

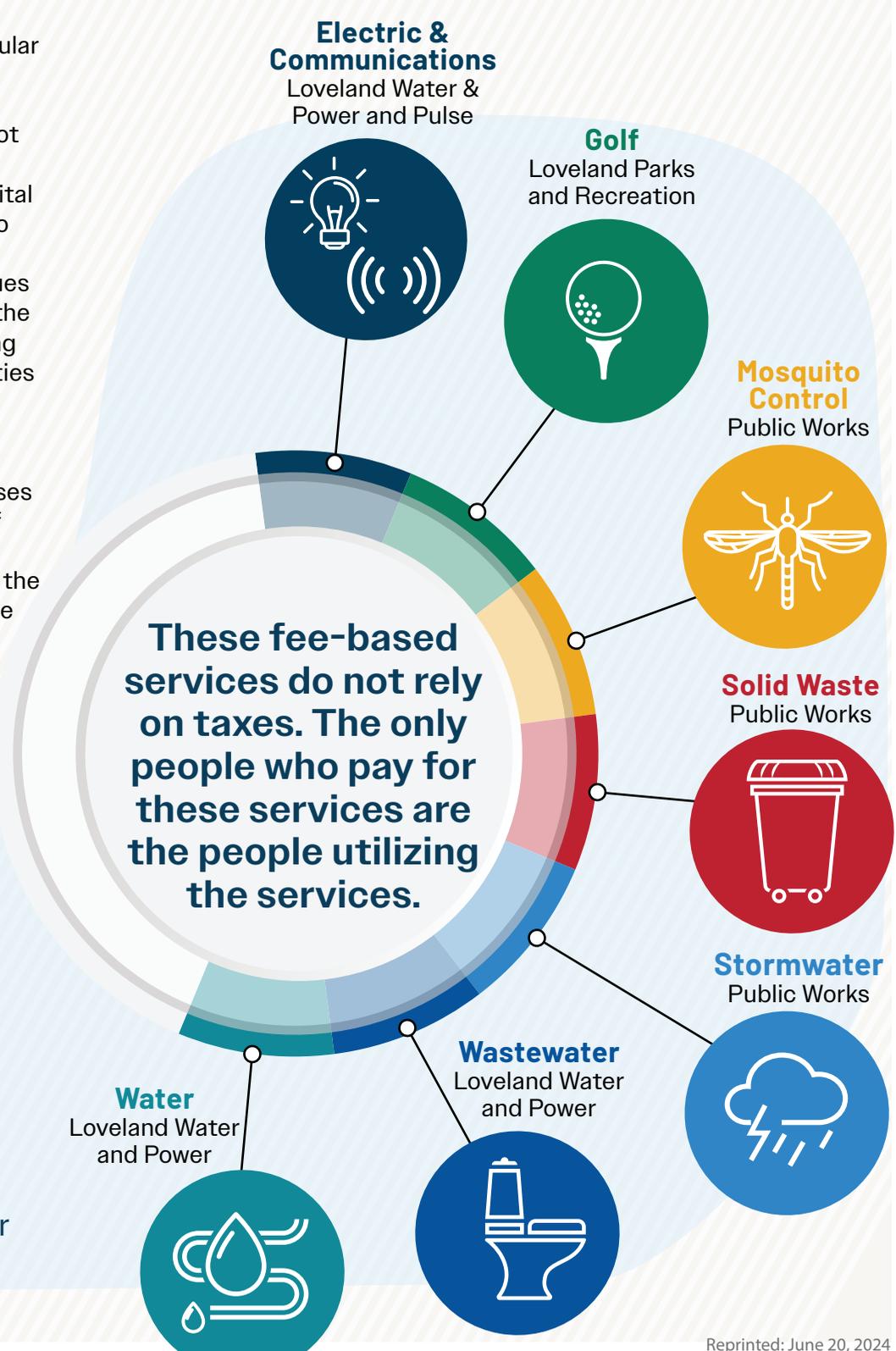
Enterprises are city operated business units that manage particular services or activities.

They rely on user rates and fees, not sales or property tax to cover operational, maintenance, and capital expenses. Cities use Enterprises to ensure that the costs of these services are covered by the revenues they generate, without impacting the General Fund budget. By separating these services into Enterprises, cities can ensure their financial sustainability over time.

The financial accounts of Enterprises owned and operated by the City of Loveland are kept separate and distinct from all other accounts of the City. These are known as Enterprise Funds. Some services maintain several Enterprise Funds for accounting and transparency purposes. For example, the Water Enterprise has seven funds including a Raw Water Fund, Water SIF Fund, Debt Service Fund, etc.

# 7

The number of City of Loveland Enterprise business units that rely on user rates and fees to cover operational expenses.



Reprinted: June 20, 2024

To learn more about the City of Loveland's budget, visit [LetsTalkLoveland.org/Budget](https://LetsTalkLoveland.org/Budget).



# ENTERPRISES: Questions & Answers

## How is Enterprise money used?

Enterprises are not-for-profit city operated services and Enterprise revenue is reinvested toward operating expenses, capital projects, debt service, maintenance and system improvements, and regulatory compliance for the specific services. Enterprises reinvest in their own services.

## Do Enterprises pay money into the General Fund?

Enterprises transfer funds to the General Fund for various reasons, including Payments in Lieu of Taxes (PILT), franchise fees, sales tax remittances, contributions to the 1% for the Arts program, and allocations.

## What are allocation payments?

Allocations are payments made from the Enterprises to the General Fund for administrative services and overhead provided by the City on behalf of the General Fund. These include services such as IT, HR, Finance, and Legal.

## Can Enterprises supplement the General Fund?

Loveland's City Charter prohibits grants from an Enterprise Fund to the General Fund. The Charter only permits loans from an Enterprise Fund to the General Fund with Council approval, provided the loan specifies a term and includes the payment of interest.

Under TABOR, there is no explicit prohibition against an Enterprise providing funding to a General Fund. However, if an Enterprise charges more in fees than necessary to cover the reasonable costs of providing its service and uses the excess funds for general governmental purposes, this could be considered imposing a tax requiring voter approval.

Enterprises are not-for-profit entities, meaning their revenues are reinvested into the services they provide. Transferring funds out of an Enterprise must be carefully considered, as it could reduce the Enterprise's capacity to fund its projects and support its services.

## Can Enterprise Funds receive support from the General Fund?

While Enterprise Funds can receive support from the General Fund, this support is strictly limited and requires appropriate approval from governing bodies. If approved, the maximum amount an Enterprises could draw from the General Fund is limited to 10% of their annual revenue in grants from both state and local government combined.

## How much PILT, or Payment In Lieu of Taxes, are each of the Enterprises responsible for?

PILT, or Payment In Lieu of Taxes, is essentially a franchise fee payment from the Enterprises to the General Fund. Electric and Communications, Stormwater, Wastewater, Water, and Solid Waste pay 7%. Mosquito Control and Golf do not pay PILT.

## How does TABOR impact a City of Loveland Enterprise?

To meet the requirements of an Enterprise under the Taxpayer Bill of Rights (TABOR), these funds must primarily rely on their own revenue sources and maintain financial independence.

By maintaining this financial independence, Enterprise Funds are exempt from the constraints of TABOR, including its revenue limitations. This allows them to operate efficiently and continue providing essential services without the restrictions imposed on other government funds.

