

**MANAGEMENT AND FINANCE POLICY COMMITTEE**

September 24, 2019

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

Others Present: City Manager Jim Twombly, N. Freed, R. Venegas, T. Velasquez, G. Hays, M. Shannon, T. Vaughn, H. Hernandez, D. Giordano, K. Roberts, N. Wishmeyer, J. Ehmann, M. Shannon, A. Jamison, B. Kelly, and T. Hoyle

---

**INTRODUCTIONS AND MINUTES**

August 27, 2019 minutes were approved.

---

**CONSENT ITEMS**Sales Tax Chart

July of 2019 was 11.3 percent higher than July of 2018.

Outcome

The Committee thanked staff.

Follow-up Action

No follow-up needed.

---

**PEER TO PEER MOTOR VEHICLE SHARING**Summary of Issue and Discussion

As part of the growth of the sharing economy on the internet, car sharing, or car rentals of personal vehicles is growing. This presents challenges with collection of tax on these rentals. A review at the Management and Finance Policy Committee was requested by Council Member Roth.

Peer to peer car sharing is gaining in popularity. This may be impacting the market share of traditional brick and mortar car rental companies that collect city sales tax on car rentals. This is an information item regarding the industry and the current recommended approach by staff. In peer to peer car sharing, like Airbnb for lodging, an individual publishes their asset on the site for rental. The website facilitates the transaction including charging a customer's credit card for the rental. The facilitating website then retains a fee for the transaction. Since it is a personal asset, most individuals on the website do not obtain a business license and do not collect sales tax without prompting by proactive enforcement.

The websites maintain that they are not the business and therefore should not be required to collect sales tax and that it is the responsibility of the vehicle owner to collect taxes. Some operators on these websites do utilize the asset full time for the business operation. An additional complicator with the peer to peer sharing is that personal vehicle owners pay sales or use taxes to the city when they purchase the vehicle. Rental companies purchase their cars tax exempt for resale then collect tax on the subsequent rentals. For rentals of less than 36 months, the State provides an exemption if sales tax was paid on the original purchase. Therefore, state sales tax

does not apply to peer to peer car sharing. The city does not have a similar exemption and peer to peer car sharing is subject to the City's sales tax. A number of these websites have gained in popularity with renting cars, recreational vehicles, and boats. Ideally, the websites would collect sales tax on behalf of the owners. Since the sites do not collect taxes, it presents an enforcement challenge for the city. The transaction through the website makes it difficult for the city to identify the owners. The nexus of the website operators for enforcement of city regulations is unclear at this time.

With House Bill 19-1240, the state is requiring marketplace facilitators to begin collecting tax for state collected entities on October 1st, 2019. This change in law is part of the implementation of the rules resulting from the decision in the Wayfair v. South Dakota case in 2018. Home rule cities in Colorado are currently delaying implementation of Wayfair pending clarity in how the ruling works within Colorado's system of home rule collections. The state is currently pursuing a simplification system with the requirement that it integrate with home rule city tax and licensing systems. This system would simplify collection and remittance and may allow the home rule cities to begin mandating collection by non-physical premise retailers including marketplace facilitators such as car sharing websites without risk of a legal challenge.

Staff would recommend revisiting this topic and perhaps adoption of marketplace facilitator language into the tax ordinance at a later date. Currently, it is very difficult to estimate the full impact of lost revenue from peer to peer car sharing at this time. Based on listings on websites, the city may be missing \$30,000 to \$50,000 in revenue annually with non-compliance. For now, it is recommended that city revenue staff pursue non-compliance as part of regular enforcement and prioritize cases based on business activity. Significant proactive enforcement would either divert compliance resources or require the addition of resources and since many of the parties engaged in this activity do it secondarily, the efforts may not validate the resources utilized. Staff will attempt to identify parties operating primarily a business through the site for targeted compliance efforts. Staff has also conferred with Denver on this issue that also is attempting to gain compliance. The State legislature passed Senate Bill 19-090 this past year requiring insurance and that vehicles not have open recalls. The bill also required car sharing companies to enter airport concessionaire agreements. The legislation did not require collection of sales tax. Staff will continue to monitor as the State implements Marketplace Facilitator rules on October 1st and will return to Management and Finance with a strategy and potentially an ordinance in the future as regulatory options become clearer and the legal requirements are better defined.

Council Member (CM) Gruber asked, have you heard from the Colorado Municipal League (CML) or Denver Regional Council of Governments (DRCOG) on this? Has anybody looked at this systemically across the state or across the area? T. Vaughn replied there was a bill with the state that required them to delist a car if it had active recalls on it and some insurance requirements, however, as far as sales tax, since they're considered exempt at the state level there's no requirement these companies collect sales tax per say. CM Gruber said I think I understand the problem, but I think the issue is that the ordinance is necessary to ensure that the City receives the tax from the use of the vehicle and I'm afraid the state will take care of the state and might not take care of the home rule city. Whereas, DRCOG or CML would come in with a different solution. T. Vaughn said one easy way where we could collect the tax and that is have the Marketplace Facilitator (website) collect the tax.

Council Member Gruber said I recommend we talk to CML and DRCOG. T. Vaughn said I did bring it up to CML tax group, but nobody has looked into it at this standpoint. We did get some education from the department of Revenue in regard to Marketplace Facilitators.

CM Lawson asked so this has nothing to do with the trans jurisdictional? T. Vaughn replied no, the issue isn't related to sourcing. These car rentals are sourced in Aurora and so they would be taxable in Aurora.

CM Gruber recommended that this item return to the Management and Finance meeting in March or April.

#### Outcome

The Committee thanked staff. Staff will monitor the State's implementation and bring the item back to the Management and Finance meeting in March or April of 2020.

#### Follow-up Action

Staff will continue to monitor as the State implements Marketplace Facilitator rules on October 1<sup>st</sup> and will come back with a strategy and an ordinance in March or April 2020.

---

### **2020 PAY RESOLUTION**

#### Summary of Issue and Discussion

Each year, in concert with the annual budget process, Human Resources prepares an updated pay schedule and submits the schedule with a Resolution for Council's approval. As part of the 2020 budgetary process and to sustain the compensation and the classification system adopted by the City are the proposed classifications including but not limited to, career service, civil service, Department Directors, Appointees, temporary, seasonal and part-time positions. The resolution will approve the 2020 Employee Pay Schedule and Classifications for the employees of the City of Aurora, Colorado.

CM Gruber asked about the Fire Cadet classification and if it was a union position. K. Roberts replied no, not until they have graduated from the Academy. CM Gruber asked, does it require Civil Service review? K. Roberts replied, yes it does.

CM Gruber asked, in general are the pay increases 3% across the City. K. Roberts replied, yes.

#### Outcome

The Committee thanked staff. Move forward to Budget Workshop.

#### Follow-up Action

2020 Pay Resolution will be provided at the September 28, Budget Workshop, and next to Regular Session.

---

**2020 EMPLOYEE BENEFITS**Summary of Issue and Discussion

Human Resources provided a review of 2020 Benefits Plan and Open Enrollment.

CM Gruber asked, what if there's a situation and the employee doesn't make the deadline for the open enrollment? D. Giordano replied, if they don't make changes the week we close for open enrollment, we will contact those individuals. Whatever the reason is that they are not able to, it will default to no coverage but even after that we'll make contact with those individuals. If for some reason through no fault of their own and they can't make benefit coverages, we will work through with the individual. These benefits won't go into effect until January, although we also don't want employees to wait until January to make changes. During open enrollment there will be presentations at various locations with dates and times, in-person assistance sessions, enrollment support by phone and open hours assistance at Human Resource office. There will be a number of different venues for employees to go to and seek assistance and coverage.

CM Richardson asked if the emergency room (ER) visits at the hospitals were increasing and did that include the Urgent Care (UC). K. Roberts replied no, only ER visits are increasing. D. Giordano said the increase started about a month ago, and so to address the increase Kaiser has extended hours at some clinics to 10 PM for after hour care and even times during the weekends.

CM Richardson asked if Kaiser goes on strike what happens. D. Giordano said we did ask some questions and what we understand it would not be any of the medical providers or the nurses. It was understood any strike would involve mainly support staff and the backup plan includes temporary personnel if the need should arise.

CM Lawson remarked that's sort of true, but I tried to make an appointment and the doctor is on lock until November because of the strike and not having support staff. D. Giordano said, we are asking questions every week to get an understanding how this will impact our employees. We know that we will be asked this question and so we're staying connected with Kaiser and our insurance broker, should a strike should occur.

CM Gruber asked, with the military veterans that have Tri-Care for family members is there a stipend? D. Giordano replied yes there's a stipend. Individuals can waive coverage through our office to receive a \$50/monthly stipend. CM Grubers asked does that matched the cost of the City. D. Giordano said its half the cost of what the City would typically pay for the medical premium benefit. So, it's a savings to the City in both respects. D. Giordano said in 2020 we do plan to do an RFP for medical providers. We are looking at types of medical providers, long term strategies, and assessing self-funding. Right now, the dental plan is self-funded, but our medical plan is not. So, we want to explore that as a possible option for future years. CM Gruber said in 2020 we also renegotiate the contract for the Fire and Police department, would this be done before or after? D. Giordano replied after.

Outcome

Committee Members thanked the staff. Move forward to Budget Workshop.

Follow-up Action

2020 Employee Benefits will be provided at the September 28, Budget Workshop, and next to Regular Session.

---



---

**GENERAL IMPROVEMENT DISTRICT (GID) BUDGETS**
Summary of Issue and Discussion❖ **AURORA CONFERENCE CENTER**

This budget and mill levy ordinance, is the annual property tax mill levy, adopting, and appropriating ordinance for the Aurora Conference Center General Improvement District 2-2011(GID). On November 1, 2011, the qualified electors of the Aurora Conference Center GID voted in favor of 1) authorizing the levy of an ad valorem property tax for the construction and/or to incentivize a public conference center and related improvements to attract tourism to the area and stimulate development of property within and surrounding the GID; 2) authorizing the pledge of a portion of such ad valorem property tax to the payment of obligations incurred by the Colorado International Center Metropolitan District No. 4 (the “CIC District”) to provide off-site public infrastructure; and 3) authorizing the pledge of a portion of such ad valorem property tax to the payment of obligations incurred by the Aurora High Point at DIA Metropolitan District (the “AHP District”) to provide for the payment of future regional infrastructure costs, all for the benefit of GID taxpayers.

As the Aurora Conference Center GID has already been formed, this is a technical mechanism to create the budget authority for the upcoming year. The budget for the Aurora Conference Center GID, for collection in 2020, is \$9,000,000.00 and the mills will be 40.000 mills. The revenue shall be used to defray the general expenses of the Aurora Conference Center GID for the fiscal year commencing January 1, 2020 and ending December 31, 2020.

Outcome

Committee Members thanked the staff. Move forward to Budget Workshop.

Follow-up Action

Aurora Conference Center GID Budget will be provided at the September 28, Budget Workshop, and next to Regular Session.

❖ **CHERRY CREEK**

This budget and mill levy ordinance is the annual property tax mill levy, adopting, and appropriating ordinance for the Cherry Creek Fence General Improvement District 1-2007 (GID). On November 6, 2007, the qualified electors of the Cherry Creek Racquet Club GID voted in favor of the issuance of general obligation indebtedness and the imposition of taxes for the repayment of debt. The purpose of the Cherry Creek Racquet Club GID was to construct and finance a masonry fence. Subsequently, on March 17, 2008 council approved Ordinance 2008-14 declaring organization of the district. Per the ballot issue, final costs for the project will not exceed \$706,000, with annual taxes not to exceed \$67,000. On August 17, 2009, council approved the bond issuance for the Cherry Creek fence.

As the Cherry Creek Racquet Club GID has already been formed and the bond issuance related to the fence has already been approved, this is a technical mechanism to create the budget authority and mill levies for the upcoming year. The budget and proposed mill levy for the Cherry Creek Racquet Club GID for 2020, combined with a portion of available cash on deposit in the GID's debt account, will be sufficient to bring in an estimated \$67,000 for debt service and another \$3,000 to defray maintenance costs. The revenue shall be used to defray the general expenses of the GID for the fiscal year commencing January 1, 2020 and ending December 31, 2020.

#### Outcome

Committee Members thanked the staff. Move forward to Budget Workshop.

#### Follow-up Action

Cherry Creek GID Budget will be provided at the September 28, Budget Workshop, and next to Regular Session.

### ❖ **MEADOW HILLS COUNTRY CLUB**

This is the annual property tax mill levy, adopting, and appropriating ordinance for the Meadow Hills Country Club Fence General Improvement District 3-2008 (GID). On November 4, 2008, the qualified electors of the Meadow Hills Country Club GID voted in favor of the issuance of general obligation indebtedness and the imposition of taxes for the repayment of debt. The purpose of the Meadow Hills Country Club GID was to construct and finance a masonry fence. Subsequently, on January 26, 2009 council approved Ordinance 2009-02 declaring organization of the district. Per the ballot issue, final costs for the project will not exceed \$685,000, with annual taxes not to exceed \$71,000. On April 5, 2010, council approved the bond issuance for the Meadow Hills Country Club fence.

As the Meadow Hills Country Club General Improvement District has already been formed and the bond issuance related to the fence has already been approved, this is a technical mechanism to create the budget authority and mill levies for the upcoming year. The budget and proposed mill levy for the Meadow Hills Country Club GID for 2020, combined with a portion of available cash on deposit in the GID's debt account, will be sufficient to bring in an estimated \$71,000 for debt service and another \$5,060 to defray maintenance costs. The revenue shall be used to defray the general expenses of Meadow Hills Country Club GID for the fiscal year commencing January 1, 2020 and ending December 31, 2020.

#### Outcome

Committee Members thanked the staff. Move forward to Budget Workshop.

#### Follow-up Action

Meadow Hills Country Club GID Budget will be provided at the September 28, Budget Workshop, and next to Regular Session.

**❖ PEORIA PARK**

This budget and mill levy ordinance is the annual property tax mill levy, adopting, and appropriating ordinance for the Peoria Park Fence General Improvement District 1-2008 (GID). On November 4, 2008, the qualified electors of the Peoria Park GID voted in favor of the issuance of general obligation indebtedness and the imposition of taxes for the repayment of debt. The purpose of the Peoria Park GID was to construct and finance a masonry fence. Subsequently, on January 26, 2009 council approved Ordinance 2009-01 declaring organization of the district. Per the ballot issue, final costs for the project will not exceed \$388,945, with annual debt service not to exceed \$36,000. On April 5, 2010, council approved the bond issuance for the Peoria Park fence.

As the Peoria Park GID has already been formed and the bond issuance related to the fence has already been approved, this is a technical mechanism to create the budget authority and mill levies for the upcoming year. The budget and proposed mill levy for the Peoria Park GID, combined with a portion of available cash on deposit in the GID's debt account, for 2020 will be sufficient to bring in an estimated \$36,000 for debt service and another \$5,825 to defray maintenance costs. The revenue shall be used to defray the general expenses of the Peoria Park GID for the fiscal year commencing January 1, 2020 and ending December 31, 2020.

Outcome

Committee Members thanked the staff. Move forward to Budget Workshop.

Follow-up Action

Peoria Park GID Budget will be provided at the September 28, Budget Workshop, and next to Regular Session.

**❖ PIER POINT**

This is the annual property tax mill levy, adopting, and appropriating ordinance for the Pier Point 7 General Improvement District 2-2009 (GID). On November 3, 2009, the qualified electors of the Pier Point 7 GID voted in favor of the issuance of general obligation indebtedness and the imposition of taxes for the repayment of debt. The purpose of the Pier Point 7 GID was to repair and replace the sewer lines and related work. Subsequently, on January 11, 2010 council approved Ordinance 2009-61 declaring organization of the district. Per the ballot issue, final costs for the project will not exceed \$3,500,000, with annual taxes not to exceed \$371,277. On April 11, 2011, council approved the bond issuance for the Pier Point 7 sewer General Improvement District.

As the Pier Point 7 GID has already been formed and the bond issuance related to the sewer

line improvements has already been approved, this is a technical mechanism to create the budget authority and mill levies for the upcoming year. For 2020, the budget and proposed mill levy for the Pier Point 7 GID, combined with a portion of available cash on deposit in the GID's account, will be sufficient to bring in an estimated \$371,277 for debt service. The revenue shall be used to defray the general expenses of Pier Point 7 GID for the fiscal year commencing January 1, 2020 and ending December 31, 2020.

#### Outcome

Committee Members thanked the staff. Move forward to Budget Workshop.

#### Follow-up Action

Pier Point GID Budget will be provided at the September 28, Budget Workshop, and next to Regular Session.

### ❖ **COBBLEWOOD**

This is the annual property tax mill levy, adopting, and appropriating ordinance for the Cobblewood General Improvement District 1-2016 (GID). On November 8, 2016, the qualified electors of the Cobblewood GID voted in favor of the issuance of general obligation indebtedness and the imposition of taxes for the repayment of debt. The purpose of the Cobblewood GID was to repair and replace the private neighborhood street and grant the new street to the City. Subsequently, on January 9, 2017, council approved Ordinance 2016-71 declaring organization of the district. Per the ballot issue, final costs for the project will not exceed \$935,550.00, with annual taxes not to exceed \$95,000.00. On August 26, 2017, council approved the bond issuance for the Cobblewood General Improvement District.

As the Cobblewood GID has already been formed and the bond issuance related to the street improvements has already been approved, this is a technical mechanism to create the budget authority and mill levies for the upcoming year. For 2020, the budget and proposed mill levy for the Cobblewood GID, combined with a portion of available cash on deposit in the GID's account, will be sufficient to bring in an estimated \$95,000.00 for debt service. The revenue shall be used to defray the general expenses of Cobblewood GID for the fiscal year commencing January 1, 2020 and ending December 31, 2020.

#### Outcome

Committee Members thanked the staff. Move forward to Budget Workshop.

#### Follow-up Action

Cobblewood GID Budget will be provided at the September 28, Budget Workshop, and next to Regular Session.

---



---

### **GERP ORDINANCE DEFINITIONS CORRECTION**

#### Summary of Issue and Discussion

Hans Hernandez explained that this was a clerical correction to add back definitions that were inadvertently removed.



CM Gruber said, so this is just a clerical modification without changing any of the intent. Did it go to the GERP Board? H. Hernandez replied yes, the GERP plan administrator approved and the GERP Board was informed that it was coming to the Management and Finance meeting.

#### Outcome

The Committee recommended this item be sent to Study Session consent calendar.

#### Follow-up Action

Staff will forward this item to Study Session consent calendar.

---

---

### **POLICE PENSION UPDATE**

#### Summary of Issue and Discussion

T. Velasquez gave an update on the Police Pension plan proposed changes.

CM Gruber said, I suspect that we will see the FPPA (Fire Police Pension Association) come up in the negotiations next year. Having said that, I'm making the assumption that it doesn't go through and so I want to focus on making AP-MPPP (Aurora Police Money-Purchase Pension Plan) as viable and productive as possible. Are you getting feedback from the officers that the actions that we're taking on the defined benefit is worthwhile; do they understand it or are we wasting our time? Are you getting feedback from the members of MPPP that this makes sense and it's a good thing? B. Kelly responded that's a difficult question to answer. And the reason is we don't know what the benefit will be yet, and that's going to be the ultimate when they say I want that, or I don't want that. We can't say what the benefit is going to be yet, until we know a lot of the data that we are still collecting. And the big question for the City is, how much is it going to cost. So, while people are interested in this hybrid defined benefit, they can't commit to say that I want it without seeing what it is going to provide for them. CM Gruber said so the interest is there. You're not getting this don't bother with this. B. Kelly said no, I never have heard that. Cops can be cynical, so there's a lot of this will never happen type so just blow it off, but that's just the cynical nature of cops. I think once they see a benefit, if it works out, you'll get a better pulse of what the general department thinking.

B. Kelley said the second part of this is the contribution increase and it ties within this conversation as well, as the IRS is going to mandate that they're both the same whichever part of the plan you're in. Say if it's the 12% going through or the 24% going to the defined contribution it has to be the 24% going to the hybrid and then it can divide amongst itself, there. So, we're not quite sure how that will be divided in this defined benefit. But we do have to cover the social security replacement part of it because we are a social security replacement plan and there's a minimum set by the IRS. We would figure we would put the defined contribution side at least as the minimum and I think that's around 7%. T. Velasquez replied correct, 3.5% and 3.5%. B. Kelley said, so it would be 3.5% from each and then whatever is leftover would go into the defined benefit. Its common sense the more you put in the more you will get out, so kind of speaks to both.

CM Lawson said in terms of the research of the data your providing since were losing officers I'm looking at that versus how we can keep them and versus the value of that versus doing the 12% over the year after year instead of the one-time. Will you provide the analysis? Because I think

we have the money. T. Velasquez said in regards to recruitment and retention a better benefit in general would be more favorable for retaining people. People look at the numbers whether its pension or salary or other benefits. So, adding to a benefit, I think always will enhance or encourage people to stay.

CM Lawson asked, the analysis that you are doing, are you looking at overtime like for example five-years and what does that look like on the budget. T. Velasquez said yes. When we went to the spring workshop, we did do a five-year outlook of what the cost would be. I'll provide this to you. The question about retention is one of those we don't really know the answer to that because we've lost both police and fire employees some in FPPA and some in MPPP so its hard to say how changing the pension plan would affect retention. We have heard from other entities that they have increased their contributions.

CM Richardson said hopefully the increase on contributions is phrased as permanent because it's a practical matter and I disagree CM Gruber. To attach this label of one-time, I don't think it's the way to go. So, I hope that we can make it clear that it's a permanent increase.

Outcome

The Committee thanked staff. Move forward to Budget Workshop.

Follow-up Action

This item will be discussed at the September 28 Budget Workshop.

---

**MISCELLANEOUS MATTERS FOR CONSIDERATION**

Summary of Issue and Discussion

- The next meeting is on Tuesday, October 22, 2019 in the Aurora Room.

THESE MINUTES WERE APPROVED AS SUBMITTED



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

10/22/2019

\_\_\_\_\_  
Date