


**CITY OF LOVELAND**

BUDGET OFFICE

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**AGENDA ITEM:** 3  
**MEETING DATE:** 10/16/2012  
**TO:** City Council  
**FROM:** Brent Worthington, Finance Department  
**PRESENTER:** John Hartman, Budget Officer

**TITLE:**

Adoption of the ordinances and implementing items on second reading to approve and implement the 2013 Budget.

**RECOMMENDED CITY COUNCIL ACTION:**

1. Approval of the Resolution on second reading setting the 2013 Rates, Charges and Fees for the Storm Water Enterprise.
2. Approval of the Resolution on second reading setting the 2013 Rates, Charges and Fees for the Water & Power Department.
3. Approval on second reading of all of the ordinances.

**OPTIONS:**

1. Adopt the actions as recommended
2. Deny the actions
3. Adopt a modified action (specify in the motion)
4. Refer back to staff for further development and consideration
5. Adopt a motion continuing the item to a future Council meeting

**DESCRIPTION:**

This is an administrative action to adopt the fee resolutions and ordinances, except for the mill levy ordinance, to approve the 2013 Budget on Second Reading. The adoption of the 2012 mill levy is a legislative action. Included are all the Utility Fee Resolutions and Ordinances necessary to adopt and implement the 2013 Budget.

**BUDGET IMPACT:**

- Positive  
 Negative  
 Neutral or negligible

These items establish the budget for the City of Loveland, Colorado in 2013 and implement fees and rates to meet the revenue projections in the budget.

**SUMMARY:**

The total Net City Budget for January 1 to December 31, 2013 of \$206.9 million is mildly expansive compared to the 2012 Net Adopted Budget of \$180.8 million, with a fourteen percent (14%) increase. While revenues have begun to recover from the lows of 2009, the Budget reflects an effort to maintain tight control of expenses. The General Fund budget for 2013 at \$65.2 million is an increase from the 2012 Adopted Budget of \$62.4 million by 4.5%.

The 2012 Revised Budget numbers in the material represent supplemental budget appropriations through June, 2012, and the percentage change is a comparison to the 2012 Adopted Budget. Staff believes this is the most accurate assessment of the change in the budget, since it is not affected by one-time grants that have occurred during the year or incomplete capital projects balances rolled forward.

**Current Environment**

The local economy has shown improvement, although growth continues to be slow. The number of jobs has increased over the same time as last year and the unemployment rate has come down, although still significantly higher than near term historical numbers. Sales tax collections through September have been stronger than expected. There are sign of the beginning of a recovery in residential building, but commercial construction remains severely constrained. The following statistics are indicators of the improvement:

- Sales tax collections through August are higher 6.0% higher than collections in 2011 through the same time period, and have recovered to be nearly equal to 2007 collections when inflation is taken into account;
- Building permit revenue is up 30% and Building Use Tax is up 34.7% from the same period last year, although as noted above the growth is due only to residential construction.
- The employment based on July figures has grown by 219 jobs from the same period the previous year.
- Property values are flat to 2011 values, after a reduction of 4.5% in the previous year.
- General Fund Revenues are above expenditures through August by \$9.2 million.

The current projections indicate the ten year financial plan is balanced, with operating revenue exceeding operating expense in all but one year in the plan. If all the proposals included in the 2013 Budget are accepted by Council for the General Fund, revenue available for operations and capital exceeds expenses, by \$3.6 million, but this amount decreases through 2016 which is slightly negative. It is important to continue to maintain fund balance reserves for the flexibility to respond to volatile economic conditions and invest in business opportunities that will create sustainable future revenue sources. To maintain those balances, strategic service level decisions will need to be made to continue to balance revenues and expenditures annually. If further unforeseen shocks to the economic environment occur, this picture could change significantly.

## Priorities for Developing the 2013 Budget

The 2013 budget was developed based on being mildly expansive due to the revenue growth we are currently experiencing. However the increases are done with caution and staff was not willing to appropriate all of the revenue increase to provide a cushion if the economy falters. The following paragraphs outline the changes that are included in the proposed budget.

### Revenues

Revenue projections set the parameters for the budget and are based on the following assumptions:

- Property tax revenue is projected to be flat to 2012, and the preliminary certified values bear this out with growth in value of 0.5%.
- The base sales tax is projected to increase 4.0% over the projected 2012 collections.
- We are projecting continued growth in residential construction, with commercial and multifamily projects staying flat to 2012;
- Increase the transportation fee 11% to continue the policy of the fee generating 60% of the street rehabilitation program cost. This frees up General Fund revenue to be used for street maintenance operations.
- Water rate increase of 13.0%, 1% for the raw water reservoir project and 12.0% for treatment plant and distribution system capital improvements.
- Power rate increase of 4.13% to cover the increase in the wholesale rate from Platte River Power Authority.
- An increase of 15% in the Wastewater Enterprise for treatment plant and collection system improvements.
- Interest is calculated at 1.2% of the beginning fund balance.

### Expenses

Details on the General Fund expenses increases are below.

- No base or core budget inflationary increases;
- The employee merit pool is set at 3.5%;
- Continue to manage health claims costs through the new employee health clinic. The opening of the clinic is projected to reduce the inflation in claims costs by more than the cost of the clinic by the third year of operation. This will provide savings to the City in the amount of the claims paid and savings to the employees in deductibles on office visits.
- \$446,150 – Operating costs for the addition of six new firefighters and the operational cost for the Station 6 expansion.
- \$131,280 – Addition of a Financial Manager position in Public Works.
- \$110,000 – Addition of a Type 6 Engine to the Fire Fleet.
- \$120,000 – Funding for Phase II of the Technology Transfer Program.
- \$76,220 – Addition of a Park Planner position. 50% of the funding is from the Open Space Fund.

- \$75,000 – Consulting services for the Parks Master Plan update. \$25,000 of the cost is budgeted in the General Fund.
- \$61,480 – Addition of a Dispatcher position.
- \$52,650 – Addition of an Evidence Technician position.
- \$43,480 – Increase in pay rate for part-time firefighters.
- \$22,500 – Addition of a half-time position in the Rialto Theater.
- \$20,800 – Implement live web streaming of City Council and Planning Commission meetings.
- \$17,180 – Addition of a half time Library Aide in the Teen Division.
- \$11,000 – Funding for a contribution to Alternatives to Violence.
- \$11,000 – Funding for a contribution to the Child Advocacy Center.
- \$10,400 – Funding for additional Microsoft remote access licenses.
- \$10,130 – Funding to expand Wi-Fi service to other City buildings.
- \$10,000 – Funding for the City's share of Larimer County Bomb unit equipment.
- \$8,900 – Funding for historic preservation education and outreach programs.

**Major Capital Projects for General Fund Agencies in 2013 include:**

- \$5.9 million for the expansion of the Service Center to house the street Maintenance, Storm Water and Solid Waste operations and equipment.
- \$3.6 million for the construction and relocation of Fire Station 2. The station will be expanded to house a second engine company;
- \$3.8 million in the Street Rehabilitation Program, which is increased by \$440,000 from 2012 amounts to meet the increased number of street miles to be maintained;
- \$3.3 million for Open Space acquisitions funded by Open Space sales tax revenue and Open Space CEF fees;
- \$1.6 million for the Transportation Program, funded by Street CEF fees and General Fund TABOR reserves;
- \$1.0 million for projects in the downtown area;
- \$0.8 million for Recreation Trail expansion funded by Lottery funds;
- \$0.5 million for major facility maintenance projects, funded by General Fund revenues;
- \$0.5 million for ball field lighting at Fairgrounds Park;
- \$0.4 million to renovate restrooms in public parks.

**Mill Levy**

The 2012 General Fund mill levy will remain at the same amount as 2011 at 9.564. The 2012 Mill Levy combined with the assessed property value determines the amount of property tax revenue. 2012 Property Taxes are due and payable in 2013 and are used to fund a portion of the 2013 General Fund budget.

**Water and Power Schedule of Rates, Charges and Fees**

**Please note that this schedule has been modified between first and second reading. There was a typographical error on first reading of the Water & Power Fee Schedule**

**under Wastewater Fees. The fee entitled “Pretreatment Significant Industrial User (SIU) Laboratory Analysis” was shown as being \$60, and the fee should be “Actual Cost”. The Schedule has been modified to reflect this change.**

Staff believes it is presenting a conservative budget that maintains the services currently provided, while also maintaining our financial stability. Reserves in the operating funds meet the adopted fund balance policy that would require 15% of operating fund expenditures for the purposes of meeting unforeseen contingencies that may occur and to provide the City with a bridge if economic conditions result in lower than projected revenues.

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**REVIEWED BY CITY MANAGER:**




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**LIST OF ATTACHMENTS:**

1. Total Budget and General Fund Summary pages.
2. General Fund Financial Master Plan.
3. A Resolution on Second Reading adopting the 2013 Schedule of Rates, Charges and Fees for services provided by the Storm Water Enterprise of the City of Loveland, Colorado and superseding all prior resolutions establishing such rates, charges, and fees.
4. Staff Report from the Water & Power Department on 2013 Schedule of Rates, Charges and Fees for the Water and Power Utilities
5. A Resolution on Second Reading adopting the 2013 Schedule of Rates, Charges and Fees for services provided by the Water & Power Department of the City of Loveland and superseding all prior resolutions establishing such rates, charges and fees.
6. An Ordinance on Second Reading adopting the 2012 mill levy for the General Fund of the City of Loveland, Colorado.
7. An Ordinance on Second Reading adopting a 2013 pay plan for city employees, and superseding all prior ordinances adopting such a pay plan.
8. An Ordinance on Second Reading adopting the 2013 budget for the City of Loveland, Colorado.
9. An Ordinance on Second Reading making an appropriation for the fiscal year beginning January 1, 2013 and ending December 31, 2013 for the City of Loveland, Colorado.