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, R. Lantz, K. Roberts, S. Newman, H. Hernandez, R. Allen, D. Lathers, Z. DeBoyes, D. Brotzman, T. Sedmak, B. Fillinger, A. Amonick, M. Franks, A. Jamison, W. Sommer, N. Wishmeyer, D. Hudson, M. Murphy, J. Ehmann, J. Giddings, R. Peterson, T. Vaughn, F. Aranda, L. Saqib, M. Franks, K. Claspell, B. Bell, T. Buneta, B. Cammarata, J. Moore, L. Schmidt, E. Rehwalt, S. Van Buren, M. Redding, M. Kipp, M. McGilley, M. Bryant, M. Wasserberger, L. Schmidt, J. Prosser, E. Watson, S. Youngman, and T. Hoyle

INTRODUCTIONS AND MINUTES
July 27, 2021 minutes were approved.

CONSENT ITEMS
July of 2021 was 11.9 percent higher than July of 2020.

Outcome
The Committee thanked staff. Information only.

Follow-up Action
No follow-up needed.

PROPOSED 2022 CHANGES TO SERVICE FEES
Summary of Issue and Discussion
The 2021 service fee review process for 2022 continues the use of fee indexing, as was directed by Council and implemented during the 2007 service fee review process. The 2022 fees are indexed using a 2.0 percent inflation factor, derived from the Employment Cost Index for State and Local Government Compensation. Departments reviewed and evaluated fees, recommended additional changes, requested new fees if necessary, and identified fees that need to be eliminated.

In addition, city staff is working with a consultant, Wildan, to take a much more detailed look at costing fees. This process is still being done, so it was decided to have both fee processes run parallel to each other. Once the detailed Wildan study is done, management will decide which fees to update as appropriate. This version of fees is silent to the Wildan process. Attachment 1 provides the detail for individual admin fees by department. The format is similar to that used in previous years and includes revenue information, proposed 2022 fee rates, the change in the fee from 2021 to 2022, and a comments section.

Some of the more significant changes were discussed, including several capital impact fees being changed by the third year of a three-year phase in.

Committee Discussion
Council Member Gruber (CM): I have a quick question. The transportation fees we talked about it briefly and Adams County has implemented it. So, are you saying the transportation fees will come to the Management and Finance Policy Committee (M&F) next month?

G. Hays: I don't think so. It will be with full Council. I'm not certain but I do believe that's the case. Remember we did all the fees except for the transportation fees. They said it will take a different process to get it done. So, it will come back to Council the same way as the rest of the fees to show what those numbers will look like.

CM Gruber: The concern I have obviously is the Aurora Regional Improvement being implemented on the newer metro districts. The older parts of the city having to pay zero and how that lays out. Because that's going to be a complex discussion especially with South Aurora Improvement Authority, Aurora Regional Authority, Aerotropolis Regional Transportation Authority and the other transportation authorities that we have setup in the city.

G. Hays: They're working through that. So actually, that will be coming from Public Works.

CM Gardner: On the 2%, I know we use an index to drive that. But do you think that's actually representative of costs increases because it seems like that would be a little higher?

G. Hays: That's a great question. I will tell you that I try not to think too much about the reality of it. We just use the same number. What happens sometimes is that you may have some inflation and have a month that's lower because we're comparing a timeframe to a timeframe. Sometimes you miss it and sometimes you get it and maybe next year it will look like a 4.0 percent. So, it's consistent with what we have used which is employment costs index for state local government compensation.

CM Gardner: But then I assume also the 3rd party that we hired. Once they come in and if there's anything out of whack. We can do another adjustment at that time.

G. Hays: Absolutely.

CM Gruber: I have a question on the marijuana delivery. That's a new fee that we're adding. I noticed that there's a charge in the neighborhood of $2,500 for the stores and a charge of $300 for the drivers themselves. That's because of the economic disadvantaged drivers that we're going to have. So, my question in terms of cost regeneration or being able to recoup our costs from the fees. I was wondering whether or not the marijuana enforcement folks were going to bring in new FTE's because there's going to be fairly complex program to monitor. Much more complex than simply visiting the stores so many times per month.

T. Velasquez: I can respond to that. With regard to the new delivery fee as well as the social consumption license that was passed last night, we are considering an additional FTE to helps us with the management. It's something that Robin and I need to talk to others about. It's definitely driven by the request for those businesses, so we'll be analyzing that. Then we'll be in touch. But I think you realize as well, that the financial impact of the social equity component basically just means the general fund absorbs the rest. Therefore, whatever we propose know that it will be because the fee is lower, and the general fund may have to cover any additional FTE costs for those programs.

CM Gruber: I appreciate that, also I appreciate the fact that the marijuana businesses contribute substantially to the general fund. So, I have no problem with taking some of those tax revenues that are within the general fund to subsidize these areas. The concern which I like to study a little bit more is that as we modify all this, the cost of the department will increase. So, I would just like to have some sense as to the amount of that cost to that department as applied to fees, as opposed to money that will come out of the general fund. I agree with you. That I think we'll need some number of FTE's beyond what we already have in order to manage the complexities of the programs that Council has approved.

T. Velasquez: We can provide that additional analysis. Once we know a little bit more the demand for those new programs.

CM Gardner: Is that something Terri that we could have maybe at September or October M&F.

T. Velasquez: We certainly can try. But a lot of it will unfold once businesses and individuals apply for those licenses.

CM Gardner: Okay. Well keep us posted. And if we can have a presentation maybe in October. That would be great.

CM Gruber: There's substantial fee changes in water and substantial fee changes in oil and gas. I see that many of those fees are new. I'm wondering, and you folks might not hear it because they don't pay the fees to your department. Are we getting any push back from the citizens? Last year we had a discussion which this affected me after my water heater went out and I had to buy a new water heater. There was a fee that surprised me. I didn't realize that it was going to be as expensive. But I'm hearing from some of the developers and some of the home builders and contractors in the city that they're surprised at the cost of these fees . So, I'm asking a couple of different questions. First off, oil and gas, were there any substandard changes other than the fact that they moved them? And Water it looks like some were added and are they substandard. Finally, the third question would be to the comparison as to Aurora fees as opposed to Denver, Westminster, and the surrounding cities and towns in the metro area. Are we in the same ballpark or are we cheaper or more expensive? That's a general question. Not a point by point by point questions.

J. Moore: I'm happy to answer that. CM Gruber. Thank you for your question. In terms of the oil and gas fees the permitting fees were in existence. They just have been moved to this new category in the chart. The inspection fees are new and those were approved as part of the oil and gas manual. That was approved by Council back in June. At $3,000 dollars per site per well at an annual basis. Those are more than other jurisdictions in the metro area. There's been one operator that has one well in the city that has an issue paying so far. They have flat out refused to pay anyone's inspection fees. In fact, they've been recently fined by the Oil and Gas Conservation Commission because of poor operatorship and other issues they had. We're working with them on that. But I don't believe the issue is based on the fee amount.

J. Giddings: The water fee is new. Because previously we required contractors to do this work. And it never really worked out with our system. So, we decided instead of requiring contractors to do it, that we would do it ourselves. So, it really probably should be a wash. Then as far as some of our increases and how they relate. We really do look at how our costs are. I know that in our shutoff and our turn on fees. We did a comparison with Denver and we were quite a bit lower than they were. I'll let Fernando fill in because he does the work.

F. Aranda: The new fee actually was something that the developers asked us to take on. Before they had to go through a contractor to install those. The contractor was a lot more expensive and not doing a very good job. When we were to review and see if they were installed correctly. We saw a lot of problems and so the developers actually asked us. Aurora Water started installing because it was costing them a lot of time and work. We worked with the contractors and we started working on setting them up. We did the basic installation and charged for it. But in general, the majority of the fees that we have there. We don't see that much of a push back. The ones that are more expensive or the developers tend to complain more about are the connection fees. Which are approved and go to a separate approval process. But in general, even with the connection fees when we have done any kind of survey. We are right there in the middle and sometimes the surveys are very complicated. Because there are so many things that is difficult to compare apples to apples. But when we tried to account for everything. We're right there in the middle. We're not the most expensive we're not the cheapest one. But we're very competitive.

CM Gruber: Thank you, Fernando. The final question was in general and its talking across all our fees. Do we do a sensitivity analysis to determine where we fall within metro area cities?

G. Hays: You know that's a great question. That's actually one of the things we are having Wildan do for us in addition to the deep dive in every fee. They're going to be giving us a comparison of metro area fees as well. My thought is that we're probably in the middle. That's just a guess overall.

CM Gruber: The fact you're looking into it and will be able to say we analyzed our fees and we're in fact fair and we're in the same ballpark as the other joining and surrounding cities, and we stand behind these fees without any pushback will be useful for Council and the city

G. Hays: I will tell you. And this is sort of analytic doodle as well but when working with Wildan in the beginning and the first couple meetings I sat in while they were working with the departments. And more than half the time they were looking at fees and saying yes these could be higher.

CM Gardner: I had a couple questions and one was in Planning. There were increases in Aurora SBDC sessions. The justification given was due to the COVID, and its impact. So, are we trying to recoup costs that happen from COVID? Or can we talk a little bit more about that one.

M. McGilley: We did not charge any fees at all in 2020. The entire year and parts of the first quarter of this year due to COVID pandemic. We are trying to establish our fees because we do get to consider the amount of funding from program income and from are training fees. Some are free. They're all low costs and below anything on the market. I do a study every year for the other small business development centers across the state. And I take into consideration the social economics of our particular area and what can be afforded. The last thing I like to point out is that we do offer scholarships when asked and needed by our citizens.

CM Gardner: Thank you for that. And my other question is on the Fire Treat No Transport fee. I know that Council decided to eliminate that. So, my question is as part of the budget process last year when all the departments had to submit their cuts scenarios. Having that fee was one of the ways to not have a further cut in the Fire budget, so I'm curious. Were there further adjustments required in their budget with getting rid of that fee? Or were we able to absorb that basically.

G. Hays: We were able to absorb it. Because of the strength of the sales tax and other revenues that are coming in.

Outcome
The Committee thanked the staff. Move forward to Budget Workshop.

Follow-up Action
Proposed 2022 Changes to Service Fees will be provided at the September 25, 2021 Budget Workshop and next to Regular Session.

PAY RESOLUTION
Summary of Issue and Discussion
Annually, in collaboration with the annual budget process, Human Resources prepares an updated pay table and submits the table with a Resolution for Council's approval. As part of the 2022 budgetary process and to sustain the compensation and classification structure adopted by the city, the attached is proposed for classification, including, but not limited to, career service, civil service, department directors, appointees, part-time, variable hour and seasonal positions.

Does the Management and Finance Policy Committee support approval of the resolution of the 2022 Pay Table and Classification, and sending for full Council consideration at a regular meeting?

Committee Discussion
CM Gruber: I see this is a huge task. And every year I'm amazed at the complexity that goes into it. I appreciate the fact that you've made it easier to read and easier to filter through. So, thank you for that. I do have a question. There was a letter to the editor in the Denver Post talking about handicapped children or people with disabilities and the law that came out with the letter. It talked about the fact that as a result of recent law saying that people with handicaps or other disabilities must be paid at the same rate that many positions went away. So, people that were working even making less than minimum wage now lost their jobs. I was wondering in the City of Aurora if we have a program like that, and if you've seen any effect.

R. Lantz: Part of the Equal Pay and Equal Work Act we did ensure that we were including all genders, race, and disabilities. Making sure that our paid practices are in alignment with it. We don't have anything specific that really highlights those with disabilities. But we are inclusive in our pay practices and our classification.

CM Gardner: No questions for me. I appreciate the presentation though. I know the equal pay analysis that was done allowed us to do some salary adjustments which was a good thing. So, I appreciate the presentation.

Outcome
The Committee thanked the staff. Move forward to Budget Workshop.

Follow-up Action

2021 Pay Resolution will be provided at the September 25, 2021 Budget Workshop and next to Regular Session.

BENEFIT UPDATE

Summary of Issue and Discussion

Ryan Lantz, Interim Human Resources Director presented an overview of the 2022 employee benefits program.

Committee Discussion

CM Gruber: I'm impressed by what I see here. I see here that price is going up. I see that the City has done a good job negotiating these rates. The loaded costs per employee. I guess that's the most important factor in my mind as far as determining the overall costs of running the city personnel obviously being the most expensive part of the City. So, the loaded cost per employee to include salary, benefits, time off, and so on. Did you have a target for that or has that stayed the same. Is that going up 2%, 3%? Do we have an idea? And again, we're going to talk next about another holiday. But with the holidays what do we have right now?

R. Lantz: No, that's a great focus. And it's something from a HR benefit standpoint we focus on. If this goes in alignment with the compensation project that we're just doing. We're focusing on this concept of total rewards. So, it's not just the base salary but it's how much the City is paying for benefits paid time off all these costs of the City. But we're also focusing on all the things like soft costs. Not only the paid time off in the vacations but work life balance and anything else that we can provide. We provide a wellness program and we have City of Aurora Addiction Rehabilitation Services (CAARS) program which supports employees who have such as addition needs and there's so many other benefits. So, we are going to start issuing a total rewards statement. That will calculate for the employees what the total cost of employment is for employees. And that number is 40, 45 and sometimes even higher than that in terms of the base salary. So, we are focusing on calculating that and then communicating that to employees moving forward. We also want to build it into our recruiting process as well, so we can communicate how some of these extra benefits at the City's providing.

CM Gruber: Okay. I guess having this answer at your fingertips would surprise me. But what I'm looking for is that we have what about 3500 employees. We have a salary, a payroll like you said a loaded benefit. What I'm curious about and not today but maybe at our next meeting. If you could explain the total loaded salary for all of the employees last year versus the total loaded salary for all the employees next year and what that delta is. I want to try to just do an apple to apple cost comparison. So, I understand the costs or the impact of inflation. I understand the impact of health costs going up. But what I'm looking for and I'm figuring back of the envelope that we're anywhere from 2% to 4%. But I would like to see that from the City as to what that number is.

R. Lantz: I can definitely work on getting that.

CM Gardner: I had a question on the cost share changes but I think I know the answer. But for example, on the DHMO option and the Triple option. The employee cost share portion isn't consistent. Is that because we're working towards getting those consistent?

R. Lantz: Correct. We're evolving over time to get to where we need to be with that. And that's just that migration from where we're at with 2020 to 2021 and now with 2022. So, we just wanted to be cognizant of not hitting employees' paychecks too much.

CM Gardner: Then on the HSA option. Are we seeing more employees transferring to that option? If your young and healthy it's a good way to carry insurance, but I just don't know with the amount we pay. I think it's great that we pay that extra amount but are we seeing employees switch to that?

R. Lantz: Yes, each year we've seen a migration. Last year we introduced the city funded piece of it. We're increasing it this year, so we anticipate additional migration over time. And considering how low the premiums are and how much the City contributes, and the fact that we have decent out of pocket maxes and deductibles, it is one of our richest plans right now.

CM Gardner: Yes, it's great. Thank you for the presentation Ryan. I know a lot goes into this and it's obviously, no pun intended, a great benefit that all these are available for our employees. So great.

Outcome
The Committee thanked staff. Information only

Follow-up Action
No follow-up needed.

PROPOSED PAID JUNETEENTH HOLIDAY
Summary of Issue and Discussion
Ryan Lantz, Interim Human Resources Director introduced. The "Juneteenth National Independence Day Act," which designates Juneteenth National Independence Day as a legal public holiday was signed into law on June 17, 2021. After research, discussions and consideration, the City Manager and Human Resources propose to designate June 19th as Juneteenth and a legal paid holiday for the City of Aurora, Colorado, to commemorate the end of slavery in the United States. The proposal includes adding Juneteenth as the city's eleventh paid holiday. Additionally, the ordinance includes updating the legal holiday policy to recognize the fourth Friday in November, commonly called Friday after Thanksgiving.

Committee Discussion
CM Gruber: There are other holidays that people are talking about having added to cities for example, election day. There's been a major push to make election day a holiday and in addition, Indigenous People Day. My concern is that once you give a holiday, you can never take it back. So, I'm a little concerned as to these other holidays and what will happen with them and the City. I'm also concerned about the state. Why hasn't the state moved forward on this as a holiday itself. I guess the fundamental question is have you looked at election day, Indigenous People Day, or any other holidays that are out there that people are talking about?

R. Lantz: Yes. We definitely researched all the other holidays to be considered. One of the things that we talked internally a lot about is why Juneteenth, as opposed to all these other holidays. I think one of the catalysts was the fact that the federal government recognized it. The fact that just over the last couple years there's a lot more conversations about some of these social issues that are happening. So, a lot of that was discussed. Right now, the idea is really relying on the fact that the federal holiday was recognized as Juneteenth. And there's been a lot of conversations with other municipalities and private sector companies as well that really are related to the Juneteenth. But not too much consensus about some of the other holidays.

CM Gruber: Do you know what the population of African Americans are in the City of Aurora?

R. Lantz: We do have that data. I would feel comfortable to follow up with that. We do have that data both for the City employees, but also for the community is. I was reviewing that data a couple weeks ago. But before just throwing out a number. I would definitely like to look into that and follow up.

CM Gardner: Couple questions. If I recall correctly from last year. I think President Biden declared Juneteenth holiday last year. So then subsequently it was changed to be added to the rotation if you will. Is that correct? I think last year was a onetime thing.

R. Lantz: Yes. This is now an ongoing holiday.

CM Gardner: I looked at the federal holiday list and it was listed on there going further out so. My other question. This isn't related to our conversation but then I guess it is. On the cost of the extra holiday. Can you explain what's the police code 3077, and the fire holiday and police holiday.

R. Lantz: Yes. So, I did include a description of some of those codes that are here. The 3077 reflects the earnings of hours worked on actual day of holiday. As you know we have some employees that are working in twenty-four seven operations. So, in collaboration with payroll, who really broke all these codes down, they have a good understanding of which employees have to work on that day and what the additional holiday benefits are and paying them for those days. There's an impact with the overtime piece with it. So, on the supplemental information I did break down the codes that are associated with the costs. Which really anything in red are the ones that are the additional cost beyond the actual paying for employee's salaries while they're not working, so those are soft cost there.

CM Gardner: So, maybe I don't know what that is. So, do police officers receive a special pay rate on holidays and fire don't?

R. Lantz: It's how the code is set up. They both receive the benefit for working on those holidays. I would have to follow up with Payroll to understand why this one is broken up separately.

CM Gardner: Okay. I might follow up offline. I'm not interested in that.

R. Lantz: I definitely will follow up offline with you. Just to make sure that we have the coding appropriately explained.

CM Gardner: Okay. I don't have any further questions. CM Gruber, do you want to move this forward or where are you at?

CM Gruber: I think Council needs to discuss this, so will move it forward.

CM Gardner: Yes, I agree. So, let's move this forward.

Outcome
The Committee recommended the item move forward to Study Session.

Follow-up Action
Staff will forward the item to October 4, 2021, Study Session.

ANNUAL GID BUDGETS ORDINANCES
Summary of Issue and Discussion
Andrew Jamison, Debt & Treasury Sr. Analyst presented a brief overview.

Aurora Conference Center
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 2022, is $14,000,000 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, 2022 and ending December 31,2022.

Cherry Creek Racquet Club
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 2022, 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, 2022 and ending December 31, 2022.

Cobblewood
As the Cobblewood GID has already been formed and the bond issuance related to the street improvements have already been approved; this is a technical mechanism to create the budget authority and mill levies for the upcoming year. For 2022, 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 for debt service. The revenue shall be used to defray the general expenses of Cobblewood GID for the fiscal year commencing January 1, 2022 and ending December 31, 2022.

Peoria Park
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 2022 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, 2022 and ending December 31, 2022.

Pier Point 7

As the Pier Point 7 GID has already been formed and the bond issuance related to the sewer line improvements have already been approved; this is a technical mechanism to create the budget authority and mill levies for the upcoming year. For 2022, 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, 2022 and ending December 31, 2022.

Meadow Hills

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 2022, 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, 2022 and ending December 31, 2022.

Committee Discussion

No questions asked.

Outcome

The Committee thanked staff. Move forward to Budget Workshop.

Follow-up Action

GID Budget will be provided at the September 20, 2021 Budget Workshop and next to Regular Session.

INVESTMENT ADVISORY COMMITTEE APPOINTMENT

Summary of Issue and Discussion

Currently, the IAC has the opportunity to add an additional volunteer member. Brendan Morgan, RTD Senior Manager of Debt & Investments has volunteered to serve in this capacity for a three-year term. Staff fully supports this appointment. A short biography for Mr. Morgan follows:

Mr. Morgan has over 20 years of experience in diversified finance roles. For the past nine years he has served as the investment and capital financing manager for the Regional Transportation District where he oversees a ~$800 million investment portfolio and a ~$3.3 billion debt portfolio. During this period, he also served on the board of the Colorado Surplus Asset Fund (CSAFE) and the Douglas County School District’s fiscal oversight committee. Prior to 2012, Mr. Morgan served as debt manager for Jefferson County, Colorado, worked in corporate financial planning and analysis and worked in the mutual fund industry.

Does the Committee wish to appoint Brendan Morgan to the IAC for a three-year term?

Committee Discussion

Committee recommended Mr. Morgan for the three-year term.

Outcome
The Committee approved the appointment of Mr. Morgan.

Follow-up Action
No follow-up needed.

RENEWAL AGREEMENT & VARIOUS BANKING SERVICES WITH WELLS FARGO RESOLUTION
Teresa Sedmak, City Treasurer, reviewed the renewal proposal presented to the City by Wells Fargo Bank. The City and Wells Fargo entered into a Master Agreement (the Agreement) for treasury management services and ACH services in July of 2006. The Agreement has been renewed since its execution and is currently due to expire on December 31, 2021. The City remains satisfied with the services provided by Wells Fargo, the bank's level of customer service and its responsiveness to needs which occur in the normal scope of business.

The treasury management services the City receives from Wells Fargo Bank include, among other things: ACH (electronic transfers of funds), branch services, cash vault, lockbox, wires, account reporting and reconciliation. Fees for these services are based upon utilization (unit volume).

Typically, as an offset for the cost of services, banks offer an "earnings credit rate" or ECR, which is applied to balances held in its funds and accounts. The ECR is a bank-managed rate which is based upon market conditions and subject to periodic adjustments.

In determining a recommended action related to the renewal of this contract, staff undertook an analysis of services and fees, earnings credit rate and credit strength of Wells Fargo and several other financial institutions which provide treasury services to government entities in the region. A summary of that analysis follows.

Services and Fees:
To determine whether the service fees proposed by Wells Fargo are competitive in the current market, staff first reviewed current services provided by Wells Fargo, as detailed in its monthly analysis statement. Staff then provided competitors with service descriptions, along with average volumes, and solicited pricing indications from three other financial institutions which provide similar services to large government entities within the region. The banks solicited included: J.P. Morgan Chase Bank, Key Bank and U.S. Bank.

Responses received from Key Bank and U.S. Bank revealed that, while pricing differences existed between banks for certain services, Wells Fargo's pricing was significantly better than either Key Bank or U.S. Bank (a 24% advantage in one case, 47% pricing difference in the other). It is true that banks charge for services differently, so making an "apples-to-apples" comparison is not an exact science. However, this analysis allowed staff to evaluate responses and decide upon a path forward in relation to this contract.

JP Morgan Chase opted not to provide a line-item pricing comparison. However, it reviewed the fees charged by Wells Fargo for cost competiveness in today's market and made the following observations:

- Current pricing appears competitive and generally in line with market conditions and consistent with prior contract pricing.

- While JP Morgan Chase could provide lower pricing for some processes, Wells Fargo offers lower pricing for others.
- The earnings rate offered by Wells Fargo is well above market.

Earnings Credit Rate:
In addition to product pricing, each bank was asked to provide the earnings credit rate that it would offer on the City's deposits. As stated above, the earnings credit rate is applied to balances held in its funds and accounts to offset service charges. It is a bank-managed rate, based upon market conditions and subject to periodic adjustments.

Wells Fargo offered an earnings credit rate of 50 basis points (.50%) for one year, with a 35-basis point minimum, triggering on January 1, 2023, for the life of the contract. This is a premium variable-rate with downside protection and is superior to rates indicated by their competitors. For comparison purposes, U.S. Bank stated that it would typically utilize a variable rate, adjusted to an index (i.e. Fed Funds, which are currently at 25 basis points). Key Bank responded with an indicative rate of 25 basis points (0.25%). This means that the amounts required to be held at Wells Fargo to fully offset treasury-related fees is at least half of what would be required at competing institutions.

To put the proposed earnings credit rate into perspective, in the current standard overnight money market, rates range from approximately one basis point (.01%) and 5 basis points (0.05%).

Credit Strength:
While pricing and service levels are important, the financial strength of the institution is also of importance. While all of the competing banks are capable and qualified to provide banking services to the City, and all are eligible public depositories, qualified by the State of Colorado, their credit ratings differ.

The long-term credit ratings of the banks, as assigned by the major U.S. credit ratings organizations are summarized below:

Bank	Moody's	S&P	Fitch
Wells Fargo Bank, N.A.	Aa2	A+	AA
JP Morgan Chase Bank, N.A.	Aa2	A+	AA
U.S. Bank, N.A.	A1	AA-	AA
Key Bank	A3	A-	A

Please note that these are current ratings, which will likely change as circumstances warrant.

Proposed Renewal:
It is recommended that the City's contract with Wells Fargo Bank, for treasury-related services, which expires on December 31 of this year, be renewed for an additional five-year term, beginning January 1, 2022 and concluding on December 31, 2026, with a six-month extension option upon mutual agreement.

This recommendation is based primarily upon the following factors:

- Satisfaction with offerings and quality of services provided
- Competitive pricing of services
- Above-market earnings credit rate

- Financial strength of the organization

It should be noted that the development of a comprehensive RFP (and associated response) involves many staff hours and considerable organizational effort, on the part of both the issuer of the RFP and the respondent. Further, an actual banking conversion involves a significant cross-organizational effort and substantial cost. For that reason, if: (1) the organization is satisfied with the services it currently receives from its banking partner; (2) pricing is determined to be competitive; and (3) the financial strength of the organization is not in question; the issuance of a full RFP is an exercise which should generally be avoided.

Recommendation:
Staff recommends the renewal of its Treasury Management Contract with Wells Fargo Bank, for an additional five-year term, beginning on January 1, 2022 and ending on December 31, 2026, with a six-month extension option upon mutual agreement.

Committee Discussion
CM Gardner: I thought the earnings credit rate offering of 50 basic points was really good. It's better than the 25 basic points the other banks are offering. And even their minimum is 10 basis points above, so I think that's great. I'm okay with moving this forward.

CM Gruber: I also support the recommendation.

Outcome
The Committee recommended the item move forward to Study Session.

Follow-up Action
Staff will forward the item to Study Session.
.

INTERNAL AUDIT 2ND QUARTER PROGRESS REPORT
Summary of Issue and Discussion
Wayne Sommer, Internal Audit Manager reviewed the Office's 2nd quarter progress against their annual audit plan and introduced Laiba Saqib, their newest Internal Auditor. Sheree Vanburen, Internal Auditor II gave a brief walk through on the annual risk assessment process.

Through June 30, Internal Audit has completed 26% of scheduled engagements closing out the three carryover engagements from the 2020 audit plan. Another 32% are currently active, all from the 2021 audit plan. One engagement remains—the Succession Planning Survey—from the 2019 audit plan.

In total, 58% engagements are either active or were completed through the first two quarters.

Committee Discussion
CM Gruber pointed out that we expect to receive many millions of dollars in the near future in grants and that we need to make sure we talk about what reviews will need to be done regarding how the money is spent.

CM Gardner: I had a couple questions. One was on the police engagement for CCJRA responses. Does that include CORA requests as well?

W. Sommer: It does not include CORA requests.

CM Gardner: One of the things that this committee had asked for at the beginning of the year was the audit of the Mayor and Council expenses. Will we still be able to get a report in November?

W. Sommer: Yes. That engagement is active as of now. We commenced that engagement and we expect to have that delivered on schedule this year.

CM Gardner: My last question, and if you had mentioned this before, I apologize. But the engagement surrounding the Civil Service Commission, can you explain a little bit more about what you all are looking to do there?

W. Sommer: Yes, originally, we were going look at the hiring process and essentially flowchart the key processes looking for efficiencies or opportunities to institute controls. Following the latest report from 21CP, we discussed with the City Manager and Jason Batchelor, Deputy City Manager, whether they wanted us to continue with the engagement at that level. They decided it might be better if we just did some research on leading practices related to Civil Service Commission and public safety hiring and recruiting practices. We would bring that back to them so they could see what other groups were doing. They would decide whether to pass that information on to the Civil Service Commission and also Council.

CM Gruber: I have a lot of experience in the risk assessment field. I'm concern about--and we talked about this a little bit at our last meeting—the impact of ransomware attacks. And as you mentioned Sheree. You identify the topic, then you identify the probability of it occurring. and the impact if it occurred. So, for example a City vehicle has a flat tire as a high probability. But the impact probability is low. The car has to be towed or whatever. Whereas the AMC Building burning down has a low probability of occurring. But the impact would be major. So, I appreciate those things. Ransomware bothers me. I'm concerned to see that it pops up in so many cities that I thought we would be well protected. When we talked about it at our last meeting, we addressed several ways to make sure the City is protected. But I hadn't seen a formal risk assessment on the impact of a ransomware attack. So, what I'm saying is that a ransomware attack itself, the probability is low, but the impact is high. But now we're seeing the probability of occurring is going up and the impact remains high. The reason that it's important to me I guess as a Council Member, is that if you came to me, and we're getting ready to go into our Budget Workshop, you came to me to say, "We're seeing that this element, the probability of this element is increasing. The risk of this element is high. And the abatement techniques are A, B & C. One of those techniques is purchasing something that would help better protect us. If you brought that to Council, I think Council would turn around and say we have no choice other than to purchase whatever it is in order to help abate that risk. So, my request would be to take a look at ransomware impact to the City and determine the impact. The probability of the risk, the impact of the risk, and the cost of abating that risk. I would appreciate that.

W. Sommer: We certainly can take a look at that CM Gruber. We do meet quarterly with the City's cyber Information Security Officer to discuss activities that they're conducting regarding various protection strategies for the City. We do discuss those with him. We can talk to him a little bit more about this and see if we can't get a better handle on what the residual risk would be for the City for those abatement and mitigation strategies and also the likelihood of an attack.

Outcome
The Committee thanked staff. Information only.

Follow-up Action
No follow-up needed.

MISCELLANEOUS MATTERS FOR CONSIDERATION
On August 19th, the City sold $265.23 million in Water Revenue Refunding Bonds to realize debt service savings on bonds that were issued in 2016. The combination of strong credit ratings, solid investor demand, and a favorable interest rate market allowed for a pricing which resulted in a 14.6% present value savings. This equates to a present value dollar savings of $31,910,309, or a cash savings to the Water utility of approximately $1.7 million per year through 2046.

Committee Discussion
CM Gruber: Outstanding! That's such a great success story. To bring in $32 million into the city that taxpayers won't have to pay. That's always very good news. I want to congratulate you on your homework. I want to congratulate you on sensing the timing of the market. Accelerating when you saw an opportunity and bringing this deal home for the city. So great work! Thank you very much.

CM Gardner: I'll just echo that. I'm not going to mention names because I'll probably leave somebody out. But just kudos to everyone that was involved. It's just further proof of how financially well run our city is. So just as CM Gruber said. If we can save our taxpayers $32 million. That's a great day! So, kudos to everybody involved. Thank you, very much for the great news.

- The next meeting is on Tuesday, September 28, 2021 at 1:00 PM (WebEx)

THESE MINUTES WERE APPROVED AS SUBMITTED

9/28/2021
Curtis Gardner, Chair of the Management & Finance (M&F) Committee Date