

MF POLICY COMMITTEE MEETING

March 28, 2023

Members Present: CM Bergan – Vice Chair, CM Jurinsky

Members Absent: CM Zvonek – Chair

Others present: T. Velasquez, B. Levine, M. Crawford, B. Fillinger, G. Hays, S. Newman, R. Lantz, N. Wishmeyer, A. Amonick, G. Thrasher, G. Koumantakis, C. Argentar, S. Dawson, D. Hudson, T. Taylor, C. Waldron, H. Hernandez, M. Stamp, A. Jamison, S. Van Buren, K. Claspell, S. Newman, T. Sedmak, L. Saqib, R. Goggins, B. Frommell, G. Pangindian, A. Jones, M. Komppa, N. Carlson, P. Shwayder, L. Artz, J. Mann, S. Perry, S. Coffin, M. Buck, A. Ong, K. Diamond, T. Hoyle, and D. Sisneros

INTRODUCTIONS AND MINUTES

CM Bergan required a portion on the minutes be corrected. Staff will edit and make the correction. February 28, 2023 Minutes were approved.

FEBRUARY 2023 SALES TAX CHARTSummary of Issue and Discussion

Kerstin Claspell presented the February 2023 Sales Tax Chart. The sales tax in February grew by 3.7%, which compares to year over year inflation of 6%. Most of the growth was driven by a single company. The 2023 budget assumed 3% growth in sales tax revenue and year to date collections are ahead of this assumption.

Committee Discussion

CM Bergan: CM Jurinsky a question?

CM Jurinsky: Yes, I do. That single company is that Amazon?

K. Claspell: It's in the utility sector.

T. Velasquez: CM Jurinsky generally we don't disclose the names of the taxpayers since that's confidential data.

CM Bergan: We can probably guess who it is, but okay.

CM Jurinsky: Yes.

K. Claspell: Online sales is still seeing relatively good growth, in general, compared to a brick-and-mortar growth.

CM Bergan: So we don't have any concerns that it was lower than our trend has been?

G. Hays: We're watching it. We would rather it be above inflation, but it's not necessarily surprising that it's below. And it's only a month. Last month was better.

CM Bergan: Right. CM Jurinsky did you have anything further?

CM Jurinsky: Yes. So what does our brick and mortar sales growth look like?

K. Claspell: I would have to look through the data to give you actual numbers. I have not pulled that. Also, we don't have clear data because we don't ask companies to differentiate between online sales and brick and mortar sales on their tax returns. There are some companies that we know are only online and we track those. But there are others, that include both online and brick and mortar sales because we don't ask them to differentiate between the two.

G. Hays: We'll be able to get some information to you.

CM Bergan: Are you good?

CM Jurinsky: Yes.

CM Bergan: Okay. All right. Thank you very much.

Outcome

Information only.

Follow-up Action

No follow-up needed.

2023 SPRING SUPPLEMENTAL

Summary of Issue and Discussion

Jackie Ehmann, Budget Program Manager presented the Spring Supplemental. The 2022 Spring Supplemental Ordinance appropriates amounts for several operating expenditures and capital projects that require appropriations and inter-fund transfers in the funds listed in the attachment. This ordinance impacts the 2022 and 2023 budget years. Items for 2022 represent financial activities that have already occurred.

One of the first steps of the annual budget process is to prepare an updated projection of current year supplemental needs. Some needs that had been identified in the 2022 projection prepared for the 2023 Adopted Budget were reviewed and appropriated as part of the 2022 Fall Supplemental process. Others were deferred, as departments are often able to offset the impact, either partially or entirely. Most of the requests included for 2022 in this 2023 Spring Supplemental request were identified and included in the 2022 projection in the 2023 budget document.

Many of the requests included in this supplemental process are technical. Technical items are typically budget lapses (reductions) or reallocations, zero-dollar amendments with appropriation offset by revenue, or accounting and other adjustments. These items are indicated by including “technical” in the title and may or may not have been reviewed by Council. Most items have been previously reviewed by Council or Council Committee. Council review includes items included in the 2022 projection and reviewed as part of the 2023 Adopted Budget process, as well as items reviewed at either a Council Committee meeting or City Council meeting. Council review details are included in the narrative for the supplemental request.

Significant items in the General Fund include ongoing requests to add 9.5 FTE and seven variable hour positions in the Aurora Police and Human Resources departments in support of public safety. 6.5 of these FTE are in the Police Department and Human Resources for public safety, including recruitment, and background services. The addition of the new personnel has not been formally reviewed by City Council.

Other significant is the appropriation of both grant and city funds for the I70/Piccadilly project that was reviewed by Council or Council Committee.

Committee Discussion

CM Bergan: I have a question on the FTE. So, 6.5 were Police and the remaining were HR positions?

J. Ehmann: Right. Three of FTEs were in HR for Talent Acquisition Specialists dedicated to public safety, and then there are several variable hour positions being added to Human Resources for background investigations and other background services.

CM Bergan: But we're transferring some of the background investigators from Civil Service over to HR as contract. Is that correct?

J. Ehmann: Yes. The ones added in HR are variable hour full time, the ones transferred over from Civil Service are variable hour part time, and Jason is here if you have any more detailed questions on that move or those FTE for Police.

CM Bergan: Are they in place, or we are still hiring?

J. Ehmann: For the HR people, they're almost all hired. For Police, there are a couple who are hired, but most that are being recruited for are vacant.

CM Bergan: Any other questions CM Jurinsky?

CM Jurinsky: No.

CM Bergan: On the marijuana monies is that for the Day Resource Center?

J. Ehmann: One of the supplementals will consolidate all the Homelessness positions in the General Fund. We had some scattered, one and a half in the marijuana fund. We decided to move them to the General Fund to keep all the FTE over there, and we swapped out some budget between for a net zero transfer.

K. Claspell: Historically, there has been some agency funding in the General Fund and agency funding now happens in the marijuana tax revenue fund.

CM Bergan: Okay. Their FTEs are going to General Fund, is that what you said there?

K. Claspell: Yes, one FTE and one variable hour position will be moved from the marijuana tax revenue fund to the General Fund. Yes.

CM Bergan: Okay. All right.

J. Ehmann: So now all the FTE related to Homelessness are in the General Fund and all the agency funding is in the marijuana fund.

CM Bergan: Okay. Got it. Thank you. I think that's it on Spring Supplemental.

Outcome

The Committee recommended this item move forward to Study Session.

Follow-up Action

Staff will move the item forward to Study Session.

VOTER SERVICE POLLING CENTER

Summary of Issue and Discussion

Kadee Rodriguez, City Clerk presented the Voter Service Polling Center. She mentioned it is an intergovernmental agreement (IGA) that was approved by Council for 2020, 2021, and 2022. This IGA with Arapahoe County allows them to use City owned facilities for Voter Service Polling Center (VSPC) locations and Dropbox Center locations. The renewal of this agreement is for the 2023 and 2024 elections. She reminded that in November of 2022 there was approval to add three new VSPC locations that were City owned, which are also included in the new agreement.

Committee Discussion

CM Bergan: What about Adams County?

K. Rodriguez: So I believe Adams County, they have not sent us an IGA for use of any of our facilities. So the only one we have is for Arapahoe County right now.

CM Bergan: Okay. So, the MLK is Arapahoe County and not Adams. I always get that mixed up.

Dave: Yes, CM. It's on the south side of the street.

CM Bergan: Okay. That makes sense. CM Jurinsky, do you have any questions on the facilities for election?

CM Jurinsky: No.

CM Bergan: Okay. Thank you, Kadee.

K. Rodriguez: Okay. And then I'll be moving this forward to a Study Session and then a Regular Council Meeting for approval.

CM Bergan: Okay. So we'll go ahead and move that forward. Thank you.

K. Rodriguez: Okay. Thank you.

Outcome

The Committee recommended the item move forward to Study Session.

Follow-up Action

Staff will move the item forward to Study Session.

PRE-AUDIT LETTER FORVIS

Summary of Issue and Discussion

Nancy Wishmeyer presented on the Pre-Audit Letter. At the beginning of every audit, the external audit firm, FORVIS, provides two different letters. The engagement letter, which is provided during interim fieldwork in the fall, outlines all the services FORVIS will perform during audit, including fees for the services, and the responsibilities of external auditors, management, and staff. The pre-audit letter, provided just before final audit fieldwork starts, outlines in more detail the scope and timing of the financial statement audit as well as other audits. The pre-audit letter goes over areas where higher level of risk of error is identified, the audit procedures to mitigate that risk, as well as material or unusual items of which the Audit Committee needs to be aware. The pre-audit letter discusses the new accounting pronouncements that will be implemented with the audit. This year Aurora is implementing GASB 87 on lease accounting. FORVIS considers the probability of fraud and outlines the audit processes to address the risk of fraud.

Committee Discussion:

CM Bergan: Council Member Jurinsky, do you have any questions on that?

CM Jurinsky: No.

CM Bergan: Okay. Yes, Thank you for the explanation of the two letters. That is appreciated. I don't think I had any questions on that, so thank you.

N. Wishmeyer: Thank you.

Outcome

Information only.

Follow-up Action

No follow-up needed.

INVESTMENT PORTFOLIO REVIEW IGA

Summary of Issue and Discussion

Mary Donovan of Insight Investment provided portfolio overview on the securities held by the city as of February 28, 2023.

Committee Discussion

CM Bergan: When you say we're adding in treasury 55% of the portfolio in that category. Is that typical of municipalities to have this type of distribution?

M. Donovan: It really is. The 55% is a combination of treasuries and agency securities, but that is really the mainstay of public sector investing. Colorado State Statute allows for up to 50% of the portfolio to be invested in credit related securities. We have about 30% allocations, so we have room to extend in our corporate sector. But strategically we've been very interested in trying to extend the maturity of the investments that we're purchasing, because interest rates are quite attractive right now, and our corporate exposure is limited to three-year maturity, whereas we have more flexibility to extend in our government related securities. So, there's a couple reasons for the focus on the governmental side of it. But I would say in general, yes treasuries and agencies are the mainstay of public investing and that's quite typical of what we see across the country.

CM Bergan: Are there any concerns there's quite a few banks here in here. Are there any concerns with just what's going on with some of the recent news?

M. Donovan: Honestly, I'd like to reassure you that the names in the portfolio are very strong, and we are not in a position where we're looking at a very, very regional bank that does not enjoy diversification. That was one of the fundamental issues associated with the banks that were suffering here domestically over the last several weeks. A real, real high concentration of customers in a particular category has led to some risk management issues at those institutions. Primarily, our heaviest allocations are coming in with some of the very large banks that are very well diversified and very heavily scrutinized. Another factor to keep in mind with those smaller regionals. Really, when we're thinking about credit exposure, I believe US Bank is the only one that we have at this point that's on a negative outlook. And they've been on negative outlook for about a year and a half in response to some acquisitions that the bank was making. So, we

haven't had the same issues with our holdings that we've seen with some of those regional banks. So, in general, the banking sector here in the US is really in pretty good shape.

CM Bergan: Great. I had a question, when you mentioned the municipalities with the general obligation, that you said something about they're taxable?

M. Donovan: They are. The issues that we're purchasing are taxable. And I'm drawing a distinction there between the issuance of taxable or tax-exempt debt. The tax-exempt issues have a lower yield associated with them because they have the tax benefit for the holder of the security. So, we favor the taxable issues because the City is not a taxable entity. You get no benefit from the tax-exempt status of the bonds, and so we are maximizing yield in the taxable space.

CM Bergan: Okay. That makes sense. Thank you.

M. Donovan: Sure. So that's what I wanted to cover with you. But I'm happy to talk about this all afternoon if you'd like. So, if there's anything else that you'd like to talk about with it, please don't hesitate.

CM Bergan: Thank you. I can tell you're very passionate about this, all the numbers that are making us dizzy. Council Member Jurinsky, any questions on the presentation?

CM Jurinsky: No, I don't have any.

CM Bergan: Okay, and just on the cash that you mentioned is that our reserves?

T. Velasquez: This is everything, Council Member Bergan. This is reserves. This is all our funds that are invested. So, whether they be reserves or cash within each fund of the City including water. They are all combined and then they're invested together.

CM Bergan: Okay. Great. Thank you. All right--

T. Velasquez: And just one more FYI, we do meet quarterly with our Investment Committee. We also invite members from this Committee to that meeting. So far, we've not had a meeting with the new Council Members that have been appointed, but you're more than welcome to attend, and we'll bring that up to Council Member Zvonek as well.

CM Bergan: Yes. I believe he mentioned, I think he's planning to be at the quarterly meetings.

T. Velasquez: Wonderful.

CM Bergan: I'm pretty sure that's what he had told me if I recall. Don't you do like a 7:30 in the morning meeting?

T. Velasquez: I know. We try not to follow a Council Meeting.

CM Bergan: Does it follow a Council on a Tuesday or no?

T. Velasquez: It's more on Thursdays. We pick a date that works for most of the committee members since they're appointed by this Committee. We just try to work on their schedule.

CM Bergan: Okay. Yes. Very good. I think he was interested.

CM Jurinsky: Terri, can you make sure that we all know when they are?

T. Velasquez: Sure.

CM Jurinsky: Thank you.

CM Bergan: All right. And then thank you very much for the presentation.

Outcome

Information only.

Follow-up Action

No follow-up needed.

DEBT BOOK UPDATE

Summary of Issue and Discussion

Teresa Sedmak, City Treasurer provided a summary on the debt profile and its characteristics as of January 1, 2023.

Committee Discussion

CM Bergan: I think in reading it, we looked like we were in a very good position in terms of our credit.

T. Sedmak: Aurora enjoys a very high credit rating, and that serves us well in the market because investors like those higher credit transactions and we get a lot of respect and interest in the market due to our high credit ratings.

CM Bergan: Moody's are we AA typically?

T. Sedmak: We are in the AA category. Moody's did assign us a AAA issuer rating. That would be our rating if we had general obligation debt outstanding, that debt would be rated AAA. The debt that we have at the city level consists of appropriation credit. Because debt service is allocated in the annual budget, those deals are rated a tier lower than general obligation credits, so they're in the AA category.

CM Bergan: So, if we had general obligation debt, we would be rated higher?

T. Sedmak: We would be rated higher. The general obligation debt itself would be rated AAA.

T. Velasquez: And just to add to this Council Member Bergan, just so you know that when we look at this AAA rating of the city, that's our underlying rating, which really speaks to the financial strength of the city, which is the important factor here, is that our underlying credit rating is very, very strong. It's the highest rating you can receive. And when you issue COPs, a lot of times that does lower the rating because of the type of debt that it is.

CM Bergan: Right.

T. Velasquez: COP is considered a little bit less secure.

CM Bergan: Because you have to pledge asset.

T. Velasquez: You usually have to pledge assets, but it's also subject to annual appropriation.

CM Bergan: Okay.

T. Velasquez: So that's a reason why that they usually lower by a notch or so in the rating process.

CM Bergan: When we do issue COPs, you look at what that entire amount that we currently have is, and if we add on to it, what, like, I guess what the ratio would be, right, for the whole entire?

T. Sedmak: That's the process we have undertaken when we've talked about debt capacity with you all, when we're talking about certain initiatives that we would like to do. Yes, absolutely. So, you can see as the debt amortizes, it allows for you to put more debt on the books. That's qualified, however, because certificates of participation must have an underlying asset. So, we're limited because we have only a certain number of assets that don't have an existing lien on them. So, yes, this is the information that we've shared with you in prior sessions.

CM Bergan: Okay. Thank you. Council Member Jurinsky do you have any questions or comments?

CM Jurinsky: No, I don't have anything.

CM Bergan: Okay.

T. Sedmak: Thank you.

CM Bergan: Thank you. Appreciate it.

Outcome

Information only.

Follow-up Action

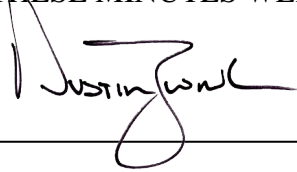
No follow-up needed.

MISCELLANEOUS MATTERS FOR CONSIDERATION

Summary of Issue and Discussion

The next meeting is tentatively scheduled for Tuesday, April 25, 2023 at 1:00 PM (WebEx)

THESE MINUTES WERE APPROVED AS SUBMITTED



Justin Wohl

05-25-2023

Date