

City Council Budget Committee 10/08/2024 8:15 am

Location: City Hall, Pikes Peak Conference Room, 107 N. Nevada Avenue, Colorado Springs, CO 80903 OR Microsoft Teams, 720-617-3426, Meeting ID 244 121 076 722

Items for Introduction

Pikes Peak Regional Building Department (PPRBD) – 2025 Budget

Sand Creek Basin and Mesa Basin Drainage Fee Increase

Investment policy update



2025 Budget

October 8, 2024

City of Colorado Springs

City Council Budget Committee

Ensuring life safety and welfare of our community through efficient and consistent application of adopted codes and standards





2024 Overview & Accomplishments

- PPRBD Activity Overview as of August 31, 2024:
 - 2,117 new single-family home permits; an increase of 7% over 2023
 - 804 new commercial building permits; a decrease of 23% over 2023
 - \$2,439,567,395 total construction valuation; an increase of 3.3% over 2023
 - 8,697 plans have been submitted for review; a decrease of 6.4% over 2023
 - 234,971 inspections have been performed; an increase of 7% over 2023
- Digital Accessibility
 - Completed upgrades in advance of state and federal deadlines
 - All public facing webpages are in substantial compliance with WCAG 2.1 Level AA
- Elevator and Escalator Safety
 - Exceeded new requirements set by the State
 - PPRBD continues to be a leader for training and inspection of conveyance in the State

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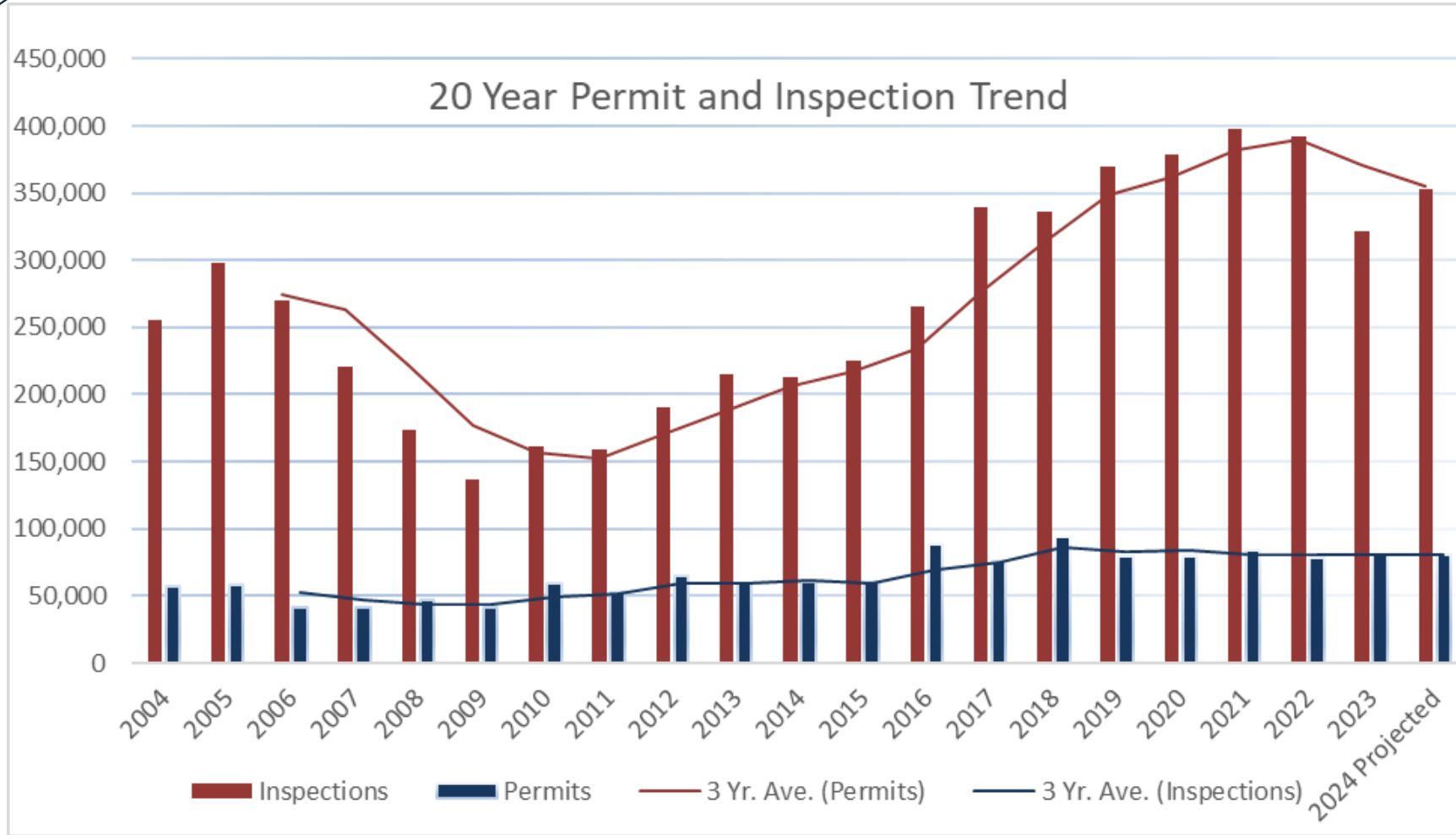


Strategic Goals

- Focus on employees and our commitment to excellence:
 - Emphasis on staff retention
 - Commitment to a competitive benefits package and COLA in 2025
- Online Services:
 - Continue to develop and implement a robust, factually accurate, up-to-date interactive, intuitive website.
 - This information is used by the construction industry, the jurisdictions served by Pikes Peak Regional Building as well as the public.

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2025 Budget Highlights

- No Fee Increase.
- Continue Licensing Reward program.
 - As of August 31, 2024, 1,146 licenses and registrations have been renewed at no cost.
- 25% decrease in services due to completion of GIS project
- Increase in staffing to meet strategic goals for online services and employee excellence

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Summary of Revenue and Expenditures

	<u>2022 Actual</u>	<u>2023 Actual</u>	<u>2024 Budget</u>	<u>2025 Budget</u>	<u>% Change</u>
Revenue					
Permit Revenue	\$ 15,434,187	\$ 15,194,038	\$ 15,525,202	\$ 15,751,287	1.5%
Fee Revenue	4,852,246	4,428,613	4,582,523	4,899,042	6.9%
Other Revenue	877,788	957,065	511,423	730,643	42.9%
Total Revenue	21,164,221	20,579,716	20,619,148	21,380,972	3.7%
Expenses					
Salary & Benefits	12,309,526	14,891,071	16,342,800	17,469,339	6.9%
Operating Expenses	3,583,603	3,162,120	4,007,669	3,676,380	-8.3%
Cost of Sales	884,719	935,843	950,000	950,450	0.0%
Total Expenses	16,777,848	18,989,034	21,300,469	22,096,169	3.7%
Net Income	4,386,373	1,590,682	(681,321)	(715,197)	
Beginning Fund Balance	22,012,492	26,398,865	27,989,547	27,308,226	
Ending Fund Balance	\$ 26,398,865	\$ 27,989,547	\$ 27,308,226	\$ 26,593,029	

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Revenue

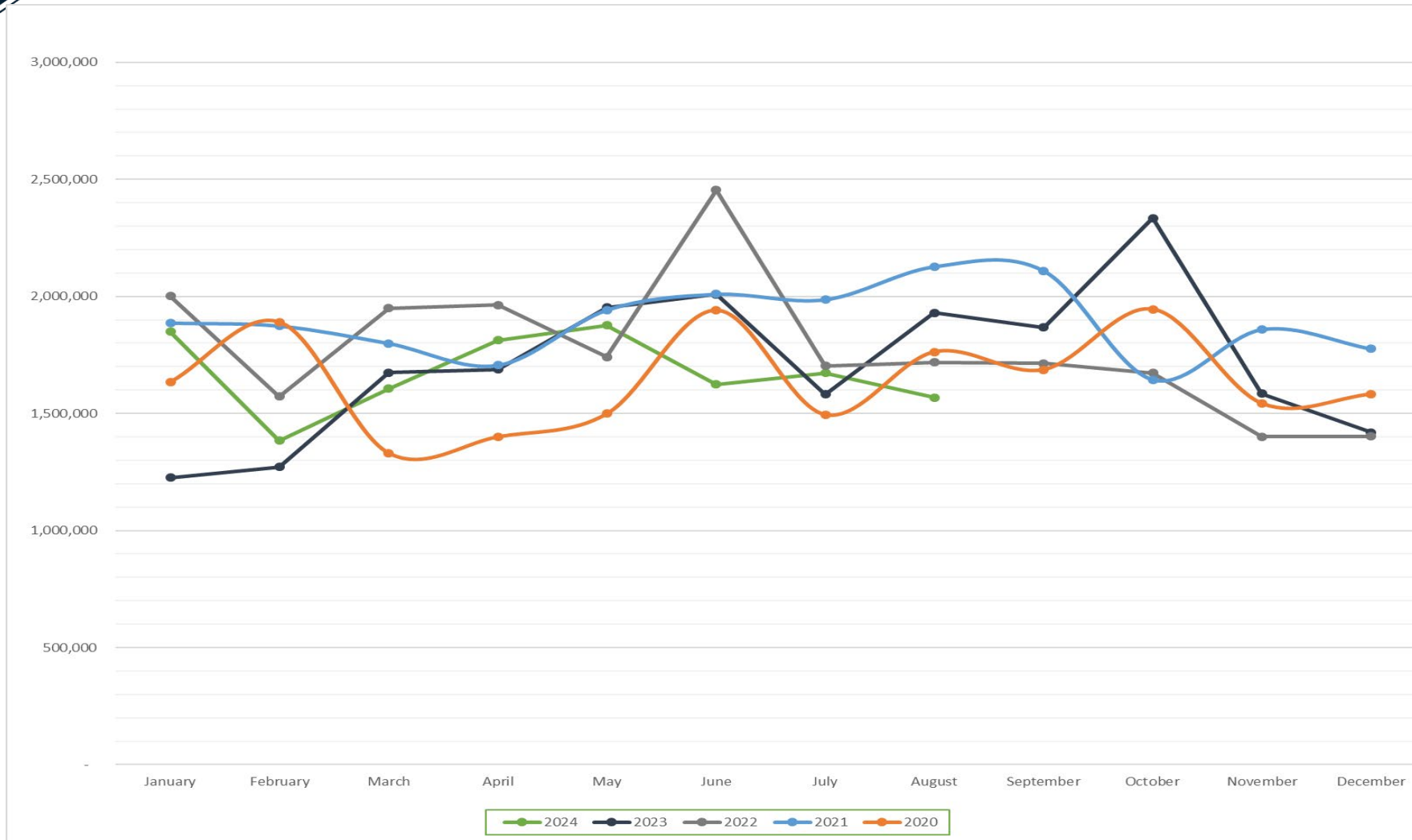
	2022 Actual	2023 Actual	2024 Budget	2025 Budget	2024 Budget - 2025 Budget	% Change
Permit Revenue						
Building Permits	\$ 10,948,812	\$ 11,034,619	\$ 11,304,278	\$ 11,530,363	\$ 226,085	2.0%
Mechanical/Plumbing Permit	2,419,856	2,142,084	2,278,390	2,278,390	-	0.0%
Electrical Permits	2,173,594	2,114,756	1,863,560	1,863,560	-	0.0%
Elevator Permits	80,666	97,440	60,818	61,368	550	0.9%
Floodplain Permits	2,910	3,850	6,355	5,406	(949)	-14.9%
Mobile Home Permits	16,440	14,592	11,801	12,200	399	3.4%
Total Permit Revenue	15,642,278	15,407,341	15,525,202	15,751,287	226,085	1.5%
Fee Revenue						
Plan Check Fees	3,284,075	2,939,078	3,105,198	3,168,502	63,304	2.0%
Contractor Licensing Fees	565,513	578,177	523,758	580,000	56,242	10.7%
Licensing Reward Program	(205,725)	(212,475)	(300,000)	(250,000)	50,000	-16.7%
Elevator Inspections	353,202	409,305	296,827	525,000	228,173	76.9%
Address Assignment Fees	144,570	110,550	183,360	157,568	(25,792)	-14.1%
Mechanical Licenses	14,945	13,070	12,708	14,250	1,542	12.1%
Re-Inspections	222,810	156,475	210,592	210,592	-	0.0%
Floodplain Plan Review	54,000	25,680	115,282	58,331	(56,951)	-49.4%
Variance Requests	6,110	5,360	6,355	6,355	-	0.0%
Utility Fees	17,320	8,360	16,339	16,339	-	0.0%
Collection & Other Fees	397,406	418,796	412,105	412,105	-	0.0%
Total Fee Revenue	4,854,226	4,452,376	4,582,523	4,899,042	316,519	6.9%
Other Revenue						
Code Sales	30,691	35,223	40,848	20,000	(20,848)	-51.0%
Misc. Revenue	29,553	36,824	72,900	50,000	-	0.0%
Gain On Sale Of Assets	390,673	184,831	129,675	142,643	12,968	10.0%
Interest Earnings	122,216	360,992	200,000	450,000	-	0.0%
EPC CAM Back Bill	96,950	106,548	68,000	68,000	-	0.0%
Total Other Revenue	670,084	724,418	511,423	730,643	(7,880)	-1.5%
Draw from fund balance	-	-	681,321	715,197	33,876	
	\$ 21,166,587	\$ 20,584,135	\$ 21,300,469	\$ 22,096,169	\$ 795,700	3.7%

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Revenue Trend



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Expenses

	2022 Actual	2023 Actual	2024 Budget	2025 Budget	2024 Budget - 2025 Budget	% Change
Salaries & Benefits	\$ 15,938,993	\$ 15,219,158	\$ 16,352,800	\$ 17,469,339	\$ 1,116,539	6.8%
Rent	581,183	581,478	800	800	-	0.0%
Supplies	536,755	237,203	407,600	391,800	(15,800)	-3.9%
Maintenance	647	-	32,000	82,000	50,000	156.3%
Fleet	383,996	237,761	825,000	825,000	-	0.0%
Insurance	347,796	350,597	445,000	430,000	(15,000)	-3.4%
Services	1,055,223	1,116,476	1,189,112	884,073	(305,039)	-25.7%
Common Area Maintenance	357,706	357,706	937,707	937,707	-	0.0%
Community Engagement & Education	132,000	129,600	160,000	125,000	(35,000)	-21.9%
Depreciation	818,442	844,324	900,000	900,000	-	0.0%
Cost Of Sales	118,703	91,519	50,450	50,450	-	0.0%
Total Expenditures	\$ 20,271,444	\$ 19,165,820	\$ 21,300,469	\$ 22,096,169	\$ 795,700	3.7%

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Questions?

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2025 Budget

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Serving the Communities of



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Introduction and Overview
Governing Boards and Members

Pikes Peak Regional Building Department

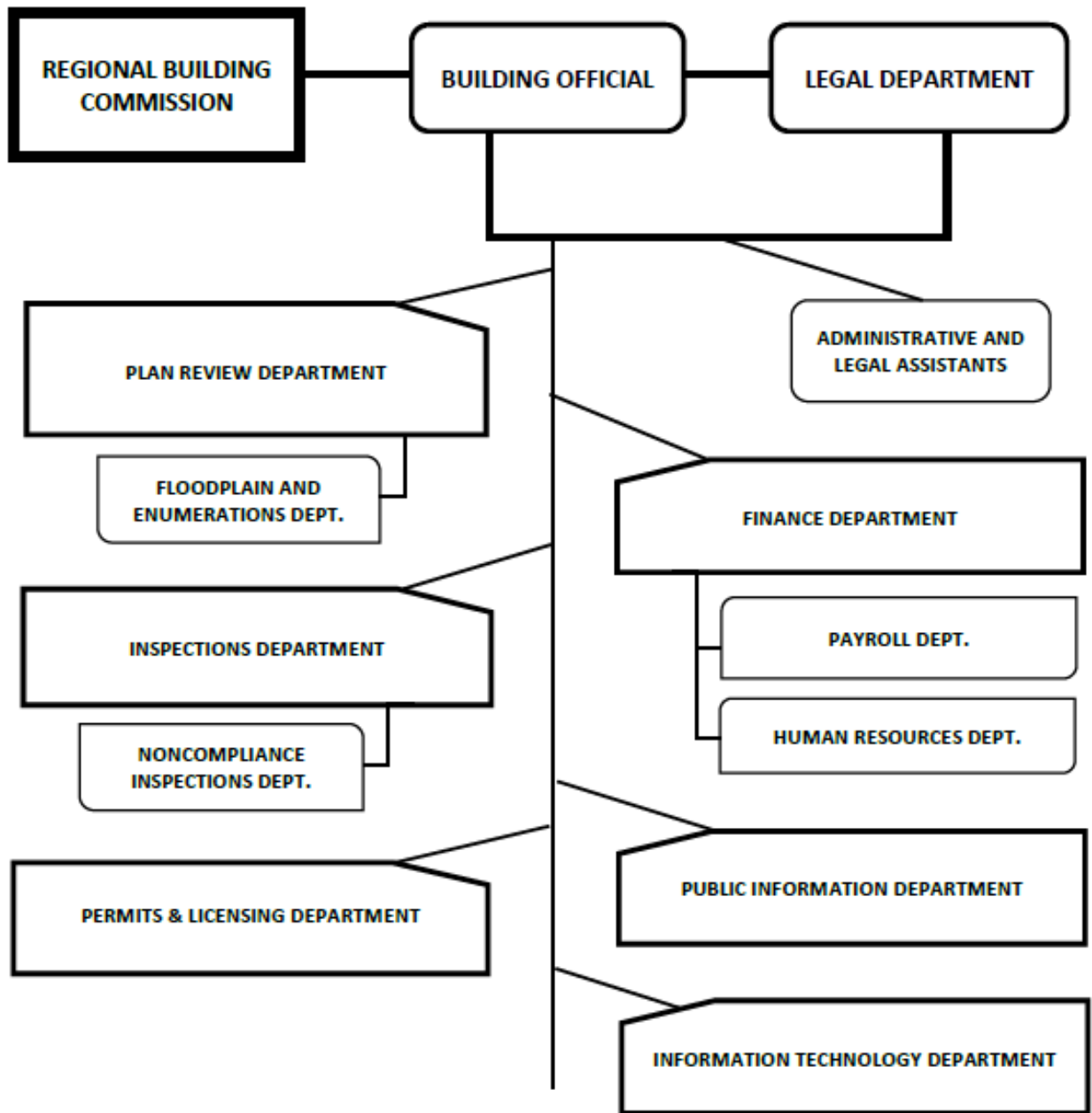
Regional Building Commission

Carrie Geitner, Chair	El Paso County Commissioner
Brian Risley, Vice Chair	Councilmember, Colorado Springs
Todd Dixon, Member	Mayor of Green Mountain Falls

Advisory Board

Vince Colarelli, Chairman	Board of Review member, Building A or B Contractor
Jeff Finn, Vice Chairman	Board of Review member, Citizen-at-Large
John Bell, Member	Trustee, Town of Green Mountain Falls
John Graham, Member	Mayor, City of Manitou Springs
Sana Abbott, Member	Councilmember, Town of Monument
Dennis Stern, Member	Trustee/Mayor Pro Tem, Town of Palmer Lake
Cory Applegate, Member	City Council Member Ward 3, City of Fountain
Christopher Freer, Member	Board of Review member, Engineer
Zach Taylor, Member	Board of Review member, Architect
Loren Moreland, Chair	Board of Review member, Building A, B, or C Contractor

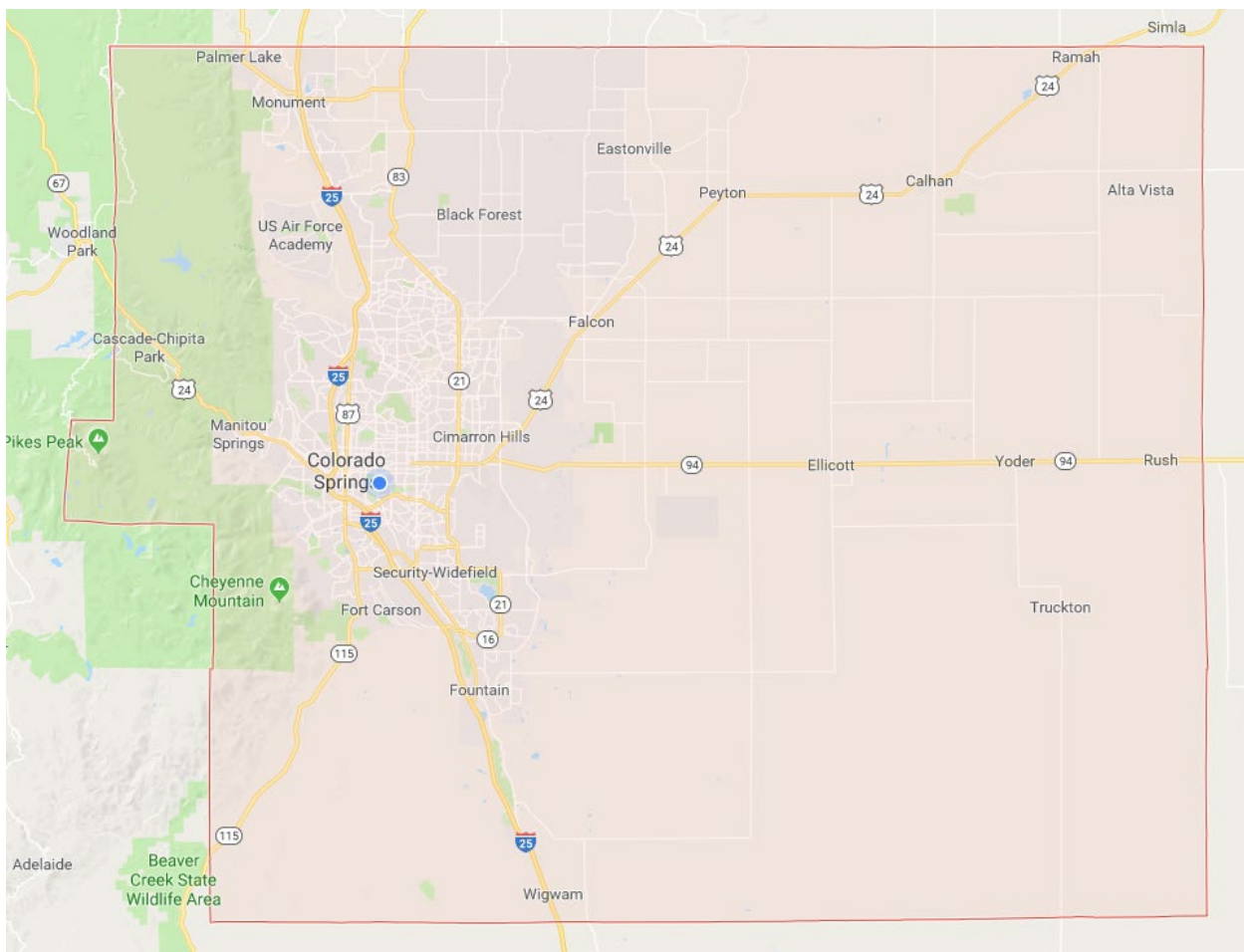
Organizational Chart



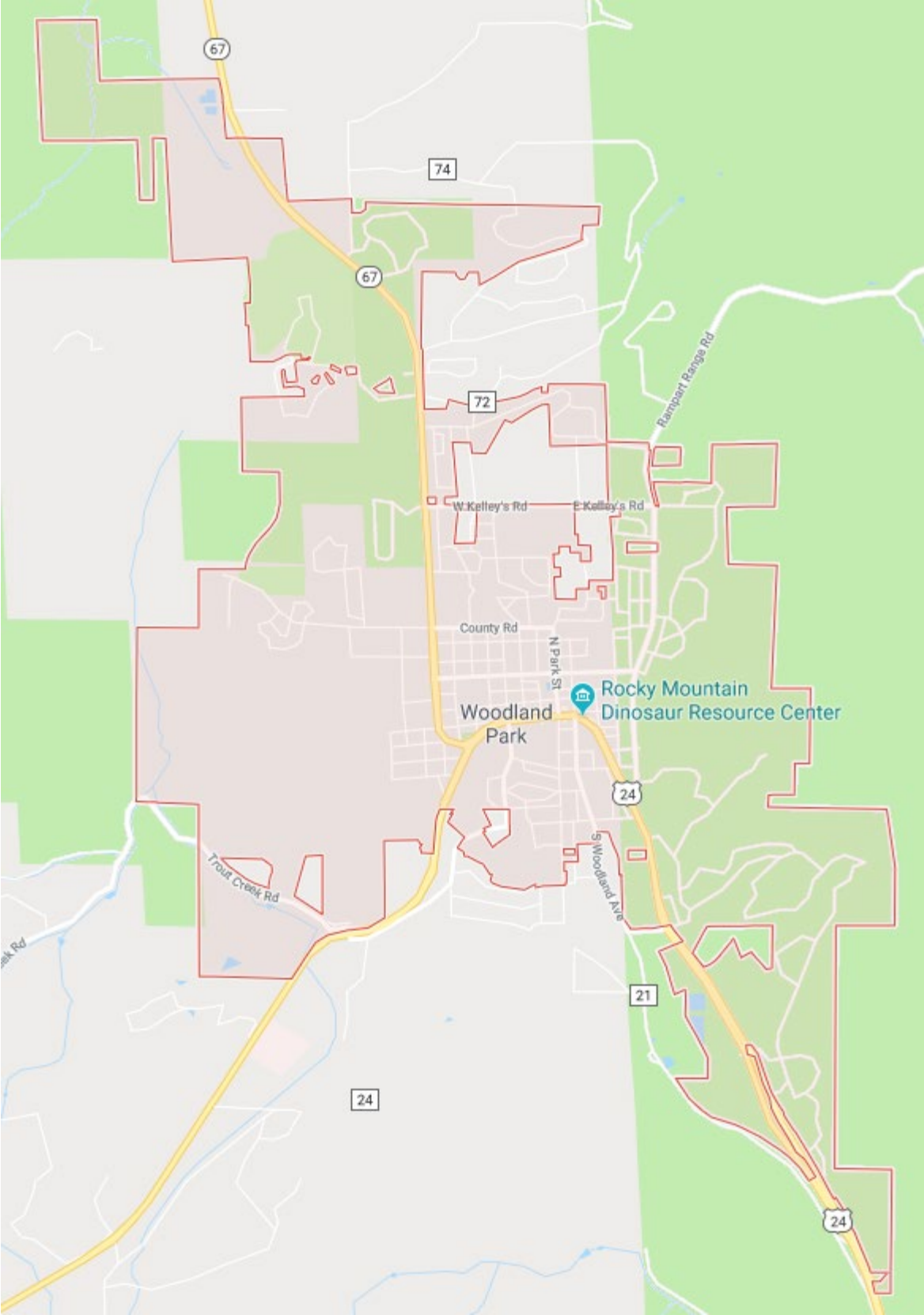
Map of Service Area

Pikes Peak Regional Building Department is responsible for the plan review, permitting, and inspections of all building construction activity within the unincorporated areas of El Paso County, as well as the participating incorporated municipalities in the county. These currently include the cities of Colorado Springs, Fountain and Manitou Springs, and the towns of Green Mountain Falls, Monument and Palmer Lake. Pikes Peak Regional Building Department is also responsible for licensing and/or registration of contractors providing construction consulting and/or performing construction work regulated by the adopted building codes in the jurisdictions it services.

Further, Pikes Peak Regional Building Department also services the City of Woodland Park, in Teller County, which is directly to the west of El Paso County.



El Paso County, Colorado



Woodland Park, Colorado

Introduction

Pikes Peak Regional Building Department (the “Department”) is responsible for the administration and enforcement of all building and construction codes, which include codes that govern enumerations, floodplain, building (commercial and residential), plumbing, mechanical and electrical work adopted by its member entities.

The Department is self-funded with revenue generated from plan reviews, permits, and licensing fees. Fee adjustments are proposed when the Regional Building Commission determines them to be necessary to maintain the Department’s operation.

The Department was created by an inter-governmental agreement between the Board of County Commissioners of the County of El Paso and the City of Colorado Springs in 1966 to provide uniform and regional service to their jurisdictions. The cities of Fountain and Manitou Springs, and the towns of Green Mountain Falls, Monument and Palmer Lake soon became parties to the agreement. The City of Woodland Park, having authority to adopt and enforce building or construction codes in its jurisdiction, later entered into a separate inter-governmental agreement with the Department for inspection and enforcement services.

The Department is administered by the Regional Building Commission, which is a three-member governing body consisting of one county commissioner designated by the Board of County Commissioners of the County, one council member designated by the City Council of the City of Colorado Springs, and one elected official chosen by the other five-member entities to the inter-governmental agreement from a list supplied by the other member entities. The Regional Building Commissioners’ terms are for two years. The Regional Building Commission provides general supervision of administration and policy direction to the Department. Among its powers and functions, the Regional Building Commission is responsible for budget oversight and approval of the Department’s budget. The Regional Building Commission meets on the fourth Thursday of each month.

The Regional Building Advisory Board (“Advisory Board”) assists the Regional Building Commission in matters relating to the administration, financing and budget of the Department. The Advisory Board consists of the Department’s five-member Board of Review (as appointed by the City of Colorado Springs and El Paso County) and one appointed representative from each of the remaining five member entities.

Members of the Board of Review and its advisory committees are appointed for a three-year term. The Regional Building Technical Committee and the Regional Building Licensing Committee advise the Board of Review. These committees are responsible to make recommendations regarding requests for variances from code requirements, review license applications, and inspect the construction work in accordance with the various adopted building and construction codes.

Budget Message

From: Roger N. Lovell, Building Official

Date: September 18, 2024

As Building Official, it is my distinct honor to present you with the Department's Budget for Fiscal Year 2025 (the "Budget" or this "Budget"). This Budget provides information about revenue and expenditure forecasts for the Department for 2025.

Each year the Department works hard to develop a budget for the following year based on projections, specific economic factors, and local conditions. The Department strives for an accurate yet conservative budget with the primary focus on core department services. As the Pikes Peak Region continues to grow and evolve, the Department must do the same. For 2024, the Department has continued to adapt to a changing construction and housing market. Residential construction in 2024 has remained strong yet commercial construction has not exceeded projections.

A strong and resilient building department must be able to adapt in real-time to changing economic trends. The ability to do so has been a goal of the Department for the past five years, and the Department has done an exceptional job meeting the needs of the communities it serves.

A review of the construction activity in the Pikes Peak Region through August 31, 2024, demonstrates a changing construction industry. While interest rates have remained high, supply chain shortages have eased, partially resulting in increased single family home construction. Through August 31, 2024, the Department has issued 2,117 single family home permits representing a 6.9% increase over the same time period in 2023. While the average of 265 single family permits per month is significantly below the growth during the pandemic, the numbers are representative of pre-pandemic growth.

As anticipated, multi-family construction has been a less popular option in 2024 with the Department issuing permits for 783 multi-family units through August 31, 2024, a decrease of 63% and 82% over the same time periods in 2023 and 2022, respectively. Although there has been a decrease in the number of multi-family units, the number of permits issued is approximately the same, indicating a shift toward smaller multi-family buildings such as duplexes. Similar to single family home construction, the trend for multi-family construction indicates a return to pre-pandemic levels.

As of August 31, 2024, total construction valuation to include new commercial, new residential, and alterations and remodels stands at \$2,437,631,571, an increase of 3.2% over the same time period in 2023, but a 17% decrease over 2022.

While the data appears to indicate a cooling construction economy, it should be noted that the Department has experienced record-breaking construction activity since 2020. As anticipated by the Department in preparation for the 2024 budget, the current trend appears to be a return to pre-pandemic levels.

Throughout 2024, the Department has continued to improve on core services while adapting to a changing construction industry. The Department has also accomplished many of the goals set forth in 2023, setting the basis for any and all improvements the Department wishes to accomplish in 2025 and beyond.

Digital Accessibility:

- Throughout 2024, the Department has worked to comply with state digital accessibility requirements. The Department is proud to report that in advance of state and federally imposed deadlines, all public facing webpages are in substantial compliance with WCAG 2.1 Level AA. Digital accessibility is an ongoing process that requires consistent effort and attention, and as technology evolves, the Department is fully committed to ensuring that its digital content is accessible to everyone.

Elevator and Escalator Safety:

- The Department continues to enhance training of its conveyance team that is responsible for the continuous inspection of all elevators and escalators within the jurisdiction of the Department. In 2024, the Department was notified by the State of new requirements resulting in a significant change to Department procedures and operations. Not only did the Department meet the new State requirements in advance of any deadlines, it exceeded the States expectations, making the Department an example and a leader for other building departments in the State of Colorado. As the number of conveyances in the Pikes Peak Region continues to grow, the Department is dedicated to ensuring proper training of staff and access to critical information for building owners.

Although the Department has achieved a number of accomplishments set forth in 2023 and 2024, the focus of this budget message is on the future of the Department. Partner jurisdictions, property owners, contractors, and design professionals all rely on the Department to provide consistent, accurate, and timely service. The foundation of the Department must be able to withstand a changing construction industry and the needs of the communities it serves. Strategic goals of the 2025 year include, but are not limited to the following:

Online Services:

- As the need and desire for online services continues to expand, the Department remains committed to continued development of an educational, factually accurate, interactive, accessible, and user friendly website, which, (i) the industry, relies upon daily for its construction-related operations and projections; (ii) the jurisdictions served by the Department rely upon for planning and construction related operations and decision-making; and (iii) the public accesses for public records and all other construction-related needs.
- Currently, the Department is investigating the use of software that will allow real-time virtual inspections. When an inspection is requested, the contractor or homeowner may schedule a date and time for the inspection. At the time of the inspection, the contractor or homeowner will be asked to grant the Department video access to their mobile device, allowing the inspector to conduct a real-time, virtual inspection. Images from the inspection will be retained in the permit history, and the applicant will immediately receive a copy of the inspection results and any necessary corrections. While the use of this technology will be limited, it has several advantages including, but not limited to, increased efficiency for the Department and the ability for the applicant to schedule an inspection time rather than just a day.
- For many years it has been a primary goal of the Department to be a leader in technology and online services. This is a continuous project and requires a substantial financial investment in the Department's IT Department.

Focus on Employees and Commitment to Excellence:

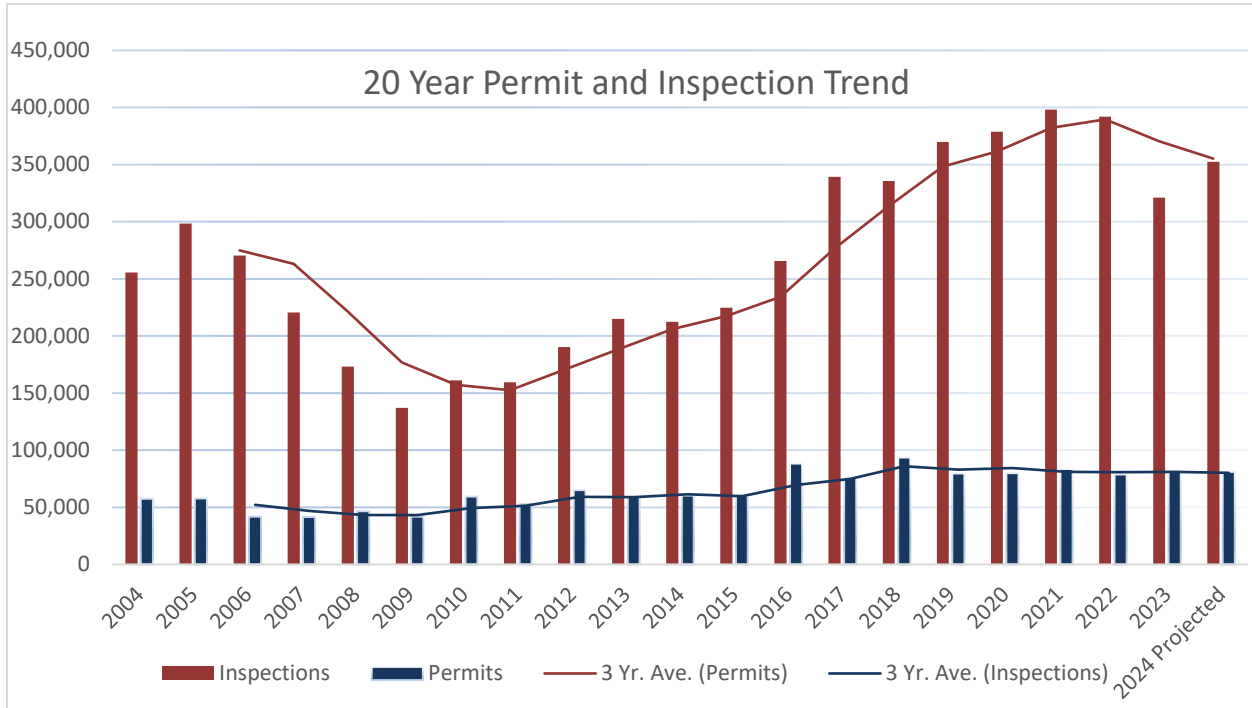
- The Department's single largest asset and expense are staff. Without an exceptional staff, the Department cannot provide exceptional services. Not only must the staff be educated and knowledgeable, but they must also be willing to engage, consider alternatives, work toward a common goal, and provide accurate and quality customer service. Additionally, all staff participate in technical training(s) and undergo individual assessment(s) to assist in enhanced teamwork and performance. While the Department performs at an exceptional level, a continued focus on staff retention and development is critical to service levels.
- Administrative staff continuously works to enhance current and future employee benefits at a reduced cost to the Department and its staff. In 2023, the Department negotiated with a new benefits provider and was successful in reducing the cost of benefits in 2024 with no reduction in quality. Currently, the Department is negotiating the 2025 benefits package, and this budget anticipates an increase up to 6% in the cost of benefits, but the Department is confident that through new innovative solutions the benefits package can be enhanced further at little to no cost to employees. When the Department invests in its employees, the result is a staff that works as a team, is educated, knowledgeable, innovative, and provides quality service in a timely manner. This is what the Department defines as "excellence". Exceptional service requires exceptional employees; to attract and maintain a qualified workforce, the Department must measure what is important and compensate its employees fairly.
- In 2024, the Department retained an independent third party to conduct a salary study. The results of the salary study indicate that the Department pay schedule is in line with other local governments. Certain data obtained from Employers Council indicates that employers in the government sector are considering a cost-of-living adjustment of up to 10% in 2025. Based upon the availability of funds and local economic circumstances, the 2025 Budget includes a cost-of-living increase of up to 5.5%¹. The focus of the Department will remain on performance-based reviews and resulting merit(s) during the 2025 calendar year. Performance reviews and considerations result in difficult, but needed conversations to be had. It is the Department's position that a performance-based merit system is essential in managing and maintaining a productive, accountable, and engaged workforce.

Licensing Reward Program:

- This Budget extends for the ninth consecutive year the Department's Licensing Reward program for contractors (excluding licensed fire contractors) that have been licensed with the Department for at least 3 years, remain in good standing, and have no "administratively closed" status permits at the time of renewal of their license. If such criteria are met, the qualifying contractors may renew their license / registration at no cost. The fees range from \$75 to \$200 per contractor, and in the past eight years, the non-collection of such fees has resulted in an annual savings of approximately \$300,000 for those qualifying contractors. In 2023, 1,660 licenses and registrations were renewed at no cost. As of August 31, 2024, 1,146 licenses and registrations have been renewed at no cost.

¹ The actual cost of living increase payments to employees will be determined by administrative staff in December of 2024 and throughout 2025, if needed, based upon availability of funds and current economic circumstances.

As shown below, the number of inspections and permits has steadily increased between 2009 and 2023. Total inspection and permit numbers remain difficult to project for 2024, but with inflation easing and discussions of lower interest rates, the Department anticipates 2024 inspection and permit numbers to exceed those of 2023. The Department anticipates it will conduct approximately 350,000 inspections in 2024 and issue more than 80,000 permits.



On June 30, 2023, the Department implemented the 2023 Pikes Peak Regional Building Code (PPRBC) after a very robust public process, to include Department testimony at the legislative level in opposition to stringent energy code requirements. While adoption of the 2023 PPRBC reduced the impact of state requirements, compliance with the currently adopted codes requires additional knowledge, training, plan review(s) and inspection(s) on each project. The Department is continuing to monitor and engage at the state level regarding additional energy code requirements. Currently the Department conducts an average of 1065 inspection per day and estimates that approximately 18% of inspections are related to energy code requirements.

This budget does not propose any fee increases, although the Department continues to be faced with increasing costs and the impacts of inflation. The Department is not immune to higher costs of vehicles, required electrification(s), supplies and services, gas, insurance, and employee benefits.

While the Department has not increased fees in the last 19 years and has maintained the lowest fees in the State of Colorado for single family housing, and second lowest in the State for new commercial projects, 2025 and forthcoming legislation will continue to strain the current fee structure. It is imperative that the Department’s administrative staff maintain a conservative approach to spending while working to retain and reward knowledgeable, efficient, and professional staff.

While the increase in construction activity that occurred in 2020 through 2022 resulted in a significant increase in staffing levels within the Department, this budget proposes only three additional positions.

Currently, the Licensing, Permitting, and IT Departments are strained due to staffing levels, and this budget proposes one additional position in each Department for a total of 141 employees.

The Department continues to adapt to change and is sustainable; its future is stable; and staff continues to be more educated, more diverse, and more efficient each year. The Department is well positioned and prepared for future growth as well as a weakening economy. The Department is self-sustainable to help make the communities it serves greater, stronger, more sustainable, and more affordable and attainable place(s) to live, raise a family, work, and do business.

As the construction and development industries are adapting to a changing economy, the Department must adapt and respond as well. The 2025 Budget anticipates \$22,096,169 in revenue, an increase of 3.7% over the 2024 Budget and a decrease of 2.45% over the 2023 Budget. The Department anticipates single-family and commercial construction to increase as inflation eases and interest rates drop. Multi-family construction is anticipated to be closer to 2016 levels. As the region has seen significant growth in recent years, the Department anticipates continued revenue from alterations and remodels, as well as additional revenue from new construction.

This Budget anticipates up to \$22,096,169, in Department expenses, an increase of 3.7% over the 2024 Budget and a decrease of 2.45% over the 2023 Budget. The 2024 Budget anticipated expenses exceeding revenue up to \$681,321; current projections do not indicate that expenses will exceed revenue in 2024. As submitted, this conservative budget again anticipates expenses possibly exceeding revenue up to \$715,197. In the unlikely event expenses do exceed revenue, the Department has several options at its disposal. One, the Department may utilize its fund balance to offset the loss; and/or two, the Building Commission may adjust the Building Valuation Modifiers, as it deems necessary.

In closing, this Budget provides for a sustainable Building Department, increased public access and service, a more educated and knowledgeable staff, and increased efficiency with no increase in fees providing a positive impact on the construction industry and communities served by the Department.

It is my pleasure to serve as the Regional Building Official, and on behalf of the entire Department, I thank you for your support. We all look forward to a productive and successful 2025.

Respectfully,
Pikes Peak Regional Building Department



Roger N. Lovell, Regional Building Official

Key Economic Factors and Assumptions

In the development of this Budget, the Department has identified several key assumptions that guide, and may affect, the Department's projections.

- Unemployment rate (4.4% as of July 2024)
- Anticipated cut to the Federal Funds Rate
- Return to average inflation (3.2% as of June 2024)
- Weather delays and natural disasters

Long-Range Financial Planning

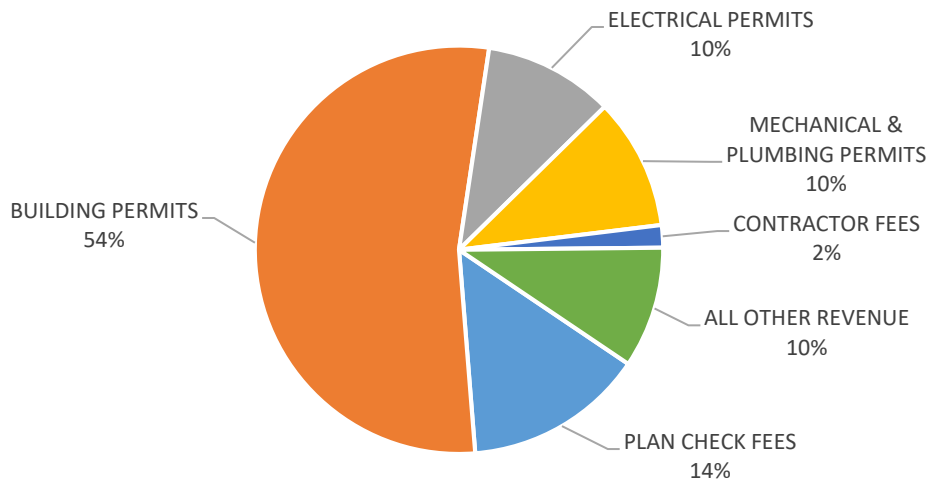
The Department is committed to the use of long-range financial planning as a tool to continue to insure the construction of safe and sustainable building practices within the community. These practices include, but are not limited to, maintaining cash levels, strategic hiring, maintaining balanced budgets and a potential draw from unrestricted fund balance.

While construction is currently steady and home prices remain at high levels, the Department anticipates growth in single family and new commercial construction in 2025. Construction is a fairly cyclical industry therefore it is reasonable to be prepared for a down turn in the future. The Department generally is well-positioned to face economic sustainability challenges.

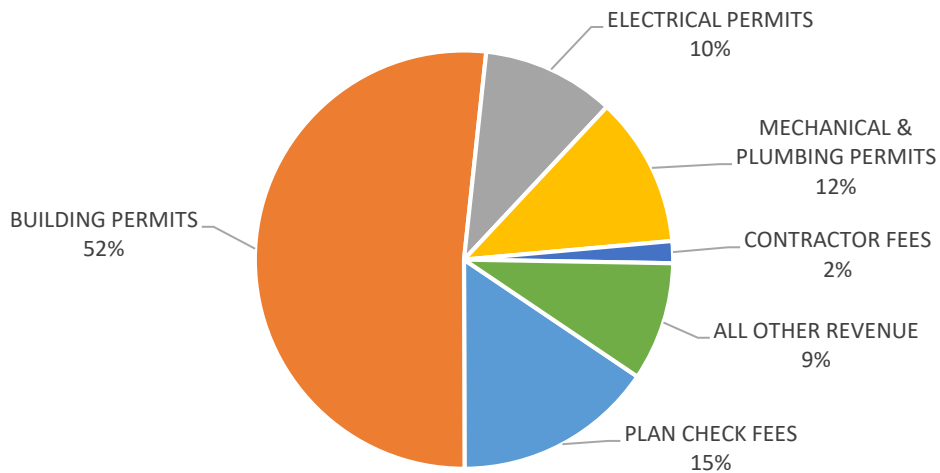
Revenue Analysis

We are anticipating a leveling in the construction market in 2025. Building permits are the largest revenue category for the Department. This includes new residential and commercial buildings, remodels and reroof permits. In order to combat the increased inflation the US economy experienced, the Federal Reserve made several increases in the federal funds rate. Those increases in the federal funds rate significantly slowed the demand for single-family homes, thereby decreasing permitting revenue. In 2024, inflation slowed significantly, and the Federal Reserve has signaled a potential interest rate decrease in the last four months of 2024. Single family home permits are expected to pick up significantly with the signaled drop in interest rates thereby stabilizing our revenue in 2025. In 2025, the Department will continue the Licensing Rewards program. This program incentivizes contractors to be Pikes Peak Regional Building Code compliant and, as a result, offset the loss in revenue the program generates. The benefit to the Department is reduced monitoring of contractors' permits.

2023 REVENUE BY CATEGORY



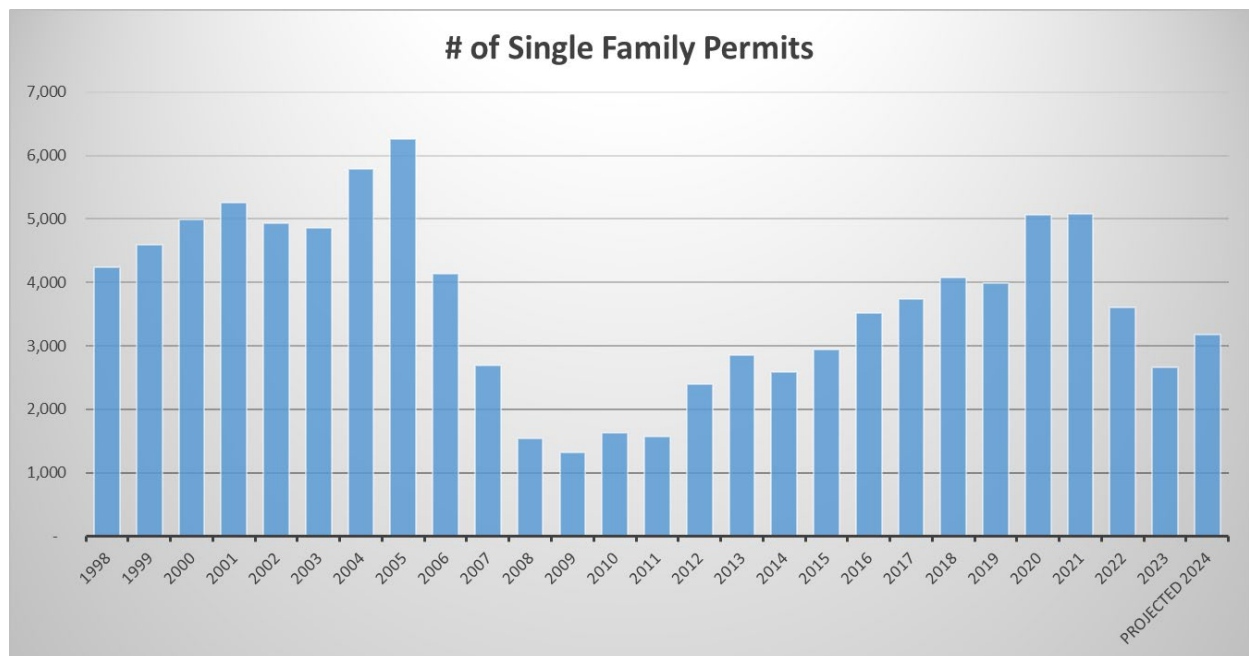
2022 REVENUE BY CATEGORY

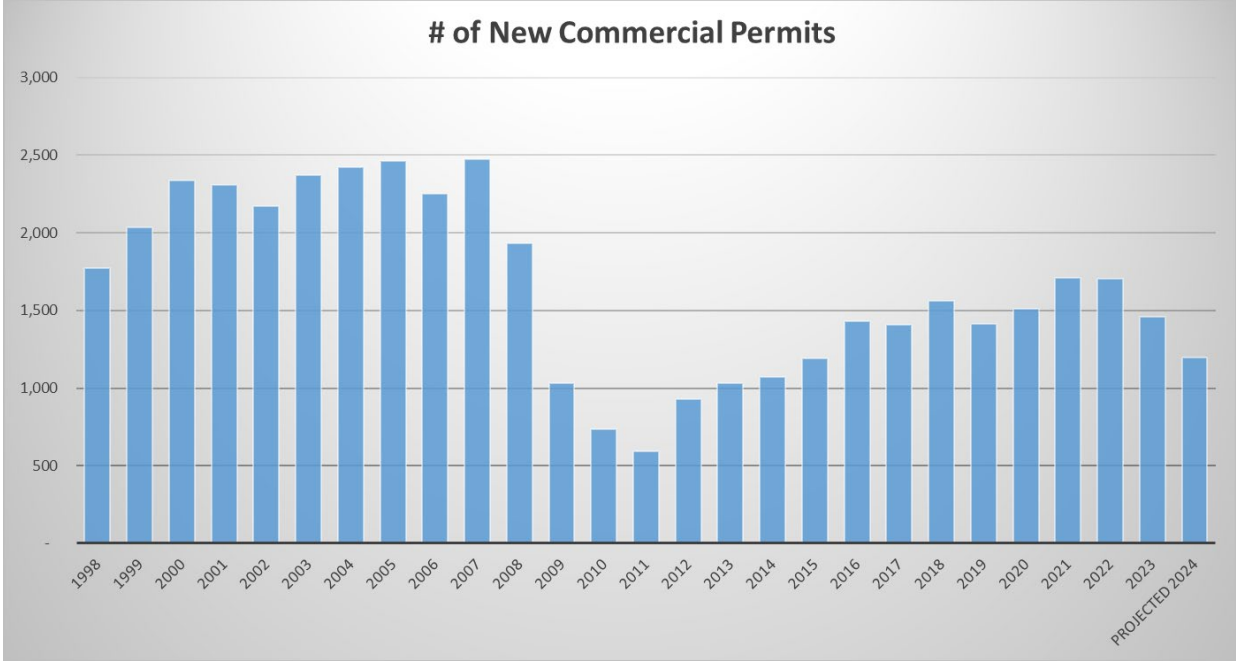


Revenue Forecast

Plan reviews are a leading indicator of future permits. Large scale projects such as new single-family homes, commercial buildings, and remodels require the building plans to be reviewed and approved prior to the issuing of a permit. Not all plan reviews take the same amount of time. Smaller remodel projects can be completed over the counter, while larger projects require the plans to be submitted for review. The Plan Review Department has developed, continues to improve and implement an electronic plans submittal and review process. This has increased the efficiency of the Department in allowing it to review plans promptly and get such out to external agencies, whose review and approval are also required in the

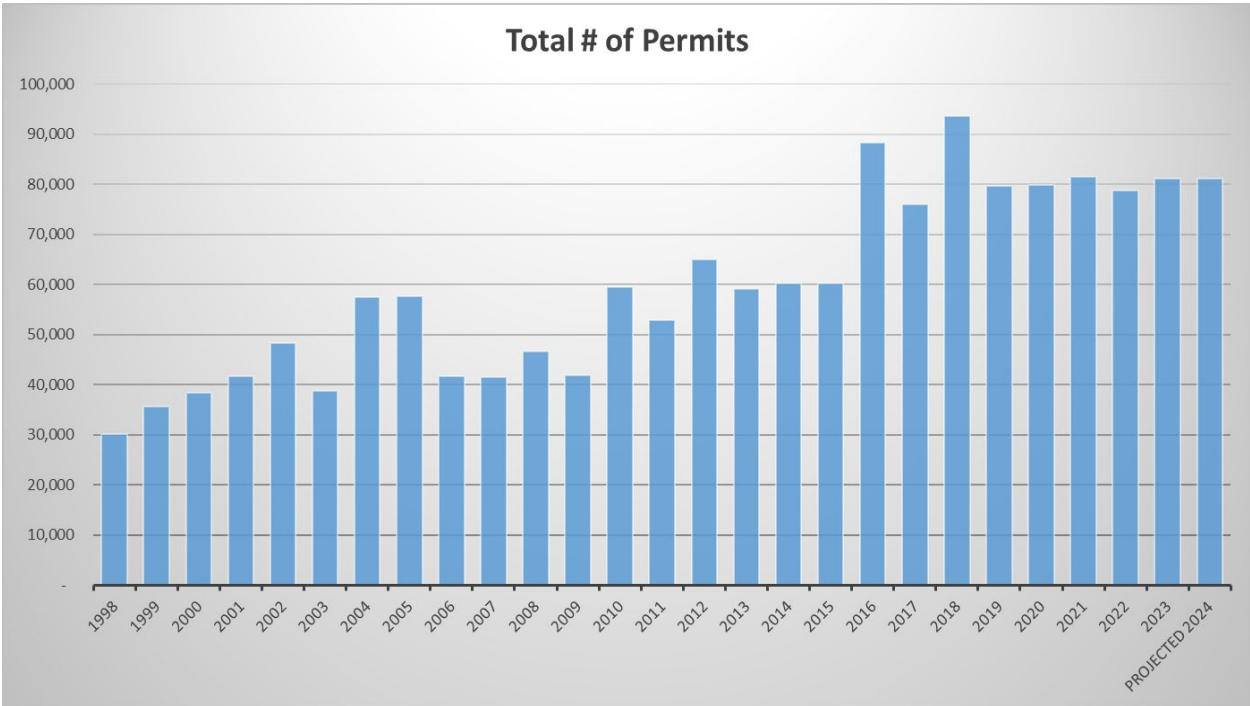
permitting process. Electronic plans submittal and review process does not, however, mean reduction in workload because of the increase in the number of submittals and required triage and electronic work (including electronic review and resulting communications) by Department staff. Plan reviews for residential projects are anticipated to increase in 2025 with the decrease in interest rates.



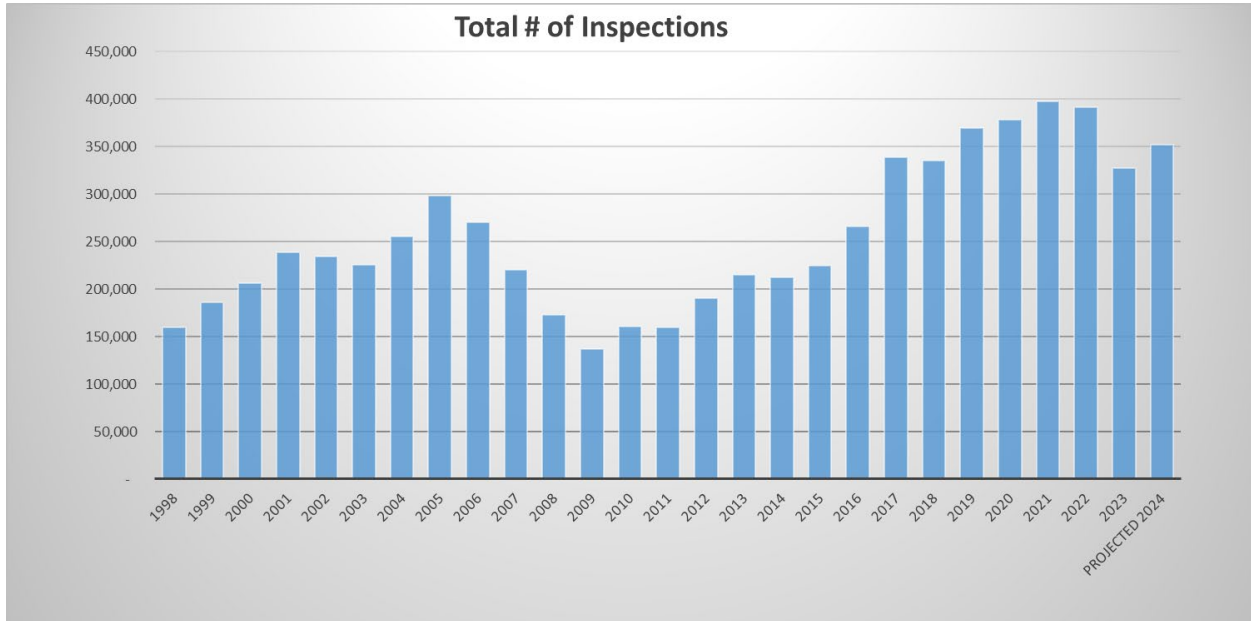


While the Department anticipates that new commercial activity in 2025 will trail the activity in 2024, it is not in a position to estimate such.

The chart below shows the total number of permits issued per year beginning in 1998. This includes new residential, new commercial, as well as remodels and other projects that require permits. The spike in permits issued in 2016 and 2018 is due in part to hailstorms.



The total number of inspections drives staffing at the Department. Some of the permits issued only require one inspection, while large commercial projects may require hundreds of inspections. The increase in the number of inspections in recent years is due to a healthy construction economy with numerous large projects under construction.



Budget Process

The Department charges fees for services, thus the Department’s fund is a proprietary fund and is reported as such. The Department only has one (1) fund and this Budget and audit report reflects this.

Formal budgetary accounting is employed as a management control device for the fund. The Department adheres to the following procedures in establishing the budgetary data reflected in its financial statements:

- Prior to October 15, the Department submits the proposed budget to the Advisory Board and then to the Regional Building Commission.
- Prior to its adoption, the budget is open for inspection by the public.
- After public inspection and consideration of any objections, the Advisory Board makes a recommendation to the Regional Building Commission to approve the proposed budget.

June 1	Work with Building Official to determine priorities for the next year.
July 1	Begin work with Department managers in developing a detailed budget in line with priorities.
August 31	Review proposed budget with Building Official and finalize.
September 18	Present Budget to Advisory Board for comments.
September 26	Present Budget to Building Commission for comments.
October 16	Present Budget to Advisory Board for recommendation to Building Commission.
October 24	Present Budget to Building Commission for approval.
October – December	Present Budget to El Paso County and City of Colorado Springs.

The budget is created using the accrual method of accounting. This is the same method used for Department financial statements. This Budget is not prepared in accordance with accounting principles generally accepted in the United States of America because they do not include accrued vacation and sick leave.

The Director of Finance works with the Building Official to determine the priorities for the upcoming year. The Finance Department then works with Department managers to finalize details of those priorities and establishes department budgets.

In general, a balanced budget is strived for where revenue equals expenses. This year the Department is proposing a balanced budget through a draw from unrestricted fund balance. Budgets may be amended

to account for changes in revenue or expenses. The amended budget is reviewed and approved by the Advisory Board and the Building Commission.

Budget Trends

Expenses are anticipated to be \$22,096,169, an increase of 3.7% from the 2024 budget. The increase is attributed to additional staffing in several departments, anticipated increase in medical, dental and vision benefits and a cost-of-living adjustment.

Summary of Revenue and Expenditures

	<u>2022 Actual</u>	<u>2023 Actual</u>	<u>2024 Budget</u>	<u>2025 Budget</u>	<u>% Change</u>
Revenue					
Permit Revenue	\$ 15,434,187	\$ 15,194,038	\$ 15,525,202	\$ 15,751,287	1.5%
Fee Revenue	4,852,246	4,428,613	4,582,523	4,899,042	6.9%
Other Revenue	877,788	957,065	511,423	730,643	42.9%
Total Revenue	21,164,221	20,579,716	20,619,148	21,380,972	3.7%
Expenses					
Salary & Benefits	12,309,526	14,891,071	16,342,800	17,469,339	6.9%
Operating Expenses	3,583,603	3,162,120	4,007,669	3,676,380	-8.3%
Cost of Sales	884,719	935,843	950,000	950,450	0.0%
Total Expenses	16,777,848	18,989,034	21,300,469	22,096,169	3.7%
Net Income	4,386,373	1,590,682	(681,321)	(715,197)	
Beginning Fund Balance	22,012,492	26,398,865	27,989,547	27,308,226	
Ending Fund Balance	\$ 26,398,865	\$ 27,989,547	\$ 27,308,226	\$ 26,593,029	

Financial Summary Schedules

Revenue

Revenue is generated in the form of permits, fees and licensing, and other miscellaneous sources.

Below is a short description of each type of revenue. See Fee Schedule in the Pikes Peak Regional Building Code for additional information.

Plan Check Fee – Revenue received upon submittal of new plans for review by the Department staff. The fee is 28% of the estimated permit fee determined by the estimated contract price of the job.

Building Permits – Revenue for building/structural permits itself, which covers the cost of inspections. Depending on the type of project, the fee is determined by the calculated valuation or the contract price of the project.

Electrical Permits – Revenue for electrical permits/inspections is based on valuation.

Mechanical/Plumbing Permits – Revenue for mechanical/plumbing permits/inspections is based on valuation.

Elevator Permits – Revenue for new elevator permits.

Floodplain Permits – Revenue for new floodplain permits.

Mobile Home Permits – Revenue for manufactured home set permits/inspections.

Elevator Inspections – Revenue for the annual inspection for the permits to operate any conveyance equipment.

Contractor Licenses – Revenue for issuing licenses to conduct business that requires permit and licensing in the Department's jurisdiction.

Mechanics Licenses – Revenue for issuing licenses to conduct mechanical business that requires permit and licensing in the Department's jurisdiction.

Special – Various fees generally in relation to collecting fees for other entities.

Re-Inspections – Penalty fees when inspection fails repeatedly for same issues.

Variance Requests – Fees to apply for variances to be heard at the Technical Committee monthly meetings.

Address Assignment Fees – Flat fees assigned at time of plan review for all new construction.

Floodplain Plan Review – Flat fees assigned at time of plan review for all new construction.

Utility Fees – Revenue generated from resealing Colorado Springs Utilities' electric meters after completion of electric inspections.

Misc. Revenue – Revenue from miscellaneous sources.

Code Sales – Revenue from the sale of building code books.

Rental Income – Revenue from the rental of facilities.

Gain on Sale of Asset – Revenue from the sale of fixed assets minus accumulated depreciation.

Interest Earnings – Revenue from interest bearing bank accounts or other investments.

EPC CAM Back Bill – Revenue from El Paso County for common area maintenance where the Department paid the full original expense.

Revenue

	2022 Actual	2023 Actual	2024 Budget	2025 Budget	2024 Budget - 2025 Budget	% Change
Permit Revenue						
Building Permits	\$ 10,948,812	\$ 11,034,619	\$ 11,304,278	\$ 11,530,363	\$ 226,085	2.0%
Mechanical/Plumbing Permit	2,419,856	2,142,084	2,278,390	2,278,390	-	0.0%
Electrical Permits	2,173,594	2,114,756	1,863,560	1,863,560	-	0.0%
Elevator Permits	80,666	97,440	60,818	61,368	550	0.9%
Floodplain Permits	2,910	3,850	6,355	5,406	(949)	-14.9%
Mobile Home Permits	16,440	14,592	11,801	12,200	399	3.4%
Total Permit Revenue	15,642,278	15,407,341	15,525,202	15,751,287	226,085	1.5%
Fee Revenue						
Plan Check Fees	3,284,075	2,939,078	3,105,198	3,168,502	63,304	2.0%
Contractor Licensing Fees	565,513	578,177	523,758	580,000	56,242	10.7%
Licensing Reward Program	(205,725)	(212,475)	(300,000)	(250,000)	50,000	-16.7%
Elevator Inspections	353,202	409,305	296,827	525,000	228,173	76.9%
Address Assignment Fees	144,570	110,550	183,360	157,568	(25,792)	-14.1%
Mechanical Licenses	14,945	13,070	12,708	14,250	1,542	12.1%
Re-Inspections	222,810	156,475	210,592	210,592	-	0.0%
Floodplain Plan Review	54,000	25,680	115,282	58,331	(56,951)	-49.4%
Variance Requests	6,110	5,360	6,355	6,355	-	0.0%
Utility Fees	17,320	8,360	16,339	16,339	-	0.0%
Collection & Other Fees	397,406	418,796	412,105	412,105	-	0.0%
Total Fee Revenue	4,854,226	4,452,376	4,582,523	4,899,042	316,519	6.9%
Other Revenue						
Code Sales	30,691	35,223	40,848	20,000	(20,848)	-51.0%
Misc. Revenue	29,553	36,824	72,900	50,000	-	0.0%
Gain On Sale Of Assets	390,673	184,831	129,675	142,643	12,968	10.0%
Interest Earnings	122,216	360,992	200,000	450,000	-	0.0%
EPC CAM Back Bill	96,950	106,548	68,000	68,000	-	0.0%
Total Other Revenue	670,084	724,418	511,423	730,643	(7,880)	-1.5%
Draw from fund balance	-	-	681,321	715,197	33,876	
	\$ 21,166,587	\$ 20,584,135	\$ 21,300,469	\$ 22,096,169	\$ 795,700	3.7%

Expenses

The largest portion of expenses is salary and benefits. The Department is a service organization and depends upon employees to provide the expertise and service to its customers. Actual and projected expenses have increased in direct relation to increased staffing levels and remaining staffing needs. Expenses have increased at a slower rate than revenue due to Department efficiencies such as electronic inspections, reorganizing inspectors' routes, and projects' length. By projects' length, the Department refers to the time between permit and plan review fees are collected in comparison to when the services are provided; i.e., the services continue to be provided for a long time after the payment of fees, and are sometimes carried over to the next budget year.

Expenses for the Department are outlined below. Total expenses are budgeted to increase to \$22,096,169 (a 3.7% increase from the 2024 Budget). Salary & Benefits are increasing due to additional employees in several departments, a modest cost of living adjustment in line with local Front Range employers, and a potential 6.5% increase in medical, dental and vision benefits. The Department is continuing to budget a supplemental CAM expense in 2025 to address deferred maintenance for the Pikes Peak Regional Development Center.

At the end of 2025, in accordance with this Budget, the Department projects cash as a percent of budget to be 76.74%.

Expenses						
	2022 Actual	2023 Actual	2024 Budget	2025 Budget	2024 Budget - 2025 Budget	% Change
Salaries & Benefits	\$ 15,938,993	\$ 15,219,158	\$ 16,352,800	\$ 17,469,339	\$ 1,116,539	6.8%
Rent	581,183	581,478	800	800	-	0.0%
Supplies	536,755	237,203	407,600	391,800	(15,800)	-3.9%
Maintenance	647	-	32,000	82,000	50,000	156.3%
Fleet	383,996	237,761	825,000	825,000	-	0.0%
Insurance	347,796	350,597	445,000	430,000	(15,000)	-3.4%
Services	1,055,223	1,116,476	1,189,112	884,073	(305,039)	-25.7%
Common Area Maintenance	357,706	357,706	937,707	937,707	-	0.0%
Community Engagement & Education	132,000	129,600	160,000	125,000	(35,000)	-21.9%
Depreciation	818,442	844,324	900,000	900,000	-	0.0%
Cost Of Sales	118,703	91,519	50,450	50,450	-	0.0%
Total Expenditures	\$ 20,271,444	\$ 19,165,820	\$ 21,300,469	\$ 22,096,169	\$ 795,700	3.7%

Capital Expenditures

The Department classifies a capital asset as property and equipment, which includes land, building, leasehold improvements, furniture and fixtures, and other equipment that have a useful life greater than one year and have a cost greater than \$5,000. The Department maintains a capital reserve. Unless otherwise noted, capital expenditures will be paid from the operating budget and not the capital reserve.

The schedule below shows the budgeted capital expenditures for 2025.

Capital Project	2025 Budget
Fleet Replacement	\$ 500,000
Fleet Additions	-
Total Capital Spending	\$ 500,000

The Department operates a fleet of roughly 85 vehicles. The fleet is made up of small trucks and SUVs. The vehicles are rotated around 40,000 miles. This helps the Department avoid substantial maintenance costs and retain a high trade-in (sales) value. Fleet replacement is an ongoing capital expenditure and is planned for out of the operating budget instead of the capital reserve. Fleet additions are based on the need to hire additional staff members.

Statistical Section

El Paso County is located in east central Colorado and covers about 2,158 square miles. As of 2020, the population was 731,641 and had grown 1.27% from the prior year. The county is most populated county in the state.

Population				
Year	Colorado	% Change	El Paso County	% Change
2010	5,029,196	1.05%	622,263	2.26%
2011	5,116,302	1.73%	637,302	2.42%
2012	5,189,458	1.43%	644,964	1.20%
2013	5,268,367	1.52%	654,928	1.54%
2014	5,352,866	1.60%	663,957	1.38%
2015	5,454,707	1.90%	675,663	1.76%
2016	5,542,951	1.62%	689,577	2.06%
2017	5,616,567	1.33%	701,544	1.74%
2018	5,694,311	1.38%	714,398	1.83%
2019	5,763,976	1.22%	722,493	1.13%
2020	5,782,914	0.33%	731,641	1.27%
2021	5,812,069	0.50%	737,867	0.85%
2022	5,839,926	0.48%	740,567	0.37%
2023	5,890,612	0.87%	748,659	1.09%

source: United States Census Bureau

Below is various other statistical information about the region.

Median household income (2018-2022)	\$ 79,026
Owner-occupied housing unit rate	61.1%
Median value of owner occupied housing units (2018 - 2022)	\$ 383,000
Median gross rent (2018 - 2022)	\$ 1,860
Households	193,149
High school graduate or higher % of persons age 25+ years	94.3%
Bachelor's degree or higher % of persons age 25+ years	41.1%
Mean travel time to work (minutes)	22.9
All employer firms (2017)	10,815
https://www.census.gov/quickfacts/fact/table/coloradospringscitycolorado,US	

SAND CREEK BASIN AND MESA BASIN DRAINAGE FEES



Adjustment to Sand Creek Basin and Mesa
Basin Drainage Fees

10/08/2024 Budget Committee Erin Powers, P.E. – Stormwater Compliance Program Manager

DRAINAGE BASIN FEE PROGRAM



- Current program originated with a drainage ordinance adopted by the City in 1963.
- The purpose of the ordinance was to address the need for drainage and flood control facilities within developing areas.
- The program is a private cost sharing program to fund large stormwater infrastructure for newly developing areas.

DRAINAGE FEE DETERMINATION



- Each Drainage Basin has a master drainage study called a Drainage Basin Planning Study (“DBPS”)
- Per Acre Fee = $\frac{\text{Larger Public Facilities Cost}}{\text{Acres Available to Plat}}$
- Fees are adjusted each year for inflation
Example: Bear Creek DBPS
1980 fee: \$1,000 per acre
2024 fee: \$5,357 per acre

DRAINAGE FEE MODIFICATION



- City Code 7.4.702: The fees shall be reestablished in accord with changes in construction and other costs or revisions suggested by additional studies or other information obtained.
- Increasing a drainage basin fee represents a common practice used by the Drainage Board to cover unanticipated drainage costs (those not shown in a Drainage Basin Planning Study) in new development.

SAND CREEK DRAINAGE FEE MODIFICATION



- Request by Classic Consulting on behalf of Greenway Investments, LLC.
- Portions of the Sand Creek Basin were previously platted and then vacated.
- The drainage corridor associated with a neighborhood park was recommended to be removed from the plat area subject to drainage fees.
- The recommended increase would compensate for the change in future platted acreage subject to drainage fees.

MESA BASIN DRAINAGE FEE MODIFICATION



- The estimated cost of improvements in the 1986 Mesa Drainage Basin Planning Study was \$85,121.14 (adjusted for inflation).
- The engineer's 2022 cost estimate was \$70,851.50.
- The as-paid bills total \$885,552.23, exceeding the DBPS estimated cost by \$800,431.09.
- The recommended increase would cover the excess cost of the reimbursable improvements.

FEE RECOMMENDATION



City of Colorado Springs / El Paso County Drainage Board recommended to increase the 2024 Sand Creek Drainage Fee to \$25,349 per acre, and to increase the 2024 Mesa Basin Drainage Fee to \$53,850 per acre for property to be platted as shown on Exhibit B and \$40,002 per acre for all other property in Mesa Basin.

QUESTIONS?



Title

A Resolution to Amend Resolution Nos. 208-23 and 59-24 Increasing the 2024 Mesa Basin and Sand Creek Basin Drainage Fees.

Presenter:

Richard Mulledy, P.E., Public Works Director;
Erin Powers, P.E., Stormwater Compliance Program Manager

Summary:

The Colorado Springs/El Paso County Drainage Board, at their August 13, 2024 meeting, approved a recommendation for an increase of \$22,405 per acre to the drainage fee for the Mesa Drainage Basin for property to be platted and unplatted property in relation to the consolidated landfill as delineated by the Ownership Exhibit (Exhibit B), and \$8,557 per acre for all other unplatted property. The existing 2024 drainage fee for this basin is \$31,445 per acre. The new drainage fee for this basin would be \$53,850 per acre for MVS Development, LLC property including the consolidated landfill, and \$40,002 per acre for the remaining unplatted acreage within the Mesa Basin.

The Colorado Springs / El Paso County Drainage Board, at their September 10, 2024 meeting, approved a recommendation for an increase of \$1,661 per acre to the drainage fee for the Sand Creek Drainage Basin. The existing 2024 drainage fee for this basin is \$23,668 per acre. The new drainage fee for this basin would be \$25,349 per acre.

Background:

Action by the Drainage Board to increase the Sand Creek Basin and Mesa Basin drainage fees to cover drainage basin costs represents a common practice used by the Drainage Board to cover unanticipated drainage costs in new subdivision development. Unanticipated costs can be described as costs not shown in the Drainage Basin Planning Study for the drainage basin and/or costs that were not included in the original fee calculation for the basin.

The Drainage Board's action to increase the Sand Creek Basin drainage fee originated with a request by Classic Consulting, the engineer for Greenways Neighborhood Park Filing No. 1, and Greenway Investments, LLC., the developer for Greenways Neighborhood Park Filing No. 1. Portions of the Sand Creek Basin were previously platted and then vacated. The drainage corridor associated with a neighborhood park consisting of 37.2 acres was recommended to be removed from the plat area subject to drainage fees because the area had been previously platted. This fee increase is intended to compensate for the change in future platted acreage subject to drainage fees.

The Drainage Board's action to increase the Mesa Basin drainage fee originated with a request by Classic Consulting, the engineer for Allaso Peak Filing No. 1, and MVS Development, LLC., the developer for Allaso Peak Filing No. 1. A detention facility was required to support the development of 253-multifamily apartment units per criteria and identified in the Drainage Basin Planning Study (DBPS) for the Mesa Basin. The 1986 Mesa Basin Drainage Basin Planning Study included a detention facility in the development area with an associated reimbursable cost of \$85,121.14 (adjusted for inflation). The engineering cost estimate in the

September 2022 Master Development Drainage Plan and Final Drainage Report for Lot 1, Allaso Peak Filing No. 1 was \$70,851.50. The engineer's as-paid bills total \$885,552.23, exceeding the DBPS estimated cost by \$800,431.09. This fee increase is intended to cover the excess cost for the reimbursable improvements. The developer proposed to pay a higher future fee per acre and receive a higher upfront reimbursement rather than receive an adjusted reimbursement and paying the same fee per acre for remaining property. The Drainage Board agreed with the request, as reflected in the higher fee for the area shown on Exhibit A.

Previous Council Action:

On December 12, 2023, the City Council approved Resolution 208-23 establishing the 2024 Drainage Basin Fees. City Council approved Resolution No. 59-24 on June 24, 2023 re-establishing the 2024 Mesa Drainage Basin Fee.

Financial Implications:

Drainage fees are paid by developers and are used to reimburse other developers who construct drainage improvements. These basin fees are not utilized by the City of Colorado Springs for drainage infrastructure, maintenance, or improvements. Instead, the fees are used to help offset the costs that developers incur to build public infrastructure that is beyond their obligation. The increases to the drainage, bridge and detention pond facility fees should help preserve the financial integrity of the drainage fee program. The revenue and expenditures for drainage fees are tracked in a separate fund. There is no impact to the General Fund.

City Council Appointed Board/Commission/Committee Recommendation:

The Colorado Springs/El Paso County Drainage Board, at their August 13, 2024 meeting, approved a recommendation to increase the Mesa Basin Drainage Fee from \$31,445 per acre to \$53,850 per acre for property to be platted in the consolidated landfill area as delineated on the Exhibit B, and \$40,002 per acre for all other unplatted property in the Mesa Drainage Basin. The Drainage Board, at their September 10, 2024 meeting, approved a recommendation to increase the Sand Creek Basin Drainage Fee from \$23,668 to \$25,349 per acre.

Stakeholder Process:

There was no public comment on the item presented at the Drainage Board Meeting.

Alternatives:

Leave the drainage fee for the Mesa Basin at its current amount. This would result in the fee being too low to cover all the reimbursable drainage facility costs in the basin.

Proposed Motion:

Move to approve the resolution to increase the 2024 Sand Creek Drainage Fee to \$25,349 per acre, and to increase the 2024 Mesa Basin Drainage Fee to \$53,850 per acre for property to be platted as shown on Exhibit B and \$40,002 per acre for all other property in Mesa Basin.

Summary of Ordinance Language

N/A

RESOLUTION NO. _____ - 24

A RESOLUTION TO AMEND RESOLUTION NOS. 208-23 AND
59-24 INCREASING THE 2024 MESA BASIN AND SAND CREEK
BASIN DRAINAGE FEES

WHEREAS, on December 12, 2023, City Council approved Resolution No. 208-23 establishing the 2024 Drainage Basin Fees; and

WHEREAS, on June 24, 2024, City Council approved Resolution No. 59-24 re-establishing the 2024 Mesa Drainage Basin Fee; and

WHEREAS, at the August 13, 2024 meeting of the City/County Drainage Board, the Board approved a recommendation to increase the Mesa Basin Drainage Fee from \$31,445 per acre to \$53,850 per acre for property to be platted in the consolidated landfill area as shown on Exhibit B, and \$40,002 per acre for all other unplatted property in the Mesa Drainage Basin; and

WHEREAS, at the September 10, 2024 meeting of the City/County Drainage Board, the Board approved a recommendation to increase the Sand Creek Basin Drainage Fee from \$23,668 to \$25,349 per acre.

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

Section 1. The 2024 Sand Creek Drainage Fee is increased to \$25,349 per acre and adopted by the City Council based on the City/County Drainage Board recommendation.

Section 2. The 2024 Mesa Basin Drainage Fee is increased to \$53,850 per acre for property to be platted as shown on Exhibit B and \$40,002 per acre for all other property in Mesa Basin and adopted by the City Council based on the City/County Drainage Board recommendation.

Section 3. The updated 2024 Drainage Basin Fee Schedule is attached and incorporated herein as Exhibit A. All other 2024 Drainage Basin Fees, Bridge Fees, Pond Fees and Land Fees established by Resolution No. 208-23 will remain unchanged.

Dated at Colorado Springs, Colorado this ____ day of _____, 2024.

Randy Helms, Council President

ATTEST:

Sarah B. Johnson, City Clerk

Exhibit A

2024 DRAINAGE, BRIDGE AND POND FEES CITY OF COLORADO SPRINGS

Proposed

Basin Name	DBPS Year	Drainage Fee/Acre	Bridge Fee/Acre	Pond Land Fee/Acre	Pond Facility Fee/Acre	Surcharge/ Acre
19th Street	1964	\$5,454				
21st Street	1977	\$8,324				
Bear Creek	1980	\$5,357	\$505			
Big Johnson, Crews	1991	\$20,728	\$1,703	\$308		
Black Squirrel Creek	1989	\$18,989		\$4,784		
Camp Creek	1964	\$3,071				
Cottonwood Creek ^{1, 2}	2019	\$18,615	\$1,529			\$979
Douglas Creek	1981	\$17,225	\$385			
Dry Creek ³	1966	\$0				
Elkhorn Basin ⁴	n/a	\$0				
Fishers Canyon ⁵	1991	\$0				
Fountain Creek ⁶	n/a	VAR				
Jimmy Camp Creek	2015	\$10,793			\$3,517	
Kettle Creek ⁷ Old Ranch Trib.	2001	\$0				
Little Johnson	1988	\$18,090		\$1,570		
Mesa	1986	\$40,002				
Mesa (Centennial Allaso Peak)	1986	\$53,850				
Middle Tributary	1987	\$32,410		\$1,434		
Miscellaneous ⁸	n/a	\$16,111				
Monument Branch ¹²	1987	\$0				
North Rockrimmon	1973	\$8,325				
Park Vista (MDDP)	2004	\$23,188				
Peterson Field	1984	\$17,491	\$805			
Pine Creek ⁹	1988	\$0				
Pope's Bluff	1976	\$5,543	\$949			
Pulpit Rock	1968	\$9,180				
Sand Creek	2021	\$23,688				
Shooks Run ¹⁰	1994	\$0				
Smith Creek ¹¹	2002	\$0				
South Rockrimmon	1976	\$6,509				
Southwest Area	1984	\$18,504				
Spring Creek	1968	\$18,372				
Templeton Gap	1977	\$9,404	\$104			
Windmill Gulch	1992	\$19,750	\$367	\$3,909		

All Drainage, Bridge and Detention Pond Facilities Fees adjusted by 7.6% over 2023 by City Council Resolution No. 208-23 on December 12, 2023 to be effective on January 1, 2024. Land Fees are based on the Community Park Land Dedication Fee which is currently \$98,010/acre for Community Parks (0% change for inflation in 2023).

¹ The 2024 Cottonwood Creek drainage fee consists of a capital improvement fee of \$14,687 per acre and land fee of \$3,928 per acre for a total of \$18,615 per acre. These fees are adjusted annually using different procedures but are combined for collection purposes. **The surcharge fee of \$979/ac is due in cash; credits for prior facility construction cannot be used to offset this fee,** which is deposited into a separate City fund known as the "Cottonwood Creek Surcharge" fund.

² The Wolf Ranch portion of the Cottonwood Creek Drainage Basin was approved as a "no fee" basin **as to Drainage Fees only** by City Council on August 28, 2018 by Resolution No. 96-18

³ Dry Creek is a closed basin per City Council Resolution No. 118-08 on June 24, 2008

⁴ Elkhorn Basin is a closed basin per the Annexation Agreements for the area.

⁵ Fishers Canyon is a closed basin per City Council Resolution No. 74-08 on April 22, 2008.

⁶ Pursuant to the recommendation of the Subdivision Storm Drainage Board adopted at its meeting of September 15, 1977, there are exempted and excluded from the provisions of this part construction of the main Fountain Creek Channel from the confluence of Fountain Creek with Monument Creek northwest to the City limits. Land developments taking place adjacent to Fountain Creek shall remain responsible for dedicating rights of way necessary for the channelization of Fountain Creek, and the developers shall continue to pay to the City as a condition of subdivision plat approval the applicable drainage fees. Drainage fees are required in accordance with the appropriate basin study.

⁷ Kettle Creek Old Ranch Tributary is a closed basin per City Council Resolution 139-02 on August 27, 2002.

⁸ Miscellaneous fee is assessed on unstudied areas and the Roswell and Westside Basins.

⁹ Pine Creek is a closed basin per City Council Resolution No.236-88 on December 13, 1988.

¹⁰ Shooks Run is a closed basin pursuant to the recommendation of the Drainage Board, adopted at its meeting on October 15, 1963.

¹¹ Smith Creek is a closed basin per City Council Resolution 140-02 on August 27, 2002

¹² Monument Branch Basin is a closed basin per City Council Res. 177-10 on October 12, 2010

Exhibit B

TRACT D
ALLASO PEAK
FILING NO. 1
(0.043 AC - MVS)

VAN BUREN STREET PUBLIC ROW
(0.404 AC)

VAN BUREN STREET

TRACT A
ALLASO PEAK
FILING NO. 1
(0.368 AC - MVS)

LOT 1
ALLASO PEAK
FILING NO. 1
(8.996 AC - TITAN)

PREVIOUSLY PLATTED

TRACT C
ALLASO PEAK
FILING NO. 1
(3.032 AC - TITAN)

TRACT B
ALLASO PEAK
FILING NO. 1
(0.185 AC - MVS)

UNPLATTED
CONSOLIDATED
LANDFILL
(4.514 AC - MVS)

NOT REQUIRED
TO BE PLATTED

UNPLATTED
(8.414 AC - MVS)

TO BE PLATTED

UNPLATTED
(9.007 AC - MVS)

TO BE PLATTED

50' WIDE UTILITY
EASEMENT (MVS)

CENTENNIAL BOULEVARD

UNPLATTED
STORMWATER
DETENTION
BASIN
(2.992 AC - MVS)

UNPLATTED
STORMWATER
DETENTION
BASIN
(0.678 AC - MVS)



SCALE: 1" = 150'

OWNERSHIP EXHIBIT
2545.00
AUGUST 7, 2024
SHEET 1 OF 1



619 N. Cascade Avenue, Suite 200
Colorado Springs, Colorado 80903

(719)785-0790
(719)785-0799 (Fax)

N:\254500\DRAWINGS\EXHIBITS\GIS REVISED\Platted Exhibit.dwg, 8/7/2024 10:22:23 AM, 1:1.0054

Exhibit C

**2024 DRAINAGE, BRIDGE AND POND FEES
CITY OF COLORADO SPRINGS**

Basin Name	DBPS Year	Drainage Fee/Acre	Bridge Fee/Acre	Pond Land Fee/Acre	Pond Facility Fee/Acre	Surcharge/Acre
19th Street	1964	\$5,454				
21st Street	1977	\$8,324				
Bear Creek	1980	\$5,357	\$505			
Big Johnson, Crews	1991	\$20,728	\$1,703	\$308		
Black Squirrel Creek	1989	\$18,989		\$4,784		
Camp Creek	1964	\$3,071				
Cottonwood Creek ^{1, 2}	2019	\$18,615	\$1,529			\$979
Douglas Creek	1981	\$17,225	\$385			
Dry Creek ³	1966	\$0				
Elkhorn Basin ⁴	n/a	\$0				
Fishers Canyon ⁵	1991	\$0				
Fountain Creek ⁶	n/a	VAR				
Jimmy Camp Creek	2015	\$10,793			\$3,517	
Kettle Creek ⁷ Old Ranch Trib.	2001	\$0				
Little Johnson	1988	\$18,090		\$1,570		
Mesa	1986	\$31,445				
Middle Tributary	1987	\$32,410		\$1,434		
Miscellaneous ⁸	n/a	\$16,111				
Monument Branch ¹²	1987	\$0				
North Rockrimmon	1973	\$8,325				
Park Vista (MDDP)	2004	\$23,188				
Peterson Field	1984	\$17,491	\$805			
Pine Creek ⁹	1988	\$0				
Pope's Bluff	1976	\$5,543	\$949			
Pulpit Rock	1968	\$9,180				
Sand Creek	2021	\$23,688				
Shooks Run ¹⁰	1994	\$0				
Smith Creek ¹¹	2002	\$0				
South Rockrimmon	1976	\$6,509				
Southwest Area	1984	\$18,504				
Spring Creek	1968	\$18,372				
Templeton Gap	1977	\$9,404	\$104			
Windmill Gulch	1992	\$19,750	\$367	\$3,909		

All Drainage, Bridge and Detention Pond Facilities Fees adjusted by 7.6% over 2023 by City Council Resolution No. 208-23 on December 12, 2023 to be effective on January 1, 2024. Land Fees are based on the Community Park Land Dedication Fee which is currently \$98,010/acre for Community Parks (0% change for inflation in 2023).

¹ The 2024 Cottonwood Creek drainage fee consists of a capital improvement fee of \$14,687 per acre and land fee of \$3,928 per acre for a total of \$18,615 per acre. These fees are adjusted annually using different procedures but are combined for collection purposes. **The surcharge fee of \$979/ac is due in cash; credits for prior facility construction cannot be used to offset this fee,** which is deposited into a separate City fund known as the "Cottonwood Creek Surcharge" fund.

² The Wolf Ranch portion of the Cottonwood Creek Drainage Basin was approved as a "no fee" basin **as to Drainage Fees only** by City Council on August 28, 2018 by Resolution No. 96-18

³ Dry Creek is a closed basin per City Council Resolution No.118-08 on June 24, 2008

⁴ Elkhorn Basin is a closed basin per the Annexation Agreements for the area.

⁵ Fishers Canyon is a closed basin per City Council Resolution No. 74-08 on April 22, 2008.

⁶ Pursuant to the recommendation of the Subdivision Storm Drainage Board adopted at its meeting of September 15, 1977, there are exempted and excluded from the provisions of this part construction of the main Fountain Creek Channel from the confluence of Fountain Creek with Monument Creek northwest to the City limits. Land developments taking place adjacent to Fountain Creek shall remain responsible for dedicating rights of way necessary for the channelization of Fountain Creek, and the developers shall continue to pay to the City as a condition of subdivision plat approval the applicable drainage fees. Drainage fees are required in accordance with the appropriate basin study.

⁷ Kettle Creek Old Ranch Tributary is a closed basin per City Council Resolution 139-02 on August 27, 2002.

⁸ Miscellaneous fee is assessed on unstudied areas and the Roswell and Westside Basins.

⁹ Pine Creek is a closed basin per City Council Resolution No.236-88 on December 13, 1988.

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RESOLUTION NO. 208- 23

A RESOLUTION ESTABLISHING 2024 DRAINAGE BASIN FEES, BRIDGE FEES, DETENTION POND FACILITY FEES AND LAND FEES

WHEREAS, the City Stormwater Enterprise prepared a study of drainage facility construction cost trends which recommended a 7.6% increase in Drainage Basin Fees, Bridge Fees, and Detention Pond Facility Fees for 2024; and

WHEREAS, the City/County Drainage Board at their October 10, 2023 meeting approved a recommendation to the City Council for a 7.6% increase for 2024 Drainage Basin Fees, Bridge Fees, and Detention Pond Facility Fees over the current fee schedule; and

WHEREAS, the Park Land Dedication Fee remains unchanged at \$98,010.00 per acre in 2024; such Park Land Dedication Fee is used as the basis for computing the Detention Pond Land Fee.

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

Section 1. The 2024 Drainage Basin Fees, Bridge Fees, Detention Pond Facility Fees and Land Fees are established based on the City/County Drainage Board recommendation and as shown on the 2024 Fee Schedule, effective on January 1, 2024, and attached hereto as Exhibit A.

Dated at Colorado Springs, Colorado this 12th day of December 2023.


Randy Helms, Council President

ATTEST:


Sarah B. Johnson, City Clerk



**2024 DRAINAGE, BRIDGE AND POND FEES
CITY OF COLORADO SPRINGS**

Basin Name	DBPS Year	Drainage Fee/Acre	Bridge Fee/Acre	Pond Land Fee/Acre	Pond Facility Fee/Acre	Surcharge/Acre
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Mesa	1986	\$14,479				
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Miscellaneous ⁸	n/a	\$16,111				
Monument Branch ¹²	1987	\$0				
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Peterson Field	1984	\$17,491	\$805			
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All Drainage, Bridge and Detention Pond Facilities Fees adjusted by 7.6% over 2023 by City Council Resolution No. 208-23 on December 12, 2023 to be effective on January 1, 2024. Land Fees are based on the Community Park Land Dedication Fee which is currently \$98,010/acre for Community Parks (0% change for inflation in 2023).

¹ The 2024 Cottonwood Creek drainage fee consists of a capital improvement fee of \$14,687 per acre and land fee of \$3,928 per acre for a total of \$18,615 per acre. These fees are adjusted annually using different procedures but are combined for collection purposes. **The surcharge fee of \$979/ac is due in cash; credits for prior facility construction cannot be used to offset this fee,** which is deposited into a separate City fund known as the "Cottonwood Creek Surcharge" fund.

² The Wolf Ranch portion of the Cottonwood Creek Drainage Basin was approved as a "no fee" basin **as to Drainage Fees only** by City Council on August 28, 2018 by Resolution No. 96-18

³ Dry Creek is a closed basin per City Council Resolution No.118-08 on June 24, 2008

⁴ Elkhorn Basin is a closed basin per the Annexation Agreements for the area.

⁵ Fishers Canyon is a closed basin per City Council Resolution No. 74-08 on April 22, 2008.

⁶ Pursuant to the recommendation of the Subdivision Storm Drainage Board adopted at its meeting of September 15, 1977, there are exempted and excluded from the provisions of this part construction of the main Fountain Creek Channel from the confluence of Fountain Creek with Monument Creek northwest to the City limits. Land developments taking place adjacent to Fountain Creek shall remain responsible for dedicating rights of way necessary for the channelization of Fountain Creek, and the developers shall continue to pay to the City as a condition of subdivision plat approval the applicable drainage fees. Drainage fees are required in accordance with the appropriate basin study.

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⁸ Miscellaneous fee is assessed on unstudied areas and the Roswell and Westside Basins.

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RESOLUTION NO. 59 - 24

A RESOLUTION TO AMEND RESOLUTION NO. 208-23
INCREASING THE 2024 MESA DRAINAGE BASIN FEE

WHEREAS, on December 12, 2023, City Council approved Resolution No. 208-23 establishing the 2024 Mesa Drainage Basin Fee; and


WHEREAS, at the April 9, 2024, meeting of the City/County Drainage Board, the Board approved a recommendation to increase the Mesa Drainage Basin Fee from \$14,479 per acre to \$31,445 per acre.

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

Section 1. The 2024 Mesa Drainage Basin Fee is hereby increased to \$31,445 per acre and as shown on Exhibit A. attached hereto and incorporated herein.

Section 2. All other 2024 Drainage Basin Fees, Bridge Fees, Pond Fees and Land Fees established by Resolution No. 208-23 will remain unchanged.

Dated at Colorado Springs, Colorado this 25th day of June 2024.



Randy Helms, Council President

ATTEST:



Sarah B. Johnson, City Clerk



Exhibit A

2024 DRAINAGE, BRIDGE AND POND FEES CITY OF COLORADO SPRINGS Proposed

Basin Name	DBPS Year	Drainage Fee/Acre	Bridge Fee/Acre	Pond Land Fee/Acre	Pond Facility Fee/Acre	Surcharge/Acre
19th Street	1964	\$5,454				
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Miscellaneous ⁸	n/a	\$16,111				
Monument Branch ¹²	1987	\$0				
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¹ The 2024 Cottonwood Creek drainage fee consists of a capital improvement fee of \$14,687 per acre and land fee of \$3,928 per acre for a total of \$18,615 per acre. These fees are adjusted annually using different procedures but are combined for collection purposes. **The surcharge fee of \$979/ac is due in cash; credits for prior facility construction cannot be used to offset this fee, which is deposited into a separate City fund known as the "Cottonwood Creek Surcharge" fund.**

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RESOLUTION NO. 208- 23

A RESOLUTION ESTABLISHING 2024 DRAINAGE BASIN FEES, BRIDGE FEES, DETENTION POND FACILITY FEES AND LAND FEES

WHEREAS, the City Stormwater Enterprise prepared a study of drainage facility construction cost trends which recommended a 7.6% increase in Drainage Basin Fees, Bridge Fees, and Detention Pond Facility Fees for 2024; and

WHEREAS, the City/County Drainage Board at their October 10, 2023 meeting approved a recommendation to the City Council for a 7.6% increase for 2024 Drainage Basin Fees, Bridge Fees, and Detention Pond Facility Fees over the current fee schedule; and

WHEREAS, the Park Land Dedication Fee remains unchanged at \$98,010.00 per acre in 2024; such Park Land Dedication Fee is used as the basis for computing the Detention Pond Land Fee.

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Dated at Colorado Springs, Colorado this 12th day of December 2023.



Randy Helms, Council President

ATTEST:


Sarah B. Johnson, City Clerk



Exhibit A

2024 DRAINAGE, BRIDGE AND POND FEES CITY OF COLORADO SPRINGS Proposed January 1, 2024

Basin Name	DBPS Year	Drainage Fee/Acre	Bridge Fee/Acre	Pond Land Fee/Acre	Pond Facility Fee/Acre	Surcharge/Acre
19th Street	1964	\$5,454				
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² The Wolf Ranch portion of the Cottonwood Creek Drainage Basin was approved as a "no fee" basin as to Drainage Fees only by City Council on August 28, 2018 by Resolution No. 96-18

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Exhibit B



DATE: September 13th, 2023

TO: City/County Drainage Board

FROM: Erin Powers, Compliance Program Manager, Stormwater Enterprise

SUBJECT: 2024 FEE STUDY

Following is a summary of research on drainage construction costs with a recommendation regarding the annual review of the Drainage, Bridge and Detention Pond fees in 2023 to adjust for inflationary costs for fees to be collected in 2024.

Background. The City's Drainage Code includes the following paragraph about annual fee adjustments:

City Code:

7.4.702: DRAINAGE BASIN FEE PROGRAM:

C.1.d: Prior to January 1 of each year the unit drainage fee and the unit pond land fees shall be reviewed by the Drainage Board, which shall make a recommendation to the City Council as to any adjustment to the fees. In the absence of additional studies, the unit pond land fees are intended to be raised or lowered by the same percentage as the City's park land dedication fee. Upon such recommendation the City Council shall establish by resolution the unit drainage, bridge, pond facility, pond land, and surcharge fees in each drainage basin to be effective January 1 of each year. The fees shall be reestablished in accord with changes in construction and other costs or revisions suggested by additional studies or other information obtained.

Drainage Basin fees shall be reviewed and adjusted annually in order to comply with City Code and to stay current with reimbursement costs. The purpose is to ensure consistent, fair, and equitable reimbursements for the costs of constructing public stormwater infrastructure.

The drainage basin fees were increased by 3.5% in January of 2021, 7.0% in January of 2022, and 9.2% effective January 1, 2023 with the adoption by City Council at the recommendation of the City/County Drainage Board. There was no adjustment based upon a forecast for 2023.

Data Sources:

As was done in past years, this analysis looks back at actual construction cost increases for the past year.

The research for this year’s survey includes data from:

- Colorado Department of Transportation (CDOT) Colorado Construction Cost Index data;
- Denver-Aurora-Lakewood Consumer Price Index (CPI-U);
- Cost data from Engineering News Record (ENR);
- UCCS Economic Form data; and
- Local developers, contractors, consultants, and providers of construction materials.

Colorado Department of Transportation (CDOT) Colorado Construction Index Report (“CCI”):

For specific construction items (Earthwork, Structural Concrete, and Reinforcing Steel) the average cost increased by 17.56% from the first quarter of 2022 to the first quarter of 2023. The CCI is difficult to rely on as the projects that CDOT completes vary widely in location, size, scope, and CDOT’s own materials availability. As is evidenced below, the costs of earthwork indicate the highest increase.

<u>Item</u>	<u>1st Quarter. 2022 Index</u>	<u>1st Quarter. 2022 Index</u>	<u>% Change (averaged over year)</u>
Earthwork Price (\$/CY)	21.51	25.47	18.41%
Structural Concrete Price (\$/CY)	1,027.78	1,020.16	-0.74%
Reinforcing Steel Price (\$/LB)	1.60	2.16	35.00%
			17.56%

Consumer Price Index (CPI-U): The nationwide CPI-U information provided in the UCCS Economic Forum data for July 2023 indicates all items less food and energy index advanced 4.8%. The Denver-Aurora-Lakewood CPI-U indicates all items less food and energy index advanced 5.8%.

Engineering News Record (ENR):

Calculations were based upon the following commodities for the Denver area: Concrete, 4000 psi; Reinforced Concrete Pipe (average of 24”, 36” and 48”); Rebar, Grade 60, #4; and Common Labor and Skilled Labor, comparing July 2022 to July 2023.

<u>Item</u>	<u>July 2022 Index</u>	<u>July 2023 Index</u>	<u>% Change (averaged over year)</u>
Concrete, 4000psi	152.1	140	-7.96%
Pipe (avg. of 3 sizes)	97.74	128.67	31.65%
Rebar, Grade 60, #4	73.02	80.22	9.86%
Common Labor	818.18	818.18	0.00%
Skilled Labor	902.92	943.19	4.46%
			7.60%

Based on these ENR statistics for the Denver area of a normal mix of labor and materials, a typical drainage project likely saw an average increase of approximately 7.60%.

Local Construction Costs (compiled by contacting local drainage construction contractors and materials providers):

City staff surveyed the local development community regarding project costs. The survey included questions regarding concrete, rock, pipe and labor from 2022 to 2023, and reported an average increase of approximately 16.85% in industries that support drainage projects.

Summary:

2023 Overall: Using weighted averages based on the impact of local contractor and supplier data for the past year, CCI, CDOT, ENR (Denver), the CPI-U, and UCCS Economic Forum data for the same time period, it is estimated that overall drainage construction costs have increased an average of 7.6% from the second quarter of 2022 to the second quarter of 2023.

2024 Forecast: The Governor's Office of State Planning and Budgeting has forecast an increase to the Consumer Price Index of 4.7% for 2023 and an increase of 2.7% for 2024 for Colorado. An increase based on the 2024 forecast is not recommended at this time.

Recommendation:

Staff recommends an increase of 7.6% over the 2023 drainage, bridge and detention pond facility fees, to include the Miscellaneous Basin fee, and approval of the attached fee schedule effective upon City Council approval.

There has been no adjustment to the Park Land Dedication Fee (\$98,010 per acre); therefore the Detention Pond Land fee will remain the same as in 2023.

A recommended motion would be:

I move to approve a recommendation to City Council for an increase of 7.6% over the 2023 drainage, bridge and detention pond facility fees, to include the Miscellaneous Basin fee, and approval of the attached fee schedule effective January 1, 2024.

Attachments:

Exhibit A – 2024 Proposed Fee Schedule

Exhibit B – 2023 Current Fee Schedule

Exhibit C

RESOLUTION NO. 202 - 22

**A RESOLUTION ESTABLISHING 2023 DRAINAGE BASIN FEES,
BRIDGE FEES, AND DETENTION POND FACILITY AND LAND
FEES.**

WHEREAS, the City Stormwater Enterprise prepared a study of drainage facility construction cost trends which recommended a 9.2% increase in Drainage Basin Fees, Bridge Fees, and Detention Pond Facility Fees for 2023; and

WHEREAS, the City/County Drainage Board at their September 13, 2022, meeting approved a recommendation to the City Council for a 9.2% increase for 2023 Drainage Basin Fees, Bridge Fees, and Detention Pond Facility Fees over the current fee schedule; and

WHEREAS, the Park Land Dedication Fee remains unchanged at \$98,010.00 per acre in 2023; such Park Land Dedication Fee is used as the basis for computing the Detention Pond Land Fee.

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

Section 1. The 2023 Drainage Basin Fees, Bridge Fees, and Detention Pond Facility and Land Fees are established based on the City/County Drainage Board recommendation and as shown on the 2023 Fee Schedule, effective on January 1, 2023, and attached hereto as Exhibit A.

Dated at Colorado Springs, Colorado, this 22nd day of November 2022.



Council President

ATTEST:


Sarah B. Johnson, City Clerk

Exhibit D



HOUSING & BUILDING
ASSOCIATION
OF COLORADO SPRINGS

4585 Hilton Parkway Suite 100, Colorado Springs, CO 80907
Phone: 719-592-1800 • CSHBA.com

MEMO

To: Erin Powers, Stormwater Enterprise

From: Ryan Klein, Public Policy Chair

Date: 10/9/2023

Subject: 2024 Proposed Drainage Fee Increase

On behalf of the Housing & Building Association of Colorado Springs (CSHBA), we would like to thank you for giving us the opportunity to review the proposed fee increases to the 2024 Drainage Fee Schedule. Since the Drainage Basin program is a cost sharing program between private parties and implemented by the City it is important to periodically make fair and balanced cost adjustments. While all increases to development and building costs are taken seriously (as they all play a role in housing attainability), we understand that the proposed fee adjustments are based upon actual cost increases experienced by the industry.

After review from our members, the proposed fee increase of 7.6% over the 2023 Drainage, Bridge & Detention Pond fees appears reasonable and justified by the current inflationary economic environment. It is important to note that as material costs stabilize, we may realize a period when no increase should be applied.

Ideally, in order to have a truly fair system, each drainage basin would be reassessed every 5 to 7 years to ensure that changes in drainage criteria and design plus the costs of construction of actual improvements are taken into account for each Drainage Basin Planning Study. However, we also acknowledge the impediments associated with conducting such frequent studies, as they are both time-consuming and costly. Moreover, we are aware of the potential changes to drainage criteria driven by Army Corps of Engineers and potentially the Colorado Department of Public Health and Environment, which can further complicate the planning and of these assessments. The annual changes to the drainage fees are a responsible shorter term methodology; however, over time the annual increases to the initial cost assumptions based in industry wide costs of construction will tend to significantly depart from a formal DBPS update.





Given these complexities, we appreciate the City's ongoing efforts to monitor and adjust drainage fees to reflect current market costs to build. We look forward to continued collaboration with the Stormwater Enterprise team.

Thank you,



Ryan Klein
2023 HBA Public Policy Chair

Granicus File #24-322
Budget Comm: 10/08/24
Work Session: 10/21/24
Regular Meeting: 11/12/24

Title

A Resolution Approving the City's Investment Policy

Presenter:

Charae McDaniel, Chief Financial Officer

Summary:

The proposed Investment Policy provides updates to adhere to changes in Colorado State statute that governs investment of public funds, reflects changes the City has implemented, and updates language for clarity in the policy. The attached policy would replace the previously approved policy. Per City Code, City Council approves the City's Investment Policy

Background:

City funds that are not needed in the short term for cash-flow purposes are eligible to be invested. These funds, from various accounts, are pooled for investment purposes. Funds that are held in certain restricted or special accounts are not included in the investment pool. The investment income derived from the pooled investment is allocated back to each account based upon the proportion of the respective average balances relative to the total pooled balance.

The purpose of the Investment Policy is to establish the investment scope, objectives, eligible investments and transactions, diversification requirements, and risk tolerance for the investment of the funds of the City of Colorado Springs.

The City Finance Department contracts with a professional Investment Advisor to invest and manage the funds on behalf of the City. The Investment Advisor is selected through an open, competitive procurement process. The most recent procurement process was conducted at the end of 2023, for the 2024 contract. During this procurement, the bidders were asked to provide proposals for managing both the operating fund and the reserve fund. Historically, the City has secured separate contracts for the investment services of the operating and reserve funds. During the latest procurement process, the top-rated firm was the same for both the operating and reserve funds. As a result, the City contracted with that firm, Insight Investment, and has consolidated the two investment funds into the operating fund, so there is now one investment fund.

As part of the contract with the Investment Advisor, the Investment Policy is periodically reviewed by the City and the Advisor to ensure the Policy reflects updates to the

Colorado State Statute language that governs investment of public funds, reflects changes the City has implemented such as the consolidation of the investment funds, and updates language for clarity in the policy.

In the attached red-line version of the updated Policy there are 15 proposed changes – 7 are updates to reflect changes to Colorado State Statute, 2 are related to the combining of the operating and reserve funds, and the remaining 6 are updates for clarification in the Policy.

The attached Exhibit A is a Summary of the Recommended Investment Policy Updates which provides a list of the changes in each category of changes related to Colorado State Statute, changes related to the combining of the operating and reserve funds, and changes related to clarification in the Policy.

Previous Council Action:

City Council adopted the City's original Investment Policy by resolution on September 28, 1993. The policy has since been revised and approved by City Council a number of times since 1993, most recently on February 28, 2023.

Financial Implications:

There are no explicit financial implications related to these policy changes, however, the policy changes are intended to provide the Investment Advisors a policy within which they can best secure a reasonable minimal-risk return.

City Council Appointed Board/Commission/Committee Recommendation:

This item is being heard by the City Council Budget Committee on October 8, 2024.

Stakeholder Process:

N/A

Alternatives:

N/A

Proposed Motion:

Move approval of the Resolution Approving the City's Investment Policy

Summary of Ordinance Language

N/A



City of Colorado Springs
Summary of Recommended Investment Policy Updates

Investment Policy Updates Related to State Statute Language:

- Authorized Securities and Transactions - Page 3, second paragraph: Remove municipal bonds from 50% aggregate credit exposure limit which is not required by state statute. This reference is also removed from the Authorized Investment Summary footnote on page 11.
- Authorized Securities and Transactions - Page 4, first paragraph: Add statutory language regarding the application of credit ratings and apply to all investment types.
- Authorized Securities and Transactions - Page 5 – 6, Items 4 – 8: Add minimum ratings in the event a security is rated by all three rating agencies referenced in the investment policy.
- Authorized Securities and Transactions - Page 5, Commercial Paper: Delete minimum issuer size language which is not required per state statute.
- Authorized Securities and Transactions - Page 6, Eligible Bankers Acceptances: Delete minimum capital requirement language which is not required by state statute.
- Authorized Securities and Transactions - Page 6, Money Market Mutual Funds: Delete reference to the City's investment policy requirements for authorized investments by the money market funds, which is not required by state statute. List repurchase agreements as an authorized investment.
- Authorized Investment Summary – Page 11: Add 5% aggregate exposure limit per issuer for corporate bonds, negotiable certificates of deposit, commercial paper and bankers acceptances per state statute.

Investment Policy Updates Related to the Combination of Reserve and Operating Portfolios

- Scope - Page 1: Delete language allowing managers to establish separate guidelines; flexibility retained with language in this paragraph which excludes certain funds from guidelines.
- Authorized Securities and Transactions - Page 3, second paragraph: Delete reference to multiple portfolios as reserve and operating portfolios have combined.



Investment Policy Updates for Clarification

- **Authorized Securities and Transactions - Page 3, opening paragraph:** Delete language pertaining to statutory updates; in the event of a change in state statute guidelines, related policy changes would be brought to council for approval before portfolio action.
- **Authorized Securities and Transactions - Page 3, second paragraph:** Delete language related to bonds with a put option as this security structure is extremely uncommon in universe of authorized investments.
- **Authorized Securities and Transactions - Page 4, first paragraph:** Move statutory language prohibiting the purchase of subordinated securities from Item 2. Federal Agency and Instrumentality Securities; apply to all investment types.
- **Authorized Securities and Transactions - Page 4, Federal Agency and Instrumentality Securities:** Delete list of specific agency issuers as issuers are referenced in body of paragraph.
- **Authorized Securities and Transactions - Page 4, second paragraph:** Move remedy language in the event of a rating downgrade from the end on this section.
- **Authorized Securities and Transactions - Page 5, Municipal Bonds:** Delete reference to pre-refunded municipal bonds as security type is covered by municipal bond language. This reference is also deleted in the Authorized Investment Summary table on page 10.

City of Colorado Springs

Investment Policy

XXXXXX XX, 2024

Deleted: February 28, 2023

The City of Colorado Springs ("the City") is a Colorado home rule municipality operating under its City Charter. The City functions under the direction of an elected Mayor. Existing Colorado State Statutes provide home rule municipalities with legal authority to promulgate and implement local standards for cash and investment management operations. The purpose of this Investment Policy is to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the City of Colorado Springs.

This Investment Policy was adopted by the City Council of the City of Colorado Springs by resolution on September 28, 1993. It was revised initially on November 8, 1994 and most recently on XXXXXX XX, 2024. It replaces any previous investment guidelines formulated by members of City staff.

Deleted: November 22, 2016

SCOPE

The provisions of this Investment Policy (the "Policy") shall apply to all investable funds of the City of Colorado Springs (the "Portfolio"). Utility funds, endowment funds, and moneys held in bank checking accounts for operating purposes shall be excluded from the provisions of this Policy. This Policy shall not restrict ability of the City to invest funds according to the limitations imposed by bond resolutions or indentures of trust adopted by the City for the funds held by a trustee under bond resolutions.

Deleted: Operating accounts, Reserve accounts and Bond Ordinance accounts shall be subject to the standards of this Policy but may be managed by persons not under this Policy, and each manager of these funds shall establish guidelines pertaining to the following areas: delegation of authority, authorized securities and transactions, portfolio maturities and liquidity requirements, reporting and the selection of broker/dealers and custodians.

All excess cash, except for cash in certain restricted and special accounts, shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance. Interest earnings shall be distributed to the individual funds not less than annually.

OBJECTIVES

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

- Preservation of capital and protection of investment principal.
- Maintenance of sufficient liquidity to meet anticipated cash flows.
- Diversification to avoid incurring unreasonable market risks.
- Attainment of a market rate of return.

DELEGATION OF AUTHORITY

The City Council establishes investment policy (City Code 1.6.102). The Mayor is charged with direct control of the City revenues (Article VII, City Charter). The City's Chief Financial Officer is responsible for the investment and custody of the City's investable funds, as well as the City's internal procedures affecting those funds. The Chief Financial Officer and designees shall implement the policies promulgated by City Council (City Code 1.2.602).

The following cites from the Code of the City of Colorado Springs shall apply:

Chapter 1: Administration, Personnel and Finance

Article 2: Officers of the City

Part 6: Powers and Duties of the Chief Financial Officer

1-2-602: The Chief Financial Officer shall receive all monies belonging to the City, shall determine depositories and accounts and invest surplus cash in accord with approved policies.

Article 6: City Funds

Part 1: General Provisions

1-6-102 (A): Authorized by State Statutes: Any monies of the City which are not presently required in the conduct of its respective affairs may be invested in securities in a manner authorized by Colorado statutes and as directed by City Council.

The Chief Financial Officer shall develop written administrative procedures and internal controls, consistent with this Policy, for the operation of the City's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the City.

The Chief Financial Officer may delegate the authority to conduct investment transactions and manage the operation of the investment portfolio to the Controller and other specifically authorized staff members. The Chief Financial Officer shall maintain a list of persons authorized to transact securities business for the City of Colorado Springs. No person may engage in an investment transaction except as expressly provided under the terms of this Policy.

The City may engage the support services of outside professionals in regard to its investment program, so long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of the City's financial resources.

PRUDENCE

The standard of prudence to be used for managing the City's assets shall be CRS 15-1-304, Standard for Investments, which in general states that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of the property of another, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.

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 overall portfolio's 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 Chief Financial Officer and authorized investment personnel acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion to the Mayor and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Elected officials and 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 or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Mayor any material financial interests they have in financial institutions that conduct business with the City and they shall subordinate their personal investment transactions to those of the City.

In addition, all covered persons (defined as officials, appointees, administrative officers, employees, independent contractors and volunteers) shall annually complete the City's requirement for ethics training, per City Code § 1.3.107.

AUTHORIZED SECURITIES AND TRANSACTIONS

Subject to the limitations of this Policy, all investments and depositories authorized by the following state statutes shall be allowed by the City: Colorado Revised Statutes (C.R.S.): C.R.S. 11-10.5-101 *et seq.*, Public Deposit Protection Act; C.R.S. 11-47-101 *et seq.*, Savings and Loan Association Public Deposit Protection Act; C.R.S. 24-75-601 *et seq.*, Funds Legal Investments; C.R.S. 24-75-601 *et. seq.*, Depositories; and C.R.S. 24-75-702, Local governments – authority to pool surplus funds.

Maturity restrictions shall be calculated from settlement date to maturity date. Portfolio percentage restrictions by security type and issuer are applicable only on the date of purchase of the investment. The Portfolio will be limited to an aggregate exposure of 50% for the following investment types: Corporate Bonds, Commercial Paper, Negotiable Certificates of Deposit, and Banker's Acceptances.

The ratings requirements outlined in this section are those as published by Standard & Poor's ("S&P"), a Nationally Recognized Statistical Rating Organization ("NRSRO"). Securities purchased may be rated by Standard & Poor's, Moody's Investors Service, or Fitch Ratings, therefore, the ratings equivalents of those referenced by S&P are listed below:

Deleted: Any revisions or extensions of these sections of the C.R.S. will be assumed to be part of this Policy immediately upon being enacted. However, in the event that amendments to these statutes conflict with this Policy and past City investment practices, the City may delay adherence to the new requirements when it is deemed in the best interest of the City to do so and the existing Policy shall govern the City's investments. In such instances, after consultation with the City's investment adviser and the City Attorney, a recommended course of action will be presented to City Council for approval.

Deleted: For investment securities that can be redeemed prior to maturity (i.e. bonds with a put option), the redemption date will be considered the effective maturity date for the bonds.

Deleted: and are applicable to the total Portfolio. While each individual portfolio shall be managed within these limits, the Chief Financial Officer may authorize an individual portfolio to exceed the limits subject to the overall limits within the Portfolio. ...

Deleted: Municipal Bonds,

LONG-TERM RATINGS		
Standard & Poor's	Moody's Investors Service	Fitch Ratings
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-

SHORT-TERM RATINGS		
Standard & Poor's	Moody's Investors Service	Fitch Ratings
A-1+	P-1	F1+
A-1	P-1	F1

Rating requirements shall apply first to the security being purchased and second, if the security itself is unrated, to the issuer, provided the security contains no provisions subordinating it from being a senior debt obligation of the issuer. Subordinated debt shall not be purchased.

Securities that have been downgraded below the 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.

The City has further defined the eligible types of securities and transactions as follows:

- U.S. Treasury Obligations: Treasury Bills, Treasury Notes, Treasury Bonds and Treasury Strips or those securities for which the full faith and credit of the United States are pledged for the payment of principal and interest with maturities not exceeding five years from the date of trade settlement. 100% of the Portfolio may be invested in U.S. Treasury Obligations.
- Federal Agency and Instrumentality Securities: Any security issued by, fully guaranteed by, or for which the full credit of the following is pledged for payment: The federal farm credit bank, the federal land bank, a federal home loan bank, the federal home loan mortgage corporation, the federal national mortgage association, the export-import bank, the Tennessee Valley Authority, the government national mortgage association, the world bank, or an entity or organization that is not listed in this paragraph but that is created by, or the creation of which is authorized by, legislation enacted by the United States congress and that is subject to control by the federal government that is at least as extensive as that which governs an entity or organization listed in this paragraph. Such securities shall be rated at least A or the equivalent at the time of purchase by at least two NRSROs and have maturities not exceeding five years from the date of trade settlement. No more than 85% of the Portfolio may be invested in Federal agency and instrumentality securities, and no more than 35% may be invested in any one issuer.
- Time Certificates of Deposit ("Time CDs"): Time certificates of deposit with maturities not exceeding one year, in FDIC insured state or nationally chartered banks or savings banks located in Colorado that are an eligible public depository as defined in C.R.S. 11-10.5-103. Time CDs exceeding the FDIC insured amount shall be collateralized in

Deleted: Subordinated debt may not be purchased.

Deleted: Authorized Federal Instrumentalities include, but may not be limited to:

- ¶ Federal Home Loan Bank ¶
- Federal Home Loan Mortgage Corporation¶
- Federal National Mortgage Association¶
- Federal Farm Credit Bank¶
- International Bank for Reconstruction and Development (World Bank)¶
- International Finance Corporation¶
- African Development Bank¶
- Asian Development Bank¶
- European Bank for Reconstruction and Development¶
- Inter-American Development Bank¶
- ¶

accordance with the Colorado Public Deposit Protection Act. No more than 5% of the Portfolio may be invested in Time CDs. No more than 2% of the Portfolio may be invested in CDs of a single institution.

4. Negotiable Certificates of Deposit ("Negotiable CDs"): Negotiable certificates of deposit denominated in U.S. dollars, issued by a bank that is organized and operating within the United States, that matures within three years from the date of trade settlement, and that, at the time of purchase, has either a) long term ratings of at least AA- or the equivalent by at least two NRSROs and not less than A- by any, or b) short term ratings of at least A-1 or the equivalent by two NRSROs and not less than that by any. Investments in negotiable certificates of deposit may not exceed 30% of the Portfolio and no more than 5% may be invested with a single issuer.
5. Corporate Bonds: Corporate debt issued by any bank or corporation organized and operating within the United States. The City hereby further authorizes investments in securities issued by a corporation or bank that is organized and operating within Canada or Australia, not to exceed 5% per country. The aggregate exposure to corporate bonds may not exceed 35% of the Portfolio and no more than 5% may be invested with a single corporation. The debt authorized herein must be dollar-denominated and rated at least AA- or the equivalent at the time of purchase by at least two NRSROs and not less than A- by any. Maximum maturities of such securities shall not exceed three years from the date of trade settlement.
6. Municipal Bonds: General obligations and revenue obligations of state or local governments. Such obligations of Colorado (or any political subdivision, institution, department, agency, instrumentality, or authority of the state) shall be rated at least A- or the equivalent at the time of purchase by at least two NRSROs and not less than that by any. Such obligations of any other governmental entity shall be rated at least AA- or the equivalent at the time of purchase by at least two NRSROs and not less than A- by any.

In addition, certificates of participation or other security evidencing rights in payments to be made by a school district under a lease, lease-purchase agreement, or similar agreement if the security carries at least two ratings by NRSROs and each rating is at least A- or the equivalent at the time of purchase and is not rated less than that by any.

For short term or variable rate instruments ("Short Term Municipal Bonds"), the securities must be rated at least A-1, MIG1, or the equivalent, by a NRSRO at the time of purchase and may not be rated less than that by any.

All municipal bonds, certificates of participation, and short term municipal bonds shall have a final maturity not exceeding five years from the date of trade settlement. The aggregate exposure to such bonds may not exceed 20% of the Portfolio and no more than 5% of the portfolio may be invested with a single issuer.

7. Commercial Paper: Commercial Paper with maturities not exceeding 270 days from the date of trade settlement and issued by any corporation or bank organized and operating within the United States. Such securities shall be dollar denominated and rated at least A-1 or the equivalent at the time of purchase by at least two NRSROs and not less than that by any. Commercial paper may not exceed 30% of the Portfolio and no more than 5% may be invested with a single issuer.

Deleted: ¶

Pre-Refunded Municipal Bonds which are secured by an escrow of U.S. Treasury securities or State and Local Government Series securities, shall be rated at least AA+ or the equivalent at the time of purchase by a NRSRO, and shall have a final maturity not exceeding five years from the date of trade settlement. No more than 40% of the Portfolio may be invested in Pre-Refunded Municipal Bonds and no more than 5% may be invested with a single issuer.

Deleted: Furthermore, the issuer's commercial paper program's size shall exceed \$200 million.

8. Eligible Bankers Acceptances ("Bas"): Bankers Acceptances with maturities not exceeding 180 days from the date of trade settlement and issued by FDIC insured state or national banks. Bas shall be rated at least A-1 or the equivalent at the time of purchase by at least two NRSROs ~~and not less than that by any.~~ No more than 20% of the Portfolio may be invested in Bas and no more than 5% may be invested with a single institution.

Deleted: with combined capital and surplus of at least \$250 million

9. Repurchase Agreements: Repurchase Agreements with maturities of 180 days or less collateralized by U.S. Treasury Obligations and Federal Agency and Instrumentality Securities listed in Items 1 and 2 above with the maturity of the collateral not exceeding 10 years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the transaction. Collateral shall be held in the City's custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.

Repurchase Agreements shall be entered into only with dealers who have executed a City approved Master Repurchase Agreement with the City and who are recognized as Primary Dealers by the Federal Reserve Bank of New York or have a Primary Dealer within their holding company structure. The Chief Financial Officer shall maintain a copy of the City's approved Master Repurchase Agreement along with a list of the broker/dealers who have an executed Master Repurchase Agreement with the City.

The City may utilize Tri-party Repurchase Agreements provided that the City is satisfied that it has a perfected interest in the securities used as collateral and that the City has a properly executed Tri-party Agreement with both the counterparty and custodian bank.

No more than 50% of the Portfolio may be invested in repurchase agreements and no more than 10% may be invested with a single counterparty.

10. Local Government Investment Pools ("LGIP"): Local Government Investment Pools authorized under C.R.S. 24-75-702, that 1) seek a constant net asset value per share of \$1.00; 2) limit assets of the fund to securities authorized by state statute; and 3) have a rating of AAAM or the equivalent by any NRSRO.

100% of the Portfolio may be invested in LGIPs but no single LGIP may constitute more than 50% of the Portfolio.

11. Money Market Mutual Funds: Money Market Mutual Funds registered under the Investment Company Act of 1940 and authorized under C.R.S. 24-75-601 that 1) are "no-load" (i.e. no commission or fee shall be charged on purchases or sales of shares); 2) seek a constant net asset value per share of \$1.00; 3) invest only in U.S. government securities ~~and repurchase agreements~~; 4) have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940; and 4) have a rating of AAAM or the equivalent by any NRSRO.

Deleted: authorized in sections 1., 2., and 9. above

100% of the Portfolio may be invested in money market funds but no single fund may constitute more than 50% of the Portfolio.

12. Obligations of the City of Colorado Springs: General obligation bonds, revenue bonds, certificates of participation or other debt securities issued by or guaranteed wholly, partially or morally by the City of Colorado Springs, Colorado, or its departments.

It is the intent of the City that the foregoing list of authorized securities be strictly interpreted. Any deviation from this list must be preapproved by the Chief Financial Officer in writing.

The City recognizes that bond proceeds may, from time to time, be subject to the provisions of the Internal Revenue Code, Federal Arbitrage Regulations, as amended. Due to the legal complexities of arbitrage law and the necessary immunization of yield levels to correspond to anticipated cash flow schedules, the reinvestment of such debt issuance may, upon the advice of Bond Counsel or financial advisors, deviate from the maturity limitation provisions of this Policy with written approval of the Chief Financial Officer.

Deleted: Securities that have been downgraded below the 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.

PORTFOLIO MATURITIES AND LIQUIDITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. Unless matched to a specific cash flow requirement, the City will not invest in securities maturing more than five years from the date of trade settlement. The duration of the Portfolio shall at no time exceed three years.

SELECTION OF BROKER/DEALERS

It shall be the policy of the City to purchase securities only from 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; or
3. qualify under Securities and Exchange Commission (SEC) Rule 15c-3 (Uniform Net Capital Rule).

Broker/dealers will be selected on the basis of their expertise in public cash management and their ability to provide services for the City's account. Approved broker/dealers and the firms they represent shall be licensed to do business in the State of Colorado and as such are subject to the provisions of the Colorado Revised Statutes, including but not limited to C.R.S. 24-75-601.

The City may engage the services of one or more professional investment advisory firms to assist in the management of the Portfolio. Such investment advisors may purchase and sell investment securities in accordance with this Policy and may utilize their own approved list of broker/dealers; however, the list shall comply with the criteria listed above and shall be provided to the City on an annual basis.

In the event that the City does not utilize an external investment advisor, 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, and the Chief Financial Officer shall maintain a file of these forms. Such broker/dealers must attest in writing that they have received a copy of this Policy.

The City may purchase Commercial Paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in Item 7 of the Authorized Securities and Transactions section of this 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 documented.

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

SELECTION OF BANKS

The Chief Financial Officer shall maintain a list of banks approved to provide depository and other banking services for the City. To be eligible for authorization, a bank must:

- be a member of the FDIC and
- qualify as a depository of public funds in the State of Colorado as defined in CRS 24-75-603 et seq. (as evidenced by a certificate issued by the State Banking Board).

In addition, the City may utilize an independent bank rating service to evaluate eligible financial institutions during any procurement process, as well as periodically thereafter.

SAFEKEEPING AND CUSTODY

The Chief Financial Officer shall select 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 for designation as the City's safekeeping and custodian bank, a financial institution shall:

- qualify as a depository of public funds in the State of Colorado as defined in CRS 24-75-603 et seq. and
- be a Federal Reserve member financial institution.

In addition, the City may utilize an independent bank rating service to evaluate eligible financial institutions during any procurement process, as well as periodically thereafter.

Custodian banks will be selected on the basis of their ability to provide services for the City's account and the competitive pricing of their safekeeping related services.

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

All investment securities purchased by the City will be delivered by book entry and will be held in third-party safekeeping by a City approved custodian bank, its correspondent bank or its Depository Trust Company (DTC) participant account.

Safekeeping receipts or customer confirmations shall be issued for each transaction and shall evidence that the securities are held for the City as “customer”. The custodian also shall be required to furnish the City a list of holdings on at least a monthly basis.

PORTFOLIO PERFORMANCE

The investment and cash management portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements.

REPORTING

The Chief Financial Officer shall prepare an annual report to the Mayor and the City Council on the investment earnings and performance results of the City's investment portfolio. The report shall include an overview of the investments held by the City and the current market value of the portfolio.

The Investment Advisor shall provide monthly reports to the Chief Financial Officer which include the following information:

- monthly rate of return or yield
- monthly allocation to the major asset classes
- a list of purchases and sales during the month
- a list of current issues held in the portfolio

The Investment Advisor shall provide annual reports to the Chief Financial Officer which will be in compliance with the Governmental Accounting Standards Board No. 40 and No. 72 and will include the following:

- weighted average maturity or duration in years
- credit ratings of the investments.
- fair value of investments

POLICY REVISIONS

This Investment Policy shall be reviewed annually by the Chief Financial Officer. This Policy may be amended by the City Council as conditions warrant.

AUTHORIZED INVESTMENT SUMMARY

The table below provides only a summary of the authorized investments of the City. For a detailed description of the investment parameters that govern the City's investments please see "AUTHORIZED SECURITIES AND TRANSACTIONS".

The ratings requirements outlined in this summary grid of eligible investments and transactions are those as published by Standard & Poor's ("S&P"), a Nationally Recognized Statistical Rating Organization ("NRSRO"). Securities purchased may be rated by Standard & Poor's, Moody's Investors Service, or Fitch Ratings, therefore, the ratings equivalents of those referenced by S&P are outlined previously in this policy.

Security Type	Maximum Portfolio %	Maximum Issuer %	Maturity Restrictions	Rating Restrictions
U.S. Treasuries	100%	100%	5 years	N/A
U.S. Agencies and Instrumentalities	85%	35%	5 years	A by 2 NRSROs
Time Deposit/CD	5%	2%	1 year	N/A
Negotiable CDs	30%	5%	3 Years	AA- or A-1 by 2 NRSROs
Corporate Bonds of a United States Issuer	35%**	5%**	3 years	AA- by 2 NRSROs
Corporate Bonds of a Canadian or Australian Issuer	5% per country**	5%**	3 years	AA- by 2 NRSROs
Municipal Bonds of a Colorado Issuer	20%*	5%*	5 years	A- by 2 NRSROs
Municipal Bonds of a Non-Colorado Issuer	20%*	5%*	5 years	AA- by 2 NRSROs
Municipal Bonds, School District Certificates of Participation	20%*	5%*	5 years	A- by 2 NRSROs
Municipal Bonds, Short Term	20%*	5%*	5 years	A-1 or MIG 1 by 1 NRSRO
▼	▼	▼	▼	▼
Commercial Paper	30%	5%	270 days	A-1 by 2 NRSROs
Banker Acceptances	20%	5%	180 days	A-1 by 2 NRSROs
Repurchase Agreements	50%	10%	180 days	N/A
Local Government Investment Pool	100%	50%	N/A	AAAm by 1 NRSRO
Money Market Funds	100%	50%	N/A	AAAm by 1 NRSRO
Obligations of the City of Colorado Springs	N/A	N/A	N/A	N/A

- Deleted: Municipal Bonds, Pre-Refunded
- Deleted: 40%
- Deleted: 5%
- Deleted: 5 years
- Deleted: AA+¶ by 1 NRSRO

*The aggregate exposure to municipal bonds may not exceed 20% of the Portfolio, and no more than 5% of the Portfolio may be invested with a single issuer.

**The aggregate exposure to corporate bonds may not exceed 35% of the Portfolio, and no more than 5% may be invested with a single corporation.

Note: The Portfolio will be limited to an aggregate exposure of 50% for the following investment types: ~~Corporate Bonds, Commercial Paper, Negotiable Certificates of Deposit and Bankers Acceptances~~, with no more than 5% total exposure per issuer.

Deleted: Municipal Bonds,

RESOLUTION NO. _____ - 24

A RESOLUTION APPROVING THE CITY'S INVESTMENT POLICY

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

Section 1. The City Council hereby approves the attached Investment Policy.

DATED at Colorado Springs, Colorado, this _____ day of _____ 2024.

City Council President

ATTEST:

City Clerk

City of Colorado Springs

Investment Policy

XXXXXX XX, 2024

The City of Colorado Springs (“the City”) is a Colorado home rule municipality operating under its City Charter. The City functions under the direction of an elected Mayor. Existing Colorado State Statutes provide home rule municipalities with legal authority to promulgate and implement local standards for cash and investment management operations. The purpose of this Investment Policy is to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the City of Colorado Springs.

This Investment Policy was adopted by the City Council of the City of Colorado Springs by resolution on September 28, 1993. It was revised initially on November 8, 1994 and most recently on XXXXXX XX, 2024. It replaces any previous investment guidelines formulated by members of City staff.

SCOPE

The provisions of this Investment Policy (the "Policy") shall apply to all investable funds of the City of Colorado Springs (the "Portfolio"). Utility funds, endowment funds, and moneys held in bank checking accounts for operating purposes shall be excluded from the provisions of this Policy. This Policy shall not restrict ability of the City to invest funds according to the limitations imposed by bond resolutions or indentures of trust adopted by the City for the funds held by a trustee under bond resolutions.

All excess cash, except for cash in certain restricted and special accounts, shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance. Interest earnings shall be distributed to the individual funds not less than annually.

OBJECTIVES

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

- Preservation of capital and protection of investment principal.
- Maintenance of sufficient liquidity to meet anticipated cash flows.
- Diversification to avoid incurring unreasonable market risks.
- Attainment of a market rate of return.

DELEGATION OF AUTHORITY

The City Council establishes investment policy (City Code 1.6.102). The Mayor is charged with direct control of the City revenues (Article VII, City Charter). The City's Chief Financial Officer is responsible for the investment and custody of the City's investable funds, as well as the City's internal procedures affecting those funds. The Chief Financial Officer and designees shall implement the policies promulgated by City Council (City Code 1.2.602).

The following cites from the Code of the City of Colorado Springs shall apply:

Chapter 1: Administration, Personnel and Finance

Article 2: Officers of the City

Part 6: Powers and Duties of the Chief Financial Officer

1-2-602: The Chief Financial Officer shall receive all monies belonging to the City, shall determine depositories and accounts and invest surplus cash in accord with approved policies.

Article 6: City Funds

Part 1: General Provisions

1-6-102 (A): Authorized by State Statutes: Any monies of the City which are not presently required in the conduct of its respective affairs may be invested in securities in a manner authorized by Colorado statutes and as directed by City Council.

The Chief Financial Officer shall develop written administrative procedures and internal controls, consistent with this Policy, for the operation of the City's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the City.

The Chief Financial Officer may delegate the authority to conduct investment transactions and manage the operation of the investment portfolio to the Controller and other specifically authorized staff members. The Chief Financial Officer shall maintain a list of persons authorized to transact securities business for the City of Colorado Springs. No person may engage in an investment transaction except as expressly provided under the terms of this Policy.

The City may engage the support services of outside professionals in regard to its investment program, so long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of the City's financial resources.

PRUDENCE

The standard of prudence to be used for managing the City's assets shall be CRS 15-1-304, Standard for Investments, which in general states that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of the property of another, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.

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 overall portfolio's 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 Chief Financial Officer and authorized investment personnel acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion to the Mayor and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Elected officials and 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 or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Mayor any material financial interests they have in financial institutions that conduct business with the City and they shall subordinate their personal investment transactions to those of the City.

In addition, all covered persons (defined as officials, appointees, administrative officers, employees, independent contractors and volunteers) shall annually complete the City's requirement for ethics training, per City Code § 1.3.107.

AUTHORIZED SECURITIES AND TRANSACTIONS

Subject to the limitations of this Policy, all investments and depositories authorized by the following state statutes shall be allowed by the City: Colorado Revised Statutes (C.R.S.): C.R.S. 11-10.5-101 *et seq*, Public Deposit Protection Act; C.R.S. 11-47-101 *et seq*, Savings and Loan Association Public Deposit Protection Act; C.R.S. 24-75-601 *et seq*, Funds Legal Investments; C.R.S. 24-75-601 *et. seq.*, Depositories; and C.R.S. 24-75-702, Local governments – authority to pool surplus funds.

Maturity restrictions shall be calculated from settlement date to maturity date. Portfolio percentage restrictions by security type and issuer are applicable only on the date of purchase of the investment. The Portfolio will be limited to an aggregate exposure of 50% for the following investment types: Corporate Bonds, Commercial Paper, Negotiable Certificates of Deposit, and Banker's Acceptances.

The ratings requirements outlined in this section are those as published by Standard & Poor's ("S&P"), a Nationally Recognized Statistical Rating Organization ("NRSRO"). Securities purchased may be rated by Standard & Poor's, Moody's Investors Service, or Fitch Ratings, therefore, the ratings equivalents of those referenced by S&P are listed below:

LONG-TERM RATINGS		
Standard & Poor's	Moody's Investors Service	Fitch Ratings
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-

SHORT-TERM RATINGS		
Standard & Poor's	Moody's Investors Service	Fitch Ratings
A-1+	P-1	F1+
A-1	P-1	F1

Rating requirements shall apply first to the security being purchased and second, if the security itself is unrated, to the issuer, provided the security contains no provisions subordinating it from being a senior debt obligation of the issuer. Subordinated debt shall not be purchased.

Securities that have been downgraded below the 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.

The City has further defined the eligible types of securities and transactions as follows:

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, Treasury Bonds and Treasury Strips or those securities for which the full faith and credit of the United States are pledged for the payment of principal and interest with maturities not exceeding five years from the date of trade settlement. 100% of the Portfolio may be invested in U.S. Treasury Obligations.
2. Federal Agency and Instrumentality Securities: Any security issued by, fully guaranteed by, or for which the full credit of the following is pledged for payment: The federal farm credit bank, the federal land bank, a federal home loan bank, the federal home loan mortgage corporation, the federal national mortgage association, the export-import bank, the Tennessee Valley Authority, the government national mortgage association, the world bank, or an entity or organization that is not listed in this paragraph but that is created by, or the creation of which is authorized by, legislation enacted by the United States congress and that is subject to control by the federal government that is at least as extensive as that which governs an entity or organization listed in this paragraph. Such securities shall be rated at least A or the equivalent at the time of purchase by at least two NRSROs and have maturities not exceeding five years from the date of trade settlement. No more than 85% of the Portfolio may be invested in Federal agency and instrumentality securities, and no more than 35% may be invested in any one issuer.
3. Time Certificates of Deposit ("Time CDs"): Time certificates of deposit with maturities not exceeding one year, in FDIC insured state or nationally chartered banks or savings banks located in Colorado that are an eligible public depository as defined in C.R.S. 11-10.5-103. Time CDs exceeding the FDIC insured amount shall be collateralized in

accordance with the Colorado Public Deposit Protection Act. No more than 5% of the Portfolio may be invested in Time CDs. No more than 2% of the Portfolio may be invested in CDs of a single institution.

4. Negotiable Certificates of Deposit (“Negotiable CDs”): Negotiable certificates of deposit denominated in U.S. dollars, issued by a bank that is organized and operating within the United States, that matures within three years from the date of trade settlement, and that, at the time of purchase, has either a) long term ratings of at least AA- or the equivalent by at least two NRSROs and not less than A- by any, or b) short term ratings of at least A-1 or the equivalent by two NRSROs and not less than that by any. Investments in negotiable certificates of deposit may not exceed 30% of the Portfolio and no more than 5% may be invested with a single issuer.
5. Corporate Bonds: Corporate debt issued by any bank or corporation organized and operating within the United States. The City hereby further authorizes investments in securities issued by a corporation or bank that is organized and operating within Canada or Australia, not to exceed 5% per country. The aggregate exposure to corporate bonds may not exceed 35% of the Portfolio and no more than 5% may be invested with a single corporation. The debt authorized herein must be dollar-denominated and rated at least AA- or the equivalent at the time of purchase by at least two NRSROs and not less than A- by any. Maximum maturities of such securities shall not exceed three years from the date of trade settlement.
6. Municipal Bonds: General obligations and revenue obligations of state or local governments. Such obligations of Colorado (or any political subdivision, institution, department, agency, instrumentality, or authority of the state) shall be rated at least A- or the equivalent at the time of purchase by at least two NRSROs and not less than that by any. Such obligations of any other governmental entity shall be rated at least AA- or the equivalent at the time of purchase by at least two NRSROs and not less than A- by any.

In addition, certificates of participation or other security evidencing rights in payments to be made by a school district under a lease, lease-purchase agreement, or similar agreement if the security carries at least two ratings by NRSROs and each rating is at least A- or the equivalent at the time of purchase and is not rated less than that by any.

For short term or variable rate instruments (“Short Term Municipal Bonds”), the securities must be rated at least A-1, MIG1, or the equivalent, by a NRSRO at the time of purchase and may not be rated less than that by any.

All municipal bonds, certificates of participation, and short term municipal bonds shall have a final maturity not exceeding five years from the date of trade settlement. The aggregate exposure to such bonds may not exceed 20% of the Portfolio and no more than 5% of the portfolio may be invested with a single issuer.

7. Commercial Paper: Commercial Paper with maturities not exceeding 270 days from the date of trade settlement and issued by any corporation or bank organized and operating within the United States. Such securities shall be dollar denominated and rated at least A-1 or the equivalent at the time of purchase by at least two NRSROs and not less than that by any. Commercial paper may not exceed 30% of the Portfolio and no more than 5% may be invested with a single issuer.

8. Eligible Bankers Acceptances ("Bas"): Bankers Acceptances with maturities not exceeding 180 days from the date of trade settlement and issued by FDIC insured state or national banks. Bas shall be rated at least A-1 or the equivalent at the time of purchase by at least two NRSROs and not less than that by any. No more than 20% of the Portfolio may be invested in Bas and no more than 5% may be invested with a single institution.
9. Repurchase Agreements: Repurchase Agreements with maturities of 180 days or less collateralized by U.S. Treasury Obligations and Federal Agency and Instrumentality Securities listed in Items 1 and 2 above with the maturity of the collateral not exceeding 10 years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the transaction. Collateral shall be held in the City's custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.

Repurchase Agreements shall be entered into only with dealers who have executed a City approved Master Repurchase Agreement with the City and who are recognized as Primary Dealers by the Federal Reserve Bank of New York or have a Primary Dealer within their holding company structure. The Chief Financial Officer shall maintain a copy of the City's approved Master Repurchase Agreement along with a list of the broker/dealers who have an executed Master Repurchase Agreement with the City.

The City may utilize Tri-party Repurchase Agreements provided that the City is satisfied that it has a perfected interest in the securities used as collateral and that the City has a properly executed Tri-party Agreement with both the counterparty and custodian bank.

No more than 50% of the Portfolio may be invested in repurchase agreements and no more than 10% may be invested with a single counterparty.

10. Local Government Investment Pools ("LGIP"): Local Government Investment Pools authorized under C.R.S. 24-75-702, that 1) seek a constant net asset value per share of \$1.00; 2) limit assets of the fund to securities authorized by state statute; and 3) have a rating of AAAM or the equivalent by any NRSRO.

100% of the Portfolio may be invested in LGIPs but no single LGIP may constitute more than 50% of the Portfolio.

11. Money Market Mutual Funds: Money Market Mutual Funds registered under the Investment Company Act of 1940 and authorized under C.R.S. 24-75-601 that 1) are "no-load" (i.e. no commission or fee shall be charged on purchases or sales of shares); 2) seek a constant net asset value per share of \$1.00; 3) invest only in U.S. government securities and repurchase agreements; 4) have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940; and 4) have a rating of AAAM or the equivalent by any NRSRO.

100% of the Portfolio may be invested in money market funds but no single fund may constitute more than 50% of the Portfolio.

12. Obligations of the City of Colorado Springs: General obligation bonds, revenue bonds, certificates of participation or other debt securities issued by or guaranteed wholly, partially or morally by the City of Colorado Springs, Colorado, or its departments.

It is the intent of the City that the foregoing list of authorized securities be strictly interpreted. Any deviation from this list must be preapproved by the Chief Financial Officer in writing.

The City recognizes that bond proceeds may, from time to time, be subject to the provisions of the Internal Revenue Code, Federal Arbitrage Regulations, as amended. Due to the legal complexities of arbitrage law and the necessary immunization of yield levels to correspond to anticipated cash flow schedules, the reinvestment of such debt issuance may, upon the advice of Bond Counsel or financial advisors, deviate from the maturity limitation provisions of this Policy with written approval of the Chief Financial Officer.

PORTFOLIO MATURITIES AND LIQUIDITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. Unless matched to a specific cash flow requirement, the City will not invest in securities maturing more than five years from the date of trade settlement. The duration of the Portfolio shall at no time exceed three years.

SELECTION OF BROKER/DEALERS

It shall be the policy of the City to purchase securities only from 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; or
3. qualify under Securities and Exchange Commission (SEC) Rule 15c-3 (Uniform Net Capital Rule).

Broker/dealers will be selected on the basis of their expertise in public cash management and their ability to provide services for the City's account. Approved broker/dealers and the firms they represent shall be licensed to do business in the State of Colorado and as such are subject to the provisions of the Colorado Revised Statutes, including but not limited to C.R.S. 24-75-601.

The City may engage the services of one or more professional investment advisory firms to assist in the management of the Portfolio. Such investment advisors may purchase and sell investment securities in accordance with this Policy and may utilize their own approved list of broker/dealers; however, the list shall comply with the criteria listed above and shall be provided to the City on an annual basis.

In the event that the City does not utilize an external investment advisor, 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, and the Chief Financial Officer shall maintain a file of these forms. Such broker/dealers must attest in writing that they have received a copy of this Policy.

The City may purchase Commercial Paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in Item 7 of the Authorized Securities and Transactions section of this 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 documented.

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

SELECTION OF BANKS

The Chief Financial Officer shall maintain a list of banks approved to provide depository and other banking services for the City. To be eligible for authorization, a bank must:

- be a member of the FDIC and
- qualify as a depository of public funds in the State of Colorado as defined in CRS 24-75-603 et seq. (as evidenced by a certificate issued by the State Banking Board).

In addition, the City may utilize an independent bank rating service to evaluate eligible financial institutions during any procurement process, as well as periodically thereafter.

SAFEKEEPING AND CUSTODY

The Chief Financial Officer shall select 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 for designation as the City's safekeeping and custodian bank, a financial institution shall:

- qualify as a depository of public funds in the State of Colorado as defined in CRS 24-75-603 et seq. and
- be a Federal Reserve member financial institution.

In addition, the City may utilize an independent bank rating service to evaluate eligible financial institutions during any procurement process, as well as periodically thereafter.

Custodian banks will be selected on the basis of their ability to provide services for the City's account and the competitive pricing of their safekeeping related services.

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

All investment securities purchased by the City will be delivered by book entry and will be held in third-party safekeeping by a City approved custodian bank, its correspondent bank or its Depository Trust Company (DTC) participant account.

Safekeeping receipts or customer confirmations shall be issued for each transaction and shall evidence that the securities are held for the City as "customer". The custodian also shall be required to furnish the City a list of holdings on at least a monthly basis.

PORTFOLIO PERFORMANCE

The investment and cash management portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements.

REPORTING

The Chief Financial Officer shall prepare an annual report to the Mayor and the City Council on the investment earnings and performance results of the City's investment portfolio. The report shall include an overview of the investments held by the City and the current market value of the portfolio.

The Investment Advisor shall provide monthly reports to the Chief Financial Officer which include the following information:

- monthly rate of return or yield
- monthly allocation to the major asset classes
- a list of purchases and sales during the month
- a list of current issues held in the portfolio

The Investment Advisor shall provide annual reports to the Chief Financial Officer which will be in compliance with the Governmental Accounting Standards Board No. 40 and No. 72 and will include the following:

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- credit ratings of the investments.
- fair value of investments

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