

OVERVIEW

This is a year-end summary report for the City’s General Fund for 2010. The intent of this report is to focus on some key indicators within the General Fund.

The General Fund collected revenue of \$60.5 million in 2010 which was approximately 5.6% greater than it received in 2009. Expenditures in 2010 totaled \$58.6 million which were only \$18,088 more than the expenditures in 2009. Along with transfers in and lease proceeds of \$150,000 the overall change in the fund balance for 2010 was an increase of \$2,064,423 to a fund balance of \$14,205,164 at December 31, 2010.

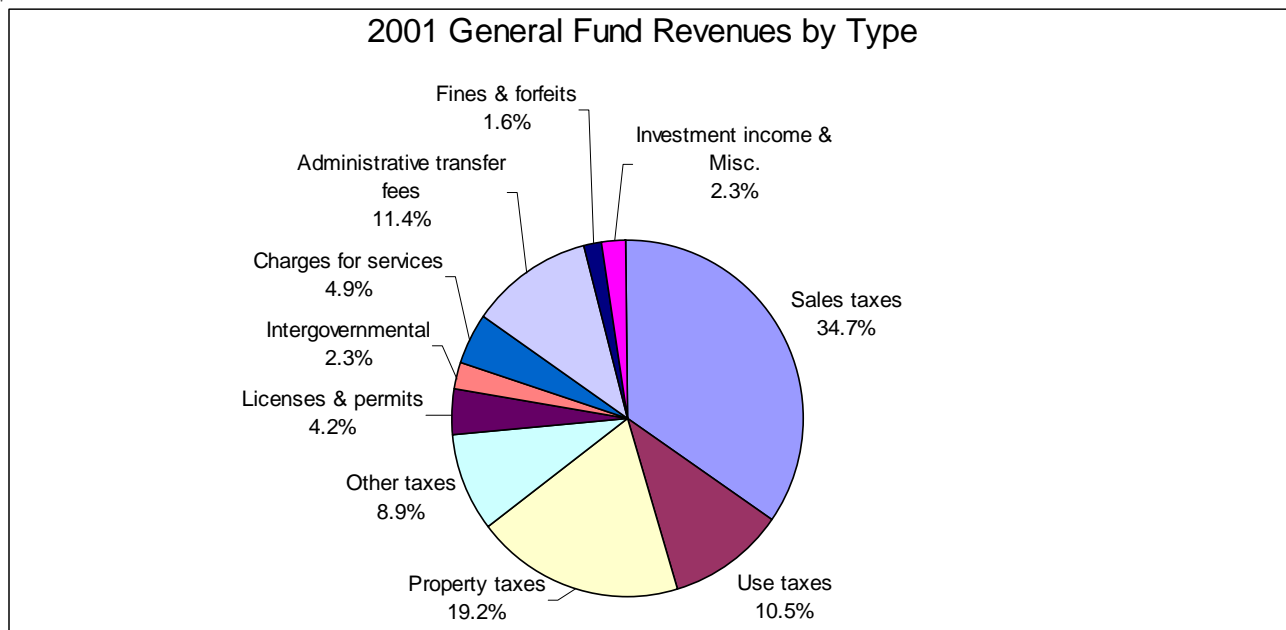
Revenues exceeded expenditures and net transfers by over \$2 million but that outcome was much stronger than had been budgeted for 2010 as the original budget called for over \$1.9 million use of fund balance. The final 2010 General Fund budgeted expenditures were \$62.5 million. While \$3.9 million of that amount was not spent during 2010, encumbrances and carryovers of almost \$1.8 million left \$2.1 million of General Fund expenditure savings in 2010. Revenue growth also added to the overall performance as various sources combined to exceed budgeted revenue in the 2010 General Fund by over \$1.6 million.

REVENUE ANALYSIS

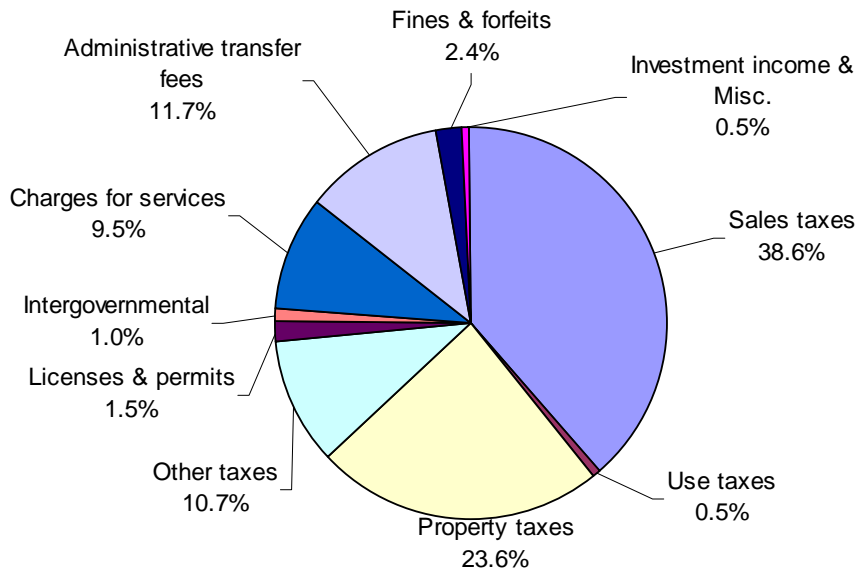
Historically, sales and use tax has been the primary revenue source of the General Fund and thus has the most impact on the health of the fund. After reviewing this General Fund Summary in 2007 the City Council directed the staff to find a way to stabilize the impact that the volatile use tax was having on the General Fund. In the 2008 budget a new financial policy was adopted that directed most of the use tax revenue from the 2% tax split by the General Fund and the Public Improvement Fund to the Public Improvement Fund. As a result the General Fund has since been mostly impacted by the sales tax and only a small portion of the use tax.

Building permit revenue is another revenue source that can be volatile and thus it also drives the health of a number of funds including the General Fund. Property taxes are a large source of revenue but actual collections are generally very stable in relation to the budgeted estimates.

What follows is a comparison of General Fund revenues in 2010 to nine years earlier in 2001 followed by an individual analysis of the major components of those revenues.



2010 General Fund Revenues by Type



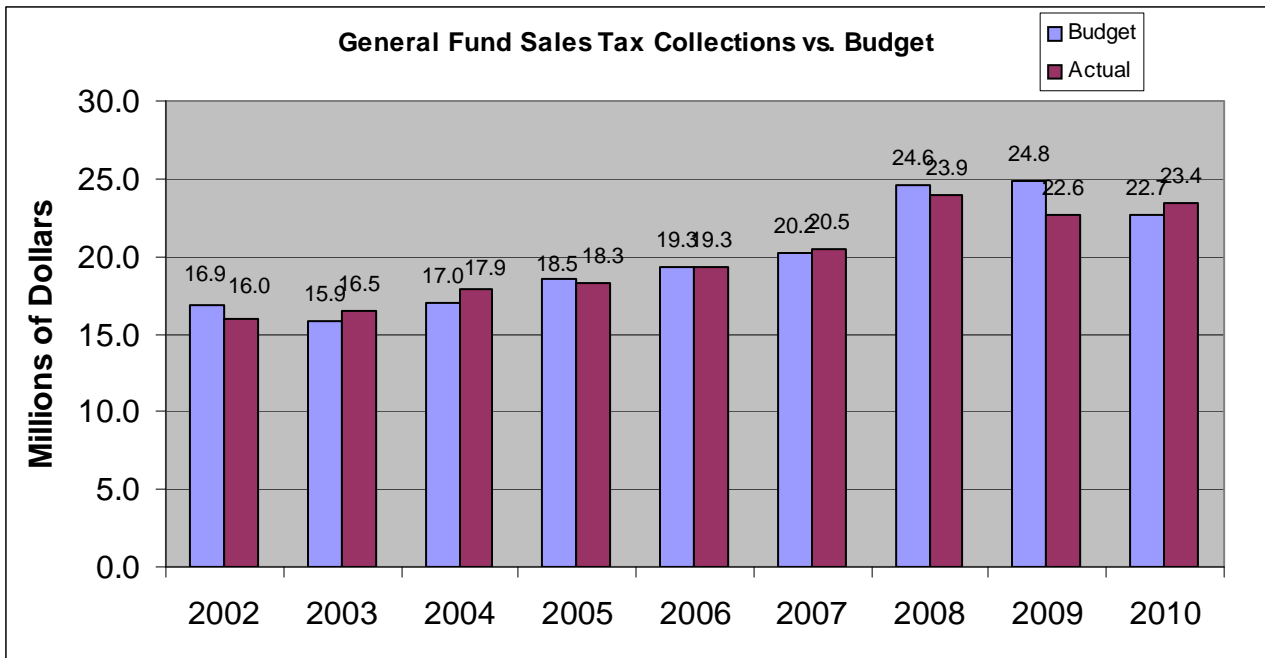
	2001		2010	
Sales Tax	\$16,357,535	34.7%	\$ 23,368,226	38.6%
Use Tax	4,942,119	10.5%	272,446	0.5%
Property Tax	9,055,508	19.2%	14,296,839	23.6%
Cigarette Tax	238,719	0.5%	185,916	0.3%
Franchise Taxes	3,949,105	8.4%	6,314,911	10.4%
Licenses & Permits	1,983,945	4.2%	911,127	1.5%
Intergovernmental	1,103,498	2.3%	619,302	1.0%
Charges for Services	2,290,506	4.9%	5,719,665	9.5%
Administrative Transfer Fees	5,346,444	11.4%	7,063,999	11.7%
Fines & Forfeits	735,769	1.6%	1,442,613	2.4%
Investment Income	941,347	2.0%	170,908	0.3%
Miscellaneous	151,975	0.3%	119,482	0.2%
	\$47,096,470	100.0%	\$60,485,434	100.0%

A. Sales Taxes

Comparing General Fund revenues in 2010 to nine years earlier reveals that due to the change in allocation of use tax, sales taxes are a larger percentage of the total. While they were 34.7% of the total in 2001 they were 38.6% in 2010. The City experienced an increase of 3.4% in 2010 sales tax revenue over 2009 collections while the budget increase for 2010 was only 0.42%.

Of the individual sales tax categories most of them showed growth in 2010 including the two largest revenue generators, Food (2.6%) and General (0.6%). Other categories experiencing growth in 2010 included Automotive (5.0%); Lodging (4.9%); Professional (12.3%); Public Utility (5.5%); Unclassified (12.7%); and Lumber (4.5%). All other categories experienced a decline in sales tax including Apparel (2.3%); Home Furnishings (4.0%); Home Occupations (7.6%); and Manufacturing (21.2%).

For 2011 staff projected sales tax revenue to increase 3.53% over our final projected sales tax revenue for 2010. It will actually take only a 2.14% increase over the final sales tax revenue for 2010 to reach the budgeted estimate for 2011. After four months, our sales tax is up 6.4% in 2011.



B. Use Taxes

The comparison of 2010 revenue to 2001 indicates that use taxes have dropped considerably as a percentage of the total from 10.5% to 0.5%. This is a result of the change in the allocation of sales and use tax between the General Fund and the Public Improvement Fund with most of the use tax directed to the PIF. This change was made due to the volatility of the use tax and the continuing decline from this source of revenue in recent years. In 2010, the use tax revenue overall for the City increased 11.3% compared to 2009 collections. The increase in use tax can mostly be attributed to construction activity, specifically the building permit for the Super Walmart.

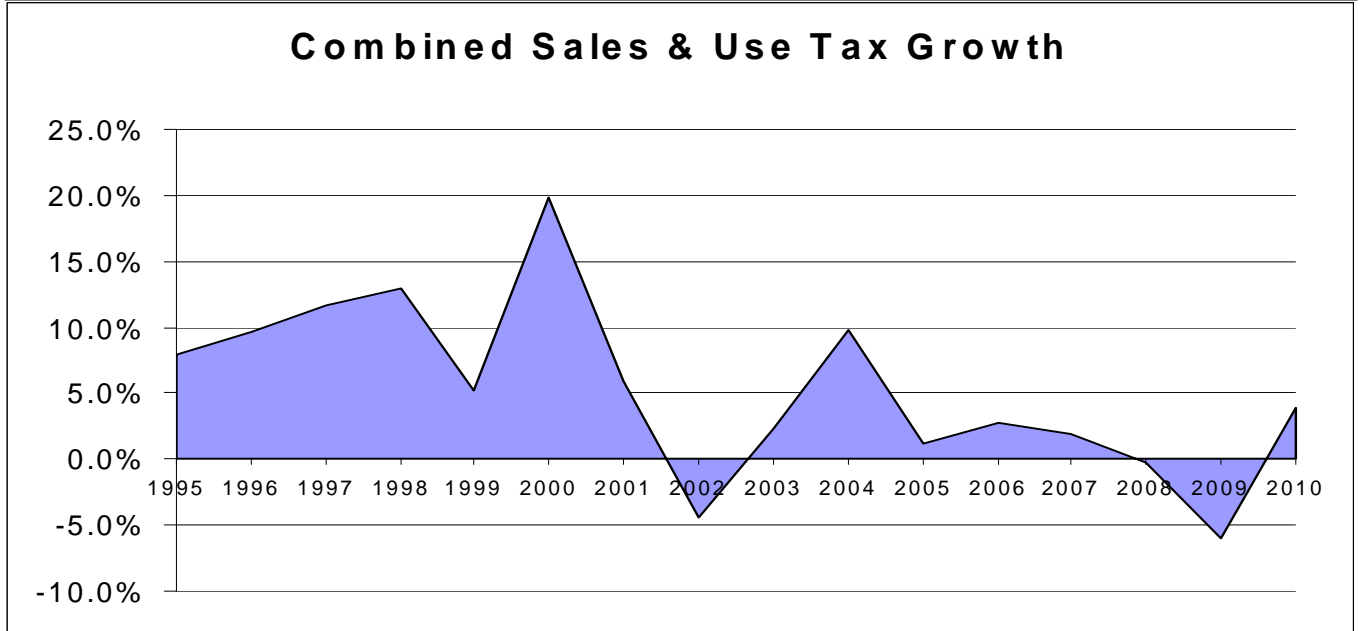
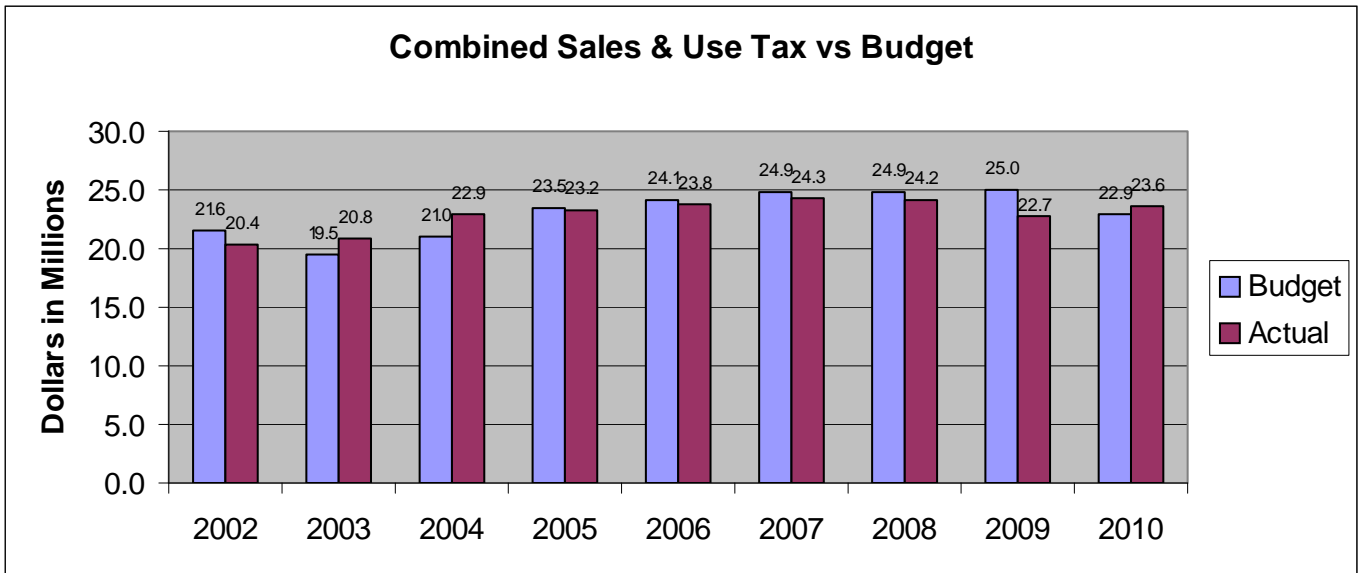
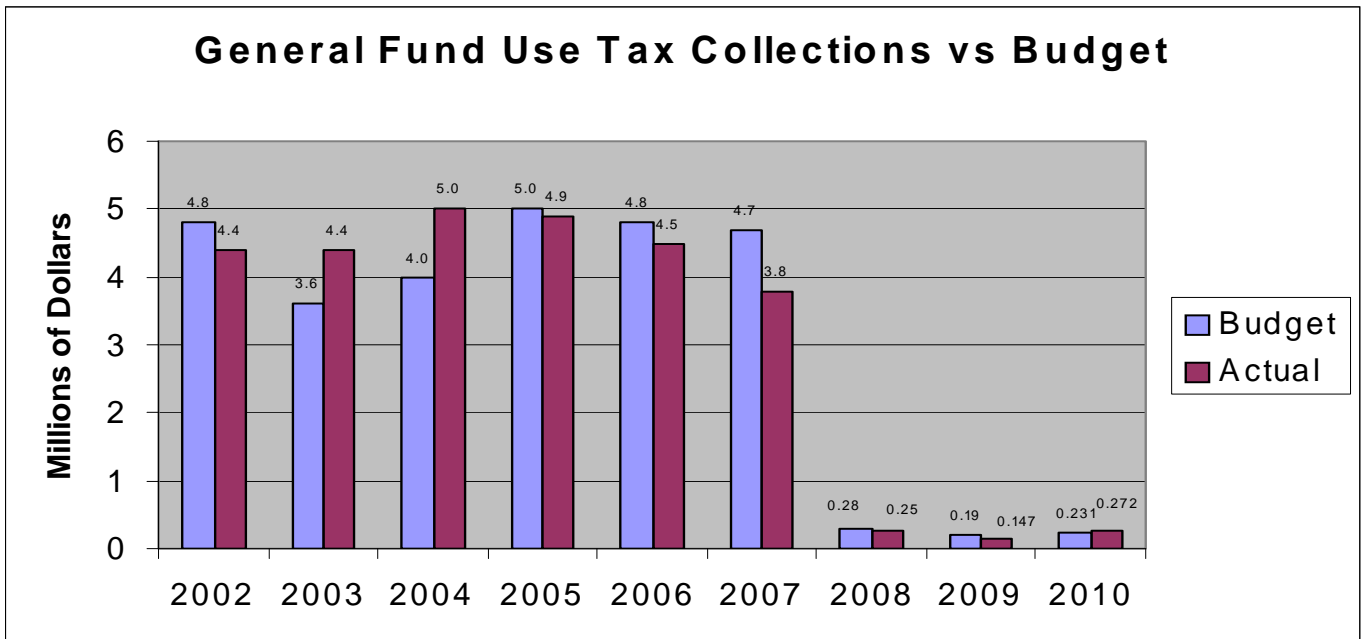
Use tax from the lumber category in 2010 was 68.9% below the 2001 level of revenue from this source. Total residential building permits in 2001 were 1,624, but in 2010 they were only 88. Commercial construction in 2010 was high compared to recent years due to the Super Walmart as the value of new construction permits in 2010 was \$22.5 million. This was still well below the level of commercial construction in 2001 which was \$39.2 million.

Tax on vehicle sales to Longmont citizens other than by Longmont dealers are collected and remitted to the City by Boulder and Weld counties. This revenue source in 2010 was down 17.5% below the 2001 level of revenue.

Other sources of use tax have also decreased since 2001 including Manufacturing (31.9%); and the Public Utility category (27.7%). The only categories showing a significant increase in use tax between 2001 and 2009 are the Professional category (313%); and the Unclassified category (181.6%).

The 11.3% growth in use tax collections in 2010 over the previous year was a much better result than the 5.62% decline projection utilized in the 2010 budget. While the vehicle sales were up 4.2%, most of the overall growth in use tax in 2010 can be attributed to the Super Walmart building permit.

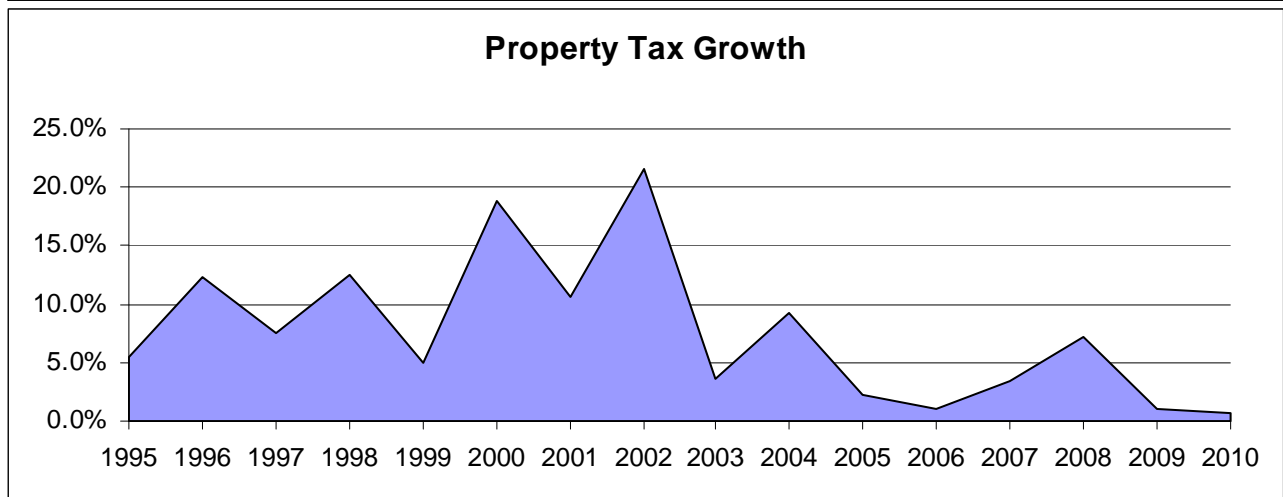
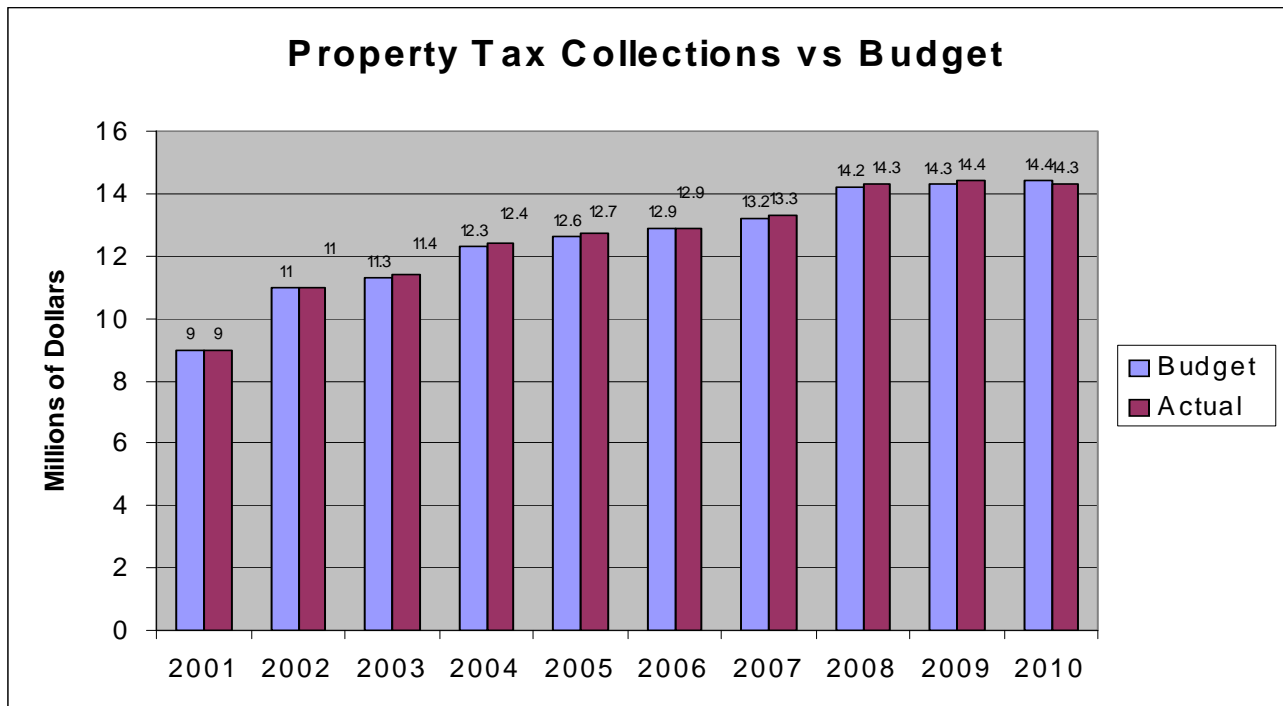
For 2011 staff projected use tax revenue to decrease 3.25% from our final projected use tax revenue for 2010. Since 2010 use tax revenue was greater than projected the budgeted estimate for 2011 is actually a 16.43% decrease from the final use tax revenue for 2010. After four months our use tax is up 36.0% in 2011. The increase is being driven by the use tax from building permits and the use tax from primary employers.



Tax Rate: 1.7 1.7 1.7 1.7 1.66 1.65 1.63 1.61 1.624 1.7 1.7 1.7 1.7 1.7 1.7 1.7

C. Property Taxes

Property taxes have increased 57.9% from 2001 to 2010 and they increased from 19.2% to 23.6% of the total General Fund revenue. While the mill levy has remained the same the revenue increase is due to growth in the assessed valuation from both new construction and growth in property values. Property tax revenue in 2010 was actually 0.7% less than in 2009. The 2010 budget includes effectively a 1.5% decrease in property tax revenue. There is actually a lag effect of close to two years in property tax. The County Assessor has indicated there is a 4% decrease in residential values for our 2012 property tax revenue reflecting property values as of June 30, 2010. With continued stress in property values, we will not recover that drop in property tax revenues before 2014 and more likely 2016. As the City approaches build-out in the future it is unlikely that we will experience significant growth from this source as new construction will be limited.



D. Franchise Taxes

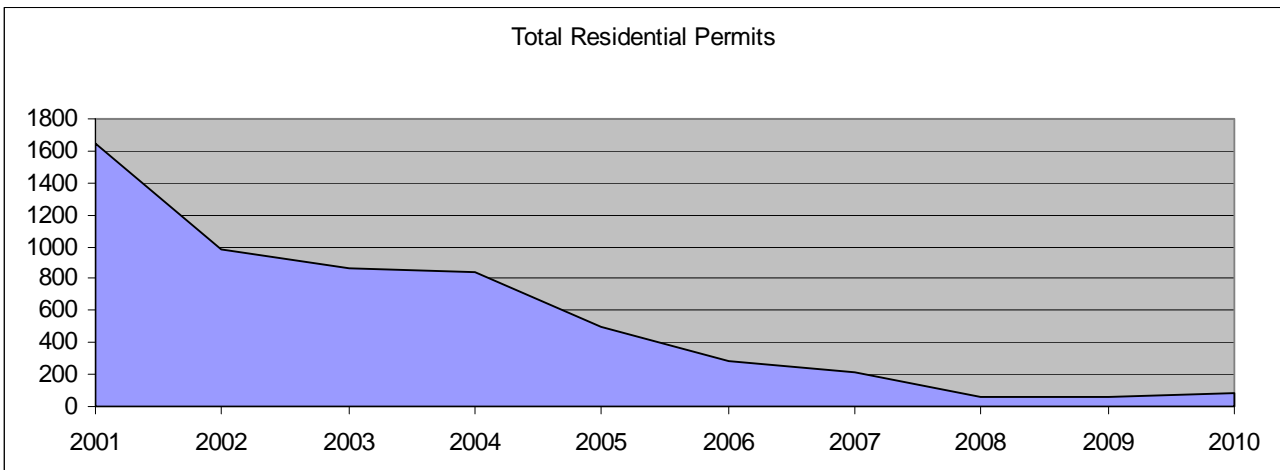
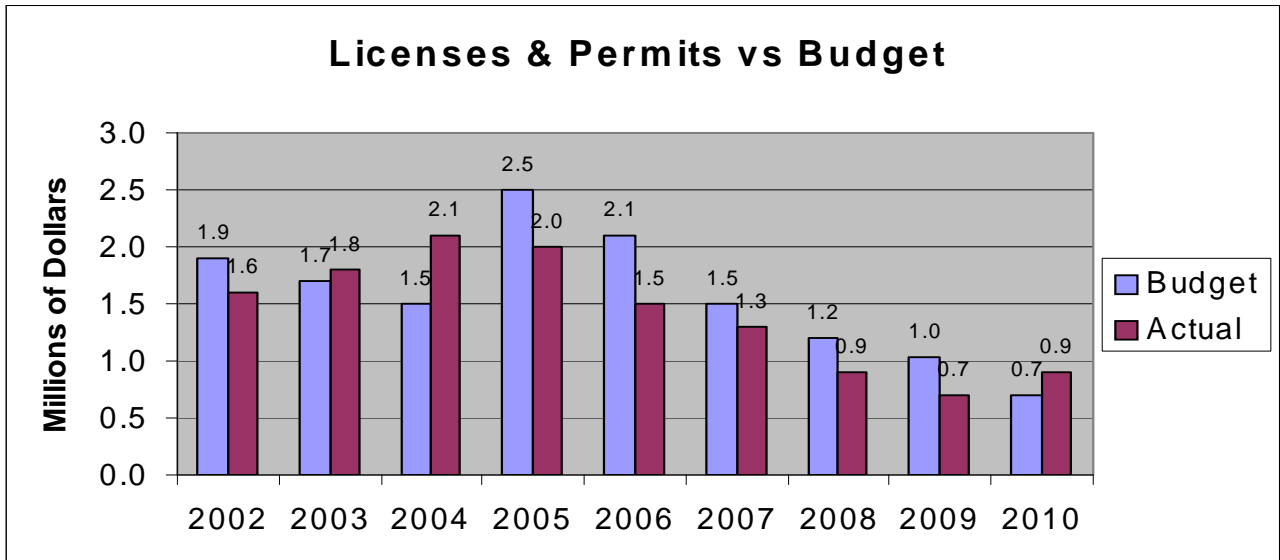
Franchise taxes have been a stable revenue source providing 8.4% of General Fund revenues in 2001 compared to 10.4% in 2009. An increase in the electric franchise fee and a new water franchise fee caused this to grow over \$1 million in 2010. The telephone utility tax goes down as the number of land lines in the City diminish but the impacts are currently not significant. Revenue from the cable franchise has shown steady growth but seem to periodically be at risk from legislative actions.

E. Licenses & Permits

Licenses and permits are only 1.5% of our overall 2010 General Fund revenues. In 2010 we experienced our first increase in licenses and permits revenue since 2004. The increase was still only to a moderate level as shown in the table below. As discussed under use taxes residential permits dropped considerably from 2001 to 2009. Valuations of new construction including commercial have suffered similar declines.

Year	SFD Permits	Multi-Family Units	Total Residential
2001	819	805	1,624
2002	675	284	959
2003	586	282	868
2004	530	320	850
2005	359	142	501
2006	186	122	308
2007	102	111	213
2008	54	10	64
2009	59	2	61
2010	82	6	88

The 2010 budget was based on a projection of 32 single family dwelling permits and 37 multi family unit permits. Through four months total building permits are flat but total valuation on permits is up 35.2%. That growth in valuation will be short-lived as the permit for Walmart was paid in the second quarter of 2010 and it will soon change our year to year comparison drastically.

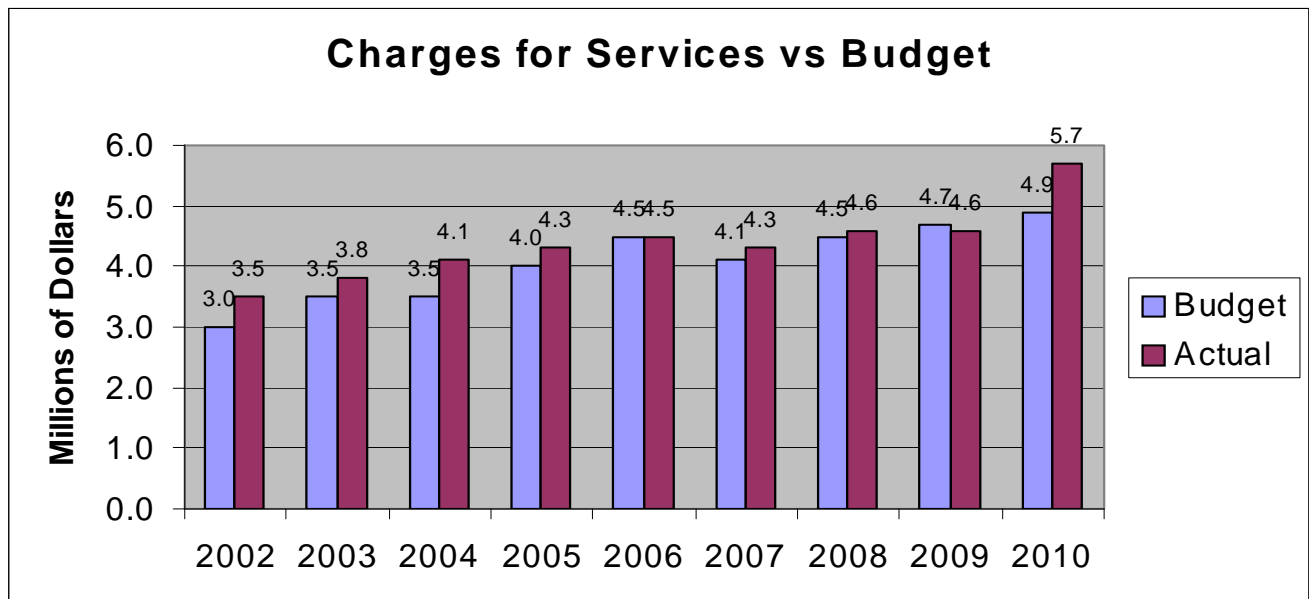


F. Intergovernmental

Intergovernmental revenue varies from year to year but it has decreased from 2.3% of total General Fund revenue in 2001 and 2.9% in 2009 to 1.0% in 2010. State grants dropped significantly as we received monies in 2009 for energy projects and digital trunk radios. State Severance Tax also dropped significantly. Also, 2009 was the last year in which we received revenue from the Clover Basin Fire Protection District.

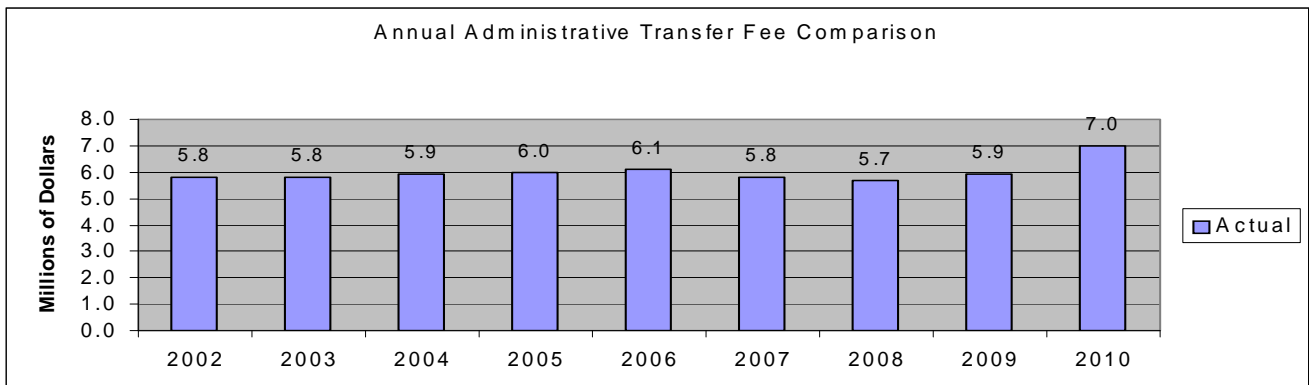
G. Charges for Services

There has been almost 150% growth since 2001 in Charges for Services. With the recreation center opening in March of 2002 a better comparison would be that there has been 50.7% growth in Charges for Services since 2003, the first full year of recreation center operations. There was 22% growth alone in 2010 over 2009 or over \$1 million. Over \$394,000 of that was due to the recording of utility billing disconnect fees in the General Fund instead of in utility funds but that is somewhat offset elsewhere in reduced administrative transfer fees. The new Parks & greenway maintenance fee also drove the growth as it generated over \$447,000 in 2010. From 2004 through 2006 plan check fee revenue exceeded \$500,000, but it was only \$211,194 in 2010.



H. Administrative Transfer Fees

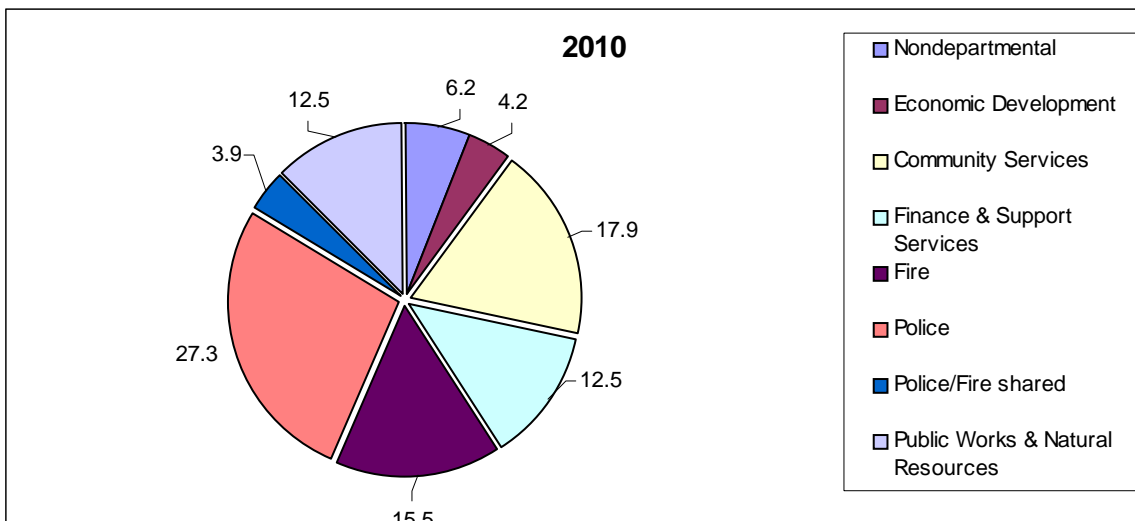
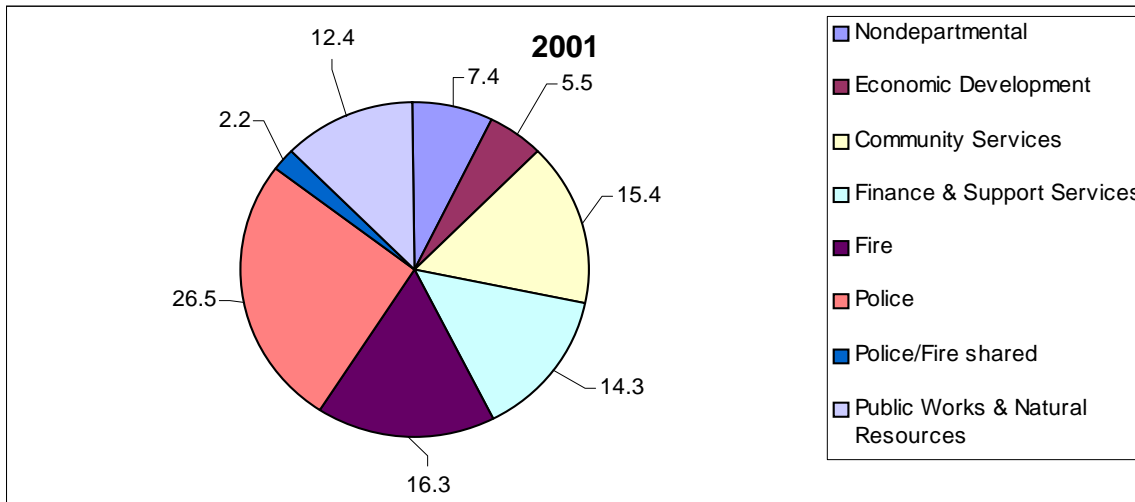
The General Fund includes a number of services that provide general support to the overall operations of the City. They include support services such as Human Resources, Legal, Accounting, Purchasing and Enterprise Technology Services to name a few. It also includes Utility Billing services that are cost-centered in the General Fund and provide billing services for utility services billed to our customers. These costs attributed to the other enterprise and operating funds of the City are recovered through administrative transfer fees (ATF's). Since 2001 the ATF's have increased 32.1% but they have only gone from 11.4% of total General Fund revenue in 2001 to 11.7% in 2010. It should be noted that the ATF's decreased over \$425,000 in 2007 due to the removal of some public works services from the General Fund. Additionally, some of these support services have been subjected to budget reductions in recent years which in turn impacts the ATF. In 2010 the ATF's increased significantly from Sanitation for trash removal in parks and from the Employee Benefit Fund for one time pension contributions as directed in the budget. Neither of these will occur in 2011.

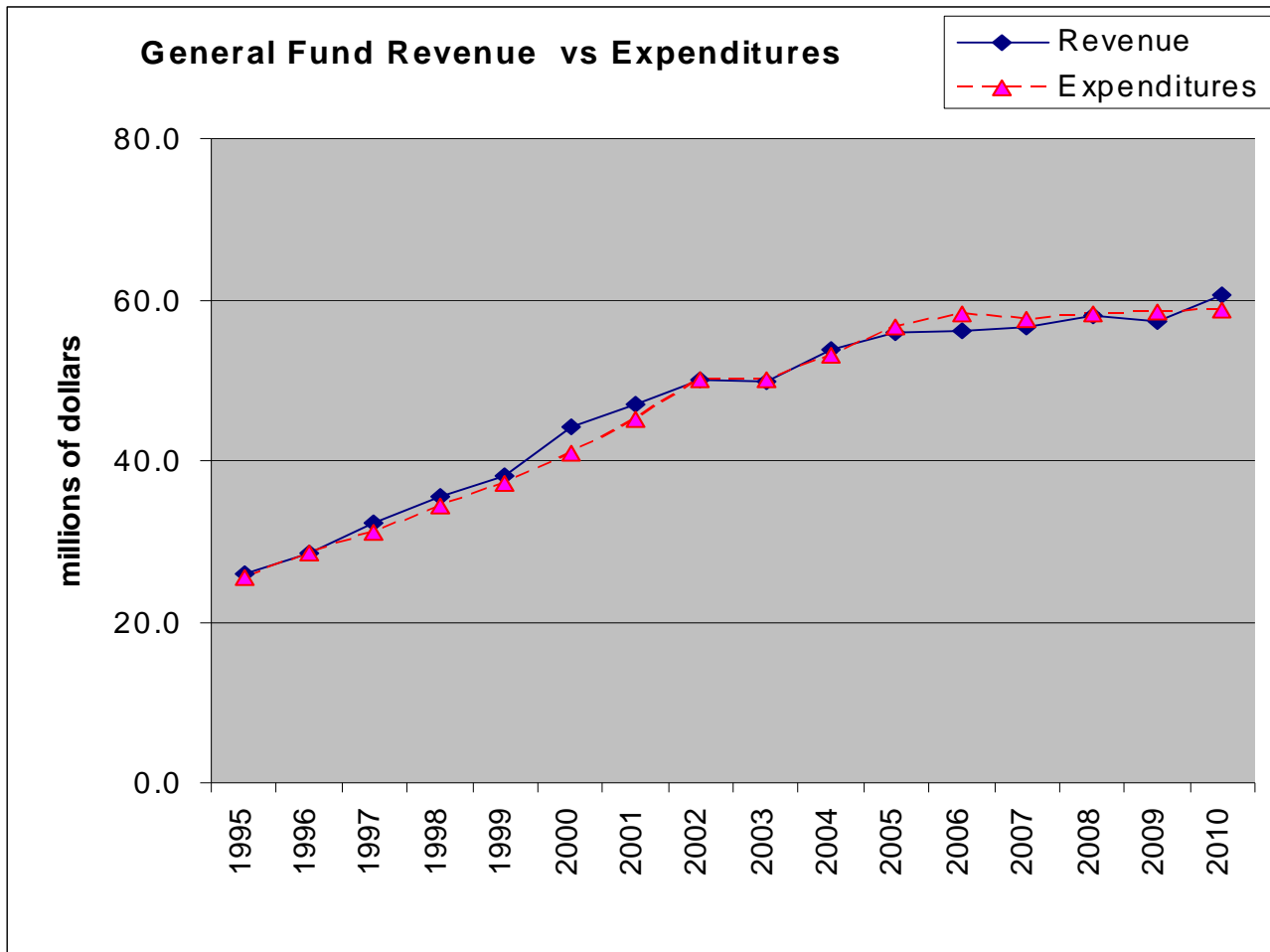


EXPENDITURE ANALYSIS

Expenditures are, of course, tied to our ability to fund them through revenues. Thus there is a similar overall growth in expenditures over time. In 2001, 75.4% of the General Fund was devoted to employee-related or personal service expenses. In 2010 this percentage was 76.6%. That percentage is higher in the public safety related departments and lower in other General Fund departments. A comparison of General Fund expenditures in 2001 and in 2010 is included below. Data for both years is presented consistent with the 2010 organization of services within departments.

	2001		2010	
Nondepartmental	3,339,041	7.4%	3,656,798	6.2%
Economic Development	2,479,389	5.5%	2,366,666	4.2%
Community services	6,935,970	15.4%	10,848,293	17.9%
Finance & Support Services	6,429,760	14.3%	7,563,456	12.5%
Fire	7,354,980	16.3%	9,423,715	15.5%
Police	11,962,718	26.5%	15,394,944	27.3%
Police/Fire shared	1,007,026	2.2%	2,225,298	3.9%
Public Works & Natural Resources	5,607,692	12.4%	7,091,510	12.5%
	45,116,576	100%	58,570,680	100%





A. Nondepartmental

Services included within this category are the City Manager, City Attorney, City Clerk, Municipal Court, Probation, Mayor & Council and Non-departmental expenditures. The Nondepartmental category has decreased from 7.4% of the General Fund in 2001 to 6.2% of the General Fund in 2010. The total Nondepartmental FTE decreased from 26.75 FTE in 2001 to 23 FTE in 2010. Of the 2010 Nondepartmental expenditures 63.7% are in the area of personal services which is primarily salary and benefits compared to 59.7% in 2001.

B. Economic Development

Economic Development expenditures have actually decreased 4.5% from 2001 to 2010. The Economic Development department expenditures have dropped from 5.5% of total General Fund expenditures in 2001 to 4.0% in 2010. The total number of FTE in the Economic Development department decreased from 2001 (30.84 FTE) to 2010 (21.5 FTE). The difference is due to reduced number of staff in planning and building inspection. In 2010, 87% of the Economic Development Department expenditures were for personal services compared to 85% in 2001.

C. Community Services

The Community Services department expenditures increased 52.3% from 2001 to 2010. Again, the recreation center opened in 2002 and the seasonal ice rink opened in 2004 which both increased expenditures accordingly. Recreation center expenditures in 2010 were \$1,243,195 and the ice rink expenditures were \$147,993. Removing these expenditures results in an increase of 32.3% from 2001 to 2010. Expenditures for Outside Agencies increased 61.6% since 2001 as City Council increased funding from 1.35% to 1.6% of General Fund operating revenues. Staffing in the Community Services Department increased from 83.53 FTE in 2001 to 88.8 FTE in 2010 but all of those FTE were simply adding benefits for temporary employees. Personal services expenditures were 66.4% of the Community Services Department expenditures in 2010 compared to 67.4% in 2001.

D. Finance & Support Services

Expenditures in the Finance & Support Services Department increased 17.6% from 2001 to 2010. The 2001 expenditures include the Warehouse service which has since moved to the Electric Fund. Adjusting for the Warehouse service results in a 23.5% increase in Finance & Support Services expenditures from 2001 to 2010. Most of the increase in Finance is within Enterprise Technology Services (ETS) which increased 38.4% or over \$818,000. ETS staffing has actually decreased from 18 FTE in 2001 to 16.65 in 2010 but the growth in cost comes primarily from the annual ETS infrastructure cost for the organization. The total FTE in Finance & Support Services decreased from 71.7 in 2001 to 69.7 in 2010. In 2010, 70.8% of the Finance & Support Services Department expenditures were for personal services compared to 72% in 2001.

E. Fire

Fire department expenditures increased 28.1% from 2001 to 2010. Fire expenditures were 16.1% of the total General Fund expenditures in 2010 compared to 16.3% in 2001. The total number of General Fund FTE in the Fire Department decreased from 83.5 FTE in 2001 to 80.5 in 2010. Of the 2010 Fire Department expenditures, 88.3% are in the area of personal services compared to 83.9% in 2001.

F. Police

The expenditures in the Police Department from the General Fund increased 28.7% from 2001 to 2010. Police expenditures dropped from 26.5% of the General Fund in 2001 to 26.3% in 2010. Staffing in the Police Department from the General Fund has increased from 143.5 FTE in 2001 to 148.0 FTE in 2010. There has been some decrease in these areas in 2010 due to the relocation of the Public Safety Chief and some other related services to Police/Fire shared. Of the 2010 Police Department expenditures 88.6% are in the area of personal services compared to 83.4% in 2001.

G. Police/Fire Shared

This service includes the Public Safety Chief, the Communications division and some shared expenses related to the Safety & Justice Center. As indicated above, the Public Safety Chief was moved here from the Police Department in 2010. As a result, expenditures in the Police/Fire shared area grew 121% from 2001 to 2010. Staffing from the General Fund has increased from 19 FTE in 2001 to 26.5 FTE in 2010. This service is typically made up of personal services and they were 90% in 2010 compared to 94.5% in 2001.

H. Public Works & Natural Resources

Currently the services in the General Fund from the Public Works and Natural Resources (PWNR) department are Parks and Municipal Facilities. Previously, there were also three services that had been a part of the General Fund during the period from 2001 to 2006. These services were moved into the Streets and Storm Drainage Funds for 2007 as they were mostly being supported by administrative transfer fees from those funds. The expenditures from PWNR in the General Fund increased 26.5% from 2001 to 2010. A good portion of that growth is from the Municipal Facilities service (97.3%) which has been impacted by the opening of new facilities at the Quail campus and by increased utility costs. The Parks service has also experienced growth (23.1%) between 2001 and 2010. Staffing in the PWNR Department from the General Fund has decreased from 70.5 FTE in 2001 to 61.13 FTE in 2010. Of the 2010 PWNR Department expenditures 55.0% are in the area of personal services compared to 61.1% in 2001.

General Fund FTE by Department

Department	2001	2010
Administration	26.75	23.00
Economic Development	30.84	21.50
Community Services	83.53	88.80
Finance	71.70	69.70
Fire	83.50	80.50
Police	143.50	148.00
Police Fire Shared	19.00	26.50
Public Works & Natural Resources	70.50	61.13
General Fund total	529.32	519.13

General Fund 2010 Year-End Summary

	2005	2006	2007	2008	2009	2010
GF Budgeted Expenditures	61,896,325	63,111,839	61,932,199	62,172,443	64,546,902	62,464,470
GF Actual Expenditures	56,620,695	58,336,841	57,460,198	58,353,377	58,552,592	58,570,680
GF Actual + Encumbrances + carryover	59,567,748	61,397,836	59,171,717	60,857,510	60,070,637	60,359,917
% of budget committed	96.2%	97.3%	95.5%	97.9%	93.1%	96.6%

FUND BALANCES

The fund balance of the General Fund at the end of each fiscal year is a measure of the financial status of the fund. The total fund balance identifies how much net assets are on hand in the fund but much of it is reserved or designated for various purposes. Below is a comparison of the breakdown of the General Fund fund balance at year end from 2005 through 2010.

Fund Balance Breakdown	2005	2006	2007	2008	2009	2010
Reserved for encumbrances	1,735,985	1,162,459	1,046,307	1,708,936	833,369	746,440
Reserved for TABOR	2,773,219	2,779,156	3,085,410	3,060,058	2,961,275	3,432,135
Reserved for loans/notes receivable	113,750	106,088	86,345	83,090	62,867	61,123
Reserved for prepaid expenditures	71,729	120,334	96,153	66,169	64,024	150,367
Reserved for staff contracts	104,532	105,636	111,291	114,489	150,142	150,142
Reserved for police block grant	3,408	59,100	63,376	55,879	-	0
Reserved for donations	5,048	5,048	17,750	6,748	3,973	4,772
Designated for carryover projects	1,211,068	1,898,536	665,212	795,197	684,676	1,042,797
Designated for emergencies	823,465	764,098	1,626,856	1,824,462	1,874,881	2,464,173
Designated for subsequent years' expenditure:	3,892,616	2,613,114	1,850,000	2,608,085	1,950,906	3,390,355
Designated for future Council 1 time exp	993,825	993,825	907,566	407,566	407,566	115,205
Undesignated	2,171,284	1,128,399	2,426,469	933,219	3,147,062	2,647,655
	\$13,899,929	\$11,735,793	11,982,735	11,663,898	12,140,741	14,205,164

With the exception of the final line item above, unreserved/undesignated fund balance, the amounts listed above are either "reserved" or "designated". "Reserves" are an indication that financial resources are not available for appropriation for any other purpose. "Designations" are indications that financial resources are earmarked for a specific purpose. Designations can be made either by the governing body or the chief executive officer. To designate fund balance only shows a preference to use financial resources for a specific purpose while to reserve fund balance reflects that either it is unavailable or it is legally segregated for a specific future use.

The following is an explanation of each of the line items making up the December 31, 2010 fund balance above.

Reserved for encumbrances \$ 746,440

Encumbrances represent Purchase Orders that were opened during the fiscal year, in this case 2010, that remain open and unpaid into 2011. These amounts have been budgeted during 2010 but, since they will not be expended until 2011 or later, they need to be re-appropriated in the year they are spent in.

Reserved for TABOR \$ 3,432,135

This is the reserve required by TABOR. Under TABOR, our citywide "fiscal year spending" for 2010 totaled \$114,404,511. The TABOR reserve is 3% of the "fiscal year spending" which was \$3,432,135. The 2010 TABOR reserve is higher because of the Open Space bond issue.

Reserved for loans/notes receivable \$ 61,123

This amount represents notes for delinquent sales tax and employee PC loans. While this amount is an asset on the balance sheet it is not available until actual receipt so it is therefore classified as reserved.

General Fund 2010 Year-End Summary

Reserved for prepaid expenditures \$ 150,367

This amount represents payments of expenditures that are for services to be received in the next fiscal year. It represents payments like subscriptions, dues, and travel expenses. This amount is also shown as an asset on the balance sheet but, since it has been expended, it is not considered an available part of the fund balance.

Reserved for staff contracts \$ 150,142

TABOR does not allow a government to have a multiple year fiscal obligation without voter approval unless there are cash reserves pledged irrevocably and held for payment in all future fiscal years. These reserves represent the amount the City has committed to pay in staff contracts. This reserve is updated each year to represent current costs.

Reserved for grants \$ 0

This amount represents grant revenues for a specific purpose in one year in advance of the related expenditures which will be expended in the subsequent year. These expenses are generally unbudgeted and will be included in additional appropriation ordinances during the subsequent year.

Reserved for donations \$ 4,772

This amount represents donations received for use for specific purposes. It consists of \$3,973 for the arson dog. These donations were received in previous years but the actual expense will not be incurred until 2011 or later. They will be re-appropriated during the year they are to be expended.

Designated for emergencies \$2,464,173

In years prior to 2010 this designation represents the difference between the 3% TABOR reserve and the 8% emergency reserve that was required by our own financial policy. In 2010 a new financial policy was adopted with a goal of an 8% emergency reserve on top of the 3% TABOR reserve requirement. This balance in 2010 represents the progress towards that goal and is 4.1% of budgeted operating expenditures for 2011.

Designated for carryover projects \$1,042,797

This amount represents a designation made by the City Manager. These are amounts budgeted for projects in previous fiscal years that are neither expended nor encumbered but are still to be expended. Examples include \$240,000 for the Bohn Farm park; \$258,064 for the Sunset campus project; \$100,000 for Station area planning; \$64,400 for the branding campaign; \$79,500 for a cash remittance processor project; \$50,000 for the business improvement grant program; and \$34,000 for the business start-up program. In the year they are expended, they will be re-appropriated, increasing that year's budget.

Designated for subsequent years' expenditures \$3,390,355

This amount represents the fund balance that is budgeted to be expended in the 2011 fiscal year. This line item generally reflects the amount of one-time expenses that are included in the subsequent year's budget. For 2011 it includes \$850,000 to be transferred to the Public Improvement Fund from the General Fund for funding capital projects.

Designated for future Council one-time expenditures \$ 115,205

This amount represents a portion of the fund balance that the City Council has set aside in recent budget processes for future one time expenditures yet to be determined.

Undesignated \$2,647,655

Unreserved, undesignated fund balance represents the amount of the fund balance that is available. In this case, it means that at the end of 2010, there is \$2,647,655 that has no appropriated or designated use during 2011. This amount is typically the starting point for what is available for one-time expenses in the 2012 budget.

Over the years one-time expenditures have provided important resources to the services in the General Fund. The primary use has been for computer-related hardware, software and consulting. Other uses include such purchases as new vehicles, radio and telephone equipment, library equipment and materials, safety equipment for police and fire services, furniture at various facilities, building remodeling and security, and equipment to support new positions. Some other uses of the less tangible sort include grant matches, consulting services for planning and human resources, fleet recovery charges, equity transfers to the insurance funds, citizen satisfaction surveys and continuous improvement program expenses. Capital and one-time expenditures are a key component of the resources in our annual budgets that allow the essential city services to be provided to the citizens of Longmont.

Last year, the \$3,147,062 fund balance grew to a total of \$4,240,355. Of that amount, \$850,000 was directed to be used to increase emergency reserves. The remaining \$3,390,355 was budgeted for one time expenditures in 2011. Included in those one time expenditures was a transfer to the Public Improvement Fund of \$850,000 to provide greater funding for capital maintenance projects that have been deferred the past two years. The growth in the fund balance due to unexpected sales tax growth and expenditure controls implemented by management allowed for these moves to strengthen the emergency reserves and the Public Improvement Fund. Along with that \$3.39 million of General Fund fund balance for one time expenditures in 2011 there was \$243,310 of one time expenses budgeted for 2011 with funding to be provided by transfers from other operating funds that benefit from the expenses. The \$3,390,355 of total one time expenditures budgeted for 2011 are broken down as follows (see appendix A for detail):

Capital equipment	\$290,333
Capital equipment - IT/technology	1,038,505
Equipment - non-capital	103,855
One time services or expenditures	1,448,426
Other expenses with 1 year commitment	752,546

The final line item represents expenses that would be funded with ongoing revenues if they were available. Since they are funded with one time revenues they only have a one year commitment. In the past the City Council has directed staff to try and fund these types of expenses with ongoing revenue as opposed to one time revenue. These expenses decreased in total for 2011 but in 2010 they included \$490,666 for the retirement plan contributions.

RESERVE POLICY

In 2010 the City Council adopted the following new financial policy in regard to General Fund reserves:

General Fund reserve targets will be as follows: The City will maintain a fund balance restricted for emergencies in compliance with TABOR. The restricted fund balance will be calculated at 3% of “fiscal year spending” and can only be utilized for “emergencies” as allowed under Article X Section 20 of the Colorado Constitution.

The City will maintain an unrestricted fund balance in an amount equal to approximately two to three months (16.67% to 25%) of General Fund operating expenditures. Within the unrestricted fund balance the City will strive to meet the following reserve targets:

- Committed to Emergencies: City Council imposed Emergency Reserve – This portion would be maintained at 8% of General Fund operating expenditures. Use of the reserves is limited to emergency situations such as natural disasters, acts of terrorism or war, widespread riots or similar emergencies impacting the community. It can also be used in the event of the inability to meet a scheduled debt service payment. A super majority (2/3 of the Council present) of the City Council is necessary to pass an ordinance with appropriation of these reserves.

- Committed to Emergencies: City Council imposed Stabilization Reserve – This reserve would be used during times of reduced revenues due to economic conditions to allow General Fund services to continue to be provided throughout an economic downturn. This reserve is targeted as a range with a minimum of 3% and a maximum of 8% of General Fund operating expenditures. Use of these reserves would be an exception to the policy of budgeting ongoing expenditures equal to ongoing revenues.

General Fund budgeted operating expenditures for 2011 are \$59,445,180. The unrestricted fund balance in the General Fund at the beginning of 2011 is \$10,556,767 which is 17.75% of General Fund operating expenditures.

The City will strive to meet the full funding targets of the reserve policy over time. The funding status at this time is as follows:

	<u>Goal</u>	<u>Goal</u>	<u>Status</u>	<u>Funded Amount</u>
TABOR component	5.8%	\$3,432,135	fully funded	\$3,432,135
Emergency reserve	8%	\$4,755,614	funded at 4.1%	\$2,464,173
Stabilization Reserve	at 3%	\$1,783,355	unfunded	\$ 0
Stabilization Reserve	at 8%	\$4,755,614	unfunded	\$ 0

In 2011 the TABOR reserve requirement will likely drop as there are no bond issues in 2011 but there was an Open Space bond issue in 2010. That would move the Emergency reserve funding status close to 5%. Strong revenue performance in 2011 could also provide more ability to further add to the reserves as well.

SUMMARY

It is clear that the General Fund is greatly dependant on sales tax and property tax. Recent years have taken a toll with decreases in both of these revenue sources. With salary and benefits making up 76% of the General Fund expenses there is little flexibility available to adjust budgets without impacting staffing levels. Changes in the allocation of the 2% sales and use tax have been necessary to provide adequate revenues for General Fund services. Those changes have reduced our ability to fund capital maintenance needs from the Public Improvement Fund. The use of fund balance to fund ongoing type expenses for only a one year commitment is also a flaw in our General Fund funding model. Ultimately, these types of temporary budgeting techniques need to be eliminated to bring our General Fund into full alignment with our financial policy of balancing operating expenses with operating revenues.

2011 General Fund One Time Expenses**Capital - Equipment**

Replacement Mobile Command Center	Emergency Communications	184,133
Add Auto scrubber at Centennial Pools & Rec Center	Facilities Operations	15,000
Carpet Extractors - Replacement Units	Facilities Operations	10,000
Pneumatic Struts	Fire	69,000
Night time/infra red surveillance camera	Police	6,500
Large Format Color Printer	Print Shop	<u>5,700</u>
		290,333

Capital - IT Equipment or Technology Improvements

Document scanner	Accounting	3,440
Funding to review options for Permits Plus	Building Inspection	20,000
Document scanner	City Clerk	7,000
PC for temp employees	Code Enforcement	875
New website development	Enterprise Technology Services	30,000
IDS/IPS Protect Point	Enterprise Technology Services	1,500
Consulting Services SQL upgrade for Windows upgrade	Enterprise Technology Services	15,000
Security card software upgrade	Enterprise Technology Services	1,500
Voice Mail Server	Enterprise Technology Services	4,000
VSphere console server	Enterprise Technology Services	3,750
Rec Center Video Server	Enterprise Technology Services	7,500
Contract Programming	Enterprise Technology Services	270,000
Professional Services for System Enhancements	Enterprise Technology Services	150,000
Help Desk Asset Management software	Enterprise Technology Services	30,000
Paging software	Enterprise Technology Services	15,000
VDI Provisioning servers	Enterprise Technology Services	7,000
CIS Ether Switch replacement	Enterprise Technology Services	3,500
Memorial Building Ether Switch replacement	Enterprise Technology Services	2,000
Upgrade assistance iSeries - OS level 7.x	Enterprise Technology Services	12,000
Recreation workstation hardware spares	Enterprise Technology Services	4,250
Data Mart Development for ad hoc reporting	Enterprise Technology Services	15,000
New Desktop Replacements	Enterprise Technology Services	195,000
DR VMWare Server & License	Enterprise Technology Services	12,250
Brocade 340 FC Switch	Enterprise Technology Services	7,000
Netmotion Licenses	Enterprise Technology Services	6,000
Business continuity funding	Enterprise Technology Systems	88,000
Pre-Plan Drawing Software	Fire	4,500
Upgrade crime analysis software	Fire	5,670
Self check out station	Library	14,500
Software upgrade for mailing machine	Mail Delivery	3,100
Continued development/maintenance Iseries record system	Municipal Court	20,000
Interview recording system	Police	25,000
Larger monitors	Police	6,000
GPS Trackers	Police	10,000
Mobile Data Computer for assigned patrol vehicle	Police	5,150
Color laser printer	Risk Management	2,020
2 new database servers for CIS prime	Utility Billing	<u>31,000</u>
		1,038,505

One Time Services or Expenses, continued...**Non-Capital Small Equipment and Supplies**

Outreach items for booths	City Manager	8,000
Equipment and supplies for new Technical Systems Specialist	Communications	5,680
Equipment and supplies for new ETS positions	Enterprise Technology Services	5,315
Emergency generators expanded PM service scope	Facilities Maintenance	5,770
Recreation Center Battery Operated Vacuum/Sweeper	Facilities Operations	2,800
Track lighting for exhibits	Museum	4,485
Safe for gift shop	Museum	705
Replacement bullet-proof vests	Police	49,200
Police Bicycles	Police	4,000
4 Laser speed measuring devices	Police	3,800
Forensic Equipment	Police	4,000
Equipment for office moving	Purchasing	5,200
Memo board for Sr Center lobby	Senior Services	4,900
		103,855

One Time Services or Expenses

New resident packer	City Manager	3,000
Temp wages for code enforcement officers	Code Enforcement	135,000
Livewell Longmont Initiative	Community Services Administration	40,000
Digital Divide Program	Community Services Administration	10,232
LifeLongmontLearning Initiative	Community Services Administration	10,000
ETS contingency	Enterprise Technology Systems	25,000
Painting portion of the exterior of the Recreation Center	Facilities Operations	7,500
Fireworks	Fire	22,694
Council one time funding	Mayor and Council	325,000
Transfer to Public Improvement Fund	Non-Departmental	850,000
Overtime for DUI Enforcement	Police	20,000
		1,448,426

Other Expenses with One Year Commitment

Temp wages for Bright Eyes Coordinator	Children and Youth Resources	19,656
Neutral Zone program operations	Children and Youth Resources	9,000
Temp wages for youth program leaders	Children and Youth Resources	36,000
Temp wages for code enforcement officers	Code Enforcement	25,000
Poverty Initiative	Community Services Administration	115,000
Gap funding for winter sheltering needs	Community Services Administration	125,400
Community Inclusion funding	Community Services Administration	39,700
Longmont Economic Gardening Initiative	Economic Vitality	50,000
Boulder Small Business Development Center	Economic Vitality	15,000
Existing business grant program	Economic Vitality	30,000
Electronic Databases	Library	28,000
Additional temp hours for shelving	Library	34,290
Temp wages for neighborhood resources specialist	Neighborhood Resources	25,000
Contracted Tree Maintenance	Parks	100,000
Contracted Right of Way operations	Parks	85,000
Temp wages for information and referral assistant	Senior Services	15,500
		752,546

Total General Fund One Time

		3,633,665
less one time transfer from other funds for capital purchases		(243,310)
Net One Time		3,390,355

