



Finance Committee Summary

Wednesday, September 17, 2008

1:30 p.m.

3rd Floor Council Conference Room

Committee Members Present: Faatz, Chair; Boigon, Vice-Chair; Brown, Lehmann

Committee Members Absent: Hancock

Other Council Present: Garcia, Robb

Agenda:

- 1) Clerk & Recorder's Office – Elections Division supplemental
 - 2) Lowry Redevelopment and Denver Urban Renewal Authority contracts
 - 3) Botanic Gardens Certificates of Participation and lease purchase agreement and cooperative agreement amendment
 - 4) Comprehensive Annual Financial Report (CAFR) briefing
 - 5) Dept. of Finance-Office of the Controller supplemental and related rescissions
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1) Clerk & Recorder's Office – Elections Division supplemental:

Committee Action

The Committee approved a supplemental appropriation for the Clerk & Recorder's Office in the amount of \$1.7 million to cover the costs related to the 2008 Primary and General Presidential Elections. The supplemental will pay for costs related to personnel, supplies, and equipment.

Committee Discussion

Ed Scholz, Budget & Management, reported that \$17,269,000 is available in the Contingency Reserve Fund. If City Council approves the supplementals for the Clerk & Recorder's Office, the Department of Finance, and for the Sheriff's collective bargaining contract the remaining reserve will be \$12,857,000 (see attachment).

Stephanie O'Malley, Clerk & Recorder, stated that an Elections Model Advisory Committee determined that a paper ballot counted at a central location election would be the best model to pursue, noting that the paper ballot model is less risky. At this time, certification of election equipment is still undetermined. The proposed supplemental is for hardware and services related to the 2008 Primary and General Elections. Ms. O'Malley explained that new State requirements meant that the Elections Division needed to purchase additional card activators, audio kits, and a back up generator to be compliant with voter needs. The agency will conduct four election mailings to increase education and awareness. Senate Bill 1401 passed by the State will help by reimbursing costs related to post card mailings. Ms. O'Malley pointed out that the agency saved on training costs for election personnel and volunteers by teaming up with Channel 8 for video training materials and hiring an outside consultant inexpensively to conduct training sessions.

The November election ballot will be two pages in length – the longest list of measures before voters statewide. The ballot will be printed in English and Spanish and will cost voters \$1.34 to return. The Election Division does pay for returned mail, which adds to its election costs, stated Michael Scarpello, Election Director. The TABOR booklet is scheduled to be released on October 3. Amber McReynolds, Election Division, said Denver Public Schools (DPS) will be paying for their portion of the booklet. Councilmember Faatz asked how DPS was handling payment for their proposal on the ballot and who would be submitting information for the pro and con sides of their proposal. Alton Dillard, Clerk & Recorder's Office, stated that their office has an agreement with DPS and that the Clerk's Office (Election Division) does not control how the arguments are submitted for the TABOR booklet. The State determines the guidelines for written arguments and the City Attorney's Office provides a "legal proofing" on the language, and the Elections Office certifies the written arguments. The pro/con language deadline for the Referendum 3A is November 19 at 5 p.m. David Broadwell, City Attorney's Office, said that DPS has the responsibility to assure that comments for both sides are provided, not local government. There is no legal requirement to check for truthfulness of the comments just technical review, noted Mr. Broadwell.

Councilman Brown asked what the difference in costs was using a paper ballot versus polling places. Ms. O'Malley pointed out that Denver will be offering mail-in ballots, early voting, and polling place voting. Hopefully, the mail-in ballot (paper ballot model) and early voting opportunities will take the stress off of long lines on election day. Paper ballot costs are estimated at \$106,000, and are generally less expensive than precinct and equipment costs. She is hoping that citizens will utilize any one of the three opportunities to vote. She is also hoping that today's supplemental request will cover all the election costs for 2008.

2) Lowry Economic Redevelopment Authority (LRA) and Denver Urban Renewal Authority (DURA) contracts:

Committee Discussion

Councilmember Faatz stated that at the Economic Development Committee this morning two contract proposals were approved involving LRA and DURA. The contract changes are related to financial matters and the Councilwoman wanted to record the transactions at the Finance Committee. Karen Aviles, City Attorney's Office, briefly noted the following particulars to the contract revisions:

- The 1998 "moral obligation" from the City to support bonds issued by the LRA within the Lowry Urban Renewal is no longer needed so the Amended and Restated Redevelopment Services Agreement between Lowry Economic Redevelopment Authority (LRA) and the City will be terminated.
- The Cooperation Agreement between the City and Denver Urban Renewal Authority (DURA) will be amended to allow use of tax increment financing revenues for 2008 LRA projects and to include new provisions for DURA's Prevailing Wage and Enhanced Training Opportunities policies, and to authorize the use of excess pledged property tax revenue.

3) Botanic Gardens Certificates of Participation and lease purchase agreement and cooperative agreement amendment:

Committee Action

The Committee approved the following transactions related to the Botanic Gardens Certificates of Participation (COPs):

- Approved a third amendment to the 1991 Cooperative Agreement between the City and the Denver Botanic Gardens, Inc. to allow issuance of \$18,000,000 of Certificates of Participation (COPs) related to the operation, financing, construction, and maintenance of a new parking facility at the Denver Botanic Gardens. The amendment establishes the rights and obligations of the Denver Botanic Gardens and the City related to the financial commitments and lease payments for the COPs. In addition, the amendment extends the term of the cooperative agreement from December 31, 2015 to December 31, 2029.
- Authorized the City to enter into a lease purchase agreement with the Denver Botanic Gardens Parking Facilities Leasing Trust 2008 to build a parking garage on the Denver Botanic Gardens site and to allow the Trustee on behalf of the Denver Botanic Gardens Parking Facility Leasing Trust to issue not more than \$18,000,000 of Certificates of Participation (Series 2008B) for the construction and maintenance of the facility.

Committee Action

Margaret Danuser, Dept. of Finance-Treasury, explained that the proposals will lease back to the Botanic Gardens Trust the existing parking site, and will allow the "Trust" to issue up to \$18 million of Certificates of Participation (COPs), Series 2008B. The COPs will be issued as tax-exempt and at a fixed-rate; and the proceeds will be used to fund the construction of approximately 316-space parking facility at the Botanic Gardens. As a last resort, the Gardens with the City's approval, could institute parking fees to generate revenues sufficient to make their lease payments, if necessary.

Brian Vogt, Denver Botanic Gardens, outlined the Garden's Master Development Plan which will cost in total \$80 million. The Master Plan incorporates four phases which include new irrigation systems, light systems, disability access, new parking facility, visitor's center improvements, storage facilities, and a new building to house a new library, research center, and herbaria. He stressed that the COPs proceeds would only pay for the parking facility in Phase II of the Master Plan. The parking structure is needed for growing capacity, safety of community and patrons, and neighborhood concerns related to on street parking congestion. The multi-level parking structure will expand the parking capacity from 180 spaces to approximately 316, and would also include restroom facilities and entrance to the new Mordecai Children's Garden, which would generate more revenue, noted Mr. Vogt. The Gardens received a Guaranteed Maximum Price for the garage construction costs in the amount of \$14.9 million, which includes contingencies totaling \$943,000. If approved by Council, construction will begin in October 2008 and the project should be completed by May 2009.

Mr. Vogt stated that the Denver Botanic Board of Directors determined that incremental increases in membership and admissions could be used for lease payments (2009-2029). Fee increases would impact membership dues, contributing member fees, concerts, and admission fees (see attachment). Ms. Danuser explained that an Internal Investment

Committee comprised of Mayoral Cabinet staff was convened to take an extensive look at the COPs proposal. The incremental revenue increases and lease payment projections reflect sufficient revenue to cover payments, said Ms. Danuser. She noted that in December 2009 there will be 2.44% more interest capitalized to cover the costs (see attachment). In addition, the Gardens will deposit all incremental revenues into an escrow account to be used for lease payments, and they will also establish a \$500,000 supplemental account that should grow by 55% to cushion against revenue fluctuations, similar to a "rainy day fund". Councilmember Garcia asked if the measures taken by the Gardens to cover for revenue impacts are standard procedure. Generally, no, said Ms. Danuser, but rating agencies are taking into account many factors and everyone is operating under a constrained financial market. Mr. Vogt said they will be scheduled to Public Amenities Committee to discuss the new fee schedules.

Councilmember Robb acknowledged a letter sent from the Capitol Hill United Neighborhood (CHUN) organization voicing objection to the new language being proposed in the agreement to allow the Gardens to charge parking fees. It is their contention that charging fees might encourage patrons to park on already-congested neighborhood streets. The Councilwoman asked how the fee proposal was going to work. Councilmember Faatz explained that philosophically she does not support COPs. She believes that COP transactions bypass voter approval, so she asked if a fee provision could be included in the agreement as an "if all else fails" strategy. Mr. Vogt said the Gardens does not want to charge fees, because it is their goal to bring more people in easier, but did not object to the "if all else fails clause". Councilmember Robb asked how the fees would be added and requested a copy of the language that would be inserted into the Cooperation Agreement, and a copy of the final agreement. Patrick Wheeler, City Attorney's Office, stated that any new fees, i.e. parking fees, would require City Council approval and that is how Council would receive notification of that potential change. Lauri Hedyman, City Attorney's Office, stressed that a report was made to the rating agencies to provide all sources of potential revenue streams for this COPs transaction, and that language in the contract would permit parking fees, if necessary. Councilmember Boigon asked if it matters who could talk to rating agencies about this issue. Ms. Danuser said it does matter who speaks to the rating agencies because the information is proprietary, and she noted that this transaction is on a short timeline because of the difficult financial market environment the world is in and even small changes make a difference. She noted that Treasury requested permission to file these bills on Thursday, September 18.

Councilmember Robb said she would support the proposals going forward, but said the issue of parking fees may not be finished and she will be evaluating the new language and agreement before it comes to Council for a vote. She believes that adding in parking fees was not agreed to by the surrounding community and neighborhood organization. Councilmember Faatz said she wanted to support the proposals and that she has no financial criticisms of the structured plan, but that she does not philosophically support COPs transactions. She noted that the Botanic Gardens put in great effort on this deal, but in the end, the City is still accountable should anything happen.

4) Comprehensive Annual Financial Report (CAFR) briefing:

Committee Discussion

Beth Machann, Office of the Controller, explained that the CAFR responsibility was transferred from the Auditor's Office to the Department of Finance on January 1, 2008. The financial management report was issued on June 13, 2008 and contains three basic sections: 1)

introduction and explanation of the requirements by law and accounting principals; 2) financial statements and management analysis; and 3) statistical review that looks at financial trends, revenue capacity, and economic demographics. The report can be accessed on www.denvergov.org/controller. Ed Scholz, Budget & Management, reminded the Committee that the CAFR does not report the General Fund budget conditions, and that he would be reporting on the fund balance and relationship between the budget and CAFR report at the upcoming budget hearings.

Due to equipment problems and time constraints; Councilmember Faatz requested that Ms. Machann provide an executive summary of the top 10 trends the City is noticing. Subsequent to the meeting, Ms. Machann provided that document (see attached).

5) Dept. of Finance-Office of the Controller supplemental and related rescissions:

Committee Action

The Committee authorized the following budget supplementals:

- Approved a supplemental appropriation for the Dept. of Finance-Office of the Controller in the amount of \$1,047,500 for the creation of the new consolidated payroll unit which includes 21 new positions and for costs related to the department move.
- Approved various rescissions totaling \$634,800 from the Fire Administration, County Court, Denver Public Library, Police Administration, Undersheriff Administration, Public Works Finance & Administration, and General Services budgets, and \$412,700 from the General Fund Contingency Fund.

Committee Discussion

Ed Scholz, Budget & Management, noted that the rescissions and appropriations are attributed to the Department of Finance and Auditor's reorganization. Twenty-one agency payroll positions were abolished and hired into the Controller's consolidated payroll unit and an additional 19 payroll positions in various agencies were eliminated. The consolidated payroll initiative will save the City approximately \$1.6 million on an annualized basis.