

MANAGEMENT AND FINANCE POLICY COMMITTEE

January 15, 2019

Members Present: Council Member David Gruber – Chair, Council Member Angela Lawson – Vice Chair, and Council Member Charlie Richardson – Member

Others Present: J. Batchelor, T. Velasquez, M. Geyer, V. Irvin, G. Hays, H. Hernandez, B. Rulla, A. Morales, A. Hrisanfovs, M . Shannon, B. Wichterman and T. Hoyle

MINUTES

December 18, 2018 minutes were deferred until February meeting due to Council Member Gruber making minor edits before approved.

CONSENT ITEMS

November of 2018 was 7.8 percent higher than November of 2017. In order to hit the current projection by year end, sales tax would need to average 4.7% in the remaining month.

Council Member Gruber: Do you have any indications about December?

G. Hays: December amounts are still coming through but up to now it’s indicating we are right where we need to be.

Council Member Lawson: I have a question, how will the shutdown be an impact to the sales tax in our city?

T. Velasquez: I don’t know that there’s any impact on the sales tax side. One of the things that there might be a delay in, and that’s in the reimbursements of grants, however we don’t believe that it will affect City operations.

Outcome

The Committee thanked staff.

Follow-up Action

No follow-up needed.

VELOCITY METROPOLITAN DISTRICT AMENDMENT TO INCREASE DEBT LIMIT

Summary of Issue and Discussion

The Velocity Metropolitan District was formed in 2007. The District is a funding mechanism to provide infrastructure for the Porteos Development. The District is located north of 56th Avenue, south of 68th Avenue, and east of Harvest Road for approximately 8,000 feet. The total size of the district is 1274 acres.

Current development at Porteos consists of one airport parking facility. Several larger, manufacturing and distribution projects are currently under review and will begin construction in 2019.

Eight of the nine Districts within Velocity have an existing debt limitation of \$50,000,000. District number nine has a debt limit of \$75,000,000.

The Board of Directors for the Districts has determined that the current Total Debt Issuance Limitation is insufficient because the pace of development and phasing within the District have significantly increased. In addition, to receive the most beneficial and cost-effective bond issuance to finance the public improvements, the increased debt limit is required. Another factor in this request is related to the ever increasing construction costs and the volatility of economic conditions.

The District is requesting an increase of the debt limit to \$100,000,000.

Bill Wichterman stated, Velocity is a Metro District that funds all the improvements for Porteos industrial and commercial projects that are located just south of Denver International Airport and east of Harvest Road. Currently, Porteos development has significantly increased and Velocity is requesting an increase from their debt limitation from \$50,000,000 to \$100,000,000 for each of the nine districts.

Q&A

Council Member Richardson: No residential correct?

Bill Wichterman: No residential is correct.

Council Member Gruber: Could you give an overview of the Metro Districts and is there a management district?

V. Irvin: Mr. Wichterman please correct me if I'm wrong, but I don't believe they currently have a district that is acting in a role of a management district. All nine of the districts issue and manage their own debt themselves. At least that's how it is functioning currently.

Jason Batchelor: In the letter from SpencerFane they talked about some pending changes associated with the Business Improvement District (BID). A BID is able to do some things that a Metropolitan District does not, including marketing and some other expenses around operating that's not common for a Metro District to do. Initially that's how it was setup. And as they got into it and as they explored BIDs, they would like to potentially explore BIDs to be-the coordinating entity around that. We told them we think there are some fundamental questions based on past conversations with Council, including government structure representational. They would like to continue potential conversations regarding how BIDs can take a different role. At this point, it's more straight forward for this district to increase the debt limit and get it going while the market is right and not suffer the risks of rising interest rates. If you are okay with moving this forward, we would bring it to Study Session on January 28 and the Regular meeting on February 4 with the waiver of reconsideration, so they can strike while the market is right in the next 2-3 weeks and not suffer the risks of rising interest rates.

Bill Wichterman: For clarification, District #1 was potentially going to be the control District, but that's not the way it has worked out. District #1 fronted a lot of costs for the other Districts but it's not issuing the bonds; neither is the BID which also fronted some costs. Right now, we

have three Districts and the total debt issuance is \$75,000,000. Each of those Districts are jointly and severability liable for those bonds, with two of the Districts in the pool limited to \$50,000,000 and one at \$75,000,000. We need to increase the liability limits to \$100,000,000. We decided on \$100,000,000 because a few years ago we thought \$50,000,000 was enough, therefore we don't want to have to come back and bother you again for another amendment. So, that's why we increased them all to \$100,000,000, but in reality \$75,000,000 is being issued by three out of the nine Districts. This will allow us to fund significant additional infrastructure on top of what we already have done.

V. Irvin: All nine Districts are responsible for paying those bonds back is what you're saying.

Bill Wichterman: The first three Districts are responsible for the issuance of bonds. And as additional improvements are completed additional districts might come in, because they might benefit by additional improvements.

Council Member Lawson: So I just want to understand, if we increase this to \$100,000,000 and each of the Districts don't use the \$100,000,000 what do you do with the excess or what happens? Do you put it in a reserve or do you expect to use it all?

Bill Wichterman: We don't expect to use \$100,000,000 but what we're talking about is \$75,000,000 totally. Because of joint severability liability, each district has to have a debit limit of \$75,000,000 or greater.

V. Irvin: If I might add to clarify, the \$100,000,000 is the debt limit. It's not actually issuing debt at that amount.

Council Member Richardson: When this comes to Council, make sure that part is prominently pointed out and it's not for residential development.

Council Member Gruber: Bill can you share those things that are public and what's part of the development that you can announce?

Bill Wichterman: At the intersection of Jackson Gap Way and Jackson Gap Street the Economy Rent a Car is under way; 56th Avenue in front of Walmart has been widened. The most important piece of infrastructure will be having 64th Avenue built. A portion of the bonds have been allocated for this to get done.

To answer Council Member Lawson's question about what happens to the excess, if there are future bond proceeds available to fund future improvements part of the bond requirement is to spend those bond proceeds in three years. The idea is we already have a lot of activity based on infrastructure that's already built, then we'll want to build twice as much and hope we get twice as much activity.

Jason Batchelor: There's a lot of major improvements in this area including stormwater. There's been a lot of discussion the last few months with a lot entities up and around that area, with improvements including major regional ponds, wastewater and water lines.

Outcome

The Committee recommended this item be sent to Study Session.

Follow-up Action

Staff will forward this item to Study Session.

2018 BKD AUDIT ENGAGEMENT LETTERSummary of Issue and Discussion

The city's external auditors, BKD LLP, provides the city with an engagement letter prior to the performance of the annual audit. The engagement letter outlines the various audits and other procedures that will be performed in the coming year and the fees associated with each. The engagement letter also outlines the responsibilities of city management and those of the BKD auditors.

This year the BKD auditors will be performing audits of the city's 2018 financial statements, the Single Audit of federal grants, and the Scientific and Cultural Facilities District (SCFD) audit. Additionally, the auditors will perform agreed upon procedures for the 720 Memorial Foundation, the city's six Post Employment Health Plans (PEHPs), and the city's 457 Deferred Compensation Plan.

Council Member Lawson: I understand the perspective of the City's audit but what caused the other departments? Was it something that triggered the audits or is it because it's within a certain timeframe where certain departments are audited?

N. Wishmeyer: The financial statement audits are for the entire City. The Single Audit of Federal grants are required when you have a considerable amount of money coming in for grants from the Federal government. The auditors will come in and perform a risk assessment to determine how many programs fall within that threshold or the amount of dollars based on the Federal government rules and regulations.

Council Member Lawson: So the trigger is the money piece.

N. Wishmeyer: Correct.

Outcome

The Committee thanked staff.

Follow-up Action

No follow up is necessary as this item was informational only.

2019 MANAGEMENT AND FINANCE WORK PLANSummary of Issue and Discussion

Review of the 2019 proposed work plan for the Management and Finance Policy Committee.

T. Velasquez gave a brief overview of the normal activities that are presented each month and asked if the Committee had any items to add to the 2019 work plan.

Council Member Richardson briefly gave an update on the proposed Campaign Finance Reform Ordinance and stated that it can be delisted until further notice. Jason Batchelor recommend that it be added at the bottom of the list titled as unscheduled.

Future Agenda Items

- Social Media (Public Records)
- Internet Sales Tax Update
- C.O.R.A. – February
- Career Services Commission
- CABC
- Election Commission
- GERP
- Police Pension Update
- Smart Cities
- Bonding

Outcome

Committee thanked staff.

Follow-up Action

Future agenda items will be scheduled for future 2019 Management and Finance Policy Committee meetings.

MISCELLANEOUS MATTERS FOR CONSIDERATION

Summary of Issue and Discussion

- The next meeting is on Tuesday, February 26, 2019.

THESE MINUTES WERE APPROVED AS SUBMITTED

David Gruber, Chair of the Management & Finance (M&F) Committee

Date