City of Louisville
COLORADO • SINCE 1878

Recreation/Senior Center & Aquatic Center Expansion Task Force

Agenda

WEDNESDAY, APRIL 27TH, 2016
6:30 PM
Louisville Recreation Center, Brooks Room
900 W. Via Appia

I. Call to Order

II. Approve April 13th, 2016 Meeting Minutes

III. Approval of Agenda

IV. Public Comments on Items Not on the Agenda

V. Chair's Update

VI. Presentation of Design Concepts – Sink Combs Dethlefs

VII. Operations & Maintenance Cost Presentation - GreenPlay

VIII. Open House Update - Staff

IX. Task Force Comments and Identification of Future Agenda Items and Meeting Dates

X. Adjourn

City of Louisville
Parks & Recreation Department 749 Main Street Louisville CO 80027
303.335.4735 (phone) 303.335.4738 (fax) www.louisvilleco.gov

City of Louisville
COLORADO • SINCE 1878

Task Force
Meeting Minutes
Wednesday, April 13th, 2016
6:30 pm
Louisville Recreation/ Senior Center, Brooks Room
900 West Via Appia

I. Call to Order –The Task Force meeting was called to order by Jeff Lipton at 6:30 p.m.

Board Members Present: Gina Barton, Brett Commander, Deborah Fahey, Alex Gorsevski, Linda Hodge, Kaylix McClure, Louise McClure, Michael Menaker, Lisa Norgard, Tom Tennessen, Michele Van Pelt,

Board Members Absent: Laura Denton, Rich Bradfield

Staff Members present: Kathy Martin, Joe Stevens, Julie Seydel, Allan Gill, Mandy Perera

Staff Members Absent: Heather Balser

City Council Present: Jeff Lipton and Susan Loo

II. Approve March 30, 2016 Meeting Minutes – Minutes were approved by acclamation.

III. Approval of Agenda - Agenda approved

IV. Public Comments on Items Not on the Agenda - none

V. Presentation of Design Concepts – SCD
Before designs were presented Jeff Lipton told the task force that he will be forming 2 subcommittees, one to focus on marketing, the other to focus on operations/maintenance/revenue of the expansion. Not all members will be assigned, and meetings will be open to the public. Members are to let him know if they have an interest, otherwise he will make assignments.

Heather Balser and Susan Loo are working with NRC Consultants to conduct a phone survey, and questions will be created by them and not reviewed by task

force since its time sensitive. This process will be happening in the next few weeks.

Hilary Andren-Wise from SCD presented site plans. Land availability with grade capacity was shown with a sketch of the proposed footprint. A meeting is set for Monday, April 18 with Planning to discuss parking. 3 spaces per 1,000 square feet are required, drop off areas and rear service side parking was discussed. Deborah Fahey asked if they could add a drop off on the preschool side of the addition. There are grade concerns. Chris Kastelic and Hilary Andren-Wise said things to consider are grade, neighborhoods, short term parking options with drop off only. Jeff Lipton asked if we are creating a problem with drop off that really isn't a problem. Goal is to separate senior foot traffic with youth activities in the hallways. Alex Gorsevski questioned if the youth activities was in the right place on the south with fitness areas.

Hillary Andren-Wise continued with presenting the new vestibule, expanded lobby, guest services desk location, lounge area and a secured internal lobby area. Family change rooms take over some of the pool area, 3 family cabanas, 6 changing stalls, indoor playground, pool party room, expanded child sitting. Chris Kastelic stated the pool party room will be near the playground and should have access to the pool with connection to the changing rooms. Lisa Norgard asked how many the room could accommodate, and then it was determined to be 20 people.

Gina Barton suggested the slide be designed as an indoor/outdoor to save deck space. Discussion occurred about where to locate the pool party room. Michael Menaker suggested to switch the pool party room and the family cabanas. Alex Gorsevski thought the youth activity rooms should be located away from the fitness and with better access.

The lap swim area of 4 additional lanes will be a warmer water pool. Usage will be lessons, water aerobics, and water sports. The main pool will be used more as lap pool. Michelle Van Pelt asked why there was a physical barrier with the 2 pools, and Chris Kastelic said it's so both areas can be used concurrently. Michelle would like deck space to be considered for dry land activities.
The diving board will be eliminated based on the depth requirement for that feature. May add a platform for lessons.

Susan Loo suggested a climbing wall like in Parker that leads into the water area. Chris Kastelic said the normal height is 10 feet based on the water depth and there are permanent and movable structures. The group discussed a rope swing and in Westminster. More will come at a later date regarding specific play structures.

Kathy Martin suggested further discussion is needed in regard to whether the locker rooms are adequate. Hillary Andren-Wise said the upstairs will be just restroom, no dry locker rooms due to cost. The task force is in favor of a dry locker room area, perhaps where the lounge in the design currently is (south weight room currently).

The senior center area was discussed next. It needs to be open and inviting, moved kitchen from the middle to the east, 2 large rooms and recapture the Garibaldi and Imperial for senior services. Game room added on to the east side by the Crown Room. Suggestion was to move the youth rooms to the east side as well but with separate hallways from senior services. Michael Menaker thinks the senior lounge may be too accessible to all users and may need to be relocated, perhaps by the Paramount Room. Deborah Fahey sees no failed flaws in the design, but questions the lobby to senior entry and then library. Proposed one of the multipurpose rooms be the computer lab. Michael Menaker said to consider laptops instead, Michelle Van Pelt questioned if we really need a computer only room looking into the future. Chris Kastelic said consider an internet café type of room. More discussion on space usage will come later. The MAC gym addition was discussed next. The area will be a track connection, turf flooring will be considered. City staff will create a list of activities that can occur on turf floor and rubberized surfaces for the next task force meeting. But the task force agreed with considering turf. Alex Gorsevski this will create two different program spaces with the wood gym floor and a turf floor. Revenue from renting the turf would be beneficial. Michael Menaker disagreed with creating space for rental revenue. Jeff Lipton said we need to think of demand, program into the future and that revenue streams are important. Chris Kastelic said the costs are comparable regardless of what flooring is put in the space, and that flooring could easily be changed in future years.

Fitness space was the next area to discuss. Youth space will be moved to the north, out of the fitness area. Circuit/strength will be downstairs, along with stretching and plyo space. 60 spaces of cardio equipment will be upstairs, and the existing Fitzone will become a spin room (41 bikes). Restrooms will be added upstairs.

Deborah Fahey asked if this was the time we looked at alternate energy sources, and how to hide cell towers. Hillary Andren-Wise said mechanical systems will be explored another at another date. Jeff Lipton said the Leeds gold standard will be looked at regarding mechanical and electrical. Goal is the same if net zero build. Chris Kastelic will show cost/benefits of alternative energy. As far as cell towers, they would need to be incorporated into the design so they appear as part of the building.

Memory Square was that last discussion. Chris Kastelic presented a reconstructed pool house, size remains the same. Possible overhead for covered space, children's pool redesigned with pool and splash features. Mechanical systems are being evaluated. Shade cabanas would be added, and shade on the east side. Chris was not aware that the fence had been extended into the park area in 2009, which was one of the suggestions. Footprint as it stands will remain the same. Louise McClure would like desk space considered. Brett Commander said more storage is needed for Dolphins Swim Team and wondered if their storage on the north could be moved inside the complex. Lisa Norgard pointed out that the new design cut women's showers to 3, but that it should remain at 6 showers. Susan Loo reminded that the building connects to the Louisville Center for the Arts and may fall under design guidelines. City staff is meeting with Planning Department on Monday, April 18th regarding this.

Michael Menaker says an ordinance states that Historic Preservation Funds may be able to be utilized. City staff will look into this. Lisa Norgard would like less furniture in the lobby area as the area is used for dry land work with Dolphins. Discussion was initiated by Jeff Lipton as to moving Dolphins to the recreation center after expansion, opening Memory Square to the public during the week. It will need to be determined at a later date what programming would occur at each facility and what options would best serve the public. Michael Menaker would like food trucks to be an option at the location.

VII. Update on Projected Costs -SCD

The new design is approximately 40,000 square feet of new building and repurpose of just over 60,000 square feet. The total project stands at 25 million dollars

VII. Update on Overall Schedule – SCD

An updated meeting schedule was given to the Task Force

VIII. BVSD Response on Dive Well – Jeff Lipton

The district was asked about contributing 4 million dollars to the project to add a diving well for high school use, and the district is not interested in doing so.

IX. Ideas on marketing the project to the public and open house dates and times – Jeff Lipton and Kathy Martin

Two open houses will be held in the recreation center gymnasium Wednesday, May 4 from 10:30 am – noon and 6:00 pm to 7:30 pm. Denise White is working on marketing material for the event. The open house is to validate that the task force and design team is on right page.

X. Review of Tax Table Analysis – Heather Balser

Jeff Lipton presented the tax tables in the packet that was created by Kevin Watson (Heather was unable to attend). The projected cost is $25 million, and the chart shows gross estimate worth based on property tax. On a home value of $500,000 the additional tax would be about $117 per year and would drop to $56 per household once the bonds for the Library expire. The $25 million is hard and soft costs only and do not include operations and maintenance expenses. O& M financing will be explored and could be a combination of sales and property tax.

XI. Task Force Comments and Identification of Future Agenda Items and Meeting Dates

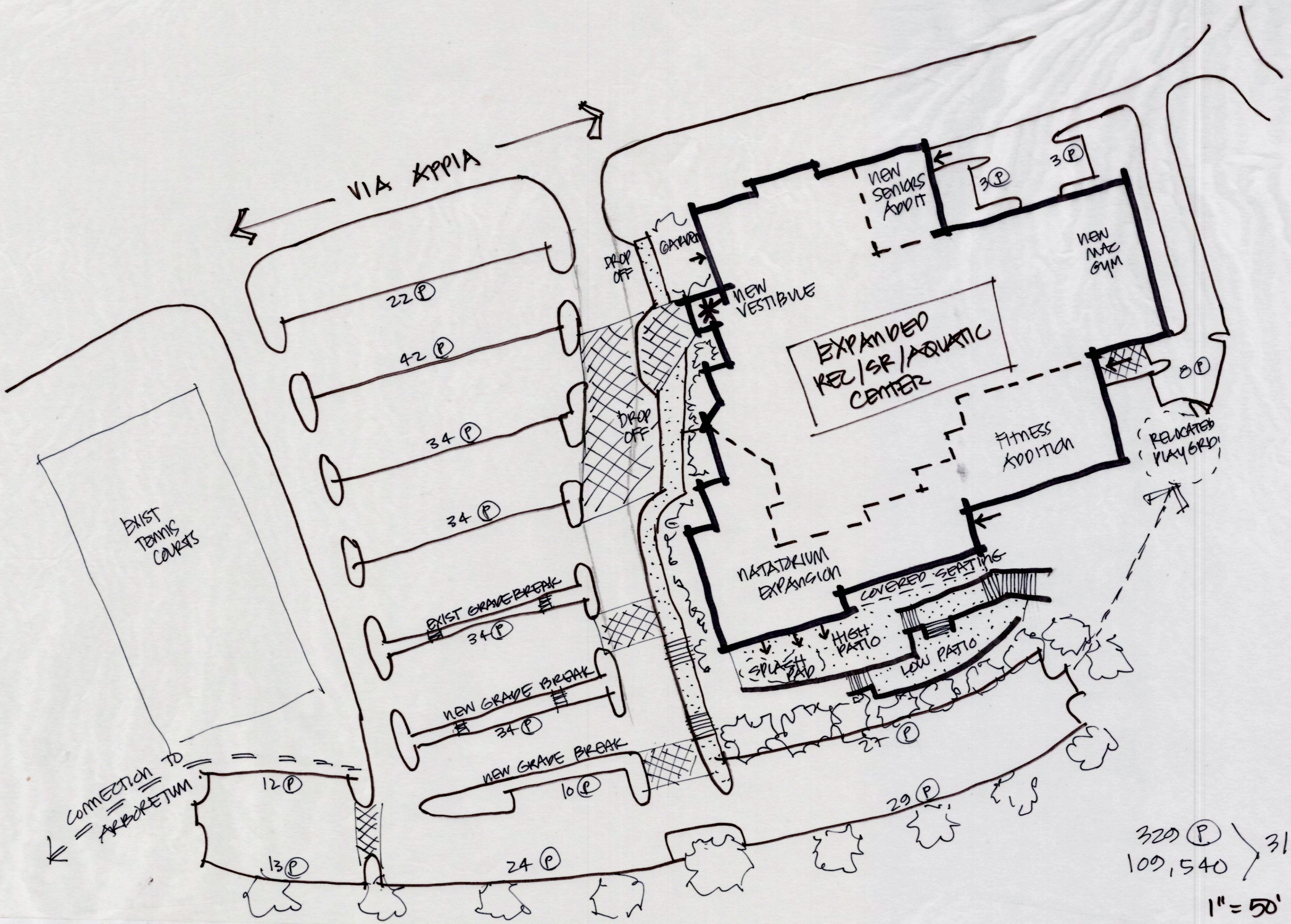
The April 27th Task Force meeting will be focused on refined plans and the operating and maintenance costs.

XII. Adjourn -The meeting was adjourned at 9:13 p.m.

04/27/2016

Recreation/Senior Center & Aquatic Center Expansion Task Force

Addendum


VIA APPIA
22 P
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NEW MAC GYM
EXPANDED REC/SR/AQUATIC CENTER
8 P
FITNESS ADDITION
RELOCATED PLAYGRD
NATATORIUM EXPANSION
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EXIST TENNIS COURTS
CONNECTION TO ARBORETUM
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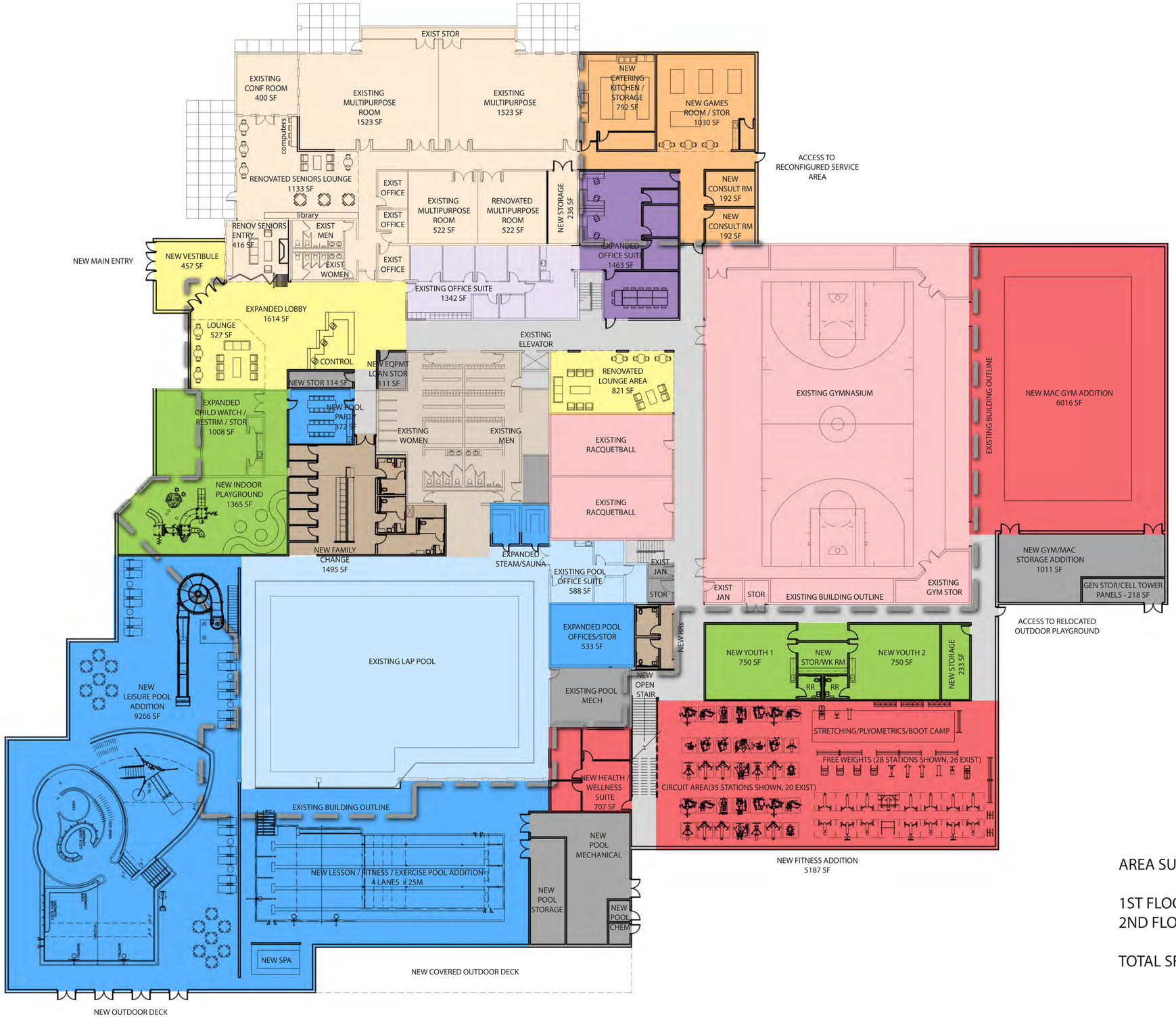
109,540
3/1000
1" = 50'



AREA SUMMARY

1ST FLOOR = 85,398 SF
2ND FLOOR = 22,679 SF

TOTAL SF = 109,540 SF

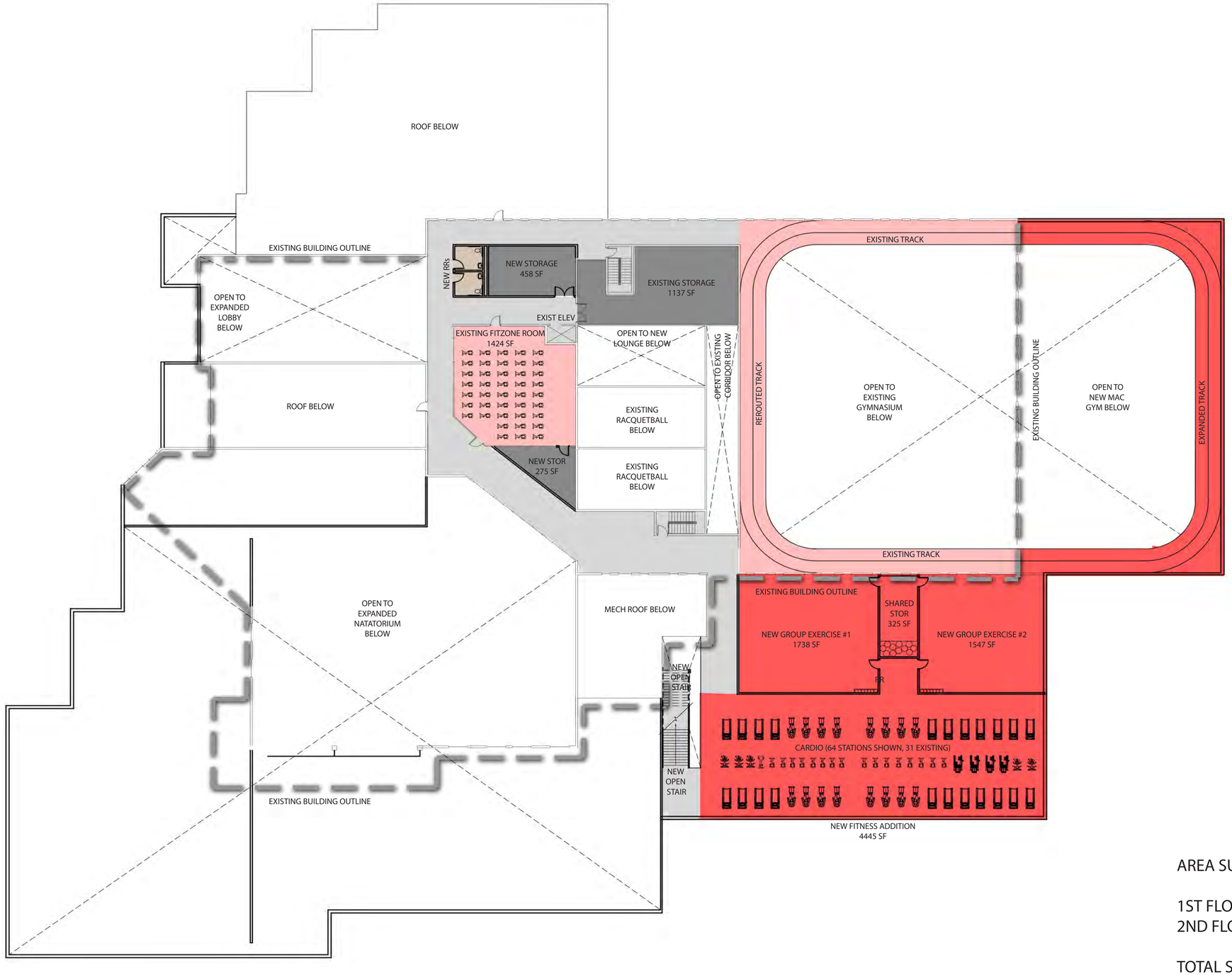
SINK COMBS DETHLEFS
ARCHITECTURE DESIGN

LOUISVILLE RECREATION/SENIOR CENTER + AQUATIC CENTER EXPANSION STUDY

Louisville, CO
13 April 2016

FIRST FLOOR PLAN

1/16" = 1'-0" (24x36)



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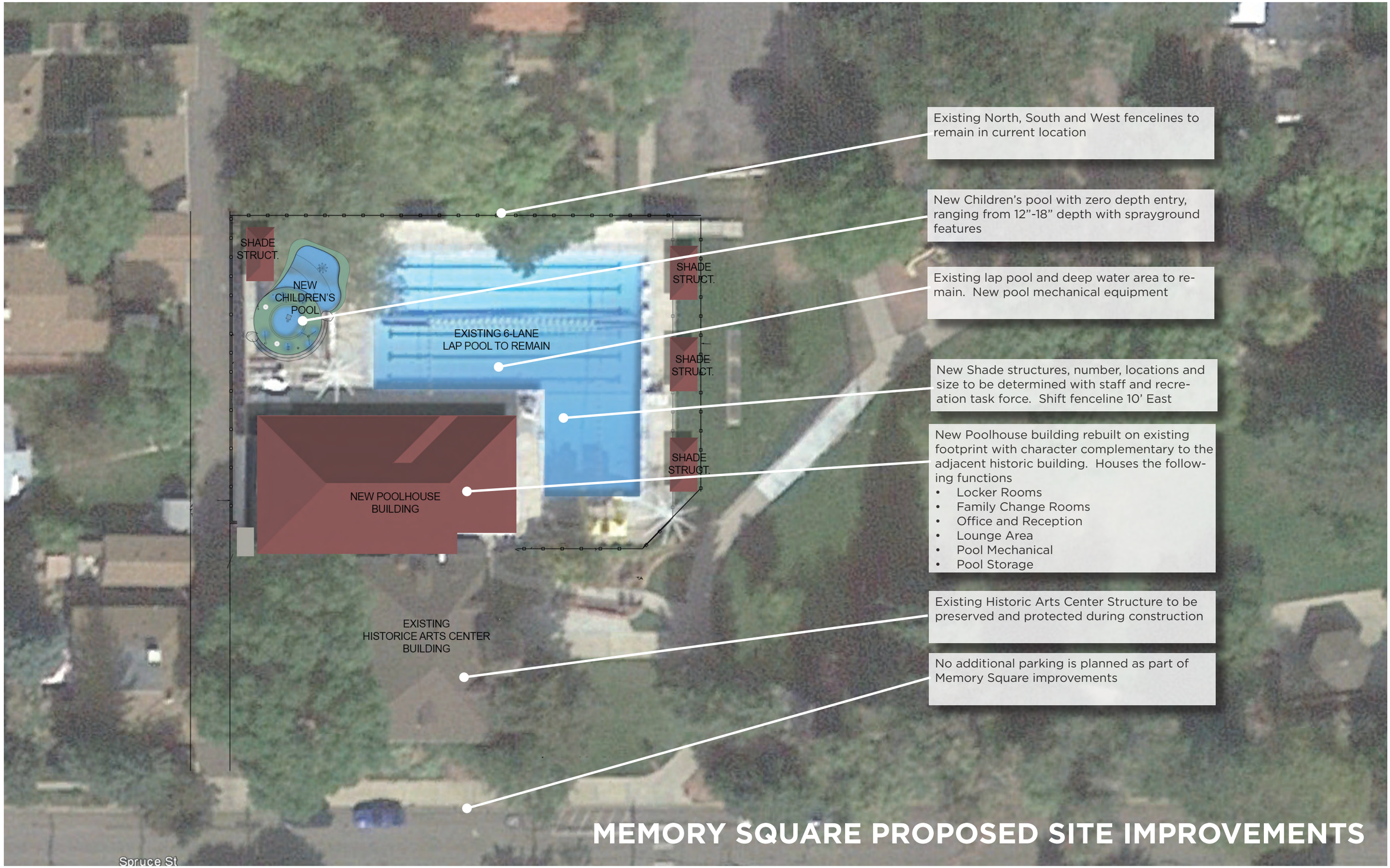
SINK COMBS DETHLEFS
ARCHITECTURE DESIGN

LOUISVILLE RECREATION/SENIOR CENTER + AQUATIC CENTER EXPANSION STUDY

Louisville, CO
13 April 2016

SECOND FLOOR PLAN

1/16" = 1'-0" (24x36)



Existing North, South and West fencelines to remain in current location

New Children's pool with zero depth entry, ranging from 12"-18" depth with sprayground features

Existing lap pool and deep water area to remain. New pool mechanical equipment

New Shade structures, number, locations and size to be determined with staff and recreation task force. Shift fenceline 10' East

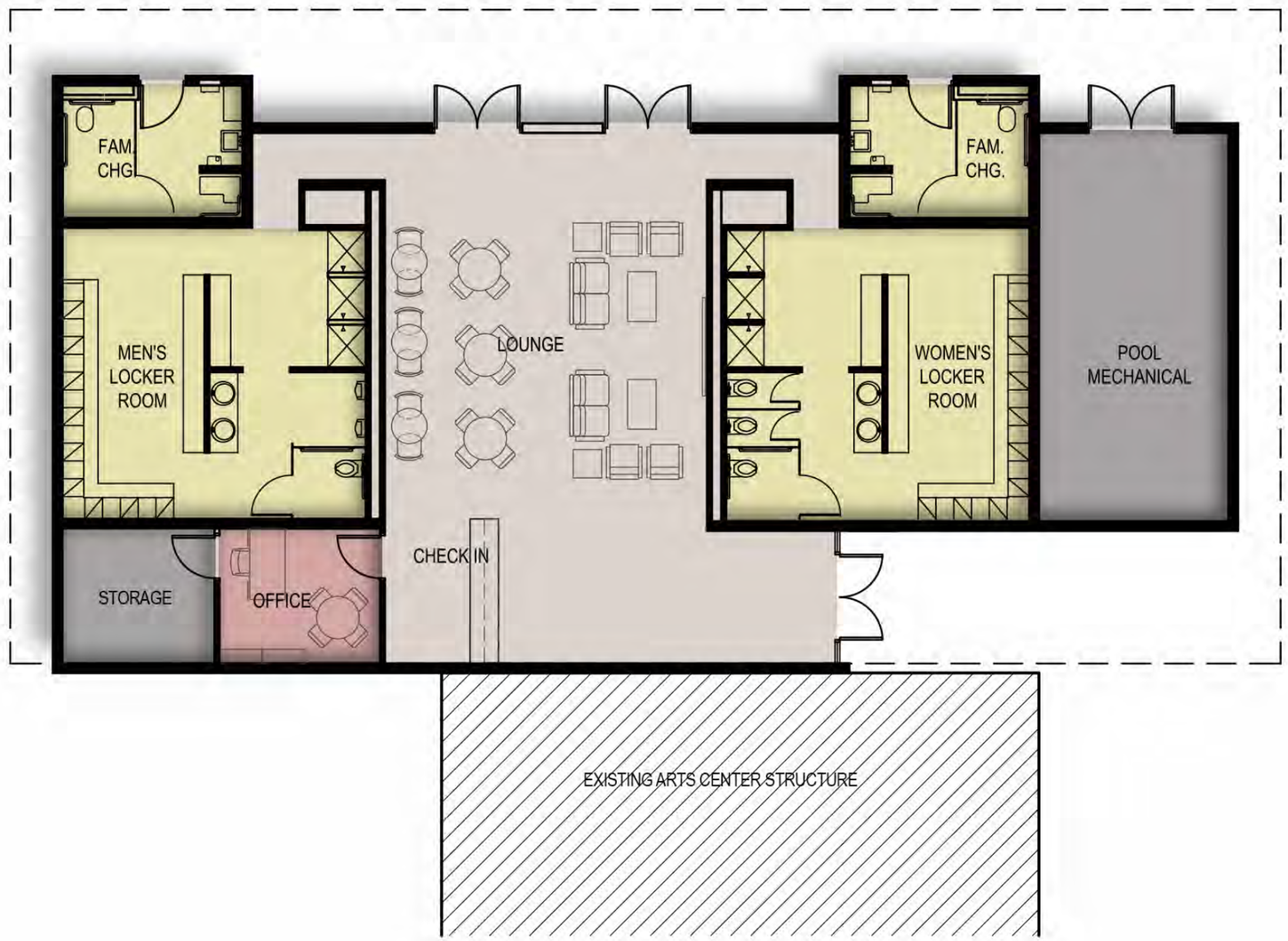
New Poolhouse building rebuilt on existing footprint with character complementary to the adjacent historic building. Houses the following functions

- Locker Rooms
- Family Change Rooms
- Office and Reception
- Lounge Area
- Pool Mechanical
- Pool Storage

Existing Historic Arts Center Structure to be preserved and protected during construction

No additional parking is planned as part of Memory Square improvements

MEMORY SQUARE PROPOSED SITE IMPROVEMENTS

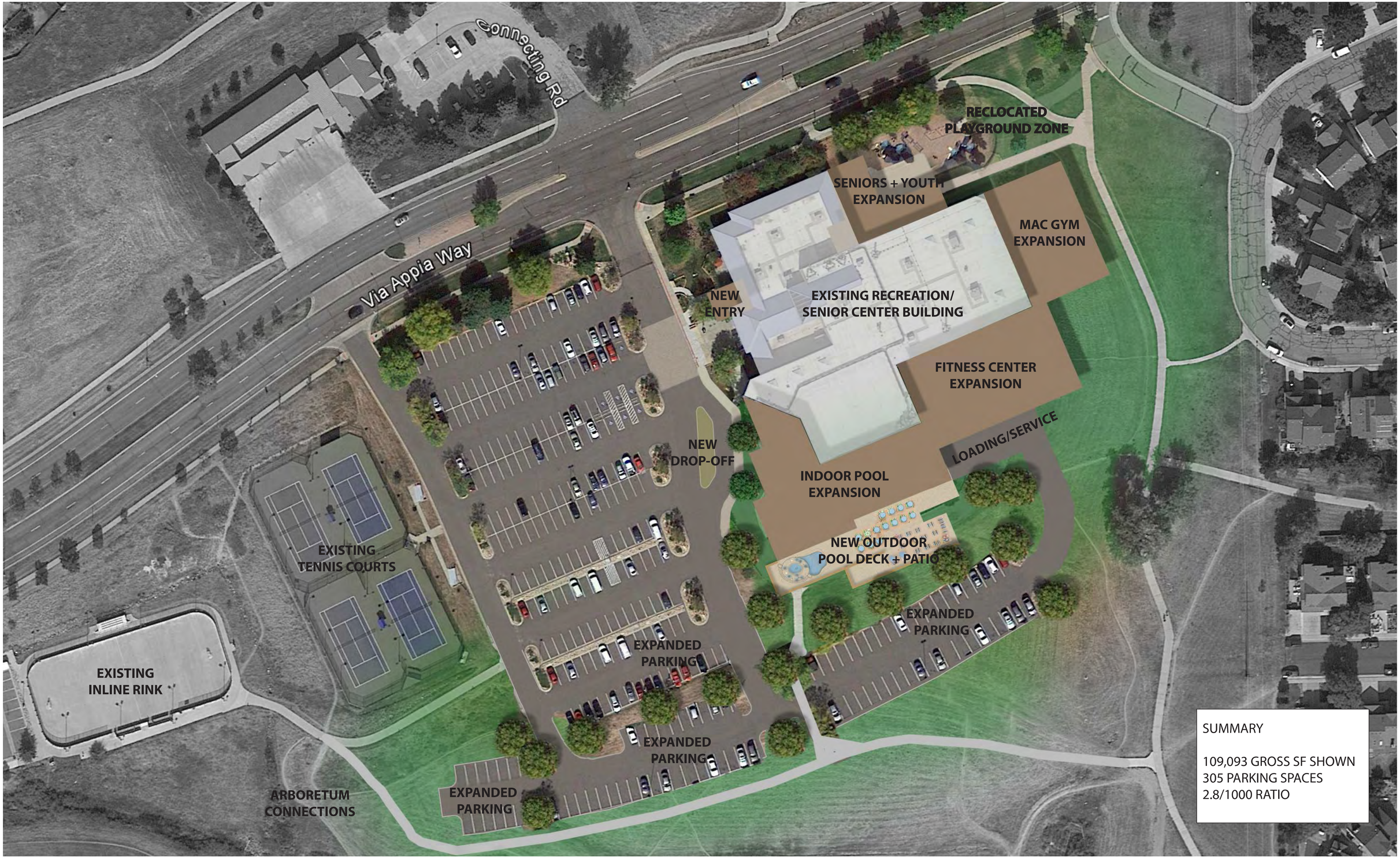


SINK COMBS DETHLEFS
ARCHITECTURE DESIGN

CITY OF LOUISVILLE - RECREATION AND SENIOR CENTER IMPROVEMENTS STUDY

13 April, 2016

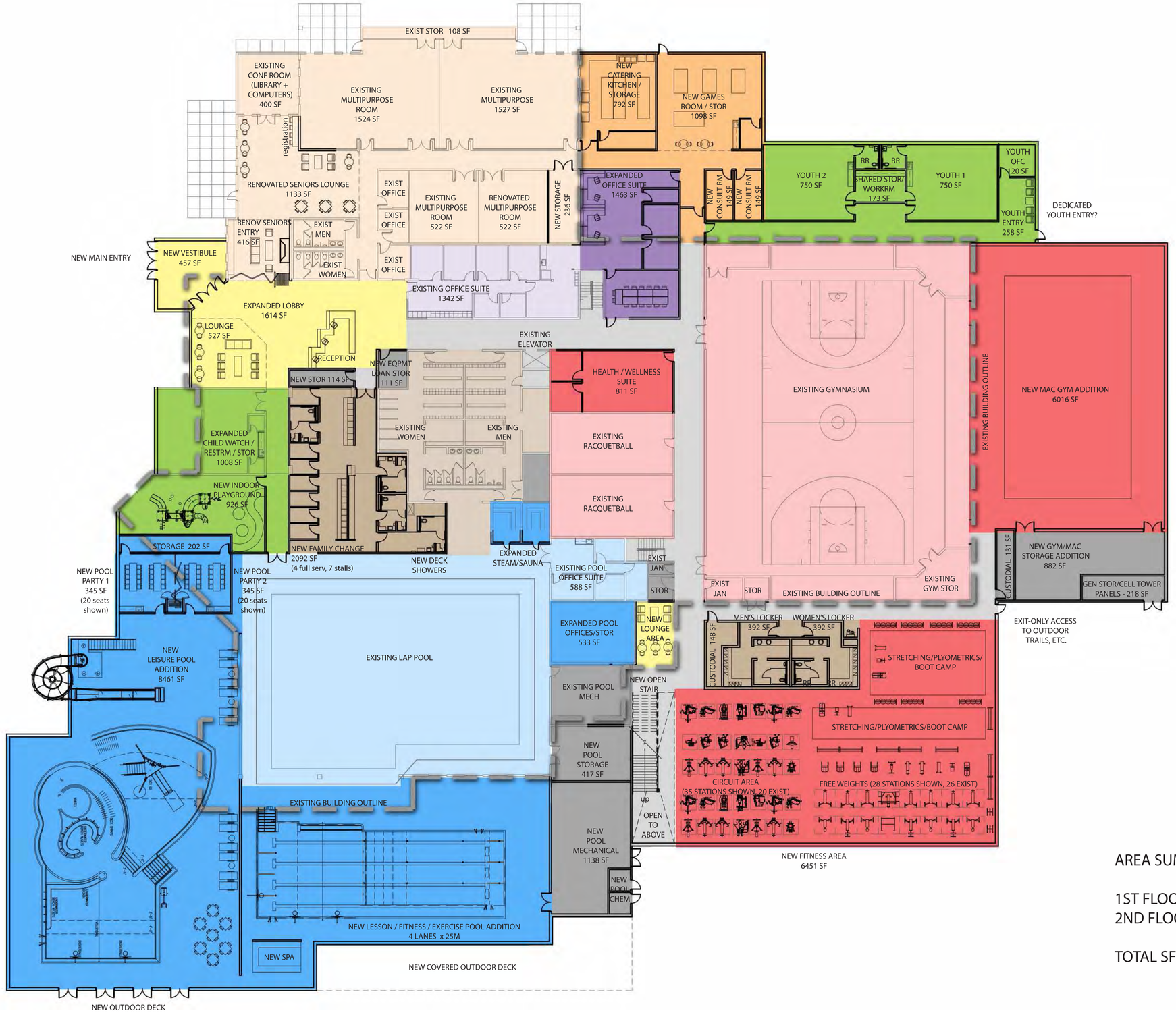
MEMORY SQUARE POOLHOUSE PLAN
1/8" = 1'-0"



SINK COMBS DETHLEFS
ARCHITECTURE DESIGN

LOUISVILLE RECREATION/SENIOR CENTER + AQUATIC CENTER EXPANSION STUDY
Louisville, CO
21 April 2016

RECREATION/SENIOR CENTER SITE PLAN
Not to Scale



AREA SUMMARY

1ST FLOOR = 88,391 SF
2ND FLOOR = 20,702 SF

TOTAL SF = 109,093 SF

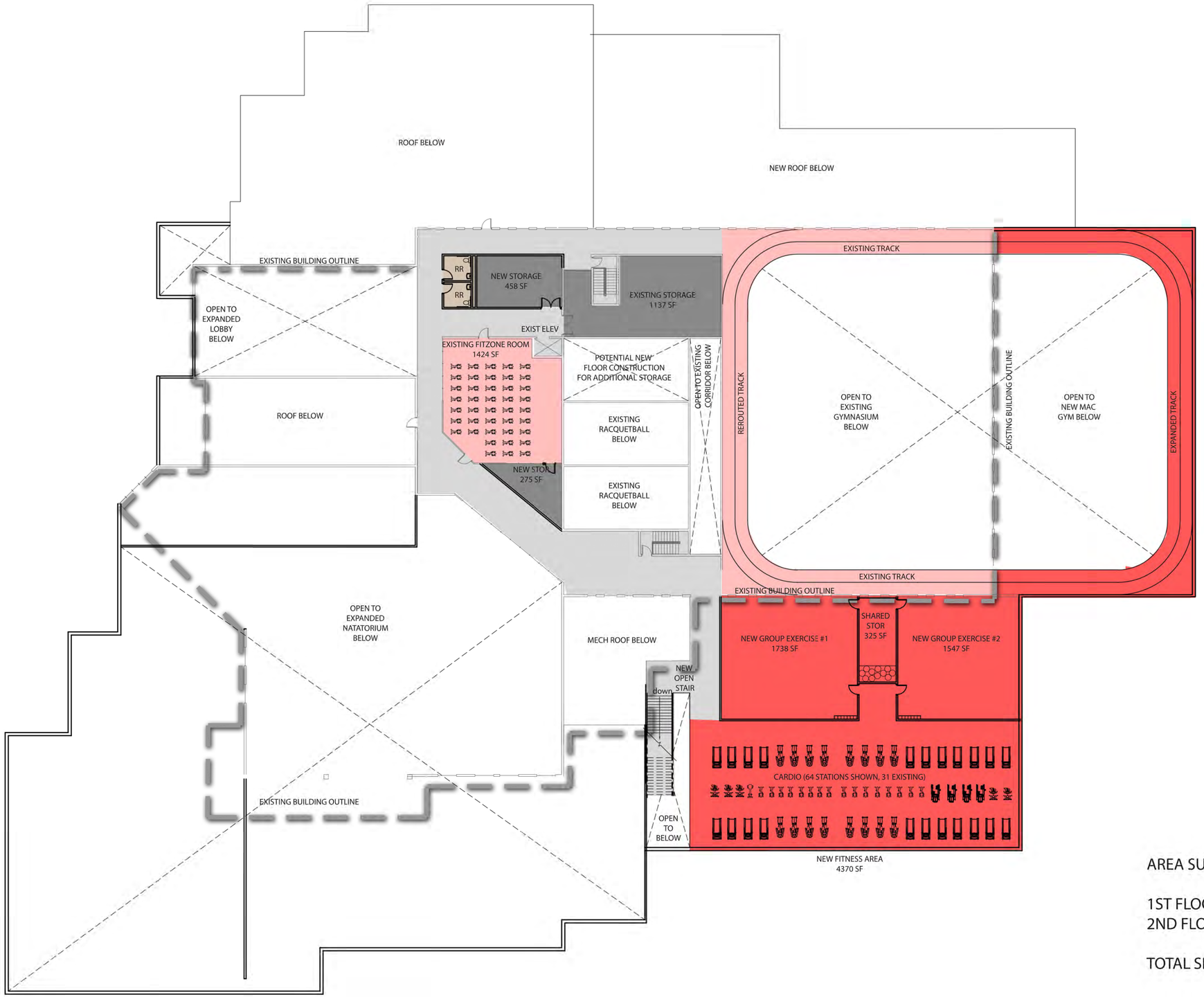
SINK COMBS DETHLEFS
ARCHITECTURE DESIGN

LOUISVILLE RECREATION/SENIOR CENTER + AQUATIC CENTER EXPANSION STUDY

Louisville, CO
21 April 2016

OPTION 1: FIRST FLOOR PLAN

1/16" = 1'-0" (24x36)



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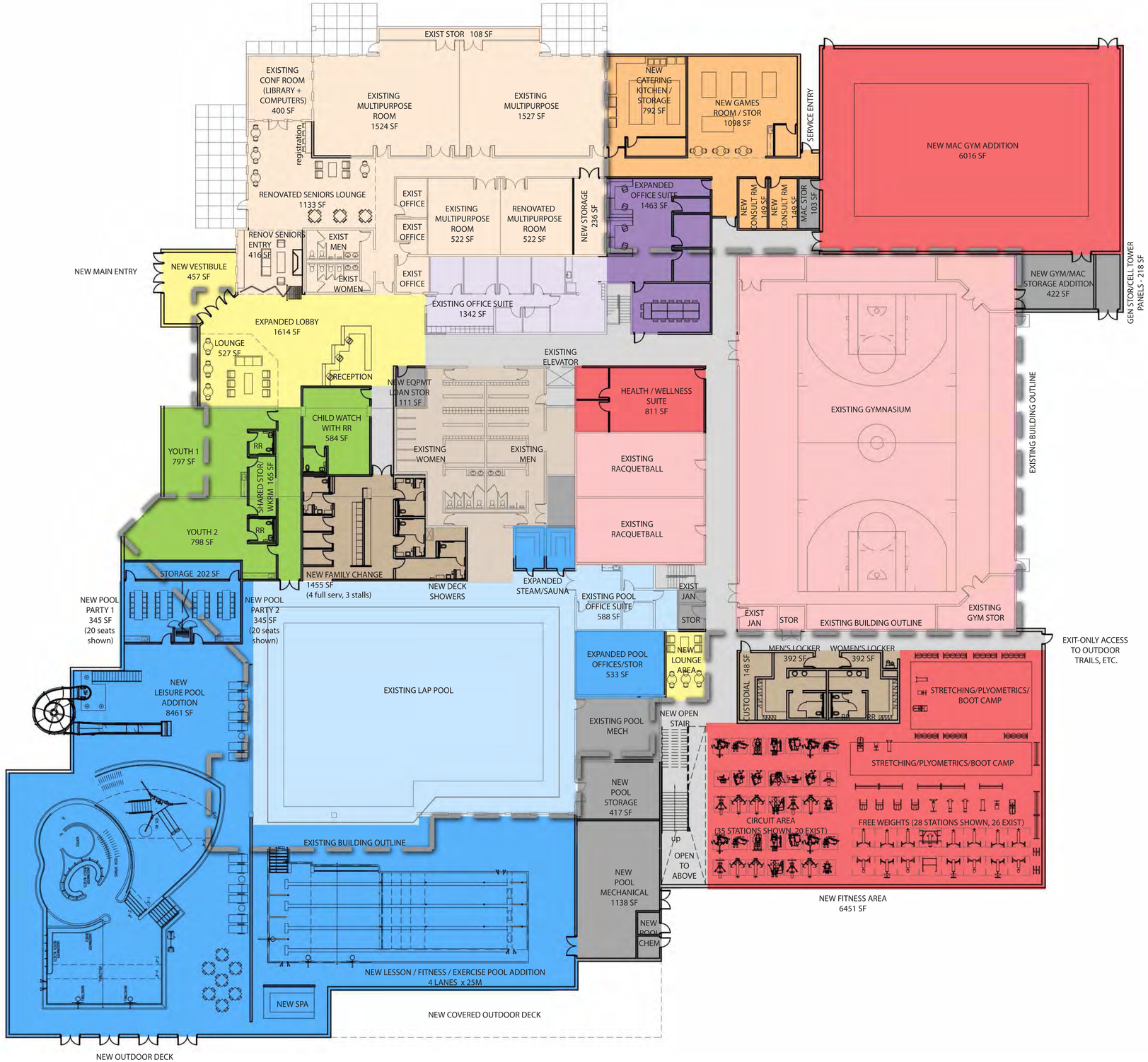
2ND FLOOR = 20,702 SF

TOTAL SF = 109,093 SF

SINK COMBS DETHLEFS
ARCHITECTURE DESIGN

LOUISVILLE RECREATION/SENIOR CENTER + AQUATIC CENTER EXPANSION STUDY
Louisville, CO
21 April 2016

OPTION 1: SECOND FLOOR PLAN
1/16" = 1'-0" (24x36)



AREA SUMMARY

1ST FLOOR = 84,754 SF
2ND FLOOR = 22,197 SF

TOTAL SF = 106,951 SF

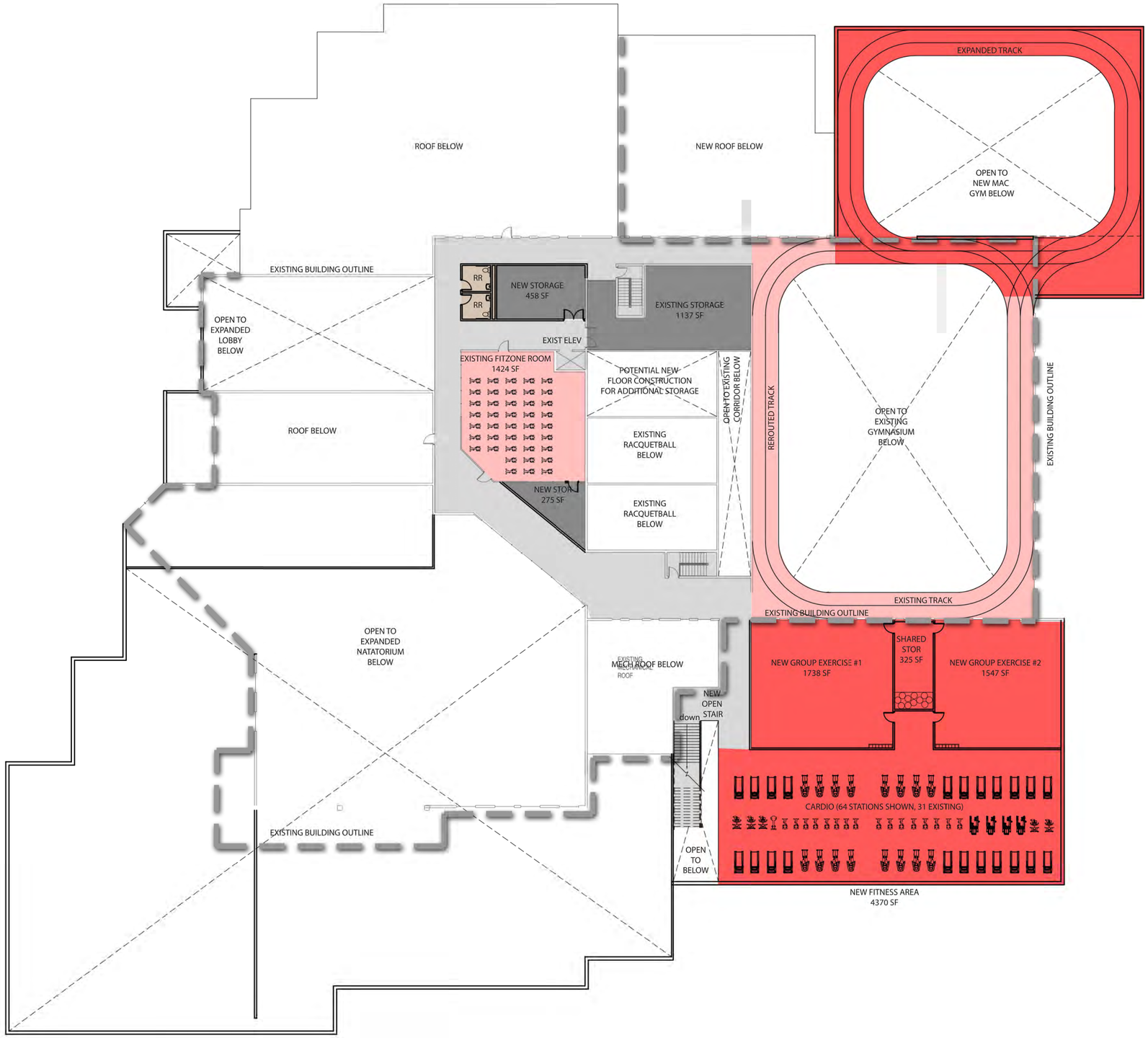
SINK COMBS DETHLEFS
ARCHITECTURE DESIGN

LOUISVILLE RECREATION/SENIOR CENTER + AQUATIC CENTER EXPANSION STUDY

Louisville, CO
21 April 2016

OPTION 2: FIRST FLOOR PLAN

1/16" = 1'-0" (24x36)



AREA SUMMARY

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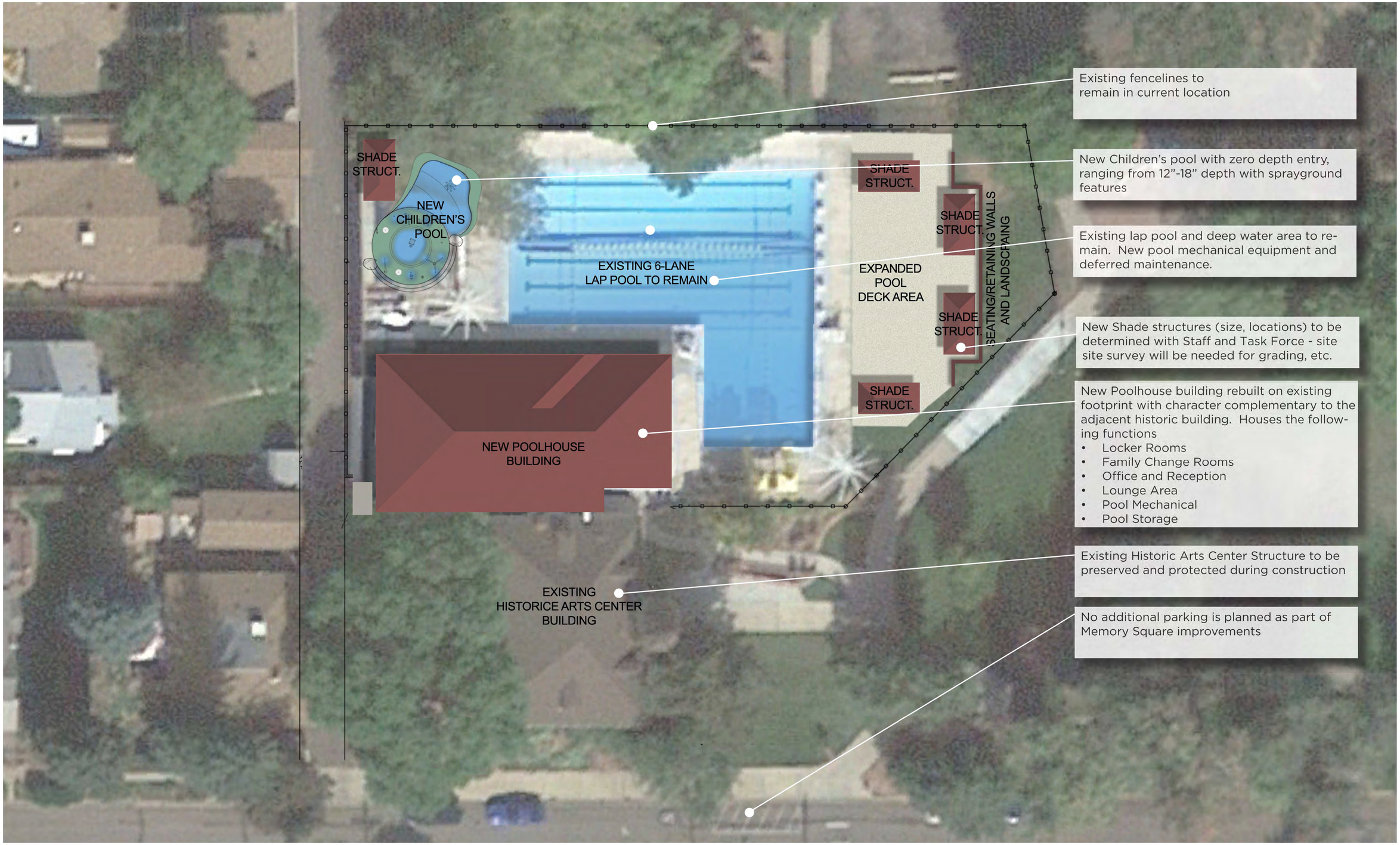
TOTAL SF = 106,951 SF

SINK COMBS DETHLEFS
ARCHITECTURE DESIGN

LOUISVILLE RECREATION/SENIOR CENTER + AQUATIC CENTER EXPANSION STUDY
Louisville, CO
21 April 2016

OPTION 2: SECOND FLOOR PLAN
1/16" = 1'-0" (24x36)



Existing fencelines to remain in current location

New Children's pool with zero depth entry, ranging from 12"-18" depth with sprayground features

Existing lap pool and deep water area to remain. New pool mechanical equipment and deferred maintenance.

New Shade structures (size, locations) to be determined with Staff and Task Force - site site survey will be needed for grading, etc.

New Poolhouse building rebuilt on existing footprint with character complementary to the adjacent historic building. Houses the following functions

- Locker Rooms
- Family Change Rooms
- Office and Reception
- Lounge Area
- Pool Mechanical
- Pool Storage

Existing Historic Arts Center Structure to be preserved and protected during construction

No additional parking is planned as part of Memory Square improvements

AREA SUMMARY

TOTAL SF = 3,365 SF

SINK COMBS DETHLEFS
ARCHITECTURE DESIGN

LOUISVILLE RECREATION/SENIOR CENTER + AQUATIC CENTER EXPANSION STUDY
Louisville, CO
21 April 2016

MEMORY SQUARE POOLHOUSE PLAN
1/4= 1'-0" (24x36)

City of Louisville
COLORADO • SINCE 1878

Task Force Discussion

April 27, 2016

Recreation/Senior Center Expansion & Aquatic Center Options

Operating Budget Assumptions

- 57,400 square feet – size of current facility
- 50,000 square feet – approximate size of expansion area
- Current operating budget based on 2015 actuals
  - Includes Recreation/Senior Center and Memory Square Pool
  - Includes annual average of ongoing capital investment
- Projections are conservative and further discussion is anticipated
- Revenues assume modest fee increases to be incrementally adjusted annually

Market Conditions

- Focus of anticipated use is on Louisville residents of all ages and employees of Louisville businesses.
- Nature of facility reflects family and intergenerational opportunity.
- Citizen input for types of spaces and willingness to pay are considered in this analysis.
- Demographic and programming trends are considered in this analysis.
- Comparison data is challenging as Louisville's center of operation for recreation is based out of the center, similar to Erie, whereas some communities budget as stand-alone facilities.
- Recommended fees represent an average comparison to facilities identified as offering a somewhat comparable building program.

Proposed Fees (Daily & Monthly)

Pass Type	Current Resident	Current Non-resident	Recommended Resident	Recommended Non-resident
DAILY				
Youth	$4.00	$6.00	$4.50	$6.75
Adult	$6.00	$8.00	$6.50	$8.75
Senior	$4.00	$6.00	$4.50	$6.75
Group (youth)	$2.50	$5.00	$4.00	$6.00
Group (adult)	$4.50	$7.00	$6.00	$8.00

MONTHLY				
Youth	$19.00	$24.00	$22.00	$33.00
Adult	$35.00	$40.00	$38.00	$50.00
Senior	$19.00	$24.00	$22.00	$33.00
Couple	$55.00	$60.00	$58.00	$70.00
Senior Couple	n/a	n/a	$40.00	$60.00
Family	$59.00	$64.00	$65.00	$75.00

Proposed Fees (Punch Cards)

Pass Type	Current Resident	Current Non-resident	Recommended Resident	Recommended Non-resident
10 PUNCH				
Youth	$25.00	$50.00	$28.00	$56.00
Adult	$45.00	$70.00	$48.00	$80.00
Senior	$25.00	$50.00	$28.00	$56.00
20 PUNCH				
Youth	$50.00	$100.00	$53.00	$106.00
Adult	$90.00	$140.00	$93.00	$150.00
Senior	$50.00	$100.00	$53.00	$106.00

Staffing

Salaries and wages are based on midpoint of 2016 Payplan plus 30% benefits calculation for FT staff

Additional salaried staff contemplated at this time includes:

- 1.00 Supervisor I Fitness Coordinator
- 1.00 Facility Maintenance Tech I
- 1.00 Pool maintenance Tech I
- 0.25 Facility Assistant
- 0.25 Accounting Tech I

Additional part-time/contractual staff is proposed in the following areas of operation:

- Maintenance/Custodians
- Fitness/Program Instructors
- Life Guards/Swim Instructors

Ongoing Operating Capital
(Capital Renovation Allocation)

- Current average is $125,000 annually; or approximately 5% of operating budget.
- Projected estimate is based on 5% annually
  - 3% for building and improvements
  - 2% for machinery and equipment

Operational Budget

Current and Estimated Proposed

	Current	*Expansion*	*Combined*
Revenues	*$1,888,830*	*$314,343*	*$2,203,173*
Expenses	*$2,615,009*	*$748,098*	*$3,363,107*
Net	*($726,179)*	*($433,756)*	*($1,159,935)*
% Cost Recovery	*72%*	*42%*	*66%*

CITY OF LOUISVILLE, COLORADO

Recreation / Senior Center Expansion Feasibility Study Operational Analysis

Revised
Draft 2 for discussion purposes

APRIL 27, 2016

DRAFT

Contents

I. Introduction 3
A. Study Purpose 3
B. Current Amenities 3
II. Community Engagement 4
B. Random Statistical Survey 5
III. Needs Assessment 5
A. Demographic Profile and Trends 5
Demographic Analysis 5
Population Projections 5
Population Age Distribution 6
B. Relevant Trends 7
Demographic Trends Influencing Recreation Programming 7
Youth 7
Programming 8
III. Market Conditions Analysis 8
Target Market 8
Market Conditions 8
Comparisons 9
Other Comparison Data 11
Marketing 11
III. Program Identification 11
A. Program and Services Gaps 11
IV. Financial Analysis 11
A. Facility Concepts 11
B. Assumptions 12
C. Operational Budget and Pro-forma 17
D. Projected Five Year Pro-forma 17
E. Financial Analysis and Potential Funding Sources 18

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I. Introduction

A. Study Purpose

The City of Louisville has undertaken a study to consider and examine the feasibility of expanding the existing Recreation/ Senior Center built in 1990. The current facility has accommodated growth fairly well, however spaces have become over utilized for some particular activities, such as fitness programming, and further demand has grown for other activities, such as aquatics. As such, the purpose of this study is to:

- Collect and analyze demographic data as it relates to the demand for expanded recreation facilities.
- Complete an analysis of local and area market conditions impacting both public and private recreation and leisure facilities.
- Collect, update, and analyze data relating to citizen and community needs and preferences.
- Assess what amenities and programming would be most logical to provide in expanded recreation facilities.
- Outline additional operations associated with facility expansion.
- Develop a preliminary report outlining available opportunities for alternative funding including community resources, ballot issues, grants and gifts, and public/private partnerships.

This integrates with the department's Mission:

> The City of Louisville Division of Recreation and Senior Services oversees the programs and operations of the Recreation & Senior Center. The Mission is to provide recreational activities and leisure services that contribute to the physical, mental, and social well-being of the citizens.

B. Current Amenities

The current facility is 57,400 square feet and includes the following amenities within the building:

- 6 lane, 25 meter pool with diving well
- 160 foot water slide with adventure splash down pool
- Solarium and sun deck
- Sauna
- Hot tub
- Steam room
- Two free-weight rooms
- Gymnasium
- Racquetball and Walleyball courts
- Senior Center
- Indoor track (1/10 mile)
- Locker rooms
- Kid's Corner babysitting
- Fitness studio
- Multi-purpose rooms

The initial phase of this study began in late 2015 with a kick off meeting in November including staff and members of the Task Force. Engaging the public included two open houses; a summary of those open houses follows.

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II. Community Engagement

The first open house was held on December 2, 2015 at the Louisville Recreation & Senior Center with a focus on aquatic needs/programming. Approximately 65 people attended. The second open house was held on December 9, 2015 and was attended by approximately 128 people. General results from the community input included:

Outdoor Aquatic Facilities

- General updates and renovation
- Outdoor pool
  - Olympic size
  - Heated water
  - More lap lanes
  - Extended hours
  - Diving boards and slides
- Family area with shaded areas
- Kiddie Pool with area for lessons
- Hot tub
- Outdoor workout space

Additional Gymnasium / Indoor Space

- Separate room for stationary bikes / spin classes
- Work out area on first floor
- Better sound mitigation
- Indoor track for competitive use
- Designated stretching area
- Indoor archery
- More tennis, racquetball and pickleball courts

Additional Weight Room & Cardio Fitness Space

- More classroom spaces
  - Separate room for stationary bikes / spinning (most requested)
  - Aerobics / Dance / Zumba
  - Yoga / Tai Chi / Barre (quiet and w/ dimmable lights)
- Weight room
  - More space
  - More free weights and hand weights
  - Need space for a second weight rack
  - More squat racks
- Cardio / Fitness
  - More functional space
  - More equipment/machines for peak hours, especially treadmills
  - Add step master, rowing machines, punching bags

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Senior Center Additions and Improvements

- Keep senior center at rec center
- Separate locker rooms and bathrooms for seniors only
- Larger lounge / gathering space
- More "Seniors Only" spaces to accommodate:
  - Tai Chi, yoga, Zumba
  - Drop-in practice
  - Silver Sneakers
  - Need at least 2 more rooms for year-round use
- Enlarge and update kitchen / cafeteria
- Larger library with more computers
- More space for pool tables, snooker tables and bridge
- Upgrade furniture, finishes
- More senior day trips

B. Random Statistical Survey

RCC conducted a survey of Louisville residents. The results of this survey are in a separate document and were used to inform the assumptions in this analysis.

III. Needs Assessment

A. Demographic Profile and Trends

Demographic Analysis

Understanding community demographics and needs is an important component of master planning for Louisville Recreation & Senior Center expansion. Summary demographics for Louisville are shown in **Table 1**. The population data used in this demographic profile comes from Esri Business Information Solutions, based on the 2000 and 2010 U.S. Census data.

Table 1: Summary Demographics for Louisville – 2015

Summary Demographics	
Population	19,662
Number of Households	8,156
Avg. Household Size	2.4
Median Age	42
Median Household Income	$88,418

Population Projections

Although future population growth cannot be predicted with certainty, it is helpful to make growth projections for planning purposes. ***Table 2*** contains actual population figures based on the 2000 and 2010 U.S. Census for Louisville, as well as a population estimate for 2015 and projection for 2020. The city's annual growth rate from 2000 through 2010 was -0.44%. Esri's projected growth rate for 2015 through 2020 is 1.23% for Louisville, compared to the projected 2015 – 2020 annual growth rate for the state of Colorado at 1.29%.

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Table 2: Louisville Population projections, 2000—2020

US Census (2000 and 2010) and Esri Projections	
2000 Population	19,203
2010 Population	18,376
2015 Estimated	19,662
2020 Projected	20,901

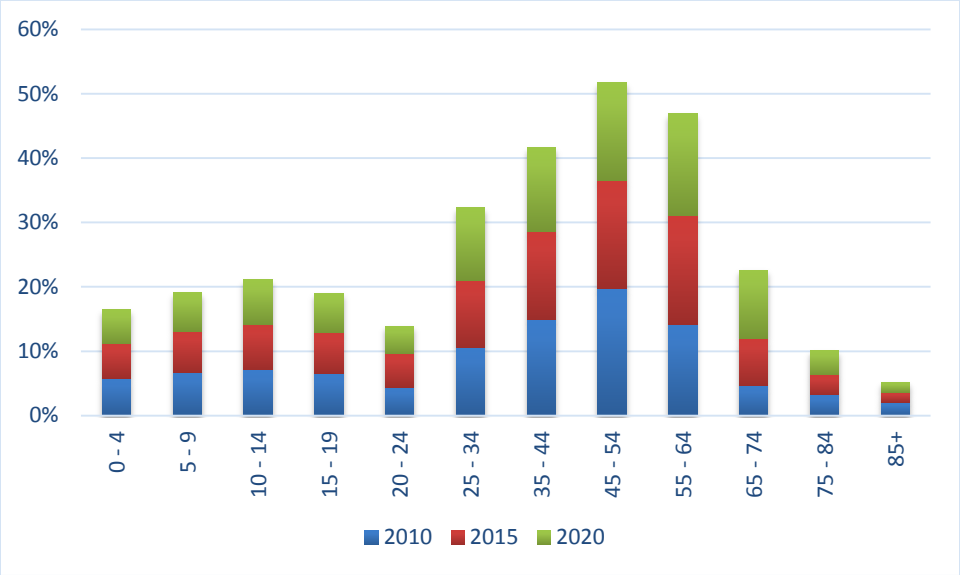
Source: 2010 U.S. Census; 2015 estimates and 2020 forecast provided by Esri Business Information Solutions.

Population Age Distribution

The population of Louisville is not expected to change dramatically; however, the age cohorts will vary slightly. A comparison of the estimated population break down by age for Louisville from 2010 to 2020 is shown in ***Figure 1***. The gender distribution in 2015 is 49% male to 51% female. The median age estimated for Louisville by Esri in 2015 was 42.

When broken down by race/ethnicity by the U.S. Census in 2010, the median age for the Asian population was 36.9, Caucasian population—41.9, African American population—32.8, and Hispanic population—28.9.

Figure 1: Louisville Population Age Distribution for the Years 2010, 2015, and 2020



Source: 2010 U.S. Census; 2015 estimates and 2020 forecast provided by Esri Business Information Solutions.

B. Relevant Trends

Demographic Trends Influencing Recreation Programming

a. Boomer Basics

Baby boomers are defined as individuals born between 1946 and 1964, as stated in "Leisure Programming for Baby Boomers."[1] They are a generation that consists of nearly 76 million Americans. As baby boomers enter retirement, they will be looking for opportunities in fitness, sports, outdoors, arts and cultural events, and other activities that suit their lifestyles. Emilyn Sheffield, Professor of Recreation and Parks Management at the California State University, at Chico, in the NPRA July 2012 *Parks and Recreation* magazine article titled "Five Trends Shaping Tomorrow Today," indicated that Baby Boomers are driving the aging of America, with boomers and seniors over 65 composing about 39% of the nation's population[2].

b. The Millennial Generation

Over 80 million people between the ages of 15 and 35 now belong to the Millennial Generation, the largest of any generation group. [3] This group is highly diverse, with 42% of American Millennials identifying as a race or ethnicity other than "non-Hispanic white," as opposed to the 28% of Baby Boomers that identify as Non-Caucasian[4].

Growing up between the late 1980s and 1990s, Millennials were surrounded by rapidly changing technology. Eighty-one percent of Millennials now participate on social networking sites, utilizing these sites to meet new friends, find communities of similar-minded people, and support the causes that they believe in.[5]

Community is essential to Millennials; urban hubs are sought out for their ample place-making activities, public spaces, festivals, public art, education opportunities, and transportation options. Connectivity is extremely important to Millennials, who are using alternative modes of transportation more than any other generation. By utilizing trails to connect key places, recreation departments can help make Millennials feel more connected to their city.

Youth

Emily Sheffield, author of the article, "Five Trends Shaping Tomorrow Today," identified that one of the five trends shaping the future is the proportion of youth is smaller than in the past, however just as important. As of the 2010 Census, the age group under age 18 forms about a quarter of the U.S. population.

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[1] Linda Cochran, Anne Roshschadl, and Jodi Rudick, "Leisure Programming For Baby Boomers," *Human Kinetics*, 2009.

[2] Emilyn Sheffield, "Five Trends Shaping Tomorrow Today," *Parks and Recreation*, July 2012, p. 16-17.

[3] The Colorado College State of the Rockies Project. MILLENNIALS IN THE WEST. A Survey of the Attitudes of Voters in Six Western States, 2015.

[4] Samantha Raphelson, "Amid the Stereotypes, Some Facts About Millennials," National Public Radio, http://www.npr.org/2014/11/18/354196302/amid-the-stereotypes-some-facts-about-millennials)

[5] The Council of Economic Advisers. 15 ECONOMIC FACTS ABOUT MILLENNIALS. Executive Office of the President of the United States. 2014.

Programming

One of the most common concerns in the recreation industry is creating innovative programming to draw participants into facilities and services. Once in, participants recognize that the benefits are endless. According to *Recreation Management*'s 2015 State of the Industry Report,[6] the most common programs offered by parks and recreation survey respondents include:

- Holiday events and other special events (79.6%)
- Youth sports teams (68.9%)
- Day camps and summer camps (64.2%)
- Educational programs (63.8%)
- Adult sports teams (63.4%)
- Arts and crafts (61.6%)
- Programs for active older adults (56.2%)
- Fitness programs (55%)
- Sports tournaments and races (55%)
- Sport training such as golf or tennis instruction (53.8%)

Another yearly survey by the American College of Sports Medicine indicates the top 20 fitness trends.[7] The survey ranks senior fitness programs eighth among most popular fitness trends for 2015. Whether it's SilverSneakers, a freestyle low-impact cardio class, or water aerobics, more and more people are realizing the many benefits of staying active throughout life. According to the National Sporting Goods Association, popular senior programming trends also include hiking, birding, and swimming.

III. Market Conditions Analysis

Target Market

The City of Louisville's target market for this facility renovation/expansion is residents of Louisville. Total visits of paying users to the existing facility in 2015 was 289,966. Total facility admissions with uses of *annual and monthly passes* was 195,420, with 91% being residents of the city and 9% non-residents. Of the 71,691 visits using punch cards, resident use is a smaller percentage at 76% for *20 punch cards* and 62% for *10 punch cards*. Until January, 2016 there was no non-resident rate for daily admission. Total daily admission visits in 2015 were 19,855.

The majority of punch card users are employees of local businesses who do not reside in the city of Louisville. Participation in programs city-wide is 83% residents with 17% non-resident.

Market Conditions

Other general market conditions supporting development of additional public facilities include:

- Trends toward more active adult and multigenerational use; programs for that use are available more likely at public facilities.

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[6] Emily Tipping, "2015 State of the Industry Report, Trends in Parks and Recreation," *Recreation Management*, June 2015.

[7] "Survey Predicts Top 20 Fitness Trends for 2015", American College of Sports Medicine, http://www.acsm.org/about-acsm/media-room/news-releases/2014/10/24/survey-predicts-top-20-fitness-trends-for-2015, accessed January 2015.

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- General sales tax revenues will continue providing funds to construct and operate facilities that respond to growth pressure.
- Gender, age, and income demographics in the region support the need for more and varying facilities. Consumer demand is for "state of the art" facilities.

Comparisons

The project study included comparing similar facilities in the northwest Metropolitan Denver area, Boulder and northern Colorado. The purpose of this comparative analysis is to give the City a better understanding of the types of community centers that exist in the region and how they operate.

In order to get a complete picture of the options for potential components, there must be an understanding of what the regional market will bear for fees and charges, the amount of funding it takes to operate and maintain similar facilities, and the costs to staff a facility. For this comparison, other park and recreation agencies were contacted to provide specific information for recreation centers that would be similar to an expanded Louisville facility. Louisville staff and comparison agencies provided and primarily utilized 2014 data; included in ***Table 3*** are Broomfield, Lafayette, Erie, Golden, Longmont and East Boulder***.***

The comparison data listed is for the purpose of providing an overview of budget and operational performance of similar (and un-similar) facilities in the general area. This data is not intended to suggest a particular approach, but rather to give an indication of how diverse facilities are in their performance. **The table above indicates the difficulty in attempting to compare Louisville with other agencies, many of which have different operating philosophies, cost recovery expectations, building components, and budget methods. Utilities may be handled in different ways, such as not showing an expense for water, and as indicated with Longmont and Louisville, other intra-departmental support services may not be expended as well.** As an expanded facility evolves, a unique set of criteria will result in unique data for future comparison.

The community recreation centers that were studied for this analysis range in size from 48,000 square feet to 85,000 square feet. Common amenities in these centers include leisure pools, multi-purpose rooms, gymnasiums, group fitness areas, weight/cardio rooms, walk/jog tracks, climbing facilities, and childcare rooms. A few less common and unique amenities include competitive swim pool, dedicated senior areas, and racquetball. However, in general, the facilities operate as "community recreation centers" for the purposes of comparison. Averages for key areas include:

Average Revenue per square foot	$29.55
Average Expense per square foot	$33.01
Average subsidy	<$211,458>

Each facility was studied in regards to revenue gained from daily admissions, passes, and programming as well as expenses for operating the facility (including staffing, utilities, and operations). An analysis of the ratio of revenue to expenses illustrates that the cost recovery of these facilities varies greatly from 63 to 140+ percent. However, it should be noted that both revenues and expenses are driven by a wide range of programs, building design, and general philosophy of budgeting. For example, in some cases subsidy support from other departments is not included.

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Table 3: Comparable Data

Item	Louisville	Broomfield	Lafayette	Erie	Golden	Longmont
Size (SqFt)	57,400	85,000	48,372	64,000	71,483	63,500
Original Construction Date	1990	2003	1990	2007	1994	2002
Total facility revenues	$1,860,695	$2,072,618	$1,826,000	$1,935,126	$1,734,078	$1,792,667
Total facility expenditures	$1,796,081	$2,152,921	$2,267,000	$2,849,044	$2,196,301	$1,228,588
Rev/sqft	$32.42	$24.38	$37.75	$30.24	$24.26	$28.23
Exp/sqft	$31.29	$25.33	$46.87	$44.52	$30.72	$19.35
Capital (not included in subsidy)				$87,210	$25,000	
NET SUBSIDY	$64,614	$(80,303)	$(441,000)	$(913,918)	$(462,223)	$564,079
Subsidy percentage		4%	19%	32%	21%	
Cost Recovery percentage	104%	96%	81%	68%	79%	146%
Staff Costs	$1,204,560	$1,195,000	$1,299,385	$2,057,892	$2,035,000	$948,735
FT Staff Cost w benefits	$710,825	$368,000	$391,000	$1,037,634	$560,000	$295,620
PT Staff Cost w benefits	$493,735	$827,000	$908,385	$1,020,258	$1,475,000	$653,115
Total Annual Utility Expenses	$134,669	$339,482	$178,409	$257,834	$486,370	$169,911
Gas	$40,271	$87,369		$48,355	$196,440	
Electric	$91,598	$213,080		$171,767	$200,349	
Water		$35,433		$13,746	$21,000	
Sewer		WS combo		bill w/ water	W/WW combined	
Phone and Internet	$2,800	$3,600	$6,000	$23,966	$68,580	
Revenue Sources (not classes)	$902,507	$2,330,647			$494,878	
Drop In/Daily Fees	$84,456	$343,566			$251,090	$407,471
Passes and Punch Cards	$818,051	$1,987,081			$243,788	$1,194,807
Attendance						
Estimated Annual Attendance	268,603	456,122	179,579	193,500	225,752	459,434

**Longmont expenses do not include custodial and maintenance expenses. These functions are performed by separate city departments and not charged to Parks/Recreation budget. Those expenses were not provided; however, it is estimated that accounting for those expenses would drop their cost recovery to 75% to 85%.*

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Other Comparison Data
In the process of collecting comparative data, the project team also identified new facility development activity going on in the region. The Town of Windsor recently broke ground on a major expansion of its existing center; planned completion is scheduled for September 2016. New recreation and aquatics facilities are also being considered the cities of Commerce City, Lafayette, Longmont, Loveland and Thornton, as well as the Carbon Valley Recreation District, if funding can be secured. In all cases, the agencies involved are expecting new recreation facilities to contribute to the growth and livibility of their community.

Marketing
The Recreation and Senior Services catalog is published three times per year and features all classes. The Recreation & Senior Services division engages social media, specifically Facebook. The Louisville website provides information and direct links for on line registration.

III. Program Identification

A. Program and Services Gaps

Louisville currently offers a broad spectrum of programs for various ages and interests:

- Special events
- Aquatics – multiple lesson levels including adult
- Water aerobics
- Diverse senior programs
- Diverse youth programs
- Youth athletics
- Adult athletics
- Group fitness classes
- Specialized fitness classes
- Summer camp

Over 25,000 adults and youth enroll in these programs year round. Combined with center admissions via some form of pass (daily, monthly, annual), participants at the Louisville Recreation/Senior Center was 286,996 in 2015. In forecasting program revenue potential, these current programs and participation, along with the potential to grow with additional dedicated space, were considered and incorporated.

IV. Financial Analysis

A. Facility Concepts

All pro-forma assumptions were created utilizing projected square foot allotments provided by Sink Combs Dethlefs, as a building program has evolved. At this time, approximately 50,000 square feet are anticipated being added to the 57,400 square feet of the existing building for a total of approximately 107,400 square feet.

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B. Assumptions

The operational budget planning for the expansion of the Louisville Recreation/Senior Center uses a conservative approach to estimating expenses and projecting additional revenues, based on an understanding of the conceptual project, the best available market area information, and integrating with current practices. Existing revenues and expenditures are considered along with the projected operations of expanded fitness and aquatics, which may reduce expenditure in services and supplies categories.

While this initial budget provides a baseline, it is anticipated that revenues during the first few years of operation with an expanded facility may exceed these projections for several reasons.

- Leading up to and during the first year of operation, marketing and promotion efforts and costs will be elevated to attract an expanded population.
- Particularly in years one and two, the facility interest and therefore attendance/participation will likely be higher than in subsequent years when the "newness" of the expanded spaces declines.

All figures are estimated 2016 dollars and estimate probable costs and revenues. There is no guarantee that the estimates and projections will be met, and there are many variables that cannot be accurately determined during this conceptual planning stage, or may be subject to change during the actual design and implementation process.

Hours of Operation

The following indicates current hours of operation; these are assumed to remain the same. This schedule can be revised to accommodate various demands. However, it is important to note that facility revenues and expenditures are based on these hours shown in Table 4 below.

Table 4: Center Hours of Operations

Days of Week	Times	Hours per week
Monday – Thursday	5:45am to 9:00pm	61
Friday	5:45am to 7:00pm	13.25
Saturday	7:00am to 6:00pm	11
Sunday	8:00am to 6:00pm	10

It is assumed that the facility will operate 351 days per year, with the facility being closed for seven holidays during the year including New Year's Day, Easter, Memorial Day, Fourth of July, Labor Day, Thanksgiving, and Christmas Day. An annual shutdown period for maintenance is also expected that typically ranges from 7-10 days.

Rentals of party/activity rooms, swimming pool, classrooms, and the entire facility may extend beyond normal hours of operation and typically include weekends and some evenings. Though specific increased rental rates are not provided for after hours, this could be reflected in the pricing structure.

Evening and Weekend Coverage

Evening and weekend coverage staff should be a mix of full-time, benefitted staff and hourly staff during the majority of facility operation hours. Current staff scheduling is expected to continue.

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Personnel Services

Generally, personnel costs make up the single highest expense for most multi-purpose recreation facilities. For purposes of projecting costs, the range mid-point of the 2016 Pay Plan was utilized for projecting expenses in each area.

Additional salaried staff contemplated at this time includes:

- 1.00 Supervisor I Fitness Coordinator
- 1.00 Facility Maintenance Tech I
- 1.00 Pool maintenance Tech I
- 0.25 Facility Assistant
- 0.25 Accounting Tech I

Additional part-time/contractual staff is proposed in the following areas of operation:

- Maintenance/Custodians
- Fitness/Program Instructors
- Life Guards/Swim Instructors

Custodial and Maintenance Coverage

Routine and daily set up maintenance responsibilities will be provided by maintenance and facility staff as needed. Current staff scheduling is expected to continue but to be supplemented with additional full-time staff and part-time hours.

Supplies

In this study, supplies relate to ongoing operations in the areas of program, operating, office, computer supplies, postage, tools, books, staff uniforms, janitorial, tools, equipment parts, identification card supplies, resale merchandise, concession supplies, and miscellaneous items. It is anticipated that this figure will increase over time due to inflation. Note: All start up supply expenses associated with the facility expansion start up are assumed to be funded from the Owner Items account or FFE in the construction budget. Supplies expenses typically approximate 10% of the overall operational budget.

Services

With the uncertainty of utility costs such as natural gas and electricity prices, service expenses can consume a significant portion of many operation budgets. The estimated utility costs for the volume of space within the facility accounts for a high percentage of the services budget; numbers can be verified with final design. For this analysis utilities are estimated to be $3.25 per square foot, per year for non-aquatic space and $5.25 per square foot for aquatic spaces.

Other typical services include contracted instructional services, marketing and advertising, printing and publishing, travel and training, subscriptions and memberships, telephone, bank charges and administrative fees, miscellaneous service charges (permits, licenses, taxes, fees), building and equipment maintenance (contractual or rental services), other contracted services (security and fire systems, elevator, trash pick-up, etc.), property and liability insurance, building maintenance, and repair. Overall services expenses typically approximate 30% of the overall operational budget.

Expenditure estimates are based on the type and size of the activity and support spaces planned for expansion in the facility and anticipated hours of operation. When possible and wherever available,

calculations are based on actual best practice or methodology. Comparison data from similar facilities in the region was also analyzed to prepare estimates.

Capital Renovation Allocation

A limited capital renovation allocation of 5% for building improvements, machinery, and equipment has been included in order to keep the facility up-to-date and to provide state-of-the-art equipment. It is not anticipated that this allocation will be needed for the expansion in the first several years of operation, but that the allocation will accumulate over time and be carried forward for future use.

- Building and Improvements should be budgeted at 3% of operating budget.
- Machinery and Equipment should be budgeted at 2% of operating budget.

Admissions Revenue

Revenue forecasts include current estimates of anticipated drop-in fees, punch card and pass sales, and rentals, around anticipated scheduled programming related to fitness and aquatics. This takes into consideration program and facility components as well as multiple admissions and age discounts options. The revenue categories for the expansion include:

- Daily admissions, punch cards, and passes
- Aquatics lessons and programs
- Fitness/wellness/aerobic programs
- Rental opportunities

Revenue forecasts are based on the space components included in the facility, anticipated demographics of the local service area, and a comparison to other facilities with similar components in surrounding communities. Actual figures will vary based on the final design and allocation of facility spaces, the market at the time of opening, adopted facility operating philosophy, the aggressiveness of fees and use policies implemented, and the type of marketing effort undertaken to attract potential users to the facility. **The revenue forecast will require an ongoing effective marketing approach in order to meet revenue goals.**

Proposed Fees

The proposed fee structure, as suggested below reflects preliminary figures that correspond to the operational budget and cost recovery goals for the center.

In this pro-forma daily, punch card (10 and 20 punch), and monthly fees include admission to the facility for cardio/fitness, stretching and weight use, and lap or open swim in the lap and leisure pool.

Table 5 below lists current fees compared to recommended fees, which represent an average comparison to centers that were identified as facilities somewhat comparable in size and amenities as proposed.

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Table 5: Recommended Fee Schedule

Pass Type	Current Resident	Current Non-resident	Recommended Resident	Recommended Non-resident
DAILY				
Youth	$4.00	$6.00	$4.50	$6.75
Adult	$6.00	$8.00	$6.50	$8.75
Senior	$4.00	$6.00	$4.50	$6.75
Group (youth)	$2.50	$5.00	$4.00	$6.00
Group (adult)	$4.50	$7.00	$6.00	$8.00
10 PUNCH				
Youth	$25.00	$50.00	$28.00	$56.00
Adult	$45.00	$70.00	$48.00	$80.00
Senior	$25.00	$50.00	$28.00	$56.00
20 PUNCH				
Youth	$50.00	$100.00	$53.00	$106.00
Adult	$90.00	$140.00	$93.00	$150.00
Senior	$50.00	$100.00	$53.00	$106.00
MONTHLY				
Youth	$19.00	$24.00	$22.00	$33.00
Adult	$35.00	$40.00	$38.00	$50.00
Senior	$19.00	$24.00	$22.00	$33.00
Couple	$55.00	$60.00	$58.00	$70.00
Senior Couple	n/a	n/a	$40.00	$60.00
Family	$59.00	$64.00	$65.00	$75.00

Fitness

Within the fitness area, the square feet dedicated to fitness programming will double. Fitness programming will be provided on an ongoing basis, similar to current programs, but with more dedicated as well as multi-use space. This estimate is based on review of revenue at comparable size facilities in the area and current revenue generated.

Currently FitZone classes are included with general facility admission and include a paid instructor (vs lap swimming, which does not require an instructor). A budget transfer is made to cover costs, but does not give the ability to track net revenue. This was approximately $75,000 in 2015, with an additional $29,221 generated in specialty classes. Additional FitZone classes and specialized (contractual) classes are estimated at 53% net revenue increase. When classes are not in use for groups, it will be important to keep fitness rooms occupied and thus generating revenue. One option is to consider a drop in independent use of classroom space, such as Fitness on Demand. This is shown as an option with conservative use.

Aquatics

With an expanded aquatics and fitness venue, the Louisville Recreation/Senior Center will have the ability to offer additional aquatics programming (i.e. swim lessons, aquatic exercise) on a year-round

basis. This estimate is based on review of revenue at comparable size facilities in the area and current revenue generated.

Conservative estimates were used for additional programming in terms of numbers of participants. Additional classes should be concentrated in areas (level and time of year) where classes do tend to fill more quickly and are estimated for 21 weeks. An estimated net revenue increase is shown, primarily in the group Learn to Swim classes and the potential "specialty" classes generated by the type of water bodies being added to the program. These include such things as Watsu Massage, Toning, Water Arthritis, and Core Strengthening for Seniors. Water equipment, such as treadmills and bikes are also an option for additional program/drop in revenue. Another consideration is moving all lessons indoors such that cancellations due to weather are eliminated. Memory Square Pool could then offer additional lap swimming time and open play.

Lifeguard costs are shown as an addition to current operations. It is assumed that with the new natatorium the leisure pool / slide will be open from 12 noon on weekdays and Saturdays, allowing for lessons and classes to occur throughout the pools in the mornings.

Cost Recovery

The 2015 cost recovery for the Louisville Recreation & Senior Center was 72%, including the funding in the Public Works budget supporting center operations and an estimate capital costs provided by staff. Cost recovery on the expansion alone is projected at 42%, with overall cost recovery for the expanded facility at 66%. This is a conservative estimate and has served as the basis for facility pricing. A continual goal should be to sustain cost recovery through a focused staff effort, resulting in high quality facility management, customer service, and marketing. Cost Recovery is further discussed under the Financial Analysis.

Rentals

Market analysis for room rental/social event venue indicates an opportunity to generate additional revenue in this area. These proposed fees do not take into account peak and non-peak times, but should certainly be considered, especially for after-hours rentals. Rentals are reflected in existing operations only, and thus are not reflected as additional revenue at this time. A recommended rental rate fee increase is noted below in **Table 6**.

Table 6: Recommended Room Rental Rates

Venue	Current Resident	Current Non-resident	Recommended Resident	Recommended Non-resident
Large room (50-75 Banquet)	$35.00	$45.00	$45.00	$55.00
Small room (25-30 classroom)	$25.00	$35.00	$30.00	$40.00
Combined (150-200 banquet)	$70.00	$90.00	$80.00	$100.00
Kitchen	$15.00	$20.00	$50.00	$60.00

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Birthday Parties

Market analysis for the birthday party venue indicates an opportunity to generate additional revenue in this area by providing a host. This suggested pricing includes room setup/cleanup and a host in the room. It does not include provision of cake, party supplies or supervision outside of the party room, and given parental concern with nutrition and allergy related food substances, this may be an area worth avoiding. Rentals are reflected in existing operations only, and thus are not reflected as additional revenue at this time. A recommended rental rate fee increase is noted below in **Table 7** below.

Table 7: Recommended Party Package and Room Rental Rates

Venue	Current Resident	Current Non-resident	Recommended Resident	Recommended Non-resident
Group (up to 10 children; add on pricing for additional)	$60.00	$80.00	$80.00	$100.00

Vending

Vending operations are expected to continue to be handled through contracted services and therefore only include a net revenue figure. Vending is shown in existing operations only.

Advertisement and Sponsorship Revenue

Revenues from advertisement and sponsorships **are not** included in the pro-forma but should be considered as an opportunity to increase revenues. Any advertising or sponsorship opportunities must be scrutinized to assure they meet the mission of the Recreation & Senior Services Division.

C. Operational Budget and Pro-forma

Table 8 below is an overview of expenditures, revenues, and cost recovery for the existing center extracted from the 2015 Budget, including the Public Works allocation, as well as the conservative projection for the expansion, and then a combined total. Within these projections are provision for ongoing capital outlay based on 5% of the operating budget projection. New support subsidy as shown in this table is $433,756.

Table 8: Operational Budget Overview

	Current	*Expansion*	*Combined*
Revenues	***$1,888,830***	***$314,343***	***$2,203,173***
Expenses	***$2,615,009***	***$748,098***	***$3,363,107***
Net	***($726,179)***	***($433,756)***	***($1,159,935)***
% Cost Recovery	***72%***	***42%***	***66%***

D. Projected Five Year Pro-forma

A projected Five Year Pro-forma will be provided using an estimated annual expenditure increase of 3% and incremental fee adjustments.

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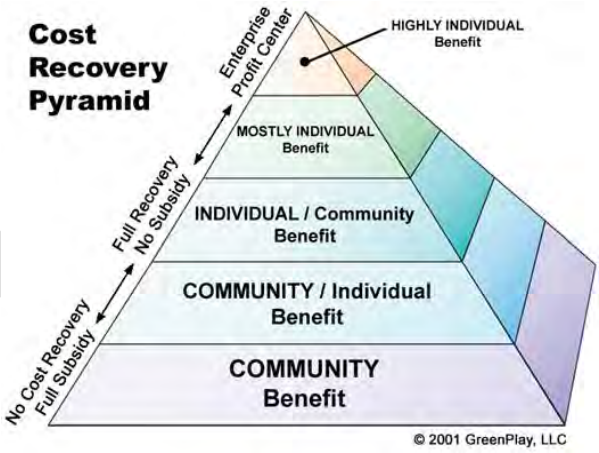
E. Financial Analysis and Potential Funding Sources

Operations are typically offset by fees and charges, but generally include some level of subsidy from the agency's general fund. In order to assist with predicting a level of subsidy, GreenPlay traditionally recommends a cost recovery model. This information is summarized here with further details provided in ***Appendix B.***



Conceptually, the Pyramid Methodology creates an overall philosophy and approach for resource allocation, program pricing, and cost recovery evaluation. Programs are evaluated based on their overall benefit to the individual or community, and priced for subsidy or cost recovery appropriately, as shown.

Other sources that help offset subsidies include:

Grants

- Conservation Trust Fund
- Great Outdoors Colorado (GOCO)
- Land and Water Conservation Fund
- Private Foundations

Partnerships

- It is recommended that the City establish a formal Partnership Policy- GreenPlay can provide a sample template for this purpose.
- Opportunities for: Hospitals; Fitness and Health providers; Joint public/Non-profit facilities; Private Sector (drink/food providers, clothing providers, exercise equipment providers)

Sponsorships

- It is recommended that the City establish a formal Sponsorship Policy; GreenPlay can provide a sample template for this purpose.
- Facility Sponsorship Program and Policy – Cash and In-kind
- Program Sponsorship Guidelines and Benefits
- Naming Rights and/or Amenity labeling
- Corporate and/or Local Support, Alliances

Donor/Gifting/Volunteer Programs

- Cash: Foundation, Gifts, Charitable Trusts, Endowments
- In-Kind: Volunteers, Facility Amenities
- **Foundations –** Can help with securing, managing, and attracting alternative funding.
- **Lease Purchase** – Reduces initial investment by leasing all or a portion of equipment with the option to purchase after a set investment period.
- **Management Agreements –** Private vendors may manage all or part of a facility or program, in return paying rent or sharing revenues (see Partnerships).

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RESOLUTION NO. 92
SERIES 2015

A RESOLUTION ADOPTING FINANCIAL POLICIES FOR THE CITY OF LOUISVILLE, COLORADO.

WHEREAS, the City adopted its original financial policies by Resolution No. 19, Series 1984; and

WHEREAS, the City has amended its original financial policies by Resolution No. 1, Series 1986, Resolution No. 42, Series 1996, Resolution No. 19, Series 1997, and Resolution No. 14, Series 2012; and

WHEREAS, the City wishes to update its financial policies by replacing the current policies in their entirety with a new set of policies.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LOUISVILLE, COLORADO:

SECTION 1. The financial policies as adopted by Resolution No. 19, Series 1984, and amended by Resolution No. 1, Series 1986, Resolution No. 42, Series 1996, Resolution No. 19, Series 1997, and Resolution No. 14, Series 2012 are hereby rescinded.

SECTION 2. The financial policies, which are attached hereto and incorporated herein by this reference, are hereby adopted as the financial policies for the City of Louisville.

PASSED AND ADOPTED this 15th day of December 2015.

City of Louisville

By: _____
Robert P. Muckle
Mayor

CITY OF LOUISVILLE SEAL COLORADO

ATTEST:

By: _____
Nancy Varra
City Clerk

Purpose

The purpose of the City of Louisville's Fiscal Policies is to set guidelines for managing the fiscal affairs of the City. The policies will commit the City to calculate specific information about the City's current fiscal condition, past and future trends, as well as provide guidelines for making fiscal decisions and assuring that the City continues to pursue a financially prudent course. These policies may be added to or modified by Council resolution.

Introduction

The City of Louisville is an organization charged with providing a wide range of services (i.e., elections, drainage, streets, planning, engineering, police protection, parks, libraries, wastewater treatment, water, and recreation). Revenues to support these services are gathered from a large number of sources including property taxes, user fees, fines, sales tax, franchise tax, State sources, and others. The City's Fiscal Policy Plan has been written in order to help the City provide services in a prudent manner within the bounds of available revenue.

(Adopted May 15, 1984, Resolution No. 19)

General Policies

1. That the City of Louisville shall calculate financial indicators consistent with Appendix "A". All indicators shall be compiled each year before preparation of the annual budget. Each new year's indicators shall be compared with those indicators available from past years building a historical record up to a total of ten (10) years. Any indicator, which shows a warning trend when compared with the past year, shall be more closely analyzed for reasons why the change has occurred.

2. The City of Louisville capital facilities estimate their remaining useful life and replacement cost. This inventory shall include streets, drainage facilities, buildings, parks, water and wastewater systems, alleys, sidewalks and curbs, traffic signals, and any other real or personal property items having an original cost of $5,000 or more. (As amended August 15, 2006 Ordinance No. 1498, Series 2006)

3. As a provider of public services, the City of Louisville will seek to provide only public services that citizens require or support and for which they are willing to pay.

4. The City will take positive steps to improve the productivity of its programs and employees, and seek ways to eliminate duplicate functions within the City government and semi-autonomous agencies in the community.

5. Although the City will finance projects on a pay-as-you-go basis, Council may conclude, based on study of the economy and other matters, that the most equitable way of financing a project that benefits the entire community will be debt financing (pay-as-you-use) in order to provide the services in a timely manner.

6. During the annual budget process, the City will reassess services and service levels. Council may seek citizen input by surveys, citizen forums, and similar methods for this evaluation.

Debt Policies

7. The City of Louisville will not use long-term debt to finance current operations. Long-term borrowing will be confined to capital improvements or similar projects with an extended life, which cannot be financed from current revenues.

8. Debt payments shall not extend beyond the estimated useful life of the project being financed. The City will try to keep the average maturity of general obligation bonds at or below twenty (20) years.

9. The City of Louisville will maintain good communications with bond rating agencies concerning its financial condition.

10. Total general obligation debt will not exceed three percent (3%) of the actual value of the taxable property within the City.

11. The City of Louisville will not utilize lease purchasing except in the case of an extreme financial emergency with specific approval of

the City Council. If lease purchasing is approved by Council, the useful life of the item must be equal to or greater than the length of the lease. No lease purchase will be approved by City Council beyond a five (5) year lease term.

Revenue Policies

12. The City of Louisville will maintain a diversified revenue system to protect it from short-run fluctuations in any one revenue source.

13. State and Federal funds may be utilized, but only when the City can be assured that the total costs and requirements of accepting funds are known and judged not to adversely impact the City's General Fund.

14. The City Council policy is that user charges will be established so that operating revenues are at least equal to the direct and indirect operating costs. Indirect costs will include the cost of annual depreciation of capital assets.

15. The City of Louisville will set fees for recreational services at a level to support seventy-five percent (75%) of the direct and indirect costs of children's programs. Non-resident recreation participants will pay the regular program fees plus an additional fee of 25% or $5.00, whichever is higher. (As amended March 18, 1997, Resolution No. 19)

16. The City will annually review all fees for licenses, permits, fines, and other miscellaneous charges. They will be adjusted as necessary after considering inflation, processing time, expense to the City, and any other factors pertinent to the specific item.

17. Non-sufficient funds checks will be assessed a collection charge of fifteen dollars ($15.00). The amount of collection charge may be reviewed and changed as deemed necessary by the Director of Finance.

18. The City of Louisville will project revenues for the next five years and will update this projection annually. Each existing and potential revenue source will be examined annually.

19. Water and sewer capital revenues will not be used to pay for operating expenses. They will be used solely for the water and sewer improvements and system expansion.

Operating Budget Policies

20. The City of Louisville will maintain a budgetary control system to help it adhere to the budget. The City will prepare monthly status reports and quarterly financial reports comparing actual revenues and expenditures to budgeted amounts. Where practical, the City will develop performance measures to be included in the annual operating budget.

21. The City of Louisville will provide for adequate maintenance of capital plant and equipment, and for their orderly replacement.

22. The City will strive to pay prevailing market rates of pay to its employees. Prevailing market rate is defined to include both salary and fringe benefits.

23. The City of Louisville should not incur an operating deficit.

24. The City will pay for all current expenditures with current revenues. The City's General Fund budget will not be balanced through the use of transfers from other funds, appropriations from fund balances or growth revenue. (As amended January 7, 1986, Resolution No. 1 and March 18, 1997, Resolution No. 19)

25. The City of Louisville will project expenditures for the next five (5) years and will update these projections annually. Projections will include estimated operating costs of future capital improvements that are included in the Capital Improvement Program budget.

26. Administrative Transfer Fee. The Administrative Transfer Fee is a payment from the utility funds to the General Fund for services provided by the General Fund. The amount of each year's transfer fee will be based on the estimated General Fund expenditures that are utility related.

27. The City of Louisville's Water and Sewer Funds will pay the General Fund a franchise fee for the utilization of public streets and rights of way. The fee will be a percent of the operating budget year's projected revenues.

Reserve Policies

28. Policy 28 was Rescinded March 18, 1997, Resolution No. 19. New fund balance policies were created by Resolution No. 42, Series 1997 (Policies 45 through 47)

29. The City of Louisville will establish an equipment reserve fund and will appropriate funds to it annually to provide for timely replacement of equipment.

30. Policy No. 30 has been reserved for future use.

Capital Improvement Policies

31. The City of Louisville will make all capital improvements in accordance with an adopted Capital Improvement Program.

32. The City of Louisville will develop a multi-year plan for capital improvements and update it annually.

33. The City of Louisville will enact an annual capital budget based upon the Capital Improvement Program. This capital budget will be coordinated with the operating budget.

34. The City of Louisville will require that project costs be submitted with capital projects requests. "Full life" costs including operating, maintenance, and demolition, if any, should be listed.

35. The City of Louisville will project its equipment replacement and maintenance needs for the next five years to minimize future maintenance and replacement costs.

36. The City of Louisville will maintain all its assets at a level adequate to protect the City's capital investment and to minimize future maintenance and future replacement costs.

Investment Policies

37. The City of Louisville amended its Investment Policy through Resolution No. 14, Series 2012, in order to comply with House Bill 12-1005, which changed the definition of legal investment of public funds by amending CRS Section 24-75-601. This amendment also brought the City's investment policy up to current generally accepted standards. The Policy is located on the City's website at www.louisvilleco.gov.

38. Competitive Quotes – The City will seek competitive quotes on all investments. Investments will be made on the basis of the legality, safety, liquidity and yield of invested money with regard for the characteristics of the investments, the quotes and the quoting institutions.

39. Documentation – All purchase and sales of investments shall be authorized or confirmed in writing with the issuer. Internal controls will be established to ensure the integrity of the investment process. For investment transactions, which are, conducted electronically, confirmation in the form of annotated documentation and confirmation received will be retained.

40. Reporting Requirements – The investment officer shall generate daily and monthly reports for management purposes. The report shall summarize the investment securities, maturities, and any other features necessary for clarification.

Accounting Policies

41. The City will establish and maintain a high degree of accounting practice. Accounting systems will conform to accepted principles of standards of the Governmental Accounting Standards Board, Governmental Finance Offices Association, and the State of Colorado. (As amended March 18, 1997, Resolution No. 19)

42. The City shall apply to the Government Finance Officers Association for its Certificate of Conformance in the Financial Reporting Program.

43. An annual audit will be performed by an independent public accounting firm with the subsequent issue of an official annual financial statement.

44. Full disclosure will be provided in the annual financial statements and bond representations.

Fund Balance Policies

(Resolution No. 42, Series 1996)

45. General Fund – The minimum unreserved, undesignated fund balance of the General Fund shall be calculated annually at 15% of the then current operating budget.

46. Water and Sewer Utility Funds, Operating and Maintenance Reserve – The minimum unrestricted cash balances of the Water and Sewer Utility Funds for operating and maintenance shall be calculated annually based on that year's budget and equivalent to 15% of the then current operating and maintenance budget.

47. Water and Sewer Utility Funds, Capital Reserve – The minimum unrestricted cash balances of the Water and Sewer Utility Funds for capital shall be calculated annually based on that year's estimated depreciation and shall include the equivalent of the current annual depreciation expenses.

Appendix A
Financial Indicators

Category	Indicator	Formula	Warning Trend
Revenues			
1.	General Fund Revenues Per Capita	General Fund Revenues / Population	Decrease
2.	Intergovernmental Revenues	Intergovernmental Revenues / General Fund Revenues	Increase
3.	Sales Tax	Sales Tax / General Fund Revenues	Decrease
4	Property Tax	Property Tax Revenues / General Fund Revenues	Decrease
5.	Revenue Shortfalls	General Fund Revenues / Budget Revenues	Decrease
Expenditures			
6.	General Fund Expenditures Per Capita	General Fund Expenditures / Population	Increase
7.	Employees Per Capita	Number of Municipal Employees / Population	Increase
8.	General Fund Expenditures as % of Budget	General Fund Expenditures / Budget Expenditures	Increase
9.	Fringe Benefits	Fringe Benefits Expenditures / Salaries	Increase
Operating Position			
10.	Operating Deficits	General Fund Operating Deficits / General Fund Revenues	Increase
11.	Fund Balance	General Fund Fund Balance / General Fund Revenues	Decrease

City of Louisville
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FINANCIAL POLICIES

Introduction

The City of Louisville is an organization charged with providing a wide range of services that are supported by a wide range of revenue sources. The City's Financial Policies have been established to guide the City in providing these services in the most efficient way possible within the bounds of available revenue.

Financial policies are central to a strategic, long-term approach to financial management and are intended to serve as a blueprint to achieve the financial stability required to accomplish the City's goals and objectives. More specifically, the intent of adopting a written set of financial policies is to institutionalize good financial management, clarify strategic intent for financial management, define certain boundaries and limits on actions that staff may take, support good bond ratings, promote long-term and strategic thinking, manage risks to financial condition, and comply with established best practices in public management.

The City's Financial Policies have been written in relatively broad terms as guidelines for financial management decisions. These policies should not be confused with administrative statements of operating procedure, which cover the detailed steps needed to accomplish business processes.

The City's Financial Policies shall be adopted by resolution of the City Council. The policies shall be reviewed annually by management and any modifications made thereto must also be approved by resolution of the City Council.

Definitions

- *Advanced Refunding* – a refunding in which the outstanding bonds are callable and remain outstanding for a period of more than 90 days after the issuance of the refunding bonds. Proceeds from the sale of the refunding bonds are used to purchase permissible legal securities, which are deposited into an escrow account.

- *Agencies* – federal agency securities and/or Government-sponsored enterprises.

- *Arbitrage* – the difference between the interest paid on the tax-exempt securities and the interest earned by investing the proceeds in higher-yielding taxable securities. The Internal Revenue Service regulates arbitrage on the proceeds from the issuance of municipal securities.

- *Bankers' Acceptance* – a draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

- *Broker* – brings buyers and sellers together for a commission.

- *Capital Budget* – the first year of the Five-Year Capital Improvement Plan. These amounts are automatically included in the annual budget process.

- *Capital Improvement Plan (C-I-P)* – a plan that describes the capital projects and associated funding sources the City intends to undertake in the next fiscal year plus four additional future years.

- *Collateral* – Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies (Public Deposit Protection Act; CRS 11-10.5-101 et seq.)

- *Current Refunding* – a refunding in which the outstanding bonds are retried within 90 days after the new bonds are sold.

- *Competitive Bond Sale* – bonds are marketed to a wide audience of investment banking (underwriter) firms. Sealed bids are submitted at a specific date and time and the underwriter is selected based on its bid for the City's securities.

- *Dealer* – as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

- *Delivery-versus-Payment* – delivery of securities with an exchange of money for the securities. Delivery-versus-receipt is delivery of securities with an exchange of a signed receipt for the securities.

- *Full Accrual Basis of Accounting* – under tis basis of accounting, revenue is recognized when earned and expenses are recognized when the liability is incurred.

- *Fund* – An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources, together with all related liabilities, obligations, reserves, and equities, which are segregated for the purpose of carrying out specific activities or attaining certain objectives.

- *Fund Balance* – the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in a governmental fund.

    - *Non-spendable Fund Balance* – fund balance that is inherently non-spendable, such as the long-term portion of loans receivable, the principal of an endowment, and inventories.

    - *Restricted Fund Balance* – fund balance that has externally enforceable limitations on its use, imposed by parties such as creditors, grantors, or laws and regulations of other governments.

    - *Committed Fund Balance* – fund balance with limitations imposed by the government itself at its highest level of decision making. For example, for the City of Louisville, this would be limitations imposed on fund balance by the Council through an ordinance or resolution.

- *Assigned Fund Balance* – fund balance that is earmarked for an intended use at either the highest level of decision making or by a body or an official designated for that purpose.

- *Unassigned Fund Balance* – all fund balances that are left after considering the other four categories. Use is the least restricted in this category of fund balance.

- *Unrestricted Fund Balance* – a category of fund balance that comprises committed fund balance, assigned fund balance, and unassigned fund balance. Unrestricted fund balance is, therefore, unconstrained or the constraints are self-imposed, so they could be lifted in order to make fund balances available for other purposes

- *General Fund Operating Expenditures* – as used in the financial indicators, this term refers to total General Fund expenditures, less non-recurring interfund transfers-out.

- *General Fund Operating Revenue* – as used in the financial indicators, this term refers to total General Fund revenue, less other financing sources (such as sales of assets) and interfund transfers-in.

- *General Fund Recurring Expenditures* – as used in the financial indicators, this term refers to total General Fund expenditures, less non-recurring interfund transfers-out.

- *General Fund Recurring Revenue* – as used in the financial indicators, this term refers to total General Fund revenue, less non-recurring building-related revenue, non-recurring and non-operational grants, other financing sources, and interfund transfers-in.

- *General Fund Sales Tax Revenue* – as used in the financial indicators, this term refers to total sales tax revenue less any sales tax rebates due to Business Assistance Packages.

- *General Obligation Bonds* – bonds backed by the "full faith and credit" of the City. Bondholders have the authority to compel the City to use its taxing power, or to use other revenue sources, to generate the revenue necessary to repay the bonds General obligation bonds are subject to the City's debt limitation and voter approval is required.

- *Liquidity* – refers to the ease in which an asset can be converted into cash without a substantial loss of value.

- *Modified Accrual Basis of Accounting* – under this basis of accounting, revenue is recognized when it become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when they are expected to draw on current spendable resources.

- *Negotiated Bond Sale* – the City selects the underwriter in advance of the bond sale. The Financial Advisor and City staff work with the underwriter to bring the issue to the market and negotiate all rates and terms of the sale.

- *Open Space & Parks Fund Targeted Fund Balance* – as used in the financial indicators, this term refers to 15% of current operating expenditures plus an amount sufficient to cover the City's share of the total projected cost of acquiring the three highest priority candidate open space properties

- *Private Bond Placement* – the City sells its bonds to a limited number of sophisticated investors, and not the general public.

- *Program* – A set of activities, operations, or organizational units designed and directed to accomplish specific service outcomes or objectives for a defined customer.

- *Refunding* – refinancing an outstanding bond issue by issuing new bonds.

- *Revenue Bonds* – bonds secured by revenue generated by user fees or by other non-ad valorem revenue sources typically generated by the project being financed. Only the specific revenue source is pledged for the bond repayment. No taxing power or General fund pledge is provided as security. Revenue bonds are not subject to the City's debt limitation and voter approval is not required.

- *TABOR* – the Taxpayer Bill of Rights amendment to the Colorado Constitution and other Colorado law and court decisions.

- *Treasuries* – securities issued by the U.S. Treasury to finance the national debt. Treasury Bills are non-interest bearing discount securities that mature in one year or less. Treasury Notes are coupon bearing securities having initial maturities of two to ten years. Treasury Bonds are coupon-bearing securities having initial maturities of more than ten years.

- *Underwriter* – a dealer that purchases new issues of municipal securities from the issuer and resells them to investors. The difference between the price at which the bonds are bought and the price at which they are offered to investors is the underwriter's discount.

- *Utility Fund Budgetary Basis Expenses* – as used in the financial indicators, this term refers all expenses under the City's budgetary basis of accounting, less capital outlay and interfund transfers-out.

- *Working Capital* – current assets less current liabilities. Used as a measure of *reserves* in proprietary funds. Proprietary funds, unlike governmental funds, report both capital assets and long-term debt, even though neither is directly relevant to near-term financing. Therefore, the difference between proprietary fund assets and liabilities (net position) is not equivalent to the fund balance reported in governmental funds, and is not a useful indicator of *reserves*.

- *Yield* – the rate of annual income return on an investment, expressed as a percentage. Income yield is obtained by dividing the current dollar income by the current market price for the security. Net yield or yield to maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

City of Louisville
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FINANCIAL POLICIES

General Policies

Policy Section: 1
Adopted by Resolution No. 92, Series 2015
Effective Date:

Purpose and Scope

General Policies are financial policies that are not easily categorized under any of the other policy sections. Among other things, these policies will direct management to calculate specific information about the City of Louisville's current fiscal condition, past and future trends, as well as providing guidelines for making fiscal decisions and assuring that the City continues to pursue a financially prudent course.

Policies

1.1 **Financial Indicators.** The City of Louisville shall annually calculate and publish financial indicators consistent with those listed in Appendix "A". All indicators shall be calculated as of year-end and published each year in the budget document, along with the previous year's indicators for up to ten years. Any indicator that shows a warning trend when compared to prior years shall be more closely analyzed for reasons why a change has occurred.

City of Louisville, Colorado
Financial Policies
General Policy 1.1
Appendix A - Financial Indicators

Category	Description	Formula	Warning Trend
Revenue.			
	General Fund Revenue Per Capita	General Fund Operating Revenue / Population	Decrease
	General Fund Intergovernmental Revenue	General Fund Intergovernmental Revenue / General Fund Operating Revenue	Increase
	General Fund Sales Tax	General Fund Sales Tax Revenue / General Fund Operating Revenue	Decrease
	General Fund Property Tax	General Fund Property Tax Revenue / General Fund Operating Revenue	Decrease
	General Fund Actual Revenue vs Budget	General Fund Actual Revenue / General Fund Budgeted Revenue	Decrease
Expenditures:			
	General Fund Expenditures Per Capita	General Fund Operating Expenditures / Population	Increase
	General Fund Expenditures vs. Budget	General Fund Actual Expenditures / General Fund Budgeted Expenditures	Increase
	City-Wide Employees Per Capita	City-Wide Employees (FTE's) / Population	Increase
	City-Wide Employee Benefit Cost	City-Wide Employee Benefits Cost / City-Wide Employee Wages Cost	Increase
Operating Position.			
	General Fund Operational Surplus/(Deficit)	General Fund Recurring Revenue / General Fund Recurring Expenditures	Decrease
	General Fund Operating Margin	General Fund Operational Surplus/(Deficit) / General Fund Recurring Revenue	Decrease
	General Fund Reserves	General Fund Unrestricted Fund Balance / General Fund Operating Expenditures	Decrease
	Open Space & Parks Fund Reserves	Open Space & Parks Fund Total Fund Balance / Open Space & Parks Fund Targeted Fund Balance	Decrease
	Water Utility Fund Working Capital	Water Utility Fund Working Capital / Water Utility Fund Budgetary Basis Expenses	Decrease

(continued)

City of Louisville, Colorado
Financial Policies
General Policy 1.1
Appendix A - Financial Indicators
(continued)

Category	Description	Formula	Warning Trend
Operating Position. (continued)			
	Wastewater Utility Fund Working Capital	Wastewater Utility Fund Working Capital / Wastewater Utility Fund Budgetary Basis Expenses	Decrease
	Storm Water Utility Fund Working Capital	Storm Water Utility Fund Working Capital / Storm Water Utility Fund Budgetary Basis Expenses	Decrease
	Combined Utility Fund Debt Burden	Total Combined Utility Fund Revenue / Total Combined Utility Fund Debt Service	Decrease
	Combined Utility Fund Net Position	Combined Utility Fund Current Year Net Position / Combined Utility Fund Prior Year Net Position	Decrease
	City-Wide Cash & Investments	City-Wide Unrestricted Cash & Investments / City-Wide Current Liabilities	Decrease
	City-Wide Net Position	City-Wide Current Year Net Position / City-Wide Prior Year Net Position	Decrease
	City Wide Accumulated Depreciation	City Wide Accumulated Depreciation / City-Wide Depreciable Assets	Increase
	City-Wide Debt Per Capita	City-Wide Total Debt / Population	Increase

City of Louisville
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FINANCIAL POLICIES

Reserve Policies

Policy Section: 2
Adopted by Resolution No. 92, Series 2015
Effective Date:

Purpose and Scope

The City of Louisville desires to maintain an appropriate level of financial resources to guard its citizens against service disruption in the event of unexpected revenue shortfalls or unanticipated one-time expenditures. This policy is also intended to document the appropriate reserve levels to protect the City's credit worthiness and maintain its good standing with bond rating agencies.

Reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities. This policy establishes the reserve amounts the City will strive to maintain in its General Fund and its other major operating funds. This policy also stipulates the conditions under which those reserves may be used and how the reserves will be replenished if they fall below established reserve amounts.

The City will measure its compliance with this policy as of December 31st of each year, as soon as practical after final year-end information is audited and becomes available.

Policies

2.1 **General Fund Reserves.** The minimum unrestricted fund balance of the General Fund shall be maintained at or above 15% of current operating expenditures. For purpose of this policy, operating expenditures are defined as all expenditures less any interfund transfers to other funds, regardless of whether the transfers are considered recurring or non-recurring.

While the minimum unrestricted fund balance is set at 15% of current operating expenditures, the targeted unrestricted fund balance will be at or above 20% of current operating expenditures. This higher target is in recognition of:

- the General Fund's reliance on revenue sources that are subject to fluctuations (sales and use taxes);
- the General Fund's exposure to unexpected and significant one-time expenditure outlays (transfers to the Capital Projects Fund, mid-year changes to operations, disasters, etc.); and
- the potential drain on General Fund resources from other funds (recurring support transfers to the Open Space & Parks Fund and the Cemetery Fund).

The use of General Fund reserves will be limited to addressing unanticipated, non-recurring needs. Reserves shall not normally be used for recurring annual operating expenditures.

However, reserves may be used to provide the City time to restructure operations (as might be required in an economic downturn), but such use will only take place in the context of a long-term financial plan. Use of reserves below the 20% target requires authorization from City Council.

In the event reserves are used resulting in an unrestricted fund balance below the 15% minimum, a plan will be developed to replenish the reserves as quickly as reasonably possible and presented as part of a long-term financial plan. Methods of replenishing fund balance may include the use of non-recurring revenue, year-end surpluses, and, if legally permissible, excess resources from other funds.

2.2 **Open Space & Parks Fund Reserves.** The entire fund balance for the Open Space and Parks Fund is restricted by voters for acquisition, development, and operation of open space, trails, wildlife habitats, wetlands, and parks.

The minimum fund balance of the Open Space and Parks Fund shall be maintained at or above 15% of current operating expenditures. For purpose of this policy, operating expenditures include only open space and parks operations and exclude all interfund transfers and capital outlay.

The targeted fund balance of the Open Space and Parks Fund will include the minimum fund balance *plus* an amount sufficient to cover the City's share (considering other likely joint partners) of the total projected cost of acquiring the three highest priority candidate open space properties. As the highest priority properties are purchased, this amount will be adjusted.

Use of reserves below the targeted amount requires authorization from City Council. In the event reserves are used to acquire open space property resulting in a fund balance below the targeted amount, a plan will be developed to replenish the reserves as quickly as reasonably possible and presented as part of a long-term financial plan. Methods of replenishing fund balance may include transfers from other funds, securing loans from other agencies to jointly purchase property, seeking approval of bonds to finance property acquisition, and/or delaying/reducing expenditures for development, construction, operation, and maintenance of open space zones, trails, wildlife habitats, wetlands, and parks.

2 3 **Cemetery Fund Reserves.** The minimum unrestricted fund balance of the Cemetery Fund shall be maintained at or above 15% of current operating expenditures. For purpose of this policy, operating expenditures are defined as all expenditures, excluding interfund transfers and capital outlay.

The Cemetery Fund requires a recurring annual transfer from the General Fund to fund its operational deficit. This transfer will be adjusted on an annual basis to ensure that the unrestricted fund balance of the Cemetery Fund is maintained at or above 15% of current operating expenditures.

2 4 **Combined Utility Fund Reserves.** The Water, Wastewater, and Storm Water Utility Funds are enterprise funds and, therefore, the measure of reserves is based on levels of working capital rather than on levels of fund balance. It is important to maintain adequate levels of working capital in these funds to mitigate risks and to ensure a stable fee structure and service level.

The minimum working capital for the Water, Wastewater, and Storm Water Utility Funds shall be maintained at or above 25% of current operating expenses, as measured on the City's budgetary basis. For purpose of this policy, operating expenses are defined as all budgetary-basis expenses, excluding interfund transfers and capital outlay.

City of Louisville

COLORADO • SINCE 1878

FINANCIAL POLICIES

Debt Policies

Policy Section: 3
Adopted by Resolution No. 92, Series 2015
Effective Date:

Purpose and Scope

To enhance creditworthiness and engage in prudent financial management, the City of Louisville is committed to systematic capital planning and long-term financial planning. Maintaining the City's bond rating is an important objective and, to this end, the City is continually working to improve its financial policies, budgets, forecasts, and financial health.

These policies establish criteria for the issuance of debt obligations by the City so that acceptable levels of indebtedness are maintained. The objectives of these policies are to ensure that the City obtains debt financing only when necessary, that the process for identifying the timing and amount of debt financing be as efficient as possible, that the most favorable interest rates and related issuance costs are obtained, and that future financial flexibility remains relatively unconstrained.

Debt financing includes general obligation bonds, revenue bonds, notes payable to the Colorado Water Resources & Power Development Authority, leases, and any other City obligations permitted to be issued or incurred under Colorado law, the City's Municipal Code, and the City's Charter.

This policy does not apply to the Urban Revitalization District, a legally separate entity, but a component unit of the City for financial reporting purposes.

Policies

3.1 **Use of Debt Financing.** Although the City will normally finance projects on a cash basis (pay-as-you-go), the City may decide that the most equitable way of financing a project is through debt financing (pay-as-you-use).

Factors which may favor *pay-as-you-go* financing include circumstances where:

- the project can be adequately funded from available current revenue and reserves;
- the project can be completed in an acceptable timeframe given the available resources;
- additional debt levels could adversely affect the City's credit rating or repayment sources; or
- market conditions are unstable or are not conducive to marketing debt.

Factors which may favor *pay-as-you-use* financing include circumstances where:

- current revenue or reserves are insufficient to pay project costs;
- a project is immediately required;
- revenue available for debt issues are considered sufficient and reliable so that long-term financing can be marketed with an appropriate credit rating, which can be maintained;
- market conditions present favorable interest rates and demand for municipal debt financing; or
- the useful life of the project or asset is five years or greater.

The City will not use long-term debt to finance any recurring purpose such as current operations. Debt financing will be used only for capital improvement projects and large equipment purchases. Debt payments shall not extend beyond the estimated useful life of the project or the equipment being financed.

3.2 **Limitations and Constraints on Debt Financing.** Per Article 12, Section 12-1, of the City of Louisville Charter, the total amount of the City's indebtedness shall not at any time exceed three (3) percent of the actual value, as determined by the County Assessor, of taxable property within the City, except such debt as may be incurred by supplying water.

Per Article 12, Section 12-3, of the City of Louisville Charter, any lease-purchase agreement, except for the acquisition of water rights, entered into by the City shall be approved by the City Council by non-emergency ordinance.

Per the Taxpayer Bill of Rights (TABOR) amendment to the Colorado Constitution, all multiple-year debt shall first be approved by the City's taxpaying electorate unless it is issued for a TABOR-defined government enterprise, refinances bonded debt at a lower interest rate, or sufficient cash reserves are pledged irrevocably for future payments. The City's TABOR-defined enterprises include the Water Utility Fund, the Wastewater Utility Fund, the Storm Water Utility Fund, and the Golf Course Fund. Operating leases, lease-purchases, and certificates of participation (COP's) that are subject to annual appropriation are not considered multiple-year debt and are not subject to TABOR election requirements.

3.3 **Structure of Debt Financing.** City debt will be structured to achieve the lowest possible net interest cost given market conditions, the urgency of the capital project, and the nature and type of any security provided. City debt will be structured in ways that will minimize impacts on future financing flexibility. To the extent possible, repayment of debt shall be structured to rapidly recapture credit capacity for future use.

City debt will be amortized for the shortest period consistent with a fair allocation of cost to current and future beneficiaries of the project being financed, and in keeping with other related provisions of this policy. The City shall normally issue general obligation bonds or revenue bonds with a maximum life of twenty years or less.

The City will normally seek to amortize general obligation bonds and revenue bonds with level payments (principal plus interest) over the life of the issue. Pushing higher debt service costs to future years will only be considered under special circumstances. The City will also avoid repayment schedules that consist of low annual payments and a large payment of the balance due at the end of the term. There shall always be at least one interest payment in the first fiscal year after a bond sale. Principal repayment shall start no later than the second year after the bond issue.

Call provisions for bond issues shall be made as short as possible, consistent with the lowest interest cost to the City. Unless specific compelling reasons exist, all bonds shall be callable only at par.

Credit enhancements may be used if the costs of such enhancements are lower than the reduction in net debt service payments or if they provide other significant financial benefits to the City.

3.4 **Bond Counsel.** The City will retain an external bond counsel through a competitive process administered by the Finance Department and the City Attorney's Office. All debt issues of the City will include a written opinion by bond counsel on the validity of the bond offering, the security for the offering, and whether and to what extent interest on the bonds is exempt from income and other taxation.

3 5 **Financial Advisor.** The City will retain an external financial advisor through a competitive process administered by the Finance Department. For each debt issuance, the financial advisor will provide the City with information and recommendations on all aspects of the issuance, including market opportunities, method of sale, structure, term, pricing, and fees.

3 6 **Method of Sale.** As a matter of general policy, the City shall seek to issue its general and revenue bond obligations with a competitive sale process unless it is determined by the City's Financial Advisor and Finance Director that such a method will not produce the best results for the City. Other methods of sale that may be authorized by the Financial Advisor and Finance Director are a negotiated sales process and a private placement process.

Conditions that may favor a negotiated sale process are:

- The bond issue is, or contains, a refinancing that is dependent on market timing;
- At the time of the issuance, the interest rate environment or economic factors that affect the bond issue are volatile;
- The nature of the debt is unique and requires particular skills from the underwriter; or
- The debt issuance is bound by a compressed timeline due to extenuating circumstances that prevent a competitive process from being accomplished.

Whenever a negotiated sale process is determined to be in the best interests of the City, the City will use a competitive process to select its investment banking team.

In such instances where the City, through competitive bidding, deems the bids as unsatisfactory, or does not receive bids, it may, at the election of the Finance Director, immediately enter into a negotiated sale process or private placement process.

3.7 **Refunding of Debt.** Periodic reviews of all outstanding debts will be undertaken by the Finance Director and Financial Advisor to determine refunding opportunities. Refundings will be considered (within legal constraints) if and when there is a net economic benefit of the refunding, or if the refunding is essential in order to amend covenants to enhance operations and management. As a general rule, refundings will only be considered if the present value savings (net of all costs) of a particular refunding will exceed five percent (5%) of the refunded principal.

3.8 **Arbitrage Liability Management.** It is the City's policy to minimize the cost of arbitrage rebate and yield restriction while strictly complying with the law. The City will not issue obligations except for identifiable projects with very good prospects of timely initiation. Because of the complexity of the arbitrage rebate regulations and the severity of non-compliance penalties, the City will use the services of Bond Counsel and other arbitrage compliance experts when determining arbitrage liability, reporting, and exemptions.

3.9 **Financial Disclosure.** The City is committed to full and complete financial disclosure and to cooperating fully with rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, comprehensible, accurate, and timely financial information. Continuing disclosure requirements under Rule 15c2-12 issued by the Securities and Exchange Commission (SEC) may apply to certain debt transactions of the City. The City will comply with all such Federal or other State reporting requirements on a timely basis. The City is committed to meeting continuing disclosure requirements of the national information repositories.

City of Louisville
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FINANCIAL POLICIES

Revenue Policies

Policy Section: 4
Adopted by Resolution No. 92, Series 2015
Effective Date:

Purpose and Scope

The City of Louisville collects revenue from various sources, the largest of which are from sales and use taxes, utility fees, property taxes, and intergovernmental revenue. The structure, equity, fluctuation, and collection of revenue are important for financial stability and are reviewed by bond rating agencies to determine the City's credit quality.

Policies

4.1 **Diversification and Stabilization.** The City will strive to maintain a diversified and stable revenue system to reduce the overall effects of fluctuations in any one revenue source.

4.2 **Equity.** Revenue will be derived from a fair, equitable, and adequate resource base, while minimizing tax differential burdens. Services having a City-wide benefit shall be financed with revenue sources generated from a broad base, such as sales taxes and property taxes. Services where the customer determines the use shall be fully or partially financed with user fees and charges related to the level of service provided.

4.3 **Collections.** The City will monitor all taxes, fees, and charges to make sure they are equitably administered and collections are timely and accurate The City will pursue collection of delinquent amounts (including related penalties and interest) as authorized by the Louisville Municipal Code.

4 4 **Recurring and Non-recurring Revenue.** The City's objective is to fund all recurring expenditures with recurring revenue. Non-recurring, one-time revenue should be used to fund only non-recurring, one-time expenditures. The preferred use of non-recurring revenue is to invest in projects that will result in long-term operational cost savings.

4.5 **Intergovernmental Revenue.** The City will pursue intergovernmental aid, including grants, for those programs and activities that address a recognized need and are consistent with the City's goals and objectives, and will attempt to recover all allowable costs associated with those programs. The City will avoid using grants for ongoing service delivery needs. Any decision to pursue intergovernmental aid should only be made after consideration of the present and future funding requirements, costs of administering the funds, costs associated with special conditions or regulations attached to the aid, and ongoing operational costs after the aid period.

4.6 **User Fees and Services Charges.** The City will periodically recalculate the full cost of providing services in order to provide a basis for setting the associated user fee or service charge. Full cost shall incorporate direct and indirect costs, including operations (with City labor costs), maintenance, overhead, debt service, equipment, and capital charges. The intent of this policy is to set fees at a level that is related to the actual cost of producing the good or service. The City will also periodically examine and compare rates from other cities providing similar services. It is recognized that competing policy objectives may result in user fee levels that recover only a portion of the costs.

4 7 **Fees for Children's Recreational Services and Senior Programs.** The City may set fees for children's recreational programs and senior services at levels below the full cost of providing those services.

4.8 **Fees for Non-Resident City Services.** Non-residents may be required to pay higher fees than residents for City services.

City of Louisville

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FINANCIAL POLICIES

Operating Budget Policies	Policy Section: 5 Adopted by Resolution No. __, Series ____ Effective Date:

Purpose and Scope

The formulation of the annual operating budget, including the publication of the budget document, is one of the most important financial activities that the City of Louisville undertakes each year. The budget process provides a comprehensive plan to deliver efficient services to residents and stakeholders of the City in a manner that aligns resources with the policies, goals, mission, and vision of the City. This policy is intended to provide guidelines to assist in the formulation of financial discussion and the broader implications of financial decisions. This policy shall apply to all funds with an adopted budget.

Policies

5.1 **Budgetary Basis of Accounting.** The "basis of accounting" is a term used to describe the timing of revenue and expenditure recognition. In other words, when the effects of transactions or events should be recognized. In governmental accounting, the basis of accounting used for financial reporting purposes, as required by generally accepted accounting principles (GAAP), is not required for use in preparing a budget document. Under GAAP, governmental funds are required to utilize a modified accrual basis of accounting and proprietary funds (enterprise and internal service) are required to utilize a full accrual basis of accounting for financial reporting purposes. The City of Louisville's *budgetary* basis of accounting is a modified accrual basis for *all* fund types, including proprietary funds. Some of the differences between the City's budgetary basis of accounting and the GAAP basis of accounting for proprietary fund types are:

- *Issuance of debt* – budgeted as a revenue item, adjusted at year-end to a liability for financial reporting purposes.
- *Principal payment on debt* – budgeted as an expense item, adjusted at year-end to a reduction in the liability for financial reporting purposes.
- *Capital acquisition* – budgeted as an expense item, adjusted at year-end to an asset acquisition for financial reporting purposes.
- *Depreciation* – not recognized for budgeting purposes, recorded at year-end as an expense for financial reporting purposes.

5.2 **Level of Budgetary Control.** The level of budgetary control is the level at which spending cannot exceed the budgeted amount without City Council authorization. The level of control is also the level of detail the City Council approves in the appropriation resolution. The City's current level of budgetary control is at the fund level. However, department management is responsible for administering their respective programs within the financial constraints described by the budget as adopted.

Article 11, Section 11-6 of the City of Louisville Charter states, *"During the fiscal year, no officer or employee shall expend or contract to expend any money, or incur any liability, or enter into any contract which, by its terms, involves the expenditure of money in excess of the amounts appropriated by the City Council. Any contract, verbal or written, made in violation of this subsection shall be void, and no moneys of the City shall be paid on such contract; except that the City Council may ratify such a contract if it determines that ratification would be in the best interest of the City, and if it adopts a resolution making the necessary appropriation."*

5.3 **Balanced Budget.** The City's definition of a balance budget requires each fund's revenue plus appropriated fund balance/working capital to be equal to, or greater than, each fund's total appropriations. However, it is the City's intent to go further and develop *structurally* balanced budgets for the General Fund and the other major operating funds (excluding capital project funds). In a structurally balanced budget, annual recurring revenue will be projected to equal or exceed annual recurring expenditures for each fund. If a structural imbalance (recurring expenditures exceeding recurring revenue) should occur in the General Fund or in any of the major operating funds, a plan will be developed and implemented to bring the budget back into structural balance.

5.4 **Budget Form.** Article 11, Section 11-2 of the City of Louisville Charter states, *"The proposed budget shall provide a complete financial plan for the City in a format acceptable to the City Council. Except as otherwise provided by this Charter, the proposed budget shall be prepared in accordance with State statutes establishing the local government budget law and the local government uniform accounting law."*

5.5 **Capital Improvement Plan (C-I-P).** A Five-Year Capital Improvement Plan will be presented to the City Council for consideration during the budget development process. The annual capital budget will be based on the first year of the approved C-I-P.

5.6 **Long-Term Financial Plan (LTFP).** Five-year financial forecasts for each of the City's major operating funds will be presented to the City Council for consideration during budget development. The LTFP will coordinate the C-I-P with the operating budget and will provide insight into potential future financial imbalances so that action can be taken before a crisis occurs.

5.7 **Budget Amendment.** The City Council may amend or supplement the budget by resolution at any time after its initial adoption. A public hearing is required.

5.8 **Budget Control System.** The City will develop and maintain a budgetary control system to help it adhere to the budget. All departments are part of the budget control system and will have access to individual department reports that compare budget-to-actual financial performance. The Finance Department will report City-wide budget-to-actual performance on a monthly basis for both revenue and expenditures to the City Finance Committee.

City of Louisville

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FINANCIAL POLICIES

Investment Policies

Policy Section: 6
Adopted by Resolution No. 92, Series 2015
Effective Date:

Purpose and Scope

It is the policy of the City of Louisville to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands and conforming to all Colorado Revised Statutes, the City of Louisville Charter, and the City of Louisville Municipal Code.

The provisions of this investment policy shall apply to all funds held in the custody of the City and all of its offices. Except for cash in certain restricted and special funds, the City shall consolidate, or "pool", cash and investment balances from all funds to maximize investment earnings and to increase efficiencies with regards to investment pricing, safekeeping, and administration. The investment income derived from the pooled cash and investment accounts shall be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

Policies

6.1 **Objectives.** In order of priority, the primary objectives of investment activities shall be safety, liquidity, and yield:

- *Safety.* Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio through the mitigation of credit risk and interest rate risk.

- *Liquidity.* The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This shall be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets. In addition, a portion of the portfolio may be placed in local government investment pools (LGIPs) which offer same-day, constant dollar liquidity for short-term funds.

- *Yield.* The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary

importance compared to the safety and liquidity objectives described above. Securities generally shall be held to maturity with the following exceptions:

- A security with a declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration of the portfolio.
- Liquidity needs of the portfolio require the security to be sold

6.2 **Delegation of Authority.** The Finance Director shall be the designated investment officer of the City and shall be responsible for all investment decisions and activities, under the direction of the City Manager. The Finance Director shall establish investment policy procedures for the operation of the investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director.

The Finance Director may delegate the authority to conduct investment transactions and manage the operation of the investment portfolio to one or more subordinates and/or an external registered investment advisor who shall act in accordance with established procedures on internal controls and in compliance with this investment policy.

6.4 **Legal Investments.** All investments shall be made in accordance with Colorado Revised Statutes (CRS) as follows: CRS 11-10.5-101, et seq., Public Deposit Protection Act; CRS 24-75-601, et seq., Funds - Legal Investments for Government Units; CRS 24-75-603, et seq., Depositories; CRS 24-75-701 and 702, et seq., Local Governments - Local Government Pooling and that the investment or deposit meets the standard established in section CRS 15-1-304. Any revisions or extensions of these sections of the CRS will be assumed to be part of this Investment Policy immediately upon enactment.

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five (5) years from the settlement date or in accordance with state and local statutes and ordinance. Pursuant to CRS Section 24-75-601.1(1), as amended from time to time, and subject to the limitations set forth therein, the securities listed herein shall be eligible for investment of public funds by the City. In the event of a conflict between CRS 24-75-601.1(1) and this policy, other than this policy being more restrictive that CRS 24-75-601(1), CRS 24-75-601.1(1) shall control. Nothing herein shall preclude the City from adopting a policy to permit securities other than those listed in CRS 24-75-601.1(1) for investment of public funds.

CRS 24-75-601(1) and this policy authorize the following investments:

- Any security issued by, fully guaranteed by, or for which the full credit of the United States Treasury is pledged for payment; allowing for inflation indexed securities. The period from the date of settlement of this type of security to the maturity date shall be no more than five years, unless the City Council authorizes investment for a period in excess of five years.

- Any security issued by, fully guaranteed by, or for which the full credit of the following is pledged for payment: The Federal Farm Credit Bank, A Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, The Federal National Mortgage Association, the Government National Mortgage Association, or an entity or organization that is not

listed in this paragraph but that is created by, or the creation of which is authorized by, legislation enacted by the United States Congress and that is subject to control by the federal government that is at least as extensive as that which governs an entity or organization listed in this paragraph. The period from the date of settlement of this type of security to its maturity date shall be no more than three years. Any entity or organization listed in this paragraph may represent up to but not more than 35% of the investment portfolio. The total of the above mentioned entities or organizations and inclusive of corporate or bank securities cannot represent more than 95% of the investment portfolio.

- Any security that is a general or revenue obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities. The period from the date of settlement of this type of security to the maturity date shall be no more than three years.

- Any interest in a local government investment pool pursuant to CRS 24-75-701, et seq.

- Any guaranteed investment contract (GIC) if at the time the contract or agreement is entered into, the long-term credit rating, financial obligations rating, claims paying ability rating, or financial strength rating of the party, or of the guarantor of the party, with whom the public entity enters the contract or agreement is, at the time of issuance, rated in one of the two highest rating categories by two or more nationally recognized securities rating agencies that regularly issue such ratings. Contracts or agreements purchased under this paragraph shall not have a maturity period greater than three years.

- Any dollar-denominated corporate or bank security issued by a corporation or bank that has a maturity of less than three years from the date of settlement and, at the time of purchase, must carry at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below "AA– or Aa3" by any credit rating agency The aggregate value of all securities referred to in this paragraph shall equal no more than 25% of the total portfolio

- Money market instruments, such as commercial paper or bankers' acceptance, must carry at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below "A1, P1, or F1" by any credit rating agency.

- Any money market fund that is registered as an investment company under the federal "Investment Company Act of 1940", as amended, at the time the investing public entity invests in such fund. The money market fund must: 1) have no commission fee on the charged on purchases or sales of shares; 2) have a constant daily net asset value per share of $1.00; 3) limit assets of the fund to U S. Treasury Securities; 4) have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Regulation 270-2A-7; and 5) have a rating at the time of purchase of at least AAAm by Standard & Poor's or Aaa/MRI+ Moody's

- The purchase of any repurchase agreement of marketable securities referred to in the preceding paragraphs. A Master Repurchase Agreement must be executed with the bank or dealer. The securities must be delivered to the City's custodian or to a third-party custodian or third-party trustee for safekeeping on behalf of the City. The title to or

a perfected security interest in such securities along with any necessary transfer documents must be transferred to the City or the City's custodian. The collateral securities of the repurchase agreement must be collateralized at no less than one hundred two percent and marked to market no less frequently than weekly. Collateralization is required per the Public Deposit Protection Act, CRS 11-10.5-101 et seq. The securities subject to the repurchase agreement may have a maturity in excess of five years. The repurchase agreement itself may not have a maturity of more than five years from the date of settlement unless the City Council authorizes investment for a period in excess of five years.

- Certificates of deposit in state or national banks or in state or federally chartered savings banks, which are state-approved depositories per CRS Section 24-75-603, et seq. (as evidenced by a certificate issued by the State Banking Board) and are insured by the FDIC. Certificates of deposit, which exceed the FDIC insured amount, shall be collateralized in accordance with the Colorado Public Deposit Protection Act. Certificates of deposit must comply with CRS Section 30-10-708 (1). The aggregate value of all certificates of deposit shall equal no more than 25% of the total portfolio.

6.4 **Standards of Care and Performance.** The "reasonable prudence" standard shall be used by investment officials in the context of managing an overall portfolio. The "reasonable prudence" standard provides that investments shall be made with the judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of the capital.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

In addition, officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the City Manager any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

6.5 **Authorized Financial Institutions, Depositories, and Broker-Dealers.** Unless utilizing the services of an external registered investment advisor, the Finance Department shall maintain a list of financial institutions and depositories authorized to provide investment services to the City. In addition, the Finance Department shall maintain a list of approved security broker/dealers that may include "primary" dealers or regional dealers qualifying under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). To qualify for consideration for investment transactions with the City, all financial institutions and broker-dealers must supply the following, as appropriate:

- Proof of state registration (except for those firms providing safekeeping and custodial services only).
- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines.
- Proof of Financial Industry Regulatory Authority (FINRA) certification.
- Evidence of adequate insurance coverage.
- Certification of having read and understood and agreeing to comply with the City's investment policy.

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the Finance Director.

6.6 **Safekeeping and Custody.** All trades of marketable securities will be executed "delivery versus payment" (where applicable) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

Securities will be held by an independent third-party custodian selected by the City and evidenced by safekeeping receipts in the City's name. The safekeeping institution shall provide on an annual basis a copy of its most recent report on internal controls (Statement of Standards 70).

Moreover, management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. The internal controls structure should address the following points:

- Control of collusion.
- Separation of transaction authority from accounting and recordkeeping.
- Custodial safekeeping.
- Avoidance of physical delivery securities.
- Written confirmation of transactions for investments and wire transfers.
- Dual authorization of wire transfers.

Compliance with these controls shall be reviewed and confirmed through the City's annual independent audit.

6.7 **Performance Standards & Reporting**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

The City's investment strategy is passive. Given this strategy, the basis used by the Finance Director to determine whether market yields are being achieved shall be the ColoTrust local government investment pool, the one-year US Treasury Bill, and the two-year Agency Benchmark.

The Finance Director shall provide the Finance Committee monthly investment reports that provide the status and characteristics of the current investment portfolio. The investment report should include schedules on:

- Portfolio diversification.
- Maturity distribution.
- A listing of all securities held by authorized investment category.
- Par value, amortized book value, and market value for all securities held.
- Monthly activity – purchases, sales, calls, and interest received.

City of Louisville
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FINANCIAL POLICIES

Capital Asset Investment & Management Policies

Policy Section: 7
Adopted by Resolution No. 92, Series 2015
Effective Date:

Purpose and Scope

Capital assets have a major impact on the ability of the City of Louisville to deliver services, the economic vitality of the City, and the overall quality of life for the City's citizens. The purpose of this policy is to provide general guidelines for a comprehensive process of allocating limited resources to capital investments. This policy applies to all funds included in the City's Five-Year Capital Improvement Plan.

Policies

7.1 **General Process for Five-Year Capital Improvement Plan (C-I-P).** The Finance Department is responsible for coordinating the C-I-P process within the annual budget calendar and for compiling the requested, recommended, and adopted C-I-P document.

Each year, City departments will submit a list of prioritized projects for inclusion into the C-I-P. The City Manager will review the requests and make the final recommendations to City Council. City Council will review the recommended C-I-P and direct any changes for the final C-I-P. The first year of the C-I-P will be included in the Annual Operating & Capital Budget presented to the City Council for formal adoption in November.

The City shall provide meaningful opportunities for all stakeholders to provide input into the C-I-P development process

7.2 **C-I-P Project Selection.** An objective set of criteria will be used to assess and evaluate project proposals. Although specific criteria may be updated from time to time, the following concepts are core principles to be considered in the development of such criteria:

- Long-Term Forecasts – Long-term forecasts will be prepared to better understand resources available for capital spending and to assess operational impacts and eventual maintenance and replacement costs.

- Impact of Other Projects – Projects shall not be considered in isolation. One project's impact on others should be recognized and costs shared between projects where appropriate.

- Full Costing – Cost analysis of a proposed project should encompass the entire cost of the project, including annual maintenance and other impacts to the operating budget.

- Predictable Project Timing & Scope – Schedule and scope estimates should be practical and achievable within the requested resources, including financial and human.

7.3 **Balanced C-I-P.** The adopted C-I-P will be balanced. This means that for the five year period, revenue plus the use of fund reserves will equal or exceed total project expenditures.

7.4 **Asset Maintenance & Replacement.** It is the City's intent to maintain its existing assets and a level that protects the initial capital investment and minimizes future maintenance and replacement costs. Based on an asset inventory and risk assessment, staff shall include recommendations for asset maintenance in the C-I-P. It is the City's intent to ensure that adequate resources are allocated to preserve the City's existing infrastructure to the best of its ability before allocating resources to other capital projects.

City of Louisville
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FINANCIAL POLICIES

Accounting, Auditing, & Financial Reporting Policies

Policy Section: 8
Adopted by Resolution No. 92, Series 2015
Effective Date:

Purpose and Scope

The City of Louisville desires to maintain a system of financial management that safeguards City assets, promotes financial transparency, and provides timely, accurate, and relevant financial information to citizens, elected officials, and management. This policy pertains to all funds and operations of the City and, to the extent reasonably possible, all component units of the City.

Policies

8.1 **Accounting.** The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles applicable to state and local governments. The City's accounting and reporting policies will conform to the generally accepted accounting principles (GAAP).

8.2 **Auditing.** Article 11, Section 11-7 of the City of Louisville Charter states, *"The Council shall provide for a financial audit, which shall be performed at least annually by a certified public accountant selected by the Council. The Audit shall be performed in accordance with the State statutes establishing the local government audit law. Copies of the audit shall be made available for public inspection."*

In compliance with the Charter, an annual audit will be performed by an independent certified public accounting firm in accordance with Generally Accepted Governmental Auditing Standards and the auditor's opinion will be included in the City's Comprehensive Annual Financial Report (CAFR).

The City's Finance Department shall be responsible for managing the audit procurement process. The City Council will appoint the independent auditor and approve each year's audit engagement letter. The audit engagement term shall typically be for five to ten years, subject to annual review, approval, and appropriation

8.3 **Audit Committee.** The City's Finance Committee will act as the City's Audit Committee. The Audit Committee will provide an independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors. The City's independent auditors will meet with the Audit Committee at lease annually and have direct access to the Audit Committee if City staff is unresponsive to auditor recommendations or if

the auditors consider such communication necessary to fulfill their legal and professional responsibilities.

8.4 **Financial Reporting.** The City's Comprehensive Annual Financial Report (CAFR) will be published annually to present the results, financial position, and results of operations of the City for the prior year. As an additional independent confirmation of the quality of the City's financial information, the City will annually submit its CAFR to the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting program.

The Finance Department will provide monthly interim financial reports to the Finance Committee after the close of each month. The reports will be designed to keep the Committee continuously informed of the City's overall financial status.

8.5 **Internal Controls.** The goals and objectives of the City's internal control policies are to safeguard City assets and to foster reliance on public information for decision-making purposes at all levels both internally and externally. Management shall establish the presence of integrity, ethics, competence, and a positive control environment. Directors are responsible for establishing, executing, and maintaining control policies and procedures at the detail level within their specific departments.

The City's internal control structure will be based on the Committee of Sponsoring Organizations of the Treadway Commission on Fraudulent Financial Reporting (COSO) framework and comprised of the following elements:

- **Control Environment** – Factors include integrity and ethical values, commitment to competence, leadership philosophy and operating style, assignment of authority and responsibility, and policy and procedures;

- **Risk Assessment** – Routine assessment of risk and its impact on internal controls;

- **Control Activities** – Such as segregation of duties, authorization of transactions, retention of records, supervision and monitoring of operations, and physical safeguards;

- **Information and Communication** – Policies and procedures are documented and accessible; and

- **Monitoring** – Assessment of the quality of performance over time to determine whether controls are effective and track resolution achievements of identified problems.

8.6 **Capitalization of Assets.** The terms capital assets, capital outlay, and fixed assets are used to describe assets that are used in operations that have initial lives extending beyond a single reporting period, such as water rights, infrastructure, land, buildings, improvements other than buildings, and equipment. It is incumbent upon departments to maintain adequate control over all resources, including capital assets, to minimize the risk of loss or misuse.

Not all fixed assets are required to be reported on the City's balance sheet. Specifically, fixed assets with extremely short useful lives or fixed assets of small monetary value are properly reported as an "expenditure" or "expense" of the period in which they are acquired.

Fixed assets that are reported on the City's balance sheet are said to be "capitalized" and must meet the capitalization criteria outlined in this policy.

The City's capitalization criteria are, as follows:

- Assets should be capitalized only if they have an estimated useful life of at least two years following the date of acquisition.
- The capitalization thresholds shall normally be applied to individual items rather than to groups of similar items (e.g., chairs), unless the effect of doing so would be to eliminate a significant portion of total capital assets (e.g., library books).
- The capitalization threshold for each individual item is $5,000.
- Directors are responsible for establishing control and inventory procedures at the department level for non-capitalized assets such as office equipment, communications equipment, fleet management inventory, firearms, etc.

8.7 **Accounts Receivable Write-Off.** Accounts receivable is an asset account reflecting amounts owed to the City. Staff will make every effort to collect all receivables. Only receivables deemed uncollectible can be written off. In order to be deemed uncollectible, a receivable must meet the following criteria:

- All standardized collections procedures have been exhausted;
- Further measures to collect the debt have been determined as inappropriate; and
- The characteristics of the debt are such that write-off is appropriate (e.g., the debt is small relative to the cost of further collection efforts).

The City Manager or Finance Director is authorized to approve a write-off of up to $100 per individual account. Staff's request to write-off accounts greater than $100 must be approved by the Finance Committee. The amounts and reasons for all write-offs will be documented and made available for audit.