

AGENDA REPORT

DATE September 17, 2002

ITEM RESOLUTION NO. 9265, RELATING TO FINANCING THE REHABILITATION, CONSTRUCTION, AND/OR ACQUISITION OF CERTAIN COMMUNITY ENHANCEMENTS; ESTABLISHING COMPLIANCE WITH REIMBURSEMENT BOND REGULATIONS UNDER THE INTERNAL REVENUE CODE

INITIATED BY FISCAL _____ SERVICES

ACTION REQUESTED ADOPT RESOLUTION NO. 9265

PRESENTED BY COLEEN BALZARINI, CITY CONTROLLER *CB*

RECOMMENDATION:

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Staff recommends adoption of Resolution No. 9265, to establish compliance with reimbursement bond regulations under the internal revenue code.

MOTION:

I move the City Commission adopt Resolution No. 9265.

SYNOPSIS:

Staff is recommending the issuance of non-voted general obligation debt in the amount of \$1,000,000. Proceeds of the debt are intended to finance rehabilitation of the existing baseball stadium in the amount of \$400,000, soccer field land purchase and/or development in the amount of \$200,000, acquisition of dasher boards and ice floor coverings for the main ice rink in the 4 Seasons Arena in the amount of \$200,000, and recreation, open space, or historic site acquisition in the amount of \$200,000. Staff will work with the financing community to assemble a favorable financing package. Timing of the project components, interest rates, and number of years in the financing period will be determining factors in the type of debt that will be issued to fund the project. It may take the form of a traditional bond issue, a note, a lease/purchase financing, or an INTERCAP loan. The sources of repayment for this new financing are available because of the retirement or refinancing of other construction related debt commitments.

The baseball stadium rehabilitation and construction portion of this project is ready to begin this Fall. The other portions of the community enhancement project financing are in various stages of progress. This reimbursement resolution gives notice that the City intends to finance the project(s) with tax-exempt debt. Passage of this resolution establishes this intent and any eligible costs incurred prior to receipt of the financing may be reimbursed in accordance with IRS regulations

BACKGROUND:

The Community Enhancement Project will fund up to \$1,000,000 over 20 years. Interest rates of 4.5% will

result in annual payments of \$77,000 per year. This can be characterized as an investment in the future of this community. As always, efforts are made to balance between current operating needs and capital investments.

A \$500,000 investment (\$400,000 debt financed and \$100,000 other sources) will create leverage to complete a \$3.5 - \$4 million rehabilitation of the existing baseball stadium. The City owns this stadium. It is in poor condition. Improvements are required to retain a minor league baseball team. Other cities of similar size to Great Falls throughout the country strive to attract these teams. They provide a recreational opportunity to this region's residents in a growing area of baseball related sports. Without the minor league baseball club's support and participation, the City would have sole financial responsibility for the rehabilitation or demolition of the stadium.

A \$200,000 financing to purchase or develop land for Youth Soccer fields leverages a \$1.5 to \$2 million project. Soccer is a growing sport that involves many youth and their families. Currently, soccer games are played on City parkland. Development of a soccer complex would reduce the wear and tear on the parks, which were not designed for soccer play. A soccer complex is a key component to attracting state and regional tournaments to our community.

A \$200,000 financing will provide funding for a portion of almost \$1.5 million in needed improvements at the Four Seasons Arena. The main ice-floor is in need of new Dasher Boards and Ice-Floor Coverings. New ice-floor coverings will allow for faster turnaround between events. This creates new opportunities to increase usage and therefore revenues within the facility.

A \$200,000 component is proposed for as yet to be identified opportunities related to recreation, open space, or historic site acquisition.

The non-voted general obligation debt financing proposed for this project is authorized by 7-7-4104, MCA, passed in the 1999 legislative session. It does not result in an increase to property tax levies. The City must meet two tests before the financing mechanism can be used. First: the principal amount of the debt must be <10% of the General Fund budget in each of the two preceding fiscal years. This equates to \$1,651,186 in 2001 or \$1,629,410 in 2002. The \$1,000,000 in improvements meets this test. Second: principal and interest payments on all such debt outstanding must be <2% of the revenues receipted into the General Fund in each of the two preceding fiscal years. This equates to \$318,645 in 2001 or \$308,740 in 2002. The anticipated \$77,000 for this financing in addition to the \$167,964 payment for the Electric City Water Park – Wave Rider Construction*, or \$244,964, meets this test. If another project with an identified cash flow, presented itself in the future, there is capacity to finance an additional \$550,000 to \$913,000. The range in capacity is dependent upon the interest rates and number of years financed. The annual payment must be less than \$53,776 to meet the second test.

The sources of repayment for the Community Enhancement Project are identified as follows:

In 1997, a Tax Increment Industrial Development District was formed to finance \$965,000 in public infrastructure improvements related to the construction of the Pasta Montana/General Mills properties. Total infrastructure and facility improvements resulted in a \$300,000 incremental increase in property tax revenues. Those revenues have been used over the past five years to repay the financed debt. This obligation is now

satisfied through actual repayments or cash reserves. Future increments will be released to the City, County, School District and State taxing jurisdictions. The City's portion of that release, \$60,000 and related interest earnings, will be used to pay a portion of this new debt.

On August 20, 2002, the City Commission approved the refinancing of debt obligations related to the Urban Renewal Tax Increment District. This will result in \$53,000 in annual debt service reductions. \$10,000 and the related investment earnings will be available to pay the remaining portion of this new debt. The remaining savings will be released to the County, School District, and State taxing jurisdictions.