



October 10, 2019

Members of the Board -

The 2019 year has been a study in contrasts. At the beginning of the year, there was substantial momentum to proceed with the procurement process. The Authority's procurement team was in place, three extremely qualified private sector teams had been short-listed and Jefferson Parkway was conceivably a year away from construction start. At present, the project is on hold awaiting the final results from the extensive soils testing on the Rocky Flats portion of the right of way and the direction from the member governments on next steps, but that is not new with the Jefferson Parkway. Below is a discussion of the current year budget and a modest proposal for 2020.

#### **2019 revised budget**

On December 20, 2018, the Board unanimously adopted Resolution 18-3 approving the 2019 budget of \$7,012,100. This one-time surge in expenses was adopted in anticipation of issuing the Request for Proposal. The three short-listed teams were selected by the Board at that same meeting, following an extensive Request for Qualifications process that resulted in five submissions.

In accordance with the budget and the direction of the Board, the procurement team began drafting the Instructions to Proposers, the Technical specifications, and the draft concession agreement during the spring. Those documents were substantially complete in early May of 2019. On that timeline, the RFP process would have concluded at the end of 2019 with an identified preferred private partner. The cost to produce those documents for RFP release in May was in excess of \$1.7 million, which was consistent with our budgetary expectations.

Right of way work proceeded throughout last spring, both with the acquisition of the Hotchkiss II parcel and the negotiation for the transfer to the Authority of lands being held by the City of Arvada and the Jefferson Center Metropolitan District for right of way. In addition, detailed surveying, mapping and legal descriptions for the entire right of way corridor took place. These activities cost \$1.35 million in total. Again, this cost was consistent with our budgetary expectations.

The FAA made an unexpected re-appearance in February regarding the status of Rocky Mountain Metro Airport lands already released for non-aviation uses available for right of way. The legal and engineering work to resolve this to the FAA's satisfaction (again) was an unexpected \$250,000 in expenses and this detour delayed progress by about three months.

As part of the due diligence for the right of way, the Board initiated a soils re-sampling program for the right of way adjacent to the Rocky Flats Wildlife Refuge in the expectation that the member jurisdictions would share in those costs, which were not budgeted for 2019. Some 250 samples were taken and one anomalous result was identified from a single sample site near the Indiana Street right of way. The Colorado Department of Public Health and Environment (CDPHE) was contacted to provide guidance on how to determine whether this sample result was anomalous and on how to address any health-related challenges. An additional 25 samples in proximity to the anomalous sample site have been taken and analyzed. Those results were unremarkable and consistent with all other soil samples that have been taken in the same area. While the analysis of all 250 samples is not complete at the time of writing, those results should be available toward the end of October. It is expected that the total soils sampling costs, which of course were not included in the Authority's budget for 2019, will be in excess of \$460,000. This is problematic absent additional funds from the members since this would result in a negative fund balance of -\$162,000 at year-end.

In summary, our expense experience for 2019, as of today, is consistent with our budget for the year, excepting only two unanticipated events: the reemergence of the FAA as a factor in our planning, and the 250 sample soils testing program, identification and response to a single anomalous particle arising from that soil sampling process.

Each member jurisdiction chose a different manner to provide their share of the funding to support the adopted 2019 JPPHA budget. Jefferson County budgeted their \$2.5 million share within their overall 2019 County budget adoption. Arvada and Broomfield each chose to fund their commitment through a supplemental budget appropriation in 2019. Arvada provided \$500,000 in late 2018 for cash flow into 2019 and approved the \$2 million balance in a supplemental budget approved in April, 2019. To date, the advances provided to fund 2019 JPPHA expenditures are:

Arvada - \$2,500,000  
Jefferson County - \$1,775,000  
Broomfield has yet to act.

Because the Authority has not received anticipated funding from all of its members, and to a lesser extent the unbudgeted expenses for the airport and soils testing, the funds of the Authority have been depleted. As of October 1, there was about \$150,000 cash on

hand. Anticipated expenses for 2019 total \$3,856,948 vs. year to date revenues of 3,784,327, and an unfavorable beginning fund balance of - \$89,525. As a result of these numbers, the Authority will suffer a deficit of expenditures over revenues for the year of -\$162,146 at year's end, with no contingency and a zero fund balance if no action is taken. To cover this deficit, an additional \$175,000 will be needed by December just to pay its anticipated bills.

In addition to covering the deficit, the 2019 budget will need to provide for a 3% emergency fund per audit standards and should show a modest 2% contingency to cover unanticipated expenses. To accomplish these ends the Authority will need total revenues for 2019 of \$4.1 million vs. the \$3,856,848 currently projected. If this \$4.1 million were divided equally, each member would be obligated to advance a total of \$1.36 million for 2019, as opposed to the actual varied member contributions shown above. Alternatively, the three member governments could cover the costs of the current soils testing program which would keep the Authority in a positive cash position for 2019.

### **2020 Proposed budget**

Attached to this communication is a spreadsheet showing both the revised 2019 budget and the proposed 2020 budget. The 2020 budget does not anticipate, at least at the current time, that the Authority will operate at a level needed to fully implement the RFP process. Rather, given the current state of affairs with regard to soils testing, the proposed 2020 budget has been developed with the following three goals in mind:

- completing the currently planned soils analysis and performing the anticipated follow-up related to that analysis needed with the Colorado Department of Public Health and Environment (CDPHE)
- initiating negotiations with CDPHE on a new Memorandum of Understanding; and,
- maintaining clear and consistent communications with the community, the media, the procurement team, and our short-listed private partner teams.

We believe that these three minimum goals are critical to the continued operation of the Authority on a short term basis pending the outcome of final soils testing. In addition, we believe this level of activity is consistent with, and required by, our responsibility to complete the current soils analysis and to respond to the feedback and guidance of CDPHE.

To that end, and assuming the fund balance will equal two months operations, the proposed budget for 2020 is recommended at \$199,500. The line item details are in the attached budget. The proposed budget will provide funds sufficient for the legal, technical, and administrative support needed to achieve the goals listed above. It will

not, of course, provide funds sufficient to pursue full-scale development activities with regard to the Parkway, nor will it provide sufficient funds to issue the RFP or pursue the developer selection process.

Looking forward, the Authority Board has always operated on the expectation of eventual success for the project. At whatever point the Board elects to proceed with the RFP issuance, there will be a need for approximately \$500,000 in funds in addition to the \$199,500 mentioned above, to update and issue the RFP documents, participate in one-on-one meetings with the short-listed developers and complete the selection process based on current expectations. The timing and availability of that funding from the members will dictate the speed of the RFP process.

The timing of future member funding, and of the Authority's developer selection process will be important. To date, I do not detect any significant discomfort among the short-listed proposers with the efforts of the Authority to deal with issues and concerns that, while unanticipated, are nonetheless serious matters requiring our attention. In fact, I believe the short-listed proposers believe that the efforts of the Authority to address these concerns are reflective of the serious manner in which the Authority has conducted its affairs with regard to the project.

Of course, we cannot expect that an extended delay will not have a negative impact on the views of the short-listed proposers or on the prospects for success of the Project. With that in mind, it would be my recommendation to the board that it revisit these issues if an RFP has not been issued by the middle of 2020.

I very much appreciate the support shown by the Board for this project over the last 12 years and thank you for the opportunity to serve.

Respectfully,

  
William A. Ray,  
Executive Director