. The budget is submitted for approval on First Reading, after a public hearing, in early October, with a Second Reading and final approval occurring in late October or early November.

Budget Preparation Schedule



Budget Amendments

Because not all situations can be predicted during the budget process, an amendment process is necessary to keep current. The Adopted Budget can be amended during the year by presenting an ordinance to Council for approval after a public hearing, on both First and Second Reading. In general, budget amendments, or supplemental budgets, are used for one-time items such as grants for specific projects that are received during the year. Unless critical to service delivery in the current year, amendments that create on-going costs are discouraged, with the preference being deferral of these type of items to the annual budget process, to be prioritized among all requests, rather than presented as a single issue.

The most significant amendment occurs in the spring after the fiscal year has been closed, to reappropriate the remaining balances in the Capital Program. Most capital projects are multi-year in nature, and due to weather conditions and other factors related to construction, forecasting spending in the current year is difficult. The City follows a practice of appropriating the total cost of a project in the first year of the project, unless there are clearly definable phases. The unspent balance is re-appropriated each year until the project has been completed.

Financial Policies

The City of Loveland financial policies, compiled below, set forth the basic framework for the overall financial management of the City. These policies assist the City Council's decision-making process and provide guidelines for evaluating both current activities and proposals for future programs. These policies are reviewed annually and presented to Council for approval.

General Policies

City of Loveland will:

- Annually prepare a budget, submit it to Council for approval, and publicly issue a budget document.
- Identify costs and funding sources before recommending approval of capital and operating budgets.
- Provide for sound financial planning, the best possible bond rating, funding of depreciation, and adequate working capital in all funds.
- Take measures to protect against catastrophic losses through a combination of insurance, funded self-insurance, and cash reserves.
- Provide for recommended maintenance and replacement of facilities and equipment. Each department will prepare and annually update a maintenance and replacement plan.
- Follow the City of Loveland Charter when preparing the City's budget.
- View the budget as a dynamic rather than static plan which requires periodic adjustment as circumstances change. Approval of City Council is required for increases in total fund budgets and shifts in appropriations among departments in excess of \$25,000.
- Encourage citizen involvement in the budget process by having a Citizens' Finance Advisory Commission, public hearings, and informal meetings.

Operating Budget Policies

City of Loveland will:

- Pay for all current year operating expenses with current year revenues and/or available fund balances.
- Provide for the adequate funding of all pension plans.
- Update operating expenditure projections for the budget year plus four years. Projections will include increased operating costs associated with future capital improvements.
- Establish and monitor performance and productivity indicators associated with operating expenses.
- Maintain a positive cash balance in each operating fund at the end of each fiscal year.
- Attempt to maintain present service levels for all priority and essential services within existing Amendment 1 revenue limitations.

Capital Budget Policies

City of Loveland will:

- Update capital program projections for the budget year plus four years.
- Ensure the capital program is for projects and equipment with a cost equal to or greater than \$250,000.
- Evaluate the relative merit of each capital project according to Council's goals and priorities.
- Give priority to capital projects that are mandated by federal or state legislation.

Revenue Management Policies

City of Loveland will:

- Impose taxes, fees and rates at appropriate levels to fund their intended purposes. Maintain a balance to provide for a diversified and stable revenue system.
- Estimate annual revenues using an objective, analytical process.
- Update revenue projections for the budget year plus four years.
- Annually review costs of activities supported by taxes, rates, user fees, plant investment fees, and capital expansion fees.

- Set fees and user charges for each enterprise fund that maintains an enterprise status pursuant to TABOR.
- Review new sources of revenue to fund operating and capital costs consistent with Council's goals and priorities.
- Allocate revenues from restricted funds in accordance with municipal code provisions.

Reserve Management Policies

City of Loveland will:

- Establish reserves from restricted cash accounts for growth-related development. The reserve balance will be equal to the unexpended balance of cash less current liabilities in each restricted account.
- Establish bond reserves based on requirements of individual bond ordinances.
- Establish capital reserves which accumulate funds for the planned construction or replacement of City infrastructure or for the acquisition of capital equipment not funded through growth-related fees. These amounts will be determined by five-year or longer capital programs.
- Establish other reserves related to special items as approved by City Council. This would include accumulating reserves to retire debt at an accelerated schedule.
- Maintain the General Fund unrestricted balance at no less than 6% of General Fund revenue.

Definitions of Reserve Terms

- **Operating** - Reserves to cover unanticipated expenditures of a nonrecurring nature or to meet unexpected small increases in service delivery costs. These also cover operating carryover balances associated with cash flow needs and the provision of an orderly adjustment to changes resulting from termination of revenue sources through actions of other governmental bodies. Reserve amounts are based on a percentage of the operating budget within each appropriate fund.
- **Emergency** - Reserves to cover costs associated with natural disasters or other unforeseen and declared emergency situations. Reserve amounts are based on a percentage of the operating budget in the general fund. This reserve satisfies the requirements of Amendment 1.
- **Liability** - Reserves to cover accrued liabilities from items such as vacation, sick leave, or compensation time. Reserve amounts are based on a percentage of fund liabilities.
- **Equipment Replacement** - Provide for the replacement of fund assets such as office equipment and furniture, computers, vehicles, and tools and equipment used in operating programs. Items not included are City infrastructure, utility infrastructure, equipment covered under capital reserves, and the replacement of City buildings.
- **Designated** - Reserves for planned capital projects or services, which will be appropriated in future years based on the capital plan for operating needs or for known debt payments in the future.
- **Restricted** - Reserves for funds restricted by ordinance or law. An example is impact fee reserves, which may only be spent on capital projects that are the result of growth.

Transfers Policies

City of Loveland will:

- Classify the following City of Loveland activities as enterprises: *Golf, Power, Solid Waste, Stormwater, Wastewater, and Water*.
- Require that all City enterprises make payments to the City in lieu of taxes that are reasonable and proportionate to taxes paid to the City by private businesses unless the City Council grants exceptions. Transfer payments are based on percentage of certain revenues received by the fund. Specific transfers to the City from the affected funds are done on a monthly basis per the rates established as follows: Water, Wastewater, Stormwater, Power, and Solid Waste at 7% and Golf at 3%.
- Require that all departments furnish to other department such services, labor, and materials as needed by the director of such department. Any labor or material shall be charged to the using department according to accounting procedures established by the City Manager. These charges are direct reimbursements for services provided and shall be calculated annually using a cost of service analysis.

Investment Management Policies

City of Loveland will:

- Deposit funds only in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) and approved for full collateralization by the public deposit protection act or other state statutes.
- Pool cash from all legally permitted funds for investment purposes.
- Maximize the investment rate of return. Adhere to lawful investment options. Safety of the principal shall be the dominant requirement, followed by sufficient liquidity to meet operating requirements, and yield.
- Place custody of the City's investment securities with a third-party financial institution for the purpose of safekeeping of securities.
- Provide monthly investment reports.

Debt Management Policies

City of Loveland will:

- Confine long-term borrowing to major capital improvements that cannot be financed from current revenues.
- Repay debt within the expected useful life of the project or sooner.
- Prohibit the use of long-term debt for operating expenses.
- Issue debt which is relative to payback ability. Borrowing must not overburden future taxpayers. When applicable, state law is the controlling policy.
- When practical, borrow from other funds. Monies borrowed must be repaid with interest before needed for their intended purpose(s). Repayment schedules and reserve sources for repayment shall be validated before borrowing from any fund.
- Review debt at least annually for repayment or refinance opportunities. A repayment strategy shall be a part of all recommended bond issues.

Accounting, Auditing, and Reporting Policies

City of Loveland will:

- Provide regular information concerning cash position and investment performance through its accounting system.
- Establish and maintain a high degree of accounting competency. Financial accounting and reporting will be done in accordance with methods prescribed by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA), or their equivalents.
- Present monthly and annual reports to the City Council summarizing financial activity delineated by fund.
- Present a quarterly report on the status of major capital projects.
- Maintain financial systems to monitor expenditures, revenues, and performance of all municipal programs on an ongoing basis.
- Provide full disclosure in annual financial statements and bond representations.
- Use an independent certified public accounting firm to perform an annual audit.
- Publicly issue a Comprehensive Annual Financial Report (CAFR).
- Comply with all reporting requirements related to bond issuance terms.

Financial Information

Fund Accounting

Fund accounting is used throughout the City, both for budgeting and accounting. Under this system, money is divided into separate accounts, rather than being held in one central account. The City has 36 funds and each fund has been established for a specific purpose which is financially independent of other governmental activities.

For funds established for operations, maintenance and other ongoing activities, revenues flowing into the fund are spent during the same year. Unless there is a change in service levels, spending is similar year to year.

In capital funds, revenues accumulate for periodic capital needs, such as construction of a new park or an electric substation. The balance in those funds grows until expenditures are made. Spending can vary greatly from year to year.

Appropriation and Expenditure

The total appropriation includes internal transfers, which are counted both as revenues and expenditures twice, and occasionally three times across the various funds. For these reasons the total appropriated amount in a fund can be significantly higher than actual spending. ***The net City budget excludes internal transfers. It represents a close approximation of projected spending.***

Fund Types:

The City classifies funds into several types: General Fund, Internal Service Funds, Enterprise Funds, Special Revenue Funds and Fiduciary Funds.

The **General Fund** includes the majority of City services. City Council, City Manager, City Attorney, City Clerk, Finance, Library, Municipal Court, Economic Development, Development Services, Human Resources, Information Technology, Police, Public Works, Parks and Recreation, and Cultural Services are included. General Fund revenues include sales tax, use tax, property tax, user fees, fines, permits, licenses, internal transfers and intergovernmental revenue.

Internal Service Funds provide support services to other City departments. They are financed by internal service charges included in the user agency operating budgets. They include City Fleet, Vehicle Maintenance, Risk & Insurance and Employee Benefits.

Enterprise Funds are self-supporting through user fees. They include Water, Wastewater, Stormwater, Power, Solid Waste and Golf.

Special Revenue Funds are established by federal/state law, or by municipal ordinance/resolution. Included are Capital Projects, Local Improvements, Capital Expansion Fees, Park Improvement, Conservation Trust, Open Space, Transit, Transportation, Community Development Block Grant, and Art in Public Places. Each has its own specific revenue source.

Fiduciary Funds are used to account for assets held by the City in a trustee capacity. Each fund is established by state law, municipal ordinance or resolution. They include Fire Pension and Cemetery Perpetual Care. ***These funds are not included in the City's Total Budget summary.***

The **Airport, Loveland Larimer Building Authority Fund (LLBA), Loveland Fire Rescue Authority, General Improvement District (GID) #1, Special Improvement District (SID) #1, and Loveland Urban Renewal Authority (LURA)** do not belong to any fund type, but are included in this document for informational purposes. The

Airport is a separate entity established by the cities of Fort Collins and Loveland. The City of Loveland does not have absolute authority to control this fund. However, per the Intergovernmental Agreement between the cities, it is Loveland's responsibility to legally appropriate the budget for the Airport as part of its administrative responsibilities. The LLBA was established by Larimer County and the City of Loveland to construct and operate the new combined Police and Courts facility. The Loveland Fire Rescue Authority is a partnership between the City and the Loveland Rural Fire District, with a separate board for governance of the Authority. The GID #1, the Loveland SID #1 and the LURA are separate entities created for specific expenditures and are funded by separate mill levy from the city, a special assessment, or tax increment financing (TIF). The City Council serves as the Board of Directors for these separate entities. ***None of these funds are included in the City's Total Budget summary.***

Transfers

Because money is budgeted and accounted for in separate funds rather than being pooled in one account, transfers occur among funds. Transfers serve two primary purposes: payments for services among departments and fund consolidation for capital projects. Some departments provide support services for other departments within the City. When these departments use money from different funds, transfers are necessary to move money from one fund to the other to reimburse departments for services provided. Transfers are also used when multiple funds provide resources for a single capital project (for example, the recent Library expansion). Moving all the money needed by a project into a single fund makes it easier to account for all project expenses and makes project costs more transparent to the Council and Public.