



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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23-21 Colorado Springs Airport Peak Innovation Business Park Audit

October 2023

Purpose

The purpose of this audit was to review the Colorado Springs Airport (COS) Peak Innovation Business Park (Peak) development activity including financing arrangements to ensure activity was in accordance with contract terms and good business practices.

Highlights

We conclude that certain agreements with the districts had not been contractually documented. We identified one observation during our review.

Peak is a 1,600-acre innovative business park that is owned and operated by COS. The vision within Peak was to facilitate non-aeronautical investment that supports COS and the larger community for today and for the future, with jobs and revenue for generations to come.

Business Park development was accomplished through a master developer contract with COS. The developer was responsible for infrastructure construction to include public roads, grading, drainage, and utilities.

The developer operates Peak Metropolitan (Metro) Districts as approved by City Council in accordance with State statute. Metro Districts were separate governmental jurisdictions that allowed property within the district to be assessed.

Two types of Metro Districts are in place, Financing Districts and Operations and Maintenance Districts. Financing districts allow issuance of bonds as a source of capital with property assessments as a source of revenue for bond repayment. An Operations and Maintenance Metro District funded by property assessments was in place to perform business park maintenance.

Additionally, COS contributed capital towards infrastructure improvements.

Recommendations

Peak Innovation Business Park management should:

1. For agreements that are not formalized, put in place intergovernmental agreements with Metro Districts that specify that COS capital contributions will be repaid to COS.

Intergovernmental agreements should specify interest rates, and timing and/or conditions under which the repayment will be made to the COS.

2. Request that City Finance review the accounting treatment of the completed intergovernmental agreements with Metro Districts.

Management Response

Management agreed with our recommendations.

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Observation 1

- In some cases, agreements that specified terms and conditions for Metro Districts to repay COS for contributed capital were not documented.

Under the development agreement with a major property owner in the business park, \$16.5 million of capital contributed by the property owner was to be repaid to COS by the Metro District. Additionally, COS utilized \$8 million in loan proceeds to fund business park infrastructure. At the time of our review, we did not identify intergovernmental agreements with the district requiring repayment of either of these amounts to COS.

A Facilities Acquisition and Reimbursement Agreement was in place for a separate COS capital contribution of \$1.5 million. This agreement specified interest at seven percent due COS. However, the agreement did not specify timing or the conditions under which the repayment would be made.

Prior to the completion of our review, COS management initiated efforts to formalize intergovernmental agreements with the Metro District.

Management Response—Airport Management

Airport management agrees with the City Auditors recommendation number 1, and would add the following as an update.

Currently the airport has one formalized agreement with the district that specifies the capital contribution dated February 12, 2019 (Facility Acquisition and Reimbursement Agreement). This document is actively being amended and restated to reflect the current contribution. Additionally, management is developing a new Facilities Acquisition and Reimbursement Agreement to encompass an additional area of infrastructure for contributions made within the Peak Metro District. Once both of the agreements are completed and approved to form by the City Attorney Office, they will be presented to council for approval. Estimated time frame for approval is December 2023.

Management Response—City Finance Management

City Finance management agrees with this recommendation. As intergovernmental agreements are executed between the Airport and the Metro Districts, City Finance staff will review and create journal entries for the accounting system, as appropriate. It is expected that these agreements will provide the necessary information to support recognizing revenue and a receivable for the amounts to be reimbursed from the Metro Districts to the Airport. City Finance implements this recommendation immediately and will review agreements as executed and received from the Airport. City Finance will review the completed intergovernmental agreements within 30 days of receiving the executed agreements from the Airport.

Recommendation

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