



## CITY OF LOVELAND

### CITY MANAGER'S OFFICE

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[www.cityofloveland.org](http://www.cityofloveland.org)

## Budget Message from the City Manager

To the Honorable Mayor and Members of the City Council:

The budget for 2016 is respectfully submitted for your consideration, in accordance with the City's home rule charter. This budget outlines revenues and expenses for calendar year 2016. The budget continues the City's upward trend since the recession of 2008-2011.

### The City's Starting Financial Position

The City enters 2016 in a healthy financial position. The Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2014 shows growing revenues and stable fund balances. The City now has over \$923 million in assets, and it is likely with current capital projects under construction that the City will exceed \$1 billion in assets by sometime in 2016 or 2017.

### Going Forward: The Economic Picture affecting Revenues

The U.S. economy has now been expanding since 2010, and economic booms do not last forever. Last year's budget message included cautions about possible weakening in the national and international economy. This still remains a distinct possibility.

The perspective underlying this budget is that 2016 will continue to be basically economically healthy for Loveland. Recent local economic trends remain strong. Loveland has added jobs, unemployment remains low, and development activity is robust. Loveland's unemployment rate 3.7% remains below both the national and Colorado average, and dropped 0.8% from the rate in April of 2014. However, in 2016 and 2017, Loveland will encounter stiffer regional retail competition from newer centers and stores in Fort Collins, Longmont and Timnath, which will likely limit sales tax growth somewhat going forward from that time.

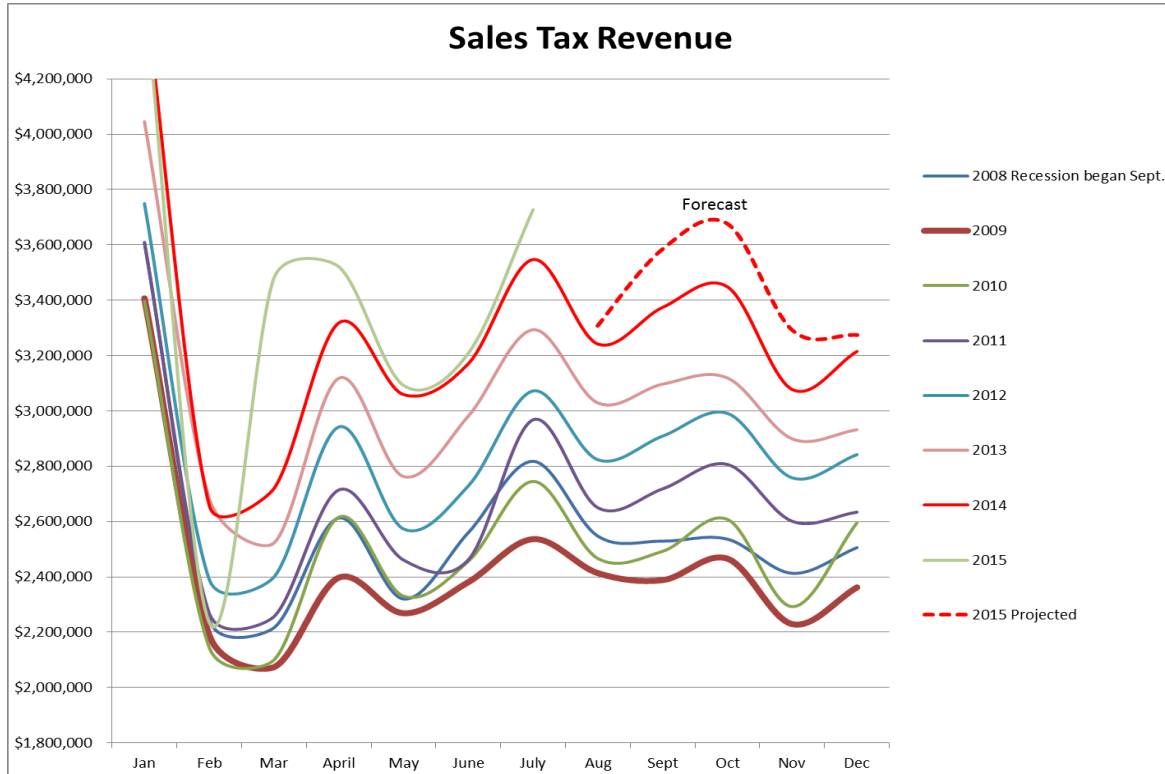
The significant Loveland trend to watch is sales tax revenues, since these revenues account for 72% of General Fund taxes. Figure 1 shows net taxable sales since 2008. Loveland's net taxable sales in 2014 showed a very encouraging increase above the prior year, but the trend has weakened a bit in 2015.

Our larger perspective on sales and use tax revenues: we have been growing generally at about 6-7% annually over the past three to four years. In 2015 we began to experience softening of growth in some particular sectors. This, together with growing regional competition, is causing us to reduce our projected sales tax growth overall to 3%, rather than the 6% of the last few years. We have also reduced sales tax growth rates through the next five years of the Ten Year Financial Plan, and then show return to slightly higher growth before the end of the ten year period.

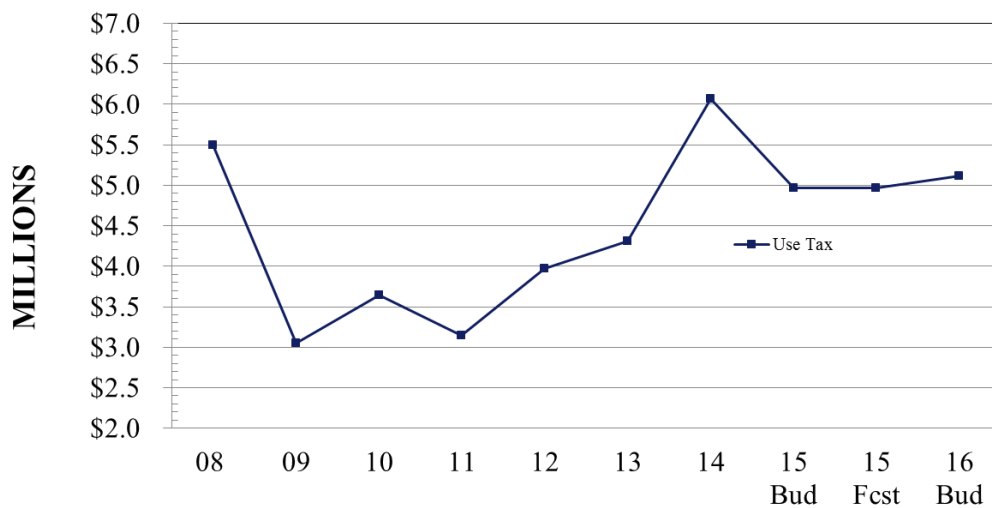
Use taxes (9% of General Fund taxes), which are traditionally volatile, increased significantly in 2014 and dropped back closer to historical trends in 2015 (see Figure 2). We are forecasting only minor growth compared to 2015. Property taxes, which account for 14% of General Fund taxes, are projected to increase by

12.0 % based on the re-valuations from the County Assessor. This changes the trend of flat sales tax over the past five years.

**Figure 1: Trends in Loveland Net Taxable Sales**



**Figure 2: Loveland Use Taxes**



In sum, the possible slowing of local revenues discussed in last year's budget message seems to be arriving and has been built into the Budget for 2016. We have reduced our sales tax growth estimate from the 6% projection of the last three years to 3%. The use tax estimate, driven by new development, is healthy but we are projecting only a minor increase. Property tax is a positive spot – this has been flat for years with very little growth, but new assessments this year will produce an increase. Other revenues (fees and charges) are projected to be “normal”, with fee increases in utility rates following the rate tracks approved by Council.

### **The Budget in a Nutshell**

There are four general themes in this year's City program and Budget:

- **Organizational Transition:** We are undergoing significant organizational changes in some areas, which are not directly reflected in budget changes but are important shifts for the City to absorb and manage. These include:
  - The growing independence of the Fire Authority, including shifting employees from the City to the Authority.
  - The new Airport Commission, introducing a new shared governance model to the Airport. The addition of new commercial air service is also important, but too recent an event to be projected financially.
  - The recent transition of administrative staffing back to the Municipal Court.
- **Re-aligning priorities:** We have used the results of Priority-Based Budgeting and the food sales tax reduction work of early 2015 to cut over \$500,000 in expenses in select areas, freeing money for higher priorities in other areas.
- **Deliberate investment in two areas:** We are adding resources to Police and the Building Division, including new positions. This is to keep moving forward with the adopted Police Staffing and Resources Strategy; and to respond to increased levels of development.
- **One new initiative:** We propose adding an Urban Forester (one new position) this year, to bring together and elevate our existing practices in managing our urban forest. This position has been considered for addition in each of the past two budget years but was not recommended; the growing threat of the emerald ash borer makes this timely in 2016.

The total 2016 City Budget expenditures will increase from 2015, primarily due to capital projects, which are up by about \$27.0 million. This budget strengthens services in key priority areas, and adds regular staff in high-priority areas, but limits growth in the rest of the City organization.

**Total City Budget (Net of Internal Transfers, in 1000's)**

<b><u>Budget Year</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Operations	156,007	161,589	178,629	192,218
Percentage Change	10.06%	3.58%	10.55%	7.61%
Capital	46,320	57,004	40,107	78,744
Percentage Change	-14.60%	23.06%	-29.64%	96.34%
Total Net Budget	202,327	218,592	218,736	270,961
Percentage Change	12.69%	8.04%	0.07%	23.88%

General Fund expenditures are increasing in 2016 from 2015 levels by 23.9%. This is primarily because of multiple capital projects this year.

**General Fund Adopted Budget (Net of Administrative Overhead)**

	<b><u>2012</u></b>	<b><u>2013*</u></b>	<b><u>2014 Net*</u></b>	<b><u>2015 Net*</u></b>	<b><u>2016 Net*</u></b>
	<b><u>Budget</u></b>	<b><u>Budget</u></b>	<b><u>Budget</u></b>	<b><u>Budget</u></b>	<b><u>Budget</u></b>
General Fund Budget	63,617,600	65,192,070	77,171,380	73,882,560	85,794,195
Ending Balance	21,559,650	25,027,190	26,719,340	30,240,750	37,266,907

*The General Fund net budget factors out the Administrative charges that occur between General Fund Departments, and represents actual spending.*

Fund balances, including the General Fund balance, have grown over the last several years. However, two factors will combine to limit or reduce fund balances in the next few years:

- the funding of several one-time high priority Council projects
- the projected use of fund balances for planned capital projects

The coming decline in fund balances was first projected in the City's 2013 Forecast document, which showed the impacts of major capital projects like Windy Gap Firing Project.

**Fund Balances, Recent History and Projected (in 1000's)**

	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
	<b><u>Yr. End</u></b>	<b><u>Yr. End</u></b>	<b><u>Yr. End</u></b>	<b><u>Yr. End</u></b>	<b><u>Yr. End</u></b>	<b><u>Yr. End</u></b>	<b><u>Yr. End</u></b>	<b><u>Yr. End</u></b>
	<b><u>Actual</u></b>	<b><u>Actual</u></b>	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Budget</u></b>	<b><u>Proj.</u></b>	<b><u>Proj.</u></b>	<b><u>Proj.</u></b>
General Fund Budget	33,786	38,862	54,789	30,241	37,267	30,904	34,752	39,108
All Other Fund Balances	163,563	160,883	166,043	129,048	130,891	134,813	113,531	117,505
Total, All Fund Balances	197,349	199,745	220,832	159,289	168,158	165,717	148,283	156,613

### Re-Aligning Priorities

This budget reflects the continuing City Council's priorities of public safety, economic vitality, and infrastructure. Deliberate efforts have been made in this budget to target resources to these key priority areas. This includes decisions in both operations and capital projects.

A key tool in re-aligning priorities has been the work from Priority-Based Budgeting and the food sales tax reduction analysis. In total, we have used over \$500,000 in budget reductions identified through these methods. These budget reductions were selected on the basis of least impact to services and the public. The reductions are shown in the Table below:

**2016 Budget Reductions for Re-alignment**

	Reduction	FTE	Description
Executive/Legal	\$ 18,512		Eliminate Internship Position
	12,095		Transition of Judge Position
Finance	3,150		Car Allowance
	1,500		Food
	5,000		Computer Supply/Equipment
	12,000		Travel/Meetings/Schooling
Information Technology	10,130		Maintenance & Repair Contract
	10,000		Suspended negotiation of Innoprise software maintenance agreements
HR	1,300		Citizen Volunteer Recognition & Awards
	1,000		Food
Economic Development	40,550	0.50	Administrative Technician
	10,000		Northern Colorado Economic Development Corporation contribution
Development Services	22,880	0.38	Reduce existing Planner hours
	300		Food
Police	21,000		Staffing for summer community events
Public Works	58,000		Janitorial Schedule
	252,000		Replacement of 11 GF Vehicles
Parks and Recreation	33,340	1.20	2 vacant Parks part-time positions
	4,700		Free T-shirts for adult league winners
	3,300		Food
	1,200		Free exercise towels at Chilson
Cultural Services	2,374		Elimination of SAY Program
	4,748		Suspension of digitization of collection for online access
	200		Postage (Rialto Bridge)
<b>TOTAL GENERAL FUND</b>	<b>\$529,279</b>	<b>2.08</b>	

<b>Fleet</b>	50,000	Implement DOT minimum standards
<b>TOTALS</b>	<b>\$579,279</b>	<b>2.08</b>

The PBB tool has allowed us to look at programs within the City and use information to make changes. Programs identified through PBB account for over \$400,000 of the savings listed above. The way in which PBB was used was not simply to eliminate low-scoring “fourth quartile” programs, but to do a deeper analysis of programs which were (1) not mandated, (2) not generating revenues, and (3) ranked lower in results.

The 2016 Budget reflects program reductions identified by PBB in the following areas:

<b>Portions of Budget Reductions Identified through PBB</b>	
Cultural Services:	\$ 7,122
Dev. Services:	47,037
Human Resources:	1,300
Parks & Rec:	38,040
Police:	12,700
Public Works:	<u>310,000</u>
Total	\$416,199

#### **Deliberate Investments in High-Priority Areas**

Public safety has been a key focus area for Council policymaking, with the results being embodied in this 2016 Budget. Among the key investments for 2016:

- 6 new Police positions are added based on the Tier 2 level of the Police Staffing Plan
- One new position is added in Fire

By their nature, public safety departments are labor-intensive, with most expenses for staffing. The additional public safety positions added in both Fire and Police are guided by long term strategies on how to appropriately staff these departments.

The Police positions being added are guided by the Police Department’s strategic plan for the next 10 years. We are adding three new sworn officers in patrol, one new detective position, and adding “civilian” positions to take work load off of sworn officers and allow sworn officers to focus on higher-priority activities. Note that one of the civilian positions frees up a sergeant to return to patrol or investigations, so the net effect is adding three uniformed positions.

The Police staffing plan is built in “Tiers”, with each Tier to be accomplished based on City revenue growth. The 2016 additions achieve “Tier 2”, even in the face of a less robust sales tax projection for the City.

Because of very substantial personnel additions in the last two years, Fire Department staffing has plateaued for the next few years, as projected in last year’s budget message. No significant Fire additions are expected until Station Ten is added in the future.

Our second area of deliberate investment in the Building Division. Development activity has ramped up in Loveland and we have met the increased burden through use of contractors, which has been a useful way to meet peaks in activity. However, the level of activity has now been sustained so it is time to add resources. We are adding three positions: an inspector, a plan-checker, and an administrative support position. This will allow us to do two things: meet the increased workload, and begin issuing permits “over-the-counter” for simple jobs. This will enhance customer service and reduce wait times for those seeking permits for small construction work.

2016 is the implementation year for a new development permit center, which has also been a high Council priority. The Center is envisioned to improve the quality and speed of development permitting in Loveland, and is expected to be online in the third quarter of 2016 following moves of other departments and building remodeling.

These two areas are not the only departments receiving new staff positions, but they are the key areas. Other minor additions are made in some other General Fund areas (see detail of positions below), and positions are added in utilities which have been growing in staff need and relying on temporary employees.

### **The Final Budget: Additional Detail**

The City’s budget falls into two major categories: operations and capital. In operations, most services and departments are maintained at current levels, with minor increases in some areas.

#### ***Operations***

Total operational expenses for the City will be approximately \$192.218 million, compared to \$178.629 million for 2015. General Fund expenses net of the allocated costs for 2016 are \$85.794 million compared to \$73.882 million for 2015.

Departments submit “core” budgets (based on previous year’s baseline expenditures with adjustments for the recommended compensation policy and less one-time expenditures), and also may request “supplemental” budgets for new items. Lists of recommended supplementals, as well as those supplementals which are not recommended, have been supplied to the Council under separate cover and are publicly available on the City website.

**Staffing Levels.** Staffing levels are increased to mirror key priority areas. In the General Fund, new positions are listed below.

<b>FTEs</b>	<b>Department</b>	<b>Position</b>
3.00	Police	Patrol Officers
1.00	Police	Detective
1.00	Police	Civilian Accreditation Manager
1.00	Police	Civilian Personnel Position
1.00	Development Services	Building Inspector
1.00	Development Services	Plans Reviewer
1.00	Development Services	Office Support Specialist
1.00	Fire	ARFF Program Engineer
0.60	Executive & Legal	Part-time Office Support Specialist
0.38	Finance	Meter Reader
0.50	Finance	Sales Tax/Fee Collections Technician
<hr/>		
<b>11.48</b>	<b>Total</b>	

Positions are also added in other funds as follows:

<b>FTEs</b>	<b>Fund</b>	<b>Position</b>
1.00	Open Lands	Open Lands Manager
1.00	Golf	Pro Shop Manager
1.00	Water & Power	Utility Asset Manager
1.00	Water & Power	Power Apprentice Meter Tech I
1.00	Water & Power	Water Meter Tech II
0.25	Golf	Golf Services Coordinator (hours increase)
<b>5.25</b>	<b>Total</b>	

With the budget reductions identified for re-alignment of priorities, a total of 2.08 positions have been eliminated. Therefore, the net new positions amount to 14.65 FTE over current levels.



## Capital Program

Capital projects in 2016 are budgeted at \$76.462 million. This represents a substantial increase from the 2015 level of \$49.505 million, with most of that in enterprises, particularly a major new wastewater treatment plant project. Three large-scale capital projects have been completed recently (Service Center Phase 3, Mehaffey Park, and Fire Station 2). One very large project, the Water Treatment Plant expansion, is still ongoing and will continue through 2017.

Key projects in 2016 (those over \$1 million) are listed below. Note that this is not a complete listing of all capital projects; the complete listing is found in the Capital Plan section of the Budget.

### Major Capital Projects for 2016 (over \$1 million)

Funding Source	Project Description	Amount
Wastewater Fund	WWTP Digester #3	\$ 15,661,370
Wastewater Fund	WWTP Digester System Improvements	9,276,820
Transportation Fund	Street Rehabilitation	4,483,170
Stormwater Fund	Street Rehabilitation Program	4,247,000
Open Lands Fund	Open Lands Acquisition	4,156,000
General Fund	Viestenz-Smith Mtn Park Redevelopment	2,865,610
Raw Water Fund	Windy Gap Firing Project	2,406,660
Cultural Services CEF Fund	Museum Storage Building	2,400,000
General Fund (50%)	Police Training Facility	1,075,500
Police CEF Fund (50%)		
Wastewater Fund	WWTP Nutrient Removal Facilities	2,080,600
General Fund (28%)	Transportation Program	1,970,000
Streets CEF Fund (72%)		
Power Fund	Land Purchase for new substations	1,700,000
Trails CEF Fund (42%)	Recreation Trail	1,691,330
Conservation Trust Fund (58%)		
Power Fund	Customer Aid to Construction	1,530,000
Parks CEF Fund	New Community Park	1,500,000
Power	Overhead to Underground Conversion along RR track N of 10th between RR and Madison	1,400,000
Power Fund	Overhead to Underground Conversion Downtown Catalyst	1,400,000
Power Fund	Overhead to Underground Conversion Projects	1,305,660
Wastewater Fund	South Side Lift Station Force Main to WWTP	1,284,980
Power Fund	System Improvements	1,180,000
Power	Install new 750 AL from Crossroads Sub going North to CR30 then East to I-25	1,000,000

Some projects are customarily budgeted annually, with locations varying year-to-year. For example, open lands acquisition (\$4.156 million) is based on an expected expense level, without identification of particular properties for acquisition. The Street Rehabilitation Program (\$4.483 million) funds the resurfacing of streets throughout the City.

### **Changes in Budget Presentation and Development**

Last year in 2015, no presentation or accounting changes were made in the Budget document. This year we have added departmental summaries to each section, highlighting major programmatic and financial changes. This should enable easier public review and comprehension of the City's basic direction and financial impacts.

### **Conclusion**

Loveland continues in a strong financial position, owing to the continuing leadership of the City Council and the diligence of staff in assuring sound financial practices.

I would like to thank those in the Finance Department who were involved in the preparation of this budget. Special thanks are due to Matthew Elliott, Budget Analyst, Chloe Romero, Business Services Coordinator, and Brent Worthington, Finance Director.

# Distinguished Budget Presentation Award

The Government Finance Officers Association (GFOA) of the United States and Canada presented an award of Distinguished Presentation to the City of Loveland, Colorado for its annual budget for the fiscal year beginning January 1, 2015.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



# Budget Guide

This section is a guide and summary of the information contained in each section of the budget document. There are seven main sections: ***Introduction, Budget Overview, Financial Master Plan, Fund Summaries, Department Summaries, Appendix and Capital Program.***

As the previous ***Table of Contents*** demonstrates, this book divides budget information into different sections, each with its own series of page numbers.

The ***Introduction*** provides background information on the City of Loveland and the environment in which the budget decisions take place. It includes demographic information, financial policies, and the budget calendar and process.

This section provides general information about the City. It includes:

- a City organizational chart;
- a list of the City officials;
- demographic and economic information;
- a summary of the budget process;
- the underlying policies and rules that guide and shape the budget; and,
- a brief description of each fund type.

The ***Budget Overview*** is the Executive Summary of the budget, followed by supplemental information about the City of Loveland, its organization finances, and budget. The Budget Overview provides analysis of revenues of and expenditures on a total budget basis, highlighting significant trends affecting the revenues and expenditures of the City.

The City's total adopted budget and summaries of each fund type are presented in this section. It shows a summary of the City's total adopted budget in both gross and net form, discusses the major revenues and expenses, describes major factors that will impact both revenues and expenses, and provides a debt service summary.

The ***Financial Master Plan*** chapter discusses the planning processes used to drive the budget, provides a 10-year outlook for the General Fund, and forecasts revenues and expenditures for the General Fund for the next ten years, with discussion on the forecast assumptions and projected impacts.

***Fund Summaries*** provide summaries of the four major accounting fund groups as well as complete fund summaries with ending balances for each City Fund. Formerly, this section included a list of full-time equivalent positions by department/division and the impact of Amendment 1 (TABOR) restrictions on the City's budget. These items are now noted in the Appendix with other supplementary information.

***Department Summaries*** provide historical cost information by department and division. Revenues that are attributed to a department are also presented. Included in this section are concise explanations of changes that have occurred from the 2015 Adopted Budget. "**Changes compared to the prior year**" are increases or decreases to the base budget due to operational changes or other known factors. "**Core Changes**" represent the increase or decrease due to the pay plan, inflation factors, or transfers between categories (i.e. from supplies to purchased services). *Please note that all variances are comparisons between the 2016 Adopted Budget and the prior year's Adopted Budget.* "**Supplements**" are increases from the prior year's Adopted Budget which are required to maintain existing service levels (noted as workload), provide new services (noted as improvement), or as required by state or federal law (noted as mandated).

The City of Loveland Budget provides City residents and the City Council with a funding plan for the year. The Department Summaries Section is organized by function (e.g. Development Services) which mirrors the City's departmental organization chart and is further separated by divisions, which represent discrete activities within a department.

Included with the cost information is the department's mission statement, descriptions of the program objectives for the coming year, along with measures which show the effectiveness or "outcome" of the programs.

The Other section within the Department Summaries is for General Fund costs that cannot be associated with a specific department and separate governmental entities or special districts that are not a part of City operations but are budgeted for and accounted for by the City.

References are made in the Department Summaries to the **Capital Program**, which is the last chapter in the budget document, the 2016-2025 Capital Program. Appropriations in the Capital Program, with the exception of General Fund agencies, are included within a department's budget.

The **Appendix** contains a glossary of specialized words used within this document with their definitions, and a collection of supplementary material used throughout this document.

This section also includes:

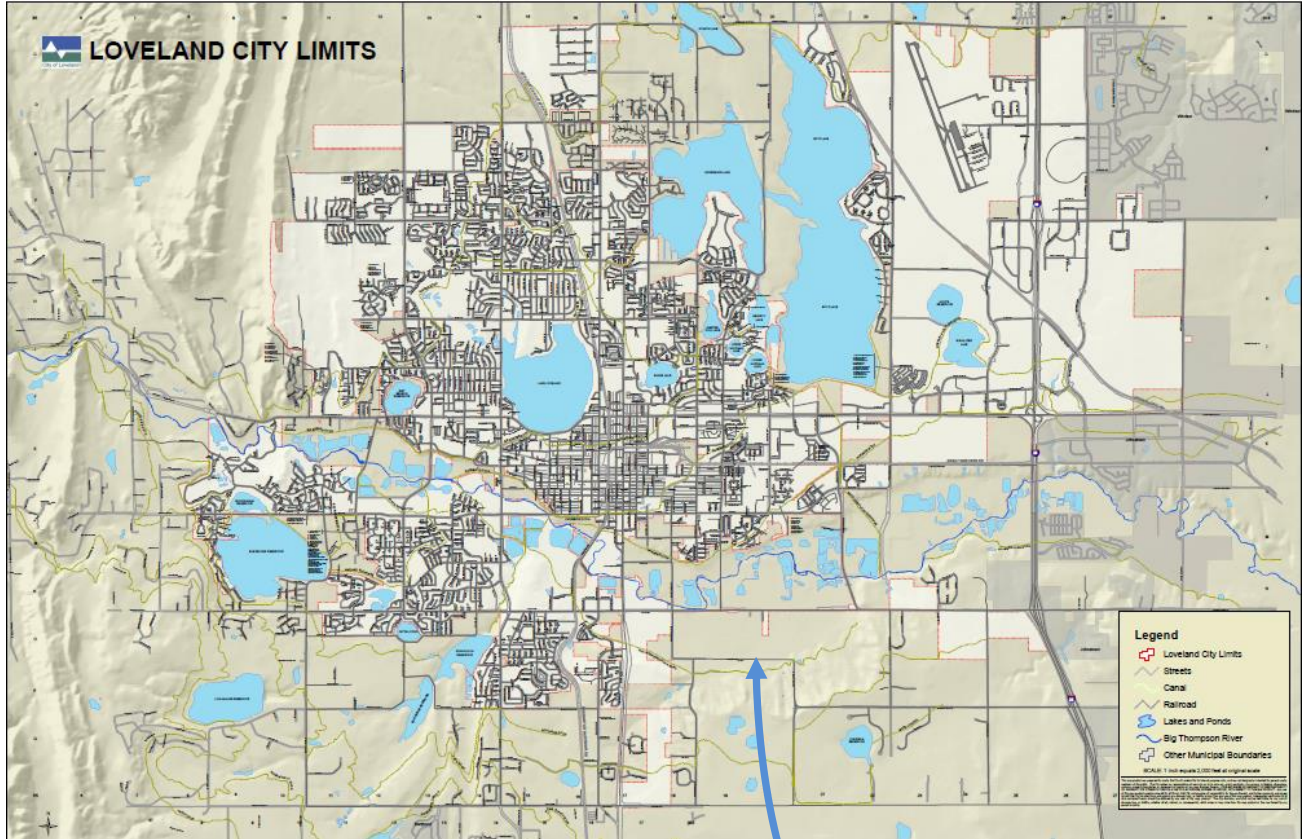
- a table of planned inter-fund transfers;
- oversizing agreements;
- schedules for inter-fund loans;
- explanations of full-time equivalent positions by department/division;
- the impact of Amendment 1 (TABOR) restrictions on the City's budget.
- Five-year General Fund equipment replacement schedule

The **Capital Program Book** shows planned capital improvements with a cost of \$250,000 or more from all funding sources over the next 10-year period. All projects to be funded in 2016 are included the 2016 Adopted Budget. The future years are approved by the City Council in concept only. The Capital Program is updated annually based on Council priorities and goals.

For the answer to questions regarding the budget or for additional information, please call the Budget Division at (970) 962-2329.

# City of Loveland, Colorado

## City Limits

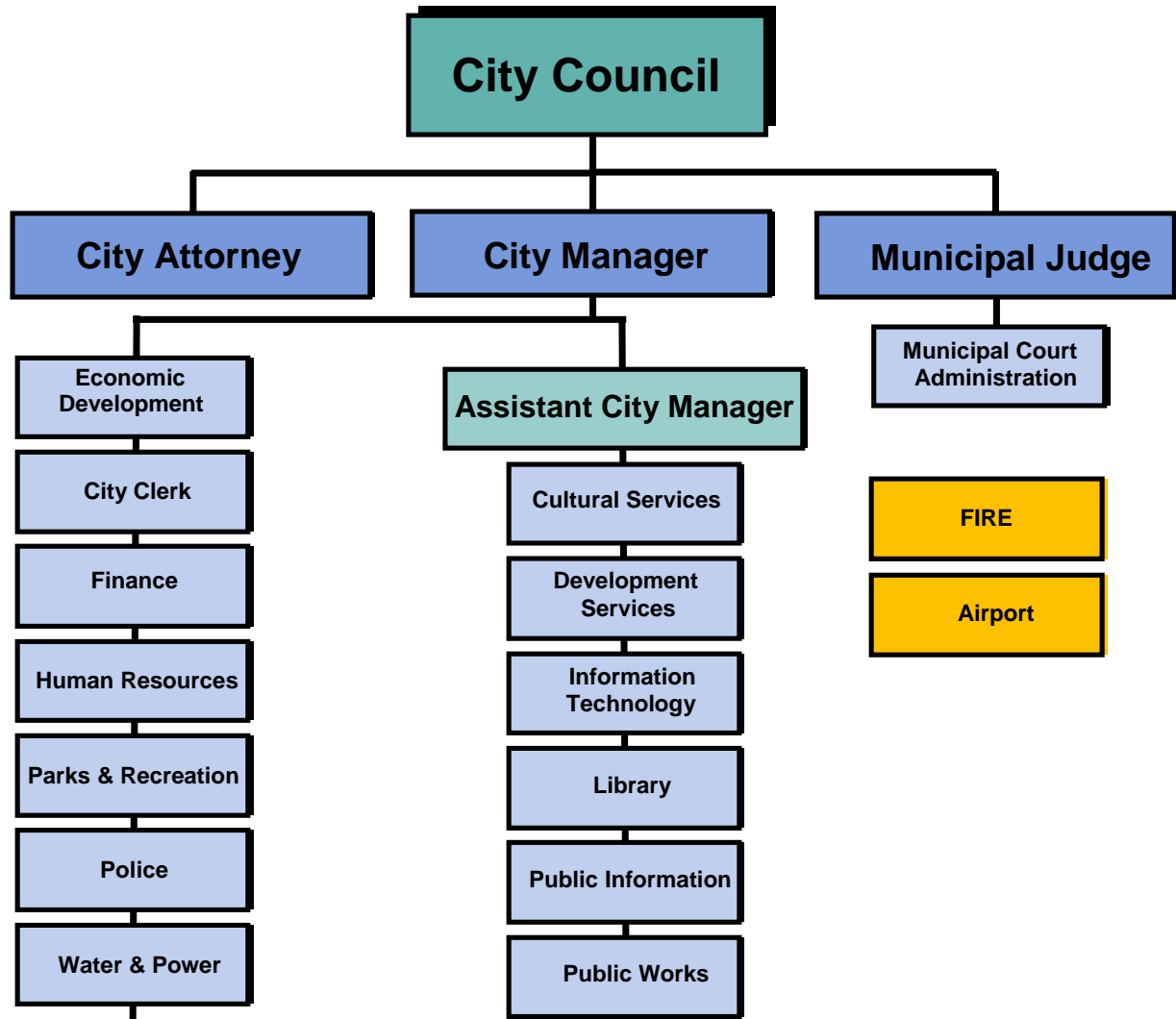


Larger map can be found at  
<http://logic.ci.loveland.co.us/Maps/CityLimits2000Scale.pdf>





# City Organizational Structure



## Citizens' Finance Advisory Commission

Jason Napolitano, Chair  
 John Case, Vice Chair  
 Meg Corwin  
 David Hallet  
 Ryan Lundquist  
 Bradley Pierson  
 Andrew Haines  
 Rey Liss  
 Victor Palomares

**City Council Liaison**  
 Ralph Trenary

## Loveland's Boards & Commissions

Affordable Housing Commission  
 Citizens' Finance Advisory Commission  
 Community Marketing Commission  
 Construction Advisory Board  
 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

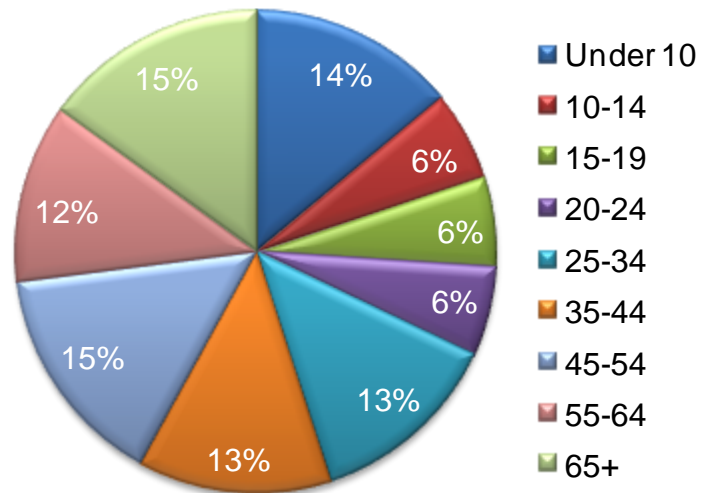
## History and Location

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 35.31 square miles and an estimated population of 72,794 in 2015. Loveland is the 14<sup>th</sup> largest city in the state of Colorado.

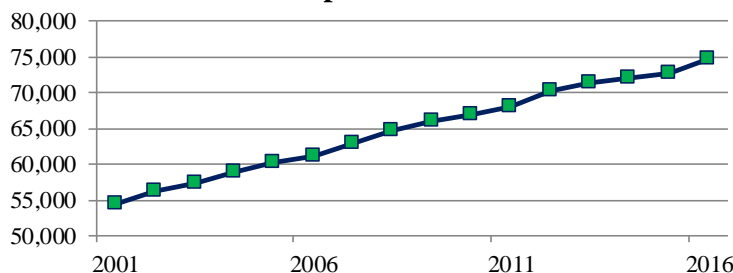
## Demographics

Loveland's population is older, with a median age of 37.7 in 2013, than Larimer County, the State, and the national averages at 35.5, 36.1, and 37.3 respectively. People 65 years of age or older represented 14.7% of Loveland's total population in 2013. By comparison, the percentage of persons 65 years or older in Larimer County, the State, and the nation were 12.5%, 11.5%, and 13.4% respectively. However, there is an indication that this trend may change. Persons under 18 years of age represented 17.0% of Loveland's total population in 2013. By comparison, the percentage of persons under 18 years of age in Larimer County, the State, and the nation were 15.4%, 17.4%, and 17.3% respectively.

**Age Distribution**



**Population Growth**



The City is expected to see an annual population growth rate of between 0.9% and 2.6% in 2016. However, the number of persons per household has declined since 1990. In 2012, the average number of persons per household was 2.43, compared to 2.55 in 2000.

## Major Employers in Loveland by Employee Range

Thompson School District..... 2,000+  
Wal-Mart Stores ..... 1,000+  
McKee Medical Center ..... 500-999  
Hach Chemical Company..... 500-999  
City of Loveland ..... 775.35 (FTE)

Crop Production Services..... 250-499  
Agilent Technologies..... 250-499  
Kroll Factual Data..... 250-499  
Columbine Health Systems..... 250-499  
Banner Health-Big Thompson Medical..... 250-499

## Unemployment Rate for July 2015 (Not seasonally adjusted) (Bureau of Labor Statistics)

Loveland .....	4.2%	Colorado .....	4.2%
Larimer County.....	3.8%	US.....	5.3%



### Family Income (2015 Estimate from U.S. Dept. of Housing and Urban Development)

Median family of four income (includes all earners in household).....\$77,800

### Larimer County Income (2012 American Community Survey)

Average annual wages (all occupations) .....\$74,062

### Housing Costs in Loveland

Average sale price for a detached single family home (2015 - *The Group, Inc*) .....\$336,681

Average apartment rental rates (2014 - *Colorado Dept. of Local Affairs, Division of Housing*) ..... \$1,169/month

### Vacancy Rates (2015 - Sperry Van Ness Group, Colorado Department of Local Affairs)

Industrial..... 14.0%                      Office ..... 12.0%

Retail..... 5.0%                      Apartment ..... 2.00%

### Taxes

City property tax levy for 2014..... 9.564 mills                      Larimer County sales tax levy .....0.65%

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:

John H. Fogle, Troy Krenning, Hugh McKean, Mayor Cecil Gutierrez, Mayor Pro Tem Dave Clark, Ralph Trenary, Joan Shaffer, Phil Farley, and Chauncey R. Taylor.

# 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 2016 Recommended Budget authorizes regular full-time and part-time positions for a total of 778.35 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, employees receive a merit increase based on the performance evaluation. For 2016, 3.5% of current salaries are included for a pool from which the increases will be funded.

Benefits include medical, dental, disability and life insurance, and a retirement plan for all full-time regular employees. Regular part-time employees who work at least 20 hours per week are eligible to participate in benefit plans under a prorated cost sharing arrangement. Certain rules and regulations under HealthCare Reform state that if an employee works an average of 30 or more hours per week in any given designated time period (12 months), the employee must be offered Medical Coverage at the full-time employee rate.

In 2016, health care premiums are increasing depending on plan 7% to 15% due to increased costs.

# 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

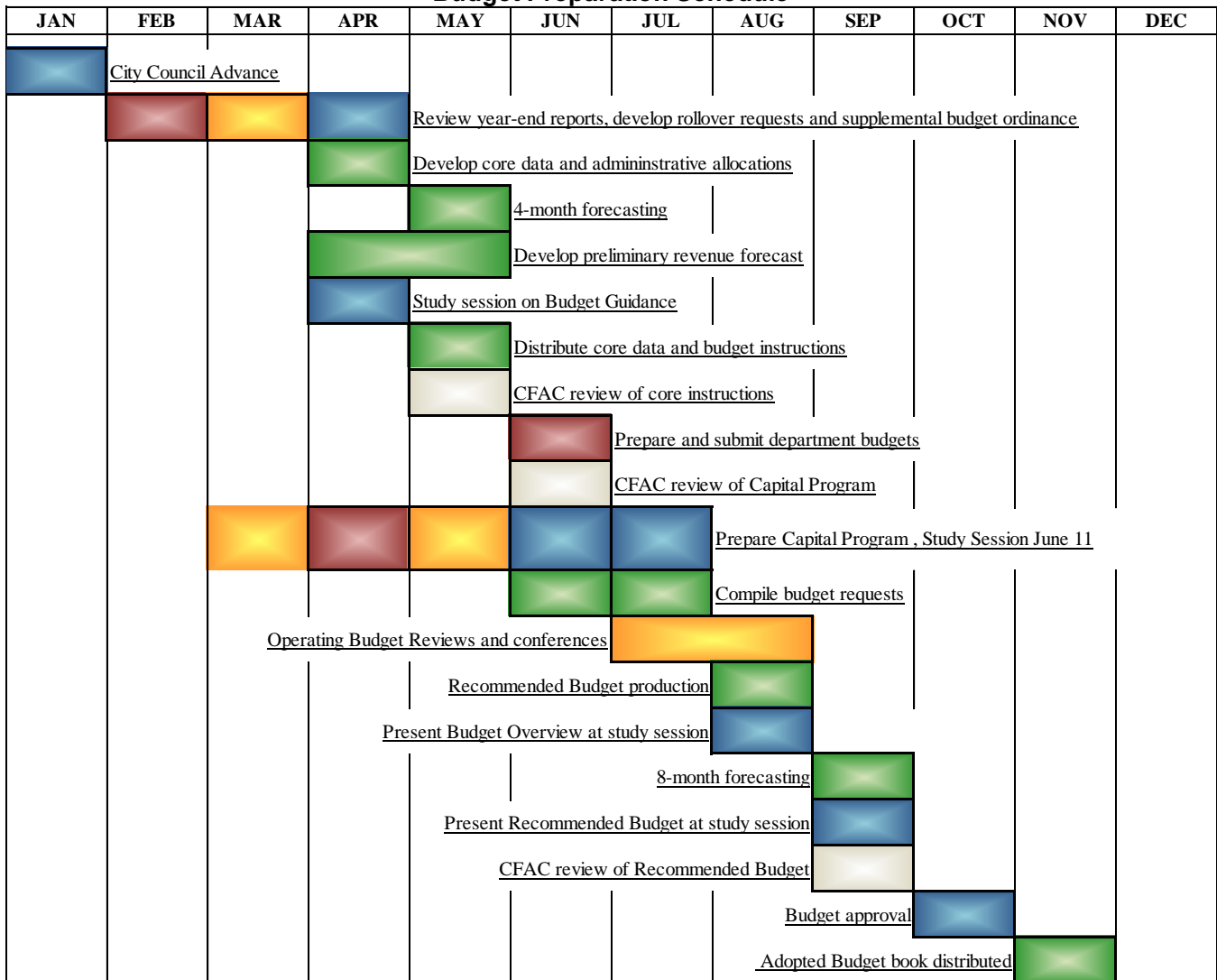
The budget process begins in January with the annual Council Planning Session. At the Planning Session, City Council establishes goals and objectives for the coming year and direction for future budgets.

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 June and in July for review. The capital programs are adopted when the budget is adopted. 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, general liability and internal allocated costs. 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 third week of June. The Budget Division compiles all the submissions in preparation for budget conferences with the City Manager and the departments. The conferences are held in early 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 the middle of August and again 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 re-appropriate 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.
- 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 nine 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 nine 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 15% of General Fund expenses.

### 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 37 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, Capital Expansion Fees, Park Improvement, Conservation Trust, Open Space, Transit, Transportation, Economic Incentives, 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 Mehauffey Park development). 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.