



**AGENDA FOR THE
ENGLEWOOD CITY COUNCIL
STUDY SESSION
MONDAY, SEPTEMBER 19, 2011
COMMUNITY ROOM
6:00 P.M.**

- I. **Financial Report**
Financial and Administrative Services Director Frank Gryglewicz will discuss the financial report for August, 2011.
- II. **Investment Policy Changes and Updates**
Financial and Administrative Services Director Frank Gryglewicz will discuss investment policy changes and updates.
- III. **Water and Sewer Board Appointments**
City Council will discuss the vacancies on the Water and Sewer Board.
- IV. **City Manager's Choice**
- V. **City Attorney's Choice**



City of Englewood

To: Mayor Woodward and City Council
From: Frank Gryglewicz, Director of Finance and Administrative Services
Date: September 14, 2011
Subject: August 2011 Financial Report

Summary of the August 2011 General Fund Financial Report

REVENUES:

- Through August 2011, the City of Englewood collected **\$26,928,759 or \$1,236,369 or 4.8 percent more** than last year (See the chart on page 3 and the attached full report for detail on changes in revenue in past year). Part of the increase is due to the change in sales and use tax revenue (\$904,204) and intergovernmental revenue (\$225,343) from 2010 to 2011. The City received grant funds from CPPW for the following projects: \$150,000 for a Bike/Pedestrian Study (CD), \$88,000 for a Downtown Street Assessment Study (CD) and \$83,000 for the Community Garden (P&R) and from an increase in sales and use tax revenue in 2011 over 2010.
- The City collected \$2,904,205 in property and \$146,316 in specific ownership tax through August.
- **Year-to-date sales and use tax revenues were \$14,977,952 or \$905,204 or 6.4 percent more than August 2010.** The majority of this increase (\$850,000) is due to the receipt of one-time sales/use tax revenue from several taxpayers and a (\$56,000) refund in 2010 that did not occur in 2011.
- Cigarette tax collections were down \$6,258 compared to last year.
- Franchise fee collections were \$20,142 less than last year.
- Licenses and permit collections were \$51,099 more than 2010.
- Intergovernmental revenues were \$371,605 more than the prior year.
- Charges for services increased \$66,543 from last year.
- Recreation revenues increased \$138,007 from 2010.
- Fines and forfeitures were \$158,196 less than last year.
- Investment income was \$26,817 less than last year.
- Miscellaneous revenues were \$94,962 less than last year.

OUTSIDE CITY:

- Outside City sales and use tax receipts (cash basis) were up \$1,384,476 or 31.3 percent compared to last year, \$1,188,000 of the total amount collected is due to the receipt of *one-time sales and use tax revenue* from several taxpayers and \$56,000 is due to a refund in 2010. The City has classified \$600,000 as “unearned” at this time.
- At this time potential refunds total approximately \$1,500,000 for claims submitted to Englewood but not completed; the balance of the account to cover intercity claims is \$1,150,000.

CITY CENTER ENGLEWOOD (CCE):

- Sales and use tax revenue collected through August 2011 were \$1,400,843 or \$8,191 less than last year during the same period.

EXPENDITURES:

- Expenditures through August were \$25,694,894 or \$173,825 (.68 percent) more than the \$25,521,069 expended through August 2010. The City refunded \$32,038 in sales and use tax claims through August.

RESERVES:

- Total fund balance is estimated at \$8,753,654. The unreserved/undesignated reserves for 2011 are estimated at \$4,591,675 or 12.08 percent of projected revenues. The 2011 estimated Long Term Asset Reserve (LTAR) balance is \$2,713,467 (please refer to page 11).

TRANSFERS:

- Net 2011 transfers-in to date of \$1,714,986 were made by the end of August 2011 (please refer to page 11 for the make-up).

REVENUES OVER/UNDER EXPENDITURES:

- Revenues exceeded expenditures by \$1,233,865 this year compared to \$171,321 in 2010.

PUBLIC IMPROVEMENT FUND (PIF):

- The PIF has collected \$1,218,914 in revenues and spent \$3,304,161 year-to-date. Estimated year-end fund balance is \$289,461. Based on a five year average approximately 65% of building use tax and 63% of vehicle use tax is collected through August.

City of Englewood, Colorado

August 2011 Financial Report

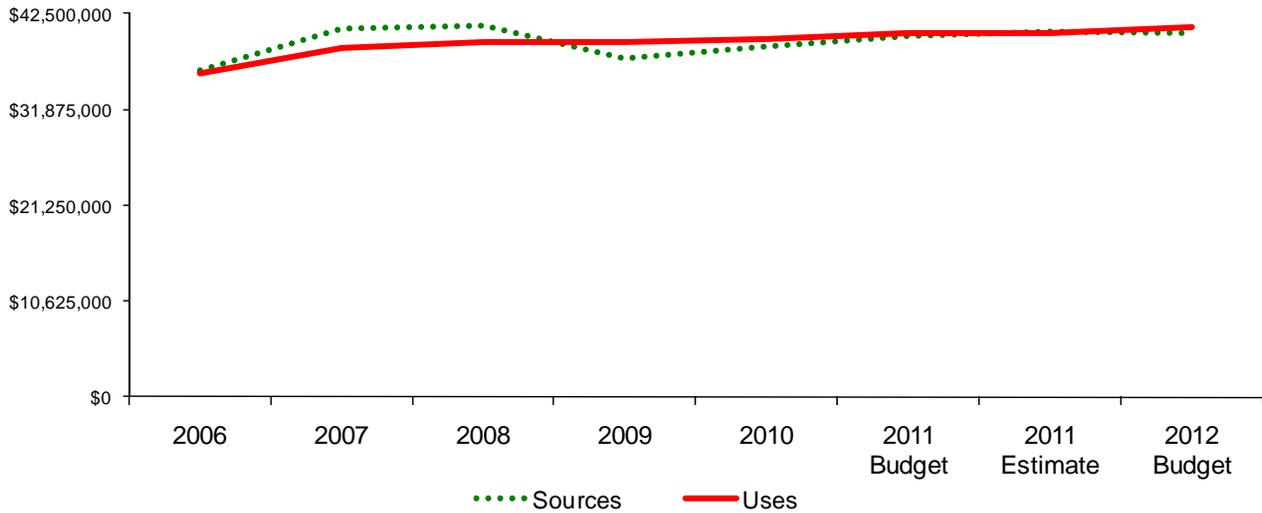
GENERAL FUND OVERVIEW AND ANALYSIS

The General Fund accounts for the major “governmental” activities of the City. These activities include “direct” services to the public such as police, fire, public works, parks and recreation, and library services. General government also provides services by the offices of city manager and city attorney; the departments of information technology, finance and administrative services, community development, human resources, municipal court and legislation. Debt service, lease payments, and other contractual payments are also commitments of the General Fund.

General Fund Surplus and Deficits

The line graph below depicts the history of sources and uses of funds from 2006 to 2011 Estimate. As illustrated, both surpluses and deficits have occurred in the past. The gap has narrowed over the past few years by reducing expenditures, freezing positions, negotiating lower-cost health benefits, increased revenue collections. Continued efforts will be required to balance revenues and expenditures, especially with persistent upward pressure on expenditures due to increases in the cost of energy, wages and benefits.

General Fund: Total Sources and Uses of Funds



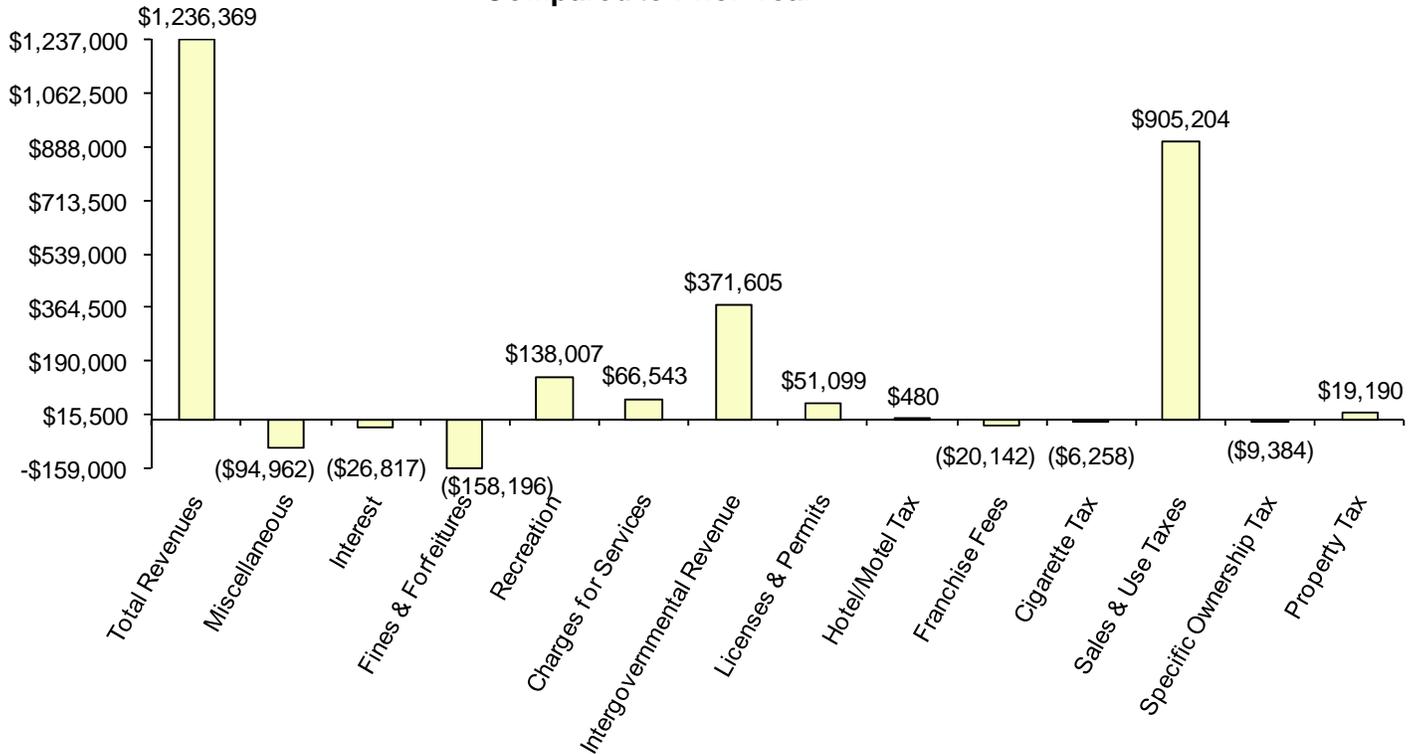
The table below summarizes General Fund Year-To-Date (YTD) Revenue, Expenditure, Sales & Use Tax Revenue and Outside City Sales & Use Tax Revenue for the month ended August, 2011. Comparative figures for years 2010 and 2009 are presented as well. The table also highlights the dollar and percentage changes between those periods.

	2011	2011 vs 2010 Increase (Decrease)		2010	2010 vs 2009 Increase (Decrease)		2009
General Fund							
Year-To-Date Revenue	\$ 26,928,759	\$ 1,236,369	4.81%	\$ 25,692,390	\$ (285,192)	(1.10%)	\$ 25,977,582
Year-To-Date Expenditure	25,694,894	\$ 173,825	.68%	25,521,069	\$ 191,561	.76%	25,329,508
Net Revenue (Expenditure)	\$ 1,233,865	\$ 1,062,544		\$ 171,321	\$ (476,753)		\$ 648,074
Estimated Unreserved/ Undesignated Fund Balance	\$ 4,591,675	\$ (323,972)	(6.59%)	\$ 4,915,647	\$ 21,870	.45%	\$ 4,893,777
Sales & Use Tax Revenue YTD	\$ 14,977,952	\$ 905,204	6.43%	\$ 14,072,748	\$ (200,790)	(1.41%)	\$ 14,273,538
Outside City Sales & Use Tax YTD	\$ 5,800,128	\$ 1,384,476	31.35%	\$ 4,415,652	\$ (323,155)	(6.82%)	\$ 4,738,807

General Fund Revenues

The City of Englewood’s total budgeted revenue is \$37,424,105. Total revenue collected through August 2011 was \$26,928,759 or \$1,236,369 (4.8 percent) more than was collected in 2010. The chart below illustrates changes in General Fund revenues this year compared to last year.

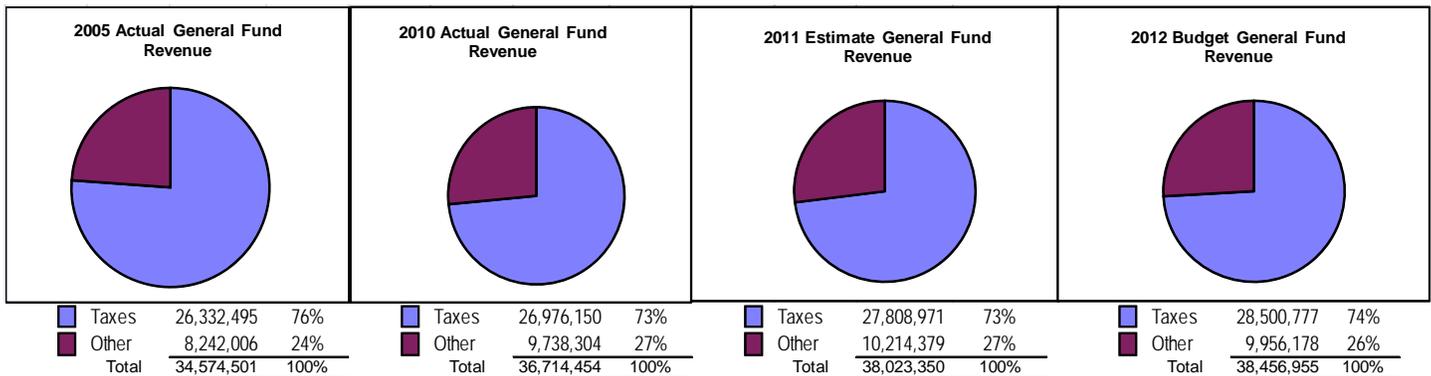
2011 Year-To-Date Change in General Fund Revenue as Compared to Prior Year



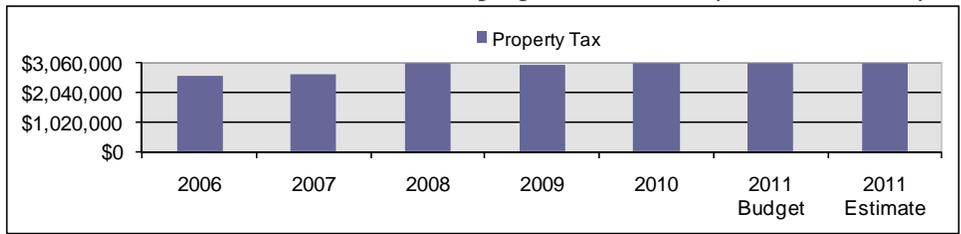
General Fund Taxes

The General Fund obtains most of its revenue from taxes. In 2010 total audited revenues were \$36,714,454 of which \$26,976,150 (73.5 percent) came from tax collections. Taxes include property, sales and use, specific ownership, cigarette, utilities, franchise fees, and hotel/motel. The following pie charts illustrate the contribution of taxes to total revenue for 2005, 2010 unaudited and budgeted 2011. Taxes as a percentage of total revenue have declined slightly as other fees and charges have been increased to help offset rising costs and relatively flat tax revenues.

General Fund Revenues Taxes vs. Other

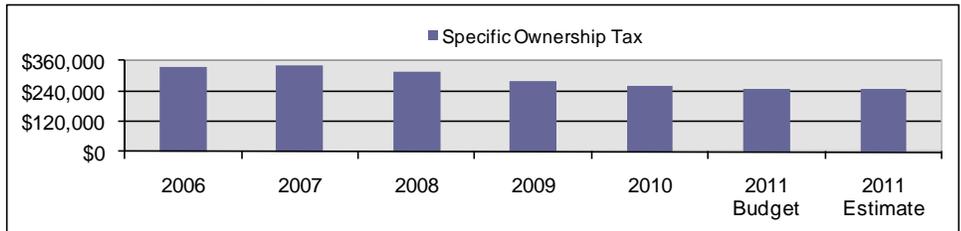


Property taxes: These taxes are collected based on the assessed value of all the properties in the City and the mill levy assessed against the property. The City's total 2009 mill levy collected in 2010 is 7.911 mills. The 2009 mill levy for general operations collected in 2010 is 5.880 mills. Voters approved a separate, dedicated mill levy for principal and interest



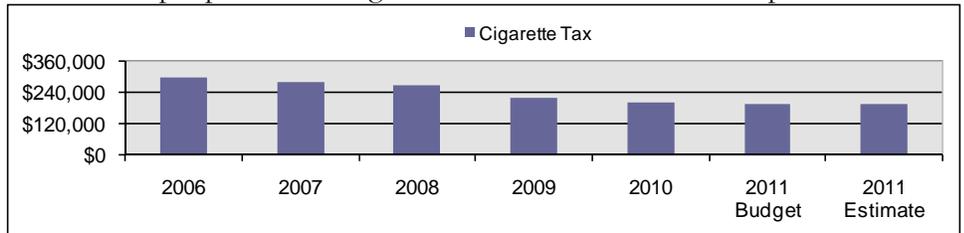
payments on the City's general obligation debt (parks and recreation projects). The 2010 mill levy collected in 2011 is 2.130 mills. Property tax collections grew from \$2,559,369 in 2006 to \$3,020,884 in 2010. This was an increase of \$461,515 or 18 percent. In 2010 the City collected \$3,020,884 or 11.2 percent of 2010 total taxes and 8.2 percent of total revenues from property taxes. The City budgeted \$3,017,000 for 2011; and collected \$2,904,205 through August 2011. The estimate for the year remains at \$3,017,000.

Specific ownership: These taxes are based on the age and type of motor vehicles, wheeled trailers, semi-trailers, etc. These taxes are collected by the



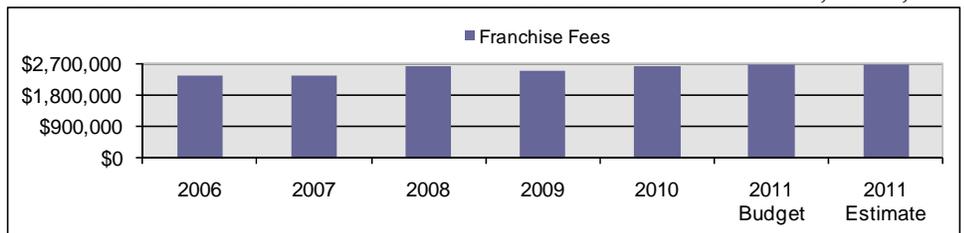
County Treasurer and remitted to the City on the fifteenth day of the following month. The City collected \$333,018 in 2006 and \$263,434 in 2010 which is a decrease of \$69,584 or 20.9 percent. The City collected \$263,434 in 2010 which is less than one percent of total revenues and one percent of total taxes. The City budgeted \$250,000 for 2011 and collected \$146,316 through August 2011. The estimate for the year remains \$250,000.

Cigarette Taxes: The State of Colorado levies a \$.20 per pack tax on cigarettes. The State distributes 46 percent of the gross tax to cities and towns based on the pro rata share of state sales tax collections in the previous year. These taxes have fallen significantly in the past and continue to fall after the 2009 federal tax increase of approximately \$.62 per pack went into effect. This



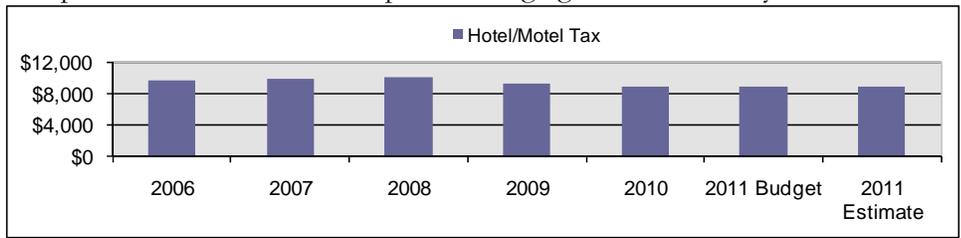
increase will fund the State Children's Health Insurance Program (SCHIP). In 2006 the City collected \$293,776, but in 2010 the City collected \$196,320, which is a decrease of \$97,456 or 33.2 percent. These taxes accounted for less than one percent of total taxes and less than one percent of total revenues in 2010. The City budgeted \$190,000 for the year and collected \$120,966 through August 2011, which is \$6,258 or 4.9 percent less than the \$127,224 collected through August 2010. The estimate for the year remains at \$190,000 but could be reduced later this year.

Franchise Fees: The City collects a number of taxes on various utilities. This includes franchise tax on water, sewer, and public services, as well as



occupational taxes on telephone services. The City collected \$2,362,000 in 2006 and \$2,620,191 in 2010, an increase of \$258,191 or 10.9 percent. These taxes accounted for 9.7 percent of taxes and 7.1 percent of total revenues in 2010. The City budgeted \$2,650,851 for the year; collections through August totaled \$1,593,447 compared to \$1,613,589 collected during the same period last year. The estimate for the year is \$2,585,212.

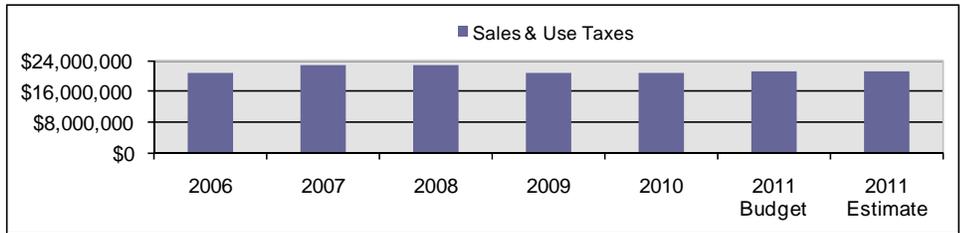
Hotel/Motel Tax: This tax is levied at two percent of the rental fee or price of lodging for under 30 days duration. The City budgeted \$8,713 for the year and has collected \$6,383 through August 2011. The estimate for the year is \$8,713.



Sales and Use Taxes Analysis

Sales and use taxes are the most important (and volatile) revenue sources for the City. Sales and use taxes generated 77.5 percent of all taxes and 56.9 percent of total revenues collected in 2010.

In 2006, this tax generated \$20,688,258 for the City of Englewood; in 2010 the City collected \$20,866,515, an increase of less than one percent. This tax is levied on the sale price of taxable goods. Sales tax is calculated by multiplying the sales price of taxable goods times the sales tax rate of 3.5 percent. Vendors receive a .25 percent fee for collecting and remitting the taxes to the City by the due date. Taxes for the current month are due to the City by the twentieth day of the following month. The City budgeted \$21,216,000 for 2011. Sales and Use Tax revenue through August 2011 was \$14,977,952 while revenue year-to-date for August 2010 was \$14,072,748, an increase of \$905,204.



A portion (\$600,000) of the collections from outside city has been put into the “unearned revenue” account because staff believes it could be subject to an intergovernmental claim. If no claim is made after three years, the funds will be recognized as revenue at that time.

Collections (cash basis) for August 2011 were \$1,726,661 while collections for August 2010 and August 2009 were \$1,565,218 and \$1,506,850 respectively. August 2011 collections were \$161,443 or 10.3 percent more than August 2010 and \$219,811 or 14.6 percent more than 2009 collections.

Outside City sales and use tax collections through August were \$5,800,128 an increase of approximately \$1,384,476 over 2010 of which \$988,000 of this increase is due to the receipt of one-time sales and use tax revenue from several taxpayers and \$56,000 is due to a refund in 2010.

Based on historical sales tax collections, the City of Englewood collects 68.6 percent of total year’s sales tax collections through August; if this pattern holds this year, 31.4 percent is left to collect over the next five months. Based on August collections, the City will collect an additional \$6,855,797 over the next six months for a total of \$21,833,749.

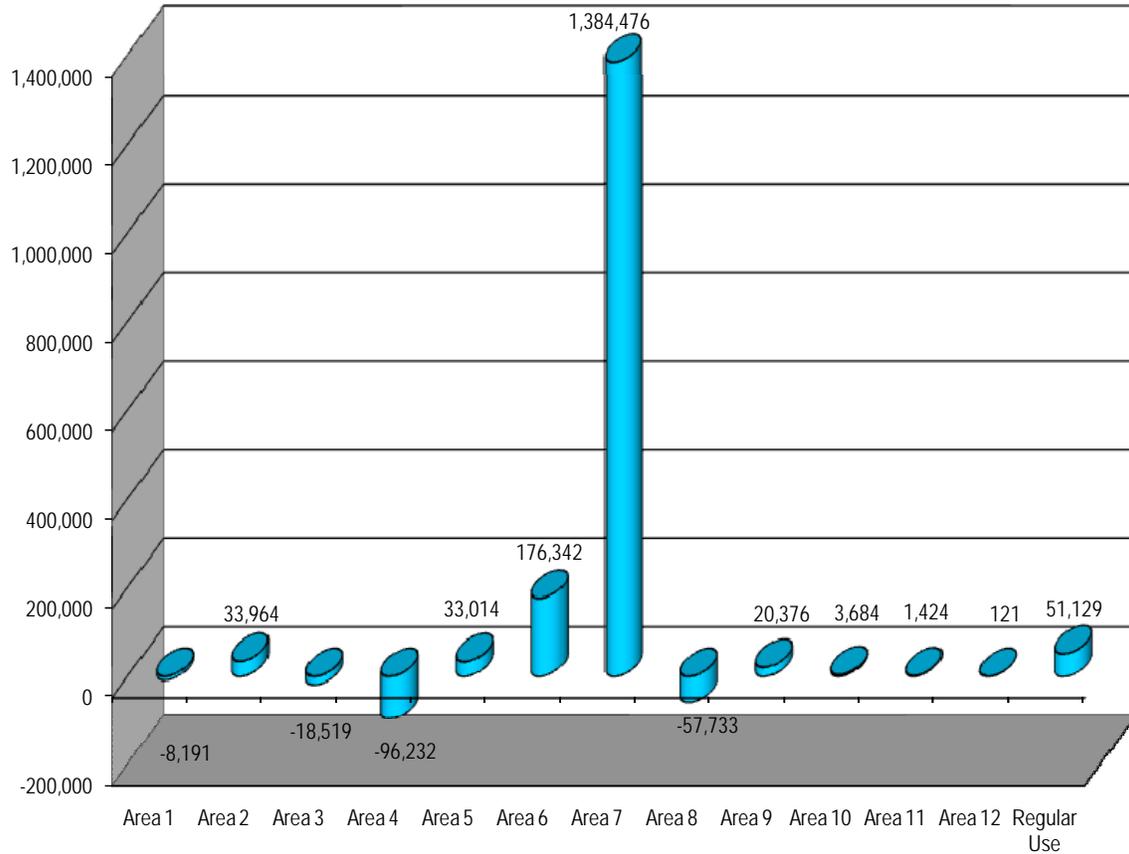
The City collected 106 percent of last year; if this pattern holds for the entire year the City could collect \$22,118,506 for the year. The average of the two forecasts is \$22,208,716.

The estimate for the year is \$21,640,320 at this time, but may be adjusted if the upward trend in collections continues.

This revenue source tends to ebb and flow (often dramatically) with the economy, growing during economic expansions and contracting during downturns. The past two years of sales tax collections have been exceptionally erratic with no discernable trend to make accurate short or long term forecasts. It is important to continually review and analyze sales and use tax data including trends in the various geographic areas of the City.

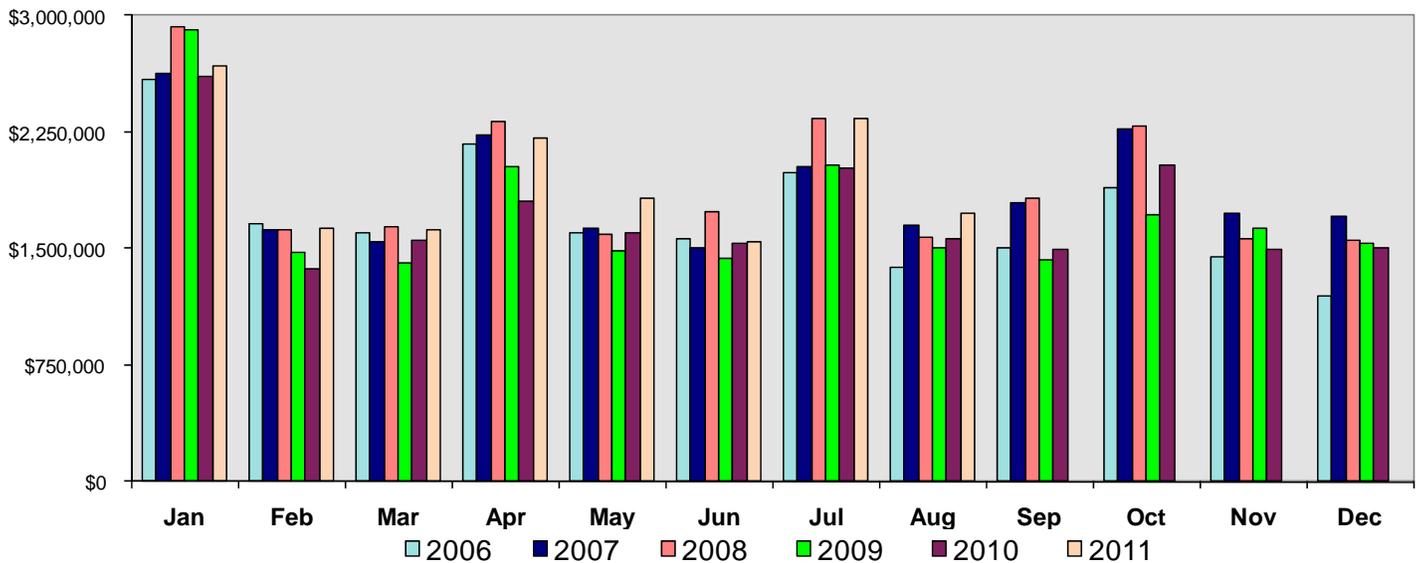
The chart on the next page, “Change in Sales/Use Tax Collections by Area 2011 vs. 2010” indicates that most of the increase in sales tax collections is due to Outside City (Area 7) and Regular Use Tax. Economic conditions, judged by sales tax collections, appears to be a “mixed bag” with some geographic areas increasing and some decreasing compared to the same period last year.

Change in Sales/Use Tax Collections by Area 2011 vs 2010



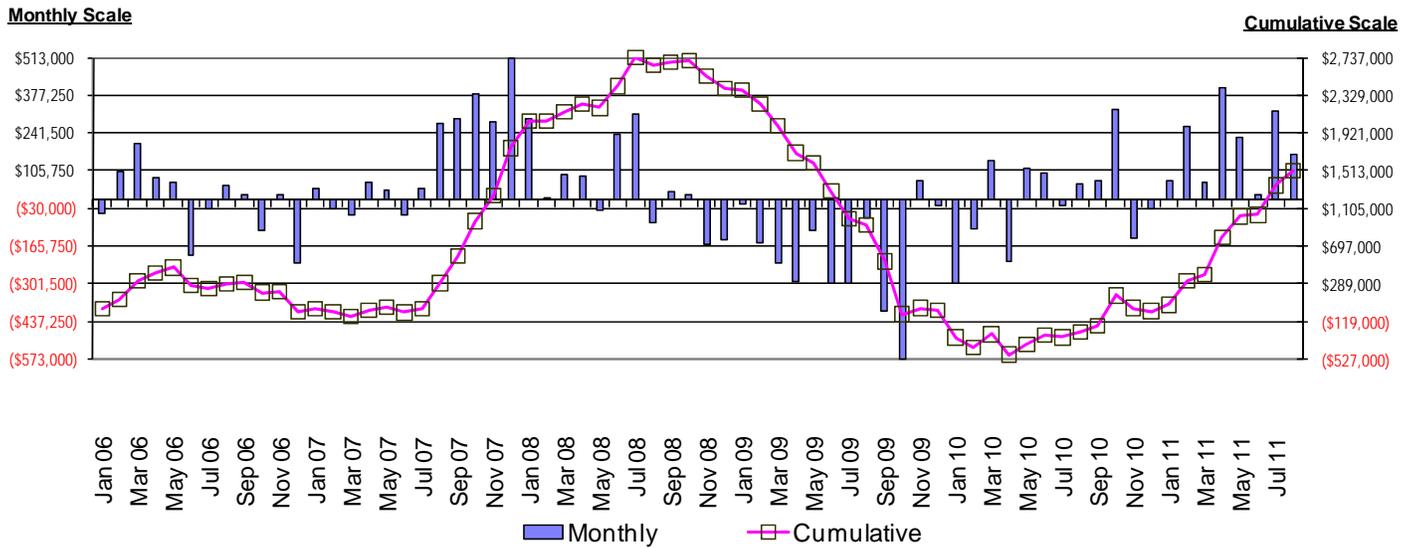
The bar graph below shows a comparison of monthly sales tax collections (cash basis) for 2006 through 2011.

2006-2011 YTD Sales/Use Tax Collections by Month - Cash Basis



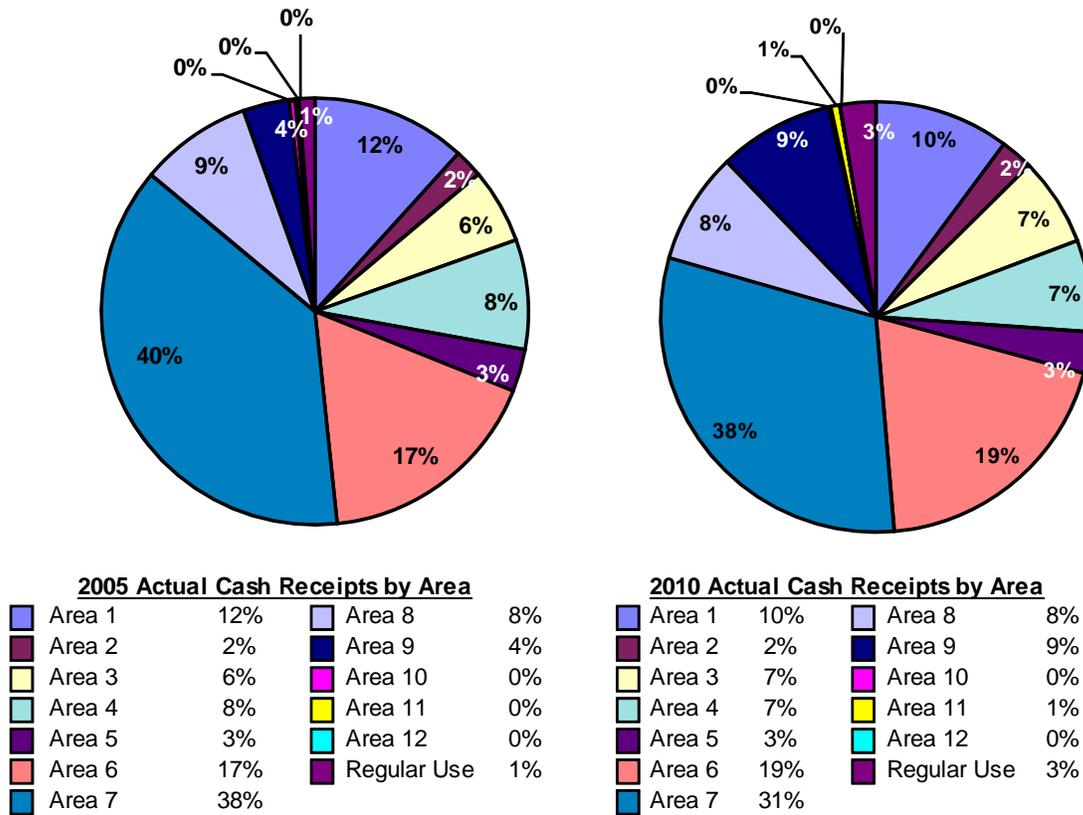
The next chart illustrates sales tax collections (cash basis) by month and cumulative for the years presented.

2006 - 2011 Monthly Change Sales and Use Tax



Sales tax collections are reported by various geographic areas as illustrated in the following pie charts. These illustrate the changing collection patterns for 2005 and 2010.

Geographic Sales Tax Collection Areas



A brief description and analysis of the significant geographic areas follows:

Area 1: This geographic area accounts for the sales tax collections from CityCenter Englewood. CityCenter Englewood had collections of \$1,400,843 year-to-date 2010, \$8,191 or .6 percent less was collected last year.

Area 6: This geographic area is up 6.7 percent from last year. \$72,000 of the increase is due to an audit receipt in January 2011.

Area 7: This geographic area records the outside city sales tax collections (Outside City). Outside City has been the geographic area responsible for much of the sales tax growth (and decline) in past years. Outside City collections have increased 31.4 percent from the same period last year. The chart below illustrates this area’s contribution to total sales and use taxes (cash basis) as well as total revenues since 2007 for collections through the month of August. The importance of Outside City has declined as a percentage of sales and use tax collections but it continues to remain an important impact on the City’s General Fund as illustrated by the following:

	2007	2008	2009	2010	2011
Total Sales and Use Taxes	14,855,304	15,752,611	14,284,984	14,045,587	15,569,443
Outside City Collections	5,439,869	5,636,732	4,738,807	4,415,652	5,800,128
Percentage of Total	36.6%	35.8%	33.2%	31.4%	37.3%
Total General Fund Revenues	25,821,951	27,379,198	25,977,582	25,692,390	26,928,759
Outside City Collections	5,439,869	5,636,732	4,738,807	4,415,652	5,800,128
Percentage of Revenues	21.1%	20.6%	18.2%	17.2%	21.5%

The City records the proceeds of some returns from Outside City into an unearned revenue (liability) account. The criteria staff uses to decide if proceeds should be placed in the unearned account is if a reasonable probability exists for another municipality to claim the revenue. This account currently has a balance of \$1,150,000 to cover intercity claims. The City paid \$31,220 in refunds including intercity sales/use tax claims through August 2011 compared to \$198,429 through August 2010. At this time *potential* refunds total approximately \$1,500,000 for claims submitted to Englewood but not completed.

Area 8: This geographic area consists of collections from public utilities. Collections through August were down \$57,733 or 4.8 percent over last year. Weather conditions, energy usage conservation, and rising energy prices play an important role in revenue collections. Collections could increase or decrease if the remainder of the year is significantly hotter/colder than normal.

Other Sales Tax Related Information

Finance and Administrative Services Department collected \$146,649 in sales and use tax audit revenues and general collections of balances on account through the month of August; this compares to \$292,845 collected in 2010 and \$426,220 collected in 2009.

Of the 78 sales tax accounts reviewed in the various geographic areas, 48 (62 percent) showed improved collections and 30 (38 percent) showed reduced collections this year compared to the same period last year.

The Department issued 321 new sales tax licenses through August 2011; 279 and 251 were issued through August 2010 and 2009 respectively.

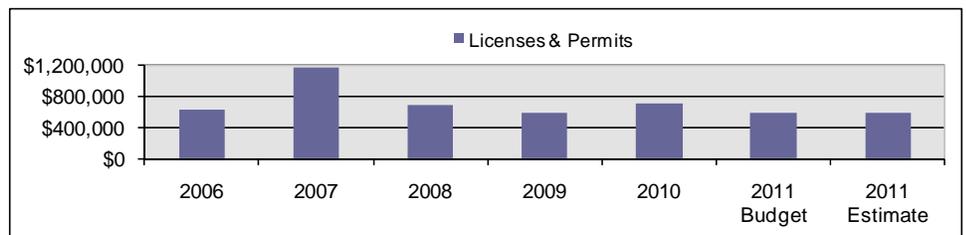
City records indicate that year-to-date 145 businesses closed (85 of them were outside the physical limits of Englewood) and 321 opened (222 of them were outside the physical limits of Englewood).

General Fund Other Revenue

Other revenues accounted for \$9,738,304 or 26.5 percent of the total revenues for 2010; the City budgeted \$10,091,541 for 2011.

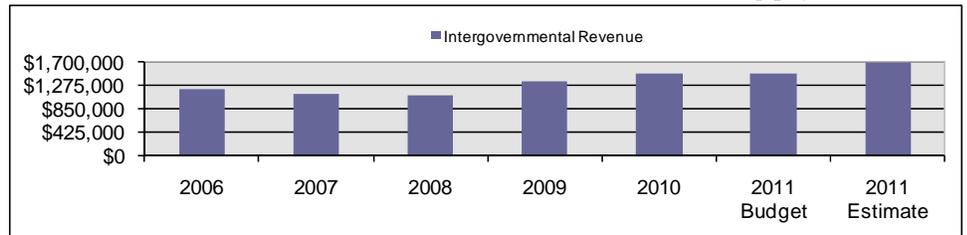
The following provides additional information on the significant revenue sources of the General Fund:

Licenses and Permits: This revenue category includes business and building licenses and permits. This revenue source generated \$695,663 during 2010

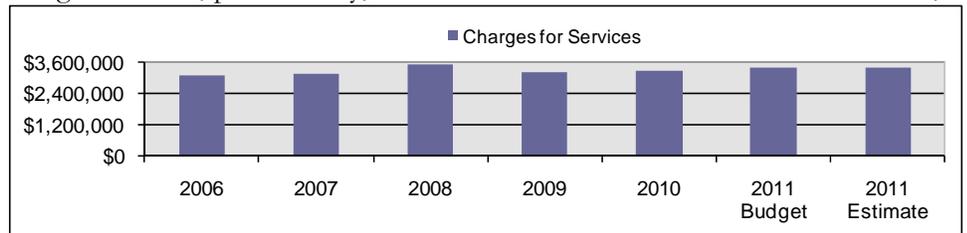


or 1.9 percent of total revenue and 6.8 percent of total other revenue. This revenue source totaled \$623,945 in 2006 and increased to \$695,663 in 2010, an 11.5 percent increase. The City budgeted \$575,100 for 2011 and year-to-date the City collected \$490,912 or \$51,099 (11.6 percent) more than the \$439,813 collected through August 2010. The estimate for the year is \$650,000.

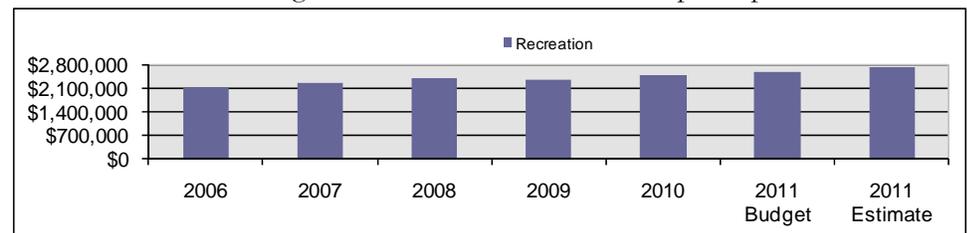
Intergovernmental Revenues: This revenue source includes state and federal shared revenues including payments in lieu of taxes. These revenues are budgeted at \$1,459,564 for 2011. This revenue source totaled \$1,193,863 in 2006 and the City collected \$1,465,970 in 2010, a 22.7 percent increase. The City collected \$1,225,801 through August 2011 this is \$371,605 (43.5 percent) more than the \$854,196 collected in the same period in 2010. The estimate for the year is \$1,659,564.



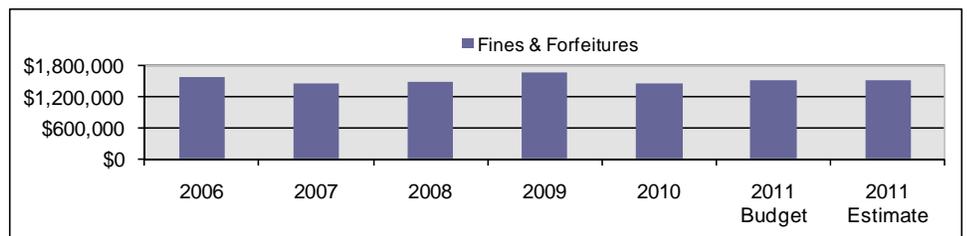
Charges for Services: This includes general government, public safety, fees for the administration of the utilities funds, court costs, highway and street and other charges. This revenue source is budgeted at \$3,318,587 for 2011. This revenue source totaled \$3,053,106 in 2006 and increased to \$3,254,830 in 2010, a 6.6 percent increase. Total collected year-to-date was \$2,138,440 or \$66,543 (3.2 percent) more than the \$2,071,897 collected year-to-date in 2010. The estimate for the year is \$3,302,250.



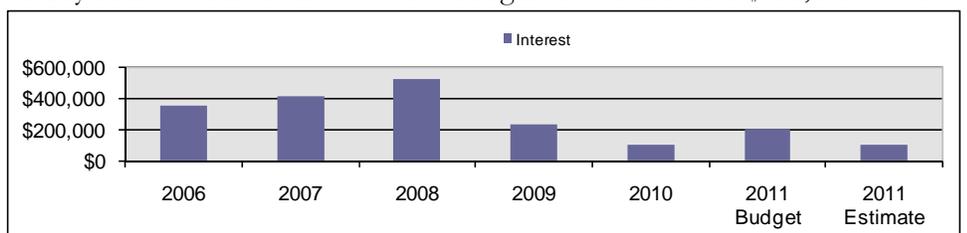
Recreation: This category of revenue includes the fees and charges collected from customers to participate in the various programs offered by the Parks and Recreation Department. This revenue source is budgeted at \$2,587,653 for 2011. This revenue source totaled \$2,099,202 in 2006 and increased to \$2,489,781 in 2010, an 18.6 percent increase. Total collections through August 2011 were \$2,247,447 compared to \$2,109,440 collected in 2010. The estimate for the year is \$2,702,162.



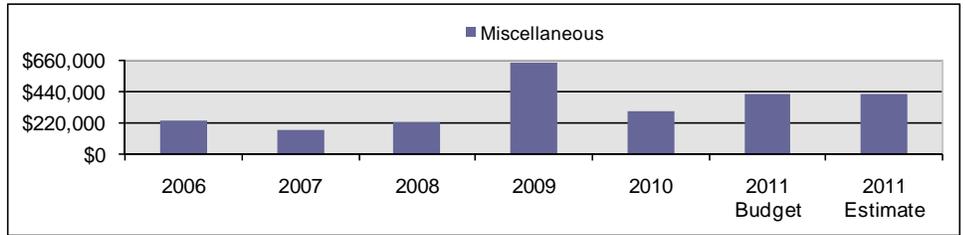
Fines and Forfeitures: This revenue source includes court, library, and other fines. The 2010 budget for this source is \$1,426,801 or 14.7 percent of total other revenue. This revenue source totaled \$1,543,353 in 2006 and decreased to \$1,437,957 in 2010, a 6.8 percent decrease. Total collected year-to-date was \$868,401 or \$158,196 (15.4 percent) less than the \$1,026,597 collected in the same time period last year. The estimated for the year is \$1,483,253.



Interest: This is the amount earned on the City's cash investments. The 2011 budget for this source is \$200,000. This revenue source totaled \$353,575 in 2006 and decreased to \$100,544 in 2010, a 71.6 percent decrease. The City earned \$78,309 through August 2011; while the City earned \$105,126 through August 2010. The estimate for the year is \$100,000.



Miscellaneous: This source includes all revenues that do not fit in another revenue category. The 2011 budget for this source is \$421,507. This revenue source totaled \$229,675 in 2006 and increased to \$293,658 in 2010, a 27.9 percent increase. Total collected year-to-date is \$130,180 (42.2 percent) less compared to the \$225,142 collected last year during the same period. The estimate for the year is \$413,653.



General Fund Expenditures

Outcome Based Budgeting

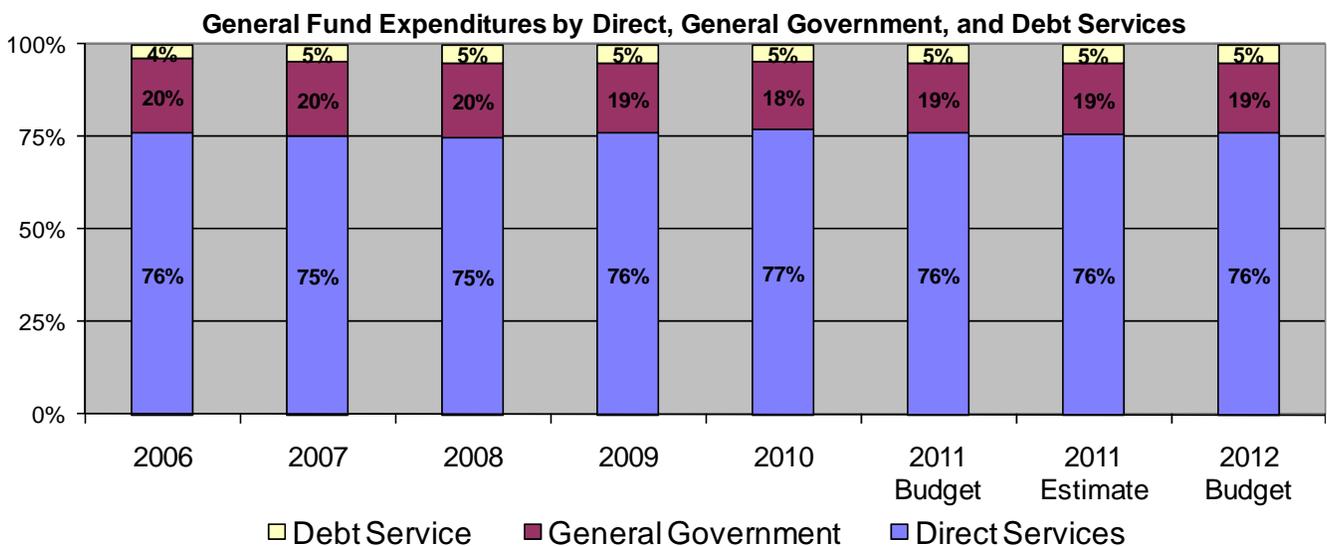
In 2006 the City adopted an outcome based budgeting philosophy. City Council and Staff outlined five outcomes to reflect, more appropriately, the desired result of the services delivered to the citizens of Englewood. The five outcomes identified are intended to depict Englewood as:

- ▶ A City that provides and maintains quality infrastructure,
- ▶ A safe, clean, healthy, and attractive City,
- ▶ A progressive City that provides responsive and cost efficient services,
- ▶ A City that is business friendly and economically diverse, and
- ▶ A City that provides diverse cultural, recreational, and entertainment opportunities.

Outcome based budgeting is an additional tool the City Council and staff use to better develop ways to serve our citizens. This type of budgeting is a new concept and is refined and reviewed on an on-going basis to help us better focus our resources in meeting the objectives of our citizens.

The City budgeted total expenditures at \$40,430,513 for 2011, this compares to \$38,901,342 and \$38,997,977 expended in 2010 and 2009 respectively. Budgeted expenditures for 2011 general government (City Manager, Human Resources, etc.) totals \$8,387,284 or 20.2 percent of the total. Direct government expenditures (Police, Fire, etc.) are budgeted at \$31,064,182 or 75.0 percent of the total. Debt service (fixed costs) payments are \$1,993,682 or 4.8 percent of the total. Total expenditures through August were \$25,694,894 compared to \$25,521,069 in 2010 and \$25,329,508 in 2009. The year-end expenditure estimates were provided by the departments as part of the 2012 budget process.

The chart below illustrates the breakdown of expenditures into debt service, general and direct government.



Transfers

The General Fund has provided funds to and has received funds from Special Revenue Funds, Capital Projects Funds, Internal Service Funds and Component Units in order to buffer temporary gaps in revenue and expenditure amounts. In 2011 the General Fund was not in the position to provide funding to the Capital Projects Funds but has received the following net transfers:

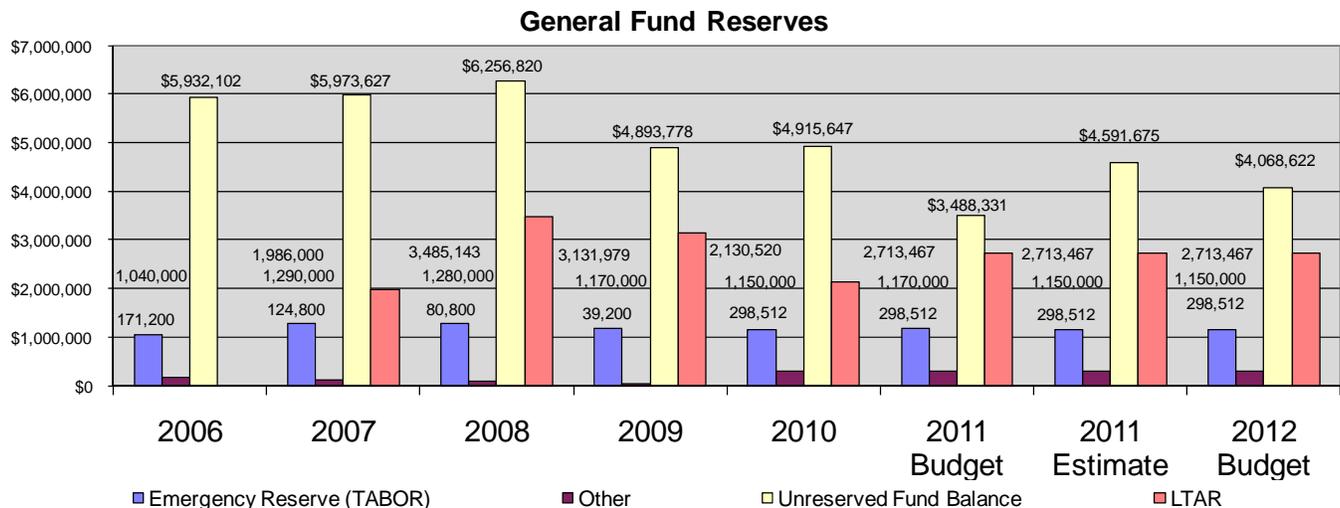
Source of Funds	Budget Amount	YTD Amount
Special Revenue Funds		
Neighborhood Stabilization Program Fund*	\$ 750,000	\$ 32,760
Capital Project Funds		
Public Improvement Fund (PIF)	471,815	471,815
Internal Service Funds		
Central Services Fund	100,000	100,000
Servicenter Fund	105,278	100,000
Risk Management Fund	546,000	546,000
Employee Benefits Fund	200,000	200,000
Component Units		
Englewood/McLellan Reservoir Foundation, Inc (EMRF)	325,000	264,411
Enterprise Funds		
Transfers Total	21,111	-
	\$ 2,519,204	\$ 1,714,986

*In addition to the 2011 amount received, the Neighborhood Stabilization Program Fund returned \$47,052 received in 2010 of the \$750,000 borrowed in 2010.

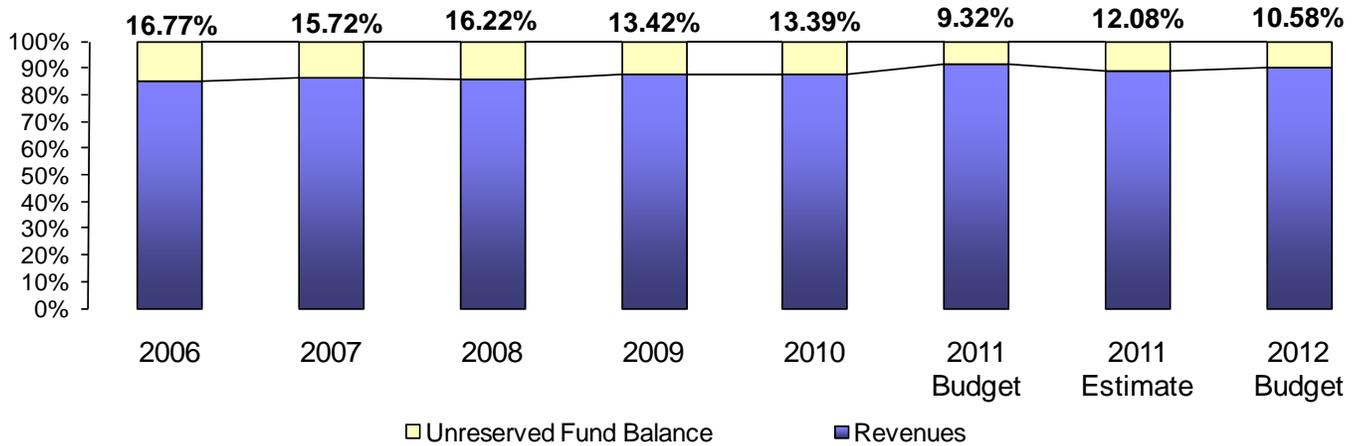
General Fund Reserves

Reserves are those funds the City sets aside for a “rainy day”. The intent is to smooth over unexpected revenue declines and expenditure increases. The fund is normally built up when revenues exceed expenditures. In the past, excess reserves have been transferred out to other funds, usually for capital projects identified in the Multiple Year Capital Plan (MYCP). The reserve balance is not adequate to provide for a transfer from the General Fund to the capital projects funds.

Long Term Asset Reserve (LTAR) At the 2008 Budget workshop held on August 22, 2007, City Council discussed and directed staff to establish a General Fund reserve account to accumulate funds from the sale, lease, or earnings from long-term assets. It was also determined that these funds should be used in a careful, judicious and strategic manner. The funds restricted in this account can only be expended if the funds are appropriated in the annual budget or by supplemental appropriation. The 2011 estimated year-end balance in the account is \$2,713,467. The balance reflects a \$750,000 transfer that was appropriated in 2010 for the purchase of two homes and rehabilitation of ten homes and will be returned to the LTAR in 2011. *The balance also includes a \$120,000 transfer from LTAR to fund the Community Development Department’s 2011 Catalyst Program.*



Unreserved Fund Balance As A Percentage of Revenue



The City's General Fund ended 2010 with a fund balance of \$8,494,679, and an unreserved/undesignated fund balance of \$4,915,647 or 13.4 percent of revenues. The General Fund's 2011 estimates a year end fund balance at \$8,753,654 and an unaudited ending fund balance of \$4,068,622 or 12.08 percent of projected revenues or 11.4 percent of estimated expenditures. The \$4,068,622 would allow the City to operate for approximately 41.6 days (using average daily budgeted expenditures) if all other revenues and financing sources ceased. In these times of economic uncertainty, it is more important than ever to maintain reserves to help the City make up for revenue shortfalls and unexpected expenditure increases given that the one-time transfers made to the General Fund to help maintain reserves are no longer available.

PUBLIC IMPROVEMENT FUND OVERVIEW

The Public Improvement Fund (PIF) accounts for the City's "public-use" capital projects (e.g. roads, bridges, pavement, etc.). The PIF funding is from the collection of vehicle and building use taxes, intergovernmental revenues, interest income, and other miscellaneous sources.

Provided for your information is the table on the next page that illustrates the PIF Year-To-Date (YTD) revenues and expenditures for the years 2009 through 2011. The dollar and percentage change between each year is also provided. The Estimated Ending Fund Balance is included in order to account for the remaining PIF appropriation in addition to the remaining annual revenue anticipated for the fund.

	2011	2011 vs 2010 Increase (Decrease)		2010	2010 vs 2009 Increase (Decrease)		2009
Public Improvement Fund (PIF)							
YTD Revenues	\$ 1,218,914	\$ 138,083	12.78%	\$ 1,080,831	\$ (1,139,443)	(51.32%)	\$ 2,220,274
YTD Expenditures	3,304,161	\$ 1,239,946	60.07%	2,064,215	\$ (616,418)	(23.00%)	2,680,633
Net Revenues (Expenditures)	\$ (2,085,247)	\$ (1,101,863)		\$ (983,384)	\$ (523,025)		\$ (460,359)
Beginning PIF Fund Balance	\$ 2,686,457			\$ 1,515,399			\$ 1,067,525
Ending PIF Fund Balance Before Remaining Annual Revenue and Appropriation	\$ 601,210			\$ 532,015			\$ 607,166
Plus: Remaining Annual Revenue	593,820			635,490			854,551
Less: Remaining Annual Appropriation	(905,569)			(673,847)			(1,484,716)
Estimated Ending Fund Balance	\$ 289,461			\$ 493,658			\$ (22,999)
Unappropriated Fund Balance as of December 31,				\$ 440,771			\$ 339,405

The three main funding sources for the PIF are Vehicle Use Tax, Building Use Tax and Arapahoe County Road and Bridge Tax.

	2011	2011	2011	2011 Vs 2010		2010	2010 Vs 2009		2009
	Estimate	Adopted Budget	YTD Actual	\$	%	YTD Actual	\$	%	YTD Actual
Vehicle Use Tax	\$ 1,000,000	\$ 1,000,000	\$ 553,326	\$ 34,677	7%	\$ 518,649	\$ (27,233)	-5%	\$ 545,882
Building Use Tax	\$ 400,000	\$ 400,000	\$ 438,725	\$ 104,844	31%	\$ 333,881	\$ 119,879	56%	\$ 214,002
Arapahoe County Road and Bridge Tax	\$ 191,000	\$ 191,000	\$ 172,413	\$ (485)	0%	\$ 172,898	\$ (7,993)	-4%	\$ 180,891

Vehicle Use Tax is based on the valuation of new vehicles purchased by City of Englewood residents. This tax is collected and remitted by Arapahoe County at the time the vehicle is registered. **Building Use Tax** is based on the valuation of building permits issued by the City of Englewood. We will monitor these revenue sources to determine if the 2010 estimate needs to be revised. **Arapahoe County Road and Bridge Tax** is restricted to the construction and maintenance of streets and bridges. This tax is based on a mill levy established by Arapahoe County multiplied by the City's assessed valuation multiplied by 50%.

2011 Year-To-Date City Funds At-A-Glance

(Please refer to "Funds Glossary" for a Brief Description of Funds and Fund Types)

	Beginning Balance	Revenue	Expenditure	Other Sources (Uses)	Reserved Balance	Ending Balance
Governmental Fund Types (Fund Balance)						
General Fund	8,494,679	26,928,758	25,694,583	(975,200)	4,161,979	4,591,675
Special Revenue Funds						
Conservation Trust	1,052,255	171,717	147,740	(977,315)	-	98,916
Open Space	1,072,979	143,726	156,902	(721,051)	-	338,751
Neighborhood Stabilization Program	718,290	460,395	962,801	(215,884)	-	-
Donors	167,852	64,399	74,084	-	-	158,167
Community Development	-	179,440	156,966	(22,475)	-	-
Malley Center Trust	291,667	3,745	15,500	-	-	279,912
Parks & Recreation Trust	449,303	5,274	7,317	-	-	447,260
Debt Service Fund						
General Obligation Bond	9,616	1,062,704	173,085	-	-	899,236
Capital Projects Funds						
PIF	2,686,457	1,218,914	1,805,241	(1,810,670)	-	289,461
MYCP	1,061,738	8,452	334,058	(780,930)	-	(44,798)
Proprietary Fund Types (Funds Available Balance)						
Enterprise Funds						
Water	7,027,103	5,115,650	5,415,238	-	-	6,727,516
Sewer	6,792,828	10,266,537	10,698,778	-	1,000,000	5,360,587
Stormwater Drainage	903,814	255,507	86,030	-	137,818	935,473
Golf Course	713,451	1,424,325	1,135,997	-	293,500	708,280
Concrete Utility	277,905	559,161	287,331	-	-	549,736
Housing Rehabilitation	404,633	141,565	56,387	-	-	489,810
Internal Service Funds						
Central Services	234,309	208,622	193,839	(100,000)	-	149,093
ServiCenter	902,008	1,490,332	1,159,800	(100,000)	-	1,132,540
CERF	728,781	513,163	249,097	-	-	992,847
Employee Benefits	210,918	3,402,397	3,369,259	(200,000)	55,918	(11,862)
Risk Management	1,201,929	1,384,059	697,317	(546,000)	-	1,342,671

CLOSING

The Finance and Administrative Services Department staff works closely with the City Manager's Office and the various departments to help identify revenue and expenditure threats, trends and opportunities as well as strategies to balance revenues and expenditures. I will continue to provide Council with monthly reports. It is important to frequently monitor the financial condition of the City so City staff and Council can work together to take action, if necessary, to maintain service levels, employees, and fiscal health of the City.

I plan to discuss this report with Council at an upcoming study session. If you have any questions regarding this report, I can be reached at **303.762.2401**.

FUNDS GLOSSARY

Capital Equipment Replacement Fund (CERF) – Accounts for the accumulation of funds for the scheduled replacement of City-owned equipment and vehicles.

Capital Projects Funds account for financial resources to be used for the acquisition and/or construction of major capital facilities (other than those financed by proprietary funds).

Central Services Fund – Accounts for the financing of printing services and for maintaining an inventory of frequently used or essential office supplies provided by Central Services to other departments of the City on a cost reimbursement basis.

Community Development Fund – Accounts for the **art** Shuttle Program which is funded in part by the Regional Transportation District (RTD). **art** provides riders free transportation to 19 stops connecting CityCenter Englewood, businesses in downtown Englewood, and the medical facilities in and near Craig Hospital and Swedish Medical Center.

Concrete Utility Fund – Accounts for revenues and expenses associated with maintaining the City's sidewalks, curbs and gutters.

Conservation Trust Fund – Accounts for the acquisition of parks and open space land not previously owned by the City and for improvements to existing park and recreation facilities. Financing is provided primarily from State Lottery funds.

Debt Service Funds account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond and loan principal and interest from special assessment levies when the government is obligated in some manner for payment.

Donors' Fund – Accounts for funds donated to the City for various specified activities.

Employee Benefits Fund – Accounts for the administration of providing City employee benefit programs: medical, dental, life, and disability insurance.

Enterprise Funds account for operations that: (a) are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the City Council has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management controls, accountability or other purposes.

Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

General Obligation Bond Fund – Accounts for the accumulation of monies for payment of General Obligation Bond principal and interest.

Golf Course Fund – Accounts for revenues and expenses associated with the operations of the Englewood Municipal Golf Course.

FUNDS GLOSSARY

Governmental Funds distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). These funds focus on the near-term *inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the year.

Housing Rehabilitation Fund – Accounts for revenues and expenses associated with the City’s housing rehabilitation program.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

MOA – Museum of Outdoor Arts

Malley Center Trust Fund – Accounts for a trust established by Elsie Malley to be used for the benefit of the Malley Senior Recreation Center.

Multi-Year Capital Projects Fund (MYCP) - Accounts for the acquisition and/or construction of major capital improvements and facilities. Financing is provided primarily with transfers from other City Funds.

Neighborhood Stabilization Program Fund – Accounts for the federal grant awarded to acquire, rehabilitate and resale approximately eleven foreclosed residential properties located in the City.

Parks and Recreation Trust Fund – Accounts for a trust established by the City, financed primarily by donations, to be used exclusively for specific park and recreation projects.

Proprietary Funds account for operations that are financed and operated in a manner similar to private business enterprises. It is the intent that the cost of providing such goods or services will be recovered through user charges.

Public Improvement Fund (PIF) – Accounts for the acquisition and/or construction of major capital improvements and facilities. Financing is provided primarily from building and vehicle use taxes.

Risk Management Fund – Accounts for the administration of maintaining property and liability and workers’ compensation insurance.

ServiCenter Fund – Accounts for the financing of automotive repairs and services provided by the ServiCenter to other departments of the City, or to other governmental units, on a cost reimbursement basis.

Sewer Fund – Accounts for revenues and expenses associated with providing wastewater services to the City of Englewood residents and some county residents.

Special Assessment Funds account for and pay special assessment bond principal and interest and/or inter-fund loan principal and interest: Following are funds to account for special assessments: **Paving District No. 35, Paving District No. 38, and Concrete Replacement District 1995.**

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Storm Drainage Fund – Accounts for revenues and expenses associated with maintaining the City’s storm drainage system.

Water Fund – Accounts for revenues and expenses associated with providing water services to City of Englewood residents.

General Fund Comparative Revenue, Expenditure & Fund Balance Report

as of August 31, 2011

Percentage of Year Completed = 67%

Fund Balance January 1	\$ 8,157,514	\$ 8,494,679	\$ 8,494,679	\$ 9,234,957	\$ 9,234,957	\$ 11,102,763	\$ 11,102,763			
Revenues	2011				2010			2009		
	Budget	Aug-11	% Budget	YE Estimate	Dec-10	Aug-10	% YTD	Dec-09	Aug-09	% YTD
Property Tax	3,017,000	2,904,205	96.26%	3,017,000	3,020,884	2,885,015	95.50%	2,971,303	2,899,969	97.60%
Specific Ownership Tax	250,000	146,316	58.53%	250,000	263,434	155,700	59.10%	276,415	166,533	60.25%
Sales & Use Taxes	21,216,000	14,977,952	70.60%	21,640,320	20,866,515	14,072,748	67.44%	20,624,659	14,273,538	69.21%
Cigarette Tax	190,000	120,966	63.67%	190,000	196,320	127,224	64.80%	218,448	146,535	67.08%
Franchise Fees	2,650,851	1,593,447	60.11%	2,702,938	2,620,191	1,613,589	61.58%	2,452,611	1,474,421	60.12%
Hotel/Motel Tax	8,713	6,383	73.26%	8,713	8,806	5,903	67.03%	9,141	6,302	68.94%
Licenses & Permits	575,100	490,912	85.36%	650,000	695,563	439,813	63.23%	588,303	343,340	58.36%
Intergovernmental Revenue	1,459,564	1,225,801	83.98%	1,753,114	1,465,970	854,196	58.27%	1,333,688	760,486	57.02%
Charges for Services	3,338,567	2,138,440	64.05%	3,359,004	3,254,830	2,071,897	63.66%	3,163,735	2,141,085	67.68%
Recreation	2,587,653	2,247,447	86.85%	2,620,158	2,489,781	2,109,440	84.72%	2,315,598	1,916,970	82.79%
Fines & Forfeitures	1,509,150	868,401	57.54%	1,318,450	1,437,957	1,026,597	71.39%	1,639,678	1,129,924	68.91%
Interest	200,000	78,309	39.15%	100,000	100,545	105,126	104.56%	229,999	180,963	78.68%
Miscellaneous	421,507	130,180	30.88%	413,653	293,658	225,142	76.67%	643,311	537,516	83.55%
Total Revenues	37,424,105	26,928,759	71.96%	38,023,350	36,714,454	25,692,390	69.98%	36,466,889	25,977,582	71.24%
Expenditures										
Legislation	346,120	169,172	48.88%	341,236	309,870	215,185	69.44%	346,045	207,064	59.84%
City Attorney	762,518	443,728	58.19%	747,268	702,228	463,712	66.03%	678,038	421,751	62.20%
Court	999,105	549,371	54.99%	978,735	901,469	581,640	64.52%	914,493	594,011	64.96%
City Manager	664,732	415,277	62.47%	638,800	659,882	438,461	66.45%	674,170	447,496	66.38%
Human Resources	481,102	266,563	55.41%	435,833	419,421	249,058	59.38%	456,275	286,144	62.71%
Financial Services	1,550,906	918,018	59.19%	1,519,463	1,445,581	937,388	64.85%	1,575,924	981,946	62.31%
Information Technology	1,338,543	851,774	63.63%	1,343,419	1,280,660	780,445	60.94%	1,360,237	852,361	62.66%
Public Works	5,498,891	3,299,166	60.00%	5,395,714	5,137,364	3,321,322	64.65%	5,152,891	3,221,884	62.53%
Fire Department	7,465,775	4,888,906	65.48%	7,492,341	7,425,903	4,727,346	63.66%	7,320,268	4,607,250	62.94%
Police Department	10,587,026	6,595,503	62.30%	10,599,704	10,312,633	6,671,908	64.70%	10,183,891	6,448,397	63.32%
Community Development	1,344,556	860,345	63.99%	1,466,766	1,301,473	782,203	60.10%	1,366,437	863,009	63.16%
Library	1,256,520	730,782	58.16%	1,228,286	1,284,083	854,803	66.57%	1,275,554	858,605	67.31%
Recreation	5,969,515	3,915,187	65.59%	5,823,758	5,811,809	3,990,541	68.66%	5,727,968	4,041,088	70.55%
Debt Service	2,075,204	1,684,891	81.19%	2,111,112	1,860,827	1,468,567	78.92%	1,805,208	1,451,247	80.39%
Contingency	90,000	106,211	118.01%	150,000	48,139	38,490	79.96%	160,578	47,255	29.43%
Total Expenditures	40,430,513	25,694,894	63.55%	40,272,435	38,901,342	25,521,069	65.60%	38,997,977	25,329,508	64.95%
Excess revenues over (under) expenditures	(3,006,408)	1,233,865	-41.04%	(2,249,085)	(2,186,888)	171,321		(2,531,088)	648,074	
Net transfers in (out)	2,519,204	1,714,986	68.08%	2,508,060	1,446,610	1,134,433	78.42%	663,282	(163,555)	-24.66%
Total Fund Balance	\$ 7,670,310	\$ 11,443,530	149.19%	\$ 8,753,654	\$ 8,494,679	\$ 10,540,711	124.09%	\$ 9,234,957	\$ 11,587,282	125.47%

Fund Balance Analysis

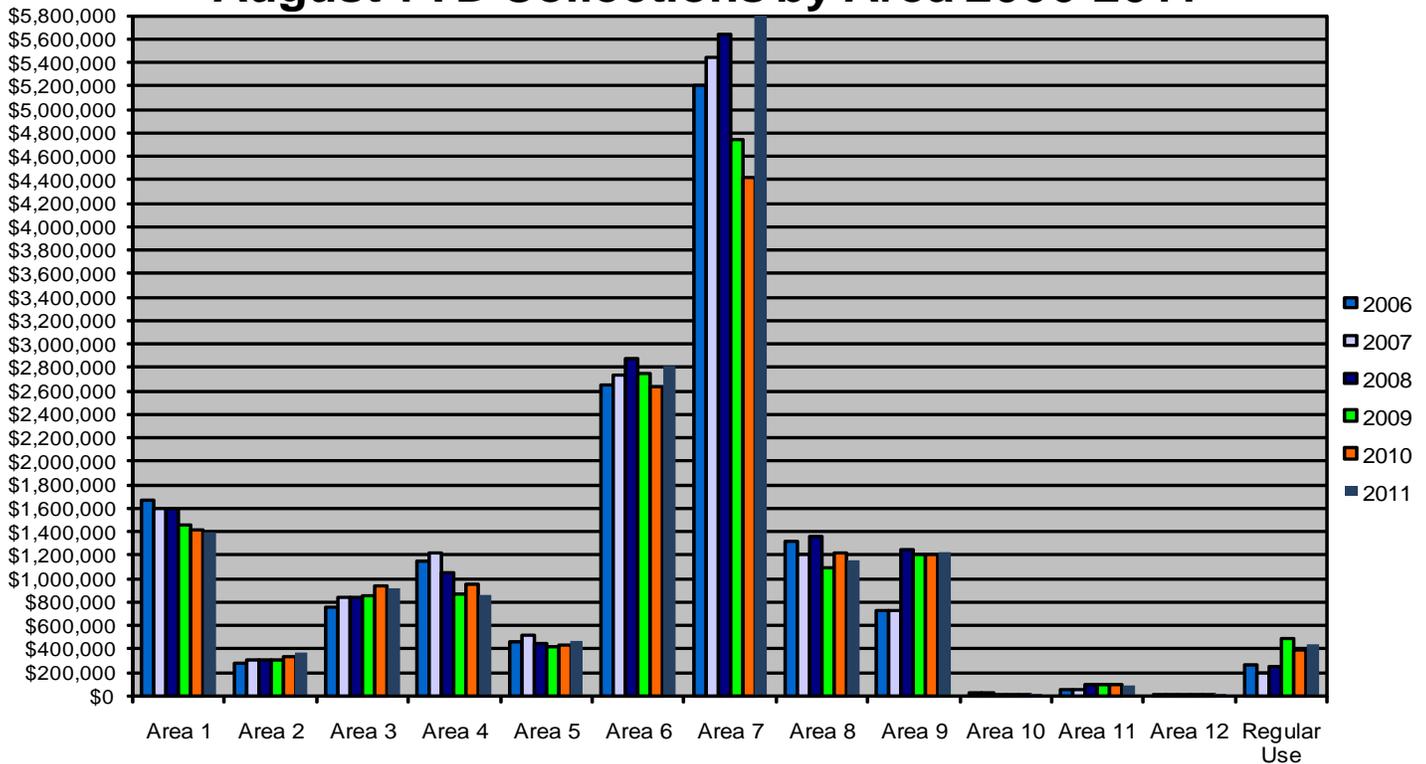
Total Fund Balance	\$ 7,670,310	\$ 11,443,530	\$ 8,753,654	\$ 8,494,679	\$ 9,234,957
Reserves/designations:					
-Emergencies (TABOR)	1,170,000	1,150,000	1,150,000	1,150,000	1,170,000
-LTAR	2,713,467	2,096,094	2,713,467	2,130,520	3,131,980
-MOA	-	-	-	-	39,200
-COPS Grant	298,512	298,512	298,512	298,512	-
Unreserved/undesignated					
Fund Balance	\$ 3,488,331	\$ 7,898,924	\$ 4,591,675	\$ 4,915,647	\$ 4,893,777
Potential reserves/designations	-	-	-	-	-
Estimated unres/undesignated					
Fund Balance	\$ 3,488,331	\$ 7,898,924	\$ 4,591,675	\$ 4,915,647	\$ 4,893,777
As a percentage of projected revenues	9.17%		12.08%	13.39%	13.42%
As a percentage of budgeted revenues	9.32%		12.27%		
Target	3,742,411	-	5,613,616		

**Sales & Use Tax Collections Year-to-Date Comparison
for the month of August 2011**

Cash Basis

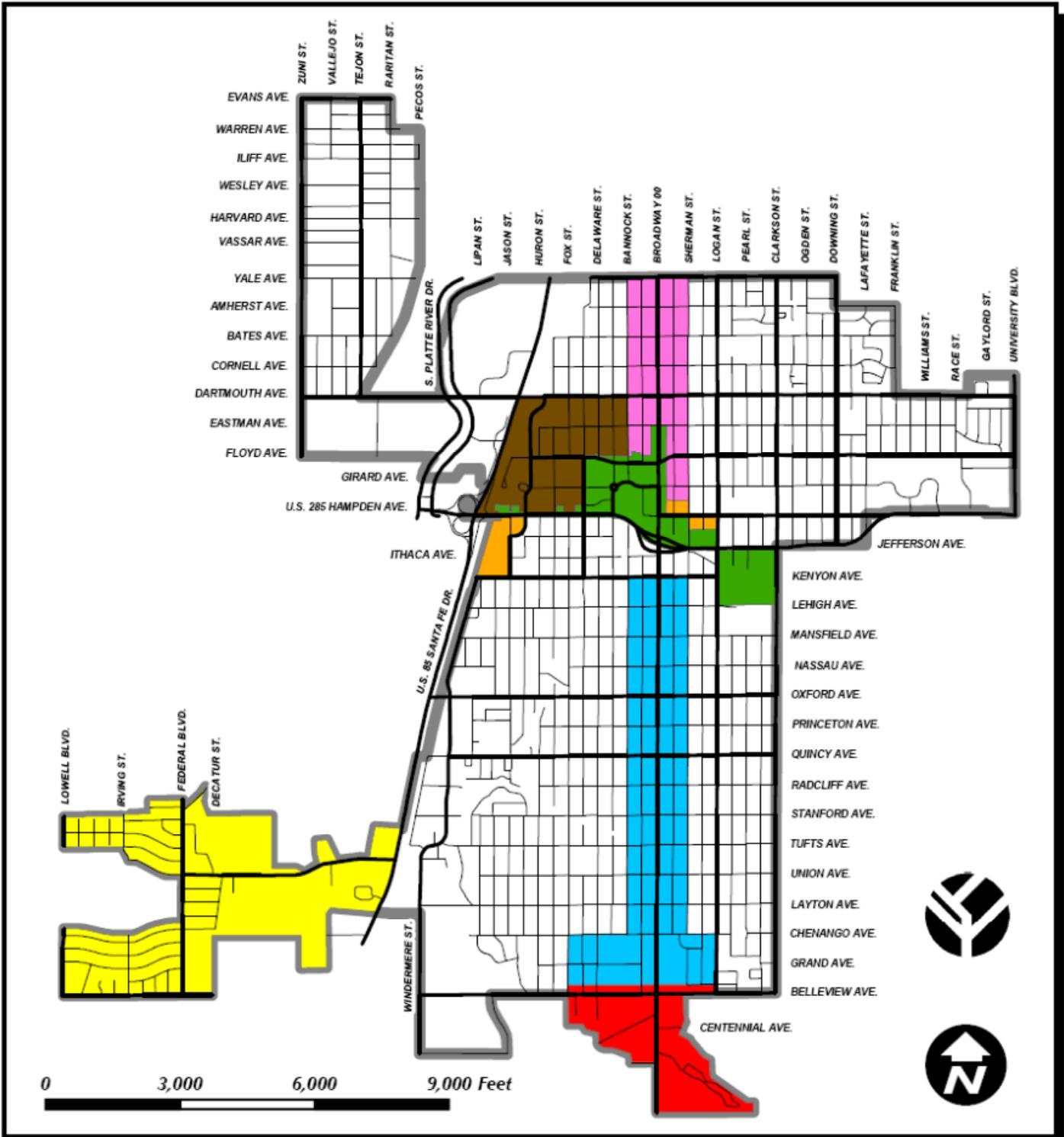
	2006	% Change	2007	% Change	2008	% Change	2009	% Change	2010	% Change	2011	% Change
Area 1	1,662,868	1.41%	1,593,146	-4.19%	1,599,517	0.40%	1,461,278	-8.28%	1,409,034	-11.91%	1,400,843	-0.58%
Area 2	275,927	-9.23%	304,312	10.29%	307,410	1.02%	301,979	-0.77%	337,210	9.69%	371,174	10.07%
Area 3	749,258	-3.54%	833,088	11.19%	843,286	1.22%	856,576	2.82%	934,509	10.82%	915,990	-1.98%
Area 4	1,148,567	0.07%	1,219,209	6.15%	1,055,174	-13.45%	864,730	-29.07%	955,737	-9.42%	859,505	-10.07%
Area 5	456,633	-3.04%	515,834	12.96%	448,508	-13.05%	411,782	-20.17%	433,124	-3.43%	466,138	7.62%
Area 6	2,648,617	15.35%	2,740,962	3.49%	2,881,524	5.13%	2,752,662	0.43%	2,638,517	-8.43%	2,814,859	6.68%
Area 7	5,207,858	-4.84%	5,439,869	4.46%	5,636,732	3.62%	4,738,807	-12.89%	4,415,652	-21.66%	5,800,128	31.35%
Area 8	1,311,413	8.66%	1,203,174	-8.25%	1,365,078	13.46%	1,094,239	-9.05%	1,213,723	-11.09%	1,155,990	-4.76%
Area 9	725,669	0.00%	726,118	0.06%	1,247,252	71.77%	1,206,097	66.10%	1,209,315	-3.04%	1,229,691	1.68%
Area 10	24,511	-67.58%	18,750	-23.50%	13,877	-25.99%	11,734	-37.42%	15,675	12.96%	19,359	23.50%
Area 11	58,239	0.00%	58,542	0.52%	99,306	69.63%	95,195	62.61%	94,109	-5.23%	95,534	1.51%
Area 12	2,333	85.16%	2,951	26.50%	3,444	16.71%	2,559	-13.29%	2,729	-20.78%	2,850	4.45%
Regular Use	271,000	88.47%	199,349	-26.44%	251,502	26.16%	487,346	144.47%	386,254	53.58%	437,383	13.24%
Total	14,542,893	1.56%	14,855,304	2.15%	15,752,611	6.04%	14,284,984	-3.84%	14,045,587	-10.84%	15,569,443	10.85%
Refunds	185,832	50.63%	178,701	-3.84%	480,168	168.70%	72,130	-84.98%	198,429	175.10%	32,038	-83.85%
Audit & Collections Revenue*	287,052	-45.99%	379,636	32.25%	417,209	9.90%	426,220	2.16%	292,845	-31.29%	170,029	-41.94%
*included Above												
Unearned Sales Tax	650,000	-7.14%	650,000	0.00%	650,000	0.00%	600,000	-7.69%	600,000	0.00%	1,150,000	91.67%
Building Use	693,874	120.03%	777,749	12.09%	621,315	-20.11%	214,002	-65.56%	333,881	56.02%	438,725	31.40%
Vehicle Use	773,715	-17.13%	941,683	21.71%	882,492	-6.29%	629,467	-28.67%	606,086	-3.71%	624,014	2.96%

August YTD Collections by Area 2006-2011



Area Descriptions

- | | |
|---|--|
| Area 1 - CityCenter (Formerly Cinderella City) | Area 6 - All other City locations |
| Area 2 - S of Yale, N of Kenyon between Bannock & Sherman (excludes EURA 1) | Area 7 - Outside City limits |
| Area 3 - S of Kenyon, N of Chenango between Bannock & Sherman and S of Chenango, N of Bellewood between Logan & Delaware | Area 8 - Public Utilities (Xcel Energy, Century Link) |
| Area 4 - Brookridge Shopping Center (Between Fox and Sherman and North side of Belleview and to the Southern City Limits) | Area 9 - Downtown & Englewood Pkwy |
| Area 5 - Centennial Area W of Santa Fe | Area 10 - Downtown & Englewood Pkwy <u>Use Tax Only</u> |
| | Area 11 - S of 285, N of Kenyon between Jason and Santa Fe |
| | Area 12 - S of 285, N of Kenyon between Jason and Santa Fe <u>Use Tax Only</u> |



City of Englewood, Colorado: Sales Tax Areas

- | | | |
|--------|----------------|--------------------------|
| Area 1 | Area 5 | Arterials and Collectors |
| Area 2 | Area 9 and 10 | Local Streets |
| Area 3 | Area 11 and 12 | Englewood City Limits |
| Area 4 | | |

Areas Not Depicted on Map:

- | | | |
|-------------------------------|------------------------------|---------------------------|
| Area 6 - Other City Locations | Area 7 - Outside City Limits | Area 8 - Public Utilities |
|-------------------------------|------------------------------|---------------------------|

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Memorandum

To: Mayor Jim Woodward and City Council
Through: Gary Sears, City Manager
From: Frank Gryglewicz, Director of Finance and Administrative Services
Date: September 14, 2011
Re: September 19, 2011 Study Session Materials

Attached you will find a redline version of the City of Englewood's Investment Policy that will be discussed with City Council on September 19, 2011. The majority of the additions, deletions, etc. are "clean up" items. There are other changes that will be discussed that reflect issues related to current market conditions, ratings, personnel changes, allowable investments, etc.

Attachment

City of Englewood, Colorado

INVESTMENT POLICY

The Director of Finance and Administrative Services of the City of Englewood, Colorado is charged with the responsibility to prudently and properly manage any and all funds of the City. Because these funds may be called upon, it is essential that absolute maturity horizons are identifiable for the purpose of liquidity. Moreover, these funds must be fully collateralized and appropriately authorized. The following Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and sound fiscal management.

SCOPE

This Investment Policy shall apply to the investment of all financial assets and all funds of the City of Englewood (hereafter referred to as the "City") over which it exercises financial control, except the City of Englewood Firefighters Pension Fund, Volunteer Firefighters Pension Fund, Police Officers Pension Fund, the Non-Emergency Employees Retirement Plan Fund and other City employee retirement plans.

In order to effectively make use of the City's cash resources, all monies shall be pooled into one investment account and accounted for separately. The investment income derived from this account shall be distributed to the various City funds in accordance with Englewood Municipal Code, 4-1-2-A.

OBJECTIVES

The City's funds shall be invested in accordance with all applicable City policies, Colorado statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

- Preservation of capital and the protection of investment principal.
- Maintenance of sufficient liquidity to meet anticipated disbursements and cash flows.
- Diversification to avoid incurring unreasonable risks regarding securities owned.
- Attainment of market rate of return equal to or higher than the performance measure established by the Director of Finance and Administrative Services.

DELEGATION OF AUTHORITY

The ultimate responsibility and authority for investment transactions involving the City resides with the Director of Finance and Administrative Services (hereinafter referred to as the "Director") who has been designated by the City Manager as the Investment Officer in accordance with Englewood Municipal Code. The Director may appoint other members of the City staff to assist him in the cash management and investment function. Persons who are authorized to transact business and wire funds on behalf of the City will be designated by the Director by the wire transfer agreement executed with the City's approved depository for bank services (see Appendix I).

The Director shall be responsible for all investment decisions and activities, and shall establish written administrative procedures for the operation of the City's investment program consistent with this Investment Policy. The Investment Officer acting within these procedures shall not be held personally liable for specific investment transactions.

The Director may in his discretion appoint one or more Investment Advisors, registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, to manage a

portion of the City's assets. An appointed Investment Advisor may be granted limited investment discretion within the guidelines of this Investment Policy with regard to the City's assets placed under its management. An Investment Advisor can only be appointed after consultation with and approval by the City Manager.

PRUDENCE

The standard of prudence to be used for managing the City's assets is the "prudent investor" rule, which states that a prudent investor "shall exercise the judgment and care, under the circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital." (CRS 15-1-304, Standard for Investments.)

The City's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that no investment is totally without risk and that the investment activities of the City are a matter of public record. Accordingly, the City recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the portfolio's overall return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the City.

The Director and other authorized persons acting in accordance with established procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion to the City Council and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

All City employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any material financial interest in financial institutions that conduct business with the City, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. Employees shall subordinate their personal investment transactions to those of the City particularly with regard to the timing of purchases and sales.

ELIGIBLE INVESTMENTS AND TRANSACTIONS

All investments will be made in accordance with the Colorado Revised Statutes (CRS) as follows: CRS 11-10.5-101, et seq. Public Deposit Protection Act; CRS 11-47-101, et seq. Savings and Loan Association Public Deposit Protection Act; CRS 24-75-601, et seq. Funds-Legal Investments; CRS 24-75-603, et seq. Depositories; and CRS 24-75-701, et seq. Local governments – authority to pool surplus funds. Any revisions or extensions of these sections of the CRS will be assumed to be part of this Investment Policy immediately upon being enacted.

As a home rule City, Englewood may adopt a list of acceptable investment instruments differing from those outlined in CRS 24-75-601, et seq. Funds-Legal Investments. Funds of the City of Englewood covered by this Investment Policy may be invested in the following types of securities and transactions:

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes and Treasury Bonds with maturities not exceeding five years from the date of trade settlement.
2. Treasury Strips (book-entry U.S. Treasury securities whose coupons have been removed) with maturities not exceeding five years from the date of trade settlement.

3. Federal Instrumentalities - Debentures, Discount Notes, Medium-Term Notes, Callable Securities and Step-up Securities issued by the following only: Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC) and Federal Farm Credit Banks (FFCB), with maturities not exceeding five years from the date of trade settlement. Subordinated debt may not be purchased.
4. Repurchase Agreements with a termination date of 90 days or less utilizing U.S. Treasury and Federal Instrumentality securities listed above, collateralized at a minimum market value of 102 percent of the dollar value of the transaction with the accrued interest accumulated on the collateral included in the calculation.

Repurchase agreements shall be entered into only with dealers who:

- a) are recognized as Primary Dealers by the Federal Reserve Bank of New York, or with firms that have a primary dealer within their holding company structure; and
- b) have executed a City approved Master Repurchase Agreement (see Appendix II). The Director shall maintain a file of all executed Master Repurchase Agreements.

Primary Dealers approved as Repurchase Agreement counterparties, if rated, shall have a short-term credit rating of at least A-1 or the equivalent and a long-term credit rating of at least A or the equivalent.

Collateral (purchased securities) shall be held by the City's custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.

For the purposes of this section, the term "collateral" shall mean "purchased securities" under the terms of the City approved Master Repurchase Agreement. In no case will the maturity of the collateral exceed 10 years.

5. Reverse Repurchase Agreements with a maturity of 90 days or less executed only against securities owned by the City and collateralized by the same type of security reversed.
6. Flexible Repurchase Agreements with a final maturity of 10 years or less entered into by the City with approved counterparties. These flexible repurchase agreements may be closed out in varying amounts and at varying times at the option of the City. These agreements are deemed by both parties to be purchases and sales of securities and are not loans.

All such flexible repurchase agreements shall meet the following criteria:

- Be determined as legal and valid for both parties;
- Collateral shall be limited to:
 - a) Securities issued by, guaranteed by, or for which the credit of any of the following is pledged for payment: the United States, Federal Farm Credit Bank, Federal Land Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Export Import Bank or the Government National Mortgage Association; or
 - b) Securities issued by, guaranteed by, or for which the credit of the following is pledged for payment: An entity or organization which is not listed in paragraph a) above, but which is (1) created by, or the creation of which is authorized by, legislation enacted by the United States Congress and which is subject to control by the federal government which is at least as extensive as that which governs an entity or organization listed in paragraph a) above, and (2) rated in its highest rating category by one or more nationally recognized organizations which regularly rate such obligations.
- Have a fixed rate during the entire life of the agreement;
- The dollar amounts and periods of time when the City may draw funds out of the repurchase agreement shall be agreed upon in writing by both parties and shall be part of the written repurchase agreement exercised by the City and the approved counterparty;

- The City has the option of varying the dollar amount and the timing of the draw down by an agreed upon percentage of the anticipated draw down and a specified number of days. The City and the counterparty to the agreement will specify the details of the allowable variance when the agreement is structured. In addition, the City may draw down in excess of the variance up to the remaining balance in the agreement for a bona fide, unanticipated cash need;
- Collateral shall have a minimum market value (including accrued interest accumulated) of at least 102 percent of the dollar value of the transaction;
- Repurchase agreements shall be entered into only with dealers who are authorized by the Director and have executed a City approved Master Repurchase Agreement;
- The Director shall maintain a file of all executed Master Repurchase Agreements;
- The title to or a perfected security interest in securities, along with any necessary transfer documents, must be transferred and actually delivered to, and shall be held by, the City's third-party custodian bank acting as safekeeping agent. The market value of the collateral securities shall be marked-to-the-market at least weekly based on the closing bid price at the time the custodian for the collateral issues its monthly statement to the City.

For the purpose of the section, the term "collateral" shall mean "purchased securities" under the terms of the City approved Master Repurchase Agreement. In no case will the maturity of the collateral exceed 10 years.

7. Time Certificates of Deposit with a maximum maturity of five years or savings accounts in state or national banks or state or federally chartered savings banks operating in Colorado that are state approved depositories (as evidenced by a certificate issued by the State Banking Board) and are insured by the FDIC. Certificates of deposit that exceed the FDIC insured amount shall be collateralized in accordance with the Colorado Public Deposit Protection Act. The collateral shall have a market value equal to or exceeding 102 percent of the difference between the insured amount and the City's total deposits for all funds within the institution.
8. Money Market Mutual Funds registered under the Investment Company Act of 1940 that: 1) are "no-load" (i.e.: no commission or fee shall be charged on purchases or sales of shares); 2) have a constant net asset value per share of \$1.00; 3) limit assets of the fund to securities authorized by state statute; 4) have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940; and 5) have a rating of AAAM by Standard and Poor's, Aaa by Moody's or AAA/V1+ by Fitch.
9. Colorado Local Government Liquid Asset Trust (COLOTRUST) as authorized under CRS 24-75-702.
10. Prime Bankers Acceptances, rated at least A-1 by Standard & Poor's, P-1 by Moody's and F1 by Fitch at the time of purchase by at least two services that rate them and shall be rated not less by any service that rates them, with a maturity of six months or less issued on domestic banks or branches of foreign banks domiciled in the U.S. and operating under U.S. banking laws. Accepting banks must have a senior debt rating of A2 by Moody's and A by Standard & Poor's.
11. Prime Commercial Paper with a maturity of 270 days or less which, at the time of purchase, is rated at least A-1 by Standard & Poor's, P-1 by Moody's and F-1 by Fitch.
 - a) At the time of purchase, the commercial paper must be rated by at least two of the above stated rating agencies at the stated minimum rating.
 - b) If more than two of the above stated agencies rates an issuer, all of those rating agencies must rate the issuer in accordance with above stated minimum credit criteria.

- c) If the commercial paper issuer has senior debt outstanding, the senior debt must be rated by each service that publishes a rating on the issuer as at least A2 by Moody's, A by Standard and Poor's and A by Fitch.

12. Corporate Bonds issued by a corporation or bank with a final maturity not exceeding three years from the date of trade settlement, rated at least AA- by Standard & Poor's, Aa3 by Moody's, or AA by Fitch at the time of purchase by each service that rates the debt. Authorized corporate bonds shall be U.S. dollar denominated, and limited to corporations organized and operated within the United States with a net worth in excess of \$250 million.

Securities that have been downgraded below minimum ratings described herein may be sold or held at the City's discretion. The portfolio will be brought back into compliance with Investment Policy guidelines as soon as is practical.

OTHER INVESTMENTS

It is the intent of the City that the foregoing list of authorized securities be strictly interpreted. Any deviation from this list must be pre-approved by the Director in writing after approval by the City Manager.

INVESTMENT DIVERSIFICATION

It is the intent of the City to diversify the investment instruments within the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy, the securities market, and the City's cash flow needs.

The City may invest to the following maximum limits within each category:

- 50% in Certificates of Deposit
- 40% in Commercial Paper
- 20% in Bankers Acceptances
- 30% in Corporate Bonds; 5% in any one issuer or its affiliates or subsidiaries

Tests for limitations on percentages of holdings apply to the composite of the entire portfolio of the City, not to individual portfolios maintained by the City. Percentage limitations used for measurements are based on the percentage of cost value of the portfolio.

INVESTMENT MATURITY AND LIQUIDITY

Investments shall be limited to maturities not exceeding five years from the date of trade settlement. In addition, the weighted average final maturity of the total portfolio shall at no time exceed three years.

SELECTION OF BROKER/DEALERS.

The Director shall maintain a list of broker/dealers approved for investment purposes (see Appendix III), and it shall be the policy of the City to purchase securities only from those authorized firms.

To be eligible, a firm must meet at least one of the following criteria:

1. be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a primary dealer within their holding company structure,
2. report voluntarily to the Federal Reserve Bank of New York,
3. qualify under Securities and Exchange Commission (SEC) Rule 15c-3 (Uniform Net Capital Rule).

Broker/dealers will be selected by the Director on the basis of their expertise in public cash management and their ability to provide service to the City's account. Each authorized broker/dealer shall be required to submit and annually update a City approved Broker/Dealer Information Request form which includes the firm's most recent financial statements. In the event that an external investment advisor is not used in the process of recommending a particular transaction in the City's portfolio, any authorized broker/dealer from whom a competitive bid is obtained for the transaction will attest in writing that he/she has received a copy of this policy.

The City may purchase Commercial Paper from direct issuers even though they are not on the approved list of broker/dealers as long as they meet the criteria outlined in Item 12 of the Eligible Investments and Transactions section of this Investment Policy.

COMPETITIVE TRANSACTIONS

Each investment transaction shall be competitively transacted with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded.

If the City is offered a security for which there is no other readily available competitive offering, then the Director will document quotations for comparable or alternative securities.

SELECTION OF BANKS AS DEPOSITORIES AND PROVIDERS OF GENERAL BANKING SERVICES

The City shall maintain a list of banks approved to provide banking services or from whom the City may purchase certificates of deposit. Banks in the judgment of the Director no longer offering adequate safety to the City will be removed from the list. To be eligible for authorization, a bank shall qualify as a depository of public funds in Colorado as defined in CRS 24-75-603.

SAFEKEEPING AND CUSTODY

The safekeeping and custody of securities owned by the City shall be managed in accordance with applicable Federal and Colorado laws and regulations.

The Director shall approve one or more banks to provide safekeeping and custodial services for the City. A City approved Safekeeping Agreement shall be executed with each custodian bank prior to utilizing that bank's safekeeping services. To be eligible, a bank shall qualify as a depository of public funds in the State of Colorado as defined in CRS 24-75-603 and be a Federal Reserve member financial institution.

Custodian banks will be selected on the basis of their ability to provide service to the City's account and the competitive pricing of their safekeeping related services. The City's designated custodian bank is set forth in Appendix IV of this Investment Policy.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. Ownership of all securities shall be perfected in the name of the City, and sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investments, except certificates of deposit and local government investment pools purchased by the City shall be delivered by either book entry or physical delivery and will be held in third-party safekeeping by the City's designated custodian bank, its correspondent bank or the Depository Trust Company (DTC).

All Fed wireable book entry securities owned by the City shall be evidenced by a safekeeping receipt or a customer confirmation issued to the City by the custodian bank stating that the

securities are held in the Federal Reserve system in a Customer Account for the custodian bank which will name the City as "customer."

All DTC eligible securities shall be held in the custodian bank's Depository Trust Company (DTC) participant account and the custodian bank shall issue a safekeeping receipt evidencing that the securities are held for the City as "customer."

All non-book entry (physical delivery) securities shall be held by the custodian bank's correspondent bank and the custodian bank shall issue a safekeeping receipt to the City evidencing that the securities are held by the correspondent bank for the City as "customer."

The City's custodian will be required to furnish the City with a monthly report of securities held as well as an account analysis report of monthly securities activity.

PROVISIONS FOR ARBITRAGE

The City periodically issues debt obligations which are subject to the provisions of the Tax Reform Act of 1986 (section 148F), Arbitrage Rebate Regulations. Due to the legal complexities of arbitrage law and the necessary immunization of yield levels, the procedures undertaken in the reinvestment of all or a portion of the proceeds of such debt issuance may extend beyond those outlined in this Investment Policy. The Director, upon advice from Bond Counsel and financial advisors, may alter provisions of this Investment Policy for arbitrage related investments as may be necessary to conform with federal arbitrage regulations. In all cases, however, investments will be in compliance with Colorado Revised Statutes. This section is only applicable to City funds subject to arbitrage restrictions.

REPORTING

An investment report shall be prepared, at least on a monthly basis, listing the investments held by the City, the current market valuation of the investments and performance results. The monthly investment report shall be submitted in a timely manner to the City Manager and the City Council. A record shall be maintained by the Department of Finance and Administrative Services of all bids and offerings for securities transactions in order to ensure that the City receives competitive pricing.

The City has established reporting and accounting standards for callable U.S. Instrumentality securities. Callable securities may be retired at the issuer's option prior to the stated maximum maturity. All securities holding reports for the City shall disclose the stated maturity as well as the first call date of each callable security held. In the case of callable securities which are purchased priced to the first call date and, in the opinion of the Director, have an overwhelming probability of being called on the first call date, weighted average maturity, amortization as well as yield shall be calculated using the first call date. The Director may, however, choose to use a further call date maturity date for reporting purposes when conditions mandate.

PERFORMANCE REVIEW

The Director and the City Manager shall meet at least quarterly to review the portfolio's adherence to appropriate risk levels and to compare the portfolio's total return to the established investment objectives and goals.

The Director shall periodically establish a benchmark yield for the City's investments which shall be equal to the average yield on the U.S. Treasury security which most closely corresponds to the portfolio's actual effective weighted average maturity. When comparing the performance of the City's portfolio, all fees and expenses involved with managing the portfolio should be included in the computation of the portfolio's rate of return.

POLICY REVISIONS

This Investment Policy will be reviewed periodically by the Director and may be amended as conditions warrant by the City Manager and the City Council.

Prepared by:

_____/s/_____
Frank Gryglewicz
Director of Finance and Administrative
Services

Prepared by:

_____/s/_____
Kevin Engels
Accounting Manager

Approved by City Council
September 17, 1990

Amended by City Council
September 5, 1995

Amended by City Council
December 16, 1991

Amended by City Council
December 15, 1997

Amended by City Council
April 5, 1993

Amended by City Council
February 7, 2000

Amended by City Council
June 20, 2005

Amended by City Council
October 16, 2006

Amended by City Council
November 3, 2008

Amended by City Council
2011

State of Colorado, County of Arapahoe:

I, Loucrishia A. Ellis, City Clerk in and for the City of Englewood, in the State aforesaid, do hereby certify that the foregoing is a full, true and correct copy of the Investment Policy as the same appears upon the records of my office which are in my custody.

Given under by hand and official seal, this _____.

_____/s/_____
Loucrishia A. Ellis
City Clerk

APPENDIX I

Authorized Personnel

The following persons are authorized to conduct investment transactions and wire transfer funds on behalf of the City of Englewood:

Kevin Engels, Accounting Manager

Kathy Cassai, Accountant II

Christine Hart, Accountant II

Frank Gryglewicz, Director of Finance and Administrative Services

APPENDIX II

Repurchase Agreements

The following firms have executed a City approved Master Repurchase Agreement with the City of Englewood.

Banc of America Securities, LLC
Morgan Stanley DW Inc.

Agreements maintained in separate file.

APPENDIX III

Authorized Broker/Dealers and Financial Institutions

The following firms are approved for investment purposes by the City of Englewood.

Barclays Capital
Deutsche Bank Securities Inc.
Goldman, Sachs & Co
Jefferies & Company, Inc.
J.P. Morgan Securities Inc.
Merrill Lynch, Pierce, Fenner & Smith Inc
Mizuho Securities USA Inc.
Morgan Keegan & Company, Inc.
Morgan Stanley Smith Barney – Citigroup Global Markets platform
Morgan Stanley Smith Barney – Morgan Stanley platform
RBC Capital Markets Corporation
UBS Financial Services Inc.
Wunderlich Securities, Inc.

APPENDIX IV

Designated Custodial Banks

The following bank is authorized as the designated custodial bank for the City of Englewood:

Wells Fargo Institutional Retirement and Trust
1740 Broadway
MAC# C7300-105
Denver, CO 80274



Memorandum

City Manager's Office

TO: Mayor Woodward and Members of City Council
THROUGH: Gary Sears, City Manager
FROM: Sue Carlton-Smith, Executive Assistant
DATE: September 14, 2011
SUBJECT: Water and Sewer Board Vacancies and Applicants

On Tuesday, September 6th, City Council interviewed the following applicants for the vacancies on the Water and Sewer Board: John Moore, Wayne Oakley, Ryan Laird, Jo Lay, Richard Lay, Michael Dafni and Kells Waggoner. On the attached sheet is a list of the vacancies and terms.

If you have additional questions, please let me know.

BOARD AND COMMISSION

NEW APPOINTMENTS

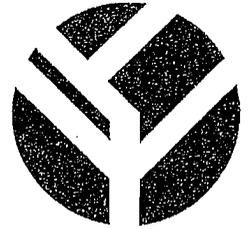
Interviewed on Tuesday, September 6, 2011

1 Regular Term expiring 2/1/13

1 Regular Term expiring 2/1/17

Alternate Member

MEMORANDUM



TO: James K. Woodward – Mayor
City Council

FROM: Dan Brotzman – City Attorney

DATE: September 1, 2011

RE: Voting Alternate Member of the Water & Sewer Board.

The Englewood Home Rule Charter provides that the Council shall establish, by ordinance a Water and Sewer Board and delineates the membership and terms. Part IV §61 *Englewood Home Rule Charter*.

61: Board created. The Council shall establish by ordinance a Water and Sewer Board. The Board shall consist of the Mayor of the City, two (2) councilmen selected by Council, and six (6) members appointed by the Council from qualified electors, serving six (6) overlapping terms of six (6) years. A representative from the City Administration shall be appointed by the City Manager to serve as an ex officio nonvoting member. (Amended 5-5-1970; 11-5-1991)

Council established the Board as required. See E.M.C. 2-3-1 and 2-3-2.

There is no definition of an “alternate member” or how those alternate members may be used. Nor is there any further legislative instruction regarding how or if the City will appoint alternates and how those alternates will be used.

The current policy of the City Council is to make board appointments twice a year. On a few boards, Council appoints an alternative who is requested to attend meetings to be informed on the issues and procedures of that board. Then, should a vacancy occur, the alternate is available for immediate appointment as a voting member. This avoids a problem with a long vacancy where a quorum is required to conduct business.

In the case of the Board of Adjustment and Appeals, the Council has modified the policy to provide that an alternate may hear a case and vote when necessary when any voting member is not at the meeting. This is done in the resolution appointing the alternate member. (See attached Resolution)

Because the Water and Sewer Board members are required to determine technical and long term water and sewer issues, including water rights litigation, the appointment of an alternate who will attend the meetings and who may sit in and vote when necessary to make a quorum or in the alternative when any member is not at a meeting would create more continuity in the process.

cc: Gary Sears ✓
Stu Fonda

DB

RESOLUTION NO. 28
SERIES OF 2011

A RESOLUTION APPOINTING ANGELA SCHMITZ AS AN ALTERNATE VOTING MEMBER TO THE BOARD OF ADJUSTMENT AND APPEALS FOR THE CITY OF ENGLEWOOD.

WHEREAS, Angela Schmitz has graciously offered to serve on the City of Englewood's boards and commissions; and

WHEREAS, currently there are no vacancies on the boards and commissions; and

WHEREAS, the Englewood City Council desires to appoint Angela Schmitz as alternate member to the Board of Adjustment and Appeals; and

WHEREAS, City Council has requested staff to send this alternate member packets for the Board she will be serving on so that she can maintain an understanding of the current issues and rules; and

WHEREAS, because of the necessity of having a quorum for this quasi-judicial board and the super majority voting requirement when a regular member is absent, the alternate for this Board may participate in the hearing and vote on the case heard; and

WHEREAS, while the alternate will only vote at the meetings where a regular member is absent, she is nevertheless requested to attend as many meetings as possible to get a feel for the membership and issues; and

WHEREAS, Council wishes to express its gratitude for the volunteerism and service that this individual wishes to bestow upon the City;

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

Section 1. Angela Schmitz is hereby appointed as an alternate voting member of the Englewood Board of Adjustment and Appeals who may vote if another member of the Board is absent. Angela Schmitz's term will be effective immediately.

ADOPTED AND APPROVED this 7th day of February, 2011.

ATTEST:

James K. Woodward, Mayor

Louchishia A. Ellis, City Clerk