

**MANAGEMENT AND FINANCE POLICY COMMITTEE  
WEBEX**

**Members Present:** Council Member David Gruber – Chair, Council Member Marcano – Vice Chair, Council Member Gardner – Member

**Others Present:** R. Venegas, T. Velasquez, S. Ruger, G. Hays, M. Shannon, B. Fillinger, M. Lawson, N. Wishmeyer, V. Irvin, W. Sommer, J. Cox, H. Hernandez, S. Neumann, A. Jamison, D. Lathers, M. Clark, R. Peterson, R. Forrest, B. Rulla, M. Parnes, J. Schneebeck, J. Prosser, K. Smith, M. Witkiewiz, J. Tanaka, and T. Hoyle

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**INTRODUCTIONS AND MINUTES**

March 24, 2020 minutes were approved.

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**CONSENT ITEMS**

February of 2020 was 13.9 percent higher than February of 2019.

Greg Hays, Budget Manager stated that the Budget Office has been working with Colorado University’s LEEDS School of Business to develop an accurate as possible forecast of the city’s financial picture. Considering sales tax and other revenue information, this projection assumes four quarters of decline beginning in the second quarter of 2020 and starting to lessen in 2021. Based on these projections the city will be out of balance leading to an approximate \$25 million deficit in 2020 and \$30 million in 2021.

Outcome

The Committee thanked staff.

Follow-up Action

No follow-up needed.

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**AURORA CROSSROADS METRO DISTRICT**

Summary of Issue and Discussion

The Aurora Crossroads Metropolitan District Nos. 1-3 have requested an amended and restated service plan be considered by the city.

The proposed development served by these districts is proposed as follows: Mixed Use with approximately ten percent (10%) residential development (non-single family detached), seventy-five percent (75%) commercial development and fifteen percent (15%) open space and rights-of-way areas. It is anticipated that formal submission of the Master Plan will occur in April 2020. Zoning for the project is already in place, MU-R.

The Districts have recently been approached by the Sisters of Charity of Leavenworth Health Systems, Inc. about constructing several Class A Medical Office Buildings in the Districts’ commercial areas, and once those have been established and have a solid customer base, they wish to proceed with building a hospital. For this development to occur, adoption of the Proposed Service Plan is required. This is because the Initial Debt Limitation in the existing Service Plan prohibits the

issuance of Debt and the imposition of a mill levy to repay that Debt until such time that the Districts have in place an Approved Development Plan.

While the Districts are actively pursuing an Approved Development Plan with the City, approval of such a plan is not anticipated until later in the year. If the Districts were required to wait until the plan was approved the opportunity presented by the Sisters of Charity of Leavenworth Health Systems, Inc. would likely be lost. In order to proceed with the development of the Class A Medical Buildings and hospital, the Districts first need to issue Debt necessary to finance the spine infrastructure needed to serve the development. The Districts are therefore requesting a revision to the Initial Debt Limitation provision that would allow the issuance of Debt and the imposition of mill levies to repay that Debt between now and December 31, 2020 without the requirement of having an Approved Development Plan, as currently defined. Any future debt issuance beyond 12/31/2020 will require an approved development plan.

Does the Committee wish to move this item forward to City Council Study Session as proposed?

Council Member (CM) Gruber expressed concern that it was unusual for a solo Metro district to have three master plans. The three independent plans were a Data Center, a multi-family housing, and a nonprofit hospital. He asked about the mill levy and the financing of the debt.

Mark Witkiewicz, Westside Investment Partner, Inc stated it's likely that all the development around the hospital will be all commercial.

CM Gardener asked if the Sisters of Charity of Leavenworth (SCL) is a non-profit entity would the City receive any tax? M. Witkiewicz replied, no.

CM Gruber asked would they pay the levy since they're not taxed? M. Witkiewicz replied no. The hospital is simply an anchor the energy that the area needs to spur the surrounding development, but it won't financially benefit the district directly.

CM Gruber expressed concern and that it will be like the Children's hospital and the office building (Class A) on the southside of Colfax. The office building was absorbed and purchased by Children's hospital. The tax revenue and its impact to the Metro district was large. He didn't understand its financial model and repaying of the debt given the large amount of non-tax organizations that's within the Metro district.

M. Witkiewicz stated the financial model doesn't have the hospital to back the bonds but JP Morgan site is a known asset, and part of the Metro district. Once the hospital and the other development follows, we're confident that this will be a stable financial model. The metro district also includes the property with the oil and gas development.

CM Gruber said my primary concern is the Class A buildings and especially on a site that would be absorb by the hospital and are non-tax paying.

V. Irvin stated this is a Metro district and if they're not putting together a good financial deal the bonds will not be sold, and they will not be able to move forward. I know that's not the answer you

want however maybe they can send the financial projections information to us before it goes to Study Session so that you can feel more comfortable.

CM Gruber recommended that it moves forward but include more information on the financial part before it goes to Study Session.

#### Outcome

The Committee recommended that this item be forward to Study Session. Staff will include a financial model of the property.

#### Follow-up Action

Staff will forward this to Study Session, May 2020.

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### **CHANGE TO CITY CODE SEC.2-66(f) DISQUALIFIED VENDOR OR CONTRACTOR**

Considering recent events, staff is proposing to expand Sec. 2-667(f), *Disqualified vendor or contractor*, to include those firms who have attempted to influence a bid/proposal evaluation or award process by contacting City Council Members, City management and City staff other than in the Purchasing and Contracting division outside or apart from the regular purchasing process.

Does the Committee approve this change to the ordinance?

CM Gruber said the concern he has is that were trying to fix this at the wrong level and it's too broad. He agreed people who violate and try to influence the evaluation team after bid proposals are closed there should be consequence regardless who they are whether it's a council member or someone else. So, contractors shouldn't be talking to the evaluation team and neither should senior management or City Council.

CM Gardner agreed. However, what's being proposed is that anybody outside the City who may at some point have business would be restricted to contact City Council Members, City management or City staff and this may be a step going too far.

CM Gruber asked what's the point in time or start time a contractor can't speak to a Council Member, City Management or staff? Because every sales person in the world wants to influence in winning a bid whether it's shaping a proposal or putting their best foot forward. B. Fillinger replied its when the solicitation process starts. D. Lathers added, it's when the matter is put out to bid in Bidnet but it's not on every contract. It's only on those that have a valuative component or are subjective based bids therefore limited time on limited bids.

CM Gruber suggested that more information be added for clarification specifically when it starts with a bid value of x amount of dollars and requires an evaluation. Staff agreed that they will update the ordinance, and the revision will be sent to the Committee before it goes to Study Session.

Outcome

The Committee recommended that this item be brought back to Committee before going to Study Session. Staff will update the ordinance and the revision will be provided to the Committee before it goes to Study Session.

Follow-up Action

Staff will bring the revised ordinance to the Committee before taking it to Study Session.

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**2019 EXTERNAL AUDIT PRE-AUDIT LETTER**

BKD, LLP, the city's external auditors, provide this pre-audit letter to communicate various matters related to the scope and timing of the 2019 financial statement audit, and compliance with requirements applicable to federal grant programs. BKD, LLP also provided an engagement letter dated November 25, 2019 that was presented at the January 28, 2020 Management & Finance Policy Committee meeting. The engagement letter is the contract for the upcoming audit and defines auditor and city management responsibilities as well as fees. The pre-audit letter communicates audit matters that are more appropriately communicated as the engagement begins.

The pre-audit letter is required auditor communication to the city's audit committee at the beginning of the engagement. The letter outlines audit risk areas and the corresponding audit approach to address those risks. The pre-audit letter also outlines areas that governance should be particularly aware of as it oversees the financial reporting process. Finally, the pre-audit letter discusses how the auditors address the risk of fraud.

CM Gardner asked, how long has the City been with BKD? N. Wishmeyer replied we started with them back in 2006. It was a three year plus two-year option contract, consequently we're on our third five-year contract with BKD. In the fall there will be another review that will be brought to you to determine whether we go another three years plus two or if we go out with an RFP.

Outcome

The Committee thanked staff.

Follow-up Action

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

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**COVID-RELATED GRANT OPPORTUNITIES**

Michael Lawson, Manager of Special Projects and Nancy Wishmeyer, Controller presented an overview on grant opportunities City staff are pursuing related to COVID 19 pandemic.

**I. Expansion of Block and Entitlement Grants**

Via CARES Act

**CDBG-CV**

- \* Allocation of **\$1.73 million**
- \* Eligible for: Assistance for rent, mortgage, and utilities, emergency home maintenance and rehab, emergency public housing maintenance
- \* Meals and medicine delivery

- \* Hotels/motels for expanded treatment/isolation of patients
- \* **\$916,700 still available**
  - \$812,400 spent (Respite Center hotel, biz loans)

### ESG-CV

- \* Allocation of **\$864K**
- \* Eligible for: Street outreach (urgent needs, equipping staff, transportation, and referrals)
- \* Rapid re-housing, homelessness prevention, shelter operations (supplies, furnishing, equipment and transportation)
- \* Administration
- \* **Total allocation still available**

### Next Steps

- \* Convene citywide Recovery Committee to allocate CDBG and ESG funds to specific programs.
- \* Await distribution on future tranches of CDBG, ESG
  - CDBG Round 2: Additional \$1 billion to states
  - CDBG Round 3: Additional \$2 billion to states and local govts
  - ESG Round 2: Additional \$3 billion to states and local govts

## II. CARES Act

- \* **Coronavirus Emergency Supplemental Funding (CESF).**
  - *Available to APD to help generally respond to COVID-19; if awarded, may cover \$579,000 in expenses.*
- \* **Payroll tax deferral program**
  - *City has ability to defer remaining 2020 payroll tax payments.*
- \* **Coronavirus Relief Fund. Widening eligibility for cities?**
  - *Aurora is currently not included in distribution*
  - *Lobbying congressional delegation*
  - *Staff in conversation with Adams, Arapahoe Counties*
    - *Adams willing to allocate grant to municipalities based on population. Aurora expecting receive about \$3.7 million.*
    - *Arapahoe expressing willingness to allocate to cities based on population.*

## III. FEMA grants

1. **Assistance for Firefighters Grant (COVID-19 supplemental).** Will cover costs of PPE for AFR.
2. **Public Assistance Grant.** Looking at eligible costs to be recovered through this program.

3. Staff is looking at reimbursement for APD, AFR, OEM overtime.

#### IV. Other opportunities

- \* **Smaller grants for City and community partners.**
  - **Help Colorado Now.** \$25,000 to provide supplies and services directly benefitting vulnerable populations.
    - *Can cover items like hotel/motel costs for vulnerable individuals and families, youth programming, and support for seniors.*
- \* Various federal foundation grants for Neighborhood Services, Library & Cultural Services.
- \* **Fifth stimulus bill to assist states, local governments?**

#### V. Aid from City directly to community

- \* **Aurora Economic Relief Loan and Grant Program (\$1 million)**
  - *\$500K in aid to be distributed to Aurora small businesses next week*
  - *Applications for second round of \$500K being reviewed for funding*
  - *Sourced from Community Development, AURA funds (50/50)*
- \* **Involvement with Paycheck Protection Program.**
  - *Small Business Development Center staff is coming alongside local businesses to assist in applying for PPP.*
  - *New second appropriation of PPP funds of \$310 billion approved by Congress last week.*
- \* Staff is notifying community NPO partners about grant opportunities as they arise.

CM Gruber asked how many applications came in for the Aurora Economic Relief Loan and Grant Program? J. Prosser, Manager of Community Development replied there were a total of 1,095 applications; 798 for grants and 207 for loans.

CM Gruber requested for this to be included in the Council update that comes from Jim Twombly.

#### Outcome

The Committee thanked staff.

#### Follow-up Action

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

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#### **2020 BALLOT QUESTION TO RETAIN PROPERTY TAX OVER TABOR LIMIT**

At the March 2, 2020 Study Session, the City Council directed staff to initiate a ballot question requesting the City be allowed to retain 2020 property taxes collections in excess of the TABOR cap. The ballot question was one of nine revenue enhancement options considered by the Council at the Study Session.

The current projection assumes collections will be \$3.3 million over the cap. The excess revenue will be refunded to taxpayers. The City can ask residents to forgo a refund in 2020 and retain the \$3.3 million. A formal vote is required. In the same ballot question, the City can ask voters to *permanently* remove the TABOR cap. Voters similarly removed the sales tax TABOR cap in 2000.

**Proposal for Use of Revenue**

- Significant General Fund revenue shortfall in 2020 and 2021 due to COVID-19.

	2020 (proj.)	2021	2022	2023	2024
<b>Shortfall</b>	(\$25,544,560)	(\$30,737,852)	(\$24,583,617)	(\$23,273,610)	(\$23,514,626)

- Propose using \$3.3 million in both years to backfill lost General Fund revenues.
- Equates to:
  - Annual salary and benefits for 44 FTEs.
  - Annual operating costs for two fire stations for a year.
  - Roughly half of annual operating costs for all library facilities.

The City can explore earmarking the revenue in 2022 and beyond.

If the committee does wish to advance this item to the full Council, the ballot question language must be considered at a Study Session no later than June 1, 2020; introduction at a formal Council meeting must come no later than July 6, 2020. The Council must approve adopting resolution placing the question on the ballot by July 22, 2020.

Does the committee wish to advance to the full Council the placement of a ballot question to remove the TABOR cap and therefore retain all property tax revenues in 2020 and beyond?

CM Gardner asked for confirmation if the cost to run a ballot was \$150,000. R. Venegas replied that’s correct, \$150,000 is a general rule of thumb for any questions to run on a ballot. CM Gardner said my other question related to that, what does the City expect to spend for this ballot question to be successful? I have my doubt in how successful this can be because we all know due to TABOR and how the ballot must be written it doesn’t favor nuance and explanation.

T. Velasquez stated we still have the money that was planned for a ballot question this fall though we probably looked at that as helping to balance the 2020 budget. We have \$500,000 set aside for a ballot question. We don’t necessarily have a process; but we did talk to legal about how successful other ballot measures have been in the past. Rachel Allen provided some information about the most successful ones on the Council Municipal League (CML) website were those that were tied to specific projects or services. With that being said, we could outline a process if Council is interested with us moving forward with this ballot question.

CM Marcano said he had a question similar to CM Gardner's. This is pretty short in timeframe so what kind of strategy would we be pursuing to educate folks on the importance of this. M. Lawson replied, it's something that we haven't really discussed in detail as a staff. We could discuss with our communications group a basic outline for getting the word out and educating folks on how the cap works. I'm not quite sure how quickly we could set up a full strategy; it would be a challenge.

T. Velasquez added some lessons were learned as the City went through the RFP process for the ballot question consultant earlier this year. Use of social media is one, outreach meetings to the community and ward meetings to educate on the topic are a possibility as well. These opportunities could be done via WebEx. We could have the opportunities to meet with Wards as well as we try to keep it low cost. The City would engage the community, so it understands the budgetary situation as well as general issues.

G. Hays stated that with this COVID-19 issue, the City may have a platform for requesting to keep the money. The fact that this \$3.3 million really equates to about \$12.00 a household on a \$250,000 house. There's not much to gain on an individual household level from the refund of the money.

T. Velasquez stated and from a budgetary perspective the \$3.3 million being on-going can have a significant impact on our services. The City has internally reviewed uses and that the \$3.3 million is equal to about half of the Library's budget. The City subsidizes Recreation by about \$7 million so using that money could assist there is a possibility as well. Without these funds there will be an impact to these services, and this would help.

CM Marcano said his second question was answered there, that being \$12 per household. It's very important way to frame this kind of thing because with TABOR there is sticker shock in the first paragraph.

CM Gruber stated going back in history, the City hasn't been successful in winning a ballot initiative like this for many years. The Sports Park was the last one that we won. He added that a lot of the problem had to do with the City's lack of advertising and building a story first, which is why Council said last year that it would begin looking into an entire strategy and an entire campaign to bring an initiative forward. His concern is that once Council makes a decision to move it forward the City isn't allowed to advocate for it anymore. The individual council members can as politicians, but the City cannot. CM Gruber asked if the issue moves forward, is it from when this committee moves it to Study Session or Study Session moves it and makes the decision? What point of time does the rule apply that the City can no longer advocate for a ballot initiative? T. Velasquez replied, it is when the ballot question is approved by Council for placement on the ballot. H. Hernandez confirmed.

CM Gruber said so that means that Council can still talk about this. His personal view is that, having a general ballot initiative that says having the money go into the general fund will be difficult. The discussion about libraries or fire station is very relevant. How the City frames that is going to be difficult, but the fact is that the City is risking losing money and rolling in a \$25 million shortfall per year. The \$3 million will help, but the City is going to have to make hard decisions. He added he didn't think public safety has ever been sacrificed. However, libraries are at risk and rather important priorities but lower priorities when public safety are at risk. How the City structures the topic is going to be crucial. CM Gruber said that to give money to the general fund won't be very exciting to say,



that we're in a severe deficit and we're going to make hard decisions and libraries could be one of them. It's just going to be difficult.

The Chair asked the committee if they recommend earmarking the money and if so, what would they earmark it for?

CM Marcano stated he is happy to support earmarking. He would like to have that discussion with the full Council at a Study Session. He said if he were to pick something though, it is ensuring that we are still taking proactive steps to support public safety through a proactive lens. He added that earmarking the money for libraries for educational opportunities should be considered so folks don't lose that access. Homelessness services should be considered too.

CM Gruber stated that the marijuana tax was the primary tool for funding homelessness.

CM Gardner said, "I think in order to be more responsible having a specific plan in place with what to do with the money is a good idea. I think Aurora residents will respond better if they have something tangible to say, okay if I vote for this the \$12 per household and this is what I'm voting for. I think that's more palatable than to say we're keeping \$3.3 million of your money this year." He would be supportive of libraries specifically. The City could offset some of the potential deductions in that area or in Parks programs as well. He felt those are two service types are important for the City to offer.

#### Outcome

The Committee recommended that this item be forward to Study Session.

#### Follow-up Action

Staff will forward this to Study Session, May 18, 2020.

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### **INVESTMENT PORTFOLIO AND CASH FLOW UPDATE**

Mike Shannon, Debt and Treasury Manager stated that on a reoccurring basis, staff provides the M&F Committee informational updates on the status of the investment portfolio, along with an assessment of the City's cash position. Considering the recent turmoil from the Covid19 crisis, staff is providing an update on the City's cash position and investment portfolio. In early March, cash balances were spread across some different investment options (such as ColoTrust). However, in mid-March the Debt & Treasury Division consolidated all of the City's cash balances at Wells Fargo. Those balances are now over \$60 million. Also, Wells is designated as one of 13 banks that are deemed "too big to fail" by the Congress, and as such are required to maintain higher capital and cash levels, which makes it a stronger financial institution. As the City faces uncertain revenues and expenses in this environment, the team will continue to grow cash balances by not-reinvesting maturing investments as was done in the past. The committee was supportive of this strategy.

Insight Investment, the City's Investment Advisor, provided a memo with an overview and update of the City's investment portfolio. Given the uncertainty of financial markets and the economic stress most economies and companies will be facing, staff will be monitoring closely these conditions. More downgrades from the rating agencies are likely.

One action for M&F is the acknowledgement of the Toyota bonds that mature in 2023. According to policy, since these bonds mature in more than 2 years and are now rated single A, we must report to M&F this situation. It is the recommendation of both staff and Insight Investment that the City should hold this position in Toyota.

Committee Members recognized that the City should hold the position concerning the Toyota bonds.

Mike Shannon next presented a liquidity overview of the pooled portfolio. Roughly \$131 million in securities will mature for the remainder of 2020 at a steady pace of approximately \$15 million per month. In addition, the portfolio holds \$222 million of Government and Agency bonds which could readily be sold at a modest profit. For the years 2021 through 2024, bonds in the amounts of \$158, \$91, \$132, and \$34 million respectively mature. Next Mike reviewed the fund balances that comprise the pooled portfolio. The top four funds in millions are: Water - \$193, CPF - \$106, Wastewater - \$82, and General Fund \$77. In conclusion Mike noted Aurora has a high-quality portfolio with a very strong liquidity position.

The Committee remarked they were appreciative for the hard work of the Debt and Treasury Division in maintaining the City's cash flow and investment portfolio. And because of the steps that were taken, the City is in a good position.

Outcome

The Committee thanked staff.

Follow-up Action

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

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**INTERNAL AUDIT Q1 REPORT**

The M&F Committee acts as the Audit Committee for the City Council. The Office of the Internal Auditor provides quarterly progress reports to the Audit Committee. Progress reports include progress against scheduled audit engagements and information on outstanding audit recommendations. Internal Audit presents its quarterly progress report against the annual audit plan to the Audit Committee.

Wayne Sommer noted that he has been appointed by the City Manager as the Disaster Recovery Committee Manager under the city's disaster recovery plan.

Outcome

The Committee thanked staff.

Follow-up Action

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

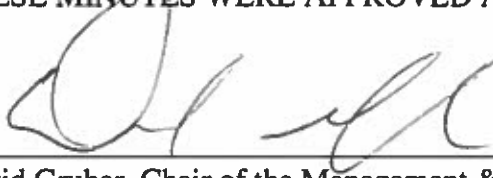
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**MISCELLANEOUS MATTERS FOR CONSIDERATION**

Summary of Issue and Discussion

- The next meeting is on Tuesday, May 26, 2020 at 1:00 PM (WebEx).

THESE MINUTES WERE APPROVED AS SUBMITTED



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

6/23/20

Date

