CITY OF LOVELAND
CITY MANAGER'S OFFICE
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AGENDA ITEM:	**1**
MEETING DATE:	9/13/2011
TO:	City Council
FROM:	City Manager
PRESENTER:	Bill Cahill and John Hartman

TITLE:
Presentation of the City Manager's Recommended Budget for 2012

DESCRIPTION:
Staff will present to City Council the City Manager's 2012 Recommended Budget, which includes the 2012 Recommended Capital Program. The discussion will review revenue projections and major changes to the budget.

BUDGET IMPACT:

● Yes No

The budgetary impact is related to establishing a fiscally responsible budget for 2012.

SUMMARY:
The 2012 Recommended Budget is respectfully submitted for City Council consideration in accordance with the City Charter, Section 11-2. It was developed based on City Council financial sustainability principles and the goals established at the 2011 City Council Advance.

The total net budget is $177.9 million. It is comprised of both operations expenditures and capital expenditures. The operations expenditures are $142.0 million, a 3.0% increase over the 2011 Adopted Budget. The increase is primarily due to restoring employee compensation increases of 2%. The capital expenditures are $35.9 million, a decrease from the 2011 Adopted Budget of 11.6%. This reduction is simply a function of the projects that are scheduled for construction in 2012. The budget has successfully begun the implementation of the Financial Sustainability Strategies that City Council approved June 7, 2011. The ten year plan now reflects that revenue projected exceeds expenditures in each of the next ten years.

The public hearing and first reading of the ordinance will be held October 4, 2011. The second reading will be held October 18, 2011. The Citizen Finance Advisory Commission will conduct a review of the recommended budget September 14, 2011.

The material provided for this study session is in summary format. It provides a complete financial plan by fund including: revenues and expenditures by agency and object; a three year comparison of revenues and expenditures; a ten year capital improvement plan; estimated beginning and ending balances for all funds; a draft budget message; explanatory information relative to budgetary basis of accounting, financial policies, scope of services provided by the City, and other pertinent information. The full document will be available September 26, 2011 on the City's website, in the City Library at the reference desk and in the City Clerk's Office for public review.

LIST OF ATTACHMENTS:
Draft Budget Message
Budget Summaries
Presentation Slides

RECOMMENDED CITY COUNCIL ACTION:

REVIEWED BY CITY MANAGER:

Budget Message from the City Manager

To the Honorable Mayor and Members of the City Council:

The budget for 2012 is respectfully submitted for your consideration, in accordance with the City's home rule charter. This budget outlines revenues and expenses for 2012, and is largely consistent with the directions of previous Budgets.

Budget Overview

The total City Budget for January 1 to December 31, 2012 is a reduction from 2011. While revenues have begun to recover from the lows of 2009, the Budget reflects an effort to maintain tight control of expenses, so that total spending has been reduced from 2011 levels.

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

	2009 Budget	2010 Budget	2011 Budget	2012 Budget
Operations	135,305	128,230	137,813	143,189
Percent Change	4.4 %	-5.2 %	7.5 %	4.0 %
Capital	44,650	41,174	40,699	36,758
Percent Change	13.0 %	-7.9 %	-1.2 %	-9.7 %
Total Net Budget	179,955	169,405	178,512	179,947
Percent Change	6.4 %	-5.9 %	5.4 %	0.9 %

Of equal interest is the General Fund operating budget trend. This does not include capital projects, which can vary annually. The 2012 Budget proposes reduction of nearly a million dollars from 2011, or 1.4 percent. The net effect is to rebuild the General Fund ending balance by about $3.1 million over the budgeted level for 2011.

General Fund Operating Budgets (Net of Internal Transfers)

	2009 Budget	2010 Budget	2011 Budget	2012 Recommended Budget
Operating Budget	59,859,310	57,135,320	59,711,650	58,856,790
		-4.6 %	4.5 %	-1.4 %
Ending Balance	17,494,640	21,237,600	21,570,950	24,751,250

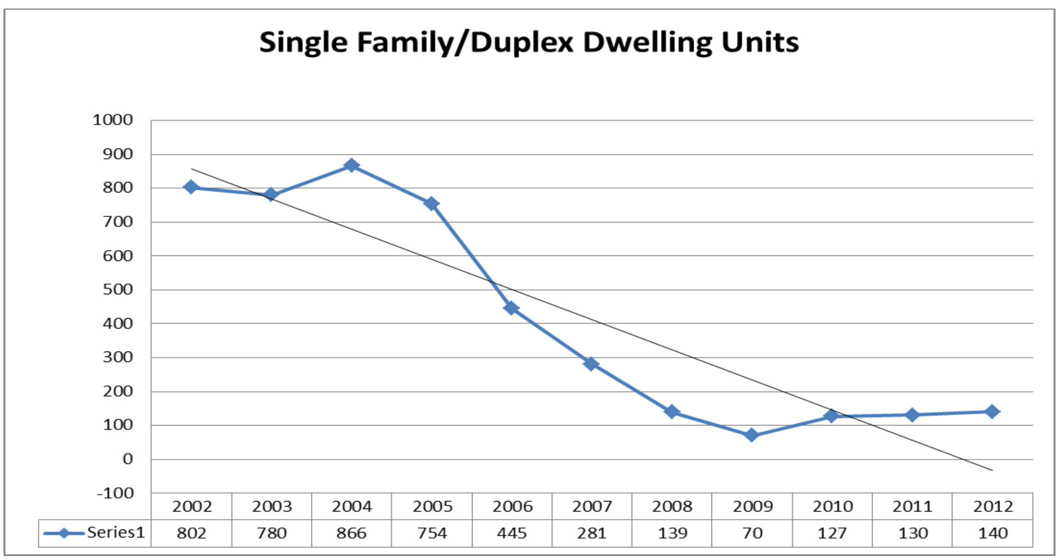
Economic Climate

There are signs that the northern Colorado regional economic picture is improving, even as the national economy shows signs of continued weakness and the possibility of a "double dip" recession. These muddied national economic prospects lead us into an attitude of continued vigilance and caution.

Loveland's unemployment rate remains well below the national average, and has been trending downward in 2011. Job creation in Loveland has recovered somewhat in 2011, though not enough to generate real optimism of continuance. Retail sales tax revenues for 2011 are exceeding 2010, but use taxes (driven by construction activity) remain very low.

The growth forecast for Loveland is a foundational element of building the budget. Our expectations are for a slight resumption of construction in the single family home market (Figure 1), complemented by very slight growth in commercial and industrial construction, and flatness in multi-family construction. This not only drives use tax revenues, but provides a general backdrop for projection of other economic activity.

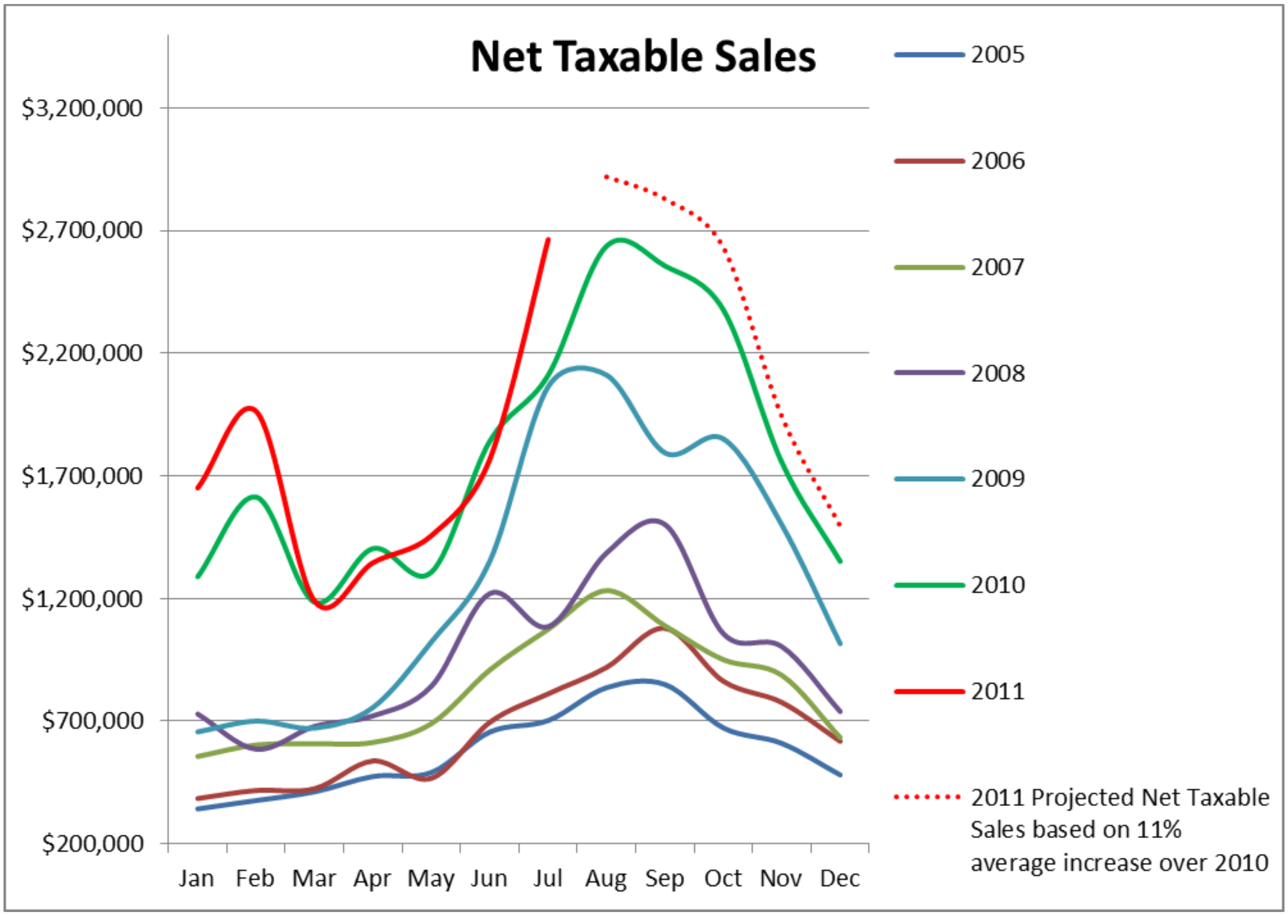
Figure 1: Single Family and Duplex Construction Trends



The forecasts are prepared by Development Services and are based on projection of trends, as well as projects "in the pipeline".

The other significant trend to watch is sales tax revenues, since these revenues account for such a large portion of General fund revenues. Figure 2 shows net taxable sales since 2005. Loveland's net taxable sales in 2011 showed a very encouraging increase above the prior year. This trend bears watching due to the fears of a national "double-dip" recession.

Figure 2: Trends in Loveland Net Taxable Sales



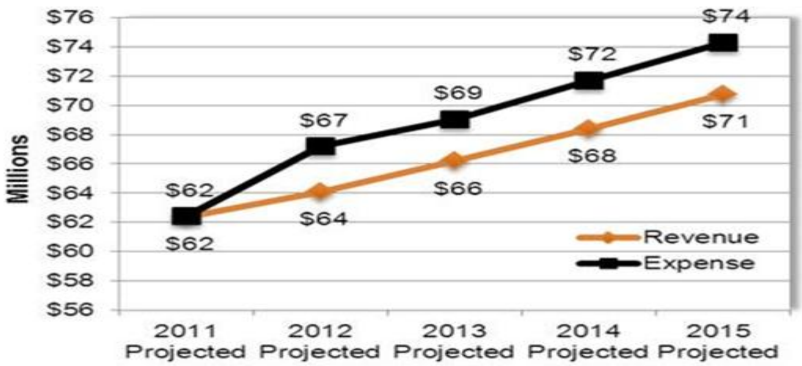
The net result in consideration of budgeting is to project modest revenue increases in 2012.

Financial Sustainability Strategy and Long-Term Trends

The City has traditionally operated under a Ten Year Financial Master Plan, so that financial decisions can be made with understanding of their long-term effects. The Master Plan is annually updated, so that it always presents a rolling ten-year horizon.

This Master Plan alerted the City to a looming “structural deficit”, projected to materialize in 2013, and to continue at a level averaging about $3.5 million annually thereafter. Figure 3 illustrates the projected deficits for future years that were shown in the Ten Year Financial Master Plan.

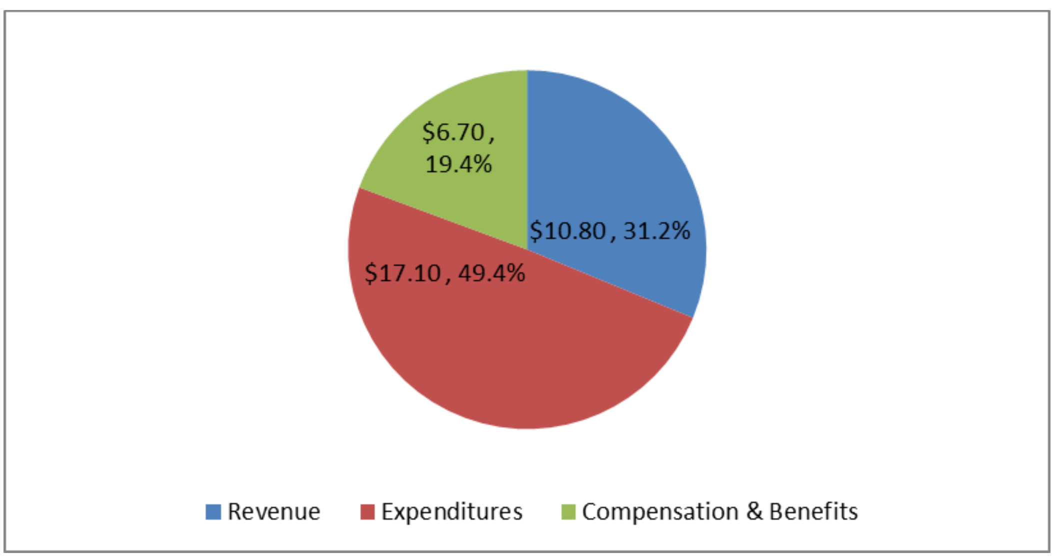
Figure 3: Previously Forecast Deficits in Ten Year Financial Master Plan



Confronted with this prospect, the City developed a "Financial Sustainability Strategy" in the first half of 2011. After significant public input and consideration of ideas generated by employees and management, the City Council adopted the Strategy on June 7, 2011.

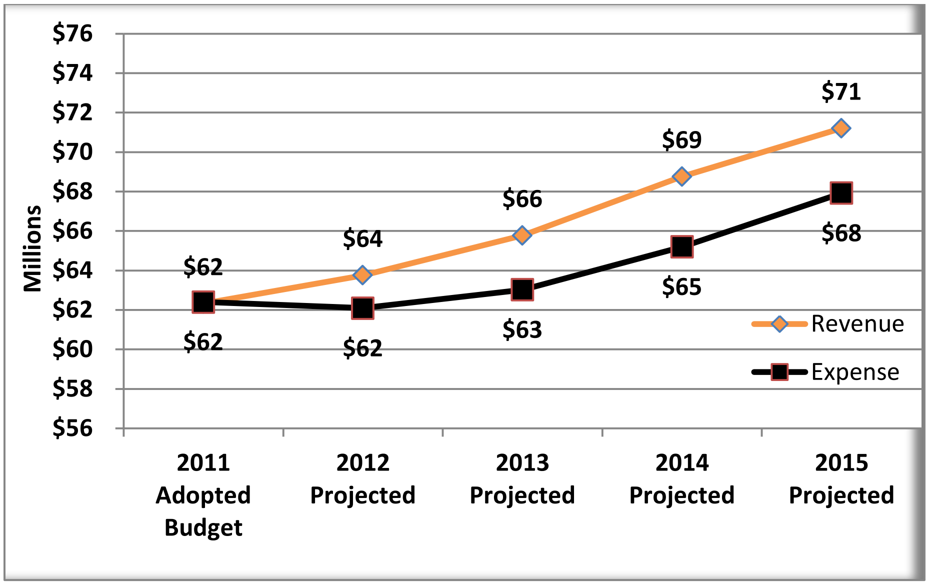
The Sustainability Strategy resulted in a balanced approach to resolve the structural deficit. Over the ten-year period, $34.6 million in solutions were identified. As Figure 4 illustrates, about half of the solutions were in expenditure reductions (not including employee compensation). Another 20% was achieved through modifying employee compensation, while about one-third came from revenue additions. None of the revenue additions are new taxes.

Figure 4: Composition of Solutions for Financial Sustainability



Implementation of this Strategy eliminates the structural deficit. The revenue projections have remained on track, but expenses have been reduced to be within the available revenue. The Ten Year Master Plan, included with this budget, now shows positive balances (no deficits) in any of the ten years of the Plan (Figure 5).

Figure 5: Results of Financial Sustainability Strategy



Many of the implementing measures are reflected in this 2012 budget. Others remain for future action. Provided that the measures approved by Council are actually carried out, the structural deficit has been eliminated. Since many of the measures are embodied in the 2012 Budget, we have a high degree of confidence in achieving the goals set in the Financial Sustainability Strategy.

Changes in Budget Presentation and Development

Readers will notice several differences in budget presentation from previous years. Changes are being made in an attempt to improve the quality of public information and create even greater transparency. Three key changes are designed to help in public understanding:

- "General Fund Subsidy": The revenue breakout for each department receiving support from the General Fund now identifies clearly how much of the department's revenues come from earned income from operations, vs. the amount of General Fund support required for the department. This clearly identifies the level to which each operation supports itself from "earned revenues", as opposed to requiring general tax support.

- Special and Restricted Fund Descriptions: Descriptions have been added to these funds to clarify the sources of revenue into the funds, the restrictions on their expenditures, and the Departments responsible for activities within the funds. This provides for greater public understanding of the purposes of various funds.

- Employee Information: A new subsection has been provided describing the number of City employees, including full-time and part-time benefitted positions, as well as temporary employees. This information, by department, provides a clearer public picture of the City as an organization.

The internal budget development process has also been changed this year, as a consequence of the Financial Sustainability Strategy adopted by the City Council. One particular change has been made which may not be apparent from reading the final published document. Departments have traditionally been given "core" amounts for expenditure levels that they can budget, but have not been issued revenue limits to constrain the budget level. This year, departments using General Fund revenues have been given "core" expenditure limits, and have also been given General Fund subsidy levels (revenue limits). The revenue constraint, if not adequate to support the core expenditure level, becomes another "brake" on departmental budget proposals. Departments are free, however, to develop additional "earned revenues" from their operations to supplement what they receive from the General Fund.

The Final Budget in Detail

The City's budget falls into two major categories: operations and capital. The City anticipates a fairly steady state of operations; capital investments fluctuate by their nature, with some years having very large capital projects and other years being fairly minor. The City is coming off of several major capital projects such as the expansion of the Library, and the Chilson Recreation Center expansion. Therefore, 2012 is a relatively light year in capital investments. Staffing levels have remained steady with only 1.29 additional benefited full time equivalent (FTE) positions in the 2012 Recommended Budget.

Operations

Total operational expenses for the City will be approximately $143,188,410, compared to $137,842,860 for 2011. General Fund expenses for 2012 are $64,169,010, compared to $64,244,720 for 2011.

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. Departments were very restrained in supplemental requests this year, given the continuing pressures on the General Fund.

Although overall expenses for operations are fairly "steady state" compared to 2011, there are some highlights and changes in departments. Of particular note:

- A new Economic Development Department was created mid-year in 2011, and appears as a department for the first time in the 2012 Budget. The new department unifies all the primary economic development functions of the City of Loveland. These include primary employment attraction, retention and expansion; retail development and recruitment; small business development; creative sector development; tourism and visitor services; and downtown development. However, the budgetary impact of the new Department is minimal, because existing financial resources were combined to create the Department.

- The City's Fire and Rescue Department is undergoing a significant change in governance and funding. A new Loveland Fire Authority has been created in collaboration between the City and the Loveland Rural Fire District. The Fire Authority will be governed by a five-member board, with three representatives from the City and two from the Rural Fire District. Employees and assets will remain with the City, so these are still included in 2012 budgeted levels, but expenses in Fire are now shown as "purchased services", rather than directly expensed as "personnel". Cost-sharing will change: the Rural District formerly paid 12% of expenses; that share will increase to 18% with the new Authority.

- The budgets for the Cultural Services Department and Facilities Maintenance (in Public Works) incorporate the effects of the Rialto Bridge project, which will become operational in 2012. The Rialto bridge project increases operational expenses, but also brings in new revenues to balance the expenses.

- The Library budget includes expanded operations associated with the Library expansion project, which is anticipated to be completed in early 2012.

Capital Program

Total capital projects in 2012 are budgeted at $36,757,820. This represents a decrease from the 2011 level of $40,669,610, due to reduced projects in the Enterprise Funds.

The key project in 2012 is Mehaffey Park. The construction of Mehaffey Park had previously been anticipated for 2013, but the Financial Sustainability Strategy resulted in an advancement to the schedule for operating expenses associated with the Park. This allowed the change to construct the Park in 2012.

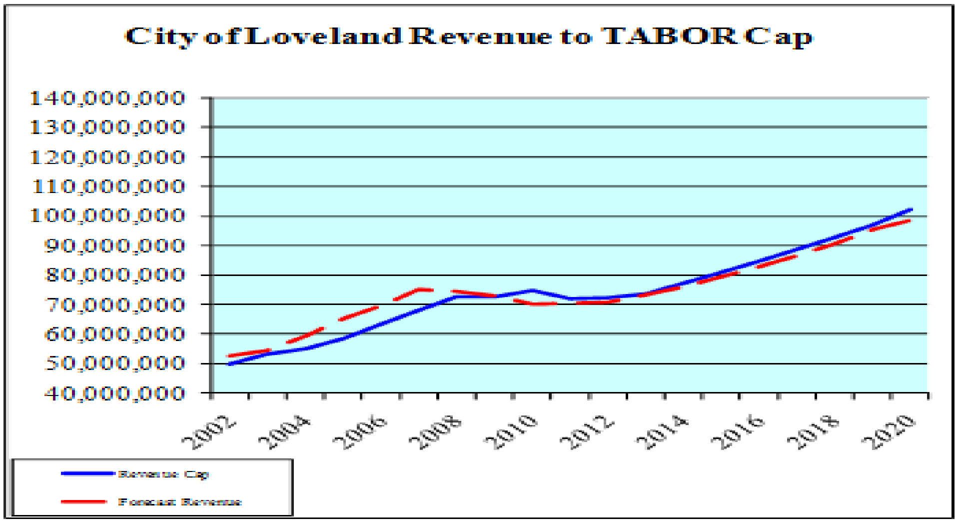
Other large capital project expenses in the 2012 Budget are "allowance" amounts for projects which are customarily budgeted annually, with locations varying year-to-year. For example, open lands acquisition is based on an expected expense level, without identification particular properties for acquisition, the Transportation Program has a several projects included based on the 2030 Transportation Plan, and the Street Rehabilitation Program funds the resurfacing of streets throughout the City. $1.1 million included for potential downtown projects.

Taxpayers' Bill of Rights (TABOR)

The City Council has authorized a TABOR measure to be placed on the November 2011 election ballot, to allow the City to keep and spend revenues over the TABOR cap for a period which will sunset in twelve years.

Beginning in 2010, the City was beneath the TABOR cap. While the City may remain underneath the cap for several years, it will only take minor fluctuations in revenue collections or the two factors that inflate the cap for the City to once again be over the revenue limitation. The City's ability to retain and spend revenues from possible retail growth may therefore depend upon the outcome of the ballot measure.

Figure 6: Projection of Loveland Revenue relative to the TABOR Cap



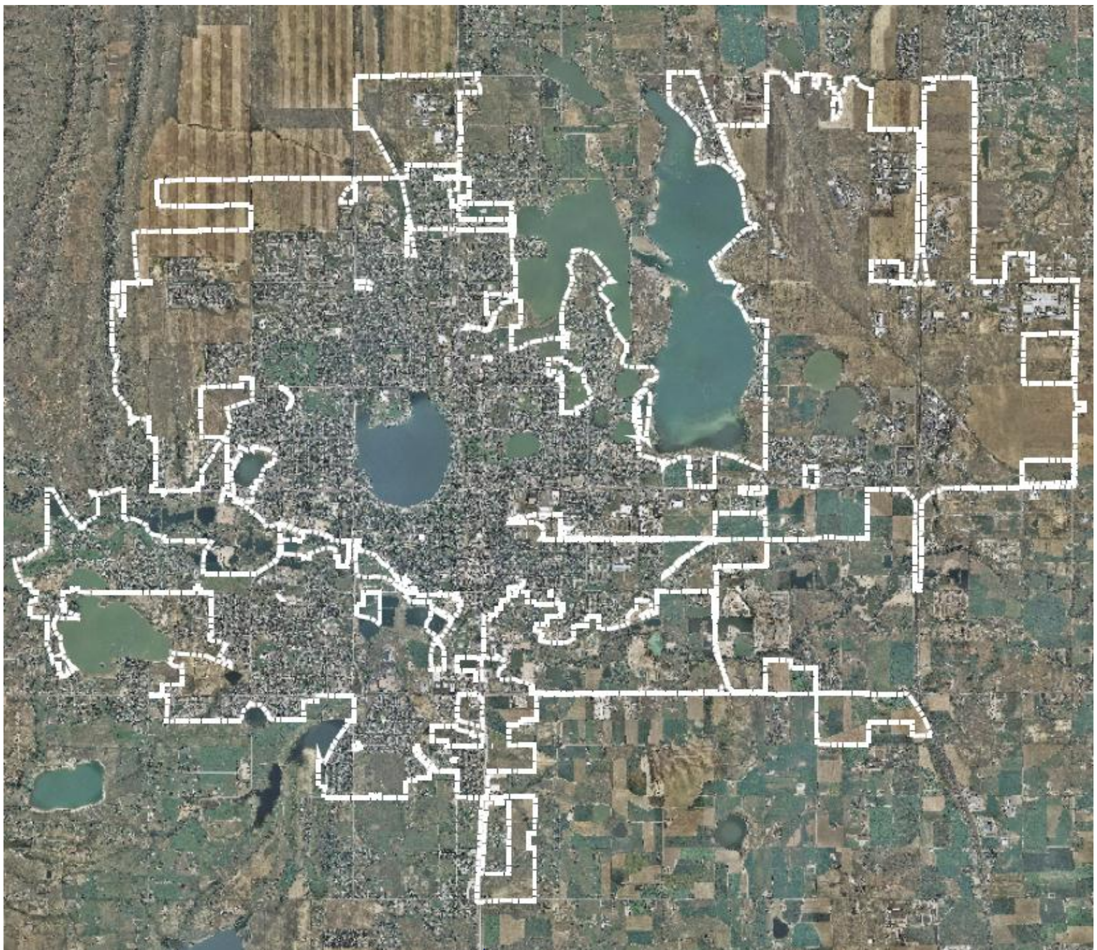
Conclusion: Going Forward

The City has preserved its strong financial condition, in a very uncertain economy. Steps taken toward financial sustainability in 2011 have re-set a new course for the City's projected financial future, so that the City has been placed on a path of self-sufficiency.

Thank you to the departmental staff throughout the entire city who have collaborated in assembling this year's budget. In particular, the hard work done by several individuals should be recognized: Renee Wheeler, John Hartman, and Dawn Wirth.

While fund balances remain strong, and revenues are fairly healthy, continued vigilance is called for in monitoring revenues and expenses. We will continue to implement the direction of the Financial Sustainability Strategy in order to stay on a path of financial vitality.

City of Loveland, Colorado
City Limits



City Organizational Structure

- **City Council**
  - **City Attorney** – John Duval
  - **City Manager** – William D. Cahill
    - **Assistant City Manager** – Renee Wheeler
      - **Revenue** – Jim Wedding
      - **Information Technology** – Bill Westbrook
      - **Accounting & Purchasing** – Rebecca Masters
      - **City Clerk** – Teresa Andrews
      - **Budget** – John Hartman
      - **Auditing, Acct. Payable, & Payroll** – Bonnie Steele
      - **Risk Management** – Bettie Greenberg
    - **Cultural Services** – Susan Ison
    - **Fire & Rescue** – Randy Mirowski
    - **Human Resources** – Julia Garcia
    - **Library** – Ted Schmidt
    - **Parks & Recreation** – Gary Havener
    - **Police** – Luke Hecker
    - **Public Works** – Keith Reester
    - **Water & Power** – Steve Adams
    - **Assistant City Manager** – Rod Wensing
      - **Development Services** – Greg George
      - **Public Information** – Andy Hiller
      - **Business & Economic Dev.** – Betsy Hale
      - **Human Services** – Allison Hade
  - **Municipal Judge** – William E. Starks

Loveland's Boards & Commissions

Affordable Housing Commission
Board of Retirement
Citizens' Finance Advisory Commission
Communications Technologies 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

Citizens' Finance Advisory Commission **(See pg. 1-6)**

Ralph Trenary, Chair
Jon Smela, Vice Chair
Jim Atkins
John Case
Dave Clark
Bruce Finger
Brad Pierson
Jodi Radke
Jennifer Travis

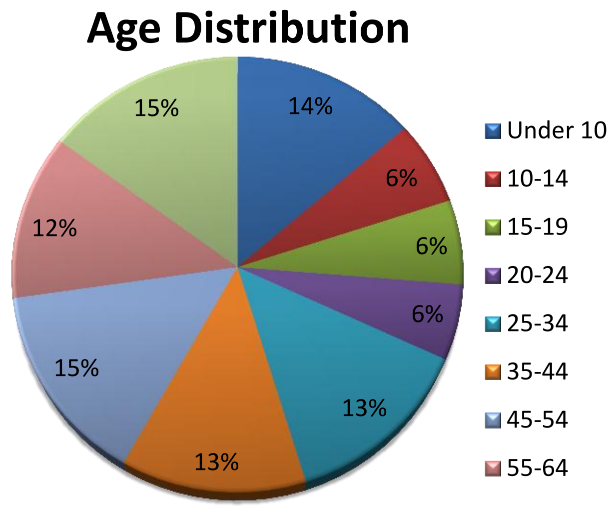
General Information

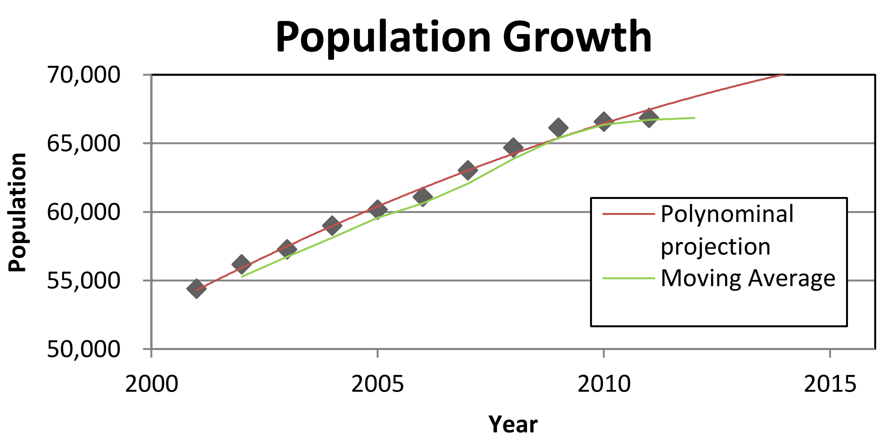
History and Location

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 35.43 square miles and a current population of 66,859. Loveland is the 13th largest city in the state of Colorado.

Demographics

Loveland's population is older, with a median age of 38.7 in 2010, than Larimer County, the State, and the national averages at 35.5, 36.1, and 37.2 respectively. People 65 years of age or older represented 14.9% of Loveland's total population in 2010. By comparison, the percentage of persons 65 years or older in Larimer County, the State, and the nation were 11.9%, 10.9%, and 13.0% respectively. However, there is an indication that this trend may change. Persons under 18 years of age represented 23.9% of Loveland's total population in 2010. By comparison, the percentage of persons under 18 years of age in Larimer County, the State, and the nation were 21.4%, 24.4%, and 24.0% respectively.





The City's population is 22.3% of Larimer County. The City has experienced an annual population growth rate of 2.8% since 2000. However, the number of persons per household has declined since 1990. In 2010, the average number of persons per household was 2.44, compared to 2.55 in 2000.

Major Employers in Loveland by Employee Total

Thompson School District	2,616
Medical Center of the Rockies	953
McKee Medical Center	940
Wal-Mart Distribution Center	851
Wal-Mart Stores	785
Hach Chemical Company	741
City of Loveland	639
US Engineering Co	466
Agilent Technologies	384
Hewlett-Packard	349
Group Publishing	336
King Soopers	293

Unemployment Rate for March 2011 (Not seasonally adjusted) (2010 Bureau of Labor Statistics)

Loveland:	6.7%	Larimer County:	7.7%
Colorado:	9.3%	US:	9.2%

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

Median family income (includes all earners in household)..........$74,900

Larimer County Income (2010 Bureau of Labor Statistics)

Average annually wages (all occupations) $40,093

Housing Costs in Loveland (2009)

Average sale price for a detached single family home (*MLS/IRES statistics*) $224,973
Average apartment rental rates (*Colorado Dept. of Local Affairs, Division of Housing)* $769.62/month

Commercial Vacancy Rates (Sperry Van Ness Group)

Industrial……………………………….…...19%
Retail……………………………………...6%
Office……………………………………14%
Apartment………………………………5.5%

Taxes

City property tax levy for 2010 ....9.564 mills
City sales tax levy.. 3.0%
Larimer County sales tax levy…………..…0.8%
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 city council-city 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.

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

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Employees and Benefits

The City's 2012 Recommended Budget authorizes regular full–time and part–time positions total of 691.54 on a full–time equivalent basis. In addition, a varying number are employed on a temporary and seasonal basis as needed. Loveland neither recognizes nor bargains with any employee union.

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

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

Budget Process

Budget Administration

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

Basis of Accounting

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

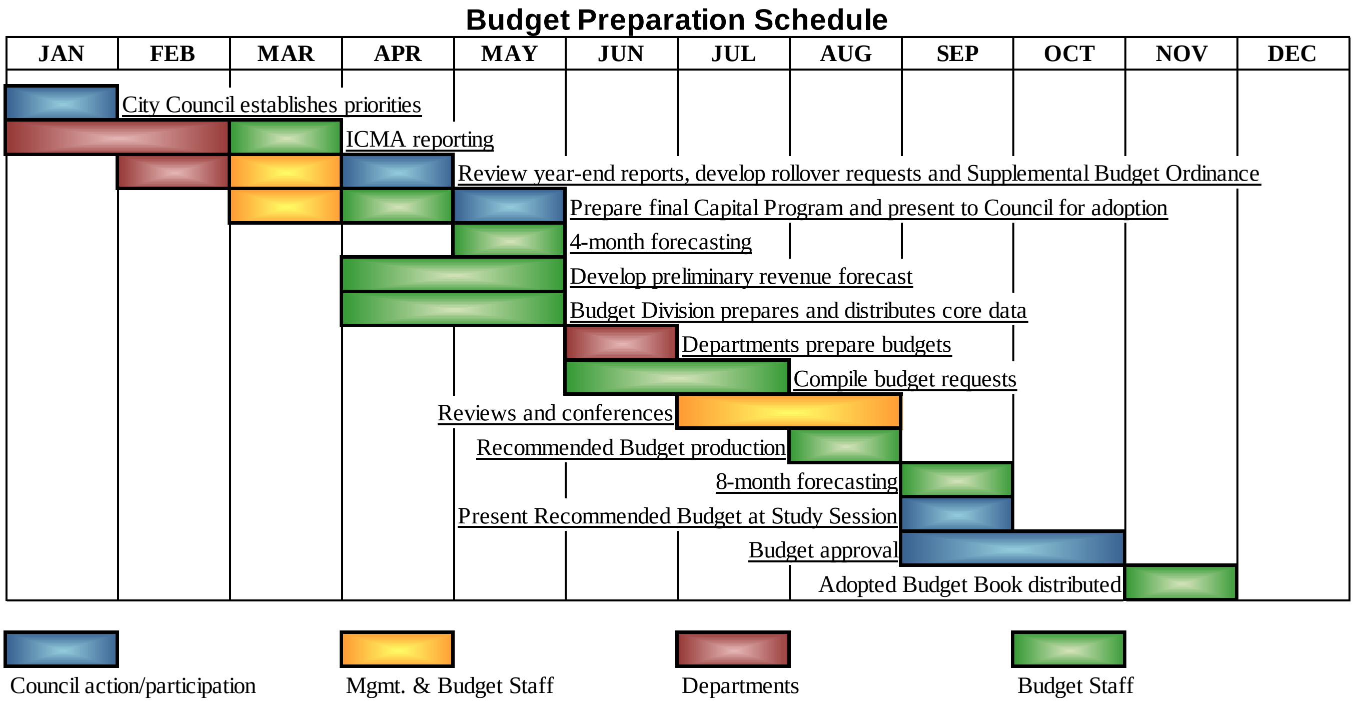
Budget Preparation Schedule

The budget process begins in January with the annual council retreat. At the retreat, City Council establishes the goals and objectives for the coming year, and direction on where future budgets should go.

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 May for approval. This provides the base for developing the budget for the next year.

Also in April, the Budget Division prepares core data, such as salary information, health insurance rates, rates for vehicle maintenance and rental, workers' compensation and general liability rates. 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, along with budget instructions for the upcoming year to the departments.

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



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 done 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 to defer these type of items to the budget process, to be prioritized among all requests, rather than as a single issue.

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

Financial Policies

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

General Policies

City of Loveland will:

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

Operating Budget Policies

City of Loveland will:

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

Capital Budget Policies

City of Loveland will:

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

Revenue Management Policies

City of Loveland will:

- Impose taxes, fees and rates at appropriate levels to fund their intended purposes. Maintain a balance to provide for a diversified and stable revenue system.
- Estimate annual revenues using an objective, analytical process.
- Update revenue projections for the budget year plus four years.
- Annually review costs of activities supported by taxes, rates, user fees, plant investment fees and capital expansion fees.
- Set fees and user charges for each enterprise fund that maintains the 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 6% of General Fund revenue.

Definitions of Reserve Terms

- **Operating -** Reserves to cover unanticipated expenditures of a nonrecurring nature or to meet unexpected small increases in service delivery costs. These also cover operating carryover balances associated with cash flow needs and to provide 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 the program. Items not included are City infrastructure, utility infrastructure and 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 6% 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 utilizing 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) or are 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 required 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 38 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, Revenue, Budget, Library, Municipal Court, Community & Business Relations, Development Services, Police, Public Works, Fire and Rescue, Parks and Recreation, and Cultural Services are included. General Fund revenues include sales tax, use tax, property tax, user fees, fines, permits, licenses, internal transfers and intergovernmental revenue.

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

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

Special Revenue Funds are established by federal/state law, or by municipal ordinance/resolution. Included are Capital Projects, Local Improvements, Capital Expansion Fees, Park Improvement, Conservation Trust, Open Space, 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), 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 the 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 GID #1, the Loveland SID #1 and the LURA are separate entities created for specific expenditures and are funded by either a 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 take two primary forms: Direct Charges and Operating Transfers.

Direct Charges – Direct charges represent payments for support services provided by one City department to another City department. These charges are direct reimbursements for services provided and are calculated annually utilizing a cost of service analysis. Examples of support for which direct charges apply include Finance, Human Resources and Information Technology.

Operating Transfers – This represents the transfer from one fund to another fund for operational purposes or for capital outlays without the expectation of any support services in return. One example is the transfers from the Enterprise funds to the General Fund for administrative services. These transfers also include the transfer from one fund to another for the purpose of capital outlays. One example is the transfer from the Capital Expansion Fees Fund to the Capital Projects Fund for the construction of new streets.

Total City Budget

The 2011 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 Budget

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
REVENUE					
Beginning Balance	$173,486,298	$145,004,620	$171,808,360	$135,365,790	
Taxes	45,632,723521	44,466,780	44,966,780	46,402,520	4.2%
Intergovernmental	13,844,831	8,591,400	12,180,790	7,933,110	(7.7%)
Impact Fees	7,452,745	8,196,720	8,196,720	6,267,330	(23.5%)
Charges for Service	32,544,400	32,937,720	33,845,220	33,554,960	1.3%
Interest	1,807,164	3,084,020	3,084,020	2,610,910	(15.3%)
Other	6,089,698	4,774,280	7,113,680	5,911,930	23.8%
Utility Charges	60,799,755	62,979,540	62,979,540	65,941,590	4.7%
Utility Other	2,016,238	2,140,700	2,140,700	2,100,000	(1.9%)
Total Net Revenue	**$170,187,554**	**$167,171,160**	**$174,507,450**	**$170,722,350**	**2.0%**
Transfers	19,251,07	8,967,690	22,922,670	17,668,170	97.0%
Total Revenue	**$189,438,631**	**$176,138,850**	**$197,430,120**	**188,390,520**	**6.8%**
Total Resources	**$362,924,929**	**$321,143,470**	**$369,238,480**	**$323,756,310**	
APPROPRIATIONS					
General Fund	63,433,207	64,244,720	69,004,640	64,169,010	(1.0%)
Enterprise Funds	76,190,828	90,845,380	102,254,930	83,336,960	(8.3%)
Internal Service Funds	14,993,029	17,000,460	17,976,070	17,439,420	2.6%
Special Revenue Funds	36,499,485	15,153,940	44,637,050	32,669,810	115.6%
Total Appropriations	**$191,116,549**	**$187,244,500**	**$233,872,690**	**$197,615,200**	**5.5%**
Less Transfers	19,251,077	8,967,690	22,922,670	17,688,170	97.0%
Total Net Appropriations	**$171,865,474**	**$178,276,810**	**$210,950,020**	**$179,947,030**	**0.9%**
Ending Balance	**$171,808,378**	**$133,898,970**	**$135,365,790**	**$126,141,110**	

Fund Summaries

The following tables present revenue and expenditure summaries by fund for the four main fund types: the General Fund, Enterprise Funds, Internal Service Funds, and Special Revenue Funds. These summaries are in gross budget form. Explanations for expenditure variances and detailed information regarding each department/division can be found in the fund manager's Department Summary sections.

The Fund Summary Schedule provides a view of the City finances across all funds included in the City's Total Budget. It is followed by four tables, one for each of the four major fund groups, along with additional detail of functions and services provide within the fund group.

The **General Fund** is where most services to the public provided by the City are budgeted. This includes police and fire services, parks, recreation and leisure services, services to the development community, and public works functions that maintain the existing street system.

The **Internal Service Funds** provide services to City departments. These include fleet maintenance and replacement, employee insurance benefits, and City insurance costs for workers' compensation and general liability costs.

Enterprise Funds, by law, must be self-supporting. Included in this group are the City utilities providing water, wastewater, stormwater and electric service; the solid waste and recycling operations; and three City-owned golf courses.

The **Special Revenue Fund** group is for programs that by Council policy have dedicated revenue sources to achieve specific purposes.

Fund Summary Schedule

Gross Budget	General Fund	Internal Service Funds	Enterprise Funds	Special Revenue Funds	Total City Budget	Other Entity Funds	Total All Funds
Beginning Balance	**$24,086,000**	**$15,724,840**	**$48,882,400**	**$46,672,550**	**$135,365,790**	**$4,219,430**	**$139,585,220**
Revenues							
Taxes	45,781,520	-	-	621,000	46,402,520	11,599,010	58,001,530
Intergovernmental	5,177,080	35,000	-	2,721,030	7,933,110	1,881,960	9,815,070
Impact Fees	-	-	4,011,880	2,255,450	6,267,330		6,267,330
Charges for Service/ Permits/Fines	5,621,260	15,836,480	9,952,750	2,144,470	33,554,960	932,400	34,487,360
Interest	405,050	291,580	1,103,040	811,240	2,610,910	81,030	2,691,940
Other	5,647,920	-	258,610	5,400	5,911,930	1,400	5,913,330
Utility Charges	-	-	65,941,590	-	65,941,590		65,941,590
Utility Other	-	-	2,100,000	-	2,100,000		2,100,000
Transfers	2,062,020	-	694,420	14,911,730	17,668,170		17,668,170
Total Revenue	**$64,694,850**	**$16,163,060**	**$84,062,290**	**$23,470,320**	**$188,390,520**	**$14,495,800**	**$202,886,320**
Total Resources	**$88,780,850**	**$31,887,900**	**$132,944,690**	**$70,142,870**	**$323,756,310**	**$18,715,230**	**$342,471,540**
Appropriations							
Legislative	146,200	-	-	-	146,200	-	146,200
Executive/Legal	1,864,480	-	-	-	1,864,480	-	1,864,480
Cultural Services	1,171,810	-	-	531,350	1,703,160	-	1,703,160
Development Services	2,637,310	-	-	275,000	2,912,310	-	2,912,310
Economic Development	885,500	-	-	500,000	1,385,500	-	1,385,500
Finance	2,398,690	2,210,880	-	-	4,609,570	11,665,490	16,275,060
Fire & Rescue	-	-	-	-	-	-	-
Human Resources	926,550	11,436,500	-	-	12,363,050	-	12,363,050
Information Technology	3,221,870	-	-	-	3,221,870	-	3,221,870
Library	2,337,460	-	-	57,000	2,394,460	-	2,394,460
Parks & Recreation	8,419,070	-	3,262,170	3,445,660	15,126,900	14,250	15,141,150
Police	16,015,060	-	-	-	16,015,060	-	16,015,060
Public Works	11,601,910	3,792,040	9,090,620	18,215,710	42,700,280	2,468,760	45,169,040
Water & Power	-	-	68,273,310	-	68,273,310	-	68,273,310
Non-Departmental	7,230,880	-	-	-	7,230,880	-	7,230,880
Transfers	5,312,220	-	2,710,860	9,645,090	17,668,170	-	17,668,170
Total Appropriations	**$64,169,010**	**$17,439,420**	**$83,336,960**	**$32,669,810**	**$197,615,200**	**$14,148,500**	**$211,763,700**
Ending Balance	**$24,611,840**	**$14,448,480**	**$49,607,730**	**$37,473,060**	**$126,141,110**	**$4,566,730**	**$130,707,840**

General Fund

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
REVENUE					
BEGINNING BALANCE	**$27,917,577**	**$22,389,510**	**$29,291,440**	**$24,086,000**	
TAXES	45,117,194	44,466,780	44,466,780	45,781,520	3.0%
LICENSES & PERMITS	1,631,549	1,069,800	1,083,680	1,073,180	0.3%
INTERGOVERNMENTAL	6,173,329	6,267,300	6,649,270	5,177,080	(17.4%)
CHARGES FOR SERVICE	3,098,507	3,610,480	3,610,480	3,542,800	(1.9%
FINES & PENALTIES	1,060,320	962,400	962,400	1,005,280	4.5%
INTEREST	311,176	447,790	447,790	405,050	(9.5%)
OTHER	5,340,158	4,541,770	4,585,070	5,647,920	24.4%
TRANSFERS	2,074,840	2,059,840	2,132,840	2,062,020	0.1%
Total Revenue	**$64,807,072**	**$63,426,160**	**$63,938,310**	**$64,694,850**	**2.0%**
Total Resources	**$92,724,649**	**$85,815,670**	**$93,229,750**	**$88,780,850**	
APPROPRIATIONS					
LEGISLATIVE	106,423	125,880	125,880	146,200	16.1%
EXECUTIVE & LEGAL	1,804,015	1,793,730	1,835,270	1,864,480	3.9%
CULTURAL SERVICES	1,133,935	1,153,890	1,197,500	1,171,810	1.6%
DEVELOPMENT SERVICES	3,186,332	2,689,870	3,606,430	2,637,310	(2.0%)
ECONOMIC DEVELOPMENT	492,384	837,480	1,684,870	885,500	5.7%
FINANCE	2,163,129	2,368,140	2,463,140	2,398,690	1.3%
FIRE & RESCUE	7,788,379	7,837,730	8,031,660	-	(100.0%)
HUMAN RESOURCES	865,256	1,004,320	1,027,810	926,550	(7.7%)
INFORMATION TECHNOLOGY	2,931,210	3,037,140	3,354,470	3,221,870	6.1%
LIBRARY	2,423,439	2,361,580	2,383,120	2,337,460	1.4%
PARKS & RECREATION	7,551,787	8,510,040	8,629,510	8,419,070	(1.1%)
POLICE	15,707,233	16,198,110	16,754,480	16,015,060	(1.1%)
PUBLIC WORKS	10,613,584	10,909,760	11,306,540	11,601,910	4.1%
NON-DEPARTMENTAL	1,345,065	883,980	966,690	7,230,880	125.0%
TRANSFERS	5,261,708	4,533,070	5,678,370	5,312,220	9.0%
Total Appropriations	**63,433,207**	**$64,244,720**	**$69,004,340**	**$64,169,010**	**(0.1%)**
EXPENSE BY CATEGORY					
PERSONNEL SERVICES	40,761,987	42,316,160	44,561,470	35,739,300	(15.5%)
SUPPLIES	3,577,240	3,294,330	3,066,410	3,311,200	0.5%
PURCHASED SERVICES	12,086,226	12,167,780	13,429,890	18,321,200	50.6%
DEBT SERVICES	38,247	-	-	-	-
TRANSFERS	5,261,708	4,533,070	5,678,370	5,312,220	17.2%
CAPITAL	1,707,799	1,933,380	2,268,500	1,485,090	(29.8%)
Total Expense	**63,433,207**	**$64,244,720**	**$69,004,640**	**$64,169,010**	**(0.3%)**
Ending Balance	**$29,291,442**	**$21,570,950**	**$24,225,410**	**$24,611,840**	

Internal Service Funds

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
REVENUE					
BEGINNING BALANCE	**$14,388,662**	**$15,658,660**	**$16,145,770**	**$15,724,840**	
CHARGES FOR SERVICE	1,940,093	2,279,290	2,244,290	1,942,900	(13.4%)
INTERNAL SERVICE CHARGE	13,401,574	13,611,830	14,501,550	13,893,580	2.1%
INTERGOVERNMENTAL	761,293	35,000	228,260	35,000	-
INTEREST	148,883	306,300	306,300	291,580	(4.8%)
OTHER	118,672	-	-	-	-
TRANSFERS	379,630	100,000	274,740	-	(100.0%)
Total Revenue	**16,750,145**	**$16,297,420**	**$17,555,140**	**$16,163,060**	**(0.8%)**
Total Resources	**$31,138,807**	**$31,956,080**	**$33,700,910**	**$31,887,900**	
APPROPRIATIONS					
EMPLOYEE BENEFITS	8,794,633	10,860,260	10,860,260	11,126,500	2.5%
CITY FLEET	1,288,785	832,000	1,292,670	654,000	(21.4%)
VEHICLE MAINTENANCE	2,969,571	3,030,510	3,051,330	3,138,040	3.5%
RISK MANAGEMENT	1,940,040	2,277,690	2,771,810	2,520,880	15.8%
Total Appropriations	**$14,993,029**	**$17,000,460**	**$17,976,070**	**$17,439,420**	**3.2%**
EXPENSE BY CATEGORY					
PERSONNEL SERVICES	1,408,392	1,436,160	1,464,100	1,456,040	1.4%
SUPPLIES	1,763,280	1,955,410	1,955,910	1,964,100	0.4%
PURCHASED SERVICES	10,537,655	12,751,890	13,128,390	13,340,280	5.4%
TRANSFERS	-	-	110,000	-	-
CAPITAL	1,283,702	857,000	1,317,670	679,000	(20.8%)
Total Expense	**$14,993,029**	**$17,000,460**	**$17,976,070**	**$17,439,420**	**3.2%**
Ending Balance	**$16,145,778**	**$14,955,620**	**$15,724,840**	**$14,448,480**	

Employee Benefits Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
EMPLOYEE BENEFITS	8,794,633	10,411,840	10,411,840	10,715,800	2.9%
EMPLOYEE CLINIC	-	448,420	448,420	410,700	(8.4%)
Total Expense	**$8,794,633**	**$10,860,260**	**$10,860,260**	**$11,126,500**	**2.5%**
REVENUE					
BEGINNING BALANCE	**$4,493,930**	**$3,977,230**	**$5,020,350**	**$3,747,220**	
INTEREST	57,087	79,540	79,540	63,330	(20.4%)
CITY CONTRIBUTION – HEALTH INS.	6,413,391	6,386,300	6,386,300	6,491,760	1.7%
CITY CONTRIBUTION – LIFE INSURANCE	138,935	140,620	140,620	138,000	(1.9%)
CITY CONTRIBUTION – DENTAL INS.	317,023	314,950	314,950	320,900	1.9%
CITY CONTRIBUTION – DISABILITY INS.	188,935	188,380	188,380	188,900	0.3%
CITY CONTRIBUTION – WELLNESS	233,826	233,050	233,050	212,820	(8.7%)
EMP. CONTRIBUTION – HEALTH INS.	1,591,487	1,891,170	1,891,170	1,629,350	(13.8%)
EMP. CONTRIBUTION – DENTAL INS.	219,009	261,420	261,420	221,850	(15.1%)
COBRA HEALTH INSURANCE	121,512	33,500	33,500	33,500	-
COBRA DENTAL INSURANCE	6,784	1,200	1,200	1,200	-
RETIREE CONTRIBUTION – HEALTH INS.	1,301	57,000	57,000	57,000	-
MISCELLANEOUS	31,768	-	-	-	-
Total Revenue	**9,321,057**	**$9,587,130**	**$9,587,130**	**$9,358,610**	**2.4%**
Total Resources	**13,814,986**	**$13,564,360**	**14,607,480**	**$13,105,830**	
EXPENSE BY CATEGORY					
PERSONNEL SERVICES	18,755	50,000	50,000	50,000	-
SUPPLIES	-	131,420	131,420	77,000	(41.4)
PURCHASED SERVICES	8,775,878	10,678,840	10,678,840	10,999,500	3.0%
Total Expense	**$8,794,633**	**$10,860,260**	**$10,860,260**	**$11,126,500**	**2.5%**
Ending Balance	**$5,020,353**	**$2,704,100**	**$3,747,220**	**$1,979,330**	

City Fleet Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Fleet Management	**$1,288,785**	**$832,000**	**$1,292,670**	**$654,000**	**(21.4%)**
REVENUE					
BEGINNING BALANCE	**$6,753,516**	**$8,451,020**	**$7,287,550**	**$7,500,830**	
INTEREST	53,929	169,020	169,020	169,020	-
INTERGOVERNMENTAL	710,604	-	193,260	-	-
INTERNAL SERVICE CHARGES	1,017,262	1,143,670	1,143,670	979,360	(14.4%)
MISCELLANEOUS	41,023	-	-	-	-
Total Revenue	**$1,822,818**	**$1,312,690**	**$1,505,950**	**$1,148,380**	**(12.5%)**
Total Resources	**$8,576,334**	**$9,763,710**	**$8,793,500**	**$8,649,210**	
EXPENSES BY CATEGORY					
PURCHASED SERVICES	5,083	-	-	-	-
CAPITAL	1,283,702	832,000	1,292,670	654,000	(21.4%)
Total Expense	**$1,288,785**	**$832,000**	**$1,292,670**	**$654,000**	**(21.4%)**
Ending Balance	**$7,287,549**	**$8,931,710**	**$7,500,830**	**$7,995,210**	

Vehicle Maintenance Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Vehicle Maintenance	**$2,969,571**	**$3,030,510**	**$3,051,330**	**$3,071,540**	**1.4%**
REVENUE					
BEGINNING BALANCE	**343,480**	**$343,480**	**$353,770**	**$384,730**	
INTERGOVERNMENTAL	50,689	35,000	35,000	35,000	-
INTERNAL SERVICES CHARGES	2,925,462	3,047,290	3,047,290	3,225,530	5.8%
OTHER	3,714	-	-	-	-
Total Revenue	**2,979,865**	**$3,082,290**	**$3,082,290**	**$3,260,530**	**5.8%**
Total Resources	**3,323,345**	**3,425,770**	**$3,436,060**	**$3,645,260**	
EXPENSES BY CATEGORY					
PERSONNEL SERVICES	1,055,019	1,049,070	1,069,890	1,066,710	1.7%
SUPPLIES	1,760,801	1,819,170	1,819,670	1,882,650	2.2%
PURCHASED SERVICES	153,751	137,270	136,770	163,680	6.5%
CAPITAL	-	25,000	25,000	25,000	-
Total Expense	**2,969,571**	**$3,030,510**	**$3,051,330**	**$3,138,040**	**1.4%**
Ending Balance	**353,774**	**$395,260**	**384,730**	**507,220**	

Risk Management Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Risk Management	**$1,940,040**	**$2,177,690**	**$2,771,810**	**$2,210,880**	**1.5%**
REVENUE					
BEGINNING BALANCE	**$2,797,736**	**$2,886,930**	**$3,484,100**	**$3,202,340**	
CHARGES FOR SERVICE	2,166,740	2,157,570	3,047,290	2,336,310	(6.1%)
INTEREST	37,867	57,740	57,740	59,230	2.6%
TRANSFERS	379,630	100,000	274,740	-	(100.0%)
OTHER	42,168	-	-	-	-
Total Revenue	**$2,626,405**	**$2,315,310**	**$3,379,770**	**$2,395,540**	(9.9%)
Total Resources	**$5,424,141**	**$5,202,240**	**$5,974,150**	**$5,287,880**	1.6%
EXPENSES BY CATEGORY					
PERSONNEL SERVICES	329,535	337,090	344,210	339,330	0.7%
SUPPLIES	2,479	4,820	4,820	4,450	(7.7%)
PURCHASED SERVICES	1,608,026	1,935,780	2,312,780	2,177,100	1.7%
TRANSFERS	-	-	110,000		-
Total Expense	**$1,940,040**	**$2,277,690**	**$2,771,810**	**$2,520,880**	1.5%
Ending Balance	**$3,484,101**	**$3,024,550**	**$3,202,340**	**$3,077,000**	

Enterprise Funds

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
REVENUE					
BEGINNING BALANCE	**$67,808,565**	**$63,010,530**	**70,285,560**	**48,882,400**	
IMPACT FEES	4,115,654	3,673,740	3,673,740	4,011,880	9.2%
CHARGES FOR SERVICE	9,860,379	9,698,610	9,702,510	9952,750	2.6%
INTEREST	727,834	1,473,220	1,473,220	1,103,040	(25.1%)
OTHER	578,253	293,510	226,610	258,610	12.2%
TRANSFERS	599,712	643,900	655,810	694,420	7.8%
UTILITY CHARGES	60,799,755	62,979,540	62,979,540	65,941,590	4.7%
UTILITY OTHER	2,016,238	2,140,700	2,140,700	2,100,000	(1.9%)
Total Revenue	**$78,667,823**	**$80,840,220**	**$80,852,130**	**$84,062,290**	**4.0%**
Total Resources	**$146,476,388**	**$143,850,750**	**$151,137,690**	**$132,944,690**	
APPROPRIATIONS					
GOLF	3,140,781	2,977,690	2,828,780	3,447,000	15.8%
POWER	45,402,111	50,558,510	50,478,020	50,598,050	0.1%
POWER PIF	-	-	1,737,000	50,000	100.0%
RAW WATER	3,306,729	6,293,900	11,437,900	1,654,180	(73.7%)
SOLID WASTE	5,459,189	5,198,850	5,313,240	4,997,270	(3.9%)
STORMWATER	4,131,460	3,222,780	6,729,590	4,655,400	44.5%
WASTEWATER	6,759,373	13,045,380	10,863,910	6,812,820	(47.8%)
WASTEWATER SIF	-	-	2,512,700	221,350	100.0%
WATER	7,991,184	9,548,270	9,554,280	9,844,910	3.1%
WATER SIF	-	-	799,510	1,055,980	100.0%
Total Appropriations	**$76,190,827**	**$90,845,380**	**$102,254,930**	**$83,336,960**	**(8.3%)**
EXPENSE BY CATEGORY					
PERSONNEL SERVICES	13,740,905	14,431,420	14,247,690	14,590,460	1.1%
SUPPLIES	1,877,409	2,308,790	2,281,460	2,409,880	4.4%
PURCHASED SERVICES	43,917,928	45,363,790	45,842,980	49,721,820	9.6%
DEBT SERVICE	1,143,497	897,770	863,570	898,460	0.1%
TRANSFERS	2,717,752	2,598,640	7,134,370	2,710,860	4.3%
CAPITAL	12,793,336	25,244,970	31,884,860	13,005,480	(48.5%)
Total Expense	**$76,190,827**	**$90,845,380**	**$102,254,930**	**$83,336,960**	**(8.3%)**
Ending Balance	**$70,285,561**	**$53,005,370**	**$48,882,400**	**$49,607,730**	

Golf Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
ADMINISTRATION/SUPPORT	833,838	740,230	610,750	689,590	(6.8%)
OLDE COURSE					
General Operations	914,769	883,880	788,800	-	30.6%
Clubhouse	-	-		124,530	100.0%
Maintenance	-	-		1,030,120	100.0%
CATTAIL CREEK					
General Operations	53,307	56,500	56,500	-	-
Clubhouse	-	-	-	56,500	100.0%
MARIANA BUTTE					20.9%
General Operations	1,143,018	1,192,920	-	-	
Clubhouse	-	-	782,850	484,750	100.0%
Maintenance	-	-	485,720	957,740	100.0%
TEE/PLAY MANAGEMENT	104,354	104,160	104,160	103,770	(0.4%)
SUPPORT	91,495	-	-	-	-
Total Expense	**$3,140,781**	**$2,977,690**	**$2,828,780**	**$3,447,000**	**15.8%**
REVENUE					
Beginning Balance	**$268,199**	**$1,052,730**	**$673,530**	**$1,397,250**	
CHARGES FOR SERVICE	3,264,814	3,226,290	3,226,290	3,293,750	2.1%
INTEREST	7,776	54,570	54,570	22,860	(58.1%)
OTHER	273,518	271,640	271,640	242,680	(10.7%)
Total Revenue	**$3,546,107**	**$3,552,500**	**$3,552,500**	**$3,559,290**	**0.2%**
Total Resources	**$3,814,306**	**$4,605,230**	**$4,226,030**	**$4,956,540**	
EXPENSES BY CATEGORY					
PERSONNEL SERVICES	1,756,355	1,664,770	1,700,850	1,662,460	(0.1%)
SUPPLIES	409,697	492,560	479,060	490,560	(0.4%)
PURCHASED SERVICES	449,738	541,100	403,810	559,850	3.5%
DEBT SERVICE	317,231	71,500	37,300	71,500	-
TRANSFERS	207,760	207,760	207,760	184,830	(11.0%)
CAPITAL	-	-	-	477,800	100.0%
Total Expense	**$3,140,781**	**$2,977,690**	**$2,828,780**	**$3,447,000**	**15.8%**
Ending Balance	**$673,525**	**$1,627,540**	**$1,397,250**	**$1,509,540**	

Power Fund Summary

	’10 Actual	’11 Adopted Budget	’11 Revised Budget as of June	’12 Budget	’12 Budget / ’11 Adopted Change
POWER UTILITY	44,082,459	49,141,570	49,061,080	49,162,310	-
POWER FINANCE	1,319,652	1,416,940	1,416,940	1,435,740	1.3%
Total Expense	**$45,402,111**	**$50,558,510**	**$50,478,020**	**$50,598,050**	**0.1%**
REVENUE					
Beginning Balance	**15,352,410**	**$12,617,670**	**$16,448,770**	**$12,224,780**	
UTILITY CHARGES	42,685,269	44,115,100	44,115,000	46,514,000	5.4%
UTILITY OTHER	1,049,828	1,115,930	1,115,930	1,108,610	(0.7%)
IMPACT FEES	1,765,740	1,500,000	-	-	(100.0%)
CHARGES FOR SERVICE	563,737	505,000	532,100	532,100	5.3%
INTEREST	220,807	263,800	200,250	155,920	(40.9%)
OTHER	193,132	65,820	61,920	36,410	(44.7%)
TRANSFERS	190,410	248,900	251,930	254,420	2.2%
Total Revenue	**$46,671,923**	**$47,814,550**	**$46,254,030**	**$48,601,460**	**1.6%**
Total Resources	**$62,024,333**	**$60,432,220**	**$62,702,800**	**$60,826,240**	
EXPENSES BY CATEGORY					
PERSONNEL SERVICES	3,540,211	3,668,960	3,775,140	3,913,500	6.7%
SUPPLIES	309,993	512,200	495,040	419,720	(18.1%)
PURCHASED SERVICES	35,444,656	36,609,620	36,872,980	39,557,090	8.1%
TRANSFERS	645,646	543,280	544,710	647,950	19.3%
CAPITAL	5,461,605	9,224,450	8,790,150	6,059,790	(34.3%)
Total Expense	**$45,402,111**	**$50,558,510**	**$50,478,020**	**$50,598,050**	**0.1%**
Ending Balance	**$16,622,222**	**$9,873,710**	**$12,224,780**	**$10,228,190**	

Power PIF Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
POWER UTILITY	-	-	1,737,000	50,000	100.0%
Total Expense	**-**	**-**	**$1,737,000**	**$50,000**	**100.0%**
REVENUE					
Beginning Balance	**-**	**-**	**$173,450**	**-**	
IMPACT FEES			1,500,000	1,700,000	100.0%
INTEREST			63,550	92,670	100.0%
Total Revenue	**-**	**-**	**$1,563,550**	**$1,792,670**	**100.0%**
Total Resources	**-**	**-**	**$1,737,000**	**$1,792,670**	
EXPENSES BY CATEGORY					
CAPITAL	-	-	1,737,000	50,000	100.0%
Total Expense	**-**	**-**	**$1,737,000**	**$50,000**	**100.0%**
Ending Balance	**-**	**-**	**-**	**$1,742,670**	

Solid Waste Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
REFUSE	3,210,441	2,711,380	2,931,400	2,444,530	(9.8%)
RECYCLING	1,104,853	1,081,800	1,138,420	1,217,020	12.5%
YARD WASTE	912,109	1,132,970	970,900	1,076,020	(5.0%)
MOSQUITO CONTROL	231,786	272,700	272,700	259,700	(4.8%)
Total Expense	**$5,459,189**	**$5,198,850**	**$5,313,420**	**$4,997,270**	**(3.9%)**
REVENUE					
BEGINNING BALANCE	**2,567,721**	**$3,020,530**	**$3,220,200**	**$3,844,360**	27.3%
CHARGES FOR SERVICES	5.758,310	5,695,580	5,695,580	5,884,220	3.3%
INTEREST	28,939	82,000	82,000	110,900	35.2%
OTHER	324,415	160,000	160,000	212,000	32.5%
Total Revenue	**$6,111,664**	**$5,937,580**	**$5,937,580**	**$6,207,120**	**4.5%**
Total Resources	**8,679,385**	**$8,958,110**	**$9,157,780**	**$10,051,480**	
EXPENSES BY CATEGORY					
PERSONNEL SERVICES	1,876,258	1,964,030	2,003,690	2,000,070	1.8%
SUPPLIES	123,269	165,120	165,120	165,360	0.1%
PURCHASED SERVICES	1,968,672	2,198,420	2,271,750	2,368,900	7.8%
TRANSFERS	248,560	226,280	227,680	222,740	(1.6%)
Total Operating	**$4,216,759**	**$4,553,850**	**$4,668,240**	**$4,757,070**	**4.5%**
CAPITAL	1,242,430	645,000	645,000	240,200	(62.8%)
Total Capital	**$1,242,430**	**$645,000**	**$645,000**	**$240,200**	**(62.8%)**
Total Expense	**$5,459,189**	**$5,198,850**	**$5,313,240**	**$4,997,270**	**(3.9%)**
Ending Balance	**$3,220,196**	**$3,759,260**	**$3,844,360**	**$5,051,510**	

Stormwater Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
ADMINISTRATION/ENGINEERING	3,155,434	2,216,640	5,723,450	3,565,890	60.9%
COLLECTIONS	478,823	493,810	493,810	497,480	0.7%
STREET SWEEPING	497,203	512,330	512,330	592,030	15.6%
Total Expense	**$4,131,460**	**$3,222,780**	**$6,729,590**	**$4,655,400**	**44.5%**
REVENUE					
Beginning Balance	**$3,967,729**	**$756,430**	**$4,628,730**	**$2,199,550**	
UTILITY CHARGES	3,943,163	3,902,890	3,902,890	4,000,460	2.5%
UTILITY OTHER	12,575	12,000	12,000	30,000	150.0%
IMPACT FEES	792,913	369,000	369,000	369,000	-
INTEREST	36,603	15,130	15,130	15,130	-
TRANSFERS	1,594	-	390	-	-
OTHER	5,616	1,000	1,000	1,000	-
Total Revenue	**$4,792,464**	**$4,300,020**	**$4,300,410**	**$4,415,590**	**2.7%**
Total Resources	**$8,760,193**	**$5,056,450**	**$8,929,140**	**$6,615,140**	
EXPENSES BY CATEGORY					
PERSONNEL SERVICES	1,126,595	1,167,840	1,195,680	1,259,370	7.8%
SUPPLIES	63,947	107,620	107,620	81,490	(24.3%)
PURCHASED SERVICES	674,734	698,310	738,310	760,230	8.9%
TRANSFERS	348,185	344,010	344,010	339,310	(1.4%)
Total Operating	**$2,213,461**	**$2,317,780**	**$2,385,620**	**$2,440,400**	**5.3%**
CAPITAL	1,917,999	905,000	4,343,970	2,215,000	144.8%
Total Capital	**$1,917,999**	**$905,000**	**$4,343,970**	**$2,215,000**	**144.8%**
Total Expense	**$4,131,460**	**$3,222,780**	**$6,729,590**	**$4,655,400**	**44.5%**
Ending Balance	**$4,628,733**	**$1,833,670**	**$2,199,550**	**$1,959,740**	

Wastewater Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Wastewater Utility	6,607,129	12,881,290	10,699,820	6,645,730	(48.4%)
Wastewater Finance	152,244	164,090	164,090	167,090	1.8%
Total Expense	**$6,759,373**	**$13,045,380**	**$10,863,910**	**$6,812,820**	**(47.8%)**
REVENUE					
Beginning Balance	**$9,237,760**	**$9,939,490**	**$8,716,800**	**$5,138,740**	
Utility Charges	6,995,527	7,140,960	7,140,960	7,152,170	0.2%
Utility Other	116,472	78,680	4,330	4,980	(93.7%)
Impact Fees	661,185	708,990	-	-	-
Interest	97,152	214,090	139,820	66,190	(69.1%)
Transfers	10,190	-	2,590	-	-
Other	12,984	(1,850)	(1,850)	(2,100)	13.5%
Total Revenue	**$7,893,510**	**$8,140,870**	**$7,285,850**	**$7,221,240**	**(11.3%**
Total Resources	**$17,131,270**	**$18,080,360**	**$16,002,650**	**$12,359,980**	
EXPENSES BY CATEGORY					
Personnel Services	2,224,470	2,523,740	2,333,650	2,364,020	(6.3%)
Supplies	193,480	290,410	289,790	411,460	41.7%
Purchased Services	2,697,290	2,469,710	2,635,030	2,585,650	4.7%
Transfers	756,424	782,110	782,970	822,060	5.1%
Total Operating	**$5,871,664**	**$6,065,970**	**$6,041,440**	**$6,183,190**	**1.9%**
Capital	887,710	6,979,410	4,822,470	629,630	(91.0%)
Total Capital	**$887,710**	**$6,979,410**	**$4,822,470**	**$629,630**	**(91.0%)**
Total Expense	**$6,759,373**	**$13,045,380**	**$10,863,910**	**$6,812,820**	**(47.8%)**
Ending Balance	**$10,371,897**	**$5,034,980**	**$5,138,740**	**$5,547,160**	

Wastewater SIF Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
WASTEWATER UTILITY	-	-	2,512,700	221,350	100.0%
Total Expense	**-**	**-**	**$2,512,700**	**$221,350**	**100.0%**
REVENUE					
BEGINNING BALANCE	**-**	**-**	**$1,655,090**	**-**	
UTILITY OTHER			74,350	100,000	100.0%
IMPACT FEES			74,270	44,440	100.0%
INTEREST			708,990	710,000	100.0%
Total Revenue	**-**	**-**	**$857,610**	**$854,440**	**100.0%**
Total Resources	**-**	**-**	**$2,512,700**	**$854,440**	
EXPENSES BY CATEGORY					
TRANSFERS	-	-	-	1,140	100.0%
CAPITAL	-	-	2,512,700	220,210	100.0%
Total Expense	**-**	**-**	**$2,512,700**	**$221,350**	**100.0%**
Ending Balance	**-**	**-**	**-**	**$633,090**	

Water Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Water Utility	7,611,296	9,133,880	9,139,890	9,425,360	3.2%
Water Finance	379,888	414,390	414,390	419,550	1.2%
Total Expense	**$7,991,184**	**$9,548,270**	**$9,554,280**	**$9,844,910**	**3.1%**
REVENUE					
Beginning Balance	**9,323,840**	**$9,116,680**	**$9,673,330**	**7,971,880**	
Utility Charges	6,783,954	7,263,110	7,263,110	7,687,250	5.8%
Utility Other	592,190	664,870	493,120	463,790	(30.1%)
Impact Fees	895,815	1,095,750	-	-	(100.0%)
Interest	21,634	187,960	86,160	34,650	(81.6%)
Transfers	7,518	-	4,900	-	-
Other	39,106	4,040	5,540	11,300	104.0%
Total Revenue	**$8,340,217**	**$9,215,730**	**$7,852,830**	**$8,196,990**	**(11.1%)**
Total Resources	**$17,664,057**	**$18,332,410**	**$17,526,160**	**$16,168,870**	
EXPENSES BY CATEGORY					
Personnel Services	3,217,017	3,442,080	3,238,680	3,391,040	(1.5%)
Supplies	777,023	740,880	744,830	841,290	13.6%
Purchased Services	2,668,395	2,839,530	2,914,000	3,883,000	36.7%
Transfers	511,177	495,200	508,240	492,830	(0.5%)
Total Operating	**$7,173,612**	**$7,517,690**	**$7,405,750**	**$8,608,160**	**14.5%**
Capital	817,572	2,030,580	2,148,530	1,236,750	(39.1%)
Total Capital	**$817,572**	**$2,030,580**	**$2,148,530**	**$1,236,750**	**(39.1%)**
Total Expense	**$7,991,184**	**$9,548,270**	**$9,554,280**	**$9,844,910**	**3.1%**
Ending Balance	**$9,673,333**	**$8,784,140**	**$7,971,880**	**$6,323,960**	

Water SIF Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
WATER UTILITY	-	-	799,510	1,055,980	100.0%
Total Expense	**-**	**-**	**$799,510**	**$1,055,980**	**100.0%**
REVENUE					
BEGINNING BALANCE	**-**	**-**	**-**	**$568,290**	
UTILITY OTHER			170,250	80,000	100.0%
IMPACT FEES			101,800	105,550	100.0%
INTEREST			1,095,750	1,232,880	100.0%
Total Revenue	**-**	**-**	**$1,367,800**	**$1,418,430**	**100.0%**
Total Resources	**-**	**-**	**$1,367,800**	**$1,986,720**	
EXPENSES BY CATEGORY					
CAPITAL	-	-	799,510	1,055,980	100.0%
Total Expense	**-**	**-**	**$799,510**	**$1,055,980**	**100.0%**
Ending Balance	**-**	**-**	**$568,290**	**$930,740**	

Raw Water Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Enterprise Fund					
WATER UTILITY	**$3,306,729**	**$6,293,900**	**$11,437,900**	**$1,654,180**	**(73.7%)**
REVENUE					
Beginning Balance	**$27,090,460**	**$26,507,000**	**$25,095,660**	**$15,537,730**	
UTILITY CHARGES	391,842	557,580	557,580	587,710	5.4%
UTILITY OTHER	245,172	270,720	270,720	312,620	15.5%
IMPACT FEES	-	-	-	-	-
INTEREST	314,923	655,670	655,670	449,730	(31.4%)
TRANSFERS	360,000	395,000	396,000	440,000	11.4%
Total Revenue	**$1,311,937**	**$1,878,970**	**$1,879,970**	**$1,790,060**	**(4.7%)**
Total Resources	**$28,402,397**	**$28,385,970**	**$26,975,630**	**$17,327,790**	
EXPENSES BY CATEGORY					
PURCHASED SERVICES	14,443	7,100	7,100	7,100	-
DEBT SERVICE	826,266	826,270	826,270	826,960	0.1%
TRANSFERS	-	-	4,519,000	-	-
Total Operating	**$840,709**	**$833,370**	**$5,352,370**	**$834,060**	**0.1%**
CAPITAL	2,466,020	5,460,530	6,085,530	820,120	(85.0%)
Total Capital	**$2,466,020**	**$5,460,530**	**$6,085,530**	**$820,120**	**(85.0%)**
Total Expense	**$3,306,729**	**$6,293,900**	**$11,437,900**	**$1,654,180**	**(73.7%)**
Ending Balance	**$25,095,668**	**$22,092,070**	**$15,537,730**	**$15,673,610**	

Special Revenue Funds

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
REVENUE					
BEGINNING BALANCE	**$63,371,494**	**$43,945,920**	**$56,085,590**	**$46,672,550**	
TAXES	515,529	-	500,000	550,000	100.00%
INTERGOVERNMENTAL	6,910,209	2,289,100	5,303,260	2,721,030	18.9%
IMPACT FEES	3,337,091	4,522,980	4,522,980	2,255,450	(50.1%)
CHARGES FOR SERVICE	1,551,978	1,975,970	1,975,970	2,144,470	8.5%
INTEREST	619,271	856,710	856,710	811,240	(5.3%)
PEG FEE	-	-	-	71,000	100.0%
OTHER	52,615	2,000	2,302,000	5,400	170.0%
TRANSFERS	16,226,895	5,928,290	19,623,620	14,911,730	151.5%
Total Revenue	**$29,213,588**	**$15,575,050**	**$35,084,540**	**$23,470,320**	**50.7%**
Total Resources	**$92,585,082**	**$59,520,970**	**$91,170,130**	**$70,142,870**	
APPROPRIATIONS					
ART IN PUBLIC PLACES	283,940	553,680	607,720	531,350	(4.0%)
PARK CEFs	408	1,104,910	1,104,910	5,831,100	427.7%
RECREATION CEFs	6,014,435	14,910	14,910	250,000	1,576.7%
OPEN SPACE CEFs	-	450,000	1,339,000	-	(100.0%)
TRAILS CEFs	148,965	-	-	164,460	100.0%
GENERAL GOVT. CEFs	417,104	382,460	4,450,760	382,460	-
POLICE CEFs	20,365	-	-	-	-
FIRE CEFs	-	-	-	767,350	100.0%
LIBRARY CEFs	1,329,251	-	2,594,910	-	-
CULTURAL SERVICES CEFs	-	-	497,700	-	-
STREET CEFs	3,842,683	1,600,320	3,244,290	1,095,090	(31.6%)
CAPITAL PROJECTS	22,343,692	7,555,770	26,239,660	17,065,900	125.9%
COMMUNITY DEV. BLOCK GRANT	224,222	329,840	655,440	275,000	(16.6%)
CONSERVATION TRUST	1,530,881	287,360	540,090	2,143,930	646.1%
LODGING TAX	117,129	-	469,530	500,000	100.0%
OPEN SPACE	184,764	2,704,690	2,708,130	3,036,170	12.3%
PARK IMPROVEMENT	-	170,000	170,000	570,000	235.3%
PEG FEE	-	-	-	57,000	100.0%
SEIZURES & FORFEITURES FUND	41,648	-	-	-	-
Total Appropriations	**$36,499,487**	**$15,153,940**	**$44,637,050**	**$32,669,810**	**115.60%**
EXPENSE BY CATEGORY					
PERSONNEL SERVICES	483,486	433,590	657,110	556,300	28.30%
SUPPLIES	90,668	27,500	67,680	43,750	59.10%
PURCHASED SERVICES	939,058	458,270	1,403,470	835,820	82.40%
TRANSFERS	11,294,917	1,600,320	9,764,090	9,645,090	502.70%
CAPITAL	23,691,358	12,634,260	32,744,700	21,588,850	70.90%
Total Expense	**$36,499,487**	**$15,153,940**	**$44,637,050**	**$32,669,810**	**115.60%**
Ending Balance	**$56,085,595**	**$44,367,030**	**$46,533,080**	**$37,473,060**	

Art in Public Places Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget/'11 Adopted Change
Art in Public Places	**$283,940**	**$553,680**	**$607,720**	**$531,350**	**(4.0%)**
REVENUE					
BEGINNING BALANCE	**$730,309**	**$469,940**	**$653,830**	**$291,170**	
1% FOR THE ARTS	-	235,660	235,660	176,140	-
TRANSFERS	198,696	-	-	59,520	100.0%
INTEREST	6,237	9,400	9,400	9,400	-
OTHER	2,530	-	-	2,900	100.0%
Total Revenue	**$207,463**	**$245,060**	**$245,060**	**$247,960**	**1.2%**
Total Resources	**$937,772**	**$715,000**	**$898,890**	**$539,130**	
EXPENSES BY CATEGORY					
PERSONNEL SERVICES	50,021	58,580	59,780	106,770	82.3%
SUPPLIES	5,182	5,400	2,900	8,050	49.1%
PURCHASED SERVICES	121,717	131,700	134,200	127,850	(2.9%)
CAPITAL	107,020	358,000	410,840	288,680	(19.4%)
Total Expense	**$283,940**	**$553,680**	**$607,720**	**$531,350**	**(4.0%)**
Ending Balance	**$653,832**	**$161,320**	**$291,170**	**$7,780**	

Parks Capital Expansion Fee Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Capital Expansion Fees	**$408**	**$1,104,910**	**$1,104,910**	**$5,831,100**	**427.7%**
REVENUE					
Beginning Balance	**$5,753,577**	**$6,333,120**	**$6,260,870**	**$6,111,400**	
Impact Fees	454,167	828,780	828,780	456,900	(44.9%)
Interest	53,531	126,660	126,660	97,750	(22.8%)
Total Revenue	**$507,698**	**$955,440**	**$955,440**	**$554,650**	**(41.9%)**
Total Resources	**$6,261,275**	**$7,288,560**	**$7,216,310**	**$6,666,050**	
EXPENSES BY CATEGORY					
Personnel Services	-	14,910	14,910	31,100	108.6%
Purchased Services	408	-	-	-	-
Transfers	-	-	-	5,800,000	100.0%
Capital	-	1,090,000	1,090,000	-	-
Total Expense	**$408**	**$1,104,910**	**$1,104,910**	**$5,831,100**	**427.7%**
Ending Balance	**$6,260,867**	**$6,183,650**	**$6,111,400**	**$834,950**	

Recreation Capital Expansion Fee Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Capital Expansion Fees	**$6,014,434**	**$14,910**	**$14,910**	**$250,000**	**1,576.7%**
REVENUE					
Beginning Balance	**$8,284,409**	**$2,644,120**	**$2,645,520**	**$3,175,360**	
Impact Fees	222,313	415,170	415,170	223,640	(46.1%)
Interest	84,025	52,880	52,880	83,330	57.6%
Transfers	69,206	76,700	76,700	76,700	-
Total Revenue	**$375,544**	**$544,750**	**$544,750**	**$383,670**	**(29.6%)**
Total Resources	**$8,659,953**	**$3,188,870**	**$3,190,270**	**$3,559,030**	
EXPENSES BY CATEGORY					
Personnel Services	43,365	14,910	14,910	-	(100.0%)
Purchased Services	360	-	-	-	-
Transfers	5,970,710	-	-	250,000	100.0%
Total Expense	**$6,014,435**	**$14,910**	**$14,910**	**$250,000**	**1,576.7%**
Ending Balance	**$2,645,518**	**$3,173,960**	**$3,175,360**	**$3,309,030**	

Open Space Capital Expansion Fee Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Capital Expansion Fees	**-**	**$450,000**	**$1,339,000**	**-**	**-100.00%**
REVENUE					
Beginning Balance	**$1,626,506**	**$1,767,040**	**$1,751,280**	**$656,650**	
Impact Fees	109,641	209,030	209,030	110,300	(47.2%)
Interest	15,131	35,340	35,340	26,420	(25.2%)
Total Revenue	**$124,772**	**$244,370**	**$244,370**	**$136,720**	**(44.1%)**
Total Resources	**$1,751,278**	**$2,011,410**	**$1,995,650**	**$793,370**	
EXPENSES BY CATEGORY					
Capital	-	450,000	1,339,000	-	-100.00%
Total Expense	**-**	**$450,000**	**$1,339,000**	**-**	**-100.00%**
Ending Balance	**$1,751,279**	**$1,561,410**	**$656,650**	**$793,370**	

Trails Capital Expansion Fee Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Capital Expansion Fees	**$148,965**	**-**	**-**	**$164,460**	**100.00%**
REVENUE					
Beginning Balance	**$943,391**	**$836,890**	**$872,220**	**$1,020,550**	
Impact Fees	69,954	131,590	131,590	70,370	(46.5%)
Interest	7,845	16,740	16,740	16,310	(2.6%)
Total Revenue	**$77,799**	**$148,330**	**$148,330**	**$86,680**	**(41.6%)**
Total Resources	**$1,021,190**	**$985,220**	**$1,020,550**	**$1,107,230**	
EXPENSES BY CATEGORY					
Capital	148,965	-	-	164,460	100.00%
Total Expense	**$148,965**	**-**	**-**	**$164,460**	**100.00%**
Ending Balance	**$872,225**	**$985,220**	**$1,020,550**	**$942,770**	

General Government Capital Expansion Fee Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Capital Expansion Fees	**$417,104**	**$382,460**	**$4,450,760**	**$382,460**	**-**
REVENUE					
Beginning Balance	**$8,871,885**	**$4,755,180**	**$9,067,780**	**$5,322,720**	
Impact Fees	525,428	610,600	610,600	176,860	(71.0%)
Interest	87,567	95,100	95,100	96,130	1.1%
Total Revenue	**$612,995**	**$705,700**	**$705,700**	**$272,990**	**(61.3%)**
Total Resources	**$9,484,880**	**$5,460,880**	**$9,773,480**	**$5,595,710**	**-**
EXPENSES BY CATEGORY					
Personnel Services	5,657	-	-	-	
Purchased Services	13,979	-	-	-	-
Transfers	7,209	-	3,424,190	-	-
Capital	390,259	382,460	1,026,570	382,460	-
Total Expense	**$417,104**	**$382,460**	**$4,450,760**	**$382,460**	**-**
Ending Balance	**$9,067,776**	**$5,078,420**	**$5,322,720**	**$5,213,250**	

Fire Capital Expansion Fee Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Capital Expansion Fees	**-**	**-**	**-**	**$767,350**	**100.00%**
REVENUE					
Beginning Balance	**$1,462,849**	**$1,732,260**	**$2,123,110**	**$2,459,420**	
Impact Fees	536,431	186,610	186,610	146,990	(21.2%)
Interest	13,097	34,650	34,650	41,810	20.7%
Transfers	110,729	115,050	115,050	115,050	-
Total Revenue	**$660,257**	**$336,310**	**$336,310**	**$303,850**	**(9.7%)**
Total Resources	**$2,123,106**	**$2,068,570**	**$2,459,420**	**$2,763,270**	
EXPENSES BY CATEGORY					
Capital	-	-	-	767,350	100.00%
Total Expense	**-**	**-**	**-**	**$767,350**	**100.00%**
Ending Balance	**$2,123,106**	**$2,068,570**	**$2,459,420**	**$1,995,920**	

Police Capital Expansion Fee Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Capital Expansion Fees	**$20,365**	**-**	**-**	**-**	**-**
REVENUE					
Beginning Balance	**$3,462,062**	**$3,640,440**	**$3,837,000**	**$4,152,540**	
Impact Fees	363,738	242,730	242,730	100,190	(58.7%)
Interest	31,563	72,810	72,810	66,300	(8.94%)
Total Revenue	**$395,301**	**$315,540**	**$315,540**	**$166,490**	**(52.20%)**
Total Resources	**$3,857,363**	**$3,955,980**	**$4,152,540**	**$4,319,030**	
EXPENSES BY CATEGORY					
Capital	20,365	-	-	-	-
Total Expense	**$20,365**	**-**	**-**	**-**	**-**
Ending Balance	**$3,836,998**	**$3,955,980**	**$4,152,540**	**$4,319,030**	

Library Capital Expansion Fee Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Capital Expansion Fees	**$1,329,251**	**-**	**$2,594,910**	**-**	**-**
REVENUE					
Beginning Balance	**$3,881,556**	**$130,600**	**$2,681,270**	**$257,430**	
Impact Fees	91,706	168,460	168,460	92,260	(45.2%)
Interest	37,255	2,610	2,610	3,940	51.0%
Total Revenue	**$128,961**	**$171,070**	**$171,070**	**$96,200**	**(43.8%)**
Total Resources	**$4,010,517**	**$301,670**	**$2,852,340**	**$353,630**	
EXPENSES BY CATEGORY					
Transfers	1,329,251	-	2,594,910	-	-
Total Expense	**$1,329,251**	**-**	**$2,594,910**	**-**	**-**
Ending Balance	**$2,681,266**	**$301,670**	**$257,430**	**$353,630**	

Cultural Services Capital Expansion Fee Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Capital Expansion Fees	**-**	**-**	**$497,700**	**-**	**-**
REVENUE					
Beginning Balance	**$2,087,341**	**$2,227,660**	**$2,182,890**	**$1,865,510**	
Impact Fees	73,856	135,770	135,770	74,300	(45.3%)
Interest	21,696	44,550	44,550	34,750	(22.0%)
Total Revenue	**$95,552**	**$180,320**	**$180,320**	**$109,050**	**(39.5%)**
Total Resources	**$2,182,893**	**$2,407,980**	**$2,363,210**	**$1,974,560**	
EXPENSES BY CATEGORY					
Transfers	-	-	497,700	-	-
Total Expense	**-**	**-**	**$497,700**	**-**	**-**
Ending Balance	**$2,182,893**	**$2,407,980**	**$1,865,510**	**$1,974,560**	

Streets Capital Expansion Fee Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Capital Expansion Fees	**$3,842,683**	**$1,600,320**	**$3,244,290**	**$1,095,090**	**(31.6%)**
REVENUE					
Beginning Balance	**$6,530,310**	**$1,817,590**	**$3,656,060**	**$2,042,360**	
Impact Fees	889,857	1,594,240	1,594,240	803,640	(49.6%)
Interest	59,075	36,350	36,350	27,930	(23.2%)
Other	19,500	-	-	-	-
Total Revenue	**$968,432**	**$1,630,590**	**$1,630,590**	**$831,570**	**(49.0%)**
Total Resources	**$7,498,742**	**$3,448,180**	**$5,286,650**	**$2,873,930**	
EXPENSES BY CATEGORY					
Transfers	3,842,683	1,600,320	3,244,290	1,095,090	(31.6%)
Total Expense	**$3,842,683**	**$1,600,320**	**$3,244,290**	**$1,095,090**	**(31.6%)**
Ending Balance	**$3,656,059**	**$1,847,860**	**$2,042,360**	**$1,778,840**	

Capital Projects Fund Summary

	’10 Actual	’11 Adopted Budget	’11 Revised Budget as of June	’12 Budget	’12 Budget / ’11 Adopted Change
Capital Projects	**$22,343,692**	**$7,555,770**	**$26,239,660**	**$17,065,900**	**125.9%**
REVENUE					
Beginning Balance	**$1,517,977**	**$1,106,290**	**$1,109,300**	**$1,109,300**	
Intergovernmental	4,547,008	130,000	2,818,560	488,190	275.5%
Charges for Service	1,500,989	1,689,230	1,689,230	1,917,250	13.5%
Interest	19,903	-	-	-	-
Other	18,857	-	2,300,000	-	-
Transfers	15,848,264	5,736,540	19,431,870	14,660,460	155.6%
Total Revenue	**$21,935,021**	**$7,555,770**	**$26,239,660**	**$17,065,900**	**125.9%**
Total Resources	**$23,452,998**	**$8,662,060**	**$27,348,960**	**$18,175,200**	
EXPENSE BY CATEGORY					
Personnel Services	68,970	-	176,150	-	-
Supplies	60,425	-	40,180	-	-
Purchased Services	461,162	-	138,070	-	-
Transfers	145,064	-	-	-	-
Capital	21,608,071	7,555,770	25,885,260	17,065,900	125.9%
Total Expense	**$22,343,692**	**$7,555,770**	**$26,239,660**	**$17,065,900**	**125.9%**
Ending Balance	**$1,109,306**	**$1,106,290**	**$1,109,300**	**$1,109,300**	

Community Development Block Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Community Dev. Block Grant	**$224,222**	**$329,840**	**$655,440**	**$275,000**	**(16.6%)**
REVENUE					
INTERGOVERNMENTAL	$224,222	$329,840	$655,440	$275,000	(16.6%)
Total Revenue	**$224,222**	**$329,840**	**$655,440**	**$275,000**	**(16.6%)**
EXPENSES BY CATEGORY					
PERSONNEL SERVICES	57,418	57,620	57,620	52,420	(9.0%)
SUPPLIES	1,657	500	500	500	-
PURCHASED SERVICES	165,147	271,720	597,320	222,080	(18.3%)
Total Expense	**$224,222**	**$329,840**	**$655,440**	**$275,000**	**(16.6%)**

Conservation Trust Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Conservation Trust	**$1,530,881**	**$287,360**	**$540,090**	**$2,143,930**	**646.1%**
REVENUE					
Beginning Balance	**$5,512,720**	**$3,502,560**	**$4,615,550**	**$4,545,510**	**29.8%**
Intergovernmental	573,181	400,000	400,000	500,000	25.0%
Interest	60,534	70,050	70,050	79,710	13.8%
Total Revenue	**$633,715**	**$470,050**	**$470,050**	**$579,710**	**23.3%**
Total Resources	**$6,146,435**	**$3,972,610**	**$5,085,600**	**$5,125,220**	**29.0%**
EXPENSES BY CATEGORY					
Personnel Services	66,447	127,570	130,300	107,410	(15.8%)
Supplies	13,137	12,900	12,900	12,900	-
Purchased Services	34,619	18,860	18,860	23,620	25.2%
Transfers	-	-	-	2,000,000	100.0%
Capital	1,416,678	128,030	378,030	-	(100%)
Total Expense	**$1,530,881**	**$287,360**	**$540,090**	**$2,143,930**	**646.1%**
Ending Balance	**$4,615,554**	**$3,685,250**	**$4,545,510**	**$2,981,290**	**(19.1%)**

Lodging Tax Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget/'11 Adopted Change
Lodging Tax	**$117,129**	**-**	**$469,530**	**$500,000**	**100.0%**
REVENUE					
BEGINNING BALANCE	**-**	**-**	**$399,260**	**$429,730**	**100.0%**
LODGING TAX	515,529	-	500,000	550,000	100.0%
INTEREST	860	-	-	7,300	-
Total Revenue	**$516,389**	**-**	**$500,000**	**$557,300**	**100.0%**
Total Resources	**$516,389**	**-**	**$899,260**	**$987,030**	**100.0%**
EXPENSES BY CATEGORY					
PERSONNEL SERVICES	-	-	40,000	73,620	100.0%
SUPPLIES	9,384	-	2,500	6,600	100.0%
PURCHASED SERVICES	107,745	-	424,030	419,780	100.0%
TRANSFERS	-	-	3,000	-	-
Total Expense	**$117,129**	**-**	**$469,530**	**$500,000**	**100.0%**
Ending Balance	**$399,260**	**-**	**$429,730**	**$487,030**	**100.0%**

Open Space Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Open Space	**$184,764**	**$2,704,690**	**$2,708,130**	**$3,036,170**	**12.3%**
REVENUE					
Beginning Balance	**$10,164,289**	**$10,307,240**	**$11,607,810**	**$10,535,820**	
INTERGOVERNMENTAL	1,525,798	1,428,000	1,428,000	1,456,560	2.0%
INTEREST	96,727	206,140	206,140	176,730	(14.3%)
OTHER	5,759	2,000	2,000	2,500	25.0%
Total Revenue	**$1,628,284**	**$1,636,140**	**$1,636,140**	**$1,635,790**	**-**
Total Resources	**$11,792,573**	**$11,943,380**	**$13,243,950**	**$12,171,610**	
EXPENSES BY CATEGORY					
PERSONNEL SERVICES	151,608	160,000	163,440	184,980	15.6%
SUPPLIES	883	8,700	8,700	8,700	-
PURCHASED SERVICES	32,273	35,990	90,990	42,490	18.1%
CAPITAL	-	2,500,000	2,445,000	2,800,000	12.0%
Total Expense	**$184,764**	**$2,704,690**	**$2,708,130**	**$3,036,170**	**12.3%**
Ending Balance	**$11,607,809**	**$9,238,690**	**$10,535,820**	**$9,135,440**	

Park Improvement Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Park Improvement	**-**	**$170,000**	**$170,000**	**$570,000**	**235.3%**
REVENUE					
Beginning Balance	**$2,538,811**	**$2,671,490**	**$2,619,790**	**$2,555,560**	**(4.3%)**
INTERGOVERNMENTAL	-	1,260	1,260	1,280	1.6%
CHARGES FOR SERVICE	50,989	51,080	51,080	51,080	-
INTEREST	24,023	53,430	53,430	43,430	(18.7%)
OTHER	5,969	-	-	-	-
Total Revenue	**$80,981**	**$105,770**	**$105,770**	**$95,790**	**(9.4%)**
Total Resources	**$2,619,792**	**$2,777,260**	**$2,725,560**	**$2,651,350**	**(4.5%)**
EXPENSES BY CATEGORY					
TRANSFERS	-	-	-	500,000	100.0%
CAPITAL	-	170,000	170,000	70,000	235.3%
Total Expense	**-**	**$170,000**	**$170,000**	**$570,000**	**235.3%**
Ending Balance	**$2,619,792**	**$2,607,260**	**$2,555,560**	**$2,081,350**	

PEG Fee Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
PEG Fee	-	-	-	**$57,000**	-
REVENUE					
Beginning Balance	-	-	-	**$139,470**	-
PEG FEE	-	-	-	71,000	-
INTEREST	-	-	-	-	-
Total Revenue	-	-	-	**$71,000**	-
Total Resources	-	-	-	**$210,470**	
EXPENSES BY CATEGORY					
SUPPLIES	-	-	-	7,000	-
CAPITAL	-	-	-	50,000	-
Total Expense	-	-	-	**$57,000**	-
	-	-	-		
Ending Balance	-	-	-	**$155,840**	

Seizure & Forfeiture Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Seizure & Forfeiture	**$41,648**	**-**	**-**	**-**	**-**
REVENUE					
BEGINNING BALANCE	**$3,502**	**$3,500**	**$2,050**	**$2,050**	
INTERGOVERNMENTAL	40,000	-	-	-	-
INTEREST	202	-	-	-	-
Total Revenue	**$40,202**	**-**	**-**	**-**	**-**
Total Resources	**$43,704**	**$3,500**	**$2,050**	**$2,050**	
EXPENSES BY CATEGORY					
PERSONNEL SERVICES	40,000	-	-	-	-
PURCHASED SERVICES	1,648	-	-	-	-
Total Expense	**$41,648**	**-**	**-**	**-**	**-**
Ending Balance	**$2,056**	**$3,500**	**$2,050**	**$2,050**	

Other Entity Funds

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
REVENUE					
Beginning Balance	**$2,946,008**	**$3,122,290**	**$3,411,890**	**$4,219,430**	
Property Taxes	11,134,973	11,522,690	11,522,690	10,922,260	(5.2%)
Other Taxes	1,728,353	690,000	690,000	676,750	(1.9%)
Intergovernmental	1,779,418	1,890,860	2,043,440	1,881,960	(0.5%)
Charges for Service	972,597	910,900	910,900	932,400	2.4%
Interest	44,821	41,490	41,490	81,030	95.3%
Other	1,947	909,620	909,620	1,400	(99.8%)
Total Revenue	**$15,662,109**	**$15,965,560**	**$16,118,140**	**$14,495,800**	**(9.2%)**
Total Resources	**$18,608,117**	**$19,087,850**	**$19,530,030**	**$18,715,230**	
APPROPRIATIONS					
Airport	2,263,529	1,943,390	2,492,160	1,996,550	2.7%
Loveland GID #1	15,386	24,500	24,500	24,500	-
Loveland-Larimer Bldg. Authority	454,001	470,860	473,440	461,960	(1.9%)
Loveland SID #1	1,364,969	774,400	774,400	776,190	0.2%
Loveland Urban Renewal Authority	11,098,342	11,489,730	11,546,100	10,889,300	(5.2%)
Total Appropriations	**$15,196,227**	**$14,702,880**	**$15,310,600**	**$14,148,500**	**(3.8%)**
EXPENSE BY CATEGORY					
Personnel Services	471,192	510,210	527,110	527,400	3.4%
Supplies	33,062	31,600	34,600	41,200	30.4%
Purchased Services	1,084,067	946,290	999,660	950,940	0.5%
Debt Service	12,206,323	11,997,780	11,997,780	11,411,960	(4.9%)
Capital	1,401,583	1,217,000	1,751,450	1,217,000	-
Total Expense	**$15,196,227**	**$14,702,880**	**$15,310,600**	**$14,148,500**	**(3.8%)**
Ending Balance	**$3,411,890**	**$4,384,970**	**$4,219,430**	**$4,566,730**	

Airport Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Airport	**$1,810,398**	**$1,943,390**	**$2,492,160**	**$1,996,550**	**2.7%**
REVENUE					
Beginning Balance	**$979,265**	**$1,067,120**	**$1,024,680**	**$1,034,760**	
Airport Revenue	972,597	910,900	910,900	932,400	2.4%
Intergovernmental	1,325,417	1,420,000	1,570,000	1,420,000	-
Interest	10,931	21,340	21,340	27,590	29.3%
Total Revenue	**$2,308,945**	**$2,352,240**	**$2,502,240**	**$2,379,990**	**1.2%**
Total Resources	**$3,288,210**	**$3,419,360**	**$3,526,920**	**$3,414,750**	
EXPENSES BY CATEGORY					
Personnel Services	347,741	381,040	395,360	407,130	6.8%
Supplies	27,716	27,100	30,100	36,700	35.4%
Purchased Services	482,631	318,250	315,250	335,720	5.5%
Debt Service	3,858	-	-	-	-
Capital	1,401,583	1,217,000	1,751,450	1,217,000	-
Total Expense	**2,263,529**	**$1,943,390**	**$2,492,160**	**$1,996,550**	**2.7%**
Ending Balance	**$1,024,681**	**$1,475,970**	**$1,034,760**	**$1,418,200**	

General Improvement District #1 Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
GID #1	**$15,386**	**$24,500**	**$24,500**	**$24,500**	**-**
REVENUE					
BEGINNING BALANCE	**$45,274**	**$17,560**	**$65,300**	**$74,110**	**322.0%**
INTEREST	226	350	350	560	60.0%
TAXES	35,194	32,960	32,960	32,960	-
Total Revenue	**$35,420**	**$33,310**	**$33,310**	**33,520**	**0.6%**
Total Resources	**$80,694**	**$50,870**	**$98,610**	**$107,630**	**111.6%**
EXPENSES BY CATEGORY					
SUPPLIES	-	2,000	2,000	2,000	-
PURCHASED SERVICES	15,386	22,500	22,500	22,500	-
Total Expense	**$15,386**	**$24,500**	**$24,500**	**$24,500**	**-**
Ending Balance	**$65,308**	**$26,370**	**$74,110**	**$83,130**	

Loveland Larimer Building Authority Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
BUILDING OPERATIONS	443,860	456,610	459,190	447,710	(1.9%)
GROUNDS MAINTENANCE	10,141	14,250	14,250	14,250	-
Total Expense	**$454,001**	**$470,860**	**$473,440**	**$461,960**	**(1.9%)**
REVENUE					
LARIMER COUNTY CONTRIBUTIONS	99,351	94,170	94,690	92,390	(1.9%)
CITY OF LOVELAND CONTRIBUTIONS	354,650	376,690	378,750	369,570	(1.9%)
Total Revenue	**$454,001**	**$470,860**	**$473,440**	**$461,960**	**(1.9%)**
EXPENSES BY CATEGORY					
PERSONNEL SERVICES	123,451	129,170	131,750	120,270	(6.9%)
SUPPLIES	5,346	2,500	2,500	2,500	-
PURCHASED SERVICES	325,205	339,190	339,190	339,190	-
Total Expense	**$454,001**	**$470,860**	**$473,440**	**$461,960**	**(1.9%)**

Special Improvement District #1 Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Loveland SID #1	**$1,364,969**	**$774,400**	**$774,400**	**$776,190**	**0.2%**
REVENUE					
BEGINNING BALANCE	**$529,269**	**$607,610**	**$912,940**	**$849,740**	
TAXES	1,728,353	690,000	690,000	676,750	(1.9%)
INTEREST	18,339	19,800	19,800	14,450	(27.0%)
OTHER	1,947	1,400	1,400	1,400	-
Total Revenue	**$1,748,639**	**$711,200**	**$711,200**	**$692,600**	**(2.6%)**
Total Resources	**$2,277,908**	**$1,318,810**	**$1,624,140**	**$1,542,340**	
EXPENSES BY CATEGORY					
PURCHASED SERVICES	7,094	10,000	10,000	10,000	-
DEBT SERVICE	1,357,875	764,400	764,400	766,190	0.2%
Total Expense	**$1,364,969**	**$774,400**	**$774,400**	**$776,190**	**0.2%**
Ending Balance	**$912,939**	**$544,410**	**$849,740**	**$766,150**	

Loveland Urban Renewal Authority Fund Summary

	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Downtown	-	49,370	49,370	30,060	(39.1%)
Finley Block	156,970	156,980	156,980	163,470	4.1%
US 34 Crossroads	10,894,590	11,283,380	11,283,380	10,695,770	(5.2%)
Façade Grant	46,782	-	56,370	-	-
Total Expense	**$11,098,342**	**$11,489,730**	**$11,546,100**	**$10,889,300**	**(5.2%)**
REVENUE					
Beginning Balance	**$1,392,200**	**$1,430,000**	**$1,408,960**	**$2,260,810**	
Taxes	11,099,779	11,489,730	11,489,730	10,889,300	(5.2%)
Interest	15,325	-	-	38,430	100%
Other	-	908,220	908,220	-	(100.0%)
Total Revenue	**$11,115,104**	**$12,397,950**	**$12,397,950**	**$10,927,730**	**(11.9%)**
Total Resources	**$12,507,304**	**$13,827,950**	**$13,806,910**	**$13,188,540**	
EXPENSES BY CATEGORY					
Purchased Services	253,751	256,350	312,720	243,530	(5.0%)
Debt Service	10,844,590	11,233,380	11,233,380	10,645,770	(5.2%)
Total Expense	**$11,098,342**	**$11,489,730**	**$11,546,100**	**$10,889,300**	**(5.2%)**
Ending Balance	**$1,408,962**	**$2,338,220**	**$2,260,810**	**$2,299,240**	

Staffing Levels

This table represents a comparison of positions that are authorized in the budget for all funds from 2010 to 2012. The summary includes all full–time and part–time benefited positions, but does not include temporary or non–benefited positions. A benefited position is defined as receiving health and retirement benefits.

Staffing Levels Summary

Department	'10 Actual	'11 Adopted Budget	'11 Revised Budget as of June	'12 Budget	'12 Budget / '11 Adopted Change
Executive & Legal	14.25	14.25	14.25	14.30	0.05
Cultural Services	11.40	11.40	11.40	10.88	(0.52)
Development Services	24.95	25.95	24.95	24.45	(1.50)
Economic Development	1.50	1.50	1.63	3.83	2.33
Finance	22.75	22.75	22.75	22.50	(0.25)
Fire & Rescue	68.00	66.00	66.00	66.00	-
Human Resources	10.00	9.75	9.75	9.75	-
Information Technology	20.50	20.50	20.50	20.50	-
Library	27.55	29.93	29.93	29.54	(0.39)
Parks & Recreation	59.02	61.52	61.35	60.45	(1.07)
Police	134.00	134.00	134.00	134.00	-
Public Works	75.78	75.78	75.78	75.78	-
Total General Fund	**469.70**	**473.33**	**472.29**	**471.98**	**(1.35)**
Finance/Risk Management	4.00	4.00	4.00	4.00	-
Public Works/Vehicle Maintenance	13.65	13.65	13.65	13.65	-
Total Internal Service Funds	**17.65**	**17.65**	**17.65**	**17.65**	**-**
Parks & Recreation/Golf	15.50	13.50	13.50	13.75	0.25
Public Works/Solid Waste	27.62	27.62	27.62	27.62	-
Public Works/Stormwater	14.65	14.35	14.35	14.35	-
Water & Power	114.50	114.50	114.50	115.50	1.00
Finance/Utility Billing & Meter Reading	25.40	24.90	24.90	24.90	-
Total Enterprise Funds	**197.67**	**194.87**	**194.87**	**196.12**	**1.25**
Parks & Recreation/Conservation Trust	0.92	0.92	0.92	0.92	-
Community & Business Relations/CDBG	0.80	0.80	0.80	0.80	-
Parks & Recreation/Open Space	1.83	1.83	2.00	2.15	0.32
Cultural Services/Art in Public Places	0.85	0.85	0.79	1.12	0.27
Lodging Tax	-	-	-	0.80	0.80
Total Special Revenue Funds	**4.40**	**4.40**	**4.51**	**5.79**	**1.39**
Total City Employees (FTE)	**689.42**	**690.25**	**689.32**	**691.54**	**1.29**

2012 Recommended Budget

September 13, 2011 Study Session

City of Loveland

Colorado Trends

Colorado State Planning & Budgeting, in their *Colorado Economic Forecast, June '11,* highlighted that:

- Continued job growth, but at lower rates of increase: 2012 increase 0.9% growing to 1.2% in 2013.
- Unemployment in 2012 at 8.7% down slightly from the 9.0% projected for 2011, then slowly decrease to 8.1% by 2013.
- Retail spending is projected to continue modest growth with a 4.2% increase in 2012.
- Personal Income will increase 3.0% in 2012, and grow to 4.4% in 2013.

Loveland Trends

Colorado Department of Labor & Employment reports:

- Unemployment rate in Loveland was 6.0% in July ‘11.
- Unemployment rate in Loveland was 6.3% in July ’10.

Total City Budget Overview

Key Concepts, Philosophy, or Building Blocks for **Revenue** Budget

- Property tax down 4.5% from 2011 collections.
- Sales tax base increased 3.0% over projected 2011 collections.
- Auto use tax flat to projected 2011 collections.
- Building use tax and building permit revenues based on projected building activity.
- Interest calculated at 1.7% of projected beginning balance.
- Rate increases in the Water & Power Enterprise funds.

Key Concepts, Philosophy, or Building Blocks for **Expense** Budget

- Recovery from recession continues to be slow.
- Sales tax has experienced growth.
- Building projects remain severely constrained.
- Minimal job growth with 381 more people employed through July, from the same period last year(1).
- Property values are expected to remain stagnant or reduced.

(1) Larimer County Workforce Center July Report

2011 Budget Building Blocks

- Merit Pool set at 2.0% of current salaries.
- Health claims up 2.1% to 2011 Budget.
- Fuel estimated at a 17% increase from 2011 adopted budget.
- All one-time items removed.
- No across the board inflation, addressed on a case-by-case basis.
- Major capital projects based on the Capital Program.

Total Budget Expense Growth

Category	09 Budget	10 Budget	11 Budget	12 Budget
Operations	$ 135,305	$ 128,230	$ 137,813	$ 143,189
Percent Change	4.4%	-5.2%	7.5%	4.0%
Capital	44,650	41,174	40,699	36,758
Percent Change	13.0%	-7.9%	-1.2%	-14.6%
Total Net Budget	$ 179,955	$ 169,405	$ 178,276	$ 179,947
Percent Change	6.4%	-5.9%	5.4%	0.9%

Total Budget Revenues

Revenue	2010 Actual	2011 Adopted	11 Revised Budget	2012 Budget	% Change
Beginning Balance	$173,075	$145,004	$171,396	$135,366	
Taxes	47,159	45,895	46,395	46,402	4.2%
Intergovernmental	12,319	7,162	10,751	7,933	(7.7%)
Impact Fees	7,452	8,198	8,198	6,267	(23.5%)
User Fees	32,564	33,173	34,080	33,555	1.3%
Interest	1,807	3,084	3,084	2,611	(15.3%)
Others	6,062	4,774	7,114	5,912	23.8%
Utility Fees	60,800	62,980	62,980	65,942	4.7%
Utility Other	2,016	2,141	2,141	2,100	(1.9%)
Total Net Revenue	**$170,179**	**$167,407**	**$174,430**	**$170,722**	**2.0%**
Transfers	19,259	8,732	22,687	17,668	97.0%
Total Revenue	189,438	176,139	197,430	188,390	6.8%
Total Resources	**$362,513**	**$321,143**	**$368,826**	**$323,756**	

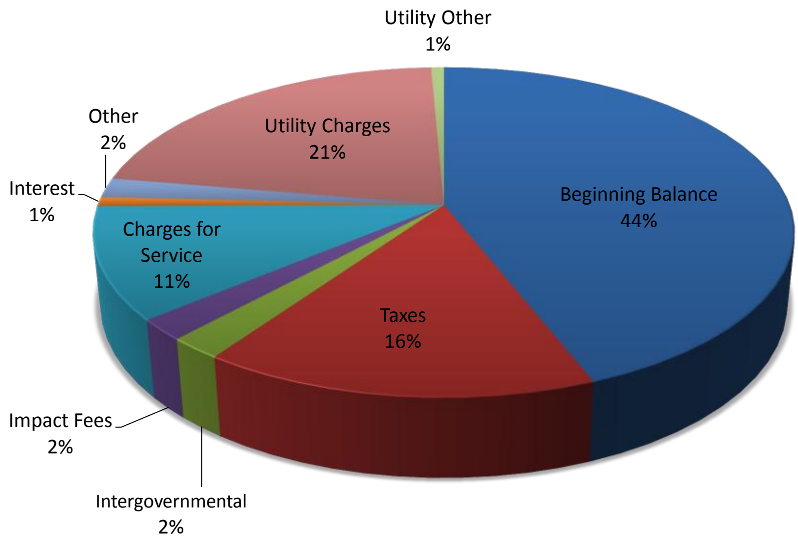
Note: All numbers in thousands.

Total Budget Expenses

Appropriations	2010 Actual	2011 Adopted	11 Revised Budget	2012 Budget	% Change
General Fund	$63,433	$64,245	$69,004	$64,169	(0.1%)
Enterprise	76,191	90,845	102,255	83,337	(8.3%)
Internal Service	14,993	17,000	17,976	17,439	2.6%
Special Revenue	36,499	15,154	45,131	32,670	102.4%
Total	**$191,116**	**$184,244**	**$234,366**	**$197,615**	**5.5%**
Less Transfer	19,259	8,732	22,687	17,688	98.0%
Total Net Appropriation	**$171,857**	**$178,512**	**$211,679**	**$179,947**	**(0.3%)**
Ending Balance	**$171,397**	**$133,899**	**$134,460**	**$126,141**	

Note: All numbers in thousands.

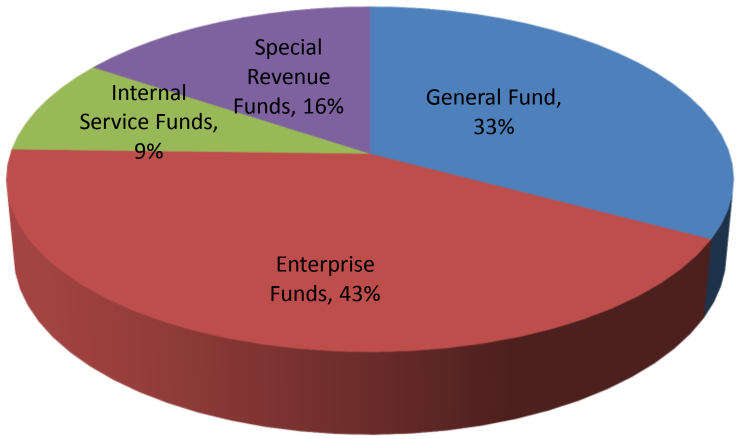
Total Budget Source of Funds



Significant Revenue Recommendations

- Continue 1% per year increase in water rates for new reservoir and another 4.0% for treatment plant and distribution system capital improvements.
- Increase of 5.6% in Power rates to pass through a PRPA increase and increased PILT Payments.
- Change in Power Enterprise rate structure to implement a seasonal rate structure, to better match with PRPA pricing.
- Increase the Transportation Fee 10% so that the fees cover 60% of the Street Rehabilitation Budget.
- Increase PILT payments 1% for a total of 7% of revenue in all Enterprise Funds except the Golf Enterprise.

Total Fund Appropriations

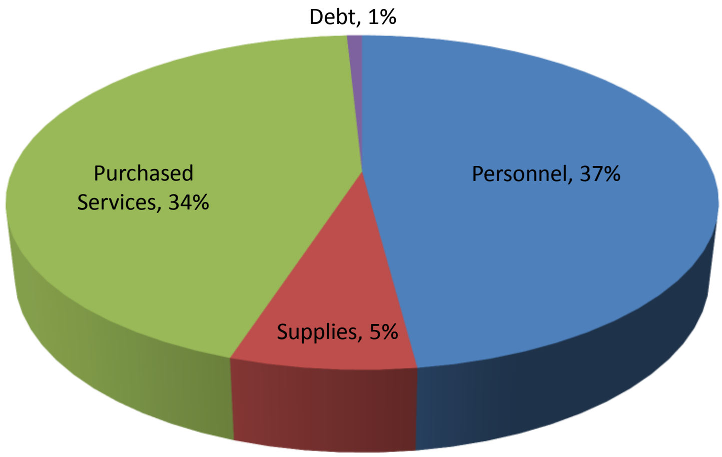


Projected Ending Balances

Total Ending Balance	**$127,340,000**
Restricted for Construction and Land Purchases	(87,965,320)
Restricted for Insurance Claims	(5,056,330)
Restricted for Equipment Replacement	(9,983,500)
Restricted for TABOR Revenues (Revenue Above Cap)	(3,371,200)
Restricted by State Constitution (TABOR 3% Emergency)	(1,768,860)
Restricted for Council Designated Projects	(3,855,920)
Restricted for Library	(125,030)
Restricted for Economic Reserve	(3,881,690)
Total Unrestricted	**$11,332,150**

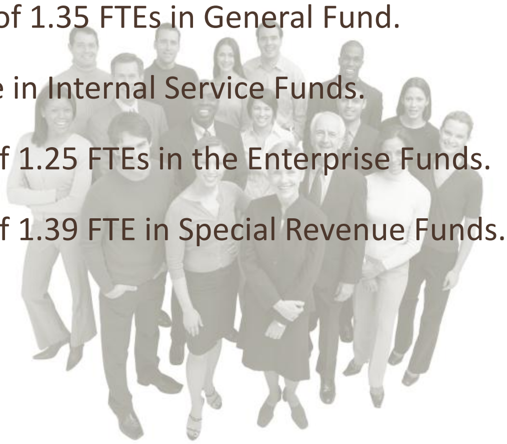
Operating Expenses

Excluding Purchased Power Expense, Capital Expense and Transfers.



Total City Increase of 1.29 Benefitted FTEs

- Decrease of 1.35 FTEs in General Fund.
- No change in Internal Service Funds.
- Increase of 1.25 FTEs in the Enterprise Funds.
- Increase of 1.39 FTE in Special Revenue Funds.



General Fund Overview

Financial Sustainability Before & After

What we saw at the beginning of the process:

- Expenses exceeded revenue by $33.5 million for the period 2012-2020.

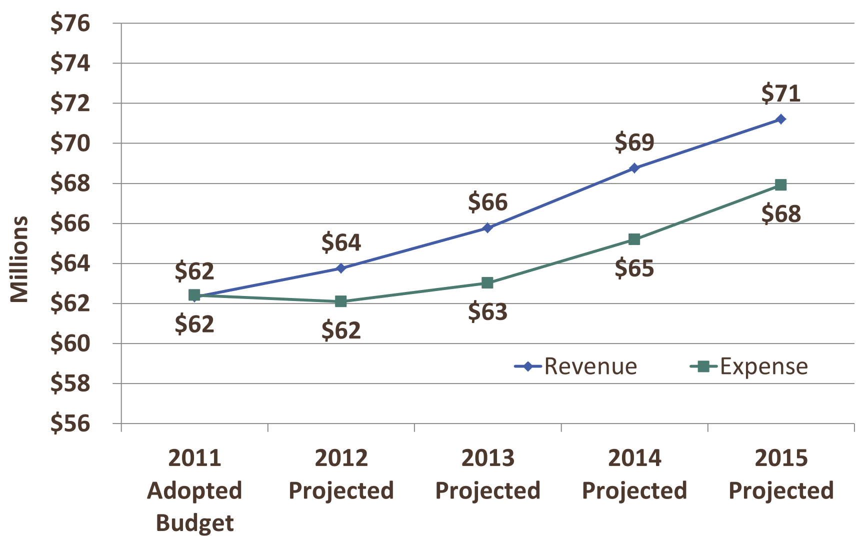
After the process:

- Revenue exceeds expense by $ 33.1 million over the same time period.

Financial Sustainability Process Results

- Increased revenues through fee increases and PILT Charges.
- Decreased expenses through Employee Suggestion Program, Forum Results, and Department Reductions, essentially holding the budget flat to 2011.
- Available revenue exceeds expenses in all plan years.

Financial Plan Structural Balance



General Fund Summary

General Fund	2010 Actual	2011 Adopted	2011 Revised Budget	2012 Budget	% Change
Beginning Balance	**$27,917**	**$22,390**	**$29,291**	**$24,086**	**7.6%**
Revenue	64,807	63,426	63,938	64,695	2.0%
Expenditures	63,433	64,245	69,004	64,169	(1.0%)
Ending Balance	**$29,291**	**$21,571**	**$24,225**	**$24,612**	**14.1%**

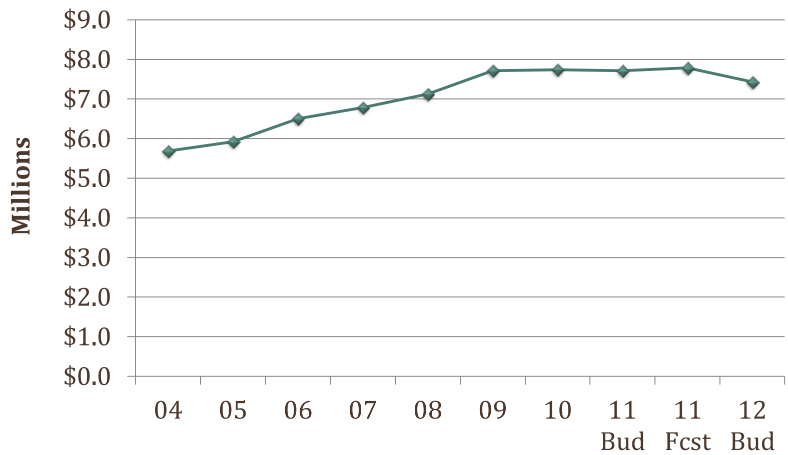
Note: All numbers in thousands.

General Fund Revenue

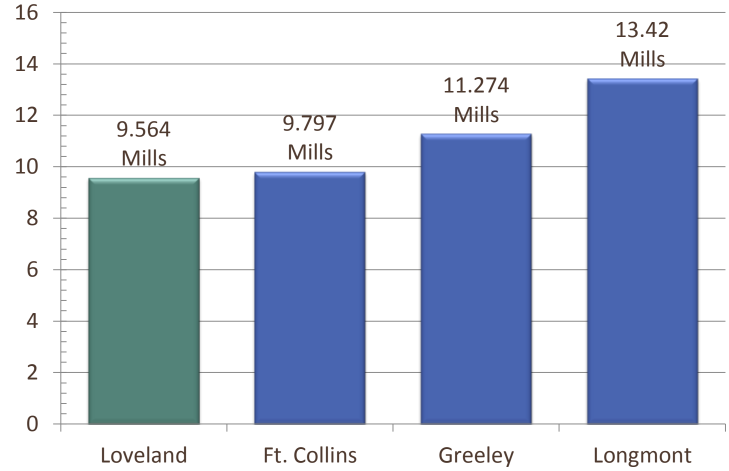
Revenue	2010 Actual	2011 Adopted	2011 Revised Budget	2012 Budget	% Change
Beginning Balance	**$21,917**	**$22,390**	**$29,291**	**$24,225**	
Taxes	45,117	44,467	44,467	45,782	3.0%
Licenses & Permits	1,632	1,070	1,084	1,073	0.3%
Intergovernmental	6,173	6,267	6,649	5,177	(17.4%)
Charges for Service	3,099	3,610	3,610	3,543	(1.9%)
Fines & Penalties	1,060	962	962	1,005	4.5%
Interest	311	448	448	405	(9.6%)
Miscellaneous	5,340	4,542	4,585	5,648	24.4%
Transfers	2,075	2,060	2,133	2,062	2.0%
Total Revenue	**$64,807**	**$63,426**	**$63,938**	**$64,695**	**2.0%**
Total Resources	**$90,724**	**$85,816**	**$93,230**	**$88,920**	

Note: All numbers in thousands.

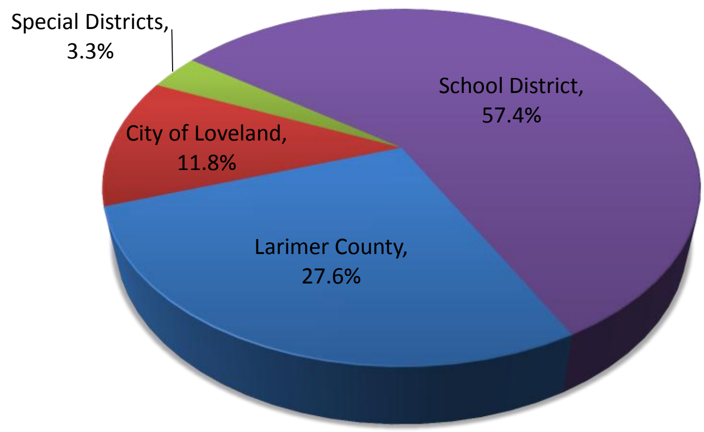
Property Tax Revenue



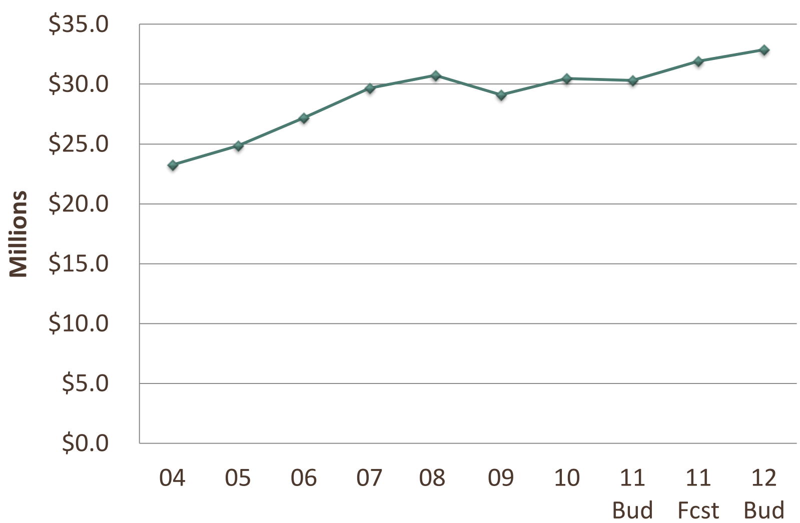
Mill Levy City Comparisons



City Mill Levy Compared to Total Tax Bill



Sales Tax Revenue

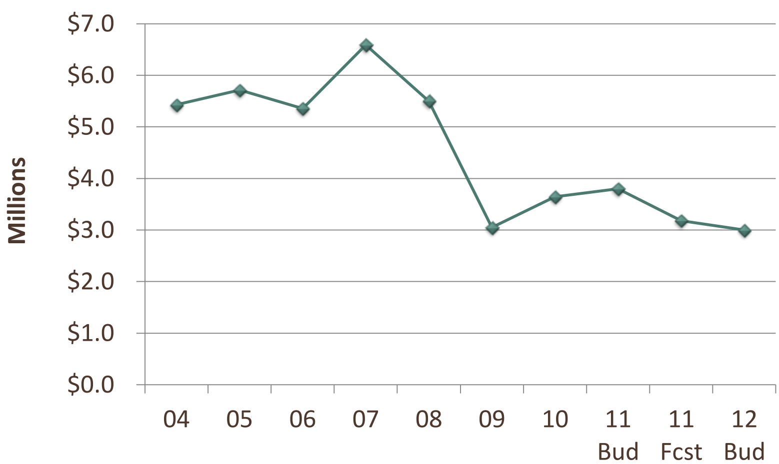


Factors for Sales Tax Development

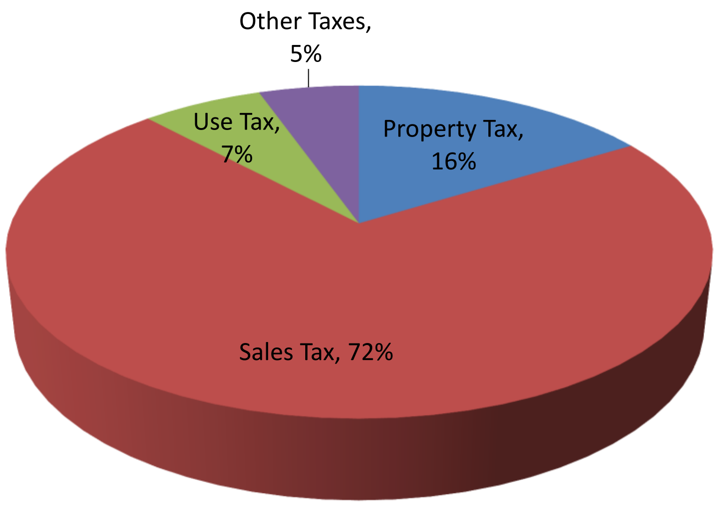
- Retail Sales statewide are projected to increase 4.2% in 2012.
- Personal Income in the State is projected to increase 3.0%.
- Statewide population growth is estimated at 1.6%.
- CPI projected to increase 2.4%.

- Current 2011 City collections is 5.5% above 2010.
- City collections estimated to grow 3.0% to the current 2011 forecast.

Use Tax Revenue



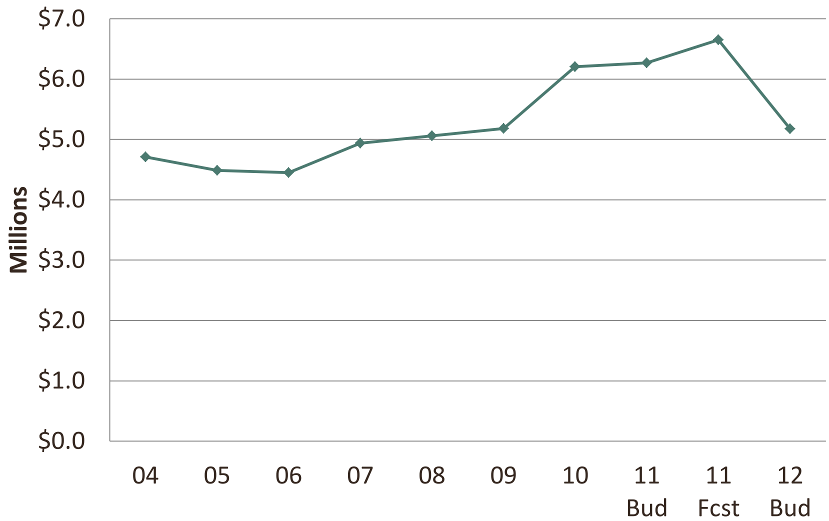
General Fund Taxes



Intergovernmental Revenues

State Highway Revenue Sharing	$ 2,774,570
FTA - Transit Operating Grants	1,304,730
State Maintenance Contracts	437,140
County Road & Bridge Tax	295,250
Thompson Valley EMS Dispatch	203,120
Severance Tax	100,000
Berthoud Fire & Police Dispatch	53,020
TVEMS share of Emergency Signal Controls	9,250
Total	**$ 5,177,080**

Intergovernmental Revenues



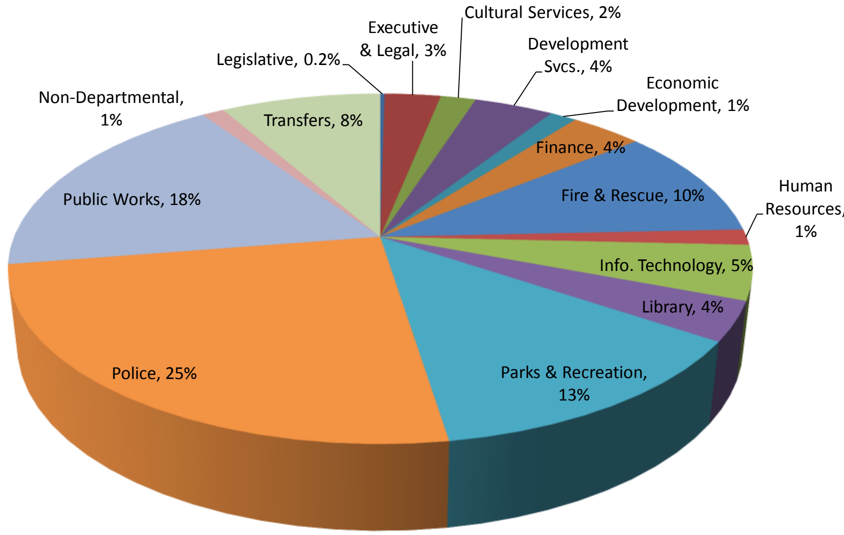
2012 General Fund Expenses

	2010 Actual	2011 Adopted	2011 Revised Budget	2012 Budget	% Change
Legislative	$106	$126	$126	$146	16.1%
Executive/Legal	1,804	1,794	1,835	1,864	3.9%
Cultural Services	1,134	1,154	1,198	1,172	1.6%
Development Services	3,186	2,690	3,606	2,637	(2.0%)
Economic Development	492	837	1,685	886	5.7%
Finance	2,163	2,368	2,463	2,399	1.3%
Fire & Rescue	7,788	7,838	8,032	6,491*	(100%)
Human Resources	865	1,004	1,028	927	(7.7%)
Information Technology	2,931	3,037	3,354	3,222	6.1%
Library	2,423	2,362	2,383	2,337	1.4%
Parks & Recreation	7,552	8,510	8,630	8,419	(1.1%)
Police	15,707	16,198	16,754	16,015	(1.1%)
Public Works	10,614	10,910	11,307	11,602	4.1%
Non-Departmental	1,406	884	925	740	125.0%
Transfers	5,26	4,533	5,678	5,312	9.0%
Total	**$63,433**	**$64,244**	**$69,004**	**$64,169**	**(0.1%)**
Ending Balance	**$29,291**	**$21,571**	**$24,225**	**$24,751**	

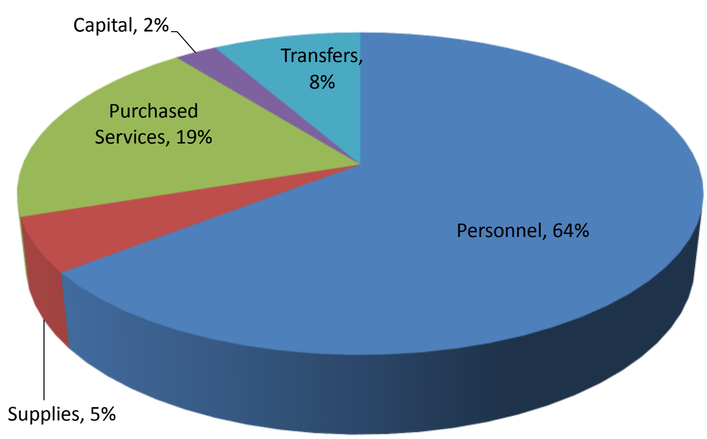
* This is the City's contribution to the Loveland Fire Rescue Authority.

Note: All numbers in thousands.

General Fund Expense By Department



General Fund Expense



Recommended Supplements

- **$135,750** – Operating costs for the Cultural Services and Public Works departments for the Rialto Bridge Project. The costs are offset by $84,250 in new revenue for the Theater and $51,500 of new revenue in Public Works to contract to maintain the private space, resulting in a net $0 cost to the City.
- **$244,490** – Operating costs for ACE campus for 4 months.
- **$100,000** – Increase in major Facility Maintenance capital funding.
- **$80,0**00 – Increase in one position in Finance and a Summer Intern.

Recommended Supplements

- **$40,000** – Increase to repair the Winona Pool.
- **$28,000** – Increase in funding for the purchase of Library materials.
- **$27,000** – Funding for an email archiving system.
- **$25,000** – Expand cameras and data retrieval for the interview rooms at the Police Building.
- **$21,000** – To increase an Administrative position by 0.5 FTE in Development Services.
- **$18,750** – Funding for a Code Administrator position during the summer season.

Recommended Supplements

- **$17,500** – Funding for additional cameras at North Lake Park.
- **$15,000** – Funding to resume a security upgrade program at City facilities.
- **$8,260** – Funding for maintenance at the Police Shooting Range including lead removal.
- **$7,800** – Funding for building maintenance of downtown buildings owned by the City.

Enterprise Fund Expense Highlights

- **($270,000)** – Decrease in Water Enterprise for carriage costs of Windy Gap water.
- **$400,000** – Increase in the Water Enterprise for painting the 29th Street Water Tank.
- **$250,000** – Increase in Water Enterprise for legal fees to assert the City's position for more senior priority on certain water rights in Water Court.
- **($110,000)** – Decrease in the Water Enterprise for one-time repair and maintenance costs at the Water Treatment Plant.

Enterprise Fund Expense Highlights

- **$100,000** – Increase in the Wastewater Enterprise for augmentation plans for the ponds on the ACE campus.
- **($130,000)** – Decrease in the Wastewater Enterprise for regulatory testing necessary to meet the Treatment Plant discharge permit requirements.
- **$100,000** – Increase in the Wastewater Enterprise to replace and reline sewer lines.
- **$209,000** – Increase in the Power Enterprise for the tree trimming program.
- **$1,807,000** – Increase in the Power Enterprise for purchased power.

Enterprise Fund Expense Highlights

- **$300,000** – Increase in the Power Enterprise for the Partnering with Power Program.
- **$177,000** – Increase in the Power Enterprise for the OPower program to the end of the contract period in October, 2012.
- **$110,500** – Increase in the Power Enterprise for Home Energy Audits.
- **($107,000)** – Decrease in the Power Enterprise for one-time replacement of radios.
- **$104,700** – Increase in the Power Enterprise to increase salaries of line crews to make them competitive with surrounding electric utilities.

2012 Seasonal Electric Rates

- In 2012, PRPA will change to seasonal wholesale power rates, with June-August billed at a higher rate than the other 9 months.
- Two options:
  1. Keep retail rates uniform throughout the year.
  2. Change to seasonal rates with 3 months being higher than the other 9 months.
- Recommendation: Change to seasonal retail electric rates, with July, August and September utility bills being at a higher rate than the other 9 months.

2012 Seasonal Electric Rates

Issue #1: Can we make the Utility Billing system align with PRPA's price signal?

- Not perfectly, but close.
- Similar to Winter Quarter Average calculation for Wastewater customers.
- All customers would be billed for 90 days at the higher rate.

2012 Seasonal Electric Rates

Issue #2: Are customers going to get hit with high summer bills as a result of switching too seasonal billing?

- No – summer bills with seasonal rates would be 2.0% to 3.6% higher on average, the other nine month's bill would be lower than bills using uniform rates.
- Total annual electric bill will be the same for a customer, regardless of whether seasonal or uniform rates are chosen.
- Customers have the option of the Budget Billing program.

Capital Program 2012

Project Title	Project Description	2012 (Millions)
Develop Mehaffey Park	60 acre park at Wilson and West 22nd Street	$ 8.50
Street Maintenance	Treatment overlays, major reconstruction, & concrete repairs	3.64
Transportation Program	Variety of construction projects, road widening, signals, etc.	2.37
Open Lands Acquisition	Land purchases for open space	2.80
Downtown Infrastructure	Projects to be determined	1.10
Remodel and Expand Fire Station 6	Construction Phase	0.78
Facility Maintenance Capital Projects	Annual program for the replacement of major building systems, roof replacements, and carpet replacements.	0.60
Replace Fire Apparatus	Aerial pumper and other truck replacements	0.52
Police Communication Consoles	Completion of console replacement	0.28
Trails System	Construction of the trail loop	0.16

Capital Program 2013–2021

Project Title	Project Description	10-Yr Plan (Millions)	Yrs. Funded
Street Maintenance	Treatment overlays, major reconstruction & concrete repairs	$ 38.14	2013-2021
Museum Expansion	26,000 sq. ft. at the old Home State Bank Building	15.52	2013-2014
Transportation Program	Variety of construction projects, road widening, signals, etc.	12.79	2013-2021
Open Lands Acquisition	Land purchases for open space	7.45	2013-2016
Downtown Infrastructure	Projects to be determined	5.00	2013-2017
Facility Maintenance Capital Projects	Annual program for the replacement of major building systems, roof replacements, and carpet replacements.	3.86	2013-2021
Service Ctr. Phase III Exp.	48,680 sq ft expansion for Streets/Solid Waste/COLT	3.44	2014
Fairgrounds Park	Phase II Development	3.00	2019-2020
New Fire Engine for NW Coverage	Move and Expand Station 2	2.90	2013
Trails System	Construction of the trail loop and Front Range trail connections	2.64	2013-2016
Replace Fire Apparatus	Aerial pumper and other truck replacements	2.21	2014-2016
Loveland Sports Park	Expansion	2.35	2014-2015
Park Improvement Projects	Various improvements to area parks	2.04	2014-2016
Public Works Heavy Equip. Repl.	Cold planer milling machine used for repairing streets	0.67	2021
Main. Oper. Ctr. Remodel	Remodel Traffic Operations Ctr. & Facilities Maintenance	0.64	2016
Car Wash Upgrade & Replacement	Replace aging equipment	0.40	2014
Fuel Tanks Replacement	Replace tanks at Service Center	0.38	2013

Capital Plan Operating Impacts

Revenue	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Chilson Expansion										
Sale of Fire 2			300,000							
Rialto Bridge	122,720									
Total	**122,720**		**300,000**							

Expense	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Chilson Expansion - P&R Dept										
Chilson Expansion - PW Dept										
Library Expansion - Library Dept	96,320									
Library Expansion - PW Dept	83,000									
Mehaffey Park Operating										
Mehaffey Park One time equipment*	-									
Service Center Expansion				231,150						
Fire Station 2 additional engine				986,000						
East Fire Station										
Rialto Bridge Project	107,230									
Museum Expansion -Culture cost				362,800						
Museum Expansion -utility cost				139,020						
Loveland Sports Park					123,580					
Youth Sports Park							64,000			
Fairgrounds Park										66,890
North Lake Tennis Courts		3,000								
Total	**$ 286,550**	**$ 3,000**	**$ -**	**$ 1,718,970**	**$ 123,580**	**$ -**	**$ 64,000**	**$ -**	**$ -**	**$ 66,890**

Questions

City of Loveland

CITY OF LOVELAND
FINANCE DEPARTMENT
Civic Center • 500 East Third • Loveland, Colorado 80537
(970) 962-2695 • FAX (970) 962-2900 • TDD (970) 962-2620

AGENDA ITEM: 2

MEETING DATE: 9/13/2011

TO: City Council

FROM: Renee Wheeler, Finance

PRESENTER: Renee Wheeler

TITLE:
Introduction to a Fund Balance Policy

DESCRIPTION:
This is an information item for study session discussion on a policy to identify the minimum amount of unassigned fund balance, in a governmental fund, or working capital, in an Enterprise Fund, that should be maintained to ensure the City could respond to an unanticipated event that could adversely affect the financial condition.

BUDGET IMPACT:

Yes ● No

SUMMARY:
In the early 2000's the Citizens' Finance Advisory Commission brought a policy forward to City Council to retain 6% of the General Fund revenue for an economic downturn. No policy was formally adopted; however, since that time the City has included that reserve in every General Fund financial master plan. There has never been a need to appropriate that reserve, even during the worst economic conditions since the Great Depression. This policy is intended to replace this reserve. Generally, policy indicates that 15% of expenditures should be retained in the unassigned fund balance.

Governments, like businesses and individuals, need some sort of financial "cushion" against the potential impact of unanticipated circumstances and events. Often this cushion takes the form of a fund balance policy that establishes a minimum level at which the fund balance is to be maintained. Governmental Accounting Standards Board (GASB) Statement No. 54 that the City early implemented for the 2010 Comprehensive Annual Financial Report suggests that the City have a minimum fund balance policy. Finance staff accessed information available from the

Governmental Finance Officers Association (GFOA). They issue *Best Practices* to provide governmental jurisdictions with guidance on sound financial management. These Best Practices, several articles on the topic, and several fund balance policies from other jurisdictions were provided to the Citizens' Finance Advisory Commission with a draft of a City of Loveland policy. The Best Practices Guidance has been attached for background material. The policy has been revised based on the commission's feedback and is attached for City Council consideration.

The policy includes a purpose statement, definitions, policy for minimum unassigned fund balance by fund type, utilization of minimum reserves, replenishment of reserves, and utilization of surplus reserves.

It is intended to be general enough to provide adequate guidance to protect the City without being so restrictive that it becomes a barrier to innovation for delivering quality service to its citizens.

Staff would like City Council feedback so that the policy can be brought forwarded for formal action at a regular City Council meeting.

LIST OF ATTACHMENTS:
Draft Fund Balance Policy
GFOA Best Practice: Appropriate Level of Unrestricted Fund Balance in the General Fund
GFOA Best Practice: Replenishing Fund Balance in the General Fund
GFOA Best Practice: Appropriate Levels of Working Capital in Enterprise Funds

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RECOMMENDED CITY COUNCIL ACTION:
Information Only

REVIEWED BY CITY MANAGER:

1.0 Purpose

To establish a fund balance/working capital policy tailored to the needs of the City to ensure against unanticipated events that would adversely affect the financial condition of the City and jeopardize the continuation of necessary public services. This policy will ensure the City maintains adequate fund balance/working capital and reserves in the City's various operating funds to provide the capacity to: (1) provide sufficient cash flow for daily financial needs, (2) secure and maintain bond ratings, (3) offset significant economic downturns or revenue shortfalls, (4) provide funds for unforeseen expenditures related to emergencies, and (5) allow for the ability to respond to extraordinary opportunities with a community-wide impact.

There are several factors for consideration when establishing an appropriate fund balance including: significant volatility in operating revenues or expenditures, potential drain on resources from other funds facing financial difficulties, exposure to natural disasters, reliance on a taxpayer/ratepayer or a group of taxpayers/rate payers in the same industry, rapidly growing budgets, or disparities in timing between revenue collections and expenditures.

2.0 Definitions

Fund Balance is the difference between assets and liabilities reported in a governmental fund. There are several components of Fund Balance as reflected in the table below.

Components of Fund Balance	Examples of City of Loveland Reserves in each component
Non-spendable fund balance (by form or legal limitation) • Portion of net resources that cannot be spent because of their form (i.e., items that won't convert to cash = prepaid expenses or inventories) • Portion of net resources that cannot be spent because they must be maintained intact pursuant to legal or contractual requirements (i.e., principal of an endowment fund or capital of a revolving fund)	• Fuel and parts inventories • Long term portion of the inter-fund loan for 402 land purchase • Payments made to the City for the Cemetery perpetual care
Restricted fund balance (external enforceable limitations on use) • Limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments • Limitations imposed by law through constitutional provisions or enabling legislation	• Capital Expansion Fees • Conservation Trust • Community Development Block Grant • Larimer County Open Space taxes • Tabor 3% Emergency Reserve • Lodging tax (Conventions & Tourism)

<table>
<tr><td colspan="2">Unrestricted Fund Balance has three components: Committed, Assigned and Unassigned (they are classified as unrestricted because the city can change them using ordinance or policy).</td></tr>
<tr><td>Committed fund balance (self-imposed limitations by ordinance)
Limitation imposed at the highest level of decision making that requires formal action at the same level to remove</td><td>Council Reserve
Art in Public Places
Affordable Housing
Proctor and Gamble Stock value</td></tr>
<tr><td>Assigned fund balance (limitation resulting from intended use)
Intended use established by the highest level of decision-making
Intended use established by a body designated for that purpose
Intended use established by official designed for that purpose</td><td>Equipment replacement
Council Contingency
Unfunded liability Contingency (the accrued benefits when employees leave employment that cannot be absorbed with vacancy savings)
Donations designated for a specific purpose</td></tr>
<tr><td>Unassigned fund balance (residual net resources)
Total fund balance in the general fund in excess of non-spendable, restricted, committed, and assigned fund balance (i.e., surplus)
Excess of non-spendable, restricted, and committed fund balance over the total fund balance (i.e., deficit)</td><td></td></tr>
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Working Capital is current assets minus current liabilities. Working capital is used for all Proprietary Funds as the standard similar to unassigned fund balance because it represents the amount available for appropriation.

3.0 POLICY

The City will establish and maintain reservations of Fund Balance/Working Capital in each of the various governmental and proprietary funds in the City. For the purpose of initially establishing the balance and maintaining it hereafter, the City shall retain the minimum requirement for each fund. Additional funds will be retained in the Unassigned Fund Balance or Working Capital to the extent available to reach target levels.

4.0 FUND BALANCE GOALS

A. General Fund – The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. In the General Fund, there shall be minimum, unassigned fund balance maintained equivalent to the greater of fifteen (15) percent of the current fiscal year expenditures or two months of fiscal year expenditures ~~less transfers out~~ budgeted for the fund. For the purposes of this calculation, the expenditures shall be the budget as originally adopted by ordinance in the fiscal year. The TABOR (Tax Payer Bill Of Rights, State Constitutional Amendment) required 3% emergency reserve shall apply to the target. This reserve shall be in addition to all other required reserves.

B. Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. No specific reserve requirement is established for the special revenue funds. However, at a minimum, the fiscal year end assigned fund balance and estimated revenues for the ensuing fiscal year must be sufficient to meet all fund commitments. (Technically Capital Expansion Fees Funds and System Impact Fee Funds, even though we tactically consider them capital funds, are classified as Special Revenue Funds.)

C. Debt Service Funds – Debt service funds are typically subjected to the creation of very specific reserve amounts as part of the ordinance or resolution which authorizes the issuance of bonds. This policy does not create any specific reservation of Fund Balance within any Debt Service Fund. The reserve requirement for any outstanding bond issue will be consistent with the ordinance or resolution authorizing the issuance of the bonds.

D. Capital Project Funds – The Capital Project Funds are created to account for resources designated to construct or acquire assets and major improvements. These projects may extend beyond a single fiscal year. No specific reserve requirement is established for the capital projects funds. However, at a minimum, the fiscal year end assigned fund balance and estimated revenues for the ensuing fiscal year must be sufficient to meet all outstanding fund encumbrances.

E. Enterprise Funds - For each enterprise fund there shall be a reservation of working capital equal to the lesser of 15% of operating expenditures or 60 days of working capital ~~two months of operating expenditures~~. For the purposes of this calculation, the current fiscal year budget shall be the budget as originally adopted by ordinance for the year. This reserve shall be in addition to all other required reservations of working capital including, but not limited to, amounts reserved for debt service and amounts reserved for renewal or replacement of long term assets.

F. Internal Service Funds – In each Internal Service Fund there shall be created a reservation of working capital in an amount necessary to ensure the unassigned working capital as of the end of each fiscal year is greater than or equal to zero. This reserve shall be in addition to all other reservations for working capital, including but not limited to the amounts reserved for claims incurred but not paid as determined by an actuary. In any fiscal year when it is projected that the actual amount of unreserved working capital will be less than or equal to zero at year end, it will be necessary to either increase the rates charged or reduce expenses or both.

G. Fleet Fund – In the Fleet Replacement Fund, funding is provided in an amount to fund the replacement of fleet assets at a level consistent with a depreciation based methodology based on an assessment conducted by the Fleet Review Committee. Funding shall be designed to maintain 12% of the current fleet replacement value and the condition of assets at a desirable service level without shifting the costs disproportionally to future taxpayers.

5.0 Minimum Reserve Requirements

In the event that funds are not available to initially establish minimum required balances, the unassigned fund balance target shall be achieved by adding an assigned amount to the budget to cover the deficiency over a period not to exceed five (5) fiscal years.

6.0 Utilization of Minimum Reserves

Appropriation from the minimum unassigned fund balance shall require the approval of the City Council by ordinance and shall be only for one-time expenditures, (including but not limited to: capital purchases, economic development contributions or investments, non-recurring grant match, environmental mitigation, emergency provisions for a natural disaster response) and not for on-going expenditures unless a viable revenue plan designed to sustain the expenditure is simultaneously adopted.

7.0 Replenishment of Minimum Reserve Deficits

If it is anticipated at the completion of any fiscal year that the projected or estimated amount of unassigned fund balance will be less than the minimum requirement, then the City Manager shall prepare and submit in conjunction with the proposed budget a plan for the expenditure or expense reductions and/or revenue increases necessary to restore the minimum requirements in the subsequent budget year or other appropriate period as required in Section 5: Minimum Reserve Requirements. If any portion of the TABOR Emergency Reserve is used, it would have to be replenished according to the provisions of the State Constitutional Amendment within one year.

8.0 Utilization of Surplus Reserves

In the event that the unassigned fund balance exceeds the minimum requirements, the excess may be utilized for any lawful purpose approved by City Council. The first priority be given to utilizing the excess within the fund in which it was generated. In order to minimize the long term effect of such use, the excess shall be appropriated to fund one time expenditures or expenses which do not result in recurring operating costs or other one-time costs including the establishment of or increase in legitimate reservations or assignments of fund balance or working capital (including but not limited to: capital purchases, economic development contributions or investments, non-recurring grant match, environmental mitigation, emergency provisions for a natural disaster response) and not for on-going expenditures unless a viable revenue or expenditure reduction plan designed to sustain the expenditure is simultaneously adopted.

BEST PRACTICE

Appropriate Level of Unrestricted Fund Balance in the General Fund (2002 and 2009) (BUDGET and CAAFR)

Background. Accountants employ the term *fund balance* to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government's budgetary basis.[1] In both cases, fund balance is intended to serve as a measure of the financial resources available in a governmental fund.

Accountants distinguish up to five separate categories of fund balance, based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts can be spent: *nonspendable fund balance*, *restricted fund balance*, *committed fund balance*, *assigned fund balance*, and *unassigned fund balance*.[2] The total of the last three categories, which include only resources without a constraint on spending or for which the constraint on spending is imposed by the government itself, is termed *unrestricted fund balance*.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning.

In most cases, discussions of fund balance will properly focus on a government's general fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unrestricted fund balance (i.e., the total of the amounts reported as committed, assigned, and unassigned fund balance) in the general fund.

Credit rating agencies monitor levels of fund balance and unrestricted fund balance in a government's general fund to evaluate a government's continued creditworthiness. Likewise, laws and regulations often govern appropriate levels of fund balance and unrestricted fund balance for state and local governments.

Those interested primarily in a government's creditworthiness or economic condition (e.g., rating agencies) are likely to favor increased levels of fund balance. Opposing pressures often come from unions, taxpayers and citizens' groups, which may view high levels of fund balance as "excessive."

Recommendation. The Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund.[3] Such a guideline should be set by the appropriate policy body and should provide both a temporal framework and

[1] For the sake of clarity, this recommended practice uses the terms GAAP fund balance and budgetary fund balance to distinguish these two different uses of the same term.

[2] These categories are set forth in Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* which must be implemented for financial statements for periods ended June 30, 2011 and later.

[3] Sometimes restricted fund balance includes resources available to finance items that typically would require the use of unrestricted fund balance (e.g., a contingency reserve). In that case, such amounts should be included as part of unrestricted fund balance for purposes of analysis.

specific plans for increasing or decreasing the level of unrestricted fund balance, if it is inconsistent with that policy. [4]

The adequacy of unrestricted fund balance in the general fund should be assessed based upon a government's own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.[5] The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances.[6] Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level. In any case, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time.

In establishing a policy governing the level of unrestricted fund balance in the general fund, a government should consider a variety of factors, including:

- The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
- Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
- The potential drain upon general fund resources from other funds as well as the availability of resources in other funds (i.e., deficits in other funds may require that a higher level of unrestricted fund balance be maintained in the general fund, just as, the availability of resources in other funds may reduce the amount of unrestricted fund balance needed in the general fund);[7]
- Liquidity (i.e., a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained); and
- Commitments and assignments (i.e., governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose).

Furthermore, governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance rather than on unrestricted fund balance.

Naturally, any policy addressing desirable levels of unrestricted fund balance in the general fund should be in conformity with all applicable legal and regulatory constraints. In this case in particular, it is essential that differences between GAAP fund balance and budgetary fund balance be fully appreciated by all interested parties.

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[4] See Recommended Practice 4.1 of the National Advisory Council on State and Local Budgeting governments on the need to "maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures" (Recommended Practice 4.1).

[5] In practice, a level of unrestricted fund balance significantly lower than the recommended minimum may be appropriate for states and America's largest governments (e.g., cities, counties, and school districts) because they often are in a better position to predict contingencies (for the same reason that an insurance company can more readily predict the number of accidents for a pool of 500,000 drivers than for a pool of fifty), and because their revenues and expenditures often are more diversified and thus potentially less subject to volatility.

[6] In either case, unusual items that would distort trends (e.g., one-time revenues and expenditures) should be excluded, whereas recurring transfers should be included. Once the decision has been made to compare unrestricted fund balance to either revenues or expenditures, that decision should be followed consistently from period to period.

[7] However, except as discussed in footnote 4, not to a level below the recommended minimum.

BEST PRACTICE

Replenishing Fund Balance in the General Fund (2011) (Budget and CAAFR) (new)

Background. It is essential that governments maintain adequate levels of fund balance to mitigate risks and provide a back-up for revenue shortfalls.

The adequacy of unrestricted fund balance[1] in the general fund should be assessed based upon a government's specific circumstances. Nevertheless, the GFOA recommends, at a minimum, that general-purpose governments, regardless of size, incorporate in its financial policies that unrestricted fund balance in their general fund be no less than two months of regular general fund operating revenues or regular general fund operating expenditures.

If fund balance falls below a government's policy level, then it is important to have a solid plan to replenish fund balance levels. Rating agencies consider the government's fund balance policy, history of use of fund balance, and policy and practice of replenishment of fund balance when assigning ratings. Thus, a well developed and transparent strategy to replenish fund balance may reduce the cost of borrowing. However, it can be challenging to build fund balances back up to the recommended levels because of other financial needs and various political considerations.

Recommendation. The Government Finance Officers Association (GFOA) recommends that governments adopt a formal fund balance policy that defines the appropriate level of fund balance target levels. Also, management should consider specifying the purposes for which various portions of the fund balances are intended. For example, one portion of the fund balance may be for working capital, one for budgetary stabilization, and one for responding to extreme events. This additional transparency helps decision makers understand the reason for maintaining the target levels described in the fund balance policy.

Governments should also consider providing broad guidance in their financial policies for how resources will be directed to fund balance replenishment. For example, a policy may define the revenue sources that would typically be looked to for replenishment of fund balance. This might include non-recurring revenues, budget surpluses, and excess resources in other funds (if legally permissible and if there is defensible rationale). Year-end surpluses are an especially appropriate source for replenishing fund balance.

Finally, a government should consider including in its financial policy a statement that establishes the broad strategic intent of replenishing fund balances as soon as economic conditions allow. This emphasizes fund balance replenishment as a financial management priority.

Governments are subject to a number of factors that could require the use of fund balances. It is therefore incumbent on jurisdictions to minimize the use of fund balance, except in very specific circumstances. Replenishment should take place in a prompt fashion with amounts that have been used to ensure that the jurisdiction is properly prepared for contingencies. With the foundation of a financial policy in place, governments should use their long-term financial planning and budget processes to develop a more detailed strategy for using and replenishing fund balance. With these criteria in mind, the government should develop a replenishment strategy and timeline for replenishing fund balances as soon as possible, and that is still appropriate to prevailing budgetary and economic conditions and that considers the following:

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[1] Unrestricted fund balance comprises the committed, assigned, and unassigned fund balance categories.

1. The policy should define the time period within which and contingencies for which fund balances will be used. This gives the public a sense for how fund balance is being used as a "bridge" to ensure stable cash flow and provide service continuity.
2. The policy should describe how the government's expenditure levels will be adjusted to match any new economic realities that are behind the use of fund balance as a financing bridge.
3. The policy should describe the time period over which the components of fund balance will be replenished and the means by which they will be replenished. Frequently, a key part of the replenishment plan will be to control operating expenditures and use budget surpluses to replenish fund balance. The replenishment plan might also specify any particular revenue source that will aid in the replenishment of fund balances. For example, if the government has a volatile sales tax yield, it might specify that yields that are significantly above average would be used to replenish fund balances.

Generally, governments should seek to replenish their fund balances within one to three years of use. However, when developing the specifics of the replenishment plan, governments should consider a number of factors that influence the rate and time period over which fund balances will be replenished. Factors influencing the replenishment time horizon include:

1. *The budgetary reasons behind the fund balance targets.* The government should consider special conditions that may have caused it to set its fund balance target levels higher than the GFOA-recommended minimum level. For example, if targets are higher because the community has very volatile cash flows, then the government would want to build the fund balances back up more quickly compared to governments with more stable cash flows.
2. *Recovering from an extreme event.* An extreme event, such as a natural disaster, that has required the government to use a portion of its fund balance, may make it infeasible to replenish the fund balance as quickly as normal, depending upon the severity of the event.
3. *Political continuity.* Replenishing fund balance takes political will, and that will is often strengthened by the memory of the financial challenge that caused the use of fund balances in the first place. If the governing board and/or management are already committed to a particular financial policy, the replenishment strategy should be as consistent as possible with that policy in order to maximize political support.
4. *Financial planning time horizons.* Fund balances should typically be replenished within the time horizon covered by the organization's long-term financial plan. This puts the entire replenishment plan in context and shows the public and decision makers the expected positive outcome of the replenishment strategy.
5. *Long-term forecasts and economic conditions.* Expectations for poor economic conditions may delay the point at which fund balances can be replenished. However, in its replenishment plan the government should be sure to set a benchmark (e.g., after fund balances have dropped to a certain point below desired target levels) for when use of fund balance is no longer acceptable as a source of funds.
6. *Milestones for gradual replenishment.* A replenishment plan will likely be more successful if it establishes replenishment milestones at various time intervals. This is especially important if replenishment is expected to take place over multiple years (e.g., if you are starting from 75% of your target, set a goal to reach 80 percent of target in one year, 90 percent in two years, and 100 percent in three years).
7. *External financing expectations.* A replenishment plan that is not consistent with credit rating agency expectations may increase the government's cost of borrowing. It is important that the logic used by the government to develop the replenishment plan be communicated in an effective fashion to external lenders.

References.

- GFOA Best Practice Appropriate Level of Unrestricted Fund Balance in the General Fund, 2009.
- For a fuller explanation of the concept of "bridging" in financial distress, please visit GFOA's financial recovery website at www.gfoa.org/financialrecovery.

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BEST PRACTICE

Appropriate Levels of Working Capital in Enterprise Funds (BUDGET & CAAFR) (2011) (new)

Background. Enterprise funds distinguish between current and non-current assets and liabilities. It is possible to take advantage of this distinction to calculate working capital (i.e., current assets less current liabilities). The measure of working capital indicates the relatively liquid portion of total enterprise fund capital, which constitutes a margin or buffer for meeting obligations.

It is essential that a government maintain adequate levels of working capital in its enterprise funds to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenses) and to ensure stable services and fees.

Working capital is a crucial consideration, too, in long-term financial planning. Credit rating agencies consider the availability of working capital in their evaluations of continued creditworthiness. Likewise, laws and regulations may speak to appropriate levels of working capital for some enterprise funds.

Recommendation. The Government Finance Officers Association (GFOA) recommends that local governments adopt a target amount of working capital to maintain in each of their enterprise funds. Ideally, targets would be formally described in a financial policy and/or financial plan.

GFOA recommends that governments use working capital as the measure of available margin or buffer in enterprise funds. Although as previously stated, working capital is defined as current assets minus current liabilities, government finance officers should be aware of certain characteristics of working capital that affect its use as a measure. Specifically, the "current assets" portion of working capital includes assets or resources that are reasonably expected to be realized in cash (e.g., accounts receivable) or consumed (e.g., inventories and prepaids) within a year, which leads to two considerations for an accurate calculation of working capital:

- **Strength of collection practices.** An appropriate allowance for uncollectibles should be established and the amount of the receivable that is expected to be collected in cash within one year should be determined in a manner that is consistent with the collection practices of the government. If the accounts receivable collection practices of the enterprise fund are inconsistent or weak, then less of the accounts receivable amount should be reported as current assets.
- **Historical consumption of inventories and prepaids.** The amount of inventories and prepaids included in current assets should be a realistic estimate of the amount that will be consumed in one year based on a historical usage pattern and current operating levels (inventories) or based on the time periods to which the items relate (prepaids).

Because the purposes, customers, and other characteristics of enterprise funds can vary widely, GFOA recommends that governments develop a target amount of working capital that best fits local conditions for each fund. However, GFOA recommends that under no circumstances should the target for working capital be less than forty-five (45) days worth of annual operating expenses[1] and other working capital needs of the enterprise fund.[*] A target of 45-days would only be appropriate for those enterprise funds with the least amount of need for cushion or buffer.

In order to arrive at a customized target amount of working capital, governments should start with a baseline of ninety (90) days worth of working capital and then adjust the target based on the particular characteristics of the enterprise fund in question (using 45 days as the minimum acceptable level). The primary characteristics to think about when customizing a working capital target are presented below. The appendix to this Best Practices provides more detailed considerations for these characteristics as they pertain to common types of government enterprise funds.

- **Support from general government.** Some enterprise funds may be supported by general taxes or transfers from a general government. These enterprise funds may require lower levels of working capital if they are supported by these contributors. For a heavily subsidized enterprise fund the 45-day minimum working capital recommendation contained in this Best Practice might be met through support from the general government, if a financial buffer or cushion for the enterprise fund is to be provided by the general government (or other outside contributor).
- **Transfers out.** If the enterprise fund is expected to make a transfer to the general government or to some other fund, then this sort of claim on the enterprise fund's assets may call for higher levels of working capital to maintain flexibility. Transfers could include an enterprise fund's contributions to overhead/support functions, subsidies granted to other operations, or any other transfer of resources. Regardless of the rationale of the transfer, governments should take into account the claim on working capital when setting a target amount.
- **Cash cycles.** Does the enterprise fund experience large peaks and valleys in its cash position during the year? For example, a water enterprise fund may experience significantly higher levels of cash on hand during the summer months compared to the winter. Volatile cash cycles call for higher levels of working capital. Another consideration is the length of the billing cycle. A longer billing cycle would call for higher levels of working capital because the enterprise fund will have longer durations between major infusions of cash.
- **Customer concentration.** Is the enterprise fund dependent on a few customers for a large portion of its revenues or is the customer base diversified? For example, a port enterprise fund may be dependent on a few major shippers or commerce in a niche product. Lower customer concentration may mean that the enterprise fund can safely operate with lower levels of working capital.
- **Demand for services.** Does the enterprise fund face a steady demand for service or is demand potentially volatile, thereby leading to volatility in of income? For example, the demand for utility services is steady compared to demand for air travel. Also consider the impact of competitive position on demand. Direct competitors or the availability of reasonable substitutes could lead to greater volatility in demand for the enterprise fund's services. More volatility implies greater need for working capital margins.

- **Control over rates and revenues.** Does the enterprise fund have the ability to change rates, implement new charges, or otherwise raise revenues from its customers in a simple fashion? For example, transit enterprise funds are often constrained from raising rates by political pressure. Other enterprise funds may be subject to a rate control board. Those that face competitors in their market may have less effective control over their rates and revenues. More revenue constrained enterprise funds may need higher levels of working capital.

[1] The recommendation is to use annual operating expenses which include depreciation expense. If, however, annual depreciation expense is significantly more or less than the anticipated capital outlays of the next period to be paid from working capital consideration should be given to adjusting the benchmark. An appropriate adjusted benchmark may be annual operating expenses – annual depreciation expense + capital outlays of the next period to be paid from working capital.
[*] Subject to the exception for heavily subsidized enterprises, described later in this Best Practice.

- **Asset age and condition.** What is the age and condition of the enterprise fund's infrastructure? Older infrastructure has greater exposure to extraordinary repair needs. Enterprise funds with newer and/or well maintained capital assets may be able to operate with less working capital than other enterprise funds.
- **Volatility of expenses.** Are the expenses of the enterprise fund volatile or does the enterprise fund have a high degree of control over its expenses? For example, the expenses of a solid waste enterprise fund tend to be fairly stable throughout the year. In another example, water or sewer enterprise funds may be more vulnerable to large expense spikes from extreme weather. Enterprise funds with more stable expenses can safely operate with less working capital than other enterprise funds.
- **Control over expenses.** Consider the enterprise fund's level of fixed and variable costs and the ability to reduce variable costs in response to lower revenues. For instance, if a convention center does not book an event, it does not need to hire temporary help and incur other expenditures in support of the event. An enterprise fund with a high percentage of operational costs which vary depending upon revenues or operating levels may operate with lower levels of working capital.
- **Management plans for working capital.** Working capital includes assets, which can include both truly unrestricted resources and resources that have internal limitations placed upon them (e.g., board-designated) and/or that may be committed for future capital spending. These amounts may appear as unrestricted on the balance sheet but, in actuality, may be unavailable in the future to serve as a buffer or tool to help manage financial risk. If these types of limitations exist, the working capital target should be adjusted to arrive at an amount that represents a true amount available as a tool to manage financial risk.
- **Separate targets for operating and capital needs.** Depending on the nature of the enterprise fund, governments might also consider designating separate targets for operating and capital needs, especially when the enterprise fund is very capital intensive. For example, there might be a separate amount identified for equipment replacement or debt service. In such a case, targets should be separately evaluated based on the particular features of the isolated amounts.
- **Debt position.** Enterprise funds often carry significant amounts of debt, which is used to acquire capital assets. The amount and type of debt an enterprise fund carries can have important ramifications for working capital targets. For example, an enterprise fund with a large amount of variable rate debt may need additional buffer to manage the risk associated with interest rate volatility. In addition, uneven and increasing or lump-sum debt principal payments to be made in future years may raise the amount of working capital that the enterprise fund should maintain. Viewing the amount of working capital in this broader context will help ensure that resources are available to make debt payments as they come due.

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