



WESTMINSTER

Staff Report

TO: The Mayor and Members of the City Council

DATE: June 1, 2005

SUBJECT: Study Session Agenda for June 6, 2005

PREPARED BY: Brent McFall, City Manager

Please Note: Study Sessions and Post City Council meetings are open to the public, and individuals are welcome to attend and observe. However, these meetings are not intended to be interactive with the audience, as this time is set aside for City Council to receive information, make inquiries, and provide Staff with policy direction.

Looking ahead to next Monday night's Study Session, the following schedule has been prepared:

A light dinner will be served in the Council Family Room 6:00 P.M.

CONSENT AGENDA

None at this time.

CITY COUNCIL REPORTS

1. Report from Mayor (5 minutes)
2. Reports from City Councillors (10 minutes)

PRESENTATIONS

1. Lobbyist Update – End of Session (Verbal)
2. Comprehensive Annual Financial Report
3. Open Space Ballot Question Survey
4. Rental of the Bott House at 10395 Wadsworth Blvd.
5. Tabor Referendums C & D (Verbal)

6:30 P.M.

EXECUTIVE SESSION

1. WEDA Redevelopment Agreement
2. WEDA Redevelopment Agreement

Additional items may come up between now and Monday night. City Council will be apprised of any changes to the Study Session meeting schedule.

Respectfully submitted,

J. Brent McFall
City Manager



WESTMINSTER

Staff Report

City Council Study Session Meeting
June 6, 2005



SUBJECT: 2004 Comprehensive Annual Financial Report

PREPARED BY: Cherie Sanchez, Interim Accounting Manager

Recommended City Council Action:

Review and discuss the 2004 Comprehensive Annual Financial Report (CAFR) and Management letter.

Summary Statement

Finance Staff along with Mark Elmshouser, Partner and Neil Schilling, Senior Manager, of Clifton Gunderson LLP, the City's independent audit firm, will present the 2004 CAFR and Management Letter to City Council for review. The CAFR is scheduled for formal acceptance at the Council meeting on June 13, 2005.

The City has received an unqualified opinion from Clifton Gunderson, LLP. This means the CAFR represents fairly the financial position of the City.

The Management letter has two comments the auditors would like to bring to the City's attention.

- 1) **Golf Course Financial Position** Clifton Gunderson continues to be concerned about the on-going losses to the golf course fund. As Council is aware, in late 2004, the City put into place a strategy to address the continued shortfall. The changes were incorporated into the 2005 and 2006 budgets. Management will continue to monitor the financial results of the golf courses and are monitoring the results of the modifications put into place.
- 2) **Interfund Loans** – Clifton Gunderson has recommended that management review all interfund loan activity and evaluate each loan to determine if it will be repaid in a reasonable time. Staff concurs with this recommendation and will prepare an analysis for Council's consideration at a later date.

Expenditure Required: \$-0-

Source of Funds: N/A

Policy Issue

Section 9.10 of the City Charter requires that an independent audit be made at least annually in accordance with generally accepted accounting principles as they pertain to governments for all funds reported in the comprehensive annual financial report. The audit is required to be conducted by Certified Public Accountants, experienced in municipal accounting. This audit was performed by Clifton Gunderson, LLP, Certified Public Accountants.

Alternative

Require staff to make changes to the report. Minor changes could be made to the report without affecting the audit opinion. Major changes may cause the report to not be in compliance with generally accepted accounting principles as they pertain to governments and could result in a change of the auditor's opinion.

Background Information

Every year Finance staff prepares a CAFR and contracts with an independent auditor to perform an audit of the financial statements. The 2004 CAFR received an unqualified opinion from Clifton Gunderson, LLP, the City's independent auditors. An unqualified opinion indicates the financial data of the City is fairly presented according to generally accepted accounting principals. Highlights of the 2004 CAFR are detailed below:

- Government-wide: Combined net assets of governmental and business-type activities decreased \$2.7 million. A \$10.2 million reduction in governmental activities net assets and a \$7.5 million increase in business-type activities net assets resulted in the overall decrease.
- General Fund: The fund balance of the General Fund increased \$2.2 million in 2004. Of the \$18.4 million ending fund balance, \$11.1 million was unreserved and available for future spending.
- Sales & Use Tax Fund: Sales and Use Tax revenues increased \$10.7 million, primarily due to the new .6% public safety tax dedicated to public safety related expenditures. Net assets increased by \$2.3 million due to overall sales and use tax collections exceeding transfers to other funds.
- General Capital Improvement Fund: Operating revenues and expenditures were comparable to 2003. Fund Balance decreased \$8.6 million as a result of expenditures relating to prior year capital project appropriations.
- Westminster Economic Development Authority: Fund balance decreased \$15.7 million from \$18.9 million to \$3.2 million due mostly to expenditures related to the Mandalay Gardens Urban Renewal Area.
- Utility Fund: Net Assets increased \$8.5 million from \$339.3 to \$347.8 million due primarily to tap fees of \$10.5 million.
- Golf Course Fund: Net Assets decreased \$.7 million from \$8.1 to \$7.4 million due primarily to increased operating expenditures resulting from the purchase of a new golf cart fleet.
- One debt issue occurred during 2004 in the amount of \$9.0 million in the form of a note. The proceeds were used for the purchase of land by the Westminster Economic Development Authority for the North Huron Urban Renewal Area.
- Capital spending was funded with pay-as-you-go resources and bond proceeds from prior years. Capital spending for all projects included the following:

\$ 23,127,191	General Capital Improvements Fund
8,579,334	Utility Fund
630,923	Community Development Block Grant Fund
<u>28,236,906</u>	Westminster Economic Development Authority
<u>\$ 60,574,354</u>	Total Current Year Capital Expenditures

Staff and representatives from Clifton Gunderson, LLP will attend the June 6th Study Session to answer City Council's questions.

Respectfully submitted,

J. Brent McFall
City Manager

Attachments



WESTMINSTER

Staff Report

City Council Study Session Meeting
June 6, 2005



SUBJECT: Open Space, Parks and Recreation Tax Poll Results

PREPARED BY: Steve Smithers, Assistant City Manager
Ruth Becker, Open Space Coordinator

Recommended City Council Action

Review the polling results and provide Staff with direction on whether to proceed with a ballot issue this November.

Summary Statement

- City Council directed Staff to poll Westminster residents to determine their support for a ballot issue to extend and/or increase the .25% open space, parks and recreation sales and use tax.
- Staff contracted with Frederick Polls to conduct this research. Frederick Polls handled the previous polling for the De-Brucing and Public Safety ballot issues, both of which resulted in successful ballot proposals.
- A telephone poll was conducted of 300 Westminster residents May 12 – 14. The poll focused on likely voters in the November 2005 election. The margin of error for the poll is 5.6%.
- The polling results are in and are attached to this staff report for City Council's review.
- The results indicate a mixed reaction by survey respondents. There is clear support for a 25 year extension of the tax and bonding (84% in favor). However, the only tax increase that establishes any kind of supportive majority is a .1% increase in the sales and use tax (50% in favor and 49% opposed). The other choices of a .2% sales and use tax, and a 1.5 and 3 property tax mill levy increase had significant opposition.
- The survey also asks several questions about Westminster citizens' general attitude toward the City. As Council can see from the results, citizens remain very positive about City Councils leadership and quality of life in Westminster.
- Staff will be present Monday evening to present the results in more detail and to receive direction from City Council.

Expenditure Required: \$0

Source of Funds: N/A

Policy Issue

Should the City pursue a ballot issue this fall on the open space, parks and recreation tax, and if so, what elements should this ballot issue include?

Alternatives

1. Don't pursue a ballot issue this fall. The City's current open space, parks and recreation tax does not expire until 2016, which does allow the City to continue with a limited amount of open space purchases. However, the City has expended all of the previously issued open space bond funds, leaving approximately \$625,000 a year for land purchases.
2. Pursue an extension of the tax and authority to bond the proceeds. This alternative would extend the tax to 2031 and allow the City to issue in the range of \$5.5 to 7.5 million in bonds to meet open space and parks and recreation needs. The current estimate for open space needed to reach the city's 15% goal is 555 acres at a cost of approximately \$30 million. The portion of these bond dollars allocated to open space would assist in reaching this goal at a faster pace and at a lower cost.
3. Pursue a permanent extension of the existing tax. This alternative would provide the same benefits as outlined in alternative 2; however, it would also provide a permanent source of funding to purchase additional open space, and to maintain open space, parks and recreation facilities.
4. Pursue an extension of the tax, bonding authority, and a .1% sales tax increase (generating approximately \$1.6 million per year in new revenues). The support level of 50% for this increase makes it reasonably clear that the City faces a significant uphill fight to get this approved by the voters. Political consultants typically like this number to be in the 60-65% support range this far out from the election to feel confident about a ballot issues chances for passage. If City Council decides to pursue this increase a substantial campaign effort would need to occur to have a chance of achieving a majority in favor of this change. Consideration should also be given to what else is going to be on the ballot, including City Council elections, the TABOR changes (referendum C and D), school mill levy and bond proposals, and any other issues that come forward over the coming months.

Background Information

The City of Westminster's first open space sales tax was passed in 1985. The one-quarter cent sales tax was devoted to the acquisition of open space and was extended by the voters in 1989, with half going to parks and recreation improvements. In 1996, the citizens once again extended the one-quarter cent sales tax for 20 more years, until 2016, and authorized the City to issue \$26 million of bonds to fund additional open space purchases, as well as, facility construction and park development. This action has resulted in \$13 million in bonds for open space acquisitions, as well as \$13 million for parks and facility development. The City has also received grants from other jurisdictions and joint ventured with government partners to leverage its open space funds.

Open space has been acquired to protect view corridors, provide buffers between development zones, protect sensitive habitat areas, preserve open, rural landscapes, and for trail corridors and passive recreational opportunities. The City purchased 500 acres of open space in its first five years. By 1994, the City owned 900 acres of open space and by the year 2000, the City owned 2148 acres from purchases and public land dedications. The City's goal is to preserve 15% of its land area as open space. Currently, the City owns 2,492 acres of open space, 12.27% of the City land area. To reach

its 15% open space goal, the City would need to acquire an additional 555 acre of land. The City's open space holdings are divided as follows:

Area	Acreage	# of Parcels
<u>BIG DRY CREEK CORRIDOR</u>	<u>724</u>	<u>43</u>
<u>LITTLE DRY CREEK CORRIDOR</u>	<u>55</u>	<u>25</u>
<u>WALNUT CREEK CORRIDOR</u>	<u>131</u>	<u>10</u>
<u>FARMERS' HIGH LINE AND NIVER CANALS</u>	<u>79</u>	<u>11</u>
<u>COLORADO HILLS</u>	<u>1,041</u>	<u>6</u>
<u>NATURAL AREAS</u>	<u>405</u>	<u>22</u>
<u>MISCELLANEOUS</u>	<u>57</u>	<u>8</u>
<u>TOTAL: OPEN SPACE ACRES AS OF May, 17, 2005</u>	2,492	126

Staff will be present at the June 6th Study Session to present the poll results and receive Council direction.

Respectfully submitted,

J. Brent McFall
City Manager

Attachment



WESTMINSTER

Staff Report

City Council Study Session Meeting
June 6, 2005



SUBJECT: Rental of the Bott House at 10395 Wadsworth Boulevard

PREPARED BY: Ruth C. Becker, Open Space Coordinator

Recommended City Council Action: Authorize the City Manager to execute a Property Management Agreement with Proformance Properties, Inc. for Rental of the Bott Property.

Summary Statement:

- The City acquired the Bott property for open space on March 19, 2004. The property is located in the Walnut Creek floodplain and was acquired as a potential location for an underpass under Wadsworth Boulevard and under the Burlington Northern Santa Fe railroad tracks for the Walnut Creek Trail. The property has been vacant since acquisition and the City has continued to pay utilities to maintain the property.
- The Bott house is a financial drain and a management responsibility for the City. As owner, the City is required to maintain the property and pay utilities, which are maintenance responsibilities and expenses for a department that is not in the business of owning houses. Continuing to allow the house to sit vacant is not good for the neighborhood and creates the potential for vandalism.
- The house is in excellent condition. Rental would be a temporary use of the property to generate income and to obtain a tenant who will maintain the property, and prevent vandalism and deterioration.

Expenditure Required: Income potential of approximately \$1200-\$1250 per month less management fees.

Source of Funds: Income would be placed in the Open Space Land Purchases Account

Rental of the Bott House at 10395 Wadsworth Boulevard

June 6, 2005

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Policy Issue Should the City authorize the rental of a house located on open space?

Alternative Leave the property vacant, Staff does not recommend this alternative as the City would continue to be responsible for payment of utilities and maintenance. In addition, the property would be subject to potential vandalism.

Background Information

The Bott property contains a log home that is in excellent condition and could be rented immediately. Staff has obtained several bids from companies for rental of the property. The lowest, most qualified bidder, Proformance Properties, has indicated that the house could rent for approximately \$1200-\$1250 per month. Proformance Properties' fee is 8% of the gross rental plus an initial fee of one-half of the monthly rental for location of a new tenant. Placing a tenant in the property will generate income for the City and provide residents on site to maintain the property. Rental will be short term, for 12-18 months. Once the City determines a permanent use for the house, the residence could be converted to a City use or potentially torn down to make way for the trail. In the meantime, the residence will be in a productive use that will provide income to be applied to future open space purchases.

The City Council agenda memo for acquisition of the Bott House (January 12, 2004, Agenda Item 8F) stated that disposition of the home on the site would be determined later, and contemplated demolition or sale or relocation of the house, or preserving the structure at its current location for a use to be determined. City Council had authorized the removal of the house from the site for relocation to the Camalicks' two acre parcel, on the other side of the railroad tracks, when City Council authorized the purchase of the Camalicks' eight (8) acre parcel for open space. After investigation, the Camalicks determined that it would not be feasible to move the Bott house to their property. The house has remained vacant since the City acquired it.

The City Code does not anticipate the acquisition of residences with open space funds and does not expressly authorize rental of properties for private use, except for agricultural leases. The Code states that generally, lands acquired with open space funds shall be preserved and managed in a natural condition (Code Section 13-5-3). The Bott property was purchased in an improved condition, and a residence cannot be managed in a natural condition. Disposals of open space are permitted when it is necessary to acquire a total property in order to preserve a portion of the property and the open space fund is reimbursed for the disposal. Staff believes that a short term rental of the property is consistent with the intent of the City Code and will allow the City to preserve a property for future use, while providing income and transferring a management responsibility to another party. A lease for the property will need to be signed and presented to City Council for approval by ordinance as required by the City Charter. Staff is requesting direction from City Council on whether they support rental of a residence on City open space.

Respectfully submitted,

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