



**2015 Board of Directors Retreat  
Final Report  
April 28, 2015**

The Highlands Ranch Metro District Board of Directors (“Board”) met at the Metro District offices Board Room as follows:

- 5:30 to 6:30 p.m. Wednesday March 25, 2015
- 5:00 to 6:30 p.m. Tuesday March 31, 2015
- 1:00 to 5:00 p.m. Friday April 3, 2015, and
- 9:00 a.m. to 4:00 p.m. Saturday April 4, 2015.

The following Board members were present throughout:

Renee Anderson, Allen Dreher, Rick Owens, Carolyn Schierholz, Nancy Smith, Vicky Starkey and Jim Worley.

The following staff members were present throughout, except during the Executive Session:

Terry Nolan, Bruce Lebsack, Jeff Case, Brian Muller, Stephanie Stanley and Carrie Ward. Sherry Eppers was present on Friday.

Additionally Steve Ormiston facilitated the retreat except for the session on March 25th.

The retreat followed the agenda, which is included as Exhibit A. The following is a summary of the retreat.

**Governing Documents**

Terry Nolan presented the Mission, Vision and Guiding Principles, Bylaws Addenda and the Service Plan. The Board had a few changes to the Bylaws which will be incorporated and presented for a vote at a future board meeting.

**Priority Based Budgeting/TABOR/Gallagher**

Stephanie Stanley gave a presentation that briefly introduced the Board to Priority Based Budgeting. Bruce Lebsack gave a presentation that refreshed the Board on TABOR and Gallagher and their impact on District revenues. He also briefly discussed de-Brucing opportunities and requirements.

**Highlands Ranch Yesterday**

Steve Ormiston presented the history of the Highlands Ranch Development Plan and Vision including the planning philosophy used, the major issues addressed by the Development Plan, the result and lessons learned.

The Board was interested in what services were identified in the HRCA charter but are not part of HRCA's current operational model. They include public services commonly associated with municipal or other local government providers. For a complete list, see Appendix B. Concern was expressed over the possibility for service overlap but it was noted that under Colorado law, an overlap in services already provided by others is not only discouraged, but may not be permitted.

The importance of looking at ways to attract more jobs was discussed. It was noted that the District's role was shifting from supporting new growth to a focus on continuing to provide long term benefit by providing high quality services, timely maintenance of infrastructure and keeping ahead of redevelopment needs.

There was discussion of the difference in the service delivery models used for Highlands Ranch and for Reunion since indoor recreation is provided by the Reunion Metro District as opposed to the HOA.

## **Highlands Ranch Today**

### 2014 Community Survey Results

Terry Nolan presented the results of the 2014 community survey, which indicates that the community believes that:

- Highlands Ranch provides high quality services, with some services showing improvement,
- Residents continue to enjoy a high quality of life in Highlands Ranch,
- Residents have high levels of trust in Highlands Ranch government,
- Residents feel maintaining current service levels, buildings, and facilities is a priority over future potential priorities and initiatives in Highlands Ranch,
- Residents feel it is important to enhance fire and emergency services,
- Residents feel it is important to continue to build reserves to pay off debt early,
- Residents feel it is important to meet the needs of senior adults in the community but do not want to pay extra for it through taxes, and
- Generally, residents are not familiar with the Major Repair Fund, but they supported maintaining our assets but did not support accelerating the planned replacements.

Terry suggested that for potential initiatives, the Board consider focusing on items that received 40% or higher ranking for "very important/essential services" which were 1) maintain current services and facilities, 2) enhance fire and emergency services, 3) pay off debt early, 4) reduce taxes and 5) enhance senior services. Bruce pulled the data for the Board to see the changes in rankings that may occur for the top five when the "somewhat important" ranking was added which moved 5 ahead of 4. There was Board discussion of:

- The potential reasons behind survey results showing a slight decline in facility use
- The percentage of surveys returned, and
- The many benefits received by the long-term involvement of the master developer.

### Special Board Meeting - Fire and Emergency Services (See Attached Executive Session Minutes)

- ESCI Study Results
- Authority/District – What are they?
- Discussed negotiations regarding fire and emergency services per C.R.S. 24-6-402(4)(e)

## **Highlands Ranch Tomorrow**

### How will the surrounding communities look in 20 years?

Steve Ormiston presented the Douglas County 2035 Comprehensive Master Plan goals, objectives, policies and strategies to direct new growth to the northern Primary Urbanization Areas of Douglas County. The Comprehensive Master Plan elements dealing with land use, parks, trails and roadways were used to depict where the growth would occur, how much growth would occur, and what infrastructure would be needed to meet the needs of new growth. Other sources of information regarding the future surrounding Highlands Ranch was presented including research from the Denver Post, DRCOG and National Association of Home Builders.

### How will the district's role change in 20 years?

Steve presented the following suggestions on some aspects of the future of Highlands Ranch that may influence the role of the district over the next 20 years. They include:

- Highlands Ranch will be built-out,
- Surrounding communities will experience the majority of area growth in Douglas County,
- The flexibility of funding opportunities if the bonds could be paid off in 2018,
- District tax rates will continue to be low in relation to similar communities in the area, helping to maintain property values,
- The community will continue to benefit from a strong renewable water portfolio with low water rates, and
- There will be a need to fund maintenance of infrastructure and continue the quality of service provided over the past 30 years.

The Board discussed the benefits of the relatively low mill levy for metro district services. It was noted that communities with higher mill levies tended to see a greater loss of revenues than Highlands Ranch during the recent recession.

There was some discussion by the Board on the likelihood of incorporation. It was noted that so long as the community is satisfied with the provision of municipal services at a level of cost acceptable to taxpayers, absent a threat of annexation, there is no benefit to creating an additional layer of government and therefore, Highlands Ranch would remain unincorporated.

The Board recommended that the District advocate for collaboration with Douglas County on service provision as Douglas County explores options for the best ways to provide municipal services in concert with cities and unincorporated areas. Action item: The General Manager should contact Douglas County to expand regular, periodic discussions on the future of service provision.

The Board discussed potential competition for regional park funding with Sterling Ranch as well as regional cooperation opportunities.

### **Review of Our Financial Condition**

Stephanie Stanley presented an overview of the economic indicators that have the most impact on the District's financial position from a revenue and expenditure standpoint. They include:

- Property values
- Consumer activity
- Consumer Price Index
- Interest rates.

Bruce Lebsack presented a new model that looked at the period after the Tri-Cycle Forecast assuming the 2018 bond payoff occurs or if the funds are repurposed. The long term model included an interactive look at TABOR limited taxes and its impact on available funds. He also reviewed a Post 2018 new Funding Priority Scorecard.

There was an initial Board discussion on options for debt retirement. It was noted that post 2018 there would still be SDF funds to collect but the capital projects fund balance would be low and therefore possibly limit the timing of expenditures. The Board may want to consider options to not retire the Metro District No. 2 debt totaling \$16 million six years early if new projects would benefit from the cash flow generated by not retiring early or even possibly refinancing the debt in 2016 to provide additional funding flexibility.

The model uses a 10 year average CPI assumption for growth but does not include an assumption for economic downturns, which tend to occur in 7-year cycles. The Board discussed the impact of de-Brucing, alternatively the use of full CPI growth and of a bond election on model outcomes. The possible need for a mill levy increase in the future was also considered. The Board thought that it is important to regularly inform the citizens of the District's financial condition.

### **District's Role in Possible Future Services and Facilities**

The Board discussed the District's role in providing or partnering for the possible future services and facilities as follows:

- Public Safety – Fire and Emergency Services
- Transportation/Transit- Impact of assisting with the funding for acceleration of the Lucent light rail station and extension.
- Medical and Wellness
- Water – Community Usage, Available Supplies, Regional Norms
- Recreational and Cultural Resources and Opportunities
- Communication Infrastructure
- Possible New or Expanded Programs/Services/Facilities/Partnerships
  1. Seniors
  2. Regional Parks – existing and future
  3. Historic Park and Ranch – purpose, improvements, partnerships
  4. Business Park
    - a. Ice rink
    - b. Business park commons
  5. Unused Land – school sites/Town Center
  6. Other

For each service category, the Board was asked:

- What would be the District's role in such opportunities?
- Is there an opportunity for collaboration? and
- How would the opportunities be funded?

The conclusions of the Board are summarized below in the Retreat Summary.

### **Work Session on Priority Based Budgeting**

Stephanie Stanley presented background on a process to begin Priority Based Budgeting by:

- Reviewing the Fort Collins example, and
- Conducting a Priority Based Budget exercise for open space operations during which she provided background information, had the Board break into groups to create sample result oriented statements and measurable outcome statements, had the Board evaluate programs defined by staff and reviewed results of the exercise.

This concluded the retreat activities.

## Retreat Summary

The following is a summary of the conclusions of the Board as part of the 2015 Board Retreat.

### Public Safety – Fire and Emergency Services

- The Board directed staff to request revisions to the ESCI Study, and based on those results, the Board will work with our fire and emergency services partners to set a policy on a fire and emergency services response times goals for Highlands Ranch,
- In setting those goals, the Board will evaluate various options for the cost effective provision of the defined level of service, including but not limited to, the use of Quick Cars.
- The Board supports evaluating a set aside of \$3.5 million for possible facilities that may be necessary to meet the to-be-determined service goals. Estimates of corresponding operational impacts will also be considered.

### Transportation/Transit

- The Board supports collaboration with Douglas County and RTD on accelerating the extension of southwest light rail to Highlands Ranch.
- The Board supports the possible future allocation of funds, in-kind services, easements and other contributions of value, in the range of \$6 to \$7 million, in partnership with other local governments such as Douglas County if such a commitment would accelerate extension of the southwest light rail to Highlands Ranch.
- The Board continues to support the expansion of C-470.
- The Board supports the current level of RTD mainline bus routes, however, would like RTD to improve the Highlands Ranch Call-n-Ride service.
- The Board did not identify any other possible future transportation or transit services or facilities to pursue at this time.

### Medical and Wellness

- The Board felt that Highlands Ranch residents are well served by existing providers.
- The Board discussed mental health services and suggested possible discussion with the Board of County Commissioners about future service provision.

### Water

- The Board supports the promotion of water conservation as a priority to include leading by example, collaborating with partners and educating the public. This is based on the understanding that increases in water conservation need to come from a reduction in outdoor use. The Board recommended that the residential xeriscape landscape policy contained in HRCA covenants be a possible discussion topic with the HRCA Board during regular Board to Board meetings.
- The Board directed staff to evaluate possible future in-tract water and wastewater line replacement costs and explore the need and timing of a potential funding via a nominal water rate increase administered by and under contract with CWSD.
- The Board discussed the future structure of CWSD at build-out. It was noted that Centennial's water and wastewater function may merge with the Metro District through consolidation or some form of IGA, recognizing the need to keep the revenues and finances separate. The Board also thought that it is important for them to work with Centennial to increase their knowledge of water issues.

### Recreational and Cultural Resources and Opportunities

- The Board supports staff exploring the use of CTF revenues currently designated for Regional Parks for long term park funding other than Wildcat (also see below under Regional Parks).
- The update of the Highlands Ranch Historic Park Master Plan is scheduled in 2018. The Board supports staff possibly conducting some pre-planning sooner as staff evaluates smaller projects that may incorporate well with the Master Plan. Staff should explore options for increasing the flexibility for use of the remaining Fly'n B Park funds (also see below under Historic Park and Ranch).

### Communication Infrastructure

- The Board directed staff to continue District's current role in cell tower leases.

### Possible New or Expanded Programs/Services/Facilities/Partnerships

- Seniors
  1. The Board discussed the need for an indoor space for seniors to gather and directed staff to research options in-lieu of building a facility and to evaluate possible Metro District senior program opportunities in partnership with HRCA or others.
  2. An example of the concern raised by the Board relates to the possibility that the Highlands Ranch residents who are not part of HRCA Recreation Function, including most residents of Palomino Park, Gleneagles Village, The Retreat, The Village, Windcrest, Vi and apartments might someday have to pay a drop-in fee to participate in Senior Club activities at Highlands Ranch recreation centers. There is some concern that if the fee is charged some will not participate and activity groups might not have sufficient participation to continue.
  3. Carrie Ward raised the possibility that the Metro District partner with HRCA to fund senior club use of HRCA Recreation Center space. Vicky Starkey discussed the possibility of a future County Services building having a designated space for seniors or if Metro moves to such a building, making space at the DOB available for seniors. The Board acknowledged that the DOB is owned by Centennial and Metro could not speak on Centennial's behalf.
  4. The Board also considered the use of space in the Chum Howe house or upstairs meeting rooms in the Mansion to provide informal meeting/gathering space for seniors. To minimize financial impact, this would only be considered at the Mansion during normal Public Open Hours and if it would not compete with rental opportunities. Staff explained that an evaluation of Chum Howe is currently underway to identify the cost of making parts of this building suitable for public use. Potentially available funding for this work includes unspent funds from the \$75,000 that was provided by Douglas County with the original property transfer and \$80,000 earmarked for the Chum Howe house included in the Metro District's submittal to Douglas County for a \$985,000 grant associated with the Mansion.
- Regional Parks – existing and future

The Board supports staff evaluating the use of CTF funds earmarked for Wildcat Regional for other park funding needs.
- Highlands Ranch Historic Park and Ranch purpose, improvements, partnerships

The update of the Highlands Ranch Historic Park Master Plan should be done in the near future to consider projects in the park that are being planned now, so that they are compatible with the long range master plan for the site. The Board discussed the possibility of exploring options for use of

future revenues from Wind Crest that may not be used for phase 2 park/Fly'n B house improvements.

- Business Park
  1. Ice rink
    - a. The Board directed staff to move forward and meet with proponents of a possible future ice rink in Highlands Ranch Business Park to explore opportunities including: Metro District financing and construction of the ice rink with general obligation/revenue bonds, possible partnerships - both public and private, other financing structures, and look at operating costs including facility management and staffing.
    - b. The Board will contact the HRCA board to make it clear that the District does not intend to build the facility for subsequent HRCA operation.
  2. Business Park Commons - The Board supports staff efforts to work with Shea Properties and the Englewood McLellan Reservoir Foundation (EMRF) to rezone the Planning Areas which includes a possible Business Park Commons, which may require a land lease with EMRF. The scope of the Commons has not been defined, but once planned, staff should determine possible funding of the construction and operation.
  3. Possible County Service Center - The Board supports a partnership with Douglas County and others regarding a possible service center within Highlands Ranch Business Park.
  
- Unused Land – school sites/Town Center
  1. The Board directed staff to consider if three undeveloped sites designated for schools have any potential value to the Metro District. This study should include the benefit, neighborhood impact, cost and feasibility of building ball fields, community gardens or other park amenities on the sites.
  2. Since the Board supports the location in the Highlands Ranch Business Park for construction by Douglas County of a service center instead of on the vacant site in Town Center currently designated for future cultural center or other local government use, they support a zoning change to use that vacant site for a commercial use.
  
- Other - The Board did not identify any additional possible future services and facilities for consideration at this time.

#### Priority Based Budgeting

- The Board supports beginning the process to implement Priority Based Budgeting (“PBB”) in stages with periodic evaluation of the tool during the long-term process of implementation.
- The goal of PBB will be to provide a tool to take a longer-term view of District priorities and to make sure that the expenditures align with the priorities. PBB will take time to implement, but once the program is established, staff believes that it will be just as versatile as the current budget process to provide regular updates to the Board especially in the event of an economic downturn or other financial challenges.
- Benefits of PBB include helping the Board:
  1. Be able to prioritize expenditures,
  2. With accountability through more informed decision making that makes sure that the Board is spending money in alignment with its priorities,
  3. Understand the true cost of services, projects and programs,
  4. With the process of reallocating funds from debt service to the general fund in conjunction with the potential debt pay off in 2018,
  5. By tracking the specific services provided by the District and how well the citizens value these services in order to provide a basis for the possibility of asking voters for a mill levy increase sometime between 2020 and 2028, if needed, and

6. Defining future community survey questions to measure the public's perception of District services.

Next Steps

A Board workshop will be scheduled for May to discuss the tri-cycle forecast update after we receive the new assessed value information from Douglas County. The workshop will also focus on the impacts of the following options discussed during the retreat:

- Enhanced Fire & Emergency Services
- Financial support of future RTD service expansion
- Funding of the Business Park facilities
- Debt retirement and refunding scenarios

Staff will prepare a more formal plan to implement Priority Based Budgeting. Staff will present to the plan to the Board for review and schedule a workshop to develop result statements and outcome measurements.



## EXHIBIT A

### **2015 Board Retreat Agenda**

#### Workshop 5:30 p.m. March 25, 2015

1. Mission, Vision and Guiding Principles review – Terry
2. Bylaws – addenda review – Terry
3. Service Plan – what we are authorized to do – Terry

#### Workshop 5:00 p.m. Tuesday March 31, 2015

1. Priority Based Budgeting – introduction/possible timeline – Bruce / Stephanie
2. TABOR/Gallagher refresh and de-Brucing – what is it? - Bruce

#### Retreat 1:00 to 5:00 p.m. Friday April 3, 2015

1. Highlands Ranch Yesterday – Steve
  - a. Development plan and vision
2. Highlands Ranch Today
  - a. Survey Results – Terry
  - b. Fire and emergency services: - Terry
    - 1) ESCI study results
    - 2) Authority/district – what are they?
3. Highlands Ranch Tomorrow
  - a. How will the surrounding communities look in 20 years? Douglas County Comprehensive Master Plan 2030 - Steve
  - b. How would the District's role change in 20 years? Board discussion - Steve

#### Retreat 9:00 a.m. to 4:00 p.m. Saturday April 4, 2015

1. Review of our financial condition Bruce/Stephanie
2. District's Role in Possible Future Services and Facilities – Board discussion - Steve
  - a. Public safety - fire and emergency services
  - b. Transportation/transit
  - c. Medical and wellness
  - d. Water - community usage, available supplies, regional norms
  - e. Recreational and cultural resources and opportunities
  - f. Communication infrastructure
  - g. Possible new or expanded programs/services/facilities/partnerships
    - 1) Seniors
    - 2) Regional parks - existing and future
    - 3) Historic Park and Ranch - purpose, improvements, partnerships,
    - 4) Business Park
      - a) Ice rink
      - b) Business park commons

- 5) Unused land - school sites/Town Center
- 6) Other
- 3. Work Session on Priority Based Budgeting – Stephanie
  - a. How opportunities and services are prioritized
- 4. Retreat Summary - Steve

**EXHIBIT B**

**Highlands Ranch Community Declaration – Section 2.45**

“Public Functions shall mean providing public services commonly associated with municipal or other local governments, including, without limitation, providing security protection, fire protection, animal control, vegetation control, insect and pest control, television service, parking facilities, public transportation facilities, hospitals, cultural and educational facilities, drainage facilities, trash and solid waste disposal services and utility services.”

**EXHIBIT C**



HIGHLANDS RANCH METROPOLITAN DISTRICT  
SPECIAL BOARD MEETING MINUTES  
62 W. PLAZA DRIVE  
HIGHLANDS RANCH, CO 80129

April 3, 2015

Rick Owens called the special board meeting of the Highlands Ranch Metropolitan District to order at 2:50 p.m.

**Roll call** was taken

**Board of Directors:** (Chairman in bold face: \* = absence; \*\*=excused absence)

**Rick Owens**

Vicky Starkey

Allen Dreher

Carolyn Schierholz

Nancy Smith

Renee Anderson

Jim Worley

**STAFF**

Terry Nolan, General Manager

Bruce Lebsack, Director of Finance and Administration

**OTHERS**

Steve Ormiston

**Public Comments or Questions**

None

**Approval of Business Agenda** (*Dreher/Smith*) 7-0 motion passed

**Executive Session** (*Dreher/Smith*) 7-0 motion passed

A motion to move to executive session to discuss negotiations regarding fire and emergency services per C.R.S. §24-6-402(4)(e) was made by Allen Dreher and seconded by Nancy Smith.

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**Staff Presentations**

The Board received a presentation (*executive session addendum #1*) by Terry Nolan on the draft Littleton Fire Rescue Emergency Services Master Plan. The Board decided on a number of recommended changes to the study that Terry will forward to the partners during the week of April 6<sup>th</sup>. The Board also received a presentation by Terry on the characteristics of a single fire and emergency services district or an authority and the issues associated with their formation. (*executive session addendum #2*).

The executive session concluded at 4:15 p.m.

**Discussion Items**

None

**Public Comment**

None

**Adjournment**

At 4:16 p.m. motion to adjourn (*Starkey/Dreher*) 7-0 motion passed, was declared by Chairman Owens.

Submitted by Terry Nolan – April 3, 2015