

MANAGEMENT AND FINANCE POLICY COMMITTEE

March 26, 2019

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

Others Present: City Manager Twombly, N. Freed, M. Wolfe, T. Velasquez, D. Chambers, T. Barrett, M. Hinterreiter, P. Bateman, Z. DeBoyes, J. Giddings, G. Hansen, A. Jeffress, J. Napper, L. Rehwalt, H. Hernandez, R. Venegas, J. Hancock, J. Schneebeck, J. Wesolowski, B. Bell, J. Campbell, D. Collins, J. Ehmann, K. Claspell, M. Shannon, J. Scott, A. Pi, G. Zimmer, G. Pennington, K. Brown, J. Speer, and T. Hoyle

MINUTES

February 26, 2019 minutes were approved.

CONSENT ITEMS

January of 2019 was 4.0 percent higher than January of 2018. Kerstin Claspell stated the 4% sales tax revenue met the required 2019 sales tax revenue budget.

Outcome

The Committee thanked staff.

Follow-up Action

No follow-up needed.

SPRING SUPPLEMENTALSummary of Issue and Discussion

Jackie Ehmann presented the Spring Supplemental. The 2019 Spring Supplemental Ordinance appropriates amounts for a number of operating expenditures and capital projects that require appropriations and inter-fund transfers in the funds listed in the agenda item attachment. This ordinance impacts the 2018 and 2019 budget years. Items for 2018 represent financial activities that have already occurred.

One of the first steps of the annual budget process is to prepare an updated projection of current year requirements. Some requirements that had been identified in the 2018 projection prepared for the 2019 Adopted Budget were reviewed and appropriated as part of the 2018 Fall Supplemental process. Others were deferred, as departments are often able to offset the impact, either partially or entirely. Most of the requests included for 2018 in this 2019 Spring Supplemental request were identified and included in the 2018 projection in the 2019 budget document.

Many of requests included in this supplemental process are technical. Technical items are typically budget lapses or reallocations, zero-dollar amendments with appropriation offset by revenue, or accounting and other adjustments. These items are indicated by including “technical” in the title and may or may not have been reviewed by Council. Most items with a significant impact to a fund have been previously reviewed by Council or Council Committee. Council

review includes items included in the 2018 projection and reviewed as part of the 2019 Adopted Budget process, as well as items reviewed at either a Council Committee meeting or City Council meeting. Council review details are included in the narrative for each supplemental request.

The attachments included for this agenda item reflect summary and detail information regarding the requested appropriation changes for each fund and department. Transfers result in a move of funding from one fund to another. The details of these appropriation amendments are found in:

- Attachment A: 2018 Appropriation Summaries by Fund;
- Attachment B: 2019 Appropriation Summaries by Fund;
- Attachment C: 2018 Appropriation Detail by Fund; and
- Attachment D: 2019 Appropriation Detail by Fund.

As noted, the Spring Supplemental process covers two budget years and often includes several items. The following discussion will identify and focus on significant changes included for each budget year by fund, rather than the list in its entirety. Please see attachments C and D for the details on each request.

2018 Supplemental Amendments

One-time appropriation increases in the General Fund total **\$7.0 million**, with \$6.3 million in revenue offsets. Significant items include:

- A **\$4.8 million** transfer of additional revenue to the Capital Projects Fund (CPF). This item was not included in the 2018 projection, as a significant amount of the additional revenue occurred late in 2018.
- A **\$1.1 million** transfer to the Designated Revenues Fund to cover an anticipated use tax rebate associated with an incentivized project. This item was not included in the 2018 projection due to the timing of the receipt of funds.

Significant supplemental items in other funds include:

- Budget reductions (lapses) in the CPF totaling **\$1.5 million** due to the completion of various capital project in Public Works and Parks Rec & Open Space (PROS) under budget. A total of \$645,000 will be returned to agencies as unused funding.
- Appropriations totaling **\$1.8 million** in the Development Review Fund
 - o \$1.1 million for personnel costs incurred in response to development related workload.
 - o \$650,900 for implementation of the Accela Workflow Management system.
- Lapses totaling **\$598,300** in the Wastewater Fund, primarily due to capital budgets that include funding for annual maintenance that was not spent.
- New appropriation totaling **\$11.1 million** in the Water and Wastewater funds for the Upper First Creek Detention Pond and Aurora Pump Station Upgrades projects, as well as additional water right acquisitions.

2019 Supplemental Amendment Requests

Supplemental requests create budget authority for a total of **7.0 FTE** across three funds.

- 1.0 FTE Production Manager will be added in the Cultural Services Fund. The cost will be mostly offset by a reduction in contracted services.

- 2.0 Career Service FTE will be eliminated from the Photo Red Light Program in the Designated Revenues Fund. The employees in the eliminated positions were placed in existing vacancies in the Police Department.
- Public Works will convert contingent funding to add 5.0 FTE to the General Fund. This will have a zero dollar impact to the General Fund, as well as the CPF. The cost will be allocated or transferred from the General Fund to the Capital Projects Fund where existing budget or intergovernmental revenue will cover the cost. These contingent conversions are needed for retention purposes for the Priority Transportation and South Aurora Regional Improvement Authority projects.
- The City of Aurora Public Safety Training Center will convert contingent funding in the General Fund to add 0.5 FTE to assist the Manager of the facility.
- The Office of Immigrant Affairs will add 0.5 FTE to the General Fund to create one full-time position. The cost will be offset by a reduction in contracted services.
- Two full-time positions will be added to the Gifts and Grants Fund to include 1.0 FTE in the Police Department and 1.0 FTE City Attorney's Office. Both are partially funded for 2019 by grants. Additional grant funding or an alternate funding source will be required to fully fund each of these positions once the grant period is over.

Significant supplemental items in all funds include:

- The appropriation of **\$16.1 million** in the Capital Projects Fund for several Public Works projects. Revenue offsets for these projects total \$13.9 million. Large projects include the Harvest – Alexander to Orchard and Westerly Creek Transportation Improvement.
- A lapse of **\$1.7 million** in the Designated Revenues Fund to eliminate the Photo Red Light Program budget. 4.0 Civil FTE will be transferred to the General Fund for an impact of \$454,200 to that fund.
- The appropriation of **\$8.4 million** in the Water Fund for Wemlinger Water Purification Facility Improvements.

Detail behind all supplemental items can be found in Attachments C and D.

Council Member Gruber asked how the 4.0 Civil FTE transfers were funded. J. Ehmann said through an increase to the General Fund. Council Member Gruber said, so these were not transfers that filled open vacancies but were 4.0 new FTE's added to the General Fund. J. Ehmann replied yes. T. Velasquez stated, at April 1, 2019 Study Session there will be more discussion about the financial impacts and elimination of the Photo Red Light Program. She said, as part of the program there also were two civilian employees that were placed in other vacancies with no additional costs or layoffs.

Council Member Lawson asked, when departments don't fill positions where does the vacancy savings go, does it stay in the department or does it go back into the General Fund. T. Velasquez said, at end of the year it goes back to the fund balance of the General Fund. J. Ehmann said sometimes there's vacancy savings returned and you find a positive amount, so not all of it was spent at the end of the year. T. Velasquez said and those usually translate to one-time savings. M. Wolfe stated, there are times that it's not returned to the General Fund balance when there's unmet needs and it's used for other expenses.

Council Member Gruber said could we go into more detail on the Gifts and Grants fund and FTEs, and tell how that works. J. Ehmann said the positions are brought on to perform grant work and unless a follow-on grant is obtained the funding then is over. The funding for the Crisis Response Team (CRT) goes till September and the City Attorney's Office is to May. Council Member Gruber asked, was there success in achieving any other grants in addition to what we have. J. Ehmann replied currently she didn't know of any, or any plans for continuation. Jen Campbell stated, for the Crisis Response Team we plan to apply for a continuation grant but it's not opened yet. We also put in for a Grant application that we haven't heard back on and so we are pursuing multiple options. And if we receive a continuation for the one we currently have, we expect that will start on October 1. Council Member Gruber stated, so continually you are aggressively going after grants. Staff concurred.

Outcome

Committee Members Gruber and Lawson recommended this item be sent to Study Session. Committee Member Richardson joined the meeting following this item.

Follow-up Action

Staff will forward this item to April 15, 2019 Study Session. Subsequently, the City Manager added a 2019 supplemental request for 2.0 FTE Information Technology Positions dedicated to the Water Department. These positions will be funded by the Water funds and will add \$97,181 to the Wastewater Fund and \$145,771 to the Water Fund. This information was provided in an email to the Management and Finance Policy Committee.

DEBT MANUAL

Summary of Issue and Discussion

Each year the Management & Finance Policy Committee (M&F) is provided an overview of the City's outstanding debt. As part of that overview, the Debt Manual is provided to members of M&F. This Manual is updated every spring to reflect the actual outstanding debt as of the end of the prior calendar year. Part of the review includes a short overview of the City's Investor Page (<https://www.auroragov.org/cms/one.aspx?pageId=8592972>)

This review is part of the City's best practices for encouraging and providing transparency to investors and citizens of Aurora, which includes an overview of the City's Investor Page, which is available to the public, outlining the City's debt related transactions and more. In a recent ratings report from S&P for the Central Recreation Center COPs, S&P provided a rating upgrade from AA- to AA. In addition to the overall strong economy in the region, S&P mentioned "very strong management, with strong financial policies and practices. We revised our assessment to strong from good due to changes in our view of the city's debt management policy, reporting, and capital planning practices." Additionally, S&P identified other highlights such as "debt policy last updated in 2016 that includes clear conceptual framework, detailed swap policy and limited ratio constraints, although its annual "debt book" provides strong transparency as to holdings, including private placement financing."

Council Member Lawson asked, what does the rolling stock financing go to? M. Shannon replied it's for the big fleet equipment such as fire apparatuses, graders, dump trucks, etc. Council Member Gruber asked if capital projects and O&M [are not included, but if we have a separate program for leasing automobiles. M. Shannon replied no, and all automobiles are paid by cash.

T. Velasquez said, part of the reason why we pay cash is the life of a vehicle isn't as long as we would like it to be. For an example, Police vehicles that might end up in an accident or damaged in some other way. It can be very difficult to get those in and out of a lease transaction when the loan hasn't been paid.

Council Member Gruber commented that there's been collateral discussions before about using different things as collateral such as Fire departments, City buildings and so forth. He asked does the Debt manual identify which building as collateral and which loan it applies to. Mike Shannon replied yes. He talked about Tallyn's Reach Campus and the property pledged to finance the extension of the Stephen D. Hogan Parkway.

Council Member Lawson stated, I know this would never happen but what if payments were not paid and they take away all three assets, what would happen to Hogan Parkway? M. Shannon replied there wouldn't be a concern with the Hogan Parkway. H. Hernandez said to help understand, as payments are made over time a portion of the pledge asset is then released.

Council Member Gruber said last year there was an analysis report of capital properties that we own that public charities use. Are any of those properties used as collateral? T. Velasquez replied no. The IRS has specific requirements when you have a private entity leasing the space.

Council Member Gruber stated he was impressed with the overall presentation and suggested that staff give a presentation to the Colorado Municipal League.

Outcome

The Committee thanked staff.

Follow-up Action

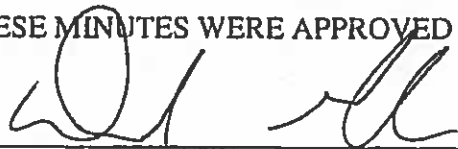
No follow-up needed.

MISCELLANEOUS MATTERS FOR CONSIDERATION

Summary of Issue and Discussion

- ACCELA & Overall IT Update
- Collision Centers
- The next meeting is on Tuesday, April 23, 2019.

THESE MINUTES WERE APPROVED AS SUBMITTED



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

4/23/19
 Date