



AGENDA

MANAGEMENT AND FINANCE POLICY COMMITTEE

November 23, 2021

1:00 pm

WebEx Online Meeting

Public Participant Dialing Instructions
Dial Access Number: 1-408-418-9388
Enter Participant Code: 2481-505-4152

Council Member Gardner, Chair
Council Member Gruber
Deputy City Manager Roberto Venegas
Finance Director Terri Velasquez

The Management and Finance Committee oversees the following Council goal and objectives:
PROVIDE A WELL-MANAGED AND FINANCIALLY STRONG CITY

- Ensure the delivery of high-quality services to residents in an efficient and cost-effective manner.
- Maintain superior financial reporting, financial controls, appropriate reserves, budgeting financial management, and transparency, and invest in capital and infrastructure to support efficient and effective long-term provision of services.
- Maintain a high financial credit (bond) rating, maintain debt policies and debt practices that allow the assessment of appropriate debt levels, and periodically review debt and debt service to minimize costs.
- Provide appropriate stewardship of natural resources to ensure long-term sustainability for the city.

Pages

1. **Call to Order**
2. **Approval of Minutes** 1
3. **Consent Items**
 - 3.a. **October 2021 Sales Tax Chart** 9
Greg Hays, Budget Manager (5 minutes)
4. **General Business**

4.a.	Metropolitan District Service Plan Updates	13
	Jacob Cox, Manager of Development Assistance (10 minutes)	
4.b.	Approval of Use Agreement with Regents of the University of Colorado for Use of City Office Space	73
	Elly Watson, Business Services Manager (10 minutes)	
4.c.	2021 Management and Finance Policy Committee Recap	89
	Terri Velasquez, Director of Finance (5 minutes)	
4.d.	Affirmation of the Approved 2022 Annual Audit Plan	94
	Wayne Sommer, Internal Audit Manager (15 minutes)	

5. Miscellaneous Matters for Consideration

Next meeting tentatively scheduled for December 28 at 1:00 pm WebEx meeting

6. Adjournment

Total projected meeting time: 45 minutes

MANAGEMENT AND FINANCE POLICY COMMITTEE
WEBEX

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

Others Present: T. Velasquez, T. Sedmak, T. Hoyle, W. Sommer, D. Hudson, T. Vaughn, M. Callison, D. Sisneros, E. Watson, D. Brotzman, K. Hancock, J. Ehmann, G. Hays, A. Morris, J. Marcano, M. Franks, J. Giddings, R. Lantz, H. Hernandez, B. Bell, T. Taylor, A. Jamison, R. Venegas, A. Amonick

I & II. INTRODUCTIONS AND MINUTES

The meeting was called to order by Council Member Gardner at 1:01 PM.

September 28, 2021 minutes were approved.

III. CONSENT ITEMS

a. SEPTEMBER 2021 SALES TAX CHART – GREG HAYS

Hays claims that September is a big month for the Council because last year September was the first month the council started getting the marketplace facilitator revenue, 13.2% up with none coming from marketplace facilitator. Almost all the growth is in the top taxpayers and most departments are up except for beer, wine, and liquor stores which is great news for the city. Hays states he guesses this growth will continue for the rest of the year.

Committee Discussion

Council Member Gardner asks with inflation increasing significantly if less spending is expected, if it will be part of the analysis, or thoughts.

Hays claims he was already expecting less spending and gives an example of auto dealers. There’s a lot of negative economic talk going on that can cause its own downturn so the projection from the budget book won’t be changed and he is uncertain if there will be a cliff. The city is currently on the right side of the risk of coming in higher.

Council Member Gruber observes that the marketplace facilitator for the month is the lowest it has been in a year.

Hays explains that the low piece is the additional amount of marketplace facilitator. The marketplace facilitator is the small piece on top of the big piece from last September.

Outcome

Information only.

Follow-up Action

No follow-up needed.

IV. GENERAL BUSINESS

a. 2021 FALL SUPPLEMENTAL – MIKE FRANKS

Franks states that the fall supplemental is an opportunity for staff to make changes to the 2021 budget. There is a net total appropriation of almost \$113 million, majority of it being associated with three adjustments. \$30.8 million from the general fund to the capital projects fund for I-70/Piccadilly Interchange, the transfer of \$12 million from the general fund to capital projects fund for the leading ERP, and the appropriation of \$19.8 million for the early repayment of the 2018 Wastewater interfund loan. A vast majority of the items have been discussed with the council and were projected in the 2022 budget. Franks states he is open to any questions.

Committee Discussion

Council Member Gruber discusses attachment A, the general fund totals and capital fund totals, 42 million and 46 million, and asks Mike to explain the net total appropriation and if they are additional funds that have come in.

On the general fund side, money is being appropriated from the non-departmental department moving the general funds to the capital fund and also appropriating it there, so it shows up twice.

Outcome and Follow-up Action

The item is approved to move forward.

b. REVIEW OF OUTSTANDING MORAL OBLIGATIONS – TERESA SEDMAK

Sedmak explains the city has a Moral Obligations Policy that requires the obligations to be reviewed annually. A moral obligation is a nonbinding commitment to provide financial support to a project, allowing for a lower cost of funding in the markets due to the City's support. Since it is nonbinding, it is not considered debt and doesn't require a vote of the people. In the event the city was called to support projects and did not do so, significant negative effects on the credibility, stability of market debt, and credit rating of the city. The decision to honor those commitments rests with city Council.

The City has been selective in use of the MO Pledge for projects and previously had two projects supported by the pledge. The city currently has MO Pledges on two projects, the Hyatt Hotel and Conference Center and the Biosciences 3 project at the Fitzsimons Campus. With both projects, the city is funded debt service reserves that are utilized in the event the project can't support service on its own. Each of the MOs run through 2024. The city is currently supporting the Hyatt Hotel and Conference Center as COVID decimated the hospitality industry. This industry has picked up somewhat, but it is nowhere near where it was before. AURA has allocated available funds to support operations until it becomes self-supporting.

The city has not been asked to exercise its financial support for the Biosciences 3 project. The FRA indicated that they are not fully leased in the building, and they are using funds

available to them to build out the spaces because they want it to be finished out before they lease. Sedmak claims that they do not foresee adding financial support to that project, but they will continue to monitor and report on it. Sedmak states she is happy to answer any questions.

Committee Discussion

Council Member Curtis Gardner asks Sedmak to discuss what impact any outstanding moral obligations has on credit rating and how they are looked at.

Because it's a nonbinding commitment, it is not looked at too seriously. Sedmak does not recall even outlining the obligations. These projects are fairly small compared to others and the support promised for these projects was fulfilled. If not honored, it would effect credibility and could affect credit rating. Having a strong policy, using it judiciously, and using it on projects that are expected to be self-supporting helps meeting these promises.

Council Member Gruber discusses further the policy for moral obligations and is concerned it doesn't have a defined process or a risk analysis and he would like to see some sort of analysis done by staff prior to bringing another obligation to council. The credit rating is the most valuable virtual asset and if it changes a little bit, it will effect every major program and the cascading effect on a debt could be devastating. Council Member Gruber wants to see a scoresheet that defines the staff assessment and a grading system on the recommendation to council if someone brings a moral obligation that meets the thresholds defined. David would like the policy modified to say when staff comes to council that staff has considered the risk and the ability to pay, but the primary risk factor to the city is the potential to impact credit rating.

Outcome

Information only.

Follow-up Action

Sedmak will review the policy and put more parameters on what will be looked at.

c. ORDINANCE PERTAINING TO ALCOHOL BEVERAGE FESTIVAL PERMIT – TREVOR VAUGHN

Vaughn states that the state legislature opened the ability for someone who has an on premise liquor license to travel with the license and have a festival. Previously a special event permit was required to have alcohol at a festival. A lot of local jurisdictions are scrambling to put some ordinances in place for this. It is a good idea to have this permit because it can bring outside businesses into Aurora that are looking to do the same. This ordinance is to set up a local process and put the procedures in place for special permits.

Committee Discussion

Council Member Gardner states he thinks it's a good idea but asks if there is a fee set in place or if a new one needs to be made.

Vaughn states a new one will need to be created and it will probably be around \$200 which is probably similar to what other jurisdictions charge.

Council Member Gruber states that he thinks this could help and asks about not being able to carry out unfinished alcohol samples and if there are any conflicts with vendors who want to sell product.

This permit is specific for on premise licenses for consumption of alcohol only on the premise. If they do coordinate with somebody who can sell off premise, sealed alcohol and sealed containers, Vaughn does not see that there would be any conflict.

Council Member Gruber asks how to make it easy for a beer fest or distillery fest or wine fest to operate within the city.

Vaughn states he does not believe this permit will do that. Under the state liquor law, the business would have to have the premises to sell off prem like that. This process sets up a festival for the on premise consumption. Under the existing state law, it is allowed to set up a temporary tasting room to sell off prem.

Council Member Gruber then asks how to get the word out and suggests the city produce a user's guide.

Vaughn states they do a big FAQ for the committees that cover a lot of that information. Liquor is regulated by state law so a lot would need to change at the state level.

Council Member Gruber supports the ordinance.

Council Member Gardner asks if it would be allowed to purchase the bottle that the taste test was from.

Vaughn does not believe this would be allowed for whisky since it is already opened. A sealed bottle would probably be sold.

Outcome and Follow-up Action

The item was approved to move forward.

d. ORDINANCE REPREALING THE REQUIREMENT FOR STABLE LICENSES – TREVOR VAUGHN

The stable license is one that does not have a lot of code behind it, it enforces other laws and does not provide a regulatory benefit to keep in place. The city will still be able to enforce the other laws, still has the general business license, animal control still goes out and does inspections, and Vaughn does not have any record of any disciplinary action done with a stable license.

Outcome and Follow-up Action

The item was approved to move forward.

**e. SHORT TERM RENTAL REGULATIONS UPDATE AND ORDINANCE –
TREVOR VAUGHN**

Vaughn introduces an updated policy regarding short term rental regulations. Rentals exploded five years ago from basically nothing to around 300 and have remained at that level since. Council decided five years ago that they did not want investment properties and that they wanted the rentals to be people's primary residences. The potential for a limit on the amount of the residence that could be used for short term rentals was rejected. The council did not want to go that way and decided to have the option for somebody to leave or be deployed and have the rental used as long as it was their primary residence without a limit.

There are around 269 individual units being used for short term rentals. Around 40% are partial units and around 60% rent out the entire home. There is a very high address identification rate of 97.4% using a company called Host Compliance and internal identification. Only about a third of short term rentals will obtain a business license before posting the advertisement. The major providers for and rentals are done through Airbnb and Vrbo/HomeAway. Those companies also collect the city's lodger's tax. Even if the business is not licensed, Aurora gets the lodging tax because those providers are collecting it. 189 are compliant, and 88 are noncompliant. Addresses are identified and then a notice to obtain a business license is sent.

Vaughn displays a map and states that the struggle is that the requirement of the home being the primary residence of the individual will be cheated. There may be some ways to enhance the management of these with some changes to the code, part of that being requiring the booking platforms to ask for license numbers before posting to get the city out of doing extra administration. Right now the short term rentals are regulated as a home occupation under the zoning code. Moving them to a business regulations code allows the tax and licensing staff to write summonses, avoid the double process of code enforcement, and provide a clear definition of primary residence. There is a day limit of 180 days if it's the full property. This is a fallback provision in case the person tries to claim they live there when they are really renting it out.

Committee Discussion

Council Member Gardner comments that it seems like the compliance work is shifting from the city to the operators of the booking service and he is concerned how Airbnb enforces the regulations of the city.

Vaughn explains that when it's obvious, the city will send a take down notice to remove the advertisement. Currently Airbnb will only send a notice to the individual to comply with the city's codes.

Council Member Gardner asks how it would be obvious and how it is policed.

Stats are a fallback enforcement provision when they've foiled the other elements. One way to address this is to ask for their records to make it clear if they are living there or not.

Council Member Gardner asks about renting out a spare bedroom 365 days a year and it not mattering.

Vaughn confirms and states even if you have a separate entrance, it would not be considered as an entire unit. If it was a three bedroom unit and you remained in one, you can still rent out the other two rooms, but it has to be to the same party.

Council Member Gruber asks to clarify that for Denver, Airbnb would not accept the unit without a business license applied on the application.

Airbnb/Vrbo can not list properties that don't have a city business license in Denver.

Council Member Gruber then asks if the house is rented for over six months will the city go back to the brokerage and ask for the yearly records and if the house was rented for 200 days, it is a violation.

Vaughn confirms and clarifies that the operator is asked for the records.

If the house is owned and still being lived in, another room can be rented out for 365 days. The 180 days applies to entire homes when the owner is not there.

Council Member Gardner states that Airbnb/Vrbo are not enforcing provisions other than getting the license when somebody applies and then remove it if records indicate it's not their primary residence. So the operator is not policing in other words, the city still is, the unit just cannot be on that service.

The operator is only responsible for the obvious and to take the listing down.

Outcome and Follow-up Action

This item was approved to move forward.

f. AMENDING THE CITY CODE RELATING TO TAX CLARIFICATIONS – TREVOR VAUGHN

Vaughn mentions issues that come up during audits, adding some additional clarifications, doing some cleanup of error in a couple places, and applying the statute to limitations that's in sales tax to occupational tax.

Committee Discussion

Council Member Gruber appreciates the changes and asks about television and entertainment services and how that tax would be applied. He sees how it would be applied under the city Comcast contract, but if one was purchasing it separately how do those services apply that tax? and does it go against the ISP or the provider?

Vaughn states that it depends on who is selling it. Even if it's part of a package deal, it's still subject to tax. A number of services are also doing a separate streaming which is subject to tax.

Council Member Gruber still does not understand how the tax is applied.

Netflix is probably the biggest one and it collects the city's tax. You just use your internet service provider to access that, and those streaming providers collect the tax.

Council Member Gruber states that he guesses it is whoever the end user is paying.

If Xfinity is the one selling you HBO, they collect the tax. If Xfinity is the ISP with no other services and a separate contract with a streaming service is acquired, the streaming service charges the tax.

Outcome and Follow-up Action

This item was approved to move forward.

g. Q3 2021 INTERNAL AUDIT PROGRESS REPORT – WAYNE SOMMER

Sixty-eight percent of the current plan engagements are either active or completed. This is lower than normal, but it has been an exceptional year. Sommer states they transitioned early in the year to the police auditor which opened up a position on internal audit that needed to be filled, which took time. The succession planning survey will be reconsidered in 2022. At the time of writing the report, Sommer states he considered it to be a lower risk engagement than the others but will be reconsidered in light of current trends and turnover. There will still be a conversation with Human Resources in 2022 to make sure they are ready to pursue this engagement and to make sure the engagement structure will provide significant value before they apply resources.

Regarding the status of other engagements, marijuana enforcement is still an active engagement but has been set aside to apply staff resources to complete the audit of the mayor and council expenditures, as well as to P-Card monitoring activities for 2021. The audit will be rejoined in 2022 as soon as the other engagements are completed.

The AFR culture survey follow-up to a survey conducted in 2016. It is on hold for now to make sure the results weren't impacted excessively by recent reports from the Elijah McClain reports. They are currently focusing on the Visit Aurora engagement which was requested by Council Member Hiltz and is going along smoothly. The audit and mayor/council expenses is also going smoothly; it was requested by this committee. P-Card monitoring continues. The police auditor has started the CRT Program Review engagement.

The 2022 audit plans have been completed and have been approved by the City Manager and will come to this community in November. This committee will review and affirm the engagements therein. Regarding outstanding recommendations, approximately 75% have been closed or completed and the 21% remaining are either actively being pursued or waiting for resources. There are no concerns that those will not be implemented.

Outcome

Information only.

Follow-up and Action

Council Member Gardner asks Sommer for an update on the audit of mayor/council expenses that are November management and finance.

V. MISCELLANEOUS MATTERS FOR CONSIDERATION

- The next meeting is scheduled for November 23, 2021 at 1:00 PM (WebEx).
- Council Member Gardner asks if it is possible to get a summary document of what was reviewed over the year.

VI. ADJOURNMENT



CITY OF AURORA

Council Agenda Commentary

Item Title: October 2021 Sales Tax Chart
Item Initiator: Greg Hays
Staff Source/Legal Source: Greg Hays, Hanosky Hernandez
Outside Speaker: N/A
Council Goal: 2012: 6.0--Provide a well-managed and financially strong City

COUNCIL MEETING DATES:

Study Session: N/A

Regular Meeting: N/A

ITEM DETAILS:

- Agenda long title
- Waiver of reconsideration requested, and if so, why
- Sponsor name
- Staff source name and title / Legal source name and title
- Outside speaker name and organization
- Estimated Presentation/discussion time

October 2021 Sales Tax Chart
Greg Hays
5 minutes

ACTIONS(S) PROPOSED *(Check all appropriate actions)*

- | | |
|---|--|
| <input type="checkbox"/> Approve Item and Move Forward to Study Session | <input type="checkbox"/> Approve Item as proposed at Study Session |
| <input type="checkbox"/> Approve Item and Move Forward to Regular Meeting | <input type="checkbox"/> Approve Item as proposed at Regular Meeting |
| <input checked="" type="checkbox"/> Information Only | |
| <input type="checkbox"/> Approve Item with Waiver of Reconsideration
Reason for waiver is described in the Item Details field. | |

PREVIOUS ACTIONS OR REVIEWS:

Policy Committee Name: N/A

Policy Committee Date: N/A

Action Taken/Follow-up: (Check all that apply)

- | | |
|---|---|
| <input type="checkbox"/> Recommends Approval | <input type="checkbox"/> Does Not Recommend Approval |
| <input type="checkbox"/> Forwarded Without Recommendation | <input type="checkbox"/> Recommendation Report Attached |
| <input type="checkbox"/> Minutes Attached | <input type="checkbox"/> Minutes Not Available |

HISTORY (Dates reviewed by City council, Policy Committees, Boards and Commissions, or Staff. Summarize pertinent comments. ATTACH MINUTES OF COUNCIL MEETINGS, POLICY COMMITTEES AND BOARDS AND COMMISSIONS.)

Members of the M&F Committee have asked for the monthly sales tax performance chart.

ITEM SUMMARY (Brief description of item, discussion, key points, recommendations, etc.)

Attached is the October sales tax performance chart. October of 2021 was 10.3 percent higher than October of 2020.

QUESTIONS FOR COUNCIL

Information only.

LEGAL COMMENTS

The city charter requires that the city manager shall keep the council advised of the financial condition, future needs of the city, and the overall general condition of the city, and shall make such recommendations to the council for adoption as deemed necessary or expedient. This item is informational only. (See, Aurora City Charter Art. 7-4 (f)). (Hernandez).

PUBLIC FINANCIAL IMPACT

- YES NO

If yes, explain: N/A

PRIVATE FISCAL IMPACT

- Not Applicable Significant Nominal

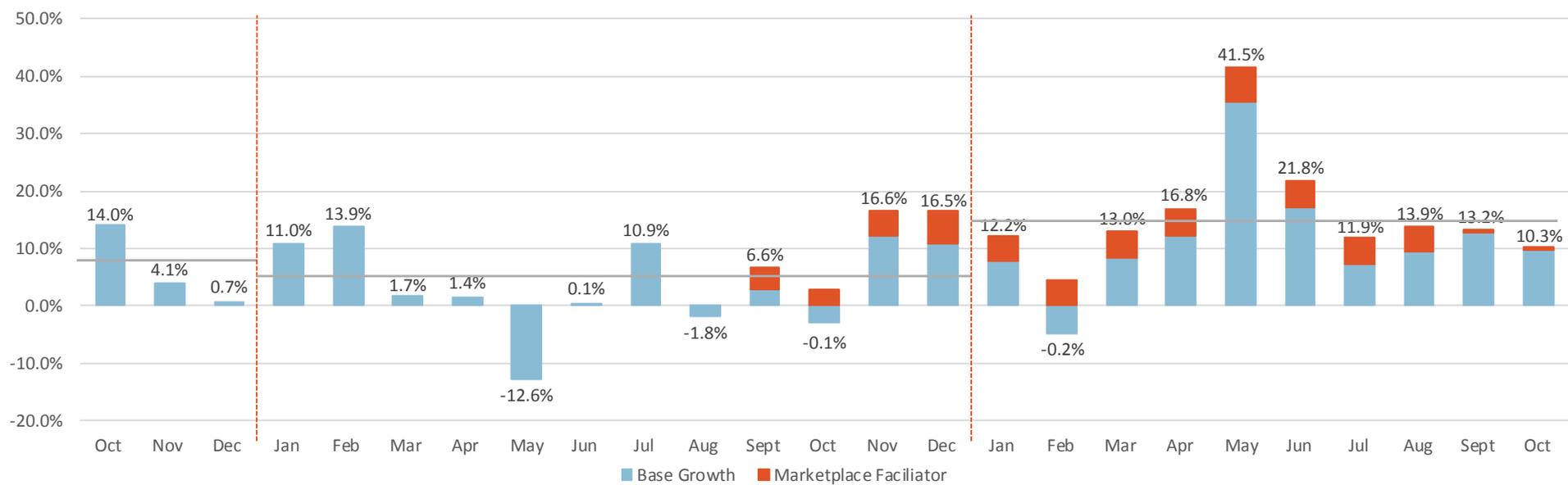
If Significant or Nominal, explain: N/A

October 2021 Sales Tax Performance



Percent Change from Prior Year By Month

October YTD Variance to Projection: \$9.0M (4.6%)
2020: \$26.2M (14.7%)



2019
8.7%

2020
5.3%

2021
14.7%

September 2021 Sales Tax Performance



2019											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
21,261,542	14,381,591	13,694,934	18,411,530	15,367,303	15,678,576	19,567,045	17,546,377	16,570,069	20,482,667	15,110,710	14,954,977
1,073,579	941,689	969,933	1,668,244	1,104,394	853,685	1,990,632	2,867,198	1,483,060	2,519,146	588,881	109,178
5.3%	7.0%	7.6%	10.0%	7.7%	5.8%	11.3%	19.5%	9.8%	14.0%	4.1%	0.7%

2020											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
23,591,222	16,374,965	13,932,085	18,673,352	13,424,681	15,690,126	21,699,684	17,230,082	17,664,745	20,457,466	17,621,437	17,420,587
2,329,680	1,993,374	237,150	261,822	(1,942,622)	11,550	2,132,639	(316,295)	1,094,676	(25,201)	2,510,726	2,465,610
11.0%	13.9%	1.7%	1.4%	-12.6%	0.1%	10.9%	-1.8%	6.6%	-0.1%	16.6%	16.5%

2021									
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
26,470,356	16,335,916	15,744,292	21,803,394	18,994,248	19,105,339	24,284,022	19,619,225	20,002,933	22,572,208
2,879,135	(39,049)	1,812,207	3,130,042	5,569,566	3,415,214	2,584,338	2,389,143	2,338,188	2,114,741
12.2%	-0.2%	13.0%	16.8%	41.5%	21.8%	11.9%	13.9%	13.2%	10.3%



CITY OF AURORA

Council Agenda Commentary

Item Title: Metropolitan District Service Plan Updates
Item Initiator: Jacob Cox, Manager, Office of Development Assistance
Staff Source/Legal Source: Jacob Cox, Manager, Office of Development Assistance / Brian Rulla, Assistant City Attorney
Outside Speaker: N/A
Council Goal: 2012: 6.0--Provide a well-managed and financially strong City

COUNCIL MEETING DATES:

Study Session: 12/13/2021

Regular Meeting: 12/20/2021

ITEM DETAILS:

Metropolitan District Service Plan Updates
No waiver requested
No sponsor
Jacob Cox, Manager, Office of Development Assistance / Brian Rulla, Assistant City Attorney
No outside speakers
Presentation/ Discussion time 10/10

ACTIONS(S) PROPOSED *(Check all appropriate actions)*

- | | |
|---|--|
| <input checked="" type="checkbox"/> Approve Item and Move Forward to Study Session | <input type="checkbox"/> Approve Item as proposed at Study Session |
| <input type="checkbox"/> Approve Item and Move Forward to Regular Meeting | <input type="checkbox"/> Approve Item as proposed at Regular Meeting |
| <input checked="" type="checkbox"/> Information Only | |
| <input type="checkbox"/> Approve Item with Waiver of Reconsideration
Reason for waiver is described in the Item Details field. | |

PREVIOUS ACTIONS OR REVIEWS:

Policy Committee Name: Management & Finance

Policy Committee Date: 11/23/2021

Action Taken/Follow-up: *(Check all that apply)*

Recommends Approval

Does Not Recommend Approval

Forwarded Without Recommendation

Recommendation Report Attached

Minutes Attached

Minutes Not Available

HISTORY (*Dates reviewed by City council, Policy Committees, Boards and Commissions, or Staff. Summarize pertinent comments. ATTACH MINUTES OF COUNCIL MEETINGS, POLICY COMMITTEES AND BOARDS AND COMMISSIONS.*)

The first metro districts were formed within the City of Aurora during the 1980s. In 1989, the City enacted what eventually became Chapter 122 of the City Code and adopted its first Model Service Plan for metropolitan districts. In 2004, City Council significantly amended code to adopt guidance and requirements for Metropolitan Districts in the City of Aurora. The city's 2004 Model Service Plan, based on those requirements, remains largely unchanged to this day. It is characterized by the following basic features:

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

Recently, there has been much attention on metro districts. As a result, several council members have inquired about additional education, transparency and protections/safeguards that the city may want to implement for metro districts within the city.

ITEM SUMMARY (*Brief description of item, discussion, key points, recommendations, etc.*)

Based on City Council feedback and statutory changes, staff has prepared the following outline of service plan changes for Council consideration. In addition, there are minor edits to language and to improve the clarity of the document. The following list is arranged with the corresponding sections and page numbers from the redlined Service Plan document attached.

In addition, there are a few items and concepts that staff would like direction on prior to incorporating into the attached draft. These include:

- Engineer's Estimate of Probable Cost
- Option for increased ARI mill levy
- Revised Notice of Special District Disclosures
- Removing the Operations and Maintenance Mill Levy Cap proposed previously

Please note the attached document and summary were the changes proposed in 2020, but several items are being further refined to incorporate more recent changes in state law. Staff will compile pertinent changes incorporating any feedback and state requirements in order to present a consolidated service plan update at Study Session. For background reference, we have attached the 2020 M&F and Council meeting minutes.

Proposed Service Plan Changes

Section II. Definitions

Agreed Upon Procedures Engagement

This is a new definition necessary for the addition of provision "L" in Section **VII. Financial Plan** (page 16).

Section VI. Regional Improvements

D. For Residential District

The last 10 years of the ARI mill levy imposition for Residential Districts changed to a specific mill levy.

E. Commercial District

Language removed regarding an average for the final years of the ARI mill levy imposition.

These proposed changes are staff-initiated. Currently, these final years of the ARI Mill Levy is stated as an average of the previous 10 years debt service mill levy. This is problematic for several reasons.

- Every district’s debt service financing plan is different. Which means that under the current requirement, each district in an area will be paying a different ARI mill amount. This can create an unfair situation given that they will all benefit equally from the regional infrastructure they are funding with the ARI mill levy.
- This issue was also identified as a concern when the debt was being issued for the South Aurora Regional Infrastructure Authority (SARIA). The uncertainty of the expected funding for those last 10 years made creating the funding projections for the bond issuance difficult.

Therefore, the proposal is to remove the possible unfairness and uncertainty by setting a specified number of mills to be levied for the final years (page 11).

Section VII. Financial Plan

K. Districts Operating Costs

This is a new provision that has added language limiting the maximum O&M mill levy imposition to 35 mills. The limitation would be in place until the majority of board members are residents. This provision provides some protections until the residents are in control of the board and then allows the local government closest to the community to determine the level of services and amenities they wish to provide and increase the mills if they so desire.

L. Agreed Upon Procedures Examination

This is a new provision that has added language to include an examination of a district’s past financial records at the time the district board is a resident controlled board. This language is general to allow the board to direct the examination based on specific concerns and cost considerations.

Section X. Disclosures and Meetings

A. Disclosure to Purchasers

Language has been added to require the disclosure form used by the districts to conform to the city’s standard model disclosure form (Exhibit D).

B. Website

This is a new provision requiring districts to create and maintain a website for their community. Included in this list is the requirement to post any and all candidate information, including any campaign funding information, that is required by the Secretary of State for candidates running for the district board.

C. Meetings

This is a new provision requiring district board meetings to be held within the district boundaries whenever possible and within the city limits when not possible within the district.

Service Plan Changes for Clarity

Section II. Definitions

ARI Mill Levy A, B, C & D

Simplified definition and moved the full explanation to Section **VI. Regional Improvements** for clarity (page 11-12).

Gallagher Amendment (No longer applicable)

This is a new definition to provide a more concise, consistent and clearly stated explanation of the allowed adjustments to the mill levies imposed (page 11,14 and 16).

CCR, Commercial District, CRS, Operations and Maintenance Mill Levy, Residential District

These definitions have been added for clarity as they were not included in the previous model.

Section V. Description of Proposed Powers, Improvements and Services

10. Total Debt Limitation

Moved and combined in **Section VII. Financial Plan** for consistency (page 13).

14. Bankruptcy

Portion moved to **Section VII. Financial Plan** and given a title F. Excessive Mill Levy Pledges (page 14).

Section VI. Regional Improvements

Last paragraph – Includes clarification that the debt limit identified for regional improvements (funded with the ARI mill levy), is not subject to the total debt issuance limitation for debt specific to the district obligations (page 12).

Section VII. Financial Plan

A. General

Includes language regarding allowed sources of debt funding moved from B. Total Debt Issuance for additional clarity (page 12).

B. Total Debt Issuance Limitation

Includes clarification that this limit does not include debt issued for ARI (page 13).

D. Maximum Debt Mill Levy

Includes language regarding maximum mill levy not including O&M from K. Districts Operating Costs for additional clarity (page 13).

Issues Not Included in Changes

There were a few issues raised by City Council and researched by staff that have not been included in these proposed changes at this time. They are as follows:

Maximum Debt Mill Levy Imposition Term

There was a request made to not allow City Council to change this term limit. In the past there have been districts that requested, and were approved, to change the service plan to extend the term for debt repayment past the 40-year limit included in the model service plan. Staff researched how to incorporate such a restriction. City Council has the discretion to change code and/or approve an ordinance to make such an exception to code for an individual district's service plan. It was determined that the only way to restrict Council's ability in this area would be to amend the City Charter, requiring a ballot question.

Restrictions to Eminent Domain Powers

A request was made to include restrictions to the districts eminent domain powers given to them in State Statute. The use of this tool by districts in the City of Aurora has only been necessary in a few instances. There have been no abuses documented.

Process for Adoption

City code Chapter 122-30 provides that the city manager has the authority to amend the model service plan. Therefore, after City Council provides direction on these changes being proposed, there will be no formal action necessary. The changes will be incorporated and become the city's new model service plan for all new districts requesting formation.

Staff will be presenting, for formal Council action, an ordinance to amend City Code Chapter 122 reflecting changes to provisions in the service plan that are included in city code.

QUESTIONS FOR COUNCIL

Does the committee wish to forward this item to Study Session?

LEGAL COMMENTS

The model service plan may be amended, from time to time, by the city manager pursuant to the authority contained in section 7-4(m) of the Charter. (City Code § 122-30).

All legislative enactments must be in the form of ordinances pursuant to 5-1 of the Charter of the City of Aurora, Colorado. City Council Rule F.1 provides that an ordinance remains in effect until otherwise rescinded or amended by the City Council.

(Rulla)

PUBLIC FINANCIAL IMPACT

YES NO

If yes, explain:

PRIVATE FISCAL IMPACT

Not Applicable Significant Nominal

If Significant or Nominal, explain: Metropolitan Districts have the ability to impose taxes and fees on property within its boundaries.

[CITY OF AURORA ~~2018-2020~~MODEL
SINGLE DISTRICT SINGLE SERVICE PLAN]

MODEL SERVICE PLAN
FOR

_____ METROPOLITAN DISTRICT

CITY OF AURORA, COLORADO

Prepared

by

[NAME OF PERSON OR ENTITY]

[ADDRESS]

[ADDRESS]

[DATE]

TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	Purpose and Intent.	1
B.	Need for the District.	1
C.	Objective of the City Regarding District’s Service Plan.	1
II.	DEFINITIONS	<u>222</u>
III.	BOUNDARIES	<u>665</u>
IV.	PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION	<u>666</u>
V.	DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES ...	<u>766</u>
A.	Powers of the District and Service Plan Amendment.	<u>766</u>
1.	Operations and Maintenance Limitation	<u>Error! Bookmark not defined. Error! Bookmark not defined.6</u>
2.	Fire Protection Limitation	<u>776</u>
3.	Television Relay and Translation Limitation	<u>877</u>
4.	Golf Course Construction Limitation	<u>877</u>
5.	Construction Standards Limitation	<u>887</u>
6.	Privately Placed Debt Limitation	<u>887</u>
7.	Inclusion Limitation	<u>887</u>
8.	Overlap Limitation.	<u>888</u>
9.	Initial Debt Limitation	<u>988</u>
10.	Total Debt Issuance Limitation	<u>988</u>
11.	Fee Limitation	<u>988</u>
12.	Monies from Other Governmental Sources.....	<u>998</u>
13.	Consolidation Limitation.....	<u>998</u>
14.	Bankruptcy Limitation.....	<u>998</u>
15.	Service Plan Amendment Requirement.....	<u>1099</u>
B.	Preliminary Engineering Survey.	<u>10109</u>
VI.	REGIONAL IMPROVEMENTS	<u>10109</u>
VII.	FINANCIAL PLAN	<u>121211</u>
A.	General.	<u>121211</u>
B.	Maximum Voted Interest Rate and Maximum Underwriting Discount.	<u>131311</u>
C.	Maximum Debt Mill Levy.....	<u>131311</u>
D.	Maximum Debt Mill Levy Imposition Term.....	<u>141412</u>
E.	Debt Repayment Sources.	<u>151412</u>
F.	Debt Instrument Disclosure Requirement.	<u>151412</u>
G.	Security for Debt.	<u>151513</u>
H.	TABOR Compliance.	<u>151513</u>
I.	District’s Operating Costs.	<u>151513</u>

VIII.	ANNUAL REPORT	<u>161614</u>
A.	General.	<u>161614</u>
B.	Reporting of Significant Events.	<u>161614</u>
IX.	DISSOLUTION.....	<u>171715</u>
X.	DISCLOSURE TO PURCHASERS	<u>171715</u>
XI.	INTERGOVERNMENTAL AGREEMENT	<u>191815</u>
XII.	CONCLUSION	<u>191815</u>

LIST OF EXHIBITS

EXHIBIT A	Legal Descriptions
EXHIBIT B	Aurora Vicinity Map
EXHIBIT C-1	Initial District Boundary Map
EXHIBIT C-2	Inclusion Area Boundary Map
<u>EXHIBIT D</u>	<u>Disclosure to Purchasers</u>
EXHIBIT DE	Intergovernmental Agreement between the District and Aurora

I. INTRODUCTION

A. Purpose and Intent.

The District is an independent unit of local government, separate and distinct from the City, and, except as may otherwise be provided for by State or local law or this Service Plan, its activities are subject to review by the City only insofar as they may deviate in a material matter from the requirements of the Service Plan. It is intended that the District will provide a part or all of the Public Improvements for the use and benefit of all anticipated inhabitants and taxpayers of the District. The primary purpose of the District will be to finance the construction of these Public Improvements.

The District is not being created to provide ongoing operations and maintenance services other than as specifically set forth in this Service Plan.

B. Need for the District.

There are currently no other governmental entities, including the City, located in the immediate vicinity of the District that consider it desirable, feasible or practical to undertake the planning, design, acquisition, construction installation, relocation, redevelopment, and financing of the Public Improvements needed for the Project. Formation of the District is therefore necessary in order for the Public Improvements required for the Project to be provided in the most economic manner possible.

C. Objective of the City Regarding District's Service Plan.

The City's objective in approving the Service Plan for the District is to authorize the District to provide for the planning, design, acquisition, construction, installation, relocation and redevelopment of the Public Improvements from the proceeds of Debt to be issued by the District. All Debt is expected to be repaid by taxes imposed and collected for no longer than the Maximum Debt Mill Levy Imposition Term for residential properties and at a tax mill levy no higher than the Maximum Debt Mill Levy for commercial and residential properties, and/or repaid by Fees, as long as such Fees are not imposed upon or collected from Taxable Property owned or occupied by an End User for the purpose of creating a capital cost payment obligation as further described in Section V.A.11. Debt which is issued within these parameters and, as further described in the Financial Plan, will insulate property owners from excessive tax and Fee burdens to support the servicing of the Debt and will result in a timely and reasonable discharge of the Debt.

This Service Plan is intended to establish a limited purpose for the District and explicit financial constraints that are not to be violated under any circumstances. The primary purpose is to provide for the Public Improvements associated with development and regional needs. Operational activities are allowed, but only through an intergovernmental agreement with the City.

It is the intent of the District to dissolve upon payment or defeasance of all Debt incurred or upon a court determination that adequate provision has been made for the payment of

all Debt, and if the District has authorized operating functions under an intergovernmental agreement with the City, to retain only the power necessary to impose and collect taxes or Fees to pay for these costs.

The District shall be authorized to finance the Public Improvements that can be funded from Debt to be repaid from Fees or from tax revenues collected from a mill levy which shall not exceed the Maximum Debt Mill Levy on commercial and residential properties and which shall not exceed the Maximum Debt Mill Levy Imposition Term on residential properties. It is the intent of this Service Plan to assure to the extent possible that no commercial or residential property bear an economic burden that is greater than that associated with the Maximum Debt Mill Levy in amount and that no property developed for a residential use bear an economic burden that is greater than that associated with the Maximum Debt Mill Levy Imposition Term in duration even under bankruptcy or other unusual situations. Generally, the cost of Public Improvements that cannot be funded within these parameters are not costs to be paid by the District. With regard to Regional Improvements, this Service Plan also provides for the Districts to pay a portion of the cost of regional infrastructure as part of ensuring that development and those that benefit from development pay for the associated costs.

II. DEFINITIONS

In this Service Plan, the following terms shall have the meanings indicated below, unless the context hereof clearly requires otherwise:

Agreed Upon Procedures Engagement: means an attestation engagement in which a certified public accountant performs specific procedures on subject matter and reports the findings without providing an opinion or conclusion. The subject matter may be financial or nonfinancial information. Because the needs of an engaging party vary, the nature, timing, and extent of the procedures may vary, as well.

Approved Development Plan: means a Framework Development Plan or other process established by the City for identifying, among other things, Public Improvements necessary for facilitating development for property within the Service Area as approved by the City pursuant to the City Code and as amended pursuant to the City Code from time to time.

ARI or Regional Improvements: means Aurora Regional Improvements.

ARI Authority: means one or more Authorities established by an ARI Authority Establishment Agreement.

ARI Establishment Agreement: means an intergovernmental agreement establishing an ARI Authority which has, at minimum, Title 32 special districts from three (3) or more Approved Development Plan areas as parties to the Agreement.

ARI Master Plan: means one or more master plans adopted by an ARI Authority establishing Regional Improvements which will benefit the taxpayers and service users of

the District which constitute such ARI Authority, which master plan will change from time to time.

ARI Mill Levy: means the ~~following mills to be imposed for payment of the costs of the planning, design, permitting, construction, acquisition and financing of the improvements described in the ARI master plan pursuant to the provisions of Section VI below.:~~

~~A. — For a district with property within its boundaries developed with any residential uses means the mill levy imposed for payment of the costs of the planning, design, permitting, construction, acquisition and financing of the improvements described in the ARI Master Plan, which: (i) shall be one (1) mill for collection beginning for each district in the first year of collection of a debt service mill levy by such district and continuing in each year thereafter through the twentieth (20th) year; and (ii) shall be five (5) mills from the twenty first (21st) year through the fortieth (40th) year or the date of repayment of the debt incurred for Public Improvements, other than Regional Improvements, which ever first occurs; and (iii) for an additional ten (10) years, the mill levy shall be equal to the average debt service mill levy imposed by such district in the ten (10) years prior to the date of repayment of the debt incurred for Public Improvements other than Regional Improvements; and~~

~~B. — For a district with property within its boundaries developed solely for commercial uses means the mill levy imposed for payment of the costs of the planning, design, permitting, construction, acquisition and financing of the improvements described in the ARI Master Plan, which: (i) shall be one (1) mill for collection beginning for each district in the first year of collection of a debt service mill levy by such district and continuing in each year thereafter through the twentieth (20th) year; (ii) shall be one and one half (1.5) mills from the twenty first (21st) year through the date of repayment of debt incurred for Public Improvements, other than Regional Improvements; and (iii) for five (5) years thereafter, the mill levy shall be the lesser of twenty (20) mills or a mill levy equal to the average debt service mill levy imposed by such district in the ten (10) years prior to the date of repayment of debt issued for Public Improvements, other than Regional Improvements; and~~

~~C. — Any district may, pursuant to any intergovernmental agreement with the City, extend the term for application of the ARI Mill Levy beyond the years set forth in A and B above. The Maximum Mill Levy Imposition Term shall include the terms set forth in A and B above and any extension of the term as approved in an intergovernmental agreement as described herein.~~

~~D. — All mills described in this ARI Mill Levy definition shall be subject to adjustment as follows: On or after January 1, 2004, if there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the one (1) mill levy described above may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted for changes occurring after January 1, 2004, are neither~~

~~diminished nor enhanced as a result of such changes, for purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.~~

Board: means the board of directors of the District.

Bond, Bonds or Debt: means bonds or other obligations for the payment of which the District has promised to impose an *ad valorem* property tax mill levy, and/or collect Fee revenue.

C.C.R.: means the Colorado Code of Regulations, as may be amended from time to time.

City: means the City of Aurora, Colorado.

City Code: means the City Code of the City of Aurora, Colorado.

City Council: means the City Council of the City of Aurora, Colorado.

Commercial District: means a District containing property classified for assessment as nonresidential. (NOTE: all districts which include or are expected to include any residential property must be defined as a Residential District and not a Commercial District).

C.R.S.: means the Colorado Revised Statutes, as the same may be amended from time to time.

District: means the _____ Metropolitan District.

End User: means any owner, or tenant of any owner, of any taxable improvement within the District, who is intended to become burdened by the imposition of ad valorem property taxes subject to the Maximum Debt Mill Levy. By way of illustration, a resident homeowner, renter, commercial property owner, or commercial tenant is an End User. The business entity that constructs homes or commercial structures is not an End User.

External Financial Advisor: means a consultant that: (i) advises Colorado governmental entities on matters relating to the issuance of securities by Colorado governmental entities, including matters such as the pricing, sales and marketing of such securities and the procuring of bond ratings, credit enhancement and insurance in respect of such securities; (ii) shall be an underwriter, investment banker, or individual listed as a public finance advisor in the Bond Buyer's Municipal Market Place; and (iii) is not an officer or employee of the District and has not been otherwise engaged to provide services in connection with the transaction related to the applicable Debt.

Fees: means any fee imposed by the District for services, programs or facilities provided by the District, as described in Section V.A.11. below.

Financial Plan: means the Financial Plan described in Section VII which describes (i) how the Public Improvements are to be financed; (ii) how the Debt is expected to be incurred; and (iii) the estimated operating revenue derived from property taxes for the first budget year.

Gallagher Adjustment: means, if on or after **January 1, 2004**, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut, or abatement, the Maximum Debt Mill Levy, the Operations and Maintenance Mill Levy and the ARI Mill Levy shall be increased or decreased to reflect such changes, so that to the extent possible, the actual tax revenues generated by the applicable mill levy, as adjusted for changes occurring on or after **January 1, 2004** approval are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

Inclusion Area Boundaries: means the boundaries of the area described in the Inclusion Area Boundary Map.

Inclusion Area Boundary Map: means the map attached hereto as **Exhibit C-2**, describing the property proposed for inclusion within the District.

Initial District Boundaries: means the boundaries of the area described in the Initial District Boundary Map.

Initial District Boundary Map: means the map attached hereto as **Exhibit C-1**, describing the District's initial boundaries.

Maximum Debt Mill Levy: means the maximum mill levy the District is permitted to impose for payment of Debt as set forth in Section VII.C below.

Maximum Debt Mill Levy Imposition Term: means the maximum term for imposition of a mill levy on a particular property developed for residential uses as set forth in Section VII.D below.

Operations and Maintenance Mill Levy: means the mill levy the Districts project to impose for payment of administration, operations, and maintenance costs as set forth in the Financial Plan in Section VII below.

Project: means the development or property commonly referred to as _____.

Public Improvements: means a part or all of the improvements authorized to be planned, designed, acquired, constructed, installed, relocated, redeveloped and financed as generally described in the Special District Act, except as specifically limited in Section V below to serve the future taxpayers and inhabitants of the Service Area as determined by the Board of the District.

Residential District: means a District containing property classified for assessment as residential. (NOTE: all districts which include or are expected to include any residential property must be defined as Residential Districts and not Commercial Districts).

Regional Improvements: means Public Improvements and facilities that benefit the Service Area and which are to be financed pursuant to Section VI below.

Service Area: means the property within the Initial District Boundary Map and the Inclusion Area Boundary Map.

Service Plan: means this service plan for the District approved by City Council.

Service Plan Amendment: means an amendment to the Service Plan approved by City Council in accordance with the City's ordinance and the applicable state law.

Special District Act: means Section 32-1-101, et seq., of the Colorado Revised Statutes, as amended from time to time.

State: means the State of Colorado.

Taxable Property: means real or personal property within the Service Area subject to ad valorem taxes imposed by the District.

III. BOUNDARIES

The area of the Initial District Boundaries includes approximately _____ (____) acres and the total area proposed to be included in the Inclusion Area Boundaries is approximately _____ (____) acres. A legal description of the Initial District Boundaries and the Inclusion Area Boundaries is attached hereto as **Exhibit A**. A vicinity map is attached hereto as **Exhibit B**. A map of the Initial District Boundaries is attached hereto as **Exhibit C-1**, and a map of the Inclusion Area Boundaries is attached hereto as **Exhibit C-2**. It is anticipated that the District's boundaries may change from time to time as it undergoes inclusions and exclusions pursuant to Section 32-1-401, et seq., C.R.S., and Section 32-1-501, et seq., C.R.S., subject to the limitations set forth in Article V below.

IV. PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION

The Service Area consists of approximately _____ (____) acres of _____ land. The current assessed valuation of the Service Area is \$0.00 for purposes of this Service Plan and, at build out, is expected to be sufficient to reasonably discharge the Debt under the Financial Plan. The population of the District at build-out is estimated to be approximately _____ (____) people.

Approval of this Service Plan by the City does not imply approval of the development of a specific area within the District, nor does it imply approval of the number of residential units or the total site/floor area of commercial or industrial buildings identified in this Service Plan or

any of the exhibits attached thereto, unless the same is contained within an Approved Development Plan.

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES

A. Powers of the District and Service Plan Amendment.

The District shall have the power and authority to provide the Public Improvements and related operation and maintenance services within and without the boundaries of the District as such power and authority is described in the Special District Act, and other applicable statutes, common law and the Constitution, subject to the limitations set forth herein.

1. Operations and Maintenance Limitation. The purpose of the Districts is to plan for, design, acquire, construct, install, relocate, redevelop and finance the Public Improvements. The Districts shall dedicate the Public Improvements to the City or other appropriate jurisdiction or owners association in a manner consistent with the Approved Development Plan and other rules and regulations of the City and applicable provisions of the City Code. The Districts shall be authorized, but not obligated, to own, operate and maintain Public Improvements not otherwise required to be dedicated to the City or other public entity, including, but not limited to street improvements (including roads, curbs, gutters, culverts, sidewalks, bridges, parking facilities, paving, lighting, grading, landscaping, and other street improvements), traffic and safety controls, retaining walls, park and recreation improvements and facilities, trails, open space, landscaping, drainage improvements (including detention and retention ponds, trickle channels, and other drainage facilities), irrigation system improvements (including wells, pumps, storage facilities, and distribution facilities), and all necessary equipment and appurtenances incident thereto. Any Fee imposed by the Districts for access to such park and recreation improvements shall not result in Non-District Aurora residents paying a user fee that is greater than, or otherwise disproportionate to, similar fees and taxes paid by residents of the Districts. However, the Districts shall be entitled to impose an administrative Fee as necessary to cover additional expenses associated with Non-District Aurora residents to ensure that such costs are not the responsibility of Districts residents. All such Fees shall be based upon the Districts’ determination that such Fees do not exceed reasonable annual market fees for users of such facilities. Notwithstanding the foregoing, all parks and trails owned by the Districts shall be open to the general public and Non-District Aurora residents, subject to the rules and regulations of the Districts as adopted from time to time. Trails which are interconnected with a city or regional trail system shall be open to the public free of charge and on the same basis as residents and owners of taxable property within the Districts.

2. Fire Protection Limitation. The District shall not be authorized to plan for, design, acquire, construct, install, relocate, redevelop, finance, operate or maintain fire protection facilities or services, unless such facilities and services are provided pursuant to an intergovernmental agreement with the City. The authority to plan for, design, acquire, construct, install, relocate, redevelop or finance fire hydrants and related improvements installed as part of the water system shall not be limited by this provision.

3. Television Relay and Translation Limitation. The District shall not be authorized to plan for, design, acquire, construct, install, relocate, redevelop, finance, operate or maintain television relay and translation facilities and services, other than for the installation of conduit as a part of a street construction project, unless such facilities and services are provided pursuant to an intergovernmental agreement with the City.

4. Golf Course Construction Limitation. Acknowledging that the City has financed public golf courses and desires to coordinate the construction of public golf courses in the City's boundaries, the District shall not be authorized to plan, design, acquire, construct, install, relocate, redevelop, finance, operate or maintain a golf course unless such activity is pursuant to an intergovernmental agreement with the City.

5. Construction Standards Limitation. The District will ensure that the Public Improvements are designed and constructed in accordance with the standards and specifications of the City and of other governmental entities having proper jurisdiction. The District will obtain the City's approval of civil engineering plans and will obtain applicable permits for construction and installation of Public Improvements prior to performing such work.

6. Privately Placed Debt Limitation. Prior to the issuance of any privately placed Debt, the District shall obtain the certification of an External Financial Advisor substantially as follows:

We are [I am] an External Financial Advisor within the meaning of the District's Service Plan.

We [I] certify that (1) the net effective interest rate (calculated as defined in Section 32-1-103(12), C.R.S.) to be borne by [insert the designation of the Debt] does not exceed a reasonable current [tax-exempt] [taxable] interest rate, using criteria deemed appropriate by us [me] and based upon our [my] analysis of comparable high yield securities; and (2) the structure of [insert designation of the Debt], including maturities and early redemption provisions, is reasonable considering the financial circumstances of the District.

7. Inclusion Limitation. The Districts shall not include within any of their boundaries any property outside the Service Area without the prior written consent of the City. The Districts shall not include within any of its boundaries any property inside the inclusion area boundaries without the prior written consent of the City except upon petition of the fee owner or owners of 100 percent of such property as provided in Section 32-1-401(1)(a), C.R.S.

8. Overlap Limitation. The District shall not consent to the organization of any other district organized under the Special District Act within the Service Area which will overlap the boundaries of the District unless the aggregate mill levy for payment of Debt of such proposed districts will not at any time exceed the Maximum Debt Mill Levy of the District.

9. Initial Debt Limitation. On or before the effective date of approval by the City of an Approved Development Plan, the District shall not: (a) issue any Debt; nor (b) impose a mill levy for the payment of Debt by direct imposition or by transfer of funds from the operating fund to the Debt service funds; nor (c) impose and collect any Fees used for the purpose of repayment of Debt.

~~10. — Total Debt Issuance Limitation. The District shall not issue Debt in excess of _____ Dollars (\$ _____) in the aggregate; provided, however, that any Debt issued by the Districts for ARI Regional Improvements shall not be included within this limitation and shall be subject to the limitations set forth in Section VI.~~

11.10. Fee Limitation. The District may impose and collect Fees as a source of revenue for repayment of debt, capital costs, and/or for operations and maintenance. No Fee related to the funding of costs of a capital nature shall be authorized to be imposed upon or collected from Taxable Property owned or occupied by an End User which has the effect, intentional or otherwise, of creating a capital cost payment obligation in any year on any Taxable Property owned or occupied by an End User. Notwithstanding any of the foregoing, the restrictions in this definition shall not apply to any Fee imposed upon or collected from Taxable Property for the purpose of funding operation and maintenance costs of the District.

12.11. Monies from Other Governmental Sources. The District shall not apply for or accept Conservation Trust Funds, Great Outdoors Colorado Funds, or other funds available from or through governmental or non-profit entities that the City is eligible to apply for, except pursuant to an intergovernmental agreement with the City. This Section shall not apply to specific ownership taxes which shall be distributed to and be a revenue source for the District without any limitation.

13.12. Consolidation Limitation. The District shall not file a request with any Court to consolidate with another Title 32 district without the prior written consent of the City.

14.13. Bankruptcy Limitation. All of the limitations contained in this Service Plan, including, but not limited to, those pertaining to the Maximum Debt Mill Levy, Maximum Debt Mill Levy Imposition Term and the Fees have been established under the authority of the City to approve a Service Plan with conditions pursuant to Section 32-1-204.5, C.R.S. It is expressly intended that such limitations:

(a) Shall not be subject to set-aside for any reason or by any court of competent jurisdiction, absent a Service Plan Amendment; and

(b) Are, together with all other requirements of Colorado law, included in the “political or governmental powers” reserved to the State under the U.S. Bankruptcy Code (11 U.S.C.) Section 903, and are also included in the “regulatory or electoral approval necessary under applicable nonbankruptcy law” as required for confirmation of a Chapter 9 Bankruptcy Plan under Bankruptcy Code Section 943(b)(6).

~~Any Debt, issued with a pledge or which results in a pledge, that exceeds the Maximum Debt Mill Levy and the Maximum Debt Mill Levy Imposition Term, shall be deemed a material modification of this Service Plan pursuant to Section 32-1-207, C.R.S. and shall not be an authorized issuance of Debt unless and until such material modification has been approved by the City as part of a Service Plan Amendment.~~

15.14. Service Plan Amendment Requirement. This Service Plan has been designed with sufficient flexibility to enable the District to provide required services and facilities under evolving circumstances without the need for numerous amendments. Actions of the District which violate the limitations set forth in V.A.1-134 above or in VII.B-GF. shall be deemed to be material modifications to this Service Plan and the City shall be entitled to all remedies available under State and local law to enjoin such actions of the District.

B. Preliminary Engineering Survey.

The District shall have authority to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, maintenance, and financing of the Public Improvements within and without the boundaries of the District, to be more specifically defined in an Approved Development Plan. An estimate of the costs of the Public Improvements which may be planned for, designed, acquired, constructed, installed, relocated, redeveloped, maintained or financed was prepared based upon a preliminary engineering survey and estimates derived from the zoning on the property in the Service Area and is approximately _____ Dollars (\$ _____).

All of the Public Improvements will be designed in such a way as to assure that the Public Improvements standards will be compatible with those of the City and shall be in accordance with the requirements of the Approved Development Plan. All construction cost estimates are based on the assumption that construction conforms to applicable local, State or Federal requirements.

VI. REGIONAL IMPROVEMENTS

The District shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment and a contribution to the funding of the Regional Improvements and fund the administration and overhead costs related to the provisions of the Regional Improvements incurred as a result of participation in the alternatives set forth in Section VI.A, B or C below.

The District shall impose the ARI Mill Levy and shall convey it as follows:

A. If the District has executed an ARI Authority Establishment Agreement and the City has been offered the opportunity to execute an ARI Authority Establishment Agreement, the terms of which provide for the City to appoint no less than thirty percent (30%) and no more than forty-nine percent (49%) of the Board members who will serve as the board of directors of the ARI Authority to be established by such ARI Authority Establishment Agreement, regardless as to whether the City approves the execution of such ARI Authority Establishment Agreement, the

revenue from the ARI Mill Levy shall be conveyed to the ARI Authority for the planning, designing, constructing, installing, acquiring, relocating, redeveloping or financing of the Regional Improvements in the ARI Master Plan and for the operations of such ARI Authority; or

B. If the City and the District have executed an intergovernmental agreement then the revenue from the ARI Mill Levy shall be conveyed to the City for use in planning, designing, constructing, installing, acquiring, relocating, redeveloping or financing of the Regional Improvements which benefit the service users and taxpayers of the District in accordance with such agreement; or

C. If neither Section VI.A nor VI.B above is applicable then the revenue shall be conveyed to the City and (i) the City shall place in a special account all revenues received from the ARI Mill Levy imposed in the Service Area under this Section VI and shall not expend such revenue until an intergovernmental agreement is executed between the District establishing the terms and conditions for the provision of the Regional Improvements; and (ii) if the intergovernmental agreement is not executed within two (2) years from the date of the approval of the Service Plan by the City and neither Section VI.A nor VI.B above have occurred within two (2) years from the date of the approval of the Service Plan by the City, then the revenue from the ARI Mill Levy shall be conveyed to the City for use by the City in the planning, designing, constructing, installing, acquiring, relocating, redeveloping or financing of the Regional Improvements which benefit the service users or taxpayers of the District as prioritized and determined by the City.

~~As set forth in the definition of the ARI Mill Levy, the District may, pursuant to any intergovernmental agreement with the City, extend the terms for application of the ARI Mill Levy beyond the years set forth in Sections VI.A and VI. B above. The Maximum Mill Levy Imposition Term shall include the terms and any extension of such terms, as set forth in Sections A, B and C of the definition of the ARI Mill Levy.~~

The District shall impose the ARI Mill Levy as follows:

D. For a Residential District, the mill levy imposed for payment of the costs of the planning, design, permitting, construction, acquisition and financing of the improvements described in the ARI Master Plan, which: (i) shall be one (1) mill for collection beginning for each district in the first year of collection of a debt service mill levy by such district and continuing in each year thereafter through the twentieth (20th) year; and (ii) shall be five (5) mills from the twenty-first (21st) year through the fortieth (40th) year or the date of repayment of the debt incurred for Public Improvements, other than Regional Improvements, which ever first occurs; and (iii) for an additional ten (10) years, the mill levy shall be 45 mills; and

~~For a Commercial District, the mill levy imposed for payment of the costs of the planning, design, permitting, construction, acquisition and financing of the improvements described in the ARI Master Plan, which: (i) shall be one (1) mill for collection beginning for each district in the first year of collection of a debt service mill levy by such district and continuing in each year thereafter through the twentieth (20th) year; (ii) shall be one and one-half (1.5) mills from the twenty-first (21st) year through the date of repayment of debt incurred for~~

~~Public Improvements, other than Regional Improvements; and (iii) for five (5) years thereafter, the mill levy shall be the lesser of twenty (20) mills or a mill levy equal to the average debt service mill levy imposed by such district in the ten (10) years prior to the date of repayment of debt issued for Public Improvements, other than Regional Improvements; and; and~~

~~E. The District may, pursuant to any intergovernmental agreement with the City, extend the term for application of the ARI Mill Levy beyond the years set forth in Sections VI. A and VI. B above. The Maximum Mill Levy Imposition Term shall include the terms set forth in Sections VI. A VI. B and VI. C above and any extension of the term as approved in an intergovernmental agreement as described herein.~~

~~F. All mills described in this Section VI. are subject to the Gallagher Adjustment.~~

~~———— All mills described in this ARI Mill Levy definition shall be subject to adjustment as follows: On or after January 1, 2004, if there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the one (1) mill levy described above may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted for changes occurring after January 1, 2004, are neither diminished nor enhanced as a result of such changes, for purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.~~

The Regional Improvements shall be limited to the provision of the planning, design, acquisition, construction, installation, relocation and/or redevelopment of street and transportation related improvements as defined in the Special District Act and the administration and overhead costs incurred as a result of participation in the alternative set forth in Section VI.A, B or C set forth above, unless the City has agreed otherwise in writing; provided, however in no event shall the Regional Improvements include water or sanitary sewer improvements unless such improvements are necessary as a part of completing street and transportation related improvements. The District shall cease to be obligated to impose, collect and convey to the City the revenue from the ARI Mill Levy described in this Section VI at such time as the area within the District's boundaries is included within a different district organized under the Special District Act, or a General Improvement District organized under Section 31-25-601, et seq., C.R.S., or Business Improvement District organized under Section 31-25-1201, et seq., C.R.S., which other district has been organized to fund a part or all of the Regional Improvements.

The District shall have the authority to issue Debt for the Regional Improvements, in an amount not to exceed _____ Dollars (\$ _____) pursuant to agreements as described in VI.A, B or C above. Such limit is not subject to the Total Debt Issuance Limitation described in section VII below.

VII. FINANCIAL PLAN

A. General.

The District shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of the Public Improvements from its revenues and by and through the proceeds of Debt to be issued by the District. The Financial Plan for the District shall be to issue such Debt as the District can reasonably pay within the Maximum Debt Mill Levy Imposition Term from revenues derived from the Maximum Debt Mill Levy, Fees and other legally available revenues. All bonds and other Debt issued by the District may be payable from any and all legally available revenues of the District, including general ad valorem taxes and Fees to be imposed upon all Taxable Property within the District. The District will also rely upon various other revenue sources authorized by law. These will include the power to assess Fees, rates, tolls, penalties, or charges as provided in Section 32-1-1001(1), C.R.S., as amended from time to time.

B. Total Debt Issuance Limitation.

The total Debt that the District shall be permitted to issue shall not exceed _____ Dollars (\$ _____) (exclusive of Debt issued for Regional Improvements described in Section VI above) and shall be permitted to be issued on a schedule and in such year or years as the District determine shall meet the needs of the Financial Plan referenced above and phased to serve development as it occurs. ~~All bonds and other Debt issued by the District may be payable from any and all legally available revenues of the District, including general ad valorem taxes and Fees to be imposed upon all Taxable Property within the District. The District will also rely upon various other revenue sources authorized by law. These will include the power to assess Fees, rates, tolls, penalties, or charges as provided in Section 32-1-1001(1), C.R.S., as amended from time to time.~~

B.C. Maximum Voted Interest Rate and Maximum Underwriting Discount.

The interest rate on any Debt is expected to be the market rate at the time the Debt is issued. In the event of a default, the proposed maximum interest rate on any Debt is not expected to exceed eighteen percent (18%). The proposed maximum underwriting discount will be five percent (5%). Debt, when issued, will comply with all relevant requirements of this Service Plan, State law and Federal law as then applicable to the issuance of public securities.

C.D. Maximum Debt Mill Levy.

The “Maximum Debt Mill Levy” shall be the maximum mill levy the District is permitted to impose upon the taxable property within the District for payment of Debt, and shall be determined as follows:

1. For the portion of any aggregate District’s Debt which exceeds fifty percent (50%) of the District’s assessed valuation, the Maximum Debt Mill Levy for such portion of Debt shall be fifty (50) mills less the number of mills necessary to pay unlimited mill levy Debt described in Section VII.C.2 below; ~~provided that if, on or after January 1, 2004, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such Debt may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in~~

~~good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted for changes occurring after January 1, 2004, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation subject to the Gallagher Adjustment.~~

2. For the portion of any aggregate District's Debt which is equal to or less than fifty percent (50%) of the District's assessed valuation, either on the date of issuance or at any time thereafter, the mill levy to be imposed to repay such portion of Debt shall not be subject to the Maximum Debt Mill Levy and, as a result, the mill levy may be such amount as is necessary to pay the Debt service on such Debt, without limitation of rate.

3. For purposes of the foregoing, once Debt has been determined to be within Section VII.C.2 above, so that the District is entitled to pledge to its payment an unlimited ad valorem mill levy, the District may provide that such Debt shall remain secured by such unlimited mill levy, notwithstanding any subsequent change in the District's Debt to assessed ratio. All Debt issued by the District must be issued in compliance with the requirements of Section 32-1-1101, C.R.S. and all other requirements of State law.

To the extent that the District is composed of or subsequently organized into one or more subdistricts as permitted under Section 32-1-1101, C.R.S., the term "District" as used herein shall be deemed to refer to the District and to each such subdistrict separately, so that each of the subdistricts shall be treated as a separate, independent district for purposes of the application of this definition.

The Maximum Debt Mill Levy shall not apply to the District's Operations and Maintenance Mill Levy for the provision of operation and maintenance services to the District's taxpayers and service users as set for in Section VII.K below.

D.E. Maximum Debt Mill Levy Imposition Term.

The District shall have the authority to impose the ARI Mill Levy for the terms as set forth in Section VI. Other than the ARI Mill Levy, the District shall not impose a levy for repayment of any and all Debt (or use the proceeds of any mill levy for repayment of Debt) on any single property ~~developed for residential uses in a Residential District~~ which exceeds forty (40) years after the year of the initial imposition of such mill levy unless a majority of the Board of Directors of the District are residents of the District and have voted in favor of a refunding of a part or all of the Debt and such refunding will result in a net present value savings as set forth in Section 11-56-101, C.R.S.; et seq.

F. Excessive Mill Levy Pledges

Any Debt, issued with a pledge or which results in a pledge, that exceeds the Maximum Debt Mill Levy and the Maximum Debt Mill Levy Imposition Term, shall be deemed a material modification of this Service Plan pursuant to Section 32-1-207, C.R.S. and shall not be

an authorized issuance of Debt unless and until such material modification has been approved by the City as part of a Service Plan Amendment.

E.G. Debt Repayment Sources.

The District may impose a mill levy on taxable property within its boundaries as a primary source of revenue for repayment of debt service and for operations and maintenance. The District may also rely upon various other revenue sources authorized by law. At the District's discretion, these may include the power to assess Fees, rates, tolls, penalties, or charges as provided in Section 32-1-1001(I), C.R.S., as amended from time to time. In no event shall the debt service mill levy in the District exceed the Maximum Debt Mill Levy or, for residential property within the District, the Maximum Debt Mill Levy Imposition Term, except pursuant to an intergovernmental agreement between the District and the City for Regional Improvements.

F.H. Debt Instrument Disclosure Requirement.

In the text of each Bond and any other instrument representing and constituting Debt, the District shall set forth a statement in substantially the following form:

By acceptance of this instrument, the owner of this Bond agrees and consents to all of the limitations in respect of the payment of the principal of and interest on this Bond contained herein, in the resolution of the District authorizing the issuance of this Bond and in the Service Plan for creation of the District.

Similar language describing the limitations in respect of the payment of the principal of and interest on Debt set forth in this Service Plan shall be included in any document used for the offering of the Debt for sale to persons, including, but not limited to, a developer of property within the boundaries of the District.

G.I. Security for Debt.

The District shall not pledge any revenue or property of the City as security for the indebtedness set forth in this Service Plan. Approval of this Service Plan shall not be construed as a guarantee by the City of payment of any of the District's obligations; nor shall anything in the Service Plan be construed so as to create any responsibility or liability on the part of the City in the event of default by the District in the payment of any such obligation.

H.J. TABOR Compliance.

The District will comply with the provisions of TABOR. In the discretion of the Board, the District may set up other qualifying entities to manage, fund, construct and operate facilities, services, and programs. To the extent allowed by law, any entity created by the District will remain under the control of the District's Board.

I.K. District's Operating Costs.

The estimated cost of acquiring land, engineering services, legal services and administrative services, together with the estimated costs of the District's organization and initial operations, are anticipated to be _____ Dollars (\$ _____), which will be eligible for reimbursement from Debt proceeds.

In addition to the capital costs of the Public Improvements, the District will require operating funds for administration and to plan and cause the Public Improvements to be constructed and maintained. The first year's operating budget is estimated to be _____ Dollars (\$ _____) which is anticipated to be derived from property taxes and other revenues.

~~The Maximum Debt Mill Levy for the repayment of Debt shall not apply to the District's ability to increase its a mill levy for provision of operation and maintenance services to its taxpayers and service users. For a Residential District, upon such District's imposition of a mill levy for repayment of Debt, the Operations and Maintenance Mill Levy shall not exceed thirty-five (35) mills, subject to the Gallagher Adjustment, unless a majority of the Board of Directors are residents of the District and have voted in favor of increasing the Operations and Maintenance Mill Levy.~~

L. Agreed Upon Procedures Examination.

~~For a Residential District, at such time that a majority of Board of Directors of the District are residents of the District, the District shall have engaged the services of a certified public accountant for an Agreed Upon Procedures Engagement. The Board of Directors, in its discretion, will set the scope and the procedures for the engagement.~~

VIII. ANNUAL REPORT

A. General.

The District shall be responsible for submitting an annual report to the Manager of the Office of Development Assistance of the City Manager's Office no later than August 1st of each year following the year in which the Order and Decree creating the District has been issued.

B. Reporting of Significant Events.

The annual report shall include information as to any of the following:

1. Boundary changes made or proposed to the District's boundary as of December 31 of the prior year.
2. Intergovernmental Agreements with other governmental entities, either entered into or proposed as of December 31 of the prior year.

3. Copies of the District’s rules and regulations, if any as of December 31 of the prior year.
4. A summary of any litigation which involves the District Public Improvements as of December 31 of the prior year.
5. Status of the District’s construction of the Public Improvements as of December 31 of the prior year.
6. A list of all facilities and improvements constructed by the District that have been dedicated to and accepted by the City as of December 31 of the prior year.
7. The assessed valuation of the District for the current year.
8. Current year budget including a description of the Public Improvements to be constructed in such year.
9. Audit of the District’s financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.
10. Notice of any uncured events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument.
11. Any inability of the District to pay its obligations as they come due, in accordance with the terms of such obligations, which continue beyond a ninety (90) day period.

IX. DISSOLUTION

Upon an independent determination of the City Council that the purposes for which the District was created have been accomplished, the District agrees to file petitions in the appropriate District Court for dissolution, pursuant to the applicable State statutes. In no event shall a dissolution occur until the District has provided for the payment or discharge of all of their outstanding indebtedness and other financial obligations as required pursuant to State statutes.

X. DISCLOSURES-AND MEETINGSTO-PURCHASERS

X.A. Disclosure to Purchasers.

The District will use reasonable efforts to assure that all developers of the property located within the District provide written notice to all purchasers of property in the District regarding the Maximum Debt Mill Levy, as well as a general description of the District’s authority to impose and collect rates, Fees, tolls and charges. ~~The form of notice shall be filed with the City prior to the initial issuance of the Debt of the District imposing the mill levy which is the subject of the Maximum Debt Mill Levy conform with the City’s standard model disclosure attached hereto as Exhibit E as may be amended from time to time. The City shall be provided a~~

copy of the notice prior to the initial issuance of Debt of the District imposing the mill levy which is the subject of the Maximum Debt Mill Levy.

B. Website.

Prior to the initial issuance of Debt, the District shall create and maintain a website for access by the general public containing, at a minimum, the following information:

1. Contact information for principal business office

2. Names and positions of board members

3. Board member terms

4. Board meeting agendas and minutes

5. All Annual Reports

6. Annual financial statements prepared by the Board

7. Audit reports of annual financial statements

8. Adopted budgets and budget amendments

9. Postings for public meetings

10. Any and all election filings for candidates to the Board of Directors that are provided to the Secretary of State pursuant to 8 CCR 1505-6.

C. Meetings.

All special and regular District meetings shall be open to the public and shall be held at a location within the District boundaries or, if a suitable meeting facility is not within the District boundaries, then within the City. If, due to matters of public health or safety an in-person meeting is impracticable, the meetings may be held virtually with participation via teleconference, webcast, video conference or other technological means. The District shall provide annual notice to all eligible electors of the District, in accordance with Section 32-1-809, C.R.S. In addition, the District shall record a District public disclosure document and a map of the District boundaries with the Clerk and Recorder of each County in which District property is located, in accordance with Section 32-1-104.8, C.R.S. The District shall use reasonable efforts to ensure that copies of the annual notice, public disclosure document and map of the District boundaries are provided to potential purchasers of real property within the District as part of the seller's required property disclosures.

XI. INTERGOVERNMENTAL AGREEMENT

The form of the intergovernmental agreement required by the City Code, relating to the limitations imposed on the District's activities, is attached hereto as **Exhibit D**. The District shall approve the intergovernmental agreement in the form attached as **Exhibit D** at its first Board meeting after its organizational election. Failure of the District to execute the intergovernmental agreement as required herein shall constitute a material modification and shall require a Service Plan Amendment. The City Council shall approve the intergovernmental agreement in the form attached as **Exhibit D** at the public hearing approving the Service Plan.

XII. CONCLUSION

It is submitted that this Service Plan for the District, as required by Section 32-1-203(2), C.R.S., and Section 122-35 of the City Code, establishes that:

1. There is sufficient existing and projected need for organized service in the area to be serviced by the District;
2. The existing service in the area to be served by the District is inadequate for present and projected needs;
3. The District is capable of providing economical and sufficient service to the area within its proposed boundaries; and
4. The area to be included in the District does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.
5. Adequate service is not, and will not be, available to the area through the City or county or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis.
6. The facility and service standards of the District are compatible with the facility and service standards of the City within which the special district is to be located and each municipality which is an interested party under Section 32-1-204(1), C.R.S.
7. The proposal is in substantial compliance with a comprehensive plan adopted pursuant to the City Code.
8. The proposal is in compliance with any duly adopted City, regional or state long-range water quality management plan for the area.
9. The creation of the District is in the best interests of the area proposed to be served.

EXHIBIT A

Legal Descriptions

EXHIBIT B

Aurora Vicinity Map

EXHIBIT C-1

Initial District Boundary Map

EXHIBIT C-2

Inclusion Area Boundary Map

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EXHIBIT D

Disclosure to Purchasers

**[] METROPOLITAN DISTRICT
DISCLOSURE TO PURCHASERS**

This Disclosure to Purchasers has been prepared by [] Metropolitan District (the “District”) to provide prospective property owners with general information regarding the District and its operations. This Disclosure to Purchasers is intended to provide an overview of pertinent information related to the District and does not purport to be comprehensive or definitive. You are encouraged to independently confirm the accuracy and completeness of all statements contained herein.

DISTRICT’S ORGANIZATION / SERVICE PLAN

The Property within the [] development is located within the boundaries of the District. The District is a quasi-municipal corporation and political subdivision of the State of Colorado organized in the City of Aurora. The District operates pursuant to its Service Plan, as approved by the City Council of the City of Aurora (the “City”) on [] (the “Service Plan”) and by the powers authorized by Section 32-1-1004, of the Colorado Revised Statutes (the “C.R.S.”).

The purpose of the District is to plan for, design, acquire, construct, install, relocate, redevelop and finance certain water, sanitary sewer and storm sewer, street, and safety protection improvements and services as defined in the Service Plan.

The District’s Service Plan, which can be amended from time to time, includes a description of the District’s powers and authority. A copy of the District’s Service Plan is available from the Division of Local Government in the State Department of Local Affairs (the “Division”).

DISTRICT BOARD OF DIRECTORS

The District is governed by a five-member Board of Directors, who must be qualified as eligible electors of the District. The Board’s regular meeting dates may be obtained from the District Manager, []; (303) [] / District Counsel, []
[]; (303) [].

DEBT AUTHORIZATION

Pursuant to its Service Plan, the District has authority to issue up to [] Dollars (\$[]) of debt to provide and pay for public infrastructure improvement costs.

Any debt issued by the District will be repaid through ad valorem property taxes, from a District imposed debt service mill levy on all taxable property of the District, together with any other legally available revenues of the District.

TAXES AND FEES IMPOSED ON PROPERTIES WITHIN THE DISTRICT

Ad Valorem Property Taxes

The District’s primary source of revenue is from property taxes imposed on property within the District. Along with other taxing entities, the District certifies a mill levy by December 15th of each year which determines the taxes paid by each property owner in the following year. The District imposed a total combined Mill Levy of [] mills for tax collection year 20[] (as described below). The total anticipated overlapping mill levy for the property within the District for tax collection year 20[] is [] mills (inclusive of the District’s Mill Levy), as described in the “Overlapping Mill Levy” section below.

Debt Service Mill Levy

The maximum debt service mill levy the District is permitted to impose under the Service Plan (“**Debt Mill Levy Cap**”) for the portion of any aggregate District’s Debt which exceeds [] percent ([]%) of the District’s assessed valuation, the Maximum Debt Mill Levy for such portion of Debt shall be [] ([]) mills less the number of mills necessary to pay unlimited mill levy Debt. The Debt Mill Levy Cap may be adjusted due to changes in the statutory or constitutional method of assessing property tax or in the assessment ratio. The purpose of such adjustment is to assure, to the extent possible, that the actual tax revenues generated by the mill levy are neither decreased nor increased, as shown in the example below.

Operations Mill Levy

In addition to imposing a debt service mill levy, the District is also authorized by the Service Plan to impose a separate mill levy to generate revenues for the provision of administrative, operations and maintenance services (the “**Operations and Maintenance Mill Levy**”). The amount of the Operations and Maintenance Mill Levy may be increased as necessary, separate and apart from the Debt Mill Levy Cap.

[*LANGUAGE BELOW IF DISTRICT OPERATES AS HOA – DELETE IF NOT APPLICABLE]

The District operates in place of an owners association for the [] to pay for the costs associated with covenant enforcement and design review services, as well as providing for the operation and maintenance of the [], with the imposition of the Operations and Maintenance Mill Levy, which was imposed at [] mills for tax collection year 20[]. The District’s ability to increase its mill levy for provision of operation and maintenance services without an election is constrained by statutory and constitutional limits.

In addition, each [] will be subject to an additional fee of approximately \$[] per year per [], which fee is subject to amendment by the District Board of Directors from time to time, to cover the costs associated with [].

There are several benefits to the use of a metropolitan district as opposed to, or in cooperation with, an owners association, including, but not limited to the following:

B. Cost Efficiency. Metropolitan districts fund their operations from revenues generated from real property taxes while homeowner’s associations assess dues and collect them from property owners. A metropolitan district can, therefore, operate more efficiently than an owners association as the collection of taxes is significantly more effective than separately billing individual homeowners, and dealing with the collection efforts.

C. Tax Deduction. Taxes paid to a metropolitan district are deductible from income taxes, in general, while owners’ association dues are generally not.

D. Homeowner Savings. Out of pocket expenses for the homeowner are generally significantly less when paid through ad valorem tax as opposed to owners association dues.

E. Transparency. A metropolitan district is subject to various regulatory requirements that an owners association is not, such as annual reporting of budgets and audited financials; annual audits, or audit exemptions, are required, not just recommended as with an owners association.

THE FOLLOWING EXAMPLE IS PROVIDED SOLELY FOR THE PURPOSE OF ILLUSTRATION AND IS NOT TO BE INTERPRETED AS A REPRESENTATION OF ANY ACTUAL CURRENT OR FUTURE VALUE INCLUDING, BUT NOT LIMITED TO, ANY ACTUAL VALUE, ASSESSMENT RATIO, OR MILL LEVY.

District Property Tax Calculation Example-Reduction in Residential Assessment Ratio

<u>Tax Collection Year</u>	<u>Actual Value (V)</u>	<u>Assessment Ratio (R)</u>	<u>Assessed Value (AV) [V x R = AV]</u>	<u>Mill Levy¹/Rate² (M)</u>	<u>Amount of District Tax Due [AV x M]</u>
(a) 20[]	\$[]	7.96%	\$[]	[]/[]	\$[]
(b) 20[]	\$[]	7.20%	\$[]	[]/[]	\$[]

¹ Based on a projected mill levy, not a representation of any actual current or future mill levy

² Each mill is equal to 1/1000th of a dollar

A. If in 20[] the Actual Value of the Property is \$[], and the Residential Assessment Ratio established by the State Legislature for that year is []%, the Assessed Value of the Property is \$[] (i.e., \$[] x []% = \$[]). If the District certifies a combined debt and operations mill levy of [] mills, it would generate approximately \$[] in revenue for the District.

B. If in 20[] the Actual Value of the Property remains at \$[], but if the State Legislature should determine to change the Residential Assessment Ratio for that year to []%, the Assessed Value would be \$[] (i.e., \$[] x []% = \$[]). Therefore, the District would need to certify a [] mill levy in order to generate the same revenue as in 20[].

Overlapping Mill Levies

In addition to the District’s imposed mill levies for debt and operations as described above, the property located within the District is also subject to additional “overlapping” mill levies from additional taxing authorities. The overlapping mill levy for tax collection year 20[], for the property within the District, exclusive of the District’s imposed mill levies was []. Mill levies are certified in December of each year, and generally published by the County by the end of the first quarter. [Therefore, we are unable to provide more detailed information on the anticipated overlapping mill levy for 20[] at this time.] The breakdown of the estimated overlapping mill levies is as follows:

Taxing Authority	Levy
[] School Dist 5 (20[])	[]
[] County (20[])	[]
City of [] (20[])	[]
Developmental Disability (20[])	[]
Urban Drainage & Flood (20[])	[]
Urban Drainage & Flood (S Platte) (20[])	[]
TOTAL OVERLAPPING MILL LEVY (20[])	[]
[] Metropolitan District (20[])	[]
TOTAL WITH DISTRICT MILL LEVY	[]

Overlapping Mill Levy Property Tax Calculation Example

Tax Collection Year	Actual Value (V)	Assessment Ratio (R)	Assessed Value (AV) [V x R = AV]	Mill Levy¹/Rate² (M)	Amount of Total Property Tax Due [AV x M]
(a) 20[]	\$[]	7.20%	\$[]	[]/[]	\$[]

¹ Based on a projected mill levy, not a representation of any actual current or future mill levy

² Each mill is equal to 1/1000th of a dollar

THE ABOVE EXAMPLE IS PROVIDED SOLELY FOR THE PURPOSE OF ILLUSTRATION AND IS NOT TO BE INTERPRETED AS A REPRESENTATION OF ANY ACTUAL CURRENT OR FUTURE VALUE INCLUDING, BUT NOT LIMITED TO, ANY ACTUAL VALUE, ASSESSMENT RATIO, OR MILL LEVY.

If in 20[____], all other overlapping entities maintain their 20[____] mill levies, the total mill levy with all overlapping entities for tax collection year 20[____] is anticipated to be [_____] mills (inclusive of the District's [_____] mill levy imposition). Note, as stated above, mill levies are certified in December of each year, therefore, we are unable to provide more detailed information regarding the 20[____] overlapping mill levies at this time.

Fees

In addition to property taxes, the District may also rely upon various other revenue sources authorized by law to offset the expenses of capital construction and district management, operations and maintenance. Pursuant to its Service Plan, the District has the power to assess fees, rates, tolls, penalties, or charges as provided in Title 32 of the Colorado Revised Statutes, as amended. [The District has adopted a Resolution imposing certain fees.] For a current fee schedule, please contact the District Manager at the contact information below.

DISTRICT BOUNDARIES

This Disclosure shall apply to the property within the boundaries of the District, which property is described on **Exhibit A** and **Exhibit B**, both attached hereto and incorporated herein by this reference.

CONTACT INFORMATION

Should you have any questions with regard to these matters, please contact:

District Manager:

[_____]

[_____]

[_____]

Phone: [_____]

Dated this [_____] day of [_____], 20[_____].

EXHIBIT 1A

Map of District Boundaries

EXHIBIT 2B

Legal Description of District Boundaries

EXHIBIT ~~D~~E

Intergovernmental Agreement between the District and Aurora

[SINGLE DISTRICT SINGLE SERVICE PLAN]

INTERGOVERNMENTAL AGREEMENT BETWEEN

THE CITY OF AURORA, COLORADO

AND

_____ METROPOLITAN DISTRICT

THIS AGREEMENT is made and entered into as of this ___ day of _____, _____, by and between the CITY OF AURORA, a home-rule municipal corporation of the State of Colorado (“City”), and _____ METROPOLITAN DISTRICT, a quasi-municipal corporation and political subdivision of the State of Colorado (the “District”). The City and the District are collectively referred to as the Parties.

RECITALS

WHEREAS, the District was organized to provide those services and to exercise powers as are more specifically set forth in the District’s Service Plan approved by the City on _____ (“Service Plan”); and

WHEREAS, the Service Plan makes reference to the execution of an intergovernmental agreement between the City and the District, as required by the Aurora City Code; and

WHEREAS, the City and the District have determined it to be in the best interests of their respective taxpayers, residents and property owners to enter into this Intergovernmental Agreement (“Agreement”).

NOW, THEREFORE, in consideration of the covenants and mutual agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

COVENANTS AND AGREEMENTS

1. Operations and Maintenance. The Districts shall dedicate the Public Improvements (as defined in the Service Plan) to the City or other appropriate jurisdiction or owners association in a manner consistent with the Approved Development Plan and other rules and regulations of the City and applicable provisions of the City Code. The Districts shall be authorized, but not obligated, to own, operate and maintain Public Improvements not otherwise required to be dedicated to the City or other public entity, including, but not limited to street improvements (including roads, curbs, gutters, culverts, sidewalks, bridges, parking facilities, paving, lighting, grading, landscaping, and other street improvements), traffic and safety controls, retaining walls, park and recreation improvements and facilities, trails, open space, landscaping, drainage improvements (including detention and retention ponds, trickle channels, and other drainage facilities), irrigation system improvements (including wells, pumps, storage facilities, and distribution facilities), and all necessary equipment and appurtenances incident thereto.

Any Fee imposed by the District for access to such park and recreation improvements shall not result in Non-District City residents paying a user fee that is greater than, or otherwise disproportionate to, similar fees and taxes paid by residents of the District. However, the District shall be entitled to impose an administrative fee as necessary to cover additional expenses associated with Non-District City residents to ensure that such costs are not the responsibility of District residents. All such Fees shall be based upon the District's determination that such Fees do not exceed reasonable annual market fee for users of such facilities. Notwithstanding the foregoing, all parks and trails owned by the Districts shall be open to the general public and Non-District City residents, subject to the rules and regulations of the Districts as adopted from time to time. Trails which are interconnected with a city or regional trail system shall be open to the public free of charge and on the same basis as residents and owners of taxable property within the Districts.

2. Fire Protection. The District shall not be authorized to plan for, design, acquire, construct, install, relocate, redevelop, finance, operate or maintain fire protection facilities or services, unless such facilities and services are provided pursuant to an intergovernmental agreement with the City. The authority to plan for, design, acquire, construct, install, relocate, redevelop or finance fire hydrants and related improvements installed as part of the water system shall not be limited by this provision.

3. Television Relay and Translation. The District shall not be authorized to plan for, design, acquire, construct, install, relocate, redevelop, finance, operate or maintain television relay and translation facilities and services, other than for the installation of conduit as a part of a street construction project, unless such facilities and services are provided pursuant to an intergovernmental agreement with the City.

4. Golf Course Construction. The District shall not be authorized to plan, design, acquire, construct, install, relocate, redevelop, finance, operate or maintain a golf course unless such activity is pursuant to an intergovernmental agreement with the City.

5. Construction Standards. The District will ensure that the Public Improvements are designed and constructed in accordance with the standards and specifications of the City and of other governmental entities having proper jurisdiction and of those special districts that qualify as "interested parties" under Section 32-1-204(1), C.R.S., as applicable. The District will obtain the City's approval of civil engineering plans and will obtain applicable permits for construction and installation of Public Improvements prior to performing such work.

6. Issuance of Privately Placed Debt. Prior to the issuance of any privately placed Debt, the District shall obtain the certification of an External Financial Advisor substantially as follows:

We are [I am] an External Financial Advisor within the meaning of the District's Service Plan.

We [I] certify that (1) the net effective interest rate (calculated as defined in Section 32-1-103(12), C.R.S.) to be borne by [insert the designation of the Debt] does not exceed a reasonable current [tax-

exempt] [taxable] interest rate, using criteria deemed appropriate by us [me] and based upon our [my] analysis of comparable high yield securities; and (2) the structure of [insert designation of the Debt], including maturities and early redemption provisions, is reasonable considering the financial circumstances of the District.

7. Inclusion Limitation. The Districts shall not include within any of their boundaries any property outside the Service Area without the prior written consent of the City. The Districts shall not include within any of its boundaries any property inside the inclusion area boundaries without the prior written consent of the City except upon petition of the fee owner or owners of 100 percent of such property as provided in Section 32-1-401(1)(a), C.R.S.

8. Overlap Limitation. The District shall not consent to the organization of any other district organized under the Special District Act within the Service Area which will overlap the boundaries of the District unless the aggregate mill levy for payment of Debt of such proposed districts will not at any time exceed the Maximum Debt Mill Levy of the District.

9. Initial Debt. On or before the effective date of approval by the City of an Approved Development Plan (as defined in the Service Plan), the District shall not: (a) issue any Debt; nor (b) impose a mill levy for the payment of Debt by direct imposition or by transfer of funds from the operating fund to the Debt service funds; nor (c) impose and collect any fees used for the purpose of repayment of Debt.

10. Total Debt Issuance. The District shall not issue Debt in excess of _____ Dollars (\$ _____). in the aggregate; provided, however, that any Debt issued by the Districts for ARI Regional Improvements shall not be included within this limitation and shall be subject to the limitations set forth in Section VI of the Service Plan.

11. Fee Limitation. The District may impose and collect Fees as a source of revenue for repayment of debt, capital costs, and/or for operations and maintenance. No Fee related to the funding of costs of a capital nature shall be authorized to be imposed upon or collected from Taxable Property owned or occupied by an End User which has the effect, intentional or otherwise, of creating a capital cost payment obligation in any year on any Taxable Property owned or occupied by an End User. Notwithstanding any of the foregoing, the restrictions in this definition shall not apply to any Fee imposed upon or collected from Taxable Property for the purpose of funding operation and maintenance costs of the District.

12. Debt Issuance Limitation. The District shall not be authorized to incur any indebtedness until such time as the District has: (a)-approved and executed the IGA and approved the imposition of the Aurora Regional Improvement Mill Levy (as defined in the Service Plan) upon all taxable property located within the boundaries of the District; (b) created a website in accordance with Section X of the Service Plan-

13. Monies from Other Governmental Sources. The District shall not apply for or accept Conservation Trust Funds, Great Outdoors Colorado Funds, or other funds available from or through governmental or non-profit entities that the City is eligible to apply for, except pursuant to an intergovernmental agreement with the City. This Section shall not apply to

specific ownership taxes which shall be distributed to and a revenue source for the District without any limitation.

14. Consolidation. The District shall not file a request with any Court to consolidate with another Title 32 district without the prior written consent of the City.

15. Bankruptcy. All of the limitations contained in this Service Plan, including, but not limited to, those pertaining to the Maximum Debt Mill Levy and the Maximum Debt Mill Levy Imposition Term have been established under the authority of the City to approve a Service Plan with conditions pursuant to Section 32-1-204.5, C.R.S. It is expressly intended that such limitations:

(a) Shall not be subject to set-aside for any reason or by any court of competent jurisdiction, absent a Service Plan Amendment; and

(b) Are, together with all other requirements of Colorado law, included in the “political or governmental powers” reserved to the State under the U.S. Bankruptcy Code (11 U.S.C.) Section 903, and are also included in the “regulatory or electoral approval necessary under applicable nonbankruptcy law” as required for confirmation of a Chapter 9 Bankruptcy Plan under Bankruptcy Code Section 943(b)(6).

~~(b)~~ 16. Excessive Mill Levy Pledges

Any Debt, issued with a pledge or which results in a pledge, that exceeds the Maximum Debt Mill Levy and the Maximum Debt Mill Levy Imposition Term, shall be deemed a material modification of this Service Plan pursuant to Section 32-1-207, C.R.S. and shall not be an authorized issuance of Debt unless and until such material modification has been approved by the City as part of a Service Plan Amendment.

~~16.~~ 17. Dissolution. Upon an independent determination of the City Council that the purposes for which the District was created have been accomplished, the District agrees to file petitions in the appropriate District Court for dissolution, pursuant to the applicable State statutes. In no event shall a dissolution occur until the District has provided for the payment or discharge of all of their outstanding indebtedness and other financial obligations as required pursuant to State statutes.

~~17.~~ 18. Disclosure to Purchasers. The District will use reasonable efforts to assure that all developers of the property located within the District provide written notice to all purchasers of property in the District regarding the Maximum Debt Mill Levy, as well as a general description of the District’s authority to impose and collect rates, Fees, tolls and charges. ~~The form of notice conform with the City’s standard model disclosure attached as Exhibit E to the Service Plan as may be amended from time to time. -shall be filed with T~~ the City shall be provided a copy of the notice prior to the initial issuance of the Debt of the District imposing the mill levy which is the subject of the Maximum Debt Mill Levy.

~~18.~~ 19. Service Plan Amendment Requirement. Actions of the District which violate the limitations set forth in V.A.1-14 or VII.B-G of the Service Plan shall be deemed to be material

modifications to the Service Plan and the City shall be entitled to all remedies available under State and local law to enjoin such actions of the District.

19-20. Annual Report. The District shall be responsible for submitting an annual report to the Manager of the Office of Development Assistance of the City Manager’s Office no later than August 1st of each year following the year in which the Order and Decree creating the District has been issued, pursuant to the City Code and containing the information set forth in Section VIII of the Service Plan.

20-21. Regional Improvements. The District shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment and a contribution to the funding of the Regional Improvements and fund the administration and overhead costs related to the provisions of the Regional Improvements incurred as a result of participation in the alternatives set forth in Section VI.A, B or C of the Service Plan.

The District shall impose the ARI Mill Levy and shall convey it as follows:

(a) If the District has executed an ARI Authority Establishment Agreement and the City has been offered the opportunity to execute an ARI Authority Establishment Agreement, the terms of which provide for the City to appoint no less than thirty percent (30%) and no more than forty-nine percent (49%) of the Board members who will serve as the board of directors of the ARI Authority to be established by such ARI Authority Establishment Agreement, regardless as to whether the City approves the execution of such ARI Authority Establishment Agreement, the revenue from the ARI Mill Levy shall be conveyed to the ARI Authority for the planning, designing, constructing, installing, acquiring, relocating, redeveloping or financing of the Regional Improvements in the ARI Master Plan and for the operations of such ARI Authority; or

(b) If the City and the District have executed an intergovernmental agreement then the revenue from the ARI Mill Levy shall be conveyed to the City for use in planning, designing, constructing, installing, acquiring, relocating, redeveloping or financing of the Regional Improvements which benefit the service users and taxpayers of the District in accordance with such agreement; or

(c) If neither Section VI.A nor VI.B of the Service Plan is applicable then the revenue shall be conveyed to the City and (i) the City shall place in a special account all revenues received from the ARI Mill Levy imposed in the Service Area under Section VI of the Service Plan and shall not expend such revenue until an intergovernmental agreement is executed between the District establishing the terms and conditions for the provision of the Regional Improvements; and (ii) if the intergovernmental agreement is not executed within two (2) years from the date of the approval of the Service Plan by the City and neither Section VI.A nor VI.B of the Service Plan above have occurred within two (2) years from the date of the approval of the Service Plan by the City, then the revenue from the ARI Mill Levy shall be conveyed to the City for use by the City in the planning, designing, constructing, installing, acquiring, relocating, redeveloping or financing of the Regional Improvements which benefit the service users or taxpayers of the District as prioritized and determined by the City.

As set forth in the definition of the ARI Mill Levy, the District may, pursuant to any intergovernmental agreement with the City, extend the terms for application of the ARI Mill Levy beyond the years set forth in Sections VI.A and VI. B of the Service Plan. The Maximum Mill Levy Imposition Term shall include the terms and any extension of such terms, as set forth in Sections VI.DA, VI.EB and VI.FC of the ~~definition of the ARI Mill Levy~~ Service Plan.

The Maximum Debt Mill Levy shall not apply to the District's Operations and Maintenance Mill Levy for the provision of operation and maintenance services to the District's taxpayers and service users.

The Regional Improvements shall be limited to the provision of the planning, design, acquisition, construction, installation, relocation and/or redevelopment of street and transportation related improvements as defined in the Special District Act and the administration and overhead costs incurred as a result of participation in the alternative set forth in Section VI.A, B or C of the Service Plan, unless the City has agreed otherwise in writing; provided, however in no event shall the Regional Improvements include water or sanitary sewer improvements unless such improvements are necessary as a part of completing street and transportation related improvements. The District shall cease to be obligated to impose, collect and convey to the City the revenue from the ARI Mill Levy described in Section VI of the Service Plan at such time as the area within the District's boundaries is included within a different district organized under the Special District Act, or a General Improvement District organized under Section 31-25-601, et seq., C.R.S., or Business Improvement District organized under Section 31-25-1201, et seq., C.R.S., which other district has been organized to fund a part or all of the Regional Improvements.

21.22. Maximum Debt Mill Levy. The "Maximum Debt Mill Levy" shall be the maximum mill levy the District is permitted to impose upon the taxable property within the District for payment of Debt, and shall be determined as follows:

(a) For the portion of any aggregate District's Debt which exceeds fifty percent (50%) of the District's assessed valuation, the Maximum Debt Mill Levy for such portion of Debt shall be fifty (50) mills less the number of mills necessary to pay unlimited mill levy Debt described in Section VII.C.2 of the Service Plan; ~~provided that if, on or after January 1, 2004, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such Debt may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted for changes occurring after January 1, 2004, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation., subject to the Gallagher Adjustment.~~

(b) For the portion of any aggregate District's Debt which is equal to or less than fifty percent (50%) of the District's assessed valuation, either on the date of issuance or at any time thereafter, the mill levy to be imposed to repay such portion of Debt shall not be subject

to the Maximum Debt Mill Levy and, as a result, the mill levy may be such amount as is necessary to pay the Debt service on such Debt, without limitation of rate.

(c) For purposes of the foregoing, once Debt has been determined to be within Section VII.C.2 of the Service Plan, so that the District is entitled to pledge to its payment an unlimited ad valorem mill levy, the District may provide that such Debt shall remain secured by such unlimited mill levy, notwithstanding any subsequent change in the District's Debt to assessed ratio. All Debt issued by the District must be issued in compliance with the requirements of Section 32-1-1101, C.R.S. and all other requirements of State law.

To the extent that the District is composed of or subsequently organized into one or more subdistricts as permitted under Section 32-1-1101, C.R.S., the term "District" as used herein shall be deemed to refer to the District and to each such subdistrict separately, so that each of the subdistricts shall be treated as a separate, independent district for purposes of the application of this definition.

22-23. Maximum Debt Mill Levy Imposition Term. The District shall have the authority to impose the ARI Mill Levy for the terms as set forth in Section VI of the Service Plan. Other than the ARI Mill Levy, the District shall not impose a levy for repayment of any and all Debt (or use the proceeds of any mill levy for repayment of Debt) on any single property developed for residential uses which exceeds forty (40) years after the year of the initial imposition of such mill levy unless a majority of the Board of Directors of the District are residents of the District and have voted in favor of a refunding of a part or all of the Debt and such refunding will result in a net present value savings as set forth in Section 11-56-101, C.R.S.; et seq.

23-24. Notices. All notices, demands, requests or other communications to be sent by one party to the other hereunder or required by law shall be in writing and shall be deemed to have been validly given or served by delivery of same in person to the address or by courier delivery, via United Parcel Service or other nationally recognized overnight air courier service, or by depositing same in the United States mail, postage prepaid, addressed as follows:

To the District: _____ Metropolitan District

Attn:
Phone:
Fax:

To the City: City of Aurora
15151 E. Alameda Pkwy., 5th Floor
Aurora, CO 80012
Attn: Mike Hyman, City Attorney
Phone: (303) 739-7030
Fax: (303) 739-7042

All notices, demands, requests or other communications shall be effective upon such personal delivery or one (1) business day after being deposited with United Parcel Service or other nationally recognized overnight air courier service or three (3) business days after deposit in the United States mail. By giving the other party hereto at least ten (10) days written notice thereof in accordance with the provisions hereof, each of the Parties shall have the right from time to time to change its address.

24.25. Amendment. This Agreement may be amended, modified, changed, or terminated in whole or in part only by a written agreement duly authorized and executed by the Parties hereto and without amendment to the Service Plan.

25.26. Assignment. Neither Party hereto shall assign any of its rights nor delegate any of its duties hereunder to any person or entity without having first obtained the prior written consent of the other Party, which consent will not be unreasonably withheld. Any purported assignment or delegation in violation of the provisions hereof shall be void and ineffectual.

26.27. Default/Remedies. In the event of a breach or default of this Agreement by any Party, the non-defaulting Party shall be entitled to exercise all remedies available at law or in equity, specifically including suits for specific performance and/or monetary damages. In the event of any proceeding to enforce the terms, covenants or conditions hereof, the prevailing Party in such proceeding shall be entitled to obtain as part of its judgment or award its reasonable attorneys' fees.

27.28. Governing Law and Venue. This Agreement shall be governed and construed under the laws of the State of Colorado.

28.29. Inurement. Each of the terms, covenants and conditions hereof shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns.

29.30. Integration. This Agreement constitutes the entire agreement between the Parties with respect to the matters addressed herein. All prior discussions and negotiations regarding the subject matter hereof are merged herein.

30.31. Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any person other than the District and the City any right, remedy, or claim under or by reason of this Agreement or any covenants, terms, conditions, or provisions thereof, and all the covenants, terms, conditions, and provisions in this Agreement by and on behalf of the District and the City shall be for the sole and exclusive benefit of the District and the City.

31.32. Severability. If any covenant, term, condition, or provision under this Agreement shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such covenant, term, condition, or provision shall not affect any other provision contained herein, the intention being that such provisions are severable.

32.33. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original and all of which shall constitute one and the same document.

33.34. Paragraph Headings. Paragraph headings are inserted for convenience of reference only.

34.35. Defined Terms. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Service Plan.

[SIGNATURE PAGE TO INTERGOVERNMENTAL AGREEMENT]

_____ METROPOLITAN
DISTRICT

By: _____
President

Attest:

Secretary

CITY OF AURORA, COLORADO

By: _____
~~Stephen D. Hogan~~ MIKE COFFMAN,
Mayor

ATTEST:

STEPHEN J. RUGER, City Clerk

APPROVED AS TO FORM:

BRIAN J. RULLA, Assistant City Attorney

**MANAGEMENT AND FINANCE POLICY COMMITTEE
WEBEX**

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

Others Present: Council Member Coombs, T. Velasquez, S. Ruger, G. Hays, V. Irvin, T. Vaughn, A. Jamison, C. Dancy, D. Hudson, R. Peters, H. Hernandez, B. Rulla, T. George, T. Wendelin, and T. Hoyle

INTRODUCTIONS AND MINUTES

May 26, 2020 minutes were approved.

PROPOSED CHANGES TO THE METRO DISTRICT MODEL SERVICE PLAN

Summary of Issue and Discussion

Vinessa Irvin, Manager of Development Assistant gave a presentation on the proposed service plan changes. She stated the first metro districts were formed within the City of Aurora during the 1980s. In 1989, the City enacted what eventually became Chapter 122 of the City Code and adopted its first Model Service Plan for metropolitan districts. In 2004, City Council significantly amended code to adopt guidance and requirements for Metropolitan Districts in the City of Aurora. The city’s 2004 Model Service Plan, based on those requirements, remains largely unchanged to this day. It is characterized by the following basic features:

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

Recently, there has been much attention on metro districts. As a result, several council members have inquired about additional education, transparency and protections/safeguards that the city may want to implement for metro districts within the city. Staff prepared an update for Council’s information and consideration and received direction at the March 23rd Special Study Session. Based on City Council feedback and requests discussed at the March Study Session, staff has prepared the following outline of service plan changes for Council consideration. This list also includes minor edits to language and a reorganization of some provisions to improve clarity of the document. The list is arranged with the corresponding Sections and page numbers from the redlined Service Plan document attached.

Proposed Service Plan Changes

Section II. Definitions

Agreed Upon Procedures Engagement

This is a new definition necessary for the addition of provision “L” in Section **VII. Financial Plan** (page 16).

Section VI. Regional Improvements

D. For Residential District

The last 10 years of the ARI mill levy imposition for Residential Districts changed to a specific mill levy.

E. Commercial District

Language removed regarding an average for the final years of the ARI mill levy imposition.

These proposed changes are staff-initiated. Currently, these final years of the ARI Mill Levy is stated as an average of the previous 10 years debt service mill levy. This is problematic for several reasons.

- Every district's debt service financing plan is different. Which means that under the current requirement, each district in an area will be paying a different ARI mill amount. This can create an unfair situation given that they will all benefit equally from the regional infrastructure they are funding with the ARI mill levy.
- This issue was also identified as a concern when the debt was being issued for the South Aurora Regional Infrastructure Authority (SARIA). The uncertainty of the expected funding for those last 10 years made creating the funding projections for the bond issuance difficult.

Therefore, the proposal is to remove the possible unfairness and uncertainty by setting a specified number of mills to be levied for the final years (page 11).

Section VII. Financial Plan

K. Districts Operating Costs

This is a new provision that has added language limiting the maximum O&M mill levy imposition to 35 mills. The limitation would be in place until the majority of board members are residents. This provision provides some protections until the residents are in control of the board and then allows the local government closest to the community to determine the level of services and amenities they wish to provide and increase the mills if they so desire.

L. Agreed Upon Procedures Examination

This is a new provision that has added language to include an examination of a district's past financial records at the time the district board is a resident controlled board. This language is general to allow the board to direct the examination based on specific concerns and cost considerations.

Section X. Disclosures and Meetings

A. Disclosure to Purchasers

Language has been added to require the disclosure form used by the districts to conform to the city's standard model disclosure form (Exhibit D).

B. Website

This is a new provision requiring districts to create and maintain a website for their community. A list of minimum requirements of information to be contained on the website is also within this provision. Included in this list is the requirement to post any and all candidate information, including any campaign funding information, that is required by the Secretary of State for candidates running for the district board.

C. Meetings

This is a new provision requiring district board meetings to be held within the district boundaries whenever possible and within the city limits when not possible within the district.

Service Plan Changes for Clarity**Section II. Definitions****ARI Mill Levy A, B, C & D**

Simplified definition and moved the full explanation to **Section VI. Regional Improvements** for clarity (page 11-12).

Gallagher Amendment

This is a new definition to provide a more concise, consistent and clearly stated explanation of the allowed adjustments to the mill levies imposed (page 11,14 and 16).

CCR, Commercial District, CRS, Operations and Maintenance Mill Levy, Residential District

These definitions have been added for clarity as they were not included in the previous model.

Section V. Description of Proposed Powers, Improvements and Services**10. Total Debt Limitation**

Moved and combined in **Section VII. Financial Plan** for consistency (page 13).

14. Bankruptcy

Portion moved to **Section VII. Financial Plan** and given a title **F. Excessive Mill Levy Pledges** (page 14).

Section VI. Regional Improvements

Last paragraph – Includes clarification that the debt limit identified for regional improvements (funded with the ARI mill levy), is not subject to the total debt issuance limitation for debt specific to the district obligations (page 12).

Section VII. Financial Plan

A. General

Includes language regarding allowed sources of debt funding moved from B. Total Debt Issuance for additional clarity (page 12).

B. Total Debt Issuance Limitation

Includes clarification that this limit does not include debt issued for ARI (page 13).

D. Maximum Debt Mill Levy

Includes language regarding maximum mill levy not including O&M from K. Districts Operating Costs for additional clarity (page 13).

Issues Not Included in Changes

There were a few issues raised by City Council and researched by staff that have not been included in these proposed changes at this time. They are as follows:

Maximum Debt Mill Levy Imposition Term

There was a request made to not allow City Council to change this term limit. In the past there have been districts that requested, and were approved, to change the service plan to extend the term for debt repayment past the 40-year limit included in the model service plan. Staff researched how to incorporate such a restriction. City Council has the discretion to change code and/or approve an ordinance to make such an exception to code for an individual district's service plan. It was determined that the only way to restrict Council's ability in this area would be to amend the City Charter, requiring a ballot question.

Restrictions to Eminent Domain Powers

A request was made to include restrictions to the districts eminent domain powers given to them in State Statute. The use of this tool by districts in the City of Aurora has only been necessary in a few instances. There have been no abuses documented. This is an area that the legislature has been discussing. Staff would recommend waiting to see what, if any, changes are made at the state level.

Process for Adoption

City code Chapter 122-30 provides that the city manager has the authority to amend the model service plan. Therefore, after City Council provides direction on these changes being proposed,

there will be no formal action necessary. The changes will be incorporated and become the city's new model service plan for all new districts requesting formation.

Staff will be presenting, for formal Council action, an amendment to City Code Chapter 122 reflecting any changes to provisions in the service plan that are also included in city code.

Council Member (CM) Gardner asked, on the website disclosure are you saying candidates will be subject to the state campaign finance limits or they just have to report them. V. Irvin replied, they're already required to abide by the state requirements concerning campaigns and candidate requirements. What this requires is more transparency for the residents, as a question was raised by a council member regarding a situation where district board elections had been infused with outside money. This then allows transparency for those local board elections. We're not asking them to post anything over and above what is being posted on the Secretary of State website. CM Gardner said I'm fine with that piece but I'm trying to understand what they're currently subject to. Does then your office track compliance, or how does that work? V. Irvin replied no, we would not track compliance this would be up to the individual metro districts as they are their own government, they would abide by the service plan requirements and would post on their website what has been filed with the Secretary of State. CM Gardner stated he had a couple more questions, but he would work offline with committee and staff.

CM Gruber stated he liked the changes. There's more transparency and it clarifies and mandates how it will be presented so people will be able to find it. He proposed that staff work with CM Gardner on his questions and send the latest draft changes to the Committee before it goes to Study Session. Staff agreed.

CM Marcano stated that he also agrees with CM Gruber. He likes the direction its going and thinks the disclosure portion will be very useful. He suggested with the communication portion of the website have some sort of newsletter a signup or portal so people could receive as opposed to having to go on the website. He asked about the enforcing of election requirements and if that falls under the Secretary of State office because its reported through TRACER. V. Irvin replied, yes. He asked if the timing of the elections is controlled through State Statue or is that something different in the service plan that we didn't get a chance to look at. V. Irvin said the timing of the election is determined at the state level through statue. I don't think we can change that with the service plan.

Outcome

The Committee recommended that this item be forward to Study Session. Staff will send the latest draft changes to the Management Finance Committee before it goes to Study Session.

Follow-up Action

Staff will forward this to Study Session, July 20, 2020

Vinessa Irvin, Manager of Development Assistance, General Management, answered affirmatively.

Voting Aye: Bergan, Berzins, Coombs, Gardner, Gruber, Hiltz, Johnston, Lawson, Marcano, Murillo

13. ORDINANCES FOR INTRODUCTION

- ◆ a. **2020-27** Consideration of AN ORDINANCE FOR INTRODUCTION of the City Council of the City of Aurora, Colorado Adopting Section 2-234(a) of the City Code Pertaining to Prohibiting the Use of Chokeholds and Carotid Holds by Law Enforcement.
Presenter: Jason Batchelor, Deputy City Manager, General Management/Nancy Rodgers, Deputy City Attorney

Motion by Marcano, second by Lawson, to introduce item 13a.

Council Marcano expressed appreciation to Council Member Lawson and City staff for their efforts in this regard and gave a shout-out to Interim Chief Vanessa Wilson, Aurora Police, for moving quickly to put it into the department directives. He clarified for the public that this did not go against SB 217 but actually complemented it as it ensured that the directives put in place by the Chief remained in the manual permanently until a future Council chose to revisit it.

Council Member Bergan stated her support for the item and pointed out it was included in SB 217, which recently passed legislation and asked if Aurora Police would be required to adhere to the prohibition in state law without this ordinance. Mayor Coffman answered affirmatively. He pointed out if the Colorado General Assembly chose to overturn their legislation then the item would remain in place in Aurora as a Home Rule City. He noted it would also prevent a future police chief from changing the policy through another directive.

Stephen Ruger, City Clerk, read public comment submitted to publiccomment@auroragov.org into the record stating support for the item and attached the comment to the minutes and also emailed them to Council.

Voting Aye: Bergan, Berzins, Coombs, Gardner, Gruber, Hiltz, Johnston, Lawson, Marcano, Murillo

- ◆ b. **2020-28** Consideration of AN ORDINANCE FOR INTRODUCTION of the City Council of the City of Aurora, Colorado, amending Sections 122-26 and 122-30 of the City Code pertaining to Special Districts.
Presenter: Vinessa Irvin, Manager of Development Assist, General Management/Brian Rulla, Assistant City Attorney I Civil

Motion by Gruber to approve item 13b.

Mayor Coffman noted the item died for lack of a second.

Mayor Pro Tem Johnston referenced the public testimony of those discussing the public process of getting outreach on metro districts particularly and requested staff add a public Town Hall meeting to update the public on the metro district changes and to garner public feedback.

Vinessa Irvin, Manager of Development Assistance, General Management, agreed that was possible and noted the meeting would have to be scheduled a few weeks out to ensure that

- ◆ ***The City Charter prescribes the Mayor may vote on resolutions and ordinances only to create or break a tie vote of Council Members present. The Mayor Pro-Tem is always permitted to vote on all items.***

adequate notice was provided to the public. She pointed out staff has been in front of City Council several times and she wondered what else needed to be addressed.

Mayor Pro Tem Johnston stated the information provided in study session was great and while people could go back and see what was stated in those sessions, she pointed out there were constituents who provided testimony about things she had not anticipated as a council member that required further information such as what was provided in the overview of changes at study session. She stated she would like to reach out to the E-470 neighbors and other metro districts to see if there were specific questions or concerns and noted there were things that were not in a council member's scope. She stated she wanted to bring those concerns forward prior to voting in favor of the item.

Mayor Coffman suggested the proper course of action procedurally would be to table the item.

Council Member Bergan stated her understanding that the item failed for lack of a second.

Mayor Coffman concurred.

- ◆ c. **2020-29** Consideration of AN ORDINANCE FOR INTRODUCTION of the City Council of the City of Aurora, Colorado, amending Section 2-851 of the City Code pertaining to the Creation and Composition of the Veteran's Affairs Commission.
Presenter: Claudine McDonald, Community Relations, General Management/David Lathers, Senior Asst City Attorney

Motion by Gruber, second by Marcano, to introduce item 13c.

Voting Aye: Bergan, Berzins, Coombs, Gardner, Gruber, Hiltz, Johnston, Lawson, Marcano, Murillo

- ◆ d. **2020-30** Consideration of AN ORDINANCE FOR INTRODUCTION of the City Council of the City of Aurora, Colorado, amending the Service Plans for the Colorado International Center Metropolitan District Nos. 6-9 and amending the Intergovernmental Agreements for the Colorado International Center Metropolitan District Nos. 6-11 (***This item also appears on the August 3rd Study Session Agenda***) (***Due to this item being dual listed, the backup is included in item 2a of the Study Session Packet.***)
Presenter: Vinessa Irvin, Manager of Development Assist, General Management/Brian Rulla, Assistant City Attorney I Civil

Motion by Gruber, second by Berzins, to introduce item 13d.

Voting Aye: Bergan, Berzins, Coombs, Gardner, Gruber, Hiltz, Johnston, Lawson, Marcano, Murillo

14. ORDINANCES FOR FINAL

- ◆ a. **2020-23** Consideration of AN ORDINANCE FOR ADOPTION of the City Council of the City of Aurora, Colorado, authorizing the Imposition of Capital Impact Fees on residential development in the City as approved by the Uniform Development Ordinance. (***Ordinance 2020-23 Introduced 9-1 (Berzins voting no) at the July 20, 2020 City Council meeting***)
Presenter: Terri Velasquez, Director of Finance, Finance/Hernandez Perez, Hans, Assistant City Attorney II Civil

Motion by Hiltz, second by Coombs, to approve item 14a.

- ◆ ***The City Charter prescribes the Mayor may vote on resolutions and ordinances only to create or break a tie vote of Council Members present. The Mayor Pro-Tem is always permitted to vote on all items.***



CITY OF AURORA

Council Agenda Commentary

Item Title: Approval of Use Agreement with Regents of the University of Colorado for Use of City Office Space
Item Initiator: Elly Watson, Public Works Business Services Manager
Staff Source/Legal Source: Elly Watson, Public Works Business Services Manager / Michelle Gardner, Senior Assistant City Attorney
Outside Speaker: Neil Krauss, Assistant Vice Chancellor of Initiatives and Community Engagement, University of Colorado
Council Goal: 2012: 1.2--Develop neighborhood and community relationships

COUNCIL MEETING DATES:

Study Session: TBD

Regular Meeting: TBD

ITEM DETAILS:

Consideration to APPROVE A USE AGREEMENT by the City Council of the City of Aurora between Regents of the University of Colorado, for and on behalf of the University of Colorado Anschutz Medical Campus, and the City of Aurora for the non-exclusive use of City-owned office space at Martin Luther King (MLK) Library

Staff source / Legal source: Elly Watson, Business Services Manager / Michelle Gardner, Senior Assistant City Attorney

Outside Speaker: Neil Krauss, Assistant Vice Chancellor of Initiatives and Community Engagement, University of Colorado

Estimated Presentation/discussion time: 5/5

ACTIONS(S) PROPOSED *(Check all appropriate actions)*

- Approve Item and Move Forward to Study Session
- Approve Item as proposed at Study Session
- Approve Item and Move Forward to Regular Meeting
- Approve Item as proposed at Regular Meeting
- Information Only
- Approve Item with Waiver of Reconsideration
Reason for waiver is described in the Item Details field.

PREVIOUS ACTIONS OR REVIEWS:

Policy Committee Name: N/A

Policy Committee Date: N/A

Action Taken/Follow-up: (Check all that apply)

- | | |
|---|---|
| <input type="checkbox"/> Recommends Approval | <input type="checkbox"/> Does Not Recommend Approval |
| <input type="checkbox"/> Forwarded Without Recommendation | <input type="checkbox"/> Recommendation Report Attached |
| <input type="checkbox"/> Minutes Attached | <input type="checkbox"/> Minutes Not Available |

HISTORY (Dates reviewed by City council, Policy Committees, Boards and Commissions, or Staff. Summarize pertinent comments. ATTACH MINUTES OF COUNCIL MEETINGS, POLICY COMMITTEES AND BOARDS AND COMMISSIONS.)

The City Council Policy on Use of City Office space was approved at the March 16, 2015 Council Meeting. This policy requires that requests for use of city office space by outside organizations be reviewed by Council on a case by case basis. Requests shall be presented to the Management and Finance Policy Committee for review and consideration. Council shall then consider each request and the recommendation of the Committee at Study Session and, if there is consensus at Study Session, the appropriate documentation shall move forward for action at a Regular Council Meeting.

ITEM SUMMARY (Brief description of item, discussion, key points, recommendations, etc.)

The City of Aurora has a current revocable license agreement with the Regents of the University of Colorado for use of office space at Hoffman Heights Library. This agreement was first initiated in June 2014 as part of the University of Colorado Denver's Campus Community Partnership for Health (CCP) in coordination with the Aurora Strong Community Resilience Center. The CCP has since closed its doors but the staff continues their work under the Office of Diversity, Equity, Inclusion and Community Engagement (ODEI&CE) Community Connector Program. When the ODEI&CE teamed reached out to the City of Aurora in order to update the existing agreement based on this reorganization, staff determined that it was more appropriate to initiate a new agreement under the 2015 Use of City Office Space Policy and relocate the office space used by the University of Colorado to the Martin Luther King, Jr Library. This location continues to meet the needs of the University of Colorado while allowing for more flexibility in library programming at Hoffman Heights.

The Community Connector Program is the signature community engagement initiative within ODEI&CE at the University of Colorado Anschutz Medical Campus. The Community Engagement staff work to ensure community resident participation and leadership concerning community projects and activities in concert with students, staff and faculty of the campus. Called Community Connectors, they conduct meetings and conversations in the community to discover residents' goals, aspirations, and concerns for their families and community. What's learned is shared with the academic community on campus to help create a better understanding of the community the campus serves and advocate for solutions to problems related to health, economic opportunity, and educational attainment. The program uses the space in North Aurora to better reach its collaborators and partners within the neighborhood rather than on the school campus.

QUESTIONS FOR COUNCIL

Does Council support moving the Use Agreement with Regents of the University of Colorado for Use of City Office Space forward to the next available Study Session?

LEGAL COMMENTS

PUBLIC FINANCIAL IMPACT

YES NO

If yes, explain:

PRIVATE FISCAL IMPACT

Not Applicable Significant Nominal

If Significant or Nominal, explain:

The Community Connector Program at CU Anschutz

The Community Connector Program is the signature community engagement initiative within the Office of Diversity, Equity, Inclusion and Community Engagement at the University of Colorado Anschutz Medical Campus. The Community Engagement staff work to ensure community resident participation and leadership concerning community projects and activities in concert with students, staff and faculty of the campus. Called Community Connectors, they conduct meetings and conversations in the community to discover residents' goals, aspirations, and concerns for their families and community. What's learned is shared with the academic community on campus to help create a better understanding of the community the campus serves and advocate for solutions to problems related to health, economic opportunity, and educational attainment.

Our Community Connectors use an inclusive, inviting, respectful and resident-centered networking approach to help make connections that facilitate an increase in community participation alongside the ODEICE. The participation network includes a group of residents living in Aurora called the Resident Leadership Council (RLC). This diverse group of people and organizational partners help the University learn about, become involved with and potentially benefit the community. The RLC serves as a critical conduit between the North Aurora community and the students, faculty, staff and leadership of CU Anschutz.

Another strategic goal of the Community Connector Program is to help create leaders in the community through the development of entrepreneurship skills and advocacy skill development. The program works closely with the Aurora Economic Opportunity Coalition and City of Aurora Small Business Development Center, and serves to provide direction and guidance to the El Alba Catering Cooperative. El Alba's mission is to support Aurora-based food entrepreneurs and small business owners through the provision of culturally appropriate business incubation and shared business services via a co-op model. To date, the program has raised more than \$150,000 toward a new commercial kitchen for the El Alba Cooperative. This cooperative in turn provides commercially available meals to the campus.

This lease will allow the Community Engagement program to continue to work within the North Aurora community rather than on the University campus. By working alongside the neighbors we serve, the Community Connectors will be able to stay in much closer contact on a daily basis with their collaborators and helps build stronger relationships.

USE AGREEMENT

This Agreement is made this _____ day of _____, 2021 (“Effective Date”), by and between the CITY OF AURORA, COLORADO, a municipal corporation, hereinafter referred to as “City”, and the Regents of the University of Colorado, a body corporate and State-supported institution of higher education, for and on behalf of the University of Colorado Anschutz Medical Campus, hereinafter referred to as “LICENSEE”

In consideration of the covenants and agreements hereinafter set forth and other good and valuable consideration, the sufficiency of which are hereby acknowledged, the City and LICENSEE hereby agree as follows:

1. The City hereby permits, without granting title or any other personal or real property interest, the non-exclusive use of City-owned property as office space by LICENSEE, the City property for use as office space consists solely of approximately 165 square feet of a building located within of the Martin Luther King, Jr. Library located at 9898 E Colfax Ave, Aurora, Colorado, 80010, as illustrated on **Exhibit A** attached hereto, hereinafter referred to as “Property.”
2. The term of this Agreement is for a period of two (2) years, beginning on the Effective Date.
3. The COA will provide an office in the second level of the Martin Luther King, Jr. Library to the LICENSEE for no charge.
4. LICENSEE shall have access to schedule and use building conference rooms as available.
5. The City reserves the right to make full use of the Property and retains all rights to operate, maintain, install, repair, remove, or relocate any City facilities located within the City’s Property at any time and in such manner as it deems necessary or convenient. Maintenance and repair may include, but is not limited to, plumbing, electrical, painting, and the like.
6. LICENSEE agrees to use the Property only as office space and for purposes consistent with educational functions.
7. LICENSEE agrees and understands that regular use, occupation, ingress and egress of the Premises is necessary for the Agreement to continue. In City’s sole discretion, City may consider this Agreement abandoned, terminated, or otherwise unenforceable if LICENSEE fails to occupy, use, or otherwise inhabit the Premises for a period of 21-consecutive business days. Failure to use, occupy, ingress and egress of the Premises by LICENSEE, it’s employees and authorized representatives, shall be deemed a failure to perform an obligation under this Agreement.
8. Upon 30-days’ prior written Notice to Relocate or Notice to Vacate from City to

LICENSEE, LICENSEE agrees to relocate from or within the Property, its use and any and all improvements, furniture, fixtures, or equipment LICENSEE owns, installed, or caused to be installed on the Property. In the event City requires LICENSEE to relocate or vacate the Property, LICENSEE will peaceably surrender possession and use of the Property immediately upon the date identified on such written Notice to Relocate or Notice to Vacate. Exhibit A may be amended with administrative approval if relocation within the property is required by City.

9. LICENSEE agrees that it will use the Property in a lawful and professional manner.
10. LICENSEE shall have access to the Property during the hours of 7:00 a.m. to 7:00 p.m., Monday through Friday, and as it deems necessary during those hours on Saturday.
11. The City grants a non-exclusive right to use the hallways, restroom, stairwells, of the Property.
12. The City grants a non-exclusive right to use the parking lot that is adjacent to the Property. LICENSEE acknowledges that availability of parking spaces in the parking lot is subject to use by City staff and the public.
13. The City will maintain and provide snow removal service for the parking lot area as it deems necessary and appropriate. LICENSEE, in its sole discretion, may remove snow from the entryway, parking lot area, or exterior walkways.
14. LICENSEE shall provide a written list of any furnishings, fixtures, equipment, and improvements, including but not limited to telephones, cabinets, chairs, desks, tables, and shelves prior to placing any of the aforementioned items in, on, or upon the Property.
15. LICENSEE will obtain any phone, cable, and internet service(s) at its' own expense. LICENSEE will coordinate with the City for the placement, installation, or transfer of any phone, cable, and internet service (s) or existing services provided by the City.
16. The City will provide regular trash or refuse collection service for the Property. The trash or refuse collection service will be performed on the same day and time as the regularly scheduled service provided by the City for the Property. LICENSEE agrees that they will remove all trash from the interior of the Property for curbside weekly pickup and will not allow trash or refuse to accumulate in or around the Property.
17. LICENSEE shall provide any copying, printing and mail services it may require during use of the Property.
18. LICENSEE will maintain the Property in a clean and professional manner and will provide custodial services when reasonable and necessary.
19. No exterior signs shall be installed to advertise the presence of LICENSEE on the Property.

20. At no time shall LICENSEE interfere with the use or operation of the Property by the City. In the event that LICENSEE's use should interfere with the City's use or operation of the Property at any time hereafter, LICENSEE shall, upon request by the City and at LICENSEE's sole expense, immediately rearrange or reprogram its use of the Property so as not to interfere with the City's use.
21. LICENSEE will use all reasonable means to prevent any loss or damage to the City or to others resulting from the use of the Property. Any repair or replacement of any City amenities and furnishings required due to damage or loss caused by the LICENSEE, with the exception of normal wear and tear, shall be made only by the City and at the sole expense of LICENSEE .
22. Prior to commencement of this Agreement, LICENSEE shall provide a certificate of insurance evidencing the coverages in the attached **Exhibit B** herein. LICENSEE agrees that it will notify the City of any potential situation arising from its use of the Property which may give rise to a claim and that LICENSEE will cooperate in good faith with the City and exercise due diligence in the investigation of said situation to protect its and the City's interests.
23. The University will be responsible for the negligent acts and omissions of its officers, agents, employees and representatives with respect to its obligations under this Agreement. Notwithstanding anything in this Agreement to the contrary, however, the Parties hereto understand and agree that liability for claims and injuries to persons or property arising out of the negligence of the State of Colorado, its departments, institutions, agencies, boards, officials and employees is controlled and limited by the provisions of the Colorado Governmental Immunity Act, C.R.S. 24-10-101, *et seq.*, as amended. Any provision of this Agreement, whether or not incorporated herein by reference, shall be controlled, limited and otherwise modified so as to limit any liability of the University and the State to the above cited laws. It is specifically understood and agreed that nothing contained in this paragraph or elsewhere in this Agreement shall be construed as an express or implied waiver by the University of its governmental immunity or of the governmental immunity of the State of Colorado, as an express or implied acceptance by the University of liabilities arising as a result of actions which lie in tort or could lie in tort in excess of the liabilities allowable under the Colorado Governmental Immunity Act, C.R.S. 24-10-101 *et seq.*, as a pledge of the full faith and credit of the State of Colorado, or as the assumption by the University of a debt, contract or liability of the COA or its Affiliates in violation of Article XI, Section 1 of the Constitution of the State of Colorado.
24. If LICENSEE does not use the right granted herein for a period of twenty-one (21) consecutive business days, or if LICENSEE fails or refuses to comply with or carry out any of its considerations in this Agreement, the City may, at its election, revoke this Agreement forthwith by written notice to the LICENSEE in person or by U.S. mail. Upon termination of this Agreement under this paragraph, LICENSEE shall have ten (10) business days to remove any property from the City's Property. In the event LICENSEE

does not remove its' property within the time allowed herein, the City may remove the property without liability to LICENSEE.

25. The City and LICENSEE may at any time, by giving LICENSEE or City thirty (30) days' written notice, terminate this Agreement.
26. City shall neither have nor exercise control or direction over the methods by which LICENSEE performs professional or administrative services pursuant to this Agreement. This Agreement does not create an employment relationship with LICENSEE or any of its agents or employees. LICENSEE shall not directly or indirectly make any payment or give any compensation to any officer or employee of the City, his or her family, or any business affiliate of any such officer or employee, without making written disclosure to the City in advance with respect to such payment or compensation.
27. The rights granted herein to LICENSEE shall not be assigned without the written consent of the City.
28. LICENSEE shall not knowingly employ or contract with an illegal alien to perform work under this Agreement. LICENSEE shall not knowingly contract with a subcontractor that knowingly employs or contracts with an illegal alien to perform work under this Agreement.
29. By executing this Agreement, LICENSEE confirms the employment eligibility of all employees who are newly hired for employment to perform work under this Agreement through participation in either the Federal E-Verify program or the Colorado Department of Labor Department Program.
30. Any amendments to this Agreement shall be in writing and executed by the parties hereto.
31. When notice is required to be given to any party under the terms of this Agreement, such notice shall be given by U.S. Postal Service, first class delivery, or by personal hand delivery addressed as follows:

To the City:

City of Aurora
Attn: Real Property Services Manager
15151 E. Alameda Parkway, Suite 3200
Aurora, CO 80012

City of Aurora
Attn: Library Director
14949 E. Alameda Parkway
Aurora, CO 80012

To LICENSEE:

University of Colorado Anschutz Medical Campus
Attn: Real Estate Coordinator
13001 E. 17th Place
Aurora, Colorado 80045

IN WITNESS WHEREOF, this instrument has been executed and agreed to as of the day and year as first above written.

CITY OF AURORA, COLORADO
A municipal corporation

By: _____
James M. Twombly, City Manager

Reviewed by:

Midori L. Clark, Library Services Director

Reviewed by:

Elly Watson, Public Works Manager

Approved as to Form:

Michelle Gardner, Senior Assistant City Attorney

Renee Pettinato Mosley, Senior Risk Manager

ACCEPTANCE

The undersigned authorized officer of LICENSEE has read the foregoing Use Agreement and all attachments and agrees for and on behalf of LICENSEE that it will accept and abide by all of the terms and conditions stated therein.

LICENSEE
Regents of the University of Colorado,
a body corporate and State-supported
institution of higher education, for and
on behalf of the University of Colorado
Anschutz Medical Campus

By: _____
Terri C. Carrothers
Executive Vice Chancellor for Administration and Finance | CFO

LEGAL REVIEW

DEPARTMENT OF LAW

Philip J. Weiser, Colorado Attorney General
ATTORNEY GENERAL (or authorized Delegate)

By: _____

Date: _____

ALL CONTRACTS MUST BE APPROVED BY THE STATE CONTROLLER:

CRS 24-30-202 requires that the State Controller approve all State contracts. This contract is not valid until the State Controller, or such assistant as he may delegate, has signed it. The Landlord is not authorized to begin performance until the contract is signed and dated below. If performance begins prior to the date below, the State of Colorado may not be obligated to pay for the good and/or services provided.

STATE OF COLORADO
Jared S. Polis, Governor
STATE CONTROLLER'S OFFICE
State Controller (or authorized Delegate)

By: _____

Amy Gannon
Associate Vice Chancellor for Financial Services and
Controller or Delegate

Date: _____

EXHIBIT A



EXHIBIT B

Insurance Requirements

1. Prior to commencement of this Agreement, LICENSEE and its subcontractors, if any, shall provide a certificate of insurance evidencing the following coverages, with the agreement and understanding that the University of Colorado warrants and represents that it insures and self-insures for property, general liability, automobile liability, workers' compensation, and employers' liability. The University agrees that, when applicable, its self-insurance program shall provide coverage in accordance with the limits of the Colorado Governmental Immunity Act.

(a) Certificates of Insurance. Upon the execution of this Agreement, LICENSEE shall provide certificates of insurance to the City demonstrating that the minimum coverages required herein are in effect. All insurance must be kept in force throughout the duration of the use of the Property. If any of LICENSEE's or any of its subcontractor's coverage is renewed during the period of the use of the Property, LICENSEE shall be responsible for obtaining updated insurance certificates to the City.

(b) This Agreement does not and shall not be construed to create the relationship of agent, employee, partnership, joint venture, or association between City and LICENSEE. LICENSEE and its employees shall not be considered officers, employees, or agents of City, and are not entitled to benefits of any kind or nature normally provided to employees of City, including, without limitation, State Unemployment Compensation, Workers' Compensation insurance, social security benefits, disability benefits, or any other employee benefit of any kind. LICENSEE shall assume full responsibility for payment of all federal, state, and local taxes or contributions, including unemployment insurance, social security, and income taxes, with respect to its' employees.

Motion by Roth, second by Mounier, to approve items 9i – 9l.

Voting Aye: Berzins, Broom, Hunter Holen, LeGare, Markert, Mounier, Peterson, Pierce, Roth

10. **RESOLUTIONS**

- ◆ a. **R2015-14**
 Consideration to APPROVE A RESOLUTION of the City Council of the City of Aurora, Colorado, adopting a policy on the use of City office space by City sponsored Organizations. STAFF SOURCE: STAFF SOURCE: Jason Batchelor, Interim Deputy City Manager

Motion by LeGare, second by Roth, to approve item 10a.

Council Member Markert stated her support of the item and expressed appreciation to Jason Batchelor, Director, Finance, for his efforts in this regard.

Voting Aye: Broom, Hunter Holen, LeGare, Markert, Mounier, Peterson, Pierce, Roth

Voting Nay: Berzins

- ◆ b. **R2015-15**
 Consideration to APPROVE A RESOLUTION of the City Council of the City of Aurora, Colorado, finding a petition for annexation of a parcel of land located in the North half of the Southeast quarter of the Northeast quarter of Section 31, Township 5 South, Range 65 west of the 6th Principal Median, County of Arapahoe, State of Colorado, to be in Substantial Compliance with Section 31-12-107(1) C.R.S. and giving notice of a public hearing on the proposed annexation (Whispering Pines Pond) 5.410 acres. STAFF SOURCE: Gary Sandel, Development Project Manager, General Management

Motion by Broom, second by Pierce, to approve item 10b.

Voting Aye: Berzins, Broom, Hunter Holen, LeGare, Markert, Mounier, Peterson, Pierce, Roth

11. **PUBLIC HEARING WITH RELATED ORDINANCE**

- ◆ a. **2015-10**
 Public Hearing and consideration for INTRODUCTION OF AN ORDINANCE of the City Council of the City of Aurora, Colorado, rezoning a parcel of land from O (Open Zoning District) to SIR (Sustainable Infill Redevelopment District), and amending the zoning map accordingly. (Common Ground Golf Course). STAFF SOURCE: Steven Ingoldsby, Planner I, Planning & Development Services

Mayor Hogan opened the public hearing on the item.

Steven Ingoldsby, Planner I, Planning & Development Services, provided a brief summary of the item.

Council Member LeGare referenced the golf course owner not wanting restaurants or gas stations on the site and asked if those uses would be in the site plan as excluded uses. Mr. Ingoldsby stated it was staff’s understanding that the applicant purchased the property to protect their interests.

Edward Mate, representing the applicant, was present to answer questions.

- ◆ *The City Charter prescribes the Mayor may vote on resolutions and ordinances only to create or break a tie vote of Council Members present. The Mayor Pro-Tem is always permitted to vote on all items.*

EFFECTIVE DATE: 3-16-15

RESOLUTION NO. R2015- 14

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF AURORA, COLORADO, ADOPTING A POLICY ON THE USE OF CITY OFFICE SPACE BY CITY SPONSORED ORGANIZATIONS

WHEREAS, it is the role of the City Council of the City of Aurora, Colorado (the "City"), to establish policies regarding the operation of the City; and

WHEREAS, the City receives requests from outside organizations to locate their operations in City office space; and

WHEREAS, the City has granted some requests from outside organizations in order to support their operations and efforts for the benefit of the City; and

WHEREAS, the City Council wishes to establish criteria and procedures for granting long-term use of City office space by outside organizations; and

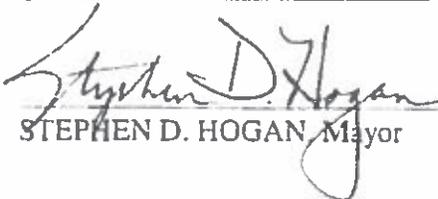
WHEREAS, the City Council finds and determines that it is in the best interests of the City and its citizens to adopt a Policy on the Use of City Office Space by City Sponsored Organizations.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AURORA, COLORADO:

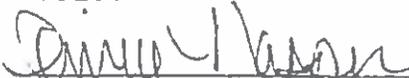
Section 1. The City Council adopts the Policy on the Use of City Office Space by City Sponsored Organizations, which is attached as Exhibit A.

Section 2. All resolutions or parts of resolutions of the City of Aurora, Colorado, in conflict herewith are hereby rescinded.

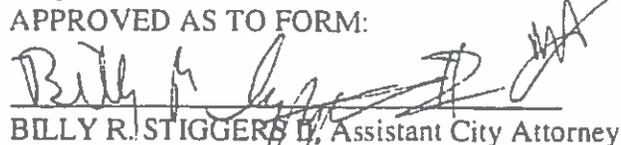
RESOLVED AND PASSED this 16th day of March, 2015.


STEPHEN D. HOGAN, Mayor

ATTEST:


JANICE NAPPER, City Clerk

APPROVED AS TO FORM:


BILLY R. STIGGERS II, Assistant City Attorney

City Council Policy on the Use of City Office Space by City Sponsored Organizations

Purpose: This policy provides the criteria by which the Aurora City Council (“Council”) shall consider the use of the city of Aurora, Colorado (the “City”) office space by outside organizations. Each request shall be considered on a case by case basis, and this policy is not intended to substitute for the approval of Council. This policy covers requests for long-term (several weeks, months, or longer) use of city office space, not the occasional use of city meeting rooms which are generally available to the public.

Background: The City occasionally receives requests from outside organizations (e.g. non-profits and other governmental entities) to use city office space for the entity to conduct its operations. The use of the office space, when granted, has typically been on an annual basis, and subject to conditions outlined by the City (e.g. availability) and typically in return for non-monetary considerations (e.g. provision of services). Council wishes to establish criteria by which such requests can be reviewed.

Criteria: The following elements provide some of the criteria by which Council shall consider requests for the use of office space.

1. Each request shall be considered on a case by case basis.
2. The requesting organization should be directly related to an initiative sponsored by Council for the benefit of the citizens and/or employees of the City. Support for the requesting group could include funding in the annual budget.
3. The use of city office space is dependent upon availability.
4. The use of City office space by for-profit organizations shall be available pursuant to the financing restrictions of the Internal Revenue Code.
5. If approved, each group is subject to a periodic renewal, such as an annual service agreement.

Procedures: The following outlines the process for reviewing requests for office space.

1. The City Manager’s Office will receive requests and prepare the necessary information for review by Council, including an overview of the request (requestor, amount of space, availability, duration, etc.)
2. Each request shall be presented to the Management and Finance Policy Committee for review and consideration.
3. Council shall then consider each request at Study Session along with the Management and Finance Policy Committee recommendation.

4. If there is consensus at Study Session, staff shall prepare the appropriate documents (service agreement, space utilization agreement, liability waivers, etc.) for action at a Regular Council meeting.



CITY OF AURORA

Council Agenda Commentary

Item Title: 2021 Management and Finance Policy Committee Recap
Item Initiator: Terri Velasquez, Finance Director
Staff Source/Legal Source: Terri Velasquez, Finance Director
Outside Speaker: n/a
Council Goal: 2012: 6.0--Provide a well-managed and financially strong City

COUNCIL MEETING DATES:

Study Session: n/a

Regular Meeting: n/a

ITEM DETAILS:

- Agenda long title
- Waiver of reconsideration requested, and if so, why
- Sponsor name
- Staff source name and title / Legal source name and title
- Outside speaker name and organization
- Estimated Presentation/discussion time

2021 Management and Finance Policy Committee Recap

ACTIONS(S) PROPOSED *(Check all appropriate actions)*

- | | |
|---|--|
| <input type="checkbox"/> Approve Item and Move Forward to Study Session | <input type="checkbox"/> Approve Item as proposed at Study Session |
| <input type="checkbox"/> Approve Item and Move Forward to Regular Meeting | <input type="checkbox"/> Approve Item as proposed at Regular Meeting |
| <input checked="" type="checkbox"/> Information Only | |
| <input type="checkbox"/> Approve Item with Waiver of Reconsideration
Reason for waiver is described in the Item Details field. | |

PREVIOUS ACTIONS OR REVIEWS:

Policy Committee Name: N/A

Policy Committee Date: N/A

Action Taken/Follow-up: (Check all that apply)

- | | |
|---|---|
| <input type="checkbox"/> Recommends Approval | <input type="checkbox"/> Does Not Recommend Approval |
| <input type="checkbox"/> Forwarded Without Recommendation | <input type="checkbox"/> Recommendation Report Attached |
| <input type="checkbox"/> Minutes Attached | <input type="checkbox"/> Minutes Not Available |

HISTORY (Dates reviewed by City council, Policy Committees, Boards and Commissions, or Staff. Summarize pertinent comments. ATTACH MINUTES OF COUNCIL MEETINGS, POLICY COMMITTEES AND BOARDS AND COMMISSIONS.)

N/A

ITEM SUMMARY (Brief description of item, discussion, key points, recommendations, etc.)

This item is to review the 2021 activity of the Management and Finance Policy Committee. This item is information only.

QUESTIONS FOR COUNCIL

n/a

LEGAL COMMENTS

The city charter requires that the city manager shall keep the council advised of the financial condition, future needs of the city, and the overall general condition of the city, and shall make such recommendations to the council for adoption as deemed necessary or expedient. This item is informational only. (See, Aurora City Charter Art. 7-4 (f)). (Hernandez).

PUBLIC FINANCIAL IMPACT

- YES NO

If yes, explain: n/a

PRIVATE FISCAL IMPACT

- Not Applicable Significant Nominal

If Significant or Nominal, explain: n/a

M&F Committee 2021 Recap

January

- SALES TAX CHART
- ORDINANCE EXEMPTING FEMININE HYGIENE PRODUCTS FROM SALES AND USE TAX
- REVIEW OF AURORA 2021 DEBT PORTFOLIO
- 2021 PROPOSED WORK PLAN
- INTERNAL AUDIT 2020 ANNUAL REPORT

February

- SALES TAX CHART
- CABC BYLAW CHANGES
- CITY OF AURORA DEBT POLICY
- FINANCING ORDINANCE SERIES 2021 FIRST-LIEN SEWER REVENUE BONDS
- FINANCING ORDINANCE SERIES 2021 FIRST-LIEN WATER REVENUE BONDS
- POLICE HYBRID PENSION PLAN UPDATE
- INTERNAL AUDIT SCOPE IN RELATION TO CITY COUNCIL ACTIVITIES

March

- SALES TAX CHART
- 2021 SPRING SUPPLEMENTAL
- 2020 EXTERNAL AUDIT PRE-AUDIT LETTER
- GFOA END THE ACRONYM POLICY STATEMENT
- INVESTMENT PORTFOLIO REVIEW
- FINANCING ORDINANCE 2021 HEAVY FLEET PROGRAM
- AUDIT OF MAYOR AND COUNCIL OPERATING EXPENSES

April

- NO MEETING

MAY

- SALES TAX CHART
- WINDLER HOMESTEAD, WH NO. 1, AND VELOCITY NOS. 1-9 METROPOLITAN DISTRICTS AMENDED AND RESTATED SERVICE PLANS
- RENEWAL OF CONTRACT WITH INSIGHT INVESTMENT FOR INVESTMENT ADVISORY SERVICES
- RECOMMENDED MODIFICATIONS TO CITY INVESTMENT POLICY
- INTERNAL AUDIT Q1 REPORT
- FIRST-LIEN WATER AND SEWER REVENUE BONDS, SERIES 2021 UPDATE

June

- SALES TAX CHART
- TITLE 32 METROPOLITAN DISTRICTS
- 2020 AUDIT RESULTS
- CABC OVERVIEW

July

- SALES TAX CHART
- A BALLOT QUESTION TO RAISE TAXES TO FUND AURORA'S EMERGENCY ACTION MENTAL HEALTH FUND
- GERP UPDATE
- WINDLER BUSINESS IMPROVEMENT DISTRICTS NOS. 1&2
- INFORMATION TECHNOLOGY UPDATE
- RESOLUTION TO ENTER LEASE-PURCHASE AGREEMENT FOR SOFTWARE RENEWAL

August

- SALES TAX CHART
- PROPOSED CHANGES TO SERVICE FEES
- PAY RESOLUTION
- EMPLOYEE BENEFITS UPDATE
- AN ORDINANCE PERTAINING TO LEGAL HOLIDAYS AND THE EMPLOYEE HANDBOOK AND A PROPOSAL TO DESIGNATE JUNE 19TH AS JUNETEENTH AND A LEGAL HOLIDAY
- GENERAL IMPROVEMENT DISTRICT BUDGETS
- FORMAL APPOINTMENT OF BRENDAN MORGAN TO THE AURORA INVESTMENT ADVISORY COMMITTEE
- RENEWAL OF AN AGREEMENT WITH WELLS FARGO FOR VARIOUS BANKING SERVICES
- INTERNAL AUDIT Q2 REPORT
- WATER REVENUE REFUNDING BONDS UPDATE

September

- SALES TAX CHART
- CAREER SERVICE COMMISSION OVERVIEW
- BUSINESS IMPROVEMENT DISTRICT ANNUAL OPERATING PLANS AND BUDGETS

October

- SALES TAX CHART
- FALL SUPPLEMENTAL
- REVIEW OF OUTSTANDING MORAL OBLIGATIONS
- ORDINANCE PERTAINING TO ALCOHOL BEVERAGE FESTIVAL PERMIT
- ORDINANCE REPEALING THE REQUIREMENT FOR STABLE LICENSES
- SHORT TERM RENTAL REGULATIONS UPDATE AND ORDINANCE
- ORDINANCE AMENDING THE CITY CODE RELATING TO SALES AND USE TAX CLARIFICATIONS
- INTERNAL AUDIT Q3 REPORT

November

- SALES TAX CHART
- METROPOLITAN SERVICE PLAN AMENDMENTS
- APPROVAL OF USE AGREEMENT WITH REGENTS OF THE UNIVERSITY OF COLORADO FOR USE OF CITY OFFICE SPACE
- REVIEW OF 2022 APPROVED ANNUAL AUDIT PLAN
- 2021 MANAGEMENT AND FINANCE POLICY COMMITTEE RECAP

December

- NO MEETING



CITY OF AURORA

Council Agenda Commentary

Item Title: Affirmation of the Approved 2022 Annual Audit Plan
Item Initiator: Wayne Sommer, Internal Audit Manager
Staff Source/Legal Source: Wayne Sommer, Internal Audit Manager
Outside Speaker: n/a
Council Goal: 2012: 6.0--Provide a well-managed and financially strong City

COUNCIL MEETING DATES:

Study Session: n/a

Regular Meeting: n/a

ITEM DETAILS:

- Agenda long title
- Waiver of reconsideration requested, and if so, why
- Sponsor name
- Staff source name and title / Legal source name and title
- Outside speaker name and organization
- Estimated Presentation/discussion time

Office of the Internal Auditor—2022 Approved Annual Audit Plan for Committee Review and Affirmation

Wayne Sommer, Internal Audit Manager

15 minutes to present and Q&A

ACTIONS(S) PROPOSED *(Check all appropriate actions)*

- | | |
|---|--|
| <input type="checkbox"/> Approve Item and Move Forward to Study Session | <input type="checkbox"/> Approve Item as proposed at Study Session |
| <input type="checkbox"/> Approve Item and Move Forward to Regular Meeting | <input type="checkbox"/> Approve Item as proposed at Regular Meeting |
| <input checked="" type="checkbox"/> Information Only | |
| <input type="checkbox"/> Approve Item with Waiver of Reconsideration
Reason for waiver is described in the Item Details field. | |

PREVIOUS ACTIONS OR REVIEWS:

Policy Committee Name: N/A

Policy Committee Date: n/a

Action Taken/Follow-up: (Check all that apply)

- | | |
|---|---|
| <input type="checkbox"/> Recommends Approval | <input type="checkbox"/> Does Not Recommend Approval |
| <input type="checkbox"/> Forwarded Without Recommendation | <input type="checkbox"/> Recommendation Report Attached |
| <input type="checkbox"/> Minutes Attached | <input type="checkbox"/> Minutes Not Available |

HISTORY (Dates reviewed by City council, Policy Committees, Boards and Commissions, or Staff. Summarize pertinent comments. ATTACH MINUTES OF COUNCIL MEETINGS, POLICY COMMITTEES AND BOARDS AND COMMISSIONS.)

As the Audit Committee for the City, the Office of the Internal Auditor regularly reports its activities to the M&F Committee. Annually, the Office of the Internal Auditor prepares an annual audit plan which is submitted to and approved by the City Manager. Once approved, the plan is presented to the Audit Committee for their review, comment, and affirmation.

ITEM SUMMARY (Brief description of item, discussion, key points, recommendations, etc.)

The M&F Committee will review the approved audit plan. They can make recommendations for additional engagements to be considered. Ultimately, we are asking that they affirm the approved audit plan as presented.

The Committee also requested at their October meeting that Internal Audit provide a status report on the Mayor and Council Expense Audit engagement at their November meeting. We will do so.

QUESTIONS FOR COUNCIL

Does the M&F Committee have any changes to the 2022 audit plan?

LEGAL COMMENTS

The city charter requires that the city manager shall keep the council advised of the financial condition, future needs of the city, and the overall general condition of the city, and shall make such recommendations to the council for adoption as deemed necessary or expedient. This item is informational only. (See, Aurora City Charter Art. 7-4 (f)). (Hernandez).

PUBLIC FINANCIAL IMPACT

YES NO

If yes, explain: n/a

PRIVATE FISCAL IMPACT

Not Applicable Significant Nominal

If Significant or Nominal, explain: n/a

Office of the Internal Auditor



2022 Annual Internal Audit Plan

Approved by the City Manager on October 14, 2022



Background

The City of Aurora Office of the Internal Auditor (aka Internal Audit), established by City Ordinance CD2: 10.1, Sec. 2-66, operates as an independent, objective assurance and consulting activity designed to add value to and improve the City’s operations. Internal Audit’s mission is to be partners for meaningful performance improvement. Internal Audit executes its mission through a systematic, disciplined, professional, risk-based approach to evaluating and improving the effectiveness of risk management, internal control, and governance processes. Internal Audit offers a wide range of engagements, including financial, compliance, performance, consulting, and fraud investigations. Internal Audit is an internal independent staff function residing in the Office of the City Manager. The Management and Finance Committee (M&F) acts as the City Council Audit Committee. Internal Audit provides quarterly progress reports to the M&F Committee and presents the approved annual audit plan for affirmation.

The Internal Audit function is separate and distinct from the external auditor role in local government. According to the State of Colorado Financial Management Manual: A Guide for Colorado Local Governments, *“The goal of [external] auditing is to provide assurance for citizens, legislators, and others that government funds are accounted for properly and that government organizations are in substantial compliance with laws and regulations.”*

The Local Government Audit Law (Section 29-1-601 et seq., C.R.S.) requires Colorado local governments to have an annual audit of their financial statements. The law states that the audit must be performed by an independent Certified Public Accountant (CPA) and be in accordance with generally accepted auditing standards.

The Office of the Internal Auditor prepares an annual audit plan that the City Manager approves and the City Council’s Management and Finance Committee (M&F), which acts as the Audit Committee for the Council, affirms.

2022 Approved Annual Audit Plan

PLAN DEVELOPMENT PROCESS

The City of Aurora Office of the Internal Auditor applies the professional standards of the Institute of Internal Auditors (IIA), the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator.

The International Standards for the Professional Practice of Internal Auditing require that an entity develop its annual audit plan using a risk-based approach.

Standard 2010 – Planning: The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals.

IIA Interpretation: The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organization’s risk management framework, including using risk appetite levels set by management for the different activities or parts of the organization. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organization’s business, risks, operations, programs, systems, and controls.

Internal Audit applies the definition of risk in the *International Standards for the Professional Practice of Internal Auditing*: **The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.**

Management is responsible for identifying and managing the risks facing the City. Internal Audit provides an independent review of the policies, processes, and controls in place to manage and mitigate risk to acceptable levels. Our 2022 risk-based approach included assessing various City activities and developing an audit plan to address those areas commensurate with the resources available and the audit team’s skill sets.

Annual Risk Assessment Survey

Internal Audit conducted its annual risk assessment via a survey and Microsoft Teams interviews. We conducted the City assessment separately from the Police Auditor. In those instances where we did not receive a survey response from a specific supervisor, we considered the number and staff level of other responses from their division or department. If there were sufficient responses, there was no additional follow-up. We scheduled Microsoft Teams interviews with staff as deemed necessary. The table below shows the number of surveys received and completed¹.

Survey Responses	Surveys Complete	Surveys Sent	% Complete
Supervisors - Directors	219	424	52%
Staff	37	153	24%
Total	256	577	44%

The risk assessment survey included questions—some repeated from previous years’ surveys—covering:

- general operating practices designed to better understand risks and opportunities to provide critical services and achieve business objectives;
- tone at the top to assess management’s ethical stance and department morale;
- access to adequate personnel and professional development resources;
- *NEW*: diversity, equity, and inclusion attitudes and practices;
- IT support and technology use;
- critical process automation;
- contact with regulatory agencies;
- inventory controls;
- the safety environment;
- IT privacy, security risks;
- data management, including data access and security practices;
- fraud risk; and,
- top business priorities and risks.

The City has not established a formal organizational risk appetite; therefore, we use our professional judgment to select and propose audit engagements for the coming year. Additionally, we offer the following comments on potential risk areas.

¹ This does not include the Police Department.

INFORMATION TECHNOLOGY

Internal Audit included an Information Technology (IT) Operational Assessment as a part of our 2022 audit plan. This engagement will be a high-level assessment of IT's operations. A detailed engagement description follows in this report.

Cybersecurity and Ransomware: As noted in previous audit plans, attacks on the City's network continue. City IT staff are responding to the attacks while simultaneously strengthening City defenses. This never-ending threat will require long-term investments in staff, resources, and a commitment to changing the City's culture (staff behavior) and adjusting business practices to reduce the risks arising from daily operations and third-party interactions. Considering our increased remote work during the pandemic and our planning toward a hybrid work environment for the future, IT will want to remain proactive and vigilant in monitoring and defending against cybersecurity threats.

Annual staff cybersecurity training has been mandatory for several years. New in 2021 is the introduction of cybersecurity micro-learns—smaller vignettes on different security topics that staff complete monthly. The major concerns listed by staff—hacking, phishing, malware, unauthorized release of private information—are all addressed in these trainings.

The City monitors proper access and security controls for its critical environments, and ensures those efforts are accountable to, and defined within, City policy and regulatory requirements. IT has continued to enhance its environmental monitoring to decrease the time it takes to identify possible vulnerabilities and attacks. The M&F Committee has requested that a risk assessment be performed related to our risk of a ransomware attack. This assessment will include assessing the current risk of such an attack, identifying our mitigation efforts, and calculating the residual risk thereafter. Due to the sensitive nature of this discussion, Internal Audit and the CISO are both recommending that any presentation on this topic be done in executive session. We are considering the use of an external party to perform the assessment. This will validate our assumptions and possibly identify any blind spots. No date has been set for this exercise as of the time.

SECURITY AND SAFETY

Safety and security continue to be prominent in the risk assessment survey responses and in many discussions across the City. City Management has taken these concerns seriously and is working through several initiatives to address these concerns.

Physical Security

The Physical Security Steering Committee comprises members from Public Works, Facilities, IT, Human Resources, Aurora Fire and Rescue, and Aurora Police Department (APD). A representative from Internal Audit facilitates the meetings and provides regular progress reports to Executive Management. The Steering Committee has generated recommendations—including policy changes, such as Security Camera

Usage—to improve security, many of which are being implemented. In addition, the City is actively recruiting for a new Facilities Security Manager.

Safety

As the Aurora Municipal Center (AMC) remains closed to the public at the time of this plan, comments about safety at the AMC campus decreased compared to 2020. Safety concerns have been expressed about other City facilities. There are locations where multiple instances of staff being physically harmed by the public have been reported. The City has several departments and executive management currently working together to address the safety and security concerns in the short-term and long-term in these locations.

COVID-19 outbreaks continue to be a concern among staff. The City encourages staff to work remotely whenever possible. Where remote working is not possible or practical, the City abides by the Governor's, Colorado Department of Public Health, and Tri-County Health mandates and policies. Management employees regular update e-mails to keep City staff informed of any new decisions and initiatives that may impact them.

DIVERSITY, EQUITY, AND INCLUSION

The Office of Diversity, Equity, and Inclusion (DEI) has made progress ramping up over the last year. From the City participating in the Government Alliance on Race and Equity survey to hiring a DEI Manager, the Office has seen progress in bringing much needed attention to these subjects. The Office is currently in search of a consultant to perform citywide training in 2022.

Internal Audit is not proposing an engagement related to DEI for 2022. We met with the DEI Manager and Director to learn about the current initiatives and will remain informed of progress. We added a DEI section into the risk assessment survey and our culture surveys in 2021. We will chart the results from these survey questions and share them with the Office on a regular basis. Internal Audit will continue to have a presence on the Equity Champion team, and we will offer our services to the Office as requested.

MANDATORY TRAINING

There is a need to efficiently and effectively train nearly 4,000 City staff on various topics, many of which we have discussed in this report (cybersecurity, physical safety, DEI, etc.). Internal Audit recommends an additional annual training on fraud prevention and awareness and the City's hotline, Ethical Advocate. Fraud is a significant risk for any organization, a risk for which all City staff should assume some awareness responsibility. Fraud training should be required annually. Internal Audit is in discussions with Human Resources staff regarding this training requirement.

It is important to keep these matters at the forefront of staff awareness. We recommend that all annually mandated training be sufficiently divided across the year so as not consume too much staff time at a single point in the year.

GRANT ADMINISTRATION AND MANAGEMENT

The M&F Committee expressed concern at its August 2021 meeting regarding the City’s capabilities to effectively manage the large amounts of grant money that the City is expected to receive and spend in the coming months. The Finance Department has recently offered new training to staff for grant administration and management. Internal Audit has recommended that this training be mandatory for all staff involved in the administration and management of grant awards. Finance hired two new positions to assist in the oversight of grant-related matters. BKD, the City’s external accountants, audits compliance with grant agreements as part of their Single Audit responsibilities. Given the quantities of money expected to be received, Internal Audit stands ready to review any risk areas Management identifies as requiring our attention.

2022 INTERNAL AUDIT ENGAGEMENTS

In determining which audits to include in our 2022 audit plan, we also considered those engagements that remained outstanding from the 2021 plan. We compared the ongoing risk to be addressed in those engagements with the results of our 2022 risk assessment and decided which engagements, if any, to roll forward.

Based on our professional judgment and in consideration of our available staff resources, Internal Audit proposed, and the City Manager approved, our recommended engagements for 2022. The Police Auditor will present her engagements separately. We group these engagements into approximate commencement times, as depicted in the graphic below. We now have three annually recurring engagements: APD Property and Evidence for CALEA Accreditation in the First Quarter as well as Mayor and City Council Expenses and Purchasing Card Monitoring which occur throughout the year. We avoid beginning new engagements in the Fourth Quarter unless necessary. We prefer to use that quarter to continue progress on any active engagements in hopes of making substantial progress toward completing them before the new audit year begins. We also use that time to evaluate our progress over the last year, consider changes to our audit programs and approaches, and prepare for the new audit year. We propose preliminary engagement objectives in this audit plan knowing that they are subject to change based upon information obtained once the engagement is under way. Internal Audit will inform the City Manager and the Audit Committee of any material changes to active engagement objectives.

Circumstances and risks may change throughout a plan year. Periodically during an active engagement or before the commencement of a new engagement, we will assess whether there is value in continuing or starting an engagement. This practice allows us to remain agile and deploy our limited resources to what we believe are the most urgent needs at that time.

Approved 2022 Audit Activities by Quarter



First Quarter

<p>Internal Audit Carryforward Engagements</p>	<p>These engagements may be carried forward into 2022.</p> <ul style="list-style-type: none"> ❖ Succession Planning Assessment ❖ Courts Case Management ❖ Aurora Fire Rescue Follow-Up Culture Assessment ❖ Planning & Development Service Follow-Up Culture Assessment
<p>APD Property and Evidence Chain of Custody Audit for the Commission on Accreditation of Law Enforcement Agencies (CALEA) Accreditation</p> <p><i>Recurring</i></p>	<p>Internal Audit conducts this recurring annual engagement to review whether existing controls ensure the evidence chain of custody remains unbroken. In compliance with CALEA Standards, Appendix K, a yearly audit of property and evidence is conducted by a supervisor not routinely or directly connected with control of property and evidence as a requirement for accreditation.</p> <p>Objectives:</p> <ul style="list-style-type: none"> ❖ Ensure compliance with CALEA Standard 84 – Property and Evidence Control. ❖ Ensure the reliability and integrity of internal controls that ensure the chain of custody for property and evidence is not broken.
<p>Information Technology (IT) Operational Assessment</p>	<p>Internal Audit will perform a high-level assessment of IT’s departmental operations. The engagement will include individual and small group interviews with IT staff members as well as customer surveys.</p> <p>Objectives:</p> <ul style="list-style-type: none"> ❖ Evaluate the effectiveness of the current IT organizational structure in the context of executing its mission. ❖ Evaluate the performance of the service desk operations. ❖ Assess the effectiveness of IT hardware management. ❖ Assess the adequacy of software application and recovery planning.

<p>Citywide Purchasing Card Transaction Monitoring</p> <p><i>Recurring</i></p>	<p>We will monitor samples of Purchasing Card transactions for compliance with City policies throughout the year. Internal Audit will employ databased auditing techniques. We will focus on high-risk merchant category codes and suppliers, and keywords that could indicate a prohibited or questionable purchase.</p> <p>Objective:</p> <ul style="list-style-type: none"> ❖ Review sample transactions for compliance with applicable City policies.
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<p>City Council Mayor and City Council Operating Expenses</p> <p><i>Recurring</i></p>	<p>Internal Audit will perform test work on a sample of items related to expenditures incurred—regardless of the form of payment—for official business and conference and travel expenses for the Mayor and all City Council members recorded in the general ledger maintained in the Finance accounting system.</p> <p>Objectives:</p> <ul style="list-style-type: none"> ❖ Determine whether recorded expenses are incurred in accordance with Council policy. ❖ Determine whether expenses are supported by adequate supporting documentation in accordance with Council and City policy.
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Second Quarter

<p>Citywide Asset Management Review</p>	<p>Capital assets include City of Aurora government infrastructure and facilities, including streets, information systems, and transportation. The engagement scope will include vehicles (except those for which a replacement program is in place), City buildings, and other City capital assets that fit the definition above. We also will assess the current state of City asset management capabilities via existing software applications.</p> <p>Objectives:</p> <ul style="list-style-type: none"> ❖ Determine whether there are adequate controls in the asset management program to ensure accurate tracking of assets owned. ❖ Determine whether there are processes in place to ensure proper preventative maintenance and replacement of City assets.
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**Office of
Development
Assistance**

Development
Assistance Process
Review

The City of Aurora Office of Development Assistance (ODA) is responsible for aiding, explaining, and facilitating the city’s development process. The office is designed to offer predictability, ease of use, and a streamlined plan review for all types of development applications. ODA handles new developments, redevelopments, and building modifications in the City. Internal Audit will map and review key processes in ODA operations including examining coordination points between ODA and other City departments such as Planning and Public Works.

Objective:

- ❖ Determine whether the development review processes (including technology involved) adequately support their mission objectives.

**Public Works;
Parks,
Recreation, and
Open Space
(PROS); Library
and Cultural
Services (LCS)**

Culture Surveys

Internal Audit will assess the culture of these departments, by division, through its culture survey instrument. The survey questions are designed to capture staff’s perceptions of the current culture within their work areas. Responses are anonymous to incite greater openness by the respondents. These surveys will establish baselines for these departments. Based on the results, we may schedule follow up surveys in subsequent audit plans.

Objectives:

- ❖ Assess the current state of the culture within each department (Public Works; Parks, Recreation, and Open Spaces (PROS); and Library and Cultural Services (LCS).)

Internal Audit Risk Assessment Process Review	<p>Internal Audit will perform a complete review of our annual risk assessment process in preparation for 2023 audit planning.</p> <p>Objectives:</p> <ul style="list-style-type: none">❖ Develop a rolling risk assessment approach that improves our assessment of current risks and allows us to address them more readily.❖ Develop a risk workshop format that increases staff interactions and the quality of information gathered.❖ Revise our survey process to reduce staff time commitment while improving participation.❖ Develop, adopt, and maintain a “risk-aware” mindset as opposed to a “risk-averse” mindset throughout the City.
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Third Quarter

Citywide 2023 Risk Assessment and Audit Planning- Part 1	<p>Internal Audit conducts an annual risk assessment as the basis for our 2023 audit plan.</p>
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City Clerk’s Office After-Action System Implementation	<p>A project implementation after-action review provides an opportunity to celebrate successful strategies and learn from any obstacles encountered. An after-action determines whether the project implementation achieved its planned purpose and objectives. This engagement will be a review of the new open records system.</p> <p>Objective:</p> <ul style="list-style-type: none">❖ Did the project implementation achieve its planned purpose and objectives?
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Fourth Quarter

Citywide
2023 Risk Assessment
and Audit Planning-
Part 2

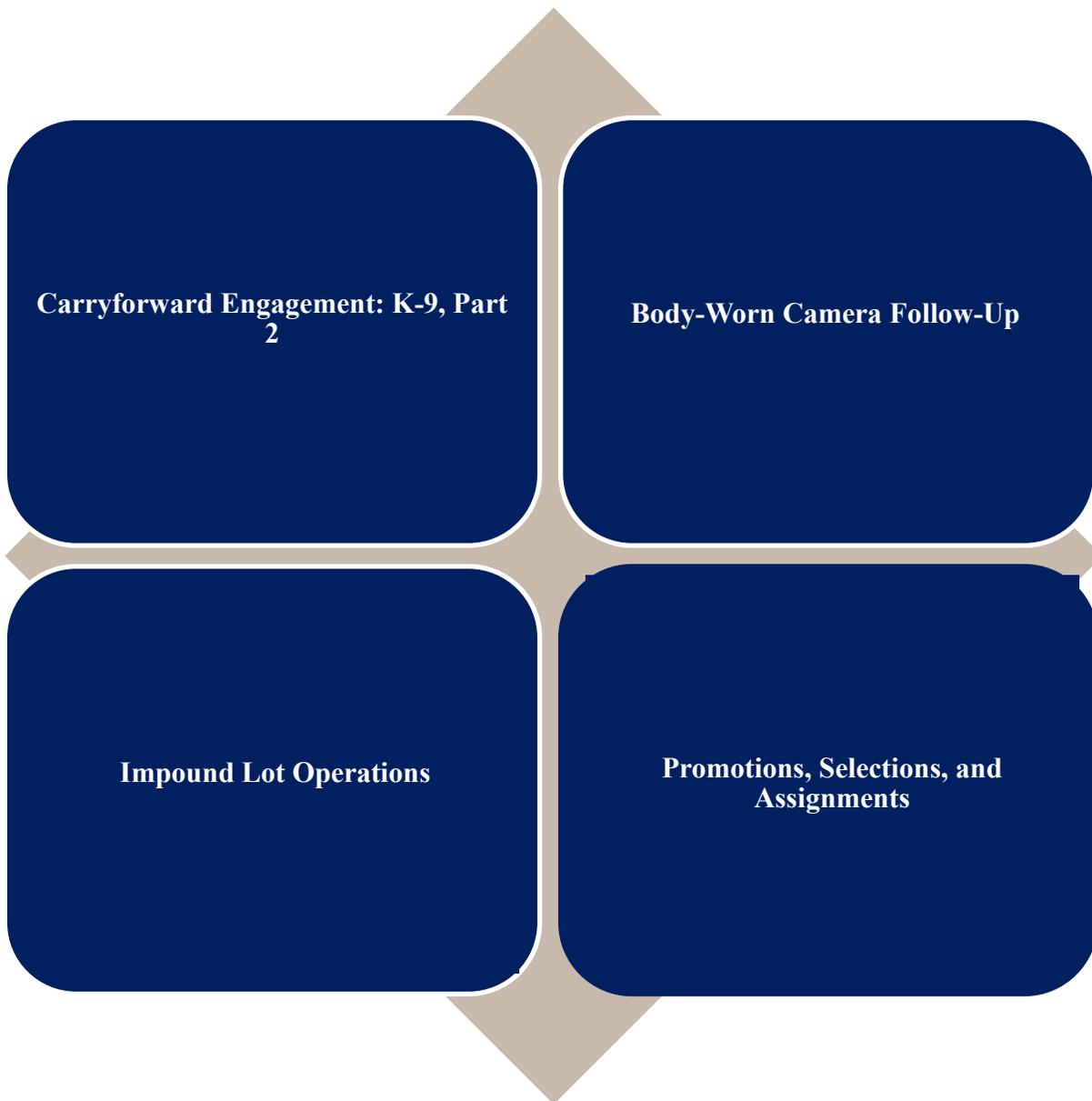
Part 2 will include developing the proposed 2023 engagements and obtaining the City Manager’s approval and the Audit Committee’s affirmation.

**Continue Active
Engagements**

In the fourth quarter, we continue work on active engagements to complete them as much as possible prior to year-end.

2022 APPROVED POLICE AUDITOR ENGAGEMENTS

This audit plan was developed from results of the annual risk assessment and meetings with City Management and the Police Chief and Deputy Police Chief. The detailed plan is documented separately from the citywide plan. The City Manager approved the Police Auditor Plan on October 5, 2021. The Police Auditor will prioritize engagements after soliciting feedback from the Key Community Response Team (KCRT.) The Police Auditor will also present this plan to the Public Safety, Courts, and Civil Service Policy Committee as an information item.



INTERNAL AUDIT COOPERATIVE ACTIVITIES

Information Technology (IT)

Internal Audit and the Chief Information Security Officer (CISO) meet quarterly throughout the year to discuss matters related to IT security. The CISO assists Internal Audit in preparing for the annual risk assessment. Internal Audit participates in technology security initiatives as requested by the CISO.

Internal Audit and Risk Operations

Internal Audit meets quarterly with Risk Operations to discuss issues of mutual concern. The meetings foster communication on a range of potential risk issues that may lead to an audit engagement proposal. Risk Operations contributes our annual risk assessment related to employee safety.

Physical Security Steering Committee

Internal Audit facilitates the monthly Physical Security Committee meetings. This includes performing administrative functions such as documenting the minutes, scheduling meetings, tracking the status of various projects, and sending out monthly updates to management.

Safety Committee

The Safety Committee consists of City staff from all departments who meet monthly to address various aspects of safety awareness across the City. The committee serves as a resource and information sharing platform. Internal Audit attends the committee meetings to keep abreast of their progress.

AuroraNEXT

The Internal Audit Manager is co-leading the City's transformation to a hybrid work environment as part of his duties as Recovery Manager under the City's Disaster Recovery Plan.

OBJECTIVITY AND AFFIRMATION OF ORGANIZATIONAL INDEPENDENCE

IIA Standard 1100 – Independence and Objectivity: The internal audit activity must be independent, and internal auditors must be objective in performing their work.

IIA Interpretation:

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels. Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.

Internal Audit Compliance (IAC):

Internal Audit has unfettered access to senior management and the City Council. Internal Audit reports to the City Manager on all audit matters (according to the City Ordinance noted below.) Internal Audit also has access to the M&F Committee, the Audit Committee of the City Council. We conduct our work with objectivity and do not subordinate our judgment on audit matters to others.

IIA Standard 1110-Organizational Independence: The internal audit activity must be independent and internal auditors must be objective in performing their work. The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity. [Note: Internal Audit notes its compliance with this standard in the sub-bullets above and below marked **IAC** (Internal Audit Compliance.)]

IIA Interpretation:

Organizational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:

- ✧ *Approving the internal audit charter;*
- **IAC:** Internal Audit functions under an approved charter and operates under City Ordinance-CD2: 10.1, Sec. 2-66, Office of the Internal Auditor, which reads:
 - The office of the internal auditor shall be an independent staff function reporting to the city manager on all audit matters. The auditor shall conduct financial and performance audits of all departments, boards,

activities, and agencies of the city. All city officers and employees shall furnish the auditor with requested information and records within their custody regarding powers, duties, activities, organization, property, financial transactions, and methods of business required to conduct an independent evaluation.

- ✧ *Approving the risk based internal audit plan;*
 - **IAC:** The City Manager reviews and approves the annual audit plan; the M&F Committee, the Audit Committee of the City Council, affirms the approved plan.
- ✧ *Approving the internal audit budget and resource plan;*
 - **IAC:** The City Manager approves the Internal Audit resource budget and includes it as part of the City's budget. The City Manager proposes the City's budget to the City Council for final approval.
- ✧ *Receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters;*
 - **IAC:** Internal Audit provides weekly updates to the City Manager and quarterly updates to the M&F Committee. The CAE has unfettered access to the Audit Committee.
- ✧ *Approving decisions regarding the appointment and removal of the chief audit executive;*
 - **IAC:** The City Manager has the authority to appoint and remove the CAE.
- ✧ *Approving the remuneration of the chief audit executive; and*
 - **IAC:** The CAE's salary and benefits are included in the City budget that the City Manager proposes to the City Council and that the City Council approves.
- ✧ *Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.*
 - **IAC:** Internal Audit communicates regularly—as appropriate and necessary—on audit matters with the City Manager and the M&F Committee. The M&F Committee has direct access to the CAE for any questions.
- ✧ **1110.A1** – *The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.*
 - **IAC:** Management approves the annual work plan. Internal Audit determines each engagement's audit scope, performs its work uninhibited in accordance with the City Ordinance noted above, and regularly and freely communicates its results to the City Manager and the M&F Committee.

Internal Audit affirms our organizational independence for 2022 in accordance with IIA Standard 1110.

INTERNAL AUDIT TEAM

Wayne Sommer | Internal Audit Manager (CAE)

Wayne is a Certified Public Accountant (CPA) and a Chartered Global Management Accountant (CGMA) with 41 years of diverse work experience. He began his career as an auditor for KPMG in Washington, DC (then known as Peat Marwick Mitchell and Co), advancing to the Audit Senior level (In-charge) with specialization in not-for-profit entities and financial institutions. He spent the next seven years in various financial and management capacities at Trustbank Savings, FSB in Virginia (also known as Dominion Federal Savings and Loan.) Before coming to the City of Aurora, Wayne spent 23 years at the International City/County Management Association (ICMA) in Washington, DC with 14 of those as Director, Administration and Finance, and the last nine working in executive management roles performing strategic planning, business development, and organizational change and development including managing ICMA's U.S. Programs, which offered research and consulting products and services to local governments, the private sector, and the Federal government. Wayne has been with the City of Aurora since May 2014.

Professional Associations: American Institute of Certified Public Accountants; Institute for Internal Auditors; Association of Local Government Auditors

Michelle Crawford | Police Auditor

Michelle is a Certified Internal Auditor (CIA), a Certified Fraud Examiner (CFE), Certified in Risk Management Assurance (CRMA) and has 14 years of experience in governmental auditing. She received her Bachelor's in business administration at the University of Montana and her Master's in accountancy from Missouri State University. Upon graduation from Missouri State University, she started her career at the Missouri State Auditor's office as a Staff Auditor I and progressed over the next seven years to a Senior Auditor. As an auditor with the State Auditor's office, she conducted performance audits of local governments and worked on the statewide Single Audit. Michelle has been with the City of Aurora since October 2014.

Professional Associations: Association of Certified Fraud Examiners; Institute for Internal Auditors; Association of Local Government Auditors; National Association for Civilian Oversight of Law Enforcement

Sheree Van Buren | Internal Audit Staff

Sheree is a Certified Internal Auditor (CIA) with 10 years of audit experience. She graduated from Colorado State University in 2010 with a Bachelor of Science in Business Administration – Accounting degree. Before joining the City of Aurora, she spent three years as an Audit Associate with PwC, LLP. During this time, Sheree worked in the financial services industry, performing year-end financial statement audits for local and international investment companies. Sheree has been with the City of Aurora since August 2014.

Professional Associations: Institute for Internal Auditors; Association of Local Government Auditors; National Forum for Black Public Administrators; Black Employees for a Better Aurora

Laiba Saqib | Internal Audit Staff

Laiba has three years of audit experience. She earned her bachelor's and master's degrees in Accounting from the Metropolitan State University of Denver in 2018 and 2021, respectively. During her undergrad degree, Laiba interned in the Internal Audit Division at the Colorado Department of Transportation (CDOT). After graduation, she took a job as a tax auditor at the Colorado Department of Revenue and started her graduate degree. During her master's program, Laiba worked as the internal auditor for the University as a semester-long project. Laiba has been with the City of Aurora since March 2021.

Professional Associations: Institute for Internal Auditors; Association of Local Government Auditors

2022 Police Internal Audit Plan



2021 APPROVED POLICE AUDITOR ENGAGEMENTS

Due to events both in the community and across the nation, in 2021, the City Manager proposed, and City Council approved, establishing an auditor position within Internal Audit dedicated to police-related engagements. The Police Auditor works directly with the City Manager and reports administratively to the Internal Audit Manager (Chief Audit Executive, CAE.) In addition, the Internal Audit Manager is responsible for reviewing their work papers and draft reports to ensure compliance with internal audit standards.

The Police Auditor engagements focus on policies and practices in police operations that more directly affect the community, potentially high liability activities, and areas of significant public concern. The engagements aim to increase department transparency and regain and maintain public trust. Engagements may include, where applicable, business process redesign, and they may also touch on performance management where appropriate.

Reports generated by the Police Auditor are included in the quarterly progress reports to the Management and Finance Committee (Audit committee) and presented verbally to the Public Safety, Courts, and Civil Service Policy Committee. In addition, Internal Audit publishes all final reports to the City's website.¹

¹ https://www.auroragov.org/city_hall/departments/city_manager/internal_audit_department

Plan Development Process

The City of Aurora Office of the Internal Auditor applies Institute of Internal Auditors (IIA)² standards (Standards) in developing its audit program. The Standards require that an entity develop its annual audit plan using a risk-based approach. The city-wide audit plan includes details on the audit standards and Internal Audits processes.

Management is responsible for identifying and managing the risks facing the City. Internal Audit provides an independent review of the policies, processes, and controls to manage and mitigate risk to acceptable levels.

RISK ASSESSMENT SURVEY

The Police Auditor utilized risk assessment surveys (independent of the city-wide risk assessment survey). We used the city-wide survey as a template and included questions relevant to police operations. All police employees—civilians and sworn—received a survey. Staff, Supervisors, and Command staff all received different surveys with questions tailored to their roles. The Police Auditor sent surveys anonymously to solicit honest feedback and increase participation; however, this resulted in the inability to follow up with individuals directly. The surveys were issued June 25th and closed July 23rd. The table below shows the percentage of surveys partially and fully completed across each group.

Survey Group	Total surveys sent	Partially Completed	Survey Completed
Command	13	92%	69%
Supervisors	155	41%	32%
Staff	713	31%	23%
Total	881	34%	25%

The risk assessment included questions covering:

- General operating practices, to evaluate current operational efficiencies and effectiveness,
- Training, including questions related to the use of force,
- “Tone at the top,” to assess management’s ethical stance and department morale at the time of the survey,
- Diversity, equity, and inclusion (DEI),
- Safety,
- IT support and technology use,
- Fraud risk, and,
- Top business priorities and risks.

² The IIA is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator.

We appreciate the candidness and honesty of everyone who completed the survey.

2022 RISK ASSESSMENT OBSERVATIONS

Our observations identified several areas that we believe management should address and monitor. In addition, the 21CP report ³and the Attorney General's ⁴report also included similar areas of concern.

Training

Respondents identified the need for more training on new legislation, legal updates, and policies. Overall, most respondents felt they were "somewhat" adequately trained for their jobs. Respondents also suggested expanding the training methods to include more than just emails, such as training guides and in-person training.

The Academy is working on in-person training for 2022 and a plan to allow overlap to allow training without impacting staffing. The Academy is also increasing scenario based training, including training with Aurora Fire Rescue Department.

Use of Force

Supervisors and staff respondents disagreed that the current use of force training was sufficient. In addition, there is a gap between the command level, supervisors, and staff, on whether the rules governing the use of force are too restrictive or about right. More than half of Supervisors and 40% of staff do not view the use of force guidelines as useful.

Respondent comments included:

- hesitation for using force out of fear of being charged criminally, fired, or suspended,
- vague guidance related to the use of force,
- concern on whether using force would be within guidelines and whether the Department would support them,
- a lack of training on actual situational topics,
- a need for more and better training, and
- training for the public on what use of force is.

The Police Department and City Management recognized the need for changes related to Use of Force. As a result, the Department awarded a contract to Crime and Justice Institute to draft new use of force policies for the department in July 2021. We will continue to monitor the progress and updates to the current policies and processes.

Staffing

³ The City engaged 21CP Solutions to assess APD policies, procedures, and operations and to provide recommendations for enhancing the Department's efforts at providing safe, just, effective, and equitable public safety to the Aurora Community. This report is located on the A New Way webpage.

⁴ The Colorado Attorney General conducted a patterns and practice investigation into the Aurora Police Department. This report is available on the Attorney General's website.

To learn more about potential reasons for staff departures, we asked supervisors and command to select all the potential reasons for turnover of which they might be aware. Below are the top reasons cited for the 68 who responded.

Reason	%
Lack of support from City Management	88%
Lack of support from elected officials	87%
Lack of support from APD Management	81%
Burnout	74%
Overall Leadership	74%
Resignations	74%
Working conditions	74%

Adequate staffing continues to be a concern across the department. We will continue to monitor turnover rates and redeployment of staff.

Disciplinary Process

Nearly two-thirds of supervisors and staff do not believe the disciplinary process is fair.

Comments suggested that:

- there is no credibility in the internal affairs process from the officers’ points of view,
- officers are held to different standards,
- discipline depends on who you are, and
- there is too much power in Internal Affairs and not enough with line-level supervisors.

When asked if individuals acting in an unsafe manner were held accountable, 67% of supervisors and 59% of staff agreed. When asked if the department helps with coaching and counseling for minor mistakes rather than punishment, 64% of supervisors and 63% of staff disagreed. Respondents also suggested that accountability is increasing, but there could be more transparency. They also are seeing a greater emphasis on coaching and providing meaningful feedback.

The disciplinary process is an area that would benefit from a comprehensive review. This is an area the Chief’s office and City management acknowledged as needing to be addressed; we will continue to monitor their efforts to address this process.

Record’s Unit Operations

Throughout the survey, we read comments referencing concerns with the Records Unit operations. As a result, the Police Auditor recommended issuing a culture survey for the Records Unit in 2021 to identify and understand the issues. The Auditor administered the survey on October 1, 2021; the survey work is ongoing at this time.

Additionally, the City Manager requested in June 2021 that the City Innovation Design Team (IDT) review processes within the Records Unit. The Police Auditor serves on this team and is assisting with these efforts. The IDT is working with the Records Unit on identifying and prioritizing areas for the team to review.

2022 APPROVED POLICE AUDITOR ENGAGEMENTS BY QUARTER

The Police Auditor developed this audit plan from the results of the annual risk assessment and meetings with City Management and the Police Chief and Deputy Police Chief. The City Manager approved the Police Auditor Plan on Thursday, October 14, 2021. The Police Auditor will prioritize engagements after soliciting feedback from the Key Community Response Team (KCRT⁵.) The Police Auditor will also present this plan to the Management and Finance Committee for affirmation and to the Public Safety, Courts, and Civil Service Policy Committee as an information item.



⁵ An organization composed of community leaders and activists who meet monthly to share information and address matters of concern involving the city's public safety departments.

Quarter 1

<p>Carryforward Engagement K-9 Unit Review (Part 2) Operational and Compliance Review</p>	<p>The Aurora Police Department K-9 Unit consists of six canines, their handlers, and a sergeant. The canines perform a variety of tasks, including searching buildings for suspects, narcotics, and explosives. While the presence of police canines may prevent potential violence and injury to officers and suspects, K-9 Unit deployment must follow policies, procedures, and best practices to ensure the safety of all parties. In Part 1, the Police Auditor reviewed the policies and processes and made recommendations.</p> <p>Part 2 will assess how canines are deployed, supervised, and trained under current policies and operations as well as how the new K9 software system functions.</p> <p>Objectives:</p> <ul style="list-style-type: none"> ❖ Assess past deployments for compliance with Unit policies and procedures. ❖ Assess whether the new K9 software system is operating efficiently and effectively. ❖ Determine if the K9 Unit follows leading practices in training, deployment, and reporting.
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Quarter 2

<p>Body-Worn Cameras Follow-Up Operational and Compliance Review</p>	<p>In 2020, Internal Audit completed an engagement of Body-Worn Cameras (BWC.) In 2021, Aurora Police implemented a new BWC system and policies. This review will follow-up on any outstanding recommendations and determine compliance with internal policies and state laws.</p> <p>Objectives:</p> <ul style="list-style-type: none"> ❖ Determine if Aurora Police is complying with policies and regulations regarding body-worn camera use. ❖ Determine the extent to which the Aurora Police is utilizing the body-worn camera system.
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Quarter 3

Impound Lot Operations Program Review	<p>The Aurora Police Department Vehicle Impound Detail is responsible for storing all vehicles seized by Aurora Police Officers. The Police Department may impound vehicles for various reasons, including abandoned vehicles, vehicles that contain or are evidence, and statutory reasons such as a non-drivable car after an accident, illegal license plates, or the driver's arrest. The City has an agreement with a third-party impound services contractor for a vehicle storage lot including processing, storage release, and auction services. This agreement is ending in 2022 and will rebid.</p> <p>Objectives:</p> <ul style="list-style-type: none">❖ Assess the efficiency and effectiveness of impound operations.❖ Review the effectiveness of controls over inventory and revenue collections.❖ Review operations for areas to improve customer service.
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Quarter 4

Promotions, Selections, and Assignments Process Review	<p>The promotional process is managed by the Civil Service Commission for all ranks, except for the ranks of Commander, Division Chief, and Deputy Chief. These ranks serve at the Chief's discretion. The Chief also selects officers to serve on special assignments such as gangs, K9, and Police Area Representatives (PAR). In addition, there are specific assignments, like Internal Affairs or Field Training Officers (FTO's), that the chief appoints.</p> <p>Objectives:</p> <ul style="list-style-type: none">❖ Review the processes for promotions, selections, and assignments for effectiveness, efficiency, and equity.❖ Determine if the promotions, selections, and assignments processes follow leading practices.
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Possible Additional Projects

Assist in the creation of the Independent Monitors Office, including identifying areas for collaboration.

INTERNAL AUDIT TEAM

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