

HOW TO READ AN OPERATING BUDGET

This budget is the City of Loveland's financial and operating plan for the fiscal year beginning January 1, 2010 and ending December 31, 2010. As such, the 2010 Budget and CIP is a bridge between the current fiscal year and 2011. It necessarily weaves current issues with future opportunities and threats.

Because of the amount and complexity of the information it contains, the budget can be imposing. The goal of the City is that this document be accessible to all of our residents. To the end, the reader should always keep in mind that this document answers two basic questions: "Where is the City of Loveland's money coming from?" and "How will that money be used?" The challenge for City Council and City staff is to convince the taxpayer that we deliver value-added services for the taxes, fees and charges paid by our customers—the residents and visitors to our community.

All the information presented herein is organized by the fund that is responsible for providing the service, activity, or program. For example, money that is collected from the City's customers for water services is spent to provide water to them through the Water Fund. The 2010 Operating Budget is divided into sections by fund, and then by department or division (if applicable) within each fund.

The Capital Improvement Program (CIP) is also included in this budget in the Budget Summary section. A capital project is defined as new, replacement of, or improvements to infrastructure that has a minimum life expectancy of five years and a minimum cost of \$10,000. Only the capital projects, which are scheduled for completion in the 2010 budget year, are funded and included in the calculation of the 2010 Operating Budget. Some capital projects and purchases are contingent upon the City obtaining grants and/or creating a Tax Increment Finance (TIF) District. CIP projects slated for subsequent years are not necessarily budgeted, but are identified to assist City Council and City Administration in planning future expenditures and weighing competing community needs.

The City of Loveland's annual budget is developed through a cooperative effort involving the City Council, City officials, the Finance Committee and the citizens of Loveland. Because of the importance of developing an operational plan which best meets the needs of the community with finite resources, the budget process takes close to six months to complete. The overarching guide to this budget process is the City's organizational vision, which is:

The City of Loveland is dedicated to protecting and strengthening our neighborhoods and natural resources, improving economic vitality, enhancing our hometown charm and quality of life, and fostering long-term community stability while achieving balanced growth.

BUDGET GLOSSARY

Administrative Transfer Fee: A fee paid to the General Fund by City of Loveland enterprise or special revenue funds to pay for services provided by the General Fund, such as personnel, legal, accounting, and general managerial services.

Appropriation: Money set aside for a specific use by ordinance of the City Council that provides the legal authority to expend public funds.

Assessed Valuation: A value placed upon real estate or other property by the various county auditors and used as a basis for levying property taxes. For residential and commercial property in Ohio, the assessed valuation is 35% of the market value.

Audit: An examination of the City's accounting record by an independent accounting firm to determine the accuracy and validity of records and reports as well as conformity with established policies. The General Accounting Standards Board (GASB) sets standards for financial reporting for units of government that are referred to as Generally Accepted Accounting Principles (GAAP).

Balanced Budget: An annual budget in which operating revenues are equal to or greater than approved operating expenditures.

Bond: Bonds are debt instruments requiring repayment of a specified principal amount on a certain date (maturity date), together with interest at a stated rate, or according to a formula for determining the interest rate.

Budget: The official written statement of the City of Loveland's financial program that is adopted every year by City Council. As the operating plan for the City, it consists of proposed expenditures for specific purposes, projects, and programs and the adopted means of financing those expenditures.

Budget Calendar: The schedule followed by the City of Loveland for developing its annual budget. The process for developing the 2010 Budget and CIP began in June of 2009, and included a special CIP work session with City Council on September 8, 2009.

Budget Message: The City Manager's general discussion of the budget that is presented to City Council as part of the budget document. This message explains broad budget and policy issues and presents the City Manager's recommendations to City Council.

Capital Improvement Program (CIP): A planning document that presents the City's capital infrastructure needs for the next five years. In Loveland, the CIP is revised annually. The first year of the CIP is funded in the current year's operating budget.

Capital Equipment: New or replacement equipment which has a minimum life expectancy of one year and a minimum expense of \$1,000.

Capital Project: New infrastructure (e.g. buildings, roads, parks, water lines, etc.) or replacement of or improvements to existing infrastructure which has a minimum life expectancy of five years and a minimum expense of \$10,000.

Catastrophic Reserve: The portion of a fund balance that is not available for appropriation or expenditure unless deemed absolutely necessary by City Council. In Loveland, the Catastrophic Reserve is established by Resolution 1993-82 to be 20% of the “normal operating expenditures” in the General Fund, Street Maintenance Fund, Parks and Recreation Fund, Special Projects Fund, and Income Tax Fund.

Community Development Block Grant (CDBG): Grant funds allocated by the Federal Government and administered by Hamilton County to be used for the prevention and removal of slum and blight, and to benefit low and moderate-income persons. The City of Loveland applies to Hamilton County for three years of funding with the current application period being 2009 to 2011.

Community Improvement Corporation (CIC): A corporation organized under statute for the purpose of promoting economic development in the City of Loveland. The CIC Board consists of all seven Council members, the City Manager, a representative of the Chamber of Commerce, a representative from the School Board, and a resident at large. The City of Loveland accounts for CIC revenues and expenditures.

Contingency: In capital projects, a contingency is typically used to provide additional funds (usually 10 to 20% of the project cost) for unforeseen costs or change orders that are not part of the original project estimate. In operating budgets, contingency is typically used in the Loveland context to mean undesignated, unreserved funds, which if not used by City Council, will be carried over into future fiscal years.

Debt Service: Payment of principal and interest on an obligation resulting from the issuance of bonds and notes according to a predetermined payment schedule.

Department: A major administrative section of the City of Loveland government. Loveland has five departments, including: Law, Finance, Safety, Service and General Administration.

Emergency Medical Services (EMS) Fund: The property tax-supported operating fund of the City of Loveland that supports the City’s contractual obligations to the Loveland-Symmes Fire Department for their emergency medical services to the Loveland community.

Encumbrance: A reservation of funds from one fiscal year to the next to cover purchase orders, contracts or other funding commitments that are yet to be fulfilled and paid for but which have been made. The budget basis of accounting considers an encumbrance to be the equivalent of an expenditure.

Enterprise Fund: A fund in which the services provided to customers/residents are financed and operated similarly to a private business. An enterprise fund is operated so that the costs of providing services are financed through user fees and charges. In Loveland, the City provides four services—water, wastewater, stormwater and solid waste—through enterprise funds.

Expenditure: The actual outlay of funds from the City treasury.

Expenditures, Essential: Expenditures which are fundamental and/or absolutely necessary to the operation of the City. This term has a particular meaning in Loveland and was developed in 2004 and 2005 between the City's Finance Committee and City administration. Essential expenditures are annually compared to secure revenues to determine if the City has a structurally balanced budget.

Expenditures, Non-Essential: Expenditures which support the operation of the City but which are not absolutely necessary. This term has a particular meaning in Loveland and was developed in 2004 and 2005 between the City's Finance Committee and City administration. Non-essential expenditures are annually compared to unsecure revenues, and non-essential expenditures have been pre-identified as the first candidates to be eliminated from the City's budget should the City start to realize a structurally unbalanced budget.

Fire Fund: The property tax-supported operating fund of the City of Loveland that supports the City's contractual obligations to the Loveland-Symmes Fire Department for fire protection for the Loveland community.

Fire and EMS Fund: A fund created by voter approval in 2001 and paid for by a levy on property tax to support the City's contractual obligations to the Loveland-Symmes Fire Department. Its collections may be used by the City to pay for either Fire or EMS expenditures, making it more flexible than either the Fire Fund or the EMS Fund.

Financial Policies: A series of written procedures used to guide the City's budget process. Financial policies help ensure that the City uses best financial practices to manage its money, assets, infrastructure, treasury and debt.

Fiscal Year: The twelve-month period that establishes the beginning and the ending period for recording financial transactions. The fiscal year for the City of Loveland is January 1 to December 31.

Fund: An accounting concept used to separate or subdivide financial activity of a city for legal and managerial purposes. All financial activity of a municipality must be classified in relation to a fund.

Fund Balance: The difference between the debits and credits of a particular fund. The fund balance not spent in one fiscal year will be carried forward to the next.

General Fund: The general operating fund of the City of Loveland that accounts for financial resources not restricted to any specific purposes. The General Fund pays for services such as Police, Finance, Building and Zoning, Administration and other general government programs and services. In 2009, the Income Tax Fund and Parks and Leisure Fund were consolidated into the General Fund to make it easier to measure and monitor general government expenditures.

General Purpose Funds: Funds supported by taxes and fees that have unrestricted use.

Green Initiative Fund: A Fund proposed to be created in 2010 to receive revenue associated with capital projects pursuant to a policy that requires dedicating a small percentage of dollars to be reserved for future environmental projects in subsequent years.

Homestead Reimbursement: In Ohio, the State rolls back the property tax millage for the property owners and then makes the local governments “whole” by providing them revenue equal to the amount of foregone revenue. The fiscal impact of the homestead reimbursement is therefore zero for the City’s budget. This is both a revenue and an expenditure, and the two are equal.

Impact Fee: A fee charged on new development to recognize that new development creates demand on existing infrastructure that was paid for and developed from previous taxpayers. So, an impact fee allows the new development to contribute to existing systems to ensure existing infrastructure is not overwhelmed by new development. Loveland charges both a road and recreation impact fee, and both are \$500 per single family dwelling unit.

Income Tax Fund: The Fund formerly used through 2008 to receive the 1% income tax levied by the City of Loveland. Because income tax revenues were general government revenue, the City eliminated the Income Tax Fund in 2009 and consolidated the revenues and expenditures formerly associated with the Income Tax Fund into the General Fund.

Infrastructure: The physical assets of the community, such as water and sewer systems, public buildings, streets and bridges, parks, etc. The community’s infrastructure is maintained or expanded in part through the City of Loveland’s Capital Improvement Program.

Lease-Purchase: A form of financing by which the City leases a piece of equipment or a property from a qualified lending institution for a predetermined period of time with an arranged payment schedule. At the end of the lease period, the City typically purchases the equipment for a nominal fee.

Leave Reserve: A method used by the City of Loveland for reserving funds to pay for separation costs associated with the voluntary separation of employees who have accumulated vested vacation or sick leave.

Line Item Budget: A budget in which expenditures are classified and displayed by detailed expense categories, such as full time wages, overtime wages, workers compensation, office supplies, fuel, insurance, etc.

Loveland-Symmes Fire Department (LSFD): A private organization that provides fire and emergency medical services to the City of Loveland and Symmes Township. The LSFD operates four stations: two in Loveland and two in Symmes Township, and operates the City's emergency dispatch center—Northeast Communications Center—in the Loveland Safety Center. LSFD utilizes equipment and vehicles owned by the taxpayers of Loveland and Symmes, but its employees are not employees of either jurisdiction.

Mandate: Legislation passed by the State or Federal government requiring action or provision of services and/or programs. Recent mandates that have impacted the City of Loveland include the Red Flag consumer protection requirements and costs associated with the Global Consent Decree of the Cleanwater Act passed onto Loveland ratepayers through MSD.

Margin Analysis: A process developed by the City of Loveland in 2004 and 2005 to determine if the City's General Fund is structurally balanced. The Margin Analysis compares the City's essential General Fund expenditures to its secured General Fund revenues to see if needs to draw down on undesignated fund balance to meet essential expenditures in the current or upcoming fiscal year. The Margin Analysis also analyzes non-essential expenditures to unsecured revenues, and includes an analysis of the City's capital fund expenditures. The Margin Analysis is a tool used to determine if base budget expenditures are or will exceed the base revenues of the Loveland community.

Metropolitan Sewer District Charges (MSD): The Hamilton County agency responsible for the provision of sanitary sewer services in Loveland. Since 1985, MSD has managed and operated the City of Loveland's sanitary sewer system, including the Polk Run Treatment Plant. The City of Loveland bills residents for sewer services, retains 7% of its total sewer fee revenue to account for the service of handling the sewer billing, and remits the balance to MSD for their services. In 2008, the City of Loveland provided notice to Hamilton County of its intent to resume operations of Loveland's sewer system in 2010, though this matter is presently unresolved and involves two lawsuits.

Operating Expenses: All expenses that are necessary to maintain existing levels of services. Operating expenses generally include wages, utilities, supplies, etc., but not equipment replacement and capital expenditures. Operating expenses can also be labeled fixed costs.

Operating Margin: The difference, positive or negative, between operating revenues and operating expenses in a given year. If positive, the operating margin equals the amount of funding available for capital and/or other discretionary spending (or reserving for future needs or tax cuts) in a given year. If negative, the operating margin represents

the amount of beginning fund balance needed to balance the budget in the current year's budget.

Ordinance: A municipal regulation approved by the City Council that has the force of law. Appropriations of City Council are done by ordinance.

Parks and Leisure Fund: The fund formerly used through 2008 to provide Loveland residents and nonresidents with recreation programs, parks and open space. Because parks and leisure expenditures are almost entirely paid for from Income Tax revenue, and because Parks and Leisure are considered a general government function, the Parks and Leisure Fund was eliminated in 2009 and its revenues and expenditures were consolidated into the General Fund.

Performance Measurement: A quantitative or qualitative measure of work performed (e.g. total traffic violation arrests) or services provided (e.g. number of utility bill payments processed) or results obtained through a program or activity (e.g. reduction in neighborhood crime due to community oriented policing programs). The purpose of performance measures is to translate taxes paid into services received and to facilitate the efficient deployment of resources.

Program: A specific or discrete service performed by the City of Loveland. The City of Loveland provides the community dozens of programs.

Resolution: A formal expression of opinion, will or intent passed by a majority of City Council. A resolution does not have the force of law.

Revenue: Funds that the City of Loveland receives as income, such as tax payments, fees for services, receipts from other governments, fines, and grants.

Revenue, Secure: General Fund or Special Projects revenues which are stable and reliable from one fiscal year to the next. This generally includes property tax, permissive taxes, and the like which are highly predictable.

Revenue: General Fund or Special Projects revenues which vary from one fiscal year to the next, or which are hard to predict. This generally includes estate tax and interest income on the City's treasury.

Sanitation and Environment Fund: The enterprise fund used to provide municipal solid waste, recycling, and leaf and brush collection. The Sanitation and Environment Fund also supports environmental remediation, such as the Harper Avenue Landfill Hazardous Gas monitoring mandate imposed by the Ohio Environmental Protection Agency.

Special Projects Fund: A fund used to account for various large capital projects or studies, largely funded by earnings on interest from the City's treasury.

State Capital Improvement Program (SCIP): A competitive Ohio program used to loan or grant money to local governments like Loveland for basic infrastructure programs. Loveland has used SCIP funds to pay for millions of dollars of basic infrastructure projects over the programs more than 20 years of existence.

Storm Water Utility: The enterprise fund used to reduce flooding, maintain existing storm water infrastructure, and comply with the requirements of Phase II of the NPDES mandates from the Federal government. The City charges property owners based on the size of the property and the intensity of the land use.

Street Maintenance Fund: A fund used to pay for routine maintenance of Loveland's roadways, such as plowing, patching, sweeping, etc. The Fund is supported principally through gasoline tax and motor vehicle registrations.

Tax: Compulsory charges levied by a government unit for the purpose of raising revenue, which in turn pays for services or improvements provided for the benefit of the general public. The City's primary sources of taxes are the one percent income tax and real estate property tax.

Tax Increment Finance (TIF) District: A financing tool that allows a city to define a geographic area, create a special district, and capture a significant portion of additional tax revenue from development within the district. These captured revenues can then be used to pay for public improvements that support the development. Loveland has created three TIFs: the Northend TIF, the Downtown TIF, and the Recreation Land TIF off of Butterworth Road.

User Fees/Charges: A payment made to the City of Loveland for receipt of services by the user who benefits from the service. The City of Loveland's primary source of user fees is for utility services, such as water, sewer, stormwater and sanitation.

Water Capital Improvement Fund: A fund used to pay for major capital improvements to the City's water system.

Water Operations Fund: The specific fund which receives all payments for and charges against the acquisition and distribution of water in and around Loveland. The Water Fund is an enterprise of the City of Loveland.