



REPORT TO CITY COUNCIL RESOLUTION	AGENDA ITEM 5.B.1.
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TO: THE HONORABLE CITY COUNCIL

DATE: August 27, 2018

SUBJECT: R18-091 A Resolution Submitting a Ballot Question to the Electors of the City Regarding the Issuance of City of Arvada Bonds in an Amount of \$79.8 Million With a Repayment Cost of Up to \$125 Million With No Increase in Taxes

Report in Brief

The City Council has evaluated several high priority capital projects and considered the financial strategies to complete those projects by utilizing funds dedicated to capital improvements and major capital maintenance. The majority of these funds, \$4.5 million, will become available following the retirement of the bonds issued for various road projects and the extension of W. 72nd Avenue in 1998. This process resulted in the identification of two significant projects that would improve transportation capacity on Ralston Road and W. 72nd Avenue at an estimated cost of \$79.8 million. Both projects would ease traffic congestion and ultimately improve public safety.

The retirement of the previous bonds later this year, reallocation of existing capital funds, favorable interest rates and the City's excellent bond rating will allow the the new bonds to be issued and payments to be completed over the next 20 years without raising taxes. In order to issue the bonds, the City must refer a ballot question to increase debt to Arvada voters in conformance with TABOR and the Arvada Charter at a special City election to be held in conjunction with the State general election on November 6, 2018. Consideration of a resolution to authorize this action has been scheduled for the August 27 City Council meeting.

Staff recommends that the City Council approve R18-091 A Resolution Submitting a Ballot Question to the Electors of the City Regarding the Issuance of City of Arvada Bonds in an Amount of \$79.8 Million With a Repayment Cost of Up to \$125 Million With No Increase in Taxes.

Financial Impact

If approved by Arvada voters, increasing the City's debt to \$79.8 million will generate annual payments of \$5.5 million for 20 years and a total repayment cost of \$125 million. The source of the payments is the portion of the City's General Fund that is reserved for capital projects. By ordinance, the City must reserve an amount equal to 20% of the City's annual sales tax collection which must be used for capital projects, major capital maintenance and/or bond issuance for capital projects. The estimated amount that will be reserved for capital projects in 2019 is \$10,069,000; this amount is expected to escalate by 2%-3% annually.

Background

During the January 19, 2018, City Council Retreat, the Council reviewed four scenarios associated with the retirement of the bonds issued in 1998 for the road projects which included the W. 72nd Avenue extension and utilizing the annual payments of \$4.5 million for other capital projects and/or major capital maintenance. Retirement of the bonds will occur during the fourth quarter of 2018.

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The scenario most favored by the Council utilized these funds to authorize debt in order to complete various capital projects, many of which were identified by the Citizens Capital Improvement Project Committee (CCIPC) in 2015. By utilizing the funds in this manner, Council concluded that the City could accomplish two or three major capital projects identified by the CCIPC and/or expressed as a high priority by citizens without raising taxes. As part of this discussion, the Council asked staff to evaluate the benefit of bonding for capital projects versus paying cash. This discussion generated direction for staff to research what the total borrowing costs would be (interest rate, fees, bond counsel, etc.) and compare this to estimated construction inflation costs. Staff committed to completing this research and providing the financial analysis at a future Council Workshop.

During the April 9 Council Workshop, staff presented the financial analysis described herein which generated the Council's request to pursue the authorization of debt and to return on May 14 with a list of potential capital projects. During the May 14 Council Workshop, the Council reviewed several projects and asked staff to provide additional information regarding improvements to Ralston Road between Garrison and Yukon to include lane widening and pedestrian improvements; and adding two additional travel lanes for W. 72nd Avenue between Kipling and Oak, including construction of an underpass grade separation for the Union Pacific Railroad Line.

Staff presented this information to Council during the July 9 Workshop. In response to the presentation, Council asked staff to develop a financial plan that would extend the widening of W. 72nd Avenue west to Simms Street. Staff returned on July 23 with a financial plan to accomplish the following projects which would cost \$79.8 million and require annual payments of approximately \$5.5 million for 20 years:

- Complete improvements to Ralston Road between Yukon and Garrison, including widening of existing travel lanes and pedestrian improvements at a cost of \$15.3 million; and
- Adding two additional travel lanes each way on W. 72nd Avenue from Kipling Street to Simms Street, including construction of an underpass grade separation for the Union Pacific Railroad line at a cost of \$64.5 million.

At the conclusion of the July 23 Workshop, the City Council asked staff to prepare a resolution that would authorize submission of a ballot question to Arvada voters seeking approval to issue debt in the amount of \$79.8 million for the capital projects as described herein. In response to the Council's request, staff has prepared R18-091 A Resolution Submitting a Ballot Question to the Electors of the City Regarding the Issuance of City of Arvada Bonds in an Amount of \$79.8 Million With a Repayment Cost of Up to \$125 Million With No Increase in Taxes.

This resolution was scheduled for consideration by the City Council for the business meeting portion of the August 27 meeting.

Discussion

The projects selected by Council that will increase traffic capacity have been ranked as high priorities for many years and are included in the City Transportation Master Plan. Improvements for the Ralston Road and W. 72nd Avenue corridors were recommended by the CCIPC in 2015. In fact, Ralston Road was also recommended by the CCIPC that convened in 2007 and completed its work in 2008. Both projects are major corridors that provide connectivity to other major corridors and community amenities.

Ralston Road is the most continuous east-west corridor in southern Arvada. This corridor accommodates 23,000 vehicle trips per day and provides access to major destinations such as Olde Town, Stenger/Lutz Sports Complex, City Hall, the Ralston Creek North shopping area and several businesses such as medical and professional offices. Ralston Road also provides connectivity to several major north-south corridors including three state highways (Sheridan and Wadsworth Boulevards and Ward Road) and several collector streets that access residential neighborhoods. Pedestrian access is also very important for

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Ralston Road in order to access the businesses and the Olde Town Arvada Transit Station.

Ralston Road was recommended by two separate citizen studies because the roadway has narrow travel lanes and sidewalks. These conditions are challenging for motorists, cyclists and pedestrians who need to utilize the corridor. Traffic congestion and safety issues were a top priority for the two separate CCIPC groups that convened seven years apart.

The project identified by the City Council for inclusion within the proposed ballot measure would improve Ralston Road between Yukon and Garrison Streets by constructing wider travel lanes and rebuilding the sidewalks to standard widths. The travel lanes would be widened to 11 feet and the sidewalks would be widened to 8-10 feet in order to improve vehicle and pedestrian safety. The project will add additional space for drivers needing to use the center lane for safe turning movements and add aesthetic improvements for medians and landscaping where feasible.

The section of Ralston Road between Yukon and Garrison is identified for the proposed ballot measure because other sections of the corridor have either already been improved or are scheduled for improvements. Ralston Road between Garrison and Independence was widened with related pedestrian improvements as part of the Ralston Creek North Urban Renewal Project. The section between Olde Wadsworth and Yukon is scheduled for construction later this year and will utilize grant funds. Therefore, the use of bond funds, if approved by Arvada voters, will leverage the recently completed and scheduled improvements for the entire 1.25 mile length of Ralston Road between Olde Wadsworth and Independence.

Similar to Ralston Road, W. 72nd Avenue is also an important east-west corridor that, in this case, serves central Arvada. Approximately 21,000 vehicle trips are recorded on W. 72nd Avenue in order to access community destinations such as the Arvada Center, Apex Recreation Center, West Woods Golf Club, regional shopping and schools. W. 72nd Avenue connects Arvada to Westminster on the east end and Golden on the west end and therefore accommodates regional traffic. Similar to Ralston Road, W. 72nd Avenue also provides connectivity to three state highways (Wadsworth and Sheridan Boulevards and Indiana Street) as well as major arterial and collector streets which access neighborhoods.

In 1998, the Arvada voters approved a bond measure to complete various road projects and extend W. 72nd Avenue from Pierce Avenue to Kipling Street. That section of W. 72nd Avenue was also widened to allow two travel lanes in each direction. The roadway west of Kipling tapers down to one lane in each direction just east of the Union Pacific Railroad at-grade crossing. This at-grade crossing generates bottlenecks for motorists who need to wait for long freight trains to cross, often backing eastbound traffic up to Kipling and westbound traffic up to Quail. In addition to creating additional traffic congestion, the at-grade crossing creates a public safety risk as emergency responders are among the vehicles that can be delayed by a freight train.

In order to address the present condition, the proposed W. 72nd Avenue project will add two travel lanes in each direction from Kipling to Simms, including bike lanes and pedestrian improvements, and construct a tunnel that will provide an underpass grade separation at the existing railroad crossing. The section between Kipling and Oak Street is estimated to cost \$53.2 million with the majority of that cost funding construction of the tunnel that will form the underpass. The section between Oak and Simms will cost an additional \$11.3 million. Safety upgrades will also be added at the intersections of Oak and Simms, including protected turn lanes and medians. The total cost of the W. 72nd Avenue improvements between Kipling and Simms is \$64.5 million.

It is important to note that the underpass will require the acquisition of up to four properties and impacts three other properties. City officials have been open and transparent in discussing the impacts of the project with these property owners. In early July, the City Manager and Director of Public Works met on site with the property owners to discuss the project and describe the impacts associated with the construction of the underpass and related retaining walls and fencing that would eliminate access to a street or, in some cases, actually impact the structure of the homes. Should the project move forward, the City will utilize

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existing Federal laws that outline the process for negotiating fair acquisition of the properties and assist in relocating the owners. To the extent possible, every effort will be made to minimize the impact on each property and work with owners who may have the ability to utilize the remainder of their property in order to stay in their current location.

Total cost for the Ralston Road and W. 72nd Avenue projects as described herein is \$79.8 million. In order to identify the resources to fund these projects, the City will need to issue bonds that will include the following costs:

Principal \$79,800,000
Interest \$45,200,000
Total \$125,000,000

Staff has met with bond counsel in order to develop the estimated costs described above. These costs reflect a very conservative projection based on future interest rates increasing to 4.5%. The current interest rate for a similar bond issuance is 3.32%. Based on this information, the statement within the attached resolution which presents the ballot measure reflects raising the City of Arvada debt to \$79.8 million with a repayment cost of up to \$125 million. Staff believes the repayment could be significantly lower depending on the conditions within the financial markets when the bonds are issued.

The annual payment for the principal is estimated at \$5.5 million for 20 years. The source of the debt payment is the portion of the City's General Fund that is reserved specifically for capital projects or major capital maintenance. By ordinance, 20% of all sales tax collected in the General Fund must be used to fund capital projects, major capital maintenance or payments for capital projects. The current revenue estimate for capital projects fund is \$10,069,000. This amount is projected to escalate at the same rate that sales tax collections escalate which is around 2%-3% annually.

In order to fund a \$5.5 million annual payment, staff reviewed various strategies as presented during the July 23 Council Workshop. Based on Council feedback, staff is proposing specific reductions and/or delays in traffic signal replacement, arterial street improvements, sidewalk/trails gap funding, capital equipment costs for the transit station circulator, parks irrigation replacement and playground renovation. Staff will continue to seek funding for these projects through grants or the potential allocation of one-time funds, if such funds are available.

Staff also proposes elimination of the Vendor Fee which is a small rebate not to exceed \$100 to businesses that is intended to offset the cost of filing sales tax returns. That fee will save the City approximately \$550,000 annually that will be pledged to the annual bond payment. The Council should note that this reflects a "credit," not a "debit," in terms of the strategy for funding the annual payment.

Combined with the projected annual payment of \$4.75 million which staff had estimated earlier this year, the reallocation described herein will generate the projected annual bond payments of \$5.5 million. Approximately \$5 million will remain in the capital fund which is currently reserved for capital projects.

Assuming approval by Arvada voters and debt issuance in early to mid-2019, staff estimates that the projects could be completed within 4-5 years. There are variables and challenges that need to be considered, including working with the Union Pacific Railroad, conducting fair negotiations with the property owners and timely utility relocation. Staff would certainly work diligently to address these challenges in an efficient manner.

In the course of evaluating alternatives, the City Council asked staff to review how the City could "cash fund" capital projects. In order to cash fund the Ralston Road and W. 72nd Avenue projects, the City would have to delay the projects in order to accumulate the funding over approximately 24 years. Additionally, factoring annual inflation, the total cost of the projects would increase from \$79.8 million to \$130 million. Even with the projected borrowing costs associated with issuing bonds,

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completing these projects on a “pay as you go” basis would cost a minimum of \$5 million more and take approximately 20 years longer.

Staff believes that the action described herein will empower Arvada voters to take action in order to address a concern expressed by many citizens. In the 2017 Citizens Survey, residents responded to several questions regarding roads and transportation. While residents expressed support regarding the plowing of roads during snow and ice events and the overall convenience and accessibility of roadways, there was a high level of dissatisfaction with traffic congestion. The authorization by the City Council to submit the proposed ballot question to Arvada voters provides citizens with the opportunity to address a source of concern without raising taxes.

Public Contact

Posting of the City Council agenda. Staff also notified the W. 72nd Avenue neighbors of the Council's consideration of this action.

Commission Recommendation

The Transportation Advisory Committee issued a letter of support for the action described herein on July 30. The Citizens Capital Improvement Project Committee reconvened on August 14 and remain in support of the proposed projects.

Strategic Alignment

This action aligns with the City Council Strategic Plan Priority Area of Infrastructure.

Alternative Courses of Action

Approve R18-091 A Resolution Submitting a Ballot Question to the Electors of the City Regarding the Issuance of City of Arvada Bonds in an Amount of \$79.8 Million With a Repayment Cost of Up to \$125 Million With No Increase in Taxes.

Do not approve Resolution R18-091.

Recommendation for Action

Staff recommends that the City Council approve Alternative No. 1.

Suggested Motion:

I move that R18-091, A Resolution Submitting a Ballot Question to the Electors of the City Regarding the Issuance of City of Arvada Bonds in an Amount of \$79.8 Million With a Repayment Cost of Up to \$125 Million With No Increase in Taxes, be (approved) (rejected).

Prepared by:
Mark Deven, City Manager

Reviewed by:
Carolina Rodriguez, Legal Administrative Specialist 07/31/2018

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Approved by:

Rachel Morris, Deputy City Attorney 08/02/2018

Chris Daly, City Attorney 08/10/2018

Lorie Gillis, Deputy City Manager 08/16/2018

Mark Deven, City Manager 08/16/2018

Enclosure, exhibits & attachments required to support the report

RESOLUTION NO. R18-091

A RESOLUTION SUBMITTING A BALLOT QUESTION TO THE ELECTORS OF THE CITY REGARDING THE ISSUANCE OF CITY OF ARVADA BONDS IN AN AMOUNT OF \$79.8 MILLION WITH A REPAYMENT COST OF UP TO \$125 MILLION WITH NO INCREASE IN TAXES

WHEREAS, Section 5.17 of the Arvada City Charter authorizes City Council to submit any proposed or adopted ordinances or question to the electors of the City without receipt of a petition; and

WHEREAS, the City of Arvada is a home rule municipality that has been vested with certain powers pursuant to Article XX, Section 6 of the Colorado Constitution; and

WHEREAS, Article X, Section 20 of the Colorado Constitution requires elections on debt increases to be held in connection with the City's regular election in odd-numbered years or at the State general election in even-numbered years; and

WHEREAS, the City Council wishes to refer a ballot question to Arvada voters in conformance with TABOR and the Arvada Charter to issue bonds to improve the safety of certain streets at a special City election to be held in conjunction with the State general election on November 6, 2018.

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

Section 1. The Council hereby calls a special election on November 6, 2018. The City Council determines that the City Clerk shall work with the Adams and Jefferson County Clerks to conduct the coordinated special election on behalf of the City on Tuesday, November 6, 2018. The City Clerk is authorized to enter into an intergovernmental agreement with the county clerks for the conduct of the election.

Section 2. The Council hereby authorizes and directs the officers of the City to certify on or before September 7, 2018 the following ballot title in substantially the form hereinafter set forth to the County Clerk. Such ballot title shall be submitted to the eligible electors of the City at the November 6, 2018 special election.

Section 3. The following ballot title shall be placed on the November 6, 2018 Arvada municipal election ballot and such ballot title shall read substantially as follows:

WITHOUT IMPOSING ANY NEW TAX OR INCREASING ANY TAX RATE, SHALL CITY OF ARVADA DEBT BE INCREASED UP TO \$79.8 MILLION WITH A REPAYMENT COST OF UP TO \$125 MILLION, SUBJECT TO THE FOLLOWING LIMITATIONS AND FOR THE FOLLOWING PURPOSES:

IMPROVING PEDESTRIAN SAFETY BY ENHANCING INTERSECTIONS, SIDEWALKS AND CROSSWALKS, AND IMPROVING DRIVER SAFETY BY EASING TRAFFIC CONGESTION ALONG MAJOR EAST-WEST ROADS IN THE CITY, SPECIFICALLY RALSTON ROAD BETWEEN YUKON AND GARRISON STREETS, AND ON 72ND AVENUE BETWEEN KIPLING AND SIMMS STREETS;

PROVIDED THAT THE EXPENDITURE OF PROCEEDS WILL BE MONITORED BY A COUNCIL APPOINTED OVERSIGHT COMMITTEE OF RESIDENTS, AND SUCH EXPENDITURES WILL BE REPORTED IN THE CITY'S INDEPENDENT AUDIT PUBLISHED ON THE CITY'S WEB SITE AND NO PROCEEDS MAY BE USED FOR CITY ADMINISTRATION.

- Yes
- No

Section 4. The City Clerk is hereby appointed as the designated election official of the City for purposes of performing acts required or permitted by law in connection with the election.

Section 5. If a majority of the votes cast on the question to incur debt submitted at the election is in favor of incurring debt as provided in such question, the City, acting through the Council, shall be authorized to proceed with the necessary action to incur debt in accordance with such question. Such authority shall be deemed and considered a continuing authority to incur the debt so authorized at any one time, or from time to time, and neither the partial exercise of the authority so conferred, nor any lapse of time, shall be considered as exhausting or limiting the full authority so conferred.

If a majority of the votes cast on the question to incur debt submitted at the election is in favor of incurring debt as provided in such question, the City intends to issue such debt in the approximate aggregate principal amount of \$79.8 million to pay the costs of the project described in the debt question, including the reimbursement of certain costs incurred by the City prior to the execution and delivery of such debt, upon terms acceptable to the City, as authorized in an ordinance to be hereafter adopted and to take all further action which is necessary or desirable in connection therewith. The officers, employees, and agents of the City shall take all action necessary or reasonably required to carry out, give effect to, and consummate the transactions contemplated hereby and shall take all action necessary or desirable to finance the project and to otherwise carry out the transactions contemplated by this resolution. This resolution is intended to be a declaration of "official intent" to reimburse expenditures within the meaning of Treasury Regulation §1.150-2. The City shall not use reimbursed moneys for purposes prohibited by Treasury Regulation §1.150-2(h).

Section 6. The officers of the City are authorized and directed to take all action necessary or appropriate to effectuate the provisions of this resolution.

Section 7. All orders, bylaws and resolutions, or parts thereof, in conflict with this resolution, are hereby repealed.

Section 8. If any section, paragraph, clause or provision of this resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this resolution.

Section 9. This resolution shall be effective upon its approval by City Council.

APPROVED AND ADOPTED this 27th day of August, 2018.

Marc Williams, Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

Christopher K. Daly, City Attorney

By: _____

43709827v1

07/30/18

Arvada Citizens' Transportation Committee
8101 Ralston Road, Arvada, CO 80002


Subject: 2018 Bond Re-Authorization Projects

Mayor Williams and Members of City Council,


On behalf of the Arvada Transportation Advisory Committee we want to commend you on your interest in completion of transportation projects in the City. If you should vote to go forward with a bond re-authorization for widening Ralston Rd. from Yukon to Garrison Street and widening 72nd Ave. from Kipling to Simms St., these two transportation projects will be a great addition to our transportation system. They will add much needed capacity to alleviate traffic congestion and bottlenecks in these two corridors, improve response time of first responders, improve safety of bicyclists and pedestrians in the City and enhance economic development and quality of life in our City.

The Arvada Citizen's Transportation Committee voted unanimously to support the bond re-authorization and the Ralston Road Project and the 72nd Ave. project. We have worked very hard to look for funding sources and opportunities to improve transportation in the City of Arvada through studies including capacity studies, missing sidewalks, bike lanes and access to transit as well as access to the Gold Line. We appreciate your interest in improving transportation for all the citizens of Arvada and look forward to assisting the Council if the vote should be favorable to move forward with the re-authorization of the Bonds.

Respectfully,



Terri Binder
Chair, Arvada Citizen's Transportation Advisory Committee

From: **Wally weart** 
Date: Thu, Aug 23, 2018 at 11:49 AM
Subject: Vote to issue bonds
To: jmarriott@arvada.org

John, our travel plans will prevent me from being at the City Council meeting next Monday however I want to express my strongest possible support for the ballot initiative to bond for significant improvements in our infrastructure.

I was part of the original Transportation Committee that dealt with 72nd Avenue when it was initially decided to construct the road between Wadsworth and Kipling. It was important to complete that road then and, in light of the increased traffic volume, it is now even more important proceed with the construction of the underpass at the Union Pacific Railroad. I feel equally strongly about improvements to Ralston Road between Yukon and Garrison as this is also critically necessary for traffic improvement in Arvada.

We have lived in Arvada from 1995 through 2000 and returned to Arvada in early 2007. At that time, we purchased our current home which is two blocks west of Sims between 64th and 72nd. Both my wife and I drive both of these routes frequently and I can tell you from personal experience that these infrastructure improvements are not only critical but long overdue.

I wholeheartedly support Terri Binder's letter to Mayor Williams and the Council and I urge the Council to vote to add this initiative to the ballot. I will do all that I can to provide any help and support so that this initiative passes the electorate by a wide margin.

Please make this e-mail a part of the permanent record so that I am on that record as in full and complete support of this ballot initiative

Wally Weart