

Budget Advisory Committee

City of Englewood, Colorado

City Manager's Office

1000 Englewood Parkway

Englewood, CO 80110-2373

Website: www.engagewoodgov.org/budget-advisory-committee



AGENDA

Englewood Civic Center

City Council Conference Room, Third Floor

Wednesday, June 22, 2016

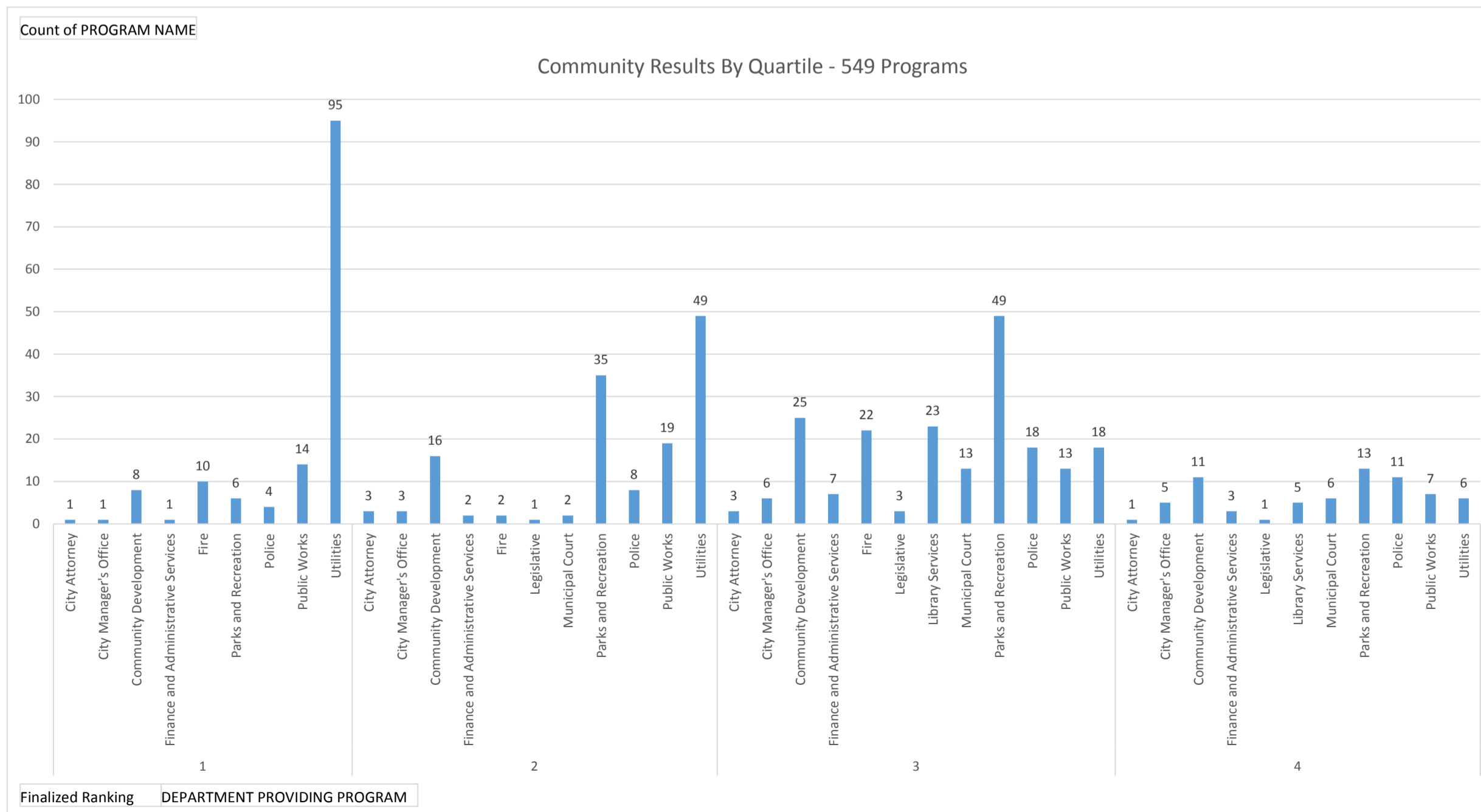
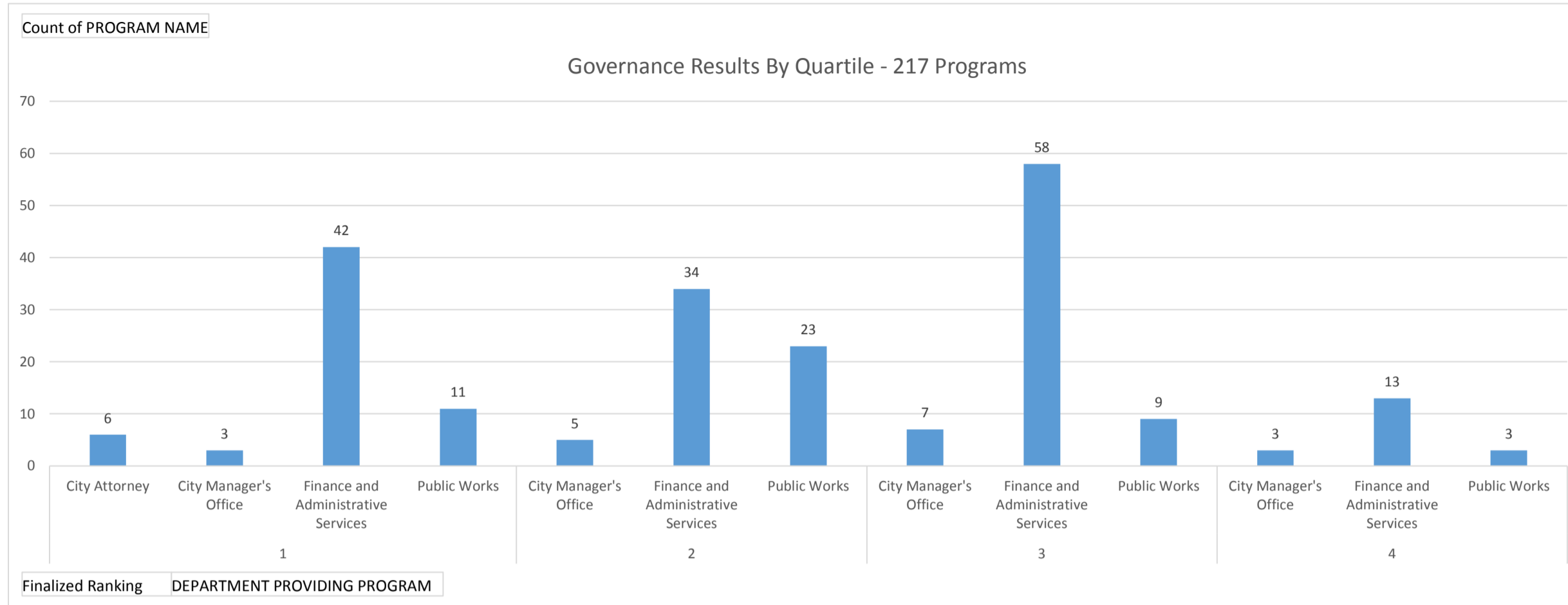
4:30pm to 6:00pm

These meetings are recorded, please be mindful of side conversations.

1. Call to Order and Roll Call of Members
2. Clarification to the Meeting Recording – May 17, 2016
3. New Business
 - Priority Based Budgeting Process Update (Ongoing)
 - Discuss Long-Term Asset Reserve Fund Report
 - Identify Future Issue Brief Topics
4. Old Business
5. Budget Advisory Members' Choice
6. Adjourn

Please note: If you have a disability and need auxiliary aids or services, please notify the City of Englewood (303-762-2409) at least 48 hours in advance of when services are needed. Thank you.

Programs by Quartile (1 - 4 where 4 is low priority)



City of Englewood, Colorado
Budget Advisory Committee

Long Term Asset Reserve Fund (LTAR)
An Issue Brief Prepared for
City Council

Submitted
May or June xx, 2016

Prepared by

Christine McGroarty, Chair
Steve Ward, Vice Chair

John Moore
Harvey Pratt
Ben Rector



www.engagewoodgov.org/budget-advisory-committee

The Budget Advisory Committee (BAC) is pleased to present its first “issue brief” to Englewood City Council. ~~While our annual reports allow us to address budget issues more broadly,~~ Issue briefs allow us to address specific topics more directly. In this inaugural issue brief, the BAC will share its perspectives on the Long Term Asset Reserve (LTAR) fund.

Commented [C1]: I'm suggesting taking this out so as to not imply and lock us into continuing to do the annual report.

Background on the BAC

The Englewood City Council created the Budget Advisory Committee in May 2013 (Ordinance 16, Series 2013) with the following purpose:

The Budget Advisory Committee (BAC) is established by Council and the City Manager to advise the City on the development, implementation, and evaluation of the annual City Budget. Participation in the Budget Advisory Committee is an opportunity not only to advise on the prioritization of how city tax dollars are spent, but also to advise policymakers in their decision-making process in an open and transparent manner.

The BAC is comprised of:

- Christine McGroarty, Chair
- Steve Ward, Vice Chair
- John Moore
- Harvey Pratt
- Ben Rector

The BAC has been meeting monthly along with various City staff to deliver on its charge:

Once the budgets have been reviewed and have incorporated requests for new programs and/or personnel authorized by the City Manager, the Budget Advisory Committee shall submit a written report of its findings and recommendations (BAC Report). The BAC Report shall be delivered to Council prior to the public hearing regarding the budget.

Commented [C2]: I wonder if we need to include this background section? Or if we should put it at the end?

In our ongoing efforts with respect to the annual budget process, the BAC found the issues around the LTAR fund to be critical, and warranted this supplementary communication to Council.

Up front we note that BAC member John Moore was an integral part of the creation of LTAR during his tenure as a Council member. And while his personal knowledge of the history of LTAR has been helpful in building the BAC’s knowledge base, ~~the, the~~ the opinions expressed herein represent the collective opinion of the BAC.

Creation of LTAR

Around 2005 or so, the City found itself dealing with some significant real estate issues, two in particular:

- In the ~~1950s, 1950s,~~ 1950s, to secure water rights and the McLellan Reservoir, the City

purchased 165 acres of land in what became the Highlands Ranch area. Eventually C-470 split the land. By 2005, the City was working with car dealerships interested in the land north of C-470 and the Regional Transportation District (RTD), which was interested in putting in a light rail station on the land south of C-470.

- In the 1970s, the City of Englewood created a golf course within the boundaries of the City of Sheridan, its neighbor to the west. By 2005, Sheridan was working with Englewood to reconfigure the golf course so that commercial development could proceed on the Sante Fe Drive side of Englewood's golf course.

Generally the City's land can't be sold without a vote of the citizens, so for the most part, lease arrangements were pursued. The exception was with RTD. They required full ownership of the land they needed to acquire for light rail, so, in effect, they used their condemnation powers to acquire the land from the City. These transactions resulted in the inflow of new monies beginning in 2007, at which time Council established the LTAR and directed that all proceeds from the disposition of long term assets (i.e., real estate), were to be funneled through the LTAR. This formally occurred with Resolution No. 90 on October 15, 2007, as reflected in the minutes of that meeting:

The City Council of the City of Englewood, Colorado has determined that funds from the sale, lease, or earnings from long-term assets should be used in a careful, judicious and strategic manner. For this reason, City Council hereby authorizes the creation of a Long Term Asset Reserve Fund (LTAR), and funds received from the sale, lease, or earnings from long-term assets shall be reserved in the LTAR Fund. The funds in this restricted account can only be expended if the funds are appropriated in the annual budget or by supplemental appropriation.

In moving the resolution forward, then Council Member Moore noted:

As you all know, I very much support the creation of this Reserve, if nothing else, for the sake of allowing us to make very conscious decisions about the use of our long-term assets...The creation of this Reserve will provide very transparent tracking of when we do utilize those funds, both for this Council and hopefully for many future Councils.

More recently the electors voted in November 2015 to allow the sale of McLellan Reservoir property with City Council approval after the first twenty year lease term.

Usage of LTAR

~~[In this section, we can summarize the transactions in and out of LTAR. I've taken Jenny's data and tried to rearrange. I need Jenny's close review as I'm not sure I allocated everything the best way. We can also attach the full details in an appendix. Goal should be to show how it has been used, and how it hasn't been used.]~~

The chart below summarizes all of the LTAR transactions since its inception. Roughly \$3.5m in proceeds from the sale or lease of land has been ~~has been~~ contributed. Funds from LTAR have been used on a temporary basis a few times. Thus far, just under \$600k has been

Commented [C3]: Should we break out the amount for sales vs. lease in this sentence?

“permanently” used on expenditures not related to the underlying long term assets.

		Additions	Deletions
LTAR - Sources of Funds			
Oct-07	Proceeds from golf course	1,986,000.00	
Apr-08	Proceeds from sale of McLellan land to RTD	499,142.50	
Jun-08	Transfer from General Fund Unreserved Fund Balance	1,000,000.00	
Dec-08	Proceeds from leases	599,143.00	
Dec-09	Proceeds from leases	20,000.00	
Dec-09	Proceeds from leases	611,837.00	
Dec-10	Proceeds from leases	105,125.00	
Dec-11	Proceeds from leases	425,159.00	
Dec-12	Proceeds from leases	551,295.00	
Dec-13	Proceeds from leases	573,526.00	
Dec-14	Proceeds from leases	684,683.00	
Dec-15	Proceeds from leases	873,347.00	
	<i>Subtotal</i>	7,929,257.50	
LTAR - Uses of Funds (Temporary)			
Mar-09	Fund McLellan improvements to increase lease payments	-	(800,000.00)
Dec-09	Partial return of funds for McLellan improvements	591,836.86	-
Apr-10	Borrow to support NSP	-	(750,000.00)
Jun-12	Return of NSP funds	755,907.52	-
Jun-12	Borrow for fountain repairs	-	(100,000.00)
Jun-14	Partial return of funds for fountain repairs	43,723.70	-
Jan-16	Fund McLellan improvements to increase lease payments	-	(800,000.00)
	<i>Subtotal</i>	1,391,468.08	(2,450,000.00)
LTAR - Uses of Funds (Permanent)			
Dec-08	Transfer to General Fund for Operations	-	(599,143.00)
Mar-09	Fund regular city street improvements	-	(165,000.00)
Dec-09	Transfer to General Fund for Operations	-	(611,837.00)
Jan-10	Fund COPS Grant reserve	-	(298,512.00)
Dec-10	Transfer to General Fund for Operations	-	(105,125.00)
Mar-11	Fund 2011 Catalyst Program	-	(120,000.00)
Dec-11	Transfer to General Fund for Operations	-	(425,159.00)
Dec-12	Transfer to General Fund for Operations	-	(551,295.00)
Dec-13	Transfer to General Fund for Operations	-	(573,526.00)
Dec-14	Transfer to General Fund for Operations	-	(684,683.00)
Dec-15	Transfer to General Fund for Operations	-	(873,347.00)
	<i>Subtotal</i>	-	(5,007,627.00)
	<i>Total</i>	9,320,725.58	(7,457,627.00)
		Net Additions (Deletions)	1,863,098.58
		Opening Balance LTAR	0.00
		Balance LTAR as of January 31, 2016	1,863,098.58

BAC Perspectives on Using LTAR

With the history of LTAR laid out, the BAC would like to share its perspectives on the usage of LTAR. We suggest several principles:

- It seems clear that the Council (of 2007, at least) believed that the disposition of the

City's long held assets should not simply flow into the annual operating budget without conscious thought.

- We believe there are at least two key perspectives embedded in that statement:
 - These assets were held for decades by the citizens of Englewood, with no benefit to the operating budgets effecting those citizens during that time. In consideration of intergenerational equity, proceeds from the liquidation of those assets should not benefit some small cohort(s) of later citizenry.
 - The long term assets do provide financial security for the City. To the extent such assets are being "cashed in," the proceeds should be used strategically, presumably for the ongoing long term benefit of the City.
- While it is clear Council did not want such proceeds to simply be absorbed into the annual budget, the LTAR was not meant to be a permanent repository for the funds. The funds were to be used, albeit in an "careful, judicious and strategic manner."

The BAC sees the LTAR revenues in two distinct categories: one-time revenue associated with sale of an asset and revenue from lease payments. The BAC believes that the principles of intergenerational equity are especially relevant for the portion of the LTAR fund that is derived from sale of assets. Alternatively, the BAC would like to suggest that revenue generated from lease of assets, such as the McLellan Reservoir property, could be viewed with more flexibility. In recent years, as shown above, McLellan Reservoir lease revenues have been used to support annual operating expenses. Since the McLellan Reservoir properties could be sold at the end of their 20 year lease, the BAC is suggesting that this lease revenue be viewed as temporary. Consistent with the fiscal health and wellness approach, we suggest caution in relying on temporary lease revenue to fund on-going operating expenses. We encourage council to consider using revenue from the McLellan Reservoir and other city owned property for the capital improvements fund or some other purpose that doesn't rely on temporary funding for on-going operating expenses. The City has significant capital needs and there is not a dedicated funding stream to meet these needs. Although dedicating lease revenue would not be sufficient to meet the full capital need, this would secure some much needed funding for the capital improvements fund.

Putting this into an example, ~~if the City had a chance to invest investing~~ funds into something that would produce long-term revenue for the City, such as updates to Pirate's Cove, that would be consistent with the principles outlined above. an appropriate use of LTAR funds. But going further, the BAC believes that using those long-term revenues, generated from an investment funded through LTAR to, to support the City's operating budget could be a reasonable consideration. Most notably in that example, the proceeds would be used to support the ongoing generations of taxpayers, and not spent inequitably on a small cohort of citizens. Further, the City must find ways to diversify its revenue against not just the volatility of sales tax streams, but their inherent uncertainty in an increasingly internet-based society. Therefore using the LTAR to fund investments that would generate revenue, such as upgrades to Pirate's Cove or the golf course, would have an on-going benefit for multiple generations of citizens. If desirable, LTAR could serve as a loan source to fund these types of investments and some or all of the additional revenue could be used to pay back the fund over time.

~~[From here, we could consider other examples that honor the principles laid out.]~~

Another example of a use for LTAR that would be consistent with these principles would be to purchase an asset, such as land, that could be used for a park or other amenity. The LTAR funds may best be used to benefit multiple generations with a guiding principal of replacing an asset with an asset. Ideally there would be something on-going and tangible for the community associated with utilization of the LTAR funds.

The BAC is encouraging the Council to consider clarifying and codifying its policy around utilization of LTAR and we offer the above as guidelines for those policies. The BAC hopes to see LTAR funds used for long-term, intergenerational benefits to the community rather than to support annual operating expenditures.

APPENDIX

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LTAR Funding History
Created by Reso 90-2007

Date	Description	Amount	Cumulative Total
Oct-07	Reso 91 - Transfer from PIF to General Fund for Long Term Asset Reserve (LTAR)	\$ 1,986,000.00	
Apr-08	Reso 34 - Disposition of Proceeds from EMRF/RTD Sale	499,142.50	2,485,142.50
Jun-08	Reso 39 - Budget Amendment - Transfer to LTAR from Unreserved Fund Balance	1,000,000.00	3,485,142.50
Mar-09	Reso 30 - Transfer from LTAR to PIF - Street Improvements	(165,000.00)	3,320,142.50
Mar-09	Reso 33 - Transfer from LTAR to EMRF	(800,000.00)	2,520,142.50
Dec-09	Transfer from EMRF to GF partial repayment of 2009 Reso 33	591,836.86	3,111,979.36
Dec-09	Transfer from EMRF to GF TT of Denver Nov/Dec-2009 rent	20,000.00	3,131,979.36
Jan-10	2010 Budget-COPS Grant reserve	(298,512.00)	2,833,467.36
Apr-10	Reso 35-2010 Transfer from LTAR to NSP	(750,000.00)	2,083,467.36
Dec-10	NSP House Sale-4819 S Delaware-Pmt to LTAR	47,052.28	2,130,519.64
Mar-11	LTAR funding of 2011 Catalyst Program	(120,000.00)	2,010,519.64
Jun-11	NSP House Sale-2215 W Wesley Ave-Pmt to LTAR Funds	37,494.00	2,048,013.64
Jun-11	NSP House Sale-2198 W Adriatic Pl-Pmt to LTAR Funds	48,080.44	2,096,094.08
Dec-11	NSP House Sale-4681 S Decatur St #226-Pmt to LTAR Funds	8,860.00	2,104,954.08
Dec-11	NSP House Sale-2010 W Baltic Pl-Pmt to LTAR Funds	36,444.73	2,141,398.81
Dec-11	NSP House Sale-3102 W Radcliff Dr-Pmt to LTAR Funds	42,479.32	2,183,878.13
Dec-11	NSP House Sale-3115 S Acoma St-Pmt to LTAR Funds	44,097.96	2,227,976.09
Dec-11	NSP House Sale-3115 S Acoma St-Pmt to LTAR Funds	63,456.10	2,291,432.19
Dec-11	NSP House Sale-4744 S Galapago St-Pmt to LTAR Funds	115,217.10	2,406,649.29
Jun-12	Transfer from LTAR to PIF per reso 53-2012 for fountain repairs	(100,000.00)	2,306,649.29
Jun-12	NSP House Sale-2159 W Vassar Ave-Pmt to LTAR Funds	51,952.04	2,358,601.33
Jun-12	NSP House Sale-3395 W Grand Ave-Pmt to LTAR Funds	78,387.83	2,436,989.16
Jun-12	Remaining balance from NSP *	182,385.72	2,619,374.88
Jun-14	Return funds from PIF fountain repairs Little Dry Creek reso 2014 (prev reso 53-2012)	43,723.70	2,663,098.58
Jan-16	Transfer from LTAR to EMRF for road construction per 2016 budget	(800,000.00)	1,863,098.58
	LTAR Balance 01/31/2016	\$ 1,863,098.58	\$ 1,863,098.58

* NSP Summary		Amount
Apr-10	Reso 35-2010 Transfer from LTAR to NSP	(750,000.00)
2010-2012	Transfer from NSP to LTAR for (11) house sales	573,521.80
Jun-12	Transfer from NSP to LTAR - unused portion and interest earnings	182,385.72
	Net earnings returned to LTAR from NSP	\$ 5,907.52