

AGENDA
LOVELAND CITY COUNCIL STUDY SESSION
TUESDAY, JANUARY 12, 2016
CITY COUNCIL CHAMBERS
500 EAST THIRD STREET
LOVELAND, COLORADO

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STUDY SESSION 6:30 P.M.

STUDY SESSION AGENDA

**1. LOVELAND POLICE DEPARTMENT
POLICE RETIREMENT PLAN PROPOSAL**

(presenters: John Spreitzer, Gordon Tewell, and Julia Holland)

This is an informational presentation. The Police Retirement Board consulted with Innovest, an investment consulting firm, to complete a study analyzing the feasibility of the Police Retirement Plan to provide adequate funds through retirement. The current Police Plan is a mandatory 401 (a) Money Purchase Plan, which is a defined contribution plan not a pension. Participant contributions are mandatory and pre-tax at 7% of an employee's base pay. The City contribution is 11% of base pay per participant. The City does not provide Social Security contributions for public safety positions, but does contribute to Medicare for participants of the Plan (if hired after 1986). The objective of the study is to ensure the Plan is sufficient in its design and structure to provide adequate retirement income at a reasonable retirement age for public safety professionals. The proposed change to the Plan requires greater commitment and contribution from the participant and reduces the base contribution from the City. The proposal also includes a matching feature that could increase the City contribution up to an additional 4% from the current contribution rate.

**2. CITY ATTORNEY
METRO DISTRICT BRIEFING**

(presenters: Tami Yellico, Alan Pogue, Peggy Dowswell and Chad Walker)

This is an information only item. Alan Pogue, an attorney who specializes in metropolitan district representation, and Peggy Dowswell and Chad Walker of Pinnacle Consulting Group, Inc., a consulting firm that specializes in management of metropolitan districts, will provide a brief overview of metropolitan districts, including legal authorities, formation, purposes, and funding sources.

ADJOURN



CITY OF LOVELAND
HUMAN RESOURCES DEPARTMENT
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 (970) 962-2371 • FAX (970) 962-2919 • TDD (970) 962-2620

AGENDA ITEM: 1
MEETING DATE: 1/12/2016
TO: City Council
FROM: Police Retirement Board
PRESENTER: John Spreitzer, Police Retirement Board Chair
 Gordon Tewell, Innovest Principal
 Julia Holland, Human Resource Director

TITLE:
 Police Retirement Plan Proposal

SUMMARY:

The Police Retirement Board consulted with Innovest, an investment consulting firm, to complete a study analyzing the feasibility of the Police Retirement Plan to provide adequate funds through retirement. The current Police Plan is a mandatory 401 (a) Money Purchase Plan, which is a defined contribution plan not a pension. Participant contributions are mandatory and pre-tax at 7% of an employee's base pay. The City contribution is 11% of base pay per participant. The City does not provide Social Security contributions for public safety positions, but does contribute to Medicare for participants of the Plan (if hired after 1986). The objective of the study is to ensure the Plan is sufficient in its design and structure to provide adequate retirement income at a reasonable retirement age for public safety professionals. The proposed change to the Plan requires greater commitment and contribution from the participant and reduces the base contribution from the City. The proposal also includes a matching feature that could increase the City contribution up to an additional 4% from the current contribution rate.

BUDGET IMPACT:

- Positive
- Negative
- Neutral or negligible

The proposed Plan change may affect the City's net expense depending on employee participation in the match option. If 100% of employees participate in the match option the total increase of City expenses is estimated to be \$142,567.82 annually. If no employees participate in the match option the total reduction of City expenses is estimated to be (\$71,694.27) annually.

BACKGROUND:

The Police Retirement Board study analyzed the current design compared to two other contribution structures. The analysis was conducted to determine the best solution for a retirement plan that would provide a sufficient income replacement at and through retirement for our police public safety employees. To conduct the proper research and analysis, the Board used the expertise of an investment consulting firm, Innovest. The current retirement plan programs available to the Police include the mandatory 401 (a) Money Purchase Plan with voluntary after tax contribution option, a voluntary 457 Plan (pre-tax or Roth after tax options) with no City contribution and a voluntary 457 Plan through the Fire and Police Pension Association (FPPA) with no City contribution.

The analysis of the current plan has led the Board to propose a Plan change to its participants and City Council. The participants of the Police Plan have voted and over 90% of the participants of the Plan support the proposed changes to require an increase to the mandatory contribution from the participants (3% increase), reduction of the base contribution from the City (1% reduction) and an option for voluntary employee contributions up to a maximum of 5% that would be matched by the City. If employees participated in the match option, the maximum City contribution would be 4% higher than the current contribution. The Board is recommending the matching approach and mandatory increase to the participants because they understand retirement readiness requires commitment and accountability of the employee as well as employer. The proposed changes are intended to provide a fiscally responsible and balanced approach to ensure adequate financial security through retirement for our police public safety personnel.

REVIEWED BY CITY MANAGER:

LIST OF ATTACHMENTS:

1. Innovest Police Retirement Plan Sufficiency Study
2. Police Compensation Study
3. Participant Education Information
4. Current Police Retirement Plan programs



4643 S Ulster Street | Suite 1040 | Denver, CO 80237 303.694.1900 | innovestinc.com

A scenic landscape photograph showing a calm blue lake in the foreground, surrounded by dense green evergreen forests. In the background, there are rocky mountains under a clear sky. Some trees in the immediate foreground have bright yellow autumn leaves.

City of Loveland Police Retirement Plan Retirement Sufficiency Study

January 12, 2016

Gordon Tewell, CFA, CPC, Principal

INCOME REPLACEMENT RATIO PROJECTION

Utilized a study completed by the Employee Benefit Retirement Institute and the University of Georgia.

The study analyzes the replacement ratio employees need to maintain their pre-retirement standard of living after retirement. Changes in these expenditures, however, vary from person to person.

The EBRI/University of Georgia study provides a detailed methodology for calculated a targeted replacement ratio. The methodology includes the following factors:

PrRPG: Gross pre-retirement income

PrRT: Pre-retirement taxes

PrRS: Pre-retirement savings

NCCR: Change in age- and work-related expenditures

PoRT: Post-retirement taxes

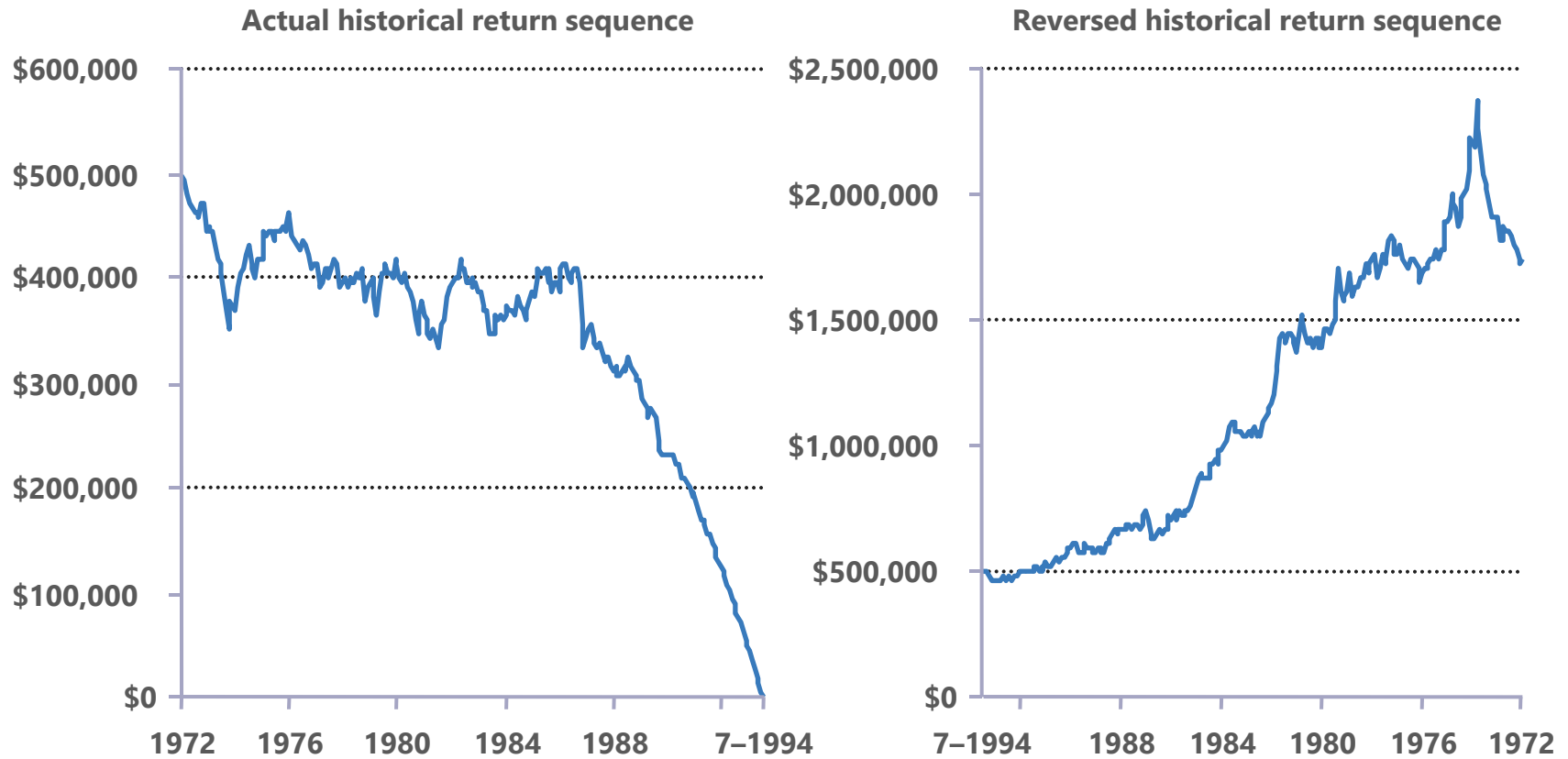
Based on the above, we concluded that the career members of the City of Loveland Police Plan would need a 75% replacement ratio.

REQUIRED TOTAL CONTRIBUTION LEVELS TO MEET PROJECTED INCOME REPLACEMENT

Income replacement ratios and retirement age	Average annual rate of return		
	5%	7%	9%
Age 50			
80%	45.0%	27.1%	18.0%
90%	50.5%	30.5%	19.0%
100%	56.1%	33.9%	21.2%
Age 55			
80%	33.7%	19.5%	18.0%
90%	37.9%	21.9%	18.0%
100%	42.1%	24.3%	18.0%
Age 60			
80%	25.7%	18.0%	18.0%
90%	29.0%	18.0%	18.0%
100%	32.2%	18.0%	18.0%

WHY DIFFERENT OUTCOMES OCCUR

Sequence of returns matters



Hypothetical value of \$500,000 invested at year-end 1972 and July 1994. Assumes inflation-adjusted withdrawal rate of 5%. Portfolio: 50% large company stocks/50% intermediate-term bonds. Assumes reinvestment of income and no transaction costs or taxes.

SCOPE OF WORK COMPLETED

Income Replacement

An analysis of the projected retirement plan income replacement of the current plan option versus two new options

Fiscal Impact

An analysis of the fiscal impact of contributions for the City of Loveland

An analysis of the fiscal impact of contributions for the participants in the plan

INCOME REPLACEMENT ASSUMPTIONS

The analysis Innovest provided is based on specific assumptions provided to Innovest by the City.

This retirement analysis assumes retirement at age 55 for participants, after having worked 25 years;

Retiring officers need to achieve a replacement rate of 75% of their last year's pay, adjusted upward by 2% per year in retirement;

The analysis goes until the age of 80;

Report Assumptions

- Officer salary after Year 7: adjusted upward by 2.5% per year
- Expected investment returns of 7% per year
- Final year salary: \$114,479 (25 years in from time of study)
- 75% of final year salary: \$85,859
- Blended Colorado and Federal tax rate in retirement: 18.5%
- Net income for participants in first year of retirement: \$70,000

INCOME REPLACEMENT

Scenario 1: Current Structure

The current contribution structure of 401(a) defined contribution plan:

- Employee Contribution of 7% of base pay
- City Contribution of 11% of base pay

Scenario 2: Tiered Structure (not recommended)

A scenario with 10% employee contributions and a rising scale of employer contributions based on officer tenure

Years of Service	Proposed Employer Contribution
• 0 – 7 years	11.2% (5% plus SS replacement of 6.2%)
• 8 – 10 years	12.2% (6% plus SS replacement of 6.2%)
• 11 – 15 years	13.2% (7% plus SS replacement of 6.2%)
• 16 – 20 years	14.2% (8% plus SS replacement of 6.2%)
• 21 + years	15.2% (9% plus SS replacement of 6.2%)

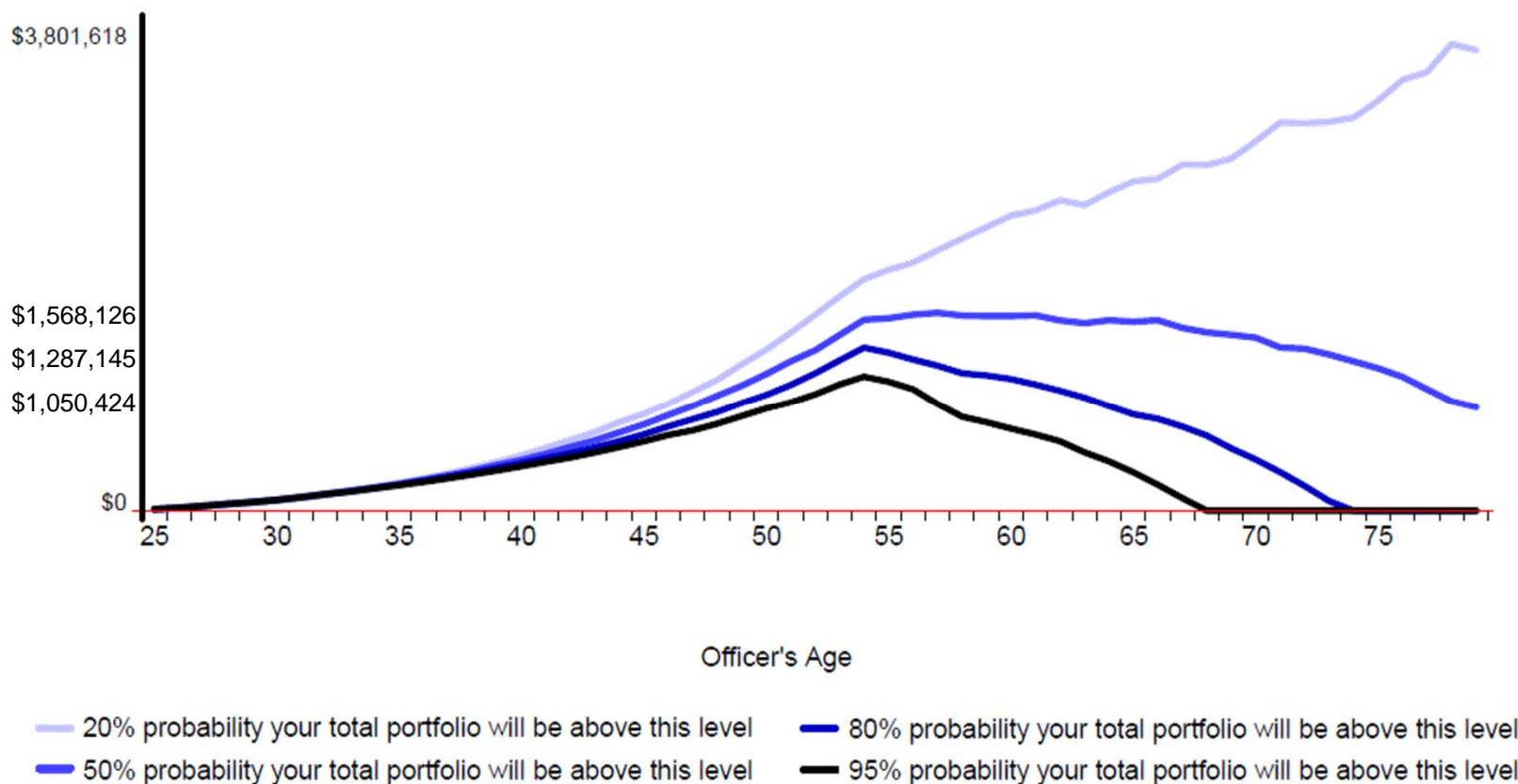
Scenario 3: Match Structure (proposed)

A scenario with 10% employee and employer contributions and an option for voluntary employee contributions which would be matched by an employer contribution

- Employee Contribution of 10% of base pay
- City Contribution of 10% of base pay
- City match of voluntary contribution at a rate of 100% of the first 5% contributed by the participant

SCENARIO 1: CURRENT STRUCTURE

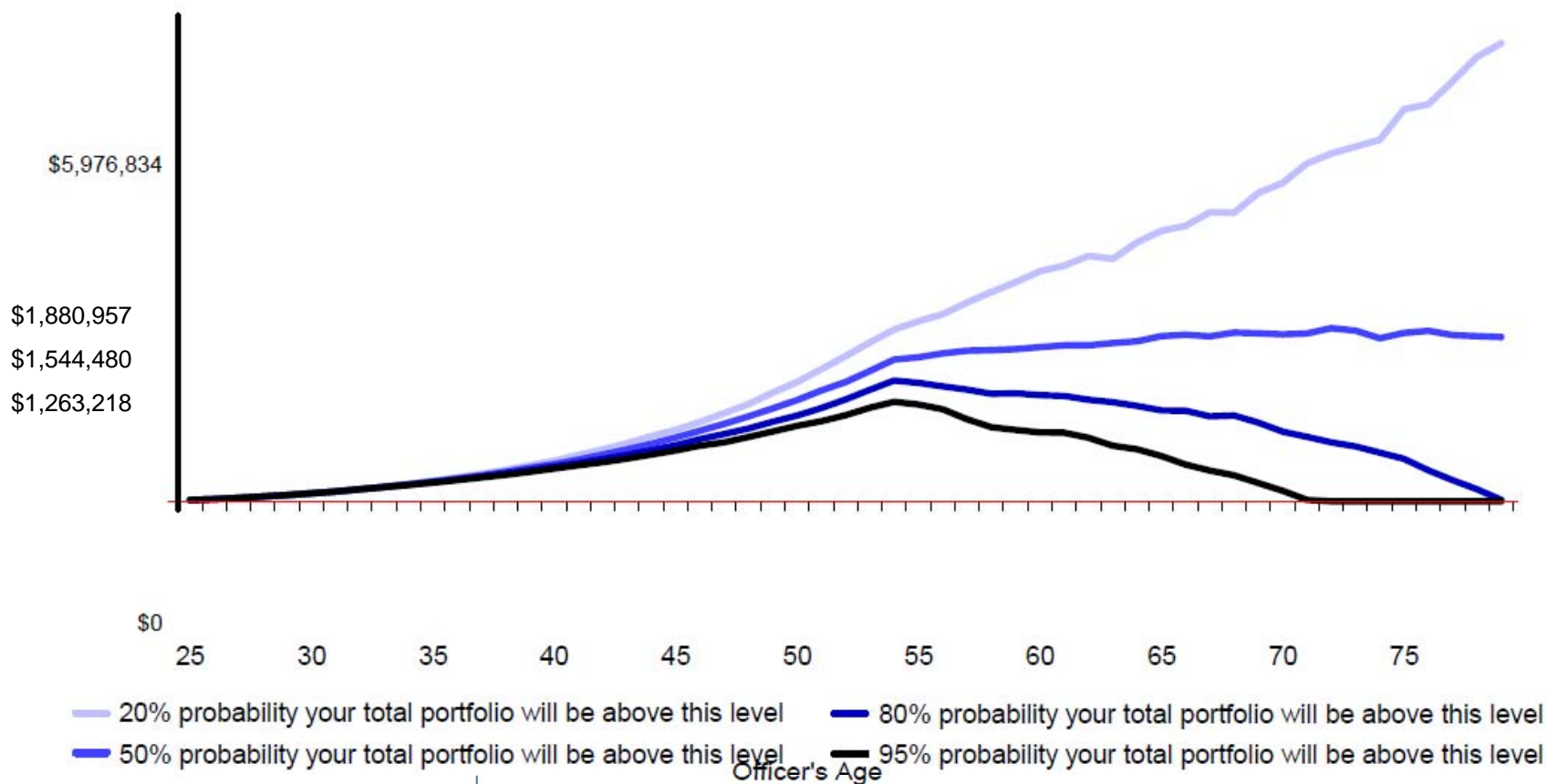
Expected Participant Outcome through Retirement
 Expected City Financial Impact: No change to current expenditures



Officer's Age	The Chances Are...		
	50%	80%	95%
25	\$10,883	\$10,883	\$10,883
55	\$1,568,126	\$1,287,145	\$1,050,424
79	\$841,339	\$0	\$0

SCENARIO 2: TIERED STRUCTURE (NOT RECOMMENDED)

Expected Participant Outcome through Retirement
 Expected City Financial Impact: \$144,209.27



— 20% probability your total portfolio will be above this level
 — 80% probability your total portfolio will be above this level
— 50% probability your total portfolio will be above this level
 — 95% probability your total portfolio will be above this level

Officer's Age	The Chances Are...		
	50%	80%	95%
	That Your Total Portfolio Will be Greater Than...		
25	\$12,817	\$12,817	\$12,817
55	\$1,880,957	\$1,544,480	\$1,263,218
79	\$2,144,376	\$15,756	\$0

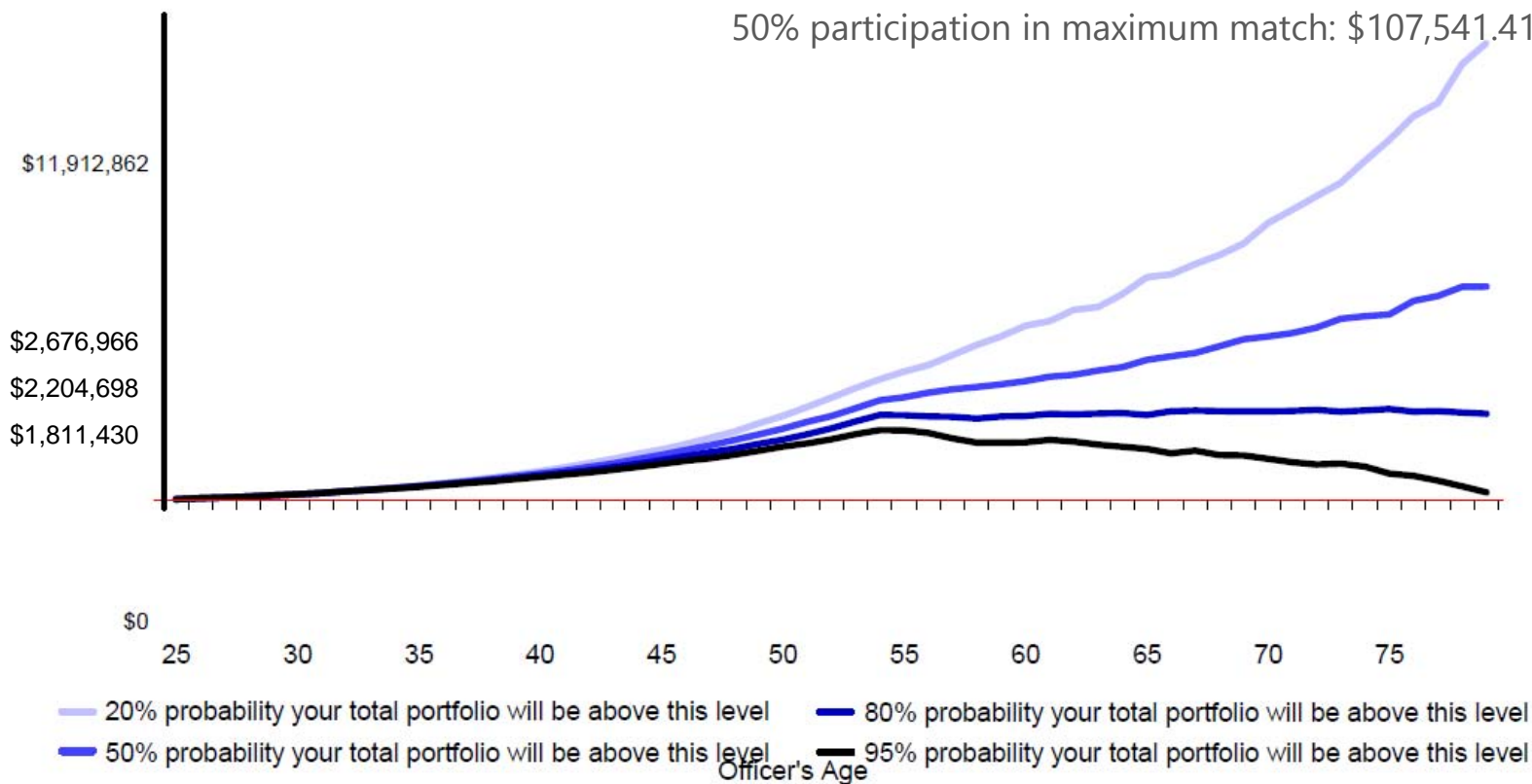
SCENARIO 3: MATCH STRUCTURE (PROPOSED)

Expected Participant Outcome through Retirement

Expected City Financial Impact: 100% participation in maximum match: \$142,567.82

0% participation in maximum match: (\$71,694.27)

50% participation in maximum match: \$107,541.41



Officer's Age	The Chances Are...		
	50%	80%	95%
25	\$18,138	\$18,138	\$18,138
55	\$2,676,966	\$2,204,698	\$1,811,430
79	\$5,557,857	\$2,241,541	\$198,568

FISCAL IMPACT

	Total Participant Costs	Average Participant Cost	Total Employer Costs	Change in Employer Cost	Employer Cost Per Participant
Scenario 1 - Current Structure	\$501,859.90	\$5,455.00	\$788,636.99	N/A	\$8,572.14
Scenario 2 - Tiered Structure	\$716,942.72	\$7,792.86	\$932,846.26	\$144,209.27	\$10,139.63
Scenario 3 - Match Structure - 100% participation in match	\$1,075,414.08	\$11,689.28	\$1,075,414.08	\$142,567.82	\$11,689.28
Scenario 3 - Match Structure - 0% participation in match	\$716,942.72	\$7,792.86	\$716,942.72	(\$71,694.27)	\$7,792.86
Scenario 3 - Match Structure - 50% participation in match	\$896,178.40	\$9,741.07	\$896,178.40	\$107,541.41	\$9,741.07

ADDITIONAL IMPACTS ON THE CITY OF LOVELAND

- Employee recruitment and retention
- Orderly transition of members out of the workforce
- Social impact of an unsuccessful retirement

GORDON TEWELL, CFA, CPC | PRINCIPAL

Gordon is a Principal, Consultant and member of Innovest's Investment Committee, which makes decisions on investment related research and due diligence. He is also a member of the Capital Markets Research Group, responsible for asset allocation studies and portfolio construction and Innovest's Due Diligence Group, responsible for both qualitative and quantitative manager and retirement plan vendor due diligence. Gordon has more than 18 years of retirement plan industry experience.

Gordon's consulting relationships are focused on retirement plans, due mainly to Gordon's experience with providing services to and directly managing a variety of retirement plans and in-depth understanding of IRS and DOL rules and regulations concerning retirement plans. Gordon's other responsibilities at Innovest include retirement plan benchmarking and vendor search analysis activity providing fiduciary oversight and significant cost saving opportunities to Innovest clients. His views on plan design and industry trends have been published in Pensions & Investments and Plan Sponsor, among others.

Prior to joining Innovest, Gordon was a plan sponsor, managing multiple retirement plans for the City of Westminster in Colorado. Before his time as a plan sponsor, he was an Assistant Vice President with The Retirement Group at Merrill Lynch. Most of his time at Merrill was spent in a client relationship role overseeing all aspects of plan management, but included time spent in investment consulting, and plan conversion and implementation.

Gordon is a graduate of Colorado State University, graduating with a Bachelors of Science degree in Economics and a minor in mathematics. Gordon is a Chartered Financial Analyst (CFA) and is a member of the CFA Institute and the CFA Society of Colorado. Additionally, Gordon has received the Certified Pension Consultant (CPC) designation from the American Society of Pension Professionals and Actuaries (ASPPA). CPCs work alongside employers to formulate, implement, administer, and maintain qualified retirement plans. Gordon is a certified Behavioral Finance Analyst, educating plan sponsors to apply proven behavioral finance solutions to improve plans and participant outcomes. He is a member of ASPPA, the Denver Chapter of the Western Pension and Benefits Conference and a Board member of the Colorado Public Plan Coalition.

Gordon and his wife Deb spend their free time traveling throughout the U.S., much of this time spent on their bicycles. Gordon and Deb are members of a Colorado-based volunteer bicycle touring group that organizes week-long bicycle tours throughout the world. When not bicycling or hiking in the Colorado Mountains, Gordon and Deb volunteer at their local YMCA, assisting with programs that promote healthy spirit, mind, and body.



CITY OF LOVELAND
CITY MANAGER'S OFFICE

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(970) 962-2303 • FAX (970) 962-2900 • TDD (970) 962-2620

TO: Bill Cahill, City Manager
FROM: John Hartman, Senior Policy Analyst
DATE: August 25, 2015
RE: Police Compensation Survey

Survey Overview

Per Councilor Krenning’s request a survey was conducted of police agencies for nine cities with a population of roughly 50,000 to 150,000, ranging from the north metro-Denver area to northern Colorado and three Sheriff Agencies, Larimer, Weld and Boulder Counties. The cities include Arvada, Boulder, Broomfield, Fort Collins, Greeley, Longmont, Loveland, and Westminster. One city (Thornton) and one County Sheriff (Weld) did not respond. The survey is to provide a comparison of total compensation for police officers below the command ranks, Police Officer, Sergeant and Lieutenant. Specific areas examined were salary ranges, retirement and health benefits, leaves, allowances, and the take-home car program. While there are variations in each agency, in general Loveland is competitive in most areas.

Salary Ranges

The salary ranges for the three officer ranks, along with the average for the responding agencies and how Loveland compares to the average are shown in Figure 1. The Lieutenant rank comparison is not a perfect match. In

Salary Range Comparison Chart		Officer Beginning	Officer Top	Sgt. Beginning	Sgt. Top	LT Beginning	LT Top
Loveland the	Arvada	57,077	78,300	83,000	97,714	104,601	116,419
Lieutenant rank is	Boulder	53,346	79,053	75,681	100,057	95,900	146,200
not a part of the	Broomfield	45,365	75,878	75,878	94,474	94,474	114,899
Police pay step plan,	Ft. Collins	57,607	78,401	85,737	97,513	105,488	114,503
but is included in the	Greeley	50,980	76,696	85,133	93,646	101,138	108,217
city pay plan for	Larimer County Sheriff	49,348	71,426	83,498	94,390	97,862	110,626
Exempt employees	Longmont	55,080	72,408	91,092	95,904	96,576	118,032
in Salary Grade 6.	Loveland	57,900	75,200	78,200	95,600	74,500	119,100
This salary grade	Westminster	50,812	75,166	81,687	94,732	93,950	117,438
includes a broad	Boulder County Sheriff	52,476	75,576	83,124	95,784	105,360	111,048
spectrum of division	Average	52,999	75,810	82,303	95,981	96,985	117,648
directors and upper	Amount Loveland above/below	4,901	(610)	(4,103)	(381)	(22,485)	1,452
middle management	Percent	9.2%	-0.8%	-5.0%	-0.4%	-23.2%	1.2%
positions. Cities in							

Figure 1

the north metro area and the Boulder County agencies use a Commander rank, rather than a Lieutenant. While similar, the two have slightly different responsibilities in the organization.

Organizationally this rank is between the City of Loveland's Lieutenant and Captain rank. It has more supervision and authority than Lieutenant, but not as much as the Captain.

The Police Officer rank beginning salary ranges from a high of \$57,900 in Loveland to a low of \$45,365 in Broomfield. The average beginning salary is \$52,999. The City of Loveland's beginning salary of is 9.2% above the average. However the top of the salary range is nearly on the average. The top of the range for this rank has a high of \$79,053 in Boulder and a low of \$71,426 at the Larimer Sheriff's Office. The average is \$75,810 and Loveland is \$610 or 0.8% below the average. Loveland' hiring practice has been to recruit officers that have experience in another department. This is due to not having or being affiliated with a Police Academy. Officers are offered a salary within the step- plan that gives credit for the years served with another agency(s). As a result it is rare for a new officer to start at the beginning step of the plan and are often started at the third step or higher in the Police Pay Plan.

For the Sergeant rank the beginning salary ranges from a high of \$91,092 in Longmont to a low of \$75,681 in Boulder. The average is \$82,303 and Loveland is \$4,103 or 5.0% below the average. If Longmont is excluded from the average since it is an outlier in the data, the average would be \$81,326 and Loveland would be \$3,126 or 3.8% below the average. The top of the range varies between a high of \$100,057 in Boulder to a low of \$93,646 in Greeley. The average is \$95,981 and Loveland is \$381 or 0.4% below the average.

For the Lieutenant/Commander rank the beginning salaries range from a high of \$105,488 in Fort Collins to a low of \$74,500 in Loveland. The average is \$96,985 and Loveland is \$22,485 or 23.2% below the average. This is due to the rank being included in a broad band in the Loveland pay plan (Salary Grade E06) that includes a variety of middle management positions. In hiring for the position the agency is allowed to offer a beginning salary within the range, so most hires in this rank are likely to start at a significantly higher salary the bottom of the range, especially if the new hire is a promotion from the Sergeant rank. The top of the pay range is between a high of \$146,200 in Boulder and a low of \$108,217 in Greeley. The average is \$117,648 and Loveland at \$119,100 is \$1,452 or 1.2% above the average. If Boulder that is a significant outlier in the data, is omitted the average is \$114,476 and Loveland is \$4,624 or 3.9% above the average. Loveland being above the average is again a function of the broadband range. The wide disparity between the high and the low of the agencies surveyed is partially due to the difference in the rank used. In most cases the Commander rank is paid at a higher level due to the additional duties in the organization.

Retirement

Nearly all of the agencies surveyed offer a retirement plan sponsored by the local government entity and are defined contribution plans. Boulder County is the exception being a member of the Colorado Employee's Retirement Association (PERA) which is defined benefit plan. Government contributions

Retirement Contributions - Percent of Salary	City/County	Employee	Total Contribution to Retirement Plan	Other City Contribution Retirement/Deferred Compensation Plans	Total all Retirement/Deferred Compensation Plans	Social Security Employer	Social Security Employee	Total Social Security	Total City County All Plans	Total Employee All Plans	Total Contributions All Plans
						Payroll Tax	Payroll Tax				
Arvada	10.00	10.00	20.00	-	20.00	-	-	-	10.00	10.00	20.00
Boulder	13.80	6.20	20.00	-	20.00	-	-	-	13.80	6.20	20.00
Broomfield	10.00	10.00	20.00	-	20.00	-	-	-	10.00	10.00	20.00
Ft. Collins	8.00	8.00	16.00	3.00	19.00	-	-	-	11.00	8.00	19.00
Greeley	10.50	9.50	20.00	-	20.00	-	-	-	10.50	9.50	20.00
Larimer County Sheriff	8.00	8.00	16.00	-	16.00	6.20	6.20	12.40	14.20	14.20	28.40
Longmont	10.00	10.00	20.00	-	20.00	-	-	-	10.00	10.00	20.00
Loveland	11.00	7.00	18.00	-	18.00	-	-	-	11.00	7.00	18.00
Westminster	10.25	10.00	20.25	-	20.25	-	-	-	10.25	10.00	20.25
Boulder County Sheriff	13.70	8.00	21.70	-	21.70	6.20	6.20	12.40	19.90	14.20	34.10
Average	10.53	8.67	19.20		19.50				12.07	9.91	21.98
Amount Loveland above/below	0.48	(1.67)	(1.20)		(1.50)				(1.07)	(2.91)	(3.98)
Percent	4.5%	-19.3%	-6.2%		-7.7%				-8.8%	-29.4%	-18.1%

Note 1: Larimer County has a three step plan with five year breaks, that begins at 5% and has a maximum of 8% based on longevity.

Note 2: The Boulder County retirement plan is through the Colorado Public Employee's Retirement Association (PERA).

Note 3: Fort Collins offers a voluntary 457 plan that the City will match up to 3%. Many of the other cities surveyed offered voluntary plans employees could contribute to, however there is no city match. The employee contribution is not shown because there is no required amount. The contribution is voluntary and at the employees discretion as to the amount.

Note 4: In both Counties, employees are still in the Social Security System. In the municipalities, employees have been exempted out of the Social Security system when the Police Retirement Plan was established.

Figure 2

range from 8% to 13.8%. Employee contributions range from 6.2% to 10%. The average for the government contribution is 10.53% and is 8.67% for the employee contribution. Loveland at 11% is 4.5% higher than the average for the government contribution and the employee contribution of 7% is over 19% below the average.

Most of the agencies surveyed, including Loveland, offer additional retirement plans that employees can voluntarily contribute to such as the Section 457(b) retirement plan, but there is no city match, with the exception of Ft. Collins. Fort Collins offers a voluntary 457 Plan that the City will match up 3% of salary; the only City in the survey to offer this plan with a City match. Larimer County is also an exception in that it offers a supplemental plan that the County will provide a matching contribution. However, the County's matching contribution is limited to a maximum of 8% for the two plans combined. Larimer County's primary retirement plan has a stepped County contribution beginning at 5% and ending at 8% in five year steps. As a result the County match for the alternative plan is only available to officers who have worked for ten or fewer years. Officers employed for the first five years could receive up to a 3% County match, and those in the 5-10 year step could receive a 1% match in the alternative plan.

Vesting periods for all agencies except Westminster range from 5 years to 10 years. Six agencies have the five year vesting period, two have seven year vesting period, and one has a ten year vesting period.

Westminster has no vesting period. Westminster instead of a vesting period does not begin the City contribution to the retirement plan until an employee has reached 22 months of employment.

The two Counties also are an exception in that their employees remain in the Social Security system, requiring the Counties to pay the 6.2% Social Security Payroll tax. County Sheriff employees will have the ability to collect from both the Social Security System and pension plan at the time of retirement. Municipal employees were exempted for the Social Security System at the time their separate retirement plans were formed.

Regular City Employees - Retirement Contributions - Percent of Salary	City	Employee	Total Contribution to Retirement Plan	Social Security Employer Payroll Tax	Social Security Employee Payroll Tax	Total City Contribution to Retirement	Total Employee Contribution to Retirement	Total Contribution to Retirement
1-7 years of service	5.00	3.00	8.00	6.20	6.20	11.20	9.20	20.40
8-10 years of service	6.00	3.00	9.00	6.20	6.20	12.20	9.20	21.40
11-15 years of service	7.00	3.00	10.00	6.20	6.20	13.20	9.20	22.40
16-20 years of service	8.00	3.00	11.00	6.20	6.20	14.20	9.20	23.40
21 years or more of service	9.00	3.00	12.00	6.20	6.20	15.20	9.20	24.40

Figure 3

Another comparison is to regular City of Loveland employees. Regular employees are in a 401K defined contribution plan in which both the City and employees contribute. The amount of the City

contribution begins at 5% and grows to a maximum 9% based on length of service with the City. Employees are required to contribute 3% of the salary to the plan.

Medical and Dental Insurance

There is variation between the agencies surveyed on the amount the local government pays towards the medical premium. Many have stepped plans with the government entity covering a lower percentage of premium for additional plan members other than the employee and many offer more than one health plan that has differing premiums and contribution rates.

Figure three shows the comparison for single employee rates only. In cases where there is differences within an entity due to offering more than one medical plan, the average for all plans is shown.

The City of Loveland is no exception. Rates differ depending on the number of members insured. With all premiums for the different classes, on average, Loveland pays 80% of the premium and employees pay 20% of the premium.

Medical Insurance Contributions - Percent of Premium -Single Employee only

	City/County
Arvada	80.00
Boulder	80.00
Broomfield	85.00
Ft. Collins	91.00
Greeley	80.00
Larimer County Sheriff	90.50
Longmont	100.00
Loveland	90.00
Westminster	90.80
Boulder County Sheriff	89.25
Average	87.66
Amount Loveland above/below Percent	2.35 2.7%

Figure 4

For dental insurance there is a similar variation depending on the plans offered. The contributions vary between 100% for the single employee to the 60% for a single employee paid in Loveland.

Vacation and Sick Leave

There is significant variation in the method of accruing annual vacation leave and in the amounts of the

Vacation -Annual Accrual in hours	Beginning Rate	Highest Rate
Arvada	112	176
Boulder	178	290
Broomfield	152	240
Ft. Collins	120	192
Greeley	80	168
Larimer County Sheriff	96	168
Longmont	176	248
Loveland	80	168
Westminster*	40	80
Boulder County Sheriff	96	192
Average	113.00	192.20
Amount Loveland above/below	(33.00)	(24.20)
Percent	-29.2%	-12.6%

accrual. Nearly half of the agencies increase the accrual rate on a five year employment basis. Some use a three year step and some a two year step. There is also significant variation in the amount of hours attached to the steps. About half top out the accrual rate at fifteen years, three top out at twenty years and two top out at twenty five years. Leave accrual rates can be influenced by the hours per shift an agency uses. See Appendix 1 for a shift schedule summary.

Sick leave ranges from a low of 80 hours per year in Loveland to a high of 142 hours in Westminster. Nearly half of the cities surveyed allow 96 hours of sick leave.

Figure 5

**Westminster has vacation steps within the longevity steps. For example, for less than five years, an officer’s minimum amount of leave that could be earned is 40 hours, but can earn up to a maximum of 126 hours. For officers with more than 20 years of service the minimum leave is 80 hours and the maximum is 222 hours.*

Holidays

There is also significant variation in the number of observed holidays or compensation for holiday duty. For most the range is between nine and 12

days. In Figure five the number shown includes actual holidays and “floating” holidays combined. Boulder is the major exception where there no holidays for Police Officers or Sergeants. However, these positions receive 0.5 hours of extra pay for each hour worked on Thanksgiving Day, Christmas Day and New Year’s Day. The Boulder County Sheriff also has a significant variation in that Christmas and New Year’s Day are half days beginning a noon if the holiday falls on Monday through Thursday in any given year.

Arvada	12
Boulder	0
Broomfield	11
Ft. Collins	9
Greeley	10
Larimer County Sheriff	12
Longmont	10
Loveland	11
Westminster	9
Boulder County Sheriff	12
Average	9.60
Amount Loveland above/below	1.40
Percent	14.6%

Figure 6

Allowances

All of the entities but Boulder have tuition programs, not an annual allowance, but a tuition

Uniform Allowance	Officers	Detectives
Arvada	Provide & Replace	300
Boulder	Provide & Replace	Provide & Replace
Broomfield	Provide & Replace	400
Ft. Collins	\$80 boots only	425
Greeley	800	800
Larimer County Sheriff	None	None
Longmont	\$400 care and maintenance, City replaces	\$400 care and maintenance, City replaces
Loveland	550	550
Westminster	Provide & Replace, \$60 for boots	Provide & Replace, \$60 for boots
Boulder County Sheriff	None	None

reimbursement program. There is some variation on annual amounts and lifetime benefits. Annual amounts are between \$1,000 and \$2,000, and nearly all lifetime maximums are \$15,000.

For uniform allowances there is significant variations on policy. Arvada, Boulder, Ft. Collins and Westminster both provide and replace uniforms for officers. Ft. Collins and Westminster do have an \$80.00 annual allowance for boots. Arvada, Broomfield and Ft. Collins provide an allowance for detectives, primarily plains clothes detectives, ranging from \$300 to \$425. Greeley, Longmont and Loveland provide an annual allowance for all sworn officers that ranges from \$400 in Longmont to \$800 in Greeley. Loveland is midrange at \$550 per year. The Longmont allowance is for care and maintenance only, the City will replace uniforms as needed.

Figure 7

Take- Home Car Program

Only three entities have a full take-home program for all sworn officers, all three in Larimer County; the Sheriff’s Office, Ft. Collins and Loveland. In Ft. Collins officers must live within fifteen miles of the intersection of College Avenue and Mulberry Street and within the City’s Growth Management Area (GMA). Officers that live within the fifteen mile limit but are outside the GMA must pay a nominal fee to have the take-home car. At the Larimer County Sheriff’s Office, residence within the County is preferred. Officers living outside the County can only take a vehicle home with prior written permission from the Sheriff. Loveland sworn officers and the Communications Manager must live within a twelve mile radius of the intersection of West Eisenhower Boulevard and Colorado Avenue.

All other entities surveyed have a limited take-home program. Only vehicles for on-call and/or personnel with special functions can take a vehicle home. For those with the on-call program, it is a rotating assignment with a residence requirement within a certain time response limit. The special function program has a variety of definitions. Most all of these include command vehicles. Some include K9 vehicles and under-cover detective vehicles. Longmont also includes the SWAT Sergeant, SEU personnel, evidence and crime scene technicians in its definition.

In a separate survey to get a state-wide view of the use of the program, the Police Chief posed the question to the Colorado Association of Chiefs of Police. Twenty one agencies responded that they had some form of a take-home program. The entire list is in Appendix 2. In general the agencies with a full

take-home car program (with the exception of Larimer County agencies) can be categorized as smaller agencies and primarily on the Western slope of the state.

Conclusion

In nearly all of the categories, Loveland is in a competitive position. It is not the highest or the lowest, residing close to the middle of the range offered by other entities. It is at the top in the amount the City provides as a retirement match and the take-home car program, and while competitive within Larimer County is outside the rest of the entities surveyed.

Appendix 1

Shift Summary	Shifts per Week	Hours per shift
Arvada	4	10
Boulder	4	10
Broomfield		
Ft. Collins	4	Mix of 10 hr. and 12 hr. shifts
Greeley	4	10
Larimer County Sheriff	4	10
Longmont		
Loveland	4	10
Westminster*	4	10
Boulder County Sheriff	4	12

Appendix 2**Take Home Car Survey from the Colorado
Association of Police Chiefs - Those Who
Responded They have a Program**

- 1 Fort Collins
- 2 Larimer County Sheriff
- 3 Estes Park
- 4 Colorado State Patrol
- 5 Littleton – Administration and detectives
Thornton – Administration, on-call
- 6 employees, detectives, and some specialized
assignments
- 7 Colorado Springs – Administration and
detectives
- 8 Carbondale
- 9 Frederick
- 10 Firestone
- 11 Canyon City
- 12 Town of Craig
- 13 Brush – For officers that live in the city and
field training officers
- 14 Gunnison
- 15 Telluride
- 16 Aspen – Administration, detectives, school
resource officer, and on call sergeants
- 17 Simla
- 18 Edgewater – Administration and detectives
- 19 Parachute
- 20 Florence
- 21 Johnstown

Summary of Proposed Police Retirement Plan Changes

The Police Retirement Board will be presenting to its members a vote regarding its desire to bring before the City Council a request of proposed plan changes. The below information is a snapshot of the current plan and the proposed plan. *Specific language regarding the vote will be provided on the voting ballot. The information is only a summary.*

Please note: This proposed plan cannot be taken to City Council without 65% of Total Current Membership approval, please watch for upcoming vote via email/survey monkey to be sent from the "Retirement Board" email address.

Sworn Police - Current Plan:

- Employee Contribution upon first date of employment
 - Required 7% of base pay each paycheck
- City Contribution = required 11% of base pay each paycheck
- Vesting = 5 years of service

Sworn Police – Proposed Plan:

- Employee Contribution upon first date of employment
 - Required 10% of base pay each paycheck
 - Additional Match Option: Voluntary option to contribute up to 5% additional base pay, which will receive a City contribution match (**up to 5% additional*)
- City Contribution = required 10% of base pay each paycheck
 - Total/maximum eligible employer contribution of 15%
- Vesting = 5 years

Sworn Police – Both Current and Proposed Plan (no change to):

- Voluntary 401(a) **up to IRS 415 limits & Post-tax*
- Voluntary 457 through Great-West OR FPPA up to IRS 457 limits of \$18,000 (\$24,000 if age 50 or older)

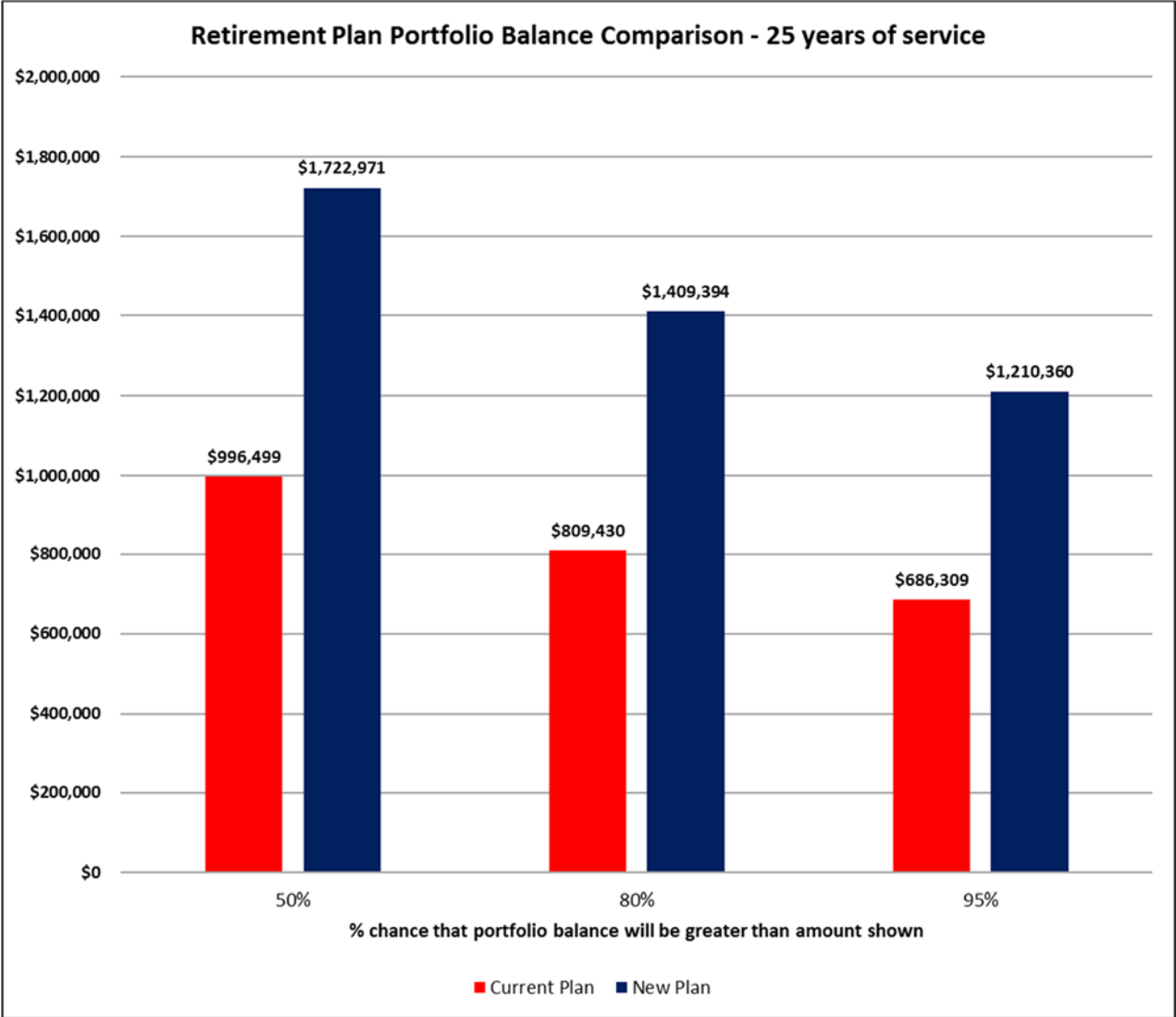
Summary of proposed changes:

- Increase employee and decrease employer required contributions to 10% each, and include employee voluntary contribution and employer match to 5%
- Increased pre-tax contribution may save employer on payroll tax costs
- Depending on utilization may increase employer costs regardless of payroll taxes saved



03/03/2015

Retirement at age 50 projections



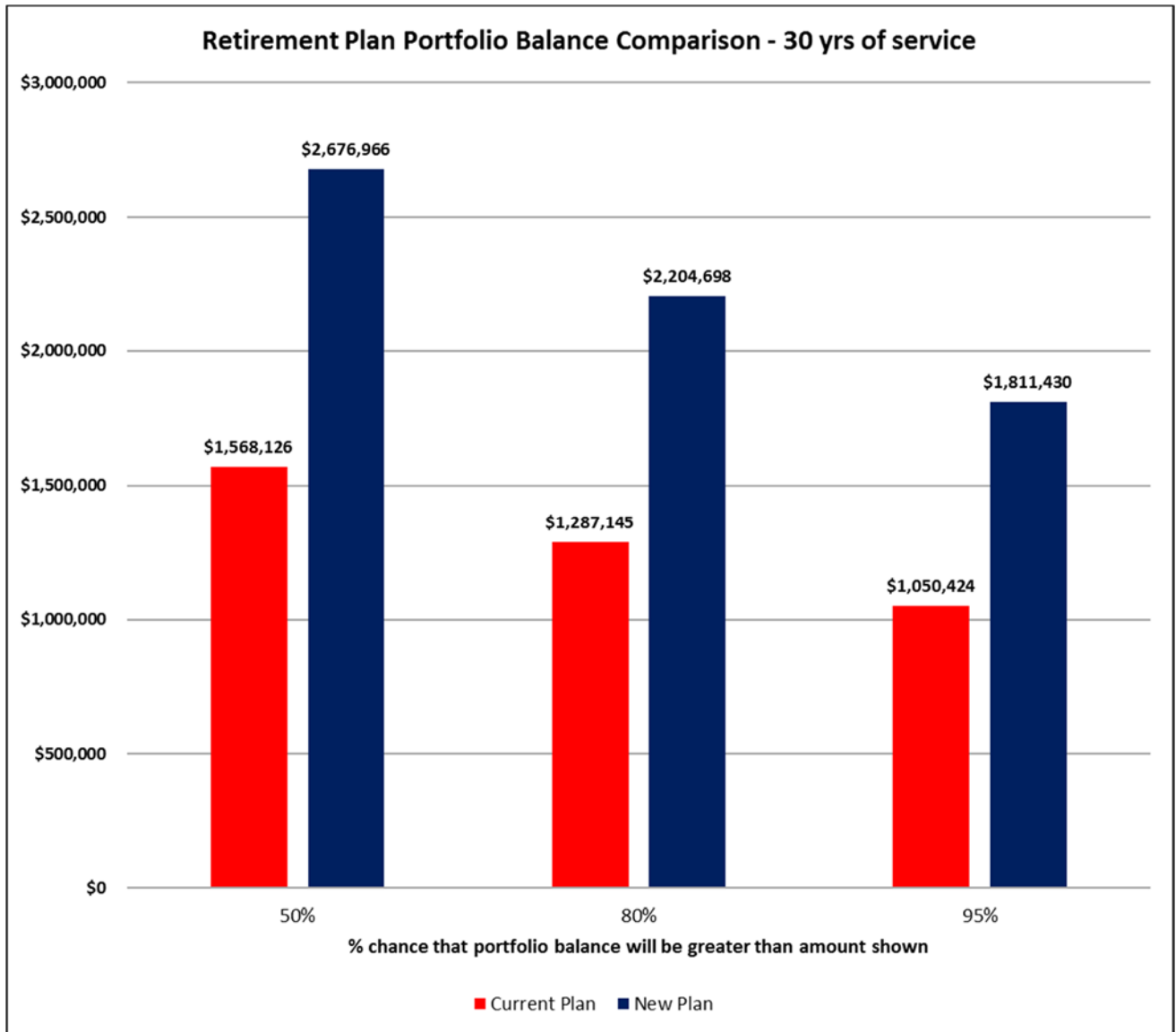
Estimated balances are based on taking advantage of the additional matching funds for a total investment of 30%.

Above information was provided by Innovest Portfolio Solutions, LLC. Your own performance may vary.

Report Assumptions

- Officer salary after Year 7: adjusted upward by 2.5% per year
- Expected investment returns of 7% per year
- Final year salary: \$114,479
- 75% of final year salary: \$85,859
- Blended Colorado and Federal tax rate in retirement: 18.5%
- Net income for participants in first year of retirement: \$70,000

Retirement at age 55 projection



Estimated balances are based on taking advantage of the additional matching funds for a total investment of 30%.

Above information was provided by Innovest Portfolio Solutions, LLC. Your own performance may vary.

Report Assumptions

- Officer salary after Year 7: adjusted upward by 2.5% per year
- Expected investment returns of 7% per year
- Final year salary: \$114,479
- 75% of final year salary: \$85,859
- Blended Colorado and Federal tax rate in retirement: 18.5%
- Net income for participants in first year of retirement: \$70,000

Retirement Proposal Example of 3% Cost To Officers on Step Plan Proposal includes all Sworn Personnel

Per Check using 2015 Police Pay Plan

- *Please note, tax savings is due to contributions being TAX DEFERRED.*
- *This means you will not pay taxes on these contributions until you take a distribution.*
- *Assuming 20% tax deferral is an approximate calculation of potential tax savings.*
- *Your actual deferred tax savings will be based on individual W-4 withholdings*

Officer Per Check Information

All information is an **approximate value**

Step	Approximately 3% More To Your Retirement <i>each check</i>	Assuming 20% Tax Deferral/Savings* <i>(reduction in taxes NOW, to be paid at distribution)</i>	Approximate Change On Each Check <i>(based on 20% tax assumption)</i>
1	\$66.81	\$13.36	\$53.45
2	\$70.27	\$14.05	\$56.22
3	\$73.50	\$14.70	\$58.80
4	\$76.79	\$15.36	\$61.43
5	\$80.08	\$16.02	\$64.06
6	\$83.37	\$16.67	\$66.69
7	\$86.77	\$17.35	\$69.42

**Tax deferral/savings will be based on individual withholdings*

Sergeant Per Check Information

Step	Approximately 3% More To Your Retirement <i>each check</i>	Assuming 20% Tax Deferral/Savings* <i>(reduction in taxes NOW, to be paid at distribution)</i>	Approximate Change On Each Check <i>(based on 20% tax assumption)</i>
1	\$90.23	\$18.05	\$72.18
2	\$93.92	\$18.78	\$75.14
3	\$97.62	\$19.52	\$78.09
4	\$101.88	\$20.38	\$81.51
5	\$106.15	\$21.23	\$84.92
6	\$110.31	\$22.06	\$88.25

**Tax deferral/savings will be based on individual withholdings*

City of Loveland Retirement Plan For Police Officers

401(a) Money Purchase Plan



Contributions:

All contributions are mandatory and are taken pre-tax (taken from the employees paycheck prior to calculating taxes, and will be taxed at time of distribution)

Beginning on the first day of employment, Police Officers will contribute 7% of their base salary to the 401(a) Money Purchase Plan held by Principal Financial. The City will contribute 11%.

Voluntary After Tax 401 Contributions:

Sworn police officers can elect to contribute voluntary after-tax contributions to their 401 account up to the IRS limitations.

Vesting:

After five years of employment, the employee will be 100% vested in the City's contributions. The employee is always 100% vested in their own contributions or rollover funds.

Retirement Board:

The Police Retirement Board consists of the following:

Two Employee Elected Members:

John Spreitzer

Bruce Boroski

One Police Advisory Elected Member: John Tindall

Executive Fiscal Advisor: Alan Krcmarik

Human Resources Director: Julia Holland

Staff Liaison/Support: Rita Chandler

City Attorney Staff Liaison: Moses Garcia

Board Meetings are held the third Tuesday of February, May, August and November. The Board meets in the Investigations Conference Room from 2 to 4 pm unless otherwise noted.

Distributions:

Distributions are not allowed unless there is a separation of service or the employee has met retirement age. This plan does NOT have a loan option. At the time of separation the employee is NOT required to withdraw their funds however if funds remain in the plan participants will be charged an additional annual fee. Distributions may be allowed on the after-tax contributions without leaving employment.

All distributions are subject to IRS regulations and may include a 10% penalty if distributed prior to retirement guidelines.

Principal Financial

For plan assistance, please contact: Principal Financial: 1-800-547-7754
Roger Shea 970-224-2500; www.principal.com

Fire and Police State Death And Disability Plan

All Police Officers are required to participate in the Fire and Police Pension Association Death and Disability Insurance plan. This plan is designated to provide accidental death and disability insurance through the State of Colorado to officers and firefighters who may become injured or killed in the line of duty.

FPPA

For plan assistance, please contact:
1-800-332-3772 or visit web site at <http://www/fppaco.org>

Additional Plan Option – 457 with FPPA via Fidelity:

All Police Officers and Fire Personnel are eligible to participate in the 457 plan administered by Fidelity through the Fire and Police Pension Association (FPPA). Employees can utilize the pre-tax option up to the IRS maximums. Forms are available through the Fidelity website at <http://plan.fidelity.com/fppa/get-started>

Additional Plan Option – 457with Great-West:

All employees are eligible to contribute to the 457 plan administered by Great-West Financial. Employees who participate in this 457 can utilize the pre-tax or Roth after-tax option up to the IRS maximums. Forms are available through Human Resources to enroll or change your contributions.

Great-West Financial

For plan assistance, please contact: Chuck King at: 303-550-9727
Email: Charles.King@gwrs.com website: www.gwrs.com



CITY OF LOVELAND
CITY ATTORNEY'S OFFICE

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AGENDA ITEM: 2
MEETING DATE: 1/12/2016
TO: Mayor and City Council
FROM: Tami Yellico, City Attorney
PRESENTERS: Alan Pogue, Esq. – Icenogle Seaver Pogue
 Peggy Dowswell & Chad Walker of Pinnacle Consulting Group, Inc.

TITLE:

Metropolitan Districts General Information Overview (Metro District 101)

RECOMMENDED CITY COUNCIL ACTION:

This is an informational item; no formal Council action is required.

SUMMARY:

Alan Pogue, an attorney who specializes in metropolitan district representation, and Peggy Dowswell and Chad Walker of Pinnacle Consulting Group, Inc., a consulting firm that specializes in management of metropolitan districts, will provide a brief overview of metropolitan districts, including legal authorities, formation, purposes, and funding sources.

BUDGET IMPACT:

- Positive
 Negative
 Neutral or negligible

BACKGROUND:

This presentation and the attached documents are being provided to the City Council due to recent Council requests to better understand currently approved metro districts in the City as well as being better prepared to review and act upon future requests.

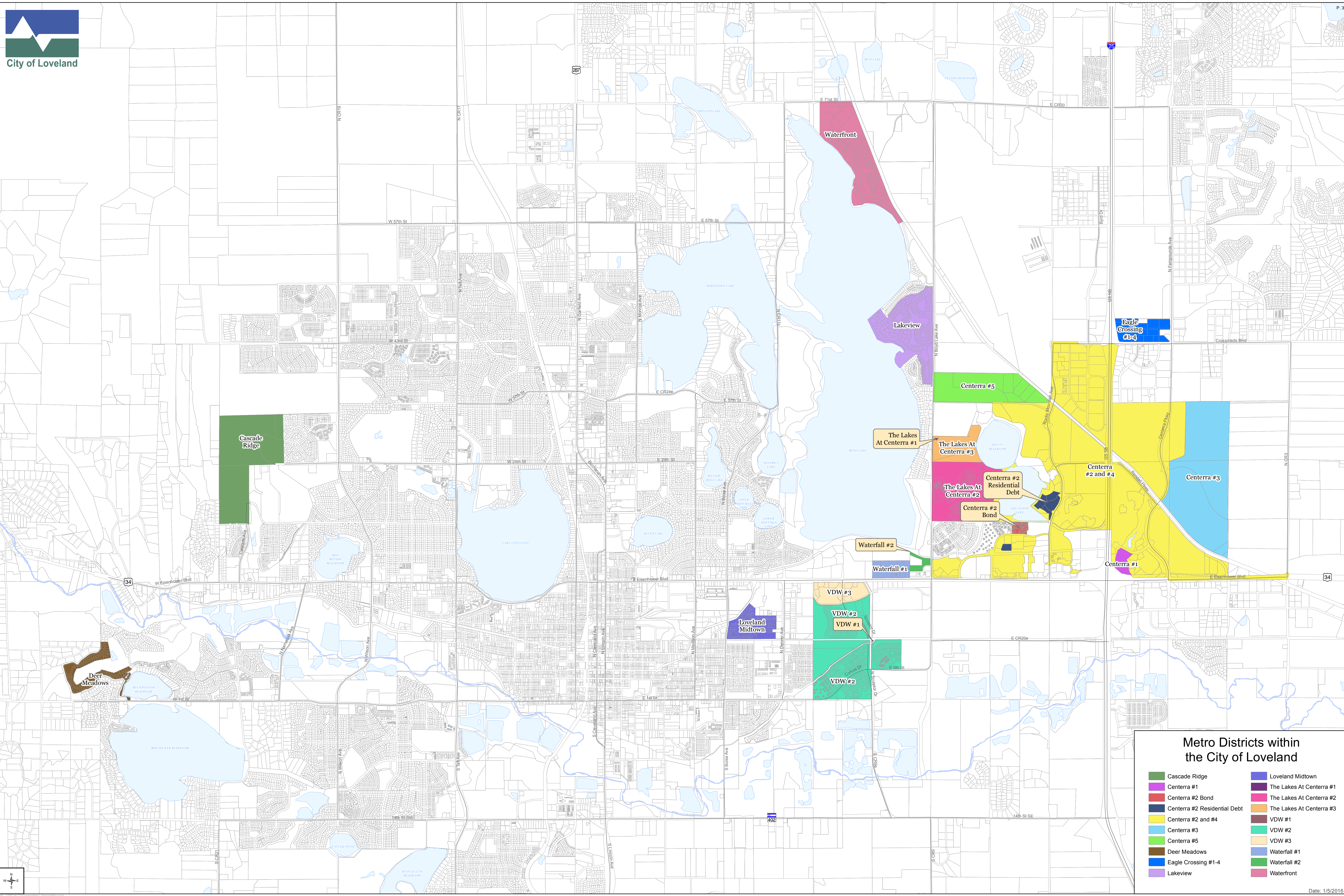
Loveland approved Van De Water as its first Metropolitan District under Title 32 in March of 2002. Since then another 11 have been authorized with the most recent being Eagle Crossing in July of 2014. Only one, Lincoln Place has been dissolved during this time and that occurred in April of 2005.

REVIEWED BY CITY MANAGER:





















William H. Cabell

LIST OF ATTACHMENTS:

1. Current Loveland Metro Districts Map
2. Power Point Presentation



Metro Districts within the City of Loveland

 Cascade Ridge	 Loveland Midtown
 Centerra #1	 The Lakes At Centerra #1
 Centerra #2 Bond	 The Lakes At Centerra #2
 Centerra #2 Residential Debt	 The Lakes At Centerra #3
 Centerra #2 and #4	 VDW #1
 Centerra #3	 VDW #2
 Centerra #5	 VDW #3
 Deer Meadows	 Waterfall #1
 Eagle Crossing #1-4	 Waterfall #2
 Lakeview	 Waterfront

Metropolitan District General Overview (Metro District 101)



Presented by:



Metropolitan District?

- Title 32 Special District
 - Local Government
 - A special district is an independent unit of government formed under the Special District Act (§§ 32-1-101 et seq., C.R.S.)
 - Districts are quasi-municipal corporations and political subdivisions of the State
 - Single Purpose District
 - Water District
 - Sanitary Sewer District
 - Fire District
 - Metropolitan District
 - Providing two or more specific services, including but not limited to:
Domestic Water, Sanitary Sewer, Roadways, Irrigation Water, Park and Recreation, Transportation, Traffic and Safety Controls

Title 32 Special District History

Special districts were first authorized by the General Assembly in 1949, to provide certain municipal-type services in rural and unincorporated areas. More than **2100 special districts** have been created in Colorado to provide fire protection and prevention, emergency medical services, drainage, water, sanitation, hospital services, ambulance, road and park and recreation services to local areas. Of those special districts over **1400** are **metropolitan districts**.

Why Special Districts Are Typically Created

- Public infrastructure can be financed over time
- Public infrastructure can be financed at tax-exempt interest rates
- Property owners can deduct taxes paid to the district on their federal income tax returns
- New infrastructure is funded by those who will benefit and not all City residents
- Permanent operation and maintenance of certain public improvements that are not dedicated to the City
- Sovereign immunity protections
- Districts are used throughout Colorado as an essential development tool



What Districts Can Do: P. 38

Services & Improvements

- Construct public improvements
 - Districts may finance and construct public improvements, subject to Title 32, the City Code, land use regulations, development agreements, and service plans
- Operate and maintain public improvements
 - Districts may own, operate, and maintain public improvements not otherwise dedicated to the City



Formation and Organization of the Metropolitan District

- Step 1: Service plan submitted to the City
 - The City may approve, deny, or approve with conditions
 - The City may require specific provisions
 - The service plan limits the district's authority and sets parameters within which the district can operate
- Step 2: Petition for district organization submitted to district court
 - Following City approval of the service plan
 - Court holds a hearing and orders a formation election be held
- Step 3: Election
 - Organize district/authorize taxes and debt (TABOR)
 - Elect initial district board of directors
- Step 4: Court orders organization of district if the election is successful



District Service Plan

- Districts operate pursuant to the powers and limits established in Title 32 and their service plans, which are approved by the governing body of the Town, City, or County in which they are located

- District Service Plan
 - Defines District services and powers
 - Defines facility ownership and operation
 - Debt Cap
 - Mill Levy Cap

- Exhibits provided with the Service Plan
 - District Infrastructure Maps
 - District Boundary Maps and Legal Descriptions
 - Capital and O&M cost estimates
 - Financial Modeling

Governance of the District

- Districts are independent governmental entities separate and distinct from the City
- Districts are governed by an elected board of directors
 - Regular elections are held in May of even-numbered years
 - Eligible electors of a district participate in election
- The City is not liable for debt or other obligations of a district
- Not a government of general jurisdiction
- No police power
- No land use regulatory authority



Laws Governing District Actions

- District actions are subject to the following:
 - Local Government Budget Law, §§ 29-1-101 *et seq.*
 - Local Government Audit Law, §§ 29-1-601 *et seq.*
 - Open Meetings Law, §§ 24-6-101 *et seq.*
 - Local Government Election Code, §§ 1-13.5-101 *et seq.*
 - Open Records Act, §§ 24-72-200.1 *et seq.*
 - Public Bidding Requirements for Construction Contracts, § 32-1-1001(1)(d)(I), C.R.S.
 - Colorado State Constitution

District Sources of Revenue

● Revenue

- Property tax mill levy
 - Operations
 - Debt
 - Mill levy limitations
 - Service Plan
 - TABOR
 - 5.5 % Limitation §§ 29-1-301 and 29-1-302, C.R.S.

- Fees, Rates, Tolls, and Charges for services, facilities, and programs:
 - Utility Tap Fees
 - Utility Use Rates
 - System Development Fee
 - Operation and Maintenance Fee
 - Park and Recreation Fee



District Borrowing

- Tax-exempt bonds, notes, and loans
 - Require an election (Colo. Const. Art X, § 20 (TABOR); Art XI, Title 32, C.R.S.)
 - Subject to limits within the Service Plan, State statute, State Constitution
- Repayment Sources:
 - Taxes, fees, and other legally available funds



District Operations



- Administration
 - Daily Operations
 - State and Local Compliance
 - Contract Administration
 - Board Meetings

- Construction of Public Infrastructure and Facilities

- Facility Operations
 - Facilities retained by the District
 - Most common improvements operated
 - Parks
 - Street landscaping
 - Open space
 - Irrigation systems



Questions?

