

AGENDA
LOVELAND CITY COUNCIL STUDY SESSION
TUESDAY, APRIL 26, 2016
CITY COUNCIL CHAMBERS
500 EAST THIRD STREET
LOVELAND, COLORADO

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STUDY SESSION 6:30 P.M.

STUDY SESSION AGENDA

1. **FINANCE** **(presenter: Brent Worthington)**
BUDGET ORIENTATION
 This is an information only item. Staff will present a preliminary review of the 2017 budget development process. This will include the key assumptions and practices used by the City for budget development.

ADJOURN

AGENDA ITEM: 1
MEETING DATE: 4/26/2016
TO: City Council
FROM: Brent Worthington, Finance Department
PRESENTER: Brent Worthington, Finance Director



TITLE:
Budget Orientation

SUMMARY:

This is an information only item. Staff will present a preliminary review of the 2017 budget development process. This will include the key assumptions and practices used by the City for budget development.

BACKGROUND:

As part of the budget development process, staff keeps Council apprised of budget development issues at various stages. This presentation includes the 2017 budget calendar involving City Council; Loveland budgeting principles; process used to forecast major revenue sources; overview of major expense items; City Manager's preliminary budget direction; new features; and Council questions, discussion, research priorities and direction to Staff.

REVIEWED BY CITY MANAGER:

LIST OF ATTACHMENTS:

1. Budget Presentation
2. Utility Rate History and Projections
3. [5 Year Look Back Coversheet](#)
4. [5 Year Look Back Powerpoint](#)
5. [Budgeting ABC's](#)
6. [Ten Year Forecast 2013-2022](#)

City of Loveland Budget Kickoff

April 26th, 2016

Brent Worthington, Finance Director
Matt Elliott, Senior Budget Analyst

Introduction

This presentation includes:

- 2017 budget calendar involving City Council
- Loveland budgeting principles
- Process used to forecast major revenue sources
- Overview of major expense items
- City Manager's preliminary budget direction
- New features
- Council discussion, questions, research priorities and direction to Staff

2017 Budget Calendar

Study Session – Budget Guidance	April 26 th
Study Session – Capital Program	June 14 th
Resolution – 2017 Capital Program	July 5 th
Recommended Budget Distributed to Council	September 2 nd
Study Session – Recommended Budget	September 13 th
First Reading	October 4 th
Second Reading	October 18 th

Principles

- We will budget for providing the best level of services possible on a continuing basis.
- Our budgeting practices will continue to be fiscally conservative.
- We will maintain the City as an employer of choice, so that we continue to attract and retain high-quality employees.
- The Budget and Financial Process will be completely transparent

Revenue

General Fund Revenue Projections

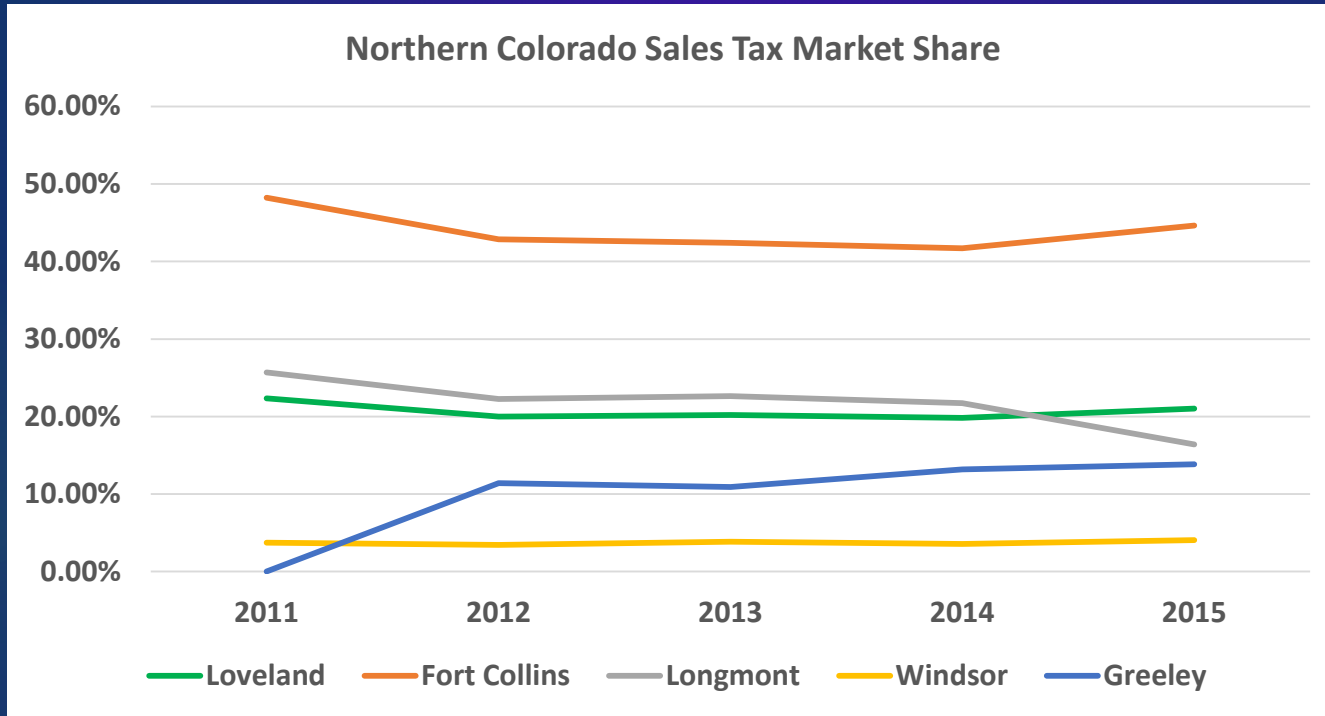
- ▶ Sales Tax:
 - ▶ Expecting 2.5% - 3.0% increase for 2017
 - ▶ Forecast will be finalized based on:
 - Developing collection trends in 2016
 - Analysis of local/regional retail activity
 - Analysis of new Loveland development/redevelopment
- ▶ Property Tax:
 - Rates were re-assessed in 2015, taking effect in 2016: tax increased 12%
 - 2017 will not be a reassessment year; increase will be minimal

General Fund Revenue Projections

- ▶ Building Permits
 - Working with Development Services to prepare forecast

- ▶ Use Tax:
 - Building Material: Working with Development Services to prepare forecast
 - Automobile: Currently 22.9% or \$175,705 above 2015

Sales Tax Market Share Northern Communities

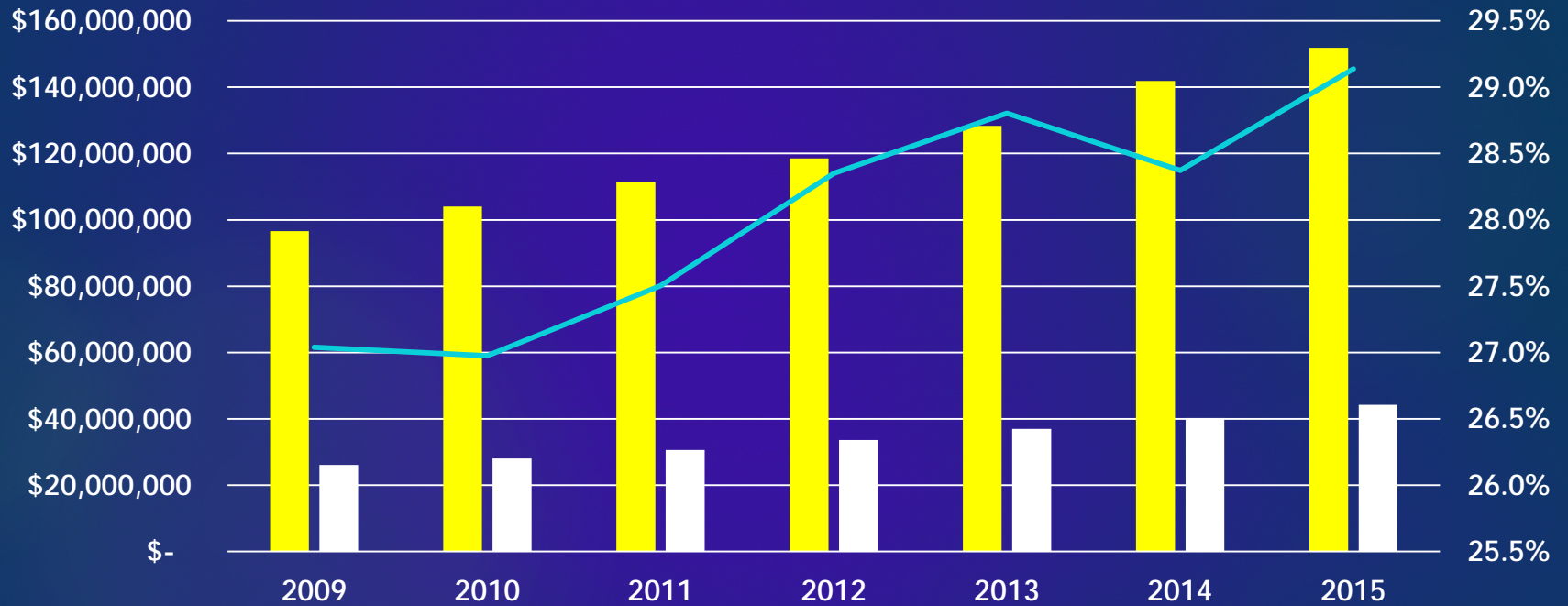


*Note: Greeley data for 2011 was unavailable

SOURCE: Published Financial Reports



Sales Tax Market Share Larimer County



■ Net State Sales Tax Countywide (Larimer)

■ Net State Sales Tax From Loveland

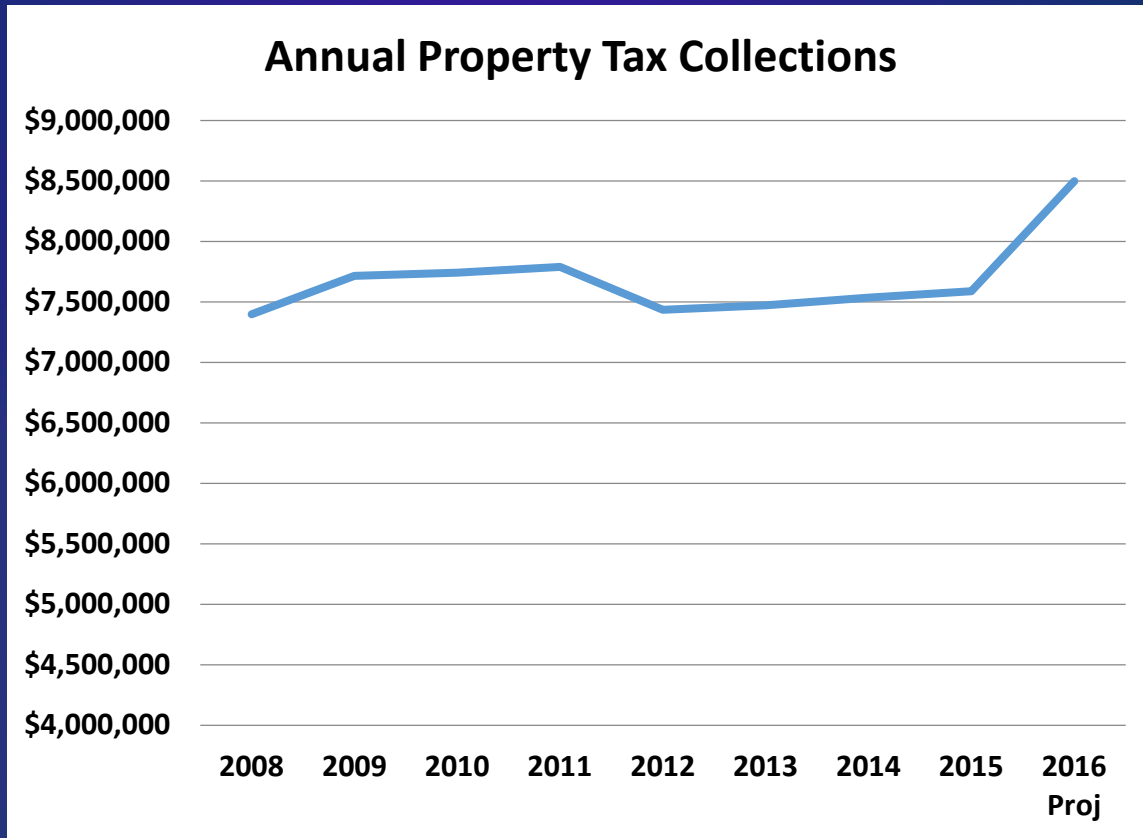
— Loveland's Percentage of Countywide total

(Estimated)

SOURCE: Colorado Dept. of Revenue



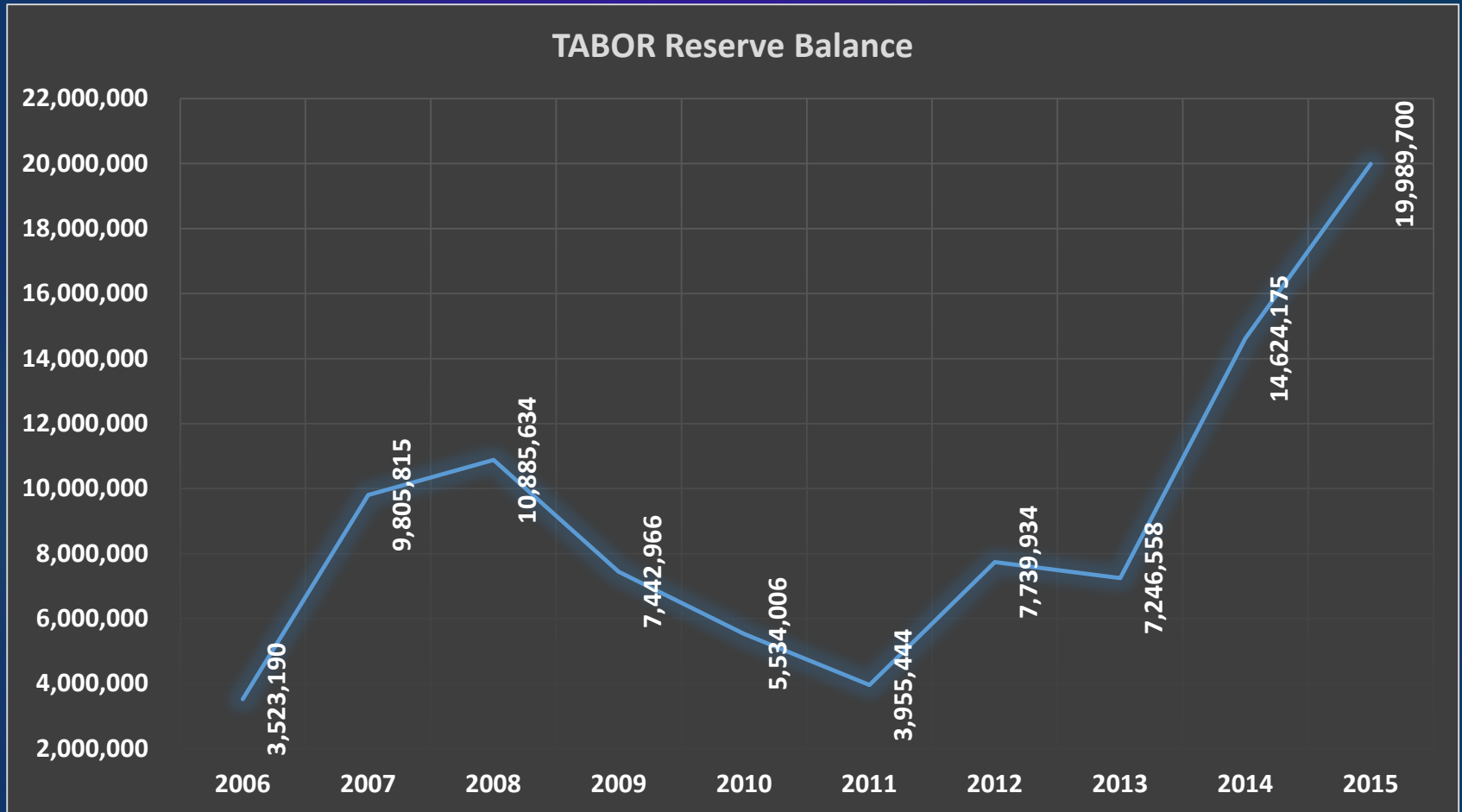
Property Tax



Reserve for Excess TABOR Restrictions

- TABOR Election: November 6, 2001
 - Voter Approved retention of excess revenues, 1/1/03 - 12/31/12
 - Balance projected to last through 2020
- TABOR Election: November 1, 2011
 - Voter Approved retention of excess revenues, 1/1/13 – 12/31/24
- Restricted to Police and Fire, street construction and maintenance, and parks construction and maintenance

TABOR Reserve History



Water & Power Rate Track

- ▶ Water
 - ▶ 2016: 8% increase
 - ▶ 2017: 9% increase
- ▶ Power^{*}
 - ▶ 2016: 5.6%
 - ▶ 2017: 6.04%
- ▶ Wastewater
 - ▶ 2016: 8.8%
 - ▶ 2017: 11%

*Note: Power will be conducting their cost of service study in 2016. Power's rate track may change.

Rate change history and projections: 2013-2023

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Water	13.00%	13.00%	9.00%	8.00%	9.00%	9.00%	9.00%	8.00%	8.00%	8.00%	3.50%
Power	15.00%	8.91%	9.08%	8.80%	11.00%	11.00%	11.00%	7.00%	7.00%	7.00%	3.50%
Wastewater	4.13%	1.62%	5.83%	5.60%	6.04%	6.04%	4.24%	5.05%	4.24%	1.81%	4.24%

Expenses

2017 Employee Benefit Fund

- Increase expected for medical premiums (Departments and Employees)
- Plan design will be reviewed and adjusted if necessary
- Review market survey data
- Minimal changes expected for dental and vision premiums

Employee Benefit Fund History

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	
REVENUE	Employee Contribution	1,867,937	1,800,123	1,982,927	2,067,891	2,430,014
	Departments' Contribution	7,355,740	7,448,582	7,625,653	7,393,377	8,405,601
	General Fund Contribution	-	-	-	-	610,000
	Other	133,000	253,730	215,268	261,967	234,511
	Total Revenue	9,356,676	9,502,435	9,823,848	9,723,236	11,680,125
Expense	9,568,217	8,599,969	10,448,053	12,037,399	14,903,348	
Surplus/(Deficit)	(211,541)	902,466	(624,205)	(2,314,163)	(3,223,223)	

2017 Compensation

- Merit pool for all City employees will be 3.00% to 3.25% percent
- The actual amount will be determined once market projections are published

City Manager Direction

Preliminary Budget Direction: 2017

- Stability in internal support and administrative functions
- Public safety: additions to Police for officers and civilian support functions; minor additions expected in Fire
- Infrastructure areas: moderate additions in enterprise utilities, and in public works operations; possibly greater increases in snow removal
- Development functions: only minor changes, following 2016 additions
- Quality of life functions: only minor changes in General Fund areas

New Features

Supplemental Evaluations Using PBB

- New process for reviewing Departmental supplemental requests
- Review Committee to analyze and score
- Apply PBB scoring system
- City Manager will incorporate the results in decision process

OpenGov

- On-line portal, accessible from City home page
- Will allow public access to City financial transactions
 - Revenues
 - Payments by check
 - Payment by Purchasing Card
 - Other features to be added
- Public Information campaign
- Kick-off May 15

Council:

Questions

Discussion

Research Priorities

Direction to Staff

RATE CHANGE HISTORY AND PROJECTIONS - 2001-2025

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Water	-33.00%	0.00%	0.00%	0.00%	0.00%	4.75%	1.00%	1.00%	1.00%	1.00%	8.20%	6.00%	13.00%
Wastewater	0.00%	18.00%	15.40%	0.00%	0.00%	8.00%	8.00%	8.00%	0.00%	0.00%	0.00%	0.00%	15.00%
Power	0.00%	0.00%	0.00%	8.20%	4.50%	0.00%	0.00%	3.00%	4.50%	4.88%	5.50%	5.60%	4.13%

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water	13.00%	9.00%	8.00%	9.00%	9.00%	9.00%	8.00%	8.00%	8.00%	3.50%	3.50%	3.50%
Wastewater	8.91%	9.08%	8.80%	11.00%	11.00%	11.00%	7.00%	7.00%	7.00%	3.50%	3.50%	3.50%
Power	1.62%	5.83%	5.60%	6.04%	6.04%	4.24%	5.05%	4.24%	1.81%	4.24%	3.43%	2.62%