



**Item:** Repayment of 2001 Central Garage Loan to construct South Parking Ramp; and Annual Release of Urban Renewal Tax Increment District Surplus Funds

**From:** Coleen Balzarini, Fiscal Services Director

**Initiated By:** Analysis of Urban Renewal Tax Increment District Revenue Collections and Bond Covenant Reserve Requirements

**Presented By:** Coleen Balzarini, Fiscal Services Director

**Action Requested:** Authorize the Use of Available Tax Increment Funds to Repay the Outstanding Balance on an Interfund Loan used to finance the 2001 South Parking Ramp Project; and, Release of Surplus Tax Increment Funds to State, City, County, and School District

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**Suggested Motion:**

1. Commissioner moves:

“I move that the City Commission (authorize/deny) the use of available tax increment funds to payoff the \$1,600,000 outstanding balance remaining on the 2001 Central Garage Fund loans issued to assist in the construction of the tax increment eligible 2001 South Parking Ramp Project; and, (authorize/deny) the release and distribution of \$1,000,000 of surplus tax increments from the Tax Increment Debt Service Fund”

2. Mayor calls for a second, discussion, inquiries from the public, and calls the vote.

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**Background:**

There are two principle payments remaining on the Urban Renewal Tax Increment Bonds. The payment dates are August 15 of 2008 and 2009. The Urban Renewal Tax Increment District will cease to exist when the debt is satisfied. Reductions in the amount of required reserves are attributable to the minimal amount of debt service payments remaining on the Tax Increment Bonds. Funds no longer required to be held in reserve are available for other purposes including payment of construction costs of eligible projects and release of funds back to the County, School District, State, and City of Great Falls.

**Use of Tax Increment Funds to Repay Central Garage Loans issued to finance the 2001 South Parking Ramp Project:**

Additional tax increment funds are now available due to reductions in required cash reserves in the Tax Increment Debt Service Fund. It is Staff's recommendation that \$1,600,000 of available funds be used to repay the outstanding balance of the 2001 Central Garage Loans approved to construct the South Parking Ramp. Annual revenues of the Parking Fund are not adequate to pay operational expenses and make principle and interest loan payments. This situation results in the use of Parking Fund reserve balances to pay all or a portion of the annual loan obligation.

On November 8, 2000, the Commission adopted Resolution 9127, Modifying the Great Falls Central Place Revitalization Plan to approve the construction of an additional downtown parking structure as an Urban Renewal Project. Adoption of this resolution made it possible to use existing tax increment funds in the construction of the parking ramp.

Additional Commission actions occurring on November 8, 2000 designated \$2,312,345 of eligible City funds to the Project, leaving a balance of \$2,020,000 to be financed and repaid over time. It was determined loans from the Central Garage Fund would be the most efficient source of long-term financing for this project. External financing was not recommended because requirements, connected with guaranteeing payment from operating revenues of the Parking Fund, would necessitate an immediate increase in fees in excess of what the market would bear. The Commission took separate action to approve the Central Garage Loan on November 8, 2000. The current loan balance is \$1,600,000.

The use of pooled reserves, held in the Central Garage Fund, as a source of cash available for Interfund loans is consistent with reserve policies provided:

- a. principle is to be repaid;
- b. interest, equivalent to the investment potential, is paid; and
- c. loan totals are consistent with equipment schedule, cash flow needs.

**Annual Analysis and Release of Surplus Tax Increment Funds:**

The annual analysis of the Urban Renewal Tax Increment Debt Service Fund indicates there is \$1,000,000 in surplus tax increment revenue available for release to the various taxing jurisdictions. The existence of this surplus is proof positive that the use of tax increment financing works to increase the taxable value of areas such as downtown Great Falls. The community benefits from the development activities in the form of infrastructure upgrades and improved aesthetics in a previously blighted area of the community. The willingness of the taxing jurisdictions to forego receipt of incremental tax revenues during the period in which the district exists indicates a commitment to invest in development today in order to increase tax revenues in the future.

When a tax increment district is created, two basic conditions are met:

1. the determination that "but for" tax increment financing, desired development would not occur in the area; and,
2. agreement that local taxing entities will receive the same "base year" level of taxes, but dedicate any incremental tax increases to financing the development of the area.

The FY 2007/2008 surplus release allocation is based upon 2007 mill levies.

	<u>% Share</u>	<u>Surplus Share</u>
City	24.00 %	\$ 239,970
Library	2.01 %	20,050
County	20.06 %	200,550
School	30.30 %	302,970
State (for schools)	<u>23.65 %</u>	<u>236,460</u>
Total	100.00 %	<u>\$ 1,000,000</u>

**Concurrences:** A tax increment surplus release cannot occur unless all reserve requirements contained within the bond resolution are met. An analysis of existing funds, anticipated funds, and the amount of required reserves confirms compliance with the requirements.

**Fiscal Impact:**

Retirement of the Interfund Loan will relieve the Parking Fund of principle and interest payment obligations and thereby make funds available for payment of operation and maintenance expenses within the Parking Fund.

The taxing jurisdictions, including the City, will apply the released surplus funds to needs specific to that governmental entity. For example, in recent years the City has used the surplus release to fund operational expenses of the General Fund.

**Alternatives:**

If repayment of the Interfund Loan is not authorized, the Parking Fund will continue to experience a reduction in fund balance. Annual Parking Fund revenues are not adequate to continue to pay debt service expenses in addition to operating expenses.

The Commission may opt to delay release of surplus funds back to the taxing jurisdictions.

**Attachments/Exhibits:**

1. Tax Increment Surplus – Potential Surplus Analysis
2. Tax Increment Surplus – History of Distributions
3. The Urban Renewal Tax Increment District, Related Debt Financings, and Release of Tax Increment Surplus Funds
4. 2001 South Parking Ramp Financing Structure