

**MANAGEMENT AND FINANCE POLICY COMMITTEE
WEBEX**

Members Present: Council Member Gardner – Chair, Council Member Gruber

Others Present: J. Marcano, R. Venegas, T. Velasquez, G. Hays, C. Dancy, N. Wishmeyer, T. Sedmak, J. Cox, S. Newman, W. Sommer, H. Hernandez, C. Toth, M. Franks, A. Jamison, D. Hudson, M. Franks, L. Dalton, C. Fellows, R. Prusse, B. Rulla, E. Montage, A. Johnson, M. Ruhland, P. Williams, B. Dickhoner, K. Bear, K. Jeffries, M. Ardan, R. Pettinato Mosley, C. Diguardi, E. Cortese, T. Rivera, J. Santaularia, M. Donovan, C. Waldron, M. Murphy and T. Hoyle

INTRODUCTIONS AND MINUTES

May 25, 2021 minutes were approved.

CONSENT ITEMS

May of 2021 was 41.5 percent higher than May of 2020.

Outcome

The Committee thanked staff. Information only.

Follow-up Action

No follow-up needed.

TITLE 32 METROPOLITAN DISTRICTS

Summary of Issue and Discussion

Cesarina Dancy, Development Project Manager introduced the proposed service plans. In 2004, the City adopted a model service plan for Title 32 Metropolitan Districts with the intent that any proposed service plan for a new metropolitan district will be compliant with the model. The model service plan provides the following key features:

1. Maximum debt mill levy of 50 mills
2. Maximum term for debt repayment of 40 years
3. Agreement to impose the Aurora Regional Improvements (ARI) mill levy.

For the November 2021 cycle, eight new districts are proposed. All of the proposed districts are fully compliant with the current model with one exception (WH Nos. 1-10).

Proposed Service Plans:

A. Blue Eagle Metropolitan Districts Nos. 1-5

- a. Location – West of N Hudson Road between E 26th Avenue and E Colfax Avenue
- b. Size – 406 acres (additional 114 acres for inclusion area)
- c. Type of District – Commercial
- d. Debt Limit - \$200,000,000
- e. Current Development Status – Vacant Property

B. Buckley Yard Metropolitan Districts Nos. 1-2

- a. Location – Southeast corner of E Alameda Drive and S Airport Boulevard
- b. Size – 37 acres
- c. Type of District – Residential
- d. Population Projection: 598
- e. Debt Limit - \$16,000,000
- f. Current Development Status – Vacant Property

C. East Bend Metropolitan District

- a. Location – Southeast corner of S Andes Circle and S Tower Road
- b. Size – .352 acres (additional 9.969 acres for inclusion area)
- c. Type of District – Residential
- d. Population Projection: 230
- e. Debt Limit - \$5,000,000
- f. Current Development Status – Vacant Property

D. Marquest Airport Park Metropolitan District

- a. Location – Southwest corner of E 56th Avenue and N Hayesmount Road
- b. Size – 157.3 acres
- c. Type of District – Commercial and Industrial
- d. Debt Limit - \$80,000,000
- e. Current Development Status – Vacant Property

E. The Overlook at Kings Point South Metropolitan District

- a. Location – East of E-470 and West of Arrowshaft Trail
- b. Size – 103.21 acres
- c. Type of District – Residential- Population Projection: 609
- d. Debt Limit - \$65,000,000
- e. Current Development Status – Vacant Property

F. Villages at Murphy Creek Metropolitan District No. 3

- a. Location – Southeast corner of Harvest Road and Yale Avenue
- b. Size – .037 acres (additional 208.588 acres for inclusion area)
- c. Type of District – Residential- Population Projection: 3,712
- d. Debt Limit - \$70,000,000
- e. Current Development Status – Vacant Property

G. Villages at Murphy Creek Metropolitan District No. 4

- a. Location – Southeast corner of Harvest Road and Yale Avenue
- b. Size – 208 acres
- c. Type of District – Residential- Population Projection: 3,712
- d. Debt Limit - \$70,000,000
- e. Current Development Status – Vacant Property

H. WH Metropolitan Districts Nos. 1-10 (No. 1 Amended and Restated; Nos. 2-10 consolidated)

- a. Location – South of E 56th Avenue, West of Harvest Road, and East of N Picadilly Road
- b. Size – 236 acres (additional 627 acres for inclusion area)

- c. Type of District – Mixed Use/Residential- Population Projection: 5,625
- d. Debt Limit - \$950,000,000
- e. Current Development Status – Vacant Property
- f. Deviation from model: Requesting the ARI mill levy deviate from the model of increasing the number of mills collected over time from 1-5 mills to 5 mills being collected starting year 1. This change will require approval by ordinance.

Does the Committee wish to forward these items to the July 19, 2021 study session?

Committee Discussion

Council Member Gardner (CM): One of my questions was on East Bend Metro District. Can you tell me what type of product that is? It looks like it's residential, but is it a single family? I didn't pick up on that.

C. Dancy: That's a good question. I don't know that information has been provided to us yet. It appears to be possibly paired home product. That I would certainly divert to the developer or the legal counsel if they have more information on that.

E. Cortese: I'm here with Megan Becher and I can answer that question. It's 72 lots. I'm filling in for general counsel who is typically here. So, it's a small subdivision but it's managing the assets of single family residential with 72 lots.

CM Gardner: Okay thank you. CM Gruber do you have any questions?

CM Gruber: Yes, I do. I would like to review several of the Villages at Murphy Creek. You're probably aware that we've had discussions every time we've added to Murphy Creek. The community has raised questions, so I would like to know whether or not the people within this metro district will be sharing resources with the other districts swimming pool and things like that. I don't know who's here to address Murphy Creek. Do we have anyone here doing that?

C. Dancy: We should have counsel from Murphy Creek. Perhaps not. I can certainly follow up CM Gruber and get that answered for you.

CM Gruber: Okay. So, during other discussions on Murphy Creek metro districts. You may remember that Murphy Creek was a single metro district they divided. There were questions about debt and who's responsible for the debt on either side of Jewell Avenue. I believe that was resolved. There was another metro district established following those discussions, that kicked off a discussion about amenities the general Murphy Creek amenities, and how those amenities will be used and questions as to whether or not the amenities within the general Murphy Creek were large enough to support the growth. Some of the existing residents said those amenities were already fully occupied such as the swimming pool, the clubhouse, and so on. That adding additional people without increasing amenities for those people would create stress and impact housing values and things like that within the rest of the community. So, my specific questions are on Villages at Murphy Creek District No.3 and Villages at Murphy Creek Metro District No. 4. My question is whether or not those will bring their own amenities? Whether or not those will be restricted from using the other amenities, and how that will play out?

C. Dancy: Elisabeth, I just noticed that Paula was unable to attend, and she said that you could answer questions on Murphy Creek as well.

E. Cortese: Yes. Sorry I was having difficulty getting my mute to unmute. The concept here is that because the projected build out for the builders at Murphy Creek is such an extended build out and it's such a large area. That by having multiple districts it allows for the improvements to be paid for and development to pay its own way as the build out proceeds. So, you don't have one district with one group of people paying for the entire process throughout. So, the service plans allow for there to be in our governmental agreements, as do the statues for the districts to work together if they want to. But they are not necessarily required to either. Each has its own separate entity.

CM Gruber: Okay, I understand that part. I understand that metro districts will be independent governments, it will have an independent governance per metro district. I understand that and I understand how the metro district will pay their own way. The question is whether or not Murphy Creek in general, the large enterprise of Murphy Creek and all of the metro districts, or only a subset currently shares the swimming pool and the clubhouse. So, my specific question is will these additional metro districts that are going in have access to those? Will they be included as members of the existing amenities, or whether not these districts will create their own amenities independent of what already exists at Murphy Creek?

E. Cortese: Okay, I'm sorry. I misunderstood the question. I will need to get back on that and get that answer. So, we can follow up and can send an email, but we can get that information for you how the amenities are working. I apologize that I don't have that answer.

CM Gruber: If we move this forward and frankly CM Gardner, I'm good with moving this forward. But I do think we need that area documented prior to arriving to Study Session. So, it can be included in the Study Session read ahead, so that they can allay the concerns of some of the questions that we can pretty much bet will arise.

E. Cortese: Absolutely, we can get you that information.

C. Dancy: Elisabeth, if I could make a suggestion. I would suggest we revise the transmittal letter that was submitted to include that information and then we can attach that to the Study Session packet. That way all the information is from one place.

E. Cortese: Perfect.

CM Gruber: Thank you. I have no further questions.

CM Gardner: Okay, so I guess with that all being said. It sounds like CM Gruber you're okay moving this forward assuming you're able to get this information by the Study Session.

CM Gruber: Yes, I am.

CM Gardner: Okay, I'm okay with that as well. So, we will move this forward.

Outcome

The Committee recommended the item move forward to Study Session.

Follow-up Action

Staff will forward the item to July 19, 2021 Study Session.

2020 AUDIT RESULTS AND COMPREHENSIVE ANNUAL REPORT

Summary of Issue and Discussion

Nancy Wishmeyer, Controller and BKD provided the overview and recommendations that resulted from the financial statement audit. The 2020 Comprehensive Annual Report received an unmodified, or "clean" opinion from the auditors. The 2020 Single Audit of federal grants also received a clean, unmodified opinion. The 2019 Annual Report received the GFOA Certificate of Achievement for Excellence in Financial Reporting was presented. In the opinion of staff and the auditors, the 2020 Annual Report also qualifies for the national GFOA award. A link to the 2020 Annual Report and the 2020 Single Audit has been placed on the city's internet. The BKD, LLP Council Report is required auditor communication to the Management and Finance Committee (the audit committee). This report provides an overall review of the audit and brings attention to control issues or any reportable items encountered by the auditors during the course of the audit. Detail schedules of unrecorded audit adjustments and a copy of the representation letter provided by management to the auditors were included in the report. Additionally, attached to the agenda item is a summary of the 2020 audit recommendations and responses of city management. Also attached is the Corrective Action Plan for the Single Audit finding.

Committee Discussion

CM Gardner: When you say you audited the expenditures under the coronavirus relief fund, did you audit to ensure compliance with the accounting principles, or did you audit to ensure compliance with the Treasury department's rules as it pertains to spending that money? Does that make sense?

K. Jeffries: It does, and the answer is both.

CM Gardner: I thought so, but I just wanted to clarify that.

CM Gruber: I can also follow on to that. So, the present concern I've always had with that is that we have distributed so much money and I understand and I'm very glad to hear that the City's processes in handling that money. The City's processes and distributing that money are compliant with regulations. But my concern is the people that we give it to, because we do not require audits of them. We do not require their financials and we don't require information provided to us on how the money is spent. Or do we? How does the City know that the money that we have distributed is being used as it was intended to be used?

M. Ardan: I'll take that question CM Gruber. Actually, there are requirements for when they pass it through as a subrecipient. So, if they pass it through, and another organization is using it and making determinations, there are requirements that do require them to monitor those. They get reports on how they're spending it and they're also monitoring their financial reports. They do have to do that as well. So there is monitoring going on.

CM Gruber: Okay, for example Monday night we made major distributions. Things like HVAC, ionization devices and things like that. I read through the contracts that are associated with the terms and conditions that go with it. And I didn't see anything that says you are required to provide X Y, and Z to the City when the project is done. To explain how the money is being used. So, is there something either

I missed in the terms and conditions or is there another document? How do we know? Is there something in terms and conditions?

M. Ardan: It would depend on if it's a service and they're paying for a service. A payment for a service would not have those type of terms and conditions in it. Whereas, if you passed the money through to a housing authority, which is using it for homelessness and they're making determinations of who gets that money. They would be responsible for saying how they have used it. Does that help answer the question?

CM Gruber: It does. But again, as I read through it, I was concerned. The Davis Bacon Act requires prevailing wages to be used. And it seemed to be like on one hand we had tables explaining how much money people were going to be paid for the services they will be providing and to include the loaded workers' wages and things like that. Then we had the prevailing wages clause and it seemed like those were below union rates. But if you're telling me that we're looking at those and everybody's good, then I'm comfortable with that. I was just concerned how that was done and to ensure that we are monitoring it. And if we are, that's very good news and I appreciate that.

M. Ardan: There are definitely requirements to make sure you're monitoring those types of expenditures.

CM Gardner: I have question on the 2019 IT finding. It was marked as implemented. Does that mean it's been addressed to your satisfaction? Or can you tell me what the definition of that means?

M. Ardan: Sure. That means that what we have seen as errors in the previous years that was causing it to be a significant deficiency, those errors have been corrected. There are a few more best practices that our IT group still recommended, and those were communicated to management. But the big things that were causing us concern have been corrected.

CM Gardner: Great, thank you. CM Gruber any questions?

CM Gruber: Yes, I just want to dig down a little bit more on the capitalized assets and disposition. So, to review what we were told before, it sounded like pretty much in the Water department there were capital assets that had been identified as capital assets in the purchase, which were not being treated as capital assets, as far as determining depreciation rates and things like that prior to a disposition. So, it would seem the City lost sight regarding whether those assets were still being controlled by the City, or not being controlled by the City. And again, I'm trying to reiterate and tell me if I'm wrong. So, the City looked into those assets to identify that in fact they were still in use and still were controlled by the City, and added those items, therefore resolved the identification of the issue. Do I have that right, or can you explain if I don't have that right?

M. Ardan: There's a slight nuance. So, when we went to go do our testing, we saw they had written off a lot of assets, so we questioned it because the value was so high. And when we asked questions about it, they told us we still own those assets and we shouldn't have written those off. So, we added them back on. But it was in the inventory process. They go throughout the City I believe every three years and they do an inventory. Do we still own this asset or not? So, it was a three-year cycle, and in that process, someone did not properly assess that the asset was still owned by the City. They had marked it as disposed so it got written off as disposed, but it was subsequently added back on.

CM Gruber: So, the bottom line there was no malfeasance. It was a paperwork issue where someone had written it off. But the City never lost control of it and the result is you wrote it back on to our inventory and the issue is resolved.

M. Ardan: Correct.

CM Gruber: Okay. That's very good news, so thank you.

CM Gardner: I don't have any questions. I just want to take a second and recognize staff. I think this obviously reflects what a great job all our staff does, so thank you all for all your hard work. Appreciate the BKD team for presenting this to us.

CM Gruber: CM Gardner if I could just ride on top of that. This is absolutely critical for our financial ratings with Moody's and Fitch and the other ratings and maintaining our very high numbers. If this had come out as a negative report it could have affected those numbers and ratings and affected our future bonds sales and things like that. A result of doing such a good job. It's one thing to say great we did good on a report. It's another thing to say, that report being as strong as it is, is going to save the city millions of dollars in interest fees as opposed if this report come out in a negative manner. So, my thanks also for that.

Outcome

The Committee thanked staff. Information only.

Follow-up Action

The Committee thanked staff. Information only.

CITIZENS' ADVISORY BUDGET COMMITTEE (CABC) PRESENTATION TO MANAGEMENT FINANCE COMMITTEE

Summary of Issue and Discussion

Michael Westerberg, Chair, provided a brief update on the 2021 workplan from the CABC group.

Committee Discussion

CM Gardner: CM Gruber any questions?

CM Gruber: I just want to point out that at the Monday night meeting our Parks, Recreation & Open Space (PROS) department, briefed Council on anticipated future capital requirements in a tune of one hundred million dollars. In those documents were areas that affected what CABC is working on. So, if the committee has not reviewed the PROS capital input that was received last night. I would recommend that you do so, that's available on the City's web page. You can go into the Council meeting read ahead packet and download it there.

M. Westerberg: Thank you, I appreciate that. I have seen those, and we will definitely incorporate it in the workplan. So, I appreciate that.

CM Gardner: I don't have any questions. We appreciate the presentation and I look forward to the full council presentation in a couple months.

Outcome

The Committee thanked staff. Information only.

Follow-up Action

No follow-up needed.

MISCELLANEOUS MATTERS FOR CONSIDERATION

- The next meeting is on Tuesday, July 27, 2021 at 1:00 PM (WebEx)

THESE MINUTES WERE APPROVED AS SUBMITTED

Curtis Gardner

Curtis Gardner, Chair of the Management & Finance (M&F) Committee

7/28/2021

Date