

Yellow Violet



# Budget Overview

# Total City Budget

The 2017 budget is balanced in accordance with the City Charter, which requires appropriations to be within available resources or show surplus. This budget is in compliance with the provisions of Colorado's TABOR restrictions, and existing service levels are maintained.

The total City budget as shown below is the combined budgets of all parts of the organization except for the Fiduciary Funds and the Other Entities. The table below shows the gross City budget, as well as the net City budget, which excludes transfers, and represents projected actual expenditures.

## Total City Budget

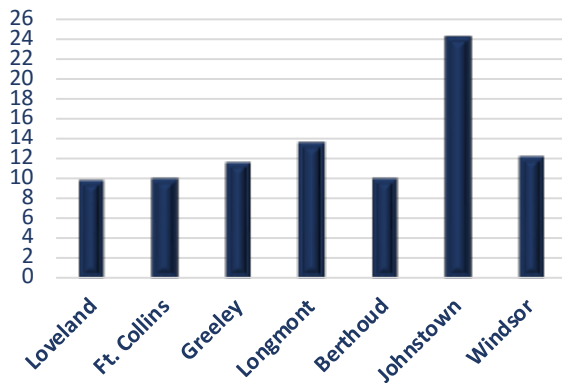
	'15 Actual	'16 Adopted Budget	'16 Revised Budget as of July 1 <sup>st</sup>	'17 Budget	'17 Budget / '16 Adopted % Change
<b>REVENUE</b>					
<b>Beginning Balance</b>	\$ 231,911,293	\$ 185,795,899	\$ 220,901,139	\$ 166,545,216	
TAXES	61,451,139	61,838,191	62,525,889	64,824,325	4.8%
LICENSES & PERMITS	2,957,219	3,234,928	3,234,928	3,338,660	3.2%
INTERGOVERNMENTAL	9,658,133	6,116,893	25,422,160	6,946,682	13.6%
CHARGES FOR SERVICE	51,960,279	52,814,473	52,716,632	65,309,933	23.7%
FINES & PENALTIES	1,123,670	922,800	1,090,800	982,300	6.4%
INTEREST	3,836,017	2,517,900	2,630,471	2,482,039	-1.4%
PAYMENT IN LIEU OF TAXES	6,199,002	6,669,850	6,669,850	7,222,288	8.3%
OTHER	9,494,816	4,431,561	4,464,399	3,210,411	-27.6%
UTILITY CHARGES	76,368,634	81,973,330	81,973,330	88,071,930	7.4%
IMPACT FEES	17,297,085	11,911,870	12,392,357	16,136,878	35.5%
BOND PROCEEDS	-	24,900,000	27,693,406	-	-100.0%
AID-TO-CONSTRUCTION	1,429,573	1,790,000	1,790,000	2,140,000	19.6%
CASH IN LIEU	1,336,438	250,000	250,000	250,000	0.0%
LESS GF ADMINISTRATIVE OVERHEAD	(6,324,244)	(6,050,894)	(6,050,894)	(7,715,228)	27.5%
<b>Total Net Revenue</b>	\$ 236,787,760	\$ 253,320,902	\$ 276,803,328	\$ 253,200,218	0.0%
TRANSFERS	31,853,764	23,606,988	46,074,017	31,021,202	31.4%
<b>Total Revenue</b>	\$ 268,641,524	\$ 276,927,890	\$ 322,877,345	\$ 284,221,420	2.6%
<b>Total Resources</b>	\$ 500,552,817	\$ 462,723,789	\$ 543,778,484	\$ 450,766,636	
<b>EXPENSES BY CATEGORY</b>					
GENERAL FUND (net expense)	77,520,070	85,794,195	96,327,971	98,597,129	14.9%
ENTERPRISE FUNDS	143,924,079	148,646,533	186,855,238	138,983,045	-6.5%
INTERNAL SERVICE FUNDS	22,752,690	22,925,676	23,923,071	27,692,928	20.8%
SPECIAL REVENUE FUNDS	35,454,839	37,199,782	70,126,988	46,149,801	24.1%
<b>Total Expense</b>	\$ 279,651,678	\$ 294,566,186	\$ 377,233,268	\$ 311,422,903	5.7%
LESS TRANSFERS	(31,853,763)	(23,606,987)	(46,125,717)	(31,021,202)	31.4%
<b>Total Net Expense</b>	\$ 247,797,915	\$ 270,959,199	\$ 331,107,551	\$ 280,401,701	3.5%
<b>Ending Balance</b>	\$ 220,901,139	\$ 168,157,603	\$ 166,545,216	\$ 139,343,733	

# Revenue Overview

## Property Tax

Loveland must comply with the TABOR limitation on property tax revenue (inflation plus local growth). In 1998, voters approved an allowance for the City to keep and spend all revenue over the TABOR limit for the years 1998–2002 for street construction and youth services. In 2001, voters approved an allowance for the City to keep and spend all revenue from 2003–2012 for police, fire, street construction and maintenance, and parks construction and maintenance. In the November 2012 election, voters approved an allowance for the City to continue to keep and spend all revenue from 2013–2024.

## Mill Levy

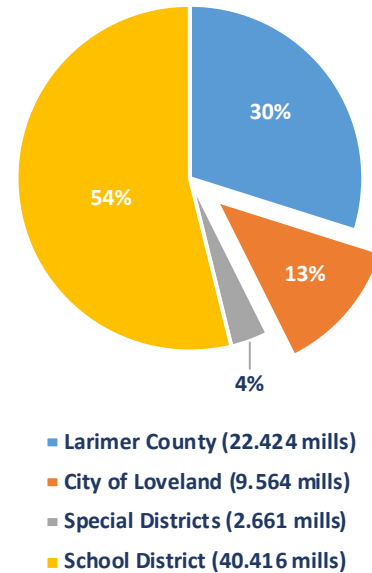


Loveland continues to have one of the lowest city government property tax levies in northern Colorado. On average, the City collects 97.5% of the total value. In 2017, the tax is projected to generate \$8.60 million.

An amendment to the Colorado State Constitution requires that a constant relationship between residential and business property tax revenues be maintained on a statewide basis. Commercial and industrial properties are assessed at 29.0% and residential properties at 7.9% of their market value. The result is for properties of equal value, a business pays over three times as much property tax as a residence.

Property Tax Levy (General Fund)			
	Mill Levy	Valuation	Net Tax Revenue
2015	9.564	814,913,506	7,637,956
2016	9.564	812,842,285	7,774,024
2017	9.564	933,245,800	8,925,563
(98% of Total - County Collection Fee is 2%)			

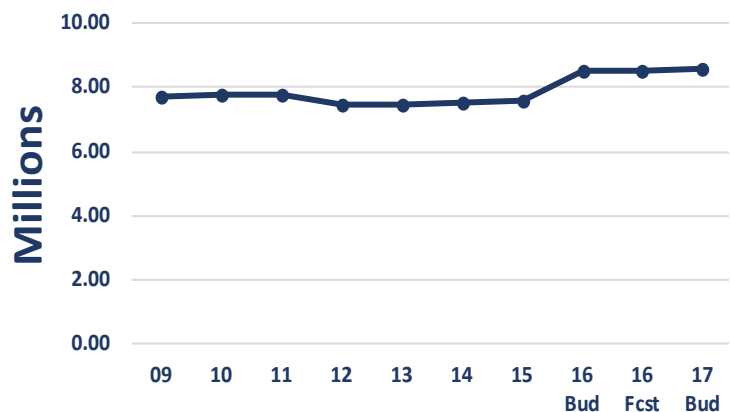
## Property Tax Distribution



The 2016 mill levy rate, which funds the 2017 budget, will remain at the 2015 level, 9.564 mills. A mill is one-tenth of one cent. In other words, one mill represents \$1 for every \$1,000 of assessed property value. The mill levy is multiplied by the assessed valuation of a property to calculate the property tax. The City's levy has been 9.564 since 1992 and

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## Property Tax



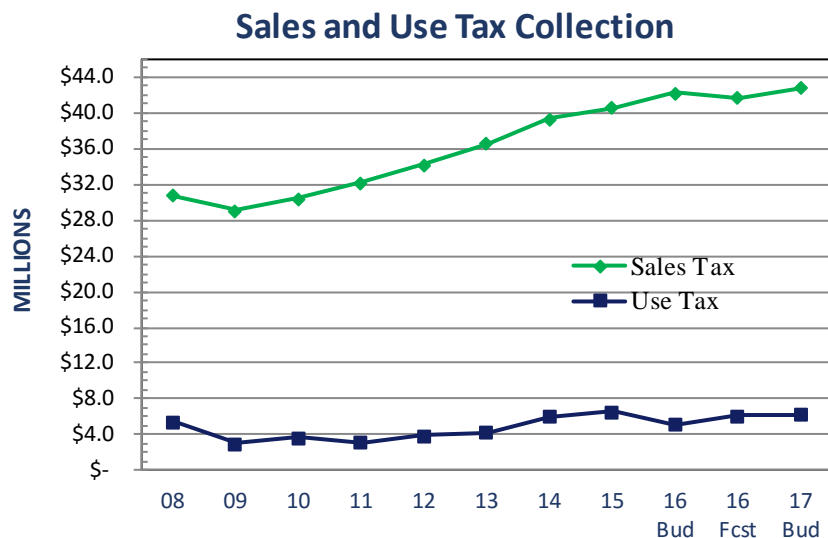
A number of special districts also overlap portions of the City's boundaries and affect some properties. Loveland's City government sets only the City mill levy and has no control over mill levies set by other entities. The City of Loveland receives 13.0% of a homeowner's property tax dollars as shown in the pie chart above.

## Sales & Use Tax

Sales tax is the largest revenue source in the taxes category. Beginning on January 1, 1998, the City began collecting its sales tax in-house instead of using the services provided by the State of Colorado. Loveland's current city sales tax rate is 3.0%. Through August 2015, sales tax collections were 2.7% higher than one year ago. In 2016, sales tax is forecasted to be 1.1% lower than the 2016 Adopted Budget. The 2017 projected sales tax is 2.25% higher than the 2016 forecasted amount. The conservative projection is based on the current economy, where the housing market continues to improve and continued job growth increasing the amount of discretionary income available. The projection is tempered due to concerns about the increased competition for retail dollars from the surrounding area are growing.

Use tax is also 3.0%, but only applies to building materials and motor vehicles. Use tax collections in 2017 on building materials are projected to increase by 2.25% from the 2016 Adopted Budget.

This is a conservative projection due to use tax collections on building materials anticipated to be 8.8% higher than the 2016 Adopted Budget based on the 2016 forecast. 2017 collections on motor vehicles are projected to be 2.25% higher than the 2016 Forecasted Budget. This is also a conservative projection based on the 2016 revised motor vehicle collection being 37.1% higher than the 2016 Adopted Budget.



## Other Taxes

- **Liquor Occupational Tax** – The projection is based on the number of businesses that sell liquor in the City; the revenues are very consistent from year to year.
- **Specific Ownership Tax** – A tax paid by owners of motor vehicles in lieu of personal property tax. For 2017, the revenues are projected to increase 31.5% compared to the 2016 Adopted Budget.
- **Cigarette Tax** – A tax levied on the wholesaling of cigarettes. This source of revenues varies to a small degree from year to year.
- **Gas Franchise Tax** – A tax levied on the Public Service Company in granting the company the privilege to construct, purchase and operate within the City. The current tax levy is 3.0% of gross gas revenue.
- **Cable Television Franchise Tax** – A franchise fee levied on cable service providers to operate within the City. The current fee is 5.0% of the company's annual gross revenue.
- **Telephone Occupation Tax** – A tax levied on telephone service providers that operate within the City. The levy is adjusted annually based on changes in the Consumer Price Index (CPI).

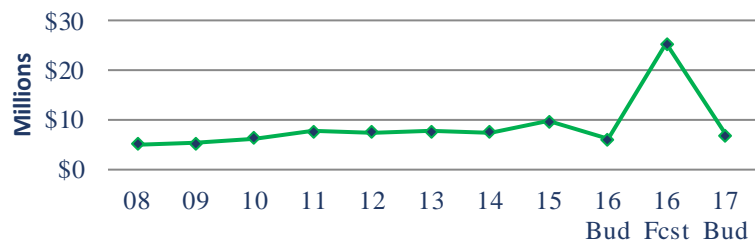
## Intergovernmental

Intergovernmental revenues are revenue received from other governmental units. The City does not have control over these revenues. The two largest sources are State Highway revenue sharing and Federal Transit Authority (FTA) operating grants. These are important sources to the City since the State highway revenue sharing funds 50% of the Street Rehabilitation program and 21% of the operational costs for street maintenance, traffic signal maintenance and street engineering costs and FTA grants fund 25% of the Transit system's operating budget. In the Special revenue funds the City receives funding from a county sales tax for the purchase and maintenance of

Open Lands and funding from Colorado lottery proceeds, used to fund the construction and maintenance of the recreation trails. The County Open Space tax will sunset in 2018.

For 2017, intergovernmental revenues are projected to increase 13.6% compared to the 2016 Adopted Budget due to increases to State revenues and Federal transit revenues increasing compared to the previous year.

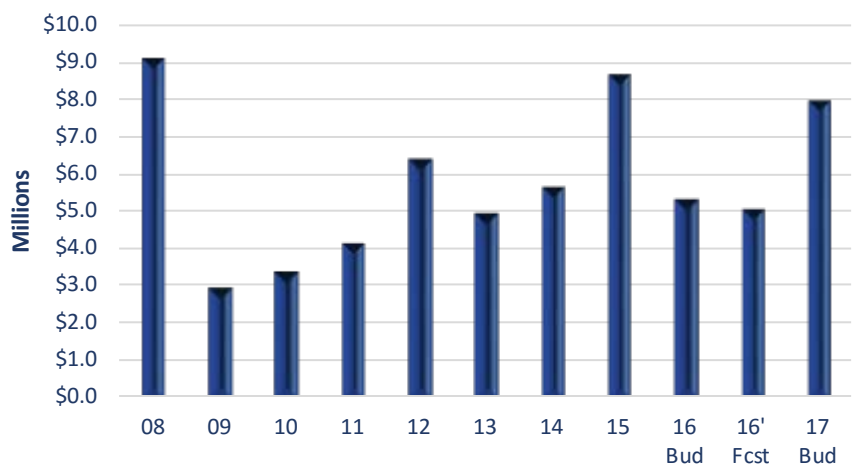
## Intergovernmental Revenue



### Impact Fees

Capital Expansion Fees (CEFs) are imposed on every additional residential dwelling unit, square foot of retail, office, and institutional construction, as well as every acre of industrial development. These fees are intended to cover growth-related capital costs. The City also imposes System Impact Fees (SIFs) on customers who increase utility demands that require future facilities expansion, such as new water lines, additional treatment plant capacity, or a new substation. Because impact fees are paid at the time the Certificate of Occupancy is issued, there is a delayed effect on impact fee revenue collection. In 2015, the City collected \$8.6 million in Impact Fees. Revenue growth is forecast to increase \$2.7 million or 50.4% over the 2016 Adopted Budget.

## Capital Expansion Fee Collections



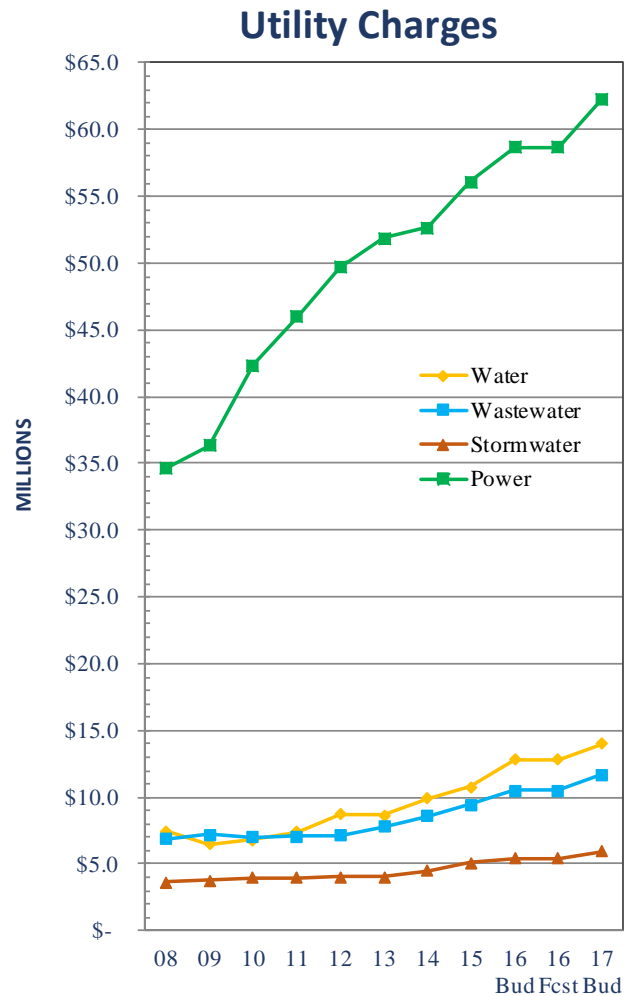
### Charges for Service

This category includes charges to citizens to access services provided by the City and internal service charges, which are costs paid by one department to another for services rendered. Examples of these are charges for vehicle maintenance and from the Employee Benefit Fund for employee health care. One of the major sources of this revenue from citizens is fees for the use of the Hatfield Chilson Recreation Center. By charging for service, a substantial part of the cost of operating programs and facilities is borne by those who use them. There are modest fee increases for most Parks and Recreation fees. Other sources of this revenue include golf fees, solid waste fees, and the street maintenance fee. While golf fee revenues are dependent on weather for available playtime, solid waste fees and the transportation fee are more directly tied to population and commercial growth.

### Utility Charges

These are revenues generated from the provision of basic utility services. The City provides four utility services: water, power, stormwater and wastewater. Utility charges are projected to increase 7.4% overall for 2017 compared to the 2016 Adopted Budget.

- **Water Utility Charges** –The utility is proposing a 9% increase in 2017 followed by two more consecutive rate increases of 9% per year, then three consecutive rate increases of 8% per year. Over the span of the past five years usage per customer has decreased by 0.5% and this trend is projected to continue over the next ten years.
- **Power Utility Charges** –A 5.6% rate increase was approved for 2016 for the Power Utility due to: 1) a 3.65% pass-through rate increase to cover PRPA’s 4.5% wholesale power rate increase; and 2) a 1.95% rate increase to fund additional capital rehabilitation projects. The proposed overall average rate increase for 2017 is 5.7%, which is a combination of a pass-through of PRPA’s estimated 3.0% wholesale power rate increase (which translates to a 2.43% retail rate increase) and an additional 3.27% increase to address in-house cost increases.
- **Stormwater Utility Charges** –A 10.1% rate increase was approved in 2016 to fund unmet capital needs. There is not an increase proposed for 2017.
- **Wastewater Utility Charges** –In 2017, an 11.0% rate increase is proposed based on the 2015 cost-of-service rate study primarily to address aging infrastructure and operational needs.



### Utility Other

These are revenues generated from sources other than regular utility charges. Some of the examples are Wheeling Power Fees, wholesale water sales and sale of water meters. These revenues are projected based on historical averages.

### Interest

The cash balances in all funds are invested in interest-bearing investments of maturities appropriate to the projected cash requirements of the funds. In 2017, interest revenue was estimated in the following manners:

- For all funds included in the Capital Program, interest was estimated to be 0.75% of the projected beginning fund balance.
- For Water & Power Enterprise Funds, Water & Power Department staff projected interest for related funds based on their 10-yr financial master plans.
- For all other funds, interest was projected by analyzing 2015 actuals and 2016 mid-year trends as a way to predict interest revenue for 2017.

### Payment in Lieu of Taxes

Payment-In-Lieu-of-Taxes (PILT) is charged to all Enterprise Funds based on a percentage of revenue received. As part of the Financial Sustainability effort in the General Fund, PILT for all enterprises other than the Golf Enterprise were increased 1% to a total of 7% of revenue. The Golf percentage remains at 3%. In 2017, PILT revenue is projected to increase 8.28% over the 2016 Adopted Budget.

### Other

These are miscellaneous revenues that do not belong to any of the above revenue categories. This includes revenues such as donations, contributions, proceeds on the sale of assets, and rents.

### **Transfers**

Transfers occur between funds to pay for operating expenditures and to combine funds received from different revenue sources within one fund to budget for a capital project. Most transfers occur between capital funds so that the full cost of a project is shown in one fund only. The 2017 Transfers Summary can be found in the appendix.

### **Fund Balance**

The beginning fund balance, while not a true “revenue”, is a major source of funding for the 2017 Budget. Fund balance is created from monies saved in previous years for specific capital projects or operating contingencies, and revenue received above the amounts appropriated for expenditure. Fund balance will decrease in the 2017 Budget compared to the 2016 Budget due to the capital improvement cycle. Impact fee reserves and enterprise funds, primarily from loans in Water and Wastewater Enterprises will be spent in future years in the City’s Capital Program. The fund balance will decline over the next five years as major capital projects, which are included in the Capital Program, are completed. See the Capital Program chapter for details on the 10–Year Program.

The 2016 Revised Budget includes capital projects, which were budgeted in prior years but not completed before 2015 and assumes these, as well as new 2016 projects, will be completed by year end. After the year ends, a supplemental budget will be presented to City Council to re-appropriate the ending balances of capital projects remaining incomplete.

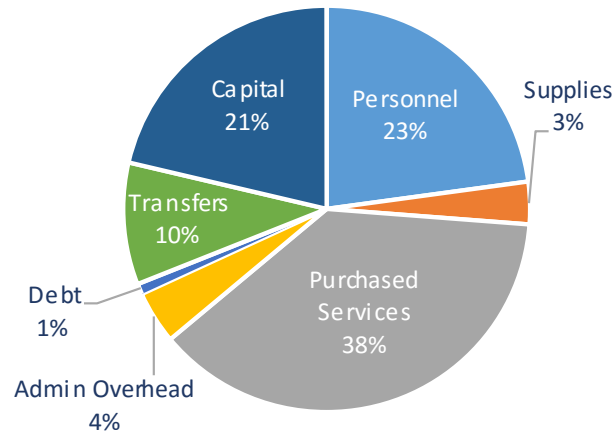


# Expenditure Overview

## Total Expenses

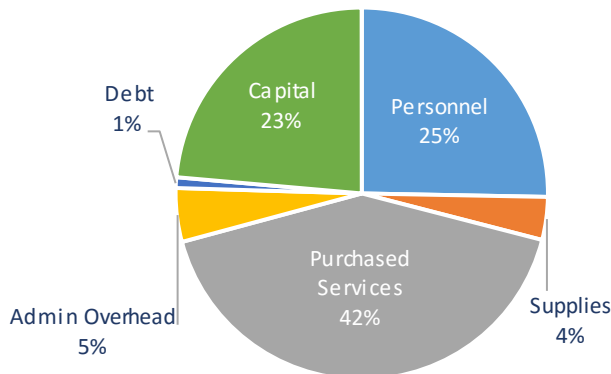
The City divides expenditures into account groups to describe how it is spending its funds. The account groups are Personnel Services, Supplies, Purchased Services, Debt Service, Transfers, and Capital. The Personnel Services group includes all salaries, the City's contribution towards FICA and retirement accounts, the City's share of insurance benefits, workers' compensation, and other costs related to compensation and benefit packages. The Supplies group includes all office supplies, parts and materials necessary to provide the services funded in the budget. The Purchased Services group includes all services provided to the City by outside sources or internal service funds. The Debt Service group includes principal and interest costs associated with approved debt issues. The Transfers group is for any transfer between City funds. The Capital group is for the purchase of items that cost more than \$5,000 and have a useful life of more than one year and all infrastructure and vertical construction projects.

## Total Expenses



## Total Expenses (Excluding Transfers)

The percentage for each account group is shown above for the City's total budget of \$319.1 million.



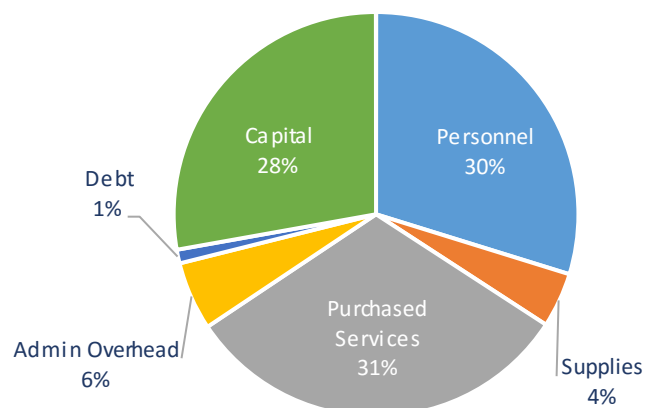
## Total Expenses (Excluding Transfers)

For the Total City Budget, the net budget is a more accurate indicator of actual City spending. The net budget does not include transfers between funds. This is necessary since using transfers double counts some revenues and expenses two or three times. Of the Total Net City Budget of \$288.1 million, the percentage attributed to each account group is as shown to the left.

## Total Expenses (Excluding Transfers & Purchased Power)

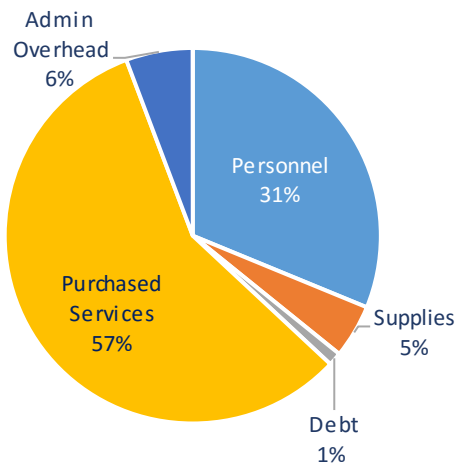
The Purchased Services percentage in the first chart, for analyzing operating costs controlled by the City, is high. The total Purchased Services cost includes the cost of purchased power of approximately \$43.5 million. This is the cost of electricity that is purchased from the Platte River Power Authority (PRPA) and then distributed and resold to the customers of the Power Utility. With purchased power excluded from the net City budget, the percentages attributed to each account group are as shown to the right.

## Total Expenses (Excluding Transfers & Purchased Power)





## Operating Expenses



### Operating Expenses

Operating costs make up 83.3% of the City's net budget and require on-going resources to fund these costs. The total operating costs are shown in the following chart.

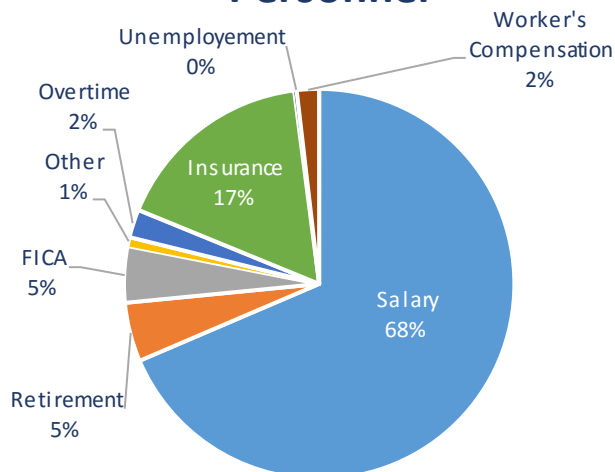
Personnel costs were a significantly higher percentage of the operating expense in prior years. With the formation of the Loveland Fire Rescue Authority in 2012, the City now pays a contribution to the Authority that is comprised of a percentage of the total Authority costs, including the salaries and benefits for personnel. This change shifts approximately \$14.1 million in costs from the personnel services category to the purchased services category.

If the Fire Authority personnel costs are taken into account the chart for operating expense is as below:

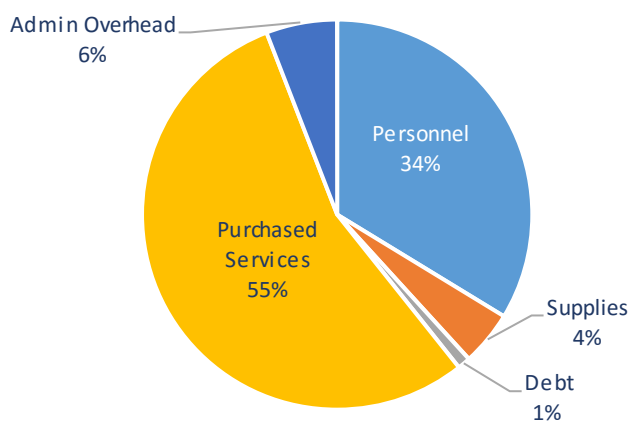
### Personnel Services

As can be seen in the chart to the below, Personnel Services are the largest expenses for City operations. The City offers a comprehensive compensation package that includes salary, retirement contributions, and insurance benefits. Of these costs, salary is the largest component, at 68% of the total personnel services costs. Insurance benefit costs are 17% of the personnel service costs.

## Personnel



## Operating Expenses (Including Fire)



### Salaries

The City's pay system can be described as a market-based pay plan with budgetary constraints. The pay plan is based upon comparing City of Loveland salaries to other public and private employer salaries in the northern Colorado area, using data from the Mountain States Employers Council Northern Colorado Survey and Colorado Municipal League General and Executive Survey. Positions are grouped into pay levels based upon comparative factors of skill, effort, and responsibility. Each pay level has a pay range. The midpoint of each pay range is the average of all

salaries paid in other organizations included in salary surveys completed each year. However, an employee's salary is not automatically raised to reflect range movement. The change in an employee's salary is determined by a merit evaluation of their work performance. As a guideline, employees who are consistently meeting job standards would be paid a salary within the market level of performance. In 2017, 3.5% of salaries for merit costs were included. This results in a budgeted total of \$54.4 million for salaries of benefited employees and \$3.7 million for non-benefited (temporary and seasonal) employees including Fire Rescue Authority.

### Retirement

For general employees the City offers a pension plan based on the 401(a) provisions. The City contributes to an employee's plan on a graduated scale based on length of service. After six months of employment, the City contributes 5% of the employee's monthly base salary. This percentage is capped at 9% beginning with 21 years

of service. The employee is required to contribute 3% of their base salary. An employee, after three years of service, will be vested in the City contribution. The City has separate pension plans for certified Fire employees and Police officers. In both plans, the City contributes 11% of the base monthly salary. In the Fire plan, the employee is required to contribute 9% and Police officers are required to contribute 7%. Fire employees vest in the City contribution after six years of service, and Police officers after five years of service. Employees are also offered a 457 Deferred Compensation Plan, to which they may contribute.

### Insurance Benefits

The City has self-insured medical coverage with two medical plan options, an Open Access Plan (OAP), which is a form of a Preferred Provider Organization (PPO), and a Health Reimbursement Account (HRA) Plan. All employees working 20 hours or more per week are eligible for medical benefits. Full-time and 30 hour per week employees receive full coverage and all other part-time employees receive coverage pro-rated depending on the number of hours worked. In 2017, health premiums are increasing by 40% depending on plan. After a few years of healthcare premium increases falling short of claims costs, the City is “right-sizing” the Employee Benefits Fund and healthcare premiums are increasing as a result. The 2017 Budget includes an average of 80% (employer) and 20% (employee) split for health premium costs along with a one month “health premium holiday” to be offered to employees in 2017. For 2018 and beyond, employees will be offered a one month “health premium holiday” only if the 20% Employee Benefits Fund reserve policy is met. Other benefit costs to the City include coverage for stop-loss insurance that places a cap on claims costs to the City, short-term and long-term disability, life insurance, and wellness costs.

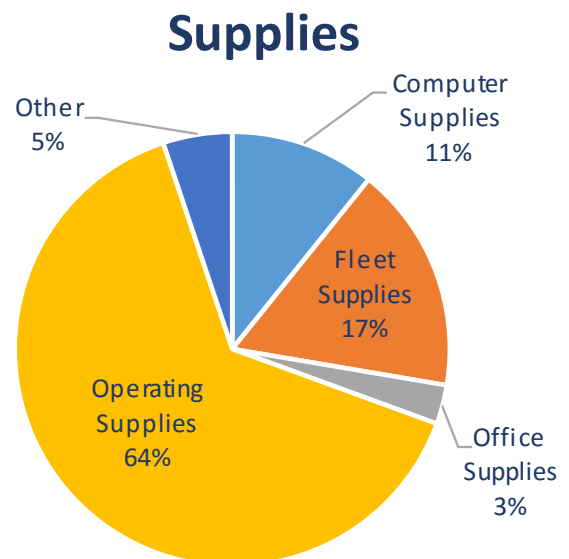
### Workers’ Compensation

Workers’ compensation premium costs and claims are managed by the Risk Management Division, and budgeted in the Risk and Insurance Internal Service Fund. Workers’ compensation costs are then allocated to each department based on the department’s claims history and forecast liability costs. Based on projected claims costs, the total cost for the City is anticipated to increase 1.8% from the 2016 Adopted Budget.

### Supplies

Supplies are 5% of the operating budget. Operating Supplies such as parts, tools, equipment, paint, and street materials are 64% of this cost. Fleet Supplies such as fuel and tires is 17% of the total cost, Computer Software & Equipment is 11%, Office Supplies are 3%, with the remainder in Safety & Training, and other miscellaneous supplies.

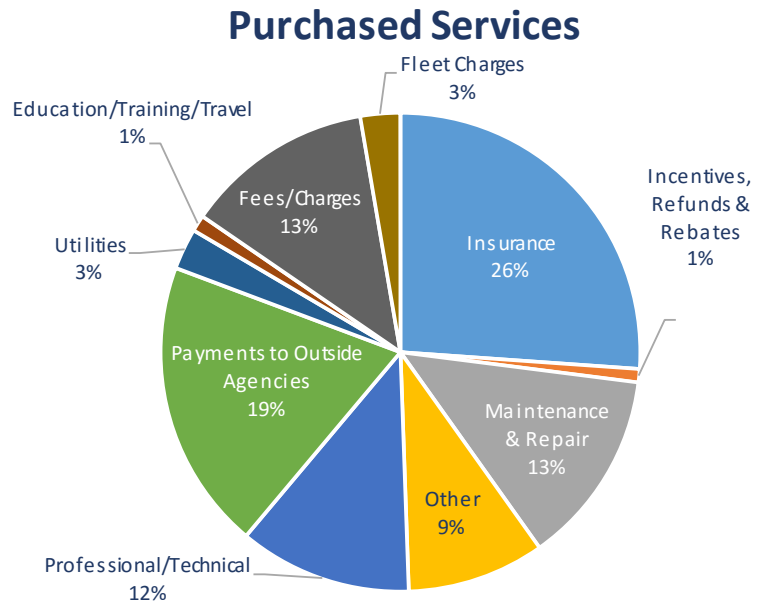
The Public Works Department has been working with the user departments to develop policies and operational efficiencies to reduce fuel usage, such as reducing idle times on the job, eliminating or reducing cold-start warm-up time, and changes to operation procedures to reduce the number of miles driven.



### Purchased Services

This account group is for services provided by sources outside the City and internal services focused on operations support, such as insurance and vehicle acquisition and maintenance. Payment in Lieu of Taxes made by enterprises to the General Fund is also a part of this account group. Purchased services account for 31% of the operating budget.

The three largest categories within this account group are Insurance, Payments to Outside Agencies and Maintenance & Repair, which combine for 58% of total purchased services. Insurance covers both purchasing of insurance from outside providers and the City's own self-insurance funds. Payments to outside agencies, at 19% of purchased services, include the City's contribution to the Loveland/Larimer Building Authority, Loveland/Fort Collins Municipal Airport, and the Loveland Fire and Rescue Authority. Professional/Technical Services include payments for custodial services, engineering services, attorney services, and other contractual services. Other components of this account group are the fees and charges, Payment in Lieu of Taxes (PILT) from the enterprise funds, payments for utilities, property services, incentives, rebates, and grants. "Other" includes advertising, postage, and other purchased services.



### Debt Service

This account group is for repayment on all bonded debt or any lease-purchase agreements and is 1% of the operating budget.

In the Water Enterprise, the City's payment for the revenue bond debt to pay the raw water bonds for the Windy Gap Project is budgeted. These bonds are not City debt, but a debt of the Northern Colorado Water Conservancy District. The City incurred a liability for a share of the debt payments. If the enterprise were to not make the payments, the District could impose a mill levy on City residents to retire the debt. A reserve has been established in the full amount of the liability to meet this obligation.

Not included in the operating budget discussion, but included in the debt category for the Other Entity Funds, are debt payments through the Special Improvement District #1 (SID) and the Loveland Urban Renewal Authority (LURA).

The payments in the SID are for bonded debt to fund infrastructure improvements within the District. Funding for the District is from special assessments on property in the District. The City is the sponsoring agency for the District, but does not have any legal obligation towards this debt.

The payments in the LURA are for bonded debt incurred by the Metropolitan Improvement District, created on the east side of the City, to fund public improvements and regional improvements within the District. LURA funds, from tax increment financing will partially fund these projects based on the agreement with the Metropolitan District.

# Debt Service & Financial Obligations

Payments on all of the City of Loveland's long-term obligations are included in debt service. This includes revenue bonds and lease purchase agreements. Also included are the City's obligations for debt issued by other entities for the Windy Gap project.

Currently, the City's revenue bonds are rated as follows: *Moody's Investors Service, A1: Standard and Poor's, A+.*

The City also has a number of lease-purchase agreements for equipment or facilities. Payments are made as part of operating budgets. Because of our financial planning practices and because the amounts are small, they do not adversely affect other parts of the operating budgets.

## Legal Debt Limit

The City of Loveland is a home rule city. The Colorado Revised Statutes provides that general obligation indebtedness for all purposes shall not at any time exceed 3% of actual value, as determined by the County Assessor, of the taxable property in the City. The exception is debt that may be incurred in supplying water. The City's debt is within the legal debt limit as demonstrated by the table.

2015 Actual Value	\$8,411,524,489
Debt Limit: 3% of Actual Value	\$252,345,735
Bonded Debt Applicable To Limit	\$-

## Bond Issues

### Bond Balances

	Balance	—Payments Due—		Maturity
Revenue Bonds:	12/31/15	2016	2017	Date
Raw Water <sup>(1)</sup>	826,625	848,979	-	2017
<b>Bond Total</b>	<b>\$826,625</b>	<b>\$848,979</b>	<b>\$-</b>	

Notes:

<sup>(1)</sup> The Municipal Subdistrict had sufficient reserve funds available from all of the project participants to cover the final (2017) debt service payment, so there will be no payment due in 2017.

## Debt Service

### Debt Service Balances

	Balance	—Payments Due—		Maturity
Debt Service:	12/31/15	2016	2017	Date
Water <sup>(2)</sup>	10,206,594	199,160	450,000	2033
Water <sup>(3)</sup>	-	89,400	150,000	2033
Wastewater <sup>(4)</sup>	-	-	578,041	2041
<b>Debt Service Total</b>	<b>\$100,000</b>	<b>\$270,792</b>	<b>\$1,178,041</b>	

Notes:

<sup>(2)</sup> In July 2013, the City Water Fund authorized revenue bonds in the amount of \$10,000,000 for improvements to the Water Treatment Plant.

<sup>(3)</sup> In February 2015, the City Water Fund authorized additional revenue bonds in the amount of \$3,200,000 for improvements to the Water Treatment Plant.

<sup>(4)</sup> In July 2015, the City Council approved additional revenue bonds in the amount of \$24,900,000 for improvements to the Wastewater Treatment Plant.